

**TAMALPAIS UNION  
HIGH SCHOOL DISTRICT  
AUDIT REPORT  
For the Fiscal Year Ended  
June 30, 2012**



**TAMALPAIS UNION HIGH SCHOOL DISTRICT**  
*For the Fiscal Year Ended June 30, 2012*  
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**TAMALPAIS UNION HIGH SCHOOL DISTRICT**

*For the Fiscal Year Ended June 30, 2012*

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***Financial Section***

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## INDEPENDENT AUDITORS' REPORT

Board of Trustees  
Tamalpais Union High School District  
Larkspur, California

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Tamalpais Union High School District as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Tamalpais Union High School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

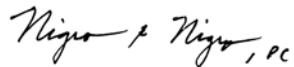
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2011-12*, issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Tamalpais Union High School District as of June 30, 2012 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2012 on our consideration of Tamalpais Union High School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 8 and budgetary comparison information and schedule of funding progress on pages 42 and 43 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Tamalpais Union High School District's financial statements as a whole. The other supplementary information listed in the table of contents, including the Schedule of Expenditures of Federal Awards, which is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



December 14, 2012

**TAMALPAIS UNION HIGH SCHOOL DISTRICT**  
*Management's Discussion and Analysis (Unaudited)*  
*For the Fiscal Year Ended June 30, 2012*

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This discussion and analysis of Tamalpais Union High School District's financial performance provides an overview of the District's financial activities for the fiscal year ended June 30, 2012. Please read it in conjunction with the District's financial statements, which immediately follow this section.

**FINANCIAL HIGHLIGHTS**

- Overall revenues were \$73.9 million, which was \$2.6 million more than expenses.
- The total cost of basic programs was \$71.3 million. Because a portion of these costs was paid for with charges, fees, and intergovernmental aid, the net cost that required taxpayer funding was just \$65.1 million.
- The District's long-term debt decreased by \$5.1 million.
- Second period (P2) average daily attendance (ADA) increased by 24, or 0.7%.

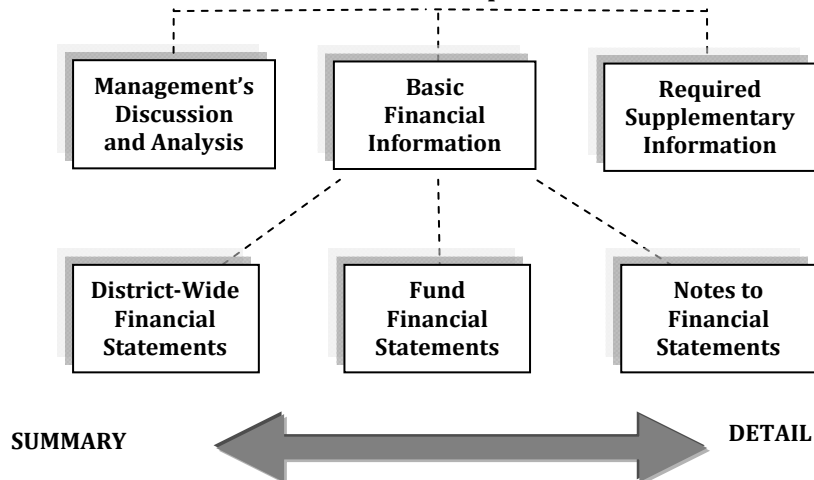
**OVERVIEW OF THE FINANCIAL STATEMENTS**

This annual report consists of three parts – management discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are *district-wide financial statements* that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the District, reporting the District's operations in more detail than the district-wide statements.
  - The *governmental funds* statements tell how basic services like regular and special education were financed in the short term as well as what remains for future spending.
  - Short and long-term financial information about the activities of the District that operate like businesses (self-insurance funds) are provided in the *proprietary funds statements*.
  - *Fiduciary funds* statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others to whom the resources belong.

**Figure A-1. Organization of Tamalpais Union High School District's Annual Financial Report**

The financial statements also include *notes* that explain some of the information in the statements and provide more detailed data. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.





**TAMALPAIS UNION HIGH SCHOOL DISTRICT**  
*Management's Discussion and Analysis (Unaudited)*  
*For the Fiscal Year Ended June 30, 2012*

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**OVERVIEW OF THE FINANCIAL STATEMENTS (continued)**

Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

**Figure A-2. Major Features of the District-Wide and Fund Financial Statements**

<b>Type of Statements</b>	<b>District-Wide</b>	<b>Governmental Funds</b>	<b>Proprietary Funds</b>	<b>Fiduciary Funds</b>
<i>Scope</i>	Entire District, except fiduciary activities	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities of the district that operate like a business, such as self-insurance funds	Instances in which the District administers resources on behalf of someone else, such as scholarship programs and student activities monies
<i>Required financial statements</i>	<ul style="list-style-type: none"> <li>• Statement of Net Assets</li> <li>• Statement of Activities</li> </ul>	<ul style="list-style-type: none"> <li>• Balance Sheet</li> <li>• Statement of Revenues, Expenditures &amp; Changes in Fund Balances</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of Net Assets</li> <li>• Statement of Revenues, Expenses and Changes in Fund Net Assets</li> <li>• Statement of Cash Flows</li> </ul>	<ul style="list-style-type: none"> <li>• Statement of Fiduciary Net Assets</li> <li>• Statement of Changes in Fiduciary Net Assets</li> </ul>
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
<i>Type of asset/liability information</i>	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both short-term and long-term; The district's funds do not currently contain nonfinancial assets, though they can	All assets and liabilities, both short-term and long-term; The District's funds do not currently contain nonfinancial assets, though they can
<i>Type of inflow/outflow information</i>	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All revenues and expenses during the year, regardless of when cash is received or paid

The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

**TAMALPAIS UNION HIGH SCHOOL DISTRICT**  
*Management's Discussion and Analysis (Unaudited)*  
*For the Fiscal Year Ended June 30, 2012*

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**OVERVIEW OF THE FINANCIAL STATEMENTS (continued)**

**District-Wide Statements**

The district-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two district-wide statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – is one way to measure the District's financial health or position.

- Over time, increases and decreases in the District's net assets are an indicator of whether its financial position is improving or deteriorating.
- To assess the overall health of the District, you need to consider additional nonfinancial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.
- In the district-wide financial statements, the District's activities are categorized as *Governmental Activities*. Most of the District's basic services are included here, such as regular and special education, transportation, and administration. Property taxes and state formula aid finance most of these activities.

**Fund Financial Statements**

The fund financial statements provide more detailed information about the District's most significant funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes (like repaying its long-term debt) or to show that it is properly using certain revenues.

The District has three kinds of funds:

- *Governmental funds* – Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, we provide additional information on a separate reconciliation page that explains the relationship (or differences) between them.
- *Proprietary funds* – When the District charges other District funds for the services it provides, these services are reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Assets and Statement of Activities. In fact, the District's internal service fund is included within the governmental activities reported in the district-wide statements but provide more detail and additional information, such as cash flows. The District uses the internal service fund to report activities that relate to the District's self-insured program for liability and property losses.

**TAMALPAIS UNION HIGH SCHOOL DISTRICT**  
*Management's Discussion and Analysis (Unaudited)*  
*For the Fiscal Year Ended June 30, 2012*

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**OVERVIEW OF THE FINANCIAL STATEMENTS (continued)**

- *Fiduciary funds* – The District is the trustee, or fiduciary, for assets that belong to others, namely, the student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. All of the District's fiduciary activities are reported in a separate statement of fiduciary net assets. We exclude these activities from the district-wide financial statements because the District cannot use these assets to finance its operations.

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE**

**Net Assets.** The District's combined net assets were higher on June 30, 2012, than they were the year before – increasing 5.4% to \$50.3 million. (See Table A-1.)

**Table A-1**

	<b>Governmental Activities (In millions)</b>		<b>Variance Increase (Decrease)</b>
	<b>2012</b>	<b>2011*</b>	
Current assets	\$ 54.4	\$ 56.9	\$ (2.5)
Non-current assets	7.8	4.0	3.8
Capital assets	164.8	169.3	(4.5)
<b>Total assets</b>	<b>227.0</b>	<b>230.2</b>	<b>(3.2)</b>
Current liabilities	5.8	6.5	(0.7)
Long-term liabilities	170.9	176.0	(5.1)
<b>Total liabilities</b>	<b>176.7</b>	<b>182.5</b>	<b>(5.8)</b>
Net assets			
Invested in capital assets, net of related debt	6.1	9.8	(3.7)
Restricted	13.9	14.4	(0.5)
Unrestricted	30.3	23.5	6.8
<b>Total net assets</b>	<b>\$ 50.3</b>	<b>\$ 47.7</b>	<b>\$ 2.6</b>

\* As restated

**Changes in net assets, governmental activities.** The District's total revenues decreased 3.2% to \$73.9 million (See Table A-2). The decrease is due primarily to a decline in property taxes levied for debt service on general obligation bonds.

The total cost of all programs and services increased 1.7% to \$71.3 million. The District's expenses are predominantly related to educating and caring for students, 68.7%. The purely administrative activities of the District accounted for just 6.7% of total costs. A significant contributor to the increase in costs was an increase in the cost of instruction.

**Table A-2**

	<b>Governmental Activities (In millions)</b>		<b>Variance Increase (Decrease)</b>
	<b>2012</b>	<b>2011</b>	
Total Revenues	\$ 73.9	\$ 76.3	\$ (2.4)
Total Expenses	71.3	70.1	1.2
Increase (decrease) in net assets	<b>\$ 2.6</b>	<b>\$ 6.2</b>	<b>\$ (3.6)</b>

**TAMALPAIS UNION HIGH SCHOOL DISTRICT**  
*Management's Discussion and Analysis (Unaudited)*  
*For the Fiscal Year Ended June 30, 2012*

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**FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS**

The financial performance of the District as a whole is reflected in its governmental funds as well. As the District completed this year, its governmental funds reported a combined fund balance of \$51.7 million, which is below last year's ending fund balance of \$52.8 million. The primary cause of the decreased fund balance is an increase in instructional costs and a decrease in property taxes levied for debt service on general obligation bonds.

**General Fund Budgetary Highlights**

Over the course of the year, the District revised the annual operating budget several times. The major budget amendments fall into these categories:

- Revenues – increased by \$2.1 million primarily to reflect increased categorical carryover funds.
- Books and supplies expenditures – increased \$2.2 million to re-budget carryover funds

While the District's final budget for the General Fund anticipated expenditures would exceed revenues by about \$1.3 million, the actual results for the year show that revenues exceeded expenditures by roughly \$2.4 million. Actual revenues were \$0.4 million more than anticipated, but expenditures were \$3.3 million less than budgeted. That amount consists primarily of restricted categorical program dollars that were not spent as of June 30, 2012 that will be carried over into the 2012-13 budget.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

By the end of 2011-12 the District had invested \$2.1 million in new capital assets, related to the District's ongoing modernization program. (More detailed information about capital assets can be found in Note 6 to the financial statements). Total depreciation expense for the year exceeded \$6.6 million.

**Table A-3: Capital Assets at Year-End, net of depreciation**

	<b>Governmental Activities</b>		<b>Variance Increase (Decrease)</b>
	<b>(In millions)</b>		
	<b>2012</b>	<b>2011*</b>	
Land	\$ 2.4	\$ 2.4	\$ -
Improvement of sites	54.5	56.7	(2.2)
Buildings	104.9	107.6	(2.7)
Equipment	0.8	0.9	(0.1)
Construction in progress	2.2	1.8	0.4
<b>Total</b>	<b>\$ 164.8</b>	<b>\$ 169.4</b>	<b>\$ (4.6)</b>

\* As restated

The District's fiscal year 2012-13 capital budget projects spending additional money for capital projects, principally for continued District-wide modernization projects.

**TAMALPAIS UNION HIGH SCHOOL DISTRICT**  
*Management's Discussion and Analysis (Unaudited)*  
*For the Fiscal Year Ended June 30, 2012*

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**CAPITAL ASSET AND DEBT ADMINISTRATION (continued)**

**Long-Term Debt**

At year-end the District had \$170.9 million in general obligation bonds, employment benefits, and early retirement incentives – a decrease of \$5.1 million from last year – as shown in Table A-4. (More detailed information about the District's long-term liabilities is presented in Note 8 to the financial statements).

**Table A-4: Outstanding Long-Term Debt at Year-End**

	<b>Governmental Activities</b>		<b>Variance Increase (Decrease)</b>
	<b>(In millions)</b>		
	<b>2012</b>	<b>2011*</b>	
General obligation bonds	\$ 170.5	\$ 175.7	\$ (5.2)
Compensated absences	0.2	0.2	-
Early retirement incentives	0.2	0.1	0.1
<b>Total</b>	<b>\$ 170.9</b>	<b>\$ 176.0</b>	<b>\$ (5.1)</b>

\*As restated

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

In considering the District Budget for the 2012-13 year, the District Board and management used the following criteria:

- Enrollment increased by 94 students
- Increase in Property Tax Revenue 2.0%
- State revenue will equal the constitutional minimum of \$120 per ADA; plus lottery \$141.75 per student. Federal revenue the same as 2011-12.
- No negotiated salary increases are budgeted. Cost of Step & Column is 1.44% for Certificated and 1.80% for Classified; and 0.99% for Administration.
- Health Benefits are budgeted to increase 3.97% effective October 1, 2012. The District has joined a large pool of school districts. This effort should provide rate stability.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Assistant Superintendent, Finance & Facilities, at Tamalpais Union School District, PO Box 605, Larkspur, California 94977, or e-mail at lparrish@tamdistrict.org.

**TAMALPAIS UNION HIGH SCHOOL DISTRICT***Statement of Net Assets**June 30, 2012*

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	<b>Total Governmental Activities</b>
<b>ASSETS</b>	
<b>Current assets:</b>	
Cash	\$ 52,963,685
Accounts receivable	1,401,350
Inventories	11,836
Prepaid expenses	17,260
Total current assets	<u>54,394,131</u>
<b>Non-current assets:</b>	
Deferred charges on refunding	6,080,339
Unamortized debt issuance costs	831,053
Net OPEB asset	23,355
Housing loan	850,000
Total non-current assets	<u>7,784,747</u>
<b>Capital assets:</b>	
Non-depreciable assets	4,656,597
Depreciable assets	224,936,853
Less accumulated depreciation	<u>(64,715,304)</u>
Total capital assets, net of depreciation	<u>164,878,146</u>
Total assets	<u>227,057,024</u>
<b>LIABILITIES</b>	
<b>Current liabilities:</b>	
Accounts payable	5,529,547
Deferred revenue	236,987
Total current liabilities	<u>5,766,534</u>
<b>Long-term liabilities:</b>	
Due within one year	7,898,341
Due after one year	163,039,176
Total long-term liabilities	<u>170,937,517</u>
Total liabilities	<u>176,704,051</u>
<b>NET ASSETS</b>	
Invested in capital assets, net of related debt	6,135,452
Restricted for:	
Capital projects	1,844,416
Debt service	10,707,940
Categorical programs	1,382,292
Unrestricted	<u>30,282,873</u>
Total net assets	<u>\$ 50,352,973</u>

# TAMALPAIS UNION HIGH SCHOOL DISTRICT

## Statement of Activities

For the Fiscal Year Ended June 30, 2012

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	
<b>Governmental Activities</b>				
Instructional Services:				
Instruction	\$ 36,872,423	\$ 226,479	\$ 3,068,051	\$ (33,577,893)
Instruction-Related Services:				
Supervision of instruction	1,118,303	-	-	(1,118,303)
Instructional library, media and technology	1,292,727	-	-	(1,292,727)
School site administration	3,509,239	-	7,266	(3,501,973)
Pupil Support Services:				
Home-to-school transportation	165,244	-	33,001	(132,243)
Food services	1,062,191	519,194	158,559	(384,438)
All other pupil services	4,965,825	-	551,136	(4,414,689)
General Administration Services:				
Data processing services	1,622,014	-	-	(1,622,014)
Other general administration	3,188,913	7,423	214,255	(2,967,235)
Plant services	7,259,473	-	23,056	(7,236,417)
Ancillary services	2,026,078	78,385	156,113	(1,791,580)
Community services	1,055,233	185,584	369,615	(500,034)
Transfers between agencies	768,451	-	-	(768,451)
Interest on long-term debt	2,378,941	-	-	(2,378,941)
Other outgo	4,004,036	194,170	398,485	(3,411,381)
Total Governmental Activities	\$ 71,289,091	\$ 1,211,235	\$ 4,979,537	(65,098,319)
<b>General Revenues:</b>				
Property taxes				65,568,431
Federal and state aid not restricted to specific purpose				1,074,762
Interest and investment earnings				93,971
Interagency revenues				101,101
Miscellaneous				853,006
Total general revenues				67,691,271
Change in net assets				2,592,952
Net assets - July 1, 2011, as originally stated				40,380,210
Adjustment for Restatement				7,379,811
Net assets - July 1, 2011, as restated				47,760,021
Net assets - June 30, 2012				\$ 50,352,973

**TAMALPAIS UNION HIGH SCHOOL DISTRICT**  
*Balance Sheet – Governmental Funds*  
*June 30, 2012*

	General Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash	\$ 26,325,599	\$ 11,842,672	\$ 10,707,940	\$ 4,034,669	\$ 52,910,880
Accounts receivable	1,248,242	-	-	153,108	1,401,350
Due from other funds	90,734	-	-	663,902	754,636
Inventories	-	-	-	11,836	11,836
Prepaid expenditures	17,260	-	-	-	17,260
Total Assets	<u>\$ 27,681,835</u>	<u>\$ 11,842,672</u>	<u>\$ 10,707,940</u>	<u>\$ 4,863,515</u>	<u>\$ 55,095,962</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities</b>					
Accounts payable	\$ 2,276,097	\$ 78,711	\$ -	\$ 98,916	\$ 2,453,724
Due to other funds	663,902	-	-	90,734	754,636
Deferred revenue	217,379	-	-	19,608	236,987
Total Liabilities	<u>3,157,378</u>	<u>78,711</u>	<u>-</u>	<u>209,258</u>	<u>3,445,347</u>
<b>Fund Balances</b>					
Nonspendable	29,286	-	-	12,236	41,522
Restricted	1,317,834	11,763,961	10,707,940	1,908,604	25,698,339
Committed	-	-	-	2,733,417	2,733,417
Assigned	23,177,337	-	-	-	23,177,337
Total Fund Balances	<u>24,524,457</u>	<u>11,763,961</u>	<u>10,707,940</u>	<u>4,654,257</u>	<u>51,650,615</u>
Total Liabilities and Fund Balances	<u>\$ 27,681,835</u>	<u>\$ 11,842,672</u>	<u>\$ 10,707,940</u>	<u>\$ 4,863,515</u>	<u>\$ 55,095,962</u>



# TAMALPAIS UNION HIGH SCHOOL DISTRICT

## Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets June 30, 2012

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**Total fund balances - governmental funds** \$ 51,650,615

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is:

Capital assets	229,593,450	
Accumulated depreciation	<u>(64,715,304)</u>	
Net capital assets		164,878,146

In governmental funds, debt issue costs are recognized as expenditures in the period they are incurred. In the government-wide statements, debt issue costs are amortized over the life of the debt. Unamortized debt issue costs included on the statement of net assets are:

831,053

The housing loan is reported as a non-current asset on the government-wide statements, but is not included in the governmental funds balance sheet as it is not expected to be received in the current period.

850,000

Deferred charges on refunding represent amounts paid to an escrow agent in excess of the outstanding debt at the time of the payment for refunded bonds which have been defeased. In the government-wide statements it is recognized as an asset. The remaining deferred charges on refunding at the end of the period were:

6,080,339

In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred. The additional liability for unmatured interest owing at the end of the period was:

(3,075,823)

In governmental funds, other postemployment benefits (OPEB) costs are recognized as expenditures in the period they are paid. In the government-wide statements, OPEB costs are recognized in the period that they are incurred. The net OPEB asset at the end of the period was:

23,355

Long-term liabilities, including bonds payable, are not due and payable in the current period are therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:

General obligation bonds payable	170,493,414	
Compensated absences payable	184,411	
Early retirement incentives	<u>259,692</u>	
Total		(170,937,517)

Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full cost-recovery basis. Because internal service funds are presumed to operate for the benefit of governmental activities, assets and liabilities of internal service funds are reported with governmental activities in the statement of net assets. Net assets for internal service funds are:

52,805

**Total net assets - governmental activities**

\$ 50,352,973

## TAMALPAIS UNION HIGH SCHOOL DISTRICT

### Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds For the Fiscal Year Ended June 30, 2012

	General Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
Revenue limit sources	\$ 42,866,202	\$ -	\$ -	\$ -	\$ 42,866,202
Federal sources	1,179,763	-	-	197,766	1,377,529
Other state sources	1,233,559	-	78,321	292,325	1,604,205
Other local sources	13,121,469	28,641	13,599,036	1,284,961	28,034,107
Total Revenues	58,400,993	28,641	13,677,357	1,775,052	73,882,043
<b>EXPENDITURES</b>					
Instructional Services:					
Instruction	31,409,325	-	-	223,268	31,632,593
Instruction-Related Services:					
Supervision of instruction	1,038,274	-	-	-	1,038,274
Instructional library, media and technology	1,255,521	-	-	-	1,255,521
School site administration	2,936,218	-	-	373,283	3,309,501
Pupil Support Services:					
Home-to-school transportation	154,744	-	-	-	154,744
Food services	4,673	-	-	1,012,922	1,017,595
All other pupil services	4,711,020	-	-	-	4,711,020
Ancillary services	1,938,669	-	-	-	1,938,669
Community services	236,136	-	-	743,261	979,397
General Administration Services:					
Data processing services	1,565,700	-	-	-	1,565,700
Other general administration	2,906,054	-	-	51,103	2,957,157
Plant services	6,998,323	-	-	146,825	7,145,148
Facility acquisition and construction	39,919	1,333,315	-	339,965	1,713,199
Other outgo:					
Transfers between agencies	768,451	-	-	-	768,451
Debt service - issuance costs	-	271,615	-	-	271,615
Debt service - principal	23,391	-	7,845,000	-	7,868,391
Debt service - interest	1,196	-	6,945,667	-	6,946,863
Total Expenditures	55,987,614	1,604,930	14,790,667	2,890,627	75,273,838
Excess (Deficiency) of Revenues Over (Under) Expenditures	2,413,379	(1,576,289)	(1,113,310)	(1,115,575)	(1,391,795)
<b>OTHER FINANCING SOURCES (USES)</b>					
Interfund transfers in	19,500	-	-	871,706	891,206
Interfund transfers out	(871,706)	-	-	(19,500)	(891,206)
Proceeds from refunding bonds	-	36,460,000	-	-	36,460,000
Premiums on issuance of debt	-	5,546,391	-	-	5,546,391
Transfer to escrow agent for defeased debt	-	(41,734,776)	-	-	(41,734,776)
Total Other Financing Sources and Uses	(852,206)	271,615	-	852,206	271,615
Net Change in Fund Balances	1,561,173	(1,304,674)	(1,113,310)	(263,369)	(1,120,180)
Fund Balances, July 1, 2011	22,963,284	13,068,635	11,821,250	4,917,626	52,770,795
Fund Balances, June 30, 2012	\$ 24,524,457	\$ 11,763,961	\$ 10,707,940	\$ 4,654,257	\$ 51,650,615

**TAMALPAIS UNION HIGH SCHOOL DISTRICT**

*Reconciliation of the Governmental Funds Statement of Revenues, Expenditures,  
and Changes in Fund Balances to the Statement of Activities  
For the Fiscal Year Ended June 30, 2012*

**Total net change in fund balances - governmental funds** \$ (1,120,180)

Amounts reported for governmental *activities* in the statement of activities are different because:

In governmental funds, the costs of capital assets are reported as expenditures in the period when the assets are acquired. In the statement of activities, costs of capital assets are allocated over their estimated useful lives as depreciation expense. The difference between capital outlay expenditures and depreciation expense for the period is:

Expenditures for capital outlay:	2,148,969	
Depreciation expense:	<u>(6,695,139)</u>	
Net:		(4,546,170)

In governmental funds, repayment of principal on long-term liabilities is an expenditure. In the government-wide statements, repayments of debt are reported as reductions of liabilities. Expenditures for repayment of the principal portion of long-term debt were: 45,913,392

In governmental funds, the loss resulting from the disposal of capital assets, which have not yet been fully depreciated, is reported as an expenditure. In the statement of activities, the resulting loss is reported as a reduction to the balance of capital assets. The loss on disposal of capital assets for the current period was: (14,369)

In governmental funds, proceeds from debt are recognized as other financing sources. In the government-wide statements, proceeds from debt are reported as increases to liabilities. Amounts recognized in governmental funds as proceeds from debt, net of issue premium, were: (42,006,391)

Deferred charges on refunding represent amounts paid to an escrow agent in excess of the outstanding debt at the time of the refunded bonds which have been defeased. In governmental funds these charges are recognized as an expenditure. However, in the statement of activities, these amounts are amortized over the life of the refunded debt. The difference between the current year charges and the current year amortization is: 2,991,917

In governmental funds, if debt is issued at a premium, the premium is recognized as an Other Financing Source in the period it is incurred. In the government-wide statements, the premium is amortized as interest over the life of the debt. Premium amortized for the period is: 1,318,043

In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that is incurred. Unmatured interest owing at the end of the period, less matured interest paid during the period but owing from the prior period, was: 257,960

In governmental funds, debt issue costs are recognized as expenditures in the period they are incurred. In the government-wide statements, issue costs are amortized over the life of the debt. The difference between issue costs recognized in the current period and issue costs amortized for the period is: (42,644)

In the statement of activities, certain operating expenses - compensated absences and early retirement incentives for example, are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). The difference between the increase in the liabilities and the actual payments made during the year were: (164,683)

In governmental funds, other postemployment benefits costs are recognized when employer contributions are made. In the statement of activities, OPEB costs are recognized on the accrual basis. This year, the difference between OPEB costs and actual employer contributions was: 1,000

Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full cost-recovery basis. Because internal service funds are presumed to benefit governmental activities, internal service activities are reported as governmental activities in the statement of activities. The net increase in the internal service funds was: 5,077

\$ 2,592,952

**TAMALPAIS UNION HIGH SCHOOL DISTRICT**  
*Statement of Net Assets – Proprietary Fund*  
*June 30, 2012*

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	<b>Governmental Activities Internal Service Fund</b>
<b>ASSETS</b>	
Cash	\$ 52,805
Total Assets	<u>52,805</u>
<b>NET ASSETS</b>	
Restricted	<u>52,805</u>
Total net assets	<u><u>\$ 52,805</u></u>

**TAMALPAIS UNION HIGH SCHOOL DISTRICT**

*Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Fund  
For the Fiscal Year Ended June 30, 2012*

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	<b>Governmental Activities Internal Service Fund</b>
<b>OPERATING REVENUES</b>	
Other local revenues	\$ 5,989
<b>OPERATING EXPENSES</b>	
Services and other operating expenditures	1,000
Operating Income (Loss)	4,989
<b>NON-OPERATING REVENUES</b>	
Interest income	88
Change in Net Assets	5,077
Net Assets, July 1, 2011	47,728
Net Assets, June 30, 2012	\$ 52,805

**TAMALPAIS UNION HIGH SCHOOL DISTRICT**  
*Statement of Cash Flows – Proprietary Fund*  
*For the Fiscal Year Ended June 30, 2012*

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	<b>Governmental Activities</b>
	<b>Internal Service Fund</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash received from other local sources	\$ 30,989
Cash payments for operating expenses	<u>(2,000)</u>
Net cash provided (used) by operating activities	28,989
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest on investments	<u>88</u>
Net increase in cash	29,077
Cash, July 1, 2011	<u>23,728</u>
Cash, June 30, 2012	<u><u>\$ 52,805</u></u>
<b>Reconciliation of operating income to net cash provided (used) by operating activities:</b>	
Operating income (loss)	\$ 4,989
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Changes in assets and liabilities:	
Decrease in due from other funds	25,000
Decrease in accounts payable	<u>(1,000)</u>
Net cash provided (used) by operating activities	<u><u>\$ 28,989</u></u>

**TAMALPAIS UNION HIGH SCHOOL DISTRICT**  
*Statement of Net Assets – Fiduciary Funds*  
*June 30, 2012*

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	<u>Trust Fund</u>	<u>Agency Funds</u>	
	<u>Foundation Private-Purpose Fund</u>	<u>Student Body Funds</u>	<u>Total</u>
<b>Assets</b>			
Cash	\$ 43	\$ 512,659	\$ 512,702
Total assets	<u>43</u>	<u>\$ 512,659</u>	<u>512,702</u>
<b>Liabilities</b>			
Due to student groups	-	\$ 512,659	512,659
Total liabilities	<u>-</u>	<u>\$ 512,659</u>	<u>512,659</u>
<b>Net Assets</b>	<u>\$ 43</u>		<u>\$ 43</u>

**TAMALPAIS UNION HIGH SCHOOL DISTRICT**  
*Statement of Changes in Net Assets – Fiduciary Funds*  
*For the Fiscal Year Ended June 30, 2012*

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	<b>Foundation Private-Purpose Fund</b>
<b>ADDITIONS</b>	
Interest	\$ 43
Total Additions	<u>43</u>
<b>DEDUCTIONS</b>	
Other Expenditures	<u>28,938</u>
Total Deductions	<u>28,938</u>
Change in Net Assets	(28,895)
Net Assets, July 1, 2011	<u>28,938</u>
Net Assets, June 30, 2012	<u><u>\$ 43</u></u>



# TAMALPAIS UNION HIGH SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2012

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### NOTE 1 - 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 (AICPA).

#### B. Reporting Entity

The District operates under a locally elected five-member Board form of government and provides educational services to grades 9-12 as mandated by the State. A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments, and agencies that are not legally separate from the District. For the District, this includes general operations, food service, and student related activities.

Component units are legally separate organizations for which the District is financially accountable. Component units may also include organizations that are fiscally dependent on the District in that the District approves their budget, the issuance of their debt or the levying of their taxes. In addition, component units are other legally separate organizations for which the District is not financially accountable but the nature and significance of the organization's relationship with the District is such that exclusion would cause the District's financial statements to be misleading or incomplete. The District has no such component units.

#### C. Basis of Presentation

##### Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the District.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the fiduciary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements, therefore, include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for the governmental funds.

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, payables, and receivables. All internal balances in the Statement of Net Assets and Statement of Activities have been eliminated, including due to/from other funds and transfers in/out.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each function or program of the District's governmental activities. Direct expenses are those that are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. The District does not allocate indirect expenses to functions in the statement of activities. Program revenue includes charges paid by the recipients of goods or services offered by a program, as well as grants and contributions that are restricted to meet the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the District, with certain exceptions. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the District.

# TAMALPAIS UNION HIGH SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2012

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### NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

#### C. Basis of Presentation (continued)

##### **Fund Financial Statements**

Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major governmental fund is presented in a separate column, and all non-major funds are aggregated into one column. Fiduciary funds are reported by fund type.

The accounting and financial treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balances for these funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

All proprietary fund types are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the proprietary fund's Statement of Fund Net Assets. The Statement of Revenues, Expenses, and Changes in Fund Net Assets for proprietary funds presents increases (i.e., revenues) and decreases (i.e., expenditures) in net total assets. The statement of cash flows provides information about how the District finances and meets the cash flows needs of its proprietary activities.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the internal service fund are charges to other funds for self-insurance costs. Operating expenses for the internal service fund include the costs of claims related to self-insurance.

Fiduciary funds are reported using the economic resources measurement focus. Fiduciary funds are excluded from the government-wide financial statements because they do not represent resources of the District.

#### D. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Fiduciary funds use the accrual basis of accounting.

##### **Revenues – exchange and non-exchange transactions**

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded under the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. "Available" means the resources will be collected within the current fiscal year and are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the District, "available" means collectible within the current period or within 60 days after year-end.

# TAMALPAIS UNION HIGH SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2012

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### NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

#### D. Basis of Accounting (continued)

##### Revenues – exchange and non-exchange transactions (continued)

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, grants, and entitlements. Under the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from the grants and entitlements is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are to be used or the fiscal year when use is first permitted; matching requirements, in which the District must provide local resources to be used for a specific purpose; and expenditure requirements, in which the resources are provided to the District on a reimbursement basis. Under the modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

##### Deferred Revenue

Deferred revenue arises when assets are received before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are met are recorded as deferred revenue. On governmental fund financial statements, receivables associated with non-exchange transactions that will not be collected within the availability period would be recorded as deferred revenue.

##### Expenses/Expenditures

On the accrual basis of accounting, expenses are recognized at the time a liability is incurred. On the modified accrual basis of accounting, expenditures are generally recognized in the accounting period in which the related fund liability is incurred, as under the accrual basis of accounting. However, under the modified accrual basis of accounting, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Allocations of cost, such as depreciation and amortization, are not recognized in the governmental funds.

#### E. Fund Accounting

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

##### Governmental Fund Type Definitions

Governmental fund types include the General Fund, Special Revenue Funds, Capital Projects Funds, Debt Service Funds, and Permanent Funds.

**General Fund:** This fund is used to account for and report all financial resources not accounted for and reported in another fund.

# TAMALPAIS UNION HIGH SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2012

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### NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

#### E. Fund Accounting (continued)

**Special Revenue Funds:** These funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specific purposes other than debt service or capital projects. The term *proceeds of specific revenue sources* establishes that one or more specific restricted or committed revenues should be the foundation for a special revenue fund. Those specific restricted or committed revenues may be initially received in another fund and subsequently distributed to a special revenue fund. The restricted or committed proceeds of specific revenue sources are expected to continue to comprise a substantial portion of the inflows reported in the fund. Other resources (investment earnings and transfers from other funds, for example) also may be reported in the fund if those resources are restricted, committed, or assigned to the specific purpose of the fund.

**Capital Projects Funds:** These funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets. Capital projects funds exclude those types of capital-related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations, or other governments.

**Debt Service Funds:** These funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest on long-term debt.

**Permanent Funds:** These funds should be used to account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs - that is, for the benefit of the government or its citizenry. Permanent funds do not include private-purpose trust funds, which should be used to report situations in which the government is required to use the principal or earnings for the benefit of individuals, private organizations, or other governments.

#### Major Governmental Funds

The District maintains the following major governmental funds:

**General Fund:** This fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund. The District also maintains a Special Reserve Fund for Other Than Capital Outlay Projects, which is not substantially composed of restricted or committed revenue sources. Because this fund does not meet the definition of a special revenue fund under GASB 54, the activity in the fund is being reported within the General Fund.

**Building Fund:** This fund is used to account for the acquisition of major governmental capital facilities and buildings from the sale of general obligation bonds.

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

# TAMALPAIS UNION HIGH SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2012

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### NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

#### E. Fund Accounting (continued)

##### Non-Major Governmental Funds

The District maintains the following non-major governmental funds:

##### Special Revenue Funds:

**Adult Education Fund:** This fund is used to account for resources committed to adult education programs maintained by the District.

**Cafeteria Fund:** This fund is used to account for revenues received and expenditures made to operate the District's food service operations.

**Deferred Maintenance Fund:** This fund is used to account for resources committed to major repair or replacement of District property.

**Foundation Special Revenue Fund:** This fund is used to account for resources received from local donations.

##### Capital Projects Fund:

**Special Reserve Fund for Capital Outlay Projects:** This fund is used to account for funds set aside for Board designated construction projects.

##### Proprietary Funds

Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position, and cash flows. The District applies all GASB pronouncements, as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. Proprietary funds are classified as enterprise or internal service. The District has the following proprietary fund:

**Internal Service Funds:** The funds are used to account for services rendered on a cost-reimbursement basis within the District. The District maintains one internal service fund, the Self-Insurance Fund, which is used to account for resources committed to the District's self-insured property and liability insurance program.

##### Fiduciary Funds

Fiduciary fund reporting focuses on net assets and changes in net assets. Fiduciary funds are used to report assets held in a trustee or agency capacity for others and therefore cannot be used to support the District's own programs. The fiduciary fund category includes pension (and other employee benefit) trust funds, investment trust funds, private-purpose trust funds, and agency funds. The District maintains the following fiduciary funds:

**Agency Funds:** The District maintains a separate agency fund for each school that operates an Associated Student Body (ASB) Fund, whether it is organized or not.

**Trust Funds:** The funds are used to account for the assets held by the District under a trust agreement for individuals, private organizations, or other governments and are, therefore, not available to support the District's own programs. The District's trust fund is the Foundation Private-Purpose Trust fund.

# TAMALPAIS UNION HIGH SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2012

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### NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

#### F. Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all government funds. By state law, the District's governing board must adopt a 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 during the year to give consideration to unanticipated income and expenditures. The original and the final revised budgets are presented for the General Fund in the required supplementary information section.

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.

#### G. 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 as of June 30.

#### H. Assets, Liabilities, and Equity

##### 1. Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. Cash held in the county treasury is recorded at cost, which approximates fair value, in accordance with GASB Statement No. 31.

##### 2. Stores Inventories

Inventories in the Cafeteria Fund are recorded using the purchases method in that the cost is recorded as an expenditure at the time the individual inventory items are purchased. Inventories are valued at average cost and consist 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.

##### 3. Capital Assets

The accounting and reporting treatment applied to the capital assets associated with a fund is determined by its measurement focus. Capital assets are reported in the government-wide statement of net assets, but are not reported in the fund financial statements.

Capital assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated fixed assets are recorded at their fair market values as of the date received. The District maintains a capitalization threshold of \$5,000. The District does not own any infrastructure as defined in GASB No. 34. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized.

**TAMALPAIS UNION HIGH SCHOOL DISTRICT**

*Notes to Financial Statements*

*June 30, 2012*

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**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)**

**H. Assets, Liabilities, and Equity (continued)**

**3. Capital Assets (continued)**

All reported capital assets, except for land and construction in progress, are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Estimated Lives</u>
Buildings and Improvements	20-50 years
Furniture and Equipment	2-15 years
Vehicles	7 years

**4. Deferred Revenue**

Cash received for federal and state special projects and programs is recognized as revenue to the extent that qualified expenditures have been incurred. Deferred revenue is recorded to the extent cash received on specific projects and programs exceed qualified expenditures.

**5. Compensated Absences**

Accumulated unpaid vacation benefits are accrued as a liability on the government-wide statement of net assets as the benefits are earned. For governmental funds, unpaid compensated absences are recognized as a fund liability only upon the occurrence of relevant events such as employee resignation and retirements that occur prior to year end that have not yet been paid with expendable available financial resources. These amounts are recorded as accounts payable in the fund from which the employees who have accumulated leave are paid.

Accumulated sick leave benefits are not recognized as liabilities of the District. The District's policy is to record sick leave as an operating expense in the period taken because such benefits do not vest, nor is payment probable; however, unused sick leave is added to the creditable service period for calculation of retirement benefits when the employee retires.

**6. Long-Term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Assets. Bond premiums and discounts as well as issuance costs are deferred and amortized over the life of the bonds using the effective-interest method. Bonds payable are reported net of applicable bond premium or discount. Bond issuance costs are reported as prepaid expenditures and amortized over the term of the related debt.

In the fund financial statements, governmental funds recognize bond premiums and discounts as well as bond issuance costs, during the current period. The face amount of the debt issued, premiums, or discounts is reported as other financing sources/uses.

**7. Fund Balance Classifications**

Fund balance reporting for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the District is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Some governments may not have policies or procedures that are comparable to those policies that underlie these fund balance classifications and therefore would not report amounts in all possible fund balance classifications.

# TAMALPAIS UNION HIGH SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2012

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### NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

#### H. Assets, Liabilities, and Equity (continued)

##### 7. Fund Balance Classifications (continued)

**Nonspendable:** The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example, revolving cash, inventories, and prepaid amounts.

**Restricted:** Fund balances should be reported as restricted when constraints placed on the use of resources are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

**Committed:** Amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government’s highest level of decision-making authority should be reported as committed fund balance. Those committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of action it employed to previously commit those amounts.

**Assigned:** Amounts that are constrained by the government’s intent to be used for specific purposes, but are neither restricted nor committed, should be reported as assigned fund balance. Under the District’s policy, only the governing board, the superintendent, or the chief business official may assign amounts for a specific purpose.

**Unassigned:** Unassigned fund balance is the residual classification for the General Fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund. This classification also includes the Reserve for Economic Uncertainties (REU).

##### 8. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvements of those assets. Net assets are reported as restricted when there are limitations imposed on their use through external restrictions imposed by donors, grantors, or laws or regulations of other governments.

#### I. Property Tax

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



**TAMALPAIS UNION HIGH SCHOOL DISTRICT**

*Notes to Financial Statements*

June 30, 2012

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**NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)**

**J. Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

**K. New GASB Pronouncements**

During the 2011-12 fiscal year, the following GASB Pronouncements became effective for the District:

**GASB Statement No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans:** The objective of this Statement is to address issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in the multiple-employer other postemployment benefit (OPEB) plans. This Statement is not expected to affect the District.

**GASB Statement No. 64, Derivative Instruments: Application of Hedge Accounting Termination Provisions - An Amendment of GASB Statement No. 53:** The objective of this Statement is to clarify whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. This Statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. This Statement is not expected to affect the District.

**NOTE 2 - CASH**

Cash at June 30, 2012 is reported at fair value and consisted of the following:

	Governmental Activities			Fiduciary Funds
	Governmental Funds	Proprietary Fund	Total	
Pooled Funds:				
Cash in county treasury	\$ 52,850,184	\$ 52,805	\$ 52,902,989	\$ 43
Deposits:				
Cash on hand and in banks	48,270	-	48,270	512,659
Cash in revolving fund	12,426	-	12,426	-
Total Deposits	60,696	-	60,696	512,659
Total Cash	\$ 52,910,880	\$ 52,805	\$ 52,963,685	\$ 512,702

**Pooled Funds**

In accordance with Education Code Section 41001, the District maintains substantially all of its cash in the County Treasury. The County pools and invests the cash. These pooled funds are carried at cost which approximates fair value. Interest earned is deposited annually to participating funds. Any investment losses are proportionately shared by all funds in the pool.

# TAMALPAIS UNION HIGH SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2012

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### NOTE 2 – CASH (continued)

#### Pooled Funds (continued)

Because the District's deposits are maintained in a recognized pooled investment fund under the care of a third party and the District's share of the pool does not consist of specific, identifiable investment securities owned by the District, no disclosure of the individual deposits and investments or related custodial credit risk classifications is required.

In accordance with applicable state laws, the County Treasurer may invest in derivative securities with the State of California. However, at June 30, 2012, the County Treasurer has represented that the Pooled Investment Fund contained no derivatives or other investments with similar risk profiles.

#### Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. Deposits held in noninterest bearing transaction accounts are fully insured regardless of the amount in the account through December 31, 2012, and other cash balances held in banks are insured up to \$250,000 by the Federal Depository Insurance Corporation (FDIC) and are collateralized by the respective financial institutions. In addition, the California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits.

As of June 30, 2012, \$136,814 of the District's bank balance was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agency, but not in the name of the District.

### NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2012 consisted of the following:

	General Fund	Non-Major Governmental Funds	Totals
Federal Government:			
Categorical aid programs	\$ 248,565	\$ 76,884	\$ 325,449
State Government:			
Lottery	103,681	-	103,681
Categorical aid programs	588,060	-	588,060
Local:			
Special education	42,229	-	42,229
Other postemployment benefits	108,937	4,111	113,048
Miscellaneous	156,770	72,113	228,883
Total	<u>\$ 1,248,242</u>	<u>\$ 153,108</u>	<u>\$ 1,401,350</u>

**TAMALPAIS UNION HIGH SCHOOL DISTRICT**

*Notes to Financial Statements*

June 30, 2012

**NOTE 4 - INTERFUND TRANSACTIONS**

Interfund activity is reported as loans, services provided, reimbursements, or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers among governmental or proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

**A. Due From/Due To Other Funds**

Individual interfund receivable and payable balances as of June 30, 2012 were as follows:

	Due From Other Funds		
	General Fund	Non-Major Governmental Funds	Total
General Fund	\$ -	\$ 663,902	\$ 663,902
Non-Major Governmental Funds	90,734	-	90,734
<b>Total</b>	<b>\$ 90,734</b>	<b>\$ 663,902</b>	<b>\$ 754,636</b>
General Fund due to Adult Education Fund for lottery			\$ 98,404
General Fund due to Adult Education Fund for Community Education contribution			79,760
General Fund due to Deferred Maintenance Fund for district match			200,000
General Fund due to Special Reserve Fund for Capital Outlay Projects for technology server, copier, and equipment updates			270,000
General Fund due to Cafeteria Fund to reimburse for the purchase of point of sale machines			15,738
Adult Education Fund due to General fund for indirect charges			70,603
Cafeteria Fund due to General Fund for contribution			20,131
<b>Total</b>			<b>\$ 754,636</b>

**B. Interfund Transfers**

Interfund transfers consist of operating transfers from funds receiving resources to funds through which the resources are to be expended.

Interfund transfers for the 2011-12 fiscal year were as follows:

	Interfund Transfer In		
	General Fund	Non-Major Governmental Funds	Total
General Fund	\$ -	\$ 871,706	\$ 871,706
Non-Major Governmental Funds	19,500	-	19,500
<b>Total</b>	<b>\$ 19,500</b>	<b>\$ 871,706</b>	<b>\$ 891,206</b>
General Fund transfer to Adult Education Fund for Community Education contribution			79,759
General Fund transfer to Cafeteria Fund for contribution			321,947
General Fund transfer to Deferred Maintenance Fund for district match			200,000
General Fund transfer to Special Reserve Fund for Capital Outlay Projects for technology, server, copier, and equipment			270,000
Adult Education Fund transfer to General Fund for contribution			19,500
<b>Total</b>			<b>\$ 891,206</b>

# TAMALPAIS UNION HIGH SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2012

### NOTE 5 – FUND BALANCES

#### Minimum Fund Balance Policy

During the 2010-11 fiscal year, pursuant to GASB Statement No.54, the District adopted a minimum fund balance policy for the General Fund in order to protect the District against revenue shortfalls or unpredicted expenditures. The policy requires a Reserve for Economic Uncertainties consisting of unassigned amounts equal to no less than three percent of total General Fund expenditures and other financing uses.

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

At June 30, 2012, fund balances of the District’s governmental funds were classified as follows:

	General Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total
<b>Nonspendable:</b>					
Revolving cash	\$ 12,026	\$ -	\$ -	\$ 400	\$ 12,426
Prepaid expenditures	17,260	-	-	11,836	29,096
Total Nonspendable	<u>29,286</u>	<u>-</u>	<u>-</u>	<u>12,236</u>	<u>41,522</u>
<b>Restricted:</b>					
Categorical programs	1,317,834	-	-	64,188	1,382,022
Capital projects	-	11,763,961	-	1,844,416	13,608,377
Debt service	-	-	10,707,940	-	10,707,940
Total Restricted	<u>1,317,834</u>	<u>11,763,961</u>	<u>10,707,940</u>	<u>1,908,604</u>	<u>25,698,339</u>
<b>Committed:</b>					
Adult education program	-	-	-	1,149,925	1,149,925
Deferred maintenance program	-	-	-	1,583,492	1,583,492
Total Committed	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,733,417</u>	<u>2,733,417</u>
<b>Assigned:</b>					
Prior year designations to cover future deficit	2,519,948	-	-	-	2,519,948
Economic uncertainty - Basic Aid	16,650,932	-	-	-	16,650,932
Economic uncertainty - 3% required	1,705,780	-	-	-	1,705,780
Carryover	1,085,792	-	-	-	1,085,792
Other designations	1,214,885	-	-	-	1,214,885
Total Assigned	<u>23,177,337</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>23,177,337</u>
<b>Total</b>	<u><b>\$ 24,524,457</b></u>	<u><b>\$ 11,763,961</b></u>	<u><b>\$ 10,707,940</b></u>	<u><b>\$ 4,654,257</b></u>	<u><b>\$ 51,650,615</b></u>

**TAMALPAIS UNION HIGH SCHOOL DISTRICT**  
*Notes to Financial Statements*  
 June 30, 2012

**NOTE 6 – CAPITAL ASSETS AND DEPRECIATION**

Capital asset activity for the year ended June 30, 2012 is shown below:

	Original Balance, July 1, 2011	Adjustment for Restatement	Restated Balance, July 1, 2011	Additions	Retirements	Balance, June 30, 2012
Capital assets not being depreciated:						
Land	\$ 2,409,145	\$ -	\$ 2,409,145	\$ -	\$ -	\$ 2,409,145
Construction in progress	2,064,607	(306,141)	1,758,466	1,472,448	983,462	2,247,452
Total capital assets not being depreciated	4,473,752	(306,141)	4,167,611	1,472,448	983,462	4,656,597
Capital assets being depreciated:						
Improvement of sites	92,056,983	(19,846,639)	72,210,344	61,822	-	72,272,166
Buildings	127,025,126	21,351,654	148,376,780	1,437,159	-	149,813,939
Equipment	2,772,231	26,436	2,798,667	161,002	108,921	2,850,748
Total capital assets being depreciated	221,854,340	1,531,451	223,385,791	1,659,983	108,921	224,936,853
Accumulated depreciation for:						
Improvement of sites	(17,594,444)	2,113,623	(15,480,821)	(2,315,248)	-	(17,796,069)
Buildings	(38,503,558)	(2,212,748)	(40,716,306)	(4,189,130)	-	(44,905,436)
Equipment	(1,994,372)	76,782	(1,917,590)	(190,761)	(94,552)	(2,013,799)
Total accumulated depreciation	(58,092,374)	(22,343)	(58,114,717)	(6,695,139)	(94,552)	(64,715,304)
Total capital assets being depreciated, net	163,761,966	1,509,108	165,271,074	(5,035,156)	14,369	160,221,549
Governmental activity capital assets, net	\$ 168,235,718	\$ 1,202,967	\$ 169,438,685	\$ (3,562,708)	\$ 997,831	\$ 164,878,146

Depreciation expense was charged as a direct expense to the following functions:

Instruction	\$ 5,214,738
Instructional Supervision and Administration	80,038
Instructional Library, Media and Technology	37,238
School Site Administration	216,941
Home-to-School Transportation	10,500
Food Services	44,621
All Other Pupil Services	254,884
Ancillary Services	93,212
Community Services	75,844
All Other General Administration	210,277
Centralized Data Processing	77,803
Plant Services	379,043
Total Depreciation Expense	<u>\$ 6,695,139</u>

**NOTE 7 - TAX ANTICIPATION NOTES**

On July 19, 2011, the board approved Tax Anticipation Notes not to exceed \$10,000,000 from funds in custody of the Treasurer of the County of Marin for meeting obligations incurred for maintenance purposes for the 2011-12 fiscal year.

# TAMALPAIS UNION HIGH SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2012

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### NOTE 8 – GENERAL LONG-TERM DEBT

A schedule of changes in long-term debt for the year ended June 30, 2012 is shown below.

	Balance, July 1, 2011*	Additions	Deductions	Balance, June 30, 2012	Amount Due Within One Year
General Obligation Bonds:					
Principal Payments	\$ 167,530,000	\$ 36,460,000	\$ 45,890,000	\$ 158,100,000	\$ 6,885,000
Unamortized Issuance Premium	8,165,066	5,546,391	1,318,043	12,393,414	753,649
Total General Obligation Bonds	<u>175,695,066</u>	<u>42,006,391</u>	<u>47,208,043</u>	<u>170,493,414</u>	<u>7,638,649</u>
Capital Lease	23,392	-	23,392	-	-
Compensated Absences	172,185	12,226	-	184,411	-
Early Retirement Incentives	107,235	259,692	107,235	259,692	259,692
Totals	<u>\$ 175,997,878</u>	<u>\$ 42,278,309</u>	<u>\$ 47,338,670</u>	<u>\$ 170,937,517</u>	<u>\$ 7,898,341</u>

\* As restated to remove \$3,088,422 of deferred charges, which are now included as part of non-current assets on the Statement of Net Assets.

#### A. General Obligation Bonds

##### Election of 2001

An election was held on March 6, 2001, at which more than two-thirds of the voters in the District authorized the issuance and sale of \$121 million of general obligation bonds. The bonds are general obligations of the District, and the County is obligated to annually levy ad valorem taxes for the payment of, the interest on, and the principal of the bonds. Bond proceeds were used to enhance the quality of education through facility modernization and technology upgrades; ensure safety for students, staff, and community users; remove asbestos; renovate and build classrooms and student facilities; replace inadequate electrical, roofing, heating/ventilation and plumbing; improve disabled access and earthquake safety, and rehabilitate athletic facilities.

##### Election of 2006

An election was held on June 6, 2006, at which time more than fifty-five percent of the voters in the District authorized the issuance and sale of \$79.9 million of general obligation bonds. The bonds are general obligations of the District, and the County is obligated to annually levy ad valorem taxes for the payment of, the interest on, and the principal of the bonds. Bond proceeds were used complete District-wide facility modernization program, including technology upgrades and classroom renovation and reconstruction, and bring all facilities up to District standards.

##### 2010 General Election Obligation Refunding Bonds

On June 24, 2010, the District issued \$48,210,000 of 2010 General Obligation Refunding Bonds. The bonds consist of serial bonds bearing fixed rates ranging from 0.5% to 5.0% with annual maturities from February 2012 through August 2027. The net proceeds of \$54,190,245 (after issuance and underwriters discount costs of \$331,724, plus premium of \$6,119,129) were used to advance refund \$14,220,000 of the District's Election of 2001 General Obligation Bonds and \$37,250,000 of the Election of 2002 General Obligation Bonds, in addition to paying the costs of issuance associated with the refunding bonds.

The net proceeds were used to purchase U.S. government securities. Those securities were deposited into an irrevocable trust with an escrow agent to provide for future debt service payments on the refunded bonds. As a result, the refunded bonds are considered to be defeased, and the related liability for the bonds has been removed from the District's liabilities.

# TAMALPAIS UNION HIGH SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2012

### NOTE 8 – GENERAL LONG-TERM DEBT (continued)

#### A. General Obligation Bonds (continued)

##### 2010 General Election Obligation Refunding Bonds (continued)

Amounts paid to the refunded bond escrow agent in excess of the outstanding debt at the time of payment are recorded as deferred charges on refunding on the statement of net assets and are amortized to interest expense over the life of the liability. Deferred charges on refunding of \$2,916,843 remain to be amortized. As of June 30, 2012, the principal balance outstanding on the defeased debt amounted to \$51,470,000.

##### 2011 General Election Obligation Refunding Bonds

On December 7, 2011, the District issued \$36,460,000 of 2011 General Obligation Refunding Bonds. The bonds consist of serial bonds bearing fixed rates ranging from 2.0% to 5.0% with annual maturities from February 2012 through August 2028. The net proceeds of \$41,734,776 (after issuance and underwriters discount costs of \$271,616, plus premium of \$5,546,391) were used to advance refund \$39,665,000 of the District's Election of 2001 Series 2004 General Obligation Bonds, in addition to paying the costs of issuance associated with the refunding bonds.

The net proceeds were used to purchase U.S. government securities. Those securities were deposited into an irrevocable trust with an escrow agent to provide for future debt service payments on the refunded bonds. As a result, the refunded bonds are considered to be defeased, and the related liability for the bonds has been removed from the District's liabilities.

Amounts paid to the refunded bond escrow agent in excess of the outstanding debt at the time of payment are recorded as deferred charges on refunding on the statement of net assets and are amortized to interest expense over the life of the liability. Deferred charges on refunding of \$3,163,496 remain to be amortized. As of June 30, 2012, the principal balance outstanding on the defeased debt amounted to \$38,045,000. The refunding decreased the District's total debt service payments by \$609,184. The transaction resulted in an economic gain (difference between the present value of the debt service on the old and the new bonds) of \$4,282,544.

A summary of outstanding general obligation bonds issued is presented below:

Series	Issue Date	Maturity Date	Interest Rate	Original Issue	Balance, July 1, 2011	Additions	Deductions	Balance, June 30, 2012
2001	7/18/2001	8/1/2026	3.375% - 5.50%	\$ 20,820,000	\$ 760,000	\$ -	\$ 760,000	\$ -
2002	7/30/2002	8/1/2027	3.00% - 6.00%	49,580,000	1,590,000	-	1,590,000	-
2004	5/13/2004	8/1/2028	4.50% - 5.50%	50,600,000	43,100,000	-	39,665,000	3,435,000
2006	8/22/2006	8/1/2031	4.00%-5.25%	79,920,000	73,870,000	-	2,180,000	71,690,000
2010 Ref.	6/24/2010	8/1/2027	0.50%-5.00%	48,210,000	48,210,000	-	1,200,000	47,010,000
2011 Ref.	12/7/2011	8/1/2028	2.00%-5.00%	36,460,000	-	36,460,000	495,000	35,965,000
				<u>\$ 285,590,000</u>	<u>\$ 167,530,000</u>	<u>\$ 36,460,000</u>	<u>\$ 45,890,000</u>	<u>\$ 158,100,000</u>

# TAMALPAIS UNION HIGH SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2012

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### NOTE 8 – GENERAL LONG-TERM DEBT (continued)

#### A. General Obligation Bonds (continued)

The annual requirements to amortize all general obligation bonds payable outstanding as of June 30, 2012 are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012-13	\$ 6,885,000	\$ 7,619,563	\$ 14,504,563
2013-14	7,680,000	6,876,550	14,556,550
2014-15	6,680,000	6,602,150	13,282,150
2015-16	7,070,000	6,323,294	13,393,294
2016-17	7,340,000	6,018,775	13,358,775
2017-22	38,460,000	24,810,025	63,270,025
2022-27	50,460,000	14,220,988	64,680,988
2027-32	33,525,000	3,282,344	36,807,344
Total	<u>\$ 158,100,000</u>	<u>\$ 75,753,689</u>	<u>\$ 233,853,689</u>

#### B. Retirement Incentive

##### Management

Members of management shall be eligible to receive a block incentive payment equal to 20% of their final year's salary, limited to a maximum payment of \$20,000, if they meet the following:

- Hired before January 1, 2000, have reached age 55 and have served in an administrative capacity in the District for five or more years
- Hired after January 1, 2000, have reached age 55 and have served in an administrative capacity in the District for ten or more years

Members of Management who have reached age 55 and have served in the District for ten or more years, with the five years immediately prior to retirement from the District in an administrative shall be eligible to receive a block incentive payment equal to 16% of their final year's salary.

##### Teachers

Unit members of Tamalpais Federation of Teachers who are at least age 55 and whose full-time equivalent (FTE) is 1.0 shall be eligible to receive a base block incentive grant of \$12,000 effective until June 30, 2012. Beginning July 1, 2012, unit members of Tamalpais Federation of Teachers who are at least 60 and whose FTE is 1.0 shall be eligible to receive a base block incentive grant of \$24,000. The block grant incentive shall be prorated for part-time members based on their average FTE over the last five years of service, excluding full-time leaves of absence.

##### Classified

Unit members of the California School Employees Association shall be eligible to receive a block incentive grant equal to 20% of their final year's base salary, including the greater of longevity or \$5,000, if they meet the following:

- Unit member is at least age 55 and have served in the District for at least ten, excluding unpaid leave of absence,
- Unit member must submit their resignation and retire from service.

The accumulated future liability for the District at June 30, 2012 amounts to \$259,692 and is due to be paid in full by January 15, 2013.



## TAMALPAIS UNION HIGH SCHOOL DISTRICT

### Notes to Financial Statements

June 30, 2012

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#### NOTE 9 - JOINT VENTURES

The Tamalpais Union High School District participates in a joint venture under a joint powers agreement (JPA), the Marin Schools Insurance Authority (MSIA). The relationship between the Tamalpais Union High School District and the JPA is such that the JPA is not a component unit of the District for financial reporting purposes.

The JPA arranges for and provide workers' compensation, property and liability and health insurance for its member school districts. The JPA is governed by a board consisting of a representative from each member district. The governing board controls the operations of the JPA independent of any influence by the member districts beyond their representation on the governing board. Each member district pays a premium commensurate with the level of coverage requested and shares surpluses and deficits proportionately to its participation in the JPA.

Condensed audited financial information for the year ended June 30, 2012 is as follows:

	<u>MSIA</u>
Assets	\$ 22,212,830
Liabilities	17,581,238
Net Assets	<u>\$ 4,631,592</u>
Revenues	\$ 8,754,806
Expenses	<u>13,398,359</u>
Operating Income (Loss)	(4,643,553)
Non-Operating Income	84,746
Change in Net Assets	<u>\$ (4,558,807)</u>

#### NOTE 10 - COMMITMENTS AND CONTINGENCIES

##### A. State and Federal Allowances, Awards, and Grants

The District has received state and federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, it is believed that any required reimbursement will not be material.

##### B. Construction Commitments

At June 30, 2012, the District had commitments with respect to unfinished capital projects of approximately \$157,066 to be paid from the 2006 general obligation bond and approximately \$2.5 million to be paid from the 2001 general obligation bond.

##### C. Litigation

The District is involved in certain legal matters that arose out of the normal course of business. The District has not accrued liability for any potential litigation against it because it does not meet the criteria to be considered a liability at June 30, 2012.

# TAMALPAIS UNION HIGH SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2012

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### NOTE 11 - RISK MANAGEMENT

#### Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2012, the District participated in the MSIA public entity risk pool for property and liability insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

#### Workers' Compensation

For fiscal year 2012, the District participated in the MSIA public entity risk pool for workers compensation, with excess commercial coverage provided by the Schools Excess Liability Fund (SELF) public entity risk pool.

#### Employee Medical Benefits

The District has contracted with Self-Insured Schools of California to provide employee medical benefits through Kaiser and Blue Shield. Additional dental and vision benefits are provided through the MSIA public entity risk pool.

### NOTE 12 - EMPLOYEE RETIREMENT PLANS

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

#### Plan Description and Provisions

##### Public Employees' Retirement System (PERS)

#### Plan Description

The District contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the Public Employees' Retirement Law. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the comprehensive annual financial report may be obtained from the CalPERS Executive Office, 400 Q Street, Sacramento, California 95811.

#### Funding Policy

Active plan members are required to contribute 7.0% of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution for fiscal year 2011-12 was 10.923%. The contribution requirements of the plan members are established by State statute. The District's contributions to CalPERS for the last three fiscal years were as follows:

	Contribution	Percent of Required Contribution
2011-12	\$ 1,496,672	100%
2010-11	\$ 1,469,532	100%
2009-10	\$ 1,528,934	100%

# TAMALPAIS UNION HIGH SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2012

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### NOTE 12 - EMPLOYEE RETIREMENT PLANS (continued)

#### State Teachers' Retirement System (STRS)

##### Plan Description

The District contributes to the California State Teachers' Retirement System (CalSTRS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalSTRS. 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. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the comprehensive annual financial report may be obtained from CalSTRS, 100 Waterfront Place, West Sacramento, California 95605, or at [www.calstrs.com](http://www.calstrs.com).

##### Funding Policy

Active plan members are required to contribute 8.0% of their salary. The required employer contribution rate for fiscal year 2011-12 was 8.25% of annual payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to STRS for the last three fiscal years were as follows:

	<u>Contribution</u>	<u>Percent of Required Contribution</u>
2011-12	\$ 2,133,642	100%
2010-11	\$ 2,097,218	100%
2009-10	\$ 2,125,825	100%

##### On-Behalf Payments

The District was the recipient of on-behalf payments made by the State of California to STRS for K-12 education. These payments consist of state General Fund contributions of approximately \$1.1 million to STRS (4.267% of salaries subject to STRS in 2011-12).

### NOTE 13 - HOUSING LOAN

In order to encourage and enable the Superintendent to live within Marin County and, thereby, more effectively perform the duties, the Board provided a housing loan to the Superintendent to assist in purchasing real property located within the county boundaries to be used as Superintendent's principal residence during the term of the loan. No payments are required as long as the Superintendent is employed as the District Superintendent.

The current Superintendent has a loan outstanding of \$850,000, which is reported as a non-current asset on the Statement of Net Assets.

**TAMALPAIS UNION HIGH SCHOOL DISTRICT**

*Notes to Financial Statements*

*June 30, 2012*

**NOTE 14 – OTHER POSTEMPLOYMENT BENEFITS**

Tamalpais Union High School District administers a single-employer defined benefit other postemployment benefit (OPEB) plan that provides medical, dental and vision insurance benefits to eligible retirees and their spouses. The District implemented Governmental Accounting Standards Board Statement #45, *Accounting and Financial Reporting by Employers for Postemployment Benefit Plans Other Than Pension Plans*, in 2008-09.

**Plan Descriptions and Contribution Information**

Membership in the plan consisted of the following:

Retirees and beneficiaries receiving benefits*	34
Active plan members*	406
Total	<u>440</u>

\* As of June 30, 2011 actuarial valuation

Upon service or disability retirement from the District, employees of the District who meet certain eligibility requirements may continue (during their lifetime) health coverage under the District’s medical, dental, and vision plans for themselves and their eligible dependents. Medical plans that District retirees are eligible for include Blue Shield PPO and Kaiser HMO. Retirees may change their medical plan elections annually during open enrollment.

The District pays portions of retiree medical, dental, and vision premiums until age 65 as outlined below.

	<b>Certificated &amp; Management</b>	<b>Classified &amp; Confidential</b>
Age and service criteria	<ul style="list-style-type: none"> <li>Hired before 1/18/2000: 5 years of District service and eligible for retirement</li> <li>Hired 1/18/2000 or later: 10 years of District service and eligible for retirement</li> <li>Eligibility for retirement:                             <ul style="list-style-type: none"> <li>CalSTRS – age 55 &amp; 5 years of service or age 50 &amp; 30 years of service</li> <li>CalPERS – age 50 &amp; 5 years of service</li> </ul> </li> <li>Retired after 2011-12 school year:                             <ul style="list-style-type: none"> <li>Certified - District contribution for age 60-65 only</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Age 55 and 10 years of District service</li> </ul>
Employer-paid portion of premiums: Full-time	<ul style="list-style-type: none"> <li>Up to composite rates for employees for Kaiser, Delta Dental and Vision Service</li> </ul>	<ul style="list-style-type: none"> <li>Up to composite rates for employees for Kaiser, Delta Dental and Vision Service</li> </ul>
Employer-paid portion of premiums: Part-time	<ul style="list-style-type: none"> <li>.6 FTE or more: Same as full-time</li> <li>Less than .6 FTE: Composites prorated based on FTE</li> </ul>	<ul style="list-style-type: none"> <li>Over .725 FTE: Same as full-time</li> <li>Over .6 FTE, but less than .725 FTE: Up to 75% of composite</li> <li>At least .5 FTE, but less than .6 FTE: Up to 50% of composite</li> <li>Under .5 FTE: Ineligible</li> </ul>

# TAMALPAIS UNION HIGH SCHOOL DISTRICT

## Notes to Financial Statements

June 30, 2012

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### NOTE 14 - OTHER POSTEMPLOYMENT BENEFITS (continued)

#### Annual OPEB Cost and Net OPEB Obligation

The District's annual OPEB cost is calculated based on the Annual Required Contribution (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation:

Annual required contribution (ARC)	\$ 798,000
Interest on net OPEB obligation	(2,000)
Adjustment to ARC	1,000
Annual OPEB cost	<u>797,000</u>
Contributions made:	
Contributions to trust	<u>(798,000)</u>
Total contributions made	<u>(798,000)</u>
Increase in net OPEB asset	(1,000)
Net OPEB obligation (asset) - July 1, 2011	<u>(22,355)</u>
Net OPEB obligation (asset) - June 30, 2012	<u><u>\$ (23,355)</u></u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2011-12 and the preceding two years are as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage Contributed	Net OPEB Obligation (asset)
2010	\$ 763,000	100%	\$ (22,355)
2011	\$ 788,000	103%	\$ (22,355)
2012	\$ 797,000	101%	\$ (23,355)

#### Funded Status and Funding Progress - OPEB Plans

As of June 30, 2011, the most recent actuarial valuation date, the actuarial accrued liability (AAL) for benefits was \$5.3 million and the unfunded actuarial accrued liability (UAAL) was \$3.9 million.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedules of funding progress present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

## TAMALPAIS UNION HIGH SCHOOL DISTRICT

### Notes to Financial Statements

June 30, 2012

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#### NOTE 14 – OTHER POSTEMPLOYMENT BENEFITS (continued)

##### Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designated to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Additional information as of the latest actuarial valuation follows:

Valuation Date	June 30, 2011
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll
Remaining Amortization Period	27 years
Asset Valuation	Market value
Actuarial Assumptions:	
Investment rate of return	7.50%
Inflation	3.0%
Medical care cost trend rate	5.0%-10.0%
Dental care cost trend rate	4.0%
Vision care cost trend rate	3.5%

#### NOTE 15 - ADJUSTMENT FOR RESTATEMENT

The beginning net assets on the Statement of Activities have been restated by \$6,176,844 to remove the balance of the liability for deferred charges on refunding at June 30, 2011 that was previously included in long-term liabilities, which should be accounted for as an asset on the Statement of Net Assets.

The beginning net assets on the Statement of Activities has also been restated by \$1,202,967 to adjust the District's capital asset balances based on a reconciliation the District performed.

#### NOTE 16 – SUBSEQUENT EVENTS

On August 8, 2012, the Board approved Tax Anticipation Notes not to exceed \$10,000,000 from funds in custody of the Treasurer of the County of Marin for meeting obligations incurred for maintenance purposes for the 2012-13 fiscal year.

The District participated in three rounds of mediation that were resolved on October 5, 2012 in a case against Quattrocchi Kwok Architects arising from a contract for architectural design services for expansion and modernization of portions of Tamalpais High School. In April of 2011, QKA filed a cross-complaint against the District. Upon resolution, the District received \$525,000 from the defendants and cross-defendants. The District paid QKA \$63,000 for additional services and will pay another \$22,000 upon project completion.

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***Required Supplementary Information***

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**TAMALPAIS UNION HIGH SCHOOL DISTRICT**  
*Budgetary Comparison Schedule – General Fund*  
*For the Fiscal Year Ended June 30, 2012*

	<u>Budgeted Amounts</u>		<u>Actual*</u> <u>(Budgetary Basis)</u>	<u>Variance with</u> <u>Final Budget -</u> <u>Pos (Neg)</u>
	<u>Original</u>	<u>Final</u>		
<b>Revenues</b>				
Revenue Limit Sources	\$ 42,710,474	\$ 42,639,364	\$ 42,866,202	\$ 226,838
Federal	729,503	1,633,451	1,179,763	(453,688)
Other State	957,861	988,356	1,233,559	245,203
Other Local	11,483,301	12,764,294	13,119,815	355,521
Total Revenues	<u>55,881,139</u>	<u>58,025,465</u>	<u>58,399,339</u>	<u>373,874</u>
<b>Expenditures</b>				
Certificated Salaries	25,391,765	25,785,501	25,593,143	192,358
Classified Salaries	8,179,484	8,203,858	8,101,860	101,998
Employee Benefits	11,690,718	11,915,732	11,795,695	120,037
Books and Supplies	2,061,951	4,281,238	2,573,305	1,707,933
Services and Other Operating Expenditures	7,699,072	8,009,379	6,953,397	1,055,982
Capital Outlay	68,000	298,652	228,283	70,369
Other Outgo	1,016,289	840,235	741,934	98,301
Total Expenditures	<u>56,107,279</u>	<u>59,334,595</u>	<u>55,987,617</u>	<u>3,346,978</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(226,140)</u>	<u>(1,309,130)</u>	<u>2,411,722</u>	<u>3,720,852</u>
<b>Other Financing Sources and Uses</b>				
Interfund Transfers In	20,400	20,400	19,500	(900)
Interfund Transfers Out	(853,897)	(860,864)	(871,706)	(10,842)
Total Other Financing Sources and Uses	<u>(833,497)</u>	<u>(840,464)</u>	<u>(852,206)</u>	<u>(11,742)</u>
Net Change in Fund Balance	(1,059,637)	(2,149,594)	1,559,516	3,709,110
Fund Balances, July 1, 2011	<u>21,750,056</u>	<u>21,750,053</u>	<u>21,750,053</u>	<u>-</u>
Fund Balances, June 30, 2012	<u>\$ 20,690,419</u>	<u>\$ 19,600,459</u>	<u>\$ 23,309,569</u>	<u>\$ 3,709,110</u>

\*The actual amounts reported in this schedule are for the General Fund only, and do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances because the amounts on that schedule include the financial activity of the Special Reserve Fund for Other Than Capital Outlay Projects, in accordance with the fund type definitions promulgated by GASB Statement No. 54.

**TAMALPAIS UNION HIGH SCHOOL DISTRICT**  
*Schedule of Funding Progress*  
*For the Fiscal Year Ended June 30, 2012*

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Actuarial Valuation Date	Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
October 1, 2006	\$ 391,761	\$ 5,087,000	\$ 4,695,239	8.3%	\$ 34,748,000	13.5%
October 1, 2008	\$ -	\$ 5,087,000	\$ 5,087,000	0.0%	\$ 35,915,000	14.2%
June 30, 2011	\$ 1,385,000	\$ 5,277,000	\$ 3,892,000	35.6%	\$ 30,859,000	12.6%

**TAMALPAIS UNION HIGH SCHOOL DISTRICT**  
*Notes to the Required Supplementary Information*  
*For the Fiscal Year Ended June 30, 2012*

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**NOTE 1 - PURPOSE OF SCHEDULES**

**Budgetary Comparison Schedule**

This schedule is required by GASB Statement No.34 as required supplementary information (RSI) for the General Fund and for each major special revenue fund that has a legally adopted annual budget. The budgetary comparison schedule presents both (a) the original and (b) the final appropriated budgets for the reporting period as well as (c) actual inflows, outflows, and balances, stated on the District's budgetary basis. A separate column to report the variance between the final budget and actual amounts is also presented, although not required.

**Schedule of Funding Progress**

This schedule is required by GASB Statement No.45 for all sole and agent employers that provide other postemployment benefits (OPEB). The schedule presents, for the most recent actuarial valuation and the two preceding valuations, information about the funding progress of the plan, including, for each valuation, the actuarial valuation date, the actuarial value of assets, the actuarial accrued liability, the total unfunded actuarial liability (or funding excess), the actuarial value of assets as a percentage of the actuarial accrued liability (funded ratio), the annual covered payroll, and the ratio of the total unfunded actuarial liability (or funding excess) to annual covered payroll.

**NOTE 2 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS**

At June 30, 2012, the District incurred excess of expenditures over appropriations in individual major funds presented in the Budgetary Comparison Schedules by major object code as follows:

Appropriations Category	Excess Expenditures
Interfund transfers out	\$ 10,842

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***Supplementary Information***

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**TAMALPAIS UNION HIGH SCHOOL DISTRICT**  
*Local Educational Agency Organization Structure*  
*June 30, 2012*

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The Tamalpais Union High School District was established on July 1, 1908 under the laws of the State of California. The District operates under a locally elected five-member Board form of government and provides educational services to grades 9-12 as mandated by the State and Federal agencies. The District operates three comprehensive high schools, one continuation high school, one independent study high school, and an adult school program.

<b>GOVERNING BOARD</b>		
<b>Member</b>	<b>Office</b>	<b>Term Expires</b>
Monica Bonny	President	December, 2013
Susan Schmidt	Clerk	December, 2013
Cindy McCauley	Trustee	December, 2015
Bob Walter	Trustee	December, 2015
John Wright	Trustee	December, 2013

**DISTRICT ADMINISTRATORS**

Laurie Kimbrel, Ed.D.,  
*Superintendent*

Michael McDowell,  
*Assistant Superintendent, Educational Services*

John Carroll,  
*Assistant Superintendent, Human Resources*

Lori Parrish,  
*Assistant Superintendent, Finance & Facilities*



**TAMALPAIS UNION HIGH SCHOOL DISTRICT**  
*Schedule of Average Daily Attendance*  
*For the Fiscal Year Ended June 30, 2012*

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<b>Certificate No.</b>	<u>Second Period Report</u>	<u>Annual Report</u>
	<u>7540DE97</u>	<u>FCA523F3</u>
<b>Secondary:</b>		
Grades 9 through 12	3,513	3,491
Continuation education	61	60
Home and hospital	1	2
Special education	<u>99</u>	<u>97</u>
 Total Average Daily Attendance	 <u><u>3,674</u></u>	 <u><u>3,650</u></u>

**TAMALPAIS UNION HIGH SCHOOL DISTRICT**  
*Schedule of Instructional Time*  
*For the Fiscal Year Ended June 30, 2012*

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<u>Grade Level</u>	<u>1982-83 Minutes <sup>(1)</sup></u>	<u>1986-87 Minutes</u>		<u>2011-12 Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Status</u>
		<u>Previously Required</u>	<u>Reduced*</u>			
Grade 9		64,800	60,480	63,805	180	Complied
Grade 10		64,800	60,480	63,805	180	Complied
Grade 11		64,800	60,480	63,805	180	Complied
Grade 12		64,800	60,480	63,805	180	Complied

\* Amounts reduced as permitted by Education Code Sections 46201.2(a) and 46201.3(a).

(1) The District is unable to locate the 1982-83 actual instructional minutes information. Therefore, the District uses the 1986-87 minutes as their minimum required instructional minutes.

**TAMALPAIS UNION HIGH SCHOOL DISTRICT**  
*Schedule of Financial Trends and Analysis*  
*For the Fiscal Year Ended June 30, 2012*

General Fund	(Budget) 2013 <sup>4</sup>	2012 <sup>5</sup>	2011	2010
Revenues and other financing sources	\$ 57,148,796	\$ 58,418,839	\$ 58,743,585	\$ 60,092,429
Expenditures	56,759,595	55,987,617	54,768,263	56,532,687
Other uses and transfers out	959,913	871,706	1,430,501	1,923,786
Total outgo	57,719,508	56,859,323	56,198,764	58,456,473
Change in fund balance (deficit)	(570,712)	1,559,516	2,544,821	1,635,956
Ending fund balance	\$ 22,738,857	\$ 23,309,569	\$ 21,750,053	\$ 18,923,450
Available reserves <sup>1</sup>	\$ -	\$ -	\$ -	\$ 17,118,981
Available reserves as a percentage of total outgo	0.0%	0.0%	0.0%	29.3%
Total long-term debt <sup>2</sup>	\$ 163,039,176	\$ 170,937,517	\$ 175,997,878	\$ 182,503,739
Average daily attendance at P-2 <sup>3</sup>	3,665	3,674	3,650	3,601

The General Fund balance has increased by \$4,386,119 over the past two years. The fiscal year 2012-13 adopted budget projects a decrease of \$570,712. For a district of this size, the state recommends available reserves of at least 3% of total general fund expenditures, transfers out, and other uses (total outgo).

The District has not incurred an operating deficit in any of the past three years, but anticipates incurring an operating deficit during the 2012-13 fiscal year. Long-term debt has decreased \$11,566,222 over the past two years.

Average daily attendance has increased by 73 over the past two years. A decrease of 9 ADA is anticipated during the 2012-13 fiscal year.

<sup>1</sup> Available reserves consist of all unassigned fund balances in the General Fund. The District did not have any unassigned fund balances at June 30, 2012, but has nearly \$22.0 million in assigned funds that can be applied towards meeting their future obligations in 2012-13 and \$21.4 million budgeted at the end of 2012-13 that can be applied towards 2013-14 obligations.

<sup>2</sup> As restated.

<sup>3</sup> Excludes Adult Education ADA.

<sup>4</sup> Revised budget September 2012.

<sup>5</sup> The actual amounts reported in this schedule are for the General Fund only, and do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances because the amounts on that schedule include the financial activity of the Special Reserve Fund for Other Than Capital Outlay Projects, in accordance with the fund type definitions promulgated by GASB Statement No. 54.

**TAMALPAIS UNION HIGH SCHOOL DISTRICT**  
*Schedule of Expenditures of Federal Awards*  
*For the Fiscal Year Ended June 30, 2012*

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Federal Programs:			
U.S. Department of Agriculture:			
Passed through California Dept. of Education (CDE):			
Child Nutrition Cluster:			
School Basic Breakfast Program	10.553	13525	\$ 43,903
School Breakfast Needy Program	10.553	13526	5,353
National School Lunch Program	10.555	13523	88,162
Subtotal Child Nutrition Cluster			\$ 137,418
Total U.S. Department of Agriculture			137,418
U.S. Department of Education:			
Passed through California Dept. of Education (CDE):			
Adult Basic Education (ABE):			
Adult Education Cluster:			
Adult Basic Education & ESL	84.002A	14508	24,157
Adult Secondary Education	84.002	13978	10,986
English Literacy & Civics Education	84.002A	14109	25,205
Subtotal Adult Education Cluster			60,348
No Child Left Behind Act (NCLB):			
Title I, Part A - Basic Grants Low Income and Neglected	84.010	14329	175,052
Title II, Part A, Improving Teacher Quality Local Grants	84.367	14341	134,973
Title II, Part D, Enhancing Education Through Technology	84.318	14334	1,634
English Language Acquisition Grants Cluster:			
Title III, Immigrant Education Program	84.365	14346	12,864
Title III, Limited English Proficient (LEP) Student Program	84.365	10084	4,668
Subtotal English Language Acquisition Grants Cluster			17,532
Education Jobs Fund	84.410	25152	194,988
Carl D. Perkins Career and Technical Education: Secondary, Section 131	84.048	14894	51,174
Federal Advance Placement and International Baccalaureate Test Fee Program	84.330	58013	1,787
Individuals with Disabilities Education Act (IDEA):			
Special Education (IDEA) Cluster:			
Basic Local Assistance Entitlement, Part B, Sec 611	84.027	13379	426,081
Local Assistance, Part B, Sec 611, Private School ISPs	84.027	10115	6,024
ARRA, IDEA Part B, Sec 611, Basic Local Assistance	84.391	15003	170,518
Subtotal Special Education (IDEA) Cluster			602,623
Total U.S. Department of Education			1,240,111
Total Expenditures of Federal Awards			\$ 1,377,529

**TAMALPAIS UNION HIGH SCHOOL DISTRICT**

*Reconciliation of Annual Financial and Budget Report with Audited Financial Statements  
For the Fiscal Year Ended June 30, 2012*

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*There were no differences between the Annual Financial and Budget Report and the  
Audited Financial Statements in any funds.*

**TAMALPAIS UNION HIGH SCHOOL DISTRICT**  
*Combining Balance Sheet - Non-Major Governmental Funds*  
*June 30, 2012*

	Adult Education Fund	Cafeteria Fund	Deferred Maintenance Fund	Foundation Special Revenue Fund	Special Reserve Fund for Capital Project Projects	Total Non-Major Governmental Funds
<b>ASSETS</b>						
Cash	\$ 994,728	\$ 17,930	\$ 1,383,492	\$ 50,369	\$ 1,588,150	\$ 4,034,669
Accounts receivable	131,204	21,904	-	-	-	153,108
Due from other funds	178,164	15,738	200,000	-	270,000	663,902
Inventories	-	11,836	-	-	-	11,836
Total Assets	<u>\$ 1,304,096</u>	<u>\$ 67,408</u>	<u>\$ 1,583,492</u>	<u>\$ 50,369</u>	<u>\$ 1,858,150</u>	<u>\$ 4,863,515</u>
<b>LIABILITIES AND FUND BALANCES</b>						
<b>Liabilities</b>						
Accounts payable	\$ 83,568	\$ 1,614	\$ -	\$ -	\$ 13,734	\$ 98,916
Due to other funds	70,603	20,131	-	-	-	90,734
Deferred revenue	-	19,608	-	-	-	19,608
Total Liabilities	<u>154,171</u>	<u>41,353</u>	<u>-</u>	<u>-</u>	<u>13,734</u>	<u>209,258</u>
<b>Fund Balances</b>						
Nonspendable	-	12,236	-	-	-	12,236
Restricted	-	13,819	-	50,369	1,844,416	1,908,604
Committed	<u>1,149,925</u>	<u>-</u>	<u>1,583,492</u>	<u>-</u>	<u>-</u>	<u>2,733,417</u>
Total Fund Balances	<u>1,149,925</u>	<u>26,055</u>	<u>1,583,492</u>	<u>50,369</u>	<u>1,844,416</u>	<u>4,654,257</u>
Total Liabilities and Fund Balances	<u>\$ 1,304,096</u>	<u>\$ 67,408</u>	<u>\$ 1,583,492</u>	<u>\$ 50,369</u>	<u>\$ 1,858,150</u>	<u>\$ 4,863,515</u>

**TAMALPAIS UNION HIGH SCHOOL DISTRICT**

*Combining Statement of Revenues, Expenditures, and Changes in Fund Balance - Non-Major Governmental Funds  
For the Fiscal Year Ended June 30, 2012*

	Adult Education Fund	Cafeteria Fund	Deferred Maintenance Fund	Foundation Special Revenue Fund	Special Reserve Fund for Capital Project Projects	Total Non-Major Governmental Funds
<b>REVENUES</b>						
Federal Revenue	\$ 60,348	\$ 137,418	\$ -	\$ -	\$ -	\$ 197,766
Other State Revenue	122,492	12,853	156,980	-	-	292,325
Other Local Revenue	754,333	527,482	3,032	114	-	1,284,961
<b>Total Revenues</b>	<b>937,173</b>	<b>677,753</b>	<b>160,012</b>	<b>114</b>	<b>-</b>	<b>1,775,052</b>
<b>EXPENDITURES</b>						
Instruction	223,268	-	-	-	-	223,268
Instruction-Related Services:						
School site administration	373,283	-	-	-	-	373,283
Pupil Support Services:						
Food services	-	1,012,922	-	-	-	1,012,922
Community services	743,261	-	-	-	-	743,261
General Administration Services:						
Other general administration	51,103	-	-	-	-	51,103
Plant services	-	-	-	-	146,825	146,825
Facility acquisition and construction	-	-	339,965	-	-	339,965
<b>Total Expenditures</b>	<b>1,390,915</b>	<b>1,012,922</b>	<b>339,965</b>	<b>-</b>	<b>146,825</b>	<b>2,890,627</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(453,742)	(335,169)	(179,953)	114	(146,825)	(1,115,575)
<b>OTHER FINANCING SOURCES (USES)</b>						
Interfund transfers in	79,760	321,946	200,000	-	270,000	871,706
Interfund transfers out	(19,500)	-	-	-	-	(19,500)
<b>Total Other Financing Sources and Uses</b>	<b>60,260</b>	<b>321,946</b>	<b>200,000</b>	<b>-</b>	<b>270,000</b>	<b>852,206</b>
<b>Net Change in Fund Balances</b>	<b>(393,482)</b>	<b>(13,223)</b>	<b>20,047</b>	<b>114</b>	<b>123,175</b>	<b>(263,369)</b>
Fund Balances, July 1, 2011	1,543,407	39,278	1,563,445	50,255	1,721,241	4,917,626
Fund Balances, June 30, 2012	\$ 1,149,925	\$ 26,055	\$ 1,583,492	\$ 50,369	\$ 1,844,416	\$ 4,654,257

See accompanying note to supplementary information.

# TAMALPAIS UNION HIGH SCHOOL DISTRICT

*Note to the Supplementary Information*

*June 30, 2012*

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## **NOTE 1 – PURPOSE OF SCHEDULES**

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

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

### **Schedule of Instructional Time**

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

Districts must maintain their instructional minutes at either the 1982-83 actual minutes or the 1986-87 requirement, whichever is greater, as reduced by Education Code sections 46201.2(a). and 46201.3(a).

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

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

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

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

### **Subrecipients**

Of the Federal expenditures presented in the schedule, the District provided no Federal awards to subrecipients.

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

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

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

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



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***Other Independent Auditors' Reports***

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

Board of Trustees  
Tamalpais Union High School District  
Larkspur, California

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Tamalpais Union High School District as of and for the year ended June 30, 2012, which collectively comprise Tamalpais Union High School District's basic financial statements and have issued our report thereon dated December 14, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of Tamalpais Union High School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Tamalpais Union High School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Tamalpais Union High School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Tamalpais Union High School District's internal control over financial reporting.

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

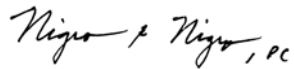
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses.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

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Tamalpais Union High School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Tamalpais Union High School District in a separate letter dated December 14, 2012.

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



December 14, 2012



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS THAT  
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Trustees  
Tamalpais Union High School District  
Larkspur, California

Compliance

We have audited Tamalpais Union High School District's compliance with the types of compliance requirements described in the OMB Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of Tamalpais Union High School District's major federal programs for the year ended June 30, 2012. Tamalpais Union High School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Tamalpais Union High School District's management. Our responsibility is to express an opinion on Tamalpais Union High School District's compliance based on our audit.

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

In our opinion, Tamalpais Union High School District complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

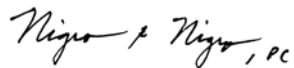
## Internal Control Over Compliance

Management of Tamalpais Union High School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Tamalpais Union High School District's internal control over compliance with the 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

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



December 14, 2012



INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Board of Trustees
Tamalpais Union High School District
Larkspur, California

We have audited Tamalpais Union High School District's compliance with the types of compliance requirements described in the Standards and Procedures for Audits of California K-12 Local Educational Agencies 2011-12, published by the Education Audit Appeals Panel, for the year ended June 30, 2012. The District's State programs are identified in the schedule below. Compliance with the requirements of laws, regulations, contracts, and grants is the responsibility of the District's management. Our responsibility is to express an opinion on Tamalpais Union High School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and Standards and Procedures for Audits of California K-12 Local Educational Agencies 2011-12. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to below occurred. An audit includes examining, on a test basis, evidence about Tamalpais Union High School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

Table with 3 columns: Description, Procedures in Audit Guide, and Procedures Performed. Rows include Attendance Reporting, Teacher Certification and Misassignments, Kindergarten Continuance, Independent Study, Continuation Education, Instructional Time (School Districts, County Offices of Education), Instructional Materials General Requirements, Ratios of Administrative Employees to Teachers, Classroom Teacher Salaries, Early Retirement Incentive, Gann Limit Calculation, School Accountability Report Card, Public Hearing Requirement - Receipt of Funds, Juvenile Court Schools, Exclusion of Pupils - Pertussis Immunization, Class Size Reduction (General Requirements, Option One, Option Two, Districts with Only One School Serving K-3).



Description	Procedures in Audit Guide	Procedures Performed
After School Education and Safety Program:		
General Requirements	4	Not applicable
After School	5	Not applicable
Before School	6	Not applicable
Charter Schools:		
Contemporaneous Records of Attendance	3	Not applicable
Mode of Instruction	1	Not applicable
Nonclassroom-Based Instruction/Independent Study	15	Not applicable
Determination of Funding for Nonclassroom-Based Instruction	3	Not applicable
Annual Instructional Minutes – Classroom Based	4	Not applicable

In our opinion, Tamalpais Union High School District complied, in all material respects, with the compliance requirements referred to above for the year ended June 30, 2012.

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

*Nigro & Nigro, PC*

December 14, 2012

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***Findings and Questioned Costs***

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**TAMALPAIS UNION HIGH SCHOOL DISTRICT**  
*Schedule of Audit Findings and Questioned Costs*  
*For the Fiscal Year Ended June 30, 2012*

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**SECTION I - SUMMARY OF AUDITORS' RESULTS**

***Financial Statements***

Type of auditors' report issued	<u>Unqualified</u>
Internal control over financial reporting:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(s) identified not considered to be material weaknesses?	<u>No</u>
Noncompliance material to financial statements noted?	<u>No</u>

***Federal Awards***

Internal control over major programs:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(s) identified not considered to be material weaknesses?	<u>No</u>
Type of auditors' report issued on compliance for major programs:	<u>Unqualified</u>
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)	<u>No</u>
Identification of major programs:	
<u>CFDA Numbers</u> <u>Name of Federal Program or Cluster</u>	
<u>84.027, 84.391</u> <u>Special Education Cluster (IDEA)</u>	
Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$        300,000</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

***State Awards***

Internal control over state programs:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(s) identified not considered to be material weaknesses?	<u>No</u>
Type of auditors' report issued on compliance for state programs:	<u>Unqualified</u>

**TAMALPAIS UNION HIGH SCHOOL DISTRICT**  
*Schedule of Audit Findings and Questioned Costs*  
*For the Fiscal Year Ended June 30, 2012*

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**SECTION II - FINANCIAL STATEMENT FINDINGS**

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*. Pursuant to Assembly Bill (AB) 3627, all audit findings must be identified as one or more of the following categories:

<u>Five Digit Code</u>	<u>AB 3627 Finding Types</u>
10000	Attendance
20000	Inventory of Equipment
30000	Internal Control
40000	State Compliance
41000	CalSTRS
50000	Federal Compliance
60000	Miscellaneous
61000	Classroom Teacher Salaries
70000	Instructional Materials
71000	Teacher Misassignments
72000	School Accountability Report Card

***There were no financial statement findings in 2011-12.***

**TAMALPAIS UNION HIGH SCHOOL DISTRICT**  
*Schedule of Audit Findings and Questioned Costs*  
*For the Fiscal Year Ended June 30, 2012*

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**SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

This section identifies the audit findings required to be reported by Circular A-133, Section .510(a) (e.g., significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs).

*There were no federal award findings or questioned costs in 2011-12.*

**TAMALPAIS UNION HIGH SCHOOL DISTRICT**  
*Schedule of Audit Findings and Questioned Costs*  
*For the Fiscal Year Ended June 30, 2012*

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**SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS**

This section identifies the audit findings pertaining to noncompliance with state program rules and regulations.

*There were no state award findings or questioned costs in 2011-12.*

**TAMALPAIS UNION HIGH SCHOOL DISTRICT**  
*Summary Schedule of Prior Audit Findings*  
*For the Fiscal Year Ended June 30, 2012*

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*There were no findings or questioned costs in 2010-11.*



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To the Board of Trustees  
Tamalpais Union High School District  
Larkspur, California

In planning and performing our audit of the basic financial statements of Tamalpais Union High School District for the year ending June 30, 2012, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control structure.

However, during our audit we noted matters that are an opportunity for strengthening internal controls and operating efficiency. The following items represent conditions noted by our audit that we consider important enough to bring to your attention. This letter does not affect our report dated December 14, 2012, on the financial statements of Tamalpais Union High School District.

#### **ASSOCIATED STUDENT BODY (ASB) FUNDS**

**Observation:** Our sample of cash disbursements included several expenses where the invoice was dated prior to the approval and purchase order dates. This indicates that approval was obtained after the expense had already been incurred.

**Recommendation:** The ASB should discuss and approve all disbursements before they are incurred to ensure that they promote the general welfare of the students and no unauthorized expenditures are made.

**Observation:** In our sample of 52 cash disbursements, we noted 15 at Redwood High School and one at Sir Frances Drake High School that were not approved by a student representative. Education Code 48933(b) requires all expenditures from ASB funds be authorized by a student representative, an advisor, and a district representative (usually a principal or vice-principal).

**Recommendation:** We recommend that approval of a student representative be obtained before the actual purchase of the items. Not only is it an Education Code requirement, but it also ensures that students are actively involved and participating in how ASB funds are spent.

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

*Nigro & Nigro, PC*

December 14, 2012