

**TAMALPAIS UNION HIGH
SCHOOL DISTRICT**

**ANNUAL FINANCIAL REPORT
JUNE 30, 2006**

TAMALPAIS UNION HIGH SCHOOL DISTRICT
OF MARIN COUNTY
LARKSPUR, CALIFORNIA
JUNE 30, 2006

GOVERNING BOARD

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Ruth Dell	President	2009
Jill Sampson	Clerk	2007
Bob Walter	Trustee	2007
John Wright	Trustee	2009
Susan Schmidt	Trustee	2009

ADMINISTRATION

Robert Ferguson	Superintendent
Steven Butler	Assistant Superintendent, Educational Services
Arvo Toukonen, Ed. D	Assistant Superintendent, Administrative Services
Lori Parrish	Director of Fiscal Services

TAMALPAIS UNION HIGH SCHOOL DISTRICT

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FINANCIAL SECTION



Vavrinek, Trine, Day & Co., LLP

Certified Public Accountants

VALUE THE DIFFERENCE

INDEPENDENT AUDITORS' REPORT

Governing Board
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 the Tamalpais Union High School District (the "District") as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2005-06*, 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 financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Tamalpais Union High School District, as of June 30, 2006, 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 October 20, 2006, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The required supplementary information, such as management's discussion and analysis on 4 through 13 and budgetary comparison information on page 49, are not a required part of the basic financial statements, but are supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information listed in the table of contents, including the schedule of expenditures of federal awards which is required by U.S. Office of Management and Budget Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The unaudited supplementary information listed in the table of contents, including the Combining Statements - Non-Major Governmental Funds is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Laurine K. Trine, Day & Co., LLP

Pleasanton, California
October 20, 2006

TAMALPAIS UNION HIGH SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2006

Tamalpais Union High School District's (TUHSD) annual financial report presents our discussion and analysis of the District's financial performance for the fiscal years ending June 30, 2006 and 2005. Please read it in conjunction with the District's financial statements, which immediately follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Financial Statements

The financial statements presented herein include all of the activities of the TUHSD using the integrated approach as prescribed by GASB Statement Number 34.

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

The *Fund Financial Statements* include statements for two of the three categories of activities: governmental, business-type, and fiduciary. The District only has governmental and fiduciary fund types.

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

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

Reconciliations of the Fund Financial Statements to the Government-Wide Financial Statements is provided on Pages 18 and 21 to explain the differences created by the integrated approach.

The Primary unit of the government is the Tamalpais Union High School District. The District has no component units.

FINANCIAL HIGHLIGHTS OF THE PAST YEAR

REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Assets and the Statement of Activities

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

TAMALPAIS UNION HIGH SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2006

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

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

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

Governmental activities - All of the District's services are reported in this category. This includes the education of ninth through grade twelve students, adult education students, the operation of child development activities, and the on-going effort to improve and maintain buildings and sites. Property taxes, state income taxes, user fees, interest income, federal, state and local grants, as well as general obligation bonds, finance these activities.

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

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

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

Proprietary funds - When the District charges users for the services it provides, whether to outside customers or to other departments within the District, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the *Statement of Net Assets* and the *Statement of Revenues, Expenses and Changes in Fund Net Assets*. We use internal service funds (a component of proprietary funds) to report activities that provide supplies and services for the District's other programs and activities - such as the District's Self-Insurance Fund. The internal service funds are reported with governmental activities in the government-wide financial statements.

TAMALPAIS UNION HIGH SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2006

THE DISTRICT AS TRUSTEE

Reporting the District's Fiduciary Responsibilities

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

THE DISTRICT AS A WHOLE

Net Assets

The District's net assets were \$62.5 million and \$58.6 million, respectively, for the fiscal years ended June 30, 2006 and 2005. Of this amount, \$9.6 as of June 30, 2006 and \$10.4 million as of June 2005, was unrestricted. Restricted net assets are reported separately to show legal constraints from debt covenants and enabling legislation that limit the School Board's ability to use those net assets for day-to-day operations. Our analysis below focuses on the net assets (Table 1) and change in net assets (Table 2) of the District's governmental activities.

Table 1

(Amounts in millions)	Governmental	Governmental
	Activities	Activities
	2006	2005
Current and other assets	\$ 42.3	\$ 66.3
Capital assets	142.1	116.2
Total Assets	184.4	182.5
Current liabilities	9.1	7.7
Long-term debt	112.8	116.2
Total Liabilities	121.9	123.9
Net assets		
Invested in capital assets, net of related debt	43.8	40.0
Restricted	9.1	8.2
Unrestricted	9.6	10.4
Total Net Assets	\$ 62.5	\$ 58.6

The \$9.6 million in unrestricted net assets of governmental activities represents the *accumulated* results of all past years' operations. It means that if we had to pay off all of our bills *today* including all of our non-capital liabilities (compensated absences as an example), we would have \$9.6 million left.

TAMALPAIS UNION HIGH SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2006

Changes in Net Assets

The results of this year's operations for the District as a whole are reported in the *Statement of Activities*. Table 2 takes the information from the Statement, rounds off the numbers, and rearranges them slightly so you can see our total revenues for the year.

Table 2

(Amounts in millions)	Governmental Activities 2006	Governmental Activities 2005
Revenues		
Program revenues		
Charges for services	\$ 1.6	\$ 1.2
Operating grants and contributions	5.3	4.5
Capital grants and contributions ^[1]	1.4	0.1
General revenues:		
Property taxes	50.7	45.6
Other general revenues	5.9	5.4
Total Revenues	64.9	56.8
Expenses		
Instruction related	36.5	32.8
Student support services	4.9	4.2
Administration	3.7	4.0
Maintenance and operations	6.0	5.7
Other	9.9	7.6
Total Expenses	61.0	54.3
Change in Net Assets	\$ 3.9	\$ 2.5

Governmental Activities

As reported in the Statement of Activities, the cost of all of our governmental activities for the years ended June 30, 2006 and 2005 was \$61.0 million and \$54.3 million, respectively. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only \$50.7 and \$45.6 million because the cost was paid by those who benefited from the programs (\$1.6 and \$1.2 million) or by other governments and organizations who subsidized certain programs with grants and contributions (\$5.3 and \$4.5 million). We paid for the remaining "public benefit" portion of our governmental activities with State funds and with other revenues, like interest and general entitlements.

TAMALPAIS UNION HIGH SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2006

In Table 3, we have presented the net cost (total cost less revenues generated by the activities) of each of the District's six largest functions - regular program instruction, guidance and counseling, school administration, pupil transportation, administration, maintenance and operations, and other services. As discussed above, net cost shows the financial burden that was placed on the District's taxpayers by each of these functions. Providing this information allows our citizens to consider the cost of each function in comparison to the benefits they believe are provided by that function.

Table 3

(Dollar amounts in millions)	Net Cost	Net Cost
	of Services	of Services
	2006	2005
Instruction	\$ 26.9	\$ 26.0
Guidance and counseling	3.5	3.1
School administration	4.1	3.1
Pupil transportation	0.1	0.1
Administration	3.4	3.8
Maintenance and operations	5.8	5.7
Other	8.9	6.7
Totals	\$ 52.7	\$ 48.5

THE DISTRICT'S FUNDS

As of June 30, 2006 and 2005, our governmental funds reported a combined fund balance of \$38.2 million and \$61.0 million, respectively. This is a decrease of \$22.8 million from the prior year.

The primary reasons for this change is:

- a. Our Building Fund decreased \$25.9 million due to the completion and capitalization of many modernization projects (see page 11 for details).

General Fund Budgetary Highlights

Over the course of the year, the District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. The final amendment to the budget was adopted on June 21, 2006, and the final revised budget projected a general fund deficit of \$1.9 million. A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in our annual report on page 49.

- The District originally projected an increase in general fund balance of approximately \$0.02 million.
- Budget revisions to increase budgeted revenues were attributed to a small increase in property taxes at year end, interest income, and increased state and site level revenues, such as parent funds and facility rental receipts.
- Budget revisions to increase budgeted expenditures were a result of 4.5% on the schedule salary increase for certificated, management and confidential employees.

TAMALPAIS UNION HIGH SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2006

- Actual revenues exceeded final budgeted revenues by \$.5 million and expenditures were less than expected by \$.9 million.

CAPITAL ASSET & DEBT ADMINISTRATION

Capital Assets

At June 30, 2006 and 2005, the District had \$142.1 million and \$116.2 million, respectively, in a broad range of capital assets, including land, buildings, and furniture and equipment. This amount represents a net increase during 2006 (including additions, deductions and depreciation) of \$25.9 million.

TAMALPAIS UNION HIGH SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2006

Table 4

(Amounts in millions)	Governmental Activities 2006	Governmental Activities 2005
Land	\$ 2.4	\$ 2.4
Construction in progress	31.3	63.2
Buildings and improvements	107.4	49.9
Equipment	1.0	0.7
Totals	\$ 142.1	\$ 116.2

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

Tamalpais High School:

Increment No. 3 - Campus Wide Improvements	\$ 17.1	\$ -
Increment No. 4B - Sewer Replacement	0	-
Increment No. 5 - Athletic Fields Dugouts	0	-
Increment No. 6 - Gustafson Gymnasium Floor Replacement	1	-

Redwood High School:

Increment No. 2 - Modernization	23	-
Increment No. 4 - Athletic Fields Renovation	-	4.8
Increment No. 5 - New Gym Roof	-	0.4

Tamiscal High School

Increment No. 2 - Building Modernization (Palmer, Gus Gymnasium)	-	6.3
Increment No. 4U - Site Utilities for New Multi-Use Building	-	0.5
Increment No. 5 - Athletic Fields Renovation	-	4.4

Sir Francis Drake High School

Increment No. 3 - Campus Wide Improvements	10.2	-
Increment No. 4 - New Student Center, Food Service, and Locker Renovation	8.3	-
Increment No. 5 - Athletic Fields Renovation	0.3	3.4
	\$ 60.1	\$ 19.8

In addition to the projects completed during the year, modernization funds of approximately \$28.2 million was added to work in process during the year. Modernization is planned to continue into 2007. We present more detailed information about our capital assets in Note 5 to the financial statements.

TAMALPAIS UNION HIGH SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2006

Long-Term Obligations

As of June 30, 2006 and 2005, the District had \$116.2 and \$118.4 million in debt outstanding, respectively. This is a decrease of 1.9% percent which resulted from the redemption of \$2.2 million dollars in bonds.

Table 5

(Amounts in millions)	Governmental	Governmental
	Activities	Activities
	2006	2005
General obligation bonds, Series 2003	\$ 18.5	\$ 19.1
General obligation bonds, Series 2004	45.9	48.0
General obligation bonds, Series 2005	51.6	51.1
Other - Accumulated vacation	0.2	0.2
Totals	\$ 116.2	\$ 118.4

The District's general obligation bond rating continues to be "AA+." The State limits the amount of general obligation debt that District's can issue to 2.5 percent of the assessed value of all taxable property within the District's boundaries. The District's outstanding general obligation debt of \$116.0 million is significantly below this statutorily - imposed limit. We present more detailed information regarding our long-term liabilities in Note 9 of the financial statements.

SIGNIFICANT ACCOMPLISHMENTS OF FISCAL YEAR 2005-06 ARE NOTED BELOW:

General Fund

The District closed its books with a net increase of \$37,313 to its Unrestricted General Fund balance. This amount is composed of an increase in fund balance of \$710,272 less \$322,959 to be carried over to 2006-07, a designation of \$100,000 to establish a trust for post employment retirement benefits and \$250,000 to be designated for program development. The carryover includes \$62,783 of the site block grants, school awards and Academic Performance Index (API) funds, \$209,578 of site discretionary funds, \$50,598 of catastrophic leave carryover. The site carryovers were reduced by \$322,798 from the prior year of \$595,159.

The District was able to front load expenses for 2006-07 with a transfer to Fund 40 of \$498,500. This will provide for a new student information system, additions to the field, copier and vehicle replacement funds, floor covering and rollers for both Tamalpais High School gyms, and a high speed paper cutter for our print shop.

Designations were made for program development and the establishment of a post retirement benefits trust fund.

Certificated, classified, confidential and management staff received a 4.5% salary increase. The classified settlement for 2004-05 took place after June 30, 2006 and is reflected in 2005-06.

TAMALPAIS UNION HIGH SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2006

Contributions to Restricted Programs were significantly less than anticipated due primarily to savings in special education legal judgments and services, non public school and agency costs, and revenue increases for current and prior year AB602 allocations.

The Restricted Fund Balance has a carryover amount of \$14,290,067 which is an increase of \$436,241 from the 2004-05 Restricted Fund Balance. The State requires that certain restricted funds be carried over as part of the ending fund balance and that other restricted funds have their carryovers deferred until the funds are spent or earned. There is no deferred portion this year.

Adult and Community Education

Adult Education ended the year with an increase to their fund balance of \$186,128. They served 646 Adult ADA. They received \$292,174 in prior year state aid. They received all of their Lottery revenue provided in the amount of \$103,555.

Community Education increased their fund balance by \$51,206. The Adult and Community Education fund ended the year with a combined reserve of \$1,120,082.

Cafeteria

The Cafeteria Fund reduced the encroachment on the Unrestricted General Fund by \$49,926 from the adopted budget. Contract meals were provided to Ross Valley, Larkspur and Mill Valley School Districts.

Deferred Maintenance

Deferred Maintenance is revenue for major state-approved maintenance, such as roof repairs, paving, painting, and carpentry. The state is supposed to fund ½ of 1% of the General Fund budgeted expenditures and the District is to match that. The District transferred \$226,375 and the state matched \$162,357 for the prior year. \$449,621 was spent on various reroofing and window replacement projects. This fund has a reserve of \$993,422. The state is expected to fund between 95-98% in 2006-07.

Bond Funds

The Bond Fund had expenditures totaling \$26,988,124. The fund benefited from rising interest rates earning \$1,097,578 on unspent amounts. The Bond Fund has an ending balance of \$16,269,081.

Building Fund Prop 1A

This fund is for receipt of State School Facilities Bond proceeds. Current year funds were received for \$635,406 for San Andreas and \$780,227 for Tamalpais – Gus Gym. Expenses have been transferred from the Bond Fund for all projects. The fund balance consists of the interest earned in the amount of \$193,065.

Special Reserve

Transfers were made to this fund in the amount \$498,500 in 2005-06.

TAMALPAIS UNION HIGH SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2006

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In considering the District Budget for the 2006-07 year, the District Board and management used the following criteria:

- Enrollment increase of 14 students
- Increase in Property Tax Revenue 7.5%
- Increase in State Revenue of 5.92%; Federal Revenue same or less than 2005-06.
- Certificated Staffing increased to support WASC accreditation process in the fall, math instruction at San Andreas, release periods previously funded with categoricals. 3.0 Full Time Equivalent has been budgeted to serve as growth contingency for unidentified fall increases in student enrollment.
- A 4.5% salary increase has been budgeted for all positioned employees. This amount relates to a 7.5% property tax increase. Cost of Step & Column is 2.5% for Certificated; 2.6% for Classified; and 1% for Management.
- Health Benefits are budgeted to decrease .65% for medical effective October 1, 2006.
- School site per student allocations have been increased 5.18%. Sites will be allowed to carryover 80% of their 2005-06 unspent allocations. Additionally, over \$92,000 has been added to site allocations to fund various instructional and technological needs.
- Utilities have been increased 10%electric, 15%gas, 5%all others.
- The athletic budget has been increased to include 2 assistant coach's stipends for water polo at each site and 1 assistant coach's stipend for wrestling at each site.
- Full funding of the deferred maintenance match has been budgeted. Funding for innovative programs development, supplemental instruction and new teacher support have been increased in the 2006-07 budget.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, investors, and creditors with a general overview of the District's finances, and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact the Chief Business Official, at Tamalpais Union School District, P.O. Box 605, Larkspur, California, 94977, or e-mail at lparrish@tamdistrict.org.

TAMALPAIS UNION HIGH SCHOOL DISTRICT

STATEMENT OF NET ASSETS JUNE 30, 2006

	<u>Governmental Activities</u>
ASSETS	
Deposits and investments	\$ 38,755,719
Receivables	2,390,482
Prepaid expenses	5,287
Deferred charges	620,515
Stores inventories	14,039
Other assets	480,000
Capital assets not depreciated	33,754,443
Capital assets, net of accumulated depreciation	108,371,547
Total Assets	<u>184,392,032</u>
LIABILITIES	
Accounts payable	3,388,776
Interest payable	2,324,558
Deferred revenue	2,304
Current portion of long-term obligations	3,324,946
Noncurrent portion of long-term obligations	112,830,478
Total Liabilities	<u>121,871,062</u>
NET ASSETS	
Invested in capital assets, net of related debt	43,775,071
Restricted for:	
Debt service	4,466,448
Capital projects	1,090,305
Educational programs	1,446,355
Other activities	2,165,436
Self-insurance	14,859
Unrestricted	9,562,496
Total Net Assets	<u>\$ 62,520,970</u>

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

TAMALPAIS UNION HIGH SCHOOL DISTRICT

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2006

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Net Assets
					Governmental Activities
Governmental Activities:					
Instruction	\$ 30,367,997	\$ 523,509	\$ 3,497,469	\$ 1,415,633	\$ (24,931,386)
Instruction-related activities:					
Supervision of instruction	964,148	-	13,320	-	(950,828)
Instructional library, media, and technology	985,193	-	-	-	(985,193)
School site administration	4,148,441	8,093	8,564	-	(4,131,784)
Pupil services:					
Home-to-school transportation	77,707	-	10,253	-	(67,454)
Food services	872,182	367,233	319,247	-	(185,702)
All other pupil services	3,934,471	120	435,497	-	(3,498,854)
General administration:					
Data processing	897,922	-	-	-	(897,922)
All other general administration	2,760,638	18,270	262,029	-	(2,480,339)
Plant services	5,972,203	-	29,199	-	(5,943,004)
Facility acquisition and construction	-	66,601	70,481	-	137,082
Ancillary services	1,413,565	332,042	351,384	-	(730,139)
Community services	893,794	-	-	-	(893,794)
Interest on long-term obligations	7,033,112	-	-	-	(7,033,112)
Other outgo	614,228	243,430	263,558	-	(107,240)
Total Governmental-Type Activities	\$ 60,935,601	\$ 1,559,298	\$ 5,261,001	\$ 1,415,633	\$ (52,699,669)
General revenues and subventions:					
					\$ 34,102,150
					9,246,398
					7,375,693
					2,402,686
					1,632,231
					22,500
					1,803,885
					<u>56,585,543</u>
					Change in Net Assets
					3,885,874
					58,635,096
					<u>\$ 62,520,970</u>

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

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TAMALPAIS UNION HIGH SCHOOL DISTRICT

**GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2006**

	General Fund	Building Fund	County School Facilities Fund
ASSETS			
Deposits and investments	\$ 11,093,424	\$ 16,909,491	\$ 1,608,025
Receivables	1,945,719	8,650	673
Due from other funds	471,761	1,415,633	-
Prepaid expenses	5,287	-	-
Stores inventories	-	-	-
Other assets	480,000	-	-
Total Assets	\$ 13,996,191	\$ 18,333,774	\$ 1,608,698
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 1,335,279	\$ 1,857,345	\$ -
Due to other funds	823,506	207,348	1,415,633
Deferred revenue	859	-	-
Total Liabilities	2,159,644	2,064,693	1,415,633
Fund Balances:			
Reserved for:			
Stores inventories	-	-	-
Other reservations	1,446,355	-	-
Unreserved:			
Designated	2,086,988	-	-
Undesignated, reported in:			
General Fund	8,303,204	-	-
Special revenue funds	-	-	-
Debt service funds	-	-	-
Capital projects funds	-	16,269,081	193,065
Total Fund Balance	11,836,547	16,269,081	193,065
Total Liabilities and Fund Balances	\$ 13,996,191	\$ 18,333,774	\$ 1,608,698

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

Bond Interest and Redemption Fund	Non Major Governmental Funds	Total Governmental Funds
\$ 6,791,006	\$ 2,337,535	\$ 38,739,481
-	300,680	2,255,722
-	823,759	2,711,153
-	-	5,287
-	14,039	14,039
-	-	480,000
<u>\$ 6,791,006</u>	<u>\$ 3,476,013</u>	<u>\$ 44,205,682</u>
\$ -	\$ 194,768	\$ 3,387,392
-	202,685	2,649,172
-	1,445	2,304
-	398,898	6,038,868
-	14,039	14,039
-	400	1,446,755
-	-	2,086,988
-	-	8,303,204
-	2,165,436	2,165,436
6,791,006	-	6,791,006
-	897,240	17,359,386
<u>6,791,006</u>	<u>3,077,115</u>	<u>38,166,814</u>
<u>\$ 6,791,006</u>	<u>\$ 3,476,013</u>	<u>\$ 44,205,682</u>

TAMALPAIS UNION HIGH SCHOOL DISTRICT

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2006**

Total Fund Balance - Governmental Funds		\$ 38,166,814
Amounts Reported for Governmental Activities in the Statement of Net Assets are Different Because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
The cost of capital assets is	\$ 174,257,263	
Accumulated depreciation is	(32,131,273)	
Net Capital Assets	<u>142,125,990</u>	142,125,990
Expenditures relating to issuance of debt were recognized on modified accrual basis in the year paid, but are recognized as deferred changes and amortized over the life of the bonds on the government wide statements.		620,515
Special education settlement receivable is not available soon enough to pay for the current period's expenditures, and therefore is not recorded in the governmental funds until received.		72,774
In governmental funds, unmatured interest on long-term obligations is recognized in the period when it is due. On the government-wide statements, unmatured interest on long-term debt is recognized when it is incurred.		(2,324,558)
An internal service fund is used by the District's management to charge the costs of the workers' compensation insurance program to the individual funds. The assets and liabilities of the internal service fund are included with governmental activities.		14,859
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.		
Long-term liabilities at year end consist of:		
Bonds payable	114,620,000	
Premium on bonds, net of amortization	1,384,464	
Compensated absences (vacations)	150,960	
Total Long-Term Liabilities	<u>(116,155,424)</u>	(116,155,424)
Total Net Assets - Governmental Activities		<u>\$ 62,520,970</u>

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

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TAMALPAIS UNION HIGH SCHOOL DISTRICT

**GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2006**

	General Fund	Building Fund	County School Facilities Fund
REVENUES			
Revenue limit sources	\$ 33,832,467	\$ -	\$ -
Federal sources	715,535	-	-
Other state sources	2,880,879	-	1,415,633
Other local sources	11,820,822	1,097,578	45,575
Total Revenues	<u>49,249,703</u>	<u>1,097,578</u>	<u>1,461,208</u>
EXPENDITURES			
Current			
Instruction	26,881,032	-	-
Instruction-related activities:			
Supervision of instruction	924,560	-	-
Instructional library, media and technology	966,775	-	-
School site administration	3,412,940	-	-
Pupil services:			
Home-to-school transportation	72,514	-	-
Food services	4,777	-	-
All other pupil services	3,808,404	-	-
General administration:			
Data processing	859,442	-	-
All other general administration	2,505,823	-	-
Plant services	5,688,501	525,272	-
Facility acquisition and construction	131,725	26,462,852	1,415,633
Ancillary services	1,367,462	-	-
Community services	-	-	-
Other outgo	614,228	-	-
Debt service			
Principal	-	-	-
Interest and other	-	-	-
Total Expenditures	<u>47,238,183</u>	<u>26,988,124</u>	<u>1,415,633</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>2,011,520</u>	<u>(25,890,546)</u>	<u>45,575</u>
Other Financing Sources (Uses):			
Transfers in	19,485	-	-
Transfers out	(884,491)	-	-
Net Financing Sources (Uses)	<u>(865,006)</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	1,146,514	(25,890,546)	45,575
Fund Balance - Beginning	10,690,033	42,159,627	147,490
Fund Balance - Ending	<u>\$ 11,836,547</u>	<u>\$ 16,269,081</u>	<u>\$ 193,065</u>

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

Bond Interest and Redemption Fund	Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ 1,609,184	\$ 35,441,651
-	100,101	815,636
67,911	270,003	4,634,426
9,286,941	1,693,059	23,943,975
<u>9,354,852</u>	<u>3,672,347</u>	<u>64,835,688</u>
-	907,717	27,788,749
-	-	924,560
-	-	966,775
-	628,201	4,041,141
-	-	72,514
-	845,335	850,112
-	-	3,808,404
-	-	859,442
-	128,115	2,633,938
-	105,100	6,318,873
-	735,972	28,746,182
-	-	1,367,462
-	856,280	856,280
-	-	614,228
2,215,000	-	2,215,000
5,630,298	-	5,630,298
<u>7,845,298</u>	<u>4,206,720</u>	<u>87,693,958</u>
<u>1,509,554</u>	<u>(534,373)</u>	<u>(22,858,270)</u>
-	884,491	903,976
-	(19,485)	(903,976)
-	865,006	-
1,509,554	330,633	(22,858,270)
5,281,452	2,746,482	61,025,084
<u>\$ 6,791,006</u>	<u>\$ 3,077,115</u>	<u>\$ 38,166,814</u>

TAMALPAIS UNION HIGH SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE DISTRICT-WIDE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2006

Total Net Change in Fund Balances - Governmental Funds **\$ (22,858,270)**
Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:

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

This is the amount by which capital outlays exceeds depreciated capital outlays in the period.

Depreciation expense	\$(3,311,465)	
Capital outlays	29,276,620	
Net Expense Adjustment		25,965,155
Special education mandated settlement is recorded as revenue in the year received in the governmental funds, but reduces the accounts receivable in the government wide statements.		(14,527)
In the statement of activities, certain operating expenses, such as compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). Vacation used was more than the amounts earned		(3,709)
Payment of costs for the issuance of bonds is an expenditure in the governmental funds, but is recorded as a deferred charge and amortized on the statement of net assets and statement of activities over the life of the bonds.		(28,030)
Payment of principal on long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net assets and does not affect the statement of activities.		2,215,000
Premiums on bonds are a revenue in the governmental funds, but are recorded as a liability and amortized on the statement of activities over the life of the bonds.		61,104
Interest on long-term debt is recorded as an expenditure in the funds when it is due; however, in the statement of activities, interest expense is recognized as the interest accrues, regardless of when it is due.		(1,458,442)
An internal service fund is used by the District's management to charge the deductible for property and liability insurance claims to the individual funds. The net revenue of the internal service fund is reported with governmental activities.		7,593
Change in Net Assets of Governmental Activities		\$ 3,885,874

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

TAMALPAIS UNION HIGH SCHOOL DISTRICT

**PROPRIETARY FUND
STATEMENT OF NET ASSETS
JUNE 30, 2006**

	Governmental Activities - Internal Service Fund
ASSETS	
Current Assets	
Deposits and investments	\$ 16,238
Receivables	5
Total Current Assets	<u>16,243</u>
 LIABILITIES	
Current Liabilities	
Accounts payable	1,384
Total Current Liabilities	<u>1,384</u>
 NET ASSETS	
Unrestricted	14,859
Total Net Assets	<u><u>\$ 14,859</u></u>

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

TAMALPAIS UNION HIGH SCHOOL DISTRICT

PROPRIETARY FUND

STATEMENT OF REVENUES, EXPENSES, AND CHANGES

IN FUND NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2006

	Governmental Activities - Internal Service Fund
OPERATING REVENUES	
Local and intermediate sources	\$ 29,972
Total Operating Revenues	<u>29,972</u>
OPERATING EXPENSES	
Supplies and materials	18,888
Other operating cost	3,805
Total Operating Expenses	<u>22,693</u>
Operating Income (Loss)	<u>7,279</u>
NONOPERATING REVENUES (EXPENSES)	
Interest income	314
Total Nonoperating Revenues (Expenses)	<u>314</u>
Change in Net Assets	7,593
Total Net Assets - Beginning	<u>7,266</u>
Total Net Assets - Ending	<u>\$ 14,859</u>

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

TAMALPAIS UNION HIGH SCHOOL DISTRICT

**PROPRIETARY FUND
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2006**

	Governmental Activities - Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from user charges	\$ 30,037
Cash payments for insurance claims	(3,805)
Cash payments to suppliers for goods and services	(17,504)
Net Cash Provided for Operating Activities	<u>8,728</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	354
Net Cash Provided from Investing Activities	<u>354</u>
Net Increase in Cash and Cash Equivalents	9,082
Cash and Cash Equivalents - Beginning	7,156
Cash and Cash Equivalents - Ending	<u>\$ 16,238</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income	\$ 7,279
Changes in assets and liabilities:	
Due to other funds	65
Accounts payable	1,384
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 8,728</u>

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

TAMALPAIS UNION HIGH SCHOOL DISTRICT

FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2006

	Foundation Private- Purpose Trust	Agency Fund	Total
ASSETS			
Deposits and investments	\$ 34,111	\$ 610,852	\$ 644,963
Receivables	28,058	-	28,058
Total Assets	<u>\$ 62,169</u>	<u>\$ 610,852</u>	<u>\$ 673,021</u>
LIABILITIES			
Accounts payable	\$ 188	\$ -	\$ 188
Due to student groups	-	610,852	610,852
Due to other funds	61,981	-	61,981
Total Liabilities	<u>\$ 62,169</u>	<u>\$ 610,852</u>	<u>\$ 673,021</u>

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

