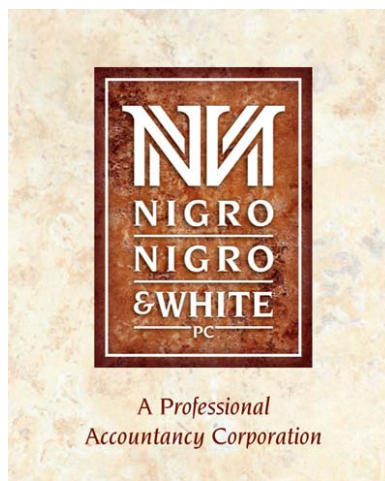


**TAMALPAIS UNION
HIGH SCHOOL DISTRICT
COUNTY OF MARIN
LARKSPUR, CALIFORNIA
AUDIT REPORT
June 30, 2008**



**TAMALPAIS UNION HIGH SCHOOL DISTRICT
AUDIT REPORT
June 30, 2008**

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**TAMALPAIS UNION HIGH SCHOOL DISTRICT
AUDIT REPORT
June 30, 2008**

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**TAMALPAIS UNION HIGH SCHOOL DISTRICT
AUDIT REPORT**

June 30, 2008

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Tamalpais Union High School District
Larkspur, California

INDEPENDENT AUDITORS' REPORT

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, as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the 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 of America. 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 the Tamalpais Union High School District, as of June 30, 2008, 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 November 30, 2008 on our consideration of the Tamalpais Union High School District's internal control over financial reporting and 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.

The management's discussion and analysis on pages 3 through 11 and budgetary comparison information on page 46 are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, consisting 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 Tamalpais Union High School District's basic financial statements. The other supplementary information listed in the table of contents, including the Schedule of Expenditures of Federal Awards, which is required by U.S. Office of Management and Budget Circular A-133, *Audits of 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 has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Nigam Nigam & White, PC".

Murrieta, California
November 30, 2008

Management's Discussion and Analysis

TAMALPAIS UNION HIGH SCHOOL DISTRICT

Management's Discussion and Analysis (Unaudited)

Year Ended June 30, 2008

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, 2008. Please read it in conjunction with the District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- Overall revenues were \$77.3 million, \$7.9 million more than expenses.
- The total cost of basic programs was \$69.4 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 \$60.0 million.
- The District's long-term debt decreased by \$3.4 million.
- Second period (P2) average daily attendance (ADA) decreased by 56 or 1.5%.

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:

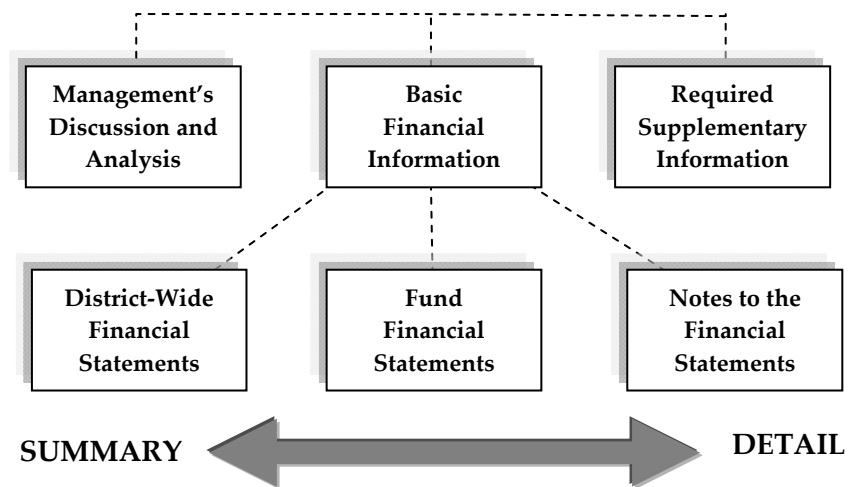
- The first two statements are *district-wide financial statements* that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the District, reporting the District's 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.

**TAMALPAIS UNION HIGH SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
Year Ended June 30, 2008**

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

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.

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



TAMALPAIS UNION HIGH SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
Year Ended June 30, 2008

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Figure A-2 summarizes the major features of the District's financials 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

Type of Statements	District-Wide	Governmental Funds	Proprietary Funds	Fiduciary Funds
<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"> • Statement of Net Assets • Statement of Activities 	<ul style="list-style-type: none"> • Balance Sheet • Statement of Revenues, Expenditures & Changes in Fund Balances 	<ul style="list-style-type: none"> • Statement of Net Assets • Statement of Activities • Statement of Cash Flows 	<ul style="list-style-type: none"> • Statement of Fiduciary Net Assets • Statement of Changes in Fiduciary Net Assets
<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

TAMALPAIS UNION HIGH SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
Year Ended June 30, 2008

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

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

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 (like Federal grants).

TAMALPAIS UNION HIGH SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
Year Ended June 30, 2008

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

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 at the bottom of the governmental funds statements that explain 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.
- *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.

TAMALPAIS UNION HIGH SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
Year Ended June 30, 2008

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Assets. The District's combined net assets were larger on June 30, 2008, than they were the year before – increasing 11.9% to \$75,128,515 (See Table A-1).

Table A-1

	Governmental Activities		Variance
	(In millions)		Increase
	2008	2007	(Decrease)
Current and other assets	\$ 99.4	\$ 118.2	\$ (18.8)
Capital assets	175.6	150.9	24.7
Total assets	<u>275.0</u>	<u>269.1</u>	<u>5.9</u>
Other liabilities	8.3	10.8	(2.5)
Long-term debt outstanding	191.6	191.6	-
Total liabilities	<u>199.9</u>	<u>202.4</u>	<u>(2.5)</u>
Net assets			
Invested in capital assets, net of related debt	45.9	45.0	0.9
Restricted	13.2	13.9	(0.7)
Unrestricted	16.0	7.8	8.2
Total net assets	<u>\$ 75.1</u>	<u>\$ 66.7</u>	<u>\$ 8.4</u>

Changes in net assets, governmental activities. The District's total revenues were \$77.3 million (See Table A-2). The increase is due primarily to increases in local property tax revenues.

The total cost of all programs and services was \$69.4 million. The District's expenses are predominantly related to educating and caring for students, 66.5%. The purely administrative activities of the District accounted for just 5.9% of total costs. The total costs increased by 2.4%, primarily due to salary and benefits increases.

Table A-2

	Governmental Activities		Variance
	(In millions)		Increase
	2008	2007	(Decrease)
Total Revenues	\$ 77.3	\$ 72.0	\$ 5.3
Total Expenses	69.4	67.8	1.6
Increase (decrease) in net assets	<u>\$ 7.9</u>	<u>\$ 4.2</u>	<u>\$ 3.7</u>

**TAMALPAIS UNION HIGH SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
Year Ended June 30, 2008**

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 \$93,705,504, which is below last year's ending fund balance of \$113,998,400. The decrease is primarily due to the expenditure of over \$29 million from Measure A 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 \$2.6 million primarily to reflect federal and state budget actions
- Expenditures – increased \$4.0 million to re-budget carryover funds and revise operational cost estimates

While the District's final budget for the general fund anticipated revenues would fall short of expenditures by about \$1.0 million, the actual results for the year show that revenues actually exceeded expenditures by more than \$3.2 million. Actual revenues were about \$0.1 million less than anticipated, but expenditures were \$4.3 million less than budgeted. That amount consists primarily of restricted categorical program dollars that were not spent as of June 30, 2008 that will be carried over into the 2008-09 budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2007-08 the District had invested over \$29.8 million in new capital assets, including District-wide planning and modernization projects. (More detailed information about capital assets can be found in Note 6 to the financial statements.) Total depreciation expense for the year exceeded \$5.1 million.

TAMALPAIS UNION HIGH SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
Year Ended June 30, 2008

CAPITAL ASSET AND DEBT ADMINISTRATION (continued)

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

	Governmental Activities		Variance
	(In millions)		Increase
	2008	2007	(Decrease)
Land	\$ 2.4	\$ 2.4	\$ -
Site improvements	47.5	44.0	3.5
Buildings and improvements	71.5	72.7	(1.2)
Machinery and equipment	1.0	0.9	0.1
Work in progress	53.2	30.9	22.3
Total	<u>\$ 175.6</u>	<u>\$ 150.9</u>	<u>\$ 24.7</u>

The District's fiscal year 2008-09 capital budget projects spending additional money for capital projects, principally for continued District-wide modernization projects.

Long-Term Debt

At year-end the District had \$191.6 million in general obligation bonds and employment benefits – a decrease 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

	Governmental Activities		Variance
	(In millions)		Increase
	2008	2007	(Decrease)
2001 G.O. Bond, Series 2001	\$ 17.1	\$ 17.8	\$ (0.7)
2002 G.O. Bond, Series 2002	43.3	44.6	(1.3)
2003 G.O. Bond, Series 2004	47.6	48.9	(1.3)
2004 G.O. Bond, Series 2006	79.9	79.9	-
Bond Premium	3.6	3.7	(0.1)
Accumulated Vacation	0.1	0.1	-
Total	<u>\$ 191.6</u>	<u>\$ 195.0</u>	<u>\$ (3.4)</u>

**TAMALPAIS UNION HIGH SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
Year Ended June 30, 2008**

FACTORS BEARING ON THE DISTRICT'S FUTURE

In considering the District Budget for the 2008/09 year, the District Board and management used the following criteria:

- Enrollment decrease of 55 students
- Increase in Property Tax Revenue 5.9%
- Decrease in State Revenue of 6.5%; Federal Revenue same as 07/08
- Certificated Staffing has been increased by 0.8 FTE from the Fall of 2007. 1.0 Full Time Equivalent has been budgeted to serve as growth contingency for unidentified fall increases in student enrollment.
- A 3.0% salary increase is budgeted per an agreement that bases the increase on the change in property tax. Cost of Step & Column is 2.36% for Certificated; 2.1% for Classified; and .83% for Management.
- Health Benefits are budgeted to increase 9.3% effective October 1, 2008.
- School site per student allocations have been increased 4.94%.
- Utilities have been increased 10% electric, 15% gas, 10% all others.

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 Chief Business Official, at Tamalpais Union School District, PO Box 605, Larkspur, California 94977, or e-mail at lparrish@tamdistrict.org.

Financial Section

TAMALPAIS UNION HIGH SCHOOL DISTRICT
Statement of Net Assets
June 30, 2008

Assets	Governmental Activities
Cash	\$ 92,171,343
Investments	4,460,400
Accounts receivable	1,650,670
Stores inventories	6,267
Prepaid expenses	1,090,993
Total current assets	<u>99,379,673</u>
Capital assets:	
Land	2,409,145
Improvement of sites	59,974,857
Buildings and improvements	100,526,669
Machinery and equipment	2,411,685
Work in progress	53,202,583
Less accumulated depreciation	<u>(42,881,016)</u>
Total capital assets, net of depreciation	<u>175,643,923</u>
Total assets	<u>\$ 275,023,596</u>
 Liabilities	
Accounts payable and current liabilities	\$ 8,263,218
Deferred revenues	37,872
Long-term liabilities:	
Due within one year	5,638,229
Due after one year	<u>185,955,762</u>
Total liabilities	<u>199,895,081</u>
 Net Assets	
Invested in capital assets, net of related debt	45,870,001
Restricted for:	
Capital projects	652,495
Debt service	10,924,515
Categorical programs	1,628,514
Unrestricted	<u>16,052,990</u>
Total net assets	<u>\$ 75,128,515</u>

The notes to the financial statements are an integral part of this statement

TAMALPAIS UNION HIGH SCHOOL DISTRICT
Statement of Activities
For the Year Ended June 30, 2008

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	
Governmental Activities				Governmental Activities
Instruction	\$ 33,869,654	\$ 598,590	\$ 5,769,284	\$ (27,501,780)
Instruction-Related Services:				
Supervision of instruction	989,712	-	-	(989,712)
Instructional library, media and technology	1,179,106	-	-	(1,179,106)
School site administration	4,243,997	5,172	9,184	(4,229,641)
Pupil Support Services:				
Home-to-school transportation	151,800	5,898	48,452	(97,450)
Food services	1,021,018	510,103	82,672	(428,243)
All other pupil services	4,685,851	-	678,036	(4,007,815)
General Administration Services:				
Data processing services	1,296,334	-	-	(1,296,334)
Other general administration	2,826,546	9,382	206,892	(2,610,272)
Plant services	7,167,642	-	205,342	(6,962,300)
Ancillary services	1,700,021	46,218	121,492	(1,532,311)
Community services	774,024	207,112	367,801	(199,111)
Interest on long-term debt	8,811,726	-	-	(8,811,726)
Other outgo	672,220	179,506	326,002	(166,712)
Total Governmental Activities	\$ 69,389,651	\$ 1,561,981	\$ 7,815,157	\$ (60,012,513)
General Revenues:				
Property taxes, levied for general purposes				61,778,990
Federal and state aid not restricted to specific purposes				659,269
Interest and investment earnings				4,867,269
Interagency revenues				22,500
Miscellaneous				642,295
Total general revenues				67,970,323
Change in net assets				7,957,810
Net assets - July 1, 2007, as originally stated				66,756,433
Adjustments for restatements				414,272
Net assets - July 1, 2007, as restated				67,170,705
Net assets - June 30, 2008				\$ 75,128,515

The notes to the financial statements are an integral part of this statement

TAMALPAIS UNION HIGH SCHOOL DISTRICT
Balance Sheet – Governmental Funds
June 30, 2008

	General Fund	Building Fund	Bond Interest and Redemption Fund	Other Governmental Funds	Total Governmental Funds
Assets					
Cash	\$ 17,295,176	\$ 60,176,086	\$ 10,924,515	\$ 3,770,560	\$ 92,166,337
Investments	480,000	3,980,400	-	-	4,460,400
Accounts receivable	1,275,926	-	-	303,082	1,579,008
Due from other funds	158,852	29,888	-	400	189,140
Stores inventories	-	-	-	6,267	6,267
Prepaid expenditures	32,776	-	-	-	32,776
Total Assets	\$ 19,242,730	\$ 64,186,374	\$ 10,924,515	\$ 4,080,309	\$ 98,433,928
Liabilities and Fund Balances					
Liabilities					
Accounts payable	\$ 1,891,429	\$ 2,496,809	\$ -	\$ 138,509	\$ 4,526,747
Due to other funds	25,935	6,679	-	131,191	163,805
Deferred revenues	37,872	-	-	-	37,872
Total Liabilities	1,955,236	2,503,488	-	269,700	4,728,424
Fund Balances					
Reserved for:					
Revolving cash	12,600	-	-	400	13,000
Stores inventories	-	-	-	6,267	6,267
Prepaid expenditures	32,776	-	-	-	32,776
Legally restricted balance	1,628,514	-	-	-	1,628,514
Debt service	-	-	10,924,515	-	10,924,515
Unreserved, reported in:					
General fund	15,613,604	-	-	-	15,613,604
Special revenue funds	-	-	-	3,151,447	3,151,447
Capital projects funds	-	61,682,886	-	652,495	62,335,381
Total Fund Balances	17,287,494	61,682,886	10,924,515	3,810,609	93,705,504
Total Liabilities and Fund Balances	\$ 19,242,730	\$ 64,186,374	\$ 10,924,515	\$ 4,080,309	\$ 98,433,928

The notes to the financial statements are an integral part of this statement

TAMALPAIS UNION HIGH SCHOOL DISTRICT
Reconciliation of the Governmental Funds Balance Sheet to the
Statement of Net Assets
June 30, 2008

Total fund balances - governmental funds \$ 93,705,504

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	218,524,939	
Accumulated Depreciation	<u>(42,881,016)</u>	
Net Capital Assets		175,643,923

Unamortized costs: 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 in prepaid expense on the statement of net assets are: 1,058,217

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. 43,719

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: (3,735,418)

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: 6,561

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:

General obligation bonds payable	191,456,808	
Compensated absences (accrued vacation)	<u>137,183</u>	<u>(191,593,991)</u>

Total net assets - governmental activities \$ 75,128,515

The notes to the financial statements are an integral part of this statement

TAMALPAIS UNION HIGH SCHOOL DISTRICT
Statement of Revenues, Expenditures, and Changes in Fund Balances –
Governmental Funds
For the Year Ended June 30, 2008

Revenues	General Fund	Building Fund	Bond Interest and Redemption Fund	Other Governmental Funds	Total Governmental Funds
General Revenues:					
Property taxes	\$ 47,400,086	\$ -	\$ 14,378,904	\$ -	\$ 61,778,990
Federal and state aid not restricted to specific purpose	570,975	-	-	88,294	659,269
Interest and investment earnings	628,141	3,974,544	188,256	76,328	4,867,269
Interagency revenues	22,500	-	-	-	22,500
Miscellaneous	608,192	-	-	34,103	642,295
Program Revenues:					
Charges for services	298,371	-	-	1,263,610	1,561,981
Operating grants and contributions	5,592,449	-	-	2,222,708	7,815,157
Total revenues	55,120,714	3,974,544	14,567,160	3,685,043	77,347,461
Expenditures					
Instruction	28,815,597	-	-	1,038,141	29,853,738
Instruction-Related Services:					
Supervision of instruction	928,643	-	-	-	928,643
Instruction-related services	1,150,693	-	-	-	1,150,693
School site administration	3,426,224	-	-	652,247	4,078,471
Pupil Support Services:					
Home-to-school transportation	163,262	-	-	-	163,262
Food services	7,118	-	-	979,855	986,973
All other pupil services	4,491,374	-	-	-	4,491,374
General Administration Services:					
Data processing services	1,301,066	-	-	-	1,301,066
Other general administration	2,582,123	-	-	107,573	2,689,696
Plant services	6,431,659	214,823	-	320,873	6,967,355
Facility acquisition and construction	308,393	29,022,536	-	293,291	29,624,220
Ancillary services	1,635,783	-	-	-	1,635,783
Community services	-	-	-	716,154	716,154
Transfers between agencies	604,595	-	-	-	604,595
Debt Service:					
Principal	-	-	3,395,000	-	3,395,000
Interest	-	-	9,034,834	-	9,034,834
Issuance costs and discounts	18,500	-	-	-	18,500
Total expenditures	51,865,030	29,237,359	12,429,834	4,108,134	97,640,357
Excess (Deficiency) of Revenues Over (Under) Expenditures	3,255,684	(25,262,815)	2,137,326	(423,091)	(20,292,896)
Other Financing Sources (Uses)					
Interfund transfers in	23,310	-	-	1,099,707	1,123,017
Interfund transfers out	(1,099,707)	-	-	(23,310)	(1,123,017)
Total Other Financing Sources and Uses	(1,076,397)	-	-	1,076,397	-
Net Change in Fund Balances	2,179,287	(25,262,815)	2,137,326	653,306	(20,292,896)
Fund Balances, July 1, 2007	15,108,207	86,531,429	8,787,189	3,157,303	113,584,128
Adjustment for restatement	-	414,272	-	-	414,272
Fund Balances, July 1, 2007, as restated	15,108,207	86,945,701	8,787,189	3,157,303	113,998,400
Fund Balances, June 30, 2008	\$ 17,287,494	\$ 61,682,886	\$ 10,924,515	\$ 3,810,609	\$ 93,705,504

The notes to the financial statements are an integral part of this statement

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 Year Ended June 30, 2008

Total net change in fund balances - governmental funds \$ (20,292,896)

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

Capital outlay expenditures made in governmental funds for acquisition or construction of capital assets are reported as expenditures in the governmental funds, but are capitalized as assets on the government-wide statement of net assets. 29,837,274

Depreciation expense is recorded in the government-wide statement of activities, but is not recorded in the fund financial statements. (5,108,413)

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. (14,527)

Repayment of principal on long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. 3,395,000

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, its 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: (58,036)

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

Premiums and discounts amortized during the period:	165,072	
Issue costs amortized for the period:	49,125	
Net:	214,197	214,197

In the statement of activities, certain operating expenses - compensated absences 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 liability for compensated absences (accrued vacation) decreased during the year by \$8,805 from the prior year's ending balance. 8,805

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 or decrease in internal service funds was: (23,594)

Change in net assets of governmental activities \$ 7,957,810

The notes to the financial statements are an integral part of this statement

TAMALPAIS UNION HIGH SCHOOL DISTRICT
Statement of Net Assets – Proprietary Funds
June 30, 2008

	Governmental Activities: Internal Service Fund
ASSETS	
Cash	\$ 5,006
Other receivables	2,608
	<hr/>
Total Assets	7,614
	<hr/>
LIABILITIES	
Accounts payable and accrued liabilities	1,053
	<hr/>
Total liabilities	1,053
	<hr/>
NET ASSETS	
Unrestricted	6,561
	<hr/>
Total net assets	\$ 6,561
	<hr/> <hr/>

The notes to the financial statements are an integral part of this statement

TAMALPAIS UNION HIGH SCHOOL DISTRICT
Statement of Revenues, Expenses, and Changes in Fund Net Assets –
Proprietary Funds
For the Year Ended June 30, 2008

	Governmental Activities: Internal Service Fund
	<u> </u>
OPERATING REVENUES	
In-District premiums/ contributions	\$ 25,000
Other local revenue	10,316
	<u> </u>
Total operating revenues	<u> 35,316</u>
OPERATING EXPENSES	
Materials and supplies	7,140
Non-capitalized equipment	9,651
Professional and contract services	43,340
	<u> </u>
Total operating expenses	<u> 60,131</u>
Operating Income (Loss)	(24,815)
NON-OPERATING REVENUES	
Interest income	1,221
	<u> </u>
CHANGE IN NET ASSETS	(23,594)
NET ASSETS, JULY 1, 2007	<u> 30,155</u>
NET ASSETS, JUNE 30, 2008	<u> \$ 6,561</u>

The notes to the financial statements are an integral part of this statement

TAMALPAIS UNION HIGH SCHOOL DISTRICT
Statement of Cash Flows – Proprietary Funds
For the Year Ended June 30, 2008

	Governmental Activities: Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from assessments made to other funds	\$ 25,000
Cash received from other local sources	7,709
Cash payments for operating expenses	<u>(60,078)</u>
Net cash provided (used) by operating activities	<u>(27,369)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	<u>1,375</u>
Net cash provided by investing activities	<u>1,375</u>
Net increase (decrease) in cash	(25,994)
Cash, July 1, 2007	<u>31,000</u>
Cash, June 30, 2008	<u>\$ 5,006</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ (24,815)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Changes in assets and liabilities:	
Increase in accounts receivable	(2,607)
Increase in accounts payable	<u>53</u>
Net cash provided (used) by operating activities	<u>\$ (27,369)</u>

The notes to the financial statements are an integral part of this statement

TAMALPAIS UNION HIGH SCHOOL DISTRICT
Statement of Net Assets – Fiduciary Funds
June 30, 2008

	Trust Funds	Agency Funds	
	Foundation Private- Purpose Trust	Student Body Funds	Total
ASSETS			
Deposits and investments	\$ 116,717	\$ 650,318	\$ 767,035
Total assets	<u>\$ 116,717</u>	<u>\$ 650,318</u>	<u>\$ 767,035</u>
LIABILITIES			
Accounts payable	\$ 7,019	\$ -	\$ 7,019
Due to other funds	25,335	-	25,335
Due to student groups	-	650,318	650,318
Total liabilities	<u>\$ 32,354</u>	<u>\$ 650,318</u>	<u>\$ 682,672</u>
Net Assets			
Unreserved	84,363		84,363
Total Net Assets	<u>\$ 84,363</u>		<u>\$ 84,363</u>

The notes to the financial statements are an integral part of this statement

TAMALPAIS UNION HIGH SCHOOL DISTRICT
Statement of Changes in Net Assets – Fiduciary Funds
For the Year Ended June 30, 2008

	Foundation Private- Purpose Trust
ADDITIONS	
Donations and Fees	\$ 439,857
Interest	7,684
	<hr/>
Total Additions	447,541
	<hr/>
DEDUCTIONS	
Other Expenditures	399,004
	<hr/>
Total Deductions	399,004
	<hr/>
CHANGE IN NET ASSETS	48,537
Net Assets, June 30, 2007	35,826
	<hr/>
Net Assets, June 30, 2008	\$ 84,363
	<hr/> <hr/>

The notes to the financial statements are an integral part of this statement

TAMALPAIS UNION HIGH SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2008

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.

TAMALPAIS UNION HIGH SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2008

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation (continued)

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.

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.

TAMALPAIS UNION HIGH SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2008

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation (continued)

Fund Financial Statements (continued):

The District applies all GASB pronouncements, as well as the Financial Accounting Standards Board (FASB) pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

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.

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.

TAMALPAIS UNION HIGH SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2008

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Basis of Accounting (continued)

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 have also been 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 services 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.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

E. Fund Accounting

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

Major Governmental Funds:

The *General Fund* is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.

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

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

TAMALPAIS UNION HIGH SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2008

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Fund Accounting (continued)

Non-major Governmental Funds:

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. The District maintains five non-major special revenue funds:

1. The *Adult Education Fund* is used to account for resources committed to adult education programs maintained by the District.
2. The *Cafeteria Fund* is used to account for revenues received and expenditures made to operate the District's food service operations.
3. The *Deferred Maintenance Fund* is used for the purpose of major repair or replacement of District property.
4. The *Special Reserve Fund for Other than Capital Outlay Projects* is used primarily to provide for the accumulation of general fund moneys for general operating purposes other than capital outlay.
5. The *Foundation Special Revenue Fund* is used to account for resources received from local donations.

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

1. The *County School Facilities Fund* is used to account for state apportionments provided for modernization of school facilities under SB50.
2. The *Special Reserve Fund for Capital Outlay Projects* is used to provide for the accumulation of general fund moneys for capital outlay puposes.

Fiduciary Funds:

Trust 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.

Agency Funds are used to account for assets of others for which the District acts as an agent. The District maintains two agency funds, one for each school that operates a student body fund. The amounts reported for student body funds represent the combined totals of all schools within the District.

TAMALPAIS UNION HIGH SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2008

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Fund Accounting (continued)

Proprietary Funds:

Internal Service 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.

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 financial statements.

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.

TAMALPAIS UNION HIGH SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2008

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

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 governmental activities column of 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.

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

TAMALPAIS UNION HIGH SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2008

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Assets, Liabilities, and Equity (continued)

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 Reserves and Designations

Reservations of the ending fund balance indicate the portions of the fund balance not appropriate for expenditure or amounts legally segregated for a specific future use. Designations of the ending fund balance indicate tentative plans for financial resource utilization in a future period.

TAMALPAIS UNION HIGH SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2008

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Assets, Liabilities, and Equity (continued)

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. Revenue Limit/Property Tax

The District's revenue limit is received from a combination of local property taxes, state apportionments, and other local sources.

The county is responsible for assessing, collecting, and apportioning property taxes. Taxes are levied for each fiscal year on taxable real and personal property in the county. The levy is based on the assessed values as of the preceding March 1, which is also the lien date. Property taxes on the secured roll are due on November 1 and February 1, and taxes become delinquent after December 10 and April 10, respectively. Property taxes on the unsecured roll are due on the lien date (March 1), and become delinquent if unpaid by August 31.

Secured property taxes are recorded as revenue when apportioned, in the fiscal year of the levy. The county apportions secured property tax revenue in accordance with the alternative method of distribution prescribed by Section 4705 of the California Revenue and Taxation Code. This alternate method provides for crediting each applicable fund with its total secured taxes upon completion of the secured tax roll – approximately October 1 of each year.

The County Auditor reports the amount of the District's allocated property tax revenue to the California Department of Education. Property taxes are recorded as local revenue limit sources by the District.

The California Department of Education reduces the District's entitlement by the District's local property tax revenue. Because the District's local property tax revenue exceeds its total base revenue limit, the District receives from the state General Fund only an amount known as "basic aid". The basic aid entitlement is equal to amounts for various other supplemental instructional programs, less payments to the County for county-operated ADA.

TAMALPAIS UNION HIGH SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2008

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 2007-08 fiscal year, the following GASB Pronouncements became effective for the District.

GASB Statement No. 48 – *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues* was issued in September 2006. This statement establishes criteria that governments use to ascertain whether proceeds received as a lump sum payment in exchange for certain receivables should be reported as a revenue or liability. The District had no such transactions during the year.

GASB Statement No. 50 – *Pension Disclosures – an amendment of GASB Statements No. 25 and No. 27* was issued in May 2007. This statement amends statements 25 and 27 to require defined benefit pension plans and sole and agent employers present certain information related to note disclosures.

TAMALPAIS UNION HIGH SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2008

NOTE 2 – DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2008 are classified in the accompanying financial statements as follows:

Cash:	Governmental Activities	Fiduciary Funds
Cash in county treasury	\$ 92,155,343	\$ 116,717
Cash on hand and in banks	3,000	650,318
Cash in revolving fund	13,000	-
Sub-total cash	<u>92,171,343</u>	<u>767,035</u>
Investments	<u>4,460,400</u>	<u>-</u>
Total deposits and investments	<u>\$ 96,631,743</u>	<u>\$ 767,035</u>

Policies and Practices

The District is authorized under California Government Code to make direct investments in local agency bonds, notes, or warrants within the State; U.S. Treasury instruments; registered State warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security; and collateralized mortgage obligations.

Cash in County Treasury – The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (Education Code Section 41001). The fair value of the District’s investment in the pool is reported in the accounting financial statements at amounts based upon the District’s pro-rata share of the fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

TAMALPAIS UNION HIGH SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2008

NOTE 2 – DEPOSITS AND INVESTMENTS (continued)

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are described below:

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the County Treasury and in the Local Agency Investment Fund. The District maintains an investment with the Marin County Investment Pool with a fair value of approximately \$92,521,195 and an amortized book value of \$92,272,060 and non-pooled investment with a fair value of approximately \$4,473,781 and an amortized book value of \$4,460,400. The average weighted maturity for the pooled investment is 218 days and 76 days for the non-pooled investment.

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The investment with the Marin County Investment Pool is rated AAA/V1+ by Fitch Ratings.

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. However, 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, 2008, \$608,851 of the District's bank balance of \$808,851 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.

TAMALPAIS UNION HIGH SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2008

NOTE 2 – DEPOSITS AND INVESTMENTS (continued)

Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond the amount stipulated by the California Government code. District investments that are greater than 5 percent of total investments are in either an external investment pool or mutual funds and are therefore exempt.

NOTE 3 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

There were no excess of expenditures over appropriation by major object in any major fund.

NOTE 4 – ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2008 consist of the following:

	General Fund	Other Governmental Funds	Total Governmental Funds	Proprietary Fund
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Federal Government:				
Categorical aid programs	\$ 309,403	\$ 22,655	\$ 332,058	\$ -
State Government:				
Lottery	275,092	-	275,092	-
Apportionment	-	196,895	196,895	-
Categorical aid programs	189,922	-	189,922	-
Other	148,223	-	148,223	-
Local:				
Interest	90,976	-	90,976	-
Other	262,310	83,532	345,842	2,608
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Totals	<u>\$ 1,275,926</u>	<u>\$ 303,082</u>	<u>\$ 1,579,008</u>	<u>\$ 2,608</u>

TAMALPAIS UNION HIGH SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2008

NOTE 5 - 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, 2008 are as follows:

	Due from other funds			Total
	General Fund	Building Fund	Other Governmental Funds	
General Fund	\$ -	\$ 25,535	\$ 400	\$ 25,935
Building Fund	6,679	-	-	6,679
Other Governmental Funds	126,838	4,353	-	131,191
Fiduciary Fund	25,335	-	-	25,335
Total	\$ 158,852	\$ 29,888	\$ 400	\$ 189,140

General Fund due to Cafeteria Fund to transfer revolving cash	\$ 400
General Fund due to Building Fund to transfer expense	25,535
Adult Education Fund due to General Fund for loan payment and indirect charges	112,700
Cafeteria Fund due to General Fund for contribution	13,244
Building Fund due to General Fund to teachers for classroom moving stipends	6,679
County Schools Facilities Fund due to Building Fund for transfer expense	4,353
Special Reserve Fund for Capital Outlay Projects due to General Fund to move fourth quarter interest	894
Foundation Private-Purpose Trust Fund due to General Fund for indirect charges	25,335
Total	\$ 189,140

TAMALPAIS UNION HIGH SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2008

NOTE 5 - INTERFUND TRANSACTIONS (continued)

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 2007-08 fiscal year are as follows:

	Interfund Transfers In		Total
	General Fund	Other Governmental Funds	
General Fund	\$ -	\$ 1,099,707	\$ 1,099,707
Other Governmental Funds	23,310	-	23,310
Total	\$ 23,310	\$ 1,099,707	\$ 1,123,017
General Fund transfer to Adult Education Fund to reimburse expenditures			\$ 18,400
General Fund transfer to Cafeteria Fund for contribution			379,307
General Fund transfer to Deferred Maintenance Fund for District match			250,000
General Fund transfer to Special Reserve Fund for Other than Capital Outlay for OPEB			100,000
General Fund transfer to Special Reserve Fund for Capital Outlay Projects for capital projects			352,000
Adult Education Fund transfer to General Fund for use of facilities and repayment of loan			23,310
Total			\$ 1,123,017

TAMALPAIS UNION HIGH SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2008

NOTE 6 – CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended June 30, 2008 is shown below:

	Balance, July 1, 2007	Additions	Retirements	Balance, June 30, 2008
Capital assets not being depreciated:				
Land	\$ 2,409,145	\$ -	\$ -	\$ 2,409,145
Work in Progress	30,890,256	29,490,625	7,178,298	53,202,583
Total capital assets not being depreciated	<u>33,299,401</u>	<u>29,490,625</u>	<u>7,178,298</u>	<u>55,611,728</u>
Capital assets being depreciated:				
Improvement of sites	54,499,657	5,475,200	-	59,974,857
Buildings	98,711,798	1,814,871	-	100,526,669
Equipment	2,194,630	217,055	-	2,411,685
Total capital assets being depreciated	<u>155,406,085</u>	<u>7,507,126</u>	<u>-</u>	<u>162,913,211</u>
Accumulated depreciation for:				
Improvement of sites	(10,453,029)	(2,008,589)	-	(12,461,618)
Buildings	(26,054,647)	(2,913,470)	-	(28,968,117)
Equipment	(1,264,927)	(186,354)	-	(1,451,281)
Total accumulated depreciation	<u>(37,772,603)</u>	<u>(5,108,413)</u>	<u>-</u>	<u>(42,881,016)</u>
Total capital assets being depreciated, net	<u>117,633,482</u>	<u>2,398,713</u>	<u>-</u>	<u>120,032,195</u>
Governmental activity capital assets, net	<u>\$ 150,932,883</u>	<u>\$ 31,889,338</u>	<u>\$ 7,178,298</u>	<u>\$ 175,643,923</u>

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

Instruction	\$ 3,978,860
Instructional Supervision and Administration	61,069
Instructional Library, Media, and Technology	28,413
School Site Administration	165,526
Home-to-School Transportation	8,012
Food Services	34,046
All Other Pupil Services	194,477
Ancillary Services	71,121
Community Services	57,870
All Other General Administration	160,445
Centralized Data Processing	59,360
Plant Services	289,214
	<hr/>
Total Depreciation Expense	<u>\$ 5,108,413</u>

TAMALPAIS UNION HIGH SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2008

NOTE 7 - TAX REVENUE ANTICIPATION NOTES

The District issued \$5,000,000 of Tax Revenue Anticipation Notes dated July 6, 2007 through the California School Cash Reserve Program, sponsored by the California School Boards Association Finance Corporation. The notes matured on July 1, 2008 and yielded 3.62% interest. The notes were sold by the District to supplement its cash flow.

Repayment requirements were that certain amounts be deposited in a special fund. The monies were required to remain on deposit until the maturity date of the note, at which time they were applied to pay the principal and interest on the notes. Because the set-aside requirements were met, the liability for the notes is considered defeased and is not reflected in these financial statements at June 30, 2008.

NOTE 8 – GENERAL LONG-TERM DEBT

A schedule of changes in long-term debt for the year ended June 30, 2008 is shown below.

	Balance, July 1, 2007	Additions	Deductions	Balance, June 30, 2008	Amount Due Within One Year
General Obligation Bonds:					
Principal Payments	\$ 191,280,000	\$ -	\$ 3,395,000	\$ 187,885,000	\$ 5,480,000
Unamortized Issuance Premium	3,736,880	-	165,072	3,571,808	158,229
Total General Obligation Bonds	195,016,880	-	3,560,072	191,456,808	5,638,229
Accumulated Vacation	145,988	-	8,805	137,183	-
Totals	\$ 195,162,868	\$ -	\$ 3,568,877	\$ 191,593,991	\$ 5,638,229

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.

TAMALPAIS UNION HIGH SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2008

NOTE 8 – GENERAL LONG-TERM DEBT (continued)

A. General Obligation Bonds (continued)

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.

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

Series	Issue Date	Maturity Date	Interest Rate	Original Issue	Balance, July 1, 2007	Additions	Deductions	Balance, June 30, 2008	Amounts due within one year
2001	7/18/2001	8/1/2026	3.375% - 5.50%	\$ 20,820,000	\$ 17,815,000	\$ -	\$ 675,000	\$ 17,140,000	\$ 700,000
2002	7/30/2002	8/1/2027	3.00% - 6.00%	49,580,000	44,605,000	-	1,355,000	43,250,000	1,410,000
2004	5/13/2004	8/1/2028	4.50% - 5.50%	50,600,000	48,940,000	-	1,365,000	47,575,000	1,430,000
2006	8/22/2006	8/1/2031	4.00%-5.25%	79,920,000	79,920,000	-	-	79,920,000	1,940,000
				<u>\$ 200,920,000</u>	<u>\$ 191,280,000</u>	<u>-</u>	<u>\$ 3,395,000</u>	<u>\$ 187,885,000</u>	<u>\$ 5,480,000</u>

The annual requirements to amortize all general obligation bonds payable, outstanding as of June 30, 2008, are as follows:

Fiscal Year	Principal	Interest	Total
2008-09	\$ 5,480,000	\$ 8,847,766	\$ 14,327,766
2009-10	5,695,000	8,608,229	14,303,229
2010-11	5,920,000	8,360,929	14,280,929
2011-12	6,150,000	8,096,029	14,246,029
2012-13	6,380,000	7,811,047	14,191,047
2013-18	35,840,000	34,225,166	70,065,166
2018-23	44,305,000	24,530,643	68,835,643
2023-28	54,605,000	12,231,078	66,836,078
2028-32	23,510,000	1,952,266	25,462,266
Total	<u>\$ 187,885,000</u>	<u>\$ 114,663,153</u>	<u>\$ 302,548,153</u>

TAMALPAIS UNION HIGH SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2008

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, 2008 is as follows:

	<u>MSIA</u>
Total Assets	\$ 16,687,067
Total Liabilities	<u>14,386,801</u>
Net Assets	<u>\$ 2,300,266</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, 2008, the District had commitments with respect to unfinished capital projects of \$259,054 to be paid from a combination of State and local funds.

C. Litigation

The District is not involved in any litigation arising in the normal course of business.

TAMALPAIS UNION HIGH SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2008

NOTE 10 - COMMITMENTS AND CONTINGENCIES (continued)

D. Other Postemployment Benefits

The District provides postemployment benefits for health and dental coverage to certificated employees who retire from the District on or after reaching age 55 with at least ten years of service. Eligible retirees will receive coverage for five years or until reaching age 65, whichever comes first. Expenditures for postemployment benefits are recognized as premiums are paid. The District paid \$357,401 for these benefits in 2007-08.

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, 2008, 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 2008, the District participated in the MSIA public entity risk pool for workers compensation, with excess commercial coverage provided by Arch Insurance Company.

Employee Medical Benefits

The District has contracted with Alliant Insurance Services, Inc. to provide employee medical benefits through Kaiser and Health Net. Additional dental and vision benefits are provided through the MSIA public entity risk pool.

TAMALPAIS UNION HIGH SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2008

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 CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95814.

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 2007-08 was 9.306%. The contribution requirements of the plan members are established by State statute. The District's contributions to CalPERS for the fiscal years ending June 30, 2008, 2007, and 2006 were \$1,409,693, \$1,455,250, and \$1,300,556, respectively, which represents 100% of the required contributions for each fiscal year.

State Teachers' Retirement System (STRS)

Plan Description

The District contributes to the State Teachers' Retirement System (STRS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by STRS. The plan provides retirement, disability and survivor benefits to beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law. STRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the STRS annual financial report may be obtained from STRS, 7667 Folsom Boulevard, Sacramento, California 95826.

TAMALPAIS UNION HIGH SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2008

NOTE 12 - EMPLOYEE RETIREMENT PLANS (continued)

State Teachers' Retirement System (STRS) (continued)

Funding Policy

Active plan members are required to contribute 8.0% of their salary. The required employer contribution rate for fiscal year 2007-08 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 fiscal years ending June 30, 2008, 2007, and 2006 were \$2,028,852, \$1,885,985, and \$1,789,842, respectively, and equal 100% of the required contributions for each year.

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 \$1.5 million to STRS (4.517% of salaries subject to STRS in 2007-08 and 2.237% of salaries subject to STRS in 2003-04).

NOTE 13 – SUBSEQUENT EVENT

The District issued \$5,000,000 of Tax Revenue Anticipation Notes dated July 1, 2008 through the California Cash Reserve Program, sponsored by the California School Boards Association Finance Corporation. The notes mature on July 6, 2009 and yield 1.65% interest. The notes were sold by the District to supplement its cash flow. Repayment requirements are that certain amounts are to be deposited in a special fund. The monies are required to remain on deposit until the maturity date of the note, at which time they will be applied to pay the principal and interest on the notes.

NOTE 14 – ADJUSTMENT FOR RESTATEMENT

The ending balance of net assets at June 30, 2008 on the government-wide statement of activities and the beginning fund balance of the Building Fund on the Statement of Revenues, Expenditures and Changes in Fund Balances has been restated by \$414,272 to reverse the adjustment made to investments in the Building Fund as of July 1, 2007.

TAMALPAIS UNION HIGH SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2008

NOTE 15 – HOUSING LOAN

In order to encourage and enable the Superintendent to live within Marin County and, thereby, more effectively perform the duties, the Board provides 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 Superintendent as of June 30, 2008 had a loan of \$480,000, which has been repaid since his resignation. The current Superintendent has a loan outstanding of \$850,000.

NOTE 16 – GASB STATEMENT NO. 45

In June 2004, the Governmental Accounting Standards Board (GASB) issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The pronouncement will require employers providing postemployment benefits, commonly referred to as other postemployment benefits, or OPEB, to recognize and account for the costs of providing these benefits on an accrual basis and provide footnote disclosure on the progress toward funding the benefits. The implementation date for this pronouncement will be phased in over three years based upon the entity's revenues. GASB Statement No. 45 will be effective for the Tamalpais Union High School District beginning in the 2008-09 fiscal year. The effect of this pronouncement on the financial condition of the District has not been determined.

Required Supplementary Information

TAMALPAIS UNION HIGH SCHOOL DISTRICT
Budgetary Comparison Schedule – General Fund
For the Year Ended June 30, 2008

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with
	Original	Final		Final Budget - Pos (Neg)
Revenues				
Revenue Limit Sources	\$ 39,018,625	\$ 39,058,176	\$ 39,132,595	\$ 74,419
Federal	759,548	932,213	751,514	(180,699)
Other State	2,221,391	2,584,857	2,449,905	(134,952)
Other Local	10,625,638	12,637,277	12,786,700	149,423
Total Revenues	52,625,202	55,212,523	55,120,714	(91,809)
Expenditures				
Instruction	28,601,904	31,260,424	28,815,597	2,444,827
Instruction-Related Services	5,587,167	5,780,904	5,505,560	275,344
Pupil Services	4,935,406	5,114,660	4,661,754	452,906
Ancillary Services	1,482,624	1,784,977	1,635,783	149,194
General Administration	4,040,759	4,197,089	3,883,189	313,900
Plant Services	6,785,264	7,401,051	6,740,052	660,999
Other Outgo	677,946	637,106	623,095	14,011
Total Expenditures	52,111,070	56,176,211	51,865,030	4,311,181
Excess (Deficiency) of Revenues Over (Under) Expenditures	514,132	(963,688)	3,255,684	4,219,372
Other Financing Sources (Uses)				
Interfund Transfers In	18,525	18,400	23,310	4,910
Interfund Transfers Out	(719,259)	(1,097,551)	(1,099,707)	(2,156)
Total Other Financing Sources and Uses	(700,734)	(1,079,151)	(1,076,397)	2,754
Net Change in Fund Balances	(186,602)	(2,042,839)	2,179,287	4,222,126
Fund Balances, June 30, 2007	2,306,865	15,108,207	15,108,207	-
Fund Balances, June 30, 2008	\$ 2,120,263	\$ 13,065,368	\$ 17,287,494	\$ 4,222,126

Supplementary Information Section

TAMALPAIS UNION HIGH SCHOOL DISTRICT
Local Educational Agency Organization Structure
June 30, 2008

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.

<u>GOVERNING BOARD</u>		
<u>Member</u>	<u>Office</u>	<u>Term Expires</u>
Susan Schmidt ¹	President	2009
John Wright	Clerk	2009
Bob Walter	Trustee	2011
Cindy McCauley	Trustee	2011
Ruth Dell	Trustee	2009

DISTRICT ADMINISTRATORS

Laurie Kimbrel, Ed.D.²
Superintendent

Steven Butler,
Assistant Superintendent, Educational Services

Kathy Bennett, Ed.D.
Assistant Superintendent, Human Resources

Lori Parrish,
Chief Business Official

¹Susan Schmidt took over Jill Sampson's office of President in December, 2007

² Robert Ferguson resigned as Superintendent as of August 1, 2008

TAMALPAIS UNION HIGH SCHOOL DISTRICT
Schedule of Average Daily Attendance
Year Ended June 30, 2008

	<u>Second Period Report</u>	<u>Annual Report</u>
Secondary:		
Grades 9 Through 12, regular classes	3,469	3,442
Continuation Education	114	113
Home and Hospital	1	1
Special Education	85	83
Extended Year - Nonpublic	2	2
	<hr/>	<hr/>
Total Secondary	3,671	3,641
	<hr/>	<hr/>
Classes for Adults:		
Adults Enrolled, State Apportioned	653	682
	<hr/>	<hr/>
Total Average Daily Attendance	4,324	4,323
	<hr/> <hr/>	<hr/> <hr/>

<u>Supplemental Instruction</u>	<u>Hours of Attendance</u>
Secondary	51,650

See accompanying note to supplementary information.

TAMALPAIS UNION HIGH SCHOOL DISTRICT
Schedule of Instructional Time
Year Ended June 30, 2008

<u>Grade Level</u>	<u>1982-83 Actual Minutes</u>	<u>1986-87 Minutes Requirement</u>	<u>2007-2008 Actual Minutes</u>	<u>Number of Days Traditional Calendar *</u>	<u>Status*</u>
Grade 9	[1]	64,800	64,640	179	In compliance
Grade 10	[1]	64,800	64,640	179	In compliance
Grade 11	[1]	64,800	64,640	179	In compliance
Grade 12	[1]	64,800	64,640	179	In compliance

[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.

* The District applied and was granted a waiver from the State of California for the school day and instructional minutes lost due to a safety hazard. Therefore, there is no penalty. In addition, the District received state funding under the Basic Aid Provisions and therefore did not receive incentive funding for offering the required instructional time for the fiscal year 2007-08.

See accompanying note to supplementary information.

TAMALPAIS UNION HIGH SCHOOL DISTRICT
Schedule of Financial Trends and Analysis
Year Ended June 30, 2008

General Fund	(Budget) ² 2009	2008	2007	2006
Revenues and other financing sources	\$ 55,236,902	\$ 55,144,024	\$ 54,823,155	\$ 49,269,188
Expenditures	54,853,530	51,865,030	50,533,887	47,238,183
Other uses and transfers out	892,000	1,099,707	1,017,608	884,491
Total Outgo	55,745,530	52,964,737	51,551,495	48,122,674
Change in fund balance (deficit)	(508,628)	2,179,287	3,271,660	1,146,514
Ending fund balance	\$ 16,778,866	\$ 17,287,494	\$ 15,108,207	\$ 11,836,547
Available Reserves ¹	\$ 15,355,891	\$ 15,819,143	\$ 13,216,310	\$ 9,717,233
Available Reserves as a percentage of Total Outgo	27.5%	29.9%	25.6%	20.2%
Total Long-Term Debt	\$ 185,818,579	\$ 191,593,991	\$ 195,162,868	\$ 116,155,424
Average Daily Attendance at P-2 ³	3,564	3,671	3,727	3,642

The General Fund balance has increased by \$5,450,947 over the past two years. The fiscal year 2008-09 adopted budget projects a decrease of \$508,628. 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 incurred operating deficits in none of the past three years, but anticipates incurring an operating deficit during the 2008-09 fiscal year. Total long-term debt has increased by \$75,438,567 over the past two years.

ADA has decreased by 56 from the previous year, and increased by 29 over the past two years.

¹ Available reserves consist of all undesignated fund balances and all funds designated for economic uncertainty in the General Fund and Special Reserve Fund for Other than Capital Outlay.

² As of July, 2008.

³ Excludes Adult Education ADA.

See accompanying note to supplementary information.

TAMALPAIS UNION HIGH SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2008

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):			
National School Lunch Program	10.555	13523	\$ 69,381
Total U.S. Department of Agriculture			69,381
U.S. Department of Education:			
Passed through California Dept. of Education (CDE):			
Adult Basic Education (ABE):			
English as a Second Language	84.002	14508	31,112
Adult Secondary Education	84.002	13978	3,947
English Literacy Civics	84.002A	14109	17,309
No Child Left Behind (NCLB):			
Title I, Part A - Basic Grant	84.010	13797	149,560
Title II, Part A - Teacher Quality	84.367	14341	111,408
Title III - Immigrant Education	84.365	14346	13,475
Title III - Limited English Proficiency	84.365	10084	5,520
Title IV - Safe and Drug Free Schools	84.184	14347	11,791
Title V - Innovative Strategies	84.298	14354	534
Vocational Program & Applied Tech Secondary	84.048	13924	62,545
Advanced Placement Test Fee	84.330	14504	144
Individuals with Disabilities Education Act (IDEA):			
Local Assistance Entitlement	84.027	13379	396,537
Total U.S. Department of Education			803,882
Total Expenditures of Federal Awards			\$ 873,263

See accompanying note to supplementary information.

TAMALPAIS UNION HIGH SCHOOL DISTRICT
Reconciliation of Annual Financial and Budget Report with Audited
Financial Statements
Year Ended June 30, 2008

There were no differences between the Annual Financial and Budget Report (Form SACS) and the audited financial statements for any funds.

See accompanying note to supplementary information.

TAMALPAIS UNION HIGH SCHOOL DISTRICT
Schedule of Excess Sick Leave
Year Ended June 30, 2008

Section 19833.5 (a)(3) or (a)(3)(b) disclosure

Tamalpais Union High School District does not provide more than 12 sick leave days in a school year to any CalSTRS member.

TAMALPAIS UNION HIGH SCHOOL DISTRICT
Note to the Supplementary Information
June 30, 2008

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 required by Education Code section 46201.

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 accompanying schedule of expenditures of Federal awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the United States 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.

Schedule of Sick Excess Leave

This schedule provides information on whether the District grants excess sick leave, as that term is defined in subdivision (c) of Education Code Section 22170.5, to employees who are members of the California State Teachers Retirement System.

Supplementary Information – Unaudited

TAMALPAIS UNION HIGH SCHOOL DISTRICT
Non-Major Governmental Funds Combining Balance Sheet - Unaudited
June 30, 2008

	Adult Education Fund	Cafeteria Fund	Deferred Maintenance Fund	Special Reserve for Other than Capital Outlay Projects	Foundation Special Revenue Fund	County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Total Governmental Funds
Assets								
Cash	\$ 1,659,459	\$ 8,709	\$ 1,185,420	\$ 205,539	\$ 52,904	\$ 4,353	\$ 654,176	\$ 3,770,560
Accounts receivable	293,365	9,717	-	-	-	-	-	303,082
Due from other funds	-	400	-	-	-	-	-	400
Stores inventories	-	6,267	-	-	-	-	-	6,267
Total Assets	<u>\$ 1,952,824</u>	<u>\$ 25,093</u>	<u>\$ 1,185,420</u>	<u>\$ 205,539</u>	<u>\$ 52,904</u>	<u>\$ 4,353</u>	<u>\$ 654,176</u>	<u>\$ 4,080,309</u>
Liabilities and Fund Balances								
Liabilities								
Accounts payable	\$ 129,920	\$ 5,182	\$ 2,620	\$ -	\$ -	\$ -	\$ 787	\$ 138,509
Due to other funds	112,700	13,244	-	-	-	4,353	894	131,191
Total Liabilities	<u>242,620</u>	<u>18,426</u>	<u>2,620</u>	<u>-</u>	<u>-</u>	<u>4,353</u>	<u>1,681</u>	<u>269,700</u>
Fund Balances								
Reserved for:								
Revolving cash	-	400	-	-	-	-	-	400
Stores Inventories	-	6,267	-	-	-	-	-	6,267
Unreserved, reported in:								
Special revenue funds	1,710,204	-	1,182,800	205,539	52,904	-	-	3,151,447
Capital projects funds	-	-	-	-	-	-	652,495	652,495
Total Fund Balances	<u>1,710,204</u>	<u>6,667</u>	<u>1,182,800</u>	<u>205,539</u>	<u>52,904</u>	<u>-</u>	<u>652,495</u>	<u>3,810,609</u>
Total Liabilities and Fund Balances	<u>\$ 1,952,824</u>	<u>\$ 25,093</u>	<u>\$ 1,185,420</u>	<u>\$ 205,539</u>	<u>\$ 52,904</u>	<u>\$ 4,353</u>	<u>\$ 654,176</u>	<u>\$ 4,080,309</u>

See accompanying note to supplementary information - unaudited.

TAMALPAIS UNION HIGH SCHOOL DISTRICT
Non-Major Governmental Funds Combining Statement of Revenues,
Expenditures, and Changes in Fund Balance - Unaudited
For the Year Ended June 30, 2008

Revenues	Adult Education Fund	Cafeteria Fund	Deferred Maintenance Fund	Special Reserve for Other than Capital Outlay Projects	Foundation Special Revenue Fund	County School Facilities Fund	Special Reserve Fund for Capital Outlay Projects	Total Governmental Funds
General Revenues:								
Federal and state aid not restricted to specific purpose	\$ 88,294	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 88,294
Interest and investment earnings	64,680	-	-	5,539	2,296	3,813	-	76,328
Miscellaneous	34,103	-	-	-	-	-	-	34,103
Program Revenues:								
Charges for services	753,506	510,104	-	-	-	-	-	1,263,610
Operating grants and contributions	1,934,817	82,672	205,219	-	-	-	-	2,222,708
Total revenues	<u>2,875,400</u>	<u>592,776</u>	<u>205,219</u>	<u>5,539</u>	<u>2,296</u>	<u>3,813</u>	<u>-</u>	<u>3,685,043</u>
Expenditures								
Instruction	1,036,141	-	-	-	2,000	-	-	1,038,141
Instruction-Related Services:								
School site administration	652,247	-	-	-	-	-	-	652,247
Pupil Support Services:								
Food services	-	979,855	-	-	-	-	-	979,855
Other general administration	107,573	-	-	-	-	-	-	107,573
Plant services	-	-	-	-	-	-	320,873	320,873
Facility acquisition and construction	6,662	-	26,080	-	-	248,627	11,922	293,291
Community services	716,154	-	-	-	-	-	-	716,154
Total expenditures	<u>2,518,777</u>	<u>979,855</u>	<u>26,080</u>	<u>-</u>	<u>2,000</u>	<u>248,627</u>	<u>332,795</u>	<u>4,108,134</u>
Excess (Deficiency) of Revenues								
Over (Under) Expenditures	356,623	(387,079)	179,139	5,539	296	(244,814)	(332,795)	(423,091)
Other Financing Sources (Uses)								
Interfund transfers in	18,400	379,307	250,000	100,000	-	-	352,000	1,099,707
Interfund transfers out	(23,310)	-	-	-	-	-	-	(23,310)
Total Other Financing Sources and Uses	<u>(4,910)</u>	<u>379,307</u>	<u>250,000</u>	<u>100,000</u>	<u>-</u>	<u>-</u>	<u>352,000</u>	<u>1,076,397</u>
Net Change in Fund Balances	351,713	(7,772)	429,139	105,539	296	(244,814)	19,205	653,306
Fund Balances, July 1, 2007	1,358,491	14,439	753,661	100,000	52,608	244,814	633,290	3,157,303
Fund Balances, June 30, 2008	<u>\$ 1,710,204</u>	<u>\$ 6,667</u>	<u>\$ 1,182,800</u>	<u>\$ 205,539</u>	<u>\$ 52,904</u>	<u>\$ -</u>	<u>\$ 652,495</u>	<u>\$ 3,810,609</u>

See accompanying note to supplementary information - unaudited.

TAMALPAIS UNION HIGH SCHOOL DISTRICT
Note to the Supplementary Information - Unaudited
June 30, 2008

NOTE 1 – PURPOSE OF SCHEDULES

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

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.

Other Independent Auditors' Reports



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Tamalpais Union High School District
Larkspur, California

**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***

We have audited the financial statements of Tamalpais Union High School District as of and for the year ended June 30, 2008, and have issued our report thereon dated November 30, 2008. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America.

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 opinion 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliability in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control over financial reporting. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be presented or detected by the entity's internal control. Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards*, and which is described in the accompanying schedule of findings and questioned costs as Finding 2008-3.

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.



Murrieta, California
November 30, 2008



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Larkspur, California

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

Compliance

We have audited the compliance of Tamalpais Union High School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. Tamalpais Union High School District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of 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 of America; 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 are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

The 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, 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 control deficiency in a District's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the District's internal control.

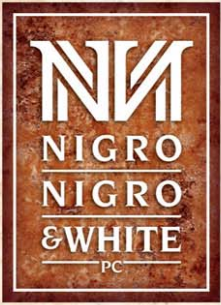
A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the District's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be 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 these specified parties.



Murrieta, California
November 30, 2008



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Larkspur, California

AUDITOR'S REPORT ON STATE COMPLIANCE

We have audited the basic financial statements of the Tamalpais Union High School District, as of and for the year ended June 30, 2008, and have issued our report thereon dated November 30, 2008. Our audit was made 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 of America; and *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2007-08*, published by the Education Audit Appeals Panel. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

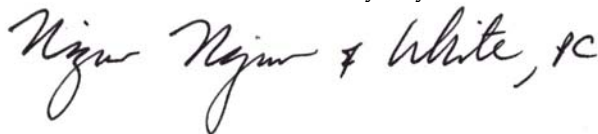
The District's management is responsible for the District's compliance with laws and regulations. In connection with the audit referred to above, we selected and tested transactions and records to determine the District's compliance with the laws and regulations applicable to the following items:

Description	Procedures in Audit Guide	Procedures Performed
Attendance Accounting:		
Attendance Reporting	8	Yes
Kindergarten Continuance	3	Not Applicable
Independent Study	23	Yes
Continuation Education	10	Yes
Adult Education	9	Yes
Regional Occupational Centers and Programs	6	Not Applicable
Instructional Time:		
School Districts	6	Yes
County Offices of Education	3	Not Applicable
Community Day Schools	9	Not Applicable
Morgan-Hart Class Size Reduction Program	7	Yes

Description	Procedures in Audit Guide	Procedures Performed
Instructional Materials:		
General Requirements	12	Yes
K-8 only	1	Not Applicable
Grades 9-12 only	1	Yes
Ratios of Administrative Employees to Teachers	1	Yes
Classroom Teacher Salaries	1	Yes
Early Retirement Incentive Program	4	Not Applicable
Gann Limit Calculation	1	Yes
School Construction Funds:		
School District Bonds	3	Yes
State School Facilities Funds	1	Yes
Excess Sick Leave	2	Yes
Notice of Right to Elect CalSTRS Membership	1	Yes
Proposition 20 Lottery Funds	2	Yes
State Lottery Funds	2	Yes
California School Age Families Education (Cal-SAFE) Program	3	Not Applicable
School Accountability Report Card	3	Yes
Mathematics and Reading Professional Development	4	Not Applicable
Class Size Reduction Program:		
General Requirements	7	Not Applicable
Option One	3	Not Applicable
Option Two	4	Not Applicable
Districts with only one school serving K-3	4	Not Applicable
After School Education and Safety Program:		
General Requirements	4	Not Applicable
After School	4	Not Applicable
Before School	5	Not Applicable
Charter Schools:		
Contemporaneous Records of Attendance	1	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	3	Not Applicable

Based on our audit, we found that, for the items tested, the Tamalpais Union High School District complied with the state laws and regulations referred to above, except as described in the findings and questioned costs section of this report. Further, based on our examination, for items not tested, nothing came to our attention to indicate that the Tamalpais Union High School District had not complied with the state laws and regulations, except as described in the findings and questioned costs section of this report

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.



Murrieta, California
November 30, 2008

Findings and Questioned Costs Section

**TAMALPAIS UNION HIGH SCHOOL DISTRICT
Schedule of Audit Findings and Questioned Costs
Year Ended June 30, 2008**

Section I - Summary of Auditor's Results

Financial Statements

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

Federal Awards

Internal control over major programs:					
Material weakness(es) identified?	<u>No</u>				
Reporting condition(s) identified not considered to be material weaknesses?	<u>No</u>				
Type of auditor's 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:					
<table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: center; border-bottom: 1px solid black;">CFDA Numbers</th> <th style="text-align: center; border-bottom: 1px solid black;">Name of Federal Program or Cluster</th> </tr> </thead> <tbody> <tr> <td style="text-align: center; border-bottom: 1px solid black;">84.027</td> <td style="text-align: center; border-bottom: 1px solid black;">Special Education</td> </tr> </tbody> </table>	CFDA Numbers	Name of Federal Program or Cluster	84.027	Special Education	
CFDA Numbers	Name of Federal Program or Cluster				
84.027	Special Education				

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>
Reporting condition(s) identified not considered to be material weaknesses?	<u>Yes</u>
Type of auditor's report issued on compliance for state programs:	<u>Qualified</u>

TAMALPAIS UNION HIGH SCHOOL DISTRICT
Schedule of Audit Findings and Questioned Costs
Year Ended June 30, 2008

Section II – Financial Statement Findings

This section identifies the reportable conditions, 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

Finding 2008-1: Associated Student Body (ASB) Fund Accounting (30000)

Finding: Tamalpais High School: Our test of cash disbursements included six expenditures that were incurred prior to the approval and two additional expenditures that were not paid from an original invoice.

Sir Francis Drake High School: Our sample of 20 expenditures included one disbursement that was issued prior to approval, seven purchases made prior to approval, and two disbursements that were lacking supporting documentation.

Redwood High School: Our sample of 20 cash disbursements included nine expenditures that were incurred prior to the approval.

Recommendation: The student body should be approving all disbursements made out of the student body funds in accordance with a district policy that includes good internal controls and accounting practices.

District Response: The Accounting Coordinator has scheduled appointments with each of the comprehensive school sites to discuss the approval process required for expenditures.

TAMALPAIS UNION HIGH SCHOOL DISTRICT
Schedule of Audit Findings and Questioned Costs
Year Ended June 30, 2008

Section II – Financial Statement Findings (continued)

Finding 2008-2: Fixed Asset Accounting (20000)

Finding: The District has not performed a physical inventory of capital assets since the initial inventory that was done to comply with GASB 34 in 2002-03. As a result, there may be equipment or other fixed assets that have been lost or stolen that have not been reported.

Recommendation: The District needs to either contract with an outside company or assign an employee to the task of performing a physical inventory of capital assets owned by the District. Performing this procedure at least once every two years helps to minimize the possibility of assets being removed from inventory without District approval.

District Response: The District has been in communication with an outside company and will be scheduling a physical inventory of capital assets for the summer 2009.

**TAMALPAIS UNION HIGH SCHOOL DISTRICT
Schedule of Audit Findings and Questioned Costs
Year Ended June 30, 2008**

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., reportable conditions, material weaknesses, and instances of noncompliance, including questioned costs).

There were no federal award findings or questioned costs in 2007-08.

TAMALPAIS UNION HIGH SCHOOL DISTRICT
Schedule of Audit Findings and Questioned Costs
Year Ended June 30, 2008

Section IV – State Award Findings and Questioned Costs

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

Finding 2008-3: Instructional Materials (70000)

Criteria: The District is required to make a determination through a resolution as to the sufficiency of textbooks or other instructional materials and to hold a public hearing or hearings required by the provisions of Education Code Section 60119 on or before the end of the eighth week from the first day pupils attended school for that year.

Condition: The District held a public hearing to make a determination as to the sufficiency of textbooks or other instructional materials on or before the eighth week from the first day pupils attended school; however, the approved resolution omitted language that specified the materials were provided to each student, including English learners, that are aligned to the academic content standards and consistent with the cycles and content of the curriculum frameworks and the core subjects were not listed. In addition, the resolution did not include language stating whether sufficient textbooks or instructional materials were provided to each pupil enrolled in foreign language or health classes, and whether laboratory science equipment was available for science laboratory classes offered in grades 9-12.

Questioned Costs: None.

Cause: The District had a turnover in staff and the requirements in the document were over-looked.

Context: The District office prepares the resolutions for the Board to approve.

Effect: The District approved a resolution that was lacking required language.

Recommendation: The District should be aware of language updates within resolutions and present the Board with a revised instructional materials resolution.

District Response: The District has received the proper documents from the Marin County Office of Education. The 2008/09 resolution was prepared and approved with the proper language.

TAMALPAIS UNION HIGH SCHOOL DISTRICT
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2008

Original Finding No.	Finding	Code	Recommendation	Current Status
<i>Finding 2007-1: Associated Student Body (ASB) Accounting</i>	<p>General best accounting practices emphasize the importance of strong internal controls. Strong internal controls over student body activities help secure the assets of the student organization and prevent fraud. During the audit of the student body accounts, we noted the following control deficiencies that can potentially provide opportunity for fraud:</p> <ul style="list-style-type: none"> • Pre-numbered receipts were not used for all cash collections • Receiving documents were not always evident to show goods were received • No written policy and procedures for the student body activities 	30000	<p>We recommend the district establish written policies and procedures to ensure proper documentation is in place for all cash receipt and disbursement transactions and assets of the student organization are safeguarded against fraud. Bank reconciliation should be reviewed periodically to ensure accuracy.</p>	<p>Implemented, however, see finding 2008-1.</p>
<i>Finding 2007-2: Site Cash</i>	<p>Best accounting practices over cash collection suggest proper reconciliation of cash collection with the amount of money deposited in a timely manner. Also, monies collected on behalf of the district should be accounted for separately from the student body funds to avoid commingle of funds. During our audit of site cash, we noted the following internal control deficiencies:</p> <ul style="list-style-type: none"> • Testing fees collected were tracked in an Excel spreadsheet, however, there was no reconciliation performed for amount of money collected and the amount that should have been collected based on the number of tests indicated on the spreadsheet. • Money collected was not deposited in the timely manner. 	30000	<p>We recommend proper procedures be put in place to ensure funds are not commingled and that all monies collected are deposited in a timely manner.</p>	<p>Implemented.</p>

TAMALPAIS UNION HIGH SCHOOL DISTRICT
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2008

Original Finding	No.	Finding	Code	Recommendation	Current Status
<i>Finding 2007-3: Audit Adjustments</i>		Internal controls include the ability of management to prepare financial statements that are fairly presented in accordance with general accepted accounting principles. During the audit, we noted that fair market value of the investments in the Building Fund and revenue due from State for prior year corrections in the Adult Education Fund were not recorded. As a result, audit adjustments were made in the amount of \$414,272 for the Building Fund and \$51,857 for the Adult Education Fund.	30000	We recommend that the District review its investments and revenues due from the State at least annually at year end to ensure all material amounts are recorded in the District's financial system.	Implemented.
<i>Finding 2007-4: Journal Entries</i>		Sufficient internal controls over accounting systems include review and approval of all transactions by a person other than one initiating the entries. In reviewing the journal entry processing activity, we noted that some journal entries are not documented as approved by an individual other than the one initiating the entry.	30000	We recommend that the District establish a policy and procedure for processing journal entries. Supporting documents and information should be attached to the journal entry forms in order to verify that journal entries made to the accounting record are proper. All journal entries should be reviewed and approved by someone other than person initiating the entries.	Implemented.
<i>Finding 2007-5: Independent Study Program</i>		California Code of Regulations, Title 5, Section 11703 requires that for each officially enrolled independent study student, the student file must contain the following: <ol style="list-style-type: none"> 1. Written agreement and written contract 2. Regular work assignments 3. Student work record and work samples 4. Teacher record 5. Student transcript 6. School apportionment records During our audit of the independent study program, we noted that some student files did not have the independent course agreement and weekly assignment sheet or work samples.	10000	We recommend that the district review the requirement for operating the independent study program and establish procedures to ensure that each student file contains all required document as specified in the California Code of Regulation, Title 5, Section 11703.	Implemented.