

**TAMALPAIS UNION
HIGH SCHOOL DISTRICT
AUDIT REPORT
For the Fiscal Year Ended
June 30, 2016**



TAMALPAIS UNION HIGH SCHOOL DISTRICT

For the Fiscal Year Ended June 30, 2016

Table of Contents

FINANCIAL SECTION

	<u>Page</u>
Independent Auditors' Report.....	1
Management's Discussion and Analysis.....	3
Basic Financial Statements:	
Government-Wide Financial Statements	
Statement of Net Position.....	9
Statement of Activities.....	10
Governmental Funds Financial Statements	
Balance Sheet – Governmental Funds.....	11
Reconciliation of the Governmental Funds Balance Sheet to the	
Statement of Net Position.....	12
Statement of Revenues, Expenditures, and Changes in Fund Balances	13
Reconciliation of the Governmental Funds Statement of Revenues,	
Expenditures, and Changes in Fund Balances to the Statement of Activities.....	14
Proprietary Fund Financial Statements	
Statement of Net Position.....	15
Statement of Revenues, Expenses, and Changes in Fund Net Position	16
Statement of Cash Flows.....	17
Fiduciary Fund Financial Statements	
Statement of Fiduciary Net Position.....	18
Notes to Financial Statements	19

REQUIRED SUPPLEMENTARY INFORMATION

Budgetary Comparison Schedule – General Fund.....	46
Schedule of Funding Progress	47
Schedule of Proportionate Share of the Net Pension Liability	48
Schedule of Contributions	49
Notes to the Required Supplementary Information	50

SUPPLEMENTARY INFORMATION

Local Educational Agency Organization Structure	52
Schedule of Average Daily Attendance	53
Schedule of Instructional Time	54
Schedule of Financial Trends and Analysis.....	55
Reconciliation of Annual Financial and Budget Report with Audited Financial Statements.....	56
Schedule of Expenditures of Federal Awards	57
Combining Statements – Non-Major Governmental Funds:	
Combining Balance Sheet	58
Combining Statement of Revenues, Expenditures and Changes in Fund Balance.....	59
Note to the Supplementary Information.....	60

TAMALPAIS UNION HIGH SCHOOL DISTRICT

For the Fiscal Year Ended June 30, 2016

Table of Contents

OTHER INDEPENDENT AUDITORS' REPORTS

Page

Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards.....61

Independent Auditors' Report on State Compliance63

Independent Auditors' Report on Compliance For Each Major Federal Program and Report on Internal
Control Over Compliance Required by the Uniform Guidance65

FINDINGS AND QUESTIONED COSTS

Schedule of Audit Findings and Questioned Costs:

 Summary of Auditors' Results67

 Current Year Audit Findings and Questioned Costs68

 Summary Schedule of Prior Audit Findings71

Management Letter73

Financial Section

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
Tamalpais Union High School District
Larkspur, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Tamalpais Union High School District, as of and for the fiscal year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *2015-16 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Tamalpais Union High School District, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the fiscal year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 8, budgetary comparison information on page 46, schedule of funding progress on page 47, schedule of proportionate share of the net pension liability on page 48, and schedule of contributions on page 49 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements. The supplementary information on pages 53 to 56 and the schedule of expenditures of federal awards on page 57 are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole. The information on page 52 has not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 2016, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Murrieta, California
December 6, 2016

TAMALPAIS UNION HIGH SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2016

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, 2016. Please read it in conjunction with the District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- Total governmental revenues were \$92.2 million, which was \$4.0 million more than expenses.
- The total cost of basic programs was \$88.2 million. Because a portion of these costs were paid for with charges, fees, and intergovernmental aid, the net cost that required taxpayer funding was just \$77.0 million.
- The District's long-term debt had a net increase of \$4.4 million.
- Second period (P2) average daily attendance (ADA) increased by 288, or 7.3%.

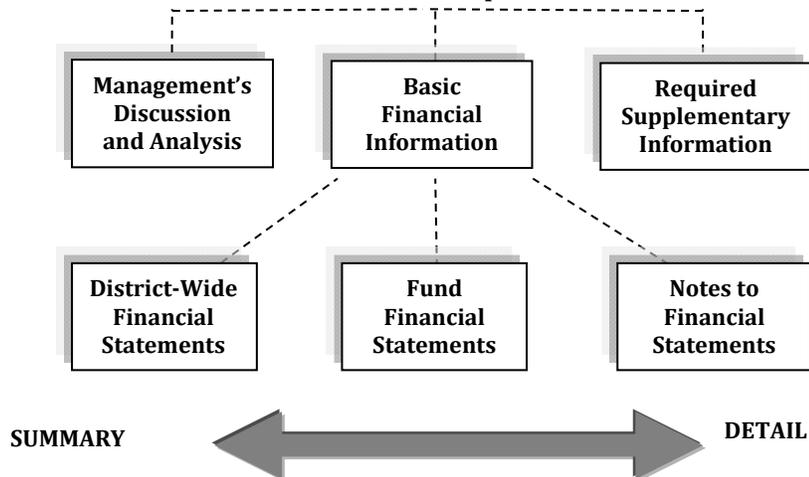
OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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



TAMALPAIS UNION HIGH SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2016

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

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

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

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 student activities monies
<i>Required financial statements</i>	<ul style="list-style-type: none"> • Statement of Net Position • 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 Position • Statement of Revenues, Expenses and Changes in Fund Net Position • Statement of Cash Flows 	<ul style="list-style-type: none"> • Statement of Fiduciary Net Position
<i>Accounting basis and measurement focus</i>	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
<i>Type of asset/liability information</i>	All assets and liabilities, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included	All assets and liabilities, both short-term and long-term; The District's funds do not currently contain nonfinancial assets, though they can	All assets and liabilities, both short-term and long-term; The District's funds do not currently contain nonfinancial assets, though they can
<i>Type of inflow/outflow information</i>	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All revenues and expenses during the year, regardless of when cash is received or paid

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

TAMALPAIS UNION HIGH SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2016

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

District-Wide Statements

The district-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net position 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 position and how it has changed. Net position – the difference between the District's assets and deferred outflows of resources and liabilities and deferred inflows of resources – is one way to measure the District's financial health, or *position*.

- Over time, increases and decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the District, you need to consider additional nonfinancial factors such as changes in the District's demographics 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 aid finance most of these activities.

Fund Financial Statements

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

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

The District has three kinds of funds:

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

TAMALPAIS UNION HIGH SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2016

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

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

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Position. The District's combined net position was greater on June 30, 2016, than it was the year before; thus increasing to \$7.7 million (See Table A-1).

Table A-1

	Governmental Activities (In millions)		Variance
	2016	2015	Increase (Decrease)
Current assets	\$ 45.7	\$ 46.6	\$ (0.9)
Capital assets	157.6	160.8	(3.2)
Total assets	203.3	207.4	(4.1)
Total deferred outflows	19.2	13.1	6.1
Current liabilities	5.3	6.9	(1.6)
Long-term liabilities	201.7	197.3	4.4
Total liabilities	207.0	204.2	2.8
Total deferred inflows	7.8	12.6	(4.8)
Net position			
Net investment in capital assets	10.0	10.5	(0.5)
Restricted	12.8	13.5	(0.7)
Unrestricted	(15.1)	(20.3)	5.2
Total net position	\$ 7.7	\$ 3.7	\$ 4.0

Changes in net position, governmental activities. The District's total revenues increased 8.3% to \$92.2 million (See Table A-2). The increase is due primarily to an increase in property tax revenues.

The total cost of all programs and services increased 7.1% to \$88.2 million. The District's expenses are predominantly related to educating and caring for students, 73.6%. The purely administrative activities of the District accounted for just 6.3% of total costs. A significant contributor to the increase was additional costs associated with increased enrollment.

Table A-2

	Governmental Activities (In millions)		Variance
	2016	2015	Increase (Decrease)
Total Revenues	\$ 92.2	\$ 85.1	\$ 7.1
Total Expenses	88.2	82.3	5.9
Increase (decrease) in net position	\$ 4.0	\$ 2.8	\$ 1.2

TAMALPAIS UNION HIGH SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2016

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 \$42.2 million, which is slightly below last year's ending fund balance of \$42.3 million.

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 \$5.4 million over original projections primarily due to parent teacher association, foundation, and local grants not budgeted during budget adoption. The variance is also attributed to budgeting Educator Effectiveness funds and STRS-on-behalf revenues made by the State.
- Expenditures – increased by \$6.5 million over original projections primarily due to STRS-on-behalf expenditures and solar system that was not contained in the original budget. In addition, the variance was impacted by school sites and departments not fully expending amounts appropriated.

While the District's final budget for the General Fund anticipated that revenues would fall short of expenditures by about \$3.0 million, the actual results for the year show that revenues and expenditures were roughly even. Actual revenues were \$0.1 million more than anticipated, and expenditures were \$2.9 million less than budgeted. Restricted categorical program dollars that were not spent as of June 30, 2016, will be carried over into the 2016-17 budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2015-16 the District had invested \$4.0 million in new capital assets, related to the District's ongoing modernization program. (More detailed information about capital assets can be found in Note 6 to the financial statements). Total depreciation expense for the year was approximately \$7.2 million.

Table A-3: Capital Assets at Year End, Net of Depreciation

	Governmental Activities		Variance Increase (Decrease)
	(In millions)		
	2016	2015	
Land	\$ 3.8	\$ 3.8	\$ -
Improvement of sites	51.4	49.7	1.7
Buildings	101.6	103.9	(2.3)
Equipment	0.7	0.8	(0.1)
Construction in progress	0.1	2.6	(2.5)
Total	\$ 157.6	\$ 160.8	\$ (3.2)

TAMALPAIS UNION HIGH SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2016

CAPITAL ASSET AND DEBT ADMINISTRATION (continued)

Long-Term Debt

At year-end the District had \$201.7 million in general obligation bonds, capital leases, net pension liabilities, and compensated absences – an increase of 2.2% 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)		
	2016	2015	Increase (Decrease)
General obligation bonds	\$ 141.3	\$ 150.8	\$ (9.5)
Solar equipment lease	2.4	-	2.4
Net pension liability	57.7	46.3	11.4
Compensated absences	0.3	0.2	0.1
Total	\$ 201.7	\$ 197.3	\$ 4.4

FACTORS BEARING ON THE DISTRICT'S FUTURE

In considering the District Budget for the 2016-17 year, the District Board and management used the following criteria:

- Enrollment is projected to increase by 242 students.
- Increase in property tax revenue 6.6%.
- Teacher increase by 17.4 FTEs.
- No salary increases have been factored. Cost of step & column is 1.72% for certificated and 1.77% for classified.
- Health benefits are budgeted to increase by 3.2% effective October 1, 2016.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

TAMALPAIS UNION HIGH SCHOOL DISTRICT*Statement of Net Position**June 30, 2016*

	Total Governmental Activities
ASSETS	
Cash	\$ 42,522,717
Accounts receivable	2,572,025
Inventories	17,396
Prepaid expenses	24,185
Net OPEB asset	101,159
Housing loan	500,000
Non-depreciable assets	3,875,731
Depreciable assets	246,409,379
Less accumulated depreciation	<u>(92,682,935)</u>
Total assets	<u>203,339,657</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources - pensions	11,147,977
Deferred amount on refunding	<u>8,083,614</u>
Total deferred outflows of resources	<u>19,231,591</u>
LIABILITIES	
Accounts payable	5,328,122
Unearned revenue	4,956
Long-term debt:	
Portion due or payable within one year	8,746,095
Portion due or payable after one year	<u>192,967,151</u>
Total liabilities	<u>207,046,324</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources - pensions	<u>7,812,741</u>
NET POSITION	
Net investment in capital assets	9,965,415
Restricted for:	
Capital projects	2,116,877
Debt service	8,804,629
Categorical and nutrition programs	1,881,211
Unrestricted	<u>(15,055,949)</u>
Total net position	<u>\$ 7,712,183</u>

TAMALPAIS UNION HIGH SCHOOL DISTRICT

Statement of Activities

For the Fiscal Year Ended June 30, 2016

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
Governmental Activities				
Instructional services:				
Instruction	\$ 48,623,007	\$ 510,952	\$ 6,346,030	\$ (41,766,025)
Instruction-related services:				
Supervision of instruction	1,765,457	-	23,772	(1,741,685)
Instructional library, media and technology	1,676,962	-	18,923	(1,658,039)
School site administration	4,086,637	-	437,332	(3,649,305)
Pupil support services:				
Home-to-school transportation	199,202	-	27,082	(172,120)
Food services	1,240,455	677,614	155,203	(407,638)
All other pupil services	7,334,101	-	1,189,164	(6,144,937)
General administration services:				
Data processing services	2,001,715	-	226	(2,001,489)
Other general administration	3,552,773	43,529	345,975	(3,163,269)
Plant services	7,172,678	-	172,162	(7,000,516)
Ancillary services	2,622,370	36,115	160,570	(2,425,685)
Enterprise activities	225,264	-	-	(225,264)
Community services	1,158,112	92,321	297,938	(767,853)
Interest on long-term debt	5,165,079	-	-	(5,165,079)
Other outgo	1,345,569	128,315	485,281	(731,973)
Total Governmental Activities	\$ 88,169,381	\$ 1,488,846	\$ 9,659,658	(77,020,877)
General Revenues:				
Property taxes				75,315,546
Federal and state aid not restricted to specific purpose				4,521,174
Interest and investment earnings				69,543
Interagency revenues				42,058
Miscellaneous				1,081,888
Total general revenues				81,030,209
Change in net position				4,009,332
Net position - July 1, 2015				3,702,851
Net position - June 30, 2016				\$ 7,712,183

TAMALPAIS UNION HIGH SCHOOL DISTRICT
Balance Sheet – Governmental Funds
June 30, 2016

	General Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS				
Cash	\$ 30,184,258	\$ 8,804,629	\$ 3,481,150	\$ 42,470,037
Accounts receivable	2,278,642	-	293,217	2,571,859
Due from other funds	125,618	-	627,000	752,618
Inventories	-	-	17,396	17,396
Prepaid expenditures	24,185	-	-	24,185
Total Assets	\$ 32,612,703	\$ 8,804,629	\$ 4,418,763	\$ 45,836,095
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 2,738,584	\$ -	\$ 162,938	\$ 2,901,522
Due to other funds	627,000	-	125,618	752,618
Unearned revenue	4,956	-	-	4,956
Total Liabilities	3,370,540	-	288,556	3,659,096
Fund Balances				
Nonspendable	36,185	-	17,796	53,981
Restricted	1,740,695	8,804,629	2,239,597	12,784,921
Committed	-	-	1,872,814	1,872,814
Assigned	14,325,783	-	-	14,325,783
Unassigned	13,139,500	-	-	13,139,500
Total Fund Balances	29,242,163	8,804,629	4,130,207	42,176,999
Total Liabilities and Fund Balances	\$ 32,612,703	\$ 8,804,629	\$ 4,418,763	\$ 45,836,095

TAMALPAIS UNION HIGH SCHOOL DISTRICT

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position June 30, 2016

Total fund balances - governmental funds \$ 42,176,999

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	250,285,110	
Accumulated depreciation	<u>(92,682,935)</u>	
Net capital assets		157,602,175

Deferred amounts on refunding represent amounts paid to an escrow agent in excess of the outstanding debt at the time of the payment for refunded bonds which have been defeased. In the government-wide statements they are recognized as a deferred outflow of resources. The remaining deferred amounts on refunding at the end of the period were: 8,083,614

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: (2,424,266)

The housing loan is reported as a non-current asset on the government-wide statements, but is not included in the governmental funds balance sheet as it is not expected to be received in the current period. 500,000

In governmental funds, other postemployment benefits (OPEB) costs are recognized as expenditures in the period they are paid. In the government-wide statements, OPEB costs are recognized in the period that they are incurred. The net OPEB asset at the end of the period was: 101,159

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	141,356,214	
Net pension liability	57,699,928	
Solar equipment lease	2,404,815	
Compensated absences payable	<u>252,289</u>	
Total		(201,713,246)

In governmental funds, deferred outflows and inflows of resources relating to pensions are not reported because they are applicable to future periods. In the statement of net position, deferred outflows and inflows of resources relating to pensions are reported. Deferred outflows and inflows of resources relating to pensions consist of:

Deferred outflows of resources	11,147,977	
Deferred inflows of resources	<u>(7,812,741)</u>	
		3,335,236

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 position. Net position for internal service funds is: 50,512

Total net position - governmental activities \$ 7,712,183

TAMALPAIS UNION HIGH SCHOOL DISTRICT

*Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
For the Fiscal Year Ended June 30, 2016*

	General Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES				
LCFF sources	\$ 54,034,760	\$ -	\$ 357,000	\$ 54,391,760
Federal sources	983,727	-	235,441	1,219,168
Other state sources	6,204,761	57,289	686,094	6,948,144
Other local sources	15,265,146	13,025,107	1,521,913	29,812,166
Total Revenues	76,488,394	13,082,396	2,800,448	92,371,238
EXPENDITURES				
Current:				
Instruction	42,740,775	-	320,509	43,061,284
Instruction-related services:				
Supervision of instruction	1,727,680	-	-	1,727,680
Instructional library, media and technology	1,628,911	-	-	1,628,911
School site administration	3,563,588	-	342,135	3,905,723
Pupil support services:				
Home-to-school transportation	187,954	-	-	187,954
Food services	-	-	1,216,359	1,216,359
All other pupil services	7,076,982	-	-	7,076,982
Ancillary services	2,520,816	-	-	2,520,816
Community services	262,445	-	828,215	1,090,660
General administration services:				
Data processing services	1,692,191	-	-	1,692,191
Other general administration	3,506,264	-	-	3,506,264
Plant services	7,163,458	-	57,011	7,220,469
Transfers of indirect costs	(163,463)	-	163,463	-
Capital outlay	3,115,471	-	862,060	3,977,531
Intergovernmental transfers	1,344,819	-	-	1,344,819
Debt service:				
Principal	85,162	8,175,000	-	8,260,162
Interest	30,739	5,996,356	-	6,027,095
Total Expenditures	76,483,792	14,171,356	3,789,752	94,444,900
Excess (Deficiency) of Revenues Over (Under) Expenditures	4,602	(1,088,960)	(989,304)	(2,073,662)
OTHER FINANCING SOURCES (USES)				
Interfund transfers in	7,753	-	816,025	823,778
Interfund transfers out	(816,025)	-	-	(816,025)
Proceeds from solar lease	2,489,977	-	-	2,489,977
Housing loan issuance	(500,000)	-	-	(500,000)
Total Other Financing Sources and Uses	1,181,705	-	816,025	1,997,730
Net Change in Fund Balances	1,186,307	(1,088,960)	(173,279)	(75,932)
Fund Balances, July 1, 2015	28,055,856	9,893,589	4,303,486	42,252,931
Fund Balances, June 30, 2016	\$ 29,242,163	\$ 8,804,629	\$ 4,130,207	\$ 42,176,999

TAMALPAIS UNION HIGH SCHOOL DISTRICT

*Reconciliation of the Governmental Funds Statement of Revenues, Expenditures,
and Changes in Fund Balances to the Statement of Activities
For the Fiscal Year Ended June 30, 2016*

Total net change in fund balances - governmental funds \$ (75,932)

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

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

Expenditures for capital outlay:	3,977,531	
Depreciation expense:	<u>(7,172,327)</u>	
Net:		(3,194,796)

In governmental funds, repayment of principal on long-term liabilities is an expenditure. In the government-wide statements, repayments of debt are reported as reductions of liabilities. Expenditures for repayment of the principal portion of long-term debt were: 8,260,162

In governmental funds, proceeds from debt are recognized as other financing sources. In the government-wide statements, proceeds from debt are reported as increases to liabilities. Amounts recognized in governmental funds as proceeds from debt, net of issue premium, were: (2,489,977)

Deferred amounts on refunding represent amounts paid to an escrow agent in excess of the outstanding debt at the time of the refunded bonds which have been defeased. In governmental funds these amounts are recognized as an expenditure. However, in the statement of activities, these amounts are amortized over the life of the refunded debt. The difference between the current year amounts and the current year amortization is: (585,332)

In governmental funds, if debt is issued at a premium, the premium is recognized as an Other Financing Source in the period it is incurred. In the government-wide statements, the premium is amortized as interest over the life of the debt. Premium amortized for the period is: 1,329,661

In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that is incurred. Unmatured interest owing at the end of the period, less matured interest paid during the period but owing from the prior period, was: 117,686

In governmental funds, issuances of loans are recognized as Other Financing Uses. In the government-wide statements, issuances of loans are reported as an increase to assets. Amounts recognized in governmental funds from issuances of loans were: 500,000

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 difference between the increase in the liabilities and the actual payments made during the year were: (43,210)

In governmental funds, pension costs are recognized when employer contributions are made. In the statement of activities pension costs are recognized on the accrual basis. This year, the difference between accrual-basis pension costs and actual employer contributions was: 105,690

In governmental funds, other postemployment benefits costs are recognized when employer contributions are made. In the statement of activities, OPEB costs are recognized on the accrual basis. This year, the difference between OPEB costs and actual employer contributions was: 77,804

Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full cost-recovery basis. Because internal service funds are presumed to benefit governmental activities, internal service activities are reported as governmental activities in the statement of activities. The net increase in the internal service funds was: 7,576

Total net change in net position - governmental activities \$ 4,009,332

TAMALPAIS UNION HIGH SCHOOL DISTRICT
Statement of Net Position – Proprietary Fund
June 30, 2016

	Governmental Activities Internal Service Fund
ASSETS	
Cash	\$ 52,680
Accounts receivable	166
	<hr/>
Total Assets	52,846
	<hr/>
LIABILITIES	
Accounts payable	2,334
	<hr/>
NET POSITION	
Restricted	\$ 50,512
	<hr/> <hr/>

TAMALPAIS UNION HIGH SCHOOL DISTRICT*Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Fund
For the Fiscal Year Ended June 30, 2016*

	Governmental Activities
	Internal Service Fund
OPERATING REVENUES	
Other local revenues	\$ 24,685
OPERATING EXPENSES	
Books and supplies	5,553
Services and other operating	3,934
Total operating expenses	9,487
Operating Income (Loss)	15,198
NON-OPERATING REVENUES	
Interest income	131
Interfund transfers out	(7,753)
Total non-operating revenues	(7,622)
Change in Net Position	7,576
Net Postion, July 1, 2015	42,936
Net Position, June 30, 2016	\$ 50,512

TAMALPAIS UNION HIGH SCHOOL DISTRICT
Statement of Cash Flows – Proprietary Fund
For the Fiscal Year Ended June 30, 2016

	Governmental Activities
	Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from other local sources	49,519
Cash payments for operating expenses	<u>(15,502)</u>
Net cash provided (used) by operating activities	34,017
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES	
Other operating transfers	<u>(7,753)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	<u>131</u>
Net decrease in cash	26,395
Cash, July 1, 2015	<u>26,285</u>
Cash, June 30, 2016	<u><u>\$ 52,680</u></u>
Reconciliation of operating income to net cash provided (used) by operating activities:	
Operating income (loss)	<u>\$ 15,198</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Changes in assets and liabilities:	
Decrease in due from other funds	25,000
Increase in accounts receivable	(166)
Decrease in accounts payable	<u>(6,015)</u>
Net cash provided (used) by operating activities	<u><u>\$ 34,017</u></u>

TAMALPAIS UNION HIGH SCHOOL DISTRICT
Statement of Fiduciary Net Position
June 30, 2016

	<u>Agency Funds</u> <u>Student Body Funds</u>
ASSETS	
Cash	\$ 681,285
Inventory	53,300
Web store clearing	<u>112,150</u>
Total assets	<u>\$ 846,735</u>
LIABILITIES	
Web store clearing	15,792
Due to student groups	<u>830,943</u>
Total liabilities	<u>\$ 846,735</u>

TAMALPAIS UNION HIGH SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Tamalpais Union High School District (the "District") accounts for its financial transactions in accordance with the policies and procedures of the California Department of Education's *California School Accounting Manual*. The accounting policies of the District conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board. The following is a summary of the more significant policies:

A. Reporting Entity

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 Tamalpais Union High School District, this includes general operations, food service, and student related activities of the District.

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 identified no organizations that are required to be reported as component units.

B. Basis of Presentation, Basis of Accounting

1. Basis of Presentation

Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the primary government (the District). These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements

The fund financial statements provide information about the District's funds, including its fiduciary funds. Separate statements for each fund category - *governmental*, *proprietary*, and *fiduciary* - are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds.

TAMALPAIS UNION HIGH SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

B. Basis of Presentation, Basis of Accounting (continued)

1. Basis of Presentation (continued)

Fund Financial Statements (continued)

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

Major Governmental Funds

The District maintains the following major governmental funds:

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

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

Non-Major Governmental Funds

The District maintains the following non-major governmental funds:

Special Revenue Funds:

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

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

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

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

Capital Projects Funds:

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

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

TAMALPAIS UNION HIGH SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation, Basis of Accounting (continued)

1. Basis of Presentation (continued)

Proprietary Funds

Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows. Proprietary funds are classified as enterprise or internal service. The District has the following proprietary fund:

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

Fiduciary Funds

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

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

2. Measurement Focus, Basis of Accounting

Government-Wide, Proprietary, and Fiduciary Fund Financial Statements

The government-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the District gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and financing from capital leases are reported as other financing sources.

TAMALPAIS UNION HIGH SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Basis of Presentation, Basis of Accounting (continued)

3. Revenues - Exchange and Non-Exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on 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 that the resources will be collected within the current fiscal year. Generally, available is defined as collectible within 60 days. However, to achieve comparability of reporting among California districts and so as not to distort normal revenue patterns, with specific respect to reimbursement grants and corrections to state-aid apportionments, the California Department of Education has defined available for districts as collectible within one year. The following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain grants, and other local sources.

Non-exchange transactions, in which the District receives value without directly giving equal value in return, include property taxes, certain grants, entitlements, and donations. Revenue from property taxes is recognized in the fiscal year in which the taxes are received. Revenue from certain grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include time and purpose requirements. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

C. Budgetary Data

The budgetary process is prescribed by provisions of the California *Education Code* and requires the governing board to hold a public hearing and adopt an operating budget no later than July 1 of each year. The District governing board satisfied these requirements. The adopted budget is subject to amendment throughout the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption with the legal restriction that expenditures cannot exceed appropriations by major object account.

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all budget amendments have been accounted for. For budget purposes, on behalf payments have not been included as revenue and expenditures as required under generally accepted accounting principles.

D. 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, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position

1. Cash and Cash Equivalents

The District considers cash and cash equivalents to be cash on hand and demand deposits. In addition, because the Treasury Pool is sufficiently liquid to permit withdrawal of cash at any time without prior notice or penalty, equity in the pool is also deemed to be a cash equivalent.

2. Inventories and Prepaid Items

Inventories are valued at cost using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

3. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

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

4. Unearned Revenue

Unearned revenue arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period or when resources are received by the District prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for unearned revenue is removed from the combined balance sheet and revenue is recognized.

Certain grants received that have not met eligibility requirements are recorded as unearned revenue. On the governmental fund financial statements, receivables that will not be collected within the available period are also recorded as unearned revenue.

5. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District has items that qualify for reporting in this category. These items recognize the District's proportionate share of the deferred outflows of revenues related to its pension plans, as more fully described in the footnote entitled "Pension Plans". The second is deferred amount on refunding, which resulted from the difference in the carrying value of refunded debt and its reacquisition price. This amount is shown as deferred and amortized over the shorter of the life of the refunded or refunding debt.

TAMALPAIS UNION HIGH SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position (continued)

5. Deferred Outflows/Inflows of Resources (continued)

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time. The District has items that are reported as deferred inflows of resources. Those items recognize the District's proportionate share of the deferred inflows of resources related to its pension plans as more fully described in the footnote entitled "Pension Plans".

6. Compensated Absences

The liability for compensated absences reported in the government-wide statements consists of unpaid, accumulated annual leave balances. The liability has been calculated using the vesting method, in which leave amounts for both employees who currently are eligible to receive termination payments and other employees who are expected to become eligible in the future to receive such payments upon termination are included.

7. Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the District's California State Teachers Retirement System (CalSTRS) and California Public Employees' Retirement System (CalPERS) plans and addition to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalSTRS and CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

8. Fund Balances

The fund balance for governmental funds is reported in classifications based on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

Nonspendable: Fund balance is reported as nonspendable when the resources cannot be spent because they are either in a nonspendable form or legally or contractually required to be maintained intact. Resources in nonspendable form include inventories and prepaid assets.

Restricted: Fund balance is reported as restricted when the constraints placed on the use of resources are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provision or by enabling legislation.

Committed: The District's highest decision-making level of authority rests with the District's Board. Fund balance is reported as committed when the Board passes a resolution that places specified constraints on how resources may be used. The Board can modify or rescind a commitment of resources through passage of a new resolution.

Assigned: Resources that are constrained by the District's intent to use them for a specific purpose, but are neither restricted nor committed, are reported as assigned fund balance. Intent may be expressed by either the Board, committees (such as budget or finance), or officials to which the Board has delegated authority.

TAMALPAIS UNION HIGH SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position (continued)

8. Fund Balances (continued)

Unassigned: Unassigned fund balance represents fund balance that has not been restricted, committed, or assigned and may be utilized by the District for any purpose. When expenditures are incurred, and both restricted and unrestricted resources are available, it is the District's policy to use restricted resources first, then unrestricted resources in the order of committed, assigned, and then unassigned, as they are needed.

9. Net Position

Net position is classified into three components: net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

- **Net investment in capital assets** - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets. Rather, that portion of the debt is included in the same net position component as the unspent proceeds.
- **Restricted** - This component of net position consists of constraints placed on net position use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted net position** - This component of net position consists of net position that does not meet the definition of "net investment in capital assets" or "restricted".

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.

F. Minimum Fund Balance Policy

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

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

TAMALPAIS UNION HIGH SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Property Tax Calendar

The County is responsible for the assessment, collection, and apportionment of property taxes for all jurisdictions including the schools and special districts within the County. The Board of Supervisors levies property taxes as of September 1 on property values assessed on July 1. Secured property tax payments are due in two equal installments. The first is generally due November 1 and is delinquent with penalties on December 10, and the second is generally due on February 1 and is delinquent with penalties on April 10. Secured property taxes become a lien on the property on January 1.

H. 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 reported period. Actual results could differ from those estimates.

I. New GASB Pronouncements

During the 2015-16 fiscal year, the following GASB Pronouncements became effective:

1. Statement No. 72, *Fair Value Measurement and Application (Issued 02/15)*

This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

2. Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments (Issued 06/15)*

The objective of this Statement is to identify - in the context of the current governmental financial reporting environment - the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.

3. Statement No. 79, *Certain External Investment Pools and Pool Participants (Issued 12/15)*

This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. The specific criteria address (1) how the external investment pool transacts with participants; (2) requirements for portfolio maturity, quality, diversification, and liquidity; and (3) calculation and requirements of a shadow price. Significant noncompliance prevents the external investment pool from measuring all of its investments at amortized cost for financial reporting purposes.

TAMALPAIS UNION HIGH SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2016

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

I. New GASB Pronouncements (continued)

3. Statement No. 79 (continued)

If an external investment pool does not meet the criteria established by this Statement, that pool should apply the provisions in paragraph 16 of Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, as amended. If an external investment pool meets the criteria in this Statement and measures all of its investments at amortized cost, the pool's participants also should measure their investments in that external investment pool at amortized cost for financial reporting purposes.

NOTE 2 – CASH

Cash at June 30, 2016, is reported at fair value and consisted of the following:

	Governmental Activities			Fiduciary Funds
	Governmental Funds	Proprietary Fund	Total	
Pooled Funds:				
Cash in county treasury	\$ 39,961,553	\$ 52,680	\$ 40,014,233	\$ -
Deposits:				
Cash on hand and in banks	5,000	-	5,000	681,285
Cash in revolving fund	12,400	-	12,400	-
Cash with fiscal agent	2,491,084	-	2,491,084	-
Total Deposits	2,508,484	-	2,508,484	681,285
Total Cash	\$ 42,470,037	\$ 52,680	\$ 42,522,717	\$ 681,285

Pooled Funds

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

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

In accordance with applicable state laws, the County Treasurer may invest in derivative securities with the State of California. However, at June 30, 2016, the County Treasurer has represented that the Pooled Investment Fund contained no derivatives or other investments with similar risk profiles.

TAMALPAIS UNION HIGH SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2016

NOTE 2 – CASH (continued)

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. Cash balances held in banks are insured up to \$250,000 by the Federal Depository Insurance Corporation (FDIC) and are collateralized by the respective financial institutions. In addition, the California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits.

As of June 30, 2016, \$235,881 of the District's bank balance was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agency, but not in the name of the District.

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2016, consisted of the following:

	General Fund	Non-Major Governmental Funds	Totals
Federal Government:			
Categorical aid programs	\$ 782,069	\$ 56,649	\$ 838,718
State Government:			
Lottery	453,563	-	453,563
Categorical aid programs	316,131	118,411	434,542
Local:			
Special education	219,196	-	219,196
Other local sources	246,330	118,157	364,487
Miscellaneous	261,353	-	261,353
Total	<u>\$ 2,278,642</u>	<u>\$ 293,217</u>	<u>\$ 2,571,859</u>

TAMALPAIS UNION HIGH SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2016

NOTE 4 - INTERFUND TRANSACTIONS

A. Balances Due To/From Other Funds

Balances due to/from other funds at June 30, 2016, consisted of the following:

General Fund due to Special Reserve Fund for Capital Outlay Projects for synthetic field turf replacement reserves	\$	270,000
General Fund due to Deferred Maintenance Fund for general purpose fund transfer for maintenance projects		357,000
Adult Education Fund due to General Fund to adjust contribution and for indirect charges		87,459
Building Fund due to General Fund for solar project expenditure reclassification and to closeout fund		38,159
Total	\$	<u>752,618</u>

B. Transfers To/From Other Funds

Transfers to/from other funds during the year ended June 30, 2016, consisted of the following:

General Fund transfer to Special Reserve Fund for Capital Outlay Projects for synthetic field turf replacement reserves	\$	270,000
General Fund transfer to Cafeteria Fund for service contribution		424,675
General Fund transfer to Adult Education Fund for financial assistance relating to Community Education Program		112,681
General Fund to Building Fund to cover solar installation project		8,669
Self-Insurance Fund transfer to General Fund for equipment replacement		7,753
Total	\$	<u>823,778</u>

TAMALPAIS UNION HIGH SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2016

NOTE 5 – FUND BALANCES

At June 30, 2016, fund balances of the District’s governmental funds were classified as follows:

	General Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total
Nonspendable:				
Revolving cash	\$ 12,000	\$ -	\$ 400	\$ 12,400
Stores inventories	-	-	17,396	17,396
Prepaid expenditures	24,185	-	-	24,185
Total Nonspendable	36,185	-	17,796	53,981
Restricted:				
Categorical programs	1,740,695	-	122,720	1,863,415
Capital projects	-	-	2,116,877	2,116,877
Debt service	-	8,804,629	-	8,804,629
Total Restricted	1,740,695	8,804,629	2,239,597	12,784,921
Committed:				
Adult education program	-	-	137,284	137,284
Deferred maintenance program	-	-	1,735,530	1,735,530
Total Committed	-	-	1,872,814	1,872,814
Assigned:				
Deficit spending reserves	7,967,977	-	-	7,967,977
California Clean Energy Jobs Act	172,159	-	-	172,159
Site carryover	198,260	-	-	198,260
Curriculum development	200,000	-	-	200,000
Instructional coaching	400,000	-	-	400,000
Remaining mandate funds (one-time)	726,590	-	-	726,590
Portables	3,000,000	-	-	3,000,000
Textbook adoptions	518,489	-	-	518,489
Instructional technology	150,000	-	-	150,000
Other designations	992,308	-	-	992,308
Total Assigned	14,325,783	-	-	14,325,783
Unassigned:				
Reserve for economic uncertainties	13,139,500	-	-	13,139,500
Total Unassigned	13,139,500	-	-	13,139,500
Total	\$ 29,242,163	\$ 8,804,629	\$ 4,130,207	\$ 42,176,999

TAMALPAIS UNION HIGH SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2016

NOTE 6 – CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended June 30, 2016, was as follows:

	Balance, July 1, 2015	Additions	Retirements	Balance, June 30, 2016
Capital assets not being depreciated:				
Land	\$ 3,818,545	\$ -	\$ -	\$ 3,818,545
Construction in progress	2,616,723	57,186	2,616,723	57,186
Total capital assets not being depreciated	<u>6,435,268</u>	<u>57,186</u>	<u>2,616,723</u>	<u>3,875,731</u>
Capital assets being depreciated:				
Improvement of sites	74,511,346	4,012,851	-	78,524,197
Buildings	162,100,592	2,458,878	-	164,559,470
Equipment	3,260,373	65,339	-	3,325,712
Total capital assets being depreciated	<u>239,872,311</u>	<u>6,537,068</u>	<u>-</u>	<u>246,409,379</u>
Accumulated depreciation for:				
Improvement of sites	(24,807,344)	(2,308,132)	-	(27,115,476)
Buildings	(58,235,788)	(4,709,948)	-	(62,945,736)
Equipment	(2,467,476)	(154,247)	-	(2,621,723)
Total accumulated depreciation	<u>(85,510,608)</u>	<u>(7,172,327)</u>	<u>-</u>	<u>(92,682,935)</u>
Total capital assets being depreciated, net	<u>154,361,703</u>	<u>(635,259)</u>	<u>-</u>	<u>153,726,444</u>
Governmental activity capital assets, net	<u>\$ 160,796,971</u>	<u>\$ (578,073)</u>	<u>\$ 2,616,723</u>	<u>\$ 157,602,175</u>

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

Instruction	\$ 5,586,412
Instructional Supervision and Administration	85,743
Instructional Library, Media and Technology	39,892
School Site Administration	232,404
Home-to-School Transportation	11,248
Food Services	47,801
All Other Pupil Services	273,051
Ancillary Services	99,855
Community Services	81,250
All Other General Administration	225,264
Centralized Data Processing	83,348
Plant Services	406,059
Total Depreciation Expense	<u>\$ 7,172,327</u>

NOTE 7 – TAX ANTICIPATION NOTES

On July 1, 2015, the board approved Tax Anticipation Notes not to exceed \$10,000,000 from funds in custody of the Treasurer of the County of Marin for meeting obligations incurred for maintenance purposes for the 2015-16 fiscal year.

TAMALPAIS UNION HIGH SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2016

NOTE 8 – GENERAL LONG-TERM DEBT

Changes in long-term debt for the year ended June 30, 2016, were as follows:

	Balance, July 1, 2015	Additions	Deductions	Balance, June 30, 2016	Amount Due Within One Year
General Obligation Bonds:					
Principal Payments	\$ 132,610,000	\$ -	\$ 8,175,000	\$ 124,435,000	\$ 7,340,000
Unamortized Issuance Premium	18,250,875	-	1,329,661	16,921,214	1,228,607
Total General Obligation Bonds	<u>150,860,875</u>	<u>-</u>	<u>9,504,661</u>	<u>141,356,214</u>	<u>8,568,607</u>
Solar Equipment Lease	-	2,489,977	85,162	2,404,815	177,488
Net Pension Liability	46,266,492	11,433,436	-	57,699,928	-
Compensated Absences	209,079	43,210	-	252,289	-
Totals	<u>\$ 197,336,446</u>	<u>\$ 13,966,623</u>	<u>\$ 9,589,823</u>	<u>\$ 201,713,246</u>	<u>\$ 8,746,095</u>

Payments for general obligation bonds are made by the Bond Interest and Redemption Fund. Compensated absences and other employment benefits will be paid for by the fund for which the employee worked. The solar equipment lease payments are made by the General Fund.

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 \$121.0 million of general obligation bonds. The bonds are general obligations of the District, and the County is obligated to annually levy ad valorem taxes for the payment of, the interest on, and the principal of the bonds. Bond proceeds were used to enhance the quality of education through facility modernization and technology upgrades; ensure safety for students, staff, and community users; remove asbestos; renovate and build classrooms and student facilities; replace inadequate electrical, roofing, heating/ventilation and plumbing; improve disabled access and earthquake safety, and rehabilitate athletic facilities.

Election of 2006

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

2010 General Election Obligation Refunding Bonds

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

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

TAMALPAIS UNION HIGH SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2016

NOTE 8 – GENERAL LONG-TERM DEBT (continued)

A. General Obligation Bonds (continued)

2010 General Election Obligation Refunding Bonds (continued)

Amounts paid to the refunded bond escrow agent in excess of the outstanding debt at the time of payment are recorded as deferred amounts on refunding on the statement of net position and are amortized to interest expense over the life of the liability. Deferred amounts on refunding of \$2,230,527 remain to be amortized. As of June 30, 2016, there was no principal balance outstanding on the defeased debt.

2011 General Election Obligation Refunding Bonds

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

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

Amounts paid to the refunded bond escrow agent in excess of the outstanding debt at the time of payment are recorded as deferred amounts on refunding on the statement of net position and are amortized to interest expense over the life of the liability. Deferred amounts on refunding of \$2,419,144 remain to be amortized. As of June 30, 2016, there was no principal balance outstanding on the defeased debt.

2014 General Election Obligation Refunding Bonds

On November 25, 2014, the District issued \$55,120,000 of General Obligation Refunding Bonds. The bonds bear fixed interest rates ranging between 1.0% and 5.0% with annual maturities from August 1, 2015 through August 1, 2031. The net proceeds of \$64,557,926 (after premiums of \$9,771,359 and issuance costs and underwriter's discount of \$333,433) were used to prepay a portion of the District's outstanding Election of 2006, Series 2006 Bonds.

The net proceeds were used to purchase U.S. government securities. Those securities were deposited into an irrevocable trust with an escrow agent to provide for future debt service payments on the refunded bonds. As a result, the refunded bonds are considered to be defeased, and the related liability for the bonds has been removed from the District's liabilities. Amounts paid to the escrow agent in excess of the outstanding debt at the time of payment are recorded as deferred amounts on refunding on the statement of net position and are amortized to interest expense over the life of the liability. Deferred amounts on refunding as of June 30, 2016 of \$3,433,943 remain to be amortized for this refunding. As of June 30, 2016, the principal balance outstanding on the defeased debt amounted to \$59,365,000.

The refunding decreased the District's total debt service payments by \$8,539,269. The transaction resulted in an economic gain (difference between the present value of the debt service on the old and the new bonds) of \$7,034,706.

TAMALPAIS UNION HIGH SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2016

NOTE 8 – GENERAL LONG-TERM DEBT (continued)

A. General Obligation Bonds (continued)

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

Series	Issue Date	Maturity Date	Interest Rate	Original Issue	Balance, July 1, 2015	Additions	Deductions	Balance, June 30, 2016
2006	8/22/2006	8/1/2031	4.00%-5.25%	\$ 79,920,000	\$ 5,235,000	\$ -	\$ 2,565,000	\$ 2,670,000
2010 Ref.	6/24/2010	8/1/2027	0.50%-5.00%	48,210,000	39,580,000	-	2,620,000	36,960,000
2011 Ref.	12/7/2011	8/1/2028	2.00%-5.00%	36,460,000	32,675,000	-	1,885,000	30,790,000
2014 Ref.	11/25/2014	8/1/2031	1.00% - 5.00%	55,120,000	55,120,000	-	1,105,000	54,015,000
				<u>\$ 219,710,000</u>	<u>\$ 132,610,000</u>	<u>\$ -</u>	<u>\$ 8,175,000</u>	<u>\$ 124,435,000</u>

The annual requirements to amortize all general obligation bonds payable outstanding as of June 30, 2016, are as follows:

Fiscal Year	Principal	Interest	Total
2016-17	\$ 7,340,000	\$ 5,686,313	\$ 13,026,313
2017-18	7,410,000	5,366,300	12,776,300
2018-19	7,690,000	5,045,700	12,735,700
2019-20	7,960,000	4,731,250	12,691,250
2020-21	6,715,000	4,342,600	11,057,600
2021-26	45,315,000	15,666,225	60,981,225
2026-31	37,150,000	4,377,600	41,527,600
2031-32	4,855,000	97,100	4,952,100
	<u>\$ 124,435,000</u>	<u>\$ 45,313,088</u>	<u>\$ 169,748,088</u>

B. Solar Equipment Lease

On October 16, 2015, the District approved a solar equipment lease, authorizing approval of the execution and delivery of an equipment/lease purchase agreement, for \$2,489,977. The agreement is for the acquisition, purchase, financing, and leasing of certain equipment.

Future payments due under the agreement are as follows:

Fiscal Year	Principal	Interest	Total
2016-17	\$ 177,488	\$ 58,311	\$ 235,799
2017-18	190,050	53,852	243,902
2018-19	203,147	49,080	252,227
2019-20	216,900	43,981	260,881
2020-21	231,131	38,538	269,669
2021-24	1,386,099	97,945	1,484,044
	<u>\$ 2,404,815</u>	<u>\$ 341,707</u>	<u>\$ 2,746,522</u>

TAMALPAIS UNION HIGH SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2016

NOTE 9 – JOINT VENTURES

The Tamalpais Union High School District participates in two joint ventures under separate joint powers agreements (JPA), with the Marin Schools Insurance Authority (MSIA) and the Marin Pupil Transportation Agency (MPTA). The relationship between the Tamalpais Union High School District and the JPAs is such that the JPAs are not component units of the District for financial reporting purposes.

The Marin Schools Insurance Authority 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.

The Marin Pupil Transportation Agency provides transportation services for students within member district borders through state entitlements and fees paid by member 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.

Condensed audited financial information for the year ended June 30, 2015, is as follows:

	MSIA	MPTA
Assets	\$ 26,777,094	\$ 434,992
Liabilities	22,881,558	392,003
Net Position	<u>\$ 3,895,536</u>	<u>\$ 42,989</u>
Revenues	\$ 12,616,226	\$ 2,479,999
Expenses	1,871,899	2,471,922
Operating Income (Loss)	10,744,327	8,077
Non-Operating Income	216,045	924
Change in Net Position	<u>\$ 10,960,372</u>	<u>\$ 9,001</u>

TAMALPAIS UNION HIGH SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2016

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, 2016, the District had no outstanding commitments with respect to unfinished capital projects.

C. Litigation

The District is involved in certain legal matters that arose out of the normal course of business. The District has not accrued liability for any potential litigation against it because it does not meet the criteria to be considered a liability at June 30, 2016.

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, 2016, 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 2016, the District participated in the MSIA public entity risk pool for workers compensation, with excess commercial coverage provided by the Schools Excess Liability Fund (SELF) public entity risk pool.

Employee Medical Benefits

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

TAMALPAIS UNION HIGH SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2016

NOTE 12 – PENSION 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 California State Teachers' Retirement System (CalSTRS), and classified employees are members of California Public Employees' Retirement System (CalPERS).

A. General Information about the Pension Plans

Plan Descriptions

The District contributes to the California State Teachers' Retirement System (CalSTRS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalSTRS. Benefit provisions under the Plan are established by State statute and District resolution. CalSTRS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions, and membership information that can be found on the CalSTRS website.

The District also 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. Benefit provisions under the Plan are established by State statute and District resolution. CalPERS issues publicly available reports that include a full description of the pension plan regarding benefit provisions, assumptions, and membership information that can be found on the CalPERS website.

Benefits Provided

CalSTRS provides retirement, disability, and death benefits. Retirement benefits are determined as 2 percent of final compensation for each year of credited service at age 60 for members under *CalSTRS 2% at 60*, or age 62 for members under *CalSTRS 2% at 62*, increasing to a maximum of 2.4 percent at age 63 for members under *CalSTRS 2% at 60*, or age 65 for members under *CalSTRS 2% at 62*. The normal retirement eligibility requirements are age 60 for members under *CalSTRS 2% at 60*, or age 62 for members under *CalSTRS 2% at 62*, with a minimum of five years of service credited under the Defined Benefit Program, which can include service purchased from teaching in an out-of-state or foreign public school. Employees are eligible for service-related disability benefits after five years of service, unless the member is disabled due to an unlawful act of bodily injury committed by another person while working in CalSTRS covered employment, in which case the minimum is one year. Disability benefits are equal to fifty percent of final compensation regardless of age and service credit. Designated recipients of CalSTRS retired members receive a \$6,163 lump-sum death payment. There is a 2 percent simple increase each September 1 following the first anniversary of the date on which the monthly benefit began to accrue. The annual 2 percent increase is applied to all continuing benefits other than Defined Benefit Supplement annuities. However, if the member retires with a Reduced Benefit Election, the increase does not begin to accrue until the member reaches age 60 and is not payable until the member receives the full benefit. This increase is also known as the improvement factor.

CalPERS also provides retirement, disability, and death benefits. Retirement benefits are determined as 1.1 percent of final compensation for each year of credited service at age 50 for members under *2% at 55*, or 1.0 percent at age 52 for members under *2% at 62*, increasing to a maximum of 2.5 percent at age 63 for members under *2% at 55*, or age 67 for members under *2% at 62*. To be eligible for service retirement, members must be at least age 50 and have a minimum of five years of CalPERS-credited service. Members joining on or after January 1, 2013 must be at least age 52. Disability retirement has no minimum age requirement and the disability does not have to be job related. However, members must have a minimum of five years of CalPERS service credit.

TAMALPAIS UNION HIGH SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2016

NOTE 12 – PENSION PLANS (continued)

A. General Information about the Pension Plans (continued)

Benefits Provided (continued)

Pre-retirement death benefits range from a simple return of member contributions plus interest to a monthly allowance equal to half of what the member would have received at retirement paid to a spouse or domestic partner. To be eligible for any type of monthly pre-retirement death benefit, a spouse or domestic partner must have been either married to the member or legally registered before the occurrence of the injury or the onset of the illness that resulted in death, or for at least one year prior to death. Cost-of-living adjustments are provided by law and are based on the Consumer Price Index for all United States cities. Cost-of-living adjustments are paid the second calendar year of the member's retirement on the May 1 check and then every year thereafter. The standard cost-of-living adjustment is a maximum of 2 percent per year.

Contributions

Active CalSTRS plan members under 2% at 60 were required to contribute 9.2% and plan members under 2% at 62 were required to contribute 8.56% of their salary in 2015-16. The required employer contribution rate for fiscal year 2015-16 was 10.73% of annual payroll. The contribution requirements of the plan members are established by State statute. Active CalPERS plan members are required to contribute 7.0% of their salary and the District is required to contribute an actuarially determined rate. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The required employer contribution for fiscal year 2015-16 was 11.847%. The contribution requirements of the plan members are established by State statute.

For the fiscal year ended June 30, 2016, the contributions recognized as part of pension expense for each Plan were as follows:

	CalSTRS	CalPERS
Employer contributions	\$ 3,455,615	\$ 1,800,793
Employee contributions paid by employer	\$ -	\$ -
Employer contributions paid by State	\$ 2,003,840	\$ -

B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions

As of June 30, 2016, the District reported net pension liabilities for its proportionate shares of the net pension liability of each Plan as follows:

	Proportionate Share of Net Pension Liability
CalSTRS	\$ 44,433,840
CalPERS	13,266,088
Total Net Pension Liability	<u>\$ 57,699,928</u>

TAMALPAIS UNION HIGH SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2016

NOTE 12 – PENSION PLANS (continued)

B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (continued)

The District’s net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each of the Plans is measured as of June 30, 2015, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013, rolled forward to June 30, 2015 using standard update procedures. The District’s proportion of the net pension liability was based on a projection of the District’s long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. The District’s proportionate share of the net pension liability for each Plan as of June 30, 2014, and 2015 was as follows:

	<u>CalSTRS</u>	<u>CalPERS</u>
Proportion - June 30, 2014	0.0620%	0.0884%
Proportion - June 30, 2015	<u>0.0660%</u>	<u>0.0900%</u>
Change - Increase (Decrease)	<u><u>0.0040%</u></u>	<u><u>0.0016%</u></u>

For the year ended June 30, 2016, the District recognized pension expense of \$5,256,408. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 5,256,408	\$ -
Differences between actual and expected experience	758,176	(742,500)
Changes in assumptions	-	(815,105)
Adjustment due to differences in proportions	2,954,580	-
Net differences between projected and actual earnings on plan investments	<u>2,178,813</u>	<u>(6,255,136)</u>
	<u><u>\$ 11,147,977</u></u>	<u><u>\$ (7,812,741)</u></u>

The total amount of \$5,256,408 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended <u>June 30,</u>	<u>Amount</u>
2017	\$ (767,229)
2018	(764,983)
2019	186,690
2020	(106,071)
2021	(106,071)
Thereafter	-

TAMALPAIS UNION HIGH SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2016

NOTE 12 – PENSION PLANS (continued)

B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (continued)

Actuarial Assumptions – The total pension liabilities in the June 30, 2014, actuarial valuations were determined using the following actuarial assumptions:

	<u>CalSTRS</u>	<u>CalPERS</u>
Valuation Date	June 30, 2014	June 30, 2014
Measurement Date	June 30, 2015	June 30, 2015
Actuarial Cost Method	Entry age normal	Entry age normal
Actuarial Assumptions:		
Discount Rate	7.60%	7.65%
Inflation	3.00%	2.75%
Wage Growth	3.75%	Varies
Post-retirement Benefit Increase	2.00%	2.00%
Investment Rate of Return	7.60%	7.65%

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are based on RP2000 series tables adjusted to fit CalSTRS experience. RP2000 series tables are an industry standard set of mortality rates published by the Society of Actuaries. See CalSTRS July 1, 2006 - June 30, 2010 Experience Analysis for more information. The underlying mortality assumptions and all other actuarial assumptions used in the CalPERS June 30, 2014, valuation were based on the results of an April 2014, actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can found on the CalPERS website.

Discount Rate – for CalSTRS

The discount rate used to measure the total pension liability was 7.60 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and employers will be made at statutory contribution rates in accordance with the rate increase per Assembly Bill 1469. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.60 percent) and assuming that contributions, benefit payments, and administrative expense occur midyear. Based on those assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members.

Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine the total pension liability.

Discount Rate – for CalPERS

The discount rate used to measure the total pension liability for PERF B was 7.65 percent. A projection of expected benefit payments and contributions was performed to determine if the assets would run out. The test revealed the assets would not run out. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability for PERF B. The results of the crossover testing for the Plan are presented in a detailed report that can be obtained on CalPERS' website.

TAMALPAIS UNION HIGH SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2016

NOTE 12 – PENSION PLANS (continued)

B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (continued)

Discount Rate – for CalPERS (continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, both short-term and long-term market return expectations as well as the expected pension fund cash flows were taken into account. Using historical returns of all of the funds' asset classes, expected compound (geometric) returns were calculated over the short term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The long-term expected real rates of return by asset class can be found in CalPERS' Comprehensive Annual Financial Report for the fiscal year ended June 30, 2015.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

Asset Class	Target Allocation		Long-Term Expected Rate of Return	
	CalSTRS	CalPERS	CalSTRS	CalPERS
Global Equity	47%	51%	4.50%	5.71%
Global Debt Securities	N/A	19%	N/A	2.43%
Inflation Sensitive	5%	6%	3.20%	3.36%
Private Equity	12%	10%	6.20%	6.95%
Real Estate	15%	10%	4.35%	5.13%
Infrastructure and Forestland	N/A	2%	N/A	5.09%
Fixed Income	20%	N/A	0.20%	N/A
Liquidity	1%	2%	0.00%	-1.05%
	100%	100%		

TAMALPAIS UNION HIGH SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2016

NOTE 12 – PENSION PLANS (continued)

B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources Related to Pensions (continued)

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District’s proportionate share of the net pension liability for each Plan, calculated using the discount rate for each Plan, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	CalSTRS	CalPERS
1% Decrease	6.60%	6.65%
Net Pension Liability	\$ 67,091,640	\$ 21,591,664
Current Discount Rate	7.60%	7.65%
Net Pension Liability	\$ 44,433,840	\$ 13,266,088
1% Increase	8.60%	8.65%
Net Pension Liability	\$ 25,603,380	\$ 6,342,816

Pension Plan Fiduciary Net Position

Detailed information about each pension plan’s fiduciary net position is available in the separately issued CalSTRS and CalPERS financial reports.

C. Payable to the Pension Plans

At June 30, 2016, the District did not report a payable to the CalSTRS and CalPERS pension plans for the fiscal year ended June 30, 2016.

NOTE 13 – OTHER POSTEMPLOYMENT BENEFITS

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

Plan Descriptions and Contribution Information

Membership in the plan consisted of the following:

Retirees and beneficiaries receiving benefits*	30
Active plan members*	456
Total	<u>486</u>

* As of June 30, 2015, actuarial valuation

TAMALPAIS UNION HIGH SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2016

NOTE 13 – OTHER POSTEMPLOYMENT BENEFITS (continued)

Plan Descriptions and Contribution Information (continued)

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

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

	Certificated	Classified & Confidential
Age and service criteria	<ul style="list-style-type: none"> • Hired before 1/18/2000: 5 years of District service and eligible for retirement • Hired 1/18/2000 or later: 10 years of District service and eligible for retirement • Eligibility for retirement: <ul style="list-style-type: none"> ○ CalSTRS – age 55 & 5 years of service or age 50 & 30 years of service ○ CalPERS – age 50 & 5 years of service • Retired after 2011-12 school year: <ul style="list-style-type: none"> ○ Certified - District contribution for age 60-65 only 	<ul style="list-style-type: none"> • Age 55 and 10 years of District service (effective to June 30, 2016) • Age 60 and 10 years of District service (effective beginning July 1, 2013)
Employer-paid portion of premiums: Full-time	<ul style="list-style-type: none"> • Up to composite rates for employees for Kaiser, Delta Dental and Vision Service 	<ul style="list-style-type: none"> • Up to composite rates for employees for Kaiser, Delta Dental and Vision Service
Employer-paid portion of premiums: Part-time	<ul style="list-style-type: none"> • .6 FTE or more: Same as full-time • Less than .6 FTE: Composites prorated based on FTE 	<ul style="list-style-type: none"> • Over .725 FTE: Same as full-time • Over .6 FTE, but less than .725 FTE: Up to 75% of composite • At least .5 FTE, but less than .6 FTE: Up to 50% of composite • Under .5 FTE: Ineligible

Annual OPEB Cost and Net OPEB Obligation

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

Annual required contribution (ARC)	\$ 505,711
Interest on net OPEB obligation	(1,693)
Adjustment to ARC	1,603
Annual OPEB cost	<u>505,621</u>
Contributions made:	
Contributions to trust	(583,425)
Total contributions made	<u>(583,425)</u>
Change in net OPEB asset	(77,804)
Net OPEB obligation (asset) - July 1, 2015	(23,355)
Net OPEB obligation (asset) - June 30, 2016	<u><u>\$ (101,159)</u></u>

TAMALPAIS UNION HIGH SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2016

NOTE 13 – OTHER POSTEMPLOYMENT BENEFITS (continued)

Annual OPEB Cost and Net OPEB Obligation (continued)

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2015-16 and the preceding two years are as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage Contributed	Net OPEB Obligation (asset)
2014	\$ 982,000	100%	\$ (23,355)
2015	\$ 1,015,000	100%	\$ (23,355)
2016	\$ 505,621	100%	\$ (101,159)

Funded Status and Funding Progress – OPEB Plans

As of June 30, 2015, the most recent actuarial valuation date, the actuarial accrued liability (AAL) for benefits was \$7.1 million and the unfunded actuarial accrued liability (UAAL) was \$6.6 million.

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

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point.

The actuarial methods and assumptions used include techniques that are designated to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Additional information as of the latest actuarial valuation follows:

Valuation Date	June 30, 2015
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll
Remaining Amortization Period	23 years
Asset Valuation	Market value
Actuarial Assumptions:	
Investment rate of return	7.25%
Inflation	3.0%
Medical/Rx	5.0%-8.0%
Dental/Vision	4.0%

TAMALPAIS UNION HIGH SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2016

NOTE 14 - HOUSING LOAN

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

The current Superintendent has a loan outstanding of \$500,000, which is reported as non-current asset on the Statement of Net Position.

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Required Supplementary Information

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TAMALPAIS UNION HIGH SCHOOL DISTRICT
Budgetary Comparison Schedule – General Fund
For the Fiscal Year Ended June 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual*</u> <u>(Budgetary Basis)</u>	<u>Variance with</u> <u>Final Budget -</u> <u>Pos (Neg)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
LCFF sources	\$ 53,589,756	\$ 53,927,494	\$ 54,034,760	\$ 107,266
Federal sources	1,139,775	1,143,463	983,727	(159,736)
Other State sources	3,407,416	6,110,286	6,204,761	94,475
Other Local sources	12,805,274	15,188,265	15,262,928	74,663
Total Revenues	70,942,221	76,369,508	76,486,176	116,668
Expenditures				
Current:				
Certificated Salaries	32,971,569	32,859,665	32,518,912	340,753
Classified Salaries	9,768,371	9,884,066	9,751,262	132,804
Employee Benefits	15,234,350	16,734,070	16,612,490	121,580
Books and Supplies	4,121,217	4,491,822	3,158,365	1,333,457
Services and Other Operating Expenditures	9,425,015	11,109,866	10,127,483	982,383
Transfers of Indirect Cost	(75,972)	(57,706)	(163,464)	105,758
Capital Outlay	87,484	3,045,048	3,018,024	27,024
Intergovernmental Transfers	1,030,129	1,192,105	1,344,819	(152,714)
Debt Service	331,523	115,901	115,901	-
Total Expenditures	72,893,686	79,374,837	76,483,792	2,891,045
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,951,465)	(3,005,329)	2,384	3,007,713
Other Financing Sources and Uses				
Interfund Transfers In	-	-	37,753	37,753
Interfund Transfers Out	(568,791)	(803,331)	(816,025)	(12,694)
Proceed from Capital Lease	-	2,489,977	2,489,977	-
Other Financing Uses	(500,000)	(500,000)	(500,000)	-
Total Other Financing Sources and Uses	(1,068,791)	1,186,646	1,211,705	25,059
Net Change in Fund Balance	(3,020,256)	(1,818,683)	1,214,089	3,032,772
Fund Balances, July 1, 2015	27,035,766	27,035,766	27,035,766	-
Fund Balances, June 30, 2016	\$ 24,015,510	\$ 25,217,083	\$ 28,249,855	\$ 3,032,772

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

TAMALPAIS UNION HIGH SCHOOL DISTRICT
Schedule of Funding Progress
For the Fiscal Year Ended June 30, 2016

Actuarial Valuation Date	Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
June 30, 2011	\$ 1,385,000	\$ 5,277,000	\$ 3,892,000	26.2%	\$ 30,859,000	12.6%
June 30, 2013	\$ 2,241,000	\$ 8,427,000	\$ 6,186,000	26.6%	\$ 33,967,000	18.2%
June 30, 2015	\$ 3,535,198	\$ 6,588,735	\$ 3,053,537	53.7%	\$ 42,205,342	7.2%

TAMALPAIS UNION HIGH SCHOOL DISTRICT
Schedule of Proportionate Share of the Net Pension Liability
For the Fiscal Year Ended June 30, 2016

	Last Ten Fiscal Years*	
	2015	2014
District's proportion of the net pension liability (asset):		
CalSTRS	0.0660%	0.0620%
CalPERS	0.0900%	0.0884%
District's proportionate share of the net pension liability (asset):		
CalSTRS	\$ 44,433,840	\$ 36,230,940
CalPERS	\$ 13,266,088	\$ 10,035,552
District's covered-employee payroll:		
CalSTRS	\$ 30,302,376	\$ 28,120,558
CalPERS	\$ 14,848,220	\$ 14,084,784
District's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll:		
CalSTRS	146.6%	128.8%
CalPERS	89.3%	71.3%
Plan fiduciary net position as a percentage of the total pension liability:		
CalSTRS	74.0%	76.5%
CalPERS	79.4%	83.4%

* *This schedule is required to show information for ten years; however, until a full ten year trend is compiled, information is presented for those years for which information is available.*

TAMALPAIS UNION HIGH SCHOOL DISTRICT
Schedule of Contributions
For the Fiscal Year Ended June 30, 2016

	Last Ten Fiscal Years*	
	<u>2015</u>	<u>2014</u>
Actuarially determined contribution:		
CalSTRS	\$ 2,690,851	\$ 2,319,946
CalPERS	\$ 1,747,784	\$ 1,611,581
Contributions in relation to the actuarially determined contribution:		
CalSTRS	\$ 2,690,851	\$ 2,319,946
CalPERS	<u>\$ 1,747,784</u>	<u>\$ 1,611,581</u>
Contribution deficiency (excess):		
CalSTRS	<u>\$ -</u>	<u>\$ -</u>
CalPERS	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll:		
CalSTRS	\$ 30,302,376	\$ 28,120,558
CalPERS	\$ 14,848,220	\$ 14,084,784
Contributions as a percentage of covered-employee payroll:		
CalSTRS	8.88%	8.25%
CalPERS	11.771%	11.442%

* This schedule is required to show information for ten years; however, until a full ten year trend is compiled, information is presented for those years for which information is available.

TAMALPAIS UNION HIGH SCHOOL DISTRICT
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2016

NOTE 1 – PURPOSE OF SCHEDULES

Budgetary Comparison Schedule

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

Schedule of Funding Progress

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

Schedule of Proportionate Share of the Net Pension Liability

This schedule is required by GASB Statement No. 68 and is required for all employers in a cost-sharing pension plan. The schedule reports the following information:

- The proportion (percentage) of the collective net pension liability (similar to the note disclosure)
- The proportionate share (amount) of the collective net pension liability
- The employer's covered-employee payroll
- The proportionate share (amount) of the collective net pension liability as a percentage of the employer's covered-employee payroll
- The pension plan's fiduciary net position as a percentage of the total pension liability

Schedule of Contributions

This schedule is required by GASB Statement No. 68 and is required for all employers in a cost-sharing pension plan. The schedule reports the following information:

- If an employer's contributions to the plan are actuarially determined or based on statutory or contractual requirements: the employer's actuarially determined contribution to the pension plan (or, if applicable, its statutorily or contractually required contribution), the employer's actual contributions, the difference between the actual and actuarially determined contributions (or statutorily or contractually required), and a ratio of the actual contributions divided by covered-employee payroll.

NOTE 2 – SUMMARY OF CHANGES OF BENEFITS OR ASSUMPTIONS

Benefit Changes

There were no changes to benefit terms that applied to all members of the Schools Pool.

Changes of Assumptions

The discount rate was changed from 7.5 percent (net of administrative expense) to 7.65 percent to correct for an adjustment to exclude administrative expense.

TAMALPAIS UNION HIGH SCHOOL DISTRICT
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2016

NOTE 3 - EXCESS OF EXPENDITURES OVER APPROPRIATIONS

At June 30, 2016, the District incurred the following excess of expenditures over appropriations in individual major funds presented in the Budgetary Comparison Schedule:

<u>Appropriations Category</u>	<u>Excess Expenditures</u>
Intergovernmental Transfers	\$ 152,714
Interfund Transfers Out	12,694

Supplementary Information

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TAMALPAIS UNION HIGH SCHOOL DISTRICT
Local Educational Agency Organization Structure
June 30, 2016

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.

GOVERNING BOARD		
Member	Office	Term Expires
Michael Futterman	President	December, 2017
Laura Anderson	Clerk	December, 2017
Chuck Ford	Trustee	December, 2017
Leslie Lundgren	Trustee	December, 2019
Barbara Owens	Trustee	December, 2019

DISTRICT ADMINISTRATORS

Dr. David Yoshihara,
Superintendent

Lars Christensen,
Assistant Superintendent, Human Resources

Sally Swan,¹
Assistant Superintendent, Finance & Facilities

Dr. Tara Taupier,
Assistant Superintendent, Educational Services

¹ Retired as of June 30, 2016.

TAMALPAIS UNION HIGH SCHOOL DISTRICT
Schedule of Average Daily Attendance
For the Fiscal Year Ended June 30, 2016

	Second Period Report	Annual Report
	Certificate No. (07292FBA)	Certificate No. (AC2765BE)
Regular ADA & Extended Year:		
Ninth through Twelfth	4,220.13	4,188.92
Total Regular ADA	4,220.13	4,188.92
Special Education, Nonpublic, Nonsectarian Schools:		
Ninth through Twelfth	22.54	23.11
Total Special Education, Nonpublic, Nonsectarian Schools	22.54	23.11
Total ADA	4,242.67	4,212.03

TAMALPAIS UNION HIGH SCHOOL DISTRICT
Schedule of Instructional Time
For the Fiscal Year Ended June 30, 2016

<u>Grade Level</u>	<u>Required Minutes</u>	<u>2015-16 Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Status</u>
Grade 9	64,800	64,955	180	Complied
Grade 10	64,800	64,955	180	Complied
Grade 11	64,800	64,955	180	Complied
Grade 12	64,800	64,955	180	Complied

TAMALPAIS UNION HIGH SCHOOL DISTRICT
Schedule of Financial Trends and Analysis
For the Fiscal Year Ended June 30, 2016

General Fund	(Budget) 2017 ²	2016 ³	2015	2014
Revenues and other financing sources	\$ 74,942,323	\$ 79,013,906	\$ 68,597,932	\$ 65,043,210
Expenditures	76,382,001	76,483,792	66,987,508	63,194,975
Other uses and transfers out	744,402	1,316,025	621,004	873,566
Total outgo	77,126,403	77,799,817	67,608,512	64,068,541
Change in fund balance (deficit)	(2,184,080)	1,214,089	989,420	974,669
Ending fund balance	\$ 26,065,775	\$ 28,249,855	\$ 27,035,766	\$ 26,046,346
Available reserves ¹	\$ 13,111,500	\$ 13,139,500	\$ 2,028,256	\$ -
Available reserves as a percentage of total outgo	17.0%	16.9%	3.0%	0.0%
Total long-term debt	\$ 192,967,151	\$ 201,713,246	\$ 197,336,446	\$ 212,856,150
Average daily attendance at P-2	4,469	4,243	3,955	3,838

The General Fund balance has increased by \$2,203,509 over the past two years. The fiscal year 2016-17 adopted budget projects a decrease of \$2,184,080. For a district of this size, the state recommends available reserves of at least 3% of total general fund expenditures, transfers out, and other uses (total outgo).

The District has not incurred an operating deficit in any of the past three years, but anticipates incurring an operating deficit during the 2016-17 fiscal year. Long-term debt has decreased \$11,142,904 over the past two years.

Average daily attendance has increased by 405 over the past two years. An increase of 226 ADA is anticipated during the 2016-17 fiscal year.

¹ Available reserves consist of all unassigned fund balances in the General Fund. The District did not have any unassigned fund balance reported for the 2013-14 fiscal year, but rather chose to show those amounts held for this purpose as assigned. Beginning in 2014-15, the District began to show these amounts as reserve for economic uncertainties in the unassigned category.

² Revised budget September 2016.

³ The actual amounts reported in this schedule are for the General Fund only, and do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances because the amounts on that schedule include the financial activity of the Special Reserve Fund for Other Than Capital Outlay Projects, in accordance with the fund type definitions promulgated by GASB Statement No. 54.

TAMALPAIS UNION HIGH SCHOOL DISTRICT

*Reconciliation of Annual Financial and Budget Report with Audited Financial Statements
For the Fiscal Year Ended June 30, 2016*

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

TAMALPAIS UNION HIGH SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2016

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Cluster Expenditures	Federal Expenditures
Federal Programs:				
U.S. Department of Agriculture:				
Passed through California Dept. of Education (CDE):				
Child Nutrition Cluster:				
School Basic Breakfast Program	10.553	13525	\$ 24,757	
School Breakfast Needy Program	10.553	13526	18,203	
National School Lunch Program	10.555	13523	79,103	
USDA Donated Foods	10.555	N/A	20,150	
Subtotal Child Nutrition Cluster				\$ 142,213
Total U.S. Department of Agriculture				142,213
U.S. Department of Education:				
Passed through California Dept. of Education (CDE):				
Adult Basic Education (ABE):				
Adult Education Cluster:				
Adult Basic Education & ESL	84.002A	14508	59,630	
Adult Secondary Education	84.002	13978	15,539	
English Literacy & Civics Education	84.002A	14109	18,059	
Subtotal Adult Education Cluster				93,228
No Child Left Behind Act (NCLB):				
Title I, Part A, Basic Grants Low Income and Neglected	84.010	14329		149,210
Title II, Part A, Improving Teacher Quality Local Grants	84.367	14341		76,586
English Language Acquisition Grants Cluster:				
Title III, Immigrant Education Program	84.365	14346	5,403	
Title III, Limited English Proficient	84.365	14346	7,241	
Subtotal English Language Acquisition Cluster				12,644
Carl D. Perkins Career and Technical Education: Secondary, Section 131	84.048	14894		78,637
Individuals with Disabilities Education Act (IDEA):				
Passed through Marin County SELPA:				
Special Education (IDEA) Cluster:				
Basic Local Assistance Entitlement, Part B, Section 611	84.027	13379	539,022	
Mental Health Allocation Plan, Part B, Section 611	84.027A	14468	20,038	
IDEA Local Assistance, Part B, Section 611	84.027	10115	107,590	
Subtotal Special Education (IDEA) Cluster				666,650
Total U.S. Department of Education				1,076,955
Total Expenditures of Federal Awards				\$ 1,219,168

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

TAMALPAIS UNION HIGH SCHOOL DISTRICT
Combining Balance Sheet - Non-Major Governmental Funds
June 30, 2016

	Adult Education Fund	Cafeteria Fund	Deferred Maintenance Fund	Foundation Special Revenue Fund	Building Fund	Special Reserve Fund for Capital Outlay Projects	Total Non-Major Governmental Funds
ASSETS							
Cash	\$ 115,111	\$ 51,335	\$ 1,378,530	\$ 50,691	\$ 38,606	\$ 1,846,877	\$ 3,481,150
Accounts receivable	280,131	13,086	-	-	-	-	293,217
Due from other funds	-	-	357,000	-	-	270,000	627,000
Inventories	-	17,396	-	-	-	-	17,396
Total Assets	<u>\$ 395,242</u>	<u>\$ 81,817</u>	<u>\$ 1,735,530</u>	<u>\$ 50,691</u>	<u>\$ 38,606</u>	<u>\$ 2,116,877</u>	<u>\$ 4,418,763</u>
LIABILITIES AND FUND BALANCES							
Liabilities							
Accounts payable	\$ 116,964	\$ 45,527	\$ -	\$ -	\$ 447	\$ -	\$ 162,938
Due to other funds	87,459	-	-	-	38,159	-	125,618
Total Liabilities	<u>204,423</u>	<u>45,527</u>	<u>-</u>	<u>-</u>	<u>38,606</u>	<u>-</u>	<u>288,556</u>
Fund Balances							
Nonspendable	-	17,796	-	-	-	-	17,796
Restricted	53,535	18,494	-	50,691	-	2,116,877	2,239,597
Committed	137,284	-	1,735,530	-	-	-	1,872,814
Total Fund Balances	<u>190,819</u>	<u>36,290</u>	<u>1,735,530</u>	<u>50,691</u>	<u>-</u>	<u>2,116,877</u>	<u>4,130,207</u>
Total Liabilities and Fund Balances	<u>\$ 395,242</u>	<u>\$ 81,817</u>	<u>\$ 1,735,530</u>	<u>\$ 50,691</u>	<u>\$ 38,606</u>	<u>\$ 2,116,877</u>	<u>\$ 4,418,763</u>

TAMALPAIS UNION HIGH SCHOOL DISTRICT

*Combining Statement of Revenues, Expenditures, and Changes in Fund Balance - Non-Major Governmental Funds
For the Fiscal Year Ended June 30, 2016*

	Adult Education Fund	Cafeteria Fund	Deferred Maintenance Fund	Foundation Special Revenue Fund	Building Fund	Special Reserve Fund for Capital Outlay Projects	Total Non-Major Governmental Funds
REVENUES							
LCFF sources	\$ -	\$ -	\$ 357,000	\$ -	\$ -	\$ -	\$ 357,000
Federal sources	93,228	142,213	-	-	-	-	235,441
Other state sources	676,793	9,301	-	-	-	-	686,094
Other local sources	791,244	722,831	3,042	108	658	4,030	1,521,913
Total Revenues	1,561,265	874,345	360,042	108	658	4,030	2,800,448
EXPENDITURES							
Current							
Instruction	320,509	-	-	-	-	-	320,509
Instruction-Related Services:							
School site administration	342,135	-	-	-	-	-	342,135
Pupil Support Services:							
Food services	-	1,216,359	-	-	-	-	1,216,359
Community services	828,215	-	-	-	-	-	828,215
Transfers of indirect costs	102,337	61,126	-	-	-	-	163,463
Plant services	-	-	5,498	-	6,923	44,590	57,011
Capital outlay	-	-	146,628	-	523,854	191,578	862,060
Total Expenditures	1,593,196	1,277,485	152,126	-	530,777	236,168	3,789,752
Excess (Deficiency) of Revenues Over (Under) Expenditures	(31,931)	(403,140)	207,916	108	(530,119)	(232,138)	(989,304)
OTHER FINANCING SOURCES (USES)							
Interfund transfers in	112,681	424,675	-	-	8,669	270,000	816,025
Total Other Financing Sources and Uses	112,681	424,675	-	-	8,669	270,000	816,025
Net Change in Fund Balances	80,750	21,535	207,916	108	(521,450)	37,862	(173,279)
Fund Balances, July 1, 2015	110,069	14,755	1,527,614	50,583	521,450	2,079,015	4,303,486
Fund Balances, June 30, 2016	\$ 190,819	\$ 36,290	\$ 1,735,530	\$ 50,691	\$ -	\$ 2,116,877	\$ 4,130,207

See accompanying note to supplementary information.

TAMALPAIS UNION HIGH SCHOOL DISTRICT

Note to the Supplementary Information

June 30, 2016

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 participated in the Incentives for Longer Instructional Day and Longer Instructional Year. The District has not met its target funding. 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 the 1986-87 requirement, 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.

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 Expenditures of Federal Awards

The schedule of expenditures of Federal awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.

The District did not elect to use the ten percent de minimis indirect cost rate.

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

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

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Other Independent Auditors' Reports

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

Board of Trustees
Tamalpais Union High School District
Larkspur, California

We have audited, in accordance with the 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Tamalpais Union High School District as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Tamalpais Union High School District's basic financial statements, and have issued our report thereon dated December 6, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Tamalpais Union High School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Tamalpais Union High School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Tamalpais Union High School District's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in blue ink that reads "Nigro+Nigro, PC". The signature is written in a cursive, flowing style.

Murrieta, California
December 6, 2016



INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Board of Trustees
Tamalpais Union High School District
Larkspur, California

Report on State Compliance

We have audited Tamalpais Union High School District's compliance with the types of compliance requirements described in the *2015-16 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* that could have a direct and material effect on each of the Tamalpais Union High School District's state government programs as noted on the following page for the fiscal year ended June 30, 2016.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its State programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Tamalpais Union High School District's State programs based on our audit of the types of compliance requirements referred to below. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *2015-16 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to below occurred. An audit includes examining, on a test basis, evidence about Tamalpais Union High School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each State program. However, our audit does not provide a legal determination of Tamalpais Union High School District's compliance.

In connection with the audit referred to on the prior page, we selected and tested transactions and records to determine the District's compliance with the State laws and regulations applicable to the following items:

Description	Procedures Performed
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Not Applicable
Independent Study	Yes
Continuation Education	Yes
Instructional Time	Yes
Instructional Materials	Yes
Ratio of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	Not Applicable
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	Not Applicable
Middle or Early College High Schools	Not Applicable
K-3 Grade Span Adjustment	Not Applicable
Transportation Maintenance of Effort	Not Applicable
Educator Effectiveness	Yes
California Clean Energy Jobs Act	Yes
After School Education and Safety Program	Not Applicable
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study - Course Based	Not Applicable
Immunizations	Not Applicable
Charter Schools:	
Attendance	Not Applicable
Mode of Instruction	Not Applicable
Nonclassroom-Based Instruction/Independent Study	Not Applicable
Determination of Funding for Nonclassroom-Based Instruction	Not Applicable
Annual Instructional Minutes – Classroom Based	Not Applicable
Charter School Facility Grant Program	Not Applicable

Unmodified Opinion on Compliance with State Programs

In our opinion, Tamalpais Union High School District complied, in all material respects, with the types of compliance requirements referred to above for the year ended June 30, 2016.

Murrieta, California
December 6, 2016



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR
EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Board of Trustees
Tamalpais Union High School District
Larkspur, California

Report on Compliance for Each Major Federal Program

We have audited Tamalpais Union High School District's compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on each of Tamalpais Union High School District's major federal programs for the year ended June 30, 2016. Tamalpais Union High School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Tamalpais Union High School District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 on compliance for each major federal program. However, our audit does not provide a legal determination of Tamalpais Union High School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Tamalpais Union High School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2016.

Report on Internal Control Over Compliance

Management of Tamalpais Union High School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Tamalpais Union High School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Murrieta, California
December 6, 2016

Findings and Questioned Costs

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TAMALPAIS UNION HIGH SCHOOL DISTRICT
Schedule of Audit Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2016

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued	<u>Unmodified</u>
Internal control over financial reporting:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(s) identified not considered to be material weaknesses?	<u>None reported</u>
Noncompliance material to financial statements noted?	<u>No</u>

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(s) identified not considered to be material weaknesses?	<u>None reported</u>
Type of auditors' report issued on compliance for major programs:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance, Section 200.516	<u>No</u>
Identification of major programs:	
<u>CFDA Numbers</u> <u>Name of Federal Program or Cluster</u>	
<u>84.027</u> <u>Special Education Cluster (IDEA)</u>	
Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 750,000</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

State Awards

Type of auditors' report issued on compliance for state programs:	<u>Unmodified</u>
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TAMALPAIS UNION HIGH SCHOOL DISTRICT
Schedule of Audit Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2016

SECTION II - FINANCIAL STATEMENT FINDINGS

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

<u>Five Digit Code</u>	<u>AB 3627 Finding Types</u>
10000	Attendance
20000	Inventory of Equipment
30000	Internal Control
40000	State Compliance
42000	Charter School Facilities Programs
50000	Federal Compliance
60000	Miscellaneous
61000	Classroom Teacher Salaries
62000	Local Control Accountability Plan
70000	Instructional Materials
71000	Teacher Misassignments
72000	School Accountability Report Card

There were no financial statement findings in 2015-16.

TAMALPAIS UNION HIGH SCHOOL DISTRICT
Schedule of Audit Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2016

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

This section identifies the audit findings required to be reported by the Uniform Guidance, Section 200.516 (e.g., significant deficiencies, material weaknesses, and instances of noncompliance, including questioned costs).

There were no federal award findings or questioned costs in 2015-16.

TAMALPAIS UNION HIGH SCHOOL DISTRICT
Schedule of Audit Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2016

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

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

There were no state award findings or questioned costs in 2015-16.

TAMALPAIS UNION HIGH SCHOOL DISTRICT

Summary Schedule of Prior Audit Findings

For the Fiscal Year Ended June 30, 2016

Original Finding No.	Finding	Code	Recommendation	Current Status
<p><i>Finding 2015-1: Unduplicated Pupil Count</i></p>	<p>Supplemental and concentration grant amounts are calculated based on the percentage of "unduplicated pupils" enrolled in the LEA on Census Day (first Wednesday in October). The percentage equals:</p> <ul style="list-style-type: none"> • Unduplicated count of pupils who (1) are English learners, (2) meet income or categorical eligibility requirements for free or reduced-price meals under the National School Lunch Program, or (3) are foster youth. "Unduplicated count" means that each pupil is counted only once even if the pupil meets more than one of these criteria (<i>EC</i> sections 2574(b)(2) and 42238.02(b)(1)). • Divided by total enrollment in the LEA (<i>EC</i> sections 2574(b)(1) and 42238.02(b)(5)). All pupil counts are based on Fall 1 certified enrollment reported in the CALPADS as of Census Day. 	<p>40000</p>	<p>We recommend that the district work with the Child Nutrition Services department to update the CALPADS system once all applications are received. Although there is a grace period recognized at a local level, the district should update CALPADS retroactively to reflect the current year application information in the reporting software. We also recommend that procedures are established to ensure that the student information system which is used for CALPADS reporting is updated to reflect the changes made in the Child Nutrition Services.</p>	<p>Implemented.</p>
	<p>During our testing of the free and reduced price meal eligible students reported in the CALPADS 1.17 and 1.18 reports, we noted twelve students that were reported as qualifying for free or reduced priced meals that did not have an application on file for the 2014-15 fiscal year. This is due to the fact that the District applied the local "grace period" to the CALPADS reporting and as a result, many students in the CALPADS system are reported based on 2013-14 application data instead of 2014-15 application data.</p>			

TAMALPAIS UNION HIGH SCHOOL DISTRICT

Summary Schedule of Prior Audit Findings

For the Fiscal Year Ended June 30, 2016

Original Finding No.	Finding	Code	Recommendation	Current Status
<i>Finding 2015-2: Maintenance of Effort</i>	<p>The District expenditures in the Adult Education program for the 2014-15 year must exceed the lesser of the expenditures or revenues for the 2012-13 year. This does not include expenditures supported by Federal funds, adult education fees or other restricted funding sources.</p> <p>The District spent \$503,928, which was \$7,450 less than the amount spent in 2012-13.</p>	40000	We recommend that the District determine the future of the Adult Education program based on locally identified needs.	Implemented.



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

In planning and performing our audit of the basic financial statements of Tamalpais Union High School District for the year ending June 30, 2016, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control structure.

However, during our audit we noted matters that are an opportunity for strengthening internal controls and operating efficiency. The following items represent conditions noted by our audit that we consider important enough to bring to your attention. This letter does not affect our report dated December 6, 2016, on the financial statements of Tamalpais Union High School District.

ASSOCIATED STUDENT BODY (ASB) FUNDS

Observation: During our testing of cash receipts at **Drake High, Redwood High, and Tamalpais High**, we found that several deposits tested lacked sufficient supporting documentation. The cash receipts were missing all pertinent documentation, with the exception of a deposit. The deposit slip cannot substantiate collection, but rather what is submitted for deposit. Without supporting documentation, we could not verify whether all cash collected had been deposited intact and into the correct ASB account.

Recommendation: Sound internal controls for handling cash discourage theft of ASB funds and protect those who handle the cash. It is important to tie all proceeds to the specific fundraiser from which they were generated and to ensure that all proceeds from an event are turned in and properly accounted for. We recommend that before any events are held, control procedures should be established that will allow for the reconciliation between money collected and fundraiser sales.

Observation: Our testing of cash disbursements at **Drake High, Redwood High, and Tamalpais High**, revealed several disbursements that were not properly preapproved, lacking approval by the District representative, the ASB advisor, and/or the student representative. Additionally, several cash disbursements lacked sufficient supporting documentation such as an invoice, proof of receipt, or proper authorization.

Recommendation: As a “best practice”, approval by required parties should be obtained before the actual commitment to purchase the items in order to ensure the expense is a proper use of student-body funds and falls within budgetary guidelines. Education Code Section 48933(b) requires all expenditures from ASB funds be authorized by a student representative, an advisor, and a district representative (usually a principal or vice-principal) prior to disbursing the funds. We also recommend that the site require all approvals and appropriate supporting documentation prior to issuing disbursements to ensure that student funds are being properly spent.

DISTRICT OFFICE

Observation: During our inquiry and testing over controls of cash receipts at the District Office, we noted sites are not sending sufficient supporting documentation with funds to be deposited. In addition, cash collected for breakfast and lunch at school sites is counted by only one individual before being sent for deposit.

Recommendation: We recommend that sites send sufficient supporting documentation to support the amount of cash being deposited. We also recommend that at least two individuals be present when cash is being counted.

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

Murrieta, California
December 6, 2016