

**TAMALPAIS UNION
HIGH SCHOOL DISTRICT
AUDIT REPORT
For the Fiscal Year Ended
June 30, 2014**



TAMALPAIS UNION HIGH SCHOOL DISTRICT

For the Fiscal Year Ended June 30, 2014

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TAMALPAIS UNION HIGH SCHOOL DISTRICT

For the Fiscal Year Ended June 30, 2014

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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, 2014, 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 *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2013-14*. 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, 2014, 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.

Emphasis of Matter

As discussed in Note 1.G. to the basic financial statements, the District has changed its method for accounting and reporting certain items previously reported as assets or liabilities during fiscal year 2013-2014 due to the adoption of Governmental Accounting Standards Board Statement No. 65, "Items Previously Reported as Assets and Liabilities". The adoption of this standard required retrospective application resulting in a \$779,581 reduction of previously reported net position at July 1, 2013. Our opinion is not modified with respect to this matter.

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 40, and schedule of funding progress on page 41 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 Tamalpais Union High School District's basic financial statements. The other supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The other supplementary information listed in the table of contents, including the Schedule of Expenditures of Federal Awards, is the responsibility of management and was derived from and relates 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 other supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2014 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 10, 2014

TAMALPAIS UNION HIGH SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2014

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, 2014. Please read it in conjunction with the District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- Overall revenues were \$80.9 million, which was \$2.7 million more than expenses.
- The total cost of basic programs was \$78.2 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 \$69.2 million.
- The District's long-term debt decreased by \$8.5 million.
- Second period (P2) average daily attendance (ADA) increased by 125, or 3.4%.

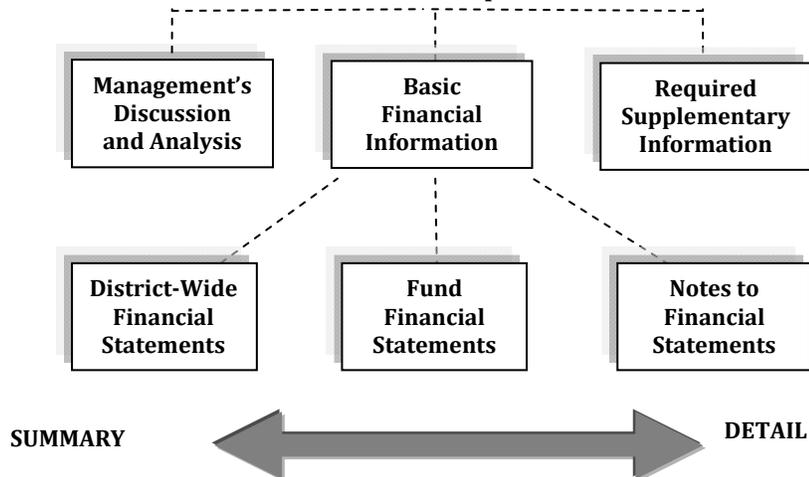
OVERVIEW OF THE FINANCIAL STATEMENTS

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, 2014

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, 2014

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, 2014

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 higher on June 30, 2014, than it was the year before – increasing 5.2% to \$54.4 million (See Table A-1).

Table A-1

	Governmental Activities		Variance Increase (Decrease)
	(In millions)		
	2014	2013*	
Current assets	\$ 45.9	\$ 49.9	\$ (4.0)
Non-current assets	0.9	0.9	-
Capital assets	162.7	164.5	(1.8)
Total assets	209.5	215.3	(5.8)
Total deferred outflows	5.3	5.7	(0.4)
Current liabilities	5.8	6.2	(0.4)
Long-term liabilities	154.6	163.1	(8.5)
Total liabilities	160.4	169.3	(8.9)
Net position			
Net investment in capital assets	11.0	7.9	3.1
Restricted	12.8	13.0	(0.2)
Unrestricted	30.6	30.8	(0.2)
Total net position	\$ 54.4	\$ 51.7	\$ 2.7

* As restated

Changes in net position, governmental activities. The District's total revenues increased 6.9% to \$80.9 million (See Table A-2). The increase is due primarily to increased property tax receipts.

The total cost of all programs and services increased 6.3% to \$78.2 million. The District's expenses are predominantly related to educating and caring for students, 69.1%. The purely administrative activities of the District accounted for just 7.9% of total costs. A significant contributor to the increase in costs was instructional and pupil support services.

Table A-2

	Governmental Activities		Variance Increase (Decrease)
	(In millions)		
	2014	2013	
Total Revenues	\$ 80.9	\$ 75.7	\$ 5.2
Total Expenses	78.2	73.6	4.6
Increase (decrease) in net position	\$ 2.7	\$ 2.1	\$ 0.6

TAMALPAIS UNION HIGH SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2014

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 \$42.9 million, which is below last year's ending fund balance of \$46.5 million. The primary cause of the decreased fund balance is due to spending of bond funds for projects in connection with District-wide facility modernization.

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 \$4.7 million primarily to reflect increased local community support.
- Books, supplies, services and other operating expenditures – increased \$4.2 million to re-budget carryover funds.

While the District's final budget for the General Fund anticipated that expenditures would exceed revenues by about \$1.5 million, the actual results for the year show that revenues exceeded expenditures by roughly \$1.8 million. Actual revenues were \$2,636 less than anticipated, and expenditures were \$3.3 million less than budgeted. That amount consists primarily of restricted categorical program dollars that were not spent as of June 30, 2014 that will be carried over into the 2014-15 budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2013-14 the District had invested \$6.6 million in new capital assets, related to the District's ongoing modernization program. (More detailed information about capital assets can be found in Note 6 to the financial statements). Total depreciation expense for the year exceeded \$6.9 million.

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

	Governmental Activities		Variance Increase (Decrease)
	(In millions)		
	2014	2013	
Land	\$ 2.4	\$ 2.4	\$ -
Improvement of sites	51.9	52.5	(0.6)
Buildings	105.9	107.4	(1.5)
Equipment	0.9	0.9	-
Construction in progress	1.6	1.3	0.3
Total	\$ 162.7	\$ 164.5	\$ (1.8)

The District's fiscal year 2014-15 capital budget projects spending additional money for capital projects, principally for continued District-wide modernization projects.

TAMALPAIS UNION HIGH SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2014

CAPITAL ASSET AND DEBT ADMINISTRATION (continued)

Long-Term Debt

At year-end the District had \$154.6 million in general obligation bonds, compensated absences, and early retirement incentives – a decrease of \$8.5 million from last year – as shown in Table A-4. (More detailed information about the District's long-term liabilities is presented in Note 8 to the financial statements).

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

	Governmental Activities		Variance Increase (Decrease)
	(In millions)		
	2014	2013	
General obligation bonds	\$ 154.4	\$ 162.8	\$ (8.4)
Compensated absences	0.2	0.2	-
Early retirement incentives	-	0.1	(0.1)
Total	\$ 154.6	\$ 163.1	\$ (8.5)

FACTORS BEARING ON THE DISTRICT'S FUTURE

In considering the District Budget for the 2014-15 year, the District Board and management used the following criteria:

- Enrollment increased by 156 students
- Increase in Property Tax Revenue 6.15%
- Teacher increase by 10 FTE
- 4.0% salary increase for certificated plus a one-time 1% increase. Cost of Step & Column is 1.63% for Certificated, 1.65% for Classified; and 1.12% for Administration.
- Health Benefits are budgeted to increase 0.83% effective October 1, 2014.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

TAMALPAIS UNION HIGH SCHOOL DISTRICT*Statement of Net Position**June 30, 2014*

	Total Governmental Activities
ASSETS	
Current assets:	
Cash	\$ 43,369,503
Accounts receivable	2,528,894
Inventories	14,690
Prepaid expenses	23,019
Total current assets	<u>45,936,106</u>
Non-current assets:	
Net OPEB asset	23,355
Housing loan	850,000
Total non-current assets	<u>873,355</u>
Capital assets:	
Non-depreciable assets	3,970,610
Depreciable assets	237,043,379
Less accumulated depreciation	<u>(78,334,751)</u>
Total capital assets, net of depreciation	<u>162,679,238</u>
Total assets	<u>209,488,699</u>
 DEFERRED OUTFLOWS OF RESOURCES	
Deferred charges on refunding	<u>5,365,005</u>
 LIABILITIES	
Current liabilities:	
Accounts payable	5,829,647
Unearned revenue	88
Total current liabilities	<u>5,829,735</u>
Long-term liabilities:	
Due within one year	7,433,649
Due after one year	<u>147,182,002</u>
Total long-term liabilities	<u>154,615,651</u>
Total liabilities	<u>160,445,386</u>
 NET POSITION	
Net investment in capital assets	11,007,060
Restricted for:	
Capital projects	2,405,534
Debt service	8,620,199
Categorical and nutrition programs	1,768,718
Unrestricted	<u>30,606,807</u>
Total net position	<u>\$ 54,408,318</u>

TAMALPAIS UNION HIGH SCHOOL DISTRICT

Statement of Activities

For the Fiscal Year Ended June 30, 2014

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	\$ 39,790,835	\$ 188,414	\$ 3,298,536	\$ (36,303,885)
Instruction-Related Services:				
Supervision of instruction	1,226,482	-	-	(1,226,482)
Instructional library, media and technology	2,134,563	-	785,161	(1,349,402)
School site administration	3,473,888	446	1,809	(3,471,633)
Pupil Support Services:				
Home-to-school transportation	130,938	-	12,648	(118,290)
Food services	1,082,889	528,194	145,118	(409,577)
All other pupil services	6,214,765	-	809,097	(5,405,668)
General Administration Services:				
Data processing services	1,720,974	-	-	(1,720,974)
Other general administration	4,429,402	5,214	252,586	(4,171,602)
Plant services	7,831,652	271,710	1,231,056	(6,328,886)
Ancillary services	1,989,271	39,388	159,578	(1,790,305)
Community services	1,110,745	130,344	528,080	(452,321)
Transfers between agencies	720,582	-	-	(720,582)
Interest on long-term debt	6,352,911	-	-	(6,352,911)
Other outgo	-	118,879	481,627	600,506
Total Governmental Activities	\$ 78,209,897	\$ 1,282,589	\$ 7,705,296	(69,222,012)
General Revenues:				
Property taxes				69,078,662
Federal and state aid not restricted to specific purpose				1,929,873
Interest and investment earnings				41,170
Interagency revenues				48,496
Miscellaneous				830,145
Total general revenues				71,928,346
Change in net position				2,706,334
Net position - July 1, 2013, as restated				52,481,565
Adjustment for restatement				(779,581)
Net position - July 1, 2013, as restated				51,701,984
Net position - June 30, 2014				\$ 54,408,318

TAMALPAIS UNION HIGH SCHOOL DISTRICT
Balance Sheet – Governmental Funds
June 30, 2014

	General Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS				
Cash	\$ 27,965,998	\$ 8,620,199	\$ 6,753,368	\$ 43,339,565
Accounts receivable	2,368,270	-	160,624	2,528,894
Due from other funds	101,874	-	554,198	656,072
Inventories	-	-	14,690	14,690
Prepaid expenditures	23,019	-	-	23,019
Total Assets	<u>\$ 30,459,161</u>	<u>\$ 8,620,199</u>	<u>\$ 7,482,880</u>	<u>\$ 46,562,240</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 2,640,669	\$ -	\$ 401,136	\$ 3,041,805
Due to other funds	554,198	-	101,874	656,072
Unearned revenue	88	-	-	88
Total Liabilities	<u>3,194,955</u>	<u>-</u>	<u>503,010</u>	<u>3,697,965</u>
Fund Balances				
Nonspendable	35,019	-	15,090	50,109
Restricted	1,686,028	8,620,199	5,222,072	15,528,299
Committed	-	-	1,742,708	1,742,708
Assigned	25,543,159	-	-	25,543,159
Total Fund Balances	<u>27,264,206</u>	<u>8,620,199</u>	<u>6,979,870</u>	<u>42,864,275</u>
Total Liabilities and Fund Balances	<u>\$ 30,459,161</u>	<u>\$ 8,620,199</u>	<u>\$ 7,482,880</u>	<u>\$ 46,562,240</u>

TAMALPAIS UNION HIGH SCHOOL DISTRICT

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position June 30, 2014

Total fund balances - governmental funds			\$	42,864,275
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	241,013,989		
	Accumulated depreciation	<u>(78,334,751)</u>		
	Net capital assets			162,679,238
The housing loan is reported as a non-current asset on the government-wide statements, but is not included in the governmental funds balance sheet as it is not expected to be received in the current period.				
				850,000
Deferred 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:				
				5,365,005
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:				
				(2,787,479)
In governmental funds, other postemployment benefits (OPEB) costs are recognized as expenditures in the period they are paid. In the government-wide statements, OPEB costs are recognized in the period that they are incurred. The net OPEB asset at the end of the period was:				
				23,355
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:				
	General obligation bonds payable	154,421,116		
	Compensated absences payable	<u>194,535</u>		
	Total			(154,615,651)
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:				
				<u>29,575</u>
Total net position - governmental activities			\$	<u><u>54,408,318</u></u>

TAMALPAIS UNION HIGH SCHOOL DISTRICT

*Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds
For the Fiscal Year Ended June 30, 2014*

	General Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES				
LCFF sources	\$ 46,834,574	\$ -	\$ 357,000	\$ 47,191,574
Federal sources	965,131	-	200,192	1,165,323
Other state sources	2,183,170	71,914	120,122	2,375,206
Other local sources	15,061,701	13,774,717	1,347,710	30,184,128
Total Revenues	65,044,576	13,846,631	2,025,024	80,916,231
EXPENDITURES				
Current:				
Instruction	34,253,197	-	231,284	34,484,481
Instruction-related services:				
Supervision of instruction	1,142,942	-	-	1,142,942
Instructional library, media and technology	2,095,696	-	-	2,095,696
School site administration	2,920,467	-	332,196	3,252,663
Pupil support services:				
Home-to-school transportation	119,978	-	-	119,978
Food services	-	-	1,036,315	1,036,315
All other pupil services	5,948,729	-	-	5,948,729
Ancillary services	1,920,289	-	-	1,920,289
Community services	249,002	-	783,080	1,032,082
General administration services:				
Data processing services	1,645,746	-	-	1,645,746
Other general administration	3,115,687	-	-	3,115,687
Plant services	7,422,391	-	85,629	7,508,020
Transfers of indirect costs	(50,706)	-	50,706	-
Capital outlay	1,690,976	-	4,300,271	5,991,247
Intergovernmental transfers	720,582	-	-	720,582
Debt service:				
Principal	-	7,680,000	-	7,680,000
Interest	-	6,876,102	-	6,876,102
Total Expenditures	63,194,976	14,556,102	6,819,481	84,570,559
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,849,600	(709,471)	(4,794,457)	(3,654,328)
OTHER FINANCING SOURCES (USES)				
Interfund transfers in	-	-	873,566	873,566
Interfund transfers out	(873,566)	-	-	(873,566)
Total Other Financing Sources and Uses	(873,566)	-	873,566	-
Net Change in Fund Balances	976,034	(709,471)	(3,920,891)	(3,654,328)
Fund Balances, July 1, 2013	26,288,172	9,329,670	10,900,761	46,518,603
Fund Balances, June 30, 2014	\$ 27,264,206	\$ 8,620,199	\$ 6,979,870	\$ 42,864,275

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, 2014

Total net change in fund balances - governmental funds \$ (3,654,328)

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:	6,239,779	
Depreciation expense:	<u>(6,988,072)</u>	
Net:		(748,293)

If a planned capital project is canceled and will not be completed, costs previously capitalized as construction in progress must be written off to expense. Costs written off for canceled projects were: (1,116,555)

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: 7,680,000

In governmental funds, the loss resulting from the disposal of capital assets, which have not yet been fully depreciated, is reported as an expenditure. In the statement of activities, the resulting loss is reported as a reduction to the balance of capital assets. The loss on disposal of capital assets for the current period was: (422)

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: (357,667)

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: 753,649

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: 127,210

In the statement of activities, certain operating expenses - compensated absences and early retirement incentives for example, are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). The difference between the increase in the liabilities and the actual payments made during the year were: 44,216

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 decrease in the internal service funds was: (21,477)

Total net change in net position - governmental activities \$ 2,706,333

TAMALPAIS UNION HIGH SCHOOL DISTRICT
Statement of Net Position – Proprietary Fund
June 30, 2014

	Governmental Activities Internal Service Fund
ASSETS	
Cash	\$ 29,938
LIABILITIES	
Accounts payable	363
NET POSITION	
Restricted	\$ 29,575

TAMALPAIS UNION HIGH SCHOOL DISTRICT

*Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Fund
For the Fiscal Year Ended June 30, 2014*

	Governmental Activities Internal Service Fund
OPERATING REVENUES	
Other local revenues	\$ 297
OPERATING EXPENSES	
Services and other operating expenditures	21,816
Operating Income (Loss)	(21,519)
NON-OPERATING REVENUES	
Interest income	42
Change in Net Position	(21,477)
Net Postion, July 1, 2013	51,052
Net Position, June 30, 2014	\$ 29,575

TAMALPAIS UNION HIGH SCHOOL DISTRICT
Statement of Cash Flows – Proprietary Fund
For the Fiscal Year Ended June 30, 2014

	Governmental Activities
	Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from other local sources	\$ 297
Cash payments for operating expenses	<u>(21,453)</u>
Net cash provided (used) by operating activities	(21,156)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	<u>42</u>
Net decrease in cash	(21,114)
Cash, July 1, 2013	<u>51,052</u>
Cash, June 30, 2014	<u><u>\$ 29,938</u></u>
Reconciliation of operating income to net cash provided (used) by operating activities:	
Operating income (loss)	<u>\$ (21,519)</u>
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Changes in assets and liabilities:	
Increase in accounts payable	<u>363</u>
Net cash provided (used) by operating activities	<u><u>\$ (21,156)</u></u>

TAMALPAIS UNION HIGH SCHOOL DISTRICT
Statement of Fiduciary Net Position
June 30, 2014

	Agency Funds
	Student Body Funds
Assets	
Cash	\$ 500,029
Accounts receivable	12,261
Inventory	6,210
Miscellaneous	713
Total assets	<u>\$ 519,213</u>
Liabilities	
Accounts payable	\$ 25,356
Due to student groups	493,857
Total liabilities	<u>\$ 519,213</u>

TAMALPAIS UNION HIGH SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2014

NOTE 1 – SIGNIFICANT ACCOUNTING 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.

The District has no component units that meet the criteria of GASB Statement No. 14 to be included in the financial statements of the District.

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.

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.

TAMALPAIS UNION HIGH SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2014

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

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

1. Basis of Presentation (continued)

Major Governmental Funds (continued)

General Fund (continued): 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:

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

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.

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.

TAMALPAIS UNION HIGH SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2014

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

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

1. Basis of Presentation (continued)

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. The District considers all revenues reported in the governmental funds to be available if the revenues are collected within 60 days after year-end. 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.

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.

TAMALPAIS UNION HIGH SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2014

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Budgetary Data (continued)

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.

E. Assets, Deferred Outflows of Resources, Liabilities, 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:

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

4. 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.

TAMALPAIS UNION HIGH SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2014

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

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

5. 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.

6. 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.

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.

7. 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 only one item that qualifies for reporting in this category. This item 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, 2014

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

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

7. 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 no deferred inflows of resources.

8. 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.

E. 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.

F. New GASB Pronouncement

During the 2013-14 fiscal year, the following GASB Pronouncement became effective:

Statement No. 65, *Items Previously Reported as Assets and Liabilities* (Issued 03/12)

This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

TAMALPAIS UNION HIGH SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2014

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES (continued)

G. New GASB Pronouncement (continued)

Statement No. 65 (continued)

Due to the implementation of this statement, the calculation of deferred amount on refunding was revised to eliminate the inclusion of costs that should be recognized as an expense in the period incurred and eliminated debt issuance costs which should be recognized as an expense in the period incurred. Accounting changes adopted to conform to the provisions of this statement should be applied retroactively. The result of the implementation of this standard was to decrease the net position at July 1, 2013 by \$779,581, which is the amount of unamortized debt issuance costs at July 1, 2013.

Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined the elements included in financial statements, including deferred outflows of resources and deferred inflows of resources. In addition, Concepts Statement 4 provides that reporting a deferred outflow of resources or a deferred inflow of resources should be limited to those instances identified by the Board in authoritative pronouncements that are established after applicable due process.

This Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in financial statement presentations.

TAMALPAIS UNION HIGH SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2014

NOTE 2 - CASH

Cash at June 30, 2014 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	\$ 43,322,165	\$ 29,938	\$ 43,352,103	\$ -
Deposits:				
Cash on hand and in banks	5,000	-	5,000	500,029
Cash in revolving fund	12,400	-	12,400	-
Total Deposits	17,400	-	17,400	500,029
Total Cash	\$ 43,339,565	\$ 29,938	\$ 43,369,503	\$ 500,029

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, 2014, the County Treasurer has represented that the Pooled Investment Fund contained no derivatives or other investments with similar risk profiles.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. 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, 2014, \$84,962 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.

TAMALPAIS UNION HIGH SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2014

NOTE 3 – ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2014 consisted of the following:

	General Fund	Non-Major Governmental Funds	Totals
Federal Government:			
Categorical aid programs	\$ 297,408	\$ 44,313	\$ 341,721
State Government:			
LCFF sources	276,619	-	276,619
Lottery	346,288	-	346,288
Categorical aid programs	111,111	-	111,111
Local:			
Special education	226,954	-	226,954
Other local sources	773,028	116,311	889,339
Miscellaneous	336,862	-	336,862
Total	<u>\$ 2,368,270</u>	<u>\$ 160,624</u>	<u>\$ 2,528,894</u>

NOTE 4 – INTERFUND TRANSACTIONS

A. Balances Due To/From Other Funds

Balances due to/from other funds at June 30, 2014 consisted of the following:

General Fund due to Adult Education Fund for lottery	\$ 105,144
General Fund due to Cafeteria Fund for overpayment of contributions	4,054
General Fund due to Special Reserve Fund for Capital Outlay Projects for transfers to replacement funds including 2013/14 and 2014/15	445,000
Adult Education Fund due to General Fund for indirect charges	101,874
Total	<u>\$ 656,072</u>

B. Transfers To/From Other Funds

Transfers to/from other funds during the year ended June 30, 2014 consisted of the following:

General Fund transfer to Adult Education Fund for community education contribution	\$ 59,718
General Fund transfer to Cafeteria Fund for service contribution	368,848
General Fund transfer to Special Reserve Fund for Capital Outlay Projects for contribution to special reserve	445,000
Total	<u>\$ 873,566</u>

TAMALPAIS UNION HIGH SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2014

NOTE 5 – FUND BALANCES

Minimum Fund Balance Policy

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

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

At June 30, 2014, 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	-	-	14,690	14,690
Prepaid expenditures	23,019	-	-	23,019
Total Nonspendable	<u>35,019</u>	<u>-</u>	<u>15,090</u>	<u>50,109</u>
Restricted:				
Categorical programs	1,686,028	-	67,600	1,753,628
Capital projects	-	-	5,154,472	5,154,472
Debt service	-	8,620,199	-	8,620,199
Total Restricted	<u>1,686,028</u>	<u>8,620,199</u>	<u>5,222,072</u>	<u>15,528,299</u>
Committed:				
Adult education program	-	-	450,898	450,898
Deferred maintenance program	-	-	1,291,810	1,291,810
Total Committed	<u>-</u>	<u>-</u>	<u>1,742,708</u>	<u>1,742,708</u>
Assigned:				
Prior year designations to cover future deficit	3,272,688	-	-	3,272,688
Economic uncertainty - Basic Aid	18,887,884	-	-	18,887,884
Economic uncertainty - 3% required	1,815,409	-	-	1,815,409
Carryover	349,315	-	-	349,315
Other designations	1,217,863	-	-	1,217,863
Total Assigned	<u>25,543,159</u>	<u>-</u>	<u>-</u>	<u>25,543,159</u>
Total	<u>\$ 27,264,206</u>	<u>\$ 8,620,199</u>	<u>\$ 6,979,870</u>	<u>\$ 42,864,275</u>

TAMALPAIS UNION HIGH SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2014

NOTE 6 – CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended June 30, 2014 was as follows:

	Balance, July 1, 2013	Additions	Retirements	Balance, June 30, 2014
Capital assets not being depreciated:				
Land	\$ 2,409,145	\$ -	\$ -	\$ 2,409,145
Construction in progress	1,326,130	1,546,790	1,311,455	1,561,465
Total capital assets not being depreciated	<u>3,735,275</u>	<u>1,546,790</u>	<u>1,311,455</u>	<u>3,970,610</u>
Capital assets being depreciated:				
Improvement of sites	72,656,497	1,668,194	-	74,324,691
Buildings	156,508,804	3,038,625	-	159,547,429
Equipment	3,004,260	181,070	14,071	3,171,259
Total capital assets being depreciated	<u>232,169,561</u>	<u>4,887,889</u>	<u>14,071</u>	<u>237,043,379</u>
Accumulated depreciation for:				
Improvement of sites	(20,101,770)	(2,311,791)	-	(22,413,561)
Buildings	(49,121,591)	(4,497,718)	-	(53,619,309)
Equipment	(2,136,967)	(178,563)	(13,649)	(2,301,881)
Total accumulated depreciation	<u>(71,360,328)</u>	<u>(6,988,072)</u>	<u>(13,649)</u>	<u>(78,334,751)</u>
Total capital assets being depreciated, net	<u>160,809,233</u>	<u>(2,100,183)</u>	<u>422</u>	<u>158,708,628</u>
Governmental activity capital assets, net	<u>\$ 164,544,508</u>	<u>\$ (553,393)</u>	<u>\$ 1,311,877</u>	<u>\$ 162,679,238</u>

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

Instruction	\$ 5,442,898
Instructional Supervision and Administration	83,540
Instructional Library, Media and Technology	38,867
School Site Administration	226,433
Home-to-School Transportation	10,960
Food Services	46,574
All Other Pupil Services	266,036
Ancillary Services	97,290
Community Services	79,163
All Other General Administration	219,477
Centralized Data Processing	81,207
Plant Services	395,627
Total Depreciation Expense	<u>\$ 6,988,072</u>

NOTE 7 – TAX ANTICIPATION NOTES

On July 10, 2013, 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 2013-14 fiscal year.

TAMALPAIS UNION HIGH SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2014

NOTE 8 – GENERAL LONG-TERM DEBT

Changes in long-term debt for the year ended June 30, 2014 were as follows:

	Balance, July 1, 2013	Additions	Deductions	Balance, June 30, 2014	Amount Due Within One Year
General Obligation Bonds:					
Principal Payments	\$ 151,215,000	\$ -	\$ 7,680,000	\$ 143,535,000	\$ 6,680,000
Unamortized Issuance Premium	11,639,765	-	753,649	10,886,116	753,649
Total General Obligation Bonds	162,854,765	-	8,433,649	154,421,116	7,433,649
Compensated Absences	167,957	26,578	-	194,535	-
Early Retirement Incentives	70,794	-	70,794	-	-
Totals	\$ 163,093,516	\$ 26,578	\$ 8,504,443	\$ 154,615,651	\$ 7,433,649

Payments for general obligation bonds are made by the Bond Interest and Redemption Fund. Compensated absences and retirement incentives will be paid for by the fund for which the employee worked.

A. General Obligation Bonds

Election of 2001

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

Election of 2006

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

2010 General Election Obligation Refunding Bonds

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

TAMALPAIS UNION HIGH SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2014

NOTE 8 – GENERAL LONG-TERM DEBT (continued)

A. General Obligation Bonds (continued)

2010 General Election Obligation Refunding Bonds (continued)

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

Amounts paid to the refunded bond escrow agent in excess of the outstanding debt at the time of payment are recorded as deferred charges on refunding on the statement of net position and are amortized to interest expense over the life of the liability. Deferred charges on refunding of \$2,573,685 remain to be amortized. As of June 30, 2014, 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 charges on refunding on the statement of net position and are amortized to interest expense over the life of the liability. Deferred charges on refunding of \$2,791,320 remain to be amortized. As of June 30, 2014, there was no principal balance outstanding on the defeased debt.

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

Series	Issue Date	Maturity Date	Interest Rate	Original Issue	Balance, July 1, 2013	Additions	Deductions	Balance, June 30, 2014
2004	5/13/2004	8/1/2028	4.50% - 5.50%	\$ 50,600,000	\$ 1,750,000	\$ -	\$ 1,750,000	\$ -
2006	8/22/2006	8/1/2031	4.00%-5.25%	79,920,000	69,420,000	-	2,360,000	67,060,000
2010 Ref.	6/24/2010	8/1/2027	0.50%-5.00%	48,210,000	44,590,000	-	2,630,000	41,960,000
2011 Ref.	12/7/2011	8/1/2028	2.00%-5.00%	36,460,000	35,455,000	-	940,000	34,515,000
				<u>\$ 215,190,000</u>	<u>\$ 151,215,000</u>	<u>\$ -</u>	<u>\$ 7,680,000</u>	<u>\$ 143,535,000</u>

TAMALPAIS UNION HIGH SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2014

NOTE 8 – GENERAL LONG-TERM DEBT (continued)

A. General Obligation Bonds (continued)

The annual requirements to amortize all general obligation bonds payable outstanding as of June 30, 2014 are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014-15	\$ 6,680,000	\$ 6,602,150	\$ 13,282,150
2015-16	7,070,000	6,323,294	13,393,294
2016-17	7,340,000	6,018,775	13,358,775
2017-18	7,625,000	5,687,500	13,312,500
2018-19	7,925,000	5,336,388	13,261,388
2019-24	41,685,000	20,939,688	62,624,688
2024-29	49,825,000	9,304,297	59,129,297
2029-32	15,385,000	1,045,484	16,430,484
Total	<u>\$ 143,535,000</u>	<u>\$ 61,257,576</u>	<u>\$ 204,792,576</u>

B. Retirement Incentive

Management

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

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

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

Teachers

Unit members of Tamalpais Federation of Teachers who are at least 60 and whose FTE is 1.0 shall be eligible to receive a base block incentive grant of \$24,000. The block grant incentive shall be prorated for part-time members based on their average FTE over the last five years of service, excluding full-time leaves of absence.

Classified

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

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

TAMALPAIS UNION HIGH SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2014

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, 2014 is as follows:

	MSIA	MPTA
Assets	\$ 25,150,985	\$ 475,216
Liabilities	17,821,466	352,701
Net Position	<u>\$ 7,329,519</u>	<u>\$ 122,515</u>
Revenues	\$ 12,436,284	\$ 2,540,062
Expenses	10,407,758	2,539,846
Operating Income (Loss)	2,028,526	216
Non-Operating Income	223,023	-
Change in Net Position	<u>\$ 2,251,549</u>	<u>\$ 216</u>

NOTE 10 – COMMITMENTS AND CONTINGENCIES

A. State and Federal Allowances, Awards, and Grants

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

B. Construction Commitments

At June 30, 2014, the District had commitments with respect to unfinished capital projects of approximately \$1.4 million to be paid from the 2006 general obligation bond and none to be paid from the 2001 general obligation bond.

C. Litigation

The District is involved in certain legal matters that arose out of the normal course of business. The District has not accrued liability for any potential litigation against it because it does not meet the criteria to be considered a liability at June 30, 2014.

TAMALPAIS UNION HIGH SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2014

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, 2014, 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 2014, the District participated in the MSIA public entity risk pool for workers compensation, with excess commercial coverage provided by the Schools Excess Liability Fund (SELF) public entity risk pool.

Employee Medical Benefits

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

NOTE 12 – EMPLOYEE RETIREMENT PLANS

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

Plan Description and Provisions

Public Employees' Retirement System (PERS)

Plan Description

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

Funding Policy

Active plan members are required to contribute 7.0% of their salary and the District is required to contribute an actuarially determined rate. The District makes the plan member contribution for all eligible non-management classified employees. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution for fiscal year 2013-14 was 11.442%. The contribution requirements of the plan members are established by State statute.

TAMALPAIS UNION HIGH SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2014

NOTE 12 - EMPLOYEE RETIREMENT PLANS (continued)

Public Employees' Retirement System (PERS) (continued)

The District's contributions to CalPERS for the last three fiscal years were as follows:

	Contribution	Percent of Required Contribution
2013-14	\$ 1,611,581	100%
2012-13	\$ 1,579,327	100%
2011-12	\$ 1,496,672	100%

State Teachers' Retirement System (STRS)

Plan Description

The District contributes to the California State Teachers' Retirement System (CalSTRS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalSTRS. The plan provides retirement, disability and survivor benefits to beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the State Teachers' Retirement Law. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the comprehensive annual financial report may be obtained from CalSTRS, 100 Waterfront Place, West Sacramento, California 95605, or at www.calstrs.com.

Funding Policy

Active plan members are required to contribute 8.0% of their salary. The required employer contribution rate for fiscal year 2013-14 was 8.25% of annual payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to STRS for the last three fiscal years were as follows:

	Contribution	Percent of Required Contribution
2013-14	\$ 2,319,946	100%
2012-13	\$ 2,210,992	100%
2011-12	\$ 2,133,642	100%

On-Behalf Payments

The District was the recipient of on-behalf payments made by the State of California to STRS for K-12 education. These payments consist of state General Fund contributions of approximately \$1.2 million to STRS (4.267% of salaries subject to STRS in 2013-14).

NOTE 13 - HOUSING LOAN

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

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

TAMALPAIS UNION HIGH SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2014

NOTE 14 – OTHER POSTEMPLOYMENT BENEFITS

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

Plan Descriptions and Contribution Information

Membership in the plan consisted of the following:

Retirees and beneficiaries receiving benefits*	37
Active plan members*	435
Total	<u>472</u>

* As of June 30, 2013 actuarial valuation

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

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

	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, 2014) • 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

TAMALPAIS UNION HIGH SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2014

NOTE 14 - OTHER POSTEMPLOYMENT BENEFITS (continued)

Annual OPEB Cost and Net OPEB Obligation

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

Annual required contribution (ARC)	\$ 982,000
Interest on net OPEB obligation	(2,000)
Adjustment to ARC	2,000
Annual OPEB cost	<u>982,000</u>
Contributions made:	
Contributions to trust	<u>(982,000)</u>
Total contributions made	<u>(982,000)</u>
Change in net OPEB asset	-
Net OPEB obligation (asset) - July 1, 2013	(23,355)
Net OPEB obligation (asset) - June 30, 2014	<u><u>\$ (23,355)</u></u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2013-14 and the preceding two years are as follows:

Year Ended June 30,	Annual OPEB Cost	Percentage Contributed	Net OPEB Obligation (asset)
2012	\$ 797,000	101%	\$ (23,355)
2013	\$ 824,000	100%	\$ (23,355)
2014	\$ 982,000	100%	\$ (23,355)

Funded Status and Funding Progress - OPEB Plans

As of June 30, 2013, the most recent actuarial valuation date, the actuarial accrued liability (AAL) for benefits was \$8.4 million and the unfunded actuarial accrued liability (UAAL) was \$6.2 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.

TAMALPAIS UNION HIGH SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2014

NOTE 14 – OTHER POSTEMPLOYMENT BENEFITS (continued)

Actuarial Methods and Assumptions (continued)

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, 2013
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll
Remaining Amortization Period	25 years
Asset Valuation	Market value
Actuarial Assumptions:	
Investment rate of return	7.25%
Inflation	3.0%
Medical care cost trend rate	5.0%-9.0%
Dental care cost trend rate	4.0%
Vision care cost trend rate	3.5%

NOTE 15 – SUBSEQUENT EVENTS

- A. On July 7, 2014 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 2014-15 fiscal year.
- B. In October 2014, the District issued \$55,120,000 of general obligation refunding bonds. The bonds to be refunded constitute a portion of the District's 2006 General Obligation Bonds.

NOTE 16 – FUTURE GASB PRONOUNCEMENT

The following statement issued by the Governmental Accounting Standards Board (GASB) will become effective in 2014-15 and is expected to have a significant impact on the District's financial reporting:

Statement No. 68, Accounting and Financial Reporting for Pensions—An Amendment of GASB Statement No. 27 (Issued 06/12)

The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency.

TAMALPAIS UNION HIGH SCHOOL DISTRICT

Notes to Financial Statements

June 30, 2014

NOTE 16 - FUTURE GASB PRONOUNCEMENT (continued)

Statement No. 68 (continued)

This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria.

This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

Cost-Sharing Employers

In financial statements prepared using the economic resources measurement focus and accrual basis of accounting, a cost-sharing employer that does not have a special funding situation is required to recognize a liability for its proportionate share of the net pension liability (of all employers for benefits provided through the pension plan)—the collective net pension liability. An employer's proportion is required to be determined on a basis that is consistent with the manner in which contributions to the pension plan are determined, and consideration should be given to separate rates, if any, related to separate portions of the collective net pension liability. The use of the employer's projected long-term contribution effort as compared to the total projected long-term contribution effort of all employers as the basis for determining an employer's proportion is encouraged.

A cost-sharing employer is required to recognize pension expense and report deferred outflows of resources and deferred inflows of resources related to pensions for its proportionate shares of collective pension expense and collective deferred outflows of resources and deferred inflows of resources related to pensions.

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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, 2014

	Budgeted Amounts		Actual* (Budgetary Basis)	Variance with Final Budget - Pos (Neg)
	Original	Final		
Revenues				
LCFF sources	\$ 45,875,811	\$ 46,516,418	\$ 46,834,574	\$ 318,156
Federal sources	856,516	1,029,069	965,131	(63,938)
Other State sources	1,821,016	1,979,256	2,183,170	203,914
Other Local sources	11,837,647	15,521,103	15,060,335	(460,768)
Total Revenues	60,390,990	65,045,846	65,043,210	(2,636)
Expenditures				
Current				
Certificated Salaries	27,758,106	28,009,895	27,831,727	178,168
Classified Salaries	8,721,164	8,691,401	8,517,952	173,449
Employee Benefits	13,034,388	12,863,177	12,689,983	173,194
Books and Supplies	2,760,137	4,993,464	3,380,518	1,612,946
Services and Other Operating Expenditures	6,727,173	8,696,149	8,100,249	595,900
Transfers of Indirect Cost	(52,231)	(52,231)	(50,706)	(1,525)
Capital Outlay	108,000	2,584,847	2,004,670	580,177
Intergovernmental Transfers	847,790	737,171	720,582	16,589
Total Expenditures	59,904,527	66,523,873	63,194,975	3,328,898
Excess (Deficiency) of Revenues Over (Under) Expenditures	486,463	(1,478,027)	1,848,235	3,326,262
Other Financing Sources and Uses				
Interfund Transfers Out	(924,693)	(745,714)	(873,566)	(127,852)
Total Other Financing Sources and Uses	(924,693)	(745,714)	(873,566)	(127,852)
Net Change in Fund Balance	(438,230)	(2,223,741)	974,669	3,198,410
Fund Balances, July 1, 2013	25,071,677	25,071,677	25,071,677	-
Fund Balances, June 30, 2014	\$ 24,633,447	\$ 22,847,936	\$ 26,046,346	\$ 3,198,410

*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, 2014

Actuarial Valuation Date	Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
October 1, 2008	\$ -	\$ 5,087,000	\$ 5,087,000	0.0%	\$ 35,915,000	14.2%
June 30, 2011	\$ 1,385,000	\$ 5,277,000	\$ 3,892,000	35.6%	\$ 30,859,000	12.6%
June 30, 2013	\$ 2,241,000	\$ 8,427,000	\$ 6,186,000	36.2%	\$ 33,967,000	18.2%

TAMALPAIS UNION HIGH SCHOOL DISTRICT
Notes to the Required Supplementary Information
For the Fiscal Year Ended June 30, 2014

NOTE 1 – PURPOSE OF SCHEDULES

Budgetary Comparison Schedule

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

Schedule of Funding Progress

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

NOTE 2 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

At June 30, 2014, the District incurred the following excess of expenditures over appropriations in individual major funds presented in the Budgetary Comparison Schedule:

Appropriations Category	Excess Expenditures
Transfers of Indirect Cost	\$ 1,525

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Supplementary Information

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TAMALPAIS UNION HIGH SCHOOL DISTRICT
Local Educational Agency Organization Structure
June 30, 2014

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
Bob Walter	President	December, 2015
Cindy McCauley	Clerk	December, 2015
Michael Futterman	Trustee	December, 2015
Laura Anderson	Trustee	December, 2017
Chuck Ford	Trustee	December, 2017

DISTRICT ADMINISTRATORS

Laurie Kimbrel, Ed.D.,
Superintendent

Michael McDowell,
Assistant Superintendent, Educational Services

Lori Parrish,
Assistant Superintendent, Finance & Facilities

TAMALPAIS UNION HIGH SCHOOL DISTRICT
Schedule of Average Daily Attendance
For the Fiscal Year Ended June 30, 2014

Second Period Report - Certificate No. (89917B90)

Regular ADA:	Grades 9-12
Regular ADA	3,818.10
Special Education	17.77
Extended Year Special Education-Nonpublic Schools	<u>1.82</u>
Total ADA	<u><u>3,837.69</u></u>
Other (included in Regular ADA amounts):	
Full-Time Independent Study	<u>81.67</u>
Continuation Education	<u>63.81</u>

Annual Report - Certificate No. (9E6D1B87)

Regular ADA:	Grades 9-12
Regular ADA	3,799.86
Special Education	17.33
Extended Year Special Education-Nonpublic Schools	<u>1.82</u>
Total ADA	<u><u>3,819.01</u></u>
Other (included in Regular ADA amounts):	
Full-Time Independent Study	<u>82.43</u>
Continuation Education	<u>66.44</u>

TAMALPAIS UNION HIGH SCHOOL DISTRICT

Schedule of Instructional Time

For the Fiscal Year Ended June 30, 2014

Grade Level	1986-87 Minutes		2013-14 Actual Minutes	Number of Days Traditional Calendar	Status
	Previously Required	Reduced*			
Grade 9	64,800	63,000	64,786	180	Complied
Grade 10	64,800	63,000	64,786	180	Complied
Grade 11	64,800	63,000	64,786	180	Complied
Grade 12	64,800	63,000	64,786	180	Complied

* Amounts reduced as permitted by Education Code Section 46201.2(a).

TAMALPAIS UNION HIGH SCHOOL DISTRICT
Schedule of Financial Trends and Analysis
For the Fiscal Year Ended June 30, 2014

General Fund	(Budget) 2015 ³	2014 ⁴	2013	2012
Revenues and other financing sources	\$ 63,395,727	\$ 65,043,210	\$ 60,758,594	\$ 58,418,839
Expenditures	63,808,941	63,194,975	58,104,939	55,987,617
Other uses and transfers out	348,622	873,566	891,550	871,706
Total outgo	64,157,563	64,068,541	58,996,489	56,859,323
Change in fund balance (deficit)	(761,836)	974,669	1,762,105	1,559,516
Ending fund balance	\$ 25,284,510	\$ 26,046,346	\$ 25,071,677	\$ 23,309,572
Available reserves ¹	\$ 1,424,686	\$ -	\$ -	\$ -
Available reserves as a percentage of total outgo	2.2%	0.0%	0.0%	0.0%
Total long-term debt	\$ 147,182,002	\$ 154,615,651	\$ 163,093,516	\$ 170,937,517
Average daily attendance at P-2 ²	4,022	3,838	3,713	3,674

The General Fund balance has increased by \$2,736,774 over the past two years. The fiscal year 2014-15 adopted budget projects a decrease of \$761,836. 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 2014-15 fiscal year. Long-term debt has decreased \$16,321,866 over the past two years.

Average daily attendance has increased by 164 over the past two years. An increase of 184 ADA is anticipated during the 2014-15 fiscal year.

¹ Available reserves consist of all unassigned fund balances in the General Fund. The District did not have any unassigned fund balances at June 30, 2014, but has over \$24.3 million in assigned funds that can be applied towards meeting future obligations in 2014-15 and \$22.2 million budgeted at the end of 2015-16 that can be applied towards 2015-16 obligations.

² Excludes Adult Education ADA.

³ Revised budget September 2014.

⁴ The actual amounts reported in this schedule are for the General Fund only, and do not agree with the amounts reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances because the amounts on that schedule include the financial activity of the Special Reserve Fund for Other Than Capital Outlay Projects, in accordance with the fund type definitions promulgated by GASB Statement No. 54.

TAMALPAIS UNION HIGH SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2014

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	\$ 15,318	
School Breakfast Needy Program	10.553	13526	29,424	
National School Lunch Program	10.555	13523	76,549	
Subtotal Child Nutrition Cluster				\$ 121,291
Total U.S. Department of Agriculture				121,291
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	36,208	
Adult Secondary Education	84.002	13978	14,001	
English Literacy & Civics Education	84.002A	14109	28,692	
Subtotal Adult Education Cluster				78,901
No Child Left Behind Act (NCLB):				
Title I, Part A - Basic Grants Low Income and Neglected	84.010	14329		259,139
Title II, Part A, Improving Teacher Quality Local Grants	84.367	14341		75,105
English Language Acquisition Grants Cluster:				
Title III, Immigrant Education Program	84.365	14346	14,762	
Title III, Limited English Proficient (LEP) Student Program	84.365	10084	4,199	
Subtotal English Language Acquisition Grants Cluster				18,961
Carl D. Perkins Career and Technical Education: Secondary, Section 131	84.048	14894		70,002
Federal Advance Placement and International Baccalaureate Test Fee Program	84.330B	58013		3,645
Individuals with Disabilities Education Act (IDEA):				
Special Education (IDEA) Cluster:				
Basic Local Assistance Entitlement, Part B, Sec 611	84.027	13379	449,150	
IDEA Mental Health Allocation Plan, Part B, Sec 611	84.027A	10115	82,743	
IDEA Local Assistance, Part B, Sec 611	84.027	15003	6,386	
Subtotal Special Education (IDEA) Cluster				538,279
Total U.S. Department of Education				1,044,032
Total Expenditures of Federal Awards				\$ 1,165,323

TAMALPAIS UNION HIGH SCHOOL DISTRICT

*Reconciliation of Annual Financial and Budget Report with Audited Financial Statements
For the Fiscal Year Ended June 30, 2014*

	<u>Building Fund</u>
June 30, 2014, annual financial and budget report (SACS) fund balance	\$ 2,828,419
Adjustments and reclassifications:	
Increasing (decreasing) the fund balance:	
Accounts payable understated	<u>(79,481)</u>
June 30, 2014, audited financial statement fund balance	<u>\$ 2,748,938</u>

TAMALPAIS UNION HIGH SCHOOL DISTRICT
Combining Balance Sheet - Non-Major Governmental Funds
June 30, 2014

	Adult Education Fund	Cafeteria Fund	Deferred Maintenance Fund	Foundation Special Revenue Fund	Building Fund	Special Reserve Fund for Capital Project Projects	Total Non-Major Governmental Funds
ASSETS							
Cash	\$ 368,042	\$ 27,049	\$ 1,295,310	\$ 50,490	\$ 3,051,943	\$ 1,960,534	\$ 6,753,368
Accounts receivable	151,435	9,189	-	-	-	-	160,624
Due from other funds	105,144	4,054	-	-	-	445,000	554,198
Inventories	-	14,690	-	-	-	-	14,690
Total Assets	<u>\$ 624,621</u>	<u>\$ 54,982</u>	<u>\$ 1,295,310</u>	<u>\$ 50,490</u>	<u>\$ 3,051,943</u>	<u>\$ 2,405,534</u>	<u>\$ 7,482,880</u>
LIABILITIES AND FUND BALANCES							
Liabilities							
Accounts payable	\$ 71,549	\$ 23,082	\$ 3,500	\$ -	\$ 303,005	\$ -	\$ 401,136
Due to other funds	101,874	-	-	-	-	-	101,874
Total Liabilities	<u>173,423</u>	<u>23,082</u>	<u>3,500</u>	<u>-</u>	<u>303,005</u>	<u>-</u>	<u>503,010</u>
Fund Balances							
Nonspendable	-	15,090	-	-	-	-	15,090
Restricted	300	16,810	-	50,490	2,748,938	2,405,534	5,222,072
Committed	450,898	-	1,291,810	-	-	-	1,742,708
Total Fund Balances	<u>451,198</u>	<u>31,900</u>	<u>1,291,810</u>	<u>50,490</u>	<u>2,748,938</u>	<u>2,405,534</u>	<u>6,979,870</u>
Total Liabilities and Fund Balances	<u>\$ 624,621</u>	<u>\$ 54,982</u>	<u>\$ 1,295,310</u>	<u>\$ 50,490</u>	<u>\$ 3,051,943</u>	<u>\$ 2,405,534</u>	<u>\$ 7,482,880</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, 2014*

	Adult Education Fund	Cafeteria Fund	Deferred Maintenance Fund	Foundation Special Revenue Fund	Building Fund	Special Reserve Fund for Capital Project Projects	Total Non-Major Governmental Funds
REVENUES							
LCFF sources	\$ -	\$ -	\$ 357,000	\$ -	\$ -	\$ -	\$ 357,000
Federal sources	78,901	121,291	-	-	-	-	200,192
Other state sources	111,026	9,096	-	-	-	-	120,122
Other local sources	797,615	542,925	1,317	56	5,797	-	1,347,710
Total Revenues	987,542	673,312	358,317	56	5,797	-	2,025,024
EXPENDITURES							
Current							
Instruction	231,284	-	-	-	-	-	231,284
Instruction-Related Services:							
School site administration	332,196	-	-	-	-	-	332,196
Pupil Support Services:							
Food services	-	1,036,315	-	-	-	-	1,036,315
Community services	783,080	-	-	-	-	-	783,080
Transfers of indirect costs	50,706	-	-	-	-	-	50,706
Plant services	-	-	-	-	-	85,629	85,629
Capital outlay	-	-	737,424	-	3,529,847	33,000	4,300,271
Total Expenditures	1,397,266	1,036,315	737,424	-	3,529,847	118,629	6,819,481
Excess (Deficiency) of Revenues Over (Under) Expenditures	(409,724)	(363,003)	(379,107)	56	(3,524,050)	(118,629)	(4,794,457)
OTHER FINANCING SOURCES (USES)							
Interfund transfers in	59,718	368,848	-	-	-	445,000	873,566
Total Other Financing Sources and Uses	59,718	368,848	-	-	-	445,000	873,566
Net Change in Fund Balances	(350,006)	5,845	(379,107)	56	(3,524,050)	326,371	(3,920,891)
Fund Balances, July 1, 2013	801,204	26,055	1,670,917	50,434	6,272,988	2,079,163	10,900,761
Fund Balances, June 30, 2014	\$ 451,198	\$ 31,900	\$ 1,291,810	\$ 50,490	\$ 2,748,938	\$ 2,405,534	\$ 6,979,870

See accompanying note to supplementary information.

TAMALPAIS UNION HIGH SCHOOL DISTRICT

Note to the Supplementary Information

June 30, 2014

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 reduced by Education Code Section 46201.2(a).

Schedule of Financial Trends and Analysis

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

Schedule of Expenditures of Federal Awards

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

Subrecipients

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

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

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

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

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

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Other Independent Auditors' Reports

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

Board of Trustees
Tamalpais Union High School District
Larkspur, California

We have audited, 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, 2014, 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 10, 2014.

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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as Finding 2014-1.

Tamalpais Union High School District's Response to Finding

Tamalpais Union High School District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Tamalpais Union High School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 10, 2014

INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Board of Trustees
Tamalpais Union High School District
Larkspur, California

Report on Compliance for State Programs

We have audited Tamalpais Union High School District's compliance with the types of compliance requirements described in the *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2013-14*, published by the Education Audit Appeals Panel, for the year ended June 30, 2014. Tamalpais Union High School District's state programs are identified below.

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 *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2013-14*. 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.

Description	Procedures in Audit Guide	Procedures Performed
Attendance Reporting	6	Yes
Teacher Certification and Misassignments	3	Yes
Kindergarten Continuance	3	Not applicable
Independent Study	23	Yes
Continuation Education	10	Yes
Instructional Time for School Districts	10	Yes
Instructional Materials General Requirements	8	Yes
Ratios of Administrative Employees to Teachers	1	Yes
Classroom Teacher Salaries	1	Yes
Early Retirement Incentive	4	Not applicable

Description	Procedures in Audit Guide	Procedures Performed
Gann Limit Calculation	1	Yes
School Accountability Report Card	3	Yes
Juvenile Court Schools	8	Not applicable
Local Control Funding Formula Certification	1	Yes
California Clean Energy Jobs Act	3	No (see below)
After School Education and Safety Program:		
General Requirements	4	Not applicable
After School	5	Not applicable
Before School	6	Not applicable
Education Protection Account Funds	1	Yes
Common Core Implementation Funds	3	Yes
Unduplicated Local Control Funding Formula Pupil Counts	3	Yes
Charter Schools:		
Contemporaneous Records of Attendance	8	Not applicable
Mode of Instruction	1	Not applicable
Nonclassroom-Based Instruction/Independent Study	15	Not applicable
Determination of Funding for Nonclassroom-Based Instruction	3	Not applicable
Annual Instructional Minutes – Classroom Based	4	Not applicable
Charter School Facility Grant Program	1	Not applicable

We did not perform testing for California Clean Energy Jobs Act because the District had no expenditures for the program during the year.

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, 2014.

Other Matter

The results of our auditing procedures disclosed an instance of noncompliance with the compliance requirements referred to above, which is required to be reported in accordance with *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2013-14*, and which is described in the accompanying schedule of findings and questioned costs as Finding 2014-1.

District's Response to Finding

Tamalpais Union High School District's response to the compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Tamalpais Union High School District's response was not subjected to the auditing procedures in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on State compliance is solely to describe the scope of our testing of State compliance and the results of that testing based on the requirements of the *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2013-14*. Accordingly, this report is not suitable for any other purpose.



Murrieta, California
December 10, 2014



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR
EACH MAJOR FEDERAL PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE**

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 Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of Tamalpais Union High School District's major federal programs for the year ended June 30, 2014. 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 the requirements of laws, regulations, contracts, and grants 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Tamalpais Union High School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion 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, 2014.

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 OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Murrieta, California
December 10, 2014

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, 2014

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>No</u>
Noncompliance material to financial statements noted?	<u>No</u>

Federal Awards

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

State Awards

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

TAMALPAIS UNION HIGH SCHOOL DISTRICT
Schedule of Audit Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2014

SECTION II - FINANCIAL STATEMENT FINDINGS

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

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

There were no financial statement findings in 2013-14.

TAMALPAIS UNION HIGH SCHOOL DISTRICT
Schedule of Audit Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2014

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

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

There were no federal award findings or questioned costs in 2013-14.

TAMALPAIS UNION HIGH SCHOOL DISTRICT
Schedule of Audit Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2014

SECTION IV - STATE AWARD FINDINGS AND QUESTIONED COSTS

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

Finding 2014-1: Unduplicated Pupil Count (40000)

Criteria: In order to be counted in CALPADS report 1.17 a student must have an open primary or short-term enrollment in CALPADS over a Census Day (the first Wednesday in October) and meet one or more of the following criteria:

- Have a program record with an education program code of Homeless, Migrant, Free Meal Program, or Reduced-Price Meal Program, that is open over Census Day
- Have an English Language Acquisition Status (ELAS) of “English learner” (EL) that is effective over Census Day
- Be directly certified in July through November as being eligible for free meals based on a statewide match conducted by CALPADS
- Be identified as a foster youth based on a statewide match conducted by CALPADS
- Be identified as a foster youth through a local data matching process and submitted to and validated by CALPADS (functionality will be implemented fall 2014)

Condition: During our testing of the free and reduced price meal eligible students reported in the CALPADS 1.17 and 1.18 reports, we noted fourteen students who were incorrectly classified based on the application and three students who did not have an application on file for the 2013-14 fiscal year.

Questioned Cost: None. The District is a “basic aid” district and does not receive funding based on its unduplicated pupil count.

Cause: Students who were no longer eligible for FRPM remained in the CALPADS system with that classification.

Effect: The count of unduplicated students was overstated by seventeen.

School Site	Adjusted based on eligibility for:				Adjusted Total
	CALPADS Reported	FRPM	EL Funding	Both FRPM and EL	
Redwood	96	(8)	-	-	88
San Andreas	28	(4)	-	-	24
Tamalpais	121	(4)	-	-	117
Tamiscal	6	(1)	-	-	5
Aggregate remaining school sites	81	-	-	-	81
District-wide	332	(17)	-	-	315

The enrollment count of 4,060 was not impacted as a result of the procedures performed.

Recommendation: We recommend the District monitor any changes in FRPM status that affect a student’s status prior to the ‘snapshot’ date and make changes as appropriate.

District Response: The District has formed an ad hoc group that includes members of the Student Nutrition Department, Educational Services Department, and Technology to develop a protocol to be followed that will ensure that the counts are accurate and in agreement.

TAMALPAIS UNION HIGH SCHOOL DISTRICT
Summary Schedule of Prior Audit Findings
For the Fiscal Year Ended June 30, 2014

There were no findings or questioned costs in 2012-13.

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

In planning and performing our audit of the basic financial statements of Tamalpais Union High School District for the year ending June 30, 2014, 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 10, 2014, on the financial statements of Tamalpais Union High School District.

ASSOCIATED STUDENT BODY (ASB) FUNDS

Observation: We noted that one purchase at **Drake High** was shipped to an address other than the school site or District office. The purchase was check #10745 and was in the amount of \$1,209.54. We also noted that a disbursement at **Tamalpais High** was shipped to an address other than the school site or District office. The purchase was check #10647 and was in the amount of \$300.00.

Recommendation: We recommend that purchases made for ASB clubs be shipped to the school site or District office to ensure that the purchase is for the benefit of the student body.

Observation: We noted that two of 11 deposits tested at **Redwood High** were not made timely. One deposit occurred in October from funds collected at the beginning of August. In another instance, collections from October and November were not deposited until the middle of December.

Recommendation: We recommend that deposits be made on a weekly basis or more often as needed. Money should never be left over the weekend or holidays because many thefts occur during these times.

Observation: Our sample of fifteen cash disbursements at **Tamalpais High** included one questionable expenditure. It appeared to be an expenditure for the benefit of staff from a restaurant in the amount of \$732.61.

Recommendation: All ASB expenditures should be only for the general welfare of the students.

Observation: We noted that the student store inventory is not prepared annually at **Redwood High**.

Recommendation: As a best practice, we recommend that a physical inventory count should be performed annually if not monthly by two people and compared to the calculated inventory balance. Discrepancies in the counts should be investigated and documented by the ASB advisor. Monitoring the inventory and respective sales will not only help the Student Council track money raised and help provide data for the budget, but help to identify whether inventory is short or missing.

ASSOCIATED STUDENT BODY (ASB) FUNDS (continued)

Observation: In our test of cash receipts, we noted not all receipts had supporting documentation. Without supporting documentation, we could not verify whether all cash collected had been deposited intact and into the correct ASB account. For example, tally logs or prenumbered tickets should be used to account for fundraising activities and then reconciled to the amount of cash collected for that event. 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.

Recommendation: 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: In our test of cash disbursements, we noted that the disbursements selected in our sample were not approved by the District representative, the ASB advisor, and/or the student representative until after the expenditures had already been incurred.

Recommendation: 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. 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. We recommend that the site adopt a procedure for compliance with the Ed Code in obtaining the required approvals.

DISTRICT OFFICE

Observation: In our test of cash receipts, it was not possible to reconcile cash received for pool and gym fees with the amount deposited at the District. A clear audit trail from the point of collection including pre-numbered receipts, sales tickets or other documentation was unavailable. Without supporting documentation, we could not verify whether all cash collected had been deposited intact and into the District bank account.

Recommendation: We recommend that control procedures be established that will allow for the reconciliation between money collected and sales from community education.

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

Murrieta, California
December 10, 2014