

**TAMALPAIS UNION
HIGH SCHOOL DISTRICT
AUDIT REPORT
For the Fiscal Year Ended
June 30, 2010**



**TAMALPAIS UNION HIGH SCHOOL DISTRICT
 AUDIT REPORT
 For the Fiscal Year Ended June 30, 2010
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Board of Trustees
Tamalpais Union High School District
Larkspur, California

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Tamalpais Union High School District as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Tamalpais Union High School District's management. Our responsibility is to express opinions on these financial statements based on our audit.

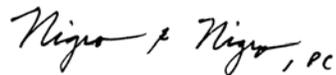
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Tamalpais Union High School District as of June 30, 2010 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2010 on our consideration of Tamalpais Union High School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 3 through 11 and the required supplementary information on pages 50 and 51 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

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

December 11, 2010

Management's Discussion and Analysis

TAMALPAIS UNION HIGH SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2010

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, 2010. Please read it in conjunction with the District's financial statements, which immediately follow this section.

FINANCIAL HIGHLIGHTS

- Overall revenues were \$75.0 million, which was \$6.3 million less than expenses.
- The total cost of basic programs was \$81.3 million. Because a portion of these costs was paid for with charges, fees, and intergovernmental aid, the net cost that required taxpayer funding was just \$75.2 million.
- The District's long-term debt decreased by \$0.3 million.
- Second period (P2) average daily attendance (ADA) decreased by 26 or 0.7%.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

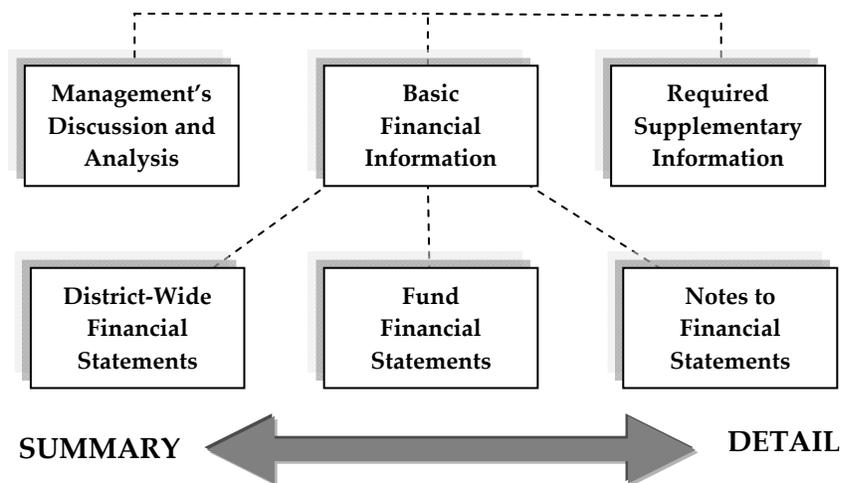
- The first two statements are *district-wide financial statements* that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the District, reporting the District's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

**TAMALPAIS UNION HIGH SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2010**

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

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

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



**TAMALPAIS UNION HIGH SCHOOL DISTRICT
Management’s Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2010**

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

TAMALPAIS UNION HIGH SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2010

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

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

District-wide Statements

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

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

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

Fund Financial Statements

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

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

TAMALPAIS UNION HIGH SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2010

OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

The District has three kinds of funds:

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

TAMALPAIS UNION HIGH SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2010

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net Assets. The District's combined net assets were smaller on June 30, 2010, than they were the year before – decreasing 8.0% to \$71,696,175 (See Table A-1).

Table A-1

	Governmental Activities		Variance Increase (Decrease)
	(In millions)		
	2010	2009	
Current assets	\$ 53.4	\$ 64.3	\$ (10.9)
Non-current assets	0.9	0.9	-
Capital assets	209.3	205.6	3.7
Total assets	263.6	270.8	(7.2)
Current liabilities	6.1	6.7	(0.6)
Long-term liabilities	185.8	186.1	(0.3)
Total liabilities	191.9	192.8	(0.9)
Net assets			
Invested in capital assets, net of related debt	39.6	46.0	(6.4)
Restricted	10.9	13.2	(2.3)
Unrestricted	21.2	18.8	2.4
Total net assets	\$ 71.7	\$ 78.0	\$ (6.3)

Changes in net assets, governmental activities. The District's total revenues were \$75.0 million (See Table A-2). The decrease of approximately \$1.5 million is due primarily to a decrease in state categorical funding.

The total cost of all programs and services was \$81.3 million. The District's expenses are predominantly related to educating and caring for students, 60.0%. The purely administrative activities of the District accounted for just 7.3% of total costs. The total costs increased by 10.2%, primarily due to debt issuance costs.

Table A-2

	Governmental Activities		Variance Increase (Decrease)
	(In millions)		
	2010	2009	
Total Revenues	\$ 75.0	\$ 76.5	\$ (1.5)
Total Expenses	81.3	73.7	7.6
Increase (decrease) in net assets	\$ (6.3)	\$ 2.8	\$ (9.1)

**TAMALPAIS UNION HIGH SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2010**

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 \$49.8 million, which is below last year's ending fund balance of \$60.1 million. The decrease is primarily due to expenditures of over \$10.3 million from bond funds.

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 \$0.6 million primarily to reflect federal and state budget actions
- Books and supplies expenditures – increased \$2.7 million to re-budget carryover funds

While the District's final budget for the General Fund anticipated revenues would fall short of expenditures by about \$2.2 million, the actual results for the year show that revenues actually exceeded expenditures by approximately \$1.7 million. Actual revenues were approximately the same as anticipated, however, expenditures were \$3.9 million less than budgeted. That amount consists primarily of restricted categorical program dollars that were not spent as of June 30, 2010 that will be carried over into the 2010-11 budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

By the end of 2009-10 the District had invested over \$10.3 million in new capital assets, including District-wide planning and modernization projects. (More detailed information about capital assets can be found in Note 6 to the financial statements). Total depreciation expense for the year exceeded \$5.1 million.

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

	Governmental Activities		Variance Increase (Decrease)
	(In millions)		
	2010	2009	
Land	\$ 2.4	\$ 2.4	\$ -
Improvement of sites	76.8	47.6	29.2
Buildings	90.5	72.4	18.1
Equipment	0.9	0.9	-
Construction in progress	38.7	82.3	(43.6)
Total	\$ 209.3	\$ 205.6	\$ 3.7

**TAMALPAIS UNION HIGH SCHOOL DISTRICT
Management’s Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2010**

CAPITAL ASSET AND DEBT ADMINISTRATION (continued)

The District’s fiscal year 2010-11 capital budget projects spending additional money for capital projects, principally for continued District-wide modernization projects.

Long-Term Debt

At year-end the District had \$185.8 million in general obligation bonds, capital leases, and employment benefits – a decrease of \$0.3 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)		
	2010	2009	
2001 G.O. Bond, Series 2001	\$ 1.5	\$ 16.4	\$ (14.9)
2002 G.O. Bond, Series 2001	3.1	41.9	(38.8)
2003 G.O. Bond, Series 2004	44.6	46.1	(1.5)
2004 G.O. Bond, Series 2006	76.0	78.0	(2.0)
2010 Refunding	48.2	-	48.2
Bond Premium	8.8	3.4	5.4
Deferred Charges on Bond	3.3	-	3.3
Capital leases	0.1	0.1	-
Employment benefits	0.2	0.2	-
Total	\$ 185.8	\$ 186.1	\$ (0.3)

**TAMALPAIS UNION HIGH SCHOOL DISTRICT
Management's Discussion and Analysis (Unaudited)
For the Fiscal Year Ended June 30, 2010**

FACTORS BEARING ON THE DISTRICT'S FUTURE

In considering the District Budget for the 2010-11 year, the District Board and management used the following criteria:

- Enrollment decreased by 6 students
- Decrease in Property Tax Revenue 0.35%
- Elimination of state categorical funding due to basic aid fair share reduction.
- Certificated Staffing has been increased by 3.4 FTE from the Fall of 2009. No Full Time Equivalent has been budgeted to serve as growth contingency for unidentified fall increases in student enrollment.
- No changes in salary have been budgeted. Cost of Step & Column is 1.76% for Certificated; 2.34% for Classified; and 0.86% for Management.
- Health Benefits are budgeted to increase 12.05% effective October 1, 2010.
- School site per student allocations have unchanged
- Utilities have been increased by 10.0% for electric and increased by 23.0% for gas, and 10.0% for all others.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

Financial Section

TAMALPAIS UNION HIGH SCHOOL DISTRICT
Statement of Net Assets
June 30, 2010

	Total Governmental Activities
ASSETS	
Current assets:	
Cash	\$ 50,219,217
Accounts receivable	2,210,419
Inventories	13,197
Prepaid expenses	1,014,491
Total current assets	<u>53,457,324</u>
Non-current assets:	
Net OPEB asset	22,355
Accounts receivable	14,665
Housing loan	850,000
Total non-current assets	<u>887,020</u>
Capital assets:	
Land	2,409,145
Improvement of sites	92,056,983
Buildings	124,927,308
Equipment	2,590,086
Construction in progress	38,710,477
Less accumulated depreciation	(51,412,725)
Total capital assets, net of depreciation	<u>209,281,274</u>
Total assets	<u>263,625,618</u>
LIABILITIES	
Current liabilities:	
Accounts payable	6,032,278
Deferred revenue	133,426
Total current liabilities	<u>6,165,704</u>
Long-term liabilities:	
Due within one year	6,791,222
Due after one year	178,972,517
Total long-term liabilities	<u>185,763,739</u>
Total liabilities	<u>191,929,443</u>
NET ASSETS	
Invested in capital assets, net of related debt	39,583,882
Restricted for:	
Capital projects	1,017,660
Debt service	9,175,138
Categorical programs	716,957
Unrestricted	<u>21,202,538</u>
Total net assets	<u>\$ 71,696,175</u>

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

TAMALPAIS UNION HIGH SCHOOL DISTRICT
Statement of Activities
For the Fiscal Year Ended June 30, 2010

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	
Governmental Activities				
Instructional Services:				
Instruction	\$ 35,592,653	\$ 221,561	\$ 3,014,750	\$ (32,356,342)
Instruction-Related Services:				
Supervision of instruction	1,009,091	-	-	(1,009,091)
Instructional library, media and technology	1,332,511	-	-	(1,332,511)
School site administration	4,645,456	-	-	(4,645,456)
Pupil Support Services:				
Home-to-school transportation	137,385	-	25,864	(111,521)
Food services	1,024,346	491,564	164,005	(368,777)
All other pupil services	5,008,241	-	601,508	(4,406,733)
General Administration Services:				
Data processing services	1,436,203	-	-	(1,436,203)
Other general administration	4,488,453	10,310	186,960	(4,291,183)
Plant services	7,681,705	3,006	5,057	(7,673,642)
Ancillary services	1,886,454	56,196	81,388	(1,748,870)
Community services	918,489	251,853	311,970	(354,666)
Interest on long-term debt	8,509,726	-	-	(8,509,726)
Other outgo	7,560,847	262,006	350,385	(6,948,456)
Total Governmental Activities	\$ 81,231,560	\$ 1,296,496	\$ 4,741,887	(75,193,177)
General Revenues:				
Property taxes				65,343,682
Federal and state aid not restricted to specific purpose				2,167,074
Interest and investment earnings				462,595
Interagency revenues				186,024
Miscellaneous				763,896
Total general revenues				68,923,271
Change in net assets				(6,269,906)
Net assets - July 1, 2009				77,966,081
Net assets - June 30, 2010				\$ 71,696,175

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

TAMALPAIS UNION HIGH SCHOOL DISTRICT
Balance Sheet – Governmental Funds
June 30, 2010

	General Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
ASSETS					
Cash	\$ 20,931,763	\$ 16,289,442	\$ 9,175,138	\$ 3,801,919	\$ 50,198,262
Accounts receivable	1,547,825	2,775	-	659,819	2,210,419
Due from other funds	111,571	-	-	319,548	431,119
Inventories	-	-	-	13,197	13,197
Total Assets	\$ 22,591,159	\$ 16,292,217	\$ 9,175,138	\$ 4,794,483	\$ 52,852,997
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 1,932,953	\$ 388,430	\$ -	\$ 175,089	\$ 2,496,472
Due to other funds	319,548	995	-	110,576	431,119
Deferred revenue	133,426	-	-	-	133,426
Total Liabilities	2,385,927	389,425	-	285,665	3,061,017
Fund Balances					
Reserved for:					
Inventories	-	-	-	13,197	13,197
Revolving cash	12,000	-	-	400	12,400
Debt service	-	-	9,175,138	-	9,175,138
Categorical programs	716,957	-	-	-	716,957
Unreserved; reported in:					
General fund	19,476,275	-	-	-	19,476,275
Capital project funds	-	15,902,792	-	1,017,660	16,920,452
Special revenue funds	-	-	-	3,477,561	3,477,561
Total Fund Balances	20,205,232	15,902,792	9,175,138	4,508,818	49,791,980
Total Liabilities and Fund Balances	\$ 22,591,159	\$ 16,292,217	\$ 9,175,138	\$ 4,794,483	\$ 52,852,997

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

TAMALPAIS UNION HIGH SCHOOL DISTRICT
Reconciliation of the Governmental Funds Balance Sheet to the
Statement of Net Assets
June 30, 2010

Total fund balances - governmental funds \$ 49,791,980

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	260,693,999	
	Accumulated Depreciation	(51,412,725)	
	Net Capital Assets		209,281,274

In governmental funds, debt issue costs are recognized as expenditures in the period they are incurred. In the government-wide statements, debt issue costs are amortized over the life of the debt. Unamortized debt issue costs included in prepaid expense on the statement of net assets are: 1,014,491

Special education settlement receivable is not available soon enough to pay for the current period's expenditures, and therefore is not recorded in the governmental funds until received. 14,665

The housing loan is outstanding as long as the Superintendent is employed as the District Superintendent, which is reported as a non-current asset on the government-wide statements. 850,000

In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, it is recognized in the period that it is incurred. The additional liability for unmatured interest owing at the end of the period was: (3,535,806)

Internal service funds are used to conduct certain activities for which costs are charged to other funds on a full cost-recovery basis. Because internal service funds are presumed to operate for the benefit of governmental activities, assets and liabilities of internal service funds are reported with governmental activities in the statement of net assets. Net assets for internal service funds are: 20,955

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: 22,355

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

	General obligation bonds payable	185,553,538	
	Capital leases payable	45,646	
	Compensated absences payable	164,555	
	Total		(185,763,739)

Total net assets - governmental activities \$ 71,696,175

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

TAMALPAIS UNION HIGH SCHOOL DISTRICT
Statement of Revenues, Expenditures, and Changes in Fund Balances –
Governmental Funds
For the Fiscal Year Ended June 30, 2010

	General Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
REVENUES					
General Revenues:					
Property taxes	\$ 51,346,040	\$ -	\$ 13,997,642	\$ -	\$ 65,343,682
Federal and state aid not restricted to specific purpose	384,300	-	-	1,797,301	2,181,601
Earnings on investments	161,182	239,831	33,004	28,578	462,595
Interagency revenues	186,024	-	-	-	186,024
Miscellaneous	687,137	-	-	76,759	763,896
Program Revenues:					
Charges for services	-	-	-	1,296,496	1,296,496
Operating grants and contributions	4,493,527	-	-	248,360	4,741,887
Total Revenues	57,258,210	239,831	14,030,646	3,447,494	74,976,181
EXPENDITURES					
Instructional Services:					
Instruction	30,670,907	-	-	898,543	31,569,450
Instruction-Related Services:					
Supervision of instruction	947,184	-	-	-	947,184
Instructional library, media and technology	1,303,743	-	-	-	1,303,743
School site administration	3,772,723	-	-	704,943	4,477,666
Pupil Support Services:					
Home-to-school transportation	129,255	-	-	-	129,255
Food services	4,577	-	-	985,262	989,839
All other pupil services	4,811,120	-	-	-	4,811,120
Ancillary services	1,814,310	-	-	-	1,814,310
Community services	-	-	-	859,803	859,803
General Administration Services:					
Data processing services	1,383,298	-	-	-	1,383,298
Other general administration	2,754,020	-	-	103,020	2,857,040
Plant services	7,006,497	-	-	107,030	7,113,527
Facility acquisition and construction	61,811	10,194,784	-	152,492	10,409,087
Other outgo:					
Transfers between agencies	854,956	-	-	-	854,956
Debt service - issuance costs	-	331,724	1,271,252	-	1,602,976
Debt service - principal	21,172	-	5,695,000	-	5,716,172
Debt service - interest	3,414	-	8,608,229	-	8,611,643
Total Expenditures	55,538,987	10,526,508	15,574,481	3,811,093	85,451,069
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,719,223	(10,286,677)	(1,543,835)	(363,599)	(10,474,888)
OTHER FINANCING SOURCES (USES)					
Interfund transfers in	197,323	-	-	634,764	832,087
Interfund transfers out	(634,764)	(120,000)	-	(77,323)	(832,087)
Proceeds from long term debt	-	48,210,000	-	-	48,210,000
Transfer to escrow agent for defeased debt	-	(54,190,245)	-	-	(54,190,245)
Premium on long term debt	-	6,119,129	-	-	6,119,129
Total Other Financing Sources and Uses	(437,441)	18,884	-	557,441	138,884
Net Change in Fund Balances	1,281,782	(10,267,793)	(1,543,835)	193,842	(10,336,004)
Fund Balances, July 1, 2009	18,923,450	26,170,585	10,718,973	4,314,976	60,127,984
Fund Balances, June 30, 2010	\$ 20,205,232	\$ 15,902,792	\$ 9,175,138	\$ 4,508,818	\$ 49,791,980

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

TAMALPAIS UNION HIGH SCHOOL DISTRICT
Reconciliation of the Governmental Funds Statement of Revenues,
Expenditures, and Changes in Fund Balances to the Statement of Activities
For the Fiscal Year Ended June 30, 2010

Total net change in fund balances - governmental funds \$ (10,336,004)

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

Capital outlay: 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:	10,340,908	
	Depreciation expense:	(5,183,909)	
	Net:		5,156,999

In governmental funds, the entire proceeds from the disposal of capital assets are reported as revenue. In the statement of activities, only the resulting gain or loss is reported. The difference between the proceeds from the disposal of capital assets and the resulting gain or loss is: (1,487,478)

Special education settlement receivable is not available soon enough to pay for the current period's expenditures, and therefore is not recorded in the governmental funds until received. (14,527)

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: 57,186,791

In governmental funds, proceeds from debt are recognized as Other Financing Sources. In government-wide statements, proceeds from debt are reported as increases to long-term liabilities. Amounts recognized as proceeds from debt were: (48,210,000)

The amounts paid to the refunded bond escrow agent in excess of the refunded bond at the time of payment are recorded as deferred charges on the refunding and are amortized to interest expense over the life of the liability. (3,260,000)

In governmental funds, interest on long-term debt is not recognized until the period in which it matures and is paid. In the government-wide statement of activities, its is recognized in the period that is incurred. Unmatured interest owing at the end of the period, less matured interest paid during the period but owing from the prior period, was: 101,915

In governmental funds, debt issue costs are recognized as expenditures in the period they are incurred. In the government-wide statements, issue costs are amortized over the life of the debt. The difference between issue costs recognized in the current period and issue costs amortized for the period is: 5,399

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. Unamortized premium for the period is:

	Premiums issued during the period:	6,119,129	
	Premiums amortized for the period:	(678,472)	
	Net:		(5,440,657)

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 liability for compensated absences increased during the year by \$2,827 from the prior year's ending balance. The liability for early retirement incentives decreased during the year by \$27,470 from the prior year's ending balance. 24,643

In governmental funds, other postemployment benefits costs are recognized when employer contributions are made. In the statement of activities, OPEB costs are recognized on the accrual basis. This year, the difference between OPEB costs and actual employer contributions was: 3,187

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: (174)

\$ (6,269,906)

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

TAMALPAIS UNION HIGH SCHOOL DISTRICT
Statement of Net Assets – Proprietary Fund
June 30, 2010

	<u>Governmental Activities</u> <u>Internal Service Fund</u>
ASSETS	
Cash	\$ 20,955
Total Assets	<u>20,955</u>
NET ASSETS	
Unrestricted	<u>20,955</u>
Total net assets	<u><u>\$ 20,955</u></u>

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

TAMALPAIS UNION HIGH SCHOOL DISTRICT
Statement of Revenues, Expenses, and Changes in Fund Net Assets –
Proprietary Fund
For the Fiscal Year Ended June 30, 2010

	Governmental Activities
	Internal Service Fund
OPERATING REVENUES	
Other local revenues	\$ 3,433
	<hr/>
Total operating revenues	3,433
	<hr/>
OPERATING EXPENSES	
Books and supplies	2,816
Services and other operating expenditures	1,000
	<hr/>
Total operating expenses	3,816
	<hr/>
Operating Income	(383)
NON-OPERATING REVENUES	
Interest income	209
	<hr/>
Change in Net Assets	(174)
Net Assets, July 1, 2009	21,129
	<hr/>
Net Assets, July 1, 2010	\$ 20,955
	<hr/> <hr/>

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

TAMALPAIS UNION HIGH SCHOOL DISTRICT
Statement of Cash Flows – Proprietary Fund
For the Fiscal Year Ended June 30, 2010

	Governmental Activities
	Internal Service Fund
	Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from other local sources	\$ 3,433
Cash payments for operating expenses	(3,816)
	<hr/>
Net cash used by operating activities	(383)
	<hr/>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	209
	<hr/>
Net cash provided by investing activities	209
	<hr/>
Net decrease in cash	(174)
Cash, July 1, 2009	21,129
	<hr/>
Cash, June 30, 2010	\$ 20,955
	<hr/> <hr/>
Reconciliation of operating income to net cash used by operating activities:	
Operating income	\$ (383)
	<hr/>
Net cash used by operating activities	\$ (383)
	<hr/> <hr/>

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

TAMALPAIS UNION HIGH SCHOOL DISTRICT
Statement of Net Assets – Fiduciary Funds
June 30, 2010

	<u>Trust Fund</u>	<u>Agency Funds</u>	
	<u>Foundation Private-Purpose Fund</u>	<u>Student Body Funds</u>	<u>Total</u>
Assets			
Cash	\$ 66,497	\$ 707,043	\$ 773,540
Total assets	<u>66,497</u>	<u>\$ 707,043</u>	<u>773,540</u>
Liabilities			
Due to student groups	-	\$ 707,043	707,043
Total liabilities	<u>-</u>	<u>\$ 707,043</u>	<u>707,043</u>
Net Assets	<u>\$ 66,497</u>		<u>\$ 66,497</u>

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

TAMALPAIS UNION HIGH SCHOOL DISTRICT
Statement of Changes in Net Assets – Fiduciary Funds
For the Fiscal Year Ended June 30, 2010

	Foundation Private-Purpose Fund
ADDITIONS	
Interest	\$ 1,632
Total Additions	<u>1,632</u>
DEDUCTIONS	
Other Expenditures	<u>105,950</u>
Total Deductions	<u>105,950</u>
Change in Net Assets	(104,318)
Net Assets, June 30, 2009	<u>170,815</u>
Net Assets, June 30, 2010	<u><u>\$ 66,497</u></u>

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

TAMALPAIS UNION HIGH SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2010

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES

A. Accounting Policies

The District accounts for its financial transactions in accordance with the policies and procedures of the Department of Education's *California School Accounting Manual*. The accounting policies of the District conform to generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants (AICPA).

B. Reporting Entity

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

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

C. Basis of Presentation

Government-wide Financial Statements:

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

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

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

TAMALPAIS UNION HIGH SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2010

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation (continued)

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

Fund Financial Statements:

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

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

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

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

TAMALPAIS UNION HIGH SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2010

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

C. Basis of Presentation (continued)

Fund Financial Statements (continued):

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

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

D. Basis of Accounting

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

Revenues – exchange and non-exchange transactions:

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

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

TAMALPAIS UNION HIGH SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2010

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Basis of Accounting (continued)

Deferred revenue:

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

Expenses/expenditures:

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

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

E. Fund Accounting

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

Major Governmental Funds:

- The *General Fund* is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.
- The *Building Fund* is used to account for the acquisition of major governmental capital facilities and buildings from the sale of general obligation bonds.
- The *Bond Interest and Redemption Fund* is used to account for the accumulation of resources for, and the repayment of, District bonds, interest, and related costs.

TAMALPAIS UNION HIGH SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2010

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Fund Accounting (continued)

Non-major Governmental Funds:

- ***Special Revenue Funds*** are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. The District maintains five non-major special revenue funds:
 1. The *Adult Education Fund* is used to account for resources committed to adult education programs maintained by the District.
 2. The *Cafeteria Fund* is used to account for revenues received and expenditures made to operate the District's food service operations.
 3. The *Deferred Maintenance Fund* is used for the purpose of major repair or replacement of District property.
 4. The *Special Reserve Fund for Other than Capital Outlay Projects* is used primarily to provide for the accumulation of general fund moneys for general operating purposes other than capital outlay.
 5. The *Foundation Special Revenue Fund* is used to account for resources received from local donations.
- ***Capital Projects Funds*** are used to account for the acquisition and/or construction of major governmental general fixed assets. The District maintains one non-major capital project fund:
 1. The *Special Reserve Fund for Capital Outlay Projects* is used to provide for the accumulation of general fund moneys for capital outlay purposes.

Fiduciary Funds:

- ***Trust Funds*** are used to account for the assets held by the District under a trust agreement for individuals, private organizations, or other governments and are, therefore, not available to support the District's own programs. The District's trust fund is the Foundation Private-Purpose Trust fund.
- ***Agency Funds*** are used to account for assets of others for which the District acts as an agent. The District maintains three agency funds, one for each school that operates a student body fund. The amounts reported for student body funds represent the combined totals of all schools within the District.

TAMALPAIS UNION HIGH SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2010

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Fund Accounting (continued)

Proprietary Funds:

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

F. Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all government funds. By state law, the District's governing board must adopt a budget no later than July 1. A public hearing must be conducted to receive comments prior to adoption. The District's governing board satisfied these requirements.

These budgets are revised by the District's governing board during the year to give consideration to unanticipated income and expenditures. The original and the final revised budgets are presented for the General Fund in the required supplementary information section.

Formal budgetary integration was employed as a management control device during the year for all budgeted funds. The District employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object account.

G. Encumbrances

Encumbrance accounting is used in all budgeted funds to reserve portions of applicable appropriations for which commitments have been made. Encumbrances are recorded for purchase orders, contracts, and other commitments when they are written. Encumbrances are liquidated when the commitments are paid. All encumbrances are liquidated as of June 30.

H. Assets, Liabilities, and Equity

1. Cash and Cash Equivalents

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

TAMALPAIS UNION HIGH SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2010

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Assets, Liabilities, and Equity (continued)

2. Stores Inventories

Inventories in the Cafeteria Fund are recorded using the purchases method in that the cost is recorded as an expenditure at the time the individual inventory items are purchased. Inventories are valued at average cost and consist of expendable supplies held for consumption. Reported inventories are equally offset by a fund balance reserve, which indicates that these amounts are not "available for appropriation and expenditure" even though they are a component of net current assets.

3. Capital Assets

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

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

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

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

4. Deferred Revenue

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

TAMALPAIS UNION HIGH SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2010

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Assets, Liabilities, and Equity (continued)

5. Compensated Absences

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

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

6. Long-Term Obligations

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

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

7. Fund Balance Reserves and Designations

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

TAMALPAIS UNION HIGH SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2010

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

H. Assets, Liabilities, and Equity (continued)

8. Net Assets

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

I. Revenue Limit/Property Tax

The District's revenue limit is received from local property taxes.

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

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

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

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

TAMALPAIS UNION HIGH SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2010

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

I. Revenue Limit/Property Tax (continued)

In February 2009 the Legislature and the Governor agreed to major reductions in state spending and temporary tax increases to address a \$40 billion shortfall in California's General Fund. Since then, the continuing toll of a global recession and voters' rejection of ballot measures at the special election resulted in a \$21 billion new budget problem. A component of the solution was a "fair share" reduction to the State from Basic Aid School Districts. The fair share reduction would come from State Categorical Tier III budget reductions since the State continues to decrease local property taxes.

J. Use of Estimates

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

K. New GASB Pronouncements

During the 2009-10 fiscal year, the following GASB Pronouncements became effective for the District.

GASB Statement No. 51 – *Accounting and Financial Reporting for Intangible Assets* was issued in June, 2007. The requirements in this Statement improve financial reporting by reducing inconsistencies that have developed in accounting and financial reporting for intangible assets. These inconsistencies will be reduced through the clarification that intangible assets subject to the provisions of this Statement should be classified as capital assets, and through the establishment of new authoritative guidance that addresses issues specific to these intangible assets given their nature. This Statement also fosters greater comparability among state and local government financial statements and results in a more faithful representation of the service capacity of intangible assets - and therefore the financial position of governments - and of the periodic cost associated with the usage of such service capacity in governmental financial statements. This Statement is not expected to have any financial impact on the District.

GASB Statement No. 53 – *Accounting and Financial Reporting for Derivative Instruments* was issued in June, 2008. This Statement addresses the recognition, measurement, and disclosure of information regarding derivative instruments entered into by state and local governments. Derivative instruments are often complex financial arrangements used by governments to manage specific risks or to make investments. By entering into these arrangements, governments receive and make payments based on market prices without actually entering into the related financial or commodity transactions.

TAMALPAIS UNION HIGH SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2010

NOTE 1 - SIGNIFICANT ACCOUNTING POLICIES (continued)

K. New GASB Pronouncements (continued)

Derivative instruments associated with changing financial and commodity prices result in changing cash flows and fair values that can be used as effective risk management or investment tools. Derivative instruments, however, also can expose governments to significant risks and liabilities. Because the District carries no derivative instruments, this Statement is not applicable in the current fiscal year.

GASB Statement No. 57 – *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans* was issued in December, 2009. The objective of this Statement is to address issues related to the use of the alternative measurement method and the frequency and timing of measurement by employers that participate in agent multiple-employer other postemployment benefit (OPEB) plans (that is, agent employers). This Statement amends Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, to permit an agent employer that has an individual-employer OPEB plan with fewer than 100 total plan members to use the alternative measurement method, at its option, regardless of the number of total plan members in the agent multiple-employer OPEB plan in which it participates.

GASB Statement No. 58 – *Accounting and Financial Reporting for Chapter 9 Bankruptcies* was issued in December, 2009. The objective of this Statement is to provide accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. It requires governments to re-measure liabilities that are adjusted in bankruptcy when the bankruptcy court confirms (that is, approves) a new payment plan. This Statement has no impact on the District.

NOTE 2 – CASH

Summary of Cash

Cash as of June 30, 2010 is classified in the accompanying financial statements as follows:

Cash:	Governmental Activities	Fiduciary Funds
	_____	_____
Cash in county treasury	\$ 50,200,883	\$ 66,497
Cash on hand and in banks	5,003	707,043
Cash in revolving fund	12,400	-
Collections awaiting deposit	931	-
Total cash	<u>\$ 50,219,217</u>	<u>\$ 773,540</u>

TAMALPAIS UNION HIGH SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2010

NOTE 2 – CASH (continued)

Policies and Practices

The District is authorized under California Government Code to make direct investments in local agency bonds, notes, or warrants within the State; U.S. Treasury instruments; registered State warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security; and collateralized mortgage obligations. Investments of debt proceeds held by trustees are governed by the provisions of debt agreements rather than the general provisions of the California Government Code. These provisions allow for the acquisition of investment agreements with no restriction on the percentage held in each authorized investment in relation to the District's entire investment portfolio.

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

General Authorizations

The authority to invest District funds deposited with the county treasury is delegated to the County Treasurer and Tax Collector. Additional information about the investment policy of the County Treasurer and Tax Collector may be obtained from its web site. The table below identifies some of the investment types permitted in the investment policy:

<u>Authorized Investment Type</u>	<u>Maximum Remaining Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
U.S. Agency Securities	5 years	None	None
Money Market Mutual Funds	N/A	20%	10%
County Pooled Investment Funds	N/A	None	None

TAMALPAIS UNION HIGH SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2010

NOTE 2 – CASH (continued)

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

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District manages its exposure to interest rate risk by investing in the County Treasury. The District maintains an investment with the Marin County Investment Pool with a fair value of approximately \$50,329,208 and an amortized book value of \$50,267,380. The average weighted maturity for the pooled investment is 281 days.

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The investment with the Marin County Investment Pool is not required to be rated, nor has it been rated as of June 30, 2010.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by State or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under State law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110 percent of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150 percent of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105 percent of the secured deposits. As of June 30, 2010, \$254,408 of the District's bank balance of \$1,031,527 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.

Concentration of Credit Risk

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

TAMALPAIS UNION HIGH SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2010

NOTE 3 – EXCESS OF EXPENDITURES OVER APPROPRIATIONS

There were no excess of expenditures over appropriations by major object in the General Fund.

NOTE 4 – ACCOUNTS RECEIVABLE

Accounts receivable as of June 30, 2010 consist of the following:

	General Fund	Building Fund	Non-Major Governmental Funds	Totals
Federal Government:				
Categorical aid programs	\$ 670,755	\$ -	\$ 117,408	\$ 788,163
State Government:				
Revenue limit	27,905	-	-	27,905
Lottery	133,791	-	-	133,791
Categorical aid programs	388,286	-	417,446	805,732
Local:				
Miscellaneous	327,088	2,775	124,965	454,828
Total	<u>\$ 1,547,825</u>	<u>\$ 2,775</u>	<u>\$ 659,819</u>	<u>\$ 2,210,419</u>

NOTE 5 - INTERFUND TRANSACTIONS

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

TAMALPAIS UNION HIGH SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2010

NOTE 5 - INTERFUND TRANSACTIONS (continued)

A. Due From/Due To Other Funds

Individual interfund receivable and payable balances as of June 30, 2010 are as follows:

	Due from other funds		Total
	General Fund	Non-Major Governmental Funds	
General Fund	\$ -	\$ 319,548	\$ 319,548
Building Fund	995	-	995
Non-Major Governmental Funds	110,576	-	110,576
Total	\$ 111,571	\$ 319,548	\$ 431,119

General Fund due to Adult Education Fund for state apportionment and community education loan	\$ 119,548
General Fund due to Deferred Maintenance Fund to reconcile maintenance & operations	200,000
Adult Education Fund (Community Education Fund) due to General Fund for indirect charges	106,437
Cafeteria Fund due to General Fund for contribution refund	3,108
Building Fund due to General Fund for teacher moving stipends	425
Building Fund due to General Fund for postage fees and PG&E refund	570
Special Reserve Fund for Capital Outlay Projects due to General Fund to move fourth quarter interest	1,031
Total	\$ 431,119

B. Interfund Transfers

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

Interfund transfers for the 2009-10 fiscal year are as follows:

	Interfund Transfers In		Total
	General Fund	Non-Major Governmental Funds	
General Fund	\$ -	\$ 634,764	\$ 634,764
Building Fund	120,000	-	120,000
Non-Major Governmental Funds	77,323	-	77,323
Total	\$ 197,323	\$ 634,764	\$ 832,087

General Fund transfer to Adult Education Fund for community education loans and pool cover handlers	\$ 90,072
General Fund transfer to Cafeteria Fund for contribution	344,692
General Fund due to Deferred Maintenance Fund to reconcile maintenance & operations	200,000
Adult Education Fund (Community Education Fund) transfer to General Fund for loan payback	77,323
Building Fund transfer to General Fund for repayment of costs associated with bond project by General Fund	120,000
Total	\$ 832,087

TAMALPAIS UNION HIGH SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2010

NOTE 6 – CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended June 30, 2010 is shown below:

	Balance, July 1, 2009	Additions	Retirements	Balance, June 30, 2010
Capital assets not being depreciated:				
Land	\$ 2,409,145	\$ -	\$ -	\$ 2,409,145
Construction in progress	82,290,829	9,571,987	53,152,339	38,710,477
Total capital assets not being depreciated	<u>84,699,974</u>	<u>9,571,987</u>	<u>53,152,339</u>	<u>41,119,622</u>
Capital assets being depreciated:				
Improvement of sites	62,062,852	30,761,877	767,746	92,056,983
Buildings	104,267,824	23,045,073	2,385,589	124,927,308
Equipment	2,560,447	114,310	84,671	2,590,086
Total capital assets being depreciated	<u>168,891,123</u>	<u>53,921,260</u>	<u>3,238,006</u>	<u>219,574,377</u>
Accumulated depreciation for:				
Improvement of sites	(14,437,396)	(1,445,055)	(643,394)	(15,239,057)
Buildings	(31,894,191)	(3,530,496)	(1,022,463)	(34,402,224)
Equipment	(1,647,757)	(208,358)	(84,671)	(1,771,444)
Total accumulated depreciation	<u>(47,979,344)</u>	<u>(5,183,909)</u>	<u>(1,750,528)</u>	<u>(51,412,725)</u>
Total capital assets being depreciated, net	<u>120,911,779</u>	<u>48,737,351</u>	<u>1,487,478</u>	<u>168,161,652</u>
Governmental activity capital assets, net	<u>\$ 205,611,753</u>	<u>\$ 58,309,338</u>	<u>\$ 54,639,817</u>	<u>\$ 209,281,274</u>

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

Instruction	\$ 4,037,665
Instructional Supervision and Administration	61,972
Instructional Library, Media and Technology	28,833
School Site Administration	167,973
Home-to-School Transportation	8,130
Food Services	34,549
All Other Pupil Services	197,351
Ancillary Services	72,172
Community Services	58,725
All Other General Administration	162,813
Centralized Data Processing	60,241
Plant Services	293,485
	<hr/>
Total Depreciation Expense	<u>\$ 5,183,909</u>

TAMALPAIS UNION HIGH SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2010

NOTE 7 - TAX ANTICIPATION NOTES

The board approved a Tax Anticipation Note 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 2009-10 fiscal year. The District did not need to borrow to supplement its cash flow.

NOTE 8 – GENERAL LONG-TERM DEBT

A schedule of changes in long-term debt for the year ended June 30, 2010 is shown below.

	Balance, July 1, 2009	Additions	Deductions	Balance, June 30, 2010	Amount Due Within One Year
General Obligation Bonds:					
Principal Payments	\$ 182,405,000	\$ 48,210,000	\$ 57,165,000	\$ 173,450,000	\$ 5,920,000
Unamortized Issuance Premium	3,402,881	6,119,129	678,472	8,843,538	678,472
Deferred Charges on Refunding	-	3,260,000	-	3,260,000	171,578
Total General Obligation Bonds	<u>185,807,881</u>	<u>57,589,129</u>	<u>57,843,472</u>	<u>185,553,538</u>	<u>6,770,050</u>
Capital Lease	67,437	-	21,791	45,646	21,172
Compensated Absences	161,728	2,827	-	164,555	-
Early Retirement Incentives	27,470	-	27,470	-	-
Totals	<u>\$ 186,064,516</u>	<u>\$ 57,591,956</u>	<u>\$ 57,892,733</u>	<u>\$ 185,763,739</u>	<u>\$ 6,791,222</u>

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.

TAMALPAIS UNION HIGH SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2010

NOTE 8 – GENERAL LONG-TERM DEBT (continued)

A. General Obligation Bonds (continued)

2010 General Election Obligation Refunding Bonds

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

The net proceeds were used to purchase U.S. government securities. Those securities were deposited into an irrevocable trust with an escrow agent to provide for future debt service payments on the refunded bonds. As a result, the refunded bonds are considered to be defeased, and the related liability for the bonds has been removed from the District's liabilities. Amounts paid to the refunded bond escrow agent in excess of the outstanding debt at the time of payment are recorded as deferred charges on refunding on the statement of net assets and are amortized to interest expense over the life of the liability. Deferred charges on refunding of \$3,260,000 remain to be amortized. As of June 30, 2010, the principal balance outstanding on the defeased debt amounted to \$51,470,000.

The refunding decreased the District's total debt service payments by \$7,283,957. The transaction resulted in an economic gain (difference between the present value of the debt service on the old and the new bonds) of \$4,483,504.

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

Series	Issue Date	Maturity Date	Interest Rate	Original Issue	Balance, July 1, 2009	Additions	Deductions	Balance, June 30, 2010	Amounts due within one year
2001	7/18/2001	8/1/2026	3.375% - 5.50%	\$ 20,820,000	\$ 16,440,000	\$ -	\$ 14,940,000	\$ 1,500,000	\$ 740,000
2002	7/30/2002	8/1/2027	3.00% - 6.00%	49,580,000	41,840,000	-	38,720,000	3,120,000	1,530,000
2004	5/13/2004	8/1/2028	4.50% - 5.50%	50,600,000	46,145,000	-	1,490,000	44,655,000	1,555,000
2006	8/22/2006	8/1/2031	4.00%-5.25%	79,920,000	77,980,000	-	2,015,000	75,965,000	2,095,000
2010	6/24/2010	8/1/2027	0.50%-5.00%	48,210,000	-	48,210,000	-	48,210,000	-
				<u>\$ 249,130,000</u>	<u>\$ 182,405,000</u>	<u>\$ 48,210,000</u>	<u>\$ 57,165,000</u>	<u>\$ 173,450,000</u>	<u>\$ 5,920,000</u>

TAMALPAIS UNION HIGH SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2010

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, 2010 are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010-11	\$ 5,920,000	\$ 7,095,288	\$ 13,015,288
2011-12	7,350,000	7,809,425	15,159,425
2012-13	6,375,000	7,496,038	13,871,038
2013-14	6,740,000	7,213,100	13,953,100
2014-15	6,660,000	6,923,150	13,583,150
2015-20	38,405,000	29,604,669	68,009,669
2020-25	45,655,000	19,429,813	65,084,813
2025-30	45,850,000	7,147,640	52,997,640
2030-32	10,495,000	464,078	10,959,078
Total	<u>\$ 173,450,000</u>	<u>\$ 93,183,201</u>	<u>\$ 266,633,201</u>

B. Capital Leases

The District leases equipment under agreement that provide for title to pass upon expiration of the lease period. Future minimum lease payments are as follows:

<u>Fiscal Year</u>	<u>Principal Payments</u>
2010-11	\$ 24,587
2011-12	24,587
Total Payments	49,174
Less Interest	(3,528)
Total	<u>\$ 45,646</u>

This District will receive no sublease revenues from this equipment.

TAMALPAIS UNION HIGH SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2010

NOTE 9 – JOINT VENTURES

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

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

Condensed audited financial information for the year ended June 30, 2010 is as follows:

	MSIA Audited June 30, 2010
Assets	\$ 22,195,906
Liabilities	13,053,773
Net Assets	<u>\$ 9,142,133</u>
Revenues	\$ 9,784,137
Expenses	9,195,773
Operating Income	588,364
Non-Operating Income	128,616
Change in Net Assets	<u>\$ 716,980</u>

TAMALPAIS UNION HIGH SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2010

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, 2010, the District had commitments with respect to unfinished capital projects of \$1.2 million to be paid from the 2006 general obligation bond and \$0.5 million to be paid from the 2001 general obligation bond.

C. Litigation

The District is involved in certain legal matters that arose out of the normal course of business. The District has not accrued liability for any potential litigation against it because it does not meet the criteria to be considered a liability at June 30, 2010.

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, 2010, 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 2010, the District participated in the MSIA public entity risk pool for workers compensation, with excess commercial coverage provided by Arch Insurance Company.

Employee Medical Benefits

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

TAMALPAIS UNION HIGH SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2010

NOTE 12 - EMPLOYEE RETIREMENT PLANS

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

Plan Description and Provisions

Public Employees' Retirement System (PERS)

Plan Description

The District contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by state statutes, as legislatively amended, within the Public Employees' Retirement Law. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, California 95814.

Funding Policy

Active plan members are required to contribute 7.0% of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution for fiscal year 2009-10 was 9.709%. The contribution requirements of the plan members are established by State statute. The District's contributions to CalPERS for the last three fiscal years were as follows:

	<u>Contribution</u>	<u>Percent of Required Contribution</u>
2009-10	\$ 1,528,934	100%
2008-09	\$ 1,487,376	100%
2007-08	\$ 1,409,693	100%

TAMALPAIS UNION HIGH SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2010

NOTE 12 - EMPLOYEE RETIREMENT PLANS (continued)

State Teachers' Retirement System (STRS)

Plan Description

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

Funding Policy

Active plan members are required to contribute 8.0% of their salary. The required employer contribution rate for fiscal year 2009-10 was 8.25% of annual payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to STRS for the last three fiscal years were as follows:

	<u>Contribution</u>	<u>Percent of Required Contribution</u>
2009-10	\$ 2,125,825	100%
2008-09	\$ 2,124,265	100%
2007-08	\$ 2,028,852	100%

On-Behalf Payments

The District was the recipient of on-behalf payments made by the State of California to STRS for K-12 education. These payments consist of state General Fund contributions of approximately \$1.1 million to STRS (4.267% of salaries subject to STRS in 2009-10).

NOTE 13 – SUBSEQUENT EVENT

The board approved a Tax Anticipation Note 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 2010-11 fiscal year. The District has not borrowed from the TAN to supplement its cash flow.

TAMALPAIS UNION HIGH SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2010

NOTE 14 – FUND BALANCE

The board has designated ending balance in the General Fund at June 30, 2010 as follows:

	<u>General Fund</u>
Designations & tier categorical balance	<u>\$ 779,226</u>
In addition, the Board has designated the following amounts from the General Fund reserve to cover deficits in future years:	
Fiscal year 2008-09	\$ 1,263,695
Fiscal year 2009-10	<u>1,142,645</u>
	<u>\$ 2,406,340</u>

NOTE 15 – HOUSING LOAN

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

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

NOTE 16 – 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*	29
Active plan members*	<u>473</u>
Total	<u>502</u>

Number of participating employers One

* As of October 1, 2008 actuarial valuation

TAMALPAIS UNION HIGH SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2010

NOTE 16 – OTHER POSTEMPLOYMENT BENEFITS (continued)

Plan Descriptions and Contribution Information (continued)

Upon service or disability retirement from the District, employees of the District who meet certain eligibility requirements may continue (during their lifetime) health coverage under the District’s medical, dental, and vision plans for themselves and their eligible dependents. Medical plans that District retirees are eligible for include HMO’s (Kaiser and Health Net) and Health Net POS. 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 & Management	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 	<ul style="list-style-type: none"> • Age 55 and 10 years of District service
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, 2010

NOTE 16 – 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:

	<u>Amount</u>
Annual required contribution (ARC)	\$ 763,000
Interest on net OPEB obligation	1,000
Adjustment to ARC	<u>(1,000)</u>
Annual OPEB cost	<u>763,000</u>
Contributions made:	
Contributions to trust	<u>(766,187)</u>
Total contributions made	<u>(766,187)</u>
Increase in net OPEB asset	(3,187)
Net OPEB obligation (asset) - July 1, 2009	<u>(19,168)</u>
Net OPEB obligation (asset) - June 30, 2010	<u><u>\$ (22,355)</u></u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2009-10 are as follows:

Year Ended	Annual Required Contribution	Percentage Contributed
<u>June 30,</u>		
2009	\$ 647,000	103%
2010	\$ 763,000	100%

TAMALPAIS UNION HIGH SCHOOL DISTRICT
Notes to Financial Statements
June 30, 2010

NOTE 16 – OTHER POSTEMPLOYMENT BENEFITS (continued)

Funded Status and Funding Progress – OPEB Plans

As of October 1, 2008 the most recent actuarial valuation date, the actuarial accrued liability (AAL) for benefits was \$5.1 million and the unfunded actuarial accrued liability (UAAL) was \$5.1 million.

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

Actuarial Methods and Assumptions

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

Additional information as of the latest actuarial valuation follows:

Valuation Date	October 1, 2008
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Payroll
Remaining Amortization Period	28 years
Asset Valuation	Market Value
Actuarial Assumptions:	
Investment rate of return	7.75%
Inflation	3.0%
Medical care cost trend rate	11.0%

Required Supplementary Information

TAMALPAIS UNION HIGH SCHOOL DISTRICT
Budgetary Comparison Schedule – General Fund
For the Fiscal Year Ended June 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>(Budgetary Basis)</u>	<u>Variance with</u> <u>Final Budget -</u> <u>Pos (Neg)</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Revenue Limit Sources	\$ 43,159,736	\$ 41,939,862	\$ 41,934,248	\$ (5,614)
Federal	800,705	1,497,721	1,341,531	(156,190)
Other State	1,869,341	1,578,728	1,647,758	69,030
Other Local	10,791,642	12,220,710	12,334,673	113,963
Total Revenues	<u>56,621,424</u>	<u>57,237,021</u>	<u>57,258,210</u>	<u>21,189</u>
Expenditures				
Certificated Salaries	25,096,560	25,294,518	25,075,234	219,284
Classified Salaries	8,939,985	9,052,494	8,886,736	165,758
Employee Benefits	11,576,899	11,248,104	11,096,820	151,284
Books and Supplies	2,526,244	5,182,220	3,137,704	2,044,516
Services and Other Operating Expenditures	7,049,283	7,756,451	6,467,911	1,288,540
Capital Outlay	42,500	101,813	98,060	3,753
Other Outgo	641,097	794,177	776,522	17,655
Total Expenditures	<u>55,872,568</u>	<u>59,429,777</u>	<u>55,538,987</u>	<u>3,890,790</u>
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	<u>748,856</u>	<u>(2,192,756)</u>	<u>1,719,223</u>	<u>3,911,979</u>
Other Financing Sources and Uses				
Interfund Transfers In	18,400	197,323	197,323	-
Interfund Transfers Out	(575,250)	(620,342)	(634,764)	(14,422)
Total Other Financing Sources and Uses	<u>(556,850)</u>	<u>(423,019)</u>	<u>(437,441)</u>	<u>(14,422)</u>
Net Change in Fund Balance	192,006	(2,615,775)	1,281,782	3,897,557
Fund Balances, July 1, 2009	<u>19,773,451</u>	<u>19,773,451</u>	<u>18,923,450</u>	<u>(850,001)</u>
Fund Balances, June 30, 2010	<u>\$ 19,965,457</u>	<u>\$ 17,157,676</u>	<u>\$ 20,205,232</u>	<u>\$ 3,047,556</u>

TAMALPAIS UNION HIGH SCHOOL DISTRICT
Schedule of Funding Progress
For the Fiscal Year Ended June 30, 2010

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

Supplementary Information

TAMALPAIS UNION HIGH SCHOOL DISTRICT
Local Educational Agency Organization Structure
June 30, 2010

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

<u>GOVERNING BOARD</u>		
<u>Member</u>	<u>Office</u>	<u>Term Expires</u>
Bob Walter	President	December, 2011
Cindy McCauley	Clerk	December, 2011
John Wright	Trustee	December, 2013
Monica Bonny	Trustee	December, 2013
Susan Schmidt	Trustee	December, 2013

DISTRICT ADMINISTRATORS

Laurie Kimbrel, Ed.D.,
Superintendent

Elizabeth Kaufman, Ed.D.,
Assistant Superintendent, Educational Services

John Carroll,
Assistant Superintendent, Human Resources

Lori Parrish,
Assistant Superintendent, Finance & Facilities

TAMALPAIS UNION HIGH SCHOOL DISTRICT
Schedule of Average Daily Attendance
For the Fiscal Year Ended June 30, 2010

	<u>Second Period Report</u>	<u>Annual Report</u>
Secondary:		
Grades 9 through 12	3,427	3,418
Continuation education	89	90
Special education	<u>85</u>	<u>85</u>
 Total Average Daily Attendance	 <u><u>3,601</u></u>	 <u><u>3,593</u></u>

See accompanying note to supplementary information.

TAMALPAIS UNION HIGH SCHOOL DISTRICT
Schedule of Instructional Time
For the Fiscal Year Ended June 30, 2010

Grade Level	1982-83 Minutes		1986-87 Minutes		2009-2010 Actual Minutes	Number of Days Traditional Calendar	Status
	Actual	Reduced	Previously Required	Reduced*			
Grade 9	[1]	[1]	64,800	63,000	64,814	180	Complied
Grade 10	[1]	[1]	64,800	63,000	64,814	180	Complied
Grade 11	[1]	[1]	64,800	63,000	64,814	180	Complied
Grade 12	[1]	[1]	64,800	63,000	64,814	180	Complied

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

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

See accompanying note to supplementary information.

TAMALPAIS UNION HIGH SCHOOL DISTRICT
Schedule of Financial Trends and Analysis
For the Fiscal Year Ended June 30, 2010

General Fund	(Budget) 2011 ³	2010	2009	2008
Revenues and other financing sources	\$ 55,570,477	\$ 57,455,533	\$ 60,092,429	\$ 55,144,024
Expenditures	54,741,753	55,538,987	56,532,687	51,865,030
Other uses and transfers out	851,407	634,764	1,923,786	1,099,707
Total outgo	55,593,160	56,173,751	58,456,473	52,964,737
Change in fund balance (deficit)	(22,683)	1,281,782	1,635,956	2,179,287
Ending fund balance	\$ 20,182,549	\$ 20,205,232	\$ 18,923,450	\$ 17,287,494
Available reserves ¹	\$ 19,678,753	\$ 19,744,683	\$ 17,118,981	\$ 15,819,143
Available reserves as a percentage of total outgo	35.4%	35.1%	29.3%	29.9%
Total long-term debt	\$ 178,972,517	\$ 185,763,739	\$ 186,064,516	\$ 191,593,991
Average daily attendance at P-2 ²	3,625	3,601	3,627	3,671

The General Fund balance has increased by \$2,917,738 over the past two years. The fiscal year 2010-11 adopted budget projects an decrease of \$22,683. For a district of this size, the state recommends available reserves of at least 3% of total general fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating deficits in none of the past three years, but anticipates incurring an operating deficit during the 2010-11 fiscal year. Long-term debt has decreased \$5,830,252 over the past two years.

Average daily attendance has decreased by 70 over the past two years. An increase of 24 ADA is anticipated during the 2010-11 fiscal year.

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

² Excludes Adult Education ADA.

³ Revised budget September 2010.

See accompanying note to supplementary information.

TAMALPAIS UNION HIGH SCHOOL DISTRICT
Schedule of Expenditures of Federal Awards
For the Fiscal Year Ended June 30, 2010

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
Federal Programs:			
U.S. Department of Agriculture:			
Passed through California Dept. of Education (CDE):			
School Basic Breakfast Program	10.553	13525	\$ 22,301
School Breakfast Needy Program	10.553	13526	23,660
National School Lunch Program, Section 4	10.555	13523	18,888
National School Lunch Program, Section 11	10.555	13524	75,554
Total U.S. Department of Agriculture			140,403
U.S. Department of Education:			
Passed through California Dept. of Education (CDE):			
Adult Basic Education (ABE):			
Adult Basic Education & ESL	84.002A	14508	56,531
Adult Secondary Education	84.002	13978	5,250
English Literacy & Civics Education	84.002A	14109	22,574
No Child Left Behind Act (NCLB):			
Title I, Part A - Basic Grants Low Income and Neglected	84.010	14329	183,827
Title II, Part A, Improving Teacher Quality Local Grants	84.367	14341	99,979
Title II, Part D, Enhancing Education Through Technology (EETT), Formula Grants	84.318	14334	1,274
Title III, Immigrant Education Program	84.365	14346	38,381
Title III, Limited English Proficient (LEP) Student Program	84.365	10084	6,080
Title IV, Part A, Safe and Drug Free Schools and Communities, Formula Grants	84.186	14347	10,270
Title V, Part A - Innovative Education Strategies	84.298A	14354	10,861
ARRA: State Fiscal Stabilization Fund	84.394	24997	869,302
Vocational Programs: Voc & Applied Tech Secondary II (Carl Perkins)	84.048	13924	52,890
Individuals with Disabilities Education Act (IDEA):			
Basic Local Assistance Entitlement, Part B, Sec 611	84.027	13379	416,389
Local Assistance, Part B, Sec 611, Private School ISPs	84.027	10115	7,488
Local Assistance, Part B, Sec 611, Early Intervening Services	84.027	10119	47,555
Total U.S. Department of Education			1,828,651
Total Expenditures of Federal Awards			\$ 1,969,054

See accompanying note to supplementary information.

TAMALPAIS UNION HIGH SCHOOL DISTRICT
Reconciliation of Annual Financial and Budget Report with
Audited Financial Statements
For the Fiscal Year Ended June 30, 2010

	<u>General Fund</u>
June 30, 2010, annual financial and budget report fund balances	\$ 21,040,705
Adjustments and reclassifications:	
Increasing (decreasing) the fund balance:	
Investment for housing loan overstated	(850,000)
Special Education mandate settlement accounts receivable understated	<u>14,527</u>
Net adjustments and reclassifications	<u>(835,473)</u>
June 30, 2010, audited financial statement fund balances	<u><u>\$ 20,205,232</u></u>

See accompanying note to supplementary information.

TAMALPAIS UNION HIGH SCHOOL DISTRICT
Combining Balance Sheet - Non-Major Governmental Funds
June 30, 2010

	Adult Education Fund	Cafeteria Fund	Deferred Maintenance Fund	Special Reserve Fund for Other than Capital Outlay Projects	Foundation Special Revenue Fund	Special Reserve Fund for Capital Outlay Projects	Total Non-Major Governmental Funds
ASSETS							
Cash	\$ 1,479,813	\$ 2,011	\$ 1,038,662	\$ 212,160	\$ 50,581	\$ 1,018,692	\$ 3,801,919
Accounts receivable	621,533	38,286	-	-	-	-	659,819
Due from other funds	119,548	-	200,000	-	-	-	319,548
Inventories	-	13,197	-	-	-	-	13,197
Total Assets	\$ 2,220,894	\$ 53,494	\$ 1,238,662	\$ 212,160	\$ 50,581	\$ 1,018,692	\$ 4,794,483
LIABILITIES AND FUND BALANCES							
Liabilities							
Accounts payable	\$ 163,980	\$ 11,109	\$ -	\$ -	\$ -	\$ -	\$ 175,089
Due to other funds	106,436	3,108	-	-	-	1,032	110,576
Total Liabilities	270,416	14,217	-	-	-	1,032	285,665
Fund Balances							
Reserved for:							
Revolving cash	-	400	-	-	-	-	400
Inventories	-	13,197	-	-	-	-	13,197
Unreserved, reported in:							
Capital projects funds	-	-	-	-	-	1,017,660	1,017,660
Special revenue funds	1,950,478	25,680	1,238,662	212,160	50,581	-	3,477,561
Total Fund Balances	1,950,478	39,277	1,238,662	212,160	50,581	1,017,660	4,508,818
Total Liabilities and Fund Balances	\$ 2,220,894	\$ 53,494	\$ 1,238,662	\$ 212,160	\$ 50,581	\$ 1,018,692	\$ 4,794,483

See accompanying note to supplementary information - unaudited.

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, 2010**

	Adult Education Fund	Cafeteria Fund	Deferred Maintenance Fund	Special Reserve Fund for Other than Capital Outlay Projects	Foundation Special Revenue Fund	Special Reserve Fund for Capital Outlay Projects	Total Non-Major Governmental Funds
REVENUES							
General Revenues:							
Federal and State aid not restricted to specific purpose	\$ 1,640,144	\$ -	\$ 157,157	\$ -	\$ -	\$ -	\$ 1,797,301
Earnings on investments	16,695	-	9,311	2,067	505	-	28,578
Miscellaneous	76,759	-	-	-	-	-	76,759
Program Revenues:							
Charges for services	804,932	491,564	-	-	-	-	1,296,496
Operating grants and contributions	84,355	164,005	-	-	-	-	248,360
Total Revenues	2,622,885	655,569	166,468	2,067	505	-	3,447,494
EXPENDITURES							
Instructional Services:							
Instruction	896,543	-	-	-	2,000	-	898,543
School site administration	704,943	-	-	-	-	-	704,943
Pupil Support Services:							
Food services	-	985,262	-	-	-	-	985,262
General Administration Services:							
Other general administration	103,020	-	-	-	-	-	103,020
Plant services	-	-	-	-	-	107,030	107,030
Facility acquisition and construction	11,341	-	141,151	-	-	-	152,492
Community services	859,803	-	-	-	-	-	859,803
Total Expenditures	2,575,650	985,262	141,151	-	2,000	107,030	3,811,093
Excess (Deficiency) of Revenues Over (Under) Expenditures	47,235	(329,693)	25,317	2,067	(1,495)	(107,030)	(363,599)
OTHER FINANCING SOURCES (USES)							
Interfund transfers in	90,072	344,692	200,000	-	-	-	634,764
Interfund transfers out	(77,323)	-	-	-	-	-	(77,323)
Total Other Financing Sources and Uses	12,749	344,692	200,000	-	-	-	557,441
Net Change in Fund Balances	59,984	14,999	225,317	2,067	(1,495)	(107,030)	193,842
Fund Balances, July 1, 2009	1,890,494	24,278	1,013,345	210,093	52,076	1,124,690	4,314,976
Fund Balances, June 30, 2010	\$ 1,950,478	\$ 39,277	\$ 1,238,662	\$ 212,160	\$ 50,581	\$ 1,017,660	\$ 4,508,818

See accompanying note to supplementary information - unaudited.

TAMALPAIS UNION HIGH SCHOOL DISTRICT
Note to the Supplementary Information
June 30, 2010

NOTE 1 – PURPOSE OF SCHEDULES

Schedule of Average Daily Attendance (ADA)

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

Schedule of Instructional Time

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

Districts must maintain their instructional minutes at either the 1982-83 actual minutes or the 1986-87 requirement, whichever is greater, as reduced by Education Code 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.

Other Independent Auditors' Reports

Board of Trustees
Tamalpais Union High School District
Larkspur, California

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

We have audited the financial statements of Tamalpais Union High School District as of and for the year ended June 30, 2010, and have issued our report thereon dated December 11, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

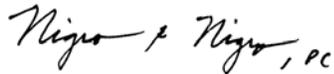
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses.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

Compliance and Other Matters

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

We noted certain matters that we reported to management of Tamalpais Union High School District in a separate letter dated December 11, 2010.

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

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

December 11, 2010

Board of Trustees
Tamalpais Union High School District
Larkspur, California

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

Compliance

We have audited the compliance of Tamalpais Union High School District 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 the major federal programs for the year ended June 30, 2010. Tamalpais Union High School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Tamalpais Union High School District's management. Our responsibility is to express an opinion on Tamalpais Union High School District's compliance based on our audit.

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

In our opinion, Tamalpais Union High School District complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.

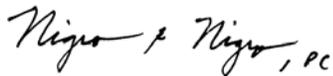
Internal Control Over Compliance

Management of Tamalpais Union High School District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Tamalpais Union High School District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

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



December 11, 2010

Board of Trustees
Tamalpais Union High School District
Larkspur, California

AUDITOR'S REPORT ON STATE COMPLIANCE

We have audited the basic financial statements of the Tamalpais Union High School District as of and for the year ended June 30, 2010, and have issued our report thereon dated December 11, 2010. Our audit was made in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2009-10*, published by the Education Audit Appeals Panel. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

Description	Procedures in Audit Guide	Procedures Performed
Attendance Accounting:		
Attendance Reporting	8	Yes
Kindergarten Continuance	3	Not applicable
Independent Study	23	Yes
Continuation Education	10	Yes
Instructional Time:		
School Districts	6	Yes
County Offices of Education	3	Not applicable
Instructional Materials General Requirements	8	Yes
Ratios of Administrative Employees to Teachers	1	Yes
Classroom Teacher Salaries	1	Yes
Early Retirement Incentive Program	4	Not applicable
Gann Limit Calculation	1	Yes
School Accountability Report Card	3	Yes
Public Hearing Requirement - Receipt of Funds	1	Yes

Description	Procedures in Audit Guide	Procedures Performed
Class Size Reduction Program:		
General Requirements	7	Not applicable
Option One	3	Not applicable
Option Two	4	Not applicable
Districts with Only One School Serving K-3	4	Not applicable
After School Education and Safety Program:		
General Requirements	4	Not applicable
After School	4	Not applicable
Before School	5	Not applicable
Charter Schools:		
Contemporaneous Records of Attendance	1	Not applicable
Mode of Instruction	1	Not applicable
Nonclassroom-Based Instruction/Independent Study	15	Not applicable
Determination of Funding for Nonclassroom-Based Instruction	3	Not applicable
Annual Instructional Minutes – Classroom Based	3	Not applicable

Based on our audit, we found that, for the items tested, the Tamalpais Union High School District complied with the state laws and regulations referred to above. Further, based on our examination, for items not tested, nothing came to our attention to indicate that the Tamalpais Union High School District had not complied with the state laws and regulations.

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

Nigro & Nigro, PC

December 11, 2010

Findings and Questioned Costs

**TAMALPAIS UNION HIGH SCHOOL DISTRICT
Schedule of Audit Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2010**

Section I - Summary of Auditors' Results

Financial Statements

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

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	<u>No</u>
Significant deficiency(s) identified not considered to be material weaknesses?	<u>No</u>
Type of auditors' report issued on compliance for major programs:	<u>Unqualified</u>
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section .510(a)	<u>No</u>
Identification of major programs:	
<u>CFDA Numbers</u> <u>Name of Federal Program or Cluster</u>	
84.394	State Fiscal Stabilization Funds
84.027	Special Education Cluster (IDEA)

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 300,000</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

State Awards

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

TAMALPAIS UNION HIGH SCHOOL DISTRICT
Schedule of Audit Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2010

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 2009-10.

**TAMALPAIS UNION HIGH SCHOOL DISTRICT
Schedule of Audit Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2010**

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 2009-10.

**TAMALPAIS UNION HIGH SCHOOL DISTRICT
Schedule of Audit Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2010**

Section IV – State Award Findings and Questioned Costs

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

There were no state award findings or questioned costs in 2009-10.

TAMALPAIS UNION HIGH SCHOOL DISTRICT
Summary Schedule of Prior Audit Findings
For the Fiscal Year Ended June 30, 2010

There were no findings or questioned costs in 2008-09.

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

Our audit of the financial statements of Tamalpais Union High School District (the District) as of and for the year ended June 30, 2010 was planned and performed in accordance with auditing standards generally accepted in the United States of America. As such, we considered the District's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements. However, our auditing procedures were not designed for the purpose of expressing an opinion on the effectiveness of the District's internal control. Our consideration of internal control was limited to procedures performed to evaluate the design of controls relevant to an audit of financial statements and to determine whether they have been implemented. Therefore, our procedures did not include testing the operating effectiveness of such controls and was not designed to discover significant deficiencies in internal control and, accordingly, we do not express an opinion on the effectiveness of the District's internal control.

As our consideration on internal control was for the limited purpose of expressing our opinion on the financial statement described in this letter, we would not necessarily identify all deficiencies in internal control that might be *significant deficiencies* or *material weaknesses* as those terms are defined by professional standards. Also, because of the inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by these controls.

As defined by professional standards, a control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned responsibilities, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

During the course of performing our procedures, we noted matters that are opportunities 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 11, 2010, on the financial statements of Tamalpais Union High School District.

To the Board of Trustees of
Tamalpais Union High School District
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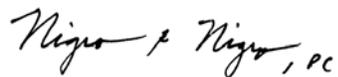
Observation

Our testing over Student Body Funds revealed that some bank accounts were being used as pass through accounts by accounting for administrative items, such as transcripts and lost text books. The fees were posted to student body bank accounts and then forwarded to the District Office.

Recommendation

We recommend that the ASB accounts are not used as a pass-through or clearing accounts. Only funds for student body activities should be deposited into the ASB account.

This communication is intended solely for the information and use of the Board of Trustees of Tamalpais Union High School District and management of Tamalpais Union High School District and is not intended to be and should not be used by anyone other than these specified parties.

Handwritten signature in cursive script that reads "Nigro & Nigro, PC".

December 11, 2010