

**TAMALPAIS UNION HIGH
SCHOOL DISTRICT**

**ANNUAL FINANCIAL REPORT
JUNE 30, 2007**

TAMALPAIS UNION HIGH SCHOOL DISTRICT

OF MARIN COUNTY

LARKSPUR, CALIFORNIA

JUNE 30, 2007

GOVERNING BOARD

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

ADMINISTRATION

Robert Ferguson	Superintendent
Steven Butler	Assistant Superintendent, Educational Services
Dr. Kathy Bennett	Assistant Superintendent, Human Resources
Lori Parrish	Chief Business Official

TAMALPAIS UNION HIGH SCHOOL DISTRICT

TABLE OF CONTENTS

JUNE 30, 2007

FINANCIAL SECTION

Independent Auditors' Report	2
Management's Discussion and Analysis	4
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Assets	13
Statement of Activities	14
Fund Financial Statements	
Governmental Funds - Balance Sheet	15
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	17
Governmental Funds - Statement of Revenues, Expenditures, and Changes in Fund Balance Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	18
Proprietary Funds - Statement of Net Assets	20
Proprietary Funds - Statement of Revenues, Expenses, and Changes in Fund Net Assets	21
Proprietary Funds - Statement of Cash Flows	22
Fiduciary Funds - Statement of Net Assets	23
Fiduciary Funds - Statement of Changes in Net Assets	24
Notes to Financial Statements	25
	26

REQUIRED SUPPLEMENTARY INFORMATION

General Fund - Budgetary Comparison Schedule	49
--	----

SUPPLEMENTARY INFORMATION

Schedule of Expenditures of Federal Awards	51
Local Education Agency Organization Structure	52
Schedule of Average Daily Attendance	53
Schedule of Instructional Time	54
Reconciliation of Annual Financial and Budget Report with Audited Financial Statements	55
Schedule of Financial Trends and Analysis	56
Excess Sick Leave	57
Note to Supplementary Information	58

SUPPLEMENTARY INFORMATION - UNAUDITED

Combining Statements - Non-Major Governmental Funds	
Combining Balance Sheet - Unaudited	60
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance - Unaudited	62
Note to Supplementary Information - Unaudited	64

INDEPENDENT AUDITORS' REPORTS

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	66
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133	68
Report on State Compliance	70

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Summary of Auditors' Results	73
Financial Statement Findings	74
Federal Award Findings and Questioned Costs	78
State Award Findings and Questioned Costs	79
Summary Schedule of Prior Audit Findings	81

FINANCIAL SECTION



INDEPENDENT AUDITORS' REPORT

Governing Board
Tamalpais Union High School District
Larkspur, California

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Tamalpais Union High School District (the "District") as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2006-07* issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Tamalpais Union High School District, as of June 30, 2007, 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 12, 2007, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The required supplementary information, such as management's discussion and analysis on pages 4 through 12 and budgetary comparison information on page 49, is not a required part of the basic financial statements, but is supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

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

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

Lawrence, Trine, Day & Co., LLP

Pleasanton, California
December 12, 2007

TAMALPAIS UNION HIGH SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2007

Tamalpais Union High School District's (TUHSD) annual financial report presents our discussion and analysis of the District's financial performance for the fiscal years ending June 30, 2007 and 2006. Please read it in conjunction with the District's financial statements, which immediately follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Financial Statements

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

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

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

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

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

Reconciliations of the Fund Financial Statements to the Government-wide Financial Statements is provided on Pages 17 and 20 to explain the differences created by the integrated approach.

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

FINANCIAL HIGHLIGHTS OF THE PAST YEAR

REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Assets and the Statement of Activities

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

TAMALPAIS UNION HIGH SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2007

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

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

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

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

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

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

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

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

TAMALPAIS UNION HIGH SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2007

THE DISTRICT AS TRUSTEE

Reporting the District's Fiduciary Responsibilities

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

THE DISTRICT AS A WHOLE

Net Assets

The District's net assets were \$66.7 million and \$62.5 million, respectively, for the fiscal years ended June 30, 2007 and 2006. Of this amount, \$7.8 as of June 30, 2007 and \$9.6 million as of June 2006, was unrestricted. Restricted net assets are reported separately to show legal constraints from debt covenants and enabling legislation that limit the School Board's ability to use those net assets for day-to-day operations. Our analysis below focuses on the net assets (Table 1) and change in net assets (Table 2) of the District's governmental activities.

Table 1

(Amounts in millions)

	Governmental Activities	
	2007	2006
Current and other assets	\$ 118.2	\$ 42.3
Capital assets	150.9	142.1
Total Assets	269.1	184.4
Current liabilities	10.8	9.1
Long-term debt	191.6	112.8
Total Liabilities	202.4	121.9
Net assets		
Invested in capital assets, net of related debt	45.0	43.8
Restricted	13.9	9.1
Unrestricted	7.8	9.6
Total Net Assets	\$ 66.7	\$ 62.5

The \$7.8 million in unrestricted net assets of governmental activities represents the *accumulated* results of all past years' operations. It means that if we had to pay off all of our bills *today* including all of our non-capital liabilities (compensated absences as an example), we would have \$7.8 million left.

TAMALPAIS UNION HIGH SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2007

Changes in Net Assets

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

Table 2

(Amounts in millions)

	Governmental Activities	
	2007	2006
Revenues		
Program revenues		
Charges for services	\$ 1.5	\$ 1.6
Operating grants and contributions	6.0	5.3
Capital grants and contributions	-	1.4
General revenues:		
Property taxes	54.5	50.7
Other general revenues	10.0	5.9
Total Revenues	72.0	64.9
Expenses		
Instruction related	39.8	36.5
Student support services	5.5	4.9
Administration	3.9	3.7
Maintenance and operations	7.3	6.0
Other	11.3	9.9
Total Expenses	67.8	61.0
Change in Net Assets	\$ 4.2	\$ 3.9

Governmental Activities

As reported in the Statement of Activities, the cost of all of our governmental activities for the years ended June 30, 2007 and 2006 was \$67.8 million and \$61.0 million, respectively. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only \$54.5 and \$50.7 million because the cost was paid by those who benefited from the programs (\$1.5 and \$1.6 million) or by other governments and organizations who subsidized certain programs with grants and contributions (\$6.0 and \$5.3 million). We paid for the remaining "public benefit" portion of our governmental activities with State funds and with other revenues, like interest and general entitlements.

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

TAMALPAIS UNION HIGH SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2007

Table 3

(Dollar amounts in millions)

	Net Costs of Services	
	2007	2006
Instruction	\$ 31.3	\$ 26.9
Guidance and counseling	3.7	3.5
School administration	4.2	4.1
Pupil transportation	0.1	0.1
Administration	3.6	3.4
Maintenance and operations	7.2	5.8
Other	10.2	8.9
Totals	\$ 60.3	\$ 52.7

THE DISTRICT'S FUNDS

As of June 30, 2007 and 2006, our governmental funds reported a combined fund balance of \$113.6 million and \$38.2 million, respectively. This is an increase of \$75.4 million from the prior year.

The primary reason for this change is:

- Our Building Fund increased \$70.3 million, the result of the sale of 2006 Bond General Obligation Bonds.

General Fund Budgetary Highlights

Over the course of the year, the District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. The final amendment to the budget was adopted on June 26, 2007, and the final revised budget projected a general fund deficit of \$.6 million. A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in our annual report on page 49.

- The District originally projected a decrease in general fund balance of approximately \$.6 million.
- Budget revisions to increase budgeted revenues were attributed to \$1.4 million mandated costs reimbursements from the state, \$.5 million increase in property taxes, \$.3 million increase in interest income, and \$2.3 million in increased state revenue.
- Budget revisions to increase budgeted expenditures were a result of increase utilities costs and expenditures of prior year carryover. There were significant savings and carryover to 2007/08.
- Actual revenues exceeded final budgeted revenues by \$1.1 million and expenditures were less than expected by \$2.8 million.

TAMALPAIS UNION HIGH SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2007

CAPITAL ASSET & DEBT ADMINISTRATION

Capital Assets

At June 30, 2007 and 2006, the District had \$150.9 million and \$142.1 million, respectively, in a broad range of capital assets, including land, buildings, and furniture and equipment. This amount represents a net increase during 2007 (including additions, deductions and depreciation) of \$8.8 million.

Table 4

(Amounts in millions)

	Governmental Activities	
	2007	2006
Land	\$ 2.4	\$ 2.4
Construction in progress	30.9	31.3
Buildings and improvements	116.6	107.4
Equipment	1.0	1.0
Totals	\$ 150.9	\$ 142.1

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

Tamalpais High School:

Increment No. 3 - Campus Wide Improvements	\$ -	\$ 17.1
Increment No. 4 & 4A - Theater and Student Center	12.7	-
Increment No. 4B - Phoenix Hall Alterations	0.4	0.1
Increment No. 5 - Athletic Fields Dugouts	-	0.2
Increment No. 6 - Gustafson Gymnasium Floor Replacement	-	1.4

Redwood High School:

Increment No. 2 - Modernization	-	22.5
---------------------------------	---	------

Sir Francis Drake High School

Increment No. 3 - Campus Wide Improvements	-	10.2
--	---	------

Increment No. 4 - New Student Center, Food Service, and Locker

Renovation	-	8.3
------------	---	-----

Increment No. 5 - Athletic Fields Renovation	-	0.3
--	---	-----

\$ 13.1	\$ 60.1
----------------	----------------

In addition to the projects completed during the year, modernization funds of approximately \$12.6 million was added to work in process during the year. Modernization is planned to continue into 2009. We present more detailed information about our capital assets in Note 5 to the financial statements.

TAMALPAIS UNION HIGH SCHOOL DISTRICT

**MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2007**

Long-Term Obligations

As of June 30, 2007 and 2006, the District had \$195.1 and \$116.2 million in debt outstanding, respectively. The 2001 General Obligation Bonds decreased of 3.0% percent which resulted from the redemption of \$3.2 million in bonds. The 2006 General Obligation Bonds were sold on September 12, 2006, in the amount of \$79.9 million.

Table 5

(Amounts in millions)

	Governmental Activities	
	2007	2006
2001 General Obligation Bonds, Series 2001	\$ 17.8	\$ 18.5
2001 General Obligation Bonds, Series 2002	44.6	45.9
2001 General Obligation Bonds, Series 2004	48.9	51.6
2006 General Obligation Bonds, Series 2006	79.9	-
Other - Accumulated vacation	3.9	0.2
Totals	\$ 195.1	\$ 116.2

The District's general obligation bond rating continues to be "AA+." The State limits the amount of general obligation debt that District's can issue to 2.5 percent of the assessed value of all taxable property within the District's boundaries. The District's outstanding general obligation debt of \$191.2 million is significantly below this statutorily - imposed limit. We present more detailed information regarding our long-term liabilities in Note 9 of the financial statements.

SIGNIFICANT ACCOMPLISHMENTS OF FISCAL YEAR 2006-07 ARE NOTED BELOW:

General Fund

The District closed its books with a net increase of \$2,847,071 to its Unrestricted General Fund balance. This amount is composed of an increase in fund balance of \$3,004,043 less \$156,972 to be carried over to 2007-08. The carryover includes site block grants, school awards and Academic Performance Index (API) funds, site discretionary funds, and catastrophic leave. The sites received 60% of their site discretionary funds as carryover as part of the phasing out of allowable site carryover.

The District was able to front load expenses for 2007-08 with a transfer to Fund 40 of \$273,809. This will provide for technology, new physical education equipment, and additions to the field, copier and vehicle replacement funds.

Designations were made for equipment for physical education, applied technology, business and the AIM Academy.

Certificated, classified, confidential and management staff received a 4.5% salary increase.

Contributions to Restricted Programs were significantly less than anticipated due primarily to savings in special education legal judgments and services, non public school and agency costs, transportation and excess costs.

TAMALPAIS UNION HIGH SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2007

The Restricted Fund Balance has a carryover amount of \$1,696,682 which is an increase of \$267,614 above the 2005-06 Restricted Fund Balance. The State requires that certain restricted funds be carried over as part of the ending fund balance and that other restricted funds have their carryovers deferred until the funds are spent or earned. The deferred portion this year is \$24,029.

Adult and Community Education

Adult Education ended the year with an increase to their fund balance of \$238,409. They served 645 Adult ADA which is 44 ADA over the cap. They received \$187,480 in prior year state aid in addition to \$48,938 in one time Site and District Discretionary Block Grant money. They received all of their Lottery revenue provided in the amount of \$97,068. The ending fund balance is \$1,358,491.

Community Education fell short of projected revenue by \$254,683. They ended the year with a zero fund balance and a loan from the General Fund in the amount of \$82,233.

Cafeteria

The Cafeteria Fund ended the year with better than expected sales. Revenue exceeded projections by \$81,842. Unfortunately, expenses exceeded budget due in part to the increased cost of labor to support contract meals program. The contribution from the General Fund increased \$52,319 over the Adopted Budget.

Deferred Maintenance

Deferred Maintenance provides revenue for major state-approved maintenance, such as roof repairs, paving, painting, and carpentry. The state is supposed to fund ½ of 1% of the General Fund budgeted expenditures and the District is to match that. The District transferred \$248,921 and the state matched \$174,958 for the prior year. \$683,319 was spent on various re-roofing and window replacement projects. This fund has a reserve of \$753,661. The state is expected to fund between 95-98% in 2007/08.

Bond Funds

The 2001 Bond Fund had expenditures totaling \$5,812,893. The fund earned \$601,428 in interest income. The 2001 Bond Fund has an ending balance of \$11,225,158.

The District sold \$79,920,000 of General Obligation Bonds in September 2007. It is anticipated that there will be \$3,389,737 in interest income over the next three years. Interest income in 2006/07 was \$2,170,207 and there were \$7,030,666 of expenditures.

Building Fund Prop 1A

This fund was for receipt of State Facilities Bond proceeds. The fund balance consists of the interest earned in the amount of \$244,813. Expenses from the 2001 Bond Fund will be transferred to this fund.

Special Reserve – Non Capital Outlay

This fund was established with a \$100,000 transfer from the General Fund. The intention is to provide for post employment retirement benefits. The District will need to fund the actuarially determined amount of approximately \$633,000 in 2008/09.

Special Reserve – Capital Outlay

Transfers were made to this fund in the amount \$273,809 in 2006/07 to provide for the implementation of the student information system (\$58,809); District wide technology (\$25,000); furniture replacement (\$15,000); PE equipment (\$75,000); and field replacement (\$100,000). The field replacement fund is at \$400,000 after the 06/07 transfer. The ending fund balance is \$633,290.

TAMALPAIS UNION HIGH SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2007

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In considering the District Budget for the 2007-08 year, the District Board and management used the following criteria:

- Reductions in enrollment of 92 students in 08/09 and decrease of 77 in 09/10
- Property Tax Revenue increase of 6.0% in 08/09 and 5.5% in 09/10.
- 3.7% and 2.60% COLA on any other State and Federal revenue in 08/09 and 09/10, respectively, based upon the School Services of California Dartboard.
- Parcel Tax Revenue increase of 3.0% in 08/09 and 09/10.
- Interest Income is expected to remain at 06/07 levels.
- Certificated staffing is projected to decrease as a result of the elimination of the 1.0 FTE growth contingency, one time funding for .8 FTE E-School Plus Implementation and .6 FTE Literacy Coaches.
- The cost of step increase for certificated staff is 2.37% in each year. The cost of step increase for classified staff is 3.1% in each year. The cost of step increase for management staff is .84%.
- Health Benefits have been increased by 10% in each year.
- No change in STRS, PERS, or Worker's Compensation rate has been assumed.
- Books and Supplies have been increased by the cola of 2.50% in 08/09 and 2.8% in 09/10.
- Property and Liability Insurance has been increased by 10% for each year.
- Electricity has been increased by 15% for each year, Gas by 30% in 08/09 and 15% in 09/10; other services have been increased by the California CPI projections of 2.8% and 2.9% for 08/09 and 09/10 respectively.
- The contributions to Deferred Maintenance has remained constant since we currently fund more than the maximum.
- The contribution to Special Reserve has remained constant to fund \$100,000 for field replacement, \$8,000 for furniture replacement, \$37,000 for copier replacement, \$45,000 for vehicle replacement, \$25,000 for district wide technology.
- In the 2009/10 Fiscal Year the District will be required to report the liability for post employment retirement benefits. The total amount to be funded per the Actuarial Valuation Report completed as of October 1, 2006 is \$632,108. \$357,000 is currently in the projections which leaves a balance of \$275,000 to be funded. This amount is included in the projections as a transfer to the Reserve for Non Capital Outlay.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

TAMALPAIS UNION HIGH SCHOOL DISTRICT

STATEMENT OF NET ASSETS JUNE 30, 2007

	<u>Governmental Activities</u>
ASSETS	
Deposits and investments	\$ 114,200,308
Receivables	2,364,801
Prepaid expenses	26,243
Deferred charges	1,107,342
Stores inventories	10,903
Other assets	480,000
Capital assets not depreciated	33,299,401
Capital assets, net of accumulated depreciation	117,633,482
Total Assets	<u>269,122,480</u>
LIABILITIES	
Accounts payable	3,385,444
Interest payable	3,793,454
Deferred revenue	24,281
Current portion of long-term obligations	3,570,770
Noncurrent portion of long-term obligations	191,592,098
Total Liabilities	<u>202,366,047</u>
NET ASSETS	
Invested in capital assets, net of related debt	45,047,117
Restricted for:	
Debt service	8,787,189
Capital projects	1,090,305
Educational programs	1,696,682
Other activities	2,267,596
Self-insurance	30,155
Unrestricted	7,837,389
Total Net Assets	<u>\$ 66,756,433</u>

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

TAMALPAIS UNION HIGH SCHOOL DISTRICT

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2007

Functions/Programs	Expenses	Program Revenues		Net (Expenses) Revenues and Changes in Net Assets
		Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities
Governmental Activities:				
Instruction	\$ 33,406,441	\$ 567,777	\$ 3,678,244	\$ (29,160,420)
Instruction-related activities:				
Supervision of instruction	1,147,596	-	509	(1,147,087)
Instructional library, media, and technology	1,011,724	-	-	(1,011,724)
School site administration	4,209,864	6,112	13,087	(4,190,665)
Pupil services:				
Home-to-school transportation	132,169	5,270	29,364	(97,535)
Food services	1,111,956	455,774	371,340	(284,842)
All other pupil services	4,315,995	1,290	653,228	(3,661,477)
General administration:				
Data processing	1,036,278	-	-	(1,036,278)
All other general administration	2,860,808	12,572	257,552	(2,590,684)
Plant services	7,256,286	-	57,069	(7,199,217)
Ancillary services	1,573,502	49,571	124,393	(1,399,538)
Community services	938,417	255,527	382,615	(300,275)
Interest on long-term obligations	8,284,938	-	-	(8,284,938)
Other outgo	511,653	150,459	460,705	99,511
Total Governmental-Type Activities	\$ 67,797,627	\$ 1,504,352	\$ 6,028,106	(60,265,169)
General revenues and subventions:				
Property taxes, levied for general purposes				37,045,765
Property taxes, levied for debt service				9,970,304
Taxes levied for other specific purposes				7,546,522
Federal and State aid not restricted to specific purposes				3,794,056
Interest and investment earnings				3,633,437
Interagency revenues				22,500
Miscellaneous				2,488,048
Subtotal, General Revenues				64,500,632
Change in Net Assets				4,235,463
Net Assets - Beginning				62,520,970
Net Assets - Ending				\$ 66,756,433

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

TAMALPAIS UNION HIGH SCHOOL DISTRICT

GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2007

	General Fund	Building Fund	Bond Interest and Redemption Fund
ASSETS			
Deposits and investments	\$ 14,178,615	\$ 88,023,772	\$ 8,787,189
Receivables	1,768,838	162,609	-
Due from other funds	207,314	13,930	-
Prepaid expenses	26,243	-	-
Stores inventories	-	-	-
Other current assets	480,000	-	-
Total Assets	<u>\$ 16,661,010</u>	<u>\$ 88,200,311</u>	<u>\$ 8,787,189</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 1,462,795	\$ 1,668,882	\$ -
Due to other funds	65,979	-	-
Deferred revenue	24,029	-	-
Total Liabilities	<u>1,552,803</u>	<u>1,668,882</u>	<u>-</u>
Fund Balances:			
Reserved for:			
Legally restricted balances	1,696,682	-	-
Other reservations	38,243	-	-
Unreserved:			
Designated	1,672,517	-	-
Undesignated, reported in:			
General Fund	11,700,765	-	-
Special revenue funds	-	-	-
Debt service funds	-	-	8,787,189
Capital projects funds	-	86,531,429	-
Total Fund Balance	<u>15,108,207</u>	<u>86,531,429</u>	<u>8,787,189</u>
Total Liabilities and Fund Balances	<u>\$ 16,661,010</u>	<u>\$ 88,200,311</u>	<u>\$ 8,787,189</u>

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

Non Major Governmental Funds	Total Governmental Funds
\$ 3,179,732	\$ 114,169,308
333,182	2,264,629
152,049	373,293
-	26,243
10,903	10,903
-	480,000
<u>\$ 3,675,866</u>	<u>\$ 117,324,376</u>

\$ 252,767	\$ 3,384,444
265,544	331,523
252	24,281
<u>518,563</u>	<u>3,740,248</u>

-	1,696,682
11,603	49,846
-	1,672,517
-	11,700,765
2,267,596	2,267,596
-	8,787,189
878,104	87,409,533
<u>3,157,303</u>	<u>113,584,128</u>
<u>\$ 3,675,866</u>	<u>\$ 117,324,376</u>

TAMALPAIS UNION HIGH SCHOOL DISTRICT

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
JUNE 30, 2007**

Total Fund Balance - Governmental Funds		\$ 113,584,128
Amounts Reported for Governmental Activities in the Statement of Net Assets are Different Because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.		
The cost of capital assets is	\$ 188,705,486	
Accumulated depreciation is	<u>(37,772,603)</u>	
Net Capital Assets		150,932,883
Expenditures relating to issuance of debt were recognized on modified accrual basis in the year paid, but are recognized as deferred changes and amortized over the life of the bonds on the government wide statements.		1,107,342
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.		58,247
In governmental funds, unmatured interest on long-term obligations is recognized in the period when it is due. On the government-wide statements, unmatured interest on long-term debt is recognized when it is incurred.		(3,793,454)
An internal service fund is used by the District's management to charge the costs of the workers' compensation insurance program to the individual funds. The assets and liabilities of the internal service fund are included with governmental activities.		30,155
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.		
Long-term liabilities at year end consist of:		
Bonds payable	191,280,000	
Premium on bonds, net of amortization	3,736,880	
Compensated absences (vacations)	<u>145,988</u>	
Total Long-Term Liabilities		<u>(195,162,868)</u>
Total Net Assets - Governmental Activities		<u><u>\$ 66,756,433</u></u>

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

This page left blank intentionally

TAMALPAIS UNION HIGH SCHOOL DISTRICT

**GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE
FOR THE YEAR ENDED JUNE 30, 2007**

	General Fund	Building Fund	Bond Interest and Redemption Fund
REVENUES			
Revenue limit sources	\$ 36,791,791	\$ -	\$ -
Federal sources	729,230	-	-
Other state sources	5,086,352	-	69,498
Other local sources	12,197,257	3,185,907	10,137,138
Total Revenues	54,804,630	3,185,907	10,206,636
EXPENDITURES			
Current			
Instruction	28,804,228	-	-
Instruction-related activities:			
Supervision of instruction	1,091,350	-	-
Instructional library, media and technology	985,555	-	-
School site administration	3,384,390	-	-
Pupil services:			
Home-to-school transportation	124,790	-	-
Food services	8,302	-	-
All other pupil services	4,136,879	-	-
General administration:			
Data processing	981,606	-	-
All other general administration	2,561,730	-	-
Plant services	6,399,934	249,526	-
Facility acquisition and construction	35,472	12,594,033	-
Ancillary services	1,507,998	-	-
Community services	-	-	-
Other outgo	511,653	-	-
Debt service			
Principal	-	-	3,260,000
Interest and other	-	-	7,453,607
Total Expenditures	50,533,887	12,843,559	10,713,607
Excess (Deficiency) of Revenues Over Expenditures	4,270,743	(9,657,652)	(506,971)
Other Financing Sources (Uses):			
Transfers in	18,525	-	-
Other sources	-	79,920,000	2,503,154
Transfers out	(1,017,608)	-	-
Net Financing Sources (Uses)	(999,083)	79,920,000	2,503,154
NET CHANGE IN FUND BALANCES	3,271,660	70,262,348	1,996,183
Fund Balance - Beginning	11,836,547	16,269,081	6,791,006
Fund Balance - Ending	\$ 15,108,207	\$ 86,531,429	\$ 8,787,189

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

Nonmajor Governmental Funds	Total Governmental Funds
\$ 1,761,377	\$ 38,553,168
99,764	828,994
274,781	5,430,631
1,668,362	27,188,664
<u>3,804,284</u>	<u>72,001,457</u>
937,625	29,741,853
-	1,091,350
-	985,555
673,022	4,057,412
-	124,790
1,072,297	1,080,599
-	4,136,879
-	981,606
120,442	2,682,172
461,081	7,110,541
766,659	13,396,164
-	1,507,998
885,118	885,118
-	511,653
-	3,260,000
-	7,453,607
<u>4,916,244</u>	<u>79,007,297</u>
<u>(1,111,960)</u>	<u>(7,005,840)</u>
1,017,608	1,036,133
-	82,423,154
(18,525)	(1,036,133)
<u>999,083</u>	<u>82,423,154</u>
(112,877)	75,417,314
3,270,180	38,166,814
<u>\$ 3,157,303</u>	<u>\$ 113,584,128</u>

TAMALPAIS UNION HIGH SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2007

Total Net Change in Fund Balances - Governmental Funds **\$ 75,417,314**

Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:

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

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

Depreciation expense	\$(4,704,921)	
Capital outlays	13,511,814	
Net Expense Adjustment		8,806,893

Special education mandated settlement is recorded as revenue in the year received in the governmental funds, but reduces the accounts receivable in the government wide statements. (14,527)

Proceeds received from sale of general obligation bonds is a revenue in the governmental funds, but it increases long-term liabilities in the statement of net assets and does not affect the statement of activities. (82,423,154)

In the statement of activities, certain operating expenses, such as compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid).
Vacation used was more than the amounts earned. 4,972

Bond issuance costs incurred in current year is recorded as expenditure in the governmental funds, but is recorded as a deferred charge and amortized on the statement of net assets and statement of activities over the life of the bonds. This is the net amount of current year expense paid and amortization for the year. 486,827

Payment of principal on long-term liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net assets and does not affect the statement of activities. 3,260,000

Premiums on bonds are a revenue in the governmental funds, but are recorded as a liability and amortized on the statement of activities over the life of the bonds. 150,738

Interest on long-term debt is recorded as an expenditure in the funds when it is due; however, in the statement of activities, interest expense is recognized as the interest accrues, regardless of when it is due. (1,468,896)

An internal service fund is used by the District's management to charge the deductible for property and liability insurance claims to the individual funds.
The net revenue of the internal service fund is reported with governmental activities.

Change in Net Assets of Governmental Activities	<u>15,296</u>
	<u>\$ 4,235,463</u>

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

TAMALPAIS UNION HIGH SCHOOL DISTRICT

**PROPRIETARY FUND
STATEMENT OF NET ASSETS
JUNE 30, 2007**

	Governmental Activities - Internal Service Fund
ASSETS	
Current Assets	
Deposits and investments	\$ 31,000
Receivables	155
Total Current Assets	<u>31,155</u>
 LIABILITIES	
Current Liabilities	
Accounts payable	1,000
Total Current Liabilities	<u>1,000</u>
 NET ASSETS	
Unrestricted	30,155
Total Net Assets	<u>\$ 30,155</u>

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

TAMALPAIS UNION HIGH SCHOOL DISTRICT

**PROPRIETARY FUND
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2007**

	Governmental Activities - Internal Service Fund
OPERATING REVENUES	
Local and intermediate sources	\$ 45,656
Total Operating Revenues	<u>45,656</u>
OPERATING EXPENSES	
Supplies and materials	5,966
Other operating cost	24,898
Total Operating Expenses	<u>30,864</u>
Operating Income (Loss)	<u>14,792</u>
NONOPERATING REVENUES (EXPENSES)	
Interest income	504
Total Nonoperating Revenues (Expenses)	<u>504</u>
Change in Net Assets	15,296
Total Net Assets - Beginning	14,859
Total Net Assets - Ending	<u>\$ 30,155</u>

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

TAMALPAIS UNION HIGH SCHOOL DISTRICT

**PROPRIETARY FUND
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2007**

	Governmental Activities - Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from user charges	\$ 45,656
Cash payments for insurance claims	(10,653)
Cash payments to suppliers for goods and services	(20,595)
Net Cash Provided for Operating Activities	<u>14,408</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	354
Net Cash Provided from Investing Activities	<u>354</u>
Net Increase in Cash and Cash Equivalents	14,762
Cash and Cash Equivalents - Beginning	16,238
Cash and Cash Equivalents - Ending	<u>\$ 31,000</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating income	\$ 14,792
Changes in assets and liabilities:	
Accounts payable	(384)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 14,408</u>

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

TAMALPAIS UNION HIGH SCHOOL DISTRICT

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET ASSETS/BALANCE SHEET

JUNE 30, 2007

	Foundation Private- Purpose Trust	Agency Fund	Total
ASSETS			
Deposits and investments	\$ 58,745	\$ 567,950	\$ 626,695
Receivables	19,956	-	19,956
Total Assets	<u>\$ 78,701</u>	<u>\$ 567,950</u>	<u>\$ 646,651</u>
LIABILITIES			
Accounts payable	\$ 1,105	\$ -	\$ 1,105
Due to student groups	-	567,950	567,950
Due to other funds	41,770	-	41,770
Total Liabilities	<u>42,875</u>	<u>\$ 567,950</u>	<u>\$ 610,825</u>
NET ASSETS			
Unreserved	35,826		
Total Net Assets	<u>\$ 35,826</u>		

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

TAMALPAIS UNION HIGH SCHOOL DISTRICT

**FIDUCIARY FUND
STATEMENT OF CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2007**

	Foundation Private- Purpose Trust
ADDITIONS	
Private donations	\$ 534,003
Interest	7,195
Total Additions	<u>541,198</u>
DEDUCTIONS	
Other expenditures	<u>505,372</u>
Total Deductions	<u>505,372</u>
Change in Net Assets	35,826
Net Assets - Beginning	-
Net Assets - Ending	<u><u>\$ 35,826</u></u>

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

TAMALPAIS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

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.

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, boards, and agencies that are not legally separate from the District. For Tamalpais Union High School District, this includes general operations, food service, and student related activities of the District.

Component Units

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 component units.

Other Related Entities

Joint Powers Agencies and Public Entity Risk Pools The District is associated with one joint powers agency and two public entity risk pools. These organizations do not meet the criteria for inclusion as component units of the District. Additional information regarding these organizations is presented in Note 16 to the financial statements. These organizations are:

Marin School Insurance Authority (MSIA), Schools Excess Liability Fund (SELF), and Marin Pupil Transportation Agency (MPTA).

Basis of Presentation - Fund Accounting

The accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The District's funds are grouped into three broad fund categories: governmental, proprietary, and fiduciary.

Governmental Funds Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the District's major and non-major governmental funds:

TAMALPAIS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

Major Governmental Funds

General Fund The General Fund accounts for all financial resources except those required to be accounted for in another fund. The General Fund balance is available to the District for any purpose provided it is expended or transferred according to the general laws of California.

Building Fund The Building Fund exists primarily to account separately for proceeds from sale of bonds and acquisition of major governmental capital facilities and buildings.

Bond Interest and Redemption Fund 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.

Non-Major Governmental Funds

Special Revenue Funds The 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 the following special revenue funds:

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

Cafeteria Fund The Cafeteria Fund is used to account for the financial transactions related to the food service operations of the District.

Deferred Maintenance Fund The Deferred Maintenance Fund is used for the purpose of major repair or replacement of District property.

Special Reserve Fund for Other than Capital Outlay The Special Reserve Fund for Other than Capital Outlay is used to provide for the accumulation of General Fund monies for general operating purposes.

Foundation Special Reserve Fund The Foundation Special Reserve Fund is used to account for scholarship activities.

Capital Projects Funds The Capital Projects Funds are used to account for the acquisition and/or construction of all major governmental fixed assets. The District maintains the following capital projects funds:

County School Facilities Fund The County School Facilities Fund is used primarily to account separately for State apportionments provided for construction and reconstruction of school facilities (Education Code Sections 17010.10-17076.10).

Special Reserve Fund – Capital Outlay The Special Reserve Fund is used to account for funds set aside for Board designated construction projects.

Proprietary Funds Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position, and cash flows. The District applies all GASB pronouncements, as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. Proprietary funds are classified as enterprise or internal service. The District has the following proprietary funds:

TAMALPAIS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

Internal Service Fund Internal service funds may be used to account for any activity for which goods or services are provided to other funds of the District in return for a fee to cover the cost of operations. The District operates a Self Insurance fund that is accounted for in an internal service fund.

Fiduciary Funds Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into two classifications: private-purpose trust funds and agency 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 custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency fund accounts for student body activities (ASB).

Basis of Accounting - Measurement Focus

Government-Wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the proprietary fund financial statements, but differs from the manner in which governmental fund financial statements are prepared.

The government-wide statement of activities presents a comparison between expenses, both direct and indirect, and program revenues for each governmental program. 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 revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program or business segment is self-financing or draws from the general revenues of the District.

Net assets should be reported as restricted when constraints placed on net asset use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net assets restricted for other activities result from special revenue funds and the restrictions on their net asset use.

Fund Financial Statements Fund financial statements report detailed information about the District. The focus of governmental and proprietary fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Non-major funds are aggregated and presented in a single column. The internal service fund is presented in a single column on the face of the proprietary fund statements.

Governmental Funds All governmental funds are accounted for using the flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balance reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements, therefore, include reconciliations with brief explanations to better identify the relationship between the government-wide financial statements, prepared using the

TAMALPAIS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

economic resources measurement focus and the accrual basis of accounting, and the governmental fund financial statements, prepared using the flow of current financial resources measurement focus and the modified accrual basis of accounting.

Proprietary Funds Proprietary funds are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. All assets and all liabilities associated with the operation of this fund are included in the statement of net assets. The statement of changes in fund net assets presents increases (revenues) and decreases (expenses) in net total assets. The statement of cash flows provides information about how the District finances and meets the cash flow needs of its proprietary fund.

Fiduciary Funds Fiduciary funds are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. Fiduciary funds are excluded from the government-wide financial statements because they do not represent resources of the District.

Revenues – Exchange and Non-Exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter, to be used to pay liabilities of the current fiscal year. Generally, available is defined as collectible within 45 or 60 days. However, to achieve comparability of reporting among California districts and so as not to distort normal revenue patterns, with specific respect to reimbursement grants and corrections to State-aid apportionments, the California Department of Education has defined available for districts as collectible within one year. The following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain grants, and other local sources.

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

Generally, available is defined as collectible within 45 or 60 days. However, to achieve comparability of reporting among California districts and so as not to distort normal revenue patterns, with specific respect to reimbursement grants and corrections to state-aid apportionments, the California Department of Education has defined available for districts as collectible within one year.

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

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

TAMALPAIS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

Expenses/Expenditures On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Principal and interest on long-term obligations, which has not matured, are recognized when paid in the governmental funds. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds.

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 equivalents also include cash with county treasury balances for purposes of the statement of cash flows.

Investments

Investments held at June 30, 2007, with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. All investments not required to be reported at fair value are stated at cost or amortized cost. Fair values of investments in county and State investment pools are determined by the program sponsor.

Restricted Assets

Restricted assets arise when restrictions on their use change the normal understanding of the availability of the asset. Such constraints are either imposed by creditors, contributors, grantors, or laws of other governments or imposed by enabling legislation. Restricted assets in the Debt Service Fund represent cash and cash equivalents required by debt covenants to be set aside by the District for the purpose of satisfying certain requirements of the bonded debt issuance.

Prepaid Expenditures

Prepaid expenditures (expenses) represent amounts paid in advance of receiving goods or services. The District has the option of reporting an expenditure in governmental funds for prepaid items either when purchased or during the benefiting period. The District has chosen to report the expenditures when incurred.

Stores Inventories

Inventories consist of expendable food and supplies held for consumption. Inventories are stated at cost, on the weighted average basis. The costs of inventory items are recorded as expenditures in the governmental type funds and expenses in the proprietary type funds when used.

Capital Assets and Depreciation

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. General capital assets are long-lived assets of the District as a whole. The District maintains a capitalization threshold of \$5,000. The District does not possess any infrastructure. 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.

TAMALPAIS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

When purchased, such assets are recorded as expenditures in the governmental funds and capitalized. The valuation basis for general capital assets are historical cost, or where historical cost is not available, estimated historical cost based on replacement cost. Donated capital assets are capitalized at estimated fair market value on the date donated.

Depreciation of capital assets is computed and recorded by the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 20 to 50 years; improvements/infrastructure, 5 to 50 years; equipment, 2 to 15 years.

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables". These amounts are eliminated in the governmental statement of net assets.

Compensated Absences

Accumulated unpaid vacation benefits are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide financial statements. For governmental funds, the current portion of unpaid compensated absences is recognized upon the occurrence of relevant events such as employee resignations and retirements that occur prior to year end that have not yet been paid with expendable available financial resources. These amounts are reported in the fund from which the employees who have accumulated leave are paid.

Sick leave is accumulated without limit for each employee at the rate of one day for each month worked. Leave with pay is provided when employees are absent for health reasons; however, the employees do not gain a vested right to accumulated sick leave. Employees are never paid for any sick leave balance at termination of employment or any other time. Therefore, the value of accumulated sick leave is not recognized as a liability in the District's financial statements. However, credit for unused sick leave is applicable to all classified school members who retire after January 1, 1999. At retirement, each member will receive .004 year of service credit for each day of unused sick leave.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide and proprietary fund financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current financial resources are reported as obligations of the governmental funds.

However, claims and judgments, compensated absences, special termination benefits, and contractually required pension contributions that will be paid from governmental funds are reported as a liability in the governmental fund financial statements only to the extent that they are due for payment during the current year. Bonds, capital leases, and other long-term obligations are recognized as liabilities in the governmental fund financial statements when due.

TAMALPAIS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

Deferred Issuance Costs, Premiums and Discounts

In the government-wide financial statements and in the proprietary fund type financial statements, long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund 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 straight line method.

Fund Balance Reserves and Designations

The District reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available expendable resources and therefore are not available for appropriation or expenditure. Unreserved fund balance indicates that portion of fund balance which is available for appropriation in future periods. Fund balance reserves have been established for revolving cash accounts, stores inventories, prepaid expenditures (expenses), and legally restricted grants and entitlements.

Designations of fund balances consist of that portion of the fund balance that has been designated (set aside) by the governing board to provide for specific purposes or uses. Fund equity designations have been established for economic uncertainties, unrealized gains of investments and cash in county treasury, and other purposes.

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 improvement of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the District, these revenues are In-District Premiums. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund.

Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after non-operating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented in the financial statements. Interfund transfers are eliminated in the governmental activities of the statement of activities.

TAMALPAIS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Budgetary Data

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

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

Property Tax

Secured property taxes attach as an enforceable lien on property as of January 1. Taxes are payable in two installments on November 1 and February 1 and become delinquent on December 10 and April 10, respectively. Unsecured property taxes are payable in one installment on or before August 31. The County of Marin bills and collects the taxes on behalf of the District. Local property tax revenues are recorded when received.

New Accounting Pronouncements

In July 2004, GASB issued GASBS No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This Statement will require local governmental employers who provide other postemployment benefits (OPEB) as part of the total compensation offered to employees to recognize the expense and related liabilities (assets) in the government-wide financial statements of net assets and activities. This Statement establishes standards for the measurement, recognition, and display of OPEB expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information (RSI) in the financial reports of State and local governmental employers.

Current financial reporting practices for OPEB generally are based on pay-as-you-go financing approaches. They fail to measure or recognize the cost of OPEB during the periods when employees render the services or to provide relevant information about OPEB obligations and the extent to which progress is being made in funding those obligations.

This Statement generally provides for prospective implementation - that is, that employers set the beginning net OPEB obligation at zero as of the beginning of the initial year. The District will be required to implement the provisions of this Statement for the fiscal year ended June 30, 2009. The District is in the process of determining the impact the implementation of this Statement will have on the government-wide statement of net assets and activities.

TAMALPAIS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2007

NOTE 2 – DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2007, are classified in the accompanying financial statements as follows:

Governmental activities	\$ 114,200,308
Fiduciary funds	626,695
Total Deposits and Investments	<u>\$ 114,827,003</u>

Deposits and investments as of June 30, 2007, consist of the following:

Cash on hand and in banks	\$ 586,840
Cash in revolving	12,700
Investments	114,227,463
Total Deposits and Investments	<u>\$ 114,827,003</u>

Policies and Practices

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

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

TAMALPAIS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

General Authorizations

Limitations as they relate to interest rate risk, credit risk, and concentration of credit risk are indicated in the schedules below:

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds, Notes, Warrants	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptance	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base	None
Medium-Term Corporate Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

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 maintaining funds in the investment pools listed below. The District monitors the interest rate risk inherent in its portfolio by measuring the weighted average maturity of its portfolio. The District has no specific limitations with respect to this metric.

Investment Type	Fair Value	Weighted Average Maturity in Days
U.S. Treasuries	\$ 15,250,427	67
U.S. Agencies	58,358,790	180
County Pool	40,813,214	238
Total	<u>\$ 114,422,431</u>	

TAMALPAIS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

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 District's investment in the county pool is not required to be rated, nor has it been rated as of June 30, 2007. Presented below is the minimum rating required by the California Government Code, the District's investment policy or debt agreements and the actual rating as of the year-end for each investment type invested in the agencies other than the county pool.

Investment Type	Fair Value	Minimum Legal Rating	Rating as of Year End	
			AAA	Unrated
U.S. Treasuries	\$ 15,250,427	TSY	\$ 15,250,427	\$ -
U.S. Agencies	58,358,790	AGY	58,358,790	-
County Pool	40,813,214	None	-	40,813,214
Total	<u>\$ 114,422,431</u>		<u>\$ 73,609,217</u>	<u>\$ 40,813,214</u>

Custodial Credit Risk - Deposits

This 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, 2007, the District's bank balance of \$414,000 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

TAMALPAIS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

NOTE 3 - RECEIVABLES

Receivables at June 30, 2007, consisted of intergovernmental grants, entitlements, interest and other local sources. All receivables are considered collectible in full.

	General Fund	Building Fund	Non-Major Governmental Funds	Total	Proprietary Fund	Fiduciary Funds
Federal Government						
Categorical aid	\$ 320,499	\$ -	\$ 21,265	\$ 341,764	\$ -	\$ -
State Government						
Apportionment	-	-	150,898	150,898	-	-
Categorical aid	553,020	-	62	553,082	-	-
Lottery	326,993	-	-	326,993	-	-
Other State	91,188	-	-	91,188	-	-
Local Government						
Interest	230,536	162,609	29,018	422,163	155	-
Other Local Sources	246,602	-	131,939	378,541	-	19,956
Total	<u>\$1,768,838</u>	<u>\$162,609</u>	<u>\$ 333,182</u>	<u>\$2,264,629</u>	<u>\$ 155</u>	<u>\$ 19,956</u>

Additional long term receivables include \$58,247 for a special education settlement with payments expected to be received annually over the next four years.

NOTE 4 – OTHER ASSETS

As part of the Employment Agreement for the Superintendent, the District will provide a housing loan to the Superintendent in the principal amount not to exceed \$500,000 to assist the Superintendent in purchasing real property located within the County boundaries to be used as the Superintendent’s principal residence during the term of the loan. Under the Housing Loan Agreement, as long as the Superintendent is employed by the District as Superintendent, no interest shall accrue, and no payments of principal or interest shall be due. However, the unpaid principal balance shall be due and payable in full no later than 15 years after the date of the Housing Loan. In the event the Superintendent is no longer employed by the Board as Superintendent, interest shall begin to accrue on the Housing Loan from the date of separation at a fixed rate equal to the prime rate, as published in the Wall Street Journal on the date of separation, plus 1%, and payments of interest only on the Housing Loan shall be due monthly, commencing one month after the date of separation and continuing for a period of 12 months after the date of separation, at which time the unpaid principal balance and all accrued interest under the Housing Loan shall be due and payable in full. In no event shall the interest rate exceed 7%.

On July 12, 2004, the District signed an agreement to advance \$480,000 of the \$500,000 loan provided in the Employment Agreement. This amount is recorded as other assets in the financial statements.

TAMALPAIS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2007, was as follows:

	Balance July 1, 2006	Additions	Deductions	Balance June 30, 2007
Governmental Activities				
Capital Assets Not Being Depreciated:				
Land	\$ 2,409,145	\$ -	\$ -	\$ 2,409,145
Construction in Progress	31,345,298	12,647,461	13,102,503	30,890,256
Total Capital Assets Not Being Depreciated	33,754,443	12,647,461	13,102,503	33,299,401
Capital Assets Being Depreciated:				
Land Improvements	54,494,354	5,303	-	54,499,657
Buildings and Improvements	84,948,228	13,763,570	-	98,711,798
Furniture and Equipment	1,449,006	163,163	-	1,612,169
Vehicles	547,641	34,820	-	582,461
Total Capital Assets Being Depreciated	141,439,229	13,966,856	-	155,406,085
Total Capital Assets	175,193,672	26,614,317	13,102,503	188,705,486
Less Accumulated Depreciation:				
Land Improvements	8,513,153	1,939,876	-	10,453,029
Buildings and Improvements	23,474,178	2,580,469	-	26,054,647
Furniture and Equipment	632,101	163,548	-	795,649
Vehicles	448,250	21,028	-	469,278
Total Accumulated Depreciation	33,067,682	4,704,921	-	37,772,603
 Governmental Activities Capital Assets, Net	 \$ 142,125,990	 \$ 21,909,396	 \$ 13,102,503	 \$ 150,932,883

TAMALPAIS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

Depreciation expense was charged as a direct expense to governmental and business-type functions as follows:

Governmental Activities

Instruction	\$ 3,664,588
Supervision of instruction	56,246
Instructional library, media, and technology	26,169
School site administration	152,452
Home-to-school transportation	7,379
Food services	31,357
All other pupil services	179,116
Ancillary services	65,504
Community services	53,299
Data processing	54,672
All other general administration	147,772
Plant services	266,367
Total Depreciation Expenses Governmental Activities	<u>\$ 4,704,921</u>

NOTE 6 – INTERFUND TRANSACTIONS

Interfund Receivables/Payables (Due To/Due From)

Interfund receivable and payable balances at June 30, 2007, between major and non-major governmental funds, non-major internal service funds, and fiduciary funds are as follows:

Due To	Due From			Total
	General Fund	Non-Major Governmental Funds	Fiduciary Funds	
General Fund	\$ -	\$ 165,544	\$ 41,770	\$ 207,314
Building Fund	13,930	-	-	13,930
Non-Major Governmental funds	52,049	100,000	-	152,049
Total	<u>\$ 65,979</u>	<u>\$ 265,544</u>	<u>\$ 41,770</u>	<u>\$ 373,293</u>

Balances resulted from the time lag between the date that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transaction are recorded in the accounting system, and (3) payments between funds are made.

TAMALPAIS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

Operating Transfers

Interfund transfers for the year ended June 30, 2007, consisted of the following:

Transfer From	Transfer To		Total
	General Fund	Non-Major Governmental Funds	
General Fund	\$ -	\$ 1,017,608	\$ 1,017,608
Non-Major Governmental funds	18,525	-	18,525
Total	\$ 18,525	\$ 1,017,608	\$ 1,036,133

The General fund transferred to the Adult Education fund to reimburse expenditures	\$	18,525
The General fund transferred to the Adult Education fund to cover expenditures		82,233
The General fund transferred to the Adult Education fund for block grant received		48,938
The General fund transferred to the Cafeteria fund for contribution		245,182
The General fund transferred to the Deferred Maintenance fund for District match		248,921
The General fund transferred to Special Reserve-Capital fund for capital projects		273,809
The General fund transferred to Special Reserve-Non-Capital fund for other postemployment benefits		100,000
The Adult Education fund transferred to the General fund for use of facilities		18,525
Total	\$	1,036,133

Interfund transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund as debt service payments become due, and (3) use unrestricted revenues collected in the General Fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE 7 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2007, consisted of the following:

	General	Building	Non-Major	Total	Proprietary	Fiduciary
	Fund	Fund	Governmental Funds		Fund	Funds
Vendor payables	\$ 1,004,661	\$ 1,668,882	\$ 252,767	\$2,926,310	\$ 1,000	\$ 1,105
State apportionment	51,937	-	-	51,937	-	-
Salaries and benefits	406,197	-	-	406,197	-	-
Total	\$ 1,462,795	\$ 1,668,882	\$ 252,767	\$3,384,444	\$ 1,000	\$ 1,105

TAMALPAIS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

NOTE 8 - DEFERRED REVENUE

Deferred revenue at June 30, 2007, consists of the following:

	General Fund	Non-Major Governmental Funds	Total
Federal financial assistance	\$ 21,425	\$ -	\$ 21,425
State categorical aid	2,604	252	2,856
Total	<u>\$ 24,029</u>	<u>\$ 252</u>	<u>\$ 24,281</u>

NOTE 9 - LONG-TERM OBLIGATIONS

Summary

The changes in the District's long-term obligations during the year consisted of the following:

	Balance July 1, 2006	Additions	Deductions	Balance June 30, 2007	Due in One Year
General obligation bonds	\$ 114,620,000	\$ 79,920,000	\$ 3,260,000	\$ 191,280,000	\$ 3,395,000
Accumulated vacation - net	150,960	-	4,972	145,988	-
	<u>114,770,960</u>	<u>79,920,000</u>	<u>3,264,972</u>	<u>191,425,988</u>	<u>3,395,000</u>
Premiums, net of amortization	1,384,464	2,503,154	150,738	3,736,880	175,770
	<u>\$ 116,155,424</u>	<u>\$ 82,423,154</u>	<u>\$ 3,415,710</u>	<u>\$ 195,162,868</u>	<u>\$ 3,570,770</u>

Payments on the general obligation bonds are made by the Bond Interest and Redemption Fund. The accrued vacation will be paid by the fund for which the employee worked.

Bonded Debt

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds			Bonds Outstanding June 30, 2007
				Outstanding July 1, 2006	Issued	Redeemed	
2001	2026	3.375-5.50	\$ 20,820,000	\$ 18,465,000	\$ -	\$ 650,000	\$ 17,815,000
2002	2027	3.00-6.00	49,580,000	45,905,000	-	1,300,000	44,605,000
2004	2029	4.5-5.50	50,600,000	50,250,000	-	1,310,000	48,940,000
2006	2031	4.00 - 5.00	79,920,000	-	79,920,000	-	79,920,000
				<u>\$ 114,620,000</u>	<u>\$ 79,920,000</u>	<u>\$ 3,260,000</u>	<u>\$ 191,280,000</u>

TAMALPAIS UNION HIGH SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2007**

Debt Service Requirements to Maturity

The bonds mature through 2031 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2008	\$ 3,395,000	\$ 9,034,647	\$ 12,429,647
2009	5,480,000	8,847,766	14,327,766
2010	5,695,000	8,608,229	14,303,229
2011	5,920,000	8,360,929	14,280,929
2012	6,150,000	8,096,029	14,246,029
2013-2017	34,455,000	35,883,767	70,338,767
2018-2022	42,400,000	26,681,403	69,081,403
2023-2027	53,275,000	14,861,813	68,136,813
2028-2031	34,510,000	3,323,219	37,833,219
Total	<u>\$ 191,280,000</u>	<u>\$ 123,697,802</u>	<u>\$ 314,977,802</u>

Accumulated Unpaid Employee Vacation

The long-term portion of accumulated unpaid employee vacation for the District at June 30, 2007, amounted to \$145,988.

NOTE 10 - FUND BALANCES

Fund balances with reservations/designations are composed of the following elements:

	General Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total	Fiduciary Funds
Reserved						
Revolving cash	\$ 12,000	\$ -	\$ -	\$ 700	\$ 12,700	\$ -
Stores inventory	-	-	-	10,903	10,903	-
Prepaid expenditures	26,243	-	-	-	26,243	-
Restricted programs	1,696,682	-	-	-	1,696,682	-
Total Reserved	<u>1,734,925</u>	<u>-</u>	<u>-</u>	<u>11,603</u>	<u>1,746,528</u>	<u>-</u>
Unreserved						
Designated						
Economic uncertainties	1,515,545	-	-	-	1,515,545	-
Other designation	156,972	-	-	-	156,972	-
Total Designated	<u>1,672,517</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,672,517</u>	<u>-</u>
Undesignated	<u>11,700,765</u>	<u>86,531,429</u>	<u>8,787,189</u>	<u>3,145,700</u>	<u>110,165,083</u>	<u>35,826</u>
Total Unreserved	<u>13,373,282</u>	<u>86,531,429</u>	<u>8,787,189</u>	<u>3,145,700</u>	<u>111,837,600</u>	<u>35,826</u>
Total	<u>\$ 15,108,207</u>	<u>\$ 86,531,429</u>	<u>\$ 8,787,189</u>	<u>\$ 3,157,303</u>	<u>\$ 113,584,128</u>	<u>\$ 35,826</u>

TAMALPAIS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

NOTE 11 - LEASE REVENUES

The District has entered into a Memorandum of Understanding (MOU) with Marin Pupil Transportation Agency where by the Agency pays the school district for the rental of office space and fiscal services. During the year ended June 30, 2007, the Agency made payments to the District of \$6,995 for rent of office space and \$3,229 for fiscal services.

NOTE 12 - POSTEMPLOYMENT BENEFITS

The District provides postemployment health care benefits until age 65 in accordance with District employment contracts. Benefits are provided to those certificated personnel hired prior to January 18, 2000, who retire from the District on or after attaining age 55 with at least 5 years of service and to all other employees who retire from the District on or after attaining age 55 with at least 10 years of service. Currently, 49 employees meet those eligibility requirements. Expenditures for postemployment benefits are recognized on a pay-as-you-go basis, premiums are paid. During the year, expenditures of \$429,467 were recognized for retirees' health care benefits.

The approximate accumulated future liability for the District at June 30, 2007, amounts to \$1,202,403. This amount was calculated based upon the number of retirees receiving benefits multiplied by the yearly district payment per employee in effect at June 30, 2007, multiplied by the number of years of payments remaining.

NOTE 13 - 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, 2007, the District contracted with Marin Schools Insurance Authority for workers compensation and property and liability insurance coverage and with Schools Excess Liability Fund for excess property and liability insurance coverage. Settled claims have not exceeded this 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 2007, the District participated in the Marin Schools Insurance Authority, an insurance purchasing pool. The intent of the Marin Schools Insurance Authority is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the Marin Schools Insurance Authority. The workers' compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all districts in the Marin Schools Insurance Authority. Each participant pays its workers' compensation premium based on its individual rate. Total savings are then calculated and each participant's individual performance is compared to the overall savings percentage. A participant will then either receive money from or be required to contribute to the "equity-pooling fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the Marin Schools Insurance Authority. Participation in the Marin Schools Insurance Authority is limited to districts that can meet the Marin Schools Insurance Authority selection criteria.

TAMALPAIS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

Coverage provided by Marin Schools Insurance Authority and Schools Excess Liability Fund for property and liability and workers' compensation is as follows:

Insurance Program / Company Name	Type of Coverage	Limits
<u>Workers' Compensation Program</u>		
Marin Schools Insurance Authority	Workers' Compensation	State Statutory Limits
School Excess Liability Fund	Excess Workers' Compensation	\$ 15,000,000
Marin Schools Insurance Authority	Property	\$ 250,000,000
Marin Schools Insurance Authority	Liability	\$ 1,000,000
Marin Schools Insurance Authority	Crime	\$ 3,000,000
Marin Schools Insurance Authority	Excess Liability - SAFER	\$ 4,000,000

NOTE 14 - EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under multiple-employer contributory retirement 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).

STRS

Plan Description

The District contributes to the California 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 and disability benefits 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 Blvd., Sacramento, CA 95826.

Funding Policy

Active plan members are required to contribute 8.0 percent 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 STRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2006-2007 was 8.25 percent of annual payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to STRS for the fiscal years ending June 30, 2007, 2006, and 2005, were \$1,885,985, \$1,789,842, and \$1,697,641, respectively, and equal 100 percent of the required contributions for each year.

TAMALPAIS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

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 Laws. 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, CA 95814.

Funding Policy

Active plan members are required to contribute 7.0 percent 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 rate for fiscal year 2006-2007 was 9.116 percent of annual payroll. The contribution requirements of the plan members are established by State statute. The District makes both employee and employer contribution to CalPERS on behalf of the classified bargaining unit members. The District's contributions to CalPERS for the fiscal years ending June 30, 2007, 2006, and 2005, were \$1,455,250, \$1,300,556, and \$1,119,361, respectively, and equal 100 percent of the required contributions for each year.

Social Security

As established by Federal law, all public sector employees who are not members of their employer's existing retirement system (STRS or PERS) must be covered by Social Security or an alternative plan. The District has elected to use social security as its alternative plan.

On Behalf Payments

The State of California makes contributions to STRS and PERS on behalf of the District. These payments consist of State General Fund contributions to STRS in the amount of \$1,033,325 (4.517 percent of salaries subject to STRS). No contributions were made for PERS for the year ended June 30, 2007. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures, however, guidance received from the California Department of Education advises local educational agencies not to record these amounts in the Annual Financial and Budget Report. These amounts have not been included in the budget amounts reported in the General Fund Budgetary Schedule. These amounts have been recorded in these financial statements. On behalf payments have been excluded from the calculation of available reserves.

TAMALPAIS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

NOTE 15 - COMMITMENTS AND CONTINGENCIES

Grants

The District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2007.

Litigation

The District is involved in various litigation arising from the normal course of business. In the opinion of management and legal counsel, the disposition of all litigation pending is not expected to have a material adverse effect on the overall financial position of the District at June 30, 2007.

Construction Commitments

As of June 30, 2007, the District had the following commitments with respect to the unfinished capital projects:

<u>Capital Project</u>	<u>Remaining Construction Commitment</u>	<u>Expected Date of Completion</u>
Summer 2006 Irrigation Projects-Sir Francis Drake and Redwood High School	\$ 518,080	through 8/31/07
District Wide Technology Upgrade	948,198	through 10/31/07
District Wide Wireless Network System	309,758	through 10/31/07
Baseball Field- Sir Francis Drake High School	1,060,216	through 10/31/07
W. Parking Lot/ Fire Road- Redwood High School	2,066,353	through 10/31/07
	<u>\$ 4,902,606</u>	

Operating Lease

As of June 30, 2007 the District has the following commitments with respect to portable building leases:

<u>Fiscal Year Ending</u>	
2008	\$ 8,484
2009	8,484
2010	7,342
	<u>\$ 24,310</u>

TAMALPAIS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2007

NOTE 16 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS, JOINT POWER AUTHORITIES AND OTHER RELATED PARTY TRANSACTIONS

The District is a member of the Marin School Insurance Authority (MSIA), the Schools Excess Liability Fund (SELF), public entity risk pools and the Marin Pupil Transportation Agency JPA (MPTA). The District pays an annual premium to the applicable entity for its workers' compensation, dental, vision and property liability coverage. Payments for the insurance premiums are paid to the MSIA. The relationships between the District, the pools, and the JPA's are such that they are not component units of the District for financial reporting purposes.

These entities have budgeting and financial reporting requirements independent of member units and their financial statements are not presented in these financial statements; however, fund transactions between the entities and the District are included in these statements. Audited financial statements are generally available from the respective entities.

The District has designated one member to the governing board of Marin School Insurance Authority.

During the year ended June 30, 2007, the District made payments of \$383,870 and \$92,941 to MSIA and MPTA, respectively, for the insurance coverage. No payment required for SELF insurance coverage.

NOTE 17 - SUBSEQUENT EVENTS

The District issued \$5,000,000 of Tax And Revenue Anticipation Notes dated July 6, 2007, at a coupon rate of 4.25 percent. The notes mature on July 1, 2008. The notes were sold to supplement cash flow. Repayment requirements are that all principal and interest be deposited with the Fiscal Agent by May 31, 2008.

This page left blank intentionally

REQUIRED SUPPLEMENTARY INFORMATION

TAMALPAIS UNION HIGH SCHOOL DISTRICT

**GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2007**

	Budgeted Amounts		Actual (GAAP Basis)	Variances -
	(GAAP Basis)			Positive
	Original	Final		(Negative) Final to Actual
REVENUES				
Revenue limit sources	\$36,231,170	\$36,728,965	\$ 36,791,791	\$ 62,826
Federal sources	700,301	875,222	723,693	(151,529)
Other state sources	1,700,069	4,141,396	5,086,352	944,956
Other local sources	10,632,010	11,977,757	12,202,794	225,037
Total Revenues¹	49,263,550	53,723,340	54,804,630	1,081,290
EXPENDITURES				
Current				
Instruction	27,284,557	30,223,817	28,804,228	1,419,589
Instruction-related activities:				
Supervision of instruction	1,071,388	1,151,601	1,091,350	60,251
Instructional library, media, and technology	1,254,718	1,246,904	985,555	261,349
School site administration	3,391,420	3,400,106	3,384,390	15,716
Pupil services:				
Home-to-school transportation	103,450	151,175	124,790	26,385
Food services	5,163	7,663	8,302	(639)
All other pupil services	4,241,746	4,475,377	4,136,879	338,498
General administration:				
Data processing	924,255	1,024,503	981,606	42,897
All other general administration	2,871,082	2,766,052	2,561,730	204,322
Plant services	6,017,322	6,637,815	6,399,934	237,881
Facility acquisition and construction	105,200	17,919	35,472	(17,553)
Ancillary services	1,262,257	1,569,244	1,507,998	61,246
Other outgo	788,777	691,135	511,653	179,482
Total Expenditures¹	49,321,335	53,363,311	50,533,887	2,829,424
Excess (Deficiency) of Revenues Over Expenditures	(57,785)	360,029	4,270,743	3,910,714
Other Financing Sources (Uses):				
Transfers in	30,000	18,525	18,525	-
Transfers out	(596,784)	(937,239)	(1,017,608)	(80,369)
Net Financing Sources (Uses)	(566,784)	(918,714)	(999,083)	(80,369)
NET CHANGE IN FUND BALANCES	(624,569)	(558,685)	3,271,660	3,830,345
Fund Balance - Beginning	11,836,547	11,836,547	11,836,547	-
Fund Balance - Ending	\$ 11,211,978	\$ 11,277,862	\$ 15,108,207	\$ 3,830,345

¹ On behalf payments of \$1,033,325 are included in the actual revenues and expenditures, but have not been included in the budget amounts.

SUPPLEMENTARY INFORMATION

TAMALPAIS UNION HIGH SCHOOL DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2007**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
Passed through California Department of Education (CDE):			
Adult Education-Adult Basic Education and ESL	84.002	14508	\$ 30,375
Adult Education-Adult Secondary Education	84.002	13978	3,775
Adult Education-English Literacy & Civics Education	84.002	14109	17,226
Title IV-Drug Free Schools	84.186	14347	11,167
Title II-Part A, Teacher Quality	84.367	14341	99,023
Title I-Part A, Basic Grants Low-Income and Neglected ¹	84.010	13797	167,604
Title V-Part A, Innovative Education Strategies	84.298	13340	170
Title III-Immigrant Education Program	84.365	14346	11,943
Title III-Limited English Proficiency	84.365	10084	5,536
Vocational Education, Technology Secondary	84.053	13924	58,983
Special Education - State Grants			
Local Assistance ¹	84.027	13379	367,385
Emergency Impact Aid for Displaced Students	84.938	14792	4,459
Total U.S. Department of Education			<u>777,646</u>
U.S. DEPARTMENT OF AGRICULTURE			
Passed through CDE:			
Child Nutrition: School Programs	10.553	13390	48,388
Total U.S. Department of Agriculture			<u>48,388</u>
U.S. DEPARTMENT OF LABOR			
California Health Science Educators Institute	17.26	02854	2,960
Total Expenditures of Federal Awards			<u>\$ 828,994</u>

¹ Tested as a major program

See accompanying note to supplementary information.

TAMALPAIS UNION HIGH SCHOOL DISTRICT

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE JUNE 30, 2007

ORGANIZATION

The Tamalpais Union High School District was established on July 1, 1908 and consists of an area comprising approximately 189 square miles. The District operates three comprehensive public high schools, a continuation, an independent study high school, and an adult school. There were no boundary changes during the year.

GOVERNING BOARD

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

ADMINISTRATION

<u>NAME</u>	<u>TITLE</u>
Robert Ferguson	Superintendent
Steven Butler	Assistant Superintendent, Educational Services
Dr. Kathy Bennett	Assistant Superintendent, Educational Services
Lori Parrish	Chief Financial Officer

See accompanying note to supplementary information.

TAMALPAIS UNION HIGH SCHOOL DISTRICT

**SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE YEAR ENDED JUNE 30, 2007**

	(Amended) Second Period Report	Annual Report
SECONDARY		
Regular classes	3,519	3,499
Continuation education	113	107
Home and hospital	1	1
Special education	94	91
Total Secondary	3,727	3,698
Total K-12	3,727	3,698
CLASSES FOR ADULTS		
Concurrently enrolled	1	1
Not concurrently enrolled	632	642
Students 21 and over and 19 or older not continuously enrolled since their 18th birthday, enrolled in K-12 through independent study	2	2
Total Classes for Adults	635	645
Grand Total	4,362	4,343
		<u>Hours of Attendance</u>
SUMMER SCHOOL		
High school		57,677
Total Hours		57,677

See accompanying note to supplementary information.

TAMALPAIS UNION HIGH SCHOOL DISTRICT

**SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2007**

Grade Level	1982-83	1986-87	2006-2007	Number of Days		Status
	Actual Minutes	Minutes Requirement	Actual Minutes	Traditional Calendar	Multitrack Calendar	
Grades 9	[1]	64,800	64,902	180	N/A	In compliance
Grades 10	[1]	64,800	64,902	180	N/A	In compliance
Grades 11	[1]	64,800	64,902	180	N/A	In compliance
Grades 12	[1]	64,800	64,902	180	N/A	In compliance

The District received state funding under the Basic Aid Provisions and therefore did not receive incentive funding for offering the required instructional time for the fiscal year 2006-2007.

[1] The District is unable to locate the 1982-1983 actual minutes information. The 2006-2007 actual minutes exceed the 1986-1987 required minutes.

See accompanying note to supplementary information.

TAMALPAIS UNION HIGH SCHOOL DISTRICT

**RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2007**

Summarized below are the fund balance reconciliations between the Unaudited Actual Financial Report and the audited financial statements.

	<u>Adult Education</u>	<u>Building Fund</u>
FUND BALANCE		
Balance, June 30, 2007, Unaudited Actuals	\$ 1,306,634	\$ 86,117,157
Increase in:		
Investment	-	414,272
Accounts receivable	51,857	-
Balance, June 30, 2007, Audited Financial Statement	<u>\$ 1,358,491</u>	<u>\$ 86,531,429</u>

Summarized below are the Form Debt reconciliations between the Unaudited Actual Financial Report, and the audited financial statements.

FORM DEBT	
Total Liabilities, June 30, 2007, Unaudited Actuals	\$ 192,645,380
Increase in:	
Bond premiums, net of amortization	3,736,880
Decrease in:	
General Obligation Bonds payable	(1,219,392)
Total Liabilities, June 30, 2007, Audited Financial Statement	<u>\$ 195,162,868</u>

See accompanying note to supplementary information.

TAMALPAIS UNION HIGH SCHOOL DISTRICT

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2007

	(Budget) 2008 ¹	2007	2006	2005
GENERAL FUND				
Revenues	\$ 52,625,202	\$ 54,804,630	\$ 49,249,703	\$ 44,872,647
Other sources	18,525	18,525	19,485	24,890
Total Revenues and Other Sources	52,643,727	54,823,155	49,269,188	44,897,537
Expenditures	52,111,070	50,533,887	47,238,183	43,170,914
Other uses and transfers out	719,259	1,017,608	884,491	892,913
Total Expenditures and Other Uses	52,830,329	51,551,495	48,122,674	44,063,827
INCREASE (DECREASE) IN FUND BALANCE	\$ (186,602)	\$ 3,271,660	\$ 1,146,514	\$ 833,710
ENDING FUND BALANCE	\$ 14,921,605	\$ 15,108,207	\$ 11,836,547	\$ 10,690,033
AVAILABLE RESERVES²	\$ 13,224,921	\$ 13,216,310	\$ 9,717,233	\$ 9,007,370
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO³	25.03%	26.16%	20.62%	20.44%
LONG-TERM OBLIGATIONS	\$ 191,592,098	\$ 195,162,868	\$ 116,155,424	\$ 118,435,237
K-12 AVERAGE DAILY ATTENDANCE AT P-2	3,673	3,727	3,642	3,690

The General Fund balance has increased by \$4,418,174 over the past two years. The fiscal year 2007-2008 budget projects a decrease of \$186,602 (1 percent). For a district this size, the State recommends available reserves of at least three percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating surpluses in the past three years and anticipates incurring an operating deficit during the 2007-2008 fiscal year. Total long-term obligations have increased by \$76,727,631 over the past two years due to the general obligation bonds issued in the current year.

Average daily attendance has increased by 37 over the past two years. There is a decline of 54 ADA anticipated during fiscal year 2007-2008.

¹ Budget 2008 is included for analytical purposes only and has not been subjected to audit.

² Available reserves consist of undesignated fund balances and designated for economic uncertainty contained within the General Fund.

³ On-behalf payments of \$1,033,325, \$988,376, and \$929,621 have been excluded from the calculation of available reserves for fiscal years ending June 30, 2007, 2006, and 2005.

TAMALPAIS UNION HIGH SCHOOL DISTRICT

EXCESS SICK LEAVE

JUNE 30, 2007

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

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

See accompanying note to supplementary information

TAMALPAIS UNION HIGH SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION

JUNE 30, 2007

NOTE 1 - PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

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

Local Education Agency Organization Structure

This schedule provides information about the District's boundaries and schools operated members of the governing board, and members of the administration.

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 does not received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of Education Code Sections 46200 through 46206.

Districts must maintain their instructional minutes at either the 1982-83 actual minutes or the 1986-87 requirement, whichever is greater, as required by Education Code Section 46201.

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

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

Schedule of 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.

Excess Sick Leave

This schedule provides information required by the Audit Guide for California K-12 Local Educational Agencies for excess sick leave authorized or accrued for members of the California State Teachers Retirement System (CalSTRS).

This page left blank intentionally

SUPPLEMENTARY INFORMATION - UNAUDITED

TAMALPAIS UNION HIGH SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS
 COMBINING BALANCE SHEET - UNAUDITED
 JUNE 30, 2007

	Adult Education Fund	Cafeteria Fund	Deferred Maintenance Fund
ASSETS			
Deposits and investments	\$ 1,275,415	\$ 28,594	\$ 787,733
Receivables	246,302	72,370	6,889
Due from other funds	52,049	-	-
Stores inventories	-	10,903	-
Total Assets	<u>\$ 1,573,766</u>	<u>\$ 111,867</u>	<u>\$ 794,622</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 136,343	\$ 10,564	\$ 40,961
Due to other funds	78,680	86,864	-
Deferred revenue	252	-	-
Total Liabilities	<u>215,275</u>	<u>97,428</u>	<u>40,961</u>
Fund Balances:			
Reserved for:			
Other reservations	11,603	-	-
Unreserved:			
Undesignated, reported in:			
Special revenue funds	1,346,888	14,439	753,661
Capital projects funds	-	-	-
Total Fund Balance	<u>1,358,491</u>	<u>14,439</u>	<u>753,661</u>
Total Liabilities and Fund Balances	<u>\$ 1,573,766</u>	<u>\$ 111,867</u>	<u>\$ 794,622</u>

See accompanying note to additional supplemental information – unaudited.

Special Reserve Non-Capital Fund	Foundation Special Reserve Fund	County School Facilities Fund	Special Reserve Capital Outlay Fund	Total Non-Major Governmental Funds
\$ -	\$ 51,978	\$ 237,823	\$ 798,189	\$ 3,179,732
-	630	6,991	-	333,182
100,000	-	-	-	152,049
-	-	-	-	10,903
<u>\$ 100,000</u>	<u>\$ 52,608</u>	<u>\$ 244,814</u>	<u>\$ 798,189</u>	<u>\$ 3,675,866</u>
\$ -	\$ -	\$ -	\$ 64,899	\$ 252,767
-	-	-	100,000	265,544
-	-	-	-	252
-	-	-	164,899	518,563
-	-	-	-	11,603
100,000	52,608	-	-	2,267,596
-	-	244,814	633,290	878,104
<u>100,000</u>	<u>52,608</u>	<u>244,814</u>	<u>633,290</u>	<u>3,157,303</u>
<u>\$ 100,000</u>	<u>\$ 52,608</u>	<u>\$ 244,814</u>	<u>\$ 798,189</u>	<u>\$ 3,675,866</u>

TAMALPAIS UNION HIGH SCHOOL DISTRICT

**NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - UNAUDITED
FOR THE YEAR ENDED JUNE 30, 2007**

	Adult Education Fund	Cafeteria Fund	Deferred Maintenance Fund
REVENUES			
Revenue limit sources	\$ 1,761,377	\$ -	\$ -
Federal sources	51,376	48,388	-
Other State sources	97,068	2,755	174,958
Other local sources	818,480	775,972	19,680
Total Revenues	<u>2,728,301</u>	<u>827,115</u>	<u>194,638</u>
EXPENDITURES			
Current			
Instruction	935,819	-	-
Instruction-related activities:			
School site administration	673,022	-	-
Pupil services:			
Food services	-	1,072,297	-
General administration:			
All other general administration	120,442	-	-
Plant services	-	-	-
Facility acquisition and construction	6,662	-	683,319
Community services	885,118	-	-
Total Expenditures	<u>2,621,063</u>	<u>1,072,297</u>	<u>683,319</u>
Excess (Deficiency) of			
Revenues Over Expenditures	<u>107,238</u>	<u>(245,182)</u>	<u>(488,681)</u>
Other Financing Sources (Uses):			
Transfers in	149,696	245,182	248,921
Transfers out	(18,525)	-	-
Net Financing Sources (Uses)	<u>131,171</u>	<u>245,182</u>	<u>248,921</u>
NET CHANGE IN FUND BALANCES	<u>238,409</u>	<u>-</u>	<u>(239,760)</u>
Fund Balance - Beginning	<u>1,120,082</u>	<u>14,439</u>	<u>993,421</u>
Fund Balance - Ending	<u>\$ 1,358,491</u>	<u>\$ 14,439</u>	<u>\$ 753,661</u>

See accompanying note to additional supplemental information – unaudited.

Special Reserve Non-Capital Fund	Foundation Special Reserve Fund	County School Facilities Fund	Special Reserve Capital Fund	Total Non-Major Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ 1,761,377
-	-	-	-	99,764
-	-	-	-	274,781
-	2,481	51,749	-	1,668,362
-	2,481	51,749	-	3,804,284
-	1,806	-	-	937,625
-	-	-	-	673,022
-	-	-	-	1,072,297
-	-	-	-	120,442
-	-	-	461,081	461,081
-	-	-	76,678	766,659
-	-	-	-	885,118
-	1,806	-	537,759	4,916,244
-	675	51,749	(537,759)	(1,111,960)
100,000	-	-	273,809	1,017,608
-	-	-	-	(18,525)
100,000	-	-	273,809	999,083
100,000	675	51,749	(263,950)	(112,877)
-	51,933	193,065	897,240	3,270,180
\$ 100,000	\$ 52,608	\$ 244,814	\$ 633,290	\$ 3,157,303

TAMALPAIS UNION HIGH SCHOOL DISTRICT

**NOTE TO SUPPLEMENTARY INFORMATION - UNAUDITED
JUNE 30, 2007**

NOTE 1 - PURPOSE OF SCHEDULES

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

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

INDEPENDENT AUDITORS' REPORTS



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

Governing Board
Tamalpais Union High School District
Larkspur, California

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Tamalpais Union High School District as of and for the year ended June 30, 2007, which collectively comprise the Tamalpais Union High School District's basic financial statements and have issued our report thereon dated December 12, 2007. 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Tamalpais Union High School District's internal control 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 control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the 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. We consider the deficiencies 2007-1 through 2007-4 described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

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

This report is intended solely for the information and use of the governing board, management, the California Department of Education, the State Controller's Office, 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.

Lawrence K. Trine, Day & Co., LLP

Pleasanton, California
December 12, 2007



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

Governing Board
Tamalpais Union High School District
Larkspur, California

Compliance

We have audited the compliance of Tamalpais Union High School District with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major Federal programs for the year ended June 30, 2007. 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 are applicable to each of its major Federal programs for the year ended June 30, 2007.

Internal Control Over Compliance

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

A control deficiency in a district's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a Federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a Federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a Federal program that is more than inconsequential will not be prevented or detected by the District's internal control.

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

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

This report is intended solely for the information and use of the governing board, management, the California Department of Education, the State Controller's Office, 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.

Warriner Trine, Day & Co., LLP

Pleasanton, California
December 12, 2007



INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

Governing Board
 Tamalpais Union High School District
 Larkspur, California

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Tamalpais Union High School District as of and for the year ended June 30, 2007, and have issued our report thereon dated December 12, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2006-07*, issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

Compliance with the requirements of laws, regulations, contracts, and grants listed below is the responsibility of Tamalpais Union High School District's management. In connection with the audit referred to above, we selected and tested transactions and records to determine the Tamalpais Union High School District's compliance with the State laws and regulations applicable to the following items:

	Procedures in Audit Guide	Procedures Performed
Attendance Accounting:		
Attendance reporting	8	Yes
Kindergarten continuance	3	Not Applicable
Independent study	23	Yes
Continuation education	10	Yes
Adult education	9	Yes
Regional occupational centers and programs	6	Not Applicable
Instructional Time:		
School districts	6	Yes
County offices of education	3	Not Applicable
Community day schools	9	Not Applicable
Morgan-Hart Class Size Reduction	7	Yes
Instructional Materials:		
General requirements	12	Yes
K-8 only	1	Not Applicable
9-12 only	1	Yes
Ratios of Administrative Employees to Teachers	1	Yes

	Procedures in Audit Guide	Procedures Performed
Early retirement incentive	4	Not Applicable
Gann limit calculation	1	Yes
School Construction Funds:		
School District bonds	3	Yes
State school facilities funds	1	Yes
Alternative pension plans	2	Not Applicable
Excess sick leave	2	Yes
Notice of right to elect California State Teachers Retirement System (CalSTRS) membership	1	Yes
Proposition 20 Lottery Funds (Cardenas Textbook Act of 2000)	2	Yes
State Lottery Funds (California State Lottery Act of 1984)	2	Yes
California School Age Families Education (Cal-SAFE) Program	3	Not Applicable
School Accountability Report Card	3	Yes
Class Size Reduction Program (including in Charter Schools):		
General requirements	7	Not Applicable
Option one classes	3	Not Applicable
Option two classes	4	Not Applicable
District or charter schools with only one school serving K-3	4	Not Applicable
Charter Schools:		
Contemporaneous records of attendance	1	Not Applicable
Mode of instruction	1	Not Applicable
Non classroom-based instruction/independent study	15	Not Applicable
Determination of funding for non classroom-based instruction	3	Not Applicable
Annual instruction minutes classroom based	3	Not Applicable

With respect to the Alternative Pension Plan compliance requirement, the District has represented to us that they have not entered into any such arrangement.

Based on our audit, we found that for the items tested, the Tamalpais Union High School District complied with the State laws and regulations referred to above, except as described in the Schedule of State Award Finding and Questioned Costs section of the accompanying Schedule of Finding and Question Costs. Further, based on our audit, for items not tested, nothing came to our attention to indicate that the Tamalpais Union High School District had not complied with the laws and regulations, except as described in the Schedule of State Award Findings and Questioned Costs included in this report. Our audit does not provide a legal determination on Tamalpais Union High School District's compliance with the State laws and regulations referred to above.

This report is intended solely for the information and use of the governing board, management, the California Department of Education, the State Controller's Office, the California Department of Finance, 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.

Lawrence K. Trine, Day & Co., LLP

Pleasanton, California
December 12, 2007

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

TAMALPAIS UNION HIGH SCHOOL DISTRICT

**SUMMARY OF AUDITORS' RESULTS
FOR THE YEAR ENDED JUNE 30, 2007**

FINANCIAL STATEMENTS

Type of auditors' report issued:	<u>Unqualified</u>
Internal control over financial reporting:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified not considered to be material weaknesses?	<u>Yes</u>
Noncompliance material to financial statements noted?	<u>No</u>

FEDERAL AWARDS

Internal control over major programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified not considered to be material weaknesses?	<u>None reported</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 Number(s)</u>	<u>Name of Federal Program or Cluster</u>
<u>84.010</u>	<u>Title I - IASA</u>
<u>84.027</u>	<u>Special Education Cluster</u>
<u> </u>	<u> </u>
<u> </u>	<u> </u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 300,000</u>
Auditee qualified as low-risk auditee?	<u>No</u>

STATE AWARDS

Internal control over State programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified not considered to be material weaknesses?	<u>Yes</u>
Type of auditors' report issued on compliance for State programs:	<u>Qualified</u>

TAMALPAIS UNION HIGH SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2007

FINANCIAL STATEMENT FINDINGS

The following findings represent reportable conditions, material weaknesses, and/or instances of noncompliance related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*. The findings have been coded as follows:

<u>Five Digit Code</u>	<u>AB 3627 Finding Type</u>
20000	Inventory of Equipment
30000	Internal Control
60000	Miscellaneous

2007-1 Associate Student Body (30000)

Criteria or Specific Requirements

General best accounting practices emphasize the importance of strong internal controls. Strong internal controls over student body activities help secure the assets of the student organization and prevent fraud.

Condition

During the audit of the student body accounts, we noted the following control deficiencies that can potentially provide opportunity for fraud:

- Pre-numbered receipts were not used for all cash collections
- Receiving documents were not always evident to show goods were received
- No written policy and procedures for the student body activities

Questioned costs

None.

Context

Student body activities involve mostly cash transactions which are more susceptible to misappropriation.

Effect

The assets of the student body organization are exposed to higher risk of fraud.

Cause

Support documentation for cash receipts and disbursements were not always maintained. No segregation of duties for preparing and reviewing bank reconciliation. Stale dated checks were not investigated or written off in a timely manner. In addition, there was no written policy and procedures in place to ensure the properties of the student organization are safeguarded.

Recommendation

We recommend the district establish written policies and procedures to ensure proper documentation is in place for all cash receipt and disbursement transactions and assets of the student organization are safeguarded against fraud. Bank reconciliation should be reviewed periodically to ensure accuracy.

TAMALPAIS UNION HIGH SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2007

District Response

The District will be working to prepare procedures to ensure proper documentation for cash receipt and disbursement transaction. Bank reconciliations are currently being reviewed by our Accounting Coordinator at the District Office.

2007-2 Site Cash (30000)

Criteria or Specific Requirements

Best accounting practices over cash collection suggest proper reconciliation of cash collection with the amount of money deposited in a timely manner. Also monies collected on behalf of the district should be account for separately from the student body funds to avoid commingle of funds.

Condition

During our audit of site cash, we noted the following internal control deficiencies:

- Testing fees collected were tracked in an Excel spreadsheet, however, there was no reconciliation performed for amount of money collected and the amount that should have been collected based on the number of tests indicated on the spreadsheet.
- Money collected was not deposited in the timely manner.

Questioned Costs

None.

Context

Monies collected on behalf of the district were not forwarded or deposited to the district in a timely manner. Also no reconciliation performed to ensure money collected for testing fees were the amounts should have been collected.

Effect

Improperly designed internal controls can create an opportunity for misuse of district funds.

Cause

Money collected on behalf of the district was initially deposited in the student body account. Some money collected in December 2006, was not deposited until April 2007.

Recommendation

We recommend proper procedures be put in place to ensure funds are not commingled and that all monies collected are deposited in a timely manner.

District Response

The District Office will work with the sites to ensure that procedures are in place to ensure that monies collected are deposited in a timely manner.

2007-3 Audit Adjustments (30000)

Criteria or Specific Requirements

Internal controls include the ability of management to prepare financial statements that are fairly presented in accordance with general accepted accounting principles.

TAMALPAIS UNION HIGH SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2007

Condition

During the audit, we noted that fair market value of the investments in the Building Fund and revenue due from State for prior year corrections in the Adult Education Fund were not recorded. As a result, audit adjustments were made in the amount of \$414,272 for the Building Fund and \$51,857 for the Adult Education Fund.

Questioned Costs

None.

Context

The fair market value for the investments and revenue due from State at June 30, 2007, of \$414,272 and \$51,857, respectively, were not recorded.

Effect

The unaudited actuals were misstated by \$414,272 for Building Fund and \$51,857 for Adult Education Fund.

Cause

District neglected to adjust the investments to market value and to record revenue due from the State during year end closing.

Recommendation

We recommend that the District review its investments and revenues due from the State at least annually at year end to ensure all material amounts are recorded in the District's financial system.

District Response

The District will record the fair market value for the investments at year end. The District will review future prior year adjustments made by the state in order to set up accounts receivables.

2007-4 Journal Entries (30000)

Criteria or Specific Requirements

Sufficient internal controls over accounting systems include review and approval of all transactions by a person other than one initiating the entries.

Condition

In reviewing the journal entry processing activity, we noted that some journal entries are not documented as approved by an individual other than the one initiating the entry.

Questioned Costs

None.

Context

Four out of six journal entries tested were prepared, posted, and approved by the same person.

Effect

The lack of review for journal entries results in not ensuring that there is adequate segregation of duties and adequate monitoring being performed on all transactions that affect the general ledger.

TAMALPAIS UNION HIGH SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2007

Cause

Journal entries are not always reviewed and approved by a person other than the individual initiating the entry.

Recommendation

We recommend that the District establish a policy and procedure for processing journal entries. Supporting documents and information should be attached to the journal entry forms in order to verify that journal entries made to the accounting record are proper. All journal entries should be review and approved by someone other than person initiating the entries.

District Response

There are occasions in a small district for the Chief Business Official to enter and approve journal entries. It would be extremely time consuming to hand write entries and have another individual enter them into the computer. In the future the District will establish a policy and procedure for processing journal entries.

TAMALPAIS UNION HIGH SCHOOL DISTRICT

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2007**

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

TAMALPAIS UNION HIGH SCHOOL DISTRICT

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2007**

STATE AWARD FINDINGS AND QUESTIONED COSTS

The following findings represent instances of noncompliance and/or questioned costs relating to State program laws and regulations. The findings have been coded as follows:

<u>Five Digit Code</u>	<u>AB 3627 Finding Type</u>
10000	Attendance
40000	State Compliance
41000	CalSTRS
70000	Instructional Materials
71000	Teacher Misassignments
72000	School Accountability Report Card

2007-5 Independent Study Program (10000)

Criteria or Specific Requirements

California Code of Regulations, Title 5, Section 11703 requires that for each officially enrolled independent study student, the student file must contain the following:

1. Written agreement and written contract
2. Regular work assignments
3. Student work record and work samples
4. Teacher record
5. Student transcript
6. School apportionment records

Condition

During our audit of the independent study program, we noted that some student files did not have the independent student course agreement and weekly assignment sheet or work samples.

Questioned Costs

No funding issue as the District is a basic aid district.

Context

Independent study program generated about 91 ADA at second reporting period, with approximately 23 ADA not being supported with course agreement, weekly assignment sheet and/or work samples.

Effect

Unless the district maintains all the required documents noted above for each independent study student, independent study ADAs are subject to disallowance.

Cause

The District neglected to maintain the Independent Study course agreement and weekly assignment sheet or sample work for all students.

TAMALPAIS UNION HIGH SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2007

Recommendation

We recommend that the district review the requirement for operating the independent study program and establish procedures to ensure that each student file contains all required document as specified in the California Code of Regulation, Title 5, Section 11703. In addition, the District should review all independent study generated ADA to ensure that amounts claimed are supported by course agreements, weekly assignments, and/or work samples. The second and annual attendance reports should be revised for any ADA found not to be properly supported.

District Response

The Principal at the alternative school referenced has prepared a manual over the summer of 2007 that establishes procedures for preparing student files.

TAMALPAIS UNION HIGH SCHOOL DISTRICT

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2007**

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS

There were no prior year findings.