

**TAMALPAIS UNION HIGH  
SCHOOL DISTRICT**

**ANNUAL FINANCIAL REPORT  
JUNE 30, 2006**

**TAMALPAIS UNION HIGH SCHOOL DISTRICT**  
**OF MARIN COUNTY**  
**LARKSPUR, CALIFORNIA**  
**JUNE 30, 2006**

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**GOVERNING BOARD**

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

**ADMINISTRATION**

|                      |   |
|----------------------|---|
| Robert Ferguson      | Superintendent                                    |
| Steven Butler        | Assistant Superintendent, Educational Services    |
| Arvo Toukonen, Ed. D | Assistant Superintendent, Administrative Services |
| Lori Parrish         | Director of Fiscal Services                       |

# TAMALPAIS UNION HIGH SCHOOL DISTRICT

## TABLE OF CONTENTS

JUNE 30, 2006

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### **FINANCIAL SECTION**

|   |    |
|---|----|
| Independent Auditors' Report  | 2  |
| Management's Discussion and Analysis  | 4  |
| Basic Financial Statements  |    |
| Government-Wide Financial Statements  |    |
| Statement of Net Assets   | 14 |
| Statement of Activities   | 15 |
| Fund Financial Statements   |    |
| Governmental Funds - Balance Sheet  | 16 |
| Reconciliation of the Governmental Funds Balance Sheet to the                         |    |
| Statement of Net Assets   | 18 |
| Governmental Funds - Statement of Revenues, Expenditures, and Changes in Fund Balance | 19 |
| Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and     |    |
| Changes in Fund Balances to the District-Wide Statement of Activities                 | 21 |
| Proprietary Funds - Statement of Net Assets   | 22 |
| Proprietary Funds - Statement of Revenues, Expenses, and Changes in Fund Net Assets   | 23 |
| Proprietary Funds - Statement of Cash Flows   | 24 |
| Fiduciary Funds - Statement of Net Assets   | 25 |
| Fiduciary Funds - Statement of Changes in Net Assets                                  | 26 |
| Notes to Financial Statements   | 27 |

### **REQUIRED SUPPLEMENTARY INFORMATION**

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

### **SUPPLEMENTARY INFORMATION**

|  |    |
|--|----|
| Schedule of Expenditures of Federal Awards   | 51 |
| Schedule of Average Daily Attendance   | 52 |
| Schedule of Instructional Time   | 53 |
| Reconciliation of Annual Financial and Budget Report with Audited Financial Statements | 54 |
| Schedule of Financial Trends and Analysis  | 55 |
| Note to Supplementary Information  | 56 |

### **SUPPLEMENTARY INFORMATION - UNAUDITED**

|  |    |
|--|----|
| Combining Statements - Non-Major Governmental Funds                                    |    |
| Combining Balance Sheet - Unaudited  | 58 |
| Combining Statement of Revenues, Expenditures, and Changes in Fund Balance - Unaudited | 60 |
| Note to Supplementary Information - Unaudited  | 62 |

### **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</i>   |    |
| <i>Standards</i>  | 64 |
| Report on Compliance with Requirements Applicable to Each Major Program and Internal          |    |
| Control over Compliance in Accordance with OMB Circular A-133                                 | 66 |
| Report on State Compliance  | 68 |

### **SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

|   |    |
|---|----|
| Summary of Auditors' Results                | 71 |
| Financial Statement Findings                | 72 |
| Federal Award Findings and Questioned Costs | 72 |
| State Award Findings and Questioned Costs   | 72 |
| Summary Schedule of Prior Audit Findings    | 73 |

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***FINANCIAL SECTION***

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Vavrinek, Trine, Day & Co., LLP

Certified Public Accountants

VALUE THE DIFFERENCE

## 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, 2006, 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 2005-06*, 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 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, 2006, 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 October 20, 2006, 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 4 through 13 and budgetary comparison information on page 49, are not a required part of the basic financial statements, but are 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.

*Laurink, Trine, Day & Co., LLP*

Pleasanton, California  
October 20, 2006

# **TAMALPAIS UNION HIGH SCHOOL DISTRICT**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2006**

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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, 2006 and 2005. 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 18 and 21 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, 2006

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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, 2006

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### 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 \$62.5 million and \$58.6 million, respectively, for the fiscal years ended June 30, 2006 and 2005. Of this amount, \$9.6 as of June 30, 2006 and \$10.4 million as of June 2005, 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<br>Activities | Governmental<br>Activities |
|--|----------------------------|----------------------------|
|  | 2006                       | 2005                       |
| Current and other assets                           | \$ 42.3                    | \$ 66.3                    |
| Capital assets                                     | 142.1                      | 116.2                      |
| <b>Total Assets</b>                                | <b>184.4</b>               | <b>182.5</b>               |
| Current liabilities                                | 9.1                        | 7.7                        |
| Long-term debt                                     | 112.8                      | 116.2                      |
| <b>Total Liabilities</b>                           | <b>121.9</b>               | <b>123.9</b>               |
| Net assets   |                            |                            |
| Invested in capital assets,<br>net of related debt | 43.8                       | 40.0                       |
| Restricted   | 9.1                        | 8.2                        |
| Unrestricted                                       | 9.6                        | 10.4                       |
| <b>Total Net Assets</b>                            | <b>\$ 62.5</b>             | <b>\$ 58.6</b>             |

The \$9.6 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 \$9.6 million left.

# TAMALPAIS UNION HIGH SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2006

### 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)                           | <b>Governmental<br/>Activities<br/>2006</b> | <b>Governmental<br/>Activities<br/>2005</b> |
|---|---|---|
| <b>Revenues</b>                                 |   |   |
| Program revenues                                |   |   |
| Charges for services                            | \$ 1.6                                      | \$ 1.2                                      |
| Operating grants and contributions              | 5.3   | 4.5   |
| Capital grants and contributions <sup>[1]</sup> | 1.4   | 0.1   |
| General revenues:                               |   |   |
| Property taxes                                  | 50.7  | 45.6  |
| Other general revenues                          | 5.9   | 5.4   |
| <b>Total Revenues</b>                           | <b>64.9</b>                                 | <b>56.8</b>                                 |
| <b>Expenses</b>                                 |   |   |
| Instruction related                             | 36.5  | 32.8  |
| Student support services                        | 4.9   | 4.2   |
| Administration                                  | 3.7   | 4.0   |
| Maintenance and operations                      | 6.0   | 5.7   |
| Other   | 9.9   | 7.6   |
| <b>Total Expenses</b>                           | <b>61.0</b>                                 | <b>54.3</b>                                 |
| <b>Change in Net Assets</b>                     | <b>\$ 3.9</b>                               | <b>\$ 2.5</b>                               |

### Governmental Activities

As reported in the Statement of Activities, the cost of all of our governmental activities for the years ended June 30, 2006 and 2005 was \$61.0 million and \$54.3 million, respectively. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only \$50.7 and \$45.6 million because the cost was paid by those who benefited from the programs (\$1.6 and \$1.2 million) or by other governments and organizations who subsidized certain programs with grants and contributions (\$5.3 and \$4.5 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.

# TAMALPAIS UNION HIGH SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2006

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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.

**Table 3**

| (Dollar amounts in millions) | Net Cost<br>of Services | Net Cost<br>of Services |
|------------------------------|-------------------------|-------------------------|
|                              | 2006                    | 2005                    |
| Instruction                  | \$ 26.9                 | \$ 26.0                 |
| Guidance and counseling      | 3.5                     | 3.1                     |
| School administration        | 4.1                     | 3.1                     |
| Pupil transportation         | 0.1                     | 0.1                     |
| Administration               | 3.4                     | 3.8                     |
| Maintenance and operations   | 5.8                     | 5.7                     |
| Other                        | 8.9                     | 6.7                     |
| <b>Totals</b>                | <b>\$ 52.7</b>          | <b>\$ 48.5</b>          |

### THE DISTRICT'S FUNDS

As of June 30, 2006 and 2005, our governmental funds reported a combined fund balance of \$38.2 million and \$61.0 million, respectively. This is a decrease of \$22.8 million from the prior year.

The primary reasons for this change is:

- a. Our Building Fund decreased \$25.9 million due to the completion and capitalization of many modernization projects (see page 11 for details).

#### 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 21, 2006, and the final revised budget projected a general fund deficit of \$1.9 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 an increase in general fund balance of approximately \$0.02 million.
- Budget revisions to increase budgeted revenues were attributed to a small increase in property taxes at year end, interest income, and increased state and site level revenues, such as parent funds and facility rental receipts.
- Budget revisions to increase budgeted expenditures were a result of 4.5% on the schedule salary increase for certificated, management and confidential employees.

## **TAMALPAIS UNION HIGH SCHOOL DISTRICT**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JUNE 30, 2006**

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- Actual revenues exceeded final budgeted revenues by \$.5 million and expenditures were less than expected by \$.9 million.

#### **CAPITAL ASSET & DEBT ADMINISTRATION**

##### *Capital Assets*

At June 30, 2006 and 2005, the District had \$142.1 million and \$116.2 million, respectively, in a broad range of capital assets, including land, buildings, and furniture and equipment. This amount represents a net increase during 2006 (including additions, deductions and depreciation) of \$25.9 million.

# TAMALPAIS UNION HIGH SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2006

**Table 4**

| (Amounts in millions)      | Governmental<br>Activities<br>2006 | Governmental<br>Activities<br>2005 |
|----------------------------|------------------------------------|------------------------------------|
| Land                       | \$ 2.4                             | \$ 2.4                             |
| Construction in progress   | 31.3                               | 63.2                               |
| Buildings and improvements | 107.4                              | 49.9                               |
| Equipment                  | 1.0                                | 0.7                                |
| <b>Totals</b>              | <b>\$ 142.1</b>                    | <b>\$ 116.2</b>                    |

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

**Tamalpais High School:**

|   |         |      |
|---|---------|------|
| Increment No. 3 - Campus Wide Improvements              | \$ 17.1 | \$ - |
| Increment No. 4B - Sewer Replacement                    | 0       | -    |
| Increment No. 5 - Athletic Fields Dugouts               | 0       | -    |
| Increment No. 6 - Gustafson Gymnasium Floor Replacement | 1       | -    |

**Redwood High School:**

|  |    |     |
|--|----|-----|
| Increment No. 2 - Modernization              | 23 | -   |
| Increment No. 4 - Athletic Fields Renovation | -  | 4.8 |
| Increment No. 5 - New Gym Roof               | -  | 0.4 |

**Tamiscal High School**

|  |   |     |
|--|---|-----|
| Increment No. 2 - Building Modernization (Palmer, Gus Gymnasium) | - | 6.3 |
| Increment No. 4U - Site Utilities for New Multi-Use Building     | - | 0.5 |
| Increment No. 5 - Athletic Fields Renovation                     | - | 4.4 |

**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            | 3.4            |
|   | <b>\$ 60.1</b> | <b>\$ 19.8</b> |

In addition to the projects completed during the year, modernization funds of approximately \$28.2 million was added to work in process during the year. Modernization is planned to continue into 2007. 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, 2006

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### Long-Term Obligations

As of June 30, 2006 and 2005, the District had \$116.2 and \$118.4 million in debt outstanding, respectively. This is a decrease of 1.9% percent which resulted from the redemption of \$2.2 million dollars in bonds.

**Table 5**

| (Amounts in millions)                 | Governmental<br>Activities<br>2006 | Governmental<br>Activities<br>2005 |
|---------------------------------------|------------------------------------|------------------------------------|
|                                       |                                    |                                    |
| General obligation bonds, Series 2003 | \$ 18.5                            | \$ 19.1                            |
| General obligation bonds, Series 2004 | 45.9                               | 48.0                               |
| General obligation bonds, Series 2005 | 51.6                               | 51.1                               |
| Other - Accumulated vacation          | 0.2                                | 0.2                                |
| <b>Totals</b>                         | <b>\$ 116.2</b>                    | <b>\$ 118.4</b>                    |

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 \$116.0 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 2005-06 ARE NOTED BELOW:***

#### General Fund

The District closed its books with a net increase of \$37,313 to its Unrestricted General Fund balance. This amount is composed of an increase in fund balance of \$710,272 less \$322,959 to be carried over to 2006-07, a designation of \$100,000 to establish a trust for post employment retirement benefits and \$250,000 to be designated for program development. The carryover includes \$62,783 of the site block grants, school awards and Academic Performance Index (API) funds, \$209,578 of site discretionary funds, \$50,598 of catastrophic leave carryover. The site carryovers were reduced by \$322,798 from the prior year of \$595,159.

The District was able to front load expenses for 2006-07 with a transfer to Fund 40 of \$498,500. This will provide for a new student information system, additions to the field, copier and vehicle replacement funds, floor covering and rollers for both Tamalpais High School gyms, and a high speed paper cutter for our print shop.

Designations were made for program development and the establishment of a post retirement benefits trust fund.

Certificated, classified, confidential and management staff received a 4.5% salary increase. The classified settlement for 2004-05 took place after June 30, 2006 and is reflected in 2005-06.

# **TAMALPAIS UNION HIGH SCHOOL DISTRICT**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JUNE 30, 2006**

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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, and revenue increases for current and prior year AB602 allocations.

The Restricted Fund Balance has a carryover amount of \$14,290,067 which is an increase of \$436,241 from the 2004-05 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. There is no deferred portion this year.

### **Adult and Community Education**

Adult Education ended the year with an increase to their fund balance of \$186,128. They served 646 Adult ADA. They received \$292,174 in prior year state aid. They received all of their Lottery revenue provided in the amount of \$103,555.

Community Education increased their fund balance by \$51,206. The Adult and Community Education fund ended the year with a combined reserve of \$1,120,082.

### **Cafeteria**

The Cafeteria Fund reduced the encroachment on the Unrestricted General Fund by \$49,926 from the adopted budget. Contract meals were provided to Ross Valley, Larkspur and Mill Valley School Districts.

### **Deferred Maintenance**

Deferred Maintenance is 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 \$226,375 and the state matched \$162,357 for the prior year. \$449,621 was spent on various reroofing and window replacement projects. This fund has a reserve of \$993,422. The state is expected to fund between 95-98% in 2006-07.

### **Bond Funds**

The Bond Fund had expenditures totaling \$26,988,124. The fund benefited from rising interest rates earning \$1,097,578 on unspent amounts. The Bond Fund has an ending balance of \$16,269,081.

### **Building Fund Prop 1A**

This fund is for receipt of State School Facilities Bond proceeds. Current year funds were received for \$635,406 for San Andreas and \$780,227 for Tamalpais – Gus Gym. Expenses have been transferred from the Bond Fund for all projects. The fund balance consists of the interest earned in the amount of \$193,065.

### **Special Reserve**

Transfers were made to this fund in the amount \$498,500 in 2005-06.

## **TAMALPAIS UNION HIGH SCHOOL DISTRICT**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2006**

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#### **ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

In considering the District Budget for the 2006-07 year, the District Board and management used the following criteria:

- Enrollment increase of 14 students
- Increase in Property Tax Revenue 7.5%
- Increase in State Revenue of 5.92%; Federal Revenue same or less than 2005-06.
- Certificated Staffing increased to support WASC accreditation process in the fall, math instruction at San Andreas, release periods previously funded with categoricals. 3.0 Full Time Equivalent has been budgeted to serve as growth contingency for unidentified fall increases in student enrollment.
- A 4.5% salary increase has been budgeted for all positioned employees. This amount relates to a 7.5% property tax increase. Cost of Step & Column is 2.5% for Certificated; 2.6% for Classified; and 1% for Management.
- Health Benefits are budgeted to decrease .65% for medical effective October 1, 2006.
- School site per student allocations have been increased 5.18%. Sites will be allowed to carryover 80% of their 2005-06 unspent allocations. Additionally, over \$92,000 has been added to site allocations to fund various instructional and technological needs.
- Utilities have been increased 10%electric, 15%gas, 5%all others.
- The athletic budget has been increased to include 2 assistant coach's stipends for water polo at each site and 1 assistant coach's stipend for wrestling at each site.
- Full funding of the deferred maintenance match has been budgeted. Funding for innovative programs development, supplemental instruction and new teacher support have been increased in the 2006-07 budget.

#### **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](mailto:lparrish@tamdistrict.org).



# TAMALPAIS UNION HIGH SCHOOL DISTRICT

## STATEMENT OF NET ASSETS

JUNE 30, 2006

|   | <u>Governmental<br/>Activities</u> |
|---|------------------------------------|
| <b>ASSETS</b>                                   |                                    |
| Deposits and investments                        | \$ 38,755,719                      |
| Receivables                                     | 2,390,482                          |
| Prepaid expenses                                | 5,287                              |
| Deferred charges                                | 620,515                            |
| Stores inventories                              | 14,039                             |
| Other assets                                    | 480,000                            |
| Capital assets not depreciated                  | 33,754,443                         |
| Capital assets, net of accumulated depreciation | 108,371,547                        |
| <b>Total Assets</b>                             | <u>184,392,032</u>                 |
| <b>LIABILITIES</b>                              |                                    |
| Accounts payable                                | 3,388,776                          |
| Interest payable                                | 2,324,558                          |
| Deferred revenue                                | 2,304                              |
| Current portion of long-term obligations        | 3,324,946                          |
| Noncurrent portion of long-term obligations     | 112,830,478                        |
| <b>Total Liabilities</b>                        | <u>121,871,062</u>                 |
| <b>NET ASSETS</b>                               |                                    |
| Invested in capital assets, net of related debt | 43,775,071                         |
| Restricted for:                                 |                                    |
| Debt service                                    | 4,466,448                          |
| Capital projects                                | 1,090,305                          |
| Educational programs                            | 1,446,355                          |
| Other activities                                | 2,165,436                          |
| Self-insurance                                  | 14,859                             |
| Unrestricted                                    | 9,562,496                          |
| <b>Total Net Assets</b>                         | <u>\$ 62,520,970</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, 2006

| Functions/Programs  | Expenses             | Program Revenues                     |  |  | Net (Expenses)<br>Revenues and<br>Changes in<br>Net Assets |
|---|----------------------|--------------------------------------|--|--|--|
|   |                      | Charges for<br>Services and<br>Sales | Operating<br>Grants and<br>Contributions | Capital<br>Grants and<br>Contributions | Governmental<br>Activities                                 |
| <b>Governmental Activities:</b>                           |                      |                                      |  |  |  |
| Instruction   | \$ 30,367,997        | \$ 523,509                           | \$ 3,497,469                             | \$ 1,415,633                           | \$ (24,931,386)  |
| Instruction-related activities:                           |                      |                                      |  |  |  |
| Supervision of instruction                                | 964,148              | -                                    | 13,320                                   | -                                      | (950,828)  |
| Instructional library, media, and<br>technology           | 985,193              | -                                    | -  | -                                      | (985,193)  |
| School site administration                                | 4,148,441            | 8,093                                | 8,564                                    | -                                      | (4,131,784)  |
| Pupil services:   |                      |                                      |  |  |  |
| Home-to-school transportation                             | 77,707               | -                                    | 10,253                                   | -                                      | (67,454)   |
| Food services   | 872,182              | 367,233                              | 319,247                                  | -                                      | (185,702)  |
| All other pupil services                                  | 3,934,471            | 120                                  | 435,497                                  | -                                      | (3,498,854)  |
| General administration:                                   |                      |                                      |  |  |  |
| Data processing   | 897,922              | -                                    | -  | -                                      | (897,922)  |
| All other general administration                          | 2,760,638            | 18,270                               | 262,029                                  | -                                      | (2,480,339)  |
| Plant services  | 5,972,203            | -                                    | 29,199                                   | -                                      | (5,943,004)  |
| Facility acquisition and construction                     | -                    | 66,601                               | 70,481                                   | -                                      | 137,082  |
| Ancillary services  | 1,413,565            | 332,042                              | 351,384                                  | -                                      | (730,139)  |
| Community services  | 893,794              | -                                    | -  | -                                      | (893,794)  |
| Interest on long-term obligations                         | 7,033,112            | -                                    | -  | -                                      | (7,033,112)  |
| Other outgo   | 614,228              | 243,430                              | 263,558                                  | -                                      | (107,240)  |
| <b>Total Governmental-Type Activities</b>                 | <b>\$ 60,935,601</b> | <b>\$ 1,559,298</b>                  | <b>\$ 5,261,001</b>                      | <b>\$ 1,415,633</b>                    | <b>\$ (52,699,669)</b>                                     |
| General revenues and subventions:                         |                      |                                      |  |  |  |
|   |                      |                                      |  |  | \$ 34,102,150  |
| Property taxes, levied for general purposes               |                      |                                      |  |  | 9,246,398  |
| Property taxes, levied for debt service                   |                      |                                      |  |  | 7,375,693  |
| Taxes levied for other specific purposes                  |                      |                                      |  |  | 2,402,686  |
| Federal and State aid not restricted to specific purposes |                      |                                      |  |  | 1,632,231  |
| Interest and investment earnings                          |                      |                                      |  |  | 22,500   |
| Interagency revenues                                      |                      |                                      |  |  | 1,803,885  |
| Miscellaneous   |                      |                                      |  |  |  |
| <b>Subtotal, General Revenues</b>                         |                      |                                      |  |  | <b>56,585,543</b>  |
| <b>Change in Net Assets</b>                               |                      |                                      |  |  | <b>3,885,874</b>   |
| Net Assets - Beginning                                    |                      |                                      |  |  | 58,635,096   |
| Net Assets - Ending                                       |                      |                                      |  |  | <b>\$ 62,520,970</b>                                       |

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

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# TAMALPAIS UNION HIGH SCHOOL DISTRICT

## GOVERNMENTAL FUNDS

### BALANCE SHEET

JUNE 30, 2006

|  | General<br>Fund      | Building<br>Fund     | County School<br>Facilities<br>Fund |
|--|----------------------|----------------------|-------------------------------------|
| <b>ASSETS</b>                                  |                      |                      |                                     |
| Deposits and investments                       | \$ 11,093,424        | \$ 16,909,491        | \$ 1,608,025                        |
| Receivables                                    | 1,945,719            | 8,650                | 673                                 |
| Due from other funds                           | 471,761              | 1,415,633            | -                                   |
| Prepaid expenses                               | 5,287                | -                    | -                                   |
| Stores inventories                             | -                    | -                    | -                                   |
| Other assets                                   | 480,000              | -                    | -                                   |
| <b>Total Assets</b>                            | <b>\$ 13,996,191</b> | <b>\$ 18,333,774</b> | <b>\$ 1,608,698</b>                 |
| <b>LIABILITIES AND<br/>FUND BALANCES</b>       |                      |                      |                                     |
| <b>Liabilities:</b>                            |                      |                      |                                     |
| Accounts payable                               | \$ 1,335,279         | \$ 1,857,345         | \$ -                                |
| Due to other funds                             | 823,506              | 207,348              | 1,415,633                           |
| Deferred revenue                               | 859                  | -                    | -                                   |
| <b>Total Liabilities</b>                       | <b>2,159,644</b>     | <b>2,064,693</b>     | <b>1,415,633</b>                    |
| <b>Fund Balances:</b>                          |                      |                      |                                     |
| Reserved for:                                  |                      |                      |                                     |
| Stores inventories                             | -                    | -                    | -                                   |
| Other reservations                             | 1,446,355            | -                    | -                                   |
| Unreserved:                                    |                      |                      |                                     |
| Designated                                     | 2,086,988            | -                    | -                                   |
| Undesignated, reported in:                     |                      |                      |                                     |
| General Fund                                   | 8,303,204            | -                    | -                                   |
| Special revenue funds                          | -                    | -                    | -                                   |
| Debt service funds                             | -                    | -                    | -                                   |
| Capital projects funds                         | -                    | 16,269,081           | 193,065                             |
| <b>Total Fund Balance</b>                      | <b>11,836,547</b>    | <b>16,269,081</b>    | <b>193,065</b>                      |
| <b>Total Liabilities and<br/>Fund Balances</b> | <b>\$ 13,996,191</b> | <b>\$ 18,333,774</b> | <b>\$ 1,608,698</b>                 |

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

| <b>Bond Interest<br/>and Redemption<br/>Fund</b> | <b>Non Major<br/>Governmental<br/>Funds</b> | <b>Total<br/>Governmental<br/>Funds</b> |
|--|---|---|
| \$ 6,791,006                                     | \$ 2,337,535                                | \$ 38,739,481                           |
| -  | 300,680                                     | 2,255,722                               |
| -  | 823,759                                     | 2,711,153                               |
| -  | -   | 5,287                                   |
| -  | 14,039                                      | 14,039                                  |
| -  | -   | 480,000                                 |
| <u>\$ 6,791,006</u>                              | <u>\$ 3,476,013</u>                         | <u>\$ 44,205,682</u>                    |
| <br>   |   |   |
| \$ -   | \$ 194,768                                  | \$ 3,387,392                            |
| -  | 202,685                                     | 2,649,172                               |
| -  | 1,445                                       | 2,304                                   |
| <u>-</u>   | <u>398,898</u>                              | <u>6,038,868</u>                        |
| <br>   |   |   |
| -  | 14,039                                      | 14,039                                  |
| -  | 400   | 1,446,755                               |
| <br>   |   |   |
| -  | -   | 2,086,988                               |
| <br>   |   |   |
| -  | -   | 8,303,204                               |
| -  | 2,165,436                                   | 2,165,436                               |
| 6,791,006  | -   | 6,791,006                               |
| -  | 897,240                                     | 17,359,386                              |
| <u>6,791,006</u>                                 | <u>3,077,115</u>                            | <u>38,166,814</u>                       |
| <br>   |   |   |
| <u>\$ 6,791,006</u>                              | <u>\$ 3,476,013</u>                         | <u>\$ 44,205,682</u>                    |

# TAMALPAIS UNION HIGH SCHOOL DISTRICT

## RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET ASSETS JUNE 30, 2006

---

|  |                |                      |
|--|----------------|----------------------|
| <b>Total Fund Balance - Governmental Funds</b>   |                | <b>\$ 38,166,814</b> |
| <b>Amounts Reported for Governmental Activities in the Statement of Net Assets are Different Because:</b>  |                |                      |
| 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  | \$ 174,257,263 |                      |
| Accumulated depreciation is  | (32,131,273)   |                      |
| Net Capital Assets   |                | 142,125,990          |
| 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.                                     |                | 620,515              |
| 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.   |                | 72,774               |
| 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.                                    |                | (2,324,558)          |
| 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. |                | 14,859               |
| 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  | 114,620,000    |                      |
| Premium on bonds, net of amortization  | 1,384,464      |                      |
| Compensated absences (vacations)   | 150,960        |                      |
| Total Long-Term Liabilities  |                | (116,155,424)        |
| <b>Total Net Assets - Governmental Activities</b>  |                | <b>\$ 62,520,970</b> |

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

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# TAMALPAIS UNION HIGH SCHOOL DISTRICT

## GOVERNMENTAL FUNDS

### STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE FOR THE YEAR ENDED JUNE 30, 2006

|  | General<br>Fund      | Building<br>Fund     | County School<br>Facilities<br>Fund |
|--|----------------------|----------------------|-------------------------------------|
| <b>REVENUES</b>  |                      |                      |                                     |
| Revenue limit sources  | \$ 33,832,467        | \$ -                 | \$ -                                |
| Federal sources  | 715,535              | -                    | -                                   |
| Other state sources  | 2,880,879            | -                    | 1,415,633                           |
| Other local sources  | 11,820,822           | 1,097,578            | 45,575                              |
| <b>Total Revenues</b>  | <b>49,249,703</b>    | <b>1,097,578</b>     | <b>1,461,208</b>                    |
| <b>EXPENDITURES</b>  |                      |                      |                                     |
| Current  |                      |                      |                                     |
| Instruction  | 26,881,032           | -                    | -                                   |
| Instruction-related activities:                              |                      |                      |                                     |
| Supervision of instruction                                   | 924,560              | -                    | -                                   |
| Instructional library, media and technology                  | 966,775              | -                    | -                                   |
| School site administration                                   | 3,412,940            | -                    | -                                   |
| Pupil services:  |                      |                      |                                     |
| Home-to-school transportation                                | 72,514               | -                    | -                                   |
| Food services  | 4,777                | -                    | -                                   |
| All other pupil services                                     | 3,808,404            | -                    | -                                   |
| General administration:                                      |                      |                      |                                     |
| Data processing  | 859,442              | -                    | -                                   |
| All other general administration                             | 2,505,823            | -                    | -                                   |
| Plant services   | 5,688,501            | 525,272              | -                                   |
| Facility acquisition and construction                        | 131,725              | 26,462,852           | 1,415,633                           |
| Ancillary services   | 1,367,462            | -                    | -                                   |
| Community services   | -                    | -                    | -                                   |
| Other outgo  | 614,228              | -                    | -                                   |
| Debt service   |                      |                      |                                     |
| Principal  | -                    | -                    | -                                   |
| Interest and other   | -                    | -                    | -                                   |
| <b>Total Expenditures</b>                                    | <b>47,238,183</b>    | <b>26,988,124</b>    | <b>1,415,633</b>                    |
| <b>Excess (Deficiency) of<br/>Revenues Over Expenditures</b> | <b>2,011,520</b>     | <b>(25,890,546)</b>  | <b>45,575</b>                       |
| <b>Other Financing Sources (Uses):</b>                       |                      |                      |                                     |
| Transfers in   | 19,485               | -                    | -                                   |
| Transfers out  | (884,491)            | -                    | -                                   |
| <b>Net Financing Sources (Uses)</b>                          | <b>(865,006)</b>     | <b>-</b>             | <b>-</b>                            |
| <b>NET CHANGE IN FUND BALANCES</b>                           | <b>1,146,514</b>     | <b>(25,890,546)</b>  | <b>45,575</b>                       |
| <b>Fund Balance - Beginning</b>                              | <b>10,690,033</b>    | <b>42,159,627</b>    | <b>147,490</b>                      |
| <b>Fund Balance - Ending</b>                                 | <b>\$ 11,836,547</b> | <b>\$ 16,269,081</b> | <b>\$ 193,065</b>                   |

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



| <b>Bond Interest<br/>and Redemption<br/>Fund</b> | <b>Nonmajor<br/>Governmental<br/>Funds</b> | <b>Total<br/>Governmental<br/>Funds</b> |
|--|--|---|
| \$ -   | \$ 1,609,184                               | \$ 35,441,651                           |
| -  | 100,101                                    | 815,636                                 |
| 67,911   | 270,003                                    | 4,634,426                               |
| 9,286,941  | 1,693,059                                  | 23,943,975                              |
| 9,354,852  | 3,672,347                                  | 64,835,688                              |
| -  | 907,717                                    | 27,788,749                              |
| -  | -  | 924,560                                 |
| -  | -  | 966,775                                 |
| -  | 628,201                                    | 4,041,141                               |
| -  | -  | 72,514                                  |
| -  | 845,335                                    | 850,112                                 |
| -  | -  | 3,808,404                               |
| -  | -  | 859,442                                 |
| -  | 128,115                                    | 2,633,938                               |
| -  | 105,100                                    | 6,318,873                               |
| -  | 735,972                                    | 28,746,182                              |
| -  | -  | 1,367,462                               |
| -  | 856,280                                    | 856,280                                 |
| -  | -  | 614,228                                 |
| 2,215,000  | -  | 2,215,000                               |
| 5,630,298  | -  | 5,630,298                               |
| 7,845,298  | 4,206,720                                  | 87,693,958                              |
| 1,509,554  | (534,373)                                  | (22,858,270)                            |
| -  | 884,491                                    | 903,976                                 |
| -  | (19,485)                                   | (903,976)                               |
| -  | 865,006                                    | -                                       |
| 1,509,554  | 330,633                                    | (22,858,270)                            |
| 5,281,452  | 2,746,482                                  | 61,025,084                              |
| \$ 6,791,006                                     | \$ 3,077,115                               | \$ 38,166,814                           |

# TAMALPAIS UNION HIGH SCHOOL DISTRICT

## RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE DISTRICT-WIDE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2006

---

**Total Net Change in Fund Balances - Governmental Funds** **\$ (22,858,270)**

**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 depreciated capital outlays in the period.

|                        |                   |            |
|------------------------|-------------------|------------|
| Depreciation expense   | \$(3,311,465)     |            |
| Capital outlays        | <u>29,276,620</u> |            |
| Net Expense Adjustment |                   | 25,965,155 |

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)

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 (3,709)

Payment of costs for the issuance of bonds is an 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. (28,030)

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. 2,215,000

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. 61,104

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. (1,458,442)

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**

|                            |
|----------------------------|
| 7,593                      |
| <u><u>\$ 3,885,874</u></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, 2006**

---

|                                  | <b>Governmental<br/>Activities -<br/>Internal<br/>Service Fund</b> |
|----------------------------------|--|
| <b>ASSETS</b>                    |  |
| <b>Current Assets</b>            |  |
| Deposits and investments         | \$ 16,238  |
| Receivables                      | 5  |
| <b>Total Current Assets</b>      | <u>16,243</u>  |
| <b>LIABILITIES</b>               |  |
| <b>Current Liabilities</b>       |  |
| Accounts payable                 | <u>1,384</u>   |
| <b>Total Current Liabilities</b> | <u>1,384</u>   |
| <b>NET ASSETS</b>                |  |
| Unrestricted                     | <u>14,859</u>  |
| <b>Total Net Assets</b>          | <u><u>\$ 14,859</u></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, 2006**

|   | <b>Governmental<br/>Activities -<br/>Internal<br/>Service Fund</b> |
|---|--|
| <b>OPERATING REVENUES</b>                         |  |
| Local and intermediate sources                    | \$ 29,972  |
| <b>Total Operating Revenues</b>                   | <u>29,972</u>  |
| <b>OPERATING EXPENSES</b>                         |  |
| Supplies and materials                            | 18,888   |
| Other operating cost                              | <u>3,805</u>   |
| <b>Total Operating Expenses</b>                   | <u>22,693</u>  |
| <b>Operating Income (Loss)</b>                    | <u>7,279</u>   |
| <b>NONOPERATING REVENUES (EXPENSES)</b>           |  |
| Interest income                                   | <u>314</u>   |
| <b>Total Nonoperating<br/>Revenues (Expenses)</b> | <u>314</u>   |
| <b>Change in Net Assets</b>                       | <u>7,593</u>   |
| <b>Total Net Assets - Beginning</b>               | <u>7,266</u>   |
| <b>Total Net Assets - Ending</b>                  | <u>\$ 14,859</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, 2006

|  | Governmental<br>Activities -<br>Internal<br>Service Fund |
|--|--|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>  |  |
| Cash received from user charges  | \$ 30,037  |
| Cash payments for insurance claims   | (3,805)  |
| Cash payments to suppliers for goods and services  | (17,504)   |
| Net Cash Provided for Operating Activities   | 8,728  |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>  |  |
| Interest on investments  | 354  |
| Net Cash Provided from Investing Activities  | 354  |
| Net Increase in Cash and Cash Equivalents  | 9,082  |
| Cash and Cash Equivalents - Beginning  | 7,156  |
| Cash and Cash Equivalents - Ending   | \$ 16,238  |
| <b>RECONCILIATION OF OPERATING INCOME<br/>TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b> |  |
| Operating income   | \$ 7,279   |
| Changes in assets and liabilities:   |  |
| Due to other funds   | 65   |
| Accounts payable   | 1,384  |
| <b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>   | <b>\$ 8,728</b>  |

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

# TAMALPAIS UNION HIGH SCHOOL DISTRICT

## FIDUCIARY FUNDS

### STATEMENT OF FIDUCIARY NET ASSETS

JUNE 30, 2006

|                          | Foundation<br>Private-<br>Purpose<br>Trust | Agency<br>Fund    | Total             |
|--------------------------|--|-------------------|-------------------|
| <b>ASSETS</b>            |  |                   |                   |
| Deposits and investments | \$ 34,111                                  | \$ 610,852        | \$ 644,963        |
| Receivables              | 28,058                                     | -                 | 28,058            |
| <b>Total Assets</b>      | <u>\$ 62,169</u>                           | <u>\$ 610,852</u> | <u>\$ 673,021</u> |
| <b>LIABILITIES</b>       |  |                   |                   |
| Accounts payable         | \$ 188                                     | \$ -              | \$ 188            |
| Due to student groups    | -  | 610,852           | 610,852           |
| Due to other funds       | 61,981                                     | -                 | 61,981            |
| <b>Total Liabilities</b> | <u>\$ 62,169</u>                           | <u>\$ 610,852</u> | <u>\$ 673,021</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, 2006

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|                               | Other<br>Private-<br>Purpose<br>Trust |
|-------------------------------|---------------------------------------|
| <b>ADDITIONS</b>              |                                       |
| Private donations             | \$ 526,240                            |
| Interest                      | 6,171                                 |
| <b>Total Additions</b>        | <u>532,411</u>                        |
| <b>DEDUCTIONS</b>             |                                       |
| Other expenditures            | <u>548,495</u>                        |
| <b>Total Deductions</b>       | <u>548,495</u>                        |
| <b>Change in Net Assets</b>   | (16,084)                              |
| <b>Net Assets - Beginning</b> | <u>16,084</u>                         |
| <b>Net Assets - Ending</b>    | <u><u>\$ -</u></u>                    |

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

# **TAMALPAIS UNION HIGH SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2006**

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### **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, 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 15 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, 2006

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### 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.

**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).

**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/Account** The Cafeteria Fund/Account 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.

**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:

**Special Reserve Fund** 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, 2006

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**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.

# TAMALPAIS UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

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**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 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.

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.

Under the modified accrual basis, 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.

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.

# TAMALPAIS UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

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**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.

**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, 2006, 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.

# **TAMALPAIS UNION HIGH SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2006**

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### **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.

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.

# **TAMALPAIS UNION HIGH SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2006**

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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.

### **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.

# **TAMALPAIS UNION HIGH SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2006**

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### **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 1<sup>st</sup> 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, 2006

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In June 2005, the GASB issued GASBS No. 47, *Accounting for Termination Benefits*. GASBS No. 47 addresses accounting for both voluntary and involuntary termination benefits. For termination benefits that affect an employer's obligations for defined benefit OPEB, the provisions of GASBS No. 47 should be applied simultaneously with the requirements of GASBS No. 45 [GASBS No. 45 is effective in three phases, with implementation required for Phase 1 governments in periods beginning after December 15, 2006.] For all other termination benefits, including those that affect an employer's obligations for defined benefit pension benefits, GASBS No. 47 is effective for financial statements for periods beginning after June 15, 2005. Earlier application of GASBS No. 47 is encouraged. The District has determined that there will be no impact on the financial statements as a result of implementing this standards since it has no such benefits.

### NOTE 2 – DEPOSITS AND INVESTMENTS

#### Summary of Deposits and Investments

Deposits and investments as of June 30, 2006, are classified in the accompanying financial statements as follows:

|                                |                     |
|--------------------------------|---------------------|
| Governmental activities        | \$38,755,719        |
| Fiduciary funds                | 644,963             |
| Total Deposits and Investments | <u>\$39,400,682</u> |

Deposits and investments as of June 30, 2006, consist of the following:

|                                |                     |
|--------------------------------|---------------------|
| Cash on hand and in banks      | \$ 661,301          |
| Cash in revolving              | 12,450              |
| Investments                    | 38,726,931          |
| Total Deposits and Investments | <u>\$39,400,682</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, 2006

### General Authorizations

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

| Authorized<br>Investment Type           | Maximum<br>Remaining<br>Maturity | Maximum<br>Percentage<br>of Portfolio | Maximum<br>Investment<br>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<br>Value | Weighted Average<br>Maturity<br>in Years |
|-----------------|---------------|--|
| County Pool     | \$ 38,591,193 | 0.35                                     |

# TAMALPAIS UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2006

### 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, 2006, the District's bank balance of \$439,000 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.

### NOTE 3 - RECEIVABLES

Receivables at June 30, 2006, consisted of intergovernmental grants, entitlements, interest and other local sources. All receivables are considered collectible in full.

|                     | General<br>Fund    | Building<br>Fund | County School<br>Facilities<br>Fund | Non-Major<br>Governmental<br>Funds | Total              | Proprietary<br>Fund | Fiduciary<br>Funds |
|---------------------|--------------------|------------------|-------------------------------------|------------------------------------|--------------------|---------------------|--------------------|
| Federal Government  |                    |                  |                                     |                                    |                    |                     |                    |
| Categorical aid     | \$ 257,707         | \$ -             | \$ -                                | \$ 36,980                          | \$ 294,687         | \$ -                | \$ -               |
| State Government    |                    |                  |                                     |                                    |                    |                     |                    |
| Apportionment       | -                  | -                | -                                   | 129,667                            | 129,667            | -                   | -                  |
| Categorical aid     | 1,273,970          | -                | -                                   | 309                                | 1,274,279          | -                   | -                  |
| Lottery             | 161,198            | -                | -                                   | -                                  | 161,198            | -                   | -                  |
| Local Government    |                    |                  |                                     |                                    |                    |                     |                    |
| Interest            | 6,561              | 8,650            | 673                                 | 880                                | 16,764             | 5                   | 58                 |
| Other Local Sources | 246,283            | -                | -                                   | 132,844                            | 379,127            | -                   | 28,000             |
| Total               | <u>\$1,945,719</u> | <u>\$8,650</u>   | <u>\$ 673</u>                       | <u>\$ 300,680</u>                  | <u>\$2,255,722</u> | <u>\$ 5</u>         | <u>\$28,058</u>    |

Additional long term receivables include \$72,774 for a special education settlement with payments expected to be received annually over the next five 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

# TAMALPAIS UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

**JUNE 30, 2006**

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 current assets in the financial statements.

### NOTE 5 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2006, was as follows:

|                                       | Balance<br>July 1, 2005 | Additions            | Deductions           | Balance<br>June 30, 2006 |
|---------------------------------------|-------------------------|----------------------|----------------------|--------------------------|
| <b>Governmental Activities</b>        |                         |                      |                      |                          |
| Capital Assets Not Being Depreciated: |                         |                      |                      |                          |
| Land                                  | \$ 2,409,145            | \$ -                 | \$ -                 | \$ 2,409,145             |
| Construction in Progress              | 63,199,627              | 28,235,803           | 60,090,132           | 31,345,298               |
| Total Capital Assets                  |                         |                      |                      |                          |
| Not Being Depreciated                 | 65,608,772              | 28,235,803           | 60,090,132           | 33,754,443               |
| Capital Assets Being Depreciated:     |                         |                      |                      |                          |
| Land Improvements                     | 26,588,288              | 27,906,066           | -                    | 54,494,354               |
| Buildings and Improvements            | 52,084,037              | 32,864,191           | -                    | 84,948,228               |
| Furniture and Equipment               | 1,088,314               | 360,692              | -                    | 1,449,006                |
| Vehicles                              | 547,641                 | -                    | -                    | 547,641                  |
| Total Capital Assets Being            |                         |                      |                      |                          |
| Depreciated                           | 80,308,280              | 61,130,949           | -                    | 141,439,229              |
| Total Capital Assets                  | 145,917,052             | 89,366,752           | 60,090,132           | 175,193,622              |
| Less Accumulated Depreciation:        |                         |                      |                      |                          |
| Land Improvements                     | 7,244,177               | 1,268,976            | -                    | 8,513,153                |
| Buildings and Improvements            | 21,575,631              | 1,898,547            | -                    | 23,474,178               |
| Furniture and Equipment               | 509,367                 | 122,734              | -                    | 632,101                  |
| Vehicles                              | 427,042                 | 21,208               | -                    | 448,250                  |
| Total Accumulated Depreciation        | 29,756,217              | 3,311,465            | -                    | 33,067,682               |
| <br>Governmental Activities Capital   |                         |                      |                      |                          |
| Assets, Net                           | <u>\$ 116,160,835</u>   | <u>\$ 86,055,287</u> | <u>\$ 60,090,132</u> | <u>\$ 142,125,990</u>    |

# TAMALPAIS UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2006

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

### Governmental Activities

|   |                     |
|---|---------------------|
| Instruction   | \$ 2,579,248        |
| Supervision of instruction                          | 39,588              |
| Instructional library, media, and technology        | 18,418              |
| School site administration                          | 107,300             |
| Home-to-school transportation                       | 5,193               |
| Food services                                       | 22,070              |
| All other pupil services                            | 126,067             |
| Ancillary services                                  | 46,103              |
| Community services                                  | 37,514              |
| Data processing                                     | 38,480              |
| All other general administration                    | 104,007             |
| Plant services                                      | 187,477             |
| Total Depreciation Expenses Governmental Activities | <u>\$ 3,311,465</u> |

### NOTE 6 – INTERFUND TRANSACTIONS

#### Interfund Receivables/Payables (Due To/Due From)

Interfund receivable and payable balances at June 30, 2006, 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     | Building Fund    | County School Facilities Fund | Non-Major Governmental Funds | Fiduciary Funds  |                    |
| General Fund                 | \$ -             | \$207,348        | \$ -                          | \$ 202,685                   | \$ 61,728        | \$ 471,761         |
| Building Fund                | -                | -                | 1,415,633                     | -                            | -                | 1,415,633          |
| Non-Major Governmental funds | 823,506          | -                | -                             | -                            | 253              | 823,759            |
| Total                        | <u>\$823,506</u> | <u>\$207,348</u> | <u>\$1,415,633</u>            | <u>\$ 202,685</u>            | <u>\$ 61,981</u> | <u>\$2,711,153</u> |

All remaining balance 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, 2006

### Operating Transfers

Interfund transfers for the year ended June 30, 2006, consisted of the following:

| Transfer To                  | Transfer From    |                              |                   |
|------------------------------|------------------|------------------------------|-------------------|
|                              | General Fund     | Non-Major Governmental Funds | Total             |
| General Fund                 | \$ -             | \$ 884,491                   | \$ 884,491        |
| Non-Major Governmental funds | 19,485           | -                            | 19,485            |
| Total                        | <u>\$ 19,485</u> | <u>\$ 884,491</u>            | <u>\$ 903,976</u> |

|  |                   |
|--|-------------------|
| The General fund transferred to the Adult Education fund to reimburse expenditures | \$ 19,485         |
| The General fund transferred to the Cafeteria fund for contribution                | 140,149           |
| The General fund transferred to the Deferred Maintenance fund for District match.  | 226,357           |
| The General fund transferred to Special Reserve-Capital fund for capital projects  | 498,500           |
| The Adult Education fund transferred to the General fund for use of facilities     | 19,485            |
| Total  | <u>\$ 903,976</u> |

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, 2006, consisted of the following:

|                       | General Fund        | Building Fund       | Non-Major Governmental Funds | Total               | Proprietary Fund | Fiduciary Funds |
|-----------------------|---------------------|---------------------|------------------------------|---------------------|------------------|-----------------|
| Vendor payables       | \$ 1,110,452        | \$ 1,846,239        | \$ 117,806                   | \$ 3,074,497        | \$ 1,384         | \$ 188          |
| State apportionment   | 62,222              | -                   | -                            | 62,222              | -                | -               |
| Salaries and benefits | 162,605             | 11,106              | 76,962                       | 250,673             | -                | -               |
| Total                 | <u>\$ 1,335,279</u> | <u>\$ 1,857,345</u> | <u>\$ 194,768</u>            | <u>\$ 3,387,392</u> | <u>\$ 1,384</u>  | <u>\$ 188</u>   |

# TAMALPAIS UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2006

### NOTE 8 - DEFERRED REVENUE

Deferred revenue at June 30, 2006, consists of the following:

|                       | General<br>Fund | Non-Major<br>Governmental<br>Funds | Total           |
|-----------------------|-----------------|------------------------------------|-----------------|
| State categorical aid | \$ -            | \$ 1,445                           | \$ 1,445        |
| Other local           | 859             | -                                  | 859             |
| Total                 | <u>\$ 859</u>   | <u>\$ 1,445</u>                    | <u>\$ 2,304</u> |

### NOTE 9 - LONG-TERM OBLIGATIONS

#### Summary

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

|                               | Balance<br>July 1, 2005 | Additions   | Deductions       | Balance<br>June 30, 2006 | Due in<br>One Year  |
|-------------------------------|-------------------------|-------------|------------------|--------------------------|---------------------|
| General obligation bonds      | \$ 116,835,000          | \$ -        | \$ 2,215,000     | \$ 114,620,000           | \$ 3,260,000        |
| Accumulated vacation - net    | 154,669                 | -           | 3,709            | 150,960                  | -                   |
|                               | 116,989,669             |             |                  | 114,770,960              | 3,260,000           |
| Premiums, net of amortization | 1,445,568               |             | 61,104           | 1,384,464                | 64,946              |
|                               | <u>\$ 118,435,237</u>   | <u>\$ -</u> | <u>\$ 61,104</u> | <u>\$ 116,155,424</u>    | <u>\$ 3,324,946</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<br>Date | Maturity<br>Date | Interest<br>Rate | Original<br>Issue | Bonds<br>Outstanding<br>July 1, 2005 | Redeemed            | Bonds<br>Outstanding<br>June 30, 2006 |
|---------------|------------------|------------------|-------------------|--------------------------------------|---------------------|---------------------------------------|
| 2001          | 2026             | 3.375-5.50       | \$20,820,000      | \$ 19,090,000                        | \$ 625,000          | \$ 18,465,000                         |
| 2002          | 2027             | 3.00-6.00        | 49,580,000        | 47,145,000                           | 1,240,000           | 45,905,000                            |
| 2004          | 2029             | 4.5-5.50         | 50,600,000        | 50,600,000                           | 350,000             | 50,250,000                            |
|               |                  |                  |                   | <u>\$ 116,835,000</u>                | <u>\$ 2,215,000</u> | <u>\$ 114,620,000</u>                 |

# TAMALPAIS UNION HIGH SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2006

### Debt Service Requirements to Maturity

The bonds mature through 2029 as follows:

| Fiscal Year | Principal             | Interest to<br>Maturity | Total                 |
|-------------|-----------------------|-------------------------|-----------------------|
| 2007        | \$ 3,260,000          | \$ 5,513,691            | \$ 8,773,691          |
| 2008        | 3,395,000             | 5,378,797               | 8,773,797             |
| 2009        | 3,540,000             | 5,230,716               | 8,770,716             |
| 2010        | 3,680,000             | 5,070,279               | 8,750,279             |
| 2011-2015   | 20,560,000            | 22,590,988              | 43,150,988            |
| 2016-2020   | 24,925,000            | 16,994,196              | 41,919,196            |
| 2021-2025   | 30,790,000            | 10,103,750              | 40,893,750            |
| 2026-2029   | 24,470,000            | 2,154,500               | 26,624,500            |
| Total       | <u>\$ 114,620,000</u> | <u>\$ 73,036,917</u>    | <u>\$ 187,656,917</u> |

### Accumulated Unpaid Employee Vacation

The long-term portion of accumulated unpaid employee vacation for the District at June 30, 2006, amounted to \$150,960.

### NOTE 10 - FUND BALANCES

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

|                        | General<br>Fund     | Building<br>Fund    | County<br>School<br>Facilities<br>Fund | Bond Interest<br>and Redemption<br>Fund | Non-Major<br>Governmental<br>Funds | Total               |
|------------------------|---------------------|---------------------|--|---|------------------------------------|---------------------|
| <b>Reserved</b>        |                     |                     |  |   |                                    |                     |
| Revolving cash         | \$ 12,000           | \$ -                | \$ -                                   | \$ -                                    | \$ 400                             | \$ 12,400           |
| Stores inventory       | -                   | -                   | -                                      | -                                       | 14,039                             | 14,039              |
| Prepaid expenditures   | 5,287               | -                   | -                                      | -                                       | -                                  | 5,287               |
| Restricted programs    | 1,429,068           | -                   | -                                      | -                                       | -                                  | 1,429,068           |
| Total Reserved         | <u>1,446,355</u>    | <u>-</u>            | <u>-</u>                               | <u>-</u>                                | <u>14,439</u>                      | <u>1,460,794</u>    |
| <b>Unreserved</b>      |                     |                     |  |   |                                    |                     |
| Designated             |                     |                     |  |   |                                    |                     |
| Economic uncertainties | 1,414,029           | -                   | -                                      | -                                       | -                                  | 1,414,029           |
| Other designation      | 672,959             | -                   | -                                      | -                                       | -                                  | 672,959             |
| Total Designated       | <u>2,086,988</u>    | <u>-</u>            | <u>-</u>                               | <u>-</u>                                | <u>-</u>                           | <u>2,086,988</u>    |
| Undesignated           | 8,303,204           | 16,269,081          | 193,065                                | 6,791,006                               | 3,062,676                          | 34,619,032          |
| Total Unreserved       | <u>10,390,192</u>   | <u>16,269,081</u>   | <u>193,065</u>                         | <u>6,791,006</u>                        | <u>3,062,676</u>                   | <u>36,706,020</u>   |
| Total                  | <u>\$11,836,547</u> | <u>\$16,269,081</u> | <u>\$193,065</u>                       | <u>\$ 6,791,006</u>                     | <u>\$ 3,077,115</u>                | <u>\$38,166,814</u> |

# **TAMALPAIS UNION HIGH SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS JUNE 30, 2006**

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### **NOTE 11 - 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, 48 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 \$426,131 were recognized for retirees' health care benefits.

The approximate accumulated future liability for the District at June 30, 2006, amounts to \$1,527,413. 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, 2006, multiplied by the number of years of payments remaining.

### **NOTE 12 - 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, 2006, 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 2006, 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, 2006**

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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 | \$ 14,000,000          |
| Marin Schools Insurance Authority    | Property                     | \$ 250,000,000         |
| Marin Schools Insurance Authority    | Liability                    | \$ 1,000,000           |

#### NOTE 13 - 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 2005-2006 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, 2006, 2005, and 2004, were \$1,789,842, \$1,697,641, and \$1,631,402, respectively, and equal 100 percent of the required contributions for each year.

# **TAMALPAIS UNION HIGH SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2006**

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### **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 2005-2006 was 9.116 percent of annual payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to CalPERS for the fiscal years ending June 30, 2006, 2005, and 2004, were \$733,884, \$678,249, and \$720,318, 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 \$988,376 (4.517 percent of salaries subject to STRS). No contributions were made for PERS for the year ended June 30, 2006. 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, 2006

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### NOTE 14 - 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, 2006.

#### 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, 2006.

#### Construction Commitments

As of June 30, 2006, the District had the following commitments with respect to the unfinished capital projects:

| Capital Project                                      | Remaining<br>Construction<br>Commitment | Expected<br>Date of<br>Completion |
|--|---|-----------------------------------|
| Tamalpais High School modernization projects         | \$ 2,782,738                            | through 12/31/06                  |
| Sir Francis Drake High School modernization projects | 80,180                                  | through 8/31/06                   |
| San Andreas High School modernization projects       | 129,357                                 | through 8/31/06                   |
| Redwood High School modernization projects           | 1,260,836                               | through 12/31/06                  |
|  | <u>\$ 4,253,111</u>                     |                                   |

As of June 30, 2006 the District has the following commitments with respect to portable building leases:

#### Operating Lease

2007

\$ 70,340

### NOTE 15 - 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. 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.

## **TAMALPAIS UNION HIGH SCHOOL DISTRICT**

### **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2006**

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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, 2006, the District made payment of \$287,487 to MSIA for the insurance coverage.

#### **NOTE 17 - SUBSEQUENT EVENTS**

The District issued \$79,920,000 of general obligation bonds dated August 22, 2006. The Bonds mature on August 1, 2031, and yield 3.350 – 4.290 percent interest. The Bonds were issued to finance specific construction and modernization projects approved by the voters and to pay costs of issuance of the Bonds.

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***REQUIRED SUPPLEMENTARY INFORMATION***

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# TAMALPAIS UNION HIGH SCHOOL DISTRICT

## GENERAL FUND

### BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED JUNE 30, 2006

|  | Budgeted Amounts<br>(GAAP Basis) |                     | Actual<br>(GAAP Basis) | Variances -<br>Positive<br>(Negative)<br>Final<br>to Actual |
|--|----------------------------------|---------------------|------------------------|---|
|  | Original                         | Final               |                        |   |
| <b>REVENUES</b>  |                                  |                     |                        |   |
| Revenue limit sources  | \$33,005,306                     | \$33,663,843        | \$ 33,832,467          | \$ 168,624  |
| Federal sources  | 812,939                          | 810,709             | 715,535                | (95,174)  |
| Other state sources  | 1,553,242                        | 1,877,036           | 2,880,879              | 1,003,843   |
| Other local sources  | 10,231,041                       | 11,436,389          | 11,820,822             | 384,433   |
| <b>Total Revenues<sup>1</sup></b>                            | <b>45,602,528</b>                | <b>47,787,977</b>   | <b>49,249,703</b>      | <b>1,461,726</b>  |
| <b>EXPENDITURES</b>  |                                  |                     |                        |   |
| Current  |                                  |                     |                        |   |
| Instruction  | 25,620,570                       | 27,874,226          | 26,881,032             | 993,194   |
| Instruction-related activities:                              |                                  |                     |                        |   |
| Supervision of instruction                                   | 782,011                          | 831,708             | 924,560                | (92,852)  |
| Instructional library, media, and technology                 | 1,132,719                        | 1,226,840           | 966,775                | 260,065   |
| School site administration                                   | 3,237,288                        | 3,475,188           | 3,412,940              | 62,248  |
| Pupil services:  |                                  |                     |                        |   |
| Home-to-school transportation                                | 151,250                          | 131,428             | 72,514                 | 58,914  |
| Food services  | 5,163                            | 5,163               | 4,777                  | 386   |
| All other pupil services                                     | 3,875,037                        | 4,072,550           | 3,808,404              | 264,146   |
| General administration:                                      |                                  |                     |                        |   |
| Data processing  | 800,319                          | 872,087             | 859,442                | 12,645  |
| All other general administration                             | 2,487,803                        | 2,795,138           | 2,505,823              | 289,315   |
| Plant services   | 5,226,819                        | 5,547,834           | 5,688,501              | (140,667)   |
| Facility acquisition and construction                        | 106,282                          | 121,118             | 131,725                | (10,607)  |
| Ancillary services   | 1,158,588                        | 1,447,415           | 1,367,462              | 79,953  |
| Other outgo  | 648,208                          | 755,135             | 614,228                | 140,907   |
| <b>Total Expenditures<sup>1</sup></b>                        | <b>45,232,057</b>                | <b>49,155,830</b>   | <b>47,238,183</b>      | <b>1,917,647</b>  |
| <b>Excess (Deficiency) of Revenues<br/>Over Expenditures</b> | <b>370,471</b>                   | <b>(1,367,853)</b>  | <b>2,011,520</b>       | <b>3,379,373</b>  |
| <b>Other Financing Sources (Uses):</b>                       |                                  |                     |                        |   |
| Transfers in   | 30,000                           | 19,485              | 19,485                 | -   |
| Transfers out  | (384,675)                        | (546,552)           | (884,491)              | (337,939)   |
| <b>Net Financing Sources (Uses)</b>                          | <b>(354,675)</b>                 | <b>(527,067)</b>    | <b>(865,006)</b>       | <b>(337,939)</b>  |
| <b>NET CHANGE IN FUND BALANCES</b>                           | <b>15,796</b>                    | <b>(1,894,920)</b>  | <b>1,146,514</b>       | <b>3,041,434</b>  |
| <b>Fund Balance - Beginning</b>                              | <b>10,690,033</b>                | <b>10,690,033</b>   | <b>10,690,033</b>      | <b>-</b>  |
| <b>Fund Balance - Ending</b>                                 | <b>\$10,705,829</b>              | <b>\$ 8,795,113</b> | <b>\$ 11,836,547</b>   | <b>\$ 3,041,434</b>   |

<sup>1</sup> On behalf payments of \$988,376 are included in the actual revenues and expenditures, but have not been included in the budget amounts.

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***SUPPLEMENTARY INFORMATION***

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# TAMALPAIS UNION HIGH SCHOOL DISTRICT

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2006

| Federal Grantor/Pass-Through<br>Grantor/Program or Cluster Title   | Federal<br>CFDA<br>Number | Pass-Through<br>Entity<br>Identifying<br>Number | Federal<br>Expenditures |
|--|---------------------------|---|-------------------------|
| <b>U.S. DEPARTMENT OF EDUCATION</b>                                |                           |   |                         |
| Passed through California Department of Education (CDE):           |                           |   |                         |
| WIA Title: Adult Education   | 84.002A                   | 04508   | \$ 31,725               |
| Adult Education-Adult Secondary Education                          | 84.002A                   | 03978   | 3,600                   |
| Adult Education-Literacy & Civics                                  | 84.002A                   | 04109   | 27,000                  |
| Title IV-Drug Free Schools   | 84.186                    | 04347   | 15,277                  |
| Title II-Enhancing Education Through Technology                    | 84.318                    | 04335   | 3,393                   |
| Title II-IASA Improving Teacher Quality                            | 84.367                    | 04341   | 52,799                  |
| Title I-Part A, Basic Grants Low-Income and Neglected <sup>1</sup> | 84.010                    | 04329   | 188,149                 |
| Title V-Innovative Education Strategies                            | 84.298A                   | 04354   | 984                     |
| Title III-Immigrant Education Program                              | 84.365                    | 04346   | 6,581                   |
| Vocational Education   | 84.048                    | 03577   | 55,406                  |
| Special Education - State Grants                                   |                           |   |                         |
| Local Assistance <sup>1</sup>                                      | 84.027                    | 03379   | 392,931                 |
| California Alternate Performance Assessment (CAPA)                 | 84.000                    | <sup>2</sup>                                    | 15                      |
| Total U.S. Department of Education                                 |                           |   | <u>777,860</u>          |
| <b>U.S. DEPARTMENT OF AGRICULTURE</b>                              |                           |   |                         |
| Passed through CDE:  |                           |   |                         |
| National School Breakfast  | 10.553                    | 03157   | <u>37,776</u>           |
| Total U.S. Department of Agriculture                               |                           |   | <u>37,776</u>           |
| Total Expenditures of Federal Awards                               |                           |   | <u>\$ 815,636</u>       |

<sup>1</sup> Tested as a major program

<sup>2</sup> Pass-Through Entity Identifying Number not available

See accompanying note to supplementary information.



# TAMALPAIS UNION HIGH SCHOOL DISTRICT

## SCHEDULE OF AVERAGE DAILY ATTENDANCE FOR THE YEAR ENDED JUNE 30, 2006

|   | (Amended)<br>Second<br>Period<br>Report | Annual<br>Report       |
|---|---|------------------------|
| SECONDARY   |   |                        |
| Regular classes   | 3,451                                   | 3,426                  |
| Continuation education  | 106                                     | 99                     |
| Opportunity schools   | -                                       | -                      |
| Home and hospital   | 2                                       | 2                      |
| Special education   | 82                                      | 81                     |
| Students 21 and over and 19 or older<br>not continuously enrolled since their<br>18th birthday, enrolled in K-12<br>through independent study | 1                                       | 2                      |
| Total Secondary   | 3,642                                   | 3,610                  |
| Total K-12  | 3,642                                   | 3,610                  |
| REGIONAL OCCUPATIONAL PROGRAM   | -                                       | -                      |
| CLASSES FOR ADULTS  |   |                        |
| Concurrently enrolled   | 2                                       | 2                      |
| Not concurrently enrolled   | 620                                     | 650                    |
| Adults in correctional facilities   | -                                       | -                      |
| Total Classes for Adults  | 622                                     | 652                    |
| Grand Total   | 4,264                                   | 4,262                  |
|   |   | Hours of<br>Attendance |
| SUMMER SCHOOL   |   |                        |
| High school   |   | 61,785                 |
| Total Hours   |   | 61,785                 |

See accompanying note to supplementary information.

## TAMALPAIS UNION HIGH SCHOOL DISTRICT

### SCHEDULE OF INSTRUCTIONAL TIME FOR THE YEAR ENDED JUNE 30, 2006

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| Grade Level   | 1982-83           | 1986-87                | 2005-2006         | Number of Days          |                        | Status        |
|---------------|-------------------|------------------------|-------------------|-------------------------|------------------------|---------------|
|               | Actual<br>Minutes | Minutes<br>Requirement | Actual<br>Minutes | Traditional<br>Calendar | Multitrack<br>Calendar |               |
| Grades 9 - 12 | [1]               | 64,800                 | 64,835            | 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 2005-2006.

[1] The District is unable to locate the 1982-1983 actual minutes information. The 2005-2006 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, 2006**

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

#### **FORM DEBT**

|   |                       |
|---|-----------------------|
| Total Liabilities, June 30, 2006, Unaudited Actuals           | \$ 116,298,373        |
| Increase in:  |                       |
| Bond premiums, net of amortization                            | 1,384,464             |
| Decrease in:  |                       |
| Other postemployment benefits                                 | (1,527,413)           |
| Total Liabilities, June 30, 2006, Audited Financial Statement | <u>\$ 116,155,424</u> |

See accompanying note to supplementary information.

**SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2006**

|  | (Budget)<br>2007 <sup>1</sup> | 2006                  | 2005                  | 2004                  |
|--|-------------------------------|-----------------------|-----------------------|-----------------------|
| <b>GENERAL FUND</b>  |                               |                       |                       |                       |
| Revenues   | \$ 49,263,550                 | \$ 49,249,703         | \$ 43,943,026         | \$ 41,860,818         |
| Other sources  | 30,000                        | 19,485                | 24,890                | 56,057                |
| Total Revenues<br>and Other Sources                                      | 49,293,550                    | 49,269,188            | 43,967,916            | 41,916,875            |
| Expenditures   | 49,321,335                    | 47,238,183            | 42,241,293            | 39,957,136            |
| Other uses and transfers out   | 596,784                       | 884,491               | 892,913               | 823,049               |
| Total Expenditures<br>and Other Uses                                     | 49,918,119                    | 48,122,674            | 43,134,206            | 40,780,185            |
| <b>INCREASE (DECREASE)<br/>IN FUND BALANCE</b>                           | <u>\$ (624,569)</u>           | <u>\$ 1,146,514</u>   | <u>\$ 833,710</u>     | <u>\$ 1,236,690</u>   |
| <b>ENDING FUND BALANCE</b>   | <u>\$ 11,211,978</u>          | <u>\$ 11,836,547</u>  | <u>\$ 10,690,033</u>  | <u>\$ 9,856,323</u>   |
| <b>AVAILABLE RESERVES <sup>2</sup></b>                                   | <u>\$ 11,199,979</u>          | <u>\$ 9,717,233</u>   | <u>\$ 9,007,370</u>   | <u>\$ 7,708,628</u>   |
| <b>AVAILABLE RESERVES AS A<br/>PERCENTAGE OF TOTAL OUTGO<sup>3</sup></b> | <u>22.44%</u>                 | <u>20.62%</u>         | <u>20.88%</u>         | <u>18.90%</u>         |
| <b>LONG-TERM OBLIGATIONS</b>   | <u>\$ 112,830,478</u>         | <u>\$ 116,155,424</u> | <u>\$ 118,435,237</u> | <u>\$ 120,291,673</u> |
| <b>K-12 AVERAGE DAILY<br/>ATTENDANCE AT P-2</b>                          | <u>3,641</u>                  | <u>3,642</u>          | <u>3,690</u>          | <u>3,631</u>          |

The General Fund balance has increased by \$1,980,224 over the past two years. The fiscal year 2006-2007 budget projects a decrease of \$624,569 (5 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 2006-2007 fiscal year. Total long-term obligations have decreased by \$4,136,249 over the past two years.

Average daily attendance has increased by 11 over the past two years. There is a decline of 1 ADA anticipated during fiscal year 2006-2007.

<sup>1</sup> Budget 2007 is included for analytical purposes only and has not been subjected to audit.

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

<sup>3</sup> On-behalf payments of \$988,376, \$929,621, and \$457,492 have been excluded from the calculation of available reserves for fiscal years ending June 30, 2006, 2005, and 2004.

## **NOTE TO SUPPLEMENTARY INFORMATION**

### **JUNE 30, 2006**

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#### **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.

##### **Schedule of Average Daily Attendance (ADA)**

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

##### **Schedule of Instructional Time**

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

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

##### **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.

See accompanying note to supplementary information.

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***SUPPLEMENTARY INFORMATION - UNAUDITED***

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**TAMALPAIS UNION HIGH SCHOOL DISTRICT**

**NON-MAJOR GOVERNMENTAL FUNDS  
COMBINING BALANCE SHEET - UNAUDITED  
JUNE 30, 2006**

|  | <b>Adult<br/>Education<br/>Fund</b> | <b>Cafeteria<br/>Fund</b> | <b>Deferred<br/>Maintenance<br/>Fund</b> |
|--|-------------------------------------|---------------------------|--|
| <b>ASSETS</b>                                  |                                     |                           |  |
| Deposits and investments                       | \$ 1,072,950                        | \$ 17,977                 | \$ 790,186                               |
| Receivables                                    | 244,351                             | 55,954                    | 353                                      |
| Due from other funds                           | 103,919                             | 481                       | 225,000                                  |
| Stores inventories                             | -                                   | 14,039                    | -  |
| <b>Total Assets</b>                            | <b>\$ 1,421,220</b>                 | <b>\$ 88,451</b>          | <b>\$ 1,015,539</b>                      |
| <b>LIABILITIES AND<br/>FUND BALANCES</b>       |                                     |                           |  |
| <b>Liabilities:</b>                            |                                     |                           |  |
| Accounts payable                               | \$ 166,116                          | \$ 6,090                  | \$ 22,118                                |
| Due to other funds                             | 133,577                             | 67,922                    | -  |
| Deferred revenue                               | 1,445                               | -                         | -  |
| <b>Total Liabilities</b>                       | <b>301,138</b>                      | <b>74,012</b>             | <b>22,118</b>                            |
| <b>Fund Balances:</b>                          |                                     |                           |  |
| Reserved for:                                  |                                     |                           |  |
| Stores inventories                             | -                                   | 14,039                    | -  |
| Other reservations                             | -                                   | 400                       | -  |
| Unreserved:                                    |                                     |                           |  |
| Undesignated, reported in:                     |                                     |                           |  |
| Special revenue funds                          | 1,120,082                           | -                         | 993,421                                  |
| Capital projects funds                         | -                                   | -                         | -  |
| <b>Total Fund Balance</b>                      | <b>1,120,082</b>                    | <b>14,439</b>             | <b>993,421</b>                           |
| <b>Total Liabilities and<br/>Fund Balances</b> | <b>\$ 1,421,220</b>                 | <b>\$ 88,451</b>          | <b>\$ 1,015,539</b>                      |

See accompanying note to additional supplemental information – unaudited.



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| Special Reserve<br>Fund | Special Reserve<br>Capital Outlay<br>Fund | Total Non-Major<br>Governmental<br>Funds |
|-------------------------|---|--|
| \$ 51,911               | \$ 404,511                                | \$ 2,337,535                             |
| 22                      | -   | 300,680                                  |
| -                       | 494,359                                   | 823,759                                  |
| -                       | -   | 14,039                                   |
| <u>\$ 51,933</u>        | <u>\$ 898,870</u>                         | <u>\$ 3,476,013</u>                      |
|                         |   |  |
| \$ -                    | \$ 444                                    | \$ 194,768                               |
| -                       | 1,186                                     | 202,685                                  |
| -                       | -   | 1,445                                    |
| <u>-</u>                | <u>1,630</u>                              | <u>398,898</u>                           |
|                         |   |  |
| -                       | -   | 14,039                                   |
| -                       | -   | 400                                      |
|                         |   |  |
| 51,933                  | -   | 2,165,436                                |
| -                       | 897,240                                   | 897,240                                  |
| <u>51,933</u>           | <u>897,240</u>                            | <u>3,077,115</u>                         |
|                         |   |  |
| <u>\$ 51,933</u>        | <u>\$ 898,870</u>                         | <u>\$ 3,476,013</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, 2006

|  | Adult<br>Education<br>Fund | Cafeteria<br>Fund | Deferred<br>Maintenance<br>Fund |
|--|----------------------------|-------------------|---------------------------------|
| <b>REVENUES</b>                        |                            |                   |                                 |
| Revenue limit sources                  | \$ 1,609,184               | \$ -              | \$ -                            |
| Federal sources                        | 62,325                     | 37,776            | -                               |
| Other State sources                    | 105,718                    | 1,928             | 162,357                         |
| Other local sources                    | 1,014,561                  | 646,776           | 29,845                          |
| <b>Total Revenues</b>                  | <u>2,791,788</u>           | <u>686,480</u>    | <u>192,202</u>                  |
| <b>EXPENDITURES</b>                    |                            |                   |                                 |
| Current                                |                            |                   |                                 |
| Instruction                            | 906,713                    | -                 | -                               |
| Instruction-related activities:        |                            |                   |                                 |
| School site administration             | 628,201                    | -                 | -                               |
| Pupil services:                        |                            |                   |                                 |
| Food services                          | -                          | 845,335           | -                               |
| General administration:                |                            |                   |                                 |
| All other general administration       | 128,115                    | -                 | -                               |
| Plant services                         | -                          | -                 | -                               |
| Facility acquisition and construction  | 35,146                     | -                 | 449,621                         |
| Community services                     | 856,280                    | -                 | -                               |
| <b>Total Expenditures</b>              | <u>2,554,455</u>           | <u>845,335</u>    | <u>449,621</u>                  |
| <b>Excess (Deficiency) of</b>          |                            |                   |                                 |
| <b>Revenues Over Expenditures</b>      | <u>237,333</u>             | <u>(158,855)</u>  | <u>(257,419)</u>                |
| <b>Other Financing Sources (Uses):</b> |                            |                   |                                 |
| Transfers in                           | 19,485                     | 140,149           | 226,357                         |
| Transfers out                          | (19,485)                   | -                 | -                               |
| <b>Net Financing Sources (Uses)</b>    | <u>-</u>                   | <u>140,149</u>    | <u>226,357</u>                  |
| <b>NET CHANGE IN FUND BALANCES</b>     | <u>237,333</u>             | <u>(18,706)</u>   | <u>(31,062)</u>                 |
| <b>Fund Balance - Beginning</b>        | 882,749                    | 33,145            | 1,024,483                       |
| <b>Fund Balance - Ending</b>           | <u>\$ 1,120,082</u>        | <u>\$ 14,439</u>  | <u>\$ 993,421</u>               |

See accompanying note to additional supplemental information – unaudited.

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| Special Reserve<br>Fund | Special Reserve<br>Capital<br>Fund | Total Non-Major<br>Governmental<br>Funds |
|-------------------------|------------------------------------|--|
| \$ -                    | \$ -                               | \$ 1,609,184                             |
| -                       | -                                  | 100,101                                  |
| -                       | -                                  | 270,003                                  |
| 1,877                   | -                                  | 1,693,059                                |
| 1,877                   | -                                  | 3,672,347                                |
| 1,004                   | -                                  | 907,717                                  |
| -                       | -                                  | 628,201                                  |
| -                       | -                                  | 845,335                                  |
| -                       | -                                  | 128,115                                  |
| -                       | 105,100                            | 105,100                                  |
| -                       | 251,205                            | 735,972                                  |
| -                       | -                                  | 856,280                                  |
| 1,004                   | 356,305                            | 4,206,720                                |
| 873                     | (356,305)                          | (534,373)                                |
| -                       | 498,500                            | 884,491                                  |
| -                       | -                                  | (19,485)                                 |
| -                       | 498,500                            | 865,006                                  |
| 873                     | 142,195                            | 330,633                                  |
| 51,060                  | 755,045                            | 2,746,482                                |
| \$ 51,933               | \$ 897,240                         | \$ 3,077,115                             |

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# **TAMALPAIS UNION HIGH SCHOOL DISTRICT**

## **NOTE TO SUPPLEMENTARY INFORMATION - UNAUDITED JUNE 30, 2006**

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### **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.

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***INDEPENDENT AUDITORS' REPORTS***

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

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, 2006, which collectively comprise the Tamalpais Union High School District's basic financial statements and have issued our report thereon dated October 20, 2006. 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 in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

**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.

*Vavrinek Trine, Day & Co, LLP*

Pleasanton, California

October 20, 2006



**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, 2006. 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, 2006.



## 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 requirements that could have a direct and material effect on a major Federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major Federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

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.

*LaurineK, Trine Day Esq., LLP*

Pleasanton, California  
October 20, 2006



## 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, 2006, and have issued our report thereon dated October 20, 2006. 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 2005-06*, 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<br>Audit Guide | Procedures<br>Performed |
|--|------------------------------|-------------------------|
| Attendance Accounting:                     |                              |                         |
| Attendance reporting                       | 8                            | Yes                     |
| Kindergarten continuance                   | 3                            | Not Applicable          |
| Independent study                          | 22                           | Yes                     |
| Continuation education                     | 10                           | Yes                     |
| Adult education                            | 9                            | Yes                     |
| Regional occupational centers and programs | 6                            | Not Applicable          |
| Instructional Time:                        |                              |                         |
| School districts                           | 4                            | Yes                     |
| County offices of education                | 3                            | Not Applicable          |
| Community day schools                      | 9                            | Not Applicable          |
| Morgan-Hart Class Size Reduction           | 7                            | Yes                     |

|  | Procedures in<br>Audit Guide | Procedures<br>Performed |
|--|------------------------------|-------------------------|
| 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                     |
| 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          |
| 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)          |                              | Not Applicable          |
| Program  | 3                            |                         |
| 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          |
| Non classroom-based instruction/independent study            | 15                           | Not Applicable          |
| Additional Non classroom-based instruction                   | 1                            | 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. 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. 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.

*Laurine Trine, Day & Co., LLP*

Pleasanton, California  
October 20, 2006

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***SCHEDULE OF FINDINGS AND QUESTIONED COSTS***

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# TAMALPAIS UNION HIGH SCHOOL DISTRICT

## SUMMARY OF AUDITORS' RESULTS FOR THE YEAR ENDED JUNE 30, 2006

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### FINANCIAL STATEMENTS

|   |                      |
|---|----------------------|
| Type of auditors' report issued:  | <u>Unqualified</u>   |
| Internal control over financial reporting:                                |                      |
| Material weaknesses identified?   | <u>No</u>            |
| Reporting conditions identified not considered to be material weaknesses? | <u>None reported</u> |
| Noncompliance material to financial statements noted?                     | <u>No</u>            |

### FEDERAL AWARDS

|  |                      |
|--|----------------------|
| Internal control over major programs:  |                      |
| Material weaknesses identified?  | <u>No</u>            |
| Reporting conditions 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) |                      |
| Identification of major programs:  | <u>No</u>            |

| <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>            |
| Reporting conditions identified not considered to be material weaknesses? | <u>None reported</u> |
| Type of auditors' report issued on compliance for State programs:         | <u>Unqualified</u>   |

**TAMALPAIS UNION HIGH SCHOOL DISTRICT**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2006**

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**FINANCIAL STATEMENT FINDINGS**

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None reported.

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**FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

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None reported.

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**STATE AWARD FINDINGS AND QUESTIONED COSTS**

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None reported.

# TAMALPAIS UNION HIGH SCHOOL DISTRICT

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2006

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### SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS

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Except as specified in previous sections of this report, summarized below is the current status of all audit findings reported in the prior year's schedule of financial statement findings.

#### *Financial Statement Findings*

2005-1

##### 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 assist in ensuring the student body financial statements are reasonably stated.

###### Condition

During our audit of the student body accounts, we noted that there was no revenue potentials prepared for major fundraising activities.

###### Questioned costs

None.

###### Context

Proper documentation for cash collection is important to ensure District assets are properly accounted for and to prevent losses.

###### Effect

Event coordinators are unable to determine potential success of events prior to the event being held.

###### Cause

The site did not prepare revenue potential analysis for their major fundraising activities.

###### Recommendation

In order to strengthen the student body internal controls and determine the potential success of an event and also verify that funds expected were received, we recommend the District provide training to the site and ensure revenue potential forms are properly completed for each major fundraising activity.

###### Current Status

Implemented.

## **TAMALPAIS UNION HIGH SCHOOL DISTRICT**

### **SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2006**

#### **2005-2 ADULT EDUCATION (30000)**

##### **Criteria or specific requirement**

Strong internal controls over cash receipting procedures include implementing proper procedures to ensure cash collected is deposited timely and intact.

##### **Condition**

During our audit of Adult Education cash collection procedure, we noted that the site uses pre-numbered receipts for money collected. However, the pre-numbered receipts are not issued in sequential order. Consequently, it was difficult to determine whether the receipts deposited were intact and timely. In addition, there were no indication of when and what receipts were deposited, therefore it was difficult to traced the deposit amounts to the bank statements.

##### **Questioned costs**

None.

##### **Context**

Using the pre-numbered receipts in a sequential order is important to ensure the cash is properly accounted for and to prevent loss. Also, by indicating when the receipts are deposited the District will be able to determining that the money is deposited timely and intact.

##### **Effect**

The District is unable to determine if monies collected were deposited timely and intact.

##### **Cause**

Pre-numbered receipts were not being used in a sequential order and there was no indication of which receipt was deposited in which bank deposit.

##### **Recommendation**

In order to strengthen the internal controls over cash collection, pre-numbered receipts should be used in a sequential order or a record of which receipt numbers coincide with which deposits should be maintained.

##### **Current Status**

Implemented.



## **TAMALPAIS UNION HIGH SCHOOL DISTRICT**

### **SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2006**

#### **2005-3 DISTRICT PAYROLL (30000)**

##### **Criteria or specific requirements**

Strong internal controls over employees' payroll system to assist the District in verifying that payrolls are for active employees and changes to the payroll records are properly authorized.

##### **Condition**

During our audit, it was brought to our attention that the way the position control system is set up is that the system automatically notifies the payroll system of employee anniversary date and prompts payroll personnel to give automatically step increases without notification or authorization from the Personnel Department. It was also brought to our attention that the payroll department had the ability to create new employees in the system, without having to go through Personnel Department.

##### **Questioned costs**

None.

##### **Context**

Strengthening internal controls based on segregations of duties between payroll and personnel departments will assist the District in ensuring payroll changes are properly authorized and assist in preventing potential improper disbursements of payroll.

##### **Effect**

Automatic payroll increases in the system may cause errors in payroll which may not be noticed timely. In addition, the ability to create new employees in the system without the approval of the Personnel department may approval may lead to improper disbursements of payroll.

##### **Cause**

The district payroll system allows automatic increases in payroll when an employee reaches their anniversary date. In addition, the Payroll Department has the ability to create new employees in the payroll system without going through Personnel Department.

##### **Recommendation**

We recommend the District implementing policies and procedures to ensure proper approvals are obtained prior to any changes being made to the payroll system.

##### **Current Status**

Implemented.

## **TAMALPAIS UNION HIGH SCHOOL DISTRICT**

### **SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2006**

#### ***State Award Findings and Questioned Costs***

##### **2005-4 INSTRUCTION MATERIAL PROGRAM (40000)**

###### **Criteria or Specific Requirements**

As required by Education Code Section 60119, the District is required to provide 10-day notice of the required public hearing or hearings prior to making a determination through a resolution whether each pupil in each school had, or would have by the end of the fiscal year, sufficient textbooks or other instructional materials in each subject.

###### **Condition**

During the audit of the Instructional Material Program, we noted that there was no evidence showing that the District provided 10-day notice of the required public hearing or hearings to make a determination through a resolution whether each pupil in each school had, or would have by the end of the fiscal year, sufficient textbooks or other instructional materials in each subject.

###### **Questioned Costs**

State funding for instructional materials program was \$205,000.

###### **Context**

Maintaining documentation showing the District provided 10-day notice of the required public hearing will assist the District in documenting compliance with the State laws and regulations.

###### **Effect**

The District was unable to provide documentation of notice of the hearing being published 10 days in advance of the hearing.

###### **Cause**

Not maintaining evidence of 10-day notice of the required public hearing required in order to receive the State Instructional Material Program funding.

###### **Recommendation**

The district should maintain evidence or supporting documentation for the notice of public hearing held for instructional materials.

###### **Current Status**

Implemented.

# **TAMALPAIS UNION HIGH SCHOOL DISTRICT**

## **SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2006**

### ***Federal Awards Findings and Questioned Costs***

#### **2005-5 TIME STUDY AND CERTIFICATION (50000)**

##### **Criteria or Specific Requirements**

OMB Circular A-87, Attachment B requires that employees, whose positions are funded from more one funding source where at least one the source is federal, are required to prepare monthly time studies showing the time allocation for each funding program. Employees who are 100% funded from one source, are required to prepare a semi-annual certification.

##### **Condition**

During our audit of the Title I and special education programs, we noted that employees whose salaries are paid out the Title I program were not timely preparing the monthly time studies or semi-annual certifications on a monthly or semi-annual basis.

##### **Questioned Costs**

Unknown.

##### **Context**

The preparation of monthly time studies or semi-annual certification on a timely basis is important to ensuring the District's compliance with federal requirements in order to receive funding.

##### **Effect**

Not timely preparing and maintaining the monthly studies and semi-annual certifications may cause the District to be out of compliance with federal funding requirements.

##### **Cause**

Employees and supervisors signed monthly and semi-annual certifications significantly after the time periods for which those certificates covered.

##### **Recommendation**

The district should implement policies and procedures to ensure that employees, whose salaries are funded out of more than one source, where at least one of those sources is federal, are timely preparing a monthly time study to show the actual time allocation. Employees who are 100% funded out of a federal program should be preparing semi-annual certification and the certification should be signed the immediate supervisor and the employee in a timely fashion.

##### **Current Status**

Implemented