

**TAMALPAIS UNION HIGH
SCHOOL DISTRICT**

**ANNUAL FINANCIAL REPORT
JUNE 30, 2005**

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

JUNE 30, 2005

GOVERNING BOARD

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Bob Walter	President	2007
Ruth Dell	Clerk	2005
John Wright	Trustee	2005
Jill Sampson	Trustee	2007
Susan Schmidt	Trustee	2005

ADMINISTRATION

Robert Ferguson	Superintendent
Christine Anderson, Ed. D.	Assistant Superintendent, Instruction
Arvo Toukonen, Ed. D.	Assistant Superintendent, Administrative Services
Lori Parrish	Director of Fiscal Services

ORGANIZATION

The Tamalpais Union High School District was established on July 1, 1908 and is located in Marin County.

There were no changes in the boundaries of the District during the current year. The District is currently operating three comprehensive high schools, one continuation high school and an independent study high school and adult school.

TAMALPAIS UNION HIGH SCHOOL DISTRICT

TABLE OF CONTENTS JUNE 30, 2005

FINANCIAL SECTION

Independent Auditors' Report	1
Management's Discussion and Analysis	3
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Assets	12
Statement of Activities	13
Fund Financial Statements	
Governmental Funds - Balance Sheet	14
Reconciliation of the Governmental Funds Balance Sheet to the	
Statement of Net Assets	16
Governmental Funds - Statement of Revenues, Expenditures, and Changes in Fund Balance	17
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and	
Changes in Fund Balances to the District-Wide Statement of Activities	19
Proprietary Funds - Statement of Net Assets	20
Proprietary Funds - Statement of Revenues, Expenses, and Changes in Fund Net Assets	21
Proprietary Funds - Statement of Cash Flows	22
Fiduciary Funds - Statement of Net Assets	23
Fiduciary Funds - Statement of Changes in Net Assets	24
Notes to Financial Statements	25

REQUIRED SUPPLEMENTARY INFORMATION

General Fund - Budgetary Comparison Schedule	48
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SUPPLEMENTARY INFORMATION

Schedule of Expenditures of Federal Awards	49
Schedule of Average Daily Attendance	50
Schedule of Instructional Time	51
Reconciliation of Annual Financial and Budget Report with Audited Financial Statements	52
Schedule of Financial Trends and Analysis	53
Note to Supplementary Information	54

SUPPLEMENTARY INFORMATION - UNAUDITED

Combining Statements - Non-Major Governmental Funds	
Combining Balance Sheet - Unaudited	55
Combining Statement of Revenues, Expenditures, and Changes in Fund Balance - Unaudited	57
Note to Unaudited Supplementary Information - Unaudited	59

INDEPENDENT AUDITORS' REPORTS

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an	
Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	60
Report on Compliance with Requirements Applicable to Each Major Program and Internal	
Control over Compliance in Accordance with OMB Circular A-133	62
Report on State Compliance	64

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Summary of Auditors' Results	66
Financial Statement Findings	67
State Award Findings and Questioned Costs	70
Federal Award Findings and Questioned Costs	72
Summary Schedule of Prior Audit Findings	73

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FINANCIAL SECTION

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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 District, as of and for the year ended June 30, 2005, 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 2004-05 *Standards and Procedures for Audits of California K-12 Local Educational Agencies*, prescribed in the California Code of Regulations, Title 5, Section 19810 and following. 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 School District, as of June 30, 2005, and the respective changes in financial positions 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 28, 2005, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The required supplementary information, such as management's discussion and analysis on pages 3 through 11 and budgetary comparison information on page 48, are not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board. 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.

Vavrinek, Trine, Day & Co LLP

Pleasanton, California
October 28, 2005



TAMALPAIS UNION HIGH SCHOOL DISTRICT

P.O. Box 605 - Larkspur, CA 94977 - (415) 945-3737 - Fax (415) 945-3766 - www.tamdistrict.org

California Distinguished Schools: Tamalpais, Drake and Redwood High Schools

This section of 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, 2005 and 2004. 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.

A *Reconciliation of the Fund Financial Statements to the Government-Wide Financial Statements* is provided on Pages 16 and 19 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, such as financing corporations.

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.

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.

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 \$58.6 million and \$56.1 million, respectively, for the fiscal years ended June 30, 2005 and 2004. Of this amount, \$10.4 as of June 30, 2005 and \$7.8 million as of June 2004, was unrestricted. Restricted net assets are reported separately to show legal constraints from debt covenants and enabling legislation that limit the School Board's ability to use those net assets for day-to-day operations. Our analysis below focuses on the net assets (Table 1) and change in net assets (Table 2) of the District's governmental activities.

Table 1

(Amounts in millions)	Governmental Activities 2005	Governmental Activities 2004
Current and other assets	\$ 66.3	\$ 104.3
Capital assets	116.2	80.7
Total Assets	182.5	185.0
Current liabilities	7.7	10.4
Long-term debt	116.2	118.4
Total Liabilities	123.9	128.8
Net assets		
Invested in capital assets, net of related debt	40.0	38.7
Restricted	8.2	9.6
Unrestricted	10.4	7.8
Total Net Assets	\$ 58.6	\$ 56.1

The \$10.4 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 \$10.4 million left.

Changes in Net Assets

The results of this year's operations for the District as a whole are reported in the *Statement of Activities* on page 13. Table 2 takes the information from the Statement, rounds off the numbers, and rearranges them slightly so you can see our total revenues for the year.

Table 2

(Amounts in millions)	Governmental Activities 2005	Governmental Activities 2004
Revenues		
Program revenues		
Charges for services	\$ 1.2	\$ 1.3
Operating grants and contributions	4.5	4.6
Capital grants and contributions ^[1]	0.1	13.7
General revenues:		
Property taxes	45.6	42.0
Other general revenues	5.4	3.8
Total Revenues	56.8	65.4
Expenses		
Instruction related	32.8	30.1
Student support services	4.2	4.1
Administration	4.0	3.8
Maintenance and operations	5.7	4.9
Other	7.6	5.2
Total Expenses	54.3	48.1
Change in Net Assets	\$ 2.5	\$ 17.3

¹The capital grants at June 30, 2004 include a capital grant from the state in the amount of \$13.7 million for construction project funding which will benefit student instruction and other programs through modernization of facilities.

Governmental Activities

As reported in the Statement of Activities on page 13, the cost of all of our governmental activities for the years ended June 30, 2005 and 2004 was \$54.3 million and \$48.1 million, respectively. However, the amount that our taxpayers ultimately financed for these activities through local taxes was only \$45.6 and \$42.0 million because the cost was paid by those who benefited from the programs (\$1.2 and \$1.3 million) or by other governments and organizations who subsidized certain programs with grants and contributions (\$4.6 and \$18.3 million). We paid for the remaining "public benefit" portion of our governmental activities with State funds and with other revenues, like interest and general entitlements.

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

Table 3

(Dollar amounts in millions)	Net Cost of Services 2005	Net Cost of Services 2004
Instruction ¹	\$ 24.5	\$ 10.2
Guidance and counseling	4.6	3.2
School administration	3.0	2.8
Pupil transportation	3.2	0.1
Administration	3.8	3.5
Maintenance and operations	5.7	4.9
Other	3.7	3.8
Totals	\$ 48.5	\$ 28.5

¹ At June 30, 2004, the Net Cost of Services shown above includes a reduction for a capital grant from the state in the amount of \$13.7 million for construction project funding which will benefit the student instruction and other programs through modernization of facilities.

THE DISTRICT'S FUNDS

As of June 30, 2005 and 2004, our governmental funds reported a combined fund balance of \$61.0 million and \$95.8 million, respectively. This is a decrease of \$34.8 million from the prior year.

The primary reasons for these changes are:

- a. Our General Fund is our principal operating fund. The fund increased by \$0.8 million in 2005. This increase is due primarily to carryover to 2005/2006. After carryover, the net change in fund balance is \$0.1 million.
- b. Our Building Fund decreased \$35.3 million due to the completion and capitalization of many modernization projects. (See Page 8 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, 2005 and the final revised budget projected a general fund deficit of \$2.5 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 48).

- The District originally projected an increase in general fund balance of approximately \$0.2 million.
- Budget revisions to increase budgeted revenues were attributed to better unexpected mandated cost payments, increased state and site level revenues, such as gate receipts, parent funds.
- Budget revisions to increase budgeted expenditures were a result of 3.2% on the schedule salary increase for certificated, management and confidential employees, funding year end purchase requests for one time expenditures from sites and departments.
- Actual revenues exceeded final budgeted revenues by \$0.5 million and expenditures were less than expected by \$2.8.

CAPITAL ASSET & DEBT ADMINISTRATION**Capital Assets**

At June 30, 2005 and 2004, the District had \$116.2 million and \$80.7 million, respectively, in a broad range of capital assets, including land, buildings, and furniture and equipment. This amount represents a net increase during 2005 (including additions, deductions and depreciation) of just under \$35.5 million.

Table 4

(Amounts in millions)	Governmental Activities	Governmental Activities
	2005	2004
Land	\$ 2.4	\$ 2.4
Construction in progress	63.2	46.2
Buildings and improvements	49.9	31.7
Equipment	0.7	0.4
Totals	\$ 116.2	\$ 80.7

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

Tamalpais High School:

Increment No. 1 - Complete	\$ -	\$ 0.1
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Redwood High School:

Increment No. 2A of Temporary Portables - Complete	-	0.5
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. 1 - Complete	-	2.4
Increment No. 5 - Athletic Fields Renovation	3.4	
Increment No. 2 - Complete	-	1.4

\$ 19.8	\$ 4.4
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In addition to the projects completed during the year, modernization funds of approximately \$36.9 million was added to work in process during the year. Modernization is planned to continue into 2006. We present more detailed information about our capital assets in Note 4 to the financial statements.

Long-Term Debt

As of June 30, 2005 and 2004, the District had \$118.4 and \$120.3 million in bonds outstanding, respectively. This is an decrease of 1.5 percent which resulted from the redemption of \$1.8 million dollars in bonds.

Table 5

(Amounts in millions)	Governmental Activities 2005	Governmental Activities 2004
General obligation bonds, Series 2002	\$ 19.1	\$ 19.8
General obligation bonds, Series 2003	48.0	49.2
General obligation bonds, Series 2004	51.1	51.1
Other - Accumulated vacation	0.2	0.2
Totals	\$ 118.4	\$ 120.3

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 \$120.1 million is significantly below this statutorily - imposed limit. We present more detailed information regarding our long-term liabilities in Note 8 of the financial statements.

SIGNIFICANT ACCOMPLISHMENTS OF FISCAL YEAR 2004-05 ARE NOTED BELOW:

General Fund

The District closed its books with a net increase of \$101,566 to its Unrestricted General Fund balance. This amount is composed of an increase in fund balance of \$772,695 less \$671,129 to be carried over to 2005/2006. The carryover includes \$117,771 of the site block grants, school awards and Academic Performance Index (API) funds, \$477,338 of site discretionary funds, and \$75,988 of other authorized carryovers.

The District was able to provide \$204,761 in one time expenditures including cameras for our photography program, laptops and a wireless access point for our independent study program, two vehicles for our maintenance and grounds departments, copiers and a printing press. The print shop revenue from outside sources for 2004/05 was \$39,043 compared to \$19,901 in 2003/04.

The District was able to front load expenses for 2005/06 with a transfer to Fund 40 of \$266,677. This will provide for technology at all sites, establishment of both copier and vehicle replacement funds, and point of sale cash management systems for both Drake and Tamalpais.

Certificated, confidential and management staff received a 3.2% salary increase. The classified bargaining unit salary settlement is not included.

The Restricted Fund Balance has a carryover amount of \$992,826 which is an increase of \$61,013 from the 2003/2004 Restricted Fund Balance. The State requires that certain restricted funds be carried over as part of the ending fund balance and that other restricted funds have their carryovers deferred until the funds are spent or earned. The deferred portion of the restricted funds is \$12,466. The total amount carried over as part of the Restricted Fund Balance is \$992,826.

Adult Education ended the year with an increase to their fund balance of \$35,074. They served 653 Adult ADA, an increase from 2003/04 of 48 ADA. They applied for and were granted \$54,177 in federal funds. They received all of their Lottery revenue provided in the amount of \$90,422.

Community Education reduced their fund balance by \$302,882. This decrease was anticipated and budgeted for. The impact of modernization has severely reduced the ability to schedule classes. The 2005/06 budget is being monitored closely to see if required revenue goals are being met. The Adult and Community Education fund ended the year with a combined reserve of \$882,747.

Cafeteria Fund

The Cafeteria Fund reduced the encroachment on the Unrestricted General Fund by \$50,045 from the prior year. 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 \$161,000 and the state matched \$157,823 for the prior year. The Redwood slough pump was replaced at a cost of \$286,341 in addition to various reroofing and window replacement projects. This fund has a reserve of \$1,024,484. The state is expected to fund between 95-98% in 2005/06.

Bond Fund – Fund 21, 22, 23

The Bond Fund had expenditures totaling \$36,403,686. The fund benefited from rising interest rates earning \$1,084,683 on unspent amounts. The Bond Fund has an ending balance of \$42,159,627.

Building Fund Prop 1A – Fund 35

This fund is for receipt of State School Facilities Bond proceeds. Funds for all sites except San Andreas have been received. Expenses have been transferred from the Bond Fund for all projects except San Andreas. The district received \$85,551 for labor compliance during the year. Interest earned and yet unallocated to reserves is \$147,490.

Special Reserve – Fund 40

Transfers were made to this fund in the amount \$592,068 in 2004/05. See Appendix F for the detail of all activity in the Fund for the 2004/05 year. The ending fund balance is \$755,047.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

In considering the District Budget for the 2005/2006 year, the District Board and management used the following criteria:

- Enrollment increase of 6 students
- Increase in Property Tax Revenue 7%
- Increase in State Revenue of 4.23%; Federal Revenue same as 04/05
- Certificated Staffing not changed from Fall 2004. 3.0 Full Time Equivalent have been budgeted to serve as growth contingency for unidentified fall increases in student enrollment.
- No salary increase is budgeted. Cost of Step & Column is 2.5% for Certificated; 2.6% for Classified; and 1% for Management.
- Health Benefits are budgeted to increase 8.5% for medical and 30% for dental effective October 1, 2005.
- State Teachers Retirement has been increased to 10.25% from 8.25%.
- School site per student allocations have been increased 3.93%.
- Utilities have been increased 10%electric, 15%gas, 5%all others.
- The athletic budget has been increased to include full funding for Lacrosse at \$66,780.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, and 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 Director of Fiscal Services, at Tamalpais Union School District, P.O. Box 605, Larkspur, California, 94977, or e-mail at lparrish@tuhsd.marin.k12.ca.us.

TAMALPAIS UNION HIGH SCHOOL DISTRICT

STATEMENT OF NET ASSETS JUNE 30, 2005

		Governmental
		Activities
Assets		
Deposits and investments	\$	63,344,363
Receivables		1,863,414
Prepaid expenses		1,965
Deferred charges		631,216
Stores inventories		32,744
Other assets		480,000
Land and construction in progress		65,608,772
Capital assets		80,308,280
Less: Accumulated depreciation		(29,756,217)
Total assets		<u>182,514,537</u>
Liabilities		
Accounts payable		4,438,931
Interest payable		841,433
Deferred revenue		163,840
Current portion of long-term obligations		2,279,945
Noncurrent portion of long-term obligations		116,155,292
Total liabilities		<u>123,879,441</u>
Net Assets		
Invested in capital assets, net of related debt		39,885,225
Restricted for:		
Debt service		4,440,019
Capital projects		902,535
Educational programs		998,826
Other activities		1,991,437
Unrestricted		10,417,054
Total net assets	\$	<u>58,635,096</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, 2005

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental activities:					
Instruction	\$ 28,161,276	\$ 428,075	\$ 3,159,807	\$ 85,551	\$ (24,487,843)
Instruction related activities:					
Supervision of instruction	961,308	-	46,632	-	(914,676)
Instructional library, media and technology	574,946	-	2,407	-	(572,539)
School site administration	3,083,001	4,539	6,515	-	(3,071,947)
Pupil services:					
Home-to-school transportation	71,208	2,985	4,285	-	(63,938)
Food services	653,217	363,186	177,811	-	(112,220)
All other pupil services	3,429,639	128	365,885	-	(3,063,626)
General administration:					
Data processing	917,320	-	-	-	(917,320)
All other general administration	3,125,071	13,831	186,306	-	(2,924,934)
Plant services	5,701,023	130	186	-	(5,700,707)
Ancillary services	1,336,987	32,729	46,982	-	(1,257,276)
Community services	939,042	231,655	332,530	-	(374,857)
Interest on long-term debt	4,770,571	-	-	-	(4,770,571)
Other (outgo)	528,583	127,546	183,086	-	(217,951)
Total governmental-type activities	\$ 54,253,192	\$ 1,204,804	\$ 4,512,432	\$ 85,551	(48,450,405)
General revenues and subventions:					
Property taxes, levied for general purposes					31,468,740
Property taxes, levied for debt service					6,903,198
Taxes levied for other specific purposes					7,234,345
Federal and State aid not restricted to specific purposes					2,044,442
Interest and investment earnings					1,351,338
Interagency revenues					45,000
Miscellaneous					1,891,349
Subtotal, general revenues					50,938,412
Change in net assets					2,488,007
Net assets - beginning					56,147,089
Net assets - ending					\$ 58,635,096

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

TAMALPAIS UNION HIGH SCHOOL DISTRICT

GOVERNMENTAL FUNDS BALANCE SHEET JUNE 30, 2005

	General Fund	Building Fund	Bond Interest and Redemption Fund
ASSETS			
Deposits and investments	\$ 10,565,080	\$ 44,260,114	\$ 5,256,886
Receivables	1,216,495	264,401	24,566
Due from other funds	332,414	370,086	-
Prepaid expenses	408	-	-
Stores inventories	-	-	-
Other assets	480,000	-	-
Total Assets	<u>\$ 12,594,397</u>	<u>\$ 44,894,601</u>	<u>\$ 5,281,452</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 1,434,030	\$ 2,655,249	\$ -
Due to other funds	457,661	79,725	-
Deferred revenue	12,673	-	-
Total Liabilities	<u>1,904,364</u>	<u>2,734,974</u>	<u>-</u>
Fund Balances:			
Reserved for:			
Stores inventories	-	-	-
Other reservations	1,005,534	-	-
Unreserved:			
Designated	1,993,044	-	-
Undesignated, reported in:			
General fund	7,691,455	-	-
Special revenue funds	-	-	-
Debt service funds	-	-	5,281,452
Capital projects funds	-	42,159,627	-
Total Fund Balance	<u>10,690,033</u>	<u>42,159,627</u>	<u>5,281,452</u>
Total Liabilities and Fund Balances	<u>\$ 12,594,397</u>	<u>\$ 44,894,601</u>	<u>\$ 5,281,452</u>

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

Non Major Governmental Funds	Total Governmental Funds
\$ 3,255,127	\$ 63,337,207
213,385	1,718,847
369,665	1,072,165
1,557	1,965
32,744	32,744
-	480,000
<u>\$ 3,872,478</u>	<u>\$ 66,642,928</u>

\$ 321,041	\$ 4,410,320
506,298	1,043,684
151,167	163,840
<u>978,506</u>	<u>5,617,844</u>

32,744	32,744
1,957	1,007,491
-	1,993,044
-	7,691,455
1,956,736	1,956,736
-	5,281,452
902,535	43,062,162
<u>2,893,972</u>	<u>61,025,084</u>
<u>\$ 3,872,478</u>	<u>\$ 66,642,928</u>

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TAMALPAIS UNION HIGH SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEETS TO THE STATEMENT OF NET ASSETS JUNE 30, 2005

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

Total Fund Balance - Governmental Funds		\$ 61,025,084
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	\$ 145,917,052	
Accumulated depreciation is	<u>(29,756,217)</u>	116,160,835
Special education settlement receivable not available soon enough to pay for the current period's expenditures, and therefore are not recorded in the governmental funds.		87,365
Expenditures relating to issuance of debt are recognized in the year debt is issued on the modified accrual basis, but are recorded as prepaid expenses and amortized over the term of the bonds on the accrual basis.		631,216
In governmental funds, unmatured interest on long-term debt 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.		(841,433)
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.		7,266
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	116,835,000	
Premium on bonds, net of amortization	1,445,568	
Compensated absences (vacations)	<u>154,669</u>	<u>(118,435,237)</u>
Total Net Assets - Governmental Activities		\$ 58,635,096

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

TAMALPAIS UNION HIGH SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES FOR THE YEAR ENDED JUNE 30, 2005

	General Fund	Building Fund	Bond Interest and Redemption Fund
REVENUES			
Revenue limit sources	\$ 31,175,443	\$ -	\$ -
Federal sources	888,195	-	-
Other state sources	1,622,477	-	56,268
Other local sources	12,116,153	1,084,683	6,908,704
Total Revenues	45,802,268	1,084,683	6,964,972
EXPENDITURES			
Current			
Instruction	25,649,828	-	-
Instruction related activities:			
Supervision of instruction	935,864	-	-
Instructional library, media and technology	563,108	-	-
School site administration	3,019,058	-	-
Pupil Services:			
Home-to school transportation	67,870	-	-
Food services	9,015	-	-
All other pupil services	3,348,432	-	-
General administration:			
Data processing	1,036,790	-	-
All other general administration	2,471,627	-	-
Plant services	4,996,611	741,488	-
Facility acquisition and construction	194,424	35,662,199	-
Ancillary services	1,307,355	-	-
Community services	-	-	-
Other outgo	478,858	-	-
Debt service			
Principal	-	-	1,790,000
Interest and other	21,695	-	4,860,391
Total Expenditures	44,100,535	36,403,687	6,650,391
Excess (deficiency) of revenues over expenditures	1,701,733	(35,319,004)	314,581
Other Financing Sources (Uses):			
Transfers in	24,890	-	-
Transfers out	(892,913)	-	-
Net Financing Sources (Uses)	(868,023)	-	-
NET CHANGE IN FUND BALANCES	833,710	(35,319,004)	314,581
Fund Balance - Beginning	9,856,323	77,478,631	4,966,871
Fund Balance - Ending	\$ 10,690,033	\$ 42,159,627	\$ 5,281,452

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

Nonmajor Governmental Funds	Total Governmental Funds
\$ 1,233,017	\$ 32,408,460
86,243	974,438
335,437	2,014,182
1,248,276	21,357,816
2,902,973	56,754,896
867,632	26,517,460
-	935,864
-	563,108
-	3,019,058
-	67,870
661,127	670,142
-	3,348,432
-	1,036,790
560,865	3,032,492
347,331	6,085,430
1,055,459	36,912,082
-	1,307,355
914,931	914,931
-	478,858
-	1,790,000
-	4,882,086
4,407,345	91,561,958
(1,504,372)	(34,807,062)
892,913	917,803
(24,890)	(917,803)
868,023	-
(636,349)	(34,807,062)
3,530,321	95,832,146
\$ 2,893,972	\$ 61,025,084

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, 2005

Total Net Change in Fund Balances - Governmental Funds	\$ (34,807,062)
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**Amounts Reported for Governmental Activities in the Statement of
Activities are Different Because:**

Capital outlay 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 depreciation exceeds capital outlay in the period.

Depreciation expense	\$ (2,128,552)	
Capital outlay	<u>37,609,768</u>	35,481,216

Special education settlement receivable not available soon enough to pay for the current period's expenditures, and therefore is not recorded in the governmental funds but reduces the receivable on the statement of net assets.	(14,495)
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Payment of issue costs of bonds is an expenditure in the governmental funds, but it is recorded as prepaid expense and amortized on the statement of net assets over the life of the bonds.	(28,030)
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Premiums on bonds are a revenue in the governmental funds, but is recorded as a liability and amortized on the statement of activities over the life of the bond.	64,945
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Repayment of bond principal 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.	1,790,000
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Payment of compensated absences are 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. This is the amount by which vacation earned exceeded vacation used.	1,491
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An internal service fund is used by the District's management to charge the costs of the unemployment compensation insurance program to the individual funds. The net revenue of the internal service fund is reported with governmental activities.	(9,946)
--	---------

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. The additional interest reported in the statement of activities is the net result of these factors.	9,888
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Change in Net Assets of Governmental Activities	\$ <u>2,488,007</u>
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The accompanying notes are an integral part of these financial statements.

TAMALPAIS UNION HIGH SCHOOL DISTRICT

**PROPRIETARY FUNDS
STATEMENT OF NET ASSETS
JUNE 30, 2005**

	Governmental Activities - Internal Service Fund
ASSETS	
Current Assets	
Deposits and investments	\$ 7,156
Receivables	45
Due from other funds	65
Total Current Assets	<u>7,266</u>
 NET ASSETS	
Unrestricted	<u>7,266</u>
Total Net Assets	<u><u>\$ 7,266</u></u>

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

TAMALPAIS UNION HIGH SCHOOL DISTRICT

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES AND CHANGES

IN FUND NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2005

	Governmental Activities - Internal Service Fund
OPERATING REVENUES	
Local and intermediate sources	\$ 15,507
Total Operating Revenues	15,507
OPERATING EXPENSES	
Supplies and materials	\$ 21,627
Other operating cost	4,104
Total Operating Expenses	25,731
Operating Income (Loss)	(10,224)
NONOPERATING REVENUES (EXPENSES)	
Interest income	278
Change in net assets	(9,946)
Total Net Assets - Beginning	17,212
Total Net Assets - Ending	\$ 7,266

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

TAMALPAIS UNION HIGH SCHOOL DISTRICT

PROPRIETARY FUNDS STATEMENT OF CASH FLOWS FOR THE YEAR ENDED JUNE 30, 2005

	Governmental Activities - Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from user charges	\$ 15,442
Cash payments for insurance claims	(4,104)
Cash payments to suppliers for goods and services	(21,627)
Net Cash Used By Operating Activities	(10,289)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on investments	289
Net Cash Provided from Investing Activities	289
Net decrease in cash and cash equivalents	(10,000)
Cash and cash equivalents - Beginning	17,156
Cash and cash equivalents - Ending	<u>\$ 7,156</u>
 RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:	
Operating loss	\$ (10,224)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Changes in assets and liabilities:	
Increase in due from other fund	(65)
NET CASH USED BY OPERATING ACTIVITIES	<u>\$ (10,289)</u>

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, 2005

	Foundation Private- Purpose Trust	Agency Funds	Total
ASSETS			
Deposits and investments	\$ 55,968	\$ 674,015	\$ 729,983
Receivables	690	-	690
Total assets	<u>\$ 56,658</u>	<u>\$ 674,015</u>	<u>730,673</u>
LIABILITIES			
Accounts payable	\$ 12,028	\$ -	\$ 12,028
Due to student groups	-	674,015	674,015
Due to other funds	28,546	-	28,546
Total liabilities	<u>40,574</u>	<u>\$ 674,015</u>	<u>\$ 714,589</u>
NET ASSETS			
Unreserved	16,084		
Total Net Assets	<u>\$ 16,084</u>		

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

TAMALPAIS UNION HIGH SCHOOL DISTRICT

FIDUCIARY FUNDS

STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS FOR THE YEAR ENDED JUNE 30, 2005

	Other Private- Purpose Trust
ADDITIONS	
Private donations	\$ 467,444
Interest	2,411
Total Additions	<u>469,855</u>
DEDUCTIONS	
Other expenditures	<u>508,847</u>
Change in Net Assets	(38,992)
Net Assets - Beginning	<u>55,076</u>
Net Assets - Ending	<u><u>\$ 16,084</u></u>

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

TAMALPAIS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

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/or Federal agencies. The District operates three comprehensive high schools, one continuation high school, and 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. The District has determined that there are no potential component units that meet the criteria for inclusion within the reporting entity.

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.

Joint Powers Agencies and Public Entity Risk Pools The District is associated with three joint powers agencies and 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 14 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 governmental funds:

TAMALPAIS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

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

Bond Interest and Redemption Fund The Bond Interest and Redemption Fund is used to account for the accumulation of resources for, and the repayment of, district bonds, interest, and related costs.

Non-Major Governmental Funds

Special Revenue Funds The Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. The district maintains the following special revenue funds:

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

Cafeteria Fund The Cafeteria Fund/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.

Debt Service Funds The Debt Service Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs. The District operates a Debt Service Fund that is accounted for in the Bond Interest Redemption Fund.

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

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

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

TAMALPAIS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

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:

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 four classifications: pension trust funds, investment trust funds, 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 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 enterprise fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor 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, 2005

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 a 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. For the District, available means expected to be received within 60 days of fiscal year-end.

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

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.

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 combined balance sheet and revenue is recognized.

TAMALPAIS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

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 general long-term debt, 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, 2005, 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.

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 in the period benefited.

Stores Inventory

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

Capital Assets and Depreciation

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

TAMALPAIS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized, but are expensed as incurred.

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

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

TAMALPAIS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

Fund Balance Reserves and Designations

The District reserves those portions of fund equity 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 equity which is available for appropriation in future periods. Fund equity 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 on the financial statements.

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.

TAMALPAIS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

Budgetary Data

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

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all budget amendments have been accounted for. For 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.

Changes in Accounting Principles

In March 2003, the Governmental Accounting Standards Board (GASB) issued GASBS No. 40, *Deposit and Investment Risk Disclosures an amendment of GASB Statement No. 3*. This Statement addressed common deposit and investment risks related to credit risk, concentration of credit risk, interest rate risk, and foreign currency risk. As an element of interest rate risk, this Statement requires certain disclosures of investments that have fair values that are highly sensitive to changes in interest rates. Deposit and investment policies related to the risks identified in the Statement also should be disclosed. As such, the District has made the applicable required disclosures.

In December 2004, GASB issued GASBS No. 46, *Net Assets Restricted by Enabling Legislation*. This Statement clarifies that a legally enforceable enabling legislation restriction is one that a party external to a government—such as citizens, public interest groups, or the judiciary—can compel a government to honor. The Statement states that the legal enforceability of an enabling legislation restriction should be reevaluated if any of the resources raised by the enabling legislation are used for a purpose not specified by the enabling legislation or if a government has other cause for reconsideration. Although the determination that a particular restriction is not legally enforceable may cause a government to review the enforceability of other restrictions, it should not necessarily lead a government to the same conclusion for all enabling legislation restrictions.

This Statement also specifies the accounting and financial reporting requirements if new enabling legislation replaces existing enabling legislation or if legal enforceability is reevaluated. Finally, this Statement requires governments to disclose the portion of total net assets that is restricted by enabling legislation. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2005. The District has implemented this pronouncement and it had no effect on the current year financial statements.

TAMALPAIS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2005

New Accounting Pronouncements

In November 2003, GASB issued GASBS No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*. This Statement establishes guidance for accounting and reporting for impairment of capital assets and for insurance recoveries, whether associated with an impaired capital asset or not. This Statement is effective for periods beginning after December 31, 2004, or during the 2005-06 fiscal year. This pronouncement does not have any impact on the current year's financial statement.

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, 2008. 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.

NOTE 2 – DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2005, are classified in the accompanying financial statements as follows:

Governmental activities	\$ 63,344,363
Fiduciary funds	729,983
Total Deposits and Investments	<u>\$ 64,074,346</u>

Deposits and investments as of June 30, 2005, consists of the following:

Cash on hand and in banks	\$ 720,618
Cash in revolving	12,700
Investments	63,341,028
Total Deposits and Investments	<u>\$ 64,074,346</u>

TAMALPAIS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

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.

General Authorizations

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

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment In One Issuer
Local Agency Bonds, Notes, Warrants	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S. Agency Securities	5 years	None	None
Banker's Acceptance	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base	None
Medium-Term 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

TAMALPAIS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

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

Investment Type	Fair Value	Weighted Average Maturity In Years
County Pool	\$ 63,341,028	.51 years

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by the California Government Code, the Districts' investment policy, or debt agreements, and the actual rating as of the year-end for each investment type.

Investment Type	Fair Value	Minimum Legal Rating	Not Required To Be Rated	Rating as of Year End		
				AAA	Aa	Unrated
County Pool	\$63,341,028	None	-	\$63,341,028	-	\$ -

Concentration of Credit Risk

The investment policy of the District contains no limitations on the amount that can be invested in any one issuer beyond the amount stipulated by the California Government code. There were no investments in any one issuer that represent five percent (5%) or more of the total investments that are required to be disclosed at June 30, 2005.

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% 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% of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105% of the secured deposits. As of June 30, 2005, \$1,132,227 of the District's bank balance of \$1,476,010 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the name of the District.

TAMALPAIS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

Custodial Credit Risk - Investments

This is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. The District's custodial credit risk is limited as all funds were invested in the county investment pool.

NOTE 3 - RECEIVABLES

Receivables at June 30, 2005, consisted of intergovernmental grants, entitlements, interest and other local sources. All receivables are considered collectible in full.

	General Fund	Building Fund	County School Facilities Fund	Non Major Funds	Total	Proprietary Funds	Fiduciary Funds
Federal Government							
Categorical aid	\$ 140,676	\$ -	\$ -	\$ 26,921	\$ 167,597	\$ -	\$ -
State Government							
Apportionment	-	-	-	80,743	80,743	-	-
Categorical aid	377,961	-	-	274	378,235	-	-
Other state	159,797	-	-	-	159,797	-	-
Local Government							
Interest	84,863	264,401	24,566	14,019	387,849	45	690
Other Local Sources	140,204	-	-	91,428	231,632	-	-
Total	<u>\$ 1,216,495</u>	<u>\$ 264,401</u>	<u>\$ 24,566</u>	<u>\$ 213,385</u>	<u>\$ 1,718,847</u>	<u>\$ 45</u>	<u>\$ 690</u>

Additional long term receivables include \$87,365 for a special education settlement with payments expected to be received annually over the next six years.

TAMALPAIS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2005

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2005, was as follows:

	Balance July 1, 2004	Additions	Deductions	Balance June 30, 2005
Governmental Activities				
Capital Assets not being depreciated				
Land	\$ 2,409,145	\$ -	\$ -	\$ 2,409,145
Construction in progress	46,119,123	36,912,082	19,831,578	63,199,627
Capital Assets not depreciated	48,528,268	36,912,082	19,831,578	65,608,772
Capital Assets being depreciated				
Land improvements	13,177,296	13,410,992	-	26,588,288
Buildings and improvements	45,392,256	6,691,781	-	52,084,037
Furniture and equipment	745,039	343,275	-	1,088,314
Vehicles	464,425	83,216	-	547,641
Capital Assets being depreciated	59,779,016	20,529,264	-	80,308,280
Total Capital Assets	108,307,284	57,441,346	19,831,578	145,917,052
Less Accumulated Depreciation				
Land improvements	6,514,908	729,269	-	7,244,177
Buildings and improvements	20,340,843	1,234,788	-	21,575,631
Furniture and equipment	377,447	131,920	-	509,367
Vehicles	394,467	32,575	-	427,042
Total Accumulated Depreciation	27,627,665	2,128,552	-	29,756,217
Governmental Activities Capital Assets, Net	<u>\$ 80,679,619</u>	<u>\$ 55,312,794</u>	<u>\$ 19,831,578</u>	<u>\$ 116,160,835</u>

Depreciation expense charged as a direct expense to governmental functions was follows:

Governmental Activities	
Instruction	\$ 1,657,755
Supervision of instruction	25,444
Instructional library, media, and technology	11,838
School site administration	68,965
Home-to-school transportation	3,338
Food services	14,185
All other pupil services	81,207
Ancillary services	29,632
Community services	24,111
All other general administration	66,848
Data processing services	24,732
Plant services	120,497
Total Depreciation Expenses Governmental Activities	<u>\$ 2,128,552</u>

TAMALPAIS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

NOTE 5 – INTERFUND TRANSACTIONS

Interfund Receivables/Payables (Due To/Due From)

Interfund receivable and payable balances at June 30, 2005, between major and nonmajor governmental funds, nonmajor enterprise funds, and fiduciary funds are as follows:

Due To	Due From				
	General	Building	Non Major Funds	Total	Proprietary Funds
General	\$ -	\$ 88,096	\$ 369,665	\$ 457,761	\$ 65
Building	79,725	-	-	79,725	-
Non Major Funds	252,689	281,990	-	534,679	-
Total	<u>\$ 332,414</u>	<u>\$ 370,086</u>	<u>\$ 369,665</u>	<u>\$ 1,072,165</u>	<u>\$ 65</u>

All 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.

Operating Transfers

Interfund transfers for the year ended June 30, 2005, consisted of the following:

Transfer To	Transfer From		
	General	Nonmajor Governmental	Total
General	\$ -	\$ 24,890	\$ 24,890
Nonmajor governmental	892,913	-	892,913
Total	<u>\$ 892,913</u>	<u>\$ 24,890</u>	<u>\$ 917,803</u>

The General Fund transferred to Cafeteria Fund for contribution	\$ 114,955
The General Fund transferred to Deferred Maintenance Fund for State match	161,000
The General Fund transferred to Adult Education Fund to reimbursement expenditures	24,890
The General Fund transferred to Special Reserve Fund for Capital Outlay Projects for capital projects	592,068
The Adult Education Fund transferred to General Fund for use of facilities	24,890
	<u>\$ 917,803</u>

TAMALPAIS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2005

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 6 – ACCOUNTS PAYABLE

Accounts payable at June 30, 2005, consisted of the following:

	General Fund	Building Fund	Nonmajor Governmental	Total	Fiduciary Funds
Vendor payables	\$ 1,132,541	\$ 2,650,756	\$ 240,616	\$ 4,023,913	\$ 4,891
State apportionment	16,609	-	-	16,609	-
Salaries and benefits	284,880	4,493	80,425	369,798	7,137
Total	<u>\$ 1,434,030</u>	<u>\$ 2,655,249</u>	<u>\$ 321,041</u>	<u>\$ 4,410,320</u>	<u>\$ 12,028</u>

NOTE 7 – DEFERRED REVENUE

Deferred revenue at June 30, 2005, consisted of the following:

	General	Non Major Funds	Total
Federal financial assistance	\$ 228	\$ -	\$ 228
State categorical aid	12,238	2,170	14,408
Other local	207	148,997	149,204
Total	<u>\$ 12,673</u>	<u>\$ 151,167</u>	<u>\$ 163,840</u>

TAMALPAIS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

NOTE 8 – LONG-TERM OBLIGATIONS

Long-Term Obligation Summary

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

	Balance July 1, 2004	Additions	Deductions	Balance June 30, 2005	Due in One Year
General obligation bonds	\$ 118,625,000	\$ -	\$ 1,790,000	\$ 116,835,000	\$ 2,215,000
Accumulated vacation - net	156,160	-	1,491	154,669	-
	118,781,160	-	1,791,491	116,989,669	2,215,000
Premiums, net of amortization	1,510,513	-	64,945	1,445,568	64,945
	<u>\$ 120,291,673</u>	<u>\$ -</u>	<u>\$ 1,856,436</u>	<u>\$ 118,435,237</u>	<u>\$ 2,279,945</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 general obligation bonds are repaid by the bond interest and redemption fund. The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2004	Redeemed	Bonds Outstanding June 30, 2005
2001	2026	3.375-5.50	\$ 20,820,000	\$ 19,690,000	\$ 600,000	\$ 19,090,000
2002	2027	3.00-6.00	49,580,000	48,335,000	1,190,000	47,145,000
2004	2029	4.50-5.50	50,600,000	50,600,000	-	50,600,000
				<u>\$ 118,625,000</u>	<u>\$ 1,790,000</u>	<u>\$ 116,835,000</u>

TAMALPAIS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2005

Debt Service Requirements to Maturity

The bonds mature through 2029 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2006	\$ 2,215,000	\$ 5,629,237	\$ 7,844,237
2007	3,260,000	5,513,690	8,773,690
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>\$ 116,835,000</u>	<u>\$ 78,666,153</u>	<u>\$ 195,501,153</u>

Accumulated Unpaid Employee Vacation

The long-term portion of accumulated unpaid employee vacation for the District at June 30, 2005, amounted to \$154,669.

TAMALPAIS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

NOTE 9 – FUND BALANCES

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

	General	Building Fund	Bond Interest & Redemption Fund	Non Major Funds	Total
Reserved					
Revolving cash	\$ 12,300	\$ -	\$ -	\$ 400	\$ 12,700
Stores inventory	-	-	-	32,744	32,744
Prepaid expenditures	408	-	-	1,557	1,965
Restricted programs	998,826	-	-	-	998,826
Total Reserved	1,011,534	-	-	34,701	1,046,235
Unreserved					
Designated					
Economic uncertainties	1,321,915	-	-	-	1,321,915
Other designation	671,129	-	-	-	671,129
Total Designated	1,993,044	-	-	-	1,993,044
Undesignated	7,685,455	42,159,627	5,281,452	2,859,271	57,985,805
Total Unreserved	9,678,499	42,159,627	5,281,452	2,859,271	59,978,849
Total	\$10,690,033	\$42,159,627	\$ 5,281,452	\$ 2,893,972	\$61,025,084

NOTE 10 – POSTEMPLOYMENT BENEFITS

The District provides postemployment health care benefits until age 65, in accordance with District employment contracts, to all employees who retire from the District on or after attaining age 55 with at least 10 years of service for employees included in the certificated bargaining unit and 10 years of service for employees included in the classified bargaining unit. Currently, 55 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 \$455,654 were recognized for retirees' health care benefits.

The approximate accumulated future liability for the District at June 30, 2005, amounts to \$1,658,176. 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, 2005, multiplied by the number of years of payments remaining.

TAMALPAIS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

NOTE 11 - RISK MANAGEMENT

Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2005, 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 2005, 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.

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
Marin Schools Insurance Authority	Workers' Compensation	State Statutory Limits
Marin Schools Insurance Authority	Property and Liability	\$ 25,000
Schools Excess Liability Fund	Excess Workers' Compensation	1,000,000-14,000,000

TAMALPAIS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

NOTE 12 – 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 2004-2005 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, 2005, 2004, and 2003, were \$1,697,641, \$1,631,402, and \$1,422,120, respectively, and equal 100 percent of the required contributions for each year.

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.

TAMALPAIS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

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 the fiscal year 2004-2005 was 9.952 percent of annual payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to CalPERS were \$678,249, \$720,318 and \$164,772 for the fiscal years ended June 30, 2005, 2004, and 2003, respectively, and equaled 100 percent of the required contribution. In accordance with bargaining unit agreements, the District is required to contribute the employees share as well as the District's share.

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 \$929,621 (4.517 percent of salaries subject to STRS). No contributions were made for PERS for the year ended June 30, 2005. 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.

NOTE 13 - 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, 2005.

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, 2005.

TAMALPAIS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2005

Construction Commitments

As of June 30, 2005, the District had the following commitments with respect to the unfinished capital projects:

CAPITAL PROJECT	Remaining Construction Commitment	Expected Date of Completion
Tamalpais High School modernization projects	\$ 16,953,892	through 3/31/06
Sir Francis Drake High School modernization projects	2,505,011	through 11/30/05
Redwood High School modernization projects	1,489,217	through 11/30/05
San Andreas High School modernization projects	1,547,962	through 1/31/06
Drake windows	5,000	through 12/31/05
Art patio enclosure	34,745	through 12/31/05
	<u>\$ 22,535,827</u>	

As of June 30, 2005 the District has the following commitments with respect to portable building leases:

2006	\$ 206,059
2007	10,780
	<u>\$ 216,839</u>

NOTE 14 - 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 MSIA and SELF. The relationships between the District, the pools, and the JPA's are such that they are not component units of the District for financial reporting purposes.

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

During the year ended June 30, 2005, the District made payment of \$260,224 and \$186,460 to MSIA and SELF, respectively for the insurance coverage.

TAMALPAIS UNION HIGH SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2005

NOTE 15 - TAX AND REVENUE ANTICIPATION NOTES

At July 1, 2004, the District had outstanding Tax and Revenue Anticipation Notes in the amount of \$5,080,000, which matured on July 6, 2004. On July 6, 2004, the District issued \$5,945,000 Tax and Revenue Anticipation Notes bearing interest at 1.60 percent. The notes were issued to supplement cash flows. Interest and principal were due and payable on July 6, 2005. By May 2005, the District had placed 100 percent of principal and interest in an irrevocable trust for the sole purpose of satisfying the notes. The District was not required to make any additional payments on the notes. As the District has in substance defeased the debt, the tax anticipation notes and related accrued interest and cash held in trust are not included in these financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

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TAMALPAIS UNION HIGH SCHOOL DISTRICT

GENERAL FUND BUDGETARY COMPARISON SCHEDULE FOR THE YEAR ENDED JUNE 30, 2005

	Budgeted Amounts (GAAP Basis)		Actual (GAAP Basis)	Variances - Positive (Negative)
	Original Unaudited	Final Unaudited		Final to Actual
REVENUES				
Revenue limit sources	\$ 31,199,413	\$ 30,941,490	\$ 31,175,443	\$ 233,953
Federal sources	498,170	592,924	888,195	295,271
Other state sources	1,100,265	1,680,125	1,622,477	(57,648)
Other local sources	9,636,476	11,118,330	12,116,153	997,823
Total Revenues	<u>42,434,324</u>	<u>44,332,869</u>	<u>45,802,268</u>	<u>1,469,399</u>
EXPENDITURES				
Current				
Instruction	23,776,923	26,589,254	25,649,828	939,426
Instruction related activities:				
Supervision of instruction	966,155	868,042	935,864	(67,822)
Instructional library, media, and technology	571,353	744,602	563,108	181,494
School site administration	2,852,893	3,062,391	3,019,058	43,333
Pupil services:				
Home-to-school transportation	201,250	189,250	67,870	121,380
Food services	5,655	5,655	9,015	(3,360)
All other pupil services	3,557,294	3,713,498	3,348,432	365,066
General administration:				
Data processing	1,016,832	1,080,148	1,036,790	43,358
All other general administration	2,398,176	2,593,548	2,471,627	121,921
Plant services	4,898,772	5,000,451	4,996,611	3,840
Facility acquisition and construction	59,282	97,226	194,424	(97,198)
Ancillary services	1,072,631	1,393,439	1,307,355	86,084
Other outgo	521,677	532,849	478,858	53,991
Debt Service				
Interest	-	16,000	21,695	(5,695)
Total Expenditures	<u>41,898,893</u>	<u>45,886,353</u>	<u>44,100,535</u>	<u>1,785,818</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>535,431</u>	<u>(1,553,484)</u>	<u>1,701,733</u>	<u>3,255,217</u>
Other Financing Sources (Uses):				
Transfers in	31,472	24,890	24,890	-
Transfers out	(389,475)	(932,977)	(892,913)	40,064
Net Financing Sources (Uses)	<u>(358,003)</u>	<u>(908,087)</u>	<u>(868,023)</u>	<u>40,064</u>
NET CHANGE IN FUND BALANCES	<u>177,428</u>	<u>(2,461,571)</u>	<u>833,710</u>	<u>3,295,281</u>
Fund Balance - Beginning	<u>9,856,323</u>	<u>9,856,323</u>	<u>9,856,323</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 10,033,751</u>	<u>\$ 7,394,752</u>	<u>\$ 10,690,033</u>	<u>\$ 3,295,281</u>

*The budget columns do not include on behalf payments of \$929,621. This amount has been included in the actual column and allocated to the various functions.

TAMALPAIS UNION HIGH SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2005

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
Passed through California Department of Education (CDE):			
Small Learning Community	84.215L	[2]	\$ 33,768
Adult Education - ESL	84.002A	04302/03974	15,023
Adult Education - Literacy & Civics	84.002A	04109	35,885
Adult Education - Other	84.002A	03978	3,269
Statewide Student Identifier	[2]	14498	3,908
Title IV- Drug Free Schools	84.184	03577	15,989
Title II- Enhancing Education Through Technology	84.318	04335	9,047
Title II- IASA Improving Teacher Quality	84.367	04341	118,954
Title I - IASA ^[1]	84.010	04329	252,361
Title V - Innovative Education Strategies	84.298A	04354	15,900
Federal School Renovation Program	84.352A	04313	544
Vocational Educational	84.048	03577	59,012
Special Education	84.027	03379	378,712
Total U.S. Department of Education			<u>942,372</u>
U.S. DEPARTMENT OF AGRICULTURE			
Passed through CDE:			
Child Nutrition: School Program	10.556	04198	32,066
Total U.S. Department of Agriculture			<u>32,066</u>
Total Expenditures of Federal Awards			<u>\$ 974,438</u>

[1] Tested as a major program.

[2] Pass-Through Entity Identifying Number not available.

See accompanying note to supplementary information.

SUPPLEMENTARY INFORMATION

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TAMALPAIS UNION HIGH SCHOOL DISTRICT

SCHEDULE OF AVERAGE DAILY ATTENDANCE FOR THE YEAR ENDED JUNE 30, 2005

	Amended Second Period Report	Annual Report
SECONDARY		
Regular classes	3,521	3,496
Continuation education	97	94
Home and hospital	1	2
Special education	70	67
Students 21 and over and 19 or older not continuously enrolled since their 18th birthday, enrolled in K-12 through independent study	1	1
Total Secondary	3,690	3,660
CLASSES FOR ADULTS		
Concurrently enrolled	2	2
Not concurrently enrolled	623	649
Total Classes for Adults	625	651
Grand Total	4,315	4,311
	Hours of Attendance	Hours of Attendance
SUMMER SCHOOL		
High School	57,882	57,882

See accompanying note to supplementary information.

TAMALPAIS UNION HIGH SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME FOR THE YEAR ENDED JUNE 30, 2005

<u>Grade Level</u>	<u>1982-83 Actual Minutes</u>	<u>1986-87 Minutes Requirement</u>	<u>2004-05 Actual Minutes</u>	<u>Number of Days Traditional Calendar</u>	<u>Status</u>
Grades 9 - 12	^[1]	64,800	64,840	180	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 2004-2005.

^[1] The District is unable to locate the 1982-1983 actual minutes information. The 2004-2005 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, 2005

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

	<u>Debt From</u>
GENERAL LONG-TERM LIABILITIES	
Total Liabilities, June 30, 2005, Unaudited Actuals	\$ 116,989,669
Adjustments	
Increase in:	
Bond premiums, net of amortization	<u>1,445,568</u>
Total Liabilities, June 30, 2005, Unaudited Actuals	
Audited Financial Statement	<u><u>\$ 118,435,237</u></u>

See accompanying note to supplementary information.

TAMALPAIS UNION HIGH SCHOOL DISTRICT

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2005

	(Budget) 2006 ¹	2005	2004	2003
GENERAL FUND				
Revenues ³	\$ 45,602,528	\$ 43,943,026	\$ 41,960,818	\$ 39,360,068
Other sources	30,000	24,890	56,057	118,839
Total Revenues and Other Sources	45,632,528	43,967,916	42,016,875	39,478,907
Expenditures ³	45,232,057	42,241,293	39,957,136	38,420,238
Other uses and transfers out	384,675	892,913	823,049	390,251
Total Expenditures and Other Uses	45,616,732	43,134,206	40,780,185	38,810,489
INCREASE (DECREASE) IN FUND BALANCE	\$ 15,796	\$ 833,710	\$ 1,236,690	\$ 668,418
ENDING FUND BALANCE	\$ 10,705,829	\$ 10,690,033	\$ 9,856,323	\$ 8,619,633
AVAILABLE RESERVES ²	\$ 9,713,001	\$ 9,007,370	\$ 7,708,628	\$ 7,646,806
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO ³	21.29%	20.88%	18.90%	20.11%
LONG-TERM DEBT	\$ 116,155,292	\$ 118,435,237	\$ 120,291,673	\$ 71,088,315
AVERAGE DAILY ATTENDANCE AT P-2 ⁴	3,694	3,690	3,631	3,558

The General Fund balance has increased by \$2,070,400 over the past two years due to restricted and unrestricted carryover. The fiscal year 2005-06 budget projects a further increase of \$15,796. For a district this size, the State recommends available reserves of at least 3 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 surplus during the 2005-06 fiscal year. Total long-term debt has increased \$47,346,922 over the past two years.

Average daily attendance has increased by 132 over the past two years. Additional growth of 4 ADA is anticipated during fiscal year 2005-06.

1 Budget 2006 is included for analytical purposes only and has not been subjected to audit.

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

3 Excludes \$929,621, \$457,492, and \$771,651 of STRS contributions paid by the State of California on behalf of the District for fiscal years ending June 30, 2005, 2004, and 2003, respectively.

4 Excludes Adult Education ADA.

See accompanying note to supplementary information.

TAMALPAIS UNION HIGH SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2005

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 received state funding under the Basic Aid Provisions and therefore did not receive incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. Districts receiving incentive funding 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 Annual Financial and Budget Report Unaudited Actuals 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.

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SUPPLEMENTARY INFORMATION - UNAUDITED

TAMALPAIS UNION HIGH SCHOOL DISTRICT

NON-MAJOR GOVERNMENTAL FUNDS COMBINING BALANCE SHEET - UNAUDITED JUNE 30, 2005

	Adult Fund	Cafeteria Fund	Deferred Maintenance Fund
ASSETS			
Deposits and investments	\$ 1,079,611	\$ 57,054	\$ 1,067,041
Receivables	159,598	46,181	5,314
Due from other funds	89,274	2,955	-
Prepaid expenses	1,557	-	-
Stores inventories	-	32,744	-
Total assets	<u>\$ 1,330,040</u>	<u>\$ 138,934</u>	<u>\$ 1,072,355</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 172,279	\$ 5,326	\$ 47,872
Due to other funds	123,845	100,463	-
Deferred revenue	151,167	-	-
Total liabilities	<u>447,291</u>	<u>105,789</u>	<u>47,872</u>
Fund Balances:			
Reserved for:			
Stores inventories	-	32,744	-
Other reservations	1,557	401	-
Unreserved:			
Undesignated, reported in:			
Special revenue funds	881,192	-	1,024,483
Capital projects funds	-	-	-
Total fund balance	<u>882,749</u>	<u>33,145</u>	<u>1,024,483</u>
Total Liabilities and Fund Balances	<u>\$ 1,330,040</u>	<u>\$ 138,934</u>	<u>\$ 1,072,355</u>

See accompanying note to supplementary information – unaudited.

Special Reserve Fund	County School Facilities Fund	Special Reserve Capital Outlay Fund	Non Major Governmental Funds
\$ 50,785	\$ 427,463	\$ 573,173	\$ 3,255,127
275	2,017	-	213,385
-	-	277,436	369,665
-	-	-	1,557
-	-	-	32,744
<u>\$ 51,060</u>	<u>\$ 429,480</u>	<u>\$ 850,609</u>	<u>\$ 3,872,478</u>
\$ -	\$ -	\$ 95,564	\$ 321,041
-	281,990	-	506,298
-	-	-	151,167
<u>-</u>	<u>281,990</u>	<u>95,564</u>	<u>978,506</u>
-	-	-	32,744
-	-	-	1,958
51,060	-	-	1,956,735
-	147,490	755,045	902,535
<u>51,060</u>	<u>147,490</u>	<u>755,045</u>	<u>2,893,972</u>
<u>\$ 51,060</u>	<u>\$ 429,480</u>	<u>\$ 850,609</u>	<u>\$ 3,872,478</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, 2005

	Adult Fund	Cafeteria Fund	Deferred Maintenance Fund
REVENUES			
Revenue limit sources	\$ 1,233,017	\$ -	\$ -
Federal sources	54,177	32,066	-
Other state sources	90,422	1,641	157,823
Other local sources	703,076	507,290	16,421
Total Revenues	<u>2,080,692</u>	<u>540,997</u>	<u>174,244</u>
EXPENDITURES			
Current			
Instruction	866,628	-	-
Pupil Services:			
Food services	-	661,127	-
General administration:			
All other general administration	560,865	-	-
Plant services	-	-	-
Facility acquisition and construction	6,075	-	420,936
Community services	914,931	-	-
Debt service			
Total Expenditures	<u>2,348,499</u>	<u>661,127</u>	<u>420,936</u>
Excess (deficiency) of revenues over expenditures	<u>(267,807)</u>	<u>(120,130)</u>	<u>(246,692)</u>
Other Financing Sources (Uses):			
Transfers in	24,890	114,955	161,000
Transfers out	(24,890)	-	-
Net Financing Sources (Uses)	<u>-</u>	<u>114,955</u>	<u>161,000</u>
NET CHANGE IN FUND BALANCES	<u>(267,807)</u>	<u>(5,175)</u>	<u>(85,692)</u>
Fund Balance - Beginning	<u>1,150,556</u>	<u>38,320</u>	<u>1,110,175</u>
Fund Balance - Ending	<u>\$ 882,749</u>	<u>\$ 33,145</u>	<u>\$ 1,024,483</u>

See accompanying note to supplementary information - unaudited.

Foundation Special Reserve Fund	County School Facilities Fund	Special Reserve Capital Fund	Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ 1,233,017
-	-	-	86,243
-	85,551	-	335,437
911	6,215	14,363	1,248,276
911	91,766	14,363	2,902,973
1,004	-	-	867,632
-	-	-	661,127
-	-	-	560,865
-	-	347,331	347,331
-	281,990	346,458	1,055,459
-	-	-	914,931
1,004	281,990	693,789	4,407,345
(93)	(190,224)	(679,426)	(1,504,372)
-	-	592,068	892,913
-	-	-	(24,890)
-	-	592,068	868,023
(93)	(190,224)	(87,358)	(636,349)
51,153	337,714	842,403	3,530,321
\$ 51,060	\$ 147,490	\$ 755,045	\$ 2,893,972

TAMALPAIS UNION HIGH SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION - UNAUDITED JUNE 30, 2005

NOTE 1 - PURPOSE OF SCHEDULES

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

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

INDEPENDENT AUDITORS' REPORTS

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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 accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Tamalpais Union High School District as of and for the year ended June 30, 2005, and have issued our report thereon dated October 28, 2005. 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. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Tamalpais Union High School District's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying Schedule of Financial Statement Findings.

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 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. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above is a material weakness.

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.

Vaurinek, Trine, Day & Co LLP

Pleasanton, California

October 28, 2005



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND 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, 2005. 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.

However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying Schedule of Federal Award Findings and Questioned Costs as item 2005-5.

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 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.

Vavrinek, Trine, Day & Co LLP

Pleasanton, California
October 28, 2005



INDEPENDENT AUDITORS' REPORT ON STATE COMPLIANCE

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 as of and for the year ended June 30, 2005, and have issued our report thereon dated October 28, 2005. 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 2004-05 *Standards and Procedures for Audits of California K-12 Local Educational Agencies* prescribed in the California Code of Regulations, Title 5, Section 19810 and following. 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 Title V	Procedures 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 and staff development reform program	7	Yes
Instructional Time:		
School districts	4	Yes
County offices of education	3	Not Applicable
Community day schools	9	Not Applicable

	Procedures in Title V	Procedures Performed
Class Size Reduction Program:		
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 servicing K-3	4	Not Applicable
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	Yes
Proposition 20 Lottery Funds (Cardenas Textbook Act of 2000)	2	Yes
State Lottery Funds (California State Lottery Act of 1984)	2	Yes
California School Age Families Education (Cal-SAFE)		
Program	3	Not Applicable
School Accountability Report Card	3	Yes

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

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

This report is intended solely for the information and use of the Governing Board, management, the California Department of Education, the State Controller's Office, 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 28, 2005

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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TAMALPAIS UNION HIGH SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2005

SUMMARY OF AUDITORS' RESULTS

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>Yes</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>Yes</u>
Type of auditors' report issued on compliance for major programs:	<u>Qualified</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>Yes</u>

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
<u>84.010</u>	<u>Title I - IASA</u>
<u> </u>	<u> </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>Yes</u>

STATE AWARDS

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

TAMALPAIS UNION HIGH SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2005

FINANCIAL STATEMENT FINDINGS

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

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

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.

TAMALPAIS UNION HIGH SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2005

District Response

Two of the three high schools are in compliance with this requirement. The third has just completed their first year with a new budget secretary. The district office will provide the proper training to this employee.

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.

TAMALPAIS UNION HIGH SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2005

District Response

The district office will work with the Adult Education department to ensure that the pre-numbered receipts are used in sequential order.

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.

TAMALPAIS UNION HIGH SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2005

District Response

As of December 1, 2005 the Personnel Secretary is the only District employee empowered to create new employees in the payroll system. Additionally, beginning January 1, 2006 monthly anniversary reports will be prepared be created by the Budget Coordinator. The personnel department will review, verify, and approve the reports. The approved reports will be submitted to payroll for processing.

STATE AWARDS FINDINGS AND QUESTIONED COSTS

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

<u>Five Digit Code</u>	<u>AB 3627 Finding Type</u>
10000	Attendance
40000	State Compliance

2005-4 INSTRUCTION MATERIAL PROGRAM (40000)

Criteria or Specific Requirements

As required by Education Code Section 60119, the District is required to provided 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.

TAMALPAIS UNION HIGH SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2005

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.

District Response

It is the district's normal practice to provide 10 days notice that a public hearing will be held according to Education Code Section 60119. This year there was no proof that the required 10 day notice was provided. The public hearing was to make a determination through a resolution that 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. In fact, the district contributed an amount equal to over 80% of the entitlement received from the state Instructional Materials Program during 2004/05. The district is on a 5 year adoption cycle versus the state's adoption cycle of 7 years.

TAMALPAIS UNION HIGH SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2005

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

2005-5 TIME STUDY AND CERTIFICATION

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 program, 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 studies 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.

TAMALPAIS UNION HIGH SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2005

District Response

The district office will ensure that all staff are trained in the proper method for preparing and submitting time certifications.

SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS

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.

	<u>Five Digit Code</u>	<u>AB 3627 Finding Type</u>
	10000	Attendance

2004-1 SAN ANDREAS CONTINUATION SCHOOL (10000)

Attendance

Finding

Teachers at the continuation school input attendance online, however the site does not have a process in place that requires teachers to verify that attendance has been properly recorded and is being correctly reported on the monthly attendance reports. The P2 continuation school ADA tracked by this attendance system was 107, however the District is a basic aid district and the continuation school is not funded through revenue limit, therefore there are no questioned costs associated with this item.

Recommendation

The office should send each teacher a printout of the daily or weekly recap of attendance that can be reviewed and signed by the teacher to verify that attendance is being properly recorded and then retained on file to support the attendance summaries.

Current Status

Implemented.

2004-2 ATTENDANCE ACCOUNTING SYSTEM APPROVAL (10000)

Finding

The District recently switched attendance software and has not obtained approval from the State Department of Education for the attendance system in place at the sites, which includes all alternative educational programs, in order to be in compliance with California Educational Code Section 44809(2) and Title V of the California Code of Regulations section 401.

TAMALPAIS UNION HIGH SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2005

Recommendation

We recommend that the District document and submit all appropriate information to the State in order to gain final approval of the attendance accounting system in use.

Current Status

Implemented.

