MEASURE "A" 2006 GENERAL OBLIGATION BOND BUILDING FUND OF TAMALPAIS UNION HIGH SCHOOL DISTRICT

AUDIT REPORT

June 30, 2011

MEASURE "A" 2006 GENERAL OBLIGATION BOND BUILDING FUND OF TAMALPAIS UNION HIGH SCHOOL DISTRICT

For the Fiscal Year Ended June 30, 2011

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Introduction

MEASURE "A" 2006 GENERAL OBLIGATION BOND BUILDING FUND OF TAMALPAIS UNION HIGH SCHOOL DISTRICT

Introduction and Citizens' Oversight Committee Member Listing
June 30, 2011

Tamalpais Union High School District (the "District") consists of three comprehensive high schools and two alternative schools supported by a District Office and an operations center. The District serves approximately 3,800 students.

On June 6, 2006, the voters of the Tamalpais Union High School District approved by more than 55% Measure "A", authorizing the issuance and sale of $79,920,000 of general obligation bonds. On August 22, 2006, the District issued the entire amount of the 2006 General Obligation Bonds in one series.

Measure "A" was a Proposition 39 bond, issued pursuant to the provisions of the Education Code of the State of California and pursuant to a resolution adopted by the Board of Education of the District. The passage of Proposition 39 in November 2000 amended the California Constitution to include accountability provisions. Specifically, the District must conduct an annual independent performance audit to ensure that funds have been expended only on the specific projects listed as well as an annual, independent financial audit of the proceeds from the sale of the bonds until all of the proceeds have been expended for facilities projects.

Upon passage of Proposition 39, an accompanying piece of legislation, AB 1908 (Chapter 44, Statutes of 2000), was also enacted, which amended the Education Code to establish additional procedures which must be followed if a District seeks approval of a bond Proposition pursuant to the 55% majority authorized in Proposition 39 including formation, composition and purpose of the Citizens' Bond Oversight Committee, and authorization for injunctive relief against the improper expenditure of bond revenues.

The Citizens' Bond Oversight Committee was comprised of the following members as of June 30, 2011:

Name	Title	Representation
George Yandell	Chair	Parent of Child in District
Dick Johnson	Member	Community Member
Paul Waszink	Member	Community Member
Grace Hughes	Member	Business Community Member
Ellin Purdom	Member	Parent of Child in District
Larry Litvak	Member	Parent of Child in District
Loraine Berry	Member	Senior Organization Member
Nancy P. McCarthy	Member	Taxpayer Organization Member

INDEPENDENT AUDITORS' REPORT

The Board of Trustees and
The Citizens' Bond Oversight Committee
Tamalpais Union High School District
Larkspur, California

We have audited the accompanying balance sheet of the Measure "A" 2006 General Obligation Bond Building Fund (the "Fund") of Tamalpais Union High School District (the "District") as of June 30, 2011, and the related statement of revenues, expenditures and changes in fund balance as of and for the fiscal year then ended. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

As discussed in Note 1A, the financial statements present only the individual Measure "A" 2006 General Obligation Bond Building Fund and are not intended to present fairly the financial position of the District in conformity with generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Measure "A" 2006 General Obligation Bond Building Fund of Tamalpais Union High School District, as of June 30, 2011, and the results of its operations for the fiscal year then ended in conformity with accounting principles generally accepted in the United States of America.

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In accordance with *Government Auditing Standards*, we have also issued our report dated March 22, 2012 on our consideration of the Measure "A" 2006 General Obligation Bond Building Fund of Tamalpais Union High School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Measure "A" 2006 General Obligation Bond Building Fund of Tamalpais Union High School District's basic financial statements. The other supplementary information, which includes the Schedule of Expenditures Tested and the Schedule of Contracts Tested, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Nigro & Nigro, PC

March 22, 2012

Financial Section

MEASURE "A" 2006 GENERAL OBLIGATION BOND BUILDING FUND OF TAMALPAIS UNION HIGH SCHOOL DISTRICT

Balance Sheet

June 30, 2011

ASSETS		
Cash	$	8,521,681
Total Assets	$	8,521,681
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	$	456,123
Fund Balance		
Restricted for capital projects		8,065,558
Total Liabilities and Fund Balance	$	8,521,681

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

MEASURE "A" 2006 GENERAL OBLIGATION BOND BUILDING FUND OF TAMALPAIS UNION HIGH SCHOOL DISTRICT

Statement of Revenues, Expenditures, and Changes in Fund Balance
For the Fiscal Year Ended June 30, 2011

REVENUES		
Interest earnings	$	50,277
Other local revenue		134
Total Revenues		50,411
EXPENDITURES		
Plant Services:		
Classified salaries		2,264
Benefits		3,475
Materials and supplies		(18)
Services and other operating expenditures		26,513
Capital outlay		2,323,986
Total Expenditures		2,356,220
Net Change in Fund Balance		(2,305,809)
Fund Balance, July 1, 2010		10,371,367
Fund Balance, June 30, 2011	$	8,065,558

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

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

On June 6, 2006 the District voters authorized $79,920,000 in General Obligation Bonds (Measure "A") to complete District-wide facility modernization programs, including technology upgrades and classroom renovation and reconstruction, and to bring all facilities up to District standards. In response, an advisory committee to the District's Governing Board and Superintendent, the Measure "A" 2006 Bond Oversight Committee, was established. The Committee's oversight goals include: informing the public concerning the expenditures of bond revenues, ensuring that the bond revenues are expended only for the purposes described in the Measure "A" ballot language, and ensuring that no funds are used for any teacher or administrative salaries or other school operating expenses.

The bond proceeds and uses are accounted for in the District's Building Fund, using sub-fund 24. The statements presented are for the individual Measure "A" 2006 General Obligation Bond Building Fund and are not intended to be a complete presentation of the District's financial position or results of operations.

B. Accounting Policies

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

C. Basis of Accounting

Basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of measurement made, regardless of the measurement focus applied.

The financial statements of the Measure "A" 2006 General Obligation Bond Building Fund are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or within 60 days after year-end. Expenditures are generally recognized under the modified accrual basis when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

D. Encumbrances

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

E. Use of Estimates

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

NOTE 2 – CASH

Pooled Funds
In accordance with Education Code Section 41001, the District maintains all of its Building Fund cash in the County Treasury. The County pools and invests the cash. These pooled funds are carried at cost which approximates fair value. Interest earned is deposited annually to participating funds. Any investment losses are proportionately shared by all funds in the pool.

Because the District's deposits are maintained in a recognized pooled investment fund under the care of a third party and the District's share of the pool does not consist of specific, identifiable investment securities owned by the District, no disclosure of the individual deposits and investments or related custodial credit risk classifications is required.

In accordance with applicable state laws, the County Treasurer may invest in derivative securities with the State of California. However, at June 30, 2011, the County Treasurer has represented that the Pooled Investment Fund contained no derivatives or other investments with similar risk profiles.

NOTE 3 – MEASURE "A" 2006 GENERAL OBLIGATION BONDS

The bonds were authorized at an election of the registered voters of the District held on June 6, 2006, at which more than 55% of the voters authorized the issuance and sale of $79,920,000 general obligation bonds. The bonds are general obligations of the District. The County is obligated to levy ad valorem taxes upon all property within the District for the payment of interest on and principal of the bonds. The bonds were issued to complete District-wide facility modernization programs, including technology upgrades and classroom renovation and reconstruction, and to bring all facilities up to District standards.

Series 2006
On September 12, 2006, the District issued the entire bond authorization of $79,920,000 to acquire, construct, renovate, and equip certain District facilities. The bonds were issued as $69,425,000 Current Interest Serial Bonds having interest rates ranging between 4.0% - 5.0% and maturing from August 1, 2008 through 2029 and a Term Bond of $10,495,000 with a stated interest rate of 4.375% and maturing on August 1, 2031. At June 30, 2011, the outstanding balance on the bonds was $73,870,000.

The annual requirements to amortize all general obligation bonds payable outstanding as of June 30, 2011, are as follows:

Fiscal Year	Principal	Interest	Total
2011-12	$ 2,180,000	$ 3,370,250	5,550,250
2012-13	2,270,000	3,281,250	5,551,250
2013-14	2,360,000	3,185,700	5,545,700
2014-15	2,460,000	3,083,275	5,543,275
2015-16	2,565,000	2,976,494	5,541,494
2016-21	14,630,000	12,987,538	27,617,538
2021-26	18,620,000	8,897,985	27,517,985
2026-31	23,425,000	4,008,234	27,433,234
2031-32	5,360,000	117,250	5,477,250
Total	$ 73,870,000	$ 41,907,976	$ 115,777,976

NOTE 4 – CONSTRUCTION COMMITMENTS

As of June 30, 2011, the District had commitments with respect to unfinished capital projects of approximately $0.6 million to be paid from the Measure "A" funds.

NOTE 5 – CONTINGENCIES

The District is the plaintiff in a case against an architectural firm related to a modernization project at Tamalpais High School. In the opinion of management the outcome is uncertain, therefore no liability for a potential loss has been accrued in these financial statements.

Supplementary Information

MEASURE "A" 2006 GENERAL OBLIGATION BOND BUILDING FUND OF TAMALPAIS UNION HIGH SCHOOL DISTRICT

Schedule of Expenditures Tested

For the Period Ended June 30, 2011

Date	Vendor	Warrant	Description	Amount	District	Tamalpais	Drake	Redwood	San Andreas
6/29/11	Marin Independent Journal	02938875	Advertisement	$ 365	$ -	$ -	$ -	$ 365	$ -
12/1/10	Dannis Woliver Kelley	02916873	Legal fees	1,700	1,700	-	-	-	-
6/27/11	Dannis Woliver Kelley	02938599	Legal fees	2,431	2,431	-	-	-	-
8/25/10	Deems Lewis Mckinley	02906200	2020 Technology classroom	3,600	-	-	3,600	-	-
11/3/10	Plum Architects	02914225	2020 Technology classroom	6,000	-	-	-	6,000	-
11/10/10	Cornerstone Structural Engineering	02914964	Monument entry sign	1,000	-	-	1,000	-	-
2/16/11	Plum Architects	02924310	2020 Technology classroom	15,000	15,000	-	-	-	-
4/13/11	Corlett Skaer & Devito	02930056	Pool replacement & gym court	23,134	-	-	-	23,134	-
5/20/11	WLC Architects	02934276	Architectural fees	362,207	-	362,207	-	-	-
6/30/11	Deems Lewis Mckinley	02940096	2020 Technology classroom	1,890	-	-	1,890	-	-
8/18/10	Miller Pacific Engineering Group	02905692	Almonte parking lot project - geotechnical services	2,000	-	2,000	-	-	-
6/3/11	Johnson & Daly Moving Storage	02935761	2020 Technology classroom	1,398	-	-	1,398	-	-
8/6/10	Air System of Sacramento Inc.	02900568	Co-generation Systems	2,913	-	-	-	2,913	-
8/18/10	Thornton Paving Inc.	02905693	Addition of site improvement	5,985	-	-	-	-	5,985
8/25/10	Maggiora & Ghilotti Inc.	02906201	Almonte student parking	8,839	-	8,839	-	-	-
9/8/10	Air System of Sacramento Inc.	02907561	Co-generation Systems	24,709	-	-	-	24,709	-
9/10/10	Michael Paul Comp. Inc	02907925	Exterior stairway addition	32,616	-	32,616	-	-	-
9/29/10	Maggiora & Ghilotti Inc.	02910102	Almonte student parking	10,289	-	10,289	-	-	-
9/29/10	BR Roof	02910101	Installation of downsport	4,927	-	4,927	-	-	-
11/17/10	American Safety Casualty	02915709	Release of funds	70,046	-	70,046	-	-	-
11/17/10	American Safety Casualty	02915709	Release of funds	48,667	48,667	-	-	-	-
2/9/11	Ghilotti Bros Inc.	02923427	Monument entry sign	11,572	-	-	11,572	-	-
3/18/10	Roebbelen	02927537	Athletic facilities	98,497	-	-	98,497	-	-
3/18/10	Roebbelen	02927537	Athletic facilities	200,000	-	-	200,000	-	-
4/1/11	Roebbelen	02928975	Swimming pool and gym	390,000	-	-	-	390,000	-
4/22/11	Air System of Sacramento Inc.	02907561	Co-generation Systems	47,042	-	-	-	47,042	-
5/13/11	American Safety Casualty	02933393	Carlisle addition, Keyser addition	1,051	-	1,051	-	-	-
6/30/11	John Plan Const. Inc.	02939801	2020 Technology classroom	66,977	-	-	66,977	-	-
6/30/11	West Bay Builders Inc.	02940100	Keyser building	100,000	-	100,000	-	-	-
6/30/11	Downing Heating & Air Conditioning	02940097	Install system air conditioner	10,370	-	-	-	10,370	-
6/1/11	CCS Presentation Systems Inc.	02935403	2020 Technology classroom	5,999	-	-	-	5,999	-
6/30/11	Apple Computers	02940094	2020 Technology classroom	55,689	-	-	-	55,689	-
6/30/11	Synergy Environmental Company	02939779	2020 Technology classroom	1,400	-	-	-	1,400	-
8/25/10	3 Day Blind	02906230	2020 Technology classroom	3,216	-	-	3,216	-	-
6/1/11	CCS Presentation Systems Inc.	02935403	2020 Technology classroom	2,150	2,150	-	-	-	-
6/22/11	Metropolitan Van & Storage	02937969	2020 Technology classroom	1,900	-	-	-	1,900	-
12/15/10	Division of State architect	02918658	2020 Technology classroom	1,210	-	-	-	1,210	-
6/30/11	Division of State architect	02941203	Pool and gym alteration fee	24,171	-	-	-	24,171	-
8/25/10	Van Pelt Const. Servicrs	02906231	Project management services	14,004	14,004	-	-	-	-
10/6/10	Van Pelt Const. Servicrs	02910917	Project management services	8,234	8,234	-	-	-	-
3/2/11	Van Pelt Const. Servicrs	02925652	Project management services	3,288	3,288	-	-	-	-
			Invoices Tested	$ 1,676,486	$ 95,474	$ 591,975	$ 388,150	$ 594,902	$ 5,985
			Total Expenditures	2,356,220					
			Percent Tested	71%					

MEASURE "A" 2006 GENERAL OBLIGATION BOND BUILDING FUND OF TAMALPAIS UNION HIGH SCHOOL DISTRICT

Schedule of Contracts Tested

For the Period Ended June 30, 2011

Vendor	Description	Contract Amount	Change Order $	Final Amount	Billed Total	Change Order %	Work Completed
Michael Paul Company Inc	Tamalpais HS Stairway Project	$ 39,240	$ 2,766	$ 42,006	$ 42,006	7.0%	100%
Roebbelen	Drake HS Athletic Facilties	7,818,168	687,506	8,505,674	8,058,786	8.8%	95%
Roebbelen	Redwood HS Swimming Pool/Gym	9,736,000	1,318,490	11,054,490	10,759,670	13.5%	97%
West Bay Builders Inc	Tam HS- New Keyser Building	16,820,000	1,467,032	18,287,032	16,091,277	8.7%	88%

Other Independent Auditors' Reports

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

The Board of Trustees and
The Citizens' Bond Oversight Committee
Tamalpais Union High School District
Larkspur, California

We have audited the financial statements of the Measure "A" 2006 General Obligation Bond Building Fund of Tamalpais Union High School District (the "District") as of June 30, 2011. 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 the Tamalpais Union High School District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Tamalpais Union High School District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Tamalpais Union High School District's internal control over financial reporting.

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

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

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether Measure "A" 2006 General Obligation Bond Building Fund of 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 Measure "A" 2006 Bond Oversight Committee, the District Governing Board, management, and the taxpayers of Tamalpais Union High School District and is not intended to be and should not be used by anyone other than the specified parties.

Nigro & Nigro, PC

March 22, 2012

INDEPENDENT AUDITORS' REPORT ON PERFORMANCE

The Board of Trustees and
The Citizens' Bond Oversight Committee
Tamalpais Union High School District
Larkspur, California

We have examined the Tamalpais Union High School District's compliance with the performance requirements for the Proposition 39 Measure "A" 2006 General Obligation Bond for the fiscal year ended June 30, 2011, under the applicable provisions of Section 1(b)(3)(C) of Article XIIIA of the California Constitution and Proposition 39 as they apply to the Bonds and the net proceeds thereof. Management is responsible for the District's compliance with those requirements. Our responsibility is to express an opinion on the District's compliance based on our examination.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Objectives
The objectives of the examination of compliance applicable to the District are to determine with reasonable assurance that:

- The expenditures charged to the Tamalpais Union High School District Building Fund are documented.
- Expenditures charged to the Building Fund have been made in accordance with the bond project list approved by the voters through the approval of Measure "A" 2006.
- Any discrepancies or weaknesses in internal controls are noted and recommendations for improvement are provided.
- The District Board and the Citizens' Bond Oversight Committee are provided with a performance audit report as required under the requirements of the California Constitution and Proposition 39.

Scope of the Audit
The scope of our performance audit covered the fiscal period from July 1, 2010 to June 30, 2011. The expenditures tested included all object and project codes associated with the bond projects. The propriety of expenditures for capital projects and maintenance projects funded through other State or local funding sources, other than the proceeds of the bonds, were also included within the scope of our audit. Expenditures incurred subsequent to June 30, 2011 were not reviewed or included within the scope of our audit or in this report.

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Procedures Performed

We obtained the general ledger and the project expenditure reports prepared by the District for the fiscal year ended June 30, 2011 for the Building Fund. Within the fiscal year audited, we obtained the actual invoices and other supporting documentation for expenditures to ensure compliance with the requirements of Proposition 39 and Measure "A" 2006 with regards to the approved bond projects list. We performed the following procedures:

To meet our objectives, audit tests were performed and included, but were not limited to the following:

- We verified that bond funds were deposited in the District's name and invested in accordance with applicable legal requirements.

- We tested payments made to the construction management company and reviewed the terms of the contract.

- We tested approximately $2.1 million in bond fund invoices paid, which is a combination of 2010-11 expenditures and payments on liabilities accrued as of June 30, 2011 and paid in 2011-12. This includes testing payments for validity, allowability, and accuracy. Expenditures sampled in our test included payments made to the construction management company, subcontractors and other vendors.

- We reviewed the approved project listing as set out in the Measure "A" 2006 election documents.

- We visited construction sites at Tamalpais High School and Redwood High School to ensure that expenditures made corresponded with the actual work performed at the site.

- We verified that funds from the Building Fund were generally expended for the construction, reconstruction, acquisition, furnishing and equipping of District facilities constituting the authorized bond projects, and we verified that funds held in the Building Fund were not used for salaries of school administrators or other operating expenses of the District.

- We reviewed a sample of projects to ensure that proper bidding procedures were followed pursuant to Public Contract Code Section 20111.

- We verified that the District did not exceed change order limitations in excess of 10% pursuant to Public Contract Code Section 20118.4.

- We verified that lease-leaseback agreements contained provisions or information that included the value of the lease, that the title to the improvements on the site vests with the District upon completion of the project, and that the lease shall terminate within 180 days of the filing of a notice of completion or occupancy of the project by the District, whichever occurs first.

- We verified that the District approved the site and adopted the design development prior to entering into the lease-leaseback agreement.

Our audit of compliance made for the purpose set forth in the preceding paragraph would not necessarily disclose all instances of noncompliance.

In our opinion, the District complied with the compliance requirements for the Measure "A" 2006 General Obligation Bond proceeds listed and tested above.

This report is intended for the information of the Board of Trustees, management and the Citizens' Bond Oversight Committee; however, this report is a matter of public record.

Nigro & Nigro, PC

March 22, 2012