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

AUDIT REPORT

June 30, 2012

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

For the Fiscal Year Ended June 30, 2012

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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, 2012

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 4,000 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, 2012:

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

INDEPENDENT AUDITORS' REPORT

The Board of Education 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, 2012, 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 audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

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, 2012, 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 October 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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Nigro & Nigro, PC

October 22, 2012

Financial Section

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

Balance Sheet
June 30, 2012

ASSETS		
Cash	$	5,333,338
Total Assets	$	5,333,338
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	$	1,922
Fund Balance		
Restricted for capital projects		5,331,416
Total Liabilities and Fund Balance	$	5,333,338

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, 2012

REVENUES		
Interest earnings	$	16,126
Total Revenues		16,126
EXPENDITURES		
Plant Services:		
Classified salaries		2,617
Benefits		583
Services and other operating expenditures		52,005
Capital outlay		2,695,063
Total Expenditures		2,750,268
Net Change in Fund Balance		(2,734,142)
Fund Balance, July 1, 2011		8,065,558
Fund Balance, June 30, 2012	$	5,331,416

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, 2012, 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, 2012, the outstanding balance on the bonds was $71,690,000.

The annual requirements to amortize all general obligation bonds payable outstanding as of June 30, 2012 are as follows:

Fiscal Year	Principal	Interest	Total
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
2016-17	2,670,000	2,865,250	5,535,250
2017-22	15,330,000	12,262,475	27,592,475
2022-27	19,525,000	7,983,313	27,508,313
2027-31	24,510,000	2,899,969	27,409,969
Total	$ 71,690,000	$ 38,537,726	$ 110,227,726

NOTE 4 – CONSTRUCTION COMMITMENTS

As of June 30, 2012, the District had commitments with respect to unfinished capital projects of $157,066 to be paid from the Measure "A" funds.

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, 2012

Date	Vendor	Purchase Order	Description	Amount	District	Tamalpais	Drake	Redwood
10/28/11	Apple Computer Inc.	PO-120451	2020 Technology Classroom	$ 15,700	$ -	$ -	$ 15,700	$ -
8/17/11	Borel Private Bank & Trust	PO-120374	2020 Technology Classroom	7,442	-	-	7,442	-
9/23/11	Deems Lewis Mckinley	PO-103020	2020 Technology Classroom	5,410	-	-	5,410	-
2/29/12	Deems Lewis Mckinley	PO-121572	Drake Window Replacement	8,480	-	-	8,480	-
10/14/11	John Plane Construction Inc.	PO-112691	2020 Technology Classroom	16,031	-	-	16,031	-
8/24/11	John Plane Construction Inc.	PO-112691	2020 Technology Classroom	173,984	-	-	173,984	-
8/19/11	Kurt Hirtzer Inspection Services	PO-112568	2020 Technology Classroom	2,025	-	-	2,025	-
8/31/11	NWN Corporation	PO-120334	2020 Technology Classroom	6,826	-	-	6,826	-
10/7/11	One Work Place	PO-120318	2020 Technology Classroom	3,705	-	-	-	3,705
4/11/12	Plum Architects, Inc.	PO-121926	Drake Backflow Valve	1,260	-	-	1,260	-
10/14/11	Virco Inc.	PO-112336	2020 Technology Classroom	9,812	-	-	9,812	-
8/31/11	Craftsman Floor Coverings Inc.	PO-112176	2020 Technology Classroom	4,754	-	-	-	4,754
8/3/11	Idex Global Services Inc.	PO-112178	2020 Technology Classroom	4,745	-	-	-	4,745
8/24/11	John Plane Construction Inc.	PO-112690	2020 Technology Classroom	75,595	-	-	-	75,595
9/2/11	Mike Brown Electric Co.	PO-112696	2020 Technology Classroom	4,800	-	-	-	4,800
10/7/11	Redwood City Construction Inc.	PO-120650	2020 Technology Classroom	5,000	-	-	-	5,000
9/16/11	Sensible Environmental Solutions	PO-111844	2020 Technology Classroom	3,962	-	-	-	3,962
4/25/12	Marin Independent Journal Advertising	PO-122317	Advertisement	404	-	-	404	-
Various	WLC Architects	PO-062583	Architectural Fees *	853,704	-	853,704	-	-
Various	WLC Architects	PO-072336	Architectural Fees *	944,127	-	944,127	-	-
5/20/06	WLC Architects	PO-062465	Architectural Fees *	41,475	-	41,475	-	-
Various	WLC Architects	PO-073509	Architectural Fees *	165,592	-	165,592	-	-
5/30/12	J M Stewart Corporation	PO-121804	Electronic Marquee	15,223	-	-	15,223	-
8/17/11	Division of State Architect	PO-120408	Gym/Pool	1,989	-	-	-	1,989
11/23/11	West Bay Builders Inc.	PO-080414	Keyser Building	103,649	-	103,649	-	-
1/11/12	Signet Testing Labs, Inc.	PO-120311	Keyser Hall	1,745	-	1,745	-	-
5/23/12	Dannis Woliver Kelley	PO-070642	Legal Fees	1,568	1,568	-	-	-
5/30/12	Division of State Architect	PO-122565	Pool & Weight Room	29,022	-	29,022	-	-
8/31/11	Corlett, Skaer, & DeVoto Architects, Inc.	PO-120572	Pool Replacement and gym court	11,827	-	-	-	11,827
2/29/12	Forster Pump & Engineering Inc.	PO-121916	School Wide - Fire Detector System	625	-	-	625	-
3/2/12	ARC	PO-121946	Window Replacement	661	-	-	661	-
4/6/12	Sensible Environmental Solutions	PO-121805	Window Replacement	2,175	-	-	2,175	-
1/20/12	Van Pelt Construction Services	PO-121624	Window Replacement	5,692	-	-	5,692	-
			Invoices Tested	2,529,009	$ 1,568	$ 2,139,314	$ 271,749	$ 116,377
			Total Expenditures	$ 2,750,268				
			Percent Tested	92%				

* These expenditures were originally incurred in prior years, but were transferred into this fund on December 6, 2011.

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

Schedule of Contracts Tested

For the Period Ended June 30, 2012

Vendor	Description	Contract Amount	Change Order	Final Amount	Billed Total	Change Order %	Work Completed
John Plane Construction Inc	Redwood HS- 2020 Technology Classroom	$ 145,000	$ 3,847	$ 148,847	$ 145,361	2.7%	98%
West Bay Builders Inc	Tam HS- New Keyser Building	16,820,000	1,467,032	18,287,032	18,287,032	8.7%	100%
John Plane Construction Inc	Drake HS- 2020 Technology Classroom	292,500	11,896	304,396	285,546	4.1%	94%

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 Education 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, 2012. 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

Management of Tamalpais Union High School District is responsible for establishing and maintaining effective 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 District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the 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

October 22, 2012

INDEPENDENT AUDITORS' REPORT ON PERFORMANCE

The Board of Education 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, 2012, 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, 2011 to June 30, 2012. 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, 2012 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, 2012 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 $2.5 million in bond fund invoices paid. 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 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 Education, management and the Citizens' Bond Oversight Committee; however, this report is a matter of public record.

Nigro & Nigro, PC

October 22, 2012