TAMALPAIS UNION HIGH SCHOOL DISTRICT

GENERAL OBLIGATION BONDS
FINANCIAL REPORT
DECEMBER 31, 2004

TAMALPAIS UNION HIGH SCHOOL DISTRICT

BUILDING FUND
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DECEMBER 31, 2004

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Vavrinek, Trine, Day & Co., LLP
Certified Public Accountants & Consultants

VALUE THE DIFFERENCE

INDEPENDENT AUDITORS' REPORT

Governing Board
Tamalpais Union High School District
Larkspur, California

We have audited the accompanying financial statements of the building fund of the Tamalpais Union High School District, as of and for the six months ended December 31, 2004, as listed in the table of contents. 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. 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 1, the financial statements present only the building fund and do not purport to, and do not, present fairly the financial position and results of operations of the Tamalpais Union High School District in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the building fund of the Tamalpais Union High School District at December 31, 2004, and the results of its operations and cash flows for the six months then ended in conformity with accounting principles generally accepted in the United States of America.

The accompanying supplemental information 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 basic financial statements taken as a whole.

Vavrinek, Trine, Day & Co LLP

Pleasanton, California
February 11, 2005

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TAMALPAIS UNION HIGH SCHOOL DISTRICT

BUILDING FUND
BALANCE SHEET
DECEMBER 31, 2004

ASSETS	
Cash and investments	$ 60,535,944
Accounts receivable	312,678
Due from other funds	1,784
Total Assets	$ 60,850,406
LIABILITIES AND FUND EQUITY	
LIABILITIES	
Accounts payable	3,815,267
Due to general fund	27,920
Total Liabilities	3,843,187
FUND EQUITY	
Fund balances	
Undesignated	57,007,219
Total Fund Equity	57,007,219
Total Liabilities and Fund Equity	$ 60,850,406

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

TAMALPAIS UNION HIGH SCHOOL DISTRICT

BUILDING FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
FOR THE SIX MONTHS ENDED DECEMBER 31, 2004

REVENUES	
Interest income	$ 578,315
EXPENDITURES	
Current Expenditures	
Classified salaries	192,262
Employee benefits	57,732
Books and supplies	27,649
Services and operating expenditures	1,345,355
Capital outlay	
Architectural services	488,852
Permanent construction	17,503,621
Construction management	1,057,125
Other capital outlay	377,131
Total Expenditures	21,049,727
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(20,471,412)
FUND BALANCE, JULY 1, 2004	77,478,631
FUND BALANCE, DECEMBER 31, 2004	$ 57,007,219

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

TAMALPAIS UNION HIGH SCHOOL DISTRICT

BUILDING FUND
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004

NOTE #1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Tamalpais Union High School District bond funds conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants. The Tamalpais Union High School District building fund accounts for financial transactions in accordance with the policies and procedures of the California School Accounting Manual.

A. Financial Reporting Entity

The financial statements include only the Building fund of the Tamalpais Union High School District. This fund was established to account for the expenditures of general obligation bonds issued under the General Obligation Bonds Election of 2001. The authorized issuance amount of the bonds is $121,000,000. All three series of bonds have been sold. These financial statements are not intended to present fairly the financial position and results of operations of the Tamalpais Union High School District in compliance with accounting principles generally accepted in the United States of America.

B. Fund Accounting

The operations of the Building fund are accounted for in a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance (or retained earnings), revenues, and expenditures (or expenses). Resources are allocated to and accounted for in the fund based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

C. Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses 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 Tamalpais Union High School District building funds are accounted for under the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current fiscal period. Expenditures are recognized in the accounting period in which the liability is incurred (when goods are received or services rendered), except for unmatured interest on long-term debt, which is recognized when due.

D. Fund Balance Reserves and Designations

Reservations of the ending fund balance indicate the portions of fund balance not available for appropriation or amounts legally segregated for a specific future use. Designations of the ending fund balance indicate tentative plans for financial resource utilization in a future period. No amounts were reserved or designated at December 31, 2004.

E. Property Tax

Secured property taxes attach as an enforceable lien on property as of January 1. Supplemental taxes for repayment of bond proceeds are collected by the County of Marin from all taxable property within the District and deposited in the Bond Interest and Redemption Fund of the District. 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 for the District. The District recognizes tax revenues when received.

F. Use of Estimates

The preparation of 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 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/expenses during the reporting period. Actual results could differ from those estimates. Capital outlay expenditures include an estimated $73,675 for December and prior invoices for construction services in which invoices had not yet been received from the contractors.

NOTE #2 – INVESTMENTS

Investments at December 31, 2004, held on behalf of the building fund of the Tamalpais Union High School District consist of deposits in the County of Marin Treasury:

	Reported Amount	Fair Value
Deposits with county treasurer	$60,535,844	$ 60,381,599

Deposits with County Treasurer is an external investment pool sponsored by the County of Marin. School districts are required to deposit all receipts and collections of monies with their county treasurer (Education Code Section 41001). Therefore, the District is considered to be an involuntary participant in an external investments pool. County deposits are not required to be categorized. The pool sponsor provided the fair value for these deposits. The most recent market value information for the county cash pool provided by the County was as of June 30, 2004.

In addition to the investment with the County Treasurer, the building fund has petty cash of $100.

TAMALPAIS UNION HIGH SCHOOL DISTRICT

BUILDING FUND
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004

NOTE #3 – ACCOUNTS RECEIVABLE

Receivables at December 31, 2004, consist of the following:

Interest	$ 312,736

NOTE #4 – INTERFUND TRANSACTIONS

Interfund Receivables (Due from) and Payables (Due To)

Interfund receivables and payables at December 31, 2004 are as follows:

Due from general fund for equipment and payroll reimbursements	$ 1,784
Due to general fund for expense reimbursements for items paid by general fund.	$ 27,920

NOTE #5 – ACCOUNTS PAYABLE

Accounts payable at December 31, 2004, consists of the following:

Permenant construction	$ 2,189,653
Construction management	1,058,283
Others	567,331
Total	$ 3,815,267

NOTE #6 – FUND BALANCES

Fund balances are composed of the following elements:

Unreserved	
Undesignated	$ 57,007,219

TAMALPAIS UNION HIGH SCHOOL DISTRICT

BUILDING FUND
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004

NOTE #7 – GENERAL LONG-TERM DEBT

Under the modified accrual basis of accounting, liabilities for long-term debt are not reported in the individual funds. However, they are reported as liabilities on the Statement of Net Assets in the Entity Wide financial statements of the Tamalpais Union High School District.

General obligation bonds have been issued and are outstanding as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Balance 07/01/04	Issued	Payments	Bonds 12/31/04
2001	2026	3.375-5.50	$20,820,000	$ 19,690,000	$ -	$ 600,000	$ 19,090,000
2002	2027	3.0-6.0	49,580,000	48,335,000	-	1,190,000	47,145,000
2004	2029	4.5-5.5	50,600,000	50,600,000	-	-	50,600,000
				$ 118,625,000	$ -	$ 1,790,000	$ 116,835,000

Debt Service Requirements

The general obligation bonds mature through 2029 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2006	$ 2,215,000	$ 5,629,238	$ 7,844,238
2007	3,260,000	5,513,691	8,773,691
2008	3,395,000	5,378,797	8,773,797
2009	3,540,000	5,230,716	8,770,716
2010	3,680,000	5,070,279	8,750,279
2011-2015	20,560,000	22,590,988	43,150,988
2016-2020	24,925,000	16,994,196	41,919,196
2021-2025	30,790,000	10,103,750	40,893,750
2026-2029	24,470,000	2,154,500	26,624,500
Total	$ 116,835,000	$ 78,666,155	$ 195,501,155

As of December 31, 2004, there was $3,321,395 in the Bond Interest and Redemption Fund of Tamalpais Union High School District, which will be used to make interest and principal payments on the bonds.

TAMALPAIS UNION HIGH SCHOOL DISTRICT

BUILDING FUND
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2004

NOTE #8 – COMMITMENTS AND CONTINGENCIES

As of December 31, 2004, the building fund had the following commitments with respect to unfinished capital projects:

Description	Amount	Expected Completion Dates
Tamalpais High School modernization projects	$ 9,844,744	through 12/31/05
Sir Francis Drake High School modernization projects	7,055,227	through 8/24/05
Redwood High School modernization projects	4,152,553	through 3/31/05
Total	$ 21,052,524	

As of December 31, 2004, the building fund has the following commitments with respect to portable building leases:

2005	$ 451,010
2006	206,059
2007	10,780
	$ 667,849

SUPPLEMENTAL INFORMATION

TAMALPAIS UNION HIGH SCHOOL DISTRICT

BUILDING FUND
STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED DECEMBER 31, 2004

CASH FLOWS FROM OPERATING ACTIVITIES	
Interest received	$ 453,514
Payments to suppliers	(22,528,166)
Payments to employees	(249,994)
Net Cash Used by Operating Activities	(22,324,646)
NET DECREASE IN CASH	(22,324,646)
CASH AND CASH EQUIVALENTS, JULY 1, 2004	82,860,590
CASH AND CASH EQUIVALENTS, DECEMBER 31, 2004	$ 60,535,944

RECONCILIATION OF OPERATING INCOME TO NET CASH USED BY OPERATING ACTIVITIES	
Operating loss	$(20,471,412)
Adjustments to reconcile operating income/(loss) to net cash flows from operating activities	
Changes in assets and liabilities	
(Increase)/decrease in:	
Interest receivable	(138,973)
Due from other funds	14,172
Increase/(decrease) in:	
Accounts payable	(1,715,804)
Due to other funds	(12,629)
Net Cash Flows Used by Operating Activities	$(22,324,646)

TAMALPAIS UNION HIGH SCHOOL DISTRICT

BUILDING FUND
STATEMENT OF REVENUES AND EXPENDITURES – BUDGET AND ACTUAL
AS OF DECEMBER 31, 2004

		Actual Expenditures			Remaining
	Budget	Prior Period	7/04 to 12/04	Total	Balance
REVENUES					
Interest income	$ 1,670,000	$ 2,235,819	$ 578,315	$ 2,814,134	$ (1,144,134)
Transfer in - State funds	14,124,941	13,928,505	-	13,928,505	(196,436)
Total Revenues	15,794,941	16,164,324	578,315	16,742,639	(1,340,570)
EXPENDITURES					
Current Expenditures					
Classified salaries	1,143,000	761,172	192,262	953,434	189,566
Employee benefits	195,000	185,603	57,732	243,335	(48,335)
Books and supplies	175,000	73,927	27,649	101,576	73,424
Services and operating expenditures	10,018,893	4,210,693	1,345,355	5,556,048	4,462,845
Capital outlay					
Architectural services	9,928,608	10,307,393	488,852	10,796,245	(867,637)
Permanent construction	97,029,226	38,914,286	17,503,621	56,417,907	40,611,319
Construction management	7,700,099	4,165,679	1,057,125	5,222,804	2,477,295
Other capital outlay	10,754,155	1,215,980	377,131	1,593,111	9,161,044
Total Expenditures	136,943,981	59,834,733	21,049,727	80,884,460	56,059,521
EXCESS OF REVENUES OVER/ (UNDER) EXPENDITURES	(121,149,040)	(43,670,409)	(20,471,412)	(64,141,821)	57,400,091
OTHER FINANCING SOURCES/(USES)					
Bond proceeds	121,000,000	121,000,000	-	121,000,000	-
Transfer in - Federal repair and renovation grant	149,040	149,040	-	149,040	-
Total Other Financing Sources/(Uses)	121,149,040	121,149,040	-	121,149,040	-
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER/(UNDER) EXPENDITURES AND OTHER USES	$ -	$ 77,478,631	$ (20,471,412)	$ 57,007,219	$ 57,400,091