2001 GENERAL OBLIGATION
BOND BUILDING FUND OF
TAMALPAIS UNION HIGH SCHOOL DISTRICT

AUDIT REPORT

December 31, 2011

2001 GENERAL OBLIGATION BOND BUILDING FUND OF TAMALPAIS UNION HIGH SCHOOL DISTRICT

For the 18-month Period Ended December 31, 2011

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INDEPENDENT AUDITORS' REPORT

The Board of Trustees and
The Fiscal Oversight Committee
Tamalpais Union High School District
Larkspur, California

We have audited the accompanying balance sheet of the 2001 General Obligation Bond Building Fund (the "Fund") of Tamalpais Union High School District (the "District") as of December 31, 2011, and the related statement of revenues, expenditures and changes in fund balance as of and for the 18-month period 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 2001 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 2001 General Obligation Bond Building Fund of Tamalpais Union High School District, as of December 31, 2011, and the results of its operations for the 18-month period 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 2001 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 2001 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

2001 GENERAL OBLIGATION BOND BUILDING FUND OF TAMALPAIS UNION HIGH SCHOOL DISTRICT

Balance Sheet
December 31, 2011

ASSETS		
Cash	$	6,909,470
Accounts receivable		3,248
Total Assets	$	6,912,718
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	$	15,161
Fund Balance		
Restricted for capital projects		6,897,557
Total Liabilities and Fund Balance	$	6,912,718

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

2001 GENERAL OBLIGATION BOND BUILDING FUND OF TAMALPAIS UNION HIGH SCHOOL DISTRICT

Statement of Revenues, Expenditures, and Changes in Fund Balance
For the 18-month Period Ended December 31, 2011

REVENUES		
Interest earnings	$	35,030
Total Revenues		35,030
EXPENDITURES		
Plant Services:		
Materials and supplies		9,761
Services and other operating expenditures		207,836
Capital outlay		(1,548,699)
Other Outgo:		
Debt issuance costs		271,616
Total Expenditures		(1,059,486)
Excess (Deficiency) of Revenues Over (Under) Expenditures		1,094,516
OTHER FINANCING SOURCES (USES)		
Proceeds from refunding bond		36,460,000
Bond issuance premium		5,546,391
Payments to refunded debt escrow agent		(41,734,775)
Total Other Financing Sources (Uses)		271,616
Net Change in Fund Balance		1,366,132
Fund Balance, July 1, 2010		5,531,425
Fund Balance, December 31, 2011	$	6,897,557

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

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The financial statements include only the 2001 General Obligation Bond Building Fund. 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.

The operations of the 2001 General Obligation Bond 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.

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 2001 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 December 31, 2011, the County Treasurer has represented that the Pooled Investment Fund contained no derivatives or other investments with similar risk profiles.

NOTE 3 – ACCOUNTS RECEIVABLE

At December 31, 2011, the Fund had $3,248 of accounts receivable, which represents amounts owed from the County Treasury for quarterly interest.

NOTE 4 – 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.

The bonds were authorized at an election of the registered voters of the District held on March 6, 2001, at which 66.7% of the voters authorized the issuance and sale of $121,000,000 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 enhance the quality of education through facility modernization and technology upgrades throughout the District.

Refunding
On June 24, 2010 the District issued $48,210,000 of 2010 General Obligation Refunding Bonds. The bonds consist of serial bonds bearing fixed rates ranging from 0.5 to 5.0 percent with annual maturities from February, 2010 through August, 2027. The net proceeds of $54,190,245 (after issuance costs and underwriters discounts of $331,724, plus premium of $6,311,969) were used to advance refund $14,220,000 of the District's Election of 2001 General Obligation Bonds and $37,250,000 of the Election of 2001 General Obligation Bonds, in addition to paying the costs of issuance associated with the refunding bonds.

On December 29, 2011 the District issued $36,460,000 of 2011 General Obligation Refunding Bonds.

NOTE 4 – LONG-TERM DEBT (continued)

Refunding (continued)
The bonds consist of serial bonds bearing fixed rates ranging from 2.0 to 5.0 percent with annual maturities from February, 2012 through August, 2028. The net proceeds of $41,735,624 (after issuance costs and underwriters discounts of $270,768, plus premium of $5,546,391) were used to advance refund a portion of the District's Election of 2001 General Obligation Bonds, in addition to paying the costs of issuance associated with the refunding bonds. The net proceeds were used to purchase U.S. government securities. Those securities were deposited into an irrevocable trust with an escrow agent to provide for future debt service payments on the refunded bonds. As a result, the refunded bonds are considered to be defeased, and the related liability for the bonds has been removed from the District's liabilities.

Outstanding Bonds
2001 General Obligation Bonds have been issued and are outstanding as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Balance, July 1, 2010	Additions	Deductions	Balance, December 31, 2011
2001	2026	3.375 - 5.50%	$ 20,820,000	$ 2,275,000	$ -	$ 1,500,000	$ 775,000
2002	2027	3.0 - 6.0%	49,580,000	4,770,000	-	3,120,000	1,650,000
2004	2029	4.5 - 5.5%	50,600,000	44,655,000	-	41,220,000	3,435,000
			$ 121,000,000	$ 51,700,000	$ -	$ 45,840,000	$ 5,860,000

The 2001 General Obligation Bonds mature through 2029 as follows:

Fiscal Year	Principal	Interest	Total
2011-12	$ -	$ 1,361,340	$ 1,361,340
2012-13	4,110,000	2,622,997	6,732,997
2013-14	1,750,000	43,750	1,793,750
	$ 5,860,000	$ 4,028,087	$ 9,888,087

NOTE 5 – CONSTRUCTION COMMITMENTS

As of December 31, 2011, the District had commitments with respect to unfinished capital projects of approximately $165,000 to be paid from the Series 2001 funds.

NOTE 6 – CONTINGENCIES

The District is the plaintiff in a case against an architectural firm related to modernization project related to Tamalpais High School. The case is in mediation and has been continued through the 2011-12 fiscal year. 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

2001 GENERAL OBLIGATION BOND BUILDING FUND OF TAMALPAIS UNION HIGH SCHOOL DISTRICT

Schedule of Expenditures Tested

For the Period Ended December 31, 2011

Date	Vendor	Reference	Description	Amount	District	Tamalpais	Redwood
09/17/10	ABC School Equipment, Inc.	PO-110269	Sliding Units	$ 9,761	$ -	$ 9,761	$ -
08/04/10	James A Long, Inc.	PO-110273	QKA Mediation Fee	3,333	3,333	-	-
10/06/10	Dannis Woliver Kelley	PO-070703	Caldwell theatre Legal Fee	17,009	17,009	-	-
11/03/10	Jams	PO-110021	QKA Mediation Fee	3,333	3,333	-	-
01/14/11	Dannis Woliver Kelley	PO-070703	Caldwell theatre Legal Fee	26,012	26,012	-	-
02/16/11	Dannis Woliver Kelley	PO-070703	Caldwell theatre Legal Fee	25,873	25,873	-	-
06/30/11	Miller, Brown, & Dannis	EP-110373	Caldwell theatre Legal Fee	2,636	2,636	-	-
03/02/11	Vavrinek, Trine, Day, & Co.	PO-111693	QKA Arbitrage Calculation Fee	1,500	1,500	-	-
03/11/11	Division of State Architect	PO-111717	Caldwell Theater HVAC DSA Fee	3,212	-	3,212	-
01/19/11	Beverly Prior Architects	PO-103169	Redwood Art Building Architectural Service	43,313	-	-	43,313
01/21/11	WLC Architects	PO-062583	Keyser Hall Design Fee	23,151	-	23,151	-
02/18/11	Beverly Prior Architects	PO-103169	Redwood Art Building Architectural Service	17,325	-	-	17,325
03/25/11	Beverly Prior Architects	PO-103169	Redwood Art Building Architectural Service	28,275	-	-	28,275
04/22/11	Beverly Prior Architects	PO-103169	Redwood Art Building Architectural Service	57,750	-	-	57,750
05/13/11	Sensible	PO-111928	Redwood Art Building Hazardous Material Design and Construction Services	1,608	-	-	1,608
09/01/10	Diablo Plumbing	PO-102895	Room Preparation for Whirl Pool and Ice Machine	2,300	-	2,300	-
01/28/10	PG & E	PO-110864	Line Extension Deficiency Charge	1,159	1,159	-	-
03/18/11	Claypeople	PO-103037	Removal of Old Kiln, Install New Kiln	22,563	-	22,563	-
11/23/10	CGS School Review Unit	RC-110023	Assessment of Goelogical Hazard Report Fee	3,600	-	-	3,600
05/20/11	Placemakers	PO-112061	Redwood Art Building Environmental Review Fee	8,787	-	-	8,787
03/25/11	Van Pelt Construction Services	PO-111829	Redwood Art Building Construction Management Services	13,393	-	-	13,393
05/20/11	Van Pelt Construction Services	PO-111829	Redwood Art Building Construction Management Services	13,393	-	-	13,393
10/07/11	Dannis Woliver Kelley	PO-070703	Caldwell theatre Legal Fee	8,757	8,757	-	-
12/02/11	Dannis Woliver Kelley	PO-070703	Caldwell theatre Legal Fee	3,535	3,535	-	-
08/03/11	HMC Architects	PO-120314	Redwood Art Building Architectural Service	1,925	-	-	1,925
12/06/11	PO 62465	JE-120134	Keyser Hall Demolition	(41,475) *	-	(41,475)	-
12/06/11	PO 625683	JE-120134	Keyser Hall Replacement Design	(853,704) *	-	(853,704)	-
12/06/11	PO 72336	JE-120134	Keyser Hall Mod #2 and Close-Out	(944,127) *	-	(944,127)	-
12/06/11	PO 73509	JE-120134	Elevator, Landscaping and Site Lighting Architectural Services	(165,591) *	-	(165,591)	-
12/14/11	Thomas A Gilbertson & Associates	PO-121440	Caldwell Theater HVAC Modification Consulting Services	16,595	-	16,595	-
11/04/11	Miller Pacific Engineering Group	PO-120754	Redwood Art Building Soil Test	7,500	-	-	7,500
09/02/11	Metropolitan Van Storage, Inc	PO-120312	Redwood Art Building Relocation Services	1,350	-	-	1,350
09/11/12	Van Pelt Construction Services	PO-111829	Redwood Art Building Construction Management Services	13,393	-	-	13,393
12/14/11	Van Pelt Construction Services	PO-111829	Redwood Art Building Construction Management Services	8,393	-	-	8,393
			Invoices Tested	$ (1,614,163)	$ 93,147	$ (1,927,315)	$ 220,005
			Total Expenditures	(1,059,486)			
			Percent Tested	152%			

* The District initially charged these costs to the 2001 Bond, but then subsequently "moved" the expenditures to the 2006 Bond Fund.

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 Fiscal Oversight Committee
Tamalpais Union High School District
Larkspur, California

We have audited the accompanying balance sheet of the 2001 General Obligation Bond Building Fund of Tamalpais Union High School District (the "District") as of December 31, 2011, and the related statement of revenues, expenditures and changes in fund balance for the 18-month period then ended. 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 2001 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 2001 Fiscal 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 Fiscal Oversight Committee
Tamalpais Union High School District
Larkspur, California

We have examined the Tamalpais Union High School District's (the "District") compliance with the performance requirements for the 2001 General Obligation Bond for the 18-month period ending December 31, 2011, under the applicable provisions of Section 1(b)(3)(C) of Article XIIIA of the California Constitution and 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 the Bonds.
- Any discrepancies or weaknesses in internal controls are noted and recommendations for improvement are provided.
- The District Board and the Fiscal Oversight Committee are provided with a performance audit report.

Scope of the Audit
The scope of our performance audit covered the 18-month period from July 1, 2010 to December 31, 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 December 31, 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 period ending December 31, 2011 for the Building Fund. Within the 18-month period audited, we obtained the actual invoices and other supporting documentation for expenditures to ensure compliance with the requirements of the 2001 General Obligation Bonds 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 $2.4 million in bond fund invoices paid, which is a combination of expenditures during July 1, 2010 - December 31, 2011 and payments on liabilities accrued as of December 31, 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 2001 election documents.

- We visited construction sites 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 verified that the lease-leaseback agreement 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 pursuant to California Education Code Section 17406.

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 2001 General Obligation Bond proceeds listed and tested above.

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

Nigro & Nigro, PC

March 22, 2012