

SUNNYVALE SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2016

SUNNYVALE SCHOOL DISTRICT

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JUNE 30, 2016

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

Governing Board
Sunnyvale School District
Sunnyvale, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Sunnyvale School District (the District) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2015-2016 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Sunnyvale School District, as of June 30, 2016, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter - Change in Accounting Principles

As discussed in Note 1 to the financial statements, in 2016, the District adopted new accounting guidance, GASB Statement No. 72, *Fair Value Measurement and Application*; GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statement 67 and 68*; GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*; and GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedule, schedule of other postemployment benefits funding progress, schedule of the district's proportionate share of net pension liability, and the schedule of district pension contributions, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Sunnyvale School District's basic financial statements. The accompanying supplementary information such as the combining and individual nonmajor fund financial statements and Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the other supplementary information as listed on the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 28 2016, on our consideration of the Sunnyvale School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Sunnyvale School District's internal control over financial reporting and compliance.



Palo Alto, California
November 28, 2016

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SUNNYVALE SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2016

This section of the Sunnyvale School District's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2016. Please read it in conjunction with the District's financial statements, which immediately follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Financial Statements

The financial statements presented herein include all of the activities of the Sunnyvale School District (District) and its component units using the integrated approach as prescribed by GASB Statement Number 34.

The *Government-Wide Financial Statements* present the financial picture of the District from the economic resources measurement focus using the accrual basis of accounting. These statements include all assets of the District (including infrastructure) as well as all liabilities (including long-term obligations). Additionally, certain eliminations have occurred as prescribed by the statement in regards to inter-fund activity, payables and receivables.

The *Governmental Activities* are prepared using the current financial resources measurement focus and modified accrual basis of accounting.

Reconciliation of the Fund Financial Statements to the Government-Wide Financial Statements is provided to explain the differences created by the integrated approach.

The *Fund Financial Statements* present Governmental activities, such as regular and special education, transportation and administration. Property taxes and State formula aid finance most of these activities.

The Fund Financial Statements provide a more detailed picture of the District's operations than government-wide statements.

The primary unit of the government is the Sunnyvale School District.

The Government-wide Financial Statements

The *Statement of Net Position* and the *Statement of Activities* report information about the District as a whole and about its activities. These statements include all assets and liabilities of the District using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's net position and changes in it. Net position is the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources, which is one way to measure the District's financial health, or financial position. Over time, increases or decreases in the District's net position will serve as a useful indicator of whether the financial position of the District is improving or deteriorating. Other factors to consider are changes in the District's property tax base and the condition of the District's facilities.

SUNNYVALE SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2016

The relationship between revenues and expenses is the District's *operating results*. Since the Board's responsibility is to provide services to students and not to generate profit as commercial entities do, one must consider other factors when evaluating the overall health of the District. The quality of the education and the safety of our schools are important components in this evaluation.

The *Statement of Net Position* and the *Statement of Activities* are derived from the District's governmental activities.

Governmental Activities – All of the District's services are reported in this category. This includes the education of kindergarten through grade eight students, the operation of child development activities, and the on-going effort to improve and maintain buildings and sites. Property taxes, state income taxes, user fees, interest income, federal, state and local grants, as well as general obligation bonds, finance these activities.

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds - not the District as a whole. Some funds are required to be established by State law and by bond covenants. However, management establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money that it receives from the U.S. Department of Education.

Governmental funds – Most of the District's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Governmental fund information helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. The differences of results in the governmental fund financial statements to those in the government-wide financial statements are explained in a reconciliation following each governmental fund financial statement.

Fiduciary funds – These are used to account for funds held on behalf of others, like the funds managed for associated student body activities. The District's fiduciary activities are reported in the *Statements of Fiduciary Net Position*. Management excludes these activities from the District's other financial statements because the District cannot use these assets to finance its operations. The District is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

SUNNYVALE SCHOOL DISTRICT

**MANAGEMENT’S DISCUSSION AND ANALYSIS
JUNE 30, 2016**

GOVERNMENT-WIDE OVERALL FINANCIAL ANALYSIS

Net Position

The District’s net position was \$10,847,147 for the fiscal year ended June 30, 2016, a 1659% increase over the net position for the fiscal year ended June 30, 2015. Of this amount, \$36.92 million is invested in capital assets, net of related debt. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limits the Board’s ability to use the net position for day-to-day operations. Management’s analysis below focuses on the net position (Table 1) and on the changes in net position (Table 2) of the District’s governmental activities:

Table 1

Net Position

	Governmental Activities		Percentage Change
	2014-2015	2015-2016	
Current and other assets	\$ 52,681,077	\$ 53,339,006	1.2%
Capital assets	183,559,219	184,129,615	0.3%
Total Assets	236,240,296	237,468,621	0.5%
Deferred outflows of resources	23,209,289	23,596,559	1.7%
Current liabilities	7,502,086	4,579,844	-39.0%
Long - term debt	237,734,338	239,035,269	0.5%
Total Liabilities	245,236,424	243,615,113	-0.7%
Deferred inflows of resources	13,596,510	6,602,920	100.0%
Net Position			
Net investment in capital assets	36,180,520	36,918,177	2.0%
Restricted	12,179,367	15,582,092	27.9%
Unrestricted	(47,743,236)	(41,653,122)	-12.8%
Total Net Position	\$ 616,651	\$ 10,847,147	1659.0%

Changes in Net Position

The results of this year’s operations for the District as a whole are reported in the *Statement of Activities* in the audited financial statements. Table 2 takes the information from the statement, rounds off the numbers, and rearranges them slightly so one can see total revenues for the year.

SUNNYVALE SCHOOL DISTRICT

MANAGEMENT’S DISCUSSION AND ANALYSIS
 JUNE 30, 2016

Table 2
Changes in Net Position

	Governmental Activities		Percentage Change
	2014-2015	2015-2016	
Revenues			
Program revenues			
Charges for services	\$ 649,933	\$ 663,771	2.1%
Operating grants and contributions	13,849,976	6,511,278	-53.0%
General revenues			
Federal and State unrestricted revenue sources	5,865,790	7,286,335	24.2%
Property taxes	61,453,219	73,278,457	19.2%
Other general revenues	9,145,464	11,621,997	27.1%
Total Revenues	90,964,382	99,361,838	9.2%
Expenses			
Instruction related	59,667,158	60,696,987	1.7%
Student support services	9,218,207	10,023,820	8.7%
Administration	5,068,046	5,910,197	16.6%
Maintenance and operations	5,923,023	6,586,410	11.2%
Other	9,944,095	5,913,928	-40.5%
Total Expenses	89,820,529	89,131,342	-0.8%
Change in Net Position	\$ 1,143,853	\$ 10,230,496	794.4%

Total revenues increased 9.2% over the previous fiscal period to \$99.36 million. Total expenditures decreased 0.8% over the previous period to \$89.13 million.

Governmental Activities

As reported in the *Statement of Activities* in the financial statements, the cost of all of our governmental activities this year was \$89.13 million. However, the amount that local taxpayers ultimately financed for these activities through local taxes was only \$73.28 million because those who benefited from the programs paid the cost (\$0.66 million) or by other governments and organizations that subsidized certain programs with grants and contributions (\$6.51 million).

SUNNYVALE SCHOOL DISTRICT

**MANAGEMENT’S DISCUSSION AND ANALYSIS
JUNE 30, 2016**

In Table 3, management has presented the cost of each of the District’s operating functions. As well as each function’s net cost (total cost less revenues generated by the activities). As discussed above, net cost shows the financial burden that was placed on the District’s taxpayers by each of these functions. Providing this information allows the reader to consider the cost of each function in comparison to the benefits provided by that function.

Table 3

Net Cost of Governmental Activities

(Dollar amounts in millions)	<u>Total Cost of Services</u>			Percentage Change	<u>Net Cost of Services</u>		
	<u>2015</u>	<u>2016</u>			<u>2015</u>	<u>2016</u>	<u>Change</u>
Instruction	\$ 51.6	\$ 51.4		-0.4%	\$ 44.4	\$ 47.9	7.9%
Supervision of instruction	2.3	3.1		34.8%	1.9	2.7	42.1%
Instructional library, media and technology	0.9	0.9		0.0%	0.9	0.8	-11.1%
School administration	5.0	5.4		8.0%	4.8	5.3	10.4%
Pupil transportation	1.3	1.6		23.1%	1.3	1.5	15.4%
Food services	2.7	2.5		-7.4%	0.3	0.3	0.0%
Other pupil services	5.2	5.9		13.5%	4.0	5.4	35.0%
Administration	5.1	5.8		13.7%	4.9	5.8	18.4%
Maintenance and operations	5.9	6.6		11.9%	5.9	6.7	13.6%
Other	9.9	5.9		-40.4%	6.9	5.6	-18.8%
Totals	<u>\$ 89.9</u>	<u>\$ 89.1</u>		<u>-0.9%</u>	<u>\$ 75.3</u>	<u>\$ 82.0</u>	<u>8.9%</u>

FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of \$50.2 million of which \$22.7 million was in the General Fund.

General Fund Budgetary Highlights

Over the course of the year, the District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. The final amendment to the budget was adopted on June 16, 2016. (A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in our annual report on page 59.

- Local control funding formula revisions were made due to property tax roll revenue estimate updates provided by the Santa Clara County Controller-Treasurer Department throughout the year.
- Local revenue was adjusted to reflect grant funding and increases to lease income.
- Adjustments were made to State revenues to reflect funding adjustments to Categorical Programs and Special Education.

SUNNYVALE SCHOOL DISTRICT

**MANAGEMENT’S DISCUSSION AND ANALYSIS
JUNE 30, 2016**

Revisions were necessary to reflect material expenditure changes as outlined below:

- Salary expenditures were adjusted to reflect step and column movements and negotiated salary increases.
- Adjustments were made to health, welfare, and statutory benefits to reflect personnel, premium, and rate changes during the year.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2016, the District had \$184.1 million in a broad range of capital assets, including land, buildings, furniture, and equipment.

Table 4

Capital Assets

(Amounts in millions)	Governmental Activities		Percentage Change
	2014-2015	2015-2016	
Land	\$ 3.8	\$ 3.8	0.0%
Building and improvements	215.3	220.7	2.5%
Equipment	4.0	4.4	10.0%
Subtotal	223.1	228.9	2.6%
Accumulated depreciation	(39.6)	(44.8)	13.1%
Totals	\$ 183.5	\$ 184.1	0.3%

This year’s additions of \$0.6 million, net of depreciation, including the final stages of the infrastructure upgrade at Cumberland Elementary School, as well as the installation of portable classrooms at Ellis Elementary School and Columbia Middle School. A complete campus renovation at Bishop Elementary School will begin in the 2016-17 school year. We present information that is more detailed about our capital assets in notes to the financial statements.

Long-Term Obligations

The District had \$177.1 million in general obligation bonds and \$61.9 million of other long-term debt outstanding at the close of the year ended June 30, 2016 (see Table 5). This amount represents a net increase of \$6.1 million from the prior year. More detailed information about the District’s long-term obligations is presented in Note 9 to the financial statements.

SUNNYVALE SCHOOL DISTRICT

**MANAGEMENT’S DISCUSSION AND ANALYSIS
JUNE 30, 2016**

Table 5

Long Term Obligations

(Amounts in millions)	Governmental Activities		Percentage Change
	2014-2015	2015-2016	
General Obligation Bond	\$ 161.9	\$ 159.8	-1.3%
Capital Appreciation Bond	0.3	0.4	33.3%
Premium	17.7	16.9	-4.5%
Compensated Absences	0.4	0.4	0.0%
Net OPEB Obligation	2.1	2.5	19.0%
Pension Liabilities	50.5	59.0	16.8%
Totals	\$ 232.9	\$ 239.0	2.6%

DISCUSSION OF FISCAL YEAR 2015-2016 AND OUTLOOK FOR 2016-2017 AND BEYOND:

The Sunnyvale School District serves more than 6,800 students in grades preschool through eighth grade and is located in northwestern Santa Clara County adjacent to the cities of Santa Clara, Mountain View, and Cupertino in the heart of Silicon Valley. About two-thirds of the K-8 students who live in the City of Sunnyvale are within the boundaries of the Sunnyvale School District. The District’s share of the revenue generated by local property taxes during FY 2015-2016 has exceeded its transition entitlement of the Local Control Funding Formula; therefore, the District continued as a basic aid district. As such, general fund revenue does not increase with enrollment increases.

Although Sunnyvale School District is funded as a basic aid district, the community it serves does not fit the image of the typical basic aid school district. The District’s ten schools serve students from widely diverse ethnic and socio-economic backgrounds. The District emphasizes support for students from disadvantaged backgrounds and provides curricula that are accessible to all students regardless of language, ethnicity, or socio-economic background. The District’s ethnic breakdown is 34% Hispanic, 22% white, 26% Asian, 7% Filipino, and 11% other.

The District’s mission statement is to prepare each and every one of our students with a strong foundation of skills and knowledge to succeed in their educational pursuits. To achieve this goal the District maintains and pursues expectations for a high quality comprehensive preschool through eighth grade program. The District uses the framework of the Seven Correlates of Effective Schools as a basis for decision-making and they serve as our guiding principles. The seven Correlates are:

- Frequent monitoring of student progress
- Safe and orderly environment
- Opportunity to learn and student time on task
- Climate of high expectations
- Strong instructional leadership
- Clear and focused mission
- Positive home – school relations

SUNNYVALE SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2016

As a result, the District strives to meet programmatic goals that will allow for reasonable class sizes, staff training and support, counseling, preschools, libraries, medical assistance, before and after school programs, visual and performing arts, physical education, sports, and summer schools. The District's ongoing commitment to maintaining a balanced investment in programs for students, competitive salaries and benefits for those who serve students, and meeting the operational needs of the District is even stronger with the improved current economic environment.

The District is committed to continuing to provide a comprehensive instructional program while focusing services on the students and communities most in need of support. The 2016-2017 school year is full of promise. Funding for public schools has stabilized and the funding model itself has changed to focus financial support on the students with the greatest needs. The District has adopted the national Common Core State Educational Standards that provides a deeper learning experience and develops critical thinking skills in our students. The One-to-One: Technology to Support Learning, a three year plan to ensure access to all students in the new ways of receiving educational content, has entered its final year. Bond Measure G allows the District to support school facilities and instructional technology. Management is committed to manage spending in a fiscally responsible manner to maintain the financial strength of the school district.

Net Pension Liability (NPL)

GASB Statements No. 68 and No. 71 introduced new requirements for accrual-basis recognition by state and local governments of employer costs and obligations for pensions. Under the new accounting standards, if the present value of benefits earned by all employees participating in the CalSTRS or CalPERS pension plan exceeds the resources accumulated by the pension plan to benefits, LEAs must now report in their government wide financial statements their proportionate share of the plan's net pension liability. At present, both CalSTRS and CalPERS have a net pension liability. The district has implemented GASB Statements No. 68 and No. 71 in the fiscal year 2014-15.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, students, investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need any additional financial information, contact Lori van Gogh, CFO / Director of Fiscal Services at Sunnyvale School District, 819 W. Iowa Avenue, Sunnyvale, California, 94086, or e-mail at lori.vangogh@sesd.org.

SUNNYVALE SCHOOL DISTRICT

**STATEMENT OF NET POSITION
JUNE 30, 2016**

Assets	Governmental Activities
Deposits and investments	\$ 51,192,134
Receivables	1,953,001
Stores inventories	193,871
Capital assets, not depreciated	40,822,999
Capital assets, net of accumulated depreciation	143,306,616
Total Assets	<u>237,468,621</u>
Deferred Outflows of Resources	
Deferred amount on refunding	17,569,064
Deferred outflows of resources related to pensions	6,027,495
Total Deferred Outflows of Resources	<u>23,596,559</u>
Liabilities	
Accounts payable	2,945,661
Interest payable	1,400,949
Unearned revenue	233,234
Long-term obligations:	
Current portion of long-term obligations other than pensions	4,741,872
Noncurrent portion of long-term obligations other than pensions	175,272,349
Aggregate net pension liability	59,021,048
Total Liabilities	<u>243,615,113</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources related to pensions	6,602,920
Total Deferred Inflows of Resources	<u>6,602,920</u>
Net Position	
Net investment in capital assets	36,918,177
Restricted	
Debt service	8,155,682
Capital projects	5,449,287
Child nutrition services	141,502
Restricted for educational programs	1,835,621
Unrestricted	(41,653,122)
Total Net Position	<u>\$ 10,847,147</u>

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

SUNNYVALE SCHOOL DISTRICT

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016**

Functions/Programs	Expenses	Program Revenues		Net (Expenses)
		Charges for Services and Sales	Operating Grants and Contributions	Revenues and Changes In Net Net Position
				Governmental Activities
Governmental Activities:				
Instruction	\$ 51,414,725	\$ -	\$ 3,508,800	\$ (47,905,925)
Instruction related activities:				
Supervision of instruction	3,080,756	-	351,660	(2,729,096)
Instructional library, media and technology	851,488	-	3,193	(848,295)
School site administration	5,350,018	-	33,783	(5,316,235)
Pupil services:				
Home-to-school transportation	1,550,255	-	1,889	(1,548,366)
Food services	2,548,966	631,195	1,587,554	(330,217)
All other pupil services	5,924,599	-	515,586	(5,409,013)
General administration:				
Data processing	1,579,073	-	-	(1,579,073)
All other general administration	4,331,124	32,576	106,816	(4,191,732)
Plant services	6,586,410	-	11	(6,586,399)
Interest on long-term obligations	5,910,437	-	-	(5,910,437)
Other outgo	3,491	-	401,986	398,495
Total Governmental-type Activities	\$ 89,131,342	\$ 663,771	\$ 6,511,278	(81,956,293)
General revenues and subvention				
Property taxes, levied for general purposes				60,670,168
Property taxes, levied for debt service				11,511,092
Taxes levied for other specific purposes				1,097,197
Federal and State aid not restricted to specific purposes				7,286,335
Interest and investment earnings				278,379
Miscellaneous				11,343,618
Subtotal, General Revenues				92,186,789
Change in Net Position				10,230,496
Net Position - Beginning				616,651
Net Position - Ending				\$ 10,847,147

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

SUNNYVALE SCHOOL DISTRICT

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2016

	General Fund	Building Fund	Capital Facilities Fund
ASSETS			
Deposits and investments	\$ 23,572,318	\$ 12,604,032	\$ 5,440,799
Receivables	1,714,472	91,517	10,695
Due from other funds	38,519	-	-
Stores inventories	115,837	-	-
Total Assets	\$ 25,441,146	\$ 12,695,549	\$ 5,451,494
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 2,476,762	\$ 431,970	\$ 2,345
Due to other funds	-	-	-
Unearned revenue	233,234	-	-
Total Liabilities	2,709,996	431,970	2,345
Fund Balances			
Nonspendable	141,837	-	-
Restricted	1,835,621	12,263,579	5,449,149
Assigned	3,531,704	-	-
Unassigned	17,221,988	-	-
Total Fund Balances	22,731,150	12,263,579	5,449,149
Total Liabilities and Fund Balances	\$ 25,441,146	\$ 12,695,549	\$ 5,451,494

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

Bond Interest and Redemption Fund	Nonmajor Governmental Funds	Total Governmental Funds
\$ 9,545,717	\$ 29,268	\$ 51,192,134
10,914	125,403	1,953,001
-	-	38,519
-	78,034	193,871
<u>\$ 9,556,631</u>	<u>\$ 232,705</u>	<u>\$ 53,377,525</u>

\$ -	\$ 34,584	\$ 2,945,661
-	38,519	38,519
-	-	233,234
<u>-</u>	<u>73,103</u>	<u>3,217,414</u>

-	78,335	220,172
9,556,631	63,305	29,168,285
-	17,962	3,549,666
-	-	17,221,988
<u>9,556,631</u>	<u>159,602</u>	<u>50,160,111</u>
<u>\$ 9,556,631</u>	<u>\$ 232,705</u>	<u>\$ 53,377,525</u>

SUNNYVALE SCHOOL DISTRICT

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2016**

**Amounts Reported for Governmental Activities in the
Statement of Net Position are different because:**

Total Fund Balance - Governmental Funds \$ 50,160,111

Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.

The cost of capital assets is	\$ 228,952,466	
Accumulated depreciation is	<u>(44,822,851)</u>	184,129,615

Interest accrual is not recognized in the governmental funds but is reported as a liability on the Statement of Net Position.	(1,400,949)
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Unamortized deferred amount on refunding is recognized as deferred outflow on the Statement of Net Position. The deferred amount is recognized as expense over the life of the bonds in the Statement of Activities.	17,569,064
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The difference between projected and actual pension plan investment earnings, between expected and actual experience in the measurement of the total pension liability, and changes of assumptions, are not recognized on the modified accrual basis, but are recognized on the accrual basis over the expected average remaining service life of members receiving pension benefits.	(575,425)
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Long-term obligations at year end consist of:

General obligation bonds and related premiums	177,044,081	
Net OPEB obligation	2,526,760	
Compensated absences (vacations)	443,380	
Net pension liability	<u>59,021,048</u>	<u>(239,035,269)</u>

Total Net Position - Governmental Activities	\$ 10,847,147
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The accompanying notes are an integral part of these financial statements

SUNNYVALE SCHOOL DISTRICT

**STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2016**

	General Fund	Building Fund	Capital Facilities Fund
REVENUES			
Local Control Funding Formula	\$ 63,207,848	\$ -	\$ -
Federal sources	2,355,247	-	-
Other state sources	8,502,634	-	-
Other local sources	7,788,531	101,763	2,241,105
Total Revenues	81,854,260	101,763	2,241,105
EXPENDITURES			
Current			
Instruction	47,552,970	-	-
Instruction related activities:			
Supervision of instruction	2,855,726	-	-
Instructional library, media and technology	800,053	-	-
School site administration	5,004,378	-	-
Pupil services:			
Home-to school transportation	1,456,610	-	-
Food services	974	-	-
All other pupil services	5,578,046	-	-
General administration:			
Data processing	1,484,002	-	-
All other general administration	3,947,742	-	-
Plant services	5,715,635	512,022	174,156
Facility acquisition and construction	-	5,585,264	-
Other outgo	3,491	-	-
Debt service			
Principal	-	-	-
Interest and other	-	-	-
Total Expenditures	74,399,627	6,097,286	174,156
Revenues Over (Under) Expenditures	7,454,633	(5,995,523)	2,066,949
Other Financing Sources (Uses)			
Transfers in	-	-	-
Transfers out	(210,122)	-	-
Net Financing Sources (Uses)	(210,122)	-	-
NET CHANGE IN FUND BALANCES	7,244,511	(5,995,523)	2,066,949
Fund Balance - Beginning	15,486,639	18,259,102	3,382,200
Fund Balance - Ending	\$ 22,731,150	\$ 12,263,579	\$ 5,449,149

The accompanying notes are an integral part of these financial statements

Bond Interest and Redemption Fund	Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 63,207,848
-	1,559,929	3,915,176
30,871	491,003	9,024,508
11,529,581	664,996	22,325,976
<u>11,560,452</u>	<u>2,715,928</u>	<u>98,473,508</u>
-	333,394	47,886,364
-	42,984	2,898,710
-	-	800,053
-	32,052	5,036,430
-	-	1,456,610
-	2,394,018	2,394,992
-	-	5,578,046
-	-	1,484,002
-	123,471	4,071,213
-	-	6,401,813
-	-	5,585,264
-	-	3,491
7,040,000	-	7,040,000
5,728,609	-	5,728,609
<u>12,768,609</u>	<u>2,925,919</u>	<u>96,365,597</u>
<u>(1,208,157)</u>	<u>(209,991)</u>	<u>2,107,911</u>
-	210,122	210,122
-	-	(210,122)
-	210,122	-
<u>(1,208,157)</u>	<u>131</u>	<u>2,107,911</u>
<u>10,764,788</u>	<u>159,471</u>	<u>48,052,200</u>
<u>\$ 9,556,631</u>	<u>\$ 159,602</u>	<u>\$ 50,160,111</u>

SUNNYVALE SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2016

Amounts Reported for Governmental Activities in the Statement of Activities are different because:

Net Change in Fund Balances - Governmental Funds \$ 2,107,911

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures, however, for governmental activities, those costs are shown in the Statement of Net Position and allocated over their estimated useful lives as annual depreciation expense in the Statement of Activities.

This is the amount by which capital outlays exceed depreciation in the period.

Capital outlays	\$ 5,812,239	
Depreciation expense	<u>(5,241,843)</u>	570,396

In the Statement of Activities, compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid).

This year, vacation paid was less than the amounts earned. (82,389)

Deferred amounts on refunding are not recorded on the governmental Balance Sheet, but are deferred on the Statement of Net Position, and amortized over the life of the bonds.

(1,616,888)

In the governmental funds, pension costs are based on employer contributions made to pension plans during the year. However, in the Statement of Activities, pension expense is the net effect of all changes in the deferred outflows, deferred inflows and net pension liability during the year.

445,794

Amortization of bond premium is recorded as a revenue in the governmental funds, and is capitalized to the Statement of Net Position and does not impact the Statement of Activities.

776,872

Repayment of bond principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.

7,040,000

The accompanying notes are an integral part of these financial statements

SUNNYVALE SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES (CONTINUED) FOR THE YEAR ENDED JUNE 30, 2016

Accreted interest on capital appreciation bonds in the Statement of Activities differs from the amount reported in the governmental funds because accreted interest does not require the use of current financial resources, and thus is not recorded in the governmental funds. In the Statement of Activities, however, accreted interest expense is recognized as the interest accrues, regardless of when it is due.	(37,200)
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the governmental funds when it is paid, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is paid.	1,472,260
In the Statement of Activities, the unfunded annual contribution (ARC) is recognized as an expense, but is not recognized on the governmental funds.	(446,260)
Change in Net Position of Governmental Activities	<u><u>\$ 10,230,496</u></u>

The accompanying notes are an integral part of these financial statements

SUNNYVALE SCHOOL DISTRICT

**FIDUCIARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2016**

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 180,229
Total assets	<u>\$ 180,229</u>
LIABILITIES	
Due to student groups	\$ 180,229
Total liabilities	<u>\$ 180,229</u>

The accompanying notes are an integral part of these financial statements

SUNNYVALE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

The Sunnyvale School District was organized in 1904 under the laws of the State of California. The District operates under a locally-elected five-member Board form of government and provides educational services to grades kindergarten through eighth as mandated by the State and/or Federal agencies. The District operates eight elementary, and two middle schools.

A reporting entity is comprised of the primary government, component units, and other organizations that are included to ensure the financial statements are not misleading. The primary government of the District consists of all funds, departments, boards, and agencies that are not legally separate from the District. For Sunnyvale School District, this includes general operations, food service, and student related activities of the District.

Basis of Presentation - Fund Accounting

The accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The District's funds are grouped into two broad fund categories: governmental and fiduciary.

Governmental Funds

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses, and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and liabilities is reported as fund balance. The following are the District's major and non-major governmental funds:

Major Governmental Funds

General Fund The General Fund is the chief operating fund for all districts. It is used to account for the ordinary operations of the District. All transactions except those accounted for in another fund are accounted for in this fund.

Fund 17, Special Reserve Fund for Other Than Capital Outlay Projects is currently defined as a special revenue fund in the California State Accounting Manual (CSAM) that does not meet the GASB Statement No. 54 special revenue fund definition; not being substantially composed of restricted or committed revenue sources. While this fund is authorized by statute and will remain open for internal reporting purposes, this fund functions effectively as extensions of the General Fund, and accordingly has been combined with the General Fund for presentation in these audited financial statements. As a result, the General Fund reflects an increase in assets, fund balance, and revenues of \$11,784,001, \$11,784,001, and \$45,076, respectively.

Building Fund The Building Fund exists primarily to account separately for proceeds from the sale of bonds (*Education Code* Section 15146) and may not be used for any purposes other than those for which the bonds were issued.

SUNNYVALE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

Capital Facilities Fund The Capital Facilities Fund is used primarily to account separately for monies received from fees levied on developers or other agencies as a condition of approving a development (*Education Code* Sections 17620-17626). Expenditures are restricted to the purposes specified in *Government Code* Sections 65970-65981 or to the items specified in agreements with the developer (*Government Code* Section 66006).

Debt Service Funds The Debt Service Funds are used to account for the accumulation of restricted, committed, or assigned resources for and the payment of principal and interest on general long-term obligations.

Bond Interest and Redemption Fund The Bond Interest and Redemption Fund is used for the repayment of bonds issued for a District (*Education Code* Sections 15125-15262).

Nonmajor Governmental Funds

Special Revenue Funds The Special Revenue funds are used to account for the proceeds from specific revenue sources (other than trusts, major capital projects, or debt service) that are restricted or committed to expenditures for specified purposes and that compose a substantial portion of the inflows of the fund. Additional resources that are restricted, committed, or assigned to the purpose of the fund may also be reported in the fund.

Child Development Fund The Child Development Fund is used to account separately for Federal, State, and local revenues to operate child development programs and is to be used only for expenditures for the operation of child development programs.

Cafeteria Fund The Cafeteria Fund is used to account separately for Federal, State, and local resources to operate the food service program (*Education Code* Sections 38090-38093) and is used only for those expenditures authorized by the governing board as necessary for the operation of the District's food service program (*Education Code* Sections 38091 and 38100).

Deferred Maintenance Fund The Deferred Maintenance Fund is used to account separately for State apportionments and the District's contributions for deferred maintenance purposes (*Education Code* Sections 17582-17587) and for items of maintenance approved by the State Allocation Board.

Capital Project Funds The Capital Project funds are used to account for financial resources that are restricted, committed, or assigned to the acquisition or construction of major capital facilities and other capital assets (other than those financed by proprietary funds and trust funds).

County School Facilities Fund The County School Facilities Fund is established pursuant to *Education Code* Section 17070.43 to receive apportionments from the 1998 State School Facilities Fund (Proposition 1A), the 2002 State School Facilities Fund (Proposition 47), the 2004 State School Facilities Fund (Proposition 55), or the 2006 State Schools Facilities Fund (Proposition 1D) authorized by the State Allocation Board for new school facility construction, modernization projects, and facility hardship grants, as provided in the Leroy F. Greene School Facilities Act of 1998 (*Education Code* Section 17070 et seq.).

SUNNYVALE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

Fiduciary Funds Fiduciary funds are used to account for assets held in trustee or agent capacity for others that cannot be used to support the District's own programs. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds, and agency funds. The key distinction between trust and agency funds is that trust funds are subject to a trust agreement that affects the degree of management involvement and the length of time that the resources are held.

Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency fund accounts for student body activities (ASB).

Basis of Accounting - Measurement Focus

Government-Wide Financial Statements The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This differs from the manner in which governmental fund financial statements are prepared.

The government-wide Statement of Activities presents a comparison between expenses, both direct and indirect, and program revenues for each governmental function and excludes fiduciary activity. Direct expenses are those that are specifically associated with a service, program, or department and are therefore clearly identifiable to a particular function. The District does not allocate indirect expenses to functions in the Statement of Activities, except for depreciation. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each function is self-financing or draws from the general revenues of the District. Eliminations have been made to minimize the double counting of internal activities.

Net position should be reported as restricted when constraints are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. The net position restricted for other activities result from special revenue funds and the restrictions on their use.

Fund Financial Statements Fund financial statements report detailed information about the District. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

Governmental Funds All governmental funds are accounted for using a flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The Statement of Revenues, Expenditures, and Changes in Fund Balances reports on the sources (revenues and other financing sources) and uses (expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide statements are prepared. Governmental fund financial statements therefore include reconciliations with brief explanations to better identify the relationships between the government-wide statements prepared using the economic resources measurement focus and the accrual basis of accounting, and the governmental fund financial statements, prepared using the flow of current financial resources measurement focus and the modified accrual basis of accounting.

Fiduciary Funds Fiduciary funds are accounted for using the flow of economic resources measurement focus and the accrual basis of accounting. Fiduciary funds are excluded from the government-wide financial statements because they do not represent resources of the District.

SUNNYVALE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

Revenues – Exchange and Non-Exchange Transactions Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current fiscal year. Generally, available is defined as collectible within 45 or 60 days. However, to achieve comparability of reporting among California districts and so as not to distort normal revenue patterns, with specific respect to reimbursement grants and corrections to state-aid apportionments, the California Department of Education has defined available for districts as collectible within one year. The following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain grants, and other local sources.

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

Unearned Revenue Unearned revenue arises when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period or when resources are received by the District prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for unearned revenue is removed from the balance sheet and revenue is recognized.

Certain grants received before the eligibility requirements are met are recorded as unearned revenue. On the governmental fund financial statements, receivables that will not be collected within the available period are also recorded as deferred inflow of resources.

Expenses/Expenditures On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable, and typically paid within 90 days. Principal and interest on general long-term obligations, which have not matured, are recognized when paid in the governmental funds as expenditures. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds but are recognized in the entity-wide statements.

Deposits and Investments

The District's deposits and investments are considered to be cash on hand, demand deposits, and investments with the County Treasury.

Investments

Investments held at June 30, 2016, with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. Fair values of investments in county pools are determined by the program sponsor.

SUNNYVALE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

Prepaid Expenditures

Prepaid expenditures (expenses) represent amounts paid in advance of receiving goods or services. The District has the option of reporting an expenditure in governmental funds for prepaid items either when purchased or during the benefiting period. The District has chosen to report the expenditures over the benefiting period.

Stores Inventories

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

Capital Assets and Depreciation

The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. Capital assets are long-lived assets of the District. The District maintains a capitalization threshold of \$5,000. The District does not possess any infrastructure. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not capitalized, but are expensed as incurred.

When purchased, such assets are recorded as expenditures in the governmental funds, and capitalized in the government-wide Statement of Net Position. The valuation basis for general capital assets is historical cost, or where historical cost is not available, estimated historical cost based on replacement cost. Donated capital assets are capitalized at estimated fair market value on the date donated.

Depreciation is computed using the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 20 to 50 years; improvements, 5 to 50 years; equipment, 2 to 15 years.

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "interfund receivables/payables." These amounts are eliminated in the governmental columns of the Statement of Net Position.

Compensated Absences

Compensated absences are accrued as a liability as the benefits are earned. The entire compensated absence liability is reported on the government-wide Statement of Net Position. For governmental funds, the current portion of unpaid compensated absences is recognized upon the occurrence of relevant events such as employee resignations and retirements that occur prior to year end that have not yet been paid with expendable available financial resources. These amounts are reported in the fund from which the employees who have accumulated leave are paid.

SUNNYVALE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

Sick leave is accumulated without limit for each employee at the rate of one day for each month worked. Leave with pay is provided when employees are absent for health reasons; however, the employees do not gain a vested right to accumulated sick leave. Employees are never paid for any sick leave balance at termination of employment or any other time. Therefore, the value of accumulated sick leave is not recognized as a liability in the District's financial statements. However, credit for unused sick leave is applicable to all classified school members who retire after January 1, 1999. At retirement, each member will receive .004 year of service credit for each day of unused sick leave. Credit for unused sick leave is applicable to all certificated employees and is determined by dividing the number of unused sick days by the number of base service days required to complete the last school year, if employed full-time.

Accrued Liabilities and Long-Term Obligations

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

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

Debt Issuance Costs, Premiums and Discounts

In the government-wide financial statements, long-term obligations are reported as liabilities in the governmental activities. Debt premiums and discounts, as well as issuance costs, related to prepaid insurance costs, are amortized over the life of the bonds using the straight-line method.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position also reports deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The District reports deferred outflows of resources for the unamortized loss on the refunding of general obligation bonds and current year pension related expenses.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The District reports deferred inflows of resources for the difference between actual and expected rate of return on investments specific to the net pension liability.

SUNNYVALE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the California State Teachers Retirement System (CalSTRS) and the California Public Employees' Retirement System (CalPERS) plan for schools (Plans) and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalSTRS and CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Member contributions are recognized in the period in which they are earned. Investments are reported at fair value.

Fund Balances – Governmental Funds

As of June 30, 2016, fund balances of the governmental funds are classified as follows:

Nonspendable – amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed – amounts that can be used only for specific purposes determined by a formal action of the governing board. The governing board is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through resolutions or other action as approved by the governing board. The District currently does not have any committed funds.

Assigned – amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the District's adopted policy, only the governing board may assign amounts for specific purposes.

Unassigned – all other spendable amounts.

Spending Order Policy

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the governing board has provided otherwise in its commitment or assignment actions.

Minimum Fund Balance Policy

In fiscal year 2010-11, the governing board adopted a minimum fund balance policy for the General Fund in order to protect the district against revenue shortfalls or unpredicted on-time expenditures. The policy requires the District to maintain a minimum fund balance of 10% of the District's General Fund expenditures and other financing uses. If a fund balance drops below 3%, it shall be recovered at a rate of 1% minimally each year.

SUNNYVALE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

Net Position

Net position represents the difference between assets and liabilities. Net position net of investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any net borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Budgetary Data

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

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

Property Tax

Secured property taxes attach as an enforceable lien on property as of January 1. Taxes are payable in two installments on November 1 and February 1 and become delinquent on December 10 and April 10, respectively. Unsecured property taxes are payable in one installment on or before August 31. The County of Santa Clara bills and collects the taxes on behalf of the District. Local property tax revenues are recorded when received.

Change in Accounting Principles

In February 2015, the GASB issued Statement No. 72, *Fair Value Measurement and Application*. This Statement addresses accounting and financial reporting issues related to fair value measurements. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements.

The District has implemented the provisions of this Statement as of June 30, 2016.

SUNNYVALE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

In June 2015, the GASB issued Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68, and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68*. The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement No. 68. It also amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*, and Statement No. 68 for pension plans and pensions that are within their respective scopes.

The provisions in this Statement effective as of June 30, 2016, include the provisions for assets accumulated for purposes of providing pensions through defined benefit plans and the amended provisions of Statements No. 67 and No. 68. The District has implemented these provisions as of June 30, 2016. The provisions in this Statement related to defined benefit pensions that are not within the scope of Statement No. 68 are effective for periods beginning after June 15, 2016.

In June 2015, the GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The "GAAP hierarchy" consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and non-authoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP.

This Statement supersedes Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*.

The District has implemented the provisions of this Statement as of June 30, 2016.

In December 2015, the GASB issued Statement No. 79, *Certain External Investment Pools and Pool Participants*. This Statement addresses accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. The specific criteria address (1) how the external investment pool transacts with participants, (2) requirements for portfolio maturity, quality, diversification, and liquidity; and (3) calculation and requirements of a shadow price. Significant noncompliance prevents the external investment pool from measuring all of its investments at amortized cost for financial reporting purposes. Professional judgment is required to determine if instances of noncompliance with the criteria established by this Statement during the reporting period, individually or in the aggregate, were significant.

SUNNYVALE SCHOOL DISTRICT

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If an external investment pool does not meet the criteria established by this Statement, that pool should apply the provisions in paragraph 16 of Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, as amended. If an external investment pool meets the criteria in this Statement and measures all of its investments at amortized cost, the pool's participants also should measure their investments in that external investment pool at amortized cost for financial reporting purposes. If an external investment pool does not meet the criteria in this Statement, the pool's participants should measure their investments in that pool at fair value, as provided in paragraph 11 of Statement No. 31, as amended.

This Statement establishes additional note disclosure requirements for qualifying external investment pools that measure all of their investments at amortized cost for financial reporting purposes and for governments that participate in those pools. Those disclosures for both the qualifying external investment pools and their participants include information about any limitations or restrictions on participant withdrawals.

The District has implemented the provisions of this Statement as of June 30, 2016.

New Accounting Pronouncements

In June 2015, the GASB issued Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2016. Early implementation is encouraged.

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency. The requirements of this Statement are effective for financial statements for periods beginning after June 15, 2016. Early implementation is encouraged.

In August 2015, the GASB issued Statement No. 77, *Tax Abatement Disclosures*. This Statement requires governments that enter into tax abatement agreements to disclose the following information about the agreements:

- Brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients.
- The gross dollar amount of taxes abated during the period.
- Commitments made by a government, other than to abate taxes, as part of a tax abatement agreement.

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The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2015. Early implementation is encouraged. Implementation of this statement is not expected to have material impact on the District.

In December 2015, the GASB issued Statement No. 78, *Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*. The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. The requirements of this Statement are effective for reporting periods beginning after December 15, 2015. Early implementation is encouraged.

In January 2016, the GASB issued Statement No. 80, *Blending Requirements for Certain Component Units - amendment of GASB Statement No. 14*. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity, as amended*. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units*. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016. Early implementation is encouraged. Implementation of this statement is not expected to have material impact on the District.

In March 2016, the GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*. The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement. The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2016, and should be applied retroactively. Early implementation is encouraged. Implementation of this statement is not expected to have material impact on the District.

In March 2016, the GASB issued Statement No. 82, *Pension Issues - An Amendment of GASB Statements No. 67, No. 68, and No. 73*. The objective of this Statement is to address certain issues that have been raised with respect to Statements No 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement No. 68 and Amendments to Certain Provisions of GASB Statements No. 67 and No. 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of this Statement for the selection of assumptions in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements for the selection of assumptions are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. Early implementation is encouraged.

SUNNYVALE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2016, are classified in the accompanying financial statements as follows:

Governmental funds	\$ 51,192,134
Fiduciary fund	180,229
Total Deposits and Investments	<u><u>\$ 51,372,363</u></u>

Deposits and investments as of June 30, 2016, consist of the following:

Cash on hand and in banks	\$ 287,486
Revolving cash	26,300
Investment in county pool	50,560,223
Total Deposits and Investments	<u><u>\$ 51,372,363</u></u>

Policies and Practices

The District is authorized under California Government Code to make direct investments in local agency bonds, notes, or warrants within the State; U.S. Treasury instruments; registered State warrants or treasury notes; securities of the U.S. Government, or its agencies; bankers acceptances; commercial paper; certificates of deposit placed with commercial banks and/or savings and loan companies; repurchase or reverse repurchase agreements; medium term corporate notes; shares of beneficial interest issued by diversified management companies, certificates of participation, obligations with first priority security; and collateralized mortgage obligations.

Investment in County Treasury

The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (Education Code Section 41001). The fair value of the District's investment in the pool is reported in the accounting financial statements at amounts based upon the District's pro-rata share of the amortized cost basis provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

SUNNYVALE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

General Authorizations

The District's policy is to follow the requirements stipulated by the California government code related to investments. Limitations as they relate to interest rate risk and concentration of credit risk are indicated in the schedules below:

Authorized Investment Type	Maximum Remaining Maturity	Maximum Percentage of Portfolio	Maximum Investment In One Issuer
Local Agency Bonds, Notes, Warrants	5 years	None	None
Registered State Bonds, Notes, Warrants	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
U.S Agency Securities	5 years	None	None
Banker's Acceptance	180 days	40%	30%
Commercial Paper	270 days	25%	10%
Negotiable Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements	92 days	20% of base	None
Medium-Term Corporate Notes	5 years	30%	None
Mutual Funds	N/A	20%	10%
Money Market Mutual Funds	N/A	20%	10%
Mortgage Pass-Through Securities	5 years	20%	None
County Pooled Investment Funds	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None
Joint Powers Authority Pools	N/A	None	None

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rate. The District manages its exposure to interest rate risk by depositing substantially all of its funds in the County Treasury pool. The fair value of the deposits with the County Treasurer at June 30, 2016, was \$50,652,472 and the weighted average maturity of the pool was 439 days.

SUNNYVALE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measure by the assignment of a rating by a nationally recognized statistical rating organization. The District’s investments in the county pool are not rated, as of June 30, 2016. U.S. Treasuries are exempt from this disclosure.

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure public deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits and letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105% of the secured deposits. The District believes it has no significant custodial credit risk.

NOTE 3 - RECEIVABLES

Receivables at June 30, 2016, consisted of intergovernmental grants, entitlements, interest, and other local sources. All receivables are considered collectible in full.

	General	Building	Capital Facilities	Bond Interest and Redemption	Nonmajor	Total
Federal Government						
Categorical aid	\$ 588,164	\$ -	\$ -	\$ -	\$ 59,112	\$ 647,276
State Government						
Principal apportionment	88,579	-	-	-	-	88,579
Categorical aid	205,298	-	-	-	-	205,298
Lottery	729,891	-	-	-	-	729,891
Local Government						
Interest	52,936	66,001	10,695	10,914	453	140,999
Other Local Sources	49,604	25,516	-	-	65,838	140,958
Total	<u>\$ 1,714,472</u>	<u>\$ 91,517</u>	<u>\$ 10,695</u>	<u>\$ 10,914</u>	<u>\$ 125,403</u>	<u>\$ 1,953,001</u>

SUNNYVALE SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2016, was as follows:

	Balance July 1, 2015	Additions	Deductions	Balance June 30, 2016
Governmental Activities				
Capital Assets Not Being Depreciated				
Land	\$ 3,814,433	\$ -	\$ -	\$ 3,814,433
Construction in progress				
Land improvements	9,373,086	-	9,373,086	-
Buildings	67,195,926	5,425,882	35,613,242	37,008,566
Total Capital Assets Not Being Depreciated	80,383,445	5,425,882	44,986,328	40,822,999
Capital Assets Being Depreciated				
Land improvements	26,772,335	9,373,086	-	36,145,421
Buildings	111,954,792	35,613,242	-	147,568,034
Vehicles	832,047	50,975	-	883,022
Furniture and equipment	3,197,608	335,382	-	3,532,990
Total Capital Assets Being Depreciated	142,756,782	45,372,685	-	188,129,467
Total Capital Assets	223,140,227	50,798,567	44,986,328	228,952,466
Less Accumulated Depreciation				
Land improvements	3,498,233	1,744,057	-	5,242,290
Buildings	33,332,740	3,205,251	-	36,537,991
Vehicles	712,439	51,641	-	764,080
Furniture and equipment	2,037,596	240,894	-	2,278,490
Total Accumulated Depreciation	39,581,008	5,241,843	-	44,822,851
Governmental Activities Capital Assets, Net	\$ 183,559,219	\$ 45,556,724	\$ 44,986,328	\$ 184,129,615

SUNNYVALE SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
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Depreciation expense was charged as a direct expense to governmental functions in the statement of activities as follows:

Governmental Activities

Instruction	\$ 3,204,947
Supervision of instruction	194,470
Instructional library, media, and technology	54,864
School site administration	335,174
Home-to-school transportation	99,888
Food services	164,239
All other pupil services	370,460
All other general administration	277,360
Data processing	101,431
Plant services	439,010
Total Depreciation Expense - Governmental Activities	\$ 5,241,843

NOTE 5 - INTERFUND TRANSACTIONS

Interfund Receivables/Payables (Due From/Due To)

Interfund receivable and payable balances at June 30, 2016, between major and nonmajor governmental funds are as follows:

Due To	Due From General Fund
Nonmajor Governmental Funds	\$ 38,519

The balances resulted from the time lag between the date that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transaction are recorded in the accounting system, and (3) payments between funds are made.

Operating Transfers

Interfund transfers for the year ended June 30, 2016, are as follows:

Transfer Out	Transfer In Nonmajor Governmental
The General Fund transferred to the Cafeteria Fund to maintain a positive cash flow and to support the District's cafeteria operations.	\$ 184,321
The General Fund transferred to the Child Development Fund to support the child development program.	25,801
Total interfund transfers	\$ 210,122

SUNNYVALE SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 6 - DEFERRED CHARGE ON REFUNDING

Deferred charge on refunding is a consumption of net position by the District that is applicable to a future reporting period. For governmental activities, the net investment in capital assets amount of \$36,918,177 includes the effect of deferring the recognition of loss from advance refunding. The \$17,569,064 balance of the deferred outflow of resources at June 30, 2016 will be recognized as an expense and as a decrease in net position over the remaining life of related bonds.

Deferred charge on refunding at June 30, 2016 is as follows:

	Balance July 1, 2015	Additions	Deductions	Balance June 30, 2016
Deferred charge on bond refunding	\$ 19,185,952	\$ -	\$ 1,616,888	\$17,569,064

NOTE 7 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2016, consisted of the following:

	General Fund	Building Fund	Capital Facilities Fund	Nonmajor Governmental Funds	Total Governmental Funds
Vendor payables	\$ 2,454,652	\$ 431,970	\$ 2,345	\$ 34,584	\$ 2,923,551
Salaries and benefits	22,110	-	-	-	22,110
Total Accounts Payable	<u>\$ 2,476,762</u>	<u>\$ 431,970</u>	<u>\$ 2,345</u>	<u>\$ 34,584</u>	<u>\$ 2,945,661</u>

NOTE 8 - UNEARNED REVENUE

Unearned revenue at June 30, 2016, consists of the following:

	General Fund
State Categorical Aid	\$ 2,250
Other Local	230,984
Total Unearned Revenue	<u>\$ 233,234</u>

SUNNYVALE SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 9 - LONG-TERM OBLIGATIONS OTHER THAN PENSION

Summary

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

	Balance July 1, 2015	Accreted/ Additions	Deductions	Balance June 30, 2016	Due in One Year
General obligation bonds					
Current interest bonds	\$ 166,805,000	\$ -	\$ 7,040,000	\$ 159,765,000	\$ 3,965,000
Capital appreciation bonds	328,500	37,200	-	365,700	-
Premium	17,690,253	-	776,872	16,913,381	776,872
Subtotal	184,823,753	37,200	7,816,872	177,044,081	4,741,872
Compensated absences	360,991	82,389	-	443,380	-
Net OPEB obligation	2,080,500	922,496	476,236	2,526,760	-
Total	<u>\$ 187,265,244</u>	<u>\$ 1,042,085</u>	<u>\$ 8,293,108</u>	<u>\$ 180,014,221</u>	<u>\$ 4,741,872</u>

Payments on the general obligation bonds are made by the bond interest and redemption fund which has a separate revenue source dedicated to the repayment of the bonds. The accrued vacation, and OPEB are paid by the fund for which the employee worked.

Bonded Debt

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2015	Issued / Accreted	Defeased/ Redeemed	Bonds Outstanding June 30, 2016
General Obligation Bonds							
2004 A	9/1/29	3.00-6.00%	\$ 35,000,000	\$ 35,000	\$ -	\$ 35,000	\$ -
2007 B	9/1/31	4.00-4.50%	30,000,000	910,000	-	360,000	550,000
2010 C	9/1/34	4.25-4.50%	35,000,000	4,000,000	-	-	4,000,000
2012 Ref	9/1/20	3.00-5.00%	4,925,000	3,435,000	-	500,000	2,935,000
2012 D	9/1/42	4.00%	5,000,000	5,000,000	-	-	5,000,000
2013 A	9/1/44	2.00-5.00%	28,000,000	28,000,000	-	3,570,000	24,430,000
2014 Ref	9/1/23	2.00-5.00%	14,815,000	14,815,000	-	1,245,000	13,570,000
2015 Ref	9/1/35	2.00-5.00%	110,610,000	110,610,000	-	1,330,000	109,280,000
Subtotal				166,805,000	-	7,040,000	159,765,000
Capital Appreciation Bonds							
2012 D	9/1/42	3.00-11.00%	14,767,843	328,500	37,200	-	365,700
				<u>\$ 167,133,500</u>	<u>\$ 37,200</u>	<u>\$ 7,040,000</u>	<u>\$ 160,130,700</u>

SUNNYVALE SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

Debt Service Requirements to Maturity

The bonds mature through 2045 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2017	\$ 3,965,000	\$ 7,208,769	\$ 11,173,769
2018	2,450,000	7,097,244	9,547,244
2019	2,670,000	6,980,694	9,650,694
2020	3,280,000	6,835,044	10,115,044
2021	3,660,000	6,664,644	10,324,644
2022-2026	18,510,000	30,397,845	48,907,845
2027-2031	23,500,000	25,697,720	49,197,720
2032-2036	33,870,820	18,517,851	52,388,671
2037-2041	42,295,000	10,319,925	52,614,925
2042-2045	25,795,000	1,829,973	27,624,973
Subtotal	159,995,820	<u>\$ 121,549,709</u>	<u>\$ 281,545,529</u>
Unmatured Accretion to date	134,880		
Subtotal	160,130,700		
Unamortized premium	16,913,381		
Net general obligation bonds	<u>\$ 177,044,081</u>		

Accumulated Unpaid Employee Vacation

The long-term portion of accumulated unpaid employee vacation for the District at June 30, 2016, amounted to \$443,380.

Other Postemployment Benefit (OPEB) Obligation

The District's annual required contribution for the year ended June 30, 2016, was \$959,592, and contributions made by the District during the year were \$476,236. Interest on the net OPEB obligation and adjustments to the annual required contribution were \$83,220 and (\$120,316), respectively, which resulted in an increase to the net OPEB obligation of \$446,260. As of June 30, 2016, the net OPEB obligation was \$2,526,760. See Note 12 for additional information regarding the OPEB obligation and the postemployment benefits plan.

SUNNYVALE SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 10 - FUND BALANCES

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

	General Fund	Building Fund	Capital Facilities Fund	Bond Interest and Redemption Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable						
Revolving cash	\$ 26,000	\$ -	\$ -	\$ -	\$ 300	\$ 26,300
Stores inventories	115,837	-	-	-	78,035	193,872
Total Nonspendable	141,837	-	-	-	78,335	220,172
Restricted						
Educational programs	1,835,621	-	-	-	-	1,835,621
Child nutrition program	-	-	-	-	63,167	63,167
Capital projects	-	12,263,579	5,449,149	-	138	17,712,866
Debt services	-	-	-	9,556,631	-	9,556,631
Total Restricted	1,835,621	12,263,579	5,449,149	9,556,631	63,305	29,168,285
Assigned						
Deferred maintenance	-	-	-	-	17,962	17,962
Other	3,531,704	-	-	-	-	3,531,704
Total Assigned	3,531,704	-	-	-	17,962	3,549,666
Unassigned						
Reserve for economic uncertainties	11,784,001	-	-	-	-	11,784,001
Remaining unassigned	5,437,987	-	-	-	-	5,437,987
Total Unassigned	17,221,988	-	-	-	-	17,221,988
Total Fund Balance	\$ 22,731,150	\$ 12,263,579	\$ 5,449,149	\$ 9,556,631	\$ 159,602	\$ 50,160,111

SUNNYVALE SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 11 - LEASE REVENUES

Lease agreements have been entered into with various lessees for terms that exceed one year. None of the agreements contains purchase options. All of the agreements contain a termination clause providing for cancellation after a specified number of days written notice to lessees, but is unlikely that the District will cancel any of the agreements prior to their expiration date. The future minimum lease payments expected to be received under these agreements are as follows:

Year Ending June 30,	Lease Revenue
2017	\$ 4,989,159
2018	4,386,372
2019	4,447,199
2020	4,509,215
2021	1,095,656
2022-2026	5,731,747
2027-2030	5,236,032
Total	<u>\$ 30,395,381</u>

NOTE 12 - POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) OBLIGATION

Plan Description

The Postemployment Benefit Plan (the "Plan") is a single-employer defined benefit healthcare plan administered by the Sunnyvale School District. The Plan provides medical, dental and vision insurance benefits to eligible retirees and their spouses until the age of 65. Membership of the Plan consists of 30 retirees and 649 active plan members as of the most recent actuarial valuation. Unfunded portion of annual required contributions (net OPEB obligation) is presented in the Statement of Net Position as a portion of long-term obligations.

Funding Policy

The contribution requirements of plan members and the District are established and may be amended by the District, the District's bargaining units and unrepresented groups. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually through the agreements between the District, the District's bargaining units and the unrepresented groups. For fiscal year 2015-16, the District contributed \$476,236 to the plan, all of which was used for current premiums (approximately 52 percent of current year's annual OPEB costs). The District contributed 100% of the total premium on behalf of the members and 70% for the dependents of the plan members receiving benefits.

SUNNYVALE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

Annual OPEB Cost and Net OPEB Obligation

The District's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial accrued liabilities (UAAL) (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation to the Plan:

Annual required contribution	\$ 959,592
Interest on net OPEB obligation	83,220
Adjustment to annual required contribution	(120,316)
Annual OPEB costs	<u>922,496</u>
Contributions made	<u>(476,236)</u>
Increase in net OPEB obligation	446,260
Net OPEB obligation, beginning of year	<u>2,080,500</u>
Net OPEB obligation, end of year	<u><u>\$ 2,526,760</u></u>

Trend Information

Trend information for annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation is as follows:

Year Ended June 30,	Annual OPEB Costs	Actual Contribution	Percentage Contributed	Net OPEB Obligation
2016	\$ 922,496	\$ 476,236	52%	\$ 2,526,760
2015	941,634	450,249	48%	2,080,500
2014	941,634	417,183	44%	1,589,115

Funded Status and Funding Progress

The schedule of funding progress presented as required supplementary information following the notes to the financial statements, will present multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. As of July 1, 2015, the most recent actuarial valuation date, the plan has not been funded. The actuarial accrued liability for benefits was \$8,268,196, and the actuarial value of assets was zero, resulting in an UAAL of \$8,268,196. The covered payroll (annual payroll of active employees covered by the plan) was \$47,493,160 and the ratio of the UAAL to the covered payroll was 17.41 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, investment returns, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

SUNNYVALE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2015, actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a four percent investment rate of return (net of administrative expenses), based on the District's assumed long-term return on plan assets or employer assets. Healthcare costs trend rates range from an initial eight percent to an ultimate rate of four percent. The UAAL is being amortized at a level percentage of payroll method. The remaining amortization period at July 1, 2015, was 30 years on an open period method.

NOTE 13 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft, damage and destruction of assets; errors and omissions; injuries to employees; life and health of employees; and natural disasters. The District purchases commercial insurance for property damage with coverage up to a maximum of \$500 million, subject to various policy sublimits generally ranging from \$25 thousand to \$75 million and deductibles of \$5,000 for electronic data processing coverage and \$100,000 per occurrence for all other claims. Claims in the past three years did not exceed the coverage limit.

Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2016, the District contracted with Alliance of Schools for Cooperative Insurance Programs for property and liability insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

Workers' Compensation

For fiscal year 2016, the District participated in the Alliance of Schools for Cooperative Insurance Programs (ASCIP), an insurance purchasing pool. The intent of the ASCIP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the ASCIP. The workers' compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all districts in the ASCIP. Each participant pays its workers' compensation premium based on its individual rate. A participant will then either receive money from or be required to contribute to the "equity-pooling fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the ASCIP. Participation in the ASCIP is limited to districts that can meet the ASCIP selection criteria.

SUNNYVALE SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2016**

Insurance coverage for property and liability and workers' compensation are as follows:

Insurance Program / Company Name	Type of Coverage	Limits
<u>Workers' Compensation Program</u>		
Santa Clara County Schools Insurance Group	Workers' Compensation	\$ 1,000,000
<u>Property and Liability Program</u>		
ASCIP JPA	General	\$ 5,000,000
	Automobile	\$ 5,000,000
	Employee Dishonesty	\$ 5,000,000
	Property	\$ 500,000,000

NOTE 14 - EMPLOYEE RETIREMENT SYSTEMS

For the fiscal year ended June 30, 2016 the District reported net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

Pension Plan	Collective Net Pension Liability	Collective Deferred Outflows of Resources	Collective Deferred Inflows of Resources	Collective Pension Expense
CalSTRS	\$ 43,405,078	\$ 3,548,001	\$ 5,108,727	\$ 3,373,458
CalPERS	15,615,970	2,479,494	1,494,193	1,444,860
Total	<u>\$ 59,021,048</u>	<u>\$ 6,027,495</u>	<u>\$ 6,602,920</u>	<u>\$ 4,818,318</u>

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

The District contributes to the State Teachers Retirement Plan (STRP) administered by the California State Teachers' Retirement System (CalSTRS). STRP is a cost-sharing multiple-employer public employee retirement system defined benefit pension plan. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law.

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2014, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publically available reports that can be found on the CalSTRS website under Publications at:

<http://www.calstrs.com/member-publications>.

SUNNYVALE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

Benefits Provided

The STRP provides retirement, disability and survivor benefits to beneficiaries. Benefits are based on members' final compensation, age and years of service credit. Members hired on or before December 31, 2012, with five years of credited service are eligible for the normal retirement benefit at age 60. Members hired on or after January 1, 2013, with five years of credited service are eligible for the normal retirement benefit at age 62. The normal retirement benefit is equal to 2.0 percent of final compensation for each year of credited service.

The STRP is comprised of four programs: Defined Benefit Program, Defined Benefit Supplement Program, Cash Balance Benefit Program and Replacement Benefits Program. The STRP holds assets for the exclusive purpose of providing benefits to members and beneficiaries of these programs. CalSTRS also uses plan assets to defray reasonable expenses of administering the STRP. Although CalSTRS is the administrator of the STRP, the state is the sponsor of the STRP and obligor of the trust. In addition, the state is both an employer and nonemployer contributing entity to the STRP.

The District contributes exclusively to the STRP Defined Benefit Program, thus disclosures are not included for the other plans.

The STRP provisions and benefits in effect at June 30, 2016, are summarized as follows:

	STRP Defined Benefit Program	
	On or before December 31, 2012	On or after January 1, 2013
Hire date	December 31, 2012	January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	9.20%	8.56%
Required employer contribution rate	10.73%	10.73%
Required state contribution rate	7.12589%	7.12589%

Contributions

Required member, District and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven year period. The contribution rates for each plan for the year ended June 30, 2016, are presented above and the District's total contributions were \$3,548,001.

SUNNYVALE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2016, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related state support and the total portion of the net pension liability that was associated with the District were as follows:

Total net pension liability, including State share:

District's proportionate share of net pension liability	\$ 43,405,078
State's proportionate share of the net pension liability associated with the District	22,956,501
Total	<u>\$ 66,361,579</u>

The net pension liability was measured as of June 30, 2015. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportionate share for the measurement period June 30, 2015 and June 30, 2014, respectively, was 0.0645 percent and 0.0658 percent, resulting in a net decrease in the proportionate share of 0.0013 percent.

For the year ended June 30, 2016, the District recognized pension expense of \$3,373,458. In addition, the District recognized pension expense and revenue of \$2,088,925 for support provided by the State. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 3,548,001	\$ -
Net change in proportionate share of net pension liability	-	(845,199)
Difference between projected and actual earnings on pension plan investments	-	(3,538,219)
Differences between expected and actual experience in the measurement of the total pension liability	-	(725,309)
Total	<u>\$ 3,548,001</u>	<u>\$ (5,108,727)</u>

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

SUNNYVALE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Inflows of Resources
2017	\$ (1,464,399)
2018	(1,464,399)
2019	(1,464,400)
2020	854,979
Total	<u><u>\$ (3,538,219)</u></u>

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability and differences between expected and actual experience in the measurement of the total pension liability will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the 2014-2015 measurement period is 7 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Inflows of Resources
2017	\$ (261,752)
2018	(261,752)
2019	(261,752)
2020	(261,752)
2021	(261,752)
Thereafter	(261,748)
Total	<u><u>\$ (1,570,508)</u></u>

Actuarial Methods and Assumptions

Total pension liability for STRS was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2014, and rolling forward the total pension liability to June 30, 2015. The financial reporting actuarial valuation as of June 30, 2014, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2014
Measurement date	June 30, 2015
Experience study	July 1, 2006 through June 30, 2010
Actuarial cost method	Entry age normal
Discount rate	7.60%
Investment rate of return	7.60%
Consumer price inflation	3.00%
Wage growth	3.75%

SUNNYVALE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

CalSTRS uses custom mortality tables to best fit the patterns of mortality among its members. These custom tables are based on RP2000 series tables adjusted to fit CalSTRS experience.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant. Based on the model for CalSTRS consulting actuary's investment practice, a best estimate range was determined by assuming the portfolio is re-balanced annually and that the annual returns are lognormally distributed and independent from year to year to develop expected percentile for the long-term distribution of annualized returns. The assumed asset allocation is based on board policy for target asset allocation in effect on February 2, 2012, the date the current experience study was approved by the board. Best estimates of 10-year geometric real rates of return and the assumed asset allocation for each major asset class used as input to develop the actuarial investment rate of return are summarized in the following table:

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Global equity	47%	4.50%
Private equity	12%	6.20%
Real estate	15%	4.35%
Inflation sensitive	5%	3.20%
Fixed income	20%	0.20%
Cash/liquidity	1%	0.00%

Discount Rate

The discount rate used to measure the total pension liability was 7.60 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return (7.60 percent) and assuming that contributions, benefit payments and administrative expense occurred midyear. Based on these assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

SUNNYVALE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

The following presents the District's proportionate share of the net pension liability calculated using the current discount rate as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

<u>Discount Rate</u>	<u>Net Pension Liability</u>
1% decrease (6.60%)	\$ 65,538,289
Current discount rate (7.60%)	43,405,078
1% increase (8.60%)	25,010,593

California Public Employees Retirement System (CalPERS)

Plan Description

Qualified employees are eligible to participate in the School Employer Pool (SEP) under the California Public Employees' Retirement System (CalPERS), a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Law.

A full description of the pension plan(s) regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2014 annual actuarial valuation report, Schools Pool Actuarial Valuation, 2014. This report and CalPERS audited financial information are publically available reports that can be found on the CalPERS website under Forms and Publications at: <https://www.calpers.ca.gov/page/forms-publications>.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of service credit, a benefit factor and the member's final compensation. Members hired on or before December 31, 2012, with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. Members hired on or after January 1, 2013, with five years of total service are eligible to retire at age 52 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after five years of service. The Basic Death Benefit is paid to any member's beneficiary if the member dies while actively employed. An employee's eligible survivor may receive the 1957 Survivor Benefit if the member dies while actively employed, is at least age 50 (or 52 for members hired on or after January 1, 2013), and has at least five years of credited service. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

SUNNYVALE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

The CalPERS provisions and benefits in effect at June 30, 2016 are summarized as follows:

	School Employer Pool (CalPERS)	
	On or before	On or after
Hire date	December 31,	January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.000%	6.000%
Required employer contribution rate	11.847%	11.847%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2016, are presented above and the total District contributions were \$2,479,494.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

As of June 30, 2016, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$15,615,970. The net pension liability was measured as of June 30, 2015. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2015 and June 30, 2014, respectively was 0.1059 percent and 0.1057 percent, resulting in a net increase in the proportionate share of 0.0002 percent.

SUNNYVALE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

For the year ended June 30, 2016, the District recognized pension expense of \$1,444,860. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 1,562,440	\$ -
Net change in proportionate share of net pension liability	24,578	-
Difference between projected and actual earnings on pension plan investments	-	(534,704)
Differences between expected and actual experience in the measurement of the total pension liability	892,476	-
Changes of assumptions	-	(959,489)
Total	<u>\$ 2,479,494</u>	<u>\$ (1,494,193)</u>

The deferred outflows of resources related to pensions resulting from District contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the subsequent fiscal year. The deferred outflows/(inflows) of resources related to the difference between projected and actual earnings on pension plan investments will be amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Inflows of Resources
2017	\$ (391,965)
2018	(391,965)
2019	(391,965)
2020	641,191
Total	<u>\$ (534,704)</u>

The deferred outflows/(inflows) of resources related to the net change in proportionate share of net pension liability, changes of assumptions, and differences between expected and actual experience in the measurement of the total pension liability will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the 2014-2015 measurement period is 3.9 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Inflows of Resources
2017	\$ (14,633)
2018	(14,633)
2019	(13,169)
Total	<u>-\$ 42,435</u>

SUNNYVALE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

Actuarial Methods and Assumptions

Total pension liability for the SEP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2014, and rolling forward the total pension liability to June 30, 2015. The financial reporting actuarial valuation as of June 30, 2014, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2014
Measurement date	June 30, 2015
Experience study	July 1, 1997 through June 30, 2011
Actuarial cost method	Entry age normal
Discount rate	7.650%
Investment rate of return	7.65%
Consumer price inflation	2.75%
Wage growth	Varies by entry age and service

Mortality assumptions are based on mortality rates resulting from the most recent CalPERS experience study adopted by the CalPERS Board. For purposes of the post-retirement mortality rates, those revised rates include five years of projected ongoing mortality improvement using Scale AA published by the Society of Actuaries.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first ten years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-term Expected Real Rate of Return
Global equity	51%	5.25%
Global fixed income	19%	0.99%
Private equity	10%	6.83%
Real estate	10%	4.50%
Inflation sensitive	6%	0.45%
Infrastructure and Forestland	2%	4.50%
Liquidity	2%	-0.55%

SUNNYVALE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

Discount Rate

The discount rate used to measure the total pension liability was 7.65 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Based on these assumptions, the School Employer Pool fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

The following presents the District's proportionate share of the net pension liability calculated using the current discount rate as well as what the net pension liability would be if it were calculated using a discount rate that is one percent lower or higher than the current rate:

<u>Discount rate</u>	<u>Net Pension Liability</u>
1% decrease (6.65%)	\$ 25,416,292
Current discount rate (7.65%)	15,615,970
1% increase (8.65%)	7,466,347

Tax Deferred Annuity (TDA)

As established by Federal law, all public sector employees who are not members of their employer's existing retirement system (CalSTRS or CalPERS) must be covered by Social Security or an alternative plan. For the District's employees not covered under CalPERS or CalSTRS, the District uses Social Security as an alternative plan. Contributions made by the District and an employee vest immediately. The District contributes 6.2 percent of an employee's gross earnings.

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS for the fiscal years ending June 30, 2016, 2015 and 2014 in the amount of \$2,088,925, \$1,666,781, and \$1,516,997, respectively, which equaled 7.12589 percent for 2016, 5.679 percent for 2015, and 5.541 percent for 2014 annual payroll. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly these amounts have been recorded in these financial statements. On behalf payments have been excluded from the calculation of available reserves, and have not been included in the budget amounts reported in the General Fund Budgetary Schedule.

SUNNYVALE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2016

NOTE 15 - COMMITMENTS AND CONTINGENCIES

Grants

The District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2016.

Litigation

The District is not currently a party to any legal proceedings.

Construction Commitments

As of June 30, 2016, the District had the following commitments with respect to the unfinished capital projects:

Project Name	Remaining Construction Commitment	Expected Date of Completion
San Miguel Infrastructure Project (CDX Builders)	\$ 23,296	July, 2016
Ellis ES - Portable Relocation (Seward L. Schreder Construction)	6,394	August, 2016
Columbia MS (Seward L. Schreder Construction)	12,789	August, 2016
Lakewood Infrastructure Project (Sausal Corporation)	4,923	October, 2016
Total outstanding construction commitments	<u>\$ 42,479</u>	

SUNNYVALE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

NOTE 16 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS AND JOINT POWER AUTHORITIES

The District is a member of the Santa Clara County Schools' Insurance Group public entity risk pool and the Silicon Valley Transportation Authority (JPA). The District pays an annual premium to Santa Clara County Schools' Insurance Group for its health, workers' compensation, and property liability coverage. Payments for transportation services are paid to the Silicon Valley Transportation Authority JPA. The relationships between the District, the pools, and the JPA's are such that they are not component units of the District for financial reporting purposes.

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

The District has appointed one board member to the governing board of Santa Clara County Schools' Insurance Group and one board member to the Governing Board of Silicon Valley Transportation Authority.

During the year ended June 30, 2016, the District made payments of \$879,131 to the Santa Clara County Schools' Insurance Group and \$937,603 to the Silicon Valley Transportation Authority.

REQUIRED SUPPLEMENTARY INFORMATION

SUNNYVALE SCHOOL DISTRICT

**GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Budgeted Amounts</u>		<u>Actual¹</u>	<u>Variances -</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		<u>Final</u> <u>to Actual</u>
REVENUES				
Local Control Funding Formula	\$ 56,450,974	\$ 56,787,644	\$ 63,207,848	\$ 6,420,204
Federal sources	2,298,890	2,298,890	2,355,247	56,357
Other state sources	6,077,588	7,272,482	6,413,709	(858,773)
Other local sources	9,500,914	9,704,495	7,743,455	(1,961,040)
Total Revenues¹	74,328,366	76,063,511	79,720,259	3,656,748
EXPENDITURES				
Current				
Certificated salaries	32,940,905	33,260,991	33,916,830	(655,839)
Classified salaries	11,678,423	11,950,631	12,170,484	(219,853)
Employee benefits	14,609,450	16,369,490	15,013,258	1,356,232
Books and supplies	3,371,975	3,275,752	1,859,314	1,416,438
Services and operating expenditures	8,657,097	8,517,441	9,243,822	(726,381)
Other outgo	615,733	1,270,715	(119,980)	1,390,695
Capital outlay	86,050	86,050	226,974	(140,924)
Total Expenditures¹	71,959,633	74,731,070	72,310,702	2,420,368
Excess of Revenues Over Expenditures	2,368,733	1,332,441	7,409,557	6,077,116
Other Financing Sources (Uses)				
Transfers in	30,000	-	-	-
Transfers out	(180,653)	(413,245)	(3,149,404)	(2,736,159)
Net Financing Sources (Uses)	(150,653)	(413,245)	(3,149,404)	(2,736,159)
NET CHANGE IN FUND BALANCES	2,218,080	919,196	4,260,153	3,340,957
Fund Balance - Beginning, Non-GAAP	6,686,996	6,686,996	6,686,996	-
Fund Balance - Ending, Non-GAAP	\$ 8,905,076	\$ 7,606,192	10,947,149	\$ 3,340,957
Special Reserve Fund			11,784,001	
Fund Balance - Ending, GAAP			\$ 22,731,150	

¹ On behalf payments of \$2,088,925 are not included in the actual revenues and expenditures. In addition, the Special Reserve Fund for Other than Capital Outlay has been excluded from the revenues and expenditures.

See accompanying note to required supplementary information.

SUNNYVALE SCHOOL DISTRICT

**SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB) FUNDING
PROGRESS
FOR THE YEAR ENDED JUNE 30, 2016**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) - Projected Unit Credit(b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b - a] / c)
July 1, 2015	\$ -	\$ 8,268,196	\$ 8,268,196	0%	\$ 47,493,160	17.41%
July 1, 2013	-	7,997,758	7,997,758	0%	43,062,028	18.57%
July 2, 2011	-	6,693,047	6,693,047	0%	38,884,465	17.21%

See accompanying note to required supplementary information.

SUNNYVALE SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY FOR THE YEAR ENDED JUNE 30, 2016

Measurement Date:	<u>June 30, 2015</u>	<u>June 30, 2014</u>
CalSTRS		
District's proportion of the net pension liability	<u>0.0645%</u>	<u>0.0658%</u>
District's proportionate share of the net pension liability	\$ 43,405,078	\$ 38,466,686
State's proportionate share of the net pension liability associated with the District	<u>22,956,501</u>	<u>23,227,846</u>
Total	<u>\$ 66,361,579</u>	<u>\$ 61,694,532</u>
District's covered - employee payroll	<u>\$ 27,416,212</u>	<u>\$ 29,314,581</u>
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	<u>158.32%</u>	<u>131.22%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>74%</u>	<u>77%</u>
CalPERS		
District's proportion of the net pension liability	<u>0.1059%</u>	<u>0.1057%</u>
District's proportionate share of the net pension liability	<u>\$ 15,615,970</u>	<u>\$ 12,002,408</u>
District's covered - employee payroll	<u>\$ 11,677,227</u>	<u>\$ 11,126,540</u>
District's proportionate share of the net pension liability as a percentage of its covered - employee payroll	<u>134%</u>	<u>108%</u>
Plan fiduciary net position as a percentage of the total pension liability	<u>79%</u>	<u>83%</u>

Note: In the future, as data become available, ten years of information will be presented.

See accompanying note to required supplementary information.

SUNNYVALE SCHOOL DISTRICT

**SCHEDULE OF DISTRICT PENSION CONTRIBUTIONS
JUNE 30, 2016**

Fiscal Year	<u>2016</u>	<u>2015</u>
CalSTRS		
Contractually required contribution	\$ 3,548,001	\$ 2,687,229
Contributions in relation to the contractually required contribution	3,548,001	2,687,229
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered - employee payroll	<u>\$ 33,073,528</u>	<u>\$ 27,416,212</u>
Contributions as a percentage of covered - employee payroll	<u>10.73%</u>	<u>9.80%</u>
CalPERS		
Contractually required contribution	\$ 1,441,064	\$ 1,336,108
Contributions in relation to the contractually required contribution	1,441,064	1,336,108
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered - employee payroll	<u>\$ 13,188,492</u>	<u>\$ 11,677,227</u>
Contributions as a percentage of covered - employee payroll	<u>11%</u>	<u>11%</u>

Note: In the future, as data become available, ten years of information will be presented.

SUNNYVALE SCHOOL DISTRICT

NOTE TO REQUIRED SUPPLEMENTARY INFORMATION JUNE 30, 2016

NOTE 1 - PURPOSE OF SCHEDULES

Budgetary Comparison Schedule

This schedule presents information for the original and final budgets and actual results of operations, as well as the variances from the final budget to actual results of operations.

Schedule of Other Postemployment Benefits (OPEB) Funding Progress

This schedule is intended to show trends about the funding progress of the District's actuarially determined liability for postemployment benefits other than pensions.

Schedule of the District's Proportionate Share of the Net Pension Liability

This schedule presents information on the District's proportionate share of the net pension liability (NPL), the plans' fiduciary net position and, when applicable, the State's proportionate share of the NPL associated with the District. In the future, as data becomes available, ten years of information will be presented.

Schedule of District Contributions

This schedule presents information on the District's required contribution, the amounts actually contributed, and any excess or deficiency related to the required contribution. In the future, as data becomes available, ten years of information will be presented.

Changes in Benefit Terms

There were no changes in benefit terms since the previous valuation for either CalSTRS and CalPERS.

Changes in Assumptions

The CalSTRS plan rate of investment return assumption was not changed from the previous valuation. The CalPERS plan rate of investment return assumption was changed from 7.50 percent to 7.65 percent since the previous valuation.

SUPPLEMENTARY INFORMATION

SUNNYVALE SCHOOL DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2016**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Grant Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
Passed through California Department of Education:			
Title I, Part A - Basic Grants Low-Income and Neglected	84.010	14329	\$ 509,701
Title II, Part A - Improving Teacher Quality	84.367	14341	148,501
Title III - Limited English Proficient Student Program	84.365	10084	219,394
Special Education Cluster			
Basic Local Assistance Entitlement, Part B, Section 611	84.027	13379	920,940
Local Assistance, Part B, Sec 611, Private School ISPs	84.027	10115	8,935
Preschool Grants, Part B, Section 619	84.173	13430	69,281
Preschool Grants, Part B, Sec 619	84.027A	13682	209,352
Preschool Staff Development, Part B, Sec 619	84.173A	13431	519
Total Special Education Cluster			<u>1,209,027</u>
Total U.S. Department of Education			<u>2,086,623</u>
U.S. DEPARTMENT OF AGRICULTURE			
Passed through California Department of Education:			
Child Nutrition Cluster			
Basic School Breakfast	10.553	13390	55,819
Especially Needy School Breakfast	10.553	13526	305,547
National School Lunch Program	10.555	13391	1,033,535
Commodity Supplemental Food Program	10.565	13391	165,880
Total Child Nutrition Cluster			<u>1,560,781</u>
Child and Adult Care food Program	10.558	13391	165,028
Total U.S. Department of Agriculture			<u>1,725,809</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through California Department of Health Care Services:			
Medical Assistance Program	93.778	10013	268,624
Total Expenditures of Federal Awards			<u>\$ 4,081,056</u>

See accompanying note to supplementary information.

SUNNYVALE SCHOOL DISTRICT

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE JUNE 30, 2016

ORGANIZATION

The Sunnyvale School District was established 1904 and consists of an area comprising approximately ten square miles. The District operates eight elementary schools and two middle schools. There were no boundary changes during the year.

GOVERNING BOARD

<u>MEMBER</u>	<u>OFFICE</u>	<u>TERM EXPIRES</u>
Jeffrey Arnett	President	2018
Nancy Newkirk	Vice President	2016
Reid Myers	Clerk	2016
Anita Herrmann	Member	2018
Jeff Clarke	Member	2018

ADMINISTRATION

<u>NAME</u>	<u>TITLE</u>
Benjamin H. Picard, Ed. D	Superintendent
Tasha Dean, Ed. D	Director, Special Education/Student Services
Michael Gallagher, Ed. D	Deputy Superintendent of Human Resources
Lori van Gogh	Chief Financial Officer Director of Fiscal Services
Rob Smiley	Chief Operating Officer Director of Facility Modernization and Construction

See accompanying note to supplementary information.

SUNNYVALE SCHOOL DISTRICT

**SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE YEAR ENDED JUNE 30, 20162016**

	Final Report	
	Second Period Report	Annual Report
Regular ADA		
Transitional kindergarten through third	3,082.91	3,075.99
Fourth through sixth	2,100.33	2,099.26
Seventh and eighth	1,223.05	1,220.66
Total Regular ADA	<u>6,406.29</u>	<u>6,395.91</u>
Extended Year Special Education		
Transitional kindergarten through third	3.55	3.55
Fourth through sixth	3.40	3.40
Seventh and eighth	0.70	0.70
Total Extended Year Special Education	<u>7.65</u>	<u>7.65</u>
Special Education, Nonpublic, Nonsectarian Schools		
Fourth through sixth	5.00	4.64
Seventh and eighth	2.00	2.51
Total Special Education, Nonpublic, Nonsectarian Schools	<u>7.00</u>	<u>7.15</u>
Extended Year Special Education, Nonpublic, Nonsectarian Schools		
Fourth through sixth	0.30	0.21
Seventh and eighth	0.21	0.30
Total Extended Year Special Education, Nonpublic, Nonsectarian Schools	<u>0.51</u>	<u>0.51</u>
Total ADA	<u>6,421.45</u>	<u>6,411.22</u>

See accompanying note to supplementary information.

SUNNYVALE SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME FOR THE YEAR ENDED JUNE 30, 2016 2016

Grade Level	1986-87 Minutes Requirement	2015-16 Actual Minutes	Number of Days Traditional Calendar	Status
Kindergarten	36,000	51,870	181	Complied
Grade 1	50,400	51,585	181	Complied
Grade 2	50,400	51,585	181	Complied
Grade 3	50,400	51,585	181	Complied
Grade 4	54,000	55,365	181	Complied
Grade 5	54,000	55,365	181	Complied
Grade 6	54,000	61,523	181	Complied
Grade 7	54,000	61,523	181	Complied
Grade 8	54,000	61,523	181	Complied

See accompanying note to supplementary information.

SUNNYVALE SCHOOL DISTRICT

**RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH
AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 20162016**

There are no reconciling items between the Unaudited Actual Financial Report and the audited financial statements.

See accompanying note to supplementary information.

SUNNYVALE SCHOOL DISTRICT

**SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 20162016**

	(Budget)			
	2017 ¹	2016	2015	2014
GENERAL FUND				
Revenues	\$ 77,521,809	\$ 77,684,565	\$ 68,740,183	\$ 65,556,708
Total Revenues and Other Sources	<u>77,521,809</u>	<u>77,684,565</u>	<u>68,740,183</u>	<u>65,556,708</u>
Expenditures	76,948,938	70,229,932	67,361,713	63,758,827
Other uses and transfers out	337,290	210,122	91,871	50,616
Total Expenditures and Other Uses	<u>77,286,228</u>	<u>70,440,054</u>	<u>67,453,584</u>	<u>63,809,443</u>
CHANGE IN FUND BALANCE	<u>\$ 235,581</u>	<u>\$ 7,244,511</u>	<u>\$ 1,286,599</u>	<u>\$ 1,747,265</u>
ENDING FUND BALANCE	<u>\$ 22,966,731</u>	<u>\$ 22,731,150</u>	<u>\$ 6,686,996</u>	<u>\$ 5,400,397</u>
AVAILABLE RESERVES ²	<u>\$ 17,599,404</u>	<u>\$ 17,221,988</u>	<u>\$ 14,476,312</u>	<u>\$ 12,721,498</u>
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO ³	<u>22.77%</u>	<u>24.45%</u>	<u>21.46%</u>	<u>19.94%</u>
LONG-TERM OBLIGATIONS	<u>\$ 234,293,397</u>	<u>\$ 239,035,269</u>	<u>\$ 237,734,338</u>	<u>\$ 137,592,152</u>
AVERAGE DAILY ATTENDANCE AT P-2	<u>6,389</u>	<u>6,421</u>	<u>6,518</u>	<u>6,650</u>

The General Fund balance has increased by \$17,330,753 over the past two years. The fiscal year 2016-17 budget projects an increase of \$235,581. For a district this size, the State recommends available reserves of at least 3 percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating surpluses in the past three years, and anticipates continuing an operating surplus during the 2016-17 fiscal year. Total long-term obligations have increased by \$101,443,117 over the past two years. The main reason for the significant increase in long-term obligations is the implementation of GASB 68 and a new General Obligation bond issuance.

Average daily attendance has decreased by 229 over the preceding two years. An additional decrease of 32 ADA is anticipated during fiscal year 2016-17.

¹ Budget 2017 is included for analytical purposes only and has not been subjected to audit.

² Available reserves consist of all unassigned fund balances including all amounts reserved for economic uncertainties contained with the General Fund and the Special Reserve Fund for Other Than Capital Outlay Projects.

³ On-behalf payments of \$2,088,925, \$1,666,781, and \$1,516,997, are excluded from actual revenue and expenditures amounts.

See accompanying note to supplementary information.

SUNNYVALE SCHOOL DISTRICT

**NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2016**

	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund
Assets			
Deposits and investments	\$ (65,838)	\$ 77,042	\$ 17,926
Receivables	65,976	59,391	36
Stores inventories	-	78,034	-
Total Assets	\$ 138	\$ 214,467	\$ 17,962
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ -	\$ 34,584	\$ -
Due to other funds	138	38,381	-
Total Liabilities	138	72,965	-
Fund Balances			
Nonspendable	-	78,335	-
Restricted			
Capital projects	-	-	-
Child nutrition program	-	63,167	-
Assigned	-	-	17,962
Total Fund Balances	-	141,502	17,962
Total Liabilities and Fund Balances	\$ 138	\$ 214,467	\$ 17,962

See accompanying note to supplementary information.

County School Facilities Fund	Total Nonmajor Governmental Funds
\$ 138	\$ 29,268
-	125,403
-	78,034
<u>\$ 138</u>	<u>\$ 232,705</u>

\$ -	\$ 34,584
-	38,519
<u>-</u>	<u>73,103</u>

-	78,335
138	138
-	63,167
-	17,962
<u>138</u>	<u>159,602</u>
<u>\$ 138</u>	<u>\$ 232,705</u>

SUNNYVALE SCHOOL DISTRICT

**NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 20162016**

	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund
REVENUES			
Federal sources	\$ -	\$ 1,559,929	\$ -
Other state sources	382,220	108,783	-
Other local sources	409	664,459	127
Total Revenues	<u>382,629</u>	<u>2,333,171</u>	<u>127</u>
EXPENDITURES			
Current			
Instruction	333,394	-	-
Instruction related activities:			
Supervision of instruction	42,984	-	-
School site administration	32,052	-	-
Pupil services:			
Food services	-	2,394,018	-
General administration:			
All other general administration	-	123,471	-
Total Expenditures	<u>408,430</u>	<u>2,517,489</u>	<u>-</u>
Excess (deficiency) of Revenues over (under) expenditures	<u>(25,801)</u>	<u>(184,318)</u>	<u>127</u>
Other Financing Sources (Uses)			
Transfers in	25,801	184,321	-
Net Financing Sources (Uses)	<u>25,801</u>	<u>184,321</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	<u>-</u>	<u>3</u>	<u>127</u>
Fund Balance - Beginning	<u>-</u>	<u>141,499</u>	<u>17,835</u>
Fund Balance - Ending	<u>\$ -</u>	<u>\$ 141,502</u>	<u>\$ 17,962</u>

See accompanying note to supplementary information.

County School Facilities Fund	Total Nonmajor Governmental Funds
\$ -	\$ 1,559,929
-	491,003
1	664,996
<u>1</u>	<u>2,715,928</u>
-	333,394
-	42,984
-	32,052
-	2,394,018
-	123,471
<u>-</u>	<u>2,925,919</u>
1	(209,991)
<u>-</u>	<u>210,122</u>
<u>-</u>	<u>210,122</u>
1	131
137	159,471
<u>\$ 138</u>	<u>\$ 159,602</u>

SUNNYVALE SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 20162016

NOTE 1 - PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

The accompanying schedule of expenditures of Federal awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements. The District has not elected to use the ten percent de minimis cost rate as covered in section 200.414 Indirect (F&A) costs of the Uniform Guidance.

Description	CFDA Number	Amount
Federal revenues reported in the Statement of Revenues, Expenditures and Changes in Fund Balances		\$ 3,915,176
Commodity Supplemental Food Program	10.565	165,880
Total Expenditures of Federal Awards		<u>\$ 4,081,056</u>

Local Education Agency Organization Structure

This schedule provides information about the District's boundaries and schools operated, members of the governing board, and members of the administration.

Schedule of Average Daily Attendance (ADA)

Average daily attendance (ADA) is a measurement of the number of pupils attending classes of the District. This schedule provides information regarding the attendance of students at various grade levels and in different programs.

Schedule of Instructional Time

The District did not receive incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. The District exceeded its target funding. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of *Education Code* Sections 46200 through 46206.

Districts must maintain their instructional minutes at 1986-87 requirements, as required by *Education Code* Section 46201.

Reconciliation Of Annual Financial And Budget Report With Audited Financial Statements

This schedule provides the information necessary to reconcile the fund balance of all funds reported on the Unaudited Actual Financial Report, to the audited financial statements.

Schedule of Financial Trends and Analysis

This schedule discloses the District's financial trends by displaying past years' data along with current year budget information. These financial trend disclosures are used to evaluate the District's ability to continue as a going concern for a reasonable period.

SUNNYVALE SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 20162016

Nonmajor Governmental Funds – Combining Balance Sheet and Combining Statement of Revenues, Expenditures and Changes in Fund Balances

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

INDEPENDENT AUDITOR'S REPORTS



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

Governing Board
Sunnyvale School District
Sunnyvale, California

We have audited, in accordance with the 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Sunnyvale School District (District) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise Sunnyvale School District's basic financial statements, and have issued our report thereon dated November 28, 2016.

Emphasis of Matter - Change in Accounting Principles

As discussed in Note 1 to the financial statements, in 2016, the District adopted new accounting guidance, GASB Statement No. 72, *Fair Value Measurement and Application*; GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statement 67 and 68*; GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*; and GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*. Our opinion is not modified with respect to this matter.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Sunnyvale School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Sunnyvale School District's internal control. Accordingly, we do not express an opinion on the effectiveness of Sunnyvale School District's internal control.

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 a 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Sunnyvale School District's financial statements are free from 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*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Palo Alto, California
November 28, 2016



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Governing Board
Sunnyvale School District
Sunnyvale, California

Report on Compliance for Each Major Federal Program

We have audited Sunnyvale School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Sunnyvale School District's (District) major Federal programs for the year ended June 30, 2016. Sunnyvale School District's major Federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the federal statutes, regulations, and the terms and conditions of its Federal awards applicable to its Federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Sunnyvale School District's major Federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about Sunnyvale School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major Federal program. However, our audit does not provide a legal determination of Sunnyvale School District's compliance.

Opinion on Each Major Federal Program

In our opinion, Sunnyvale School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2016.

Report on Internal Control Over Compliance

Management of Sunnyvale School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Sunnyvale School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major Federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Sunnyvale School District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a Federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a Federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a Federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance 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 compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Palo Alto, California
November 28, 2016



INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Governing Board
Sunnyvale School District
Sunnyvale, California

Report on State Compliance

We have audited Sunnyvale School District's compliance with the types of compliance requirements as identified in the *2015-2016 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* that could have a direct and material effect on each of the Sunnyvale School District's State government programs as noted below for the year ended June 30, 2016.

Management's Responsibility

Management is responsible for compliance with the requirements of State laws, regulations, and the terms and conditions of its State awards applicable to its State programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance of each of the Sunnyvale School District's State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2015-2016 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. These standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the applicable government programs noted below. An audit includes examining, on a test basis, evidence about Sunnyvale School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions. Our audit does not provide a legal determination of Sunnyvale School District's compliance with those requirements.

Basis for Qualified Opinion on Unduplicated Local Control Funding Formula Pupil Counts

As described in the accompanying schedule of findings and questioned costs, Sunnyvale School District did not comply with requirements regarding Unduplicated Local Control Funding Formula Pupil Counts (2016-001). Compliance with such requirements is necessary, in our opinion, for the District to comply with the requirements applicable to that program.

Qualified Opinion on Unduplicated Local Control Funding Formula Pupil Counts

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, Sunnyvale School District complied, in all material respects, with the types of compliance requirements referred to above for the year ended June 30, 2016.

Unmodified Opinion on Each of the Other Programs

In our opinion, Sunnyvale School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the government programs noted below that were audited for the year ended June 30, 2016, except as described in the Schedule of State Awards Findings and Questioned Costs section of the accompanying Schedule of Findings and Questioned Costs.

Other Matters

In connection with the audit referred to above, we selected and tested transactions and records to determine the Sunnyvale School District's compliance with the State laws and regulations applicable to the following items.

	<u>Procedures Performed</u>
LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	Yes
Continuation Education	No (See Below)
Instructional Time	Yes
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	No (See Below)
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	No (See Below)
Middle or Early College High Schools	No (See Below)
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	No (See Below)
SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS	
Educator Effectiveness	No (See Below)
California Clean Energy Jobs Act	Yes
After School Education and Safety Program:	
General Requirements	Yes
After School	Yes
Before School	No (See Below)

	<u>Procedures Performed</u>
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control Accountability Plan	Yes
Independent Study - Course Based	No (See Below)
Immunizations	Yes
CHARTER SCHOOLS	No (See Below)
Attendance	No (See Below)
Mode of Instruction	No (See Below)
Non Classroom-Based Instruction/Independent Study for Charter Schools	No (See Below)
Determination of Funding for Non Classroom-Based Instruction	No (See Below)
Annual Instruction Minutes Classroom-Based	No (See Below)
Charter School Facility Grant Program	No (See Below)

The District did not offer Continuation Education, Early Retirement Incentive Program, Juvenile Court Schools, Middle or Early College High Schools, Transportation, and Before School Education, Safety Program, and Independent Study - Course Based program, during the current year; therefore, we did not perform procedures related to these programs.

The District's has not spent the Educator Effectiveness fund received during the year; therefore, we did not perform any related procedures.

The District does not have any Charter Schools; therefore, we did not perform any procedures for Charter School Programs.

Vassinek, Trine, Day & Co., LLP

Palo Alto, California
November 28, 2016

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SUNNYVALE SCHOOL DISTRICT

**SUMMARY OF AUDITOR’S RESULTS
FOR THE YEAR ENDED JUNE 30, 2016**

FINANCIAL STATEMENTS

Type of auditor's report issued:	<u>Unmodified</u>
Internal control over financial reporting:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies identified?	<u>None reported</u>
Noncompliance material to financial statements noted?	<u>No</u>

FEDERAL AWARDS

Internal control over major federal programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies?	<u>None reported</u>
Type of auditor's report issued on compliance for federal major programs:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with Section 200.516(a) of the Uniform Guidance?	<u>No</u>
Identification of major federal programs:	

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
<u>84.027, 84.027A, 84.173, 84.173A</u>	<u>Special Education Cluster</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 750,000</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

STATE AWARDS

Type of auditor's report issued on compliance for State programs:
 Unmodified for all programs except for the Unduplicated Local Control Funding Formula Pupil Counts which was qualified.

SUNNYVALE SCHOOL DISTRICT

**FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2016**

None reported.

SUNNYVALE SCHOOL DISTRICT

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2016**

None reported.

SUNNYVALE SCHOOL DISTRICT

STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2016

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

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

2016-001 **Code: 40000** Unduplicated Local Control Funding Formula Pupil Counts

Criteria or Specific Requirements

In accordance with Education Code sections 52574(b)(3)(C) and 42238.02(b)(3)(B), the Controller shall include instructions in the audit guide required by subdivision (a) of Section 14502.1, for determining if the data reported by a county superintendent of schools using the California Longitudinal Pupil Achievement Data System (CALPADS) is consistent with pupil data records maintained by the county office of education. The instructions shall include procedures for determining if the English Learner, foster youth, and free or reduced-price meal eligible pupil counts are consistent with the school district's or charter school's English learner, foster youth, and free or reduced-price meal eligible pupil records.

Condition

During our testing for students that are identified as only ELAS, we selected 24 samples and noted that two identified as ELAS, in fact, are not ELAS students. We then selected 23 more samples and noted an additional four exceptions. After the finding, 100 percent ELAS students' statuses were examined and a total of 88 students' statuses were corrected.

Questioned Costs

There are no questioned costs.

The reclassification of 88 students' statuses from ELAS to regular students, results in 0.44% decrease of "Unduplicated Pupil Percentage" from 54.61% to 54.17% and a \$22,763 decrease in "Transition Entitlement". However, due to the District's "Local Revenue" exceeds the Transition Entitlement, the decrease in unduplicated pupil percentage does not affect its "Net State Aid" nor its "Minimum State Aid Guarantee".

Context

The above condition pertains to the testing of 2015-16 ELAS students only.

Effect

Incorrect reporting can result in a calculation error in LCFF funding.

Cause

"1.18 – FRPM / English Learner / Foster Youth – Student List" discloses both "Status Date" and "Effective Start Date" fields in the report. These two fields cause the general confusion, because "Effective Start Date" was used in CALPADS as "the date any status was created in CALPADS", and this data is also used to pull ELAS students while the "Status Date" should be used. After the communication between the District and CALPADS administrative personnel, the CALPADS and its vendors feel that the major issues with the new design/logic have been identified and corrected, so going forward should not be an issue in reporting.

SUNNYVALE SCHOOL DISTRICT

STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2016

Recommendation

Periodic review and reconciliation of the District's data and CALPADS data should be performed to ensure the integrity of data.

Corrective Action Plan

A system of checks and balances has been put into place. On a routine and ongoing basis, the CALPADS data is compared with the data in our student information system (Power School) to identify any discrepancies and ensure the integrity of the data in both systems.

SUNNYVALE SCHOOL DISTRICT

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2016**

There were no audit findings reported in the prior year's schedule of financial statement findings.