

**SUNNYVALE SCHOOL DISTRICT  
ANNUAL FINANCIAL REPORT  
FOR THE YEAR ENDED JUNE 30, 2017**

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# SUNNYVALE SCHOOL DISTRICT

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JUNE 30, 2017

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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, 2017, 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 *2016-2017 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 District'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 District'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, 2017, 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.

## ***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 (Uniform Guidance)* and the other supplementary information as listed in 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 27, 2017, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Sunnyvale School District's 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.

A handwritten signature in black ink that reads "Javinek, Trine, Day & Co, LLP". The signature is fluid and cursive, with "Javinek, Trine, Day & Co," stacked above "LLP".

Palo Alto, California

November 27, 2017

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**LEARN TODAY LEAD TOMORROW**

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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, 2017. 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 method 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, 2017

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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 ongoing 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, 2017

### GOVERNMENT-WIDE OVERALL FINANCIAL ANALYSIS

#### Net Position

The District's net position was \$1,594,681 for the fiscal year ended June 30, 2017, a 85% decrease over the net position for the fiscal year ended June 30, 2016. Of this amount, \$30.50 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
	2015-2016	2016-2017	
<b>Assets</b>			
Current and other assets	\$ 53,339,006	\$ 76,166,361	42.8%
Capital assets	184,129,615	198,546,662	7.8%
Total Assets	237,468,621	274,713,023	15.7%
<b>Deferred outflows of resources</b>	23,596,559	32,247,405	36.7%
<b>Liabilities</b>			
Current liabilities	4,579,844	9,051,030	97.6%
Long - term debt	239,035,269	293,660,279	22.9%
Total Liabilities	243,615,113	302,711,309	24.3%
<b>Deferred inflows of resources</b>	6,602,920	2,654,438	100.0%
<b>Net Position</b>			
Net investment in capital assets	36,918,177	30,497,028	-17.4%
Restricted	15,582,092	14,331,248	-8.0%
Unrestricted	(41,653,122)	(43,233,595)	3.8%
Total Net Position	\$ 10,847,147	\$ 1,594,681	-85.3%

#### 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, 2017

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**Table 2**

### Changes in Net Position

	<b>Governmental Activities</b>		<b>Percentage Change</b>
	<b>2015-2016</b>	<b>2016-2017</b>	
<b>Revenues</b>			
Program revenues			
Charges for services	\$ 663,771	\$ 662,337	-0.2%
Operating grants and contributions	6,511,278	11,829,430	81.7%
General revenues			
Federal and State unrestricted revenue sources	7,286,335	5,192,711	-28.7%
Property taxes	73,278,457	72,830,009	-0.6%
Other general revenues	11,621,997	6,791,445	-41.6%
Total Revenues	<u>99,361,838</u>	<u>97,305,932</u>	<u>-2.1%</u>
<b>Expenses</b>			
Instruction related	60,696,987	68,295,644	12.5%
Student support services	10,023,820	10,653,852	6.3%
Administration	5,910,197	6,818,279	15.4%
Maintenance and operations	6,586,410	9,108,602	38.3%
Other	5,913,928	11,682,022	97.5%
Total Expenses	<u>89,131,342</u>	<u>106,558,399</u>	<u>19.6%</u>
<b>Change in Net Position</b>	<u>\$ 10,230,496</u>	<u>\$ (9,252,467)</u>	<u>-190.4%</u>

Total revenues decreased 2.1% over the previous fiscal period to \$97.31 million. Total expenditures increased 19.6% over the previous period to \$106.56 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 \$106.56 million. However, the amount that local taxpayers ultimately financed for these activities through local taxes was only \$72.83 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 (\$11.83 million).

# SUNNYVALE SCHOOL DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2017

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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)	Total Cost of Services		Percentage Change	Net Cost of Services		Percentage Change
	2016	2017		2016	2017	
Instruction	\$ 51.4	\$ 57.3	11.5%	\$ 47.9	\$ 51.9	8.4%
Supervision of instruction	3.1	4.3	38.7%	2.7	4.0	48.1%
Instructional library, media and technology	0.9	0.9	0.0%	0.8	0.9	12.5%
School administration	5.4	5.8	7.4%	5.3	5.6	5.7%
Pupil transportation	1.6	1.5	-6.3%	1.5	1.5	0.0%
Food services	2.5	2.7	8.0%	0.3	0.6	100.0%
Other pupil services	5.9	6.4	8.5%	5.4	5.8	7.4%
Administration	5.8	6.8	17.2%	5.8	6.6	13.8%
Maintenance and operations	6.6	9.1	37.9%	6.7	9.2	37.3%
Other	5.9	11.7	98.3%	5.6	8.0	42.9%
Totals	<u>\$ 89.1</u>	<u>\$ 106.5</u>	<u>19.5%</u>	<u>\$ 82.0</u>	<u>\$ 94.1</u>	<u>14.8%</u>

### FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of \$70 million of which \$22.9 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 22, 2017. (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 57.

- 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, 2017

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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, 2017, the District had \$198.5 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
	2015-2016	2016-2017	
Land	\$ 3.8	\$ 3.8	0.0%
Building and improvements	220.7	239.7	8.6%
Equipment	4.4	5.8	31.8%
Subtotal	228.9	249.3	8.9%
Accumulated depreciation	(44.8)	(50.8)	13.4%
Totals	\$ 184.1	\$ 198.5	7.8%

This year's additions of \$14.4 million, net of depreciation, including the final stages of the infrastructure upgrade at San Miguel Elementary School, as well as the installation of portable classrooms at Sunnyvale Middle School and Columbia Middle School. A complete campus renovation at Bishop Elementary School will continue in the 2017-18 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 \$215.4 million in general obligation bonds and \$78.3 million of other long-term debt outstanding at the close of the year ended June 30, 2017 (see Table 5). This amount represents a net increase of \$54.7 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, 2017

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**Table 5**

### Long Term Obligations

(Amounts in millions)	Governmental Activities		Percentage Change
	2015-2016	2016-2017	
General Obligation Bond	\$ 159.8	\$ 195.8	22.5%
Capital Appreciation Bond	0.4	0.4	0.0%
Premium	16.9	19.2	13.6%
Compensated Absences	0.4	0.5	25.0%
Net OPEB Obligation	2.5	2.9	16.0%
Pension Liabilities	59.0	74.9	26.9%
Totals	<u>\$ 239.0</u>	<u>\$ 293.7</u>	<u>22.9%</u>

### DISCUSSION OF FISCAL YEAR 2016-2017 AND OUTLOOK FOR 2017-2018 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 2016-2017 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 30% Hispanic, 22% white, 27% Asian, 6% Filipino, and 15% 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, 2017**

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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 2017-2018 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 California 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, is an ongoing, multi-year plan to ensure access to all students in the new ways of receiving educational content. 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](mailto:lori.vangogh@sesd.org).

# SUNNYVALE SCHOOL DISTRICT

## STATEMENT OF NET POSITION JUNE 30, 2017

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	<b>Governmental Activities</b>
<b>ASSETS</b>	
Deposits and investments	\$ 74,291,511
Receivables	1,646,984
Stores inventories	227,866
Capital assets, not depreciated	31,780,708
Capital assets, net of accumulated depreciation	166,765,954
Total Assets	274,713,023
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred amount on refunding	15,952,176
Deferred outflows of resources related to pensions	16,295,229
Total Deferred Outflows of Resources	32,247,405
<b>LIABILITIES</b>	
Accounts payable	5,744,589
Interest payable	2,904,670
Unearned revenue	401,771
Long-term obligations:	
Current portion of long-term obligations other than pensions	3,335,684
Noncurrent portion of long-term obligations other than pensions	215,426,476
Aggregate net pension liability	74,898,119
Total Liabilities	302,711,309
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows of resources related to pensions	2,654,438
Total Deferred Inflows of Resources	2,654,438
<b>NET POSITION</b>	
Net investment in capital assets	30,497,028
Restricted	
Debt service	6,742,375
Capital projects	5,950,633
Child nutrition services	124,904
Educational programs	1,513,336
Unrestricted	(43,233,595)
Total Net Position	\$ 1,594,681

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

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# SUNNYVALE SCHOOL DISTRICT

## STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2017

Functions/Programs	Program Revenues			Net (Expenses) Revenues and Changes In Net Position
	Charges for Services and Sales	Operating Grants and Contributions	Governmental Activities	
	Expenses			
<b>Governmental Activities:</b>				
Instruction	\$ 57,291,080	\$ -	\$ 5,420,540	\$ (51,870,540)
Instruction related activities:				
Supervision of instruction	4,314,727	-	280,514	(4,034,213)
Instructional library, media and technology	882,451	-	2,876	(879,575)
School site administration	5,807,385	-	194,449	(5,612,936)
Pupil services:				
Home-to-school transportation	1,529,946	-	25,128	(1,504,818)
Food services	2,729,065	631,032	1,542,088	(555,945)
All other pupil services	6,394,841	-	569,981	(5,824,860)
General administration:				
Data processing	1,839,217	-	5,494	(1,833,723)
All other general administration	4,979,062	31,047	139,148	(4,808,867)
Plant services	9,108,602	-	45	(9,108,557)
Interest on long-term obligations	11,675,008	-	-	(11,675,008)
Other outgo	7,014	258	3,649,167	3,642,411
Total Governmental-type Activities	<u>\$ 106,558,398</u>	<u>\$ 662,337</u>	<u>\$ 11,829,430</u>	<u>(94,066,631)</u>
<b>General revenues and subvention</b>				
Property taxes, levied for general purposes				63,277,305
Property taxes, levied for debt service				8,330,686
Taxes levied for other specific purposes				1,222,018
Federal and State aid not restricted to specific purposes				5,192,711
Interest and investment earnings				567,915
Miscellaneous				<u>6,223,530</u>
Subtotal, General Revenues				<u>84,814,165</u>
<b>Change in Net Position</b>				
Net Position - Beginning				<u>10,847,147</u>
Net Position - Ending				<u>\$ 1,594,681</u>

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

# SUNNYVALE SCHOOL DISTRICT

## GOVERNMENTAL FUNDS BALANCE SHEET JUNE 30, 2017

	General Fund	Building Fund	Bond Interest and Redemption Fund
<b>ASSETS</b>			
Deposits and investments	\$ 24,198,899	\$ 33,692,834	\$ 9,627,876
Receivables	1,414,400	154,332	19,169
Due from other funds	170,719	402,840	-
Stores inventories	139,782	-	-
<b>Total Assets</b>	<b>\$ 25,923,800</b>	<b>\$ 34,250,006</b>	<b>\$ 9,647,045</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities</b>			
Accounts payable	\$ 2,717,396	\$ 2,861,052	\$ -
Due to other funds	-	431	-
Unearned revenue	315,648	-	-
<b>Total Liabilities</b>	<b>3,033,044</b>	<b>2,861,483</b>	<b>-</b>
<b>Fund Balances</b>			
Nonspendable	165,782	-	-
Restricted	1,513,336	31,388,523	9,647,045
Assigned	2,334,659	-	-
Unassigned	18,876,979	-	-
<b>Total Fund Balances</b>	<b>22,890,756</b>	<b>31,388,523</b>	<b>9,647,045</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 25,923,800</b>	<b>\$ 34,250,006</b>	<b>\$ 9,647,045</b>

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

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<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ 6,771,902	\$ 74,291,511
59,083	1,646,984
-	573,559
88,084	227,866
<b>\$ 6,919,069</b>	<b>\$ 76,739,920</b>
\$ 166,141	\$ 5,744,589
573,128	573,559
86,123	401,771
<b>825,392</b>	<b>6,719,919</b>
88,384	254,166
5,987,153	48,536,057
18,140	2,352,799
-	18,876,979
<b>6,093,677</b>	<b>70,020,001</b>
<b>\$ 6,919,069</b>	<b>\$ 76,739,920</b>

# SUNNYVALE SCHOOL DISTRICT

## RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION JUNE 30, 2017

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

<b>Total Fund Balance - Governmental Funds</b>	\$	70,020,001
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	\$	249,366,332
Accumulated depreciation is		<u>(50,819,670)</u> 198,546,662
Interest accrual is not recognized in the governmental funds but is reported as a liability on the Statement of Net Position.		(2,904,670)
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.		15,952,176
Deferred inflows and outflows of resources related to pension activities 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.		13,640,791
Long-term obligations at year end consist of:		
General obligation bonds and related premiums		215,390,333
Net OPEB obligation		2,862,434
Compensated absences (vacations)		509,393
Net pension liability		<u>74,898,119</u> <u>(293,660,279)</u>
<b>Total Net Position - Governmental Activities</b>	\$	<u><u>1,594,681</u></u>

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

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# SUNNYVALE SCHOOL DISTRICT

## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES FOR THE YEAR ENDED JUNE 30, 2017

	<b>General Fund</b>	<b>Building Fund</b>	<b>Bond Interest and Redemption Fund</b>
<b>REVENUES</b>			
Local Control Funding Formula	\$ 65,894,501	\$ -	\$ -
Federal sources	2,293,254	-	-
Other state sources	6,128,689	-	19,771
Other local sources	7,793,234	903,352	8,530,752
<b>Total Revenues</b>	<b>82,109,678</b>	<b>903,352</b>	<b>8,550,523</b>
<b>EXPENDITURES</b>			
Current			
Instruction	51,524,215	-	-
Instruction related activities:			
Supervision of instruction	3,887,191	-	-
Instructional library, media and technology	805,717	-	-
School site administration	5,268,149	-	-
Pupil services:			
Home-to school transportation	1,396,909	-	-
Food services	881	-	-
All other pupil services	5,838,776	-	-
General administration:			
Data processing	1,679,288	-	-
All other general administration	4,423,555	-	-
Plant services	6,271,241	1,524,150	-
Other outgo	7,014	-	-
Facility acquisition and construction	498,776	19,755,904	-
Debt service			
Principal	-	-	3,965,000
Interest and other	-	498,354	7,650,645
<b>Total Expenditures</b>	<b>81,601,712</b>	<b>21,778,408</b>	<b>11,615,645</b>
<b>Revenues Over (Under) Expenditures</b>	<b>507,966</b>	<b>(20,875,056)</b>	<b>(3,065,122)</b>
<b>Other Financing Sources (Uses)</b>			
Transfers in	-	-	-
Other sources	-	40,000,000	3,155,536
Transfers out	(348,360)	-	-
<b>Net Financing Sources (Uses)</b>	<b>(348,360)</b>	<b>40,000,000</b>	<b>3,155,536</b>
<b>NET CHANGE IN FUND BALANCES</b>			
<b>Fund Balance - Beginning</b>	<b>159,606</b>	<b>19,124,944</b>	<b>90,414</b>
<b>Fund Balance - Ending</b>	<b>\$ 22,731,150</b>	<b>12,263,579</b>	<b>9,556,631</b>
	<b>\$ 22,890,756</b>	<b>\$ 31,388,523</b>	<b>\$ 9,647,045</b>

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

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<b>Nonmajor Governmental Funds</b>	<b>Total Governmental Funds</b>
\$ -	\$ 65,894,501
1,515,288	3,808,542
573,578	6,722,038
1,832,630	19,059,968
<b><u>3,921,496</u></b>	<b><u>95,485,049</u></b>
418,343	51,942,558
52,347	3,939,538
-	805,717
34,253	5,302,402
-	1,396,909
2,490,877	2,491,758
-	5,838,776
-	1,679,288
122,551	4,546,106
666,054	8,461,445
-	7,014
505	20,255,185
-	3,965,000
-	8,148,999
<b><u>3,784,930</u></b>	<b><u>118,780,695</u></b>
<b><u>136,566</u></b>	<b><u>(23,295,646)</u></b>
348,360	348,360
-	43,155,536
-	(348,360)
<b><u>348,360</u></b>	<b><u>43,155,536</u></b>
484,926	19,859,890
5,608,751	50,160,111
<b><u>\$ 6,093,677</u></b>	<b><u>\$ 70,020,001</u></b>

## 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, 2017

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

<b>Net Change in Fund Balances - Governmental Funds</b>	\$ 19,859,890
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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	\$ 20,413,866
Depreciation expense	<u>(5,996,819)</u>
	14,417,047

Proceeds and premium received from sale of general obligation bonds are revenue in the government funds, but increases long-term obligations in the Statement of Net Position and does not affect the Statement of Activities.

(43,155,536)

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.

(66,013)

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.

(1,660,855)

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.

885,684

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, 2017**

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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.	3,965,000
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.	(41,400)
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.	(1,503,721)
In the Statement of Activities, the unfunded annual contribution (ARC) is recognized as an expense, but is not recognized on the governmental funds.	(335,674)
<b>Change in Net Position of Governmental Activities</b>	<b>\$ (9,252,466)</b>

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

# SUNNYVALE SCHOOL DISTRICT

## FIDUCIARY FUNDS STATEMENT OF NET POSITION JUNE 30, 2017

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	<b>Agency Funds</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 176,707
<b>Total assets</b>	<b>\$ 176,707</b>
<b>LIABILITIES</b>	
Due to student groups	\$ 176,707
<b>Total liabilities</b>	<b>\$ 176,707</b>

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

# SUNNYVALE SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

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### 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 Manuel (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 \$11,865,110, \$11,865,110, and \$81,109, 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, 2017

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**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 revenues that are restricted or committed for deferred maintenance purposes (*Education Code Section 17582*).

**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).

**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*).

**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.*).

**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.

# SUNNYVALE SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

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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, 2017

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**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 365 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, 2017, 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, 2017**

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### **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. 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 acquisition cost 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, 2017**

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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 if 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, 2017

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### 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, 2017, 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, 2017

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### 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.

### New Accounting Pronouncements Effective This Fiscal Year

**GASB Statement No. 77** – In August 2015, GASB issued Statement No. 77, *Tax Abatement Disclosures*. The Statement requires state and local governments to disclose information about tax abatement agreements. The Statement is effective for the periods beginning after December 15, 2015, or the fiscal year 2016-17. Please refer to Note 16 for more details.

# SUNNYVALE SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

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**GASB Statement No. 82** - 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 District has implemented the provisions of this Statement as of June 30, 2017, 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.

### New Accounting Pronouncements Effective in Future Fiscal Years

**GASB Statement No. 75** – In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. The objective of the Statement is to replace the requirements of GASB Statement No. 45. In addition, the Statement requires governments to report a liability on the face of the financial statements for the OPEB provided and requires governments to present more extensive note disclosures and required supplementary information about their OPEB liabilities. The Statement is effective for the periods beginning June 15, 2017, or the fiscal year 2017-18. The District has not determined the effect of the statement.

**GASB Statement No. 81** – 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 District has not determined the effect of the statement.

**GASB Statement No. 83** – In November 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital asset should recognize a liability based on the guidance in this Statement. This Statement also requires disclosure of information about the nature of a government's ARO, the methods and assumptions used for the estimates of the liabilities, and the estimated remaining useful life of the associated tangible capital assets. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018, or the 2018-19 fiscal year. The District has not determined the effect of the statement.

**GASB Statement No. 84** – In January 2017, GASB issued Statement No. 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018, or the 2019-20 fiscal year. The District has not determined the effect of the statement.

# SUNNYVALE SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

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**GASB Statement No. 85** – In March 2017, GASB issued Statement No. 85, *Omnibus 2017*. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits). The Statement is effective for the reporting periods beginning after June 15, 2017, or 2017-18 fiscal year. The District has not determined the effect of the statement.

**GASB Statement No. 86** – In May 2017, GASB issued Statement No. 86, *Certain Debt Extinguishment Issues*. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources-resources other than the proceeds of refunding debt-are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeated in substance. The Statement is effective for the reporting periods beginning after June 15, 2017, or 2017-18 fiscal year. The District has not determined the effect of the statement.

**GASB Statement No. 87** – In June 2017, GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The Statement is effective for the reporting periods beginning after December 15, 2019, or 2020-21 fiscal year. The District has not determined the effect of the statement.

### NOTE 2 - DEPOSITS AND INVESTMENTS

#### Summary of Deposits and Investments

Deposits and investments as of June 30, 2017, are classified in the accompanying financial statements as follows:

Governmental funds	\$ 74,291,511
Fiduciary fund	176,707
Total Deposits and Investments	<u><u>\$ 74,468,218</u></u>

Deposits and investments as of June 30, 2017, consist of the following:

Cash on hand and in banks	\$ 1,304,337
Revolving cash	26,300
Investment in county pool	<u><u>73,137,581</u></u>
Total Deposits and Investments	<u><u>\$ 74,468,218</u></u>

# SUNNYVALE SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

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### 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.

### 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

# SUNNYVALE SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

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### Interest Rate Risk

Interest rate risk is the risk that change 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, 2017, was \$72,968,179 and the weighted average maturity of the pool was 528 days.

### 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 measured 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, 2017. 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, 2017, consisted of intergovernmental grants, entitlements, interest, and other local sources. All receivables are considered collectible in full.

	General	Building	Bond Interest and Redemption	Nonmajor	Total
Federal Government					
Categorical aid	\$ 377,096	\$ -	\$ -	\$ -	\$ 377,096
State Government					
Principal apportionment	199,619	-	-	-	199,619
Categorical aid	146,094	-	-	-	146,094
Lottery	611,031	-	-	-	611,031
Local Government					
Interest	79,471	104,886	19,169	17,984	221,510
Other Local Sources	1,089	49,446	-	41,099	91,634
Total	<u>\$ 1,414,400</u>	<u>\$ 154,332</u>	<u>\$ 19,169</u>	<u>\$ 59,083</u>	<u>\$ 1,646,984</u>

# SUNNYVALE SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

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### NOTE 4 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2017, was as follows:

	Balance July 1, 2016	Additions	Deductions	Balance June 30, 2017
<b>Governmental Activities</b>				
Capital Assets Not Being Depreciated				
Land	\$ 3,814,433	\$ -	\$ -	\$ 3,814,433
Construction in progress	<u>37,008,566</u>	<u>19,007,264</u>	<u>28,049,555</u>	<u>27,966,275</u>
Total Capital Assets Not Being Depreciated	<u>40,822,999</u>	<u>19,007,264</u>	<u>28,049,555</u>	<u>31,780,708</u>
Capital Assets Being Depreciated				
Land improvements	36,145,421	1,438,763	-	37,584,184
Buildings	147,568,034	26,610,792	-	174,178,826
Vehicles	883,022	36,723	-	919,745
Furniture and equipment	<u>3,532,990</u>	<u>1,369,879</u>	<u>-</u>	<u>4,902,869</u>
Total Capital Assets Being Depreciated	<u>188,129,467</u>	<u>29,456,157</u>	<u>-</u>	<u>217,585,624</u>
Total Capital Assets	<u>228,952,466</u>	<u>48,463,421</u>	<u>28,049,555</u>	<u>249,366,332</u>
Less Accumulated Depreciation				
Land improvements	5,242,290	1,823,449	-	7,065,739
Buildings	36,537,991	3,863,711	-	40,401,702
Vehicles	764,080	51,102	-	815,182
Furniture and equipment	<u>2,278,490</u>	<u>258,557</u>	<u>-</u>	<u>2,537,047</u>
Total Accumulated Depreciation	<u>44,822,851</u>	<u>5,996,819</u>	<u>-</u>	<u>50,819,670</u>
Governmental Activities Capital Assets, Net	<u>\$ 184,129,615</u>	<u>\$ 42,466,602</u>	<u>\$ 28,049,555</u>	<u>\$ 198,546,662</u>

# SUNNYVALE SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

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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	\$ 3,605,023
Supervision of instruction	273,420
Instructional library, media, and technology	55,920
School site administration	368,008
Home-to-school transportation	96,951
Food services	172,938
All other pupil services	405,234
All other general administration	315,518
Data processing	116,549
Plant services	587,258
<b>Total Depreciation Expense - Governmental Activities</b>	<b>\$ 5,996,819</b>

## NOTE 5 - INTERFUND TRANSACTIONS

### Interfund Receivables/Payables (Due From/Due To)

Interfund receivable and payable balances at June 30, 2017, between major and nonmajor governmental funds are as follows:

Due To	Due From		
	General Fund	Building Fund	Total
Building Fund	\$ 431	\$ -	\$ 431
Nonmajor Governmental Funds	170,288	402,840	573,128
<b>Total</b>	<b>\$ 170,719</b>	<b>\$ 402,840</b>	<b>\$ 573,559</b>

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.

# SUNNYVALE SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

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### Operating Transfers

Interfund transfers for the year ended June 30, 2017, 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.	\$ 315,962
The General Fund transferred to the Child Development Fund to support the child development program.	32,398
Total interfund transfers	<u><u>\$ 348,360</u></u>

### 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 \$30,497,028 includes the effect of deferring the recognition of loss from advance refunding. The \$15,952,176 balance of the deferred outflow of resources at June 30, 2017 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, 2017 is as follows:

	Balance		Balance
	July 1, 2016	Additions	Deductions
	<u><u>\$ 17,569,064</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 1,616,888</u></u>
Deferred charge on bond refunding	<u><u>\$ 15,952,176</u></u>		

### NOTE 7 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2017, consisted of the following:

	General	Building	Nonmajor	Total
	Fund	Fund	Governmental	Governmental
	Funds	Funds	Funds	Funds
Vendor payables	\$ 2,203,523	\$ 2,861,052	\$ 166,141	\$ 5,230,716
Salaries and benefits	513,873	-	-	513,873
Total Accounts Payable	<u><u>\$ 2,717,396</u></u>	<u><u>\$ 2,861,052</u></u>	<u><u>\$ 166,141</u></u>	<u><u>\$ 5,744,589</u></u>

# SUNNYVALE SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

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### NOTE 8 - UNEARNED REVENUE

Unearned revenue at June 30, 2017, consists of the following:

	General Fund	Nonmajor Governmental	Total
Federal financial assistance	\$ 9,105	\$ 61,582	\$ 70,687
State categorical aid	-	24,541	24,541
Other local	306,543	-	306,543
Total Unearned Revenue	<u>\$ 315,648</u>	<u>\$ 86,123</u>	<u>\$ 401,771</u>

### 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, 2016	Accreted/ Additions	Deductions	Balance June 30, 2017	Due in One Year
General obligation bonds					
Current interest bonds	\$ 159,765,000	\$ 40,000,000	\$ 3,965,000	\$ 195,800,000	\$ 2,450,000
Capital appreciation bonds	365,700	41,400	-	407,100	-
Bond premium	16,913,381	3,155,536	885,684	19,183,233	885,684
Subtotal	177,044,081	43,196,936	4,850,684	215,390,333	3,335,684
Compensated absences	443,380	66,013	-	509,393	-
Net OPEB obligation	2,526,760	922,496	586,822	2,862,434	-
Total	<u>\$ 180,014,221</u>	<u>\$ 44,185,445</u>	<u>\$ 5,437,506</u>	<u>\$ 218,762,160</u>	<u>\$ 3,335,684</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.

# SUNNYVALE SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

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### Bonded Debt

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds			Bonds	
				Outstanding July 1, 2016	Issued / Accreted	Defeased/ Redeemed	Outstanding June 30, 2017	
<b>General Obligation Bonds</b>								
2007 B	9/1/31	4.00-4.50%	\$ 30,000,000	\$ 550,000	\$ -	\$ 90,000	\$ 460,000	
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	2,935,000	-	520,000	2,415,000	
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	24,430,000	-	2,000,000	22,430,000	
2014 Ref	9/1/23	2.00-5.00%	14,815,000	13,570,000	-	1,355,000	12,215,000	
2015 Ref	9/1/35	2.00-5.00%	110,610,000	109,280,000	-	-	109,280,000	
2013 B	9/1/44	3.00-5.00%	40,000,000	-	40,000,000	-	40,000,000	
Subtotal				159,765,000	40,000,000	3,965,000	195,800,000	
<b>Capital Appreciation Bonds</b>								
2012 D	9/1/42	3.00-11.00%	14,767,843	365,700	41,400	-	407,100	
				<u>\$ 160,130,700</u>	<u>\$ 40,041,400</u>	<u>\$ 3,965,000</u>	<u>\$ 196,207,100</u>	

### Debt Service Requirements to Maturity

The bonds mature through 2045 as follows:

Fiscal Year	Interest to		
	Principal	Maturity	Total
2018	\$ 2,450,000	\$ 8,665,090	\$ 11,115,090
2019	4,870,000	8,516,419	13,386,419
2020	3,280,000	8,337,769	11,617,769
2021	3,660,000	8,167,369	11,827,369
2022	4,440,000	7,964,869	12,404,869
2023-2027	17,545,000	37,028,345	54,573,345
2028-2032	32,350,000	31,338,841	63,688,841
2033-2037	43,575,820	22,450,598	66,026,418
2038-2042	59,265,000	11,635,300	70,900,300
2043-2045	24,595,000	1,455,323	26,050,323
Subtotal	196,030,820	<u>\$ 145,559,923</u>	<u>\$ 341,590,743</u>
Unmatured Accretion to date	176,280		
Subtotal	196,207,100		
Unamortized premium	19,183,233		
Net general obligation bonds	<u>\$ 215,390,333</u>		

# SUNNYVALE SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

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### Accumulated Unpaid Employee Vacation

The long-term portion of accumulated unpaid employee vacation for the District at June 30, 2017, amounted to \$509,393.

### Other Postemployment Benefit (OPEB) Obligation

The District's annual required contribution for the year ended June 30, 2017, was \$959,592, and contributions made by the District during the year were \$586,822. 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 \$335,674. As of June 30, 2017, the net OPEB obligation was \$2,862,434. See Note 12 for additional information regarding the OPEB obligation and the postemployment benefits plan.

### NOTE 10 - FUND BALANCES

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

	General Fund	Building Fund	Bond Interest and Redemption Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Nonspendable</b>					
Revolving cash	\$ 26,000	\$ -	\$ -	\$ 300	\$ 26,300
Stores inventories	139,782	-	-	88,084	227,866
<b>Total Nonspendable</b>	<b>165,782</b>	<b>-</b>	<b>-</b>	<b>88,384</b>	<b>254,166</b>
<b>Restricted</b>					
Educational programs	1,513,336	-	-	-	1,513,336
Child nutrition program	-	-	-	36,520	36,520
Capital projects	-	31,388,523	-	5,950,633	37,339,156
Debt services	-	-	9,647,045	-	9,647,045
<b>Total Restricted</b>	<b>1,513,336</b>	<b>31,388,523</b>	<b>9,647,045</b>	<b>5,987,153</b>	<b>48,536,057</b>
<b>Assigned</b>					
Deferred maintenance	-	-	-	18,140	18,140
Other	2,334,659	-	-	-	2,334,659
<b>Total Assigned</b>	<b>2,334,659</b>	<b>-</b>	<b>-</b>	<b>18,140</b>	<b>2,352,799</b>
<b>Unassigned</b>					
Reserve for economic uncertainties	11,865,110	-	-	-	11,865,110
Remaining unassigned	7,011,869	-	-	-	7,011,869
<b>Total Unassigned</b>	<b>18,876,979</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>18,876,979</b>
<b>Total Fund Balance</b>	<b>\$ 22,890,756</b>	<b>\$ 31,388,523</b>	<b>\$ 9,647,045</b>	<b>\$ 6,093,677</b>	<b>\$ 70,020,001</b>

# SUNNYVALE SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

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### 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 revenues expected to be received under these agreements are as follows:

Year Ending June 30,	Lease Revenue
2018	\$ 4,386,372
2019	4,447,199
2020	4,509,215
2021	1,095,656
2022	1,079,601
2023-2027	5,903,699
2028-2030	3,984,478
Total	<u><u>\$ 25,406,221</u></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 2016-17, the District contributed \$586,822 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, 2017

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### 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	922,496
Contributions made	(586,822)
Increase in net OPEB obligation	335,674
Net OPEB obligation, beginning of year	2,526,760
Net OPEB obligation, end of year	<u><u>\$ 2,862,434</u></u>

### Trend Information

Trend information for the 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
2017	\$ 922,496	\$ 586,822	64%	\$ 2,862,434
2016	922,496	476,236	52%	2,526,760
2015	941,634	450,249	48%	2,080,500

### 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, 2017**

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### **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, 2017, 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..

### **Workers' Compensation**

For fiscal year 2017, the District participated in the Alliance of Schools for Cooperative Insurance Programs (ASCP), an insurance purchasing pool. The intent of the ASCP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the ASCP. 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 ASCP. 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 ASCP. Participation in the ASCP is limited to districts that can meet the ASCP selection criteria.

# SUNNYVALE SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

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

Insurance Program / Company Name	Type of Coverage	Limits
<b><u>Workers' Compensation Program</u></b>		
Santa Clara County Schools Insurance Group	Worker's Compensation	\$ 1,000,000
<b><u>Property and Liability Program</u></b>		
ASCP 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, 2017 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	\$ 53,119,808	\$ 9,443,159	\$ 2,000,129	\$ 5,167,741
CalPERS	21,778,311	6,852,070	654,309	2,977,284
Total	<u>\$ 74,898,119</u>	<u>\$ 16,295,229</u>	<u>\$ 2,654,438</u>	<u>\$ 8,145,025</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, 2015, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly 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, 2017

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### 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, 2017, are summarized as follows:

	STRP Defined Benefit Program	
	On or before December 31, 2012	On or after January 1, 2013
Hire date		
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	10.25%	9.205%
Required employer contribution rate	12.58%	12.58%
Required state contribution rate	8.828%	8.828%

### 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, 2017, are presented above and the District's total contributions were \$4,456,767.

# SUNNYVALE SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

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

At June 30, 2017, 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	\$ 53,119,808
State's proportionate share of the net pension liability associated with the District	30,240,159
Total	<u><u>\$ 83,359,967</u></u>

The net pension liability was measured as of June 30, 2016. 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, 2016 and June 30, 2015, respectively, was 0.0657 percent and 0.0645 percent, resulting in a net increase in the proportionate share of 0.0012 percent.

For the year ended June 30, 2017, the District recognized pension expense of \$5,167,741. In addition, the District recognized pension expense and revenue of \$2,923,030 for support provided by the State. At June 30, 2017, 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	\$ 4,456,767	\$ -
Difference between projected and actual earnings on pension plan investments	4,222,998	-
Differences between expected and actual experience in the measurement of the total pension liability	- (1,295,797)	
Change in proportions	763,394 (704,332)	
Total	<u><u>\$ 9,443,159</u></u>	<u><u>\$ (2,000,129)</u></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, 2017

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

Year Ended June 30,	Deferred Outflows of Resources
2018	\$ 92,131
2019	92,131
2020	2,454,844
2021	1,583,892
Total	<u>\$ 4,222,998</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 period is 7 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows (inflows) of Resources
2018	\$ (250,125)
2019	(250,125)
2020	(250,125)
2021	(250,125)
2022	(250,124)
Thereafter	13,889
Total	<u>\$ (1,236,735)</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, 2015, and rolling forward the total pension liability to June 30, 2016. The financial reporting actuarial valuation as of June 30, 2015, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2015
Measurement date	June 30, 2016
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, 2017

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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:

Asset Class	Assumed Asset Allocation	Long-term Expected Real Rate of Return
Global equity	47%	6.30%
Fixed income	12%	0.30%
Real estate	13%	5.20%
Private equity	13%	9.30%
Mitigating Strategies	9%	2.90%
Inflation sensitive	4%	3.80%
Cash/liquidity	2%	-1.00%

### 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, 2017

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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:

Discount Rate	Net Pension Liability
1% decrease (6.60%)	\$ 76,451,384
Current discount rate (7.60%)	53,119,808
1% increase (8.60%)	33,742,614

### 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, 2015 annual actuarial valuation report, Schools Pool Actuarial Valuation. 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, 2017

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The CalPERS provisions and benefits in effect at June 30, 2017 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	13.888%	13.888%

### 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, 2017, are presented above and the total District contributions were \$2,027,403.

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

As of June 30, 2017, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$21,778,311. The net pension liability was measured as of June 30, 2016. 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, 2016 and June 30, 2015, respectively was 0.1103 percent and 0.1059 percent, resulting in a net increase in the proportionate share of 0.0044 percent.

# SUNNYVALE SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

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For the year ended June 30, 2017, the District recognized pension expense of \$2,977,284. At June 30, 2017, 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	\$ 2,027,403	-
Difference between projected and actual earnings on pension plan investments	3,379,294	-
Change in assumption	-	(654,309)
Differences between expected and actual experience in the measurement of the total pension liability	936,676	-
Change in proportions	508,697	-
Total	<u><u>\$ 6,852,070</u></u>	<u><u>\$ (654,309)</u></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 are amortized over a closed five-year period and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows of Resources
	\$
2018	473,990
2019	473,990
2020	1,549,347
2021	881,967
Total	<u><u>\$ 3,379,294</u></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 measurement period is 3.9 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows of Resources
	\$
2018	267,409
2019	268,967
2020	254,688
Total	<u><u>\$ 791,064</u></u>

# SUNNYVALE SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

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### Actuarial Methods and Assumptions

Total pension liability for the School Employment Pool was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2015, and rolling forward the total pension liability to June 30, 2016. The financial reporting actuarial valuation as of June 30, 2015, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2015
Measurement date	June 30, 2016
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%	5.71%
Global debt securities	20%	2.43%
Inflation assets	6%	3.36%
Private equity	10%	6.95%
Real estate	10%	5.13%
Infrastructure and Forestland	2%	5.09%
Liquidity	1%	-1.05%

# SUNNYVALE SCHOOL DISTRICT

## NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017

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### 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:

Discount rate	Net Pension Liability
1% decrease (6.65%)	\$ 32,493,361
Current discount rate (7.65%)	21,778,311
1% increase (8.65%)	12,855,923

### 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, 2017, 2016 and 2015 in the amount of \$2,351,831, \$2,088,925, and \$1,666,781, respectively, which equaled 8.828 percent for 2017, 7.126 percent for 2016, and 5.679 percent for 2015 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, 2017

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### 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, 2017.

#### Litigation

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

#### Construction Commitments

As of June 30, 2017, the District had the following commitments with respect to the unfinished capital projects:

Project Name	Remaining Construction Commitment	Expected Date of Completion
Ellis heating ventilation and air conditioning (HVAC) and site upgrades	\$ 5,800,000	September 2019
Cherry Chase HVAC and site upgrades	3,700,000	September 2018
Bishop infrastructure	20,000,000	February 2019
Other small projects	200,000	June 2018
Total Outstanding Construction Commitments	<u>\$ 29,500,000</u>	

### NOTE 16 - TAX ABATEMENT

As of June 30, 2017, the County of Santa Clara provides a tax abatement program through California Land Conservation Act of 1965, commonly referred to as the Williamson Act.

The Williamson Act affects taxing entity's share of the 1% ad valorem tax (property tax). The Williamson Act enables the County to enter into agreement with private landowners for restricting specific parcels of land to agricultural or related open space use for a ten year period. In return, landowners receive property tax assessments which are much lower than normal because they are based upon farming and open space uses as opposed to full market value.

As a result of the Williamson Act, Sunnyvale School District's property tax revenues were reduced by \$66,571 for the year ended June 30, 2017

# **SUNNYVALE SCHOOL DISTRICT**

## **NOTES TO FINANCIAL STATEMENTS JUNE 30, 2017**

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### **NOTE 17 - 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, 2017, the District made payments of \$908,514 to the Santa Clara County Schools' Insurance Group and \$894,358 to the Silicon Valley Transportation Authority.

***REQUIRED SUPPLEMENTARY INFORMATION***

# SUNNYVALE SCHOOL DISTRICT

## GENERAL FUND BUDGETARY COMPARISON SCHEDULE FOR THE YEAR ENDED JUNE 30, 2017

	Budgeted Amounts			Variances - Positive (Negative)
	Original	Final	Actual	Final to Actual
<b>REVENUES</b>				
Local Control Funding Formula	\$ 64,135,260	\$ 64,734,879	\$ 65,894,501	\$ 1,159,622
Federal sources	2,486,869	2,537,655	2,293,254	(244,401)
Other state sources	6,161,578	5,835,107	6,128,689	293,582
Other local sources	7,267,000	7,289,129	7,712,125	422,996
Total Revenues	<u>80,050,707</u>	<u>80,396,770</u>	<u>82,028,569</u>	<u>1,631,799</u>
<b>EXPENDITURES</b>				
Current				
Certificated salaries	35,752,523	35,606,737	36,219,711	(612,974)
Classified salaries	13,189,867	13,110,357	13,663,357	(553,000)
Employee benefits	19,093,647	18,612,486	19,013,392	(400,906)
Books and supplies	3,345,630	3,000,308	2,133,579	866,729
Services and operating expenditures	9,934,364	9,694,516	10,071,715	(377,199)
Other outgo	10,000	70,123	(115,537)	185,660
Capital outlay	<u>(126,807)</u>	<u>(114,280)</u>	<u>615,495</u>	<u>(729,775)</u>
Total Expenditures	<u>81,199,224</u>	<u>79,980,247</u>	<u>81,601,712</u>	<u>(1,621,465)</u>
Excess of Revenues Over Expenditures	<u>(1,148,517)</u>	<u>416,523</u>	<u>426,857</u>	<u>10,334</u>
Other Financing Sources (Uses)				
Transfers out	<u>(337,925)</u>	<u>(341,965)</u>	<u>(348,360)</u>	<u>(6,395)</u>
<b>NET CHANGE IN FUND BALANCES</b>				
Fund Balance - Beginning, Non-GAAP	(1,486,442)	74,558	78,497	3,939
Fund Balance - Ending, Non-GAAP	<u>10,947,149</u>	<u>10,947,149</u>	<u>10,947,149</u>	<u>-</u>
	<u>\$ 9,460,707</u>	<u>\$ 11,021,707</u>	<u>11,025,646</u>	<u>\$ 3,939</u>
Special Reserve Fund			11,865,110	
Fund Balance - Ending, GAAP			<u>\$ 22,890,756</u>	

See accompanying note to required supplementary information.

**SUNNYVALE SCHOOL DISTRICT**

**SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB) FUNDING  
PROGRESS  
FOR THE YEAR ENDED JUNE 30, 2017**

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Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Projected Unit Credit(b)	Accrued Liability (AAL) -	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, 2017

MEASUREMENT DATE, JUNE 30,	2016	2015	2014
<b>CalSTRS</b>			
District's proportion of the net pension liability	0.0657%	0.0645%	0.0658%
District's proportionate share of the net pension liability	\$ 53,119,808	\$ 43,405,078	\$ 38,466,686
State's proportionate share of the net pension liability associated with the District	<u>30,240,159</u>	<u>22,956,501</u>	<u>23,227,846</u>
Total	<u>\$ 83,359,967</u>	<u>\$ 66,361,579</u>	<u>\$ 61,694,532</u>
District's covered payroll	<u>\$ 33,073,528</u>	<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 payroll	160.61%	158.32%	131.22%
Plan fiduciary net position as a percentage of the total pension liability	70%	74%	77%
<b>CalPERS</b>			
District's proportion of the net pension liability	0.1103%	0.1059%	0.1057%
District's proportionate share of the net pension liability	\$ 21,778,311	\$ 15,615,970	\$ 12,002,408
District's covered payroll	<u>\$ 13,188,492</u>	<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 payroll	165%	134%	108%
Plan fiduciary net position as a percentage of the total pension liability	74%	79%	83%

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 FOR THE YEAR ENDED JUNE 30, 2017

FISCAL YEAR END, JUNE 30,	2017	2016	2015
<b>CalSTRS</b>			
Contractually required contribution	\$ 4,456,767	\$ 3,548,001	\$ 2,687,229
Contributions in relation to the contractually required contribution	<u>4,456,767</u>	<u>3,548,001</u>	<u>2,687,229</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	<u>\$ 35,433,174</u>	<u>\$ 33,073,528</u>	<u>\$ 27,416,212</u>
Contributions as a percentage of covered payroll	<u>12.58%</u>	<u>10.73%</u>	<u>9.80%</u>
 <b>CalPERS</b>			
Contractually required contribution	\$ 2,027,403	\$ 1,441,064	\$ 1,336,108
Contributions in relation to the contractually required contribution	<u>2,027,403</u>	<u>1,441,064</u>	<u>1,336,108</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered payroll	<u>\$ 14,598,236</u>	<u>\$ 13,188,492</u>	<u>\$ 11,677,227</u>
Contributions as a percentage of covered payroll	<u>14%</u>	<u>11%</u>	<u>11%</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

## NOTE TO REQUIRED SUPPLEMENTARY INFORMATION JUNE 30, 2017

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### 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.

At June 30, 2017, certain categories of District's General fund expenditures and other uses exceeded the budgeted amount as follows:

	Expenditures and Other Uses		
	Budget	Actual	Excess
Payroll and related expenditures	\$ 67,329,580	\$ 68,896,460	\$ 1,566,880
Services and operating expenditures	9,694,516	10,071,715	377,199
Capital outlay	(114,280)	615,495	729,775
Transfers out	341,965	348,360	6,395

#### 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.

***Changes in Benefit Terms*** – There were no changes in benefit terms since the previous valuations for both CalSTRS and CalPERS.

***Changes in Assumptions*** – There were no changes in assumptions since the previous valuations for CalSTRS. CalPERS discount rate was changed from 7.50% to 7.65% in 2016.

#### Schedule of District Pension 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.

***SUPPLEMENTARY INFORMATION***

# SUNNYVALE SCHOOL DISTRICT

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED JUNE 30, 2017

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Identifying Number	Grant Federal Expenditures
<b>U.S. DEPARTMENT OF EDUCATION</b>			
Passed through California Department of Education:			
Title I, Part A - Basic Grants Low-Income and Neglected	84.010	14329	\$ 507,476
Title II, Part A - Improving Teacher Quality	84.367	14341	143,495
Title III - Limited English Proficient Student Program	84.365	10084	213,401
Special Education Cluster (IDEA)			
Basic Local Assistance Entitlement, Part B, Section 611	84.027	13379	\$ 947,664
Local Assistance, Part B, Sec 611, Private School ISPs	84.027	10115	3,308
Preschool Grants, Part B, Section 619	84.173	13430	72,223
Preschool Grants, Part B, Sec 619	84.027A	13682	257,288
Preschool Staff Development, Part B, Sec 619	84.173A	13431	531
Total Special Education Cluster			1,281,014
Total U.S. Department of Education			<u>2,145,386</u>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
Passed through California Department of Education:			
Child Nutrition Cluster			
Basic School Breakfast	10.553	13390	53,618
Especially Needy School Breakfast	10.553	13526	316,849
National School Lunch Program	10.555	13391	995,932
Commodity Supplemental Food Program	10.565	13391	34,833
Total Child Nutrition Cluster			1,401,232
Child and Adult Care food Program	10.558	13391	148,890
Total U.S. Department of Agriculture			<u>1,550,122</u>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			
Passed through California Department of Health Care Services:			
Medical Assistance Program	93.778	10013	147,867
Total Expenditures of Federal Awards			<u>\$ 3,843,375</u>

See accompanying note to supplementary information.

# **SUNNYVALE SCHOOL DISTRICT**

## **LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE JUNE 30, 2017**

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### **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	2020
Reid Myers	Clerk	2020
Anita Herrmann	Member	2018
Michelle Maginot	Member	2018

### **ADMINISTRATION**

<u>NAME</u>	<u>TITLE</u>
Benjamin H. Picard, Ed. D	Superintendent
Mala Ajuga	Assistant Superintendent of Curriculum, Instruction and Assessment
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, 2017

	Final Report	
	Second Period Report	Annual Report
Regular ADA		
Transitional kindergarten through third	2,999.03	2,990.73
Fourth through sixth	2,112.12	2,088.83
Seventh and eighth	1,188.07	1,153.92
Total Regular ADA	<u>6,299.22</u>	<u>6,233.48</u>
Extended Year Special Education		
Transitional kindergarten through third	3.50	3.50
Fourth through sixth	3.01	3.01
Seventh and eighth	0.65	0.65
Total Extended Year Special Education	<u>7.16</u>	<u>7.16</u>
Special Education, Nonpublic, Nonsectarian Schools		
Fourth through sixth	0.98	4.73
Seventh and eighth	4.73	1.94
Total Special Education, Nonpublic, Nonsectarian Schools	<u>5.71</u>	<u>6.67</u>
Extended Year Special Education, Nonpublic, Nonsectarian Schools		
Fourth through sixth	0.10	0.14
Seventh and eighth	0.14	0.09
Total Extended Year Special Education, Nonpublic, Nonsectarian Schools	<u>0.24</u>	<u>0.23</u>
Total ADA	<u>6,312.33</u>	<u>6,247.54</u>

See accompanying note to supplementary information.

# SUNNYVALE SCHOOL DISTRICT

## SCHEDULE OF INSTRUCTIONAL TIME FOR THE YEAR ENDED JUNE 30, 2017

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Grade Level	Requirement	1986-87	2016-17	Number of Days		Status
		Minutes	Actual	Traditional	Calendar	
Kindergarten	36,000	51,970		181		Complied
Grade 1	50,400	51,690		181		Complied
Grade 2	50,400	51,690		181		Complied
Grade 3	50,400	51,690		181		Complied
Grade 4	54,000	55,365		181		Complied
Grade 5	54,000	55,365		181		Complied
Grade 6	54,000	61,349		181		Complied
Grade 7	54,000	61,349		181		Complied
Grade 8	54,000	61,384		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, 2017

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Summarized below are the fund balance reconciliations between the Unaudited Actual Financial Report and the audited financial statements.

	General Fund	Special Reserves Other Fund
<b>FUND BALANCE</b>		
Balance, June 30, 2017, Unaudited Actuals	\$ 11,025,646	\$ 11,865,110
Special Reserve Other Fund is consolidated into the General Fund in the Audit Report	11,865,110	(11,865,110)
Balance, June 30, 2017, Audited Financial Statements	<u>\$ 22,890,756</u>	<u>\$ -</u>

See accompanying note to supplementary information.

# SUNNYVALE SCHOOL DISTRICT

## SCHEDULE OF FINANCIAL TRANSACTIONS AND ANALYSIS JUNE 30, 2017

---

	(Budget)			
	2018 <sup>1</sup>	2017	2016	2015
GENERAL FUND <sup>3</sup>				
Revenues	\$ 81,236,725	\$ 82,028,569	\$ 81,809,184	\$ 70,406,964
Total Revenues and Other Sources	81,236,725	82,028,569	81,809,184	70,406,964
Expenditures	82,251,508	81,601,712	74,399,627	69,028,494
Other uses and transfers out	311,681	348,360	3,149,404	91,871
Total Expenditures and Other Uses	82,563,189	81,950,072	77,549,031	69,120,365
CHANGE IN FUND BALANCE	\$ (1,326,464)	\$ 78,497	\$ 4,260,153	\$ 1,286,599
ENDING FUND BALANCE	\$ 9,699,182	\$ 11,025,646	\$ 10,947,149	\$ 6,686,996
AVAILABLE RESERVES <sup>2</sup>	\$ 17,176,172	\$ 18,876,979	\$ 17,221,988	\$ 14,476,312
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO	20.80%	23.03%	22.21%	20.94%
LONG-TERM OBLIGATIONS	\$ 290,324,595	\$ 293,660,279	\$ 239,035,269	\$ 237,734,338
AVERAGE DAILY ATTENDANCE AT P-2	6,332	6,312	6,421	6,518

The General Fund balance has increased by \$4,338,650 over the past two years. The fiscal year 2017-18 budget projects a decrease of \$1,326,464. 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, but anticipates an operating deficit during the 2017-18 fiscal year. Total long-term obligations have increased by \$55,925,941 over the past two years. The main reason for the significant increase in long-term obligations is the issuance of a new General Obligation bond issuance.

Average daily attendance has decreased by 206 over the preceding two years. An increase of 20 ADA is anticipated during fiscal year 2017-18.

<sup>1</sup> Budget 2018 is included for analytical purposes only and has not been subjected to audit.

<sup>2</sup> 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.

<sup>3</sup> General Fund amounts excluded activity related to the consolidation of the Special Reserve Fund for Other Than Capital Outlay Projects as required by GASB Statement No. 54.

See accompanying note to supplementary information.

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**SUNNYVALE SCHOOL DISTRICT**

**NONMAJOR GOVERNMENTAL FUNDS**  
**COMBINING BALANCE SHEET**  
**JUNE 30, 2017**

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	<b>Child Development Fund</b>	<b>Cafeteria Fund</b>	<b>Deferred Maintenance Fund</b>
<b>Assets</b>			
Deposits and investments	\$ 47,738	\$ 313,615	\$ 18,089
Receivables	41,384	626	51
Stores inventories	-	88,084	-
<b>Total Assets</b>	<b>\$ 89,122</b>	<b>\$ 402,325</b>	<b>\$ 18,140</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities</b>			
Accounts payable	\$ -	\$ 110,132	\$ -
Due to other funds	64,581	105,707	-
Deferred revenue	24,541	61,582	-
<b>Total Liabilities</b>	<b>89,122</b>	<b>277,421</b>	<b>-</b>
<b>Fund Balances</b>			
Nonspendable	-	88,384	-
Restricted			
Capital projects	-	-	-
Child nutrition program	-	36,520	-
Assigned	-	-	18,140
<b>Total Fund Balances</b>	<b>-</b>	<b>124,904</b>	<b>18,140</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 89,122</b>	<b>\$ 402,325</b>	<b>\$ 18,140</b>

See accompanying note to supplementary information.

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<b>Capital Facilities Fund</b>	<b>County School Facilities Fund</b>	<b>Total Nonmajor Governmental Funds</b>
\$ 6,392,321	\$ 139	\$ 6,771,902
17,022	-	59,083
-	-	88,084
<b>\$ 6,409,343</b>	<b>\$ 139</b>	<b>\$ 6,919,069</b>
<hr/>		
\$ 56,009	\$ -	\$ 166,141
402,840	-	573,128
-	-	86,123
<b>458,849</b>	<b>-</b>	<b>825,392</b>
<hr/>		
-	-	88,384
5,950,494	139	5,950,633
-	-	36,520
-	-	18,140
<b>5,950,494</b>	<b>139</b>	<b>6,093,677</b>
<b>\$ 6,409,343</b>	<b>\$ 139</b>	<b>\$ 6,919,069</b>

# SUNNYVALE SCHOOL DISTRICT

## NONMAJOR GOVERNMENTAL FUNDS COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES FOR THE YEAR ENDED JUNE 30, 2017

	<b>Child Development Fund</b>	<b>Cafeteria Fund</b>	<b>Deferred Maintenance Fund</b>
<b>REVENUES</b>			
Federal sources	\$ -	\$ 1,515,288	\$ -
Other state sources	471,799	101,779	-
Other local sources	746	663,801	178
Total Revenues	<u>472,545</u>	<u>2,280,868</u>	<u>178</u>
<b>EXPENDITURES</b>			
Current			
Instruction	418,343	-	-
Instruction related activities:			
Supervision of instruction	52,347	-	-
School site administration	34,253	-	-
Pupil services:			
Food services	-	2,490,877	-
General administration:			
All other general administration	-	122,551	-
Plant services	-	-	-
Facility acquisition and construction	-	-	-
Total Expenditures	<u>504,943</u>	<u>2,613,428</u>	<u>-</u>
Excess (deficiency) of			
Revenues over (under) expenditures	(32,398)	(332,560)	178
Other Financing Sources (Uses)			
Transfers in	32,398	315,962	-
<b>NET CHANGE IN FUND BALANCES</b>	<u>-</u>	<u>(16,598)</u>	<u>178</u>
Fund Balance - Beginning	-	141,502	17,962
Fund Balance - Ending	<u>\$ -</u>	<u>\$ 124,904</u>	<u>\$ 18,140</u>

See accompanying note to supplementary information.

<b>Capital Facilities Fund</b>	<b>County School Facilities Fund</b>	<b>Total Nonmajor Governmental Funds</b>
\$ -	\$ -	\$ 1,515,288
-	-	573,578
1,167,904	1	1,832,630
<b>1,167,904</b>	<b>1</b>	<b>3,921,496</b>

-	-	418,343
-	-	52,347
-	-	34,253
-	-	2,490,877
-	-	122,551
666,054	-	666,054
505	-	505
<b>666,559</b>	<b>-</b>	<b>3,784,930</b>
501,345	1	136,566
-	-	348,360
501,345	1	484,926
5,449,149	138	5,608,751
<b>\$ 5,950,494</b>	<b>\$ 139</b>	<b>\$ 6,093,677</b>

# SUNNYVALE SCHOOL DISTRICT

## NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2017

---

### 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.

The following schedule provides reconciliation between revenues reported on the Statement of Revenues, Expenditures, and Changes in Fund Balances, and the related expenditures reported on the Schedule of Expenditures of Federal Awards.

Description	CFDA Number	Amount
Federal revenues reported in the Statement of Revenues, Expenditures and Changes in Fund Balances		\$ 3,808,542
Commodity Supplemental Food Program	10.565	34,833
Total Expenditures of Federal Awards		<u><u>\$ 3,843,375</u></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.

# **SUNNYVALE SCHOOL DISTRICT**

## **NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2017**

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### **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.

### **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***



Vavrinek, Trine, Day & Co., LLP

Certified Public Accountants

VALUE THE DIFFERENCE

**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, 2017, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 27, 2017.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the 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 the 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 the 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.

*Davinek, Trine, Day & Co., LLP*  
Palo Alto, California  
November 27, 2017



Vavrinek, Trine, Day & Co., LLP

Certified Public Accountants

VALUE THE DIFFERENCE

**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, 2017. The 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 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 the 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, 2017.

### **Report on Internal Control Over Compliance**

Management of the 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 the DistrictSunnyvale 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 a 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.

*Davisinek, Trine, Day & Co., LLP*  
Palo Alto, California  
November 27, 2017



## 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 *2016-2017 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, 2017.

#### ***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 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 *2016-2017 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 the 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 the District's compliance with those requirements.

#### ***Unmodified Opinion***

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, 2017.

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:

	Procedures Performed
<b>LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS</b>	
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)
Mental Health Expenditures	Yes
<b>SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS</b>	
Educator Effectiveness	Yes
California Clean Energy Jobs Act	Yes
After School Education and Safety Program:	
General Requirements	Yes
After School	Yes
Before School	No (See Below)
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
<b>CHARTER SCHOOLS</b>	
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, Before School Education And Safety Program, and Independent Study – Course Based Program, during the current year; therefore, we did not perform procedures related to these programs.

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

*Davinek, Trine, Day & Co., LLP*

Palo Alto, California  
November 27, 2017

***SCHEDULE OF FINDINGS AND QUESTIONED COSTS***

# SUNNYVALE SCHOOL DISTRICT

## SUMMARY OF AUDITOR'S RESULTS FOR THE YEAR ENDED JUNE 30, 2017

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### 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?	
Identification of major federal programs:	<u>No</u>

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
10.553 and 10.555	<u>Child Nutrition 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:	<u>Unmodified</u>
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**SUNNYVALE SCHOOL DISTRICT**

**FINANCIAL STATEMENT FINDINGS  
FOR THE YEAR ENDED JUNE 30, 2017**

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None reported.

**SUNNYVALE SCHOOL DISTRICT**

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2017**

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None reported.

**SUNNYVALE SCHOOL DISTRICT**

**STATE AWARDS FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2017**

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None reported.

# SUNNYVALE SCHOOL DISTRICT

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED JUNE 30, 2017

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### *State Awards Findings*

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

#### *Title*

##### **Finding**

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.

##### **Recommendation**

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

##### **Current Status**

Implemented.