

SUNNYVALE SCHOOL DISTRICT
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2013

SUNNYVALE SCHOOL DISTRICT

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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, 2013, 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 *Standards and Procedures for Audits of California K-12 Local Education Agencies 2012-2013*, 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.

Opinion

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 District, as of June 30, 2013, 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 required supplementary information, as listed in the table on contents, 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 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 District's basic financial statements. The accompanying supplementary information, as listed in the table of contents, including the schedule of expenditures of federal awards as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The 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 supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The supplementary information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 9, 2013, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Vavrinek, Trine, Day & Co. LLP

Palo Alto, California
December 9, 2013

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SUNNYVALE SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2013

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, 2013. 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 (the 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 *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 District's operations than government-wide statements.

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 primary unit of the government is the Sunnyvale School District.

REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Position and the Statement of Activities

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

These two statements report the District's net position and changes in them. 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, 2013

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

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

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

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

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.

THE DISTRICT AS TRUSTEE

Reporting the District's Fiduciary Responsibilities

The District is the trustee, or *fiduciary*, 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, 2013

FINANCIAL HIGHLIGHTS

THE DISTRICT AS A WHOLE

Net Position

The District's net position was \$52,319,005 for the fiscal year ended June 30, 2013, a 1.5 percent increase over the net position for the fiscal year ended June 30, 2012. Of this amount, \$35,775,810 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 limit the Board of Education's ability to use those net position for day-to-day operations. Management's analysis below focuses on the net position (Table 1) and on the change in net position (Table 2) of the District's governmental activities:

Table 1

Net Position

	Governmental Activities		Percentage Change
	2011-2012	2012-2013	
Current and other assets	\$ 40,633,034	\$ 35,377,327	-12.9%
Capital assets	162,375,033	166,943,222	2.8%
Total Assets	203,008,067	202,320,549	-0.3%
Current liabilities	6,750,307	5,896,144	-12.7%
Long - term debt	144,705,506	144,105,400	-0.4%
Total Liabilities	151,455,813	150,001,544	-1.0%
Net Position			
Net investment in capital assets	34,649,701	35,775,810	3.2%
Restricted	7,535,161	6,185,957	-17.9%
Unrestricted	9,367,392	10,357,238	10.6%
Total Net Position	\$ 51,552,254	\$ 52,319,005	1.5%

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, 2013**

Table 2

Changes in Net Position

	Governmental Activities		Percentage Change
	2011-2012	2012-2013	
Revenues			
Program revenues			
Charges for services	\$ 693,816	\$ 718,618	3.6%
Operating grants and contributions	12,044,874	11,317,809	-6.0%
General revenues			
Federal and State unrestricted revenue sources	2,622,005	3,989,542	52.2%
Property taxes	46,814,846	50,263,078	7.4%
Other general revenues	9,562,948	8,094,158	-15.4%
Total Revenues	71,738,489	74,383,205	3.7%
Expenses			
Instruction related	48,433,812	50,093,786	3.4%
Student support services	7,136,718	7,269,571	1.9%
Administration	4,427,028	4,120,796	-6.9%
Maintenance and operations	5,234,514	5,033,535	-3.8%
Other	6,000,152	7,098,766	18.3%
Total Expenses	71,232,224	73,616,454	3.3%
Change in Net Position	\$ 506,265	\$ 766,751	51.5%

Total revenues increased 3.7 percent over the previous fiscal period to \$74,383,205. Total expenditures increased 3.3 percent over the previous period to \$73,616,454.

Governmental Activities

As reported in the *Statement of Activities* in the audited financial statements, the cost of all of our governmental activities this year was \$73.6 million. However, the amount that local taxpayers ultimately financed for these activities through local taxes was only \$61.6 million because those who benefited from the programs paid the cost (\$0.7 million) or by other governments and organizations that subsidized certain programs with grants and contributions (\$11.3 million).

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.

SUNNYVALE SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2013

Table 3

Net Cost of Governmental Activities

(Dollar amounts in millions)	Total Cost of Services			Percentage Change	Net Cost of Services		Percentage Change
	2012	2013			2012	2013	
Instruction	\$ 42.3	\$ 43.8		3.5%	\$ 35.2	\$ 36.7	4.3%
Supervision of instruction	1.6	1.7		6.2%	1.0	1.1	10.0%
Instructional library, media and technology	0.7	0.7		0.0%	0.7	0.7	0.0%
School administration	3.7	3.9		5.4%	3.6	3.7	2.8%
Pupil transportation	1.6	1.9		18.8%	1.0	1.8	80.0%
Food services	2.7	2.6		-3.7%	0.3	0.2	-33.3%
Other pupil services	2.9	2.8		-3.4%	2.0	1.9	-5.0%
Administration	4.5	4.1		-8.9%	4.2	3.9	-7.1%
Maintenance and operations	5.2	5.0		-3.8%	5.2	5.0	-3.8%
Other	6.0	7.1		18.3%	5.3	6.6	24.5%
Totals	<u>\$ 71.2</u>	<u>\$ 73.6</u>		<u>3.4%</u>	<u>\$ 58.5</u>	<u>\$ 61.6</u>	<u>5.3%</u>

THE DISTRICT'S FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of \$30.5 million and of \$12.4 million of which was in the General Fund.

General Fund Budgetary Highlights

Over the course of the year, the District revises its budget to reflect changes in revenues and expenditures. Budget revisions were approved by the Board of Education on December 13, 2012, March 7, 2013, and June 20, 2013. (A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in audited financial statements). Revisions were necessary to reflect material revenue changes as outlined below:

- Revenue limit 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.

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.

SUNNYVALE SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2013

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2013, the District had \$166.9 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
	2011-2012	2012-2013	
Land	\$ 3.8	\$ 3.8	0.0%
Building and improvements	186.8	193.3	3.5%
Equipment	3.3	3.4	3.0%
Sub total	193.9	200.5	3.4%
Accumulated depreciation	(31.5)	(33.6)	6.7%
Totals	\$ 162.4	\$ 166.9	2.8%

This year's additions of \$4.6 million, net of depreciation, included completion of several renovation and modernization projects such as Vargas Playground renovation, Lakewood Modular Site Work and Library, Columbia Neighborhood Center expansion and Sunnyvale Middle School Science Wing project.

Several capital projects will be completed in the 2013-14 year. We present information that is more detailed about our capital assets in notes to the financial statements.

SUNNYVALE SCHOOL DISTRICT

**MANAGEMENT’S DISCUSSION AND ANALYSIS
JUNE 30, 2013**

Long-Term Obligations

The District had \$144.1 million in general obligation bonds and other long-term debt outstanding at the close of the year ended June 30, 2013 (see Table 5). This amount represents a net increase of \$0.1 million from prior year. More detailed information about the District’s long-term liabilities is presented in Note 8 to the financial statements.

Table 5

Long Term Obligations

(Amounts in millions)	Governmental Activities		Percentage Change
	2011-2012	2012-2013	
General Obligation Bond	\$ 105.8	\$ 105.1	-0.7%
Capital Appreciation Bond	15.3	16.1	100.0%
Premium	3.1	3.0	-3.2%
Defeasance Cost	(0.7)	(0.6)	-14.3%
Compensated Absences	0.2	0.2	-16.7%
Net OPEB obligation	0.8	1.1	37.5%
Lease Revenue Bonds	20.2	19.2	-5.0%
Totals	\$ 144.7	\$ 144.1	-0.4%

DISCUSSION OF FISCAL YEAR 2012-2013 AND OUTLOOK FOR 2013-2014 AND BEYOND:

The Sunnyvale School District serves more than 6,700 students in grades pre-school 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 2012-2013 has exceeded the State Revenue Limit guarantees; 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 39% Hispanic, 21% white, 24% Asian, 7% Filipino, and 9% other.

SUNNYVALE SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2013

The District's mission statement is to prepare all 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

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. Sunnyvale School District has weathered the Great Recession and done so without harm or interruption to services and support of our students.

Our students continue to make remarkable progress in achievement due to the relentless work of our teachers, administrators, and support staff. During the lean years of the recession, Sunnyvale School District avoided unfortunate cuts to school programs, layoffs, unpaid furlough days, and salary reductions through the support of our community, and excellent fiscal policy and oversight by the Board of Education and the governance team.

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 2013-2014 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 is adopting the Common Core State Educational Standards. We are launching One-to-One: Technology to Support Learning, a three year plan to ensure access to all students in the new ways of receiving educational content. On November 5, our community again showed its support by approving Measure G. This new Bond Measure allows the District to support school facilities and instructional technology.

SUNNYVALE SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS JUNE 30, 2013

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 Nella Kovner, CFO / Director of Fiscal Services at Sunnyvale School District, 819 W. Iowa Avenue, Sunnyvale, California, 94086, or e-mail at nella.kovner@sesd.org.

SUNNYVALE SCHOOL DISTRICT

STATEMENT OF NET POSITION JUNE 30, 2013

	Governmental Activities
Assets	
Deposits and investments	\$ 29,663,780
Receivables	4,451,195
Stores inventories	163,872
Deferred charges	1,098,480
Capital assets, not depreciated	110,319,915
Capital assets, net of accumulated depreciation	<u>56,623,307</u>
Total Assets	<u>202,320,549</u>
Liabilities	
Overdrafts	3,800
Accounts payable	3,422,923
Interest payable	2,077,013
Deferred revenue	392,408
Current portion of long-term obligations	1,843,752
Noncurrent portion of long-term obligations	<u>142,261,648</u>
Total Liabilities	<u>150,001,544</u>
Net Position	
Net investment in capital assets	35,775,810
Restricted	
Debt service	3,717,032
Capital projects	1,444,703
Child nutrition services	290,226
Legally restricted	733,996
Unrestricted	<u>10,357,238</u>
Total Net Position	<u>\$ 52,319,005</u>

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

SUNNYVALE SCHOOL DISTRICT

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013**

Functions/Programs	Expenses	Program Revenues		Net (Expenses)
		Charges for Services and Sales	Operating Grants and Contributions	Revenues and Changes In Net Position
				Governmental Activities
Governmental Activities:				
Instruction	\$ 43,782,009	\$ 17,465	\$ 7,071,878	\$ (36,692,666)
Instruction related activities:				
Supervision of instruction	1,723,489	1,945	671,318	(1,050,226)
Instructional library, media and technology	726,167	-	44,725	(681,442)
School site administration	3,862,121	1,994	131,576	(3,728,551)
Pupil services:				
Home-to-school transportation	1,854,502	11,024	19,036	(1,824,442)
Food services	2,641,864	650,506	1,833,663	(157,695)
All other pupil services	2,773,205	29,012	836,122	(1,908,071)
General administration:				
Data processing	690,995	-	-	(690,995)
All other general administration	3,429,801	-	171,107	(3,258,694)
Plant services	5,033,535	-	-	(5,033,535)
Interest on long-term obligations	6,865,291	-	-	(6,865,291)
Other outgo	233,475	6,672	538,384	311,581
Total Governmental-type Activities	\$ 73,616,454	\$ 718,618	\$ 11,317,809	(61,580,027)
General revenues and subvention				
Property taxes, levied for general purposes				42,003,779
Property taxes, levied for debt service				7,213,078
Taxes levied for other specific purposes				1,046,221
Federal and State aid not restricted to specific purposes				3,989,542
Interest and investment earnings				150,278
Miscellaneous				7,943,880
Subtotal, General Revenues				62,346,778
Change in Net Position				766,751
Net Position - Beginning				51,552,254
Net Position - Ending				\$ 52,319,005

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

SUNNYVALE SCHOOL DISTRICT

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2013

	General Fund	Building Fund	Bond Interest and Redemption Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets					
Deposits and investments	\$ 10,100,764	\$ 13,355,336	\$ 4,693,529	\$ 1,514,151	\$ 29,663,780
Receivables	4,074,188	297,952	2,036	77,019	4,451,195
Due from other funds	-	-	-	281,633	281,633
Stores inventories	92,291	-	-	71,581	163,872
Total Assets	\$ 14,267,243	\$ 13,653,288	\$ 4,695,565	\$ 1,944,384	\$ 34,560,480
LIABILITIES AND FUND BALANCES					
Liabilities					
Overdrafts	\$ -	\$ -	\$ -	\$ 3,800	\$ 3,800
Accounts payable	1,313,776	2,061,162	-	47,985	3,422,923
Due to other funds	164,975	-	-	116,658	281,633
Deferred revenue	392,408	-	-	-	392,408
Total Liabilities	1,871,159	2,061,162	-	168,443	4,100,764
Fund Balances					
Nonspendable	118,291	-	-	71,881	190,172
Restricted	733,996	11,592,126	4,695,565	1,663,048	18,684,735
Assigned	-	-	-	41,012	41,012
Unassigned	11,543,797	-	-	-	11,543,797
Total Fund Balances	12,396,084	11,592,126	4,695,565	1,775,941	30,459,716
Total Liabilities and Fund Balances	\$ 14,267,243	\$ 13,653,288	\$ 4,695,565	\$ 1,944,384	\$ 34,560,480

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

SUNNYVALE SCHOOL DISTRICT

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2013**

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

Total Fund Balance - Governmental Funds		\$ 30,459,716
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	\$ 200,506,868	
Accumulated depreciation is	<u>(33,563,646)</u>	166,943,222
Expenditures relating to issuance of debt are expensed in the governmental funds, but are capitalized in the statement of Net Position and amortized over the life of the bond.		1,098,480
Interest accrual is not recognized in the governmental funds but is reported as a liability on the Statement of Net Position.		(2,077,013)
Long-term obligations at year end consist of:		
General obligation bonds, related premiums and defeasance costs	123,604,538	
Lease revenue bonds	19,155,000	
Net OPEB obligation	1,064,664	
Compensated absences (vacations)	<u>281,198</u>	<u>(144,105,400)</u>
Total Net Position - Governmental Activities		\$ <u>52,319,005</u>

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

SUNNYVALE SCHOOL DISTRICT

**STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2013**

	General Fund	Building Fund	Bond Interest and Redemption Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES					
Revenue limit sources	\$ 43,254,917	\$ -	\$ -	\$ -	\$ 43,254,917
Federal sources	2,641,056	-	-	1,795,789	4,436,845
Other state sources	6,592,143	-	28,613	378,626	6,999,382
Other local sources	10,154,927	216,794	7,244,491	2,075,849	19,692,061
Total Revenues	62,643,043	216,794	7,273,104	4,250,264	74,383,205
EXPENDITURES					
Current					
Instruction	41,945,801	-	-	270,880	42,216,681
Instruction related activities:					
Supervision of instruction	1,631,405	-	-	30,163	1,661,568
Instructional library, media & technology	700,078	-	-	-	700,078
School site administration	3,692,442	-	-	30,922	3,723,364
Pupil services:					
Home-to school transportation	1,787,874	-	-	-	1,787,874
Food services	-	-	-	2,546,948	2,546,948
All other pupil services	2,673,570	-	-	-	2,673,570
General administration:					
Data processing	666,170	-	-	-	666,170
All other general administration	3,192,982	-	-	113,594	3,306,576
Plant services	4,764,398	97,336	-	124,461	4,986,195
Facility acquisition and construction	-	6,455,721	-	67,055	6,522,776
Other outgo	233,475	-	-	-	233,475
Debt service					
Principal	-	-	1,710,000	-	1,710,000
Interest and other	-	-	5,870,487	-	5,870,487
Total Expenditures	61,288,195	6,553,057	7,580,487	3,184,023	78,605,762
Revenues Over (Under) Expenditures	1,354,848	(6,336,263)	(307,383)	1,066,241	(4,222,557)
Other Financing Sources (Uses)					
Transfers in	-	2,000,000	-	68,785	2,068,785
Transfers out	(68,785)	-	-	(2,000,000)	(2,068,785)
Net Financing Sources (Uses)	(68,785)	2,000,000	-	(1,931,215)	-
NET CHANGE IN					
FUND BALANCES	1,286,063	(4,336,263)	(307,383)	(864,974)	(4,222,557)
Fund Balance - Beginning	11,110,021	15,928,389	5,002,948	2,640,915	34,682,273
Fund Balance - Ending	\$ 12,396,084	\$ 11,592,126	\$ 4,695,565	\$ 1,775,941	\$ 30,459,716

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 FOR THE YEAR ENDED JUNE 30, 2013

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

Total Net Change in Fund Balances - Governmental Funds \$ (4,222,557)

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	\$ 6,661,254	
Depreciation expense	<u>(2,093,065)</u>	4,568,189

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. (45,816)

Bond premium and defeasance costs were recorded on the governmental Statement of Revenues, Expenditures and Changes in Fund Balance, but are deferred on the Statement of Net Position, and amortized over the life of the bonds. 68,986

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. 635,000

Repayment of lease revenue 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. 1,075,000

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

SUNNYVALE SCHOOL DISTRICT

**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2013**

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.	(884,803)
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.	(178,987)
In the statement of activities, the unfunded annual contribution (ARC) is recognized as an expense, but is not recognized on the governmental funds.	(248,261)
Change in Net Position of Governmental Activities	<u><u>\$ 766,751</u></u>

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

SUNNYVALE SCHOOL DISTRICT

**FIDUCIARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2013**

	Agency Funds
ASSETS	
Cash and cash equivalents	\$ 172,088
Total assets	<u>\$ 172,088</u>
LIABILITIES	
Due to student groups	\$ 172,088
Total liabilities	<u>\$ 172,088</u>

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

SUNNYVALE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013

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 governmental funds:

Major Governmental Funds

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

Fund 17, Special Reserve Fund for Other Than Capital Outlay Projects is currently defined as a special revenue fund in the California State Accounting Manual (CSAM) that does not meet the GASB Statement No. 54 special revenue fund definition; not being substantially composed of restricted or committed revenue sources. While this fund is authorized by statute and will remain open for internal reporting purposes, this fund functions effectively as extensions of the General Fund, and accordingly has been combined with the General Fund for presentation in these audited financial statements. As a result, the General Fund reflects an increase in assets, liabilities, fund balance, and revenues of \$8,805,589, \$62,637, \$8,742,952, and \$29,839, 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, 2013

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

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

Nonmajor Governmental Funds

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

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

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

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

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

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.).

SUNNYVALE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

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

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

Basis of Accounting - Measurement Focus

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

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

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

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

Governmental Funds All governmental funds are accounted for using a flow of current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The statement of revenues, expenditures, and changes in fund balance 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.

SUNNYVALE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

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.

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

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

Deferred Revenue Deferred 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 deferred revenue is removed from the balance sheet and revenue is recognized.

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, 2013, 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, 2013

Prepaid Expenditures

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

Stores Inventories

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

Capital Assets and Depreciation

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

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

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

Interfund Balances

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

Compensated Absences

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

SUNNYVALE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

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

Accrued Liabilities and Long-Term Obligations

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

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

Deferred Issuance Costs, Premiums and Discounts, Deferred Amounts on Refunding

In the government-wide financial statements, long-term obligations are reported as liabilities in the applicable governmental activities Statement of Net Position. Bond premiums and discounts, deferred amounts on refunding, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method.

SUNNYVALE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013

Fund Balances – Governmental Funds

As of June 30, 2013, 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.

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.

SUNNYVALE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013

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. For budget purposes, on behalf payments have not been included as revenue and expenditures as required under generally accepted accounting principles.

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

In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This Statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities.

Concepts Statement No. 4, *Elements of Financial Statements*, introduced and defined the elements included in financial statements, including deferred outflows of resources and deferred inflows of resources. In addition, Concepts Statement 4 provides that reporting a deferred outflow of resources or a deferred inflow of resources should be limited to those instances identified by the Board in authoritative pronouncements that are established after applicable due process. Prior to the issuance of this Statement, only two such pronouncements have been issued. Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, requires the reporting of a deferred outflow of resources or a deferred inflow of resources for the changes in fair value of hedging derivative instruments, and Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, requires a deferred inflow of resources to be reported by a transferor government in a qualifying service concession arrangement. This Statement amends the financial statement element classification of certain items previously reported as assets and liabilities to be consistent with the definitions in Concepts Statement 4. This Statement also provides other financial reporting guidance related to the impact of the financial statement

SUNNYVALE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term *deferred* in financial statement presentations.

The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012. Early implementation is encouraged.

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and inter-period equity, and creating additional transparency.

This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers*, as well as the requirements of Statement No. 50, *Pension Disclosures*, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 27 and 50 remain applicable for pensions that are not covered by the scope of this Statement.

The scope of this Statement addresses accounting and financial reporting for pensions that are provided to the employees of state and local governmental employers through pension plans that are administered through trusts that have the following characteristics:

- Contributions from employers and non-employer contributing entities to the pension plan and earnings on those contributions are irrevocable.
- Pension plan assets are dedicated to providing pensions to plan members in accordance with the benefit terms.
- Pension plan assets are legally protected from the creditors of employers, non-employer contributing entities, and the pension plan administrator. If the plan is a defined benefit pension plan, plan assets also are legally protected from creditors of the plan members.

This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

Note disclosure and required supplementary information requirements about pensions also are addressed. Distinctions are made regarding the particular requirements for employers based on the number of employers whose employees are provided with pensions through the pension plan and whether pension obligations and pension plan assets are shared. Employers are classified in one of the following categories for purposes of this Statement:

- Single employers are those whose employees are provided with defined benefit pensions through single-employer pension plans—pension plans in which pensions are provided to the employees of only one employer (as defined in this Statement).

SUNNYVALE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013

- Agent employers are those whose employees are provided with defined benefit pensions through agent multiple-employer pension plans—pension plans in which plan assets are pooled for investment purposes but separate accounts are maintained for each individual employer so that each employer’s share of the pooled assets is legally available to pay the benefits of only its employees.
- Cost-sharing employers are those whose employees are provided with defined benefit pensions through cost-sharing multiple-employer pension plans—pension plans in which the pension obligations to the employees of more than one employer are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pensions through the pension plan.

In addition, this Statement details the recognition and disclosure requirements for employers with liabilities (payables) to a defined benefit pension plan and for employers whose employees are provided with defined contribution pensions. This Statement also addresses circumstances in which a non-employer entity has a legal requirement to make contributions directly to a pension plan.

This Statement is effective for fiscal years beginning after June 15, 2014. Early implementation is encouraged.

SUNNYVALE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013

NOTE 2 – DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2013, are classified in the accompanying financial statements as follows:

Governmental funds	\$ 29,663,780
Fiduciary funds	172,088
Total Deposits and Investments	<u>\$ 29,835,868</u>

Deposits and investments as of June 30, 2013, consist of the following:

Cash on hand and in banks	\$ 473,586
Revolving cash	26,300
U.S. Treasuries	498,352
Investment in county pool	28,837,630
Total Deposits and Investments	<u>\$ 29,835,868</u>

Policies and Practices

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

Investment in County Treasury

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

SUNNYVALE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013

General Authorizations

Limitations as they relate to interest rate risk and concentration of credit risk are indicated in the schedules below:

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

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rate. The District manages its exposure to interest rate risk by depositing substantially all of its funds in the County Treasury pool. The fair value of the deposits with the County Treasurer at June 30, 2013, was \$28,862,084 and the weighted average maturity of the pool less than one year.

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measure by the assignment of a rating by a nationally recognized statistical rating organization. The District's investments in the county pool are not rated, as of June 30, 2013. U.S. Treasuries are exempt from this disclosure.

SUNNYVALE SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

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, 2013, consisted of intergovernmental grants, entitlements, interest, and other local sources. All receivables are considered collectible in full.

	General	Building	Bond Interest and Redemption	Nonmajor Funds	Total
Federal Government					
Categorical aid	\$ 592,138	\$ -	\$ -	\$ 70,619	\$ 662,757
State Government					
Categorical aid	2,947,002	-	-	5,468	2,952,470
Lottery	517,329	-	-	-	517,329
Local Government					
Interest	15,303	13,177	2,036	932	31,448
Other Local Sources	2,416	284,775	-	-	287,191
Total	<u>\$ 4,074,188</u>	<u>\$ 297,952</u>	<u>\$ 2,036</u>	<u>\$ 77,019</u>	<u>\$ 4,451,195</u>

SUNNYVALE SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2013, was as follows:

	Balance July 1, 2012	Additions	Balance June 30, 2013
Governmental Activities			
Capital Assets Not Being Depreciated			
Land	\$ 3,814,433	\$ -	\$ 3,814,433
Construction in progress			
Land improvements	27,522,802	1,366,462	28,889,264
Buildings	72,459,905	5,156,313	77,616,218
Total Capital Assets Not Being Depreciated	<u>103,797,140</u>	<u>6,522,775</u>	<u>110,319,915</u>
Capital Assets Being Depreciated			
Land improvements	6,232,389	-	6,232,389
Buildings	80,554,385	-	80,554,385
Vehicles	682,353	54,140	736,493
Furniture and equipment	2,579,347	84,339	2,663,686
Total Capital Assets Being Depreciated	<u>90,048,474</u>	<u>138,479</u>	<u>90,186,953</u>
Total Capital Assets	<u>193,845,614</u>	<u>6,661,254</u>	<u>200,506,868</u>
Less Accumulated Depreciation			
Land improvements	1,709,968	254,171	1,964,139
Buildings	27,693,374	1,654,697	29,348,071
Vehicles	628,159	21,701	649,860
Furniture and equipment	1,439,080	162,496	1,601,576
Total Accumulated Depreciation	<u>31,470,581</u>	<u>2,093,065</u>	<u>33,563,646</u>
Governmental Activities Capital Assets, Net	<u>\$ 162,375,033</u>	<u>\$ 4,568,189</u>	<u>\$ 166,943,222</u>

SUNNYVALE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013

Depreciation expense was charged as a direct expense to governmental functions in the statement of activities as follows:

Instruction	\$ 1,358,391
Supervision of instruction	55,355
Instructional library, media, and technology	23,323
School site administration	124,044
Home-to-school transportation	59,563
Food services	84,852
All other pupil services	89,070
All other general administration	110,159
Data processing	22,193
Plant services	166,115
Total Depreciation Expense - Governmental Activities	<u><u>\$ 2,093,065</u></u>

SUNNYVALE SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 5 – INTERFUND TRANSACTIONS

Interfund Receivables/Payables (Due From/Due To)

Interfund receivable and payable balances at June 30, 2013, between major and nonmajor governmental funds are as follows:

		<u>Due From Nonmajor Governmental Funds</u>
Due To	General Fund	\$ 164,975
	Nonmajor Governmental Funds	116,658
	Total	<u>\$ 281,633</u>

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

Operating Transfers

Interfund transfers for the year ended June 30, 2013, are as follows:

Transfer Out	Transfer In		
	Building Fund	Nonmajor Governmental Funds	Total
General Fund	\$ -	\$ 68,785	\$ 68,785
Nonmajor Governmental Funds	2,000,000	-	2,000,000
Total	<u>\$ 2,000,000</u>	<u>\$ 68,785</u>	<u>\$ 2,068,785</u>

The General Fund transferred to the Child Development Fund to support the child development program.	\$ 68,785
The Capital Facilities Fund transferred to the Building Fund for reimbursement of capital expenditures.	<u>2,000,000</u>
Total interfund transfers	<u>\$ 2,068,785</u>

SUNNYVALE SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 6 – ACCOUNTS PAYABLE

Accounts payable at June 30, 2013, consisted of the following:

	General Fund	Building Fund	Nonmajor Governmental Funds	Total Governmental Funds
Vendor payables	\$ 684,137	\$ 2,061,162	\$ 47,985	\$ 2,793,284
State apportionment	330,385	-	-	330,385
Salaries and benefits	299,254	-	-	299,254
Total Accounts Payable	<u>\$ 1,313,776</u>	<u>\$ 2,061,162</u>	<u>\$ 47,985</u>	<u>\$ 3,422,923</u>

NOTE 7 – DEFERRED REVENUE

Deferred revenue at June 30, 2013, consists of the following:

	General Fund
Federal Financial Assistance	\$ 51,001
Other Local	341,407
Total Deferred Revenue	<u>\$ 392,408</u>

SUNNYVALE SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 8 – LONG-TERM OBLIGATIONS

Summary

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

	Balance July 1, 2012	Accreted/ Additions	Deductions	Balance June 30, 2013	Due in One Year
General obligation bonds					
Current interest bonds	\$ 105,750,000	\$ -	\$ 635,000	\$ 105,115,000	\$ 550,000
Capital appreciation bonds	15,252,002	884,803	-	16,136,805	-
Premium	3,117,733	-	147,026	2,970,707	147,026
Defeasance cost	(696,014)	-	(78,040)	(617,974)	(63,274)
Compensated absences	235,382	45,816	-	281,198	-
Net OPEB obligation	816,403	835,018	586,757	1,064,664	-
Lease revenue bonds	20,230,000	-	1,075,000	19,155,000	1,210,000
	<u>\$ 144,705,506</u>	<u>\$ 1,765,637</u>	<u>\$ 2,365,743</u>	<u>\$ 144,105,400</u>	<u>\$ 1,843,752</u>

Payments on the general obligation bonds and lease revenue 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 obligations are paid by the fund for which the employee worked.

Bonded Debt

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2012	Issued / Accreted	Defeased/ Redeemed	Bonds Outstanding June 30, 2013
General Obligation Bonds							
2004A	9/1/29	3.00-6.00%	\$ 35,000,000	\$ 32,430,000	\$ -	\$ 50,000	\$ 32,380,000
2007B	9/1/31	4.00-4.50%	30,000,000	28,395,000	-	35,000	28,360,000
2010C	9/1/34	4.25-4.50%	35,000,000	35,000,000	-	-	35,000,000
2012 Refunding	9/1/20	3.00-5.00%	4,925,000	4,925,000	-	550,000	4,375,000
2012D	9/1/42	4.00%	5,000,000	5,000,000	-	-	5,000,000
Subtotal				105,750,000	-	635,000	105,115,000
Capital Appreciation Bonds							
2012D	9/1/42	3.00-11.00%	14,767,843	15,252,002	884,803	-	16,136,805
				<u>\$ 121,002,002</u>	<u>\$ 884,803</u>	<u>\$ 635,000</u>	<u>\$ 121,251,805</u>

SUNNYVALE SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

Debt Service Requirements to Maturity

The bonds mature through 2044 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2014	\$ 550,000	\$ 5,208,976	\$ 5,758,976
2015	575,000	4,998,532	5,573,532
2016	895,000	4,971,626	5,866,626
2017	1,265,000	4,928,470	6,193,470
2018	1,685,000	4,869,470	6,554,470
2019-2023	15,655,000	22,630,761	38,285,761
2024-2028	25,355,000	17,688,198	43,043,198
2029-2033	36,635,000	10,165,350	46,800,350
2034-2038	24,058,097	22,734,402	46,792,499
2039-2044	13,440,565	33,294,435	46,735,000
Subtotal	<u>120,113,662</u>	<u>\$ 131,490,220</u>	<u>\$ 251,603,882</u>
Accretion to date	1,138,143		
Subtotal	121,251,805		
Unamortized premium	2,970,707		
Unamortized defeasance cost	(617,974)		
Net general obligation bonds	<u>\$ 123,604,538</u>		

Lease Revenue Bonds

On November 1, 2005, the District issued \$22,660,000 of lease revenue bonds. Interest rates range from 3.0 percent to 4.5 percent. At June 30, 2013, the principal outstanding balance was \$19,155,000. The bonds were issued to pay off capital leases and general obligation bonds. The bonds mature through 2024 as follows:

Year Ending June 30,	Principal	Interest	Total
2014	\$ 1,210,000	\$ 796,468	\$ 2,006,468
2015	1,305,000	742,906	2,047,906
2016	1,415,000	685,244	2,100,244
2017	1,525,000	626,444	2,151,444
2018	1,645,000	563,044	2,208,044
2019-2023	11,690,000	1,536,667	13,226,667
2024	365,000	8,213	373,213
	<u>\$ 19,155,000</u>	<u>\$ 4,958,986</u>	<u>\$ 24,113,986</u>

SUNNYVALE SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

Accumulated Unpaid Employee Vacation

The long-term portion of accumulated unpaid employee vacation for the District at June 30, 2013, amounted to \$281,198.

Other Postemployment Benefit (OPEB) Obligation

The District's annual required contribution for the year ended June 30, 2013, was \$847,306, and contributions made by the District during the year were \$586,757. Interest on the net OPEB obligation and adjustments to the annual required contribution were \$40,820 and (\$53,108), respectively, which resulted in an increase to the net OPEB obligation of \$248,261. As of June 30, 2013, the net OPEB obligation was \$1,064,664. See Note 11 for additional information regarding the OPEB obligation and the postemployment benefits plan.

NOTE 9 – 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
Nonspendable					
Revolving cash	\$ 26,000	\$ -	\$ -	\$ 300	\$ 26,300
Stores inventories	92,291	-	-	71,581	163,872
Total Nonspendable	118,291	-	-	71,881	190,172
Restricted					
Legally restricted programs	733,996	-	-	218,345	952,341
Capital projects	-	11,592,126	-	1,444,703	13,036,829
Debt services	-	-	4,695,565	-	4,695,565
Total Restricted	733,996	11,592,126	4,695,565	1,663,048	18,684,735
Assigned					
Deferred maintenance	-	-	-	41,012	41,012
Unassigned					
Reserve for economic uncertainties	8,742,952	-	-	-	8,742,952
Remaining unassigned	2,800,845	-	-	-	2,800,845
Total Unassigned	11,543,797	-	-	-	11,543,797
Total Fund Balance	\$ 12,396,084	\$ 11,592,126	\$ 4,695,565	\$ 1,775,941	\$ 30,459,716

SUNNYVALE SCHOOL DISTRICT

**NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2013**

NOTE 10 - LEASE REVENUES

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

Year Ending June 30,	Lease Revenue
2014	\$ 3,883,752
2015	3,883,752
2016	3,893,748
2017	3,893,748
2018	3,893,748
2019-2021	8,614,905
Total	<u>\$ 28,063,653</u>

NOTE 11 - 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 49 retirees and 628 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 2012-13, the District contributed \$586,757 to the plan, all of which was used for current premiums (approximately 70 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, 2013**

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	\$ 847,306
Interest on net OPEB obligation	40,820
Adjustment to annual required contribution	(53,108)
Annual OPEB costs	<u>835,018</u>
Contributions made	<u>(586,757)</u>
Increase in net OPEB obligation	248,261
Net OPEB obligation, beginning of year	816,403
Net OPEB obligation, end of year	<u><u>\$ 1,064,664</u></u>

Trend Information

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

Year Ended June 30,	Annual OPEB Costs	Actual Contribution	Percentage Contributed	Net OPEB Obligation
2013	\$ 835,018	\$ 586,757	70%	\$ 1,064,664
2012	840,638	467,275	56%	816,403
2011	912,943	673,217	74%	443,040

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, 2011, the most recent actuarial valuation date, the plan has not been funded. The actuarial accrued liability for benefits was \$6,693,047, and the actuarial value of assets was zero, resulting in an UAAL of \$6,693,047. The covered payroll (annual payroll of active employees covered by the plan) was \$38,884,465 and the ratio of the UAAL to the covered payroll was 17.21 percent.

SUNNYVALE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2013

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.

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, 2011, actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a five 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 five percent. The UAAL is being amortized at a level percentage of payroll method. The remaining amortization period at July 1, 2011, was 30 years on an open period method.

NOTE 12 - 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.

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, 2013, the District contracted with Santa Clara County Schools Insurance Group for property and liability insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

SUNNYVALE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013

Workers' Compensation

For fiscal year 2013, the District participated in the Santa Clara County Schools' Insurance Group (SCCSIG), an insurance purchasing pool. The intent of the SCCSIG is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the SCCSIG. 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 SCCSIG. 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 SCCSIG. Participation in the SCCSIG is limited to districts that can meet the SCCSIG selection criteria.

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

Company Name	Type of Coverage	Limits
Santa Clara County Schools' Insurance Group	Workers' Compensation	\$ 1,000,000
ASCIP JPA	General Liability	5,000,000
ASCIP JPA	Property	500,000,000

NOTE 13 – EMPLOYEE RETIREMENT SYSTEMS

Qualified employees are covered under multiple-employer retirement plans maintained by agencies of the State of California. Certificated employees are members of the California State Teachers' Retirement System (CalSTRS) and classified employees are members of the California Public Employees' Retirement System (CalPERS).

CalSTRS

Plan Description

The District contributes to the California State Teachers' Retirement System (CalSTRS); a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalSTRS. The plan provides retirement and disability benefits, annual cost-of-living adjustments and survivor benefits to beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law. CalSTRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalSTRS annual financial report may be obtained from CalSTRS, 100 Waterfront Place, West Sacramento, CA 95605.

SUNNYVALE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013

Funding Policy

Active plan members are required to contribute 8.0 percent of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by CalSTRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2012-2013 was 8.25 percent of annual payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to CalSTRS for the fiscal years ending June 30, 2013, 2012 and 2011, were \$2,539,801, \$2,230,757, and \$2,258,663, respectively, and equal 100 percent of the required contributions for each year.

CalPERS

Plan Description

The District contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS); a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and survivor benefits to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Laws. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95811.

Funding Policy

Active plan members are required to contribute 7.0 percent of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rate for fiscal year 2012-2013, 2011-2012 and 2010-2011 were 11.417, 10.707, and 9.709 percent of covered payroll, respectively. The contribution requirements of the plan members are established by State statute. The District's contributions to CalPERS for the fiscal years ending June 30, 2013, 2012 and 2011, were \$1,169,818, 1,096,057, and \$1,060,531, respectively, and equals 100 percent of the required contributions for each year.

Social Security

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. The District has elected to use Social Security as its alternative plan.

SUNNYVALE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013

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, 2013, 2012 and 2011 in the amount of \$1,442,507, \$1,328,913, and \$1,189,289, respectively. Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on-behalf contribution rate for CalPERS. 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.

NOTE 14 - 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, 2013.

SUNNYVALE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS JUNE 30, 2013

Construction Commitments

As of June 30, 2013, the District had the following commitments with respect to the unfinished capital projects:

	Remaining Construction Commitment	Expected Date of Completion
Cherry Chase	\$ 621,368	November, 2013
Cumberland Infrastructure Project	253,145	December, 2013
Columbia Playground Renovation Project	46,304	December, 2013
Fairwood Portable Project	630,000	December, 2013
San Miguel Infrastructure Project	2,011,687	December, 2013
Total outstanding construction commitments	<u>\$ 3,562,504</u>	

NOTE 15 - 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, 2013, the District made payments of \$358,169 to the Santa Clara County Schools' Insurance Group and \$1,284,969 to the Silicon Valley Transportation Authority.

REQUIRED SUPPLEMENTARY INFORMATION

SUNNYVALE SCHOOL DISTRICT

**GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2013**

	Budgeted Amounts			Variances -
	Original	Final	Actual ¹	Favorable (Unfavorable) Final to Actual
REVENUES				
Revenue limit sources	\$ 40,545,879	\$ 43,453,402	\$ 41,812,410	\$ (1,640,992)
Federal sources	2,553,701	2,644,551	2,641,056	(3,495)
Other state sources	4,406,415	4,893,207	6,592,143	1,698,936
Other local sources	10,453,153	10,080,786	10,125,088	44,302
Total Revenues¹	57,959,148	61,071,946	61,170,697	98,751
EXPENDITURES				
Current				
Certificated salaries	27,163,817	27,706,634	27,959,056	(252,422)
Classified salaries	9,607,476	9,610,347	9,619,069	(8,722)
Employee benefits	12,057,407	11,913,849	11,986,289	(72,440)
Books and supplies	1,563,116	1,829,933	1,999,725	(169,792)
Services and operating expenditures	8,674,982	8,330,501	8,006,990	323,511
Other outgo	123,340	109,734	233,475	(123,741)
Capital outlay	-	41,434	41,084	350
Total Expenditures¹	59,190,138	59,542,432	59,845,688	(303,256)
Change in Fund Balance	(1,230,990)	1,529,514	1,325,009	(204,505)
Other Financing Sources (Uses)				
Transfers in	40,000	60,000	-	(60,000)
Transfers out	(60,183)	(76,750)	(6,148)	70,602
NET CHANGE IN FUND BALANCES	(1,251,173)	1,512,764	1,318,861	(193,903)
Fund Balance - Beginning	2,334,271	2,334,271	2,334,271	-
Fund Balance - Ending	\$ 1,083,098	\$ 3,847,035	3,653,132	\$ (193,903)
Special Reserve Fund			8,742,952	
Fund Balance - Ending on GAAP Basis			\$ 12,396,084	

¹ On behalf payments of \$1,442,507 are not included in the actual revenues and expenditures. In addition, the Special Reserve Fund for Other than Capital Outlay has been excluded from the revenues and expenditures.

SUNNYVALE SCHOOL DISTRICT

**SCHEDULE OF OTHER POSTEMPLOYMENT BENEFITS (OPEB) FUNDING
PROGRESS
FOR THE YEAR ENDED JUNE 30, 2013**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) - Projected Unit Credit(b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b - a] / c)
July 2, 2011	\$ -	\$ 6,693,047	\$ 6,693,047	0%	\$ 38,884,465	17.21%
July 1, 2009	-	7,741,116	7,741,116	0%	38,474,621	20.12%

SUPPLEMENTARY INFORMATION

SUNNYVALE SCHOOL DISTRICT

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013**

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Pass-through Identifying Number	Federal Expenditures
U.S. DEPARTMENT OF EDUCATION			
Passed through California Department of Education:			
No Child Left Behind Act			
Title I, Part A - Basic Grants Low-Income and Neglected	84.010	14981	\$ 651,176
Title I, Part A - Program Improvement	84.010	14955	96,603
Title II, Part A - Improving Teacher Quality	84.367	14341	162,160
Title III - Limited English Proficient Student Program	84.365	14346	317,994
Individuals with Disabilities Education Act			
Basic Local Assistance Entitlement, Part B, Section 611	84.027	13379	1,034,055
Local Assistance, Part B, Sec 611, Private School ISPs	84.027	10115	4,410
Preschool Grants, Part B, Section 619	84.173	13430	65,898
Preschool Grants, Part B, Sec 619	84.027A	13682	186,055
Preschool Staff Development, Part B, Sec 619	84.173A	13431	557
Total U.S. Department of Education			<u><u>2,518,908</u></u>
U.S. DEPARTMENT OF AGRICULTURE			
Passed through California Department of Education			
Child Nutrition Act			
Basic School Breakfast	10.553	13390	53,319
Especially Needy School Breakfast	10.553	13526	365,085
National School Lunch Program	10.555	13391	1,251,539
Child and Adult Care food Program	10.558	13666	125,846
Commodity Supplemental Food Program	10.565	13391	85,408
Total U.S. Department of Agriculture			<u><u>1,881,197</u></u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through California Department of Health Care Services:			
Medi-Cal Billing	93.778	10013	122,148
Total Expenditures of Federal Awards			<u><u>\$ 4,522,253</u></u>

See accompanying note to supplementary information.

SUNNYVALE SCHOOL DISTRICT

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE JUNE 30, 2013

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>
Jeff Arnett	President	2014
Reid Myers	Vice President	2016
Sandy Agbayani	Clerk	2014
Anita Herrman	Member	2014
Nancy Newkirk	Member	2016

ADMINISTRATION

<u>NAME</u>	<u>TITLE</u>
Benjamin H. Picard, Ed. D	Superintendent
Claire Castagna	Assistant Superintendent
Tasha Dean, Ph.D	Director, Special Education/Pupil Personnel
Michael Gallagher	Assistant Superintendent of Human Resources
Nella Kovner	Chief Financial Officer Director of Fiscal Services
Rob Williams	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, 2013

	Amended Second Period Report	Amended Annual Report
ELEMENTARY		
Kindergarten	799	801
First through third	2,365	2,360
Fourth through sixth	1,967	1,962
Seventh and eighth	1,174	1,167
Home and hospital	-	1
Special education	221	222
Total Elementary	<u>6,526</u>	<u>6,513</u>

See accompanying note to supplementary information.

SUNNYVALE SCHOOL DISTRICT

**SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2013**

Grade Level	1982-83	Reduced	1986-87	Reduced	2012-13	<u>Number of Days</u>	Status
	Actual	1982-83	Minutes	1986-87	Actual	Traditional	
	Minutes	Minutes	Requirement	Requirement	Minutes	Calendar	
Kindergarten	31,020	30,158	36,000	35,000	51,740	181	In Compliance
Grade 1	50,400	49,000	50,400	49,000	51,585	181	In Compliance
Grade 2	50,400	49,000	50,400	49,000	51,585	181	In Compliance
Grade 3	50,400	49,000	50,400	49,000	51,585	181	In Compliance
Grade 4	50,040	48,650	54,000	52,500	55,365	181	In Compliance
Grade 5	50,040	48,650	54,000	52,500	55,365	181	In Compliance
Grade 6	50,040	48,650	54,000	52,500	61,436	181	In Compliance
Grade 7	56,412	54,845	54,000	52,500	61,436	181	In Compliance
Grade 8	56,412	54,845	54,000	52,500	61,471	181	In Compliance

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, 2013**

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

See accompanying note to supplementary information.

SUNNYVALE SCHOOL DISTRICT

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2013

	2014 ¹	2013	2012	2011
GENERAL FUND				
Revenues	\$ 62,841,764	\$ 61,170,697	\$ 57,503,732	\$ 57,052,397
Other sources and transfers in	-	-	-	30,297
Total Revenues and Other Sources	62,841,764	61,170,697	57,503,732	57,082,694
Expenditures	62,615,756	59,845,688	58,096,586	59,224,961
Other uses and transfers out	68,750	6,148	64,771	-
Total Expenditures and Other Uses	62,684,506	59,851,836	58,161,357	59,224,961
CHANGE IN FUND BALANCE	\$ 157,258	\$ 1,318,861	\$ (657,625)	\$ (2,142,267)
ENDING FUND BALANCE	\$ 3,810,390	\$ 3,653,132	\$ 2,334,271	\$ 2,991,896
AVAILABLE RESERVES ²	\$ 11,850,124	\$ 11,543,797	\$ 10,254,409	\$ 11,101,738
AVAILABLE RESERVES AS A PERCENTAGE OF TOTAL OUTGO ³	18.90%	19.29%	17.63%	18.75%
LONG-TERM OBLIGATIONS	\$ 142,261,648	\$ 144,105,400	\$ 144,705,506	\$ 125,695,215
AVERAGE DAILY ATTENDANCE AT P-2	6,794	6,526	6,421	6,298

The General Fund balance has increased by \$661,236 over the past two years. The fiscal year 2013-14 budget projects an increase of \$157,258. 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 deficits in two of the past three years, but anticipates an operating surplus during the 2013-14 fiscal year. Total long-term obligations have increased by \$18,410,185 over the prior two years.

Average daily attendance has increased by 228 over the preceding two years. An increase of 268 ADA is anticipated during fiscal year 2013-14.

¹ Budget 2014 is included for analytical purposes only and has not been subjected to audit.

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

³ On-behalf payments of \$1,442,507, \$1,328,913, and \$1,189,289, are excluded from actual revenue and expenditures amounts.

See accompanying note to supplementary information.

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SUNNYVALE SCHOOL DISTRICT

**NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2013**

	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund
Assets			
Deposits and investments	\$ -	\$ 300,937	\$ 40,972
Receivables	15	76,109	40
Due from other funds	3,785	3,012	-
Stores inventories	-	71,581	-
Total Assets	\$ 3,800	\$ 451,639	\$ 41,012
LIABILITIES AND FUND BALANCES			
Liabilities			
Overdrafts	\$ 3,800	\$ -	\$ -
Accounts payable	-	44,755	-
Due to other funds	-	116,658	-
Total Liabilities	3,800	161,413	-
Fund Balances			
Nonspendable	-	71,881	-
Restricted	-	218,345	-
Assigned	-	-	41,012
Total Fund Balances	-	290,226	41,012
Total Liabilities and Fund Balances	\$ 3,800	\$ 451,639	\$ 41,012

See accompanying note to supplementary information.

Capital Facilities Fund	County School Facilities Fund	Total Nonmajor Governmental Funds
\$ 1,172,107	\$ 135	\$ 1,514,151
855	-	77,019
274,836	-	281,633
-	-	71,581
<u>\$ 1,447,798</u>	<u>\$ 135</u>	<u>\$ 1,944,384</u>
\$ -	\$ -	\$ 3,800
3,230	-	47,985
-	-	116,658
<u>3,230</u>	<u>-</u>	<u>168,443</u>
-	-	71,881
1,444,568	135	1,663,048
-	-	41,012
<u>1,444,568</u>	<u>135</u>	<u>1,775,941</u>
<u>\$ 1,447,798</u>	<u>\$ 135</u>	<u>\$ 1,944,384</u>

SUNNYVALE SCHOOL DISTRICT

**NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2013**

	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund
REVENUES			
Federal sources	\$ -	\$ 1,795,789	\$ -
Other state sources	241,560	137,066	-
Other local sources	21,619	686,353	248
Total Revenues	263,179	2,619,208	248
EXPENDITURES			
Current			
Instruction	270,880	-	-
Instruction related activities:			
Supervision of instruction	30,163	-	-
School site administration	30,922	-	-
Pupil services:			
Food services	-	2,546,948	-
General administration:			
All other general administration	-	113,594	-
Plant services	-	-	5,500
Facility acquisition and construction	-	-	-
Total Expenditures	331,965	2,660,542	5,500
Excess (deficiency) of			
Revenues over (under) expenditures	(68,786)	(41,334)	(5,252)
Other Financing Sources (Uses)			
Transfers in	68,785	-	-
Transfers out	-	-	-
Net Financing Sources (Uses)	68,785	-	-
NET CHANGE IN FUND BALANCES	(1)	(41,334)	(5,252)
Fund Balance - Beginning	1	331,560	46,264
Fund Balance - Ending	\$ -	\$ 290,226	\$ 41,012

See accompanying note to supplementary information.

Capital Facilities Fund	County School Facilities Fund	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ 1,795,789
-	-	378,626
1,367,625	4	2,075,849
1,367,625	4	4,250,264
-	-	270,880
-	-	30,163
-	-	30,922
-	-	2,546,948
-	-	113,594
118,961	-	124,461
67,055	-	67,055
186,016	-	3,184,023
1,181,609	4	1,066,241
-	-	68,785
(2,000,000)	-	(2,000,000)
(2,000,000)	-	(1,931,215)
(818,391)	4	(864,974)
2,262,959	131	2,640,915
\$ 1,444,568	\$ 135	\$ 1,775,941

SUNNYVALE SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2013

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 United States Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

Description	CFDA Number	Amount
Federal revenues reported in the Statement of Revenues, Expenditures and Changes in Fund Balance:		\$ 4,436,845
Noncash Federal awards are not recorded on the financial statements.	10.565	85,408
Total Expenditures of Federal Awards		<u>\$ 4,522,253</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. 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 either the 1982-83 actual minutes or the 1986-87 requirements, whichever is greater, as required by *Education Code* Section 46201.

Senate Bill 2 of the 2009-2010 Fourth Extraordinary Session (SBX4 2) allows for an equivalent five-day reduction to the required number of instructional minutes for the fiscal year 2009-2010 through 2012-2013.

SUNNYVALE SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION JUNE 30, 2013

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



**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 the Sunnyvale School District (the District) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 9, 2013.

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 the 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.

Vavrinek, Trine, Day & Co. LLP

Palo Alto, California
December 9, 2013



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

Governing Board
Sunnyvale School District
Sunnyvale, California

Report on Compliance for Each Major Federal Program

We have audited the Sunnyvale School District's (the District) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the major Federal programs for the year ended June 30, 2013. The 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 requirements of laws, regulations, contracts, and grants applicable to its Federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the 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, 2013.

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 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 OMB Circular A-133, 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 the District's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Vavrinek, Trinc, Day & Co. LLP

Palo Alto, California
December 9, 2013



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 (the District) compliance with the types of compliance requirements as identified in the *Standards and Procedures for Audit of California K-12 Local Educational Agencies 2012-2013* 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, 2013.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its State's 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 *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2012-2013* 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 Sunnyvale School District's compliance with those requirements.

Basis for Qualified Opinion

As described in the accompanying schedule of findings and questioned costs, the District did not comply with requirements regarding After School Education and Safety (2013-1), and School Accountability Report Card (2013-2). Compliance with such requirements is necessary, in our opinion, for the District to comply with the requirements applicable to that program.

Qualified Opinion

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the District complied, in all material respects, with the types of compliance requirements referred to above for the year ended June 30, 2013.

Other Matters

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

	<u>Procedures in Audit Guide</u>	<u>Procedures Performed</u>
Attendance Accounting:		
Attendance Reporting	6	Yes
Teacher Certification and Misassignments	3	Yes
Kindergarten Continuance	3	Yes
Independent Study	23	Yes
Continuation Education	10	Not Applicable
Instructional Time:		
School Districts	6	Yes
County Offices of Education	3	Not Applicable
Instructional Materials:		
General Requirements	8	Yes
Ratios of Administrative Employees to Teachers	1	Yes
Classroom Teacher Salaries	1	Yes
Early Retirement Incentive	4	Not Applicable
Gann Limit Calculation	1	Yes
School Accountability Report Card	3	Yes
Juvenile Court Schools	8	Not Applicable
Class Size Reduction Program (including in charter schools):		
General Requirements	7	Yes
Option One Classes	3	Yes
Option Two Classes	4	Not Applicable
Districts or Charter Schools With Only One School Serving K-3	4	Not Applicable
After School Education and Safety Program:		
General Requirements	4	Yes
After School	5	Yes
Before School	6	Not Applicable
Charter Schools:		
Contemporaneous Records of Attendance	1	Not Applicable
Mode of Instruction	1	Not Applicable
Non Classroom-Based Instruction/Independent Study	15	Not Applicable
Determination of Funding for Non Classroom-Based Instruction	3	Not Applicable
Annual Instruction Minutes Classroom-Based	4	Not Applicable

Vavrinek, Trine, Day & Co. LLP

Palo Alto, California
December 9, 2013

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SUNNYVALE SCHOOL DISTRICT

**SUMMARY OF AUDITOR’S RESULTS
FOR THE YEAR ENDED JUNE 30, 2013**

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 programs:	
Material weaknesses identified?	<u>No</u>
Significant deficiencies?	<u>None reported</u>
Type of auditor's report issued on compliance for major programs:	<u>Unmodified</u>
Any audit findings disclosed that are required to be reported in accordance with of OMB Circular A-133, Section .510(a)	<u>No</u>
Identification of major programs:	

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
<u>84.027, 84.173</u>	<u>Special Education Cluster (IDEA)</u>
<u>84.010</u>	<u>Title I, Part A</u>
<u>84.365</u>	<u>Title III, Part A</u>

Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$ 300,000</u>
Auditee qualified as low-risk auditee?	<u>Yes</u>

STATE AWARDS

Type of auditor's report issued on compliance for State programs:
Unmodified for all programs except for the following program which
was qualified:

Name of Program
<u>After School Education and Safety</u>
<u>School Accountability Report Card</u>

SUNNYVALE SCHOOL DISTRICT

**FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2013**

None reported.

SUNNYVALE SCHOOL DISTRICT

**FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

None reported.

SUNNYVALE SCHOOL DISTRICT

STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

The following findings represent instances of noncompliance relating to State program laws and regulations. The findings are coded as follows:

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

2013-1 Code 40000

Criteria

The purpose of the After School Education and Safety (ASES) program is to support student success in school by providing academic support and enrichment opportunities. An ASES after school program was never intended to be a drop-in or child care program. The legislature determined that regular attendance would serve as the measure for demonstrating compliance with the legislation's purpose (EDC §8483[a][1]), intent (EDC §8483[a][2]), and criteria for ongoing program funding (EDC §8483.7[a][1][A]).

Each site operating an After School Education and Safety (ASES) program is required to have sign-in and sign-out procedures, including early-release and late-arrival procedures, and to maintain documentation in order to support the reported attendance.

Condition

A portion of reported students served resulted from attendance inconsistent with the ASES early release policy because the established policy is not consistently followed.

Questioned Costs

The ASES base grant for the site in question is \$85,050. We noted discrepancies comprising 60% of sampled attendance at this site, resulting in projected questioned costs of \$51,030.

Context

The above condition pertains to one of the District's seven ASES after school programs.

Effect

Operating a program inconsistent from the intent can result in the district unable to provide a basis for future funding.

Recommendation

We recommend that the ASES sites and District establish procedures to review the sign-in and sign-out documentation on a periodic basis and ensure that student are dismissed consistent with the established early release policy.

Corrective Action Plan

We have reviewed our Early Release Policy and have established a system of cross checking monthly sign in and out sheets to ensure that the early release codes used are accurate and reflect our adherence to the state guidelines for the ASES program. In addition, our ASES staff have undergone training to support their efforts in maintaining accurate documentation as related to attendance.

SUNNYVALE SCHOOL DISTRICT

STATE AWARDS FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2013

<u>Five Digit Code</u>	<u>AB 3627 Finding Type</u>
72000	School Accountability Report Card

2013-2 Code 72000

Criteria

State law requires schools to undergo annual facility inspections. The results of such inspections are reflected on the School Accountability Report Card (SARC) in accordance with EDC §33126(b). The Office of Public School Construction (OPSC) Facility Inspection Tool (FIT) or a locally developed instrument that meets the same legal requirements must be utilized during these inspections to determine if a school facility is in "good repair" and to rate the facility accordingly.

Certain provisions of the Williams settlement legislation apply to schools ranked in deciles 1-3 as determined every three years by the Base Academic Performance Index (API). EDC §1240(c)(2)(F) and (J) specifies that county superintendents must monitor decile 1-3 schools for: (1) sufficiency of instructional materials; (2) facilities deficiencies; (3) accuracy of data reported on SARC related to sufficiency of materials and facilities deficiencies; and (4) teacher misassignments and teacher vacancies.

Condition

Two of the District's schools are ranked in deciles 1-3 and thus subject to external monitoring of facilities deficiencies. The external evaluator's facilities instruments are not reflected on the facilities portion of the 2012-13 SARC for the schools subject to monitoring. Instead, the District used its own internal inspections in compilation of the facilities portion of the SARC.

Questioned Costs

There are no questioned costs associated with this condition because there is no funding directly related to school accountability report cards.

Context

The above condition pertains to the 2012-13 SARC for each of the District's schools that are subject to monitoring under the Williams settlement.

Effect

Failure to use the external evaluator's facilities inspection could result in identified facilities deficiencies not reflected on the SARC.

Recommendation

Interdepartmental communication should ensure that information is shared across departments.

Corrective Action Plan

We have identified the cause for the miscommunication and have established a protocol that aligns the Williams' audit findings to our internal FIT findings. Henceforth the Williams' FIT findings will be incorporated into the annual SARC.

SUNNYVALE SCHOOL DISTRICT

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2013**

Summarized below is the status of all audit findings reported in the prior year's schedule of financial statement findings.

Financial Statement Findings

None reported.

Federal Awards Findings

None reported.

State Awards Findings

None reported.