This section of Sunnyvale School District's (the District) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2023, with comparative information for the year ended June 30, 2022. Please read it in conjunction with the District's financial statements, which immediately follow this section.

Financial Highlights

The major financial highlights of the current year are as follows:

- The District's cash and investments balances increased by $20.3 million with most of that increase reported in our capital projects funds. The increase was due mainly attributed to the issuance of new bond series for $30 million which will be used for capital projects at various school sites.
- Capital assets increased by $15.5 million which is comprised of $27.4 million in capital asset additions which was offset by depreciation of $11.9 million.
- The District's long-term debt other than pension and other postemployment benefit (OPEB) liabilities increased by $23 million mainly due to issuance of a new series of bonds that was offset by payment of principal on the District's outstanding bonds. The District's general obligation bonds are secured with proceeds from property taxes collected from various bond measures approved by the District's voters.
- The District's net pension liability increased by $37.2 million due to changes in market value of investments with the pension plans.
- The District's grants most of which received from federal and state sources increased by $9.27 million mainly due to receiving an increased ELOP entitlement, receiving the Arts, Music, and Instructional Materials grant, receiving the Learning Recovery Emergency Block Grant funding, and one time ESSER II & ESSER III funding.
- The District's instructional related expenses increased by $7.8 million mainly due to the return of students to in-person instruction.
- The District's local sources such as property taxes, increased by $6.5 million due to increases related property assessed valuation within the District's boundaries.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements which comprise of three components: (1) Government-wide financial statements, (2) Fund financial statements, and (3) Notes to the basic financial statements. Additional supplementary information is included, in addition to the basic financial statements.

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 capital assets), deferred outflows of resources, as well as all liabilities (including long-term liabilities) and deferred inflows of resources. Additionally, certain eliminations have occurred as prescribed by the statement in regards to interfund activity, payables, and receivables.

The statement of net position includes all assets including capital assets, deferred outflows of resources, liabilities including long-term liabilities, deferred inflows of resources with the difference being presented as net position. Certain eliminations have occurred as prescribed by the generally accepted accounting principles for interfund activities.

The statement of activities presents information showing how the District's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods, such as revenues pertaining to accrued, but uncollected grants, and to expenses pertaining to earned, but unused compensated absences.

Governmental funds financial statements are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. All of the District's basic services are reported in governmental funds. These statements, however, focus on: (1) how cash and other financial assets can readily be converted to available resources and (2) the balances left at year-end, which are available for spending. Such information is useful in determining what financial resources are available in the near future to finance the District's programs.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds statement of revenues, expenditures, and changes in fund balances include a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Notes to the Financial Statements provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements. In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information concerning the District's budgetary comparison information and changes in the net pension and OPEB liabilities to its employees.

Financial Analysis of Governmental Funds

As the District completed this year, our governmental funds reported a combined fund balance of $121.4 million of which $64.5 million was in the General Fund. The General fund reported an increase in fund balance of $13.9 million. The increase is attributed to the increase in property tax revenues and one time grants offset by an increase in expenditures of $11 million. The Building fund reported an increase in fund balance of $2.5 million mainly due to issuance of $29.8 million in new series of bonds which was offset by construction activities for $27.7 million. The Bond Interest and Redemption fund reported an increase in fund balance for $1.5 million due to collecting of property tax occurring in the year. All other funds reported a combined increase in fund balance for $2.3 million most of which was reported in the capital facilities fund due to collection of developer fees.

General Fund Budgetary Highlights

Over the course of the year, the District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. The final amendment to the budget was adopted on June 22, 2023. A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in the General Fund Budget to Actual schedule reported in the required supplementary information section of this report.

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

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.
- Technology expenditures were adjusted to accommodate for the purchase of a new HR management system to support recruitment, hiring, absence tracking, professional development, and evaluation.
- Textbook expenditures were adjusted to accommodate piloting Elementary Phonics and Math curriculum.

Capital Asset and Debt Administration

Capital Assets

At June 30, 2023, the District had $242.8 million in a broad range of capital assets (net of depreciation), including land, buildings, furniture, and equipment. This amount represents a net increase (including additions, deductions, and depreciation) of $15.5 million from last year (Table 4). The increase is related to construction activities occurring at school sites offset by depreciation expense.

This year's additions of $27.4 million includes HVAC upgrades, exterior improvements at Vargas, San Miguel and Fairwood, playground modernizations at Cherry Chase, San Miguel, Vargas, and Cumberland, as well as the continuation of a comprehensive campus modernization at Ellis Elementary School. We present information that is more detailed about our capital assets in Notes 5 to the financial statements. These construction projects are funded mostly by Bonds proceeds.

Table 4
Capital Assets

	Governmental Activities		
	2023	2022	Percentage Change
Land and construction in progress	$ 50,149,638	$ 23,041,391	117.7%
Buildings and improvements	189,546,723	200,866,066	-5.6%
Vehicles	1,188,820	1,484,953	-19.9%
Equipment	1,890,824	1,915,948	-1.3%
Total	$ 242,776,005	$ 227,308,358	6.8%

Long-Term Liabilities

At the end of this year, the District had $389.3 million in long-term liabilities outstanding versus $330 million last year, an increase of 18% (see Table 5). More detailed information about the District's long-term obligations is presented in Note 11 to the financial statements.

Table 5
Long-Term Liabilities

	Governmental Activities		Percentage
	2023	2022	Change
Long-Term Liabilities			
General obligation bonds	$ 259,347,815	$ 237,020,400	9.4%
Unamortized premiums/(discounts)	19,436,604	18,731,942	3.8%
Compensated absences	1,069,540	962,378	11.1%
Total OPEB liability	9,491,179	10,522,131	-9.8%
Aggregate net pension liability	99,993,875	62,792,823	59.2%
Total	$ 389,339,013	$ 330,029,674	18.0%

The District's latest general obligation bond was rated as AAA by S&P. The State limits the amount of general obligation debt that districts can issue to a certain percentage of the assessed value of all taxable property within the District's boundaries. The District's outstanding general obligation debt is below the statutorily imposed limit.

The District's net pension liabilities increased by 59.2% due to investment market performance. These investments are managed by CalPERS and CalSTRS and are used to offset the District's proportionate share of the pension liabilities.

Discussion of Fiscal Year 2022-2023 and Outlook for 2023-2024 and Beyond:

The Sunnyvale School District serves more than 5,711 students in grades preschool through eighth grade and is located in northwestern Santa Clara County adjacent to the cities of Santa Clara, Mountain View, and Cupertino in the heart of Silicon Valley. About two-thirds of the TK-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 2023 has exceeded its transition entitlement of the Local Control Funding Formula; therefore, the District continued as a basic aid district. As such, general fund revenue does not increase with enrollment increases.

Although Sunnyvale School District is funded as a basic aid district, the community it serves does not fit the image of the typical basic aid school district. The District's ten schools serve students from widely diverse ethnic and socio-economic backgrounds. The District emphasizes support for students from disadvantaged backgrounds and provides curricula that are accessible to all students regardless of language, ethnicity, or socio-economic background. The District's ethnic breakdown is 37.1% Hispanic, 19.1% White, 27% Asian, 4.9% Filipino, and 11.9% other.

The District's mission statement is to provide every student with a strong foundation of academic, behavioral, and social-emotional skills to prepare them for success in a diverse, challenging, and changing world. To achieve this goal the District maintains and pursues expectations for a high quality comprehensive preschool through eighth grade program.

The District ‘s vision statement is that each school in the Sunnyvale School District will be known for developing global-minded learners by providing an exemplary education for every student, building on individual strengths, embracing diversity, and fostering community responsibility.

In the Sunnyvale School District, we believe that equity leads to learning without limits. We commit to:

- Working together with families, staff, students, and the community to address the individual supports that each student requires to flourish.
- Mitigating structural barriers and bias that hinder students’ ability to thrive and creating a system where success is not determined by identity factors.
- Engaging in reflective practices, including two-way communication with all community members, evaluation of resource allocation, and examination of policy and practice.
- Empowering all learners by recognizing the cultural assets that students and communities hold in order to provide a tailored education with supports, access, and opportunities so they reach their full, unique potential.

As a result, the District strives to meet programmatic goals that will allow for reasonable class sizes, staff training and support, counseling services, 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.

In the latter half of the 2022–23 school year, the District found that it was primed for beginning to deeply examine school programs when it was not under the stress recovering from the pandemic. Needs around curriculum adoption, best practices in the classroom, socio-emotional learning, and expansion of afterschool programming were predominant. District Leadership, coordinating with site and community leaders, saw the opportunity to develop a Strategic Plan that could (in coordination with the LCAP) unify the various needs that were facing our student population. A primary approach to this work through the lens of equity and anti-racism, and as a district Sunnyvale examined the stark disparity of achievement between Spanish-speaking English learners and all other subgroups of students within our community. Unified efforts to adopt appropriate Math and ELA curricula, standardize teacher training and professional development, continue English Learner support, and expand afterschool program offerings across all schools will continue into the 2023–24 school year, along with a focus on teaching the "whole student". This work will require strategic alignment at the district level, and patience through the implementation phase as site leadership and teachers adjust to the pandemic educational world. The One-to-One Technology to Support Learning, is an ongoing, multi-year plan to ensure access for all students to receive educational content in new ways. Bond Measure GG allows the District to support the renovation, upgrading, and improvement of school facilities. Management is committed to monitor and oversee spending in a fiscally responsible manner to maintain the financial strength of the school district.

The 2023 budget includes a projected 7% increase in General Fund revenue. Included in the budget is the negotiated 7% salary schedule increase for all bargaining units. As well as the increases in STRS and PERS. The projected STRS increase is 12.8 % over 2021-2022 and the projected PERS increase is 10.7% over 2021-2022. Additionally, the 2023 budget includes the remaining balances for the one-time CARES Act funding. These funds are being used to support district initiatives and programs such as before and after school instruction, Direct Student Support Teachers on Special Assignment, as well as student social emotional supports.

Contacting the District's Financial Management

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

	Governmental Activities
Assets	
Deposits and investments	$ 124,945,155
Receivables	3,480,280
Internal balances	375,000
Due from other governments	751,095
Stores inventories	216,351
Leases receivable	34,702,441
Capital assets not depreciated	50,149,638
Capital assets, net of accumulated depreciation	192,626,367
Total assets	407,246,327
Deferred Outflows of Resources	
Deferred outflows related to refunding charges	12,659,225
Deferred outflows of resources related to OPEB	1,817,797
Deferred outflows of resources related to pensions	31,846,602
Total deferred outflows of resources	46,323,624
Liabilities	
Accounts payable	6,850,946
Interest payable	3,011,387
Internal balances	375,000
Unearned revenue	1,601,277
Long-term liabilities	
Long-term liabilities other than OPEB and pensions	
Due within one year	8,639,096
Long-term liabilities other than OPEB and pensions	
Due in more than one year	271,214,863
Total other postemployment benefits liability (OPEB)	9,491,179
Aggregate net pension liabilities	99,993,875
Total liabilities	401,177,623
Deferred Inflows of Resources	
Deferred inflows of resources related to OPEB	2,517,348
Deferred inflows of resources related to leases	34,202,390
Deferred inflows of resources related to pensions	8,757,773
Total deferred inflows of resources	45,477,511
Net Position (Deficit)	
Net investment in capital assets	8,640,000
Restricted for	
Debt service	9,240,045
Capital projects	11,632,897
Educational programs	17,939,878
Food Services	942,250
Unrestricted	(41,480,253)
Total net position (deficit)	$ 6,914,817

Functions/Programs	Expenses	Program Revenues: Charges for Services and Sales	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expenses) Revenues and Changes in Net Position: Governmental Activities
Governmental Activities					
Instruction	$ 87,257,601	$ 71,783	$ 17,343,298	$ 900,406	$ (68,942,114)
Instruction-related activities					
Supervision of instruction	10,513,749	-	251,350	-	(10,262,399)
Instructional library, media, and technology	478,549	-	-	-	(478,549)
School site administration	9,174,766	-	488,893	-	(8,685,873)
Pupil services					
Home-to-school transportation	1,697,048	-	-	-	(1,697,048)
Food services	4,687,354	(1,947)	4,289,305	-	(399,996)
All other pupil services	8,929,125	11,002	1,012,686	-	(7,905,437)
Administration					
Data processing	2,146,942	-	-	-	(2,146,942)
All other administration	7,925,706	2,083	53,740	-	(7,869,883)
Plant services	11,483,577	7,041	9,783	-	(11,466,753)
Interest on long-term liabilities	9,760,408	-	-	-	(9,760,408)
Other outgo	47,280	1,795,128	2,498,907	-	4,246,755
Total governmental activities	$ 154,102,105	$ 1,885,090	$ 25,947,962	$ 900,406	(125,368,647)
General Revenues and Subventions					
Property taxes, levied for general purposes					102,704,044
Property taxes, levied for debt service					15,810,595
Taxes levied for other specific purposes					1,445,242
Federal and State aid not restricted to specific purposes					4,371,989
Interest and investment earnings					1,928,654
Interagency revenues					2,861
Miscellaneous					12,597,616
Subtotal, general revenues					138,861,001
Change in Net Position					13,492,354
Net Position (deficit) - Beginning					(6,577,537)
Net Position (deficit) - Ending					$ 6,914,817

	General Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
Assets					
Deposits and investments	63,735,019	$ 34,337,635	$ 12,979,939	$ 13,892,562	$ 124,945,155
Receivables	2,497,598	199,071	59,308	724,303	3,480,280
Due from other funds	999,586	-	-	243,976	1,243,562
Due from other governments	751,095	-	-	-	751,095
Stores inventories	108,114	-	-	108,237	216,351
Leases receivable	34,702,441	-	-	-	34,702,441
Total assets	$ 102,793,853	$ 34,536,706	$ 13,039,247	$ 14,969,078	$ 165,338,884
Liabilities, Deferred Inflows of Resouces and Fund Balances					
Liabilities					
Accounts payable	$ 2,278,422	$ 3,335,171	$ -	$ 554,283	$ 6,167,876
Due to other funds	243,976	161	-	999,425	1,243,562
Due to other governments	683,070	-	-	-	683,070
Unearned revenue	890,181	-	-	711,096	1,601,277
Total liabilities	4,095,649	3,335,332	-	2,264,804	9,695,785
Deferred Inflows of Resouces					
Deferred inflows of resources					
Lease related	34,202,390	-	-	-	34,202,390
Fund Balances					
Nonspendable	634,165	-	-	108,537	742,702
Restricted	17,810,751	31,201,374	13,039,247	12,595,737	74,647,109
Assigned	3,812,955	-	-	-	3,812,955
Unassigned	42,237,943	-	-	-	42,237,943
Total fund balances	64,495,814	31,201,374	13,039,247	12,704,274	121,440,709
Total liabilities, deferred inflows of resources, and fund balances	$ 102,793,853	$ 34,536,706	$ 13,039,247	$ 14,969,078	$ 165,338,884

Total Fund Balance - Governmental Funds		$ 121,440,709
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because		
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	$ 347,883,492	
Accumulated depreciation is	(105,107,487)	
Net capital assets		242,776,005
In governmental funds, unmatured interest on long-term liabilities is recognized in the period when it is due. On the government-wide financial statements, unmatured interest on long-term liabilities is recognized when it is incurred.		(3,011,387)
Deferred outflows of resources represent a consumption of net position in a future period and is not reported in the governmental funds. Deferred outflows of resources amounted to and related to		
Debt refundings (deferred charge on refunding)	12,659,225	
Other postemployment benefits (OPEB)	1,817,797	
Net pension liability	31,846,602	
Total deferred outflows of resources		46,323,624
Deferred inflows of resources represent an acquisition of net position that applies to a future period and is not reported in the governmental funds. Deferred inflows of resources amount to and related to		
Other postemployment benefits related	(2,517,348)	
Pension related	(8,757,773)	
Total deferred inflows of resources		(11,275,121)
Net pension liability is not due and payable in the current period, and is not reported as a liability in the funds.		(99,993,875)
The District's OPEB liability is not due and payable in the current period, and is not reported as a liability in the funds.		(9,491,179)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year-end consist of		
General obligation bonds	(278,784,420)	
Compensated absences (vacations)	(1,069,539)	
Total long-term liabilities		(279,853,959)
Total net position (deficit) - governmental activities		$ 6,914,817

	General Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues					
Local control funding formula	$ 105,711,692	$ -	$ -	$ -	$ 105,711,692
Federal sources	6,112,803	-	-	1,675,338	7,788,141
Other State sources	18,324,928	-	23,029	4,597,490	22,945,447
Other local sources	10,612,944	525,491	15,582,157	2,126,429	28,847,021
Total revenues	140,762,367	525,491	15,605,186	8,399,257	165,292,301
Expenditures					
Current					
Instruction	79,539,927	-	-	765,823	80,305,750
Instruction-related activities					
Supervision of instruction	9,637,946	-	-	58,459	9,696,405
Instructional library, media, and technology	463,528	-	-	-	463,528
School site administration	8,396,770	-	-	93,392	8,490,162
Pupil services					
Home-to-school transportation	1,647,338	-	-	-	1,647,338
Food services	48,994	-	-	4,306,015	4,355,009
All other pupil services	8,191,593	-	-	-	8,191,593
Administration					
Data processing	2,006,765	-	-	-	2,006,765
All other administration	7,387,189	-	-	-	7,387,189
Plant services	8,739,367	1,904,928	-	62,598	10,706,893
Capital Outlay	557,457	25,867,701	-	1,014,290	27,439,448
Debt service					
Principal	-	-	7,765,000	-	7,765,000
Interest and other	-	231,000	14,836,668	-	15,067,668
Total expenditures	126,616,874	28,003,629	22,601,668	6,300,577	183,522,748
Excess (Deficiency) of Revenues Over Expenditures	14,145,493	(27,478,138)	(6,996,482)	2,098,680	(18,230,447)
Other Financing Sources (Uses)					
Transfers in	4,625	-	-	243,976	248,601
Bond issuance	-	30,000,000	46,455,000	-	76,455,000
Bond premiums	-	-	1,794,440	-	1,794,440
Payment for refunded bonds	-	-	(39,775,000)	-	(39,775,000)
Transfers out	(243,976)	-	-	(4,625)	(248,601)
Net Financing Sources (Uses)	(239,351)	30,000,000	8,474,440	239,351	38,474,440
Net Change in Fund Balances	13,906,142	2,521,862	1,477,958	2,338,031	20,243,993
Fund Balance - Beginning	50,589,672	28,679,512	11,561,289	10,366,243	101,196,716
Fund Balance - Ending	$ 64,495,814	$ 31,201,374	$ 13,039,247	$ 12,704,274	$ 121,440,709

Total Net Change In Fund Balances - Governmental Funds		$ 20,243,993
Amounts Reported for Governmental Activities In the Statement of Activities Are Different Because		
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 and amortization expenses in the statement of activities.		
This is the amount by which depreciation and amortization exceeds capital outlays in the period.		
Depreciation and amortization expense	$ (11,971,801)	
Capital outlays	27,439,448	
Net expense adjustment		15,467,647
The District issued capital appreciation general obligations bonds. The accretion of interest on the general obligation bonds during the current fiscal year was		(92,415)
In the statement of activities, certain operating expenses, such as compensated absences (vacations) 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 amount is the difference between vacation earned and used.		(107,162)
In the governmental funds, pension costs are based on employer contributions made to pension plans during the year. However, in the statement of activities, pension expense is the net effect of all changes in the deferred outflows, deferred inflows and net pension liability during the year.		3,268,656
In the governmental funds, OPEB costs are based on employer contributions made to OPEB plans during the year. However, in the statement of activities, OPEB expense is the net effect of all changes in the deferred outflows, deferred inflows, and net OPEB liability during the year.		21,399
Proceeds received from General obligation bonds is a revenue in the governmental funds, but it increases long-term liabilities in the statement of net position and does not affect the statement of activities.		(30,000,000)

Continued from previous page.

Governmental funds report the effect of premiums, discounts, and the deferred charge on refunding when the debt is first issued, whereas the amounts are deferred and amortized in the statement of activities.	
Premium on issuance recognized	(1,794,439)
Deferred charge on refunding recognized	(2,067,102)
Premium amortization	1,089,777
Payment of principal on long-term-liabilities 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.	
General obligation bonds	7,765,000
Interest on long-term liabilities is recorded as an expenditure in the funds when it is due; however, in the Statement of Activities, interest expense is recognized as the interest accretes or accrues, regardless of when it is due.	(303,000)
Change in net position of governmental activities	$ 13,492,354

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 TK 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 the 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 categorized as governmental funds.

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

Major Governmental Funds

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

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

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.

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

Non-Major 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 the financing of particular activities, that compose a substantial portion of the inflows of the fund, and that are reasonably expected to continue. Additional resources that are restricted, committed, or assigned to the purpose of the fund may also be reported in the fund.

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

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

- **Deferred Maintenance Fund** The Deferred Maintenance Fund is used to account separately for revenues that are restricted or committed for deferred maintenance purposes (Education Code Section 17582).

Capital Project Funds The Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities and other capital assets (other than those financed by proprietary funds and trust funds). One of the District's Capital Project Funds, Building Fund, is presented under Major Governmental Funds category above.

- **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 approval (Education Code Sections 17620-17626 and Government Code Section 65995 et seq.). 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 ks55), the 2006 State School Facilities Fund (Proposition 1D), or the 2016 State School Facilities Fund (Proposition 51) 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.).

Basis of Accounting - Measurement Focus

Government-Wide Financial Statements The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the proprietary fund financial statements, but 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. 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 and amortization of leased assets. 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. Non-major governmental funds are aggregated and presented in a single column.

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

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. The District considers revenues to be available if they are collected within one year after year-end, except for property taxes, which are considered available if collected within 60 days. The following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain grants, and other local sources.

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

Unearned Revenue Unearned revenues arise when resources are received by the District before it has a legal claim to them, such as when certain grants are received prior to the occurrence of qualifying expenditures. In the subsequent periods, when the District has a legal claim to the resources, the liability for unearned revenue is removed from the balance sheet and the 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. Principal and interest on long-term liabilities, which has 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 government-wide statements.

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Cash equivalents also include cash with county treasury balances for purposes of the statement of cash flows.

Investments

Investments 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.

Stores Inventories

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

Capital Assets and Depreciation

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

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

The District records impairments of capital assets when it becomes probable that the carrying value of the assets will not be fully recovered over their estimated useful life. Impairments are recorded to reduce the carrying value of the assets to their net realizable value based on facts and circumstances in existence at the time of the determination. No impairments were recorded during the year ended June 30, 2023.

Interfund Balances

On fund financial statements, receivables and payables resulting from short-term interfund loans are classified as "due to/due from other funds". 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.

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 Liabilities

All payables, accrued liabilities, and long-term liabilities are reported in the government-wide and proprietary fund 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 liabilities of the governmental 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, leases, and other long-term liabilities are recognized as liabilities in the governmental fund financial statements when due.

Debt Issuance Costs, Premiums and Discounts

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

In governmental fund financial statements, bond premiums and discounts, as well as debt issuance costs are recognized in the period the bonds are issued. The face amount of the debt is reported as other financing sources. Premiums received on debt issuance are also reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds, are reported as debt service expenditures in the period the bonds are issued.

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position also reports deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The District reports deferred outflows of resources for deferred charges on refunding of debt, for pension related items, and for OPEB related items.

In addition to liabilities, the Statement of Net Position/Balance Sheet reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position/fund balance that applies to a future period and so will not be recognized as revenue until then. The District reports deferred inflows of resources for leases, for pension related items, and for OPEB related items.

Pensions

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

Leases

The District recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements. At the commencement of a lease, the District initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Fund Balances - Governmental Funds

As of June 30, 2023, 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.

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 or chief business officer/assistant superintendent of business services 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. The District had no committed fund balance reported in the current fiscal year.

Minimum Fund Balance Policy

The governing board adopted a minimum fund balance policy for the General Fund in order to protect the district against revenue shortfalls or unpredicted one-time expenditures. The policy requires the District to maintain a minimum fund balance of 3% 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 deferred outflows of resources, and liabilities and deferred inflows of resources. Net position net of investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any net borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The District first applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Estimates

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

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.

Note 2 - Deposits and Investments

Summary of Deposits and Investments

Deposits and investments as of June 30, 2023, are classified in the accompanying financial statements as follows:

Governmental funds	$ 124,945,155

Deposits and investments as of June 30, 2023, consist of the following:

Cash in revolving	$ 26,000
Investments in county pool	124,919,155
Total deposits and investments	$ 124,945,155

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 fair value provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis.

General Authorizations

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 change in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rate. The District manages its exposure to interest rate risk by depositing substantially all of its funds in the County Treasury pool. The weighted average maturity of the pool was 648 days.

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investment in the county pool is not rated, as of June 30, 2023.

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. The District believes it has no significant custodial credit risk.

Note 3 - Fair Value Measurements

The District categorizes the fair value measurements of its investments based on the hierarchy established by generally accepted accounting principles. The fair value hierarchy, which has three levels, is based on the valuation inputs used to measure an asset’s fair value. The following provides a summary of the hierarchy used to measure fair value:

- Level 1 - Quoted prices in active markets for identical assets that the District has the ability to access at the measurement date. Level 1 assets may include debt and equity securities that are traded in an active exchange market and that are highly liquid and are actively traded in over-the-counter markets.

- Level 2 - Observable inputs other than Level 1 prices such as quoted prices for similar assets in active markets, quoted prices for identical or similar assets in markets that are not active, or other inputs that are observable, such as interest rates and curves observable at commonly quoted intervals, implied volatilities, and credit spreads. For financial reporting purposes, if an asset has a specified term, a Level 2 input is required to be observable for substantially the full term of the asset.

- Level 3 - Unobservable inputs should be developed using the best information available under the circumstances, which might include the District’s own data. The District should adjust that data if reasonably available information indicates that other market participants would use different data or certain circumstances specific to the District are not available to other market participants.

None of the District’s investments were subject to the fair value measurement since they were deposited with the Santa Clara County pool.

Note 4 - Receivables and Due from Other Governments

Receivables, excluding lease receivables, at June 30, 2023, consisted of intergovernmental grants, entitlements, interest and other local sources. All receivables are considered collectible in full.

	General Fund	Building Fund	Bond Interest and Redemption Fund	Non-Major Governmental Funds	Total
Federal Government					
Categorical aid	$ 1,807,821	$ -	$ -	$ -	$ 1,807,821
State Government					
Categorical aid	417,027	-	-	-	417,027
Lottery	335,526	-	-	-	335,526
Local Government					
Interest	525,374	199,071	59,308	686,553	1,470,306
Other local sources	162,945	-	-	37,750	200,695
Total	$ 3,248,693	$ 199,071	$ 59,308	$ 724,303	$ 4,231,375

Note 5 - Capital Assets

Capital asset activity for the fiscal year ended June 30, 2023, was as follows:

	Balance July 1, 2022	Additions	Deductions	Balance June 30, 2023
Governmental Activities				
Capital assets not being depreciated				
Land	$ 3,814,433	$ -	$ -	$ 3,814,433
Construction in progress	19,226,958	27,168,558	(60,311)	46,335,205
Total capital assets not being depreciated	23,041,391	27,168,558	(60,311)	50,149,638
Capital assets being depreciated				
Land improvements	39,664,152	53,632	-	39,717,784
Buildings and improvements	248,510,951	6,679	-	248,517,630
Vehicles	3,080,911	-	-	3,080,911
Furniture and equipment	6,146,639	270,890	-	6,417,529
Total capital assets being depreciated	297,402,653	331,201	-	297,733,854
Total capital assets	320,444,044	27,499,759	(60,311)	347,883,492
Accumulated depreciation				
Land improvements	(16,378,334)	(2,015,226)	-	(18,393,560)
Buildings and improvements	(70,930,703)	(9,364,428)	-	(80,295,131)
Vehicles	(1,595,958)	(296,133)	-	(1,892,091)
Furniture and equipment	(4,230,691)	(296,014)	-	(4,526,705)
Total accumulated depreciation	(93,135,686)	(11,971,801)	-	(105,107,487)
Governmental activities capital assets, net	$ 227,308,358	$ 15,527,958	$ (60,311)	$ 242,776,005

Depreciation and amortization expense were charged as a direct expense to governmental and business-type functions as follows:

Governmental Activities	
Instruction	$ 7,243,277
Supervision of instruction	874,579
Instructional library, media, and technology	41,808
School site administration	765,781
Home-to-school transportation	148,584
Food services	392,805
All other pupil services	738,851
Data processing	181,003
All other administration	662,032
Plant services	923,081
Total depreciation and amortization expenses governmental activities	$ 11,971,801

Note 6 - Leases Receivable

The District reports leases receivable related to three ground and land leases to three parties. The leases vary in length from 8 to 28 years and the District will receive an annual amount of $4,078,349 in annual payments. The District recognized $3,710,101 in lease revenue and $621,347 in interest revenue during the current fiscal year related to these leases. As of June 30, 2023, the District's receivable for lease payments was $34,702,441 discounted using a 2% discount rate. Also, the District has a deferred inflow of resources associated with this lease that will be recognized as revenue over the lease term. As of June 30, 2023, the balance of the deferred inflow of resources was $34,202,390.

Note 7 - Interfund Transactions

Interfund Receivables/Payables (Due To/Due From)

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund receivable and payable balances at June 30, 2023, between major and non-major governmental funds are as follows:

	Due From			
Due To	General Fund	Building Fund	Non-Major Governmental Funds	Total
General Fund	$ -	$ 161	$ 999,425	$ 999,586
Non-Major Governmental Funds	243,976	-	-	243,976
Total	$ 243,976	$ 161	$ 999,425	$ 1,243,562

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

Operating Transfers

Interfund transfers for the year ended June 30, 2023, consisted of the following:

	Transfers In		
Transfer Out	General Fund	Non-Major Governmental Funds	Total
General Fund	$ -	$ 243,976	$ 243,976
Non-Major Governmental Funds	4,625	-	4,625
Total	$ 4,625	$ 243,976	$ 248,601

Note 8 - Deferred Charge on Refunding

Deferred charge on refunding is a consumption of net asset by the District that is applicable to a future reporting period. For governmental activities, the net investment in capital assets includes the effect of deferring the recognition of loss from advance refunding. The $12,659,225 balance of the deferred outflow of resources at June 30, 2023 will be recognized as an expense and as a decrease in net position over the remaining life of related bonds.

	Balance July 01, 2022	Additions	Deductions	Balance June 30, 2023
Deferred charge on bond refunding	$ 14,726,327	$ -	$ (2,067,102)	$ 12,659,225

Note 9 - Accounts Payable

Accounts payable at June 30, 2023, consisted of the following:

	General Fund	Building Fund	Non-Major Governmental Funds	Total
Vendor payables	$ 2,115,055	$ 3,335,171	$ 554,283	$ 6,004,509
Salaries and benefits	163,367	-	-	163,367
Total	$ 2,278,422	$ 3,335,171	$ 554,283	$ 6,167,876

Note 10 - Unearned Revenue

Unearned revenue at June 30, 2023, consisted of the following:

	General Fund	Non-Major Governmental Funds	Total
Federal financial assistance	$ 456,823	$ -	$ 456,823
State categorical aid	-	711,096	711,096
Other local	433,358	-	433,358
Total	$ 890,181	$ 711,096	$ 1,601,277

Note 11 - Long-Term Liabilities Other than OPEB and Pensions

Summary

The changes in the District's long-term liabilities other than OPEB and pensions during the year consisted of the following:

	Balance July 1, 2022	Addition	Deductions	Balance June 30, 2023	Due in One Year
Long-Term Liabilities					
General obligation bonds	$ 237,020,400	$ 30,092,415	$ (7,765,000)	$ 259,347,815	$ 7,335,000
Unamortized debt premiums	18,731,942	1,794,439	(1,089,777)	19,436,604	1,089,774
Compensated absences	962,378	321,484	(214,322)	1,069,540	214,322
Total	$ 256,714,720	$ 32,208,338	$ (9,069,099)	$ 279,853,959	$ 8,639,096

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

General Obligation Bonds

The outstanding general obligation bonded debt is as follows:

Issuance Date	Final Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2022	Issued/ Accreted	Redeemed/ Refunded	Bonds Outstanding June 30, 2023
General Obligation Bonds							
2010 C	9/1/34	4.25-5.00%	$ 35,000,000	$ 4,000,000	$ -	$ -	$ 4,000,000
2013 A	9/1/44	2.00-5.00%	28,000,000	3,590,000	-	-	3,590,000
2014 Ref	9/1/23	2.00-5.00%	14,815,000	3,155,000	-	(2,825,000)	330,000
2015 Ref	9/1/35	2.00-5.00%	110,610,000	64,940,000	-	(2,180,000)	62,760,000
2013 B	9/1/44	3.00-5.00%	40,000,000	37,800,000	-	-	37,800,000
2013 C	9/1/44	3.00-4.00%	28,000,000	22,925,000	-	(1,240,000)	21,685,000
2019 Ref	9/1/44	1.70-2.80%	27,590,000	26,975,000	-	(240,000)	26,735,000
2021 A	9/1/50	4%	30,000,000	26,485,000	-	-	26,485,000
2021 Ref	9/1/35	4%	46,455,000	46,455,000	-	(1,280,000)	45,175,000
2023 B	9/1/51	4%	30,000,000	-	30,000,000	-	30,000,000
Subtotal				236,325,000	30,000,000	(7,765,000)	258,560,000
Capital Appreciation Bonds							
2012 D	9/1/42	3.00-11.00%	14,767,843	695,400	92,415	-	787,815
				$ 237,020,400	$ 30,092,415	$ (7,765,000)	$ 259,347,815

Changes in the Total OPEB Liability

	Total OPEB Liability
Balance, June 30, 2022	$ 10,522,131
Service cost	531,185
Interest	205,982
Changes of assumptions or other inputs	(1,114,830)
Benefit payments	(653,289)
Net change in total OPEB liability	(1,030,952)
Balance, June 30, 2023	$ 9,491,179

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

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

Discount Rate	Total OPEB Liability
1% decrease (2.69%)	$ 10,117,698
Current discount rate (3.69%)	9,491,179
1% increase (4.69%)	8,888,590

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percent lower or higher than the current healthcare costs trend rates:

Healthcare Cost Trend Rate	Total OPEB Liability
1% decrease (Current rate less 1%)	$ 8,575,459
Current healthcare cost trend rate	9,491,179
1% increase (Current rate plus 1%)	10,538,548

Note 15 - Employee Retirement Systems

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

For the fiscal year ended June 30, 2023, the District reported its proportionate share of net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

Pension Plan	Collective Net Pension Liability	Collective Deferred Outflows of Resources	Collective Deferred Inflows of Resources	Collective Pension Expense
CalSTRS	$ 56,999,798	17,476,513	$ 7,118,953	$ 6,519,951
CalPERS	42,994,077	14,370,089	1,638,820	5,582,178
Total	$ 99,993,875	$ 31,846,602	$ 8,757,773	$ 12,102,129

The details of each plan are as follows:

California State Teachers' Retirement System (CalSTRS)

Plan Description

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2021, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: http://www.calstrs.com/member-publications.

Benefits Provided

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

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

At June 30, 2023, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related state support and the total portion of the net pension liability that was associated with the District were as follows:

Total net pension liability, including State share	
Proportionate share of net pension liability	$ 56,999,798
State's proportionate share of the net pension liability	28,545,276
Total	$ 85,545,074

The net pension liability was measured as of June 30, 2022. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts and the State, actuarially determined. The District's proportionate share for the measurement period June 30, 2022 and June 30, 2021, respectively was 0.0820% and 0.0808%, resulting in a net increase in the proportionate share of 0.0012%.

For the fiscal year ended June 30, 2023, the District recognized pension expense of $6,519,951. In addition, the District recognized pension expense and revenue of $2,302,158 for support provided by the State.

At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	$ 9,778,570	$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	4,824,411	57,758
Differences between projected and actual earnings on pension plan investments	-	2,787,400
Differences between expected and actual experience in the measurement of the total pension liability	46,757	4,273,795
Changes of assumptions	2,826,775	-
Total	$ 17,476,513	$ 7,118,953

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

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2024	$ (2,047,552)
2025	(2,218,176)
2026	(3,332,152)
2027	4,810,480
Total	$ (2,787,400)

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2024	$ 3,148,441
2025	712,734
2026	111,194
2027	24,528
2028	(424,825)
Thereafter	(205,682)
Total	$ 3,366,390

Discount Rate

The discount rate used to measure the total pension liability was 7.10%. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Projected inflows from investment earnings were calculated using the long-term assumed investment rate of return of 7.10% and assume that contributions, benefit payments and administrative expense occurred midyear. Based on these assumptions, the STRP's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

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

Discount Rate	Net Pension Liability
1% decrease (6.10%)	$ 96,806,798
Current discount rate (7.10%)	56,999,798
1% increase (8.10%)	23,948,020

California Public Employees Retirement System (CalPERS)

Plan Description

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2021 annual actuarial valuation report, Schools Pool Actuarial Valuation. This report and CalPERS audited financial information are publicly available reports that can be found on the CalPERS website under Forms and Publications at: https://www.calpers.ca.gov/page/forms-publications.

Benefits Provided

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

The CalPERS provisions and benefits in effect at June 30, 2023, are summarized as follows:

	School Employer Pool (CalPERS)	
Hire date	On or before December 31, 2012	On or after January 1, 2013
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.00%	8.00%
Required employer contribution rate	25.37%	25.37%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2023, are presented and the total District contributions were $5,592,215.

The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Global Equity - cap-weighted	30%	4.45%
Global Equity non-cap-weighted	12%	3.84%
Private Equity	13%	7.28%
Treasury	5%	0.27%
Mortgage-backed Securities	5%	0.50%
Investment Grade Corporates	10%	1.56%
High Yield	5%	2.27%
Emerging Market Debt	5%	2.48%
Private Debt	5%	3.57%
Real Assets	15%	3.21%
Leverage	-5%	-0.59%

Discount Rate

The discount rate used to measure the total pension liability was 6.90 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Based on these assumptions, the School Employer Pool fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

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

Discount Rate	Net Pension Liability
1% decrease (5.90%)	$ 62,107,121
Current discount rate (6.90%)	42,994,077
1% increase (7.90%)	27,197,848

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 in the amount of $4.58 million (10.828% of annual payroll). 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 and General Fund-Budgetary Comparison Schedule.

	Budgeted Amounts			Variance
	Original	Final	Actual	Final to Actual
Revenues				
Local control funding formula	$ 98,593,121	$ 105,316,255	$ 105,711,692	$ 395,437
Federal sources	4,773,980	6,793,490	6,112,803	(680,687)
Other State sources	9,631,157	13,561,450	18,324,928	4,763,478
Other local sources	8,534,776	9,803,369	10,348,973	545,604
Total revenues	121,533,034	135,474,564	140,498,396	5,023,832
Expenditures				
Current				
Certificated salaries	49,604,391	54,276,213	52,574,627	1,701,586
Classified salaries	19,370,186	21,243,196	20,502,582	740,614
Employee benefits	33,330,579	35,783,282	34,128,383	1,654,899
Books and supplies	2,042,057	5,559,508	3,130,023	2,429,485
Services and operating expenditures	10,547,086	13,719,046	15,599,187	(1,880,141)
Other outgo	30,000	30,000	47,280	(17,280)
Capital outlay	54,000	624,634	634,792	(10,158)
Total expenditures	114,978,299	131,235,879	126,616,874	4,619,005
Excess (Deficiency) of Revenues Over Expenditures	6,554,735	4,238,685	13,881,522	9,642,837
Other Financing Sources (Uses)				
Transfers in	-	-	4,625	4,625
Transfers out	(1,958,502)	(1,217,165)	(618,976)	598,189
Net financing sources (uses)	(1,958,502)	(1,217,165)	(614,351)	602,814
Net Change in Fund Balances	4,596,233	3,021,520	13,267,171	10,245,651
Fund Balance - Beginning	36,835,573	36,835,573	36,835,573	-
Fund Balance - Ending	$ 41,431,806	$ 39,857,093	50,102,744	$ 10,245,651
Special Reserve Fund Balance			14,393,070	
Fund Balance - Ending (GAAP Basis)			$ 64,495,814	

[1] Due to the consolidation of Fund 17, Special Reserve Fund for Other Than Capital Outlay Projects for reporting purposes into the General Fund, additional revenues and expenditures pertaining to these other funds are included in the Actual (GAAP Basis) revenues and expenditures, however, are not included in the original and final General Fund budgets.

Independent Auditor's Reports
June 30, 2023

Sunnyvale School District

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*

To the Governing Board
Sunnyvale School District
Sunnyvale, California

We have audited, 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Sunnyvale School District (District), as of and for the year ended June 30, 2023, 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 15, 2023.

Report on 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) as a basis for designing 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 entity'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.

Report on 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 financial statements. 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Eide Bailly LLP

Menlo Park, California
December 15, 2023

Independent Auditor's Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

To the Governing Board
Sunnyvale School District
Sunnyvale California

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Sunnyvale School District's (District) compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2023. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the District complied, in all material respects, with the 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, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the District's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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

Eide Bailly LLP

Menlo Park, California
December 15, 2023

Independent Auditor's Report on State Compliance

To the Governing Board
Sunnyvale School District
Sunnyvale, California

Report on Compliance

Opinion on State Compliance [1, 2]

We have audited Sunnyvale School District's (the District) compliance with the requirements specified in the *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, applicable to the District's state program requirements identified below for the year ended June 30, 2023.

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that are applicable to the laws and regulations of the state programs noted in the table below for the year ended June 30, 2023.

Basis for Opinion

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards)*, and the *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the District's state programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* will always detect a material noncompliance when it exists. The risk of not detecting a material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of the state programs as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District's compliance with the compliance requirements referred to above and performing such other procedures as we consider necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, but not for the purpose of expressing an opinion on the effectiveness of the District's internal controls over compliance. Accordingly, we express no such opinion; and
- Select and test transactions and records to determine the District's compliance with the state laws and regulations applicable to the following items:

2022-2023 K-12 Audit Guide Procedures	Procedures Performed [3]
Local Education Agencies Other Than Charter Schools	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	No
Continuation Education	Not Applicable
Instructional Time	Yes
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes

2022-2023 K-12 Audit Guide Procedures	Procedures Performed [3]
Early Retirement Incentive	Not Applicable
GANN Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	Not Applicable
Middle or Early College High Schools	Not Applicable
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	Yes
Apprenticeship: Related and Supplemental Instruction	Not Applicable
Comprehensive School Safety Plan	Yes
District of Choice	Not Applicable
Home to School Transportation Reimbursement	Yes
Independent Study Certification for ADA Loss Mitigation	Yes
School Districts, County Offices of Education, and Charter Schools	
California Clean Energy Jobs Act	Yes
After/Before School Education and Safety Program	Yes
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study - Course Based	Not Applicable
Immunizations	Yes
Educator Effectiveness	Yes
Expanded Learning Opportunities Grant (ELO-G)	Yes
Career Technical Education Incentive Grant	Yes
Transitional Kindergarten	Yes
Charter Schools	
Attendance	Not Applicable
Mode of Instruction	Not Applicable
Nonclassroom-Based Instruction/Independent Study	Not Applicable
Determination of Funding for Nonclassroom-Based Instruction	Not Applicable
Annual Instructional Minutes - Classroom Based	Not Applicable
Charter School Facility Grant Program	Not Applicable

Continuation Education
We did not perform Continuation Education procedures because the program is not offered by the District.

Early Retirement Incentive
The District did not have any employees retire under the CalSTRS Early Retirement Incentive program; therefore, testing was not required.

Juvenile Court Schools
We did not perform Juvenile Court Schools procedures because the program is not offered by the District.

Middle or Early College High Schools
We did not perform Middle or Early College High Schools procedures because the program is not offered by the District.

Apprenticeship: Related and Supplemental Instruction
We did not perform Apprenticeship: Related and Supplemental Instruction procedures because the program is not offered by the District.

District of Choice
The District did not elect to operate as a school district of choice; therefore, we did not perform procedures related to District of Choice.

Independent Study - Course Based

The District does not offer an Independent Study - Course Based program; therefore, we did not perform any procedures related to the Independent Study - Course Based Program.

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

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identify during the audit.

Report on 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 on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that a material noncompliance with a compliance requirement 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 that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention from those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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 *2022-2023 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.

Eide Bailly LLP

Menlo Park, California
December 15, 2023

Schedule of Findings and Questioned Costs
June 30, 2023

Sunnyvale School District

Section I – Summary of Auditor's Results

Financial Statements

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None Reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major program:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None Reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516 (a):	No

Identification of major programs:

Name of Federal Program or Cluster	Federal Financial Assistance/ Federal CFDA Number
Special Education Cluster	84.027, 84.173
COVID19- Elementary and Secondary School Emergency Relief Fund GEER II, ESSER II, and ESSER III	84.425C, 84.425D, and 84.425U

Dollar threshold used to distinguish between type A and type B programs:	$750,000
Auditee qualified as low-risk auditee?	Yes

State Compliance

Internal control over state compliance programs	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	None reported
Type of auditor's report issued on compliance for state programs	Unmodified

Section II – Financial Statement Findings

None reported.

Section III - Federal Awards Findings and Questioned Costs

None reported.

Section VI - State Compliance Findings and Questioned Costs

None reported.

There were no audit findings reported in the prior year's Schedule of Findings and Questioned Costs.