SUNNYVALE SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2018

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FINANCIAL SECTION

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VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

VALUE THE difference

INDEPENDENT AUDITOR'S REPORT

Governing Board
Sunnyvale School District
Sunnyvale, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Sunnyvale School District (the District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standard* issued by the Comptroller General of the United States; and the *2017-2018 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting,* issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Sunnyvale School District, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter - Change in Accounting Principles

As discussed in Note 1 and Note 12 to the financial statements, in 2018, the District adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 3, 2018, on our consideration of the Sunnyvale School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Sunnyvale School District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Sunnyvale School District's internal control over financial reporting and compliance.

Vavrinek, Trine, Day & Co., LLP

Palo Alto, California
December 3, 2018

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LEARN TODAY LEAD TOMORROW

This section of the Sunnyvale School District's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2018. Please read it in conjunction with the District's financial statements, which immediately follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Financial Statements

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

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

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

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

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

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

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

The Government-Wide Financial Statements

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

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

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

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

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

Fund Financial Statements

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

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

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

GOVERNMENT-WIDE OVERALL FINANCIAL ANALYSIS

Net Position

The District's net position was -$11,644,148 for the fiscal year ended June 30, 2018, a 100.1% decrease over the net position for the fiscal year ended June 30, 2017. Of this amount, $31.89 million is invested in capital assets, net of related debt. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limits the Board's ability to use the net position for day-to-day operations. Management's analysis below focuses on the net position (Table 1) and on the changes in net position (Table 2) of the District's governmental activities:

Table 1

Net Position

	Governmental Activities		Percentage
	2016-2017 as restated	**2017-2018**	**Change**
Assets			
Current and other assets	$ 76,166,361	$ 57,060,941	-25.1%
Capital assets	198,546,662	213,852,952	7.7%
Total Assets	274,713,023	270,913,893	-1.4%
Deferred outflows of resources	32,247,405	41,860,688	29.8%
Liabilities			
Current liabilities	9,051,030	9,350,771	3.3%
Long - term debt	301,075,168	311,490,064	3.5%
Total Liabilities	310,126,198	320,840,835	3.5%
Deferred inflows of resources	2,654,438	3,577,894	100.0%
Net Position			
Net investment in capital assets	30,497,028	31,887,294	4.6%
Restricted	14,331,248	12,736,246	-11.1%
Unrestricted	(50,648,484)	(56,267,688)	11.1%
Total Net Position	$ (5,820,208)	$ (11,644,148)	100.1%

Changes in Net Position

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

Table 2

Changes in Net Position

	Governmental Activities 2016-2017	Governmental Activities 2017-2018	Percentage Change
Revenues			
Program revenues			
Charges for services	$ 662,337	$ 700,451	5.8%
Operating grants and contributions	11,829,430	9,287,665	-21.5%
General revenues			
Federal and State unrestricted revenue sources	5,192,711	4,418,038	-14.9%
Property taxes	72,830,009	81,256,723	11.6%
Other general revenues	6,791,445	11,899,741	75.2%
Total Revenues	97,305,932	107,562,618	10.5%
Expenses			
Instruction related	68,295,644	74,801,617	9.5%
Pupil services	10,653,852	12,259,312	15.1%
Administration	6,818,279	6,530,049	-4.2%
Plant services	9,108,602	8,516,024	-6.5%
Other	11,682,022	10,336,791	-11.5%
Total Expenses	106,558,399	112,443,793	5.5%
Change in Net Position	$ (9,252,467)	$ (4,881,175)	-47.2%

Total revenues increased 10.5% over the previous fiscal period to $107.56 million. Total expenditures increased 5.5% over the previous period to $112.44 million.

Governmental Activities

As reported in the *Statement of Activities* in the financial statements, the cost of all of our governmental activities this year was $107.56 million. However, the amount that local taxpayers ultimately financed for these activities through local taxes was only $81.26 million because those who benefited from the programs paid the cost ($0.70 million) or by other governments and organizations that subsidized certain programs with grants and contributions ($9.29 million).

In Table 3, we have presented the cost and net cost of each of the District's largest functions: instruction including, special instruction programs and other instructional programs, pupil services, administration, plant services, and all other services. As discussed above, net cost shows the financial burden that was placed on the District's taxpayers by each of these functions. Providing this information allows our citizens to consider the cost of each function in comparison to the benefits they believe are provided by that function.

Table 3

Net Cost of Governmental Activities

(Dollar amounts in millions)	Total Cost of Services		Percentage	Net Cost of Services		Percentage
	2017	**2018**	**Change**	**2017**	**2018**	**Change**
Instruction	$ 57.3	$ 61.8	7.9%	$ 51.9	$ 55.9	7.7%
Supervision of instruction	4.3	6.3	46.5%	4.0	6.0	50.0%
Instructional library, media and technology	0.9	1.1	22.2%	0.9	1.1	22.2%
School administration	5.8	6.4	10.3%	5.6	6.2	10.7%
Pupil transportation	1.5	1.8	20.0%	1.5	1.8	20.0%
Food services	2.7	3.0	11.1%	0.6	0.7	16.7%
Other pupil services	6.4	7.6	18.8%	5.8	6.9	19.0%
Administration	6.8	6.7	-1.5%	6.6	6.5	-1.5%
Plant services	9.1	8.4	-7.7%	9.2	8.5	-7.6%
All other services	11.7	10.3	-12.0%	8.0	9.8	22.5%
Totals	$106.5	$113.4	6.5%	$ 94.1	$103.4	9.9%

FINANCIAL ANALYSIS OF GOVERNMENTAL FUNDS

As the District completed this year, our governmental funds reported a combined fund balance of $50.58 million of which $19.93 million was in the General Fund.

General Fund Budgetary Highlights

Over the course of the year, the District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. The final amendment to the budget was adopted on June 21, 2018. (A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in our annual report on page 57.

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

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

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2018, the District had $213.9 million in a broad range of capital assets, including land, buildings, furniture, and equipment.

Table 4

Capital Assets

(Amounts in millions)	Governmental Activities 2016-2017	Governmental Activities 2017-2018	Percentage Change
Land	$ 3.8	$ 3.8	0.0%
Building and improvements	239.7	261.6	9.1%
Equipment	5.8	5.4	-6.9%
Subtotal	249.3	270.8	8.6%
Accumulated depreciation	(50.8)	(56.9)	12.1%
Totals	$ 198.5	$ 213.9	7.7%

This year's additions of $15.4 million, net of depreciation, include an energy efficiency HVAC upgrade at Cherry Chase Elementary. A complete campus renovation at Bishop Elementary School will continue in the 2018-19 school year. We present information that is more detailed about our capital assets in notes to the financial statements.

Long-Term Obligations

The District had $212.2 million in general obligation bonds and $99.4 million of other long-term debt outstanding at the close of the year ended June 30, 2018 (see Table 5). This amount represents a net increase of $10.5 million from the prior year. More detailed information about the District's long-term obligations is presented in Note 9 to the financial statements.

Table 5

Long Term Obligations

(Amounts in millions)	Governmental Activities 2016-2017 as restated	Governmental Activities 2017-2018	Percentage Change
General Obligation Bond	$ 195.8	$ 193.4	-1.2%
Capital Appreciation Bond	0.4	0.5	25.0%
Premium	19.2	18.3	-4.7%
Compensated Absences	0.5	0.6	20.0%
Net OPEB Obligation (Restated)	10.3	10.4	1.0%
Pension Liabilities	74.9	88.4	18.0%
Totals	$ 301.1	$ 311.6	3.5%

DISCUSSION OF FISCAL YEAR 2017-2018 AND OUTLOOK FOR 2018-2019 AND BEYOND:

The Sunnyvale School District serves more than 6,800 students in grades preschool through eighth grade and is located in northwestern Santa Clara County adjacent to the cities of Santa Clara, Mountain View, and Cupertino in the heart of Silicon Valley. About two-thirds of the K-8 students who live in the City of Sunnyvale are within the boundaries of the Sunnyvale School District. The District's share of the revenue generated by local property taxes during FY 2017-2018 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 28% Hispanic, 22% white, 30% Asian, 6% Filipino, and 14% 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 uses the framework of the Seven Correlates of Effective Schools as a basis for decision-making and they serve as our guiding principles. The Seven Correlates are:

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

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

The District is committed to continuing to provide a comprehensive instructional program while focusing services on the students and communities most in need of support. The 2018-2019 school year is full of promise. Funding for public schools has stabilized and the funding model itself has changed to focus financial support on the students with the greatest needs. The District has adopted the California Common Core State Educational Standards that provides a deeper learning experience and develops critical thinking skills in our students. The One-to-One: Technology to Support Learning, is an ongoing, multi-year plan to ensure access to all students in the new ways of receiving educational content. Bond Measure G allows the District to support school facilities and instructional technology. Management is committed to manage spending in a fiscally responsible manner to maintain the financial strength of the school district.

Net Pension Liability (NPL)

GASB Statements No. 68 and No. 71 introduced new requirements for accrual-basis recognition by state and local governments of employer costs and obligations for pensions. Under the new accounting standards, if the present value of benefits earned by all employees participating in the CalSTRS or CalPERS pension plan exceeds the resources accumulated by the pension plan to benefits, LEAs must now report in their government wide financial statements their proportionate share of the plan's net pension liability. At present, both CalSTRS and CalPERS have a net pension liability. The district has implemented GASB Statements No. 68 and No. 71 in the fiscal year 2014-2015.

Total Other Postemployment Benefits (OPEB)

In complying with GASB No. 75, the District recognized additional liability of $7.4 million and restated its 2017-2018 beginning net position. See Note 17 for more details.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

SUNNYVALE SCHOOL DISTRICT

STATEMENT OF NET POSITION
JUNE 30, 2018

	Governmental Activities
ASSETS	
Deposits and investments	$ 55,729,945
Receivables	1,107,543
Stores inventories	223,453
Capital assets, not depreciated	52,256,256
Capital assets, net of accumulated depreciation	161,596,696
Total Assets	270,913,893
DEFERRED OUTFLOWS OF RESOURCES	
Deferred amount on refunding	14,335,288
Deferred outflows of resources related to pensions	27,124,042
Deferred outflows of resources related to OPEB	401,358
Total Deferred Outflows of Resources	41,860,688
LIABILITIES	
Accounts payable	6,070,339
Interest payable	2,872,056
Unearned revenue	408,376
Long-term obligations other than pensions and OPEB:	
Current portion of long-term obligations	5,755,684
Noncurrent portion of long-term obligations	206,919,365
Total other postemployment benefit (OPEB) liabilty	10,445,828
Aggregate net pension liability	88,369,187
Total Liabilities	320,840,835
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources related to pensions	3,577,894
Total Deferred Inflows of Resources	3,577,894
NET POSITION	
Net investment in capital assets	31,887,294
Restricted	
Debt service	7,127,370
Capital projects	4,742,188
Child nutrition services	94,718
Educational programs	771,970
Unrestricted	(56,267,688)
Total Net Position	$ (11,644,148)

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

SUNNYVALE SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

Functions/Programs	Expenses	Program Revenues: Charges for Services and Sales	Program Revenues: Operating Grants and Contributions	Net (Expenses) Revenues and Changes In Net Net Position: Governmental Activities
Governmental Activities:				
Instruction	$ 61,775,355	$ -	$ 5,852,280	$ (55,923,075)
Instruction related activities:				
Supervision of instruction	6,301,423	-	305,525	(5,995,898)
Instructional library, media and technology	1,146,921	-	7,950	(1,138,971)
School site administration	6,414,089	-	245,485	(6,168,604)
Pupil services:				
Home-to-school transportation	1,828,126	-	-	(1,828,126)
Food services	2,978,658	665,401	1,582,532	(730,725)
All other pupil services	7,589,567	-	678,732	(6,910,835)
General administration:				
Data processing	1,581,874	-	3,329	(1,578,545)
All other general administration	5,021,172	34,635	127,342	(4,859,195)
Plant services	8,412,582	-	-	(8,412,582)
Interest on long-term obligations	10,336,791	-	-	(10,336,791)
Other outgo	-	415	484,490	484,905
Total Governmental-type Activities	$ 113,386,558	$ 700,451	$ 9,287,665	(103,398,442)
General revenues and subvention				
Property taxes, levied for general purposes				68,577,540
Property taxes, levied for debt service				11,422,650
Taxes levied for other specific purposes				1,256,533
Federal and State aid not restricted to specific purposes				4,418,038
Interest and investment earnings				774,503
Miscellaneous				11,125,238
Subtotal, General Revenues				97,574,502
Change in Net Position				(5,823,940)
Net Position - Beginning				1,594,681
Prior period restatement				(7,414,889)
Net Position - Ending				$ (11,644,148)

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

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SUNNYVALE SCHOOL DISTRICT

GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2018

	General Fund	Building Fund	Bond Interest and Redemption Fund
ASSETS			
Deposits and investments	$ 21,270,782	$ 19,307,600	$ 9,974,529
Receivables	881,889	70,378	24,897
Due from other funds	444,972	721	-
Stores inventories	129,035	-	-
Total Assets	$ 22,726,678	$ 19,378,699	$ 9,999,426
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	$ 2,408,822	$ 3,494,126	$ -
Due to other funds	-	84,670	-
Unearned revenue	390,267	-	-
Total Liabilities	2,799,089	3,578,796	-
Fund Balances			
Nonspendable	155,035	-	-
Restricted	771,970	15,799,903	9,999,426
Assigned	408,362	-	-
Unassigned	18,592,222	-	-
Total Fund Balances	19,927,589	15,799,903	9,999,426
Total Liabilities and Fund Balances	$ 22,726,678	$ 19,378,699	$ 9,999,426

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

Nonmajor Governmental Funds	Total Governmental Funds
$ 5,177,034	$ 55,729,945
130,379	1,107,543
-	445,693
94,418	223,453
$ 5,401,831	$ 57,506,634
$ 167,391	$ 6,070,339
361,023	445,693
18,109	408,376
546,523	6,924,408
94,718	249,753
4,742,188	31,313,487
18,402	426,764
-	18,592,222
4,855,308	50,582,226
$ 5,401,831	$ 57,506,634

SUNNYVALE SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF NET POSITION JUNE 30, 2018

Total Fund Balance - Governmental Funds		$ 50,582,226
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	$ 270,794,648	
Accumulated depreciation is	(56,941,696)	
Net Capital Assets		213,852,952
Interest accrual is not recognized in the governmental funds but is reported as a liability on the Statement of Net Position.		(2,872,056)
Unamortized deferred amount on refunding is recognized as deferred outflow on the Statement of Net Position. The deferred amount is recognized as expense over the life of the bonds in the Statement of Activities.		14,335,288
Deferred inflows and outflows of resources related to pension activities are not recognized on the modified accrual basis, but are recognized on the accrual basis over the expected average remaining service life of members receiving pension benefits.		23,947,506
Long-term obligations are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term obligations at year end consist of:		
General obligation bonds and related premiums	212,100,849	
Total OPEB obligation	10,445,828	
Compensated absences (vacations)	574,200	
Net pension liability	88,369,187	
Total Long-Term Obligation		(311,490,064)
Total Net Position - Governmental Activities		$ (11,644,148)

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

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SUNNYVALE SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2018

	General Fund	Building Fund	Bond Interest and Redemption Fund
REVENUES			
Local control funding formula	$ 70,619,714	$ -	$ -
Federal sources	2,364,944	-	-
Other state sources	6,400,085	-	27,118
Other local sources	8,114,748	326,341	11,481,580
Total Revenues	87,499,491	326,341	11,508,698
EXPENDITURES			
Current			
Instruction	55,093,118	-	-
Instruction related activities:			
Supervision of instruction	5,621,492	-	-
Instructional library, media and technology	1,033,878	-	-
School site administration	5,742,731	-	-
Pupil services:			
Home-to school transportation	1,644,621	-	-
Food services	10,184	-	-
All other pupil services	6,838,704	-	-
General administration:			
Data processing	1,424,075	-	-
All other general administration	4,384,035	-	-
Plant services	6,089,815	890,977	-
Capital Outlay	684,865	20,831,838	-
Debt service			
Principal	-	-	2,450,000
Interest and other	-	-	8,706,317
Total Expenditures	88,567,518	21,722,815	11,156,317
Revenues Over (Under) Expenditures	(1,068,027)	(21,396,474)	352,381
Other Financing Sources (Uses)			
Transfers in	-	5,807,854	-
Transfers out	(1,895,140)	-	-
Net Financing Sources (Uses)	(1,895,140)	5,807,854	-
NET CHANGE IN FUND BALANCES	(2,963,167)	(15,588,620)	352,381
Fund Balance - Beginning	22,890,756	31,388,523	9,647,045
Fund Balance - Ending	$ 19,927,589	$ 15,799,903	$ 9,999,426

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

Nonmajor Governmental Funds	Total Governmental Funds
$ -	$ 70,619,714
1,551,937	3,916,881
758,660	7,185,863
4,332,636	24,255,305
6,643,233	105,977,763
568,299	55,661,417
-	
51,421	5,672,913
-	1,033,878
37,528	5,780,259
-	
-	1,644,621
2,668,090	2,678,274
-	6,838,704
-	
-	1,424,075
136,590	4,520,625
506,960	7,487,752
-	21,516,703
-	
-	2,450,000
-	8,706,317
3,968,888	125,415,538
2,674,345	(19,437,775)
417,249	6,225,103
(4,329,963)	(6,225,103)
(3,912,714)	-
(1,238,369)	(19,437,775)
6,093,677	70,020,001
$ 4,855,308	$ 50,582,226

SUNNYVALE SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

Net Change in Fund Balances - Governmental Funds		$ (19,437,775)
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 expense in the Statement of Activities. Below is the amount by which capital outlays exceed depreciation in the period:		
Capital outlays	$ 21,428,316	
Depreciation expense	(6,122,026)	
Net Expense Adjustment		15,306,290
In the Statement of Activities, compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This year, vacation paid was less than the amounts earned.		(64,807)
Deferred amounts on refunding are not recorded on the governmental Balance Sheet, but are deferred on the Statement of Net Position, and amortized over the life of the bonds.		(1,616,888)
In the governmental funds, pension costs are based on employer contributions made to pension plans during the year. However, in the Statement of Activities, pension expense is the net effect of all changes in the deferred outflows, deferred inflows and net pension liability during the year.		(3,565,711)
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.		232,853
Amortization of bond premium is not recognized in the governmental funds. In the government-wide statements, it is amortized over the life of the related bonds.		885,684

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

SUNNYVALE SCHOOL DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2018

Repayment of bond principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.		2,450,000
Accreted interest on capital appreciation bonds in the Statement of Activities differs from the amount reported in the governmental funds because accreted interest does not require the use of current financial resources, and thus is not recorded in the governmental funds. In the Statement of Activities, however, accreted interest expense is recognized as the interest accrues, regardless of when it is due.		(46,200)
Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the governmental funds when it is paid, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues, regardless of when it is paid.		32,614
Change in Net Position of Governmental Activities	$	(5,823,940)

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

SUNNYVALE SCHOOL DISTRICT

FIDUCIARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2018

	Agency Funds
ASSETS	
Cash and cash equivalents	$ 187,440
Total assets	$ 187,440
LIABILITIES	
Due to student groups	$ 187,440
Total liabilities	$ 187,440

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity

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

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

Basis of Presentation - Fund Accounting

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

Governmental Funds

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

Major Governmental Funds

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

Fund 17, Special Reserve Fund for Other Than Capital Outlay Projects is currently defined as a special revenue fund in the California State Accounting Manual (CSAM) that does not meet the GASB Statement No. 54 special revenue fund definition; not being substantially composed of restricted or committed revenue sources. While this fund is authorized by statute and will remain open for internal reporting purposes, this fund functions effectively as extensions of the General Fund, and accordingly has been combined with the General Fund for presentation in these audited financial statements. As a result, the General Fund reflects an increase in assets, fund balance and revenues of $12,024,583, $12,024,583, and $159,473, respectively.

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

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

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

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).

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 lA), the 2002 State School Facilities Fund (Proposition 47), the 2004 State School Facilities Fund (Proposition 55), 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.).

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

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

Basis of Accounting - Measurement Focus

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

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

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

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

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

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

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. Available is defined as collectible within 365 days. However, to achieve comparability of reporting among California districts and so as not to distort normal revenue patterns, with specific respect to reimbursement grants and corrections to state-aid apportionments, the California Department of Education has defined available for districts as collectible within one year. The following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain grants, and other local sources.

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

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

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

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

Deposits and Investments

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

Investments

Investments held at June 30, 2018, 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.

Prepaid Expenditures (Expenses)

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

Stores Inventories

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

Capital Assets and Depreciation

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

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

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

Interfund Balances

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

Compensated Absences

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

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

Accrued Liabilities and Long-Term Obligations

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

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

Debt Issuance Costs, Premiums and Discounts

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

Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of 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 reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The District reports deferred inflows of resources for deferred charges on refunding of debt, 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.

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the District Plan and additions to/deductions from the District Plan have been determined on the same basis as they are reported by the District Plan. For this purpose, the District Plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

Fund Balances – Governmental Funds

As of June 30, 2018, fund balances of the governmental funds are classified as follows:

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

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

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

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

Unassigned – all other spendable amounts.

Spending Order Policy

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

Minimum Fund Balance Policy

In fiscal year 2010-2011, the governing board adopted a minimum fund balance policy for the General Fund in order to protect the district against revenue shortfalls or unpredicted on-time expenditures. The policy requires the District to maintain a minimum fund balance of 10% of the District's General Fund expenditures and other financing uses. If a fund balance drops below 3%, it shall be recovered at a rate of 1% minimally each year.

Net Position

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

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.

New Accounting Pronouncements Effective This Fiscal Year

In June 2015, the GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* The primary objective of this Statement is to improve accounting and financial reporting by State and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). The District has implemented the provisions of this Statement as of June 30, 2018.

In March 2017, the GASB issued Statement No. 85, *Omnibus 2017.* The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The District has implemented the provisions of this Statement as of June 30, 2018.

In May 2017, the GASB issued Statement No. 86, *Certain Debt Extinguishment Issues.* The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The District has implemented the provisions of this Statement as of June 30, 2018.

New Accounting Pronouncements Effective in Future Fiscal Years

In November 2016, the GASB issued Statement No. 83, *Certain Asset Retirement Obligations.* This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Early implementation is encouraged. The District has not determined the effect of the statement.

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

In June 2017, the GASB issued Statement No. 87, *Leases.* The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The requirements of this Statement are effective for the reporting periods beginning after December 15, 2019. Early implementation is encouraged. The District has not determined the effect of the statement.

In April 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Early implementation is encouraged. The District has not determined the effect of the statement.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The requirements of this Statement should be applied prospectively. The District has not determined the effect of the statement.

In August 2018, the GASB issued Statement No. 90, *Majority Equity Interests – An Amendment of GASB statements No. 14 and No. 61*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. The District has not determined the effect of the statement.

NOTE 2 - DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

Deposits and investments as of June 30, 2018, are classified in the accompanying financial statements as follows:

Governmental funds	$	55,729,945
Fiduciary fund		187,440
Total Deposits and Investments	$	55,917,385

Deposits and investments as of June 30, 2018, consist of the following:

Cash on hand and in banks	$	444,417
Revolving cash		26,300
Investment in county pool		55,446,668
Total Deposits and Investments	$	55,917,385

Policies and Practices

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

Investment in County Treasury

The District is considered to be an involuntary participant in an external investment pool as the District is required to deposit all receipts and collections of monies with their County Treasurer (*Education Code* Section 41001). The fair value of the District's investment in the pool is reported in the accounting financial statements at amounts based upon the District's pro-rata share of the amortized cost basis provided by the County Treasurer for the entire portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by the County Treasurer, which is recorded on the amortized cost basis. This pool is not registered with Security Exchange Commision.

General Authorizations

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

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

Interest Rate Risk

Interest rate risk is the risk that change in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rate. The District manages its exposure to interest rate risk by depositing substantially all of its funds in the County Treasury pool. The fair value of the deposits with the County Treasurer at June 30, 2018, was $55,001,265 and the weighted average maturity of the pool was 479 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, 2018.

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 - RECEIVABLES

Receivables at June 30, 2018, consisted of intergovernmental grants, entitlements, interest, and other local sources. All receivables are considered collectible in full.

	General	Building	Bond Interest and Redemption	Nonmajor	Total
Federal Government					
Categorical aid	$ 334,029	$ -	$ -	$ 49,117	$ 383,146
State Government					
Categorical aid	138,194	-	-	3,591	141,785
Lottery	266,865	-	-	-	266,865
Local Government					
Interest	117,268	67,860	24,897	34,266	244,291
Other local sources	25,533	2,518	-	43,405	71,456
Total	$ 881,889	$ 70,378	$ 24,897	$ 130,379	$ 1,107,543

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the fiscal year ended June 30, 2018, was as follows:

	Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018
Governmental Activities				
Capital Assets Not Being Depreciated				
Land	$ 3,814,433	$ -	$ -	$ 3,814,433
Construction in progress	27,966,275	20,771,971	296,423	48,441,823
Total Capital Assets Not Being Depreciated	31,780,708	20,771,971	296,423	52,256,256
Capital Assets Being Depreciated				
Land improvements	37,584,184	247,662	-	37,831,846
Buildings	174,178,826	48,762	-	174,227,588
Vehicles	919,745	187,499	-	1,107,244
Furniture and equipment	4,902,869	468,845	-	5,371,714
Total Capital Assets Being Depreciated	217,585,624	952,768	-	218,538,392
Total Capital Assets	249,366,332	21,724,739	296,423	270,794,648
Less Accumulated Depreciation				
Land improvements	7,065,739	1,828,379	-	8,894,118
Buildings	40,401,702	3,863,710	-	44,265,412
Vehicles	815,182	65,777	-	880,959
Furniture and equipment	2,537,047	364,160	-	2,901,207
Total Accumulated Depreciation	50,819,670	6,122,026	-	56,941,696
Governmental Activities Capital Assets, Net	$ 198,546,663	$ 15,602,713	$ 296,423	$ 213,852,952

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

Governmental Activities	
Instruction	$ 3,662,917
Supervision of instruction	373,638
Instructional library, media, and technology	68,006
School site administration	380,317
Home-to-school transportation	108,397
Food services	176,617
All other pupil services	450,017
All other general administration	297,726
Data processing	93,796
Plant services	510,595
Total Depreciation Expense - Governmental Activities	$ 6,122,026

NOTE 5 - INTERFUND TRANSACTIONS

Interfund Receivables/Payables (Due From/Due To)

Interfund receivable and payable balances at June 30, 2018, between major and nonmajor governmental funds are as follows:

	Due From		
Due To	General Fund	Building Fund	Total
Building Fund	$ 84,670	$ -	$ 84,670
Nonmajor Governmental Funds	360,302	721	361,023
Total	$ 444,972	$ 721	$ 445,693

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, 2018, are as follows:

	Transfer In		
Transfer Out	Building Fund	Non-Major Governmental Funds	Total
General Fund	$ 1,477,891	$ 417,249	$ 1,895,140
Non-Major Governmental Funds	4,329,963	-	4,329,963
Total	$ 5,807,854	$ 417,249	$ 6,225,103

The General Fund transferred to the Cafeteria Fund to maintain a positive cash flow and to support the District's cafeteria operations.	$ 417,249
The General Fund transferred to the Building Fund to reimburse contructions costs.	1,477,891
The Capital Facilities Fund transferred to the Building Fund to reimburse construction costs.	4,329,963
Total	$ 6,225,103

NOTE 6 - DEFERRED CHARGE ON REFUNDING

Deferred charge on refunding is a consumption of net position by the District that is applicable to a future reporting period. For governmental activities, the net investment in capital assets amount of $31,887,294 includes the effect of deferring the recognition of loss from advance refunding. The $14,335,288 balance of the deferred outflow of resources at June 30, 2018 will be recognized as an expense and as a decrease in net position over the remaining life of related bonds.

Deferred charge on refunding at June 30, 2018 is as follows:

	Balance July 1, 2017	Additions	Deductions	Balance June 30, 2018
Deferred charge on bond refunding	$15,952,176	$ -	$ 1,616,888	$ 14,335,288

NOTE 7 - ACCOUNTS PAYABLE

Accounts payable at June 30, 2018, consisted of the following:

	General Fund	Building Fund	Nonmajor Governmental Funds	Total Governmental Funds
Vendor payables	$ 1,985,171	$ 3,494,126	$ 167,391	$ 5,646,688
Salaries and benefits	423,651	-	-	423,651
Total Accounts Payable	$ 2,408,822	$ 3,494,126	$ 167,391	$ 6,070,339

NOTE 8 - UNEARNED REVENUE

Unearned revenue at June 30, 2018, consists of the following:

	General Fund	Nonmajor Governmental	Total
Federal financial assistance	$ -	$ -	$ -
State categorical aid	473	18,109	18,582
Other local	389,794	-	389,794
Total Unearned Revenue	$ 390,267	$ 18,109	$ 408,376

NOTE 9 - LONG-TERM OBLIGATIONS OTHER THAN PENSION

Summary

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

	Balance July 1, 2017	Accreted/ Additions	Deductions	Balance June 30, 2018	Due in One Year
General obligation bonds					
Current interest bonds	$195,800,000	$ -	$ 2,450,000	$193,350,000	$ 4,870,000
Capital appreciation bonds	407,100	46,200	-	453,300	-
Bond premium	19,183,233	-	885,684	18,297,549	885,684
Subtotal	215,390,333	46,200	3,335,684	212,100,849	5,755,684
Compensated absences	509,393	64,807	-	574,200	-
Total	$215,899,726	$ 111,007	$ 3,335,684	$212,675,049	$ 5,755,684

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

Bonded Debt

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2017	Issued / Accreted	Defeased/ Redeemed	Bonds Outstanding June 30, 2018
General Obligation Bonds							
2007 B	9/1/31	4.00-4.50%	$ 30,000,000	$ 460,000	$ -	$ 460,000	$ -
2010 C	9/1/34	4.25-4.50%	35,000,000	4,000,000	-	-	4,000,000
2012 Ref	9/1/20	3.00-5.00%	4,925,000	2,415,000	-	545,000	1,870,000
2012 D	9/1/42	4.00%	5,000,000	5,000,000	-	-	5,000,000
2013 A	9/1/44	2.00-5.00%	28,000,000	22,430,000	-	-	22,430,000
2014 Ref	9/1/23	2.00-5.00%	14,815,000	12,215,000	-	1,445,000	10,770,000
2015 Ref	9/1/35	2.00-5.00%	110,610,000	109,280,000	-	-	109,280,000
2013 B	9/1/44	3.00-5.00%	40,000,000	40,000,000	-	-	40,000,000
Subtotal				195,800,000	-	2,450,000	193,350,000
Capital Appreciation Bonds							
2012 D	9/1/42	3.00-11.00%	14,767,843	407,100	46,200	-	453,300
				$196,207,100	$ 46,200	$ 2,450,000	$193,803,300

Debt Service Requirements to Maturity

The bonds mature through 2045 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2019	$ 4,870,000	$ 8,516,419	$ 13,386,419
2020	3,280,000	8,337,769	11,617,769
2021	3,660,000	8,167,369	11,827,369
2022	4,440,000	7,964,869	12,404,869
2023	5,005,000	7,737,869	12,742,869
2024-2028	17,870,000	36,152,095	54,022,095
2029-2033	37,960,000	29,708,010	67,668,010
2034-2038	43,440,820	21,237,711	64,678,531
2039-2043	57,230,000	9,217,800	66,447,800
2044-2045	15,825,000	587,523	16,412,523
Subtotal	193,580,820	$ 137,627,434	$ 331,208,254
Unmatured accretion to date	222,480		
Subtotal	193,803,300		
Unamortized premium	18,297,549		
Net general obligation bonds	$ 212,100,849		

Accumulated Unpaid Employee Vacation

The long-term portion of accumulated unpaid employee vacation for the District at June 30, 2018, amounted to $574,200.

NOTE 10 - FUND BALANCES

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

	General Fund	Building Fund	Bond Interest and Redemption Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable					
Revolving cash	$ 26,000	$ -	$ -	$ 300	$ 26,300
Stores inventories	129,035	-	-	94,418	223,453
Total Nonspendable	155,035	-	-	94,718	249,753
Restricted					
Educational programs	771,970	-	-	-	771,970
Capital projects	-	15,799,903	-	4,742,188	20,542,091
Debt services	-	-	9,999,426	-	9,999,426
Total Restricted	771,970	15,799,903	9,999,426	4,742,188	31,313,487
Assigned					
Deferred maintenance	-	-	-	18,402	18,402
Site carryover	408,362	-	-	-	408,362
Total Assigned	408,362	-	-	18,402	426,764
Unassigned					
Reserve for economic uncertainties	12,024,583	-	-	-	12,024,583
Remaining unassigned	6,567,639	-	-	-	6,567,639
Total Unassigned	18,592,222	-	-	-	18,592,222
Total Fund Balance	$ 19,927,589	$ 15,799,903	$ 9,999,426	$ 4,855,308	$ 50,582,226

NOTE 11 - LEASE REVENUES

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

Year Ending June 30,	Lease Revenue
2019	$ 4,526,536
2020	4,643,935
2021	1,017,627
2022	1,048,156
2023	1,079,601
2024-2028	5,903,699
2029-2030	2,616,872
Total	$ 20,836,427

NOTE 12 - TOTAL POST EMPLOYMENT BENEFIT (OPEB) LIABILITY

For the fiscal year ended June 30, 2018, the District reported net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense as follows:

OPEB Plan	Net OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense
District Plan	$ 168,505	$ 401,358	$ -	$ 232,853

Plan Administration

The District's governing board administers the Postemployment Benefits Plan (the Plan). The Plan is a single-employer defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB) for eligible retirees and their spouses.

Plan Membership

At June 30, 2018, the Plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits payments	36
Active employees	684
Total Plan Membership	720

Benefits Provided

The Plan provides medical and dental insurance benefits to eligible retirees and their spouses. Benefits are provided through a third-party insurer, and the full cost of benefits is covered by the Plan. The District's governing board has the authority to establish and amend the benefit terms as contained within the negotiated labor agreements.

Contributions

The contribution requirements of Plan members and the District are established and may be amended by the District, represented groups and unrepresented groups. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually through the agreements with the District, represented groups, and the unrepresented groups. For fiscal year 2017-2018, the District contributed $586,822 to the Plan, all of which was used for current premiums.

Actuarial Assumptions

The net OPEB liability in the June 30, 2018 actuarial valuation was determined using the following assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	3.13	percent
Salary increases	3	percent, average, including inflation
Investment rate of return	4	percent, net of OPEB plan investment expense, including inflation
Healthcare cost trend rates	6	percent for 2017

The discount rate was based on the Bond Buyer 20-bond General Obligation Index.

Mortality rates were based on the 2009 CalSTRS Mortality Table for certificated employees and the 2014 CalPERS Active Mortality for Miscellaneous Employees Table for classified employees. Mortality rates vary by age and sex (unisex mortality rates are not often used as individual OPEB benefits do not depend on the mortality table used). If employees die prior to retirement, past contributions are available to fund benefits for employees who live to retirement. After retirement, death results in benefit termination or reduction. Although higher mortality rates reduce service costs, the mortality assumption is not likely to vary from employer to employer.

The actual assumptions used in the June 30, 2017 valuation were based on the results of an actual experience study for the period July 1, 2016 to June 30, 2017.

Changes in the Total OPEB Liability

		2018
Total OPEB Liability		
Service cost	$	442,760
Interest		312,567
Benefit payments		(586,822)
Net change in total OPEB liability		168,505
Total OPEB liability - beginning		10,277,323
Total OPEB liability - ending	$	10,445,828

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

The following presents the net OPEB liability of the District, as well as what the District's net 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		Net OPEB Liability
1% decrease (2.13%)	$	11,184,594
Current discount rate (3.13%)		10,445,828
1% increase (4.13%)		9,760,022

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

The following presents the net OPEB liability of the District, as well as what the District's net 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 Rates		Net OPEB Liability
1% decrease (5%)	$	9,546,391
Current healthcare cost trend rate (6%)		10,445,828
1% increase (7%)		11,474,039

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources related to OPEB

For the year ended June 30, 2018, the District recognized OPEB expense of $232,853. At June 30, 2018, the District reported deferred outflows of resources for OPEB contributions subsequent to measurement date of $401,358.

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

NOTE 13 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft, damage and destruction of assets; errors and omissions; injuries to employees; life and health of employees; and natural disasters. The District purchases commercial insurance for property damage with coverage up to a maximum of $600 million, subject to various policy sublimits generally ranging from $25 thousand to $50 million and deductibles of $5,000 for electronic data processing coverage and $500,000 per occurrence for all other claims. Claims in the past three years did not exceed the coverage limit.

Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2018, the District contracted with Alliance of Schools for Cooperative Insurance Programs for property and liability insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years.

Workers' Compensation

For fiscal year 2018, the District participated in the Alliance of Schools for Cooperative Insurance Programs (ASCIP), an insurance purchasing pool. The intent of the ASCIP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the ASCIP. The workers' compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all districts in the ASCIP. Each participant pays its workers' compensation premium based on its individual rate. A participant will then either receive money from or be required to contribute to the "equity-pooling fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the ASCIP. Participation in the ASCIP is limited to districts that can meet the ASCIP selection criteria.

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

Insurance Program / Company Name	Type of Coverage	Limits
Workers' Compensation Program		
Santa Clara County Schools Insurance Group	Worker's Compensation	$ 1,000,000
Property and Liability Program		
ASCIP JPA	General	$ 5,000,000
	Automobile	$ 5,000,000
	Employee Dishonesty	$ 5,000,000
	Property	$ 600,000,000

NOTE 14 - EMPLOYEE RETIREMENT SYSTEMS

For the fiscal year ended June 30, 2018 the District reported net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

Pension Plan	Collective Net Pension Liability	Collective Deferred Outflows of Resources	Collective Deferred Inflows of Resources	Collective Pension Expense
CalSTRS	$ 61,114,708	$ 17,953,547	$ 3,257,006	$ 6,243,454
CalPERS	27,254,479	9,170,495	320,888	5,288,238
Total	$ 88,369,187	$ 27,124,042	$ 3,577,894	$ 11,531,692

The details of each plan are as follows:

<u>California State Teachers' Retirement System (CalSTRS)</u>

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, 2016, 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.

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

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

The STRP provisions and benefits in effect at June 30, 2018, are summarized as follows:

	STRP Defined Benefit Program	
Hire date	On or before December 31, 2012	On or after January 1, 2013
Benefit formula	2% at 60	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	60	62
Monthly benefits as a percentage of eligible compensation	2.0% - 2.4%	2.0% - 2.4%
Required employee contribution rate	10.25%	9.205%
Required employer contribution rate	14.43%	14.43%
Required state contribution rate	9.328%	9.328%

Contributions

Required member, District and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers' Retirement Law. The contribution rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven year period. The contribution rates for each plan for the year ended June 30, 2018, are presented above and the District's total contributions were $5,502,065.

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

At June 30, 2018, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related State support and the total portion of the net pension liability that was associated with the District were as follows:

Total net pension liability, including State share:	
District's proportionate share of net pension liability	$ 61,114,708
State's proportionate share of the net pension liability associated with the District	36,154,945
Total	$ 97,269,653

The net pension liability was measured as of June 30, 2017. 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, 2017 and June 30, 2016, respectively was 0.0661 percent and 0.0657 percent, resulting in a net increase in the proportionate share of 0.0004 percent.

For the year ended June 30, 2018, the District recognized pension expense of $6,243,454. In addition, the District recognized pension expense and revenue of $3,639,342 for support provided by the State. At June 30, 2018, 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	$ 5,502,065	$ -
Difference between projected and actual earnings on pension plan investments	-	(1,627,656)
Differences between expected and actual experience in the measurement of the total pension liability	226,008	(1,065,884)
Change in assumption	11,322,213	-
Change in proportions	903,261	(563,466)
Total	$ 17,953,547	$ (3,257,006)

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

Year Ended June 30,	Deferred Outflows (inflows) of Resources
2019	$ (1,353,338)
2020	1,024,043
2021	147,682
2022	(1,446,043)
Total	$ (1,627,656)

The deferred outflows (inflows) of resources related to the net change in proportionate share of net pension liability, 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
2019	$ 3,734,803
2020	3,734,803
2021	3,344,383
2022	(169,410)
2023	95,366
2024	82,187
Total	$ 10,822,132

Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2016, and rolling forward the total pension liability to June 30, 2017. The financial reporting actuarial valuation as of June 30, 2016, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2016
Measurement date	June 30, 2017
Experience study	July 1, 2010 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	7.10%
Investment rate of return	7.10%
Consumer price inflation	2.75%
Wage growth	3.50%

CalSTRS uses a generational mortality assumption, which involves the use of a base mortality table and projection scales to reflect expected annual reductions in mortality rates at each age, resulting in increases in life expectancies each year into the future. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among its members. The projection scale was set equal to 110 percent of the ultimate improvement factor from the Mortality Improvement Scale (MP-2016) table, issued by the Society of Actuaries.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant (Pension Consulting Alliance-PCA) as an input to the process. The actuarial investment rate of return assumption was adopted by the board in February 2017 in conjunction with the most recent experience study. For each future valuation, CalSTRS consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions.

Best estimates of 20-year geometrically-linked real rates of return and the assumed asset allocation for each major asset class for the year ended June 30, 2017, are summarized in the following table:

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

Discount Rate

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

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%)	$ 89,735,794
Current discount rate (7.10%)	61,114,708
1% increase (8.10%)	37,886,757

California Public Employees Retirement System (CalPERS)

Plan Description

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

A full description of the pension plan(s) regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2016 annual actuarial valuation report(s), “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, 2018 are summarized as follows:

	School Employer Pool (CalPERS)	
	On or before	On or after
Hire date	December 31, 2012	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%	6.50%
Required employer contribution rate	15.531%	15.153%

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2018, are presented above and the total District contributions were $2,463,916.

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

As of June 30, 2018, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling $27,254,479. The net pension liability was measured as of June 30, 2017. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2017 and June 30, 2016, respectively, was 0.1142 percent and 0.1103 percent, resulting in a net increase in the proportionate share of 0.0039 percent.

For the year ended June 30, 2018, the District recognized pension expense of $5,288,238. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	School Employer Pool (CalPERS)	
	December 31,	On or after
Hire date	2012	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%	6.50%
Required employer contribution rate	15.531%	15.153%

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 of Resources
2019	$ (25,546)
2020	1,087,808
2021	396,845
2022	(516,288)
Total	$ 942,819

The deferred outflows (inflows) of resources related to the net change in proportionate share of net pension liability, 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 3.9 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows of Resources
2019	$ 1,966,127
2020	1,952,212
2021	1,524,533
Total	$ 5,442,872

Actuarial Methods and Assumptions

Total pension liability for the SEP was determined by applying update procedures to a financial reporting actuarial valuation as of June 30, 2016, and rolling forward the total pension liability to June 30, 2017. The financial reporting actuarial valuation as of June 30, 2016, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2016
Measurement date	June 30, 2017
Experience study	July 1, 1997 through June 30, 2011
Actuarial cost method	Entry age normal
Discount rate	7.15%
Investment rate of return	7.15%
Consumer price inflation	2.75%
Wage growth	Varies by entry age and service

The mortality table used was developed based on CalPERS-specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first ten years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

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	47%	3.38%
Global debt securities	19%	2.27%
Inflation assets	6%	1.39%
Private equity	12%	6.63%
Real estate	11%	5.21%
Infrastructure and Forestland	3%	5.36%
Liquidity	2%	-0.80%

Discount Rate

The discount rate used to measure the total pension liability was 7.15 percent. The projection of cash flows used to determine the discount rate assumed the contributions from plan members and employers will be made at statutory contribution rates. Based on these assumptions, the School Employer Pool fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term assumed investment rate of return was applied to all periods of projected benefit payments to determine total pension liability.

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

Discount Rate	Net Pension Liability
1% decrease (6.15%)	$ 33,641,577
Current discount rate (7.15%)	27,254,479
1% increase (8.15%)	13,310,212

Tax Deferred Annuity (TDA)

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

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of $2,940,171 (9.328 percent 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. On behalf payments have been included in the calculation of available reserves, but have not been included in the budgeted amounts reported in the *General Fund - Budgetary Comparison Schedule*.

NOTE 15 - COMMITMENTS AND CONTINGENCIES

Grants

The District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2018.

Litigation

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

Construction Commitments

As of June 30, 2018, the District had the following commitments with respect to the unfinished capital projects:

Project Name	Remaining Construction Commitment	Expected Date of Completion
Cherry Chase HVAC and Site upgrades	$ 400,000	November, 2018
Bishop infrastructure	13,800,000	May, 2019
Other small projects	200,000	June, 2019
Total Outstanding Construction Commitments	$ 14,400,000	

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

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

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

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

During the year ended June 30, 2018, the District made payments of $383,007 to the Santa Clara County Schools' Insurance Group and $1,149,690 to the Silicon Valley Transportation Authority.

NOTE 17 - RESTATEMENT OF PRIOR YEAR NET POSITION

The District adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions,* in the current year. As a result, the effect on the current fiscal year is as follows:

Statement of Net Position		
Net Position - Beginning	$	1,594,681
Restatement for GASB 75		(7,414,889)
Net Position - Beginning as Restated	$	(5,820,208)

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REQUIRED SUPPLEMENTARY INFORMATION

SUNNYVALE SCHOOL DISTRICT

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2018

	Budgeted Amounts			Variances - Positive (Negative)
	Original	Final	Actual	Final to Actual
REVENUES				
Local control funding formula	$ 66,293,605	$ 70,476,065	$ 70,619,714	$ 143,649
Federal sources	2,344,454	2,471,438	2,364,944	(106,494)
Other state sources	4,269,909	6,152,090	6,400,085	247,995
Other local sources	6,969,460	7,886,710	7,955,275	68,565
Total Revenues	79,877,428	86,986,303	87,340,018	353,715
EXPENDITURES				
Current				
Certificated salaries	37,369,702	37,984,067	39,008,485	(1,024,418)
Classified salaries	13,818,326	13,912,478	14,692,632	(780,154)
Employee benefits	19,611,418	20,590,019	21,417,392	(827,373)
Books and supplies	2,210,190	3,252,195	2,891,866	360,329
Services and operating expenditures	8,469,657	9,644,392	10,003,487	(359,095)
Other outgo	(131,805)	(126,228)	(136,590)	10,362
Capital outlay	-	686,181	690,246	(4,065)
Total Expenditures	81,347,488	85,943,104	88,567,518	(2,624,414)
Excess of Revenues Over Expenditures	(1,470,060)	1,043,199	(1,227,500)	(2,270,699)
Other Financing Sources (Uses)				
Transfers out	(340,642)	(326,622)	(1,895,140)	(1,568,518)
NET CHANGE IN FUND BALANCES	(1,810,702)	716,577	(3,122,640)	(3,839,217)
Fund Balance - Beginning	11,025,646	11,025,646	11,025,646	-
Fund Balance - Ending	$ 9,214,944	$ 11,742,223	7,903,006	$ (3,839,217)
Special Reserve - Other Than Capital Outlay Fund			12,024,583	
Fund Balance - Ending, GAAP			$ 19,927,589	

See accompanying note to required supplementary information.

SUNNYVALE SCHOOL DISTRICT

SCHEDULE OF CHANGE IN THE DISTRICT'S NET OPEB LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED JUNE 30, 2018

		2018
Total OPEB Liability		
Service cost	$	442,760
Interest		312,567
Benefit payments		(586,822)
Net change in total OPEB liability		168,505
Total OPEB liability - beginning		10,277,323
Total OPEB liability - ending	$	10,445,828
Covered payroll		55,507,106
District's total OPEB liability as a percentage of covered payroll		18.8%

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

See accompanying note to required supplementary information.

SUNNYVALE SCHOOL DISTRICT

SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
FOR THE YEAR ENDED JUNE 30, 2018

MEASUREMENT DATE, JUNE 30,	2017	2016	2015
CalSTRS			
District's proportion of the net pension liability	0.0661%	0.0657%	0.0645%
District's proportionate share of the net pension liability	$ 61,114,708	$ 53,119,808	$ 43,405,078
State's proportionate share of the net pension liability associated with the District	36,154,945	30,240,159	22,956,501
Total	$ 97,269,653	$ 83,359,967	$ 66,361,579
District's covered payroll	$ 35,433,174	$ 33,073,528	$ 27,416,212
District's proportionate share of the net pension liability as a percentage of its covered payroll	172.48%	160.61%	158.32%
Plan fiduciary net position as a percentage of the total pension liability	69%	70%	74%
CalPERS			
District's proportion of the net pension liability	11.4200%	0.1103%	0.1059%
District's proportionate share of the net pension liability	$ 27,254,479	$ 21,778,311	$ 15,615,970
District's covered payroll	$ 14,598,236	$ 13,188,492	$ 11,677,227
District's proportionate share of the net pension liability as a percentage of its covered payroll	187%	165%	134%
Plan fiduciary net position as a percentage of the total pension liability	72%	74%	79%

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

See accompanying note to required supplementary information.

2014
0.0658%
$ 38,466,686
23,227,846
$ 61,694,532
$ 29,314,581
131.22%
77%
0.1057%
$ 12,002,408
$ 11,126,540
108%
83%

SUNNYVALE SCHOOL DISTRICT

SCHEDULE OF DISTRICT PENSION CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2018

FISCAL YEAR END, JUNE 30,	2018	2017	2016
CalSTRS			
Contractually required contribution	$ 5,502,065	$ 4,456,767	$ 3,548,001
Contributions in relation to the contractually required contribution	5,502,065	4,456,767	3,548,001
Contribution deficiency (excess)	$ -	$ -	$ -
District's covered payroll	$ 38,140,235	$ 35,433,174	$ 33,073,528
Contributions as a percentage of covered payroll	14.43%	12.58%	10.73%
CalPERS			
Contractually required contribution	$ 2,463,916	$ 2,027,403	$ 1,441,064
Contributions in relation to the contractually required contribution	2,463,916	2,027,403	1,441,064
Contribution deficiency (excess)	$ -	$ -	$ -
District's covered payroll	$ 15,866,311	$ 14,598,236	$ 13,188,492
Contributions as a percentage of covered payroll	16%	14%	11%

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

See accompanying note to required supplementary information.

2015
$ 2,687,229
2,687,229
$ -
$ 27,416,212
9.80%
$ 1,336,108
1,336,108
$ -
$ 11,677,227
11%

See accompanying note to required supplementary information.

NOTE 1 - PURPOSE OF SCHEDULES

Budgetary Comparison Schedule

The District employs budget control by object codes and by individual appropriation accounts. Budgets are prepared on the modified accrual basis of accounting in accordance with accounting principles generally accepted in the United State of America as prescribed by the Governmental Accounting Standards Board and provisions of the California *Education Code*. The governing board is required to hold a public hearing and adopt an operating budget no later than July 1 of each year. The adopted budget is subject to amendment throughout the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption with the legal restriction that expenditures cannot exceed appropriations by major object account.

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

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

At June 30, 2018, the District major fund(s) exceeded the budgeted amount in total as follows:

	Expenditures and Other Uses		
	Budget	Actual	Excess
Payroll and related expenditures	$ 72,486,564	$ 75,118,509	$ 2,631,945
Services and operating expenditures	9,644,392	10,003,487	359,095
Capital outlay	686,181	690,246	4,065
Transfers out	326,622	1,895,140	1,568,518

Schedule of Changes in the District's Net OPEB Liability and Related Ratios

This schedule presents information on the District's changes in the net OPEB liability, including beginning and ending balances, the plan's fiduciary net position, and the net OPEB liability. In the future, as data becomes available, ten years of information will be presented.

Changes in Benefit Terms – There were no changes in benefit terms since the previous valuations.

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

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

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

Changes in Assumptions – The CalSTRS plan rate of investment return assumption was changed from 7.60 percent to 7.10 percent since the previous valuation. The CalPERS plan rate of investment return assumption was changed from 7.65 percent to 7.15 percent since the previous valuation.

Schedule of District Pension Contributions

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

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SUPPLEMENTARY INFORMATION

SUNNYVALE SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	CFDA Number	Grant Identifying Number	Federal Expenditures	
U.S. DEPARTMENT OF EDUCATION				
Passed through California Department of Education:				
Title I, Part A - Basic Grants Low-Income and Neglected	84.010	14329		$ 459,376
Title II, Part A - Improving Teacher Quality	84.367	14341		123,138
Title III - Limited English Proficient Student Program	84.365	14346		130,943
Special Education Cluster (IDEA)				
Basic Local Assistance Entitlement, Part B, Section 611	84.027	13379	$ 909,730	
Local Assistance, Part B, Sec 611, Private School ISPs	84.027	10115	4,944	
Preschool Grants, Part B, Section 619	84.173	13430	80,439	
Preschool Grants, Part B, Sec 611	84.027A	13682	279,440	
Preschool Staff Development, Part B, Sec 619	84.173A	13431	616	1,275,169
Total Special Education Cluster				1,988,626
Total U.S. Department of Education				
U.S. DEPARTMENT OF AGRICULTURE				
Passed through California Department of Education:				
Child Nutrition Cluster				
Basic School Breakfast	10.553	13390	9,741	
Especially Needy School Breakfast	10.553	13526	316,780	
National School Lunch Program	10.555	13391	946,009	
Meal Supplement	10.556	13568	69,179	
Commodity Supplemental Food Program	10.565	13391	105,270	
Total Child Nutrition Cluster				1,446,979
Child and Adult Care food Program	10.558	13393		158,240
National School Lunch Program Equipment Assistance	10.579	14906		51,987
Total U.S. Department of Agriculture				1,657,206
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Passed through California Department of Health Care Services:				
Medical Assistance Program	93.778	10013		376,319
Total Expenditures of Federal Awards				$ 4,022,151

See accompanying note to supplementary information.

SUNNYVALE SCHOOL DISTRICT

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
JUNE 30, 2018

ORGANIZATION

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

GOVERNING BOARD

MEMBER	OFFICE	TERM EXPIRES
Reid Meyers	President	2020
Michelle Maginot	Vice President	2018
Nancy Newkirk	Clerk	2020
Anita Herrmann	Member	2018
Jeffrey Arnett	Member	2018

ADMINISTRATION

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

See accompanying note to supplementary information.

SUNNYVALE SCHOOL DISTRICT

SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE YEAR ENDED JUNE 30, 2018

	Final Report	
	Second Period Report	Annual Report
Regular ADA		
Transitional kindergarten through third	3,000.81	2,998.14
Fourth through sixth	2,085.57	2,082.56
Seventh and eighth	1,219.17	1,218.93
Total Regular ADA	6,305.55	6,299.63
Extended Year Special Education		
Transitional kindergarten through third	3.23	3.23
Fourth through sixth	2.86	2.86
Seventh and eighth	1.76	1.76
Total Extended Year Special Education	7.85	7.85
Special Education, Nonpublic, Nonsectarian Schools		
Fourth through sixth	0.95	1.01
Seventh and eighth	5.86	5.53
Total Special Education, Nonpublic, Nonsectarian Schools	6.81	6.54
Total ADA	6,320.21	6,314.02

See accompanying note to supplementary information.

SUNNYVALE SCHOOL DISTRICT

SCHEDULE OF INSTRUCTIONAL TIME
FOR THE YEAR ENDED JUNE 30, 2018

Grade Level	1986-1987 Minutes Requirement	2017-2018 Actual Minutes	Number of Days Traditional Calendar	Status
Kindergarten	36,000	51,970	200	Complied
Grade 1	50,400	51,690	180	Complied
Grade 2	50,400	51,690	180	Complied
Grade 3	50,400	51,690	180	Complied
Grade 4	54,000	55,365	180	Complied
Grade 5	54,000	55,365	180	Complied
Grade 6	54,000	61,314	190	Complied
Grade 7	54,000	61,314	190	Complied
Grade 8	54,000	61,314	180	Complied

Note: the District is basic aid and not subject to the instructional time requirements.

See accompanying note to supplementary information.

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

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

	General Fund	Reserves Other Fund	Building Fund
FUND BALANCE			
Balance, June 30, 2018, Unaudited Actuals	$ 7,903,006	$ 12,024,583	$ 17,173,356
Special Reserve Other Fund is consolidated into the General Fund in the audit report	12,024,583	(12,024,583)	-
Audit adjustment to increase accounts payable	-	-	(1,373,453)
Balance, June 30, 2018, Audited Financial Statements	$ 19,927,589	$ -	$ 15,799,903

See accompanying note to supplementary information.

SUNNYVALE SCHOOL DISTRICT

SCHEDULE OF FINANCIAL TRENDS AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2018

	(Budget) 2019 [1]	2018	2017 as restated	2016
GENERAL FUND [3]				
Revenues	$ 93,093,655	$ 87,340,018	$ 82,028,569	$ 81,809,184
Expenditures	91,537,519	88,567,518	81,601,712	74,399,627
Other uses and transfers out	309,130	1,895,140	348,360	3,149,404
Total Expenditures and Other Uses	91,846,649	90,462,658	81,950,072	77,549,031
Change in Fund Balance	$ 1,247,006	$ (3,122,640)	$ 78,497	$ 4,260,153
Ending Fund Balance	$ 9,150,012	$ 7,903,006	$ 11,025,646	$ 10,947,149
Available Reserves [2]	$ 19,759,227	$ 18,592,222	$ 18,876,979	$ 17,221,998
Available Reserves As a Percentage of Total Outgo	21.51%	20.55%	23.03%	22.21%
Long-Term Obligations [4]	$ 305,734,380	$ 311,490,064	$ 293,660,279	$ 239,035,269
K-12 Average Daily Attendance At P-2	6,368	6,320	6,312	6,421

The General Fund balance has decreased by $3,044,143 over the past two years. The fiscal year 2018-2019 budget projects an increase of $1,247,006. For a district this size, the State recommends available reserves of at least 3 percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District incurred operating deficits in the 2017-2018 fiscal year, but anticipates incurring an operating surplus during the 2018-2019 fiscal year. Total long-term obligations have increased by $72,454,795 over the past two years due to issuance of new bonds and implementation of GASB 75.

Average daily attendance has decreased by 110 over the past two years. Additional growth of 48 ADA is anticipated during fiscal year 2018-2019.

[1] Budget 2019 is included for analytical purposes only and has not been subjected to audit.

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

[3] General Fund amounts do not include activity related to the consolidation of the Special Revenue Fund for Other Than Capital Outlay Projects as required by GASB Statement No. 54.

[4] Long-term obligations have been restated due to the implementation of GASB Statement No. 75.

See accompanying note to supplementary information.

SUNNYVALE SCHOOL DISTRICT

NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2018

	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund
ASSETS			
Deposits and investments	$ 76,003	$ 372,748	$ 18,325
Receivables	43,797	53,554	77
Stores inventories	-	94,418	-
Total Assets	$ 119,800	$ 520,720	$ 18,402
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	$ 575	$ 166,816	$ -
Due to other funds	101,116	259,186	-
Deferred revenue	18,109	-	-
Total Liabilities	119,800	426,002	-
Fund Balances			
Nonspendable	-	94,718	-
Restricted			
Assigned	-	-	18,402
Total Fund Balances	-	94,718	18,402
Total Liabilities and Fund Balances	$ 119,800	$ 520,720	$ 18,402

See accompanying note to supplementary information.

Capital Facilities Fund	County School Facilities Fund	Total Nonmajor Governmental Funds
$ 4,709,817	$ 141	$ 5,177,034
32,951	-	130,379
-	-	94,418
$ 4,742,768	$ 141	$ 5,401,831
$ -	$ -	$ 167,391
721	-	361,023
-	-	18,109
721	-	546,523
-	-	94,718
4,742,047	141	4,742,188
-	-	18,402
4,742,047	141	4,855,308
$ 4,742,768	$ 141	$ 5,401,831

SUNNYVALE SCHOOL DISTRICT

NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2018

	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund
REVENUES			
Federal sources	$ -	$ 1,551,937	$ -
Other state sources	656,130	102,530	-
Other local sources	1,118	702,778	262
Total Revenues	657,248	2,357,245	262
EXPENDITURES			
Current			
Instruction	568,299	-	-
Instruction related activities:			
Supervision of instruction	51,421	-	-
School site administration	37,528	-	-
Pupil services:			
Food services	-	2,668,090	-
General administration:			
All other general administration	-	136,590	-
Plant services	-	-	-
Total Expenditures	657,248	2,804,680	-
Excess (deficiency) of Revenues over (under) expenditures	-	(447,435)	262
Other Financing Sources (Uses)			
Transfers in	-	417,249	-
Transfers out	-	-	-
Net Financing Sources (Uses)	-	417,249	-
NET CHANGE IN FUND BALANCES	-	(30,186)	262
Fund Balance - Beginning	-	124,904	18,140
Fund Balance - Ending	$ -	$ 94,718	$ 18,402

See accompanying note to supplementary information.

Capital Facilities Fund	County School Facilities Fund	Total Nonmajor Governmental Funds
$ -	$ -	$ 1,551,937
-	-	758,660
3,628,476	2	4,332,636
3,628,476	2	6,643,233
-	-	568,299
-	-	51,421
-	-	37,528
-	-	2,668,090
-	-	136,590
506,960	-	506,960
506,960	-	3,968,888
3,121,516	2	2,674,345
-	-	417,249
(4,329,963)	-	(4,329,963)
(4,329,963)	-	(3,912,714)
(1,208,447)	2	(1,238,369)
5,950,494	139	6,093,677
$ 4,742,047	$ 141	$ 4,855,308

NOTE 1 - PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

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

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

Description	CFDA Number	Amount
Federal revenues reported in the Statement of Revenues, Expenditures and Changes in Fund Balances		$ 3,916,881
Commodity Supplemental Food Program	10.565	105,270
Total Expenditures of Federal Awards		$ 4,022,151

Local Education Agency Organization Structure

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

Schedule of Average Daily Attendance (ADA)

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

Schedule of Instructional Time

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. The District neither met nor exceeded its target funding. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of *Education Code* Sections 46200 through 46206.

Districts must maintain their instructional minutes at 1986-1987 requirements, as required by *Education Code* Section 46201.

NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2018

Reconciliation Of Annual Financial And Budget Report With Audited Financial Statements

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

Schedule of Financial Trends and Analysis

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

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

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

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INDEPENDENT AUDITOR'S REPORTS

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

Governing Board
Sunnyvale School District
Sunnyvale, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Sunnyvale School District (the District) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Sunnyvale School District's basic financial statements, and have issued our report thereon dated December 3, 2018.

Internal Control Over Financial Reporting

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

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

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

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether Sunnyvale School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

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

Vavrinek, Trine, Day & Co., LLP

Palo Alto, California
December 3, 2018

VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

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

Governing Board
Sunnyvale School District
Sunnyvale, California

Report on Compliance for Each Major Federal Program

We have audited Sunnyvale School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Sunnyvale School District's (District) major Federal programs for the year ended June 30, 2018. The District's major Federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

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

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

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Opinion on Each Major Federal Program

In our opinion, Sunnyvale School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2018.

Report on Internal Control Over Compliance

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

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

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

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

Vavrinek, Trine, Day & Co., LLP

Palo Alto, California
December 3, 2018

VAVRINEK, TRINE, DAY & CO., LLP
Certified Public Accountants

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INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Governing Board
Sunnyvale School District
Sunnyvale, California

Report on State Compliance

We have audited Sunnyvale School District's compliance with the types of compliance requirements as identified in the *2017-2018 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* that could have a direct and material effect on each of the Sunnyvale School District's State government programs as noted below for the year ended June 30, 2018.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance of each of the Sunnyvale School District's State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *2017-2018 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. These standards require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the applicable government programs noted below. An audit includes examining, on a test basis, evidence about Sunnyvale School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions. Our audit does not provide a legal determination of Sunnyvale School District's compliance with those requirements.

Unmodified Opinion

In our opinion, Sunnyvale School District complied, in all material respects, with the compliance requirements referred to above that are applicable to the government programs noted below that were audited for the year ended June 30, 2018.

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

	Procedures Performed
LOCAL EDUCATION AGENCIES OTHER THAN CHARTER SCHOOLS	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Kindergarten Continuance	Yes
Independent Study	Yes
Continuation Education	No (See Below)
Instructional Time	Yes
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	No (See Below)
Gann Limit Calculation	Yes
School Accountability Report Card	Yes
Juvenile Court Schools	No (See Below)
Middle or Early College High Schools	No (See Below)
K-3 Grade Span Adjustment	Yes
Transportation Maintenance of Effort	No (See Below)
Apprenticeship: Related and Supplemental Instruction	No (See Below)
SCHOOL DISTRICTS, COUNTY OFFICES OF EDUCATION, AND CHARTER SCHOOLS	
Educator Effectiveness	Yes
California Clean Energy Jobs Act	Yes
After/Before School Education and Safety Program:	
General Requirements	Yes
After School	Yes
Before School	No (See Below)
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control Accountability Plan	Yes
Independent Study - Course Based	No (See Below)
CHARTER SCHOOLS	
Attendance	No (See Below)
Mode of Instruction	No (See Below)
Non Classroom-Based Instruction/Independent Study for Charter Schools	No (See Below)
Determination of Funding for Non Classroom-Based Instruction	No (See Below)
Annual Instruction Minutes Classroom-Based	No (See Below)
Charter School Facility Grant Program	No (See Below)

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

The District does not have any charter schools; therefore, we did not perform any procedures related to charter schools.

Vavrinek, Trine, Day & Co., LLP

Palo Alto, California
December 3, 2018

Schedule of Findings and Questioned Costs

SUNNYVALE SCHOOL DISTRICT

SUMMARY OF AUDITOR'S RESULTS
FOR THE YEAR ENDED JUNE 30, 2018

FINANCIAL STATEMENTS

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

FEDERAL AWARDS

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

CFDA Numbers	Name of Federal Program or Cluster
10.553 and 10.555	Child Nutrition Cluster

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

STATE AWARDS

Type of auditor's report issued on compliance for State programs:	Unmodified

FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018

None reported.

FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

None reported.

STATE AWARDS FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

None reported.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2018

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