NEW ISSUE—BOOK-ENTRY ONLY

RATINGS:
Moody's: "Aa2"
S&P: "AA+"
See "RATING" herein.

In the opinion of Quint & Thimmig LLP, Larkspur, California, Bond Counsel, subject to compliance by the District with certain covenants, under present law, interest on Bonds is excludable from gross income of the owners thereof for federal income tax purposes and is not included as an item of tax preference in computing the federal alternative minimum tax for individuals and corporations, but such interest is taken into account in computing an adjustment used in determining the federal alternative minimum tax for certain corporations. In addition, in the opinion of Bond Counsel, interest on the Bonds is exempt from personal income taxation imposed by the State of California. See "TAX MATTERS" herein.

$28,000,000
SUNNYVALE SCHOOL DISTRICT
(Santa Clara County, California)
General Obligation Bonds,
Election of 2013, Series A (2014)

$14,815,000
SUNNYVALE SCHOOL DISTRICT
(Santa Clara County, California)
2014 General Obligation
Refunding Bonds

Dated: Date of Delivery **Due: September 1, as shown on the inside cover page**

The $28,000,000 Sunnyvale School District (Santa Clara County, California) General Obligation Bonds, Election of 2013, Series A (2014) (the "Series A Bonds") are being issued by the Sunnyvale School District (the "District") pursuant to Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 (commencing with section 53506) of the California Government Code, and a resolution of the Board of Education of the District (the "Board"). The Series A Bonds are being issued to (a) finance the acquisition and construction of educational facilities and projects which were described in the ballot measure approved by the electors of the District on November 5, 2013, which authorized the issuance of general obligation bonds in the maximum aggregate principal amount of $96,000,000 (the "2013 Authorization"), and (b) pay for costs of issuance of the Series A Bonds. The Series A Bonds constitute the first issue of bonds under the 2013 Authorization. The Series A Bonds will be issued as current interest bonds.

The $14,815,000 Sunnyvale School District (Santa Clara County, California) 2014 General Obligation Refunding Bonds (the "Refunding Bonds" and, with the Series A Bonds, the "Bonds") are being issued by the District pursuant to provisions of Article 9 of Chapter 3 (commencing with section 53550) of Division 2 of Title 5 of the California Government Code, and a resolution of the Board. The Refunding Bonds are being issued to (a) refund the outstanding Alameda-Contra Costa Schools Financing Authority Revenue Bonds, 2005 Series B (Sunnyvale School District Refunding Program) (the "2005 Authority Bonds"), maturing on and after September 1, 2015 (the "Refunded 2005 Authority Bonds"), and (b) pay for costs of issuance of the Refunding Bonds. The proceeds of the 2005 Authority Bonds were used to purchase the Sunnyvale School District (County of Santa Clara, California) 2005 General Obligation Refunding Bonds (the "2005 District Bonds"), and to provide additional funds for the District which were used for authorized school purposes. The proceeds of the 2005 District Bonds were used to refund certain outstanding general obligation bonds of the District. The debt service payments made by the District with respect to the 2005 District Bonds secure and provide the source of payment for the 2005 Authority Bonds. By virtue of the refunding of the Refunded 2005 Authority Bonds, the 2005 District Bonds maturing on and after September 1, 2015, will also be refunded.

The Bonds constitute general obligations of the District. The Board of Supervisors of Santa Clara County is empowered and obligated to annually levy *ad valorem* taxes, without limitation as to rate or amount, for the payment of interest on, and principal of, the Bonds upon all property subject to taxation within the District (except certain personal property which is taxable at limited rates), all as more fully described herein under "THE BONDS" and "AD VALOREM PROPERTY TAXATION."

The Bonds are issuable in denominations of $5,000 and any integral multiple thereof. Interest on the Bonds is payable on March 1 and September 1 of each year, commencing March 1, 2015. See "THE BONDS" herein. The Bonds will be delivered in fully registered form only and, when delivered, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository of the Bonds. Ownership interests in the Bonds may be purchased in book-entry form only. Principal of and interest on the Bonds will be paid by U.S. Bank National Association, as paying agent, to DTC or its nominee, which will in turn remit such payment to its participants for subsequent disbursement to the beneficial owners of the Bonds. See "BOOK-ENTRY ONLY SYSTEM" herein.

The Bonds are subject to redemption prior to maturity as described herein.

MATURITIES, PRINCIPAL AMOUNTS, INTEREST RATES AND PRICES OR YIELDS

SEE THE INSIDE COVER PAGE

This cover page and the inside cover page contain information for quick reference only. They are not a summary of this issue. Potential purchasers must read the entire Official Statement to obtain information essential to making an informed investment decision.

The Bonds will be offered when, as and if issued, and received by the purchaser thereof, subject to the approval as to their validity by Quint & Thimmig LLP, Larkspur, California, Bond Counsel, and certain other conditions. Certain legal matters will be passed upon for the District by Quint & Thimmig LLP, Larkspur, California, Disclosure Counsel. Certain legal matters will be passed upon for the Underwriter by Nossaman LLP, Irvine, California. It is anticipated that the Bonds will be available for delivery through the facilities of DTC on or about August 12, 2014.

STIFEL

July 29, 2014

$28,000,000
SUNNYVALE SCHOOL DISTRICT
(Santa Clara County, California)
General Obligation Bonds,
Election of 2013, Series A (2014)

$10,195,000 Serial Bonds

CUSIP† Prefix: 867578

Maturity (September 1)	Principal Amount	Interest Rate	Yield	CUSIP† Suffix	Maturity (September 1)	Principal Amount	Interest Rate	Yield	CUSIP† Suffix
2015	$3,570,000	2.000%	0.130%	RE8	2031	$ 785,000	3.125%	3.420%	RJ7
2016	2,000,000	3.000	0.280	RF5	2032	860,000	3.250	3.490	RK4
2029	500,000	3.000	3.280	RG3	2033	945,000	3.250	3.550	RL2
2030	500,000	3.000	3.350	RH1	2034	1,035,000	5.000	3.200c	RM0

$6,990,000 5.000% Term Bonds maturing September 1, 2039, Price: 113.525%c, to yield 3.400%—CUSIP† 867578 RN8

$10,815,000 5.000% Term Bonds maturing September 1, 2044, Price: 112.980%c, to yield 3.460%—CUSIP† 867578 RP3

$14,815,000
SUNNYVALE SCHOOL DISTRICT
(Santa Clara County, California)
2014 General Obligation Refunding Bonds

CUSIP† Prefix: 867578

Maturity (September 1)	Principal Amount	Interest Rate	Yield	CUSIP† Suffix	Maturity (September 1)	Principal Amount	Interest Rate	Yield	CUSIP† Suffix
2015	$1,245,000	2.000%	0.130%	RQ1	2020	$1,760,000	5.000%	1.360%	RV0
2016	1,355,000	3.000	0.280	RR9	2021	2,635,000	5.000	1.600	RW8
2017	1,445,000	4.000	0.490	RS7	2022	1,825,000	4.000	1.910	RX6
2018	1,555,000	5.000	0.790	RT5	2022	1,000,000	5.000	1.910	RZ1
2019	1,665,000	5.000	1.120	RU2	2023	330,000	5.000	2.120	RY4

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c Priced to the September 1, 2024, par call date.

Use of Official Statement. This Official Statement is submitted in connection with the sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose. This Official Statement is not a contract between any bond or note owner and the District or the Underwriter indicated in this Official Statement.

No Offering Except by This Official Statement. No dealer, broker, salesperson or other person has been authorized by the District or the Underwriter to give any information or to make any representations other than those contained in this Official Statement and, if given or made, such other information or representation must not be relied upon as having been authorized by the District or the Underwriter.

No Unlawful Offers or Solicitations. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor may there be any sale of the Bonds by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

Information in Official Statement. The information set forth in this Official Statement has been furnished by the District and other sources which are believed to be reliable, but it is not guaranteed as to accuracy or completeness.

Involvement of Underwriter. The Underwriter has provided the following statement for inclusion in this Official Statement: The Underwriter has reviewed the information in this Official Statement in accordance with, and as a part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

Document Summaries. All summaries of the documents referred to in this Official Statement are made subject to the provisions of such documents and qualified in their entirety to reference to such documents, and do not purport to be complete statements of any or all of such provisions.

No Securities Laws Registration. The Bonds have not been registered under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, in reliance upon exceptions therein for the issuance and sale of municipal securities. The Bonds have not been registered or qualified under the securities laws of any state.

Estimates and Projections. When used in this Official Statement and in any continuing disclosure by the District, in any press release and in any oral statement made with the approval of an authorized officer of the District, the words or phrases "will likely result," "are expected to," "will continue," "is anticipated," "estimate," "project," "forecast," "expect," "intend" and similar expressions identify "forward looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements are subject to risks and uncertainties that could cause actual results to differ materially from those contemplated in such forward-looking statements. Any forecast is subject to such uncertainties. Inevitably, some assumptions used to develop the forecasts will not be realized and unanticipated events and circumstances may occur. Therefore, there are likely to be differences between forecasts and actual results, and those differences may be material.

Effective Date. This Official Statement speaks only as of its date, and the information and expressions of opinion contained in this Official Statement are subject to change without notice. Neither the delivery of this Official Statement nor any sale of the Bonds will, under any circumstances, give rise to any implication that there has been no change in the affairs of the District, the County, the other parties described in this Official Statement, or the condition of the property within the District since the date of this Official Statement.

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SUNNYVALE SCHOOL DISTRICT
819 West Iowa Avenue
Sunnyvale, California 94086
(408) 522-8200
http://www.sesd.org

BOARD OF EDUCATION

Reid Myers, *President*
Jeffrey Arnett, *Vice President*
Nancy Newkirk, *Clerk*
Sandy Agbayani, *Board Member*
Anita Herrmann, *Board Member*

DISTRICT ADMINISTRATION

Benjamin H. Picard, Ed.D, *Superintendent*
Michael Gallagher, *Deputy Superintendent*
Mala Ahuja, *Assistant Superintendent*
Nella Kovner, *Chief Financial Officer*
Robert Smiley, *Chief Operations Officer*

PROFESSIONAL SERVICES

BOND COUNSEL and DISCLOSURE COUNSEL
Quint & Thimmig LLP
Larkspur, California

FINANCIAL ADVISOR
Public Financial Management, Inc.
San Francisco, California

PAYING AGENT, TRANSFER AGENT,
AUTHENTICATION AGENT and ESCROW BANK
U.S. Bank National Association
San Francisco, California

$28,000,000
SUNNYVALE SCHOOL DISTRICT
(Santa Clara County, California)
General Obligation Bonds, Election of 2013, Series A (2014)

$14,815,000
SUNNYVALE SCHOOL DISTRICT
(Santa Clara County, California)
2014 General Obligation Refunding Bonds

INTRODUCTION

This Official Statement, which includes the cover page, the inside cover page and appendices hereto, provides information in connection with the sale of $28,000,000 General Obligation Bonds, Election of 2013, Series A (2014) (the "Series A Bonds"), and the $14,815,000 2014 General Obligation Refunding Bonds (the "Refunding Bonds" and, with the Series A Bonds, the "Bonds").

This Introduction is not a summary of this Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement, including the cover page, the inside cover page and appendices hereto, and the documents summarized or described herein. A full review should be made of the entire Official Statement. The offering of the Bonds to potential investors is made only by means of the entire Official Statement.

The District

The Sunnyvale School District (the "District") was established as an elementary school district in 1904 and is located at 819 West Iowa Avenue in Sunnyvale, California. The District operates eight elementary schools (K-5) and two middle schools (6-8). The District is governed by a five-member board of education (the "Board"), each member of which is elected to a four-year term. Elections for positions to the Board are held every two years, alternating between two and three available positions. The management and policies of the District are administered by a Superintendent appointed by the Board who is responsible for day-to-day District operations as well as the supervision of the District's other personnel. Benjamin H. Picard, Ed.D. is the District Superintendent. The District operates as a "basic aid" district.

For more complete information concerning the District, including certain financial information, see "THE DISTRICT" and "APPENDIX B—DISTRICT AND GENERAL SCHOOL DISTRICT FINANCIAL INFORMATION." The District's audited financial statements for the fiscal year ended June 30, 2013, are included as APPENDIX C—AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2013.

Sources of Payment for the Bonds

The Bonds represent general obligations of the District payable solely from *ad valorem* property taxes levied and collected by the County. The Board of Supervisors of the County is empowered and is obligated to annually levy *ad valorem* taxes for the payment of the Bonds and the interest thereon upon all property in the District subject to taxation by the District without limitation of rate or amount (except certain personal property which is taxable at limited rates). See "SECURITY AND SOURCE OF PAYMENT FOR THE BONDS."

Authority for Issue; Purpose of Issue

Series A Bonds. The Series A Bonds are issued pursuant to the Constitution and laws of the State of California (the "State"), including the provisions of Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 (commencing with section 53506) of the California Government Code (the "New Money Bond Law"). The Series A Bonds are authorized to be issued pursuant to a resolution (the "Series A Bond Resolution"), adopted by the Board of Education of the District (the "District Board") on June 19, 2014.

The Series A Bonds are being issued to (a) finance the acquisition and construction of educational facilities and projects which were described in the ballot measure approved by the electors of the District on November 5, 2013, which authorized the issuance of general obligation bonds in the maximum aggregate principal amount of $96,000,000 (the "2013 Authorization"), and (b) pay for costs of issuance of the Bonds. The Series A Bonds are the first issue under the 2013 Authorization.

Refunding Bonds. The Refunding Bonds are issued pursuant to the Constitution and laws of the State, including the provisions of Article 9 of Chapter 3 (commencing with section 53550) of Division 2 of Title 5 of the California Government Code (the "Refunding Bond Law"). The Bonds are authorized to be issued pursuant to a resolution (the "Refunding Bond Resolution"), adopted by the Board on June 19, 2014.

The Refunding Bonds are being issued to (a) refund the outstanding Alameda-Contra Costa Schools Financing Authority Revenue Bonds, 2005 Series B (Sunnyvale School District Refunding Program) (the "2005 Authority Bonds"), maturing on and after September 1, 2015 (the "Refunded 2005 Authority Bonds"), and (b) pay for costs of issuance of the Refunding Bonds. The proceeds of the 2005 Authority Bonds were used to purchase the Sunnyvale School District (County of Santa Clara, California) 2005 General Obligation Refunding Bonds (the "2005 District Bonds"), and to provide additional funds for the District which were used for authorized school purposes. The proceeds of the 2005 District Bonds were used to refund certain outstanding general obligation bonds of the District.

Description of the Bonds

The Bonds are being issued as current interest bonds. The Bonds will be dated as of their date of delivery, will be issued as fully registered bonds, without coupons, in the denominations of $5,000 or any integral multiple thereof. Interest on the Bonds accrues from their date of delivery and is payable semiannually on each March 1 and September 1 (each an "Interest Payment Date"), commencing March 1, 2015.

The Bonds will be issued in fully registered form only, registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York ("DTC"), and will be available to actual purchasers of the Bonds (the "Beneficial Owners") in the denominations set forth on the inside cover page hereof, under the book-entry system maintained by DTC, only through brokers and dealers who are or act through DTC Participants as described herein. Beneficial Owners will not be entitled to receive physical delivery of the Bonds. See "BOOK-ENTRY-ONLY SYSTEM" and APPENDIX G—BOOK-ENTRY SYSTEM. In event that the book-entry-only system described below is no longer used with respect to the Bonds, the Bonds will be registered in accordance with the Resolutions described herein. See "THE BONDS—Registration, Transfer and Exchange of Bonds." Individual purchases of interests in the Bonds will be available to purchasers of the Bonds in the denominations of $5,000 principal amount or any integral multiple thereof.

Certain of the Bonds are subject to redemption prior to maturity. See "THE BONDS—Redemption."

Tax Matters

In the opinion of Quint & Thimmig LLP, Larkspur, California, Bond Counsel ("Bond Counsel"), subject to compliance by the District with certain covenants, under present law, interest on the Bonds is excludable from gross income of the owners thereof for federal income tax purposes and is not included as an item of tax preference in computing the federal alternative minimum tax for individuals and corporations, but such interest is taken into account in computing an adjustment used in determining the federal alternative minimum tax for certain corporations. See "TAX MATTERS."

Offering and Delivery

The Bonds are offered when, as and if issued and received by the purchaser thereof, subject to approval as to their legality by Bond Counsel. It is anticipated that the Bonds will be available for delivery through the facilities of DTC on or about August 12, 2014.

Continuing Disclosure

The District will covenant for the benefit of the holders of the Bonds to make available certain financial information and operating data relating to the District and to provide notices of the occurrence of certain enumerated events in compliance with S.E.C. Rule 15c2-12(b)(5). The specific nature of the information to be made available and of the notices of enumerated events is summarized below under the caption "CONTINUING DISCLOSURE." Also, see APPENDIX F—FORM OF CONTINUING DISCLOSURE CERTIFICATE.

Other Information

This Official Statement speaks only as of its date, and the information contained herein is subject to change. Copies of documents referred to herein and information concerning the Bonds are available for inspection at the office of the Superintendent, Sunnyvale School District, 819 West Iowa Avenue, Sunnyvale, California 94086, telephone (408) 522-8200. The District may impose a charge for copying, mailing and handling.

This Official Statement is not to be construed as a contract with the purchasers of the Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of fact. The summaries and references to documents, statutes and constitutional provisions referred to herein do not purport to be comprehensive or definitive, and are qualified in their entireties by reference to each of such documents, statutes and constitutional provisions.

The information set forth herein has been obtained from official sources which are believed to be reliable but it is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the District. The information and expressions of opinions herein are subject to change without notice and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District since the date hereof. This Official Statement is submitted in connection with the sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

THE BONDS

Authority for Issuance

Series A Bonds. The Series A Bonds are issued pursuant to the Constitution and laws of the State, including the provisions of the New Money Bond Law. The Series A Bonds are authorized pursuant to the Series A Bond Resolution.

Refunding Bonds. The Refunding Bonds are issued pursuant to the Constitution and laws of the State, including the provisions of the Refunding Bond Law. The Refunding Bonds are authorized pursuant to the Refunding Bond Resolution.

Purpose of Issuance

Series A Bonds. The Bonds are being issued to (a) finance the acquisition and construction of educational facilities and projects which were described in the 2013 Authorization, and (b) pay for costs of issuance of the Series A Bonds. See "—Sources and Uses of Funds."

Refunding Bonds. The Refunding Bonds are being issued to (a) refund the Refunded 2005 Authority Bonds, and (b) pay for costs of issuance of the Series A Bonds. The proceeds of the 2005 Authority Bonds were used to purchase the 2005 District Bonds, and to provide additional funds for the District which were used for authorized school purposes. The proceeds of the 2005 District Bonds were used to refund certain outstanding general obligation bonds of the District. The debt service payments made by the District with respect to the 2005 District Bonds secure and provide the source of payment for the 2005 Authority Bonds. By virtue of the refunding of the Refunded 2005 Authority Bonds, the 2005 District Bonds maturing on and after September 1, 2015, will also be refunded. See "—Sources and Uses of Funds" and "—Refunding Plan."

The District has authorized and issued certain other general obligation bonds. See APPENDIX B—DISTRICT AND GENERAL SCHOOL DISTRICT FINANCIAL INFORMATION—District Debt Structure.

Security

The Bonds represent general obligations of the District payable solely from *ad valorem* property taxes levied and collected with respect to the Bonds. The Board of Supervisors of the County is empowered and is obligated to levy *ad valorem* taxes for the payment of the Bonds, and the interest thereon, upon all property in the District subject to taxation by the District without limitation of rate or amount (except certain personal property which is taxable at limited rates). Such taxes are required to be levied annually, in addition to all other taxes, during the period that the Bonds are outstanding in an amount sufficient to pay the principal of and interest on the Bonds when due. Such taxes, when collected, will be deposited, with respect to the Bonds, into the Interest and Sinking Fund and which is required by the California Education Code to be applied for the payment of principal of and interest on the Bonds when due. Although the County is obligated to levy an *ad valorem* tax for the payment of the Bonds, and the County Director of Finance will maintain the Interest and Sinking Fund, the Bonds are a debt of the District, not the County.

The moneys in the Interest and Sinking Fund, to the extent necessary to pay the principal of and interest on the Bonds as the same become due and payable, will be transferred by County, through the County Director of Finance, to the Paying Agent (hereinafter defined) which, in turn, will pay such moneys to DTC to pay the principal of and interest on the Bonds. DTC will thereupon make payments of principal and interest on the Bonds to the DTC Participants who will thereupon make payments of principal and interest to the Beneficial Owners (as defined herein) of the Bonds.

The amount of the annual *ad valorem* tax levied by the County to repay the Bonds will be determined by the relationship between the assessed valuation of taxable property in the District and the amount of debt service due on the Bonds in any year. Fluctuations in the annual debt service on the Bonds and the assessed value of taxable property in the District may cause the annual tax rate to fluctuate. Economic and other factors beyond the District's control, such as a general market decline in land values, reclassification of property to a class exempt from taxation, whether by ownership or use (such as exemption for property owned by the State and local agencies and property used for qualified educational, hospital, charitable or religious purposes), or the complete or partial destruction of taxable property caused by natural or manmade disaster, such as earthquake, flood, or toxic contamination, could cause a reduction in the assessed value of taxable property within the District and necessitate a corresponding increase in the annual tax rate. For further information regarding the District's assessed valuation, tax rates, overlapping debt, and other matters concerning taxation, see "TAX BASE FOR REPAYMENT OF BONDS."

Description of the Bonds

The Bonds will be issued in book-entry form only, and will be initially issued and registered in the name of Cede & Co. as nominee for DTC. Purchasers will not receive physical certificates representing their interest in the Bonds. See "Book-Entry Only System" and APPENDIX G—BOOK-ENTRY ONLY SYSTEM.

Interest with respect to the Bonds accrues from their date of delivery and is payable semiannually on March 1 and September 1 of each year (each, an "Interest Payment Date"), commencing March 1, 2015. Interest on the Bonds accrues on the basis of a 360-day year comprised of twelve 30-day months. Each Bond will bear interest from the Interest Payment Date next preceding the date of authentication thereof unless it is authenticated as of a day during the period from the 16th day of the month next preceding any Interest Payment Date to that Interest Payment Date, inclusive, in which event it will bear interest from such Interest Payment Date, or unless it is authenticated on or before February 15, 2015, in which event it will bear interest from their date of delivery. The Bonds are issuable in denominations of $5,000 principal amount or any integral multiple thereof. The Bonds mature on the dates, in the years and amounts set forth on the inside cover page hereof. The principal of and interest on the Bonds will be payable by check or draft mailed by first-class mail, in lawful money of the United State of America upon presentation and surrender of such Bond at the office of the Paying Agent; *provided however*, that payment of interest may be by wire transfer in immediately available funds to an account in the United States of America to any owner of Bonds in the aggregate principal amount of $1,000,000 or more. See also "Book Entry Only System" below.

See the maturity schedules on the inside cover page hereof and "DEBT SERVICE SCHEDULES—Bonds."

Payment

The redemption price, if any, on the Bonds will be payable upon maturity or redemption upon surrender of such Bonds at the principal office of the Paying Agent. The interest, principal and redemption price, if any, on the Bonds will be payable in lawful money of the United States of America. The Paying Agent is authorized to pay the Bonds when duly presented for payment at maturity, and to cancel all Bonds upon payment thereof. The Bonds are general obligations of the District and do not constitute obligations of the County. No part of any fund of the County is pledged or obligated to the payment of the Bonds.

Redemption

Series A Bonds.

Optional Redemption. The Series A Bonds maturing on and prior to September 1, 2024. are not callable for redemption prior to their stated maturity date. The Series A Bonds maturing on and after September 1, 2025, are callable for redemption prior to their stated maturity date at the option of the District, in whole or in part on any date on or after September 1, 2024, (in such maturities and amounts as are designated by the District, or, if the District fails to designate such maturities, on a proportional basis), from any source lawfully available therefor, at a redemption price equal to the principal amount of the Series A Bonds called for redemption, together with accrued interest to the date fixed for redemption, without premium.

Sinking Fund Redemption. The Series A Bonds maturing on September 1, 2039, are also subject to mandatory sinking fund redemption in part by lot on September 1, 2035, and on each September 1 thereafter, to and including September 1, 2039, from Mandatory Sinking Account Payments made by the District at a redemption price equal to the principal amount thereof, without premium, in the aggregate respective amounts and on the respective dates as set forth in the following table.

Sinking Account Redemption Date (September 1)	Principal Amount to be Redeemed
2035	$1,145,000
2036	1,265,000
2037	1,390,000
2038	1,525,000
2039†	1,665,000

†Maturity

The Series A Bonds maturing on September 1, 2044, are also subject to mandatory sinking fund redemption in part by lot on September 1, 2040, and on each September 1 thereafter, to and including September 1, 2044, from Mandatory Sinking Account Payments made by the District at a redemption price equal to the principal amount thereof, without premium, in the aggregate respective amounts and on the respective dates as set forth in the following table.

Sinking Account Redemption Date (September 1)	Principal Amount to be Redeemed
2040	$1,820,000
2041	1,980,000
2042	2,150,000
2043	2,335,000
2044†	2,530,000

†Maturity

Refunding Bonds.

No Optional Redemption. The Refunding Bonds are non-callable.

Selection of Bonds for Redemption. If less than all of the Bonds are called for redemption, the particular Bonds or portions thereof to be redeemed shall be called in such order as shall be directed by the District and, in lieu of such direction, in inverse order of their maturity. Within a maturity, the Paying Agent shall select the Bonds for redemption by lot; *provided, however*, that the portion of any Bonds to be redeemed shall be in the principal amount of $5,000 or some integral multiple thereof and that, in selecting Bonds for redemption, the Paying Agent shall treat each Bonds as representing that number of Bonds which is obtained by dividing the principal amount of such Bonds by five thousand dollars.

Notice of Redemption. The Paying Agent is required to give notice of the redemption of the Bonds at the expense of the District. Such notice shall specify: (a) that the Bonds or a designated portion thereof are to be redeemed, (b) the numbers and CUSIP numbers of the Bonds to be redeemed, (c) the date of notice and the date of redemption, (d) the place or places where the redemption will be made, and (e) descriptive information regarding the Bonds including the dated date, interest rate and stated maturity date. Such notice shall further state that on the specified date there shall become due and payable upon each Bonds to be redeemed, the portion of the principal amount of such Bonds to be redeemed, together with interest accrued to said date, and that from and after such date interest with respect thereto shall cease to accrue and be payable.

Notice of redemption shall be by registered or otherwise secured mail or delivery service, postage prepaid, to the registered owner of the Bonds, or if the registered owner is a syndicate, to the managing member of such syndicate, to a municipal registered securities depository and to a national information service that disseminates securities redemption notices, and by first class mail, postage prepaid, to the District and the respective owners of any registered Bonds designated for redemption at their addresses appearing on the bond register, in every case at least thirty (30) days, but not more than sixty (60) days, prior to the redemption date; provided that neither failure to receive such notice nor any defect in any notice so mailed shall affect the sufficiency of the proceedings for the redemption of such Bonds.

Conditional Notice of Redemption. Any notice of optional redemption of the Bonds may be conditional and if any condition stated in the notice of redemption shall not have been satisfied on or prior to the redemption date, (i) said notice shall be of no force and effect, (ii) the District shall not be required to redeem such Bonds; (iii) the redemption shall be cancelled and (iv) the Paying Agent shall within a reasonable time thereafter give notice to the persons and in the manner in which the conditional notice of redemption was given, that such condition or conditions were not met and that the redemption was cancelled. The actual receipt by the owner of any Bonds of notice of such cancellation shall not be a condition precedent to cancellation, and failure to receive such notice or any defect in such notice shall not affect the validity of the cancellation.

Rescission of Notice of Redemption. The District may rescind any optional redemption and notice thereof for any reason on any date on or prior to the date fixed for redemption by causing written notice of the rescission to be given to the owners of the Bonds so called for redemption. Any optional redemption and notice thereof will be rescinded if for any reason on the date fixed for redemption moneys are not available in the Interest and Sinking Fund or otherwise held in trust for such purpose in an amount sufficient to pay in full on said date the principal of, interest, and any premium due on the Bonds called for redemption. Notice of rescission of redemption will be given in the same manner in which the notice of redemption was originally given. The actual receipt by the owner of any Bonds of notice of such rescission will not be a condition precedent to rescission, and failure to receive such notice or any defect in such notice will not affect the validity of the rescission.

Partial Redemption of Bonds. Upon the surrender of any Bonds redeemed in part only (other than Bonds redeemed from sinking fund payments), the Paying Agent shall execute and deliver to the registered owner thereof a new Bonds or Bonds of like tenor and maturity and of authorized denominations equal in aggregate principal amount to the unredeemed portion of the Bonds surrendered. Such partial redemption shall be valid upon payment of the amount required to be paid to such registered owner, the Paying Agent and the District shall be released and discharged thereupon from all liability to the extent of such payment.

Effect of Redemption. Notice having been given as described above, and the moneys for the redemption (including the interest to the applicable date of redemption) having been set aside for such purpose, the Bonds to be redeemed shall become due and payable on such date of redemption. If on such redemption date, money for the redemption of all the Bonds to be redeemed, together with interest to such redemption date, shall be held by the Paying Agent so as to be available therefor on such redemption date, and if notice of redemption thereof shall have been given as aforesaid, then from and after such redemption date, interest with respect to the Bonds to be redeemed shall cease to accrue and become payable. All money held by or on behalf of the Paying Agent for the redemption of Bonds shall be held in trust for the account of the registered owners of the Bonds so to be redeemed. Bonds (or portions thereof), which have been duly called for redemption prior to maturity, or with respect to which irrevocable instructions to call for redemption prior to maturity at the earliest redemption date have been given to the Paying Agent, and sufficient moneys are held by the Paying Agent irrevocably in trust for the payment of the redemption price of such Bonds or portions thereof, then such Bonds shall no longer be deemed outstanding and shall be surrendered to the Paying Agent for cancellation.

Defeasance

The Bonds may be defeased prior to maturity in the following ways:

(a) *Cash*. By irrevocably depositing with a bank or trust company, in escrow, an amount of cash which, together with amounts then on deposit in the Interest and Sinking Fund, is sufficient to pay all Bonds outstanding, including all principal and interest and premium, if any; or

(b) *Defeasance Securities*. By irrevocably depositing with a bank or trust company, in escrow, non-callable Defeasance Securities (as defined below), as permitted under section 149(d) of the Code, together with cash, if required, in such amount as will, in the opinion of an independent certified public accountant, together with interest to accrue thereon and moneys then on deposit in the Interest and Sinking Fund together with the interest to accrue thereon, be fully sufficient to pay and discharge all Bonds (including all principal and interest represented thereby and redemption premiums, if any), at or before their maturity date;

then, notwithstanding that any of the Bonds will not have been surrendered for payment, all obligations of the District and the County with respect to all outstanding Bonds will cease and terminate, except for the obligation of the County and the Paying Agent or an independent escrow agent selected by the District to pay or cause to be paid from funds deposited pursuant to paragraphs (a) or (b) above, to the owners of the Bonds not so surrendered and paid all sums due with respect thereto.

"Defeasance Securities" means direct and general obligations of the United States of America (including State and Local Government Series), or obligations that are unconditionally guaranteed as to principal and interest by the United States of America, including (in the case of direct and general obligations of the United States of America) evidence of direct ownership or proportionate interests in future interest or principal payments of such obligations. Investments in such proportionate interests must be limited to circumstances wherein; (a) a bank or trust company acts as custodian and holds the underlying Defeasance Securities; (b) the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor of the underlying Defeasance Securities; and (c) the underlying Defeasance Securities are held in a special account, segregated from the custodian's general assets, and are not available to satisfy any claims of the custodian, any person claiming through the custodian, or any person to whom the custodian may be obligated; provided that such obligations are rated or assessed "AA+" by Standard & Poor's if the Bonds are then rated by Standard & Poor's, and "Aaa" by Moody's Investors Service if the Bonds are then rated by Moody's Investors Service.

Partial Defeasance

A portion of the then-outstanding maturities of the Bonds may be defeased prior to maturity in the following ways:

(a) *Cash*. By irrevocably depositing with a bank or trust company, in escrow, an amount of cash which, together with amounts then on deposit in the Interest and Sinking Fund, is sufficient to pay the designated outstanding maturities of Bonds, including all principal and interest and premium, if any; or

(b) *Defeasance Securities*. By irrevocably depositing with a bank or trust company, in escrow, non-callable Defeasance Securities, as permitted under section 149(d) of the Code, together with cash, if required, in such amount as will, in the opinion of an independent certified public accountant, together with interest to accrue thereon and moneys then on deposit in the Interest and Sinking Fund together with the interest to accrue thereon, be fully sufficient to pay and discharge the designated outstanding maturities of Bonds (including all principal and interest represented thereby and redemption premiums, if any), at or before their maturity date;

then, notwithstanding that any such designated maturities of Bonds shall not have been surrendered for payment, all obligations of the District and the County with respect to all such outstanding maturities of Bonds will cease and terminate, except only the obligation of the Paying Agent to pay or cause to be paid from funds deposited pursuant to paragraphs (a) or (b) above, to the owners of the designated Bonds of such maturities not so surrendered and paid, all sums due with respect thereto.

Registration, Transfer and Exchange of Bonds

So long as any of the Bonds remain outstanding, the District will cause the Paying Agent to maintain and keep at its principal office all books and records necessary for the registration, exchange and transfer of the Bonds as provided in the Resolution (each, a "Bond Register"). Subject to the provisions of the Resolution, the person in whose name a Bond is registered on the Bond Register will be regarded as the absolute owner of that Bond for all purposes of the Resolution. Payment of or on account of the principal of any Bond will be made only to or upon the order of that person; neither the District, nor the Paying Agent will be affected by any notice to the contrary, but the registration may be changed as provided in the Resolution. All such payments will be valid and effectual to satisfy and discharge the District's liability upon the Bonds, including interest, to the extent of the amount or amounts so paid.

In the event that the book-entry system as described above is no longer used with respect to the Bonds, the following provisions will govern the registration, transfer, and exchange of the Bonds.

Any Bond may be exchanged for Bonds of the same series of like tenor, maturity, and outstanding principal amount or maturity value (the "Transfer Amount") upon presentation and surrender at the principal office of the Paying Agent, together with a request for exchange signed by the owner or by a person legally empowered to do so in a form satisfactory to the Paying Agent. A Bond may be transferred on the Bond Register only upon presentation and surrender of the Bond at the principal office of the Paying Agent together with an assignment executed by the owner or by a person legally empowered to do so in a form satisfactory to the Paying Agent. Upon exchange or transfer, the Paying Agent will complete, authenticate and deliver a new Bond or Bonds of like tenor and of any authorized denomination or denominations requested by the owner equal to the Transfer Amount of the Bond surrendered and bearing or accruing interest at the same rate and maturing on the same date.

In all cases of exchanged or transferred Bonds, the District will sign and the Paying Agent will authenticate and deliver Bonds in accordance with the provisions of the Resolution. All fees and costs of transfer will be paid by the requesting party. Those charges may be required to be paid before the procedure is begun for the exchange or transfer. All Bonds issued upon any exchange or transfer will be valid obligations of the District, evidencing the same debt, and entitled to the same security and benefit under the Resolution as the Bonds surrendered upon that exchange or transfer.

Any Bond surrendered to the Paying Agent for payment, retirement, exchange, replacement or transfer will be canceled by the Paying Agent. The District may at any time deliver to the Paying Agent for cancellation any previously authenticated and delivered Bonds that the District may have acquired in any manner whatsoever, and those Bonds will be promptly canceled by the Paying Agent. Written reports of the surrender and cancellation of Bonds will be made to the District by the Paying Agent. The canceled Bonds will be retained for a period of time, then returned to the District or destroyed by the Paying Agent as directed by the District.

Neither the District nor the Paying Agent will be required (a) to issue or transfer any Bonds during a period beginning with the opening of business on the 15th business day next preceding either any Interest Payment Date or any date of selection of Bonds to be redeemed and ending with the close of business on the Interest Payment Date or any day on which the applicable notice of redemption is given or (b) to transfer any Bonds which have been selected or called for redemption in whole or in part.

Sources and Uses of Funds

Series A Bonds. The estimated sources and uses of funds in connection with the Series A Bonds are as follows:

Sources of Funds:	
Principal Amount of Series A Bonds	$28,000,000.00
Plus: Original Issue Premium	2,555,278.55
Total Sources of Funds	$30,555,278.55
Uses of Funds:	
Deposit to Building Fund	$28,000,000.00
Deposit to Interest and Sinking Fund	2,330,678.55
Costs of Issuance (1)	224,600.00
Total Uses of Funds	$30,555,278.55

(1) Includes Underwriter's discount, Bond Counsel fees, Disclosure Counsel fees, financial advisory fees, printing costs, rating agency fees and other miscellaneous expenses.

Refunding Bonds. The estimated sources and uses of funds in connection with the Refunding Bonds are as follows:

Sources of Funds:	
Principal Amount of Refunding Bonds	$14,815,000.00
Plus: Original Issue Premium	2,387,580.40
Total Sources of Funds	$17,202,580.40
Uses of Funds:	
Deposit to Escrow Fund	$16,996,771.88
Costs of Issuance (1)	205,808.52
Total Uses of Funds	$17,202,580.40

(1) Includes Underwriter's discount, Bond Counsel fees, Disclosure Counsel fees, financial advisory fees, printing costs, rating agency fees and other miscellaneous expenses.

Refunding Plan

A portion of the proceeds from the sale of the Refunding Bonds will be deposited into an escrow fund (the "Escrow Fund") to be created and maintained by U.S. Bank National Association, as escrow bank (the "Escrow Bank"), under an escrow deposit and trust agreement by and between the District and the Escrow Bank. The moneys deposited in the Escrow Fund will be in an amount sufficient to redeem the outstanding Refunded 2005 Authority Bonds (and, therefore, the 2005 District Bonds maturing on and after September 1, 2015) in full on September 1, 2014, at a redemption price equal to 100% of the principal amount of the Refunded 2005 Authority Bonds, plus accrued interest to such date. The moneys deposited in the Escrow Fund will be held in cash, uninvested, until such redemption date.

The amounts held and invested by the Escrow Bank in the Escrow Fund are pledged solely to the payment of amounts due and payable with respect to the Refunded 2005 Authority Bonds. The funds deposited in the Escrow Fund will not be available for the payment of debt service with respect to the Bonds.

Debt Service Schedules

The following tables show the debt service schedules with respect to the Bonds (assuming no optional redemptions).

Period	Series A Bonds		
Ending	Principal	Interest (1)	Total
9/1/15	$ 3,570,000	$ 1,249,219.54	$ 4,819,219.54
9/1/16	2,000,000	1,115,193.76	3,115,193.76
9/1/17	—	1,055,193.76	1,055,193.76
9/1/18	—	1,055,193.76	1,055,193.76
9/1/19	—	1,055,193.76	1,055,193.76
9/1/20	—	1,055,193.76	1,055,193.76
9/1/21	—	1,055,193.76	1,055,193.76
9/1/22	—	1,055,193.76	1,055,193.76
9/1/23	—	1,055,193.76	1,055,193.76
9/1/24	—	1,055,193.76	1,055,193.76
9/1/25	—	1,055,193.76	1,055,193.76
9/1/26	—	1,055,193.76	1,055,193.76
9/1/27	—	1,055,193.76	1,055,193.76
9/1/28	—	1,055,193.76	1,055,193.76
9/1/29	500,000	1,055,193.76	1,555,193.76
9/1/30	500,000	1,040,193.76	1,540,193.76
9/1/31	785,000	1,025,193.76	1,810,193.76
9/1/32	860,000	1,000,662.50	1,860,662.50
9/1/33	945,000	972,712.50	1,917,712.50
9/1/34	1,035,000	942,000.00	1,977,000.00
9/1/35	1,145,000	890,250.00	2,035,250.00
9/1/36	1,265,000	833,000.00	2,098,000.00
9/1/37	1,390,000	769,750.00	2,159,750.00
9/1/38	1,525,000	700,250.00	2,225,250.00
9/1/39	1,665,000	624,000.00	2,289,000.00
9/1/40	1,820,000	540,750.00	2,360,750.00
9/1/41	1,980,000	449,750.00	2,429,750.00
9/1/42	2,150,000	350,750.00	2,500,750.00
9/1/43	2,335,000	243,250.00	2,578,250.00
9/1/44	2,530,000	126,500.00	2,656,500.00
TOTAL	$28,000,000	$26,590,944.70	$54,590,944.70

(1) Interest on the Bonds is payable semiannually on each March 1 and September 1, commencing March 1, 2015.

Period	Refunding Bonds		
Ending	Principal	Interest (1)	Total
9/1/15	$ 1,245,000	$ 677,567.78	$ 1,922,567.78
9/1/16	1,355,000	618,700.00	1,973,700.00
9/1/17	1,445,000	578,050.00	2,023,050.00
9/1/18	1,555,000	520,250.00	2,075,250.00
9/1/19	1,665,000	442,500.00	2,107,500.00
9/1/20	1,760,000	359,250.00	2,119,250.00
9/1/21	2,635,000	271,250.00	2,906,250.00
9/1/22	2,825,000	139,500.00	2,964,500.00
9/1/23	330,000	16,500.00	346,500.00
TOTAL	$14,815,000	$3,623,567.78	$18,438,567.78

(1) Interest on the Bonds is payable semiannually on each March 1 and September 1, commencing March 1, 2015.

PAYING AGENT

U.S. Bank National Association, San Francisco, California, will act as the transfer agent, bond registrar, authenticating agent and paying agent for the Bonds (the "Paying Agent"). As long as DTC is the registered owner of the Bonds and DTC's book-entry method is used for the for the Bonds, the Paying Agent will send any notice of prepayment or other notices to owners only to DTC. Any failure of DTC to advise any DTC Participant, or of any DTC Participant to notify any Beneficial Owner, of any such notice and its content or effect will not affect the validity or sufficiency of the proceedings relating to the prepayment of the Bonds called for prepayment or of any other action premised on such notice.

The Paying Agent, the District, the County and the Underwriter have no responsibility or liability for any aspects of the records relating to or payments made on account of beneficial ownership, or for maintaining, supervising or reviewing any records relating to beneficial ownership, of interests in the for the Bonds.

BOOK-ENTRY-ONLY SYSTEM

The Depository Trust Company, New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. See APPENDIX G—BOOK-ENTRY SYSTEM.

THE DISTRICT

General Information

The District is an elementary district serving students in a portion of the City of Sunnyvale. The District operates eight elementary schools (K-5) and two middle schools (6-8). Students graduating from the District attend high school in the Fremont Union High School District. The District was established in 1904.

Enrollment in the District for grades K-8 in the 2013-14 school year was 6,850 students, and is budgeted at 6916 students in fiscal year 2014-15. For fiscal year 2014-15, the District has budgeted for approximately 740 employees. Budgeted full-time-equivalent positions (FTEs) include 386 certificated (credentialed teaching) staff and 247 classified (non-teaching) staff. These figures include management personnel. The District has budgeted general fund expenditures of approximately $66,599,947 for fiscal year 2014-15. Total assessed valuation of taxable property in the District in fiscal year 2013-14 is $20,337,549,508. The District operates under the jurisdiction of the County Superintendent of Schools.

The District is a "basic aid district," which means that it receives a minimal amount of financial support from the State. Instead, the District is funded almost entirely by local property tax collections, which derive from the 1% countywide property tax levy required by statute.

Governing Board and Administration

The District is governed by a five-member Board of Education, each member of which is elected to a four-year term. Elections for positions to the District Board are held every two years, alternating between two and three available positions.

BOARD OF EDUCATION
Sunnyvale School District

Name	Position	Expiration of Term
Reid Meyers	President	2016
Jeffrey Arnett	Vice President	2014
Nancy Newkirk	Clerk	2016
Sandy Agbayani	Board Member	2014
Anita Herrmann	Board Member	2014

The District's day-to-day operations are managed by a board-appointed Superintendent of Schools, Dr. Benjamin H. Picard, Ed.D., and by the District Chief Financial Officer, Nella Kovner.

Dr. Picard joined the District in 1987, has served in various administrative capacities and in 2009 was appointed Superintendent. Prior to joining the District, Dr. Picard served as a teacher or administrator in three different Nebraska communities from 1972 through 1987. Dr. Picard received his bachelors degree in Business Administration and Secondary Education from Nebraska Wesleyan University and Master of Education and Doctorate in Educational Administration Degrees from the University of Nebraska-Lincoln.

Average Daily Attendance and Base Revenue Limit

The following table summarizes the historical and current year estimated average daily attendance for the District.

AVERAGE DAILY ATTENDANCE
Sunnyvale School District
Fiscal Years 2006-07 to 2014-15

Fiscal Year	Average Daily Attendance
2006-07	5,802
2007-08	5,823
2008-09	5,983
2009-10	6,117
2010-11	6,298
2011-12	6,421
2012-13	6,526
2013-14	6,650*
2014-15	6,687**

Source: Sunnyvale School District
*Projected from estimated actuals in 2014-15 adopted budget.
** Budgeted.

SECURITY AND SOURCE OF PAYMENT FOR THE BONDS

General

In order to provide sufficient funds for repayment of principal and interest when due on the Bonds, the Board of Supervisors of the County is empowered and is obligated to levy *ad valorem* taxes upon all property subject to taxation by the District, without limitation as to rate or amount (except as to certain personal property which is taxable at limited rates). Such taxes are in addition to other taxes levied upon property within the District, including the countywide tax of 1% of taxable value. When collected, the tax revenues will be deposited by the County in the District's Interest and Sinking Fund, which is required to be maintained by the County and to be used solely for the payment of bonds of the District.

Property Taxation System

Property tax revenues result from the application of the appropriate tax rate to the total assessed value of taxable property in the District. School districts levy property taxes for payment of voter-approved bonds and receive property taxes for general operating purposes as well. The District receives approximately 76% of its total general fund operating revenues from local property taxes.

Local property taxation is the responsibility of various county officers. For each school district located in a county, the county assessor computes the value of locally assessed taxable property. Based on the assessed value of property and the scheduled debt service on outstanding bonds in each year, the county auditor-controller computes the rate of tax necessary to pay such debt service, and presents the tax rolls (including rates of tax for all taxing jurisdictions in the county) to the county board of supervisors for approval. The county Director of Finance prepares and mails tax bills to taxpayers and collects the taxes. In addition, the Director of Finance, as ex officio treasurer of each school district located in the county, holds and invests school district funds, including taxes collected for payment of school bonds, and is charged with payment of principal and interest on such bonds when due. Taxes on property in a school district whose boundaries extend into more than one county are administered separately by the county in which the property is located. The State Board of Equalization also assesses certain special classes of property, as described later in this section.

Assessed Valuation of Property Within the District

Under Proposition 13, an amendment to the California Constitution adopted in 1978, the county assessor's valuation of real property is established as shown on the fiscal year 1975-76 tax bill, or, thereafter, as the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred. Assessed value of property may be increased annually to reflect inflation at a rate not to exceed 2% per year, or reduced to reflect a reduction in the consumer price index or comparable data for the area under taxing jurisdiction or in the event of declining property value caused by substantial damage, destruction, market forces or other factors. As a result of these rules, real property that has been owned by the same taxpayer for many years can have an assessed value that is much lower than that of similar properties more recently sold, and may be lower than its own market value. Likewise, changes in ownership of property and reassessment of such property to market value commonly will lead to increases in aggregate assessed value even when the rate of inflation or consumer price index would not permit the full 2% increase on any property that has not changed ownership. See "DISTRICT FINANCIAL INFORMATION" and "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS."

For assessment and tax collection purposes, property is classified either as "secured" or "unsecured," and is listed accordingly on separate parts of the assessment roll. The "secured roll" is that part of the assessment roll containing State-assessed property and property (real or personal) for which there is a lien on real property sufficient, in the opinion of the county assessor, to secure payment of the taxes. All other property is "unsecured," and is assessed on the "unsecured roll."

The greater the assessed value of taxable property in the District, the lower the tax rate necessary to generate taxes sufficient to pay scheduled debt service on the Bonds. The following table shows recent history of taxable property assessed valuation in the District.

The table below shows the assessed valuation in the District for fiscal years 2004-05 to 2013-14.

HISTORIC ASSESSED VALUATIONS
Sunnyvale School District
Fiscal Years 2004-05 to 2013-14

Fiscal Year	Total Secured	Utility	Unsecured	Total Valuation	Annual % Change
2004-05	$10,657,596,297	$ 771,742	$ 1,187,460,384	$ 12,533,828,423	—
2005-06	10,894,274,188	719,851	2,550,894,922	13,445,888,961	7.28
2006-07	12,501,681,590	591,848	1,934,109,570	14,436,383,008	7.37
2007-08	13,989,575,621	0	1,955,210,669	15,944,786,290	10.45
2008-09	15,388,849,585	0	2,216,212,919	17,515,062,504	9.85
2009-10	15,939,524,166	0	2,430,079,359	18,369,603,525	4.88
2010-11	15,694,197,620	0	2,277,666,264	17,971,863,884	-2.17
2011-12	15,679,962,770	0	2,414,951,039	18,094,913,809	0.68
2012-13	16,228,077,863	0	2,552,333,669	18,780,411,532	3.79
2013-14	17,735,261,438	0	2,602,288,070	20,337,549,508	8.29

Source: Santa Clara County; Sunnyvale School District; California Municipal Statistics, Inc.

The following table shows the 2013-14 assessed valuation of each jurisdiction with the boundaries of the District:

ASSESSED VALUATION BY JURISDICTION(1)
Sunnyvale School District
Fiscal Year 2013-14

Jurisdiction	Assessed Valuation in School District	% of School District	Assessed Valuation of Jurisdiction	% of Jurisdiction in School District
City of Mountain View	$ 202,911,435	1.00%	$18,759,659,690	1.08%
City of Sunnyvale	20,134,265,418	99.00	$29,247,430,214	68.84
Unincorporated Santa Clara County	372,655	0.00	$13,400,604,542	0.00
Total District	$ 20,337,549,508	100.00%		
Total Santa Clara County	$ 20,337,549,508	100.00%	$ 334,477,345,478	6.08%

Source: California Municipal Statistics, Inc.
(1) Before deduction of redevelopment incremental valuation.

The following table gives a distribution of taxable real property located in the District by principal purpose for which the land is used, and the assessed valuation and number of parcels for each use.

ASSESSED VALUATION AND PARCELS BY LAND USE
Sunnyvale School District
Fiscal Year 2013-14

	2013-14 Assessed Valuation(1)	% of Total	No. of Parcels	% of Total
Non Residential:				
Agricultural/Rural	$453,374	0.00%	12	0.06%
Commercial	1,300,595,932	7.33	391	2.07
Professional/Office	1,640,471,035	9.25	313	1.66
Industrial	5,690,496,770	32.09	599	3.17
Recreational	24,393,201	0.14	9	0.05
Government/Social/Institutional	31,055,234	0.18	52	0.28
Miscellaneous	3,879,822	0.02	21	0.11
Subtotal Non-Residential	$8,691,345,368	49.01%	1,397	7.39%
Residential:				
Single Family Residence	$4,959,993,835	27.97%	11,422	60.42%
Condominium/Townhouse	1,774,262,601	10.00	3,996	21.14
Mobile Home	50,583,919	.29	668	3.53
2-4 Residential Units	457,616,399	2.58	897	4.75
5+ Residential Units/Apartments	1,727,034,192	9.74	434	2.30
Subtotal Residential	$8,969,490,946	50.57%	17,417	92.13%
Vacant	$74,425,124	0.42%	90	0.48%
Total	$17,735,261,438	100.00%	18,904	100.00%

Source: California Municipal Statistics, Inc.
(1) Local secured assessed valuation; excluding tax-exempt property.

The following table focuses on single-family residential properties only, which comprise approximately 24% of the assessed value of taxable property in the District. The average assessed value per parcel is $433,983, and the median assessed value per parcel is $401,014.

ASSESSED VALUATION OF SINGLE FAMILY HOMES
Sunnyvale School District
Fiscal Year 2013-14

	No. of Parcels	2013-14 Assessed Valuation	Average Assessed Valuation	Median Assessed Valuation
Single Family Residential	11,422	$ 4,959,993,835	$ 433,983	$ 401,014

2013-14 Assessed Valuation	No. of Parcels[1]	% of Total	Cumulative % of Total	Total Valuation	% of Total	Cumulative % of Total
$0 - $49,999	231	0.020	0.020	$10,327,681	0.002	0.002
$50,000 - $99,999	1,800	15.759	17.781	128,472,216	2.590	2.798
$100,000 - $149,999	772	6.759	24.540	92,162,669	1.858	4.657
$150,000 - $199,999	542	4.745	29.286	95,172,346	1.919	6.575
$200,000 - $249,999	486	4.255	33.541	109,857,191	2.215	8.790
$250,000 - $299,999	713	6.242	39.783	196,550,193	3.963	12.753
$300,000 - $349,999	539	4.719	44.502	174,983,497	3.528	16.281
$350,000 - $399,999	611	5.349	49.851	229,642,469	4.630	20.911
$400,000 - $449,999	675	5.910	55.761	287,121,846	5.789	26.699
$450,000 - $499,999	823	7.205	62.966	391,873,994	7.901	34.600
$500,000 - $549,999	694	6.076	69.042	363,888,304	7.336	41.937
$550,000 - $599,999	509	4.456	73.499	291,752,436	5.882	47.819
$600,000 - $649,999	383	3.353	76.852	239,268,374	4.824	52.643
$650,000 - $699,999	304	2.662	79.513	205,353,102	4.140	56.783
$700,000 - $749,999	305	2.670	82.184	221,374,688	4.463	61.246
$750,000 - $799,999	319	2.793	84.976	247,702,464	4.994	66.240
$800,000 - $849,999	306	2.679	87.655	252,851,762	5.098	71.338
$850,000 - $899,999	338	2.959	90.615	296,002,632	5.968	77.306
$900,000 - $949,999	249	2.180	92.795	230,019,925	4.638	81.943
$950,000 - $999,999	223	1.952	94.747	216,989,767	4.375	86.318
$1,000,000 and greater	600	5.253	100.000	678,626,279	13.682	100.000
Total	11,422	100.000		$4,939,993,835	100.000	

Source: California Municipal Statistics, Inc.
(1) Improved single family residential parcels. Excludes condominiums and parcels with multiple family units.

Tax Rates

The table below summarizes the total *ad valorem* tax rates levied by all taxing entities in the principal Tax Rate Area ("TRA") within the District from fiscal year 2009-10 to fiscal 2013-14. TRA 9-002 comprises approximately 75% of the total assessed value of property in the District.

TYPICAL TAX RATE PER $100 ASSESSED VALUATION
Sunnyvale School District
Fiscal Years 2009-10 to 2013-14

Total Tax Rates (TRA 9-002 – 2013-14 Assessed Valuation: $15,248,988,331)

	2009-10	2010-11	2011-12	2012-13	2013-14
General Tax Rate	1.0000	1.0000	1.0000	1.0000	1.0000
County Retirement Levy	.0388	.0388	.0388	.0388	.0388
County Hospital Bonds	.0122	.0095	.0047	.0051	.0035
Sunnyvale School Bond	.0267	.0390	.0398	.0369	.0364
Foothill-De Anza Community College	.0322	.0326	.0297	.0287	.0290
Fremont Union High School District	.0306	.0365	.0415	.0390	.0405
El Camino Hospital District	.0129	.0129	.0129	.0129	.0129
Total All Property	1.1534	1.1693	1.1674	1.1614	1.1611
SCVWD – State Water Project	.0071	.0070	.0063	.0069	.0070
SCVWD, Zone W-1 Bond	.0003	.0002	.0001	.0000	.0000
Total Land and Improvement	.0074	.0072	.0064	.0069	.0070

Source: California Municipal Statistics, Inc.

Tax Levies and Delinquencies

Beginning in 1978-79, Article XIIIA and its implementing legislation shifted the function of property taxation primarily to the counties, except for levies to support prior-voted debt, and prescribed how levies on county-wide property values are to be shared with local taxing entities within each County.

The following table reflects the historical secured tax levy and year-end delinquencies for general obligation bonds of the District.

SECURED TAX CHARGE AND DELINQUENCY
Sunnyvale School District
Fiscal Years 2008-09 to 2012-13

Fiscal Year	Secured Tax Charge(1)	Amount Delinquent as of June 30	Percent Delinquent as of June 30
2008-09	$ 5,137,505.55	$ 72,734.10	1.42%
2009-10	4,187,209.67	40,494.56	0.97
2010-11	5,934,815.18	57,042.34	0.96
2011-12	6,070,928.67	29,215.24	0.48
2012-13(2)	NA	NA	0.31

Source: California Municipal Statistics, Inc.
(1) Bond debt service levy.
(2) Secured tax charge and amount delinquent as of June 30 is not available for districts within Santa Clara County for Fiscal Year 2012-13.

Alternative Method of Tax Apportionment

The Board of Supervisors of the County has approved the implementation of the Alternative Method of Distribution of Tax Levies and Collections and of Tax Sale Proceeds (the "Teeter Plan"), as provided for in section 4701 *et seq.* of the California Revenue and Taxation Code. The Teeter Plan guarantees distribution of 100% of the general taxes levied to the taxing entities within the County, with the County retaining all penalties and interest penalties affixed upon delinquent properties and redemptions of subsequent collections. Under the Teeter Plan, the County apportions secured property taxes on a cash basis to local political subdivisions, including the District, for which the County acts as the tax-levying or tax-collecting agency. At the conclusion of each fiscal year, the County distributes 100% of any taxes delinquent as of June 30th to the respective taxing entities.

The Teeter Plan is applicable to secured property tax levies. As adopted by the County, the Teeter Plan excludes Mello-Roos Community Facilities Districts, special assessment districts, and benefit assessment districts.

The Teeter Plan is to remain in effect unless the Board of Supervisors of the County orders its discontinuance or unless, prior to the commencement of any fiscal year of the County (which commences on July 1), the Board of Supervisors receives a petition for its discontinuance joined in by resolutions adopted by at least two-thirds of the participating revenue districts in the County, in which event the Board of Supervisors is to order discontinuance of the Teeter Plan effective at the commencement of the subsequent fiscal year. The Board of Supervisors may also, after holding a public hearing on the matter, discontinue the Teeter Plan with respect to any tax levying agency or assessment levying agency in the County if the rate of secured tax delinquency in that agency in any year exceeds 3% of the total of all taxes and assessments levied on the secured roll in that agency. If the Teeter Plan is discontinued subsequent to its implementation, only those secured property taxes actually collected would be allocated to political subdivisions (including the District) for which the County acts as the tax-levying or tax-collecting agency, but penalties and interest would be credited to the political subdivisions.

The District is not aware of any petitions for the discontinuance of the Teeter Plan in the County.

Largest Property Owners

The following table shows the 20 largest owners of taxable property in the District as determined by secured assessed valuation in fiscal year 2013-14, representing 25.57% of the District's total assessed valuation.

LARGEST LOCAL SECURED TAXPAYERS
Sunnyvale School District
Fiscal Year 2013-14

	Property Owner	Primary Land Use	2013-14 Assessed Valuation	% of Total(1)
1.	Network Appliance Inc.	Industrial	$746,095,800	4.21%
2.	Lockheed Missiles and Space Co. Inc.	Manufacturing	507,555,928	2.86
3.	Yahoo Inc.	Office Building	354,451,162	2.00
4.	Applied Materials Inc.	Manufacturing	328,862,540	1.85
5.	Intuitive Surgical Inc.	Office Building	318,000,226	1.79
6.	SPF Mathilda LLC	Office Building	290,132,838	1.64
7.	Irvine Company	Industrial	275,988,873	1.56
8.	Menlo & Jupiter Networks LLC	Manufacturing	233,322,348	1.32
9.	Redus SVTC LLC	Office Building	193,722,538	1.09
10.	Silicon Valley Financing LLC	Apartments	177,449,128	1.00
11.	WM Mission Pointe LLC	Apartments	137,461,107	0.78
12.	North Mary Office LLC	Manufacturing	127,360,566	0.72
13.	Sunnyvale Office Park LP	Office Building	124,514,837	0.70
14.	AMB Property LP	Office Building	113,508,186	0.64
15.	Moffett Park Dr. LLC	Manufacturing	113,499,354	0.64
16.	Jaysac Ltd.	Apartments	108,214,893	0.61
17.	Wilson Oakmead West LLC	Manufacturing	100,639,824	0.57
18.	1963 Charles John Olson Trust	Apartments	100,297,736	0.57
19.	Silicon Vallley CA I LLC	Manufacturing	92,484,240	0.52
20.	EQR-Arches LP	Apartments	91,392,365	0.52
			$4,534,954,489	25.57%

Source: California Municipal Statistics, Inc.
(1) 2013-14 Local secured and utility assessed valuation: $17,735,261,438.

Risk of Decline in Property Values; Earthquake Risk. Property values could be reduced by factors beyond the District's control, including earthquake and a depressed real estate market due to general economic conditions in the County, the region and the State.

Other possible causes for a reduction in assessed values include the complete or partial destruction of taxable property caused by other natural or manmade disasters, such as flood, fire, toxic dumping, acts of terrorism, etc., or reclassification of property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by State and local agencies and property used for qualified educational, hospital, charitable or religious purposes). Lower assessed values could necessitate a corresponding increase in the annual tax rate to be levied to pay the principal of and interest on the Bonds. Issuance of additional bonds in the future might also cause the tax rate to increase, although the District does not currently have any voter authorization to issue additional bonds.

State-Assessed Property. Under the California Constitution, the State Board of Equalization assesses property of State-regulated transportation and communications utilities, including railways, telephone and telegraph companies, and companies transmitting or selling gas or electricity. The Board of Equalization also is required to assess pipelines, flumes, canals and aqueducts lying within two or more counties. The value of property assessed by the Board of Equalization is allocated by a formula to local jurisdictions in the county, including school districts, and taxed by the local county tax officials in the same manner as for locally assessed property. Taxes on privately owned railway cars, however, are levied and collected directly by the Board of Equalization. Property used in the generation of electricity by a company that does not also transmit or sell that electricity is taxed locally instead of by the Board of Equalization. Thus, the reorganization of regulated utilities and the transfer of electricity-generating property to non-utility companies, as often occurred under electric power deregulation in California, affects how those assets are assessed, and which local agencies benefit from the property taxes derived. In general, the transfer of State-assessed property located in the District to non-utility companies will increase the assessed value of property in the District, since the property's value will no longer be divided among all taxing jurisdictions in the County. The transfer of property located and taxed in the District to a State-assessed utility will have the opposite effect, generally reducing the assessed value in the District as the value is shared among the other jurisdictions in the County. The District is unable to predict future transfers of State-assessed property in the District and the County, the impact of such transfers on its utility property tax revenues, or whether future legislation or litigation may affect ownership of utility assets, the State's methods of assessing utility property, or the method by which tax revenues of utility property is allocated to local taxing agencies, including the District.

Appeals of Assessed Valuation. State law affords an appeal procedure to taxpayers who disagree with the assessed value of their taxable property. Taxpayers may request a reduction in assessment directly from the County Assessor (the "Assessor"), who may grant or refuse the request, and may appeal an assessment directly to the County Board of Equalization, which rules on appealed assessments whether or not settled by the Assessor. The Assessor is also authorized to reduce the assessed value of any taxable property upon a determination that the market value has declined below the then-current assessment, whether or not appealed by the taxpayer.

The District can make no predictions as to the changes in assessed values that might result from pending or future appeals by taxpayers. Any reduction in aggregate District assessed valuation due to appeals, as with any reduction in assessed valuation due to other causes, will cause the tax rate levied to repay the Bonds to increase accordingly, so that the fixed debt service on the Bonds (and other outstanding bonds) may be paid. Any refund of paid taxes triggered by a successful assessment appeal will be debited by the County Tax Collector against all taxing agencies who received tax revenues, including the District.

Proposition 8. Pursuant to California Proposition 8 of November 1978 ("Proposition 8"), property owners may apply for a reduction of their property tax assessment by filing a written application, in form prescribed by the State Board of Equalization, with the appropriate county board of equalization or assessment appeals board. In most cases, the appeal is filed because the applicant believes that present market conditions (such as residential home prices) cause the property to be worth less than its current assessed value. Any reduction in the assessment ultimately granted as a result of such appeal applies to the year for which application is made and during which the written application was filed.

County assessors, at their discretion, may also, from time to time, review certain property types purchased between specific time periods (e.g., all single family homes and condominiums purchased shortly prior to widespread declines in the fair market value of residential real estate within the county) and may proactively, temporarily reduce the assessed value of qualifying properties to Proposition 8 assessed values without owner appeal therefor.

A property that has been reassessed under Proposition 8, whether pursuant to owner appeal or due to county assessor review, is subsequently reviewed annually to determine its lien date value. Assuming no change in ownership or new construction, and if and as market conditions improve, the assessed value of a property with a Proposition 8 assessed value in place may increase as of each property tax lien date by more than the standard annual inflationary factor growth rate allowed under Article XIIIA (currently, a 2% annual maximum) until such assessed value again equals the Article XIIIA base year value for such property as adjusted for inflation and years of ownership, at which point such property is again taxed pursuant to Article XIIIA and base year values may not be increased by more than the standard Article XIIIA annual inflationary factor growth rate. A change in ownership while a property is subject to a Proposition 8 reassessment assessed valuation will cause such assessed valuation to become fixed as a new Article XIIIA base year value for such property. A second type of assessment appeal involves a challenge to the base year value of an assessed property. Appeals for reduction in the base year value of an assessment, if successful, reduce the assessment for the year in which the appeal is taken and prospectively thereafter. The base year is determined by the completion date of new construction or the date of change of ownership. Any base year appeal must be made within four years of the change of ownership or new construction date.

No assurance can be given that property tax appeals or County assessor reviews in the future will not significantly reduce the assessed valuation of property within the District.

Direct and Overlapping Debt

Direct and Overlapping Debt. Set forth below is a schedule of direct and overlapping debt prepared by California Municipal Statistics Inc. The table is included for general information purposes only. The District has not reviewed this table for completeness or accuracy and makes no representations in connection therewith. The first column in the table names each public agency which has outstanding debt as of May 1, 2014, and whose territory overlaps the District in whole or in part. The second column shows the percentage of each overlapping agency's assessed value located within the boundaries of the District. This percentage, multiplied by the total outstanding debt of each overlapping agency (which is not shown in the table) produces the amount shown in the third column, which is the apportionment of each overlapping agency's outstanding debt to taxable property in the District.

The table generally includes long-term obligations sold in the public credit markets by the public agencies listed. Such long-term obligations generally are not payable from revenues of the District (except as indicated) nor are they necessarily obligations secured by land within the District. In many cases, long-term obligations issued by a public agency are payable only from the general fund or other revenues of such public agency.

STATEMENT OF DIRECT AND OVERLAPPING BONDED DEBT
Sunnyvale School District
As of May 1, 2014

SUNNYVALE SCHOOL DISTRICT

2013-14 Assessed Valuation: $20,337,549,508

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	% Applicable	Debt 5/1/14
Santa Clara County	6.080%	$ 48,925,760
Foothill-De Anza Community College District	17.941	110,010,496
Fremont Union High School District	39.627	115,144,217
Sunnyvale School District	**100.000**	**130,814,650**(1)
El Camino Hospital District	30.105	42,150,011
City of Sunnyvale Community Facilities District No. 1	100.000	16,985,000
Santa Clara Valley Water District Benefit Assessment District	6.080	6,994,736
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		$471,024,870

OVERLAPPING GENERAL FUND DEBT:		
Santa Clara County General Fund Obligations	6.080%	$47,150,055
Santa Clara County Pension Obligations	6.080	22,825,484
Santa Clara County Board of Education Certificates of Participation	6.080	591,584
Foothill-De Anza Community College District Certificates of Participation	17.941	2,416,418
City of Mountain View General Fund Obligations	1.082	20,829
City of Sunnyvale General Fund Obligations	68.841	9,190,274
Santa Clara County Vector Control District Certificates of Participation	6.080	210,064
Midpeninsula Regional Open Space Park District General Fund Obligations	10.508	13,997,677
TOTAL GROSS OVERLAPPING GENERAL FUND DEBT		$96,402,385
Less: Santa Clara County Lease Revenue Bonds supported by VMC and airport revenues		32,947,006
TOTAL NET OVERLAPPING GENERAL FUND DEBT		$63,455,379
OVERLAPPING TAX INCREMENT DEBT (Successor Agency):		$13,330,000
GROSS COMBINED TOTAL DEBT		$580,757,255(2)
NET COMBINED TOTAL DEBT		$547,810,249

(1) Excludes the Bonds to be sold.
(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

Ratios to 2013-14 Assessed Valuation:
Direct Debt ($130,814,650).. 0.64%
Total Direct and Overlapping Tax and Assessment Debt......2.32%
Gross Combined Total Debt...2.86%
Net Combined Total Debt..2.69%

Ratios to Redevelopment Incremental Valuation ($1,072,419,312):
Total Overlapping Tax Increment Debt 1.24%

Source: California Municipal Statistics, Inc.

COUNTY INVESTMENT POOL

In accordance with Section 41001 of the California Education Code, each California public school district maintains substantially all of its operating funds in the county treasury of the county in which it is located, and each county treasurer-tax collector serves as ex officio treasurer for those school district located within the county. Each treasurer-tax collector has the authority to invest school district funds held in the county treasury. Generally, the treasurer-tax collector pools county funds with school district funds and funds from certain other public agencies and invests the cash. These pooled funds are carried at cost. Interest earnings are accounted for on either a cash or accrual basis and apportioned to pool participants on a regular basis.

Each treasurer-tax collector is required to invest funds, including those pooled funds described above, in accordance with Section 53601 *et seq.* of the California Government Code. In addition, each treasurer-tax collector is required to establish an investment policy which may impose further limitations beyond those required by the California Government Code. A copy of the County investment policy and periodic reports on the County investment pool are available from the Director of Finance, Santa Clara County 70 West Hedding Street, 2nd Floor, San Jose, California, 95110, Telephone: (408) 299-5200. It is not intended that such information be incorporated into this Official Statement by such references. Certain information concerning the County's pooled investment portfolio as of March 31, 2014, is included here in APPEDIX D—COUNTY QUARTERLY INVESTMENT REPORT.

LEGAL OPINIONS

The proceedings in connection with the issuance of the Bonds are subject to the approval as to their legality of Quint & Thimmig LLP, Larkspur, California, Bond Counsel for the District. Certain legal matters will also be passed upon for the District by Quint & Thimmig LLP, Larkspur, California, as Disclosure Counsel. Certain legal matters will be passed upon for the Underwriter by Nossaman LLP, Irvine, California. The fees of Bond Counsel, Disclosure Counsel and Underwriter's counsel are contingent upon the issuance and delivery of the Bonds.

TAX MATTERS

Federal tax law contains a number of requirements and restrictions which apply to the Bonds, including investment restrictions, periodic payments of arbitrage profits to the United States, requirements regarding the proper use of bond proceeds and the facilities financed therewith, and certain other matters. The District has covenanted to comply with all requirements that must be satisfied in order for the interest on the Bonds to be excludable from gross income for federal income tax purposes. Failure to comply with certain of such covenants could cause interest on the Bonds to become includible in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds.

Subject to the District's compliance with the above referenced covenants, under present law, in the opinion of Quint & Thimmig LLP, Larkspur, California, Bond Counsel, interest on the Bonds is excludable from the gross income of the owners thereof for federal income tax purposes and is not included as an item of tax preference in computing the federal alternative minimum tax for individuals and corporations, but interest on the Bonds is taken into account, however, in computing an adjustment used in determining the federal alternative minimum tax for certain corporations.

In rendering its opinion, Bond Counsel will rely upon certifications of the District with respect to certain material facts within the District's knowledge. Bond Counsel's opinion represents its legal judgment based upon its review of the law and the facts that it deems relevant to render such opinion and is not a guarantee of a result.

The Code includes provisions for an alternative minimum tax ("AMT") for corporations in addition to the corporate regular tax in certain cases. The AMT, if any, depends upon the corporation's alternative minimum taxable income ("AMTI"), which is the corporation's taxable income with certain adjustments. One of the adjustment items used in computing the AMTI of a corporation (with certain exceptions) is an amount equal to 75% of the excess of such corporation's "adjusted current earnings" over an amount equal to its AMTI (before such adjustment item and the alternative tax net operating loss deduction). "Adjusted current earnings" would include certain tax exempt interest, including interest on the Bonds.

Ownership of the Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, corporations subject to the branch profits tax, financial institutions, certain insurance companies, certain S corporations, individual recipients of Social Security or Railroad Retirement benefits and taxpayers who may be deemed to have incurred (or continued) indebtedness to purchase or carry tax exempt obligations. Prospective purchasers of the Bonds should consult their tax advisors as to applicability of any such collateral consequences.

The issue price (the "Issue Price") for the Bonds is the price at which a substantial amount of the Bonds is first sold to the public. The Issue Price of the Bonds may be different from the price set forth, or the price corresponding to the yield set forth, on the inside cover page hereof.

Owners of Bonds who dispose of Bonds prior to the stated maturity (whether by sale, redemption or otherwise), purchase Bonds in the initial public offering, but at a price different from the Issue Price or purchase Bonds subsequent to the initial public offering should consult their own tax advisors.

If a Bond is purchased at any time for a price that is less than the Bond's stated redemption price at maturity, the purchaser will be treated as having purchased a Bond with market discount subject to the market discount rules of the Code (unless a statutory *de minimis* rule applies). Accrued market discount is treated as taxable ordinary income and is recognized when a Bond is disposed of (to the extent such accrued discount does not exceed gain realized) or, at the purchaser's election, as it accrues. The applicability of the market discount rules may adversely affect the liquidity or secondary market price of such Bond. Purchasers should consult their own tax advisors regarding the potential implications of market discount with respect to the Bonds.

An investor may purchase a Bond at a price in excess of its stated principal amount. Such excess is characterized for federal income tax purposes as "bond premium" and must be amortized by an investor on a constant yield basis over the remaining term of the Bond in a manner that takes into account potential call dates and call prices. An investor cannot deduct amortized bond premium relating to a tax exempt bond. The amortized bond premium is treated as a reduction in the tax exempt interest received. As bond premium is amortized, it reduces the investor's basis in the Bonds. Investors who purchase a Bond at a premium should consult their own tax advisors regarding the amortization of bond premium and its effect on the Bond's basis for purposes of computing gain or loss in connection with the sale, exchange, redemption or early retirement of the Bonds.

There are or may be pending in the Congress of the United States legislative proposals, including some that carry retroactive effective dates, that, if enacted, could alter or amend the federal tax matters referred to above or affect the market value of the Bonds. It cannot be predicted whether or in what form any such proposal might be enacted or whether, if enacted, it would apply to bonds issued prior to enactment. Prospective purchasers of the Bonds should consult their own tax advisors regarding any pending or proposed federal tax legislation. Bond Counsel expresses no opinion regarding any pending or proposed federal tax legislation.

The Internal Revenue Service (the "Service") has an ongoing program of auditing tax exempt obligations to determine whether, in the view of the Service, interest on such tax exempt obligations is includible in the gross income of the owners thereof for federal income tax purposes. It cannot be predicted whether or not the Service will commence an audit of the Bonds. If an audit is commenced, under current procedures the Service may treat the District as a taxpayer and the Bond owners may have no right to participate in such procedure. The commencement of an audit could adversely affect the market value and liquidity of the Bonds until the audit is concluded, regardless of the ultimate outcome.

Payments of interest on, and proceeds of the sale, redemption or maturity of, tax exempt obligations, including the Bonds, are in certain cases required to be reported to the Service. Additionally, backup withholding may apply to any such payments to any Bond owner who fails to provide an accurate Form W-9 Request for Taxpayer Identification Number and Certification, or a substantially identical form, or to any Bond owner who is notified by the Service of a failure to report any interest or dividends required to be shown on federal income tax returns. The reporting and backup withholding requirements do not affect the excludability of such interest from gross income for federal tax purposes.

In the further opinion of Bond Counsel, interest on the Bonds is exempt from California Person income taxes.

Ownership of the Bonds may result in other state and local tax consequences to certain taxpayers. Bond Counsel expresses no opinion regarding any such collateral consequences arising with respect to the Bonds. Prospective purchasers of the Bonds should consult their tax advisors regarding the applicability of any such state and local taxes.

If the initial offering price to the public (excluding bond houses and brokers) at which a Bond is sold is less than the amount payable at maturity thereof, then such difference constitutes "original issue discount" for purposes of federal income taxes and State of California personal income taxes. If the initial offering price to the public (excluding bond houses and brokers) at which each Certificate is sold is greater than the amount payable at maturity thereof, then such difference constitutes "original issue premium" for purposes of federal income taxes and State of California personal income taxes. De minimis original issue discount and original issue premium is disregarded. Owners of Bonds with original issue discount or original issue premium, including purchasers who do not purchase in the original offering, should consult their own tax advisors with respect to federal income tax and State of California personal income tax consequences of owning such Bonds.

The complete text of the final opinion that Bond Counsel expects to deliver upon the issuance of the Bonds is set forth in APPENDIX E—FORMS OF OPINIONS OF BOND COUNSEL.

FINANCIAL ADVISOR

Public Financial Management, Inc., San Francisco, California, has served as financial advisor (the "Financial Advisor") to the District in connection with the issuance of the Bonds. The Financial Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or to assume responsibility for the accuracy, completeness or fairness of the information contained in the Official Statement. The fees of the Financial Advisor are contingent upon the sale and delivery of the Bonds. The Financial Advisor is an independent advisory firm and is not engaged in the business of underwriting, trading or distributing municipal or other public securities.

CONTINUING DISCLOSURE

The District has covenanted for the benefit of holders and Beneficial Owners of the Bonds to provide certain financial information and operating data relating to the District (the "Annual Report") by not later than April 15 after the end of the District's fiscal year (the current end of the District's fiscal year is on June 30), commencing with the report for the 2013-14 fiscal year, and to provide notices of the occurrence of certain enumerated events. The Annual Report will be filed by the District with the Municipal Securities Rulemaking Board (the "MSRB"). The notices of enumerated events will be filed by the District with the MSRB. The specific nature of the information to be made available and to be contained in the notices of material events is summarized below under the caption APPENDIX F—FORM OF CONTINUING DISCLOSURE CERTIFICATE. These covenants have been made in order to assist the Underwriter in complying with S.E.C. Rule 15c2-12(b)(5) (the "Rule").

It has been the District's practice each year to prepare an annual report that includes information to satisfy the continuing disclosure requirements for all of its outstanding issues and files the same report with the MSRB on the appropriate pages of the MSRB's Electronic Municipal Market Access ("EMMA") website for each issue. In connection with the preparation of this official statement, it was discovered that the combined annual report posted in 2012 for the District's 2011 fiscal year inadvertently omitted such posting on the EMMA webpage for the District's General Obligation Bonds, Election of 2004, Series C. That filing have now been made. In addition, in once instance, the District filed a material event notice relating to the downgrade of the rating of the municipal bond insurer for the District's 2003 General Obligation Refunding Bonds, General Obligation Bonds, Election of 2004, Series A, and General Obligation Bonds, Election of 2004, Series B, and for the 2005 Authority Bonds, 21 days rather than 10 days after such downgrade.

LEGALITY FOR INVESTMENT IN CALIFORNIA

Under provisions of the California Financial Code, the Bonds are legal investments for commercial banks in California to the extent that the Bonds, in the informed opinion of the bank, are prudent for the investment of funds of depositors, and under provisions of the California Government Code, are eligible for security for deposits of public moneys in California.

ABSENCE OF MATERIAL LITIGATION

No litigation is pending or threatened concerning the validity of the Bonds, and a certificate to that effect will be furnished by the District to purchasers at the time of the original delivery of the Bonds.

The District is not aware of any litigation pending or threatened questioning the political existence of the District or contesting the District's ability to receive *ad valorem* taxes or contesting the District's ability to issue and retire the Bonds.

RATINGS

Moody's Investors Service ("Moody's") and Standard & Poor's Ratings Services, a Standard & Poor's Financial Services LLC business ("S&P"), have assigned the ratings of "Aa2" and "AA+," respectively, to the Bonds. Such ratings reflect only the view of Moody's and S&P and any desired explanation of the significance of such rating should be obtained from Moody's at 7 World Trade Center, 250 Greenwich Street, New York, NY 10007, and from S&P at 55 Water Street, New York, NY 10041. Generally, a rating agency bases it rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance such ratings will continue for any given period of time or that such ratings will not be revised downward or withdrawn entirely by Moody's and/or S&P, if in the judgment of Moody's and /or S&P, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price for the Bonds.

UNDERWRITING

The Series A Bonds are being purchased by Stifel Nicolaus & Company, Inc. (the "Underwriter"). The Underwriter has agreed to purchase the Series A Bonds at a price of $30,330,678.55 (being the principal amount of the Series A Bonds ($28,000,000.00), plus a net original issue premium of $2,555,278.55, less $124,600.00 of Underwriter's discount, less $100,000 to pay for costs of issuance). The purchase agreement relating to the Series A Bonds provides that the Underwriter will purchase all of the Series A Bonds if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in said agreement, the approval of certain legal matters by counsel and certain other conditions. The Underwriter may offer and sell Series A Bonds to certain dealers and others at prices lower than the offering prices stated on the inside cover page hereof. The offering prices may be changed from time to time by the Underwriter.

The Refunding Bonds are being purchased by the Underwriter. The Underwriter has agreed to purchase the Refunding Bonds at a price of $17,136,653.65 (being equal to the principal amount of the 2014 Refunding Bonds ($14,815,000.00), plus an original issue premium of $2,387,580.40, less $65,926.75 of Underwriter's discount). The purchase agreement relating to the Refunding Bonds provides that the Underwriter will purchase all of the Refunding Bonds if any are purchased, the obligation to make such purchase being subject to certain terms and conditions set forth in said agreement, the approval of certain legal matters by counsel and certain other conditions. The Underwriter may offer and sell Refunding Bonds to certain dealers and others at prices lower than the offering prices stated on the inside cover page hereof. The offering prices may be changed from time to time by the Underwriter.

ADDITIONAL INFORMATION

Quotations from and summaries and explanations of the Bonds, the Resolution, the Continuing Disclosure Certificate of the District and the constitutional provisions, statutes and other documents referenced herein, do not purport to be complete, and reference is made to said documents, constitutional provisions and statutes for full and complete statements of their provisions.

All data contained herein has been taken or constructed from District records. Appropriate District officials, acting in their official capacities, have reviewed this Official Statement and have determined that, as of the date hereof, the information contained herein is, to the best of their knowledge and belief, true and correct in all material respects and does not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make the statements made herein, in light of the circumstances under which they were made, not misleading. This Official Statement has been approved by the District Board.

SUNNYVALE SCHOOL DISTRICT

By /s/ Benjamin H. Picard, Ed.D.
Benjamin H. Picard, Ed.D.
Superintendent

APPENDIX A

THE ECONOMY OF THE DISTRICT

While the economics of the City of Sunnyvale (the "City") and Santa Clara County (the "County") and surrounding region influence the economics within the District, only property within the District is subject to an unlimited ad valorem tax levy to pay debt service on the Bonds.

Introduction

The County is located at the southern end of the San Francisco Bay Area in the U.S. state of California. The county seat is San Jose. The highly urbanized Santa Clara Valley within Santa Clara County is also known as Silicon Valley. Santa Clara is the most populous county in the Bay Area region, and one of the most affluent counties in the United States.

Population

The table below summarizes population of the City and the County.

POPULATION
City of Sunnyvale and Santa Clara County

Year	City of Sunnyvale	County of Santa Clara
2010	140,081	1,781,642
2011	140,898	1,794,337
2012	142,674	1,813,702
2013	145,864	1,840,895
2014	147,055	1,868,558

Source: California Department of Finance, Demographic Research Unit.

Employment

The following table summarizes the historical numbers of workers by industry in Santa Clara County for the last five years:

SANTA CLARA COUNTY
Labor Force and Industry Employment
Annual Averages by Industry

	2008	2009	2010	2011	2012(1)
Total, All Industries	905,200	847,600	846,200	867,500	896,000
Total Farm	3,700	3,500	3,500	3,400	3,300
Total Nonfarm	901,500	844,000	842,700	864,100	892,600
Goods Producing	208,200	186,900	182,600	185,800	189,400
Mining and Logging	300	200	200	200	200
Construction	42,800	33,400	31,400	30,900	34,200
Manufacturing	165,200	153,300	151,000	154,700	155,100
Service Providing	693,300	657,100	660,100	678,300	703,200
Trade, Transportation & Utilities	135,300	124,200	123,100	125,000	128,600
Information	42,200	41,500	43,800	48,300	50,100
Financial Activities	33,900	31,200	30,700	32,100	33,400
Professional & Business Services	178,000	160,700	161,300	167,900	179,700
Educational & Health Services	107,500	108,500	112,000	114,700	117,700
Leisure & Hospitality	76,600	73,500	73,800	76,300	80,800
Other Services	25,000	24,100	23,900	24,100	24,200
Government	94,900	93,500	91,500	89,900	88,700

Source: California Employment Development Department, based on March 2013 benchmark.
(1) Last available full year data.
*Does not include proprietors, self-employed, unpaid volunteers or family workers, domestic workers in households, and persons involved in labor/management trade disputes. Employment reported by place of work. Items may not add to totals due to independent rounding.

The following tables summarize historical employment and unemployment for Santa Clara County, the State of California and the United States for the past five years:

SANTA CLARA COUNTY, CALIFORNIA, AND UNITED STATES
Civilian Labor Force, Employment, and Unemployment
(Annual Averages)

Year	Area	Labor Force	Employment	Unemployment	Unemployment Rate (1)
2009	Santa Clara County	875,700	781,000	94,800	10.8%
	California	18,208,300	16,144,500	2,063,900	11.3
	United States	154,142,000	139,877,000	14,265,000	9.3
2010	Santa Clara County	879,600	782,600	97,000	11.0%
	California	18,316,400	16,051,500	2,264,900	12.4
	United States	153,889,000	139,064,000	14,825,000	9.6
2011	Santa Clara County	891,500	804,200	97,400	9.8%
	California	18,384,900	16,226,600	2,158,300	11.7
	United States	153,617,000	139,869,000	13,747,000	8.9
2012	Santa Clara County	910,400	833,700	76,700	8.4%
	California	18,494,900	16,560,300	1,934,500	10.5
	United States	154,975,000	142,469,000	12,506,000	8.1
2013	Santa Clara County	923,200	860,100	63,200	6.8%
	California	18,596,800	16,933,300	1,663,500	8.9
	United States	155,389,000	143,929,000	11,460,000	7.4

Source: California Employment Development Department, based on March 2013 benchmark and US Department of Labor, Federal Bureau of Labor Statistics

(1) The unemployment rate is computed from unrounded data, therefore, it may differ from rates computed from rounded figures available in this table.

Major Employers

The table below sets forth the principal employers of the County.

SANTA CLARA COUNTY
2014 Major Employers

Company	Location	Industry
Adobe Systems Inc	San Jose	Publishers-Computer Software (Mfrs)
Advanced Micro Devices Inc	Sunnyvale	Computers-System Designers & Consultants
Apple Inc	Cupertino	Computers-Electronic-Manufactu
Bon Appetit-Cafe Adobe	San Jose	Restaurant Management
California's Great America	Santa Clara	Amusement Places
Christopher Ranch Llc	Gilroy	Garlic (Mfrs)
Fine Pitch	Milpitas	Solar Energy Equipment-Manufacturers
Gca Services	Alviso	Janitor Service
General Motors Advanced Tech	Palo Alto	Automobile-Manufacturers
Hewlett-Packard Co	Palo Alto	Computers-Electronic-Manufactu
Intel Corp	Santa Clara	Semiconductor Devices (Mfrs)
Kaiser Permanente Medical Ctr	San Jose	Hospitals
Kaiser Permanente Medical Grp	San Jose	Hospitals
Lockheed Martin Space Systems	Sunnyvale	Satellite Equipment & Systems-Mfrs
Microsoft Corp	Mountain View	Computer Software-Manufacturers
Nasa	Mountain View	Federal Government-Space Research/Tech
Net App Inc	Sunnyvale	Computer Storage Devices (Mfrs)
Philips Lumileds Lighting Co	San Jose	Lighting Fixtures-Supplies & Parts-Mfrs
San Jose State	San Jose	Schools-Universities & Colleges Academic
Santa Clara Valley Med Ctr	San Jose	Hospitals
Sap Center At San Jose	San Jose	Stadiums Arenas & Athletic Fields
Silicon Valley Sports & Entrtn	San Jose	Entertainment Bureaus
Stanford Univ School Medicine	Stanford	Schools-Medical
Surgecenter of Palo Alto	Palo Alto	Surgical Centers
Va Medical Ctr-Palo Alto	Palo Alto	Hospitals

Source: California Employment Development Department. Data retrieved May 14, 2014.

Construction Activity

The following tables reflects the five-year history of building permit valuation for the City and the County:

CITY OF SUNNYVALE
Building Permits and Valuation
(Dollars in Thousands)

	2008	2009	2010	2011	2012
Permit Valuation:					
New Single-family	$ 57,517	$ 23,331	$ 20,111	$ 40,008	$ 47,049
New Multi-family	0	0	78,992	43,436	0
Res. Alterations/Additions	45,020	22,063	35,581	36,760	49,650
Total Residential	102,537	45,395	134,684	120,204	96,699
Total Nonresidential	412,869	121,387	118,733	224,207	500,959
Total All Building	$ 515,407	$ 166,783	$ 253,417	$ 344,411	$ 597,659
New Dwelling Units:					
Single Family	355	120	112	211	211
Multiple Family	0	0	744	279	0
Total	355	120	856	490	211

Sources: Construction Industry Research Board: "Building Permit Summary."
Note: Totals may not add due to independent rounding.

SANTA CLARA COUNTY
Building Permits and Valuation
(Dollars in Thousands)

	2008	2009	2010	2011	2012
Permit Valuation:					
New Single-family	$ 382,422	$ 245,033	$ 307,367	$ 366,126	$ 678,168
New Multi-family	302,104	74,466	457,924	315,853	558,554
Res. Alterations/Additions	366,601	259,190	320,583	392,229	288,105
Total Residential	1,051,129	578,690	1,085,874	1,044,208	1,524,818
Total Nonresidential	1,914,522	1,187,776	1,115,614	1,466,738	1,885,769
Total All Building	$ 2,965,681	$ 1,766,466	$ 2,201,488	$ 2,510,946	$ 3,410,587
New Dwelling Units:					
Single Family	1,254	667	826	978	1,432
Multiple Family	2,417	450	3,627	2,234	4,245
Total	3,671	1,117	4,453	3,212	5,677

Sources: Construction Industry Research Board: "Building Permit Summary."
Note: Totals may not add due to independent rounding.

Commercial Activity

Taxable sales in the County are shown below. Beginning in 2009, reports summarize taxable sales and permits using the NAICS codes. As a result of the coding change, however, industry-level data for 2009 are not comparable to prior years.

TAXABLE SALES, 2008-2012
SANTA CLARA COUNTY
(dollars in thousands)

	2008
Retail Stores	
Apparel Stores	1,422,687
General Merchandise	2,946,466
Food Stores	868,612
Eating and Drinking	2,876,837
Household Group	1,068,519
Building Material Group	1,356,505
Automotive Group	2,709,927
Service Stations	2,526,073
All Other Retail Stores	3,537,686
Retail Stores Totals	19,313,313
Business & Personal Services	1,111,792
All Other Outlets	11,849,202
Total All Outlets(2)	$ 32,274,306

	2009 (1)	2010 (1)	2011 (1)	2012 (1)(3)
Retail and Food Services				
Motor Vehicles and Parts Dealers	$ 2,284,032	$ 2,538,029	$ 2,894,898	$ 3,480,485
Furniture and Home Furnishings Stores	427,418	474,002	523,999	573,328
Electronics and Appliance Stores	1,195,466	1,355,839	1,459,039	1,487,911
Bldg Mtrl. and Garden Equip. and Supplies	1,164,960	1,245,941	1,316,953	1,406,177
Food and Beverage Stores	975,086	984,824	1,022,790	1,066,463
Health and Personal Care Stores	494,462	523,221	564,261	591,347
Gasoline Stations	1,800,162	2,104,764	2,559,500	2,679,491
Clothing and Clothing Accessories Stores	1,690,211	1,824,590	1,997,291	2,189,462
Sporting Goods, Hobby, Book and Music Stores	625,799	644,612	676,571	714,368
General Merchandise Stores	2,272,162	2,368,820	2,448,046	2,532,297
Miscellaneous Store Retailers	621,409	635,019	675,873	744,431
Nonstore Retailers	128,928	147,373	182,963	295,853
Food Services and Drinking Places	2,705,143	2,848,824	3,097,359	3,355,097
Total Retail and Food Services	16,385,238	17,695,858	19,419,542	21,116,708
All Other Outlets	11,042,471	12,827,464	14,001,675	15,103,737
Totals All Outlets(2)	$ 27,427,709	$ 30,523,332	$ 33,431,217	$ 36,220,445

Source: California Board of Equalization, Taxable Sales in California (Sales & Use Tax).
(1) Starting in 2009, categories were revised from prior years.
(2) Totals may not add up due to independent rounding.
(3) Last available full year data.

Median Household Income

The following table summarizes the median household effective buying income for the City, the County, the State of California and the nation for the years 2008 through 2012.

CITY OF SUNNYVALE, SANTA CLARA COUNTY, STATE AND UNITED STATES
Effective Buying Income

Year	Area	Total Effective Buying Income (000's Omitted)	Median Household Effective Buying Income
2008	City of Sunnyvale	$ 4,524,300	$ 69,676
	Santa Clara County	53,987,635	68,929
	California	844,823,319	49,736
	United States	6,571,536,768	43,252
2009	City of Sunnyvale	$ 4,765,577	$ 71,609
	Santa Clara County	55,561,405	71,077
	California	844,823,319	49,736
	United States	6,571,536,768	43,252
2010	City of Sunnyvale	$ 4,565,832	$ 68,779
	Santa Clara County	53,962,142	68,047
	California	801,393,028	47,177
	United States	6,365,020,076	41,368
2011	City of Sunnyvale	$ 4,640,075	$ 68,803
	Santa Clara County	54,491,135	67,801
	California	814,578,457	47,062
	United States	6,438,704,663	41,253
2012	City of Sunnyvale	$ 5,039,792	$ 71,495
	Santa Clara County	61,464,867	68,852
	California	664,088,827	47,307
	United States	6,737,867,730	41,358

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APPENDIX B

DISTRICT AND GENERAL SCHOOL DISTRICT FINANCIAL INFORMATION

The information in this appendix concerning the operations of the District, the District's finances, and State funding of education, is provided as supplementary information only, and it should not be inferred from the inclusion of this information in this Official Statement that the principal of and interest on the Bonds is payable from the general fund of the District or from State revenues. The Bonds are payable from the proceeds of an ad valorem *tax approved by the voters of the District pursuant to all applicable laws and State Constitutional requirements, and required to be levied by the County on property within the District in an amount sufficient for the timely payment of principal and interest on the Bonds. See "SECURITY AND SOURCE OF PAYMENT FOR THE BONDS" in the Official Statement.*

District Budget

The District is required by provisions of the California Education Code to maintain a balanced budget each year, in which the sum of expenditures and the ending fund balance cannot exceed the sum of revenues and the carry-over fund balance from the previous year. The State Department of Education imposes a uniform budgeting and accounting format for school districts. The budget process for school districts was substantially amended by Assembly Bill 1200 ("AB 1200"), which became State law on October 14, 1991. Portions of AB 1200 are summarized below.

School districts must adopt a budget on or before July 1 of each year. The budget must be submitted to the county superintendent within five days of adoption or by July 1, whichever occurs first. A district may be on either a dual or single budget cycle. The dual budget option requires a revised and readopted budget by September 8 that is subject to State-mandated standards and criteria. The revised budget must reflect changes in projected income and expenses subsequent to July 1. The single budget is only readopted if it is disapproved by the county office of education, or as needed. The District is on a single budget cycle and adopts its budget on or before July 1.

For both dual and single budgets submitted on July 1, the county superintendent will examine the adopted budget for compliance with the standards and criteria adopted by the State Board of Education and identify technical corrections necessary to bring the budget into compliance, will determine if the budget allows the district to meet its current obligations and will determine if the budget is consistent with a financial plan that will enable the district to meet its multi-year financial commitments. On or before August 15, the county superintendent will approve or disapprove the adopted budget for each school district. Budgets will be disapproved if they fail the above standards. The district board must be notified by August 15 of the county superintendent's recommendations for revision and reasons for the recommendations. The county superintendent may assign a fiscal advisor or appoint a committee to examine and comment on the superintendent's recommendations. The committee must report its findings no later than August 20. Any recommendations made by the county superintendent must be made available by the district for public inspection. The law does not provide for conditional approvals; budgets must be either approved or disapproved. No later than September 22, the county superintendent must notify the Superintendent of Public Instruction of all school districts whose budget may be disapproved.

For all dual budget options and for single and dual budget option districts whose budgets have been disapproved, the district must revise and readopt its budget by September 8, reflecting changes in projected income and expense since July 1, including responding to the county superintendent's recommendations. The county superintendent must determine if the budget conforms with the standards and criteria applicable to final district budgets and not later than October 8, will approve or disapprove the revised budgets. If the budget is disapproved, the county superintendent will call for the formation of a budget review committee pursuant to section 42127.1 of the California Education Code. Until a district's budget is approved, the district will operate on the lesser of its proposed budget for the current fiscal year or the last budget adopted and reviewed for the prior fiscal year.

Under the provisions of AB 1200, each school district is required to file interim certifications with the county office of education as to its ability to meet its financial obligations for the remainder of the then-current fiscal year and, based on current forecasts, for the subsequent two fiscal years. The county office of education reviews the certification and issues either a positive, negative or qualified certification. A positive certification is assigned to any school district that will meet its financial obligations for the current fiscal year and subsequent two fiscal years. A negative certification is assigned to any school district that will be unable to meet its financial obligations for the remainder of the fiscal year or the subsequent fiscal year. A qualified certification is assigned to any school district that may not meet its financial obligations for the current fiscal year or two subsequent fiscal years.

The District's Second Interim Report for fiscal year 2013-14, adopted March 20, 2014, was certified as "Positive." The District has not received a qualified or negative certification in any of the last five years.

The following table shows the District's audited actual general fund for fiscal years 2011-12 and 2012-13, the District's estimated actuals for 2013-14 and the District's adopted general fund budget for 2014-15. For further information, see also APPENDIX C—AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2013.

GENERAL FUND BUDGET
Sunnyvale School District
Fiscal Years 2011-12 to 2014-15

	Fiscal Year			
	2011-12 Actual	2012-13 Actual	2013-14 Estimated Actuals(2)	2014-2015 Adopted Budget(2)
Revenues:				
Revenue limit sources(1)	$39,215,264	$41,812,410	$49,082,932	$52,200,578
Federal sources	3,231,161	2,641,056	2,347,105	2,357,358
Other State sources	5,333,942	6,592,143	3,565,529	2,157,922
Other Local sources	9,723,366	10,125,088	9,920,335	9,996,301
Total revenues	$57,503,733	$61,170,697	$64,915,901	$66,712,159
Expenditures:				
Certificated salaries	$27,257,141	$27,959,056	29,526,433	$30,616,211
Classified salaries	9,400,014	9,619,069	10,376,925	10,692,032
Employee benefits	11,496,024	11,986,289	12,308,025	13,380,578
Books & supplies	1,940,486	1,999,725	2,215,371	2,835,786
Contract services & operating expenditures	7,999,976	8,006,990	8,982,741	8,758,271
Capital outlay	2,945	41,084	7,050	7,050
Other Outgo	0	233,475	208,610	310,019
Total expenditures	$58,096,586	$59,845,688	$63,625,155	$66,599,947
Excess (deficiency) of revenues over expenditures	(592,853)	1,325,009	1,290,746	112,212
Other financing sources (uses):				
Operating transfers in	0	0	25,000	30,000
Operating transfers out	(64,772)	(6,148)	(105,792)	(116,127)
Total other financing sources (uses)	(64,772)	(6,148)	(80,792)	(86,127)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(657,625)	1,318,861	1,209,954	26,085
Beginning Fund Balance	2,991,896	2,334,271	3,653,133	4,863,087
Ending Fund Balance	$ 2,334,271	$ 3,653,133	$ 4,863,087	$ 8,889,172

Source: Sunnyvale School District Audited Financial Statements and 2014-15 Budget adopted June 5, 2014.
(1) Revenue limit sources for fiscal years 2011-12 and 2012-13 and LCFF for fiscal year 2013-14.
(2) From Budget Adopted June 5, 2014.

Accounting Practices

The accounting practices of the District conform to generally accepted accounting principles in accordance with policies and procedures of the California School Accounting Manual. This manual, according to section 41010 of the California Education Code, is to be followed by all California school districts.

The District's expenditures are accrued at the end of the fiscal year to reflect the receipt of goods and services in that year. Revenues generally are recorded on a cash basis, except for items that are susceptible to accrual (measurable and/or available to finance operations). Current taxes are considered susceptible to accrual. Delinquent taxes not received after the fiscal year end are not recorded as revenue until received. Revenues from specific state and federally funded projects are recognized when qualified expenditures have been incurred. State block grant apportionments are accrued to the extent that they are measurable and predictable. The State Department of Education sends the District updated information from time to time explaining the acceptable accounting treatment of revenue and expenditure categories.

The District's accounting is organized on the basis of fund groups, with each group consisting of a separate set of self-balancing accounts containing assets, liabilities, fund balances, revenues and expenditures. The major fund classification is the general fund which accounts for all financial resources not requiring a special type of fund. The District's fiscal year begins on July 1 and ends on June 30.

Financial Statements

The District's general fund finances the basic operating activities of the District. General fund revenues are derived from such sources as State school fund apportionments, taxes, use of money and property, and aid from other governmental agencies. Audited financial statements for the District for the fiscal year ended June 30, 2013, and prior fiscal years are on file with the District and available for public inspection at the office of the Superintendent of the District, 819 West Iowa Avenue, Sunnyvale, California, telephone number (408) 522-8200. Copies of such financial statements will be mailed to prospective investors and their representatives upon request directed to the District at such address. For further information, see also APPENDIX C—AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2013.

GENERAL FUND REVENUES, EXPENDITURES AND FUND BALANCE
Sunnyvale School District
Fiscal Years 2009-10 to 2012-13

	2009-10(1)	2010-11(1)	2011-12(1)	2012-13(1)
REVENUES				
Revenue Limit Sources	$ 39,553,939	$ 38,334,350	$ 39,215,264	$ 43,254,917
Federal Sources	3,868,116	3,586,363	3,231,161	2,641,056
Other State Sources	7,674,286	7,778,224	6,662,855	6,592,143
Other Local Sources	8,138,019	8,602,270	9,766,429	10,154,927
Total Revenues	$ 59,234,360	$ 58,301,207	$ 58,875,709	$ 62,643,043
EXPENDITURES				
Instruction	$ 40,139,335	$ 41,517,041	$ 40,414,224	$ 41,945,801
Supervision of Instruction	1,734,641	1,573,832	1,526,410	1,631,405
Instructional Library, Media & Technology	726,611	720,479	699,995	700,078
School Site Administration	3,703,719	3,616,470	3,590,060	3,692,442
Home to School Transportation	1,554,900	1,691,076	1,548,411	1,787,874
Food Services	1,279	768	765	0
All Other Pupil Services	2,838,695	2,753,959	2,802,567	2,673,570
General Administration – Date Processing	504,452	624,779	769,598	666,170
General Administration – All Other General Admin	3,198,443	3,371,633	3,389,780	3,192,982
Plant Services	4,534,093	4,513,771	4,577,057	4,764,398
Community Services	0	0	1,000	0
Other Outgo	0	66,446	105,630	233,475
Total Expenditures	58,936,168	60,414,254	59,425,497	61,288,195
Revenues Over (Under) Expenditures	$ 298,192	$ (2,113,047)	$ (549,788)	$ 1,354,848
OTHER FINANCING SOURCES (USES)				
Transfers In	776,350	0	0	0
Transfers Out	(19,390)	(29,390)	(64,772)	(68,785)
Net Financing Sources (Uses)	756,960	(29,390)	(64,772)	(68,785)
NET CHANGE IN FUND BALANCES	$ 1,055,152	$ (2,142,437)	$ (614,560)	$ 1,286,063
Fund Balance – Beginning (2)	$ 4,079,011	$ 13,687,018	$ 11,724,581	$ 11,110,021
Fund Balance – Ending	$ 5,134,163	$ 11,724,581	$ 11,110,021	$ 12,396,084

Sources: Sunnyvale School District Audited Financial Statements and Second Interim Report.
(1) District audited financial statements.
(2) The District's prior year ending fund balance for fiscal year 2010 was restated in 2011 to conform to GASB 54's definition of governmental funds.

Summary of District Revenues and Expenditures

See "SCHOOL DISTRICT BUDGET PROCEDURES AND REQUIREMENTS—District Budget Process and County Review" for a general description of the annual budget process for California school districts. The District's audited financial statements for the year ending June 30, 2013, are reproduced in Appendix C. The final (unaudited) statement of receipts and expenditures for each fiscal year ending June 30 is required by State law to be approved by the District Board by September 15, and the audit report must be filed with the County Superintendent of Schools and State officials by December 15 of each year.

The District is required by State law and regulation to maintain various reserves. The District is generally required to maintain a reserve for economic uncertainties in the amount of 3% of its total general fund expenditures, based on total student attendance below 30,000. For fiscal year 2013-14, the District has budgeted an unrestricted general fund reserve of 5.47%, or approximately $3,641,515. Substantially all funds of the District are required by law to be deposited with and invested by the County Director of Finance on behalf of the District, pursuant to law and the investment policy of the County. See "SANTA CLARA COUNTY INVESTMENT POOL."

District Revenues—LCFF/Basic Aid

As part of the 2013-14 State Budget, the formula for determining the level of funding per student changed from the "revenue limit" formula to the "Local Control Funding Formula" (or "LCFF") discussed below. See "— State Funding of Education; State Budget Process—Local Control Funding Formula" below. The California Department of Education has not yet provided an update to the Standardized Accounting Code Structure (which all school districts in California use to account for their funds).

Under section 42238 *et seq.* of the California Education Code, prior to fiscal year 2013-14, each school district was determined to have a target funding level: a "base revenue limit" per student multiplied by the district's student enrollment measured in units of average daily attendance ("A.D.A."). The base revenue limit was calculated from the district's prior-year funding level, as adjusted for a number of factors, such as inflation, special or increased instructional needs and costs, employee retirement costs, especially low enrollment, increased pupil transportation costs, etc. Generally, the amount of State funding allocated to each school district was the amount needed to reach that district's base revenue limit after taking into account certain other revenues, in particular, locally generated property taxes. This is referred to as State "equalization aid." To the extent local tax revenues increase due to growth in local property assessed valuation, the additional revenue is offset by a decline in the State's contribution.

The 2013-14 State Budget replaced the former K-12 finance system with the LCFF. The LCFF creates base, supplemental and concentration grants as the new general purpose entitlement to replace most existing funding streams, including the State aid portion of the revenue limit and most State categorical programs from prior years. The 2013-14 State Budget provides an additional $2.1 billion of funding to school districts and charter schools to support the first-year implementation of the LCFF. Until full implementation, however, school districts will receive roughly the same amount of funding they received in 2012-13 plus an additional amount each year to bridge the gap between former funding levels and the new LCFF target levels. The 2013-14 State Budget projects the time frame for full implementation of the LCFF to be eight years. For more information on the LCFF, see "—State Funding of Education; State Budget Process—Local Control Funding Formula" below.

Funding of the District's local control funding is provided by a mix of local property taxes and State aid. Local control funding formula revenues comprised approximately 76% of the District's general fund revenues in 2013-14.

School districts that receive their LCFF income entirely from property taxes are called "basic aid" school districts. They are permitted to keep all their property tax money (even if it exceeds their LCFF). As guaranteed in the California Constitution, the State must apportion $120 per pupil. However, the categorical aid that school districts receive counts toward this requirement. The District is a basic aid district because its property tax revenue exceeds the LCFF entitlements.

Implementation of the LCFF

The California Department of Education (the "CDE") cannot immediately determine how much a school district is entitled to receive under the LCFF because funding is based on current year attendance data not known until the end of the fiscal year and because the CDE must reprogram its apportionment systems to reflect the new formula calculations.

However, because the greater part of a school district's funding is based on what the school received in fiscal year 2012-13, the CDE will apportion funds during the advance principal apportionment and first principal apportionment periods based on fiscal year 2012-13 funding, and according to the fiscal year 2012-13 model (not the LCFF), plus a portion of the $2.1 billion appropriated to begin implementation of the provisions of the LCFF. The CDE has indicated that the second principal apportionment will be based on the LCFF. The fiscal year 2013-14 budgetary information that follows, which discusses the District's revenues and expenditures, does so under the 2012-13 budget model, and does not reflect how funds will be apportioned once the LCFF is implemented.

Effect of Changes in Enrollment. Changes in local property tax income and student enrollment (or A.D.A.) affect revenue limit districts and basic aid districts differently. In a revenue limit district, increasing enrollment increases the total revenue limit and thus generally increases a district's entitlement to State equalization aid, while increases in property taxes do nothing to increase district revenues, but only offset the State funding requirement of equalization aid. Operating costs increase disproportionately slowly to enrollment growth—and only at the point where additional teachers and classroom facilities are needed. Declining enrollment has the reverse effect on revenue limit districts, generally resulting in a loss of State equalization aid, while operating costs decrease slowly and only when, for example, the district decides to lay off teachers or close schools. Enrollment can fluctuate due to factors such as population growth, competition from private, parochial, and public charter schools, inter-district transfers in or out, and other causes. Losses in enrollment will cause a school district to lose operating revenues, without necessarily permitting the District to make adjustments in fixed operating costs.

In basic aid districts, the opposite is generally true: increasing enrollment does increase the revenue limit, but since all revenue limit income (and more) is already generated by local property taxes, there is no increase in State income, other than the $120 per student in basic aid received in the form of categorical aid, as described above. Meanwhile, as new students impose increased operating costs, property tax income is stretched further. Declining enrollment does not reduce property tax income, and has a negligible impact on State aid, but eventually reduces operating costs, and thus can be financially beneficial to a basic aid district.

For LCFF districts, any loss of local property taxes is made up by an increase in State equalization aid, until the base revenue limit is reached. For basic aid districts, the loss of tax revenues is not reimbursed by the State.

State funds for special (categorical) programs in fiscal year 2013-14 which include moneys received from the State lottery fund, have been reduced by the "fair share" reduction the District expects the State to impose on basic aid districts in fiscal year 2013-14. The District has budgeted a net amount of State categorical and lottery funds received to approximately $3,565,529 in fiscal year 2013-14. Lottery funds may not be used for non-instructional purposes, such as the acquisition of real property, the construction of facilities, or the financing of research. School districts receive lottery funds proportional to their total A.D.A. The District's total State lottery revenue is budgeted at $1,059,918, or approximately 2% of general fund revenue in fiscal year 2013-14.

The District cannot make any predictions regarding how the current economic environment or changes thereto will affect the State's ability to meet the revenue and spending assumptions in the State's adopted budget, and the effect of these changes on school finance. Certain adjustments will have to be made throughout the year based on actual State funding and actual attendance.

Other Local Revenues

The District receives additional local revenues from items such as leases and rentals, special education support and other local sources. Other local sources comprised approximately 16% of general fund revenues in fiscal year 2012-13 and are estimated to equal approximately 15% of such revenues in fiscal year 2013-14.

District Expenditures

The largest part of each school district's general fund budget is used to pay salaries and benefits of certificated (credentialed teaching) and classified (non-instructional) employees. Changes in salary and benefit expenditures from year to year are generally based on changes in staffing levels, negotiated salary increases, and the overall cost of employee benefits.

In its 2014-15 budget, the District estimates that it will expend $54,688,821 in salaries and benefits, or approximately 82% of its general fund expenditures. This amount represents an increase of approximately 5% from the $52,211,383 the District expended in 2013-14.

Labor Relations. There are two formal bargaining units operating in the District which are described in the table below.

LABOR ORGANIZATIONS
Sunnyvale School District

Labor Organization	Contract Expiration
Sunnyvale Education Association	June 30, 2016
California Schools Employees Association	June 30, 2016

Source: Sunnyvale School District

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

California Public Employees' Retirement System (CalPERS)

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

Funding Policy. Active plan members are required to contribute 7.0 percent of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. The required employer contribution rates for fiscal years 2013-14, 2012-13, 2011-12 and 2010-11 were 11.442%, 11.417, 11.707, and 9.709 percent of covered payroll, respectively. The contribution requirements of the plan members are established by State statute. The District's contributions to CalPERS for the fiscal years ending June 30, 2013, 2012 and 2011, were $1,169,818, 1,096,057, and 1,060,531, respectively, and equal 100 percent of the required contributions for each year.

State Teachers' Retirement System (CalSTRS)

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

Funding Policy. Active plan members are required to contribute 8.0% of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalSTRS Teachers′ Retirement Board. The required employer contribution rate for fiscal year 2012-13 was 8.25% of annual payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to CalSTRS for the fiscal years ended June 30, 2013, 2012, and 2011, were $2,539,801, $2,230,757, and $2,258,663, respectively, and equal 100% of the required contributions for each year.

Social Security. As established by federal law, all public sector employees who are not members of their employer's existing retirement system (CalSTRS or CalPERS) must be covered by social security or an alternative plan. The District has elected to use Social Security as its alternative plan.

On-Behalf Payments Made by the State of California. The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS for the fiscal years ending on June 30, 2013, 2012 and 2011 in the amounts of $1,442,507, 1,328,913 and 1,189,289, respectively.

See also APPENDIX C—AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2013, Note 13.

Other Post-Employment Benefits (OPEB)

Plan Descriptions. The Postemployment Benefit Plan (the "Plan") is a single-employer defined benefit healthcare plan administered by the Sunnyvale School District. The Plan provides medical, dental and vision insurance benefits to eligible retirees and their spouses until the age of 65. Membership of the Plan consists of 49 retirees and 628 active plan members as of the most recent actuarial valuation.

Funding Policy. The contribution requirements of plan members and the District are established and may be amended by the District, the District's bargaining units and unrepresented groups. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually through the agreements between the District, the District's bargaining units and the unrepresented groups. For fiscal year 2012-13, the District contributed $586,757 to the plan, all of which was used for current premiums (approximately 70 percent of the current year's annual OPEB costs). The District contributed 100% of the total premium on behalf of the members and 70% for the dependents of the plan members receiving benefits.

Annual OPEB Cost and Net OPEB Obligation: The following table shows the components of the District's Annual OPEB Cost for the fiscal year ended June 30, 2013, the amount actually contributed to the plan, and changes in the District's Net OPEB Obligation that resulted in a Net OPEB Obligation of $1,064,664 for the year ended June 30, 2013.

ANNUAL OPEB COST AND NET OPEB OBLIGATION
Sunnyvale School District

Annual required contribution (ARC)	$ 847,306
Interest on Net OPEB Obligation	40,820
Adjustment to ARC	(53,108)
Annual OPEB cost (expense)	835,018
Contributions for the fiscal year	(586,757)
Increase in Net OPEB Obligation	248,261
Net OPEB Obligation – June 30, 2012	816,403
Net OPEB Obligation – June 30, 2013	$ 1,064,664

Source: Sunnyvale School District 2013 Audited Financial Statements

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the last three fiscal years is as follows:

HISTORICAL NET OPEB OBLIGATION
Sunnyvale School District

Fiscal Year Ended	Annual OPEB Cost	Percentage Contributed	Net OPEB Obligation
June 30, 2013	$ 835,018	70%	$ 1,064,664
June 30, 2012	840,638	56	816,403
June 30, 2011	912,943	74	443,040

Source: Sunnyvale School District 2013 Audited Financial Statements

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

In the July 1, 2012, actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a five percent investment rate of return (net of administrative expenses), based on the District's assumed long-term return on plan assets or employer assets. Healthcare costs trend rates range from an initial eight percent to an ultimate rate of five percent. The UAAL is being amortized at a level percentage of payroll method. The remaining amortization period at July 1, 2011, was 30 years on an open period method.

See also APPENDIX C—AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2013, Note 11.

Governor's Pension Reform. On August 28, 2012, Governor Brown and the State Legislature reached agreement on a new law that reforms pensions for State and local government employees. AB 340, which was signed into law on September 12, 2012, established the California Public Employees' Pension Reform Act of 2012 ("PEPRA") which governs pensions for public employers and public pension plans on and after January 1, 2013. For new employees, PEPRA, among other things, caps pensionable salaries at the Social Security contribution and wage base, which is $110,100 for 2012, or 120% of that amount for employees not covered by Social Security, increases the retirement age by two years or more for all new public employees while adjusting the retirement formulas, requires state employees to pay at least half of their pension costs, and also requires the calculation of benefits on regular, recurring pay to stop income spiking. For all employees, changes required by PEPRA include the prohibition of retroactive pension increases, pension holidays and purchases of service credit. PEPRA applies to all State and local public retirement systems, including county and district retirement systems. PEPRA only exempts the University of California system and charter cities and counties whose pension plans are not governed by State law. Although the District anticipates that PEPRA would not increase the District's future pension obligations, the District is unable to determine the extent of any impact PEPRA would have on the District's pension obligations at this time. Additionally, the District cannot predict if PEPRA will be challenged in court and, if so, whether any challenge would be successful.

The District is unable to predict what the amount of State pension liabilities will be in the future, or the amount of the contributions which the District may be required to make.

District Debt Structure

General Obligation Bonds. The District has bonds outstanding under two voter approved bond authorizations. On June 4, 1996, voters of the District approved Measure A, authorizing the District to issue up to $34 million in general obligation bonds. The District issued these bonds in three series. The District has issued substantially all bonds authorized under Measure A. On November 2, 2004, voters of the District approved Measure P, authorizing the District to issue up to $120 million in general obligation bonds. The District has issued substantially all bonds authorized under Measure P. In addition, the District issued bonds in 2005 to refund bonds issued in 1996 and issued bonds in 2012 to refund bonds issued in 2003.

The District's outstanding bonds, including the Series A Bonds and the Refunding Bonds, and reflecting the refunding of the 2005 Bonds, are shown in the following table.

Sunnyvale School District
General Obligation Bonded Debt

Dated Date	Series	Final Maturity	Amount of Original Issue	Amount Outstanding[1]
3/17/05	Election of 2004, GOB, Series A	9/1/29	$ 35,000,000	$ 32,335,000
6/14/07	Election of 2004, GOB, Series B	9/1/31	30,000,000	28,315,000
3/24/10	Election of 2004, GOB, Series C	9/1/34	35,000,000	35,000,000
3/14/12	Election of 2004, GOB, Series D	9/1/42	19,998,663	19,998,663
3/14/12	2012 GO Refunding Bonds	9/1/20	4,925,000	3,915,000
8/12/14	Election of 2013, GOB, Series A	9/1/44	28,000,000	28,000,000
8/12/14	2014 GO Refunding Bonds	9/1/23	14,815,000	14,815,000
Total			$167,738,663	$162,378,663

(1) The amount of capital appreciation bonds outstanding is expressed in terms of original denominational amounts. Does not reflect 9/1/14 principal amortization of outstanding bonds.
(2) To be refunded following the refunding of the 2005 Authority Bonds from the proceeds of the Refunding Bonds.

All debt service payments on the bonds, including refunding bonds, are payable from an *ad valorem* tax levied and collected by the County on assessed property in the District.

The annual requirements to amortize general obligation bonds, including the Series A Bonds and the Refunding Bonds, and reflecting the refunding of the 2005 Bonds, are shown in the following table:

Sunnyvale School District
Debt Service Schedule

Date	Election of 2004, Series A	Election of 2004, Series B	Election of 2004, Series C	Election of 2004, Series D	2012 GO Refunding Bonds	Election of 2013, Series A	2014 GO Refunding Bonds	Total Debt Service
9/1/2014	$ 1,601,300.00	$ 1,370,731.26	$ 1,766,250.00	$ 200,000.00	$ 644,300.00	—	—	$ 5,582,581.26
9/1/2015	1,594,800.00	1,673,531.26	1,766,250.00	200,000.00	649,900.00	$ 4,819,219.54	$ 1,922,567.78	12,626,268.58
9/1/2016	1,848,487.50	1,754,131.26	1,766,250.00	200,000.00	649,900.00	3,115,193.76	1,973,700.00	11,307,662.52
9/1/2017	2,196,887.50	1,770,931.26	1,766,250.00	200,000.00	654,100.00	1,055,193.76	2,023,050.00	9,666,412.52
9/1/2018	2,520,887.50	1,851,331.26	1,766,250.00	200,000.00	652,300.00	1,055,193.76	2,075,250.00	10,121,212.52
9/1/2019	2,875,887.50	1,942,731.26	1,766,250.00	200,000.00	679,050.00	1,055,193.76	2,107,500.00	10,626,612.52
9/1/2020	3,156,600.00	2,148,650.00	1,766,250.00	200,000.00	719,250.00	1,055,193.76	2,119,250.00	11,165,193.76
9/1/2021	3,634,850.00	2,203,700.00	1,766,250.00	200,000.00	—	1,055,193.76	2,906,250.00	11,766,243.76
9/1/2022	4,154,850.00	2,274,712.50	1,766,250.00	200,000.00	—	1,055,193.76	2,964,500.00	12,415,506.26
9/1/2023	4,153,100.00	2,500,837.50	1,766,250.00	200,000.00	—	1,055,193.76	346,500.00	10,021,881.26
9/1/2024	4,154,100.00	2,505,275.00	1,766,250.00	200,000.00	—	1,055,193.76	—	9,680,818.76
9/1/2025	4,157,350.00	2,508,225.00	1,766,250.00	200,000.00	—	1,055,193.76	—	9,687,018.76
9/1/2026	4,152,350.00	2,518,025.00	1,766,250.00	200,000.00	—	1,055,193.76	—	9,691,818.76
9/1/2027	4,154,100.00	2,519,225.00	2,266,250.00	200,000.00	—	1,055,193.76	—	10,194,768.76
9/1/2028	4,151,850.00	2,527,050.00	2,745,000.00	200,000.00	—	1,055,193.76	—	10,679,093.76
9/1/2029	1,045,000.00	5,627,050.00	2,695,000.00	200,000.00	—	1,555,193.76	—	11,122,243.76
9/1/2030	—	6,662,550.00	2,645,000.00	200,000.00	—	1,540,193.76	—	11,047,743.76
9/1/2031	—	1,713,800.00	7,595,000.00	200,000.00	—	1,810,193.76	—	11,318,993.76
9/1/2032	—	—	9,295,000.00	200,000.00	—	1,860,662.50	—	11,355,662.50
9/1/2033	—	—	9,390,000.00	200,000.00	—	1,917,712.50	—	11,507,712.50
9/1/2034	—	—	9,457,500.00	200,000.00	—	1,977,000.00	—	11,634,500.00
9/1/2035	—	—	—	9,330,000.00	—	2,035,250.00	—	11,365,250.00
9/1/2036	—	—	—	9,330,000.00	—	2,098,000.00	—	11,428,000.00
9/1/2037	—	—	—	9,330,000.00	—	2,159,750.00	—	11,489,750.00
9/1/2038	—	—	—	9,325,000.00	—	2,225,250.00	—	11,550,250.00
9/1/2039	—	—	—	9,325,000.00	—	2,289,000.00	—	11,614,000.00
9/1/2040	—	—	—	9,330,000.00	—	2,360,750.00	—	11,690,750.00
9/1/2041	—	—	—	9,330,000.00	—	2,429,750.00	—	11,759,750.00
9/1/2042	—	—	—	9,325,000.00	—	2,500,750.00	—	11,825,750.00
9/1/2044	—	—	—	—	—	2,578,250.00	—	2,578,250.00
9/1/2044	—	—	—		—	2,656,500.00	—	2,656,500.00
Total	$49,552,400.00	$ 46,072,487.56	$ 69,050,000.00	$ 78,825,000.00	$ 4,648,800.00	$54,590,944.70	$18,438,567.78	$321,178,200.04

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS

The principal of and interest on the Bonds are payable from the proceeds of an ad valorem tax levied by the County for the payment thereof. (See "THE BONDS—Security.") Articles XIIIA, XIIIB, XIIIC and XIIID of the California Constitution, Propositions 98, 111, 218 and 39, and certain other provisions of law discussed below, are included in this section to describe the potential effect of these Constitutional and statutory measures on the ability of the County to levy taxes and of the District to spend tax proceeds and it should not be inferred from the inclusion of such materials that these laws impose any limitation on the ability of the County to levy taxes for payment of the Bonds. The tax levied by the County for payment of the Bonds was approved by the District's voters in compliance with Article XIIIA, Article XIIIC, and all applicable laws.

Article XIIIA of the California Constitution

Article XIIIA of the State Constitution, adopted and known as Proposition 13, was approved by the voters in June 1978. Section 1(a) of Article XIIIA limits the maximum *ad valorem* tax on real property to 1% of "full cash value," and provides that such tax shall be collected by the counties and apportioned according to State law. Section 1(b) of Article XIIIA provides that the 1% limitation does not apply to *ad valorem* taxes levied to pay interest and redemption charges on (i) indebtedness approved by the voters prior to July 1, 1978, or (ii) bonded indebtedness for the acquisition or improvement of real property approved on or after July 1, 1978, by two-thirds of the votes cast on the proposition, or (iii) bonded indebtedness incurred by a school district or community college district for the construction, reconstruction, rehabilitation or replacement of school facilities or the acquisition or lease of real property for school facilities, approved by 55% of the voters of the district, but only if certain accountability measures are included in the proposition. The tax for payment of the District's bonds approved at the 2006 and 2008 elections falls within the exception for bonds approved by a 55% vote.

Section 2 of Article XIIIA defines "full cash value" to mean the county assessor's valuation of real property as shown on the fiscal year 1975-76 tax bill, or, thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred. The full cash value may be adjusted annually to reflect inflation at a rate not to exceed 2% per year, or to reflect a reduction in the consumer price index or comparable data for the area under taxing jurisdiction, or may be reduced in the event of declining property value caused by substantial damage, destruction or other factors. The Revenue and Taxation Code permits county assessors who have reduced the assessed valuation of a property as a result of natural disasters, economic downturns or other factors, to subsequently "recapture" such value (up to the pre-decline value of the property) at an annual rate higher than 2%, depending on the assessor's measure of the restored value of the damaged property. The State courts have upheld the constitutionality of this procedure. Legislation enacted by the State Legislature to implement Article XIIIA provides that, notwithstanding any other law, local agencies may not levy any *ad valorem* property tax except the 1% base tax levied by each county and taxes to pay debt service on indebtedness approved by the voters as described above.

Since its adoption, Article XIIIA has been amended a number of times. These amendments have created a number of exceptions to the requirement that property be reassessed when purchased, newly constructed or a change in ownership has occurred. These exceptions include certain transfers of real property between family members, certain purchases of replacement dwellings for persons over age 55 and by property owners whose original property has been destroyed in a declared disaster, and certain improvements to accommodate disabled persons and for seismic upgrades to property. These amendments have resulted in marginal reductions in the property tax revenues of the District.

Both the State Supreme Court and the United States Supreme Court have upheld the validity of Article XIIIA.

Legislation Implementing Article XIIIA

Legislation has been enacted and amended a number of times since 1978 to implement Article XIIIA. Under current law, local agencies are no longer permitted to levy directly any property tax (except to pay voter-approved indebtedness). The 1% property tax is automatically levied by the county and distributed according to a formula among taxing agencies. The formula apportions the tax roughly in proportion to the relative shares of taxes levied prior to 1979.

That portion of annual property tax revenues generated by increases in assessed valuations within each tax rate area within a county, subject to redevelopment agency, if any, claims on tax increment and subject to changes in organizations, if any, of affected jurisdictions, is allocated to each jurisdiction within the tax rate area in the same proportion that the total property tax revenue from the tax rate area for the prior year was allocated to such jurisdictions.

Increases of assessed valuation resulting from reappraisals of property due to new construction, change in ownership or from the annual adjustment not to exceed 2% are allocated among the various jurisdictions in the "taxing area" based upon their respective "situs." Any such allocation made to a local agency continues as part of its allocation in future years.

Beginning in fiscal year 1981-82, assessors in California no longer record property values on tax rolls at the assessed value of 25% of market value which was expressed as $4 per $100 of assessed value. All taxable property is now shown at 100% of assessed value on the tax rolls. Consequently, the tax rate is expressed as $1 per $100 of taxable value. All taxable property value included in this Official Statement is shown at 100% of taxable value (unless noted differently) and all tax rates reflect the $1 per $100 of taxable value.

Both the United States Supreme Court and the California State Supreme Court have upheld the general validity of Article XIIIA.

Article XIIIB of the California Constitution

Article XIIIB of the State Constitution, as subsequently amended by Propositions 98 and 111, respectively, limits the annual appropriations of the State and of any city, county, school district, authority or other political subdivision of the State to the level of appropriations of the particular governmental entity for the prior fiscal year, as adjusted for changes in the cost of living and in population and for transfers in the financial responsibility for providing services and for certain declared emergencies. As amended, Article XIIIB defines

(a) "change in the cost of living" with respect to school districts to mean the percentage change in California per capita income from the preceding year, and

(b) "change in population" with respect to a school district to mean the percentage change in the average daily attendance of the school district from the preceding fiscal year.

For fiscal years beginning on or after July 1, 1990, the appropriations limit of each entity of government will be the appropriations limit for the 1986-87 fiscal year adjusted for the changes made from that fiscal year pursuant to the provisions of Article XIIIB, as amended.

The appropriations of an entity of local government subject to Article XIIIB limitations include the proceeds of taxes levied by or for that entity and the proceeds of certain state subventions to that entity. "Proceeds of taxes" include, but are not limited to, all tax revenues and the proceeds to the entity from (a) regulatory licenses, user charges and user fees (but only to the extent that these proceeds exceed the reasonable costs in providing the regulation, product or service), and (b) the investment of tax revenues.

Appropriations subject to limitation do not include (a) refunds of taxes, (b) appropriations for certain debt service, (c) appropriations required to comply with certain mandates of the courts or the federal government, (d) appropriations of certain special districts, (e) appropriations for all qualified capital outlay projects as defined by the legislature, (f) appropriations derived from certain fuel and vehicle taxes and (g) appropriations derived from certain taxes on tobacco products.

Article XIIIB includes a requirement that all revenues received by an entity of government other than the State in a fiscal year and in the fiscal year immediately following it in excess of the amount permitted to be appropriated during that fiscal year and the fiscal year immediately following it shall be returned by a revision of tax rates or fee schedules within the next two subsequent fiscal years.

Article XIIIB also includes a requirement that 50% of all revenues received by the State in a fiscal year and in the fiscal year immediately following it in excess of the amount permitted to be appropriated during that fiscal year and the fiscal year immediately following it will be transferred and allocated to the State School Fund pursuant to Section 8.5 of Article XVI of the State Constitution.

Unitary Property

AB 454 (Chapter 921, Statutes of 1986) provides that revenues derived from most utility property assessed by the State Board of Equalization ("Unitary Property"), commencing with the 1988-89 fiscal year, will be allocated as follows: (1) each jurisdiction will receive up to 102% of its prior year State-assessed revenue; and (2) if county-wide revenues generated from Unitary Property are less than the previous year's revenues or greater than 102% of the previous year's revenues, each jurisdiction will share the burden of the shortfall or excess revenues by a specified formula. This provision applies to all Unitary Property except railroads, whose valuation will continue to be allocated to individual tax rate areas.

The provisions of AB 454 do not constitute an elimination of the assessment of any State-assessed properties nor a revision of the methods of assessing utilities by the State Board of Equalization. Generally, AB 454 allows valuation growth or decline of Unitary Property to be shared by all jurisdictions in a county.

California Lottery

In the November 1984 general election, the voters of the State approved a Constitutional Amendment establishing a California State Lottery (the "State Lottery"), the net revenues (revenues less expenses and prizes) of which shall be used to supplement other moneys allocated to public education.

The legislation further requires that the funds shall be used for the education of pupils and students and cannot be used for the acquisition of real property, the construction of facilities or the financing of research.

Allocation of State Lottery net revenues is based upon the average daily attendance of each school and community college district; however, the exact allocation formula may vary from year to year. In 2013-14, the District budgets to receive $55,946 in State Lottery aid at the time of the Second Interim Report, representing less than 1% of the District's general fund revenues. At this time, the amount of additional revenues that may be generated by the State Lottery in any given year cannot be predicted.

Proposition 46

On June 3, 1986, California voters approved Proposition 46, which added an additional exemption to the 1% tax limitation imposed by Article XIIIA. Under this amendment to Article XIIIA, local governments and school and community college districts may increase the property tax rate above 1% for the period necessary to retire new, general obligation bonds, if two-thirds of those voting in a local election approve the issuance of such bonds and the money raised through the sale of the bonds is used exclusively to purchase or improve real property.

Proposition 39

On November 7, 2000, California voters approved Proposition 39, called the "Smaller Classes, Safer Schools and Financial Accountability Act" (the "Smaller Classes Act") which amends Section 1 of Article XIIIA, Section 18 of Article XVI of the California Constitution and Section 47614 of the California Education Code and allows an alternative means of seeking voter approval for bonded indebtedness by 55% of the vote, rather than the two-thirds majority required under Section 18 of Article XVI of the Constitution. The 55% voter requirement applies only if the bond measure submitted to the voters includes, among other items: (1) a restriction that the proceeds of the bonds may be used for "the construction, reconstruction, rehabilitation, or replacement of school facilities, including the furnishing and equipping of school facilities, or the acquisition or lease of real property for school facilities," (2) a list of projects to be funded and a certification that the school district board has evaluated "safety, class size reduction, and information technology needs in developing that list" and (3) that annual, independent performance and financial audits will be conducted regarding the expenditure and use of the bond proceeds.

Section 1(b)(3) of Article XIIIA has been added to exempt the 1% *ad valorem* tax limitation that Section 1(a) of Article XIIIA of the Constitution levies, to pay bonds approved by 55% of the voters, subject to the restrictions explained above.

The Legislature enacted AB 1908, Chapter 44, which became effective upon passage of Proposition 39 and amends various sections of the Education Code. Under amendments to Section 15268 and 15270 of the Education Code, the following limits on *ad valorem* taxes apply in any single election: (1) for an elementary and high school district, indebtedness shall not exceed $30 per $100,000 of taxable property, (2) for a unified school district, indebtedness shall not exceed $60 per $100,000 of taxable property, and (3) for a community college district, indebtedness shall not exceed $25 per $100,000 of taxable property. These requirements are not part of Proposition 39 and can be changed with a majority vote of both houses of the Legislature and approval by the Governor. Finally, AB 1908 requires that a citizens' oversight committee must be appointed who will review the use of the bond funds and inform the public about their proper usage.

Alternatively, charter schools are independent public schools formed by teachers, parents, and other individuals and/or groups. The schools function under contracts or "charters" with local school districts, county boards of education, or the State Board of Trustees. They are exempt from most State laws and regulations affecting public schools. As of June 2000, there were 309 charter schools in California, serving about 105,000 students (less than 2% of all K-12 students). The law permits an additional 100 charter schools each year until 2003, at which time the charter school program will be reviewed by the Legislature. Under current law, school districts must allow charter schools to use, at no charge, facilities not currently used by the district for instructional or administrative purposes.

Proposition 39 requires that each local K-12 school district provide charter school facilities sufficient to accommodate the charter school's students. A K-12 school district, however, would not be required to spend its general discretionary revenues to provide these facilities for charter schools. Instead, the district could choose to use these or other revenues — including State and local bonds. Such facilities must be reasonably equivalent to the district schools that such charter students would otherwise attend. The respective K-12 school district is permitted charge the charter school for its facilities if district discretionary revenues are used to fund the facilities and a district may decline to provide facilities for a charter school with a current or projected enrollment of fewer than 80 students. There are presently no charter schools within the District.

Article XIIIC and XIIID of the California Constitution

On November 5, 1996, an initiative to amend the California Constitution known as the "Right to Vote on Taxes Act" ("Proposition 218") was approved by a majority of California voters. Proposition 218 added Articles XIIIC and XIIID to the State Constitution and requires majority voter approval for the imposition, extension or increase of general taxes and 2/3 voter approval for the imposition, extension or increase of special taxes by a local government, which is defined in Proposition 218 to include counties. Proposition 218 also provides that any general tax imposed, extended or increased without voter approval by any local government on or after January 1, 1995, and prior to November 6, 1996 shall continue to be imposed only if approved by a majority vote in an election held within two years following November 6, 1996. All local taxes and benefit assessments which may be imposed by public agencies will be defined as "general taxes" (defined as those used for general governmental purposes) or "special taxes" (defined as taxes for a specific purpose even if the revenues flow through the local government's general fund) both of which would require a popular vote. New general taxes require a majority vote and new special taxes require a two-thirds vote. Proposition 218 also extends the initiative power to reducing or repealing local taxes, assessments, fees and charges, regardless of the date such taxes, assessments or fees or charges were imposed, and lowers the number of signatures necessary for the process. In addition, Proposition 218 limits the application of assessments, fees and charges and requires them to be submitted to property owners for approval or rejection, after notice and public hearing.

The District has no power to impose taxes except property taxes associated with a general obligation bond election, following approval by 55% or 2/3 of the District's voters, depending upon the Article of the Constitution under which it is passed.

Proposition 218 also expressly extends the initiative power to give voters the power to reduce or repeal local taxes, assessments, fees and charges, regardless of the date such taxes, assessments, fees or charges were imposed, and reduces the number of signatures required for the initiative process. This extension of the initiative power to some extent constitutionalizes the March 6, 1995 State Supreme Court decision in *Rossi v. Brown*, which upheld an initiative that repealed a local tax and held that the State constitution does not preclude the repeal, including the prospective repeal, of a tax ordinance by an initiative, as contrasted with the State constitutional prohibition on referendum powers regarding statutes and ordinances which impose a tax. Generally, the initiative process enables California voters to enact legislation upon obtaining requisite voter approval at a general election. Proposition 218 extends the authority stated in *Rossi v. Brown* by expanding the initiative power to include reducing or repealing assessments, fees and charges, which had previously been considered administrative rather than legislative matters and therefore beyond the initiative power. This extension of the initiative power is not limited by the terms of Proposition 218 to fees imposed after November 6,1996 and absent other legal authority could result in retroactive reduction in any existing taxes, assessments or fees and charges. Such legal authority could include the limitations imposed on the impairment of contracts under the contract clause of the United States Constitution.

Proposition 218 has no effect upon the District's ability to pursue approval of a general obligation bond or a Mello-Roos Community Facilities District bond in the future, although certain procedures and burdens of proof may be altered slightly. The District is unable to predict the nature of any future challenges to Proposition 218 or the extent to which, if any, Proposition 218 may be held to be unconstitutional.

Propositions 98 and 111

On November 8, 1988, voters approved Proposition 98, a combined initiative constitutional amendment and statute called the "Classroom Instructional Improvement and Accountability Act" (the "Accountability Act"). Certain provisions of the Accountability Act have, however, been modified by Proposition 111, discussed below, the provisions of which became effective on July 1, 1990. The Accountability Act changes State funding of public education below the university level and the operation of the State's appropriations limit. The Accountability Act guarantees State funding for K-12 school districts and community college districts (hereinafter referred to collectively as "K-14 school districts") at a level equal to the greater of (a) the same percentage of general fund revenues as the percentage appropriated to such districts in 1986-87, and (b) the amount actually appropriated to such districts from the general fund in the previous fiscal year, adjusted for increases in enrollment and changes in the cost of living. The Accountability Act permits the Legislature to suspend this formula for a one-year period.

Since the Accountability Act is unclear in some details, there can be no assurances that the Legislature or a court might not interpret the Accountability Act to require a different percentage of general fund revenues to be allocated to K-14 school districts, or to apply the relevant percentage to the State's budgets in a different way than is proposed in the Governor's Budget. In any event, the Governor and other fiscal observers expect the Accountability Act to place increasing pressure on the State's budget over future years, potentially reducing resources available for other State programs, especially to the extent the Article XIIIB spending limit would restrain the State's ability to fund such other programs by raising taxes.

The Accountability Act also changes how tax revenues in excess of the State appropriations limit are distributed. Any excess State tax revenues up to a specified amount would, instead of being returned to taxpayers, be transferred to K-14 school districts. Any such transfer to K-14 school districts would be excluded from the appropriations limit for K-14 school districts and the K-14 school district appropriations limit for the next year would automatically be increased by the amount of such transfer. These additional moneys would enter the base funding calculation for K-14 school districts for subsequent years, creating further pressure on other portions of the State budget, particularly if revenues decline in a year following an Article XIIIB surplus. The maximum amount of excess tax revenues which could be transferred to K-14 school districts is 4% of the minimum State spending for education mandated by the Accountability Act.

On June 5, 1990, the voters approved Proposition 111 (Senate Constitutional Amendment No. 1) called the "Traffic Congestion Relief and Spending Limit Act of 1990" ("Proposition 111") which further modified Article XIIIB and Sections 8 and 8.5 of Article XVI of the State Constitution with respect to appropriations limitations and school funding priority and allocation.

The most significant provisions of Proposition 111 are summarized as follows:

a. Annual Adjustments to Spending Limit. The annual adjustments to the Article XIIIB spending limit were liberalized to be more closely linked to the rate of economic growth. Instead of being tied to the Consumer Price Index, the "change in the cost of living" is now measured by the change in California per capita personal income. The definition of "change in population" specifies that a portion of the State's spending limit is to be adjusted to reflect changes in school attendance.

b. Treatment of Excess Tax Revenues. "Excess" tax revenues with respect to Article XIIIB are now determined based on a two-year cycle, so that the State can avoid having to return to taxpayers excess tax revenues in one year if its appropriations in the next fiscal year are under its limit. In addition, the Proposition 98 provision regarding excess tax revenues was modified. After any two-year period, if there are excess State tax revenues, 50% of the excess are to be transferred to K-14 school districts with the balance returned to taxpayers; under prior law, 100% of excess State tax revenues went to K-14 school districts, but only up to a maximum of 4% of the schools' minimum funding level. Also, reversing prior law, any excess State tax revenues transferred to K-14 school districts are not built into the school districts' base expenditures for calculating their entitlement for State aid in the next year, and the State's appropriations limit is not to be increased by this amount.

c. Exclusions from Spending Limit. Two exceptions were added to the calculation of appropriations which are subject to the Article XIIIB spending limit. First, there are excluded all appropriations for "qualified capital outlay projects" as defined by the Legislature. Second, there are excluded any increases in gasoline taxes above the 1990 level (then nine cents per gallon), sales and use taxes on such increment in gasoline taxes, and increases in receipts from vehicle weight fees above the levels in effect on January 1, 1990. These latter provisions were necessary to make effective the transportation funding package approved by the Legislature and the Governor, which expected to raise over $15 billion in additional taxes from 1990 through 2000 to fund transportation programs.

d. Recalculation of Appropriations Limit. The Article XIIIB appropriations limit for each unit of government, including the State, is to be recalculated beginning in fiscal year 1990-91. It is based on the actual limit for fiscal year 1986-87, adjusted forward to 1990-91 as if Proposition 111 had been in effect.

e. School Funding Guarantee. There is a complex adjustment in the formula enacted in Proposition 98 which guarantees K-14 school districts a certain amount of State general fund revenues. Under prior law, K-14 school districts were guaranteed the greater of (1) 40.9% of State general fund revenues (the "first test") or (2) the amount appropriated in the prior year adjusted for changes in the cost of living (measured as in Article XIIIB by reference to per capita personal income) and enrollment (the "second test"). Under Proposition 111, schools will receive the greater of (1) the first test, (2) the second test, or (3) a third test, which will replace the second test in any year when growth in per capita State general fund revenues from the prior year is less than the annual growth in California per capital personal income. Under the third test, schools will receive the amount appropriated in the prior year adjusted for change in enrollment and per capita State general fund revenues, plus an additional small adjustment factor. If the third test is used in any year, the difference between the third test and the second test will become a "credit" to schools which will be paid in future years when State general fund revenue growth exceeds personal income growth.

Kindergarten-University Public Education Facilities Bond Act of 2006

The Kindergarten-University Public Education Facilities Bond Act of 2006 ("Proposition 1D") appeared on the November 7, 2006 ballot as Proposition 1D and was approved by California voters. This measure authorized the sale and issuance of $10.4 billion in general obligation bonds for construction and renovation of K-12 school facilities ($7.3 billion) and higher education facilities ($3.1 billion). Proposition 1D makes available $3.3 billion for reconstruction or modernization of existing K-12 school facilities. K-12 school districts are required to pay for 40% of these costs with local revenues, unless qualified for hardship funding. Proposition 1D also includes $1.9 billion for acquisition of land and new construction of K-12 school facilities. K-12 school districts are required to pay for 50% of such costs with local revenues, unless qualified for hardship funding. Proposition 1D directs a total of $1.0 billion to K-12 school districts which are considered severely overcrowded, specifically to schools that have large number of pupils relative to the size of the school site.

Proposition 30

On November 6, 2012, voters of the State approved the Temporary Taxes to Fund Education, Guaranteed Local Public Safety Funding, Initiative Constitutional Amendment (also known as "Proposition 30"), which temporarily increases the State Sales and Use Tax and personal income tax rates on higher incomes. Proposition 30 temporarily imposes an additional tax on all retailers, at the rate of 0.25% of gross receipts from the sale of all tangible personal property sold in the State from January 1, 2013 to December 31, 2016. Proposition 30 also imposes an additional excise tax on the storage, use, or other consumption in the State of tangible personal property purchased from a retailer on and after January 1, 2013 and before January 1, 2017, for storage, use, or other consumption in the State. This excise tax will be levied at a rate of 0.25% of the sales price of the property so purchased. Beginning in the taxable year commencing January 1, 2012 and through the taxable year ending December 31, 2018, Proposition 30 increases the marginal personal income tax rate by: (i) 1% for taxable income over $250,000 but less than $300,000 for single filers (over $340,000 but less than $408,000 for joint filers), (ii) 2% for taxable income over $300,000 but less than $500,000 for single filers (over $408,000 but less than $680,000 for joint filers), and (iii) 3% for taxable income over $500,000 for single filers (over $608,000 for joint filers).

The revenues generated from the temporary tax increases will be included in the calculation of the Proposition 98 minimum funding guarantee for school districts and community college districts. See

"CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES AND APPROPRIATIONS – Propositions 98 and 111" herein. From an accounting perspective, the revenues generated from the temporary tax increases will be deposited into the State account created pursuant to Proposition 30 called the Education Protection Account (the "EPA"). Pursuant to Proposition 30, funds in the EPA will be allocated quarterly, with 89% of such funds provided to schools districts and 11% provided to community college districts. The funds will be distributed to school districts and community college districts in the same manner as existing unrestricted per-student funding, except that no school district will receive less than $200 per unit of ADA and no community college district will receive less than $100 per full time equivalent student. The governing board of each school district and community college district is granted sole authority to determine how the moneys received from the EPA are spent, provided that, the appropriate governing board is required to make these spending determinations in open session at a public meeting and such local governing boards are prohibited from using any funds from the EPA for salaries or benefits of administrators or any other administrative costs.

Future Initiatives

Article XIIIA, Article XIIIB, Article XIIIC, Article XIIID and Propositions 26 and 98 were each adopted as measures that qualified for the ballot pursuant to the State's initiative process. From time to time, other initiative measures could be adopted, further affecting the District's revenues or their ability to expend revenues.

GENERAL SCHOOL DISTRICT FINANCIAL INFORMATION

State Funding of Education; State Budget Process

General. As is true for all school districts in the State, the District's operating income consists primarily of two components: a State portion funded from the State's general fund and a locally-generated portion derived from the District's share of the 1% county-wide *ad valorem* property tax authorized by the State Constitution. School districts may be eligible for other special categorical funding, including for State and federal programs. Because the District's legal minimum funding level is expected to be met from local property taxes alone, the District did not budget receipt of any general operating funds from the State in fiscal year 2013-14. As a result, decreases or deferrals in State revenues, or in State legislative appropriations made to fund education, may affect District operations, though generally to a lesser extent than these may affect most school districts.

State funding is guaranteed to a minimum level for school districts, community college districts, and other State agencies that provide direct elementary and secondary instructional programs. The funding guarantee is known as "Proposition 98," a constitutional and statutory initiative amendment adopted by the State's voters in 1988, and amended by Proposition 111 in 1990 (now found at Article XVI, Sections 8 and 8.5 of the State Constitution).

Recent years have seen frequent disruptions in State personal income taxes, sales and use taxes, and corporate taxes, making it increasingly difficult for the State to meet its Proposition 98 funding mandate, which normally commands about 45% of all State general fund revenues, while providing for other fixed State costs and priority programs and services. Because education funding constitutes such a large part of the State's general fund expenditures, it is at the heart of annual budget negotiations and adjustments.

Adoption of Annual State Budget. According to the State Constitution, the Governor of the State (the "Governor") must propose a budget to the State Legislature no later than January 10 of each year. Under an initiative constitutional amendment approved by the State's voters on November 2, 2010 as "Proposition 25", a final budget must be adopted by a majority vote (rather than a two-third majority, as was the case prior to the passage of Proposition 25) of each house of the Legislature no later than June 15, although this deadline has been breached in the past. Any tax increase provision of such final budget shall continue to require approval by a two-thirds majority vote of each house of the State Legislature. The budget becomes law upon the signature of the Governor, who may veto specific items of expenditure. School district budgets must generally be adopted by July 1, and revised by the school board within 45 days after the Governor signs the budget act to reflect any changes in budgeted revenues and expenditures made necessary by the adopted State budget. The Governor signed the 2013-14 Budget on June 27, 2013.

When the State budget is not adopted on time, basic appropriations and the categorical funding portion of each district's State funding are affected differently. Under the rule of *White v. Davis* (also referred to as *Jarvis v. Connell*), a State Court of Appeal decision reached in 2002, there is no constitutional mandate for appropriations to school districts without an adopted budget or emergency appropriation, and funds for State programs cannot be disbursed by the State Controller until that time unless the expenditure is (i) authorized by a continuing appropriation found in statute, (ii) mandated by the State Constitution (such as appropriations for salaries of elected state officers), or (iii) mandated by federal law (such as payments to State workers at no more than minimum wage). The State Controller has consistently stated that basic State funding for schools is continuously appropriated by statute, but that special and categorical funds may not be appropriated without an adopted budget. The State Controller has posted guidance as to what can and cannot be paid during a budget impasse at its website: www.sco.ca.gov. Should the Legislature fail to pass the budget or emergency appropriation before the start of any fiscal year, the District might experience delays in receiving certain expected revenues.

Aggregate State Education Funding. The Proposition 98 guaranteed amount for education is based on prior-year funding, as adjusted through various formulas and tests that take into account State proceeds of taxes, local property tax proceeds, school enrollment, per-capita personal income, and other factors. The State's share of the guaranteed amount is based on State general fund tax proceeds and is not based on the general fund in total or on the State budget. The local share of the guaranteed amount is funded from local property taxes. The total guaranteed amount varies from year to year and throughout the stages of any given fiscal year's budget, from the Governor's initial budget proposal to actual expenditures to post-year-end revisions, as better information regarding the various factors becomes available. Over the long run, the guaranteed amount will increase as enrollment and per capita personal income grow.

If, at year-end, the guaranteed amount is calculated to be higher than the amount actually appropriated in that year, the difference becomes an additional education funding obligation, referred to as "settle-up." If the amount appropriated is higher than the guaranteed amount in any year, that higher funding level permanently increases the base guaranteed amount in future years. The Proposition 98 guaranteed amount is reduced in years when general fund revenue growth lags personal income growth, and may be suspended for one year at a time by enactment of an urgency statute. In either case, in subsequent years when State general fund revenues grow faster than personal income (or sooner, as the Legislature may determine), the funding level must be restored to the guaranteed amount, the obligation to do so being referred to as "maintenance factor."

In recent years, the State's response to fiscal difficulties has had a significant impact on Proposition 98 funding and settle-up treatment. The State has sought to avoid or delay paying settle-up amounts when funding has lagged the guaranteed amount. In response, teachers' unions, the State Superintendent, and others, sued the State or Governor in 1995, 2005, and 2009, to force them to fund schools in the full amount required. The settlement of the 1995 and 2005 lawsuits has so far resulted in over $4 billion in accrued State settle-up obligations. However, legislation enacted to pay down the obligations through additional education funding over time, including the Quality Education Investment Act of 2006 (QEIA), have also become part of annual budget negotiations, resulting in repeated adjustments and deferrals of the settle-up amounts.

The State has also sought to preserve general fund cash while avoiding increases in the base guaranteed amount through various mechanisms: by treating any excess appropriations as advances against subsequent years' Proposition 98 minimum funding levels rather than current year increases; by temporarily deferring apportionments of Proposition 98 funds one fiscal year to the next; by permanently deferring the year-end apportionment from June 30 to July 2; by suspending Proposition 98, and by proposing to amend the State Constitution's definition of the guaranteed amount and settle-up requirement under certain circumstances.

Recent State Budgets

Certain information about the State budgeting process and the State Budget is available through several State of California sources. A convenient source of information is the State's website, where recent official statements for State bonds are posted. *The references to internet websites shown below are shown for reference and convenience only, the information contained within the websites may not be current and has not been reviewed by the District and is not incorporated herein by reference.*

• The California State Treasurer Internet home page at www.treasurer.ca.gov, under the heading "Bond Information", posts various State of California Official Statements, many of which contain a summary of the current State Budget, past State Budgets, and the impact of those budgets on school districts in the State.

• The California State Treasurer's Office Internet home page at www.treasurer.ca.gov, under the heading "Financial Information", posts the section includes the State's Rule 15c2-12 filings for State bond issues. The Financial Information section also includes the Overview of the State Economy and Government, State Finances, State Indebtedness, Litigation from the State's most current Official Statement, which discusses the State budget and its impact on school districts.

• The California Department of Finance's Internet home page at www.dof.ca.gov, under the heading "California Budget", includes the text of proposed and adopted State Budgets.

• The State Legislative Analyst's Office prepares analyses of the proposed and adopted State budgets. The analyses are accessible on the Legislative Analyst's Internet home page at www.lao.ca.gov under the heading "Subject Area – Budget (State)".

Prior Years' Budgeting Techniques. Declining revenues and fiscal difficulties which arose in the State commencing in fiscal year 2008-09 led the State to undertake a number of budgeting strategies, which had subsequent impacts on local agencies within the State. These techniques included the issuance of IOUs in lieu of warrants (checks), the enactment of statutes deferring amounts owed to public schools, until a later date in the fiscal year, or even into the following fiscal year (known as statutory deferrals), trigger reductions, which were budget cutting measures which were implemented or could have been implemented if certain State budgeting goals were not met, among others, and the dissolution of local redevelopment agencies in part to make available additional funding for local agencies. Although the fiscal year 2013-14 Budget is balanced and projects a balanced budget for the foreseeable future, largely attributable to the additional revenues generated due to the passage of Proposition 30 at the November 6, 2012 statewide election, as well as other spending cuts, there can be no certainty that budget-cutting strategies such as those used in recent years will not be used in the future should the State Budget again be stressed and if projections included in such budget do not materialize.

2013-14 State Budget

On June 27, 2013, Governor Brown approved the 2013-14 Budget Act, projecting $97.1 billion in general fund revenues and adopting a $96.3 billion spending plan, the first balanced budget in many years. Temporary revenues provided by the passage of Proposition 30 (Sales and Income Tax Revenue Increase approved by State voters at an election held on November 6, 2012) and spending cuts made in the past two years mean that the State's budget is projected to remain balanced for the foreseeable future. The 2013-14 State Budget maintains a $1.1 billion reserve and pays down a budgetary deficit, projected to be reduced from $35 billion to $27 billion in 2013-14 and to below $5 billion by the end of 2016-17.

The Budget includes total funding of $70 billion ($39.6 billion General Fund and $30.4 billion other funds) for all K-12 education programs. The 2013-14 State Budget and its related implementing legislation enacts significant reforms to the State's system of K-12 education finance with the enactment of a new LCFF funding formula. Under the LCFF, Proposition 98 funding, the State's minimum funding guarantee for K-12 schools and community colleges that went into effect in fiscal year 1988-89, is $55.3 billion in the 2013-14 fiscal year, an increase of more than $8 billion over the 2011-12 fiscal year funding level. The 2013-14 Budget projects Proposition 98 funding for K-12 education to grow by almost $20 billion from the 2011-12 fiscal year to the 2016-17 fiscal year, representing an increase of more than $2,800 per student during such period.

Local Control Funding Formula. The LCFF attempts to move from an existing school funding system characterized as overly complex and inequitable to a locally-controlled system, which responds to research and practical experience indicating that students from low income families and English language learners often require supplemental services and support to be successful in school.

State Funding under the LCFF. The LCFF changes the State funding system for school districts, charter schools and county offices of education by, among other changes, consolidating most categorical programs with the existing revenue limit structure to provide a new student formula which will be phased in over seven years, and implementing supplemental and concentration grants to English language learners and economically disadvantaged students. The LCFF includes the following components:

• A base grant for each local education agency per unit of A.D.A of $7,675 for students in grades K-3, $7,056 for students in grades 4-6, $7,266 for students in grades 7-8, and $8,638 for students in grades 9-12. These figures include a cost-of-living adjustment for 2013-14. This base grant is $2,375 more than the average revenue limit provided prior to LCFF implementation. The base grants will be adjusted upward each year to reflect cost-of-living increases

• A 20% supplemental grant for English learners, students from low-income families and foster youth to reflect increased costs associated with educating those students.

• An additional concentration grant of up to 22.5% of a local education agency's base grant, based on the number of English learners, students from low-income families and foster youth served by the local agency that comprise more than 55% of enrollment.

• An economic recovery target to ensure that almost every local education agency receives at least their pre-recession funding level, adjusted for inflation, at full implementation of the LCFF.

The LCFF was implemented for fiscal year 2013-14 and will be phased in gradually. Based on revenue projections, districts will reach what is called "full funding" in eight years or in 2020-21. Until full funding is reached, each year districts will get additional funds based on A.D.A. and the percentage of a district's students who are low-income, English learners, and foster youth. This projection assumes that the State's economy will improve each year; if the economy falters it could take longer to reach full funding.

Accountability under the LCFF. The LCFF moves from a state-controlled system that emphasized inputs (largely in the form of categorical funding which required funds to be spent on specific projects and programs) to a locally-controlled system in which local agencies decide the best way to spend funds, focused instead on improved outcomes. However, districts will be required to increase or improve services for English language learners, low income, and foster youth students in proportion to supplemental and concentration grant funding received. All school districts, county offices of education, and charter schools will be required to develop and adopt local control and accountability plans, which will identify local goals in areas that are priorities for the State, including pupil achievement, parent engagement, and school climate.

County superintendents will review and provide support to the districts under their jurisdiction, and the Superintendent of Public Instruction will perform a corresponding role for county offices of education. In addition, the 2013-14 Budget creates the California Collaborative for Education Excellence to advise and assist school districts, county offices of education, and charter schools in achieving the goals identified in their plans.

The State will continue to measure student achievement through statewide assessments, produce an Academic Performance Index for schools and subgroups of students, determine the contents of the school accountability report card, and establish policies to implement the federal accountability system.

Other K-12 Budget Adjustments. In addition to the first year funding provided under the LCFF, the 2013-14 State Budget includes:

• Common Core Implementation Funding. An increase of $1.25 billion in one-time Proposition 98 funding to support the implementation of the Common Core – new standards for evaluating student achievement in English-language arts and math. Funding will be distributed on the basis of enrollment for professional development, instructional materials and technology. Local agencies must develop a plan on how to spend these funds over the next two years, and hold a public hearing on such plan.

• Career Technical Education Pathways Grant Program. $250 million for one-time competitive capacity building grants for K-12 and community colleges to support programs based on work-based learning.

• K-12 Mandates Block Grant. $50 million to reflect the inclusion of graduation requirements mandate within the block grant program, which will be distributed to school districts, county offices of education and charter schools with enrollment in grades 9-12.

• K-12 Budget Deferral Repayment. An increase of $1.6 billion in 2012-13 and an increase of $242.3 million in 2013-14 for the repayment of inter-year budgetary deferrals.

• Proposition 39 (Energy Efficiency Projects) Implementation. $381 million in Proposition 98 funding is allocated to support energy efficiency projects approved by the California Energy Commission. Of this amount, 85 percent will be allocated based on A.D.A and 15 percent will be allocated based on free and reduced price meal eligibility.

• Special Education Funding Reform. Consolidations for various special education programs to simplify special education finance and provide additional funding flexibility.

Higher Education and Health Care. The 2013-14 State Budget increases funding for higher education by between $1,649 and $2,491 per student through 2016-17. The 2013-14 State Budget provides funding to expand Medi-Cal to approximately 1.4 million Californians pursuant to the federal law known as the Affordable Care Act. The State anticipates that this will significantly increase health care coverage, improve access to mental health services, expand substance use disorder treatment and take advantage of new federal dollars.

Numerous Factors Affecting Budget and Projections. The execution of the 2013-14 State Budget may be affected by numerous factors, including but not limited to: (i) shifts of costs from the federal government to the State, (ii) national, State and international economic conditions, (iii) litigation risk associated with spending reductions, including the elimination of redevelopment agencies, (iv) rising health care costs (v) large unfunded liabilities for retired State employee's pensions and healthcare, (vi) deferred maintenance of State's critical infrastructure and (vii) other factors, all or any of which could cause the revenue and spending projections made in 2013-14 State Budget to be unattainable. The District cannot predict the impact that the 2013-14 State Budget, or subsequent budgets, will have on its own finances and operations. Additionally, the District cannot predict the accuracy of any projections made in the State's 2013-14 State Budget.

The complete 2013-14 State Budget is available from the California Department of Finance website at www.dof.ca.gov. The District can take no responsibility for the continued accuracy of this internet address or for the accuracy, completeness or timeliness of information posted there, and such information is not incorporated in this Official Statement by such reference. The information referred to above should not be relied upon in making an investment decision with respect to the Certificates.

2014-15 State Budget

On June 20, 2014, Governor Brown approved the 2014-15 Budget Act (the "2014-15 Budget"), projecting $108 billion in general fund revenues, which is $7.3 million more in general fund revenues than in fiscal year 2013-14. The 2014-15 Budget is balanced and projects paying down more than $10 billion in unprecedented amounts of budgetary debt from past years, including paying down deferral of payments to schools by $5 billion, paying off Economic Recovery Bonds, repaying various special fund loans, and funding $100 million in mandate claims that have been owed to local governments since 2004. The budgetary deficit is projected to be reduced to below $5 billion by the end of 2016-17. The fiscal year begins with a 2014-15 State Budget reserve of $2 billion dollars, including $1.6 billion in the State's Budget Stabilization Account, also known as the State's rainy day fund. Temporary revenues provided by the passage of Proposition 30 (Sales and Income Tax Revenue Increase approved by State voters at an election held on November 8, 2011) and spending cuts have allowed for continued economic growth in the State. The 2014-15 State Budget also contains triggers allowing for additional spending, if various revenue benchmarks are exceeded. If revenues surpass certain estimates, then the Budget calls for more funds to be applied to higher education and to pay down debt. Certain highlights of the 2014-15 Budget are described below.

Plan for Reducing STRS Unfunded Liability. The California State Teachers' Retirement System ("STRS") has significant unfunded liability. Without changes to how the system is funded, STRS is expected to run out of money in about 33 years. To prevent this, the 2014-15 Budget sets forth a plan that shares responsibility among the school districts, the state, and teachers to better fund STRS. Contributions for the first year from all three of these sources will total $275 million. Contributions will increase in subsequent years, reaching more than $5 billion annually. This plan is projected to eliminate unfunded liability by 2046.

Constitutional Amendment on November, 2014 Ballot: Rainy Day Fund. The 2014- 15 State Budget includes a proposed constitutional amendment which will be placed before State voters in November, 2014. The measure, upon approval, would alter the State's existing requirements for the Budget Stabilization Account, the State's existing rainy day account. If approved, this amendment would:

• Require deposits into the Rainy Day Fund whenever capital gains revenues rise to more than 8 percent of General Fund tax revenues, and would set the maximum size of the Rainy Day Fund at 10 percent of the General Fund revenues.

• Require half of each year's deposit for the next 15 years be used for supplemental payments of debt or other long-term liabilities.

• Allow for withdrawal of funds only for a disaster or if spending remains at or below the highest level of spending from the past three years. The maximum amount that could be withdrawn in the first year of a recession would be limited to half of the Rainy Day Fund's balance.

• Require that the state provide a multiyear budget forecast to better manage the state's long-term finances.

• Create a Proposition 98 reserve, known as the Public School System Stabilization Account, where spikes in funding would be saved for future years. This is intended to smooth school spending and minimize future cuts to education funding.

The Education Budget Trailer Bill (SB 858) amends Education Code section 42127 to provide that, beginning in 2015-16, if a district's proposed budget includes a local reserve above the minimum recommended level, its governing board must provide the following information for review at the annual public hearing on its proposed budget:

The minimum recommended reserve adopted by the State Board of Education;
The district's fund balance in excess of the recommended reserve; and
A statement substantiating the need for the excess reserve level.

This information is to be included in a district's budgetary submission to its county superintendent, and the county superintendent must verify that each district has complied with these requirements. Budgets prepared by county superintendents must also comply with the above requirements. This provision is not contingent on the voters approving the "rainy day fund" in November, discussed in the following sentence. If approved in November, additional legislation will become effective which could limit the amount school districts may maintain in reserves. Specifically, the legislation provides that this bill would, in a fiscal year immediately after which a transfer is made into the Public School System Stabilization Account, which would be created by an Assembly Constitutional Amendment, prohibit a school district's adopted or revised budget from containing a combined assigned or unassigned ending fund balance that is in excess of either two or three times the minimum recommended reserve for economic uncertainties, as established by the state board, depending on the school district's units of average daily attendance. The bill would authorize the county superintendent of schools to waive the prohibition, pursuant to specified conditions, for up to two consecutive fiscal years within a three-year period if the school district provides documentation indicating that extraordinary fiscal circumstances substantiates the need for the balance. The bill would make operation of these provisions contingent on the voter approval of a specified Assembly Constitutional Amendment at the November 4, 2014, statewide general election.

K-12 Budget Adjustments. The 2014-15 State Budget includes total funding of $76.6 billion ($45.3 billion General Fund and $31.3 billion other funds) for all K-12 education programs. Prop. 98 funding has contributed $10 billion to the total funding amount and the 2014-15 State Budget provides $1,954 more per K-12 student in 2014-15 than was provided in 2011-12. The 2014-15 State Budget also provides $4.7 billion for the second year of implementing the LCFF and continues to commit most new funding to districts serving English language learners, students from low-income families, and youth in foster care. The Education Budget Trailer Bill ("SB 858") is included in the 2014-15 State Budget and contains two separate provisions that have the potential to affect district reserve funds. In addition, the 2014-15 State Budget includes the following:

- **Local Control Funding Formula**. The 2014-15 State Budget contains an increase of $4.75 billion in the Proposition 98 General Fund to continue the State's transition to the LCFF. This increase will close the remaining funding implementation gap by more than 29 percent. Additionally, the 2014-15 State Budget addresses an administrative problem related to the collection of income eligibility forms that are used to determine student eligibility for free or reduced price meals.

- **K-12 Deferrals**. The 2014-15 State Budget repays nearly $4.7 billion Proposition 98 General Fund for K-12 expenses that had been deferred from one year to the next during the past few years. This repayment will leave an outstanding balance of less than $900 million in K-12 deferrals. The 2014-15 State Budget also contains a trigger mechanism that will appropriate any additional funding resources attributable to the 2013-14 and 2014-15 fiscal years subsequent to the enactment of the 2014-15 State Budget for the purpose of retiring the remaining $900 million in K-12 deferrals.

• **Independent Study**. The 2014-15 State Budget reduces administrative burdens and frees up time for teachers to spend on student instruction and support, making it easier for schools to offer and expand instructional opportunities available to students through non-classroom based instruction.

• **K-12 Mandates**. The 2014-15 State Budget provides $400.5 million in one-time Proposition 98 General Fund to reimburse K-12 local educational agencies for the costs of state-mandated programs. These funds will make a significant down payment on outstanding mandate debt, while providing school districts, county offices of education, and charter schools with discretionary resources to support critical investments such as Common Core implementation.

• **K-12 High-Speed Internet Access**. The 2014-15 State Budget increases the onetime Proposition 98 General Fund for the K-12 High Speed Network by $26.7 million. This Fund provides technical assistance and grants to local educational agencies to address the technology requirements necessary for Common Core implementation.

• **Career Technical Education Pathways Program**. The 2014-15 State Budget increases by $250 million the one-time Proposition 98 General Fund to support a second cohort of competitive grants for participating K-12 local educational agencies. Established in the 2013 Budget Act, the Career Pathways Trust Program provides grant awards to improve career technical programs and linkages between employers, schools and community colleges.

Higher Education and Healthcare. The 2014-15 State Budget includes total funding of $26.2 billion ($14.7 billion General Fund and local property tax and $11.5 billion other funds). It also provides for up to a 20 percent increase in General Fund appropriations over a four-year period. The 2014-15 Budget includes a 5 percent increase in 2014-15 for each university system, which equals $284 million total. Regarding healthcare, the state's adoption of the optional expansion of Medi-Cal under federal law known as the Affordable Care Act created major new spending commitments. The 2014-15 Budget assumes an additional Medi-Cal caseload of 2.5 million individuals and a rise in costs of $2.4 billion over fiscal year 2012-13.

Emergency Drought Response. On January 17, 2014, Governor Brown proclaimed a state of emergency due to the severe drought conditions faced by the state. Legislation was enacted in February which provided $687.4 million to support drought relief. The 2014-15 Budget includes additional one-time resources to continue immediate drought-related efforts started in 2014, such as an increase of $53.8 million General Fund and $12.2 million other funds for firefighting efforts, and an increase of $18.1 million General Fund to aid in assessing water conditions and provide public outreach regarding water conservation.

Numerous Factors Affecting Budget and Projections. The execution of the 2014-15 State Budget may be affected by numerous factors, including but not limited to: (i) shifts of costs from the federal government to the State, (ii) national, State and international economic conditions, (iii) litigation risk associated with spending reductions, including the elimination of redevelopment agencies, (iv) rising health care costs (v) large unfunded liabilities for retired State employee's pensions and healthcare, (vi) deferred maintenance of State's critical infrastructure and (vii) other factors, all or any of which could cause the revenue and spending projections made in 2014-15 State Budget to be unattainable. The District cannot predict the impact that the 2014-15 State Budget, or subsequent budgets, will have on its own finances and operations. Additionally, the District cannot predict the accuracy of any projections made in the State's 2014-15 State Budget.

The complete 2014-15 State Budget is available from the California Department of Finance website at www.dof.ca.gov. The District can take no responsibility for the continued accuracy of this internet address or for the accuracy, completeness or timeliness of information posted there, and such information is not incorporated in this Official Statement by such reference. The information referred to above should not be relied upon in making an investment decision with respect to the Certificates.

Uncertainty Regarding Future State Budgets. The District cannot predict what actions will be taken in future years by the State Legislature and the Governor to address the State's current or future budget deficits. Future State budgets will be affected by national and state economic conditions and other factors over which the District has no control. The District cannot predict what impact any future budget proposals will have on the financial condition of the District. To the extent that the State budget process results in reduced revenues to the District, the District will be required to make adjustments to its budgets.

The State has not entered into any contractual commitment with the District, the County, or the Owners of the Certificates to provide State budget information to the District or the owners of the Certificates . Although they believe the State sources of information listed above are reliable, neither the District nor the Underwriter assumes any responsibility for the accuracy of the State Budget information set forth or referred to in this Official Statement or incorporated herein.

State Cash Management Legislation. On March 1, 2010, the Governor signed a bill (and on March 4, 2010, subsequently signed a clean-up bill to clarify certain provisions of such bill) to provide additional cash management flexibility to State fiscal officials (the "Cash Management Bill"). The Cash Management Bill authorized deferral of certain payments during the 2010-11 fiscal year for school districts (not to exceed $2.5 billion in the aggregate at any one time, and a maximum of three deferrals during the fiscal year). The Cash Management Bill permitted deferrals of payments to K-12 schools in July 2010, October 2010 and March 2011, for not to exceed 60, 90 and 30 days, respectively, but depending on actual cash flow conditions at the time, and allowed the Controller, Treasurer and Director of Finance to either accelerate or delay the deferrals up to 30 days or reduce the amounts deferred. The Cash Management Bill also permitted the State to move a deferral to the prior month or to a subsequent month upon 30 days written notice by the State Department of Finance to the Legislative Budget Committee, except that the Cash Management Bill provided that the deferral for March 2011 was required to be paid prior to April 30. The Cash Management Bill provided for exceptions to the deferrals for school districts that could demonstrate hardship. The Cash Management Bill made it necessary for many school districts (and other affected local agencies) to increase the size and/or frequency of their cash flow borrowings during fiscal year 2010-11. Similar legislation was enacted for fiscal year 2011-12. The legislation, however, sets forth a specific deferral plan for K-12 education payments. In the legislation, the July 2011 and August 2011 K-12 payments of $1.4 billion and the October 2011 payment of $2.4 billion were deferred. In September 2011, $700 million of the July deferral was paid, in January 2012, $4.5 billion from the remaining July, August and October deferrals was paid, and in March 2012, $1.4 billion was deferred and paid in April 2012.

The State Legislature enacted similar legislation for fiscal year 2012-13 that provided for $1.2 billion of K 12 payments to be deferred in July 2012, $600 million to be deferred in August 2012, $800 million to be deferred in October 2012 and $900 million to be deferred in March 2013. Of such deferred amounts, $700 million of the deferral made in July 2012 was paid in September 2012, the remaining $1.9 billion deferred in July, August and October of 2012 was paid in January 2013, and the $900 million deferred in March 2013 was repaid in April 2013. The District is authorized to borrow temporary funds to cover its annual cash flow deficits and, as a result of this or similar future legislation, the District might find it necessary to utilize cash flow borrowings or increase the size or frequency of its cash flow borrowings in fiscal year 2012-13 and in future years. In future fiscal years, if the District finds that its other funds are insufficient to cover any cash flow deficits, the District is authorized to borrow funds from the County.

The District cannot predict when, if, and to what extent the State may defer some or all of those payments due to school districts during the 2013-14 fiscal year.

Future Budgets and Budgetary Actions. The District cannot predict what actions will be taken in the future by the State Legislature and the Governor to address changing State revenues and expenditures or the impact such actions will have on State revenues available in the current or future years for education. The State budget will be affected by national and State economic conditions and other factors over which the District will have no control. Certain actions could result in a significant shortfall of revenue and cash, and could impair the State's ability to fund schools during fiscal year 2013-14 and in future fiscal years. Continued State budget shortfalls in fiscal year 2013-14 and future fiscal years could have a material adverse financial impact on the District. However, the Bonds are secured by *ad valorem* taxes levied and collected on taxable property within the District, without limit as to rate or amount, and are not secured by a pledge of revenues of the District or its general fund.

Prohibitions on Diverting Local Revenues for State Purposes. Beginning in 1992-93, the State satisfied a portion of its Proposition 98 obligations by shifting part of the property tax revenues otherwise belonging to cities, counties, special districts, and redevelopment agencies, to school and college districts through a local Educational Revenue Augmentation Fund (ERAF) in each county. Local agencies, objecting to invasions of their local revenues by the State, sponsored a statewide ballot initiative intended to eliminate the practice. In response, the State Legislature proposed an amendment to the State Constitution, which the State's voters approved as Proposition 1A at the November 2004 election. That measure was generally superseded by the passage of a new initiative constitutional amendment at the November 2010 election, known as "Proposition 22."

The effect of Proposition 22 is to prohibit the State, even during a period of severe fiscal hardship, from delaying the distribution of tax revenues for transportation, redevelopment, or local government projects and services. It prevents the State from redirecting redevelopment agency property tax increment to any other local government, including school districts, or from temporarily shifting property taxes from cities, counties and special districts to schools, as in the ERAF program. This is intended to, among other things, stabilize local government revenue sources by restricting the State's control over local property taxes. One effect of this amendment will be to deprive the State of fuel tax revenues to pay debt service on most State bonds for transportation projects, reducing the amount of State general fund resources available for other purposes, including education.

Prior to the passage of Proposition 22, the State invoked Proposition 1A to divert \$1.935 billion in local property tax revenues in 2009-10 from cities, counties, and special districts to the State to offset State general fund spending for education and other programs, and included another diversion in the adopted 2009-10 State budget of \$1.7 billion in local property tax revenues from local redevelopment agencies, which local redevelopment agencies have now been dissolved. Redevelopment agencies had sued the State over this latter diversion. However, the lawsuit was decided against the California Redevelopment Association on May 1, 2010. Because Proposition 22 reduces the State's authority to use or shift certain revenue sources, fees and taxes for State general fund purposes, the State will have to take other actions to balance its budget in some years—such as reducing State spending or increasing State taxes, and school and community college districts that receive Proposition 98 or other funding from the State will be more directly dependent upon the State's general fund.

Supplemental Information Concerning Litigation Against the State of California

In June 1998, a complaint was filed in Los Angeles County Superior Court challenging the authority of the State Controller to make payments in the absence of a final, approved State Budget. The Superior Court judge issued a preliminary injunction preventing the State Controller from making payments including those made pursuant to continuing appropriations prior to the enactment of the State's annual budget. As permitted by the State Constitution, the Legislature immediately enacted and the Governor signed an emergency appropriations bill that allowed continued payment of various State obligations, including debt service, and the injunction was stayed by the California Court of Appeal, pending its decision.

On May 29, 2003, the California Court of Appeal for the Second District decided the case of *Steven White, et al. v. Gray Davis (as Governor of the State of California), et al.* The Court of Appeal concluded that, absent an emergency appropriation, the State Controller may authorize the payment of state funds during a budget impasse only when payment is either (i) authorized by a "continuing appropriation" enacted by the Legislature, (ii) authorized by a self-executing provision of the California Constitution, or (iii) mandated by federal law. The Court of Appeal specifically concluded that the provisions of Article XVI, Section 8 of the California Constitution – the provision establishing minimum funding of K-14 education enacted as part of Proposition 98 – did not constitute a self-executing authorization to disburse funds, stating that such provisions merely provide formulas for determining the minimum funding to be appropriated every budget year but do not appropriate funds. The State Controller has concluded that the provisions of the Education Code establishing K-12 and county office revenue limit funding do constitute continuing appropriations enacted by the Legislature and, therefore, the State Controller has indicated that State payments of such amounts would continue during a budget impasse. However, no similar continuing appropriation has been cited with respect to K-12 categorical programs and revenue limit funding for community college districts, and the State Controller has concluded that such payments are not authorized pursuant to a continuing appropriation enacted by the Legislature and, therefore, cannot be paid during a budget impasse. The California Supreme Court granted the State Controller's Petition for Review on a procedural issue unrelated to continuous appropriations and on the substantive question as to whether the State Controller is authorized to pay State employees their full and regular salaries during a budget impasse. No other aspect of the Court of Appeal's decision was addressed by the State Supreme Court.

On May 1, 2003, with respect to the substantive question, the California Supreme Court concluded that the State Controller is required, notwithstanding a budget impasse and the limitations imposed by State law, to timely pay those state employees who are subject to the minimum wage and overtime compensation provisions of the federal Fair Labor Standards Act. The Supreme Court also remanded the preliminary injunction issue to the Court of Appeal with instructions to set aside the preliminary injunction in its entirety.

State Funding of School Construction

The State makes funding for school facility construction and modernization available to K-12 districts throughout the State through the Office of Public School Construction ("OPSC") and the State

Allocation Board ("SAB"), from proceeds of State general obligation bonds authorized and issued for this purpose. Such bonds were authorized in the amount of $13.05 billion, $11.40 billion of which were for K-12 school facilities and $1.65 billion of which were for higher education facilities, on November 5, 2002 under Proposition 47, passed by 58.9% of the State-wide vote. An additional bond measure for education capital projects was approved on March 2, 2006 under Proposition 55, passed by 50.6% of the State-wide vote, in an authorization amount of $12.3 billion, $10.0 billion of which is for K-12 school facilities and $2.3 billion of which is for higher education facilities. A State general obligation bond measure that includes $7.329 billion for construction, modernization and related purposes for K-12 school districts was approved by a majority of voters in the November 7, 2006 State-wide election.

The SAB allocates bond funds for 50% of approved new construction costs, 60% of approved modernization costs (80% for modernization project applications made prior to February 1, 2002), or up to 100% of approved costs of any type if the school district is approved for "hardship" funding. The school district is responsible for the portion of costs not funded by the State, commonly funding their portion with their own general obligation bonds, certificates of participation or accumulated builder's fee revenue. School districts routinely apply for such funding whenever they have projects they believe meet OPSC and SAB criteria for funding.

Proposition 26

On November 2, 2010, voters in the State approved Proposition 26. Proposition 26 amends Article XIIIC of the State Constitution to expand the definition of "tax" to include "any levy, charge, or exaction of any kind imposed by a local government" except the following: (1) a charge imposed for a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege; (2) a charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of providing the service or product; (3) a charge imposed for the reasonable regulatory costs to a local government for issuing licenses and permits, performing investigations, inspections, and audits, enforcing agricultural marketing orders, and the administrative enforcement and adjudication thereof; (4) a charge imposed for entrance to or use of local government property, or the purchase, rental, or lease of local government property; (5) A fine, penalty, or other monetary charge imposed by the judicial branch of government or a local government, as a result of a violation of law; (6) a charge imposed as a condition of property development; and (7) assessments and property-related fees imposed in accordance with the provisions of Article XIIID. Proposition 26 provides that the local government bears the burden of proving by a preponderance of the evidence that a levy, charge, or other exaction is not a tax, that the amount is no more than necessary to cover the reasonable costs of the governmental activity, and that the manner in which those costs are allocated to a payor bear a fair or reasonable relationship to the payor's burdens on, or benefits received from, the governmental activity.

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APPENDIX C

AUDITED FINANCIAL STATEMENTS OF THE DISTRICT FOR THE FISCAL YEAR ENDED JUNE 30, 2013

SUNNYVALE SCHOOL DISTRICT

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2013

SUNNYVALE SCHOOL DISTRICT

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FINANCIAL SECTION

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, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *Standards and Procedures for Audits of California K-12 Local Education Agencies 2012-2013*, issued by the California Education Audit Appeals Panel as regulations. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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FRESNO • LAGUNA HILLS • PALO ALTO • PLEASANTON • RANCHO CUCAMONGA • RIVERSIDE • SACRAMENTO

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2013, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

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

Vavrinek, Trine, Day & Co. LLP

Palo Alto, California
December 9, 2013

SUNNYVALE SCHOOL DISTRICT

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013

This section of the Sunnyvale School District's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2013. Please read it in conjunction with the District's financial statements, which immediately follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Financial Statements

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

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

The *Fund Financial Statements* present Governmental activities, such as regular and special education, transportation and administration. Property taxes and State formula aid finance most of these activities.
The Fund Financial Statements provide a more detailed picture of District's operations than government-wide statements.

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

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

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

REPORTING THE DISTRICT AS A WHOLE

The Statement of Net Position and the Statement of Activities

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

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

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

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

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

REPORTING THE DISTRICT'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

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

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

THE DISTRICT AS TRUSTEE

Reporting the District's Fiduciary Responsibilities

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

FINANCIAL HIGHLIGHTS

THE DISTRICT AS A WHOLE

Net Position

The District's net position was $52,319,005 for the fiscal year ended June 30, 2013, a 1.5 percent increase over the net position for the fiscal year ended June 30, 2012. Of this amount, $35,775,810 is invested in capital assets, net of related debt. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limit the Board of Education's ability to use those net position for day-to-day operations. Management's analysis below focuses on the net position (Table 1) and on the change in net position (Table 2) of the District's governmental activities:

Table 1

Net Position

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

Changes in Net Position

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

Table 2

Changes in Net Position

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

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

Governmental Activities

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

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

Table 3

Net Cost of Governmental Activities

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

THE DISTRICT'S FUNDS

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

General Fund Budgetary Highlights

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

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

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

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2013, the District had $166.9 million in a broad range of capital assets, including land, buildings, furniture, and equipment.

Table 4

Capital Assets

(Amounts in millions)	Governmental Activities		Percentage
	2011-2012	**2012-2013**	**Change**
Land	$ 3.8	$ 3.8	0.0%
Building and improvements	186.8	193.3	3.5%
Equipment	3.3	3.4	3.0%
Sub total	193.9	200.5	3.4%
Accumulated depreciation	(31.5)	(33.6)	6.7%
Totals	$ 162.4	$ 166.9	2.8%

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

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

Long-Term Obligations

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

Table 5

Long Term Obligations

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

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

The Sunnyvale School District serves more than 6,700 students in grades pre-school through eighth grade and is located in northwestern Santa Clara County adjacent to the cities of Santa Clara, Mountain View, and Cupertino in the heart of Silicon Valley. About two-thirds of the K-8 students who live in the City of Sunnyvale are within the boundaries of the Sunnyvale School District. The District's share of the revenue generated by local property taxes during FY 2012-2013 has exceeded the State Revenue Limit guarantees; therefore, the District continued as a basic aid district. As such, general fund revenue does not increase with enrollment increases.

Although Sunnyvale School District is funded as a basic aid district, the community it serves does not fit the image of the typical basic aid school district. The District's ten schools serve students from widely diverse ethnic and socio-economic backgrounds. The District emphasizes support for students from disadvantaged backgrounds and provides curricula that are accessible to all students regardless of language, ethnicity, or socio-economic background. The District's ethnic breakdown is 39% Hispanic, 21% white, 24% Asian, 7% Filipino, and 9% other.

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

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

As a result, the District strives to meet programmatic goals that will allow for reasonable class sizes, staff training and support, counseling, preschools, libraries, medical assistance, before and after school programs, visual and performing arts, physical education, sports, and summer schools. The District's ongoing commitment to maintaining a balanced investment in programs for students, competitive salaries and benefits for those who serve students, and meeting the operational needs of the District is even stronger with the improved current economic environment. Sunnyvale School District has weathered the Great Recession and done so without harm or interruption to services and support of our students.

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

The District is committed to continuing to provide a comprehensive instructional program while focusing services on the students and communities most in need of support. The 2013-2014 school year is full of promise. Funding for public schools has stabilized and the funding model itself has changed to focus financial support on the students with the greatest needs. The district is adopting the Common Core State Educational Standards. We are launching One-to-One: Technology to Support Learning, a three year plan to ensure access to all students in the new ways of receiving educational content. On November 5, our community again showed its support by approving Measure G. This new Bond Measure allows the District to support school facilities and instructional technology.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

SUNNYVALE SCHOOL DISTRICT

STATEMENT OF NET POSITION
JUNE 30, 2013

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

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

SUNNYVALE SCHOOL DISTRICT

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

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

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

SUNNYVALE SCHOOL DISTRICT

GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2013

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

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

SUNNYVALE SCHOOL DISTRICT

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

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

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

SUNNYVALE SCHOOL DISTRICT

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

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

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

SUNNYVALE SCHOOL DISTRICT

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

Amounts Reported for Governmental Activities in the Statement of Activities are different because:		
Total Net Change in Fund Balances - Governmental Funds		$ (4,222,557)
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures, however, for governmental activities, those costs are shown in the Statement of Net Position and allocated over their estimated useful lives as annual depreciation expense in the Statement of Activities.		
This is the amount by which capital outlays exceed depreciation in the period.		
Capital outlays	$ 6,661,254	
Depreciation expense	(2,093,065)	4,568,189
In the Statement of Activities, compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This year, vacation paid was less than the amounts earned.		(45,816)
Bond premium and defeasance costs were recorded on the governmental Statement of Revenues, Expenditures and Changes in Fund Balance, but are deferred on the Statement of Net Position, and amortized over the life of the bonds.		68,986
Repayment of bond principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net position and does not affect the statement of activities.		635,000
Repayment of lease revenue bond principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.		1,075,000

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

SUNNYVALE SCHOOL DISTRICT

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

Accreted interest on capital appreciation bonds in the Statement of Activities differs from the amount reported in the governmental funds because accreted interest does not require the use of current financial resources, and thus is not recorded in the governmental funds. In the Statement of Activities, however, accreted interest expense is recognized as the interest accrues, regardless of when it is due.	(884,803)
Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the governmental funds when it is paid, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is paid.	(178,987)
In the statement of activities, the unfunded annual contribution (ARC) is recognized as an expense, but is not recognized on the governmental funds.	(248,261)
Change in Net Position of Governmental Activities	$ 766,751

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

SUNNYVALE SCHOOL DISTRICT

FIDUCIARY FUNDS
STATEMENT OF NET POSITION
JUNE 30, 2013

	Agency Funds
ASSETS	
Cash and cash equivalents	$ 172,088
Total assets	$ 172,088
LIABILITIES	
Due to student groups	$ 172,088
Total liabilities	$ 172,088

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 governmental funds:

Major Governmental Funds

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

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

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

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

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

Nonmajor Governmental Funds

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

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

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

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

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

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

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

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

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

Basis of Accounting - Measurement Focus

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

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

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

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

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

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

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

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

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

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

Deposits and Investments

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

Investments

Investments held at June 30, 2013, with original maturities greater than one year are stated at fair value. Fair value is estimated based on quoted market prices at year-end. Fair values of investments in county pools are determined by the program sponsor.

Prepaid Expenditures

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

Stores Inventories

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

Capital Assets and Depreciation

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

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

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

Interfund Balances

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

Compensated Absences

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

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.

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

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

Fund Balances – Governmental Funds

As of June 30, 2013, fund balances of the governmental funds are classified as follows:

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

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

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

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

Unassigned – all other spendable amounts.

Spending Order Policy

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

Minimum Fund Balance Policy

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

Net Position

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

Estimates

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

Budgetary Data

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

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all budget amendments have been accounted for. For budget purposes, on behalf payments have not been included as revenue and expenditures as required under generally accepted accounting principles.

Property Tax

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

New Accounting Pronouncements

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

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

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

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

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

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

- Contributions from employers and non-employer contributing entities to the pension plan and earnings on those contributions are irrevocable.

- Pension plan assets are dedicated to providing pensions to plan members in accordance with the benefit terms.

- Pension plan assets are legally protected from the creditors of employers, non-employer contributing entities, and the pension plan administrator. If the plan is a defined benefit pension plan, plan assets also are legally protected from creditors of the plan members.

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

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

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

- Agent employers are those whose employees are provided with defined benefit pensions through agent multiple-employer pension plans—pension plans in which plan assets are pooled for investment purposes but separate accounts are maintained for each individual employer so that each employer's share of the pooled assets is legally available to pay the benefits of only its employees.

- Cost-sharing employers are those whose employees are provided with defined benefit pensions through cost-sharing multiple-employer pension plans—pension plans in which the pension obligations to the employees of more than one employer are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pensions through the pension plan.

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

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

NOTE 2 – DEPOSITS AND INVESTMENTS

Summary of Deposits and Investments

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

Governmental funds	$	29,663,780
Fiduciary funds		172,088
Total Deposits and Investments	$	29,835,868

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

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

Policies and Practices

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

Investment in County Treasury

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

General Authorizations

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

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

Interest Rate Risk

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

Credit Risk

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

Custodial Credit Risk - Deposits

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

NOTE 3 - RECEIVABLES

Receivables at June 30, 2013, consisted of intergovernmental grants, entitlements, interest, and other local sources. All receivables are considered collectible in full.

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

NOTE 4 - CAPITAL ASSETS

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

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

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

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

NOTE 5 – INTERFUND TRANSACTIONS

Interfund Receivables/Payables (Due From/Due To)

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

Due To	Due From Nonmajor Governmental Funds
General Fund	$ 164,975
Nonmajor Governmental Funds	116,658
Total	$ 281,633

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

Operating Transfers

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

	Transfer In		
Transfer Out	Building Fund	Nonmajor Governmental Funds	Total
General Fund	$ -	$ 68,785	$ 68,785
Nonmajor Governmental Funds	2,000,000	-	2,000,000
Total	$ 2,000,000	$ 68,785	$ 2,068,785

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

NOTE 6 – ACCOUNTS PAYABLE

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

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

NOTE 7 – DEFERRED REVENUE

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

	General Fund
Federal Financial Assistance	$ 51,001
Other Local	341,407
Total Deferred Revenue	$ 392,408

NOTE 8 – LONG-TERM OBLIGATIONS

Summary

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

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

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

Bonded Debt

The outstanding general obligation bonded debt is as follows:

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

Debt Service Requirements to Maturity

The bonds mature through 2044 as follows:

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

Lease Revenue Bonds

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

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

Accumulated Unpaid Employee Vacation

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

Other Postemployment Benefit (OPEB) Obligation

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

NOTE 9 – FUND BALANCES

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

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

NOTE 10 - LEASE REVENUES

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

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

NOTE 11 - POSTEMPLOYMENT HEALTH CARE PLAN AND OTHER POSTEMPLOYMENT BENEFITS (OPEB) OBLIGATION

Plan Description

The Postemployment Benefit Plan (the "Plan") is a single-employer defined benefit healthcare plan administered by the Sunnyvale School District. The Plan provides medical, dental and vision insurance benefits to eligible retirees and their spouses until the age of 65. Membership of the Plan consists of 49 retirees and 628 active plan members as of the most recent actuarial valuation. Unfunded portion of annual required contributions (net OPEB obligation) is presented in the Statement of Net Position as a portion of long-term obligations.

Funding Policy

The contribution requirements of plan members and the District are established and may be amended by the District, the District’s bargaining units and unrepresented groups. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually through the agreements between the District, the District’s bargaining units and the unrepresented groups. For fiscal year 2012-13, the District contributed $586,757 to the plan, all of which was used for current premiums (approximately 70 percent of current year’s annual OPEB costs). The District contributed 100% of the total premium on behalf of the members and 70% for the dependents of the plan members receiving benefits.

Annual OPEB Cost and Net OPEB Obligation

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

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

Trend Information

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

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

Funded Status and Funding Progress

The schedule of funding progress presented as required supplementary information following the notes to the financial statements, will present multiyear tread information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits. As of July 1, 2011, the most recent actuarial valuation date, the plan has not been funded. The actuarial accrued liability for benefits was $6,693,047, and the actuarial value of assets was zero, resulting in an UAAL of $6,693,047. The covered payroll (annual payroll of active employees covered by the plan) was $38,884,465 and the ratio of the UAAL to the covered payroll was 17.21 percent.

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

Actuarial Methods and Assumptions

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

In the July 1, 2011, actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a five percent investment rate of return (net of administrative expenses), based on the District's assumed long-term return on plan assets or employer assets. Healthcare costs trend rates range from an initial eight percent to an ultimate rate of five percent. The UAAL is being amortized at a level percentage of payroll method. The remaining amortization period at July 1, 2011, was 30 years on an open period method.

NOTE 12 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft, damage and destruction of assets; errors and omissions; injuries to employees; life and health of employees; and natural disasters. The District purchases commercial insurance for property damage with coverage up to a maximum of $500 million, subject to various policy sublimits generally ranging from $25 thousand to $75 million and deductibles of $5,000 for electronic data processing coverage and $100,000 per occurrence for all other claims.

Property and Liability

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2013, the District contracted with Santa Clara County Schools Insurance Group for property and liability insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years. There has not been a significant reduction in coverage from the prior year.

Workers' Compensation

For fiscal year 2013, the District participated in the Santa Clara County Schools' Insurance Group (SCCSIG), an insurance purchasing pool. The intent of the SCCSIG is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the SCCSIG. The workers' compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all districts in the SCCSIG. Each participant pays its workers ' compensation premium based on its individual rate. A participant will then either receive money from or be required to contribute to the "equity-pooling fund." This "equity pooling" arrangement insures that each participant shares equally in the overall performance of the SCCSIG. Participation in the SCCSIG is limited to districts that can meet the SCCSIG selection criteria.

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

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

NOTE 13 – EMPLOYEE RETIREMENT SYSTEMS

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

CalSTRS

Plan Description

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

Funding Policy

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

CalPERS

Plan Description

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

Funding Policy

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

Social Security

As established by Federal law, all public sector employees who are not members of their employer's existing retirement system (CalSTRS or CalPERS) must be covered by social security or an alternative plan. The District has elected to use Social Security as its alternative plan.

On Behalf Payments

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS for the fiscal years ending June 30, 2013, 2012 and 2011 in the amount of $1,442,507, $1,328,913, and $1,189,289, respectively. Contributions are no longer appropriated in the annual *Budget Act* for the legislatively mandated benefits to CalPERS. Therefore, there is no on-behalf contribution rate for CalPERS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly these amounts have been recorded in these financial statements. On behalf payments have been excluded from the calculation of available reserves, and have not been included in the budget amounts reported in the General Fund Budgetary Schedule.

NOTE 14 - COMMITMENTS AND CONTINGENCIES

Grants

The District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2013.

Construction Commitments

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

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

NOTE 15 - PARTICIPATION IN PUBLIC ENTITY RISK POOLS AND JOINT POWER AUTHORITIES

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

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

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

During the year ended June 30, 2013, the District made payments of $358,169 to the Santa Clara County Schools' Insurance Group and $1,284,969 to the Silicon Valley Transportation Authority.

REQUIRED SUPPLEMENTARY INFORMATION

SUNNYVALE SCHOOL DISTRICT

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

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

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

SUNNYVALE SCHOOL DISTRICT

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

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

SUPPLEMENTARY INFORMATION

SUNNYVALE SCHOOL DISTRICT

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

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

See accompanying note to supplementary information.

SUNNYVALE SCHOOL DISTRICT

LOCAL EDUCATION AGENCY ORGANIZATION STRUCTURE
JUNE 30, 2013

ORGANIZATION

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

GOVERNING BOARD

MEMBER	OFFICE	TERM EXPIRES
Jeff Arnett	President	2014
Reid Myers	Vice President	2016
Sandy Agbayani	Clerk	2014
Anita Herrman	Member	2014
Nancy Newkirk	Member	2016

ADMINISTRATION

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

See accompanying note to supplementary information.

SUNNYVALE SCHOOL DISTRICT

SCHEDULE OF AVERAGE DAILY ATTENDANCE
FOR THE YEAR ENDED JUNE 30, 2013

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

See accompanying note to supplementary information.

SUNNYVALE SCHOOL DISTRICT

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

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

See accompanying note to supplementary information.

RECONCILIATION OF ANNUAL FINANCIAL AND BUDGET REPORT WITH AUDITED FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2013

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

See accompanying note to supplementary information.

SUNNYVALE SCHOOL DISTRICT

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

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

The General Fund balance has increased by $661,236 over the past two years. The fiscal year 2013-14 budget projects an increase of $157,258. For a district this size, the State recommends available reserves of at least 3 percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating deficits in two of the past three years, but anticipates an operating surplus during the 2013-14 fiscal year. Total long-term obligations have increased by $18,410,185 over the prior two years.

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

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

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

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

See accompanying note to supplementary information.

SUNNYVALE SCHOOL DISTRICT

NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2013

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

See accompanying note to supplementary information.

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

SUNNYVALE SCHOOL DISTRICT

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

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

See accompanying note to supplementary information.

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

SUNNYVALE SCHOOL DISTRICT

NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2013

NOTE 1 - PURPOSE OF SCHEDULES

Schedule of Expenditures of Federal Awards

The accompanying schedule of expenditures of Federal awards includes the Federal grant activity of the District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the United States Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

Description	CFDA Number	Amount
Federal revenues reported in the Statement of Revenues, Expenditures and Changes in Fund Balance:		$ 4,436,845
Noncash Federal awards are not recorded on the financial statements.	10.565	85,408
Total Expenditures of Federal Awards		$ 4,522,253

Local Education Agency Organization Structure

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

Schedule of Average Daily Attendance (ADA)

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

Schedule of Instructional Time

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

Districts must maintain their instructional minutes at either the 1982-83 actual minutes or the 1986-87 requirements, whichever is greater, as required by *Education Code* Section 46201.

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

NOTE TO SUPPLEMENTARY INFORMATION
JUNE 30, 2013

Reconciliation of Annual Financial and Budget Report with Audited Financial Statements

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

Schedule of Financial Trends and Analysis

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

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

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

INDEPENDENT AUDITOR'S REPORTS

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

Governing Board
Sunnyvale School District
Sunnyvale, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Sunnyvale School District (the District) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 9, 2013.

Internal Control Over Financial Reporting

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

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

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

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Compliance and Other Matters

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

Purpose of This Report

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

Vavrinek, Trine, Day & Co. LLP

Palo Alto, California
December 9, 2013

Vavrinek, Trine, Day & Co., LLP
Certified Public Accountants

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

Governing Board
Sunnyvale School District
Sunnyvale, California

Report on Compliance for Each Major Federal Program

We have audited the Sunnyvale School District's (the District) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the major Federal programs for the year ended June 30, 2013. The major Federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its Federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major Federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major Federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major Federal programs for the year ended June 30, 2013.

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Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major Federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major Federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

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

Vavrinek, Trine, Day & Co. LLP

Palo Alto, California
December 9, 2013

INDEPENDENT AUDITOR'S REPORT ON STATE COMPLIANCE

Governing Board
Sunnyvale School District
Sunnyvale, California

Report on State Compliance

We have audited Sunnyvale School District's (the District) compliance with the types of compliance requirements as identified in the *Standards and Procedures for Audit of California K-12 Local Educational Agencies 2012-2013* that could have a direct and material effect on each of the Sunnyvale School District's State government programs as noted below for the year ended June 30, 2013.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its State's programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance of each of the District's State programs based on our audit of the types of compliance requirements referred to above. We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the *Standards and Procedures for Audits of California K-12 Local Educational Agencies 2012-2013* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the compliance requirements referred to above that could have a material effect on the applicable government programs noted below. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions. Our audit does not provide a legal determination of the DistrictSunnyvale School District's compliance with those requirements.

Basis for Qualified Opinion

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

Qualified Opinion

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

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Other Matters

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

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

Vavrinek, Trine, Day & Co. LLP

Palo Alto, California
December 9, 2013

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

SUNNYVALE SCHOOL DISTRICT

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

FINANCIAL STATEMENTS

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

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

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

STATE AWARDS

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

Name of Program
After School Education and Safety
School Accountability Report Card

SUNNYVALE SCHOOL DISTRICT

FINANCIAL STATEMENT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2013

None reported.

SUNNYVALE SCHOOL DISTRICT

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

None reported.

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

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

Five Digit Code	AB 3627 Finding Type
40000	State Compliance

2013-1 Code 40000

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

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

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

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

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

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

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

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

Five Digit Code	AB 3627 Finding Type
72000	School Accountability Report Card

2013-2 Code 72000

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

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

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

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

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

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

Recommendation
Interdepartmental communication should ensure that information is shared across departments.

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

SUNNYVALE SCHOOL DISTRICT

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

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

Financial Statement Findings
None reported.

Federal Awards Findings
None reported.

State Awards Findings
None reported.

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APPENDIX D

COUNTY INVESTMENT REPORT

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Santa Clara County Commingled Pool and Segregated Investments

March 31, 2014

Fund	Cost Value***	Market Value	Variance	% Variance
Commingled Investment Pool	$4,567,822,449	$4,572,241,449	$4,419,000	0.10%
Retiree Health Fixed Income*	$4,789,337	$4,791,818	$2,481	0.05%
Worker's Compensation	$27,010,639	$27,033,829	$23,190	0.09%
Mountain View-Los Altos	$2,015,034	$2,016,277	$1,243	0.06%
Palo Alto Unified	$878,455	$881,112	$2,657	0.30%
Park Charter Fund	$11,525,998	$11,490,048	-$35,950	-0.31%
San Jose-Evergreen	$19,639,931	$19,596,431	-$43,500	-0.22%
West Valley Mission CCD - Building Fund	$17,819,901	$17,846,193	$26,292	0.15%
Medical Malpractice Insurance Fund (1)	$14,145,961	$14,152,192	$6,231	0.04%
Total	**$4,665,647,706**	**$4,670,049,351**	**$4,401,645**	**0.09%**

(1) Managed by Chandler Asset Management, Inc.

Summary of Yields** for Select Santa Clara County Investment Funds

Fund	2014			2013
	Jan 31	Feb 28	Mar 31	Mar 31
Commingled Investment Pool	0.50%	0.49%	0.49%	0.49%
Retiree Health Fixed Income	0.68%	0.68%	0.63%	2.65%
Worker's Compensation	NA	NA	1.21%	NA
Weighted Yield	**0.50%**	**0.49%**	**0.49%**	**0.65%**

*These accounts reflect two components of the Retiree Health Fund. The third component is included in the Commingled Pool.
**Yield to maturity (YTM) is the rate of return paid on a bond, note, or other fixed income security if the investor buys and holds it to its maturity date and if the coupon interest paid over the life of the bond is reinvested at the same rate as the coupon rate. The calculation for YTM is based on the coupon rate, length of time to maturity, and market price at time of purchase.

Yield is a snapshot measure of the yield of the portfolio on the day it was measured based on the current portfolio holdings on that day. This is not a measure of total return, and is not intended to be, since it does not factor in unrealized capital gains and losses and reinvestment rates are dependent upon interest rate changes

***Cost Value is the amortized book value of the securities as of the date of this report.

Santa Clara County Commingled Pool and Segregated Investments

Portfolio Strategy

March 31, 2014

March's job report and refinements of the prior months showed a modest improvement in hiring and was in line with expectations. The Fed will most likely not change direction based on the data to date. All longer term rates declined after the employment report, showing a general consensus that there will be little change in Fed policy in the near term. There is little on the horizon that would indicate significant changes in the economy and the ongoing gridlock in Washington will not provide any meaningful legislation to stimulate growth. There may be a topping of the equity markets as new quarterly earnings reports may not show enough improvement to support the robust market of the past year. If this is correct, then there will be little reason to expect rates to rise in the next few months.

The County's investment program continues to face a challenge in this low interest rate environment to provide meaningful earnings for the funds that are being managed. Overnight rates generally are 5 basis points or less and longer term agency discount notes are about 10 basis points. Much of the new tax revenues will be placed in fairly short-term maturities based on cash flow needs of the program, but when high quality corporate notes become available, some longer term purchases will be made to support the yield of the pool. Asset back securities also offer the opportunity to enhance portfolio yield. At this time they only represent about 2% of the portfolio. The Investment Unit will consider the merits of increasing the amount invested in this type of security. We will only purchase the highest rated securities , and in addition to reviewing the rating agency classifications, will limit purchases to well-known issuers who have stable forecasts. This area represents an opportunity to enhance portfolio yield with very little risk. As always cash flows and safety are paramount in investment decisions.

It appears unlikely that we will get out of this low rate environment for some time and efforts to provide significant earnings will remain a difficult challenge in the months ahead.

As discussed in last quarter's report the Retiree Health Specific Investments has been reduced to two fixed income securities and the pages in this report have been removed since there is no change in activity.

Santa Clara County Commingled Pool and Segregated Investments

Portfolio Compliance, Review, and Monitoring

March 31, 2014

Yield and Weighted Average Maturity

The yield of the Commingled Pool is 0.49% and the weighted average life is 426 days.

Compliance

Investment transactions were executed in accordance with the California State Government Code and the County's Investment Policy, as indicated in the attached report from the County Internal Audit Division. The County Treasurer believes the Commingled Pool contains sufficient cash flow liquidity to meet the next six months of expected expenditures.

Review and Monitoring

FTN Financial Main Street Advisors, the County's investment advisor, currently monitors the Treasury Department's investment activities.

Additional Information

Securities are purchased with the expectation that they will be held to maturity, so unrealized gains or losses are not reflected in the yield calculations.

The market values of securities were taken from pricing services provided by the Bank of New York Mellon, Bloomberg Analytics, dealer quotes, and an independent pricing service.

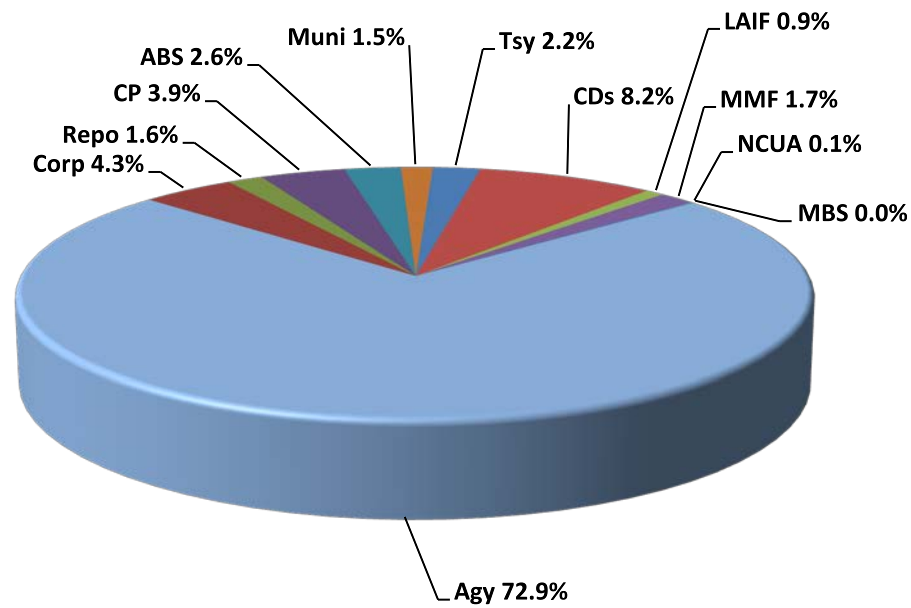
Santa Clara County Commingled Pool

Allocation by Security Types

March 31, 2014

Sector	3/31/2014	12/31/2013	% Chng
Federal Agencies	72.90%	71.62%	1.3%
Corporate Bonds	4.34%	3.53%	0.8%
Repurchase Agreements	1.64%	2.49%	-0.8%
Commercial Paper	3.94%	4.15%	-0.2%
Asset-Backed Securities	2.60%	2.25%	0.4%
Municipal Securities	1.47%	1.26%	0.2%
U.S. Treasuries	2.19%	1.85%	0.3%
Negotiable CDs	8.21%	7.10%	1.1%
LAIF	0.88%	0.74%	0.1%
Money Market Funds	1.72%	4.92%	-3.2%
NCUA Corporate Bonds**	0.11%	0.09%	0.0%
Mortgage-Backed Securities	0.00%	0.00%	0.0%
Total	100.00%	100.00%	

Sector	3/31/2014	12/31/2013
Federal Agencies	3,330,050,371	3,881,002,961
Corporate Bonds	198,448,397	191,423,586
Repurchase Agreements	75,000,000	135,000,000
Commercial Paper	179,909,403	224,903,664
Asset-Backed Securities	118,787,367	121,749,179
Municipal Securities	66,942,384	68,198,682
U.S. Treasuries	100,029,933	100,025,928
Negotiable CDs	375,002,515	385,001,231
LAIF	40,000,000	40,000,000
Money Market Funds	78,654,165	266,774,590
NCUA Corporate Bonds**	4,997,914	4,997,478
Mortgage-Backed Securities	-	-
Total	4,567,822,449	5,419,077,301



* Amounts are in base upon book value

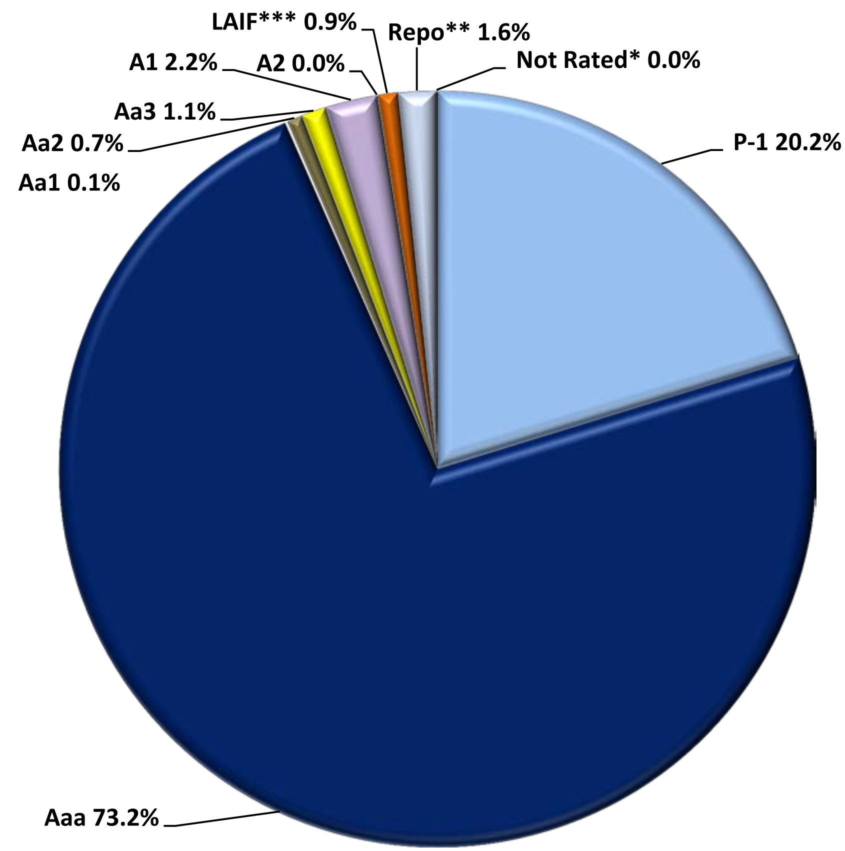
**Bonds are guaranteed by the NCUA (National Credit Union Association)

Santa Clara County Commingled Pool

Allocation by Ratings

March 31, 2014

Moody's Rating	Portfolio $	Portfolio %
P-1	924,741,017	20.2%
Aaa	3,341,660,207	73.2%
Aa1	5,000,000	0.1%
Aa2	30,015,576	0.7%
Aa3	48,464,470	1.1%
A1	101,860,655	2.2%
A2	-	0.0%
A3	-	0.0%
LAIF***	40,000,000	0.9%
Repo**	75,000,000	1.6%
Not Rated*	1,080,525	0.0%
Total	4,567,822,449	100.0%



*Not Rated by Moody's but A-1+ by S&P

**Repurchase Agreements are not rated, but are collateralized by U.S. Treasury securities

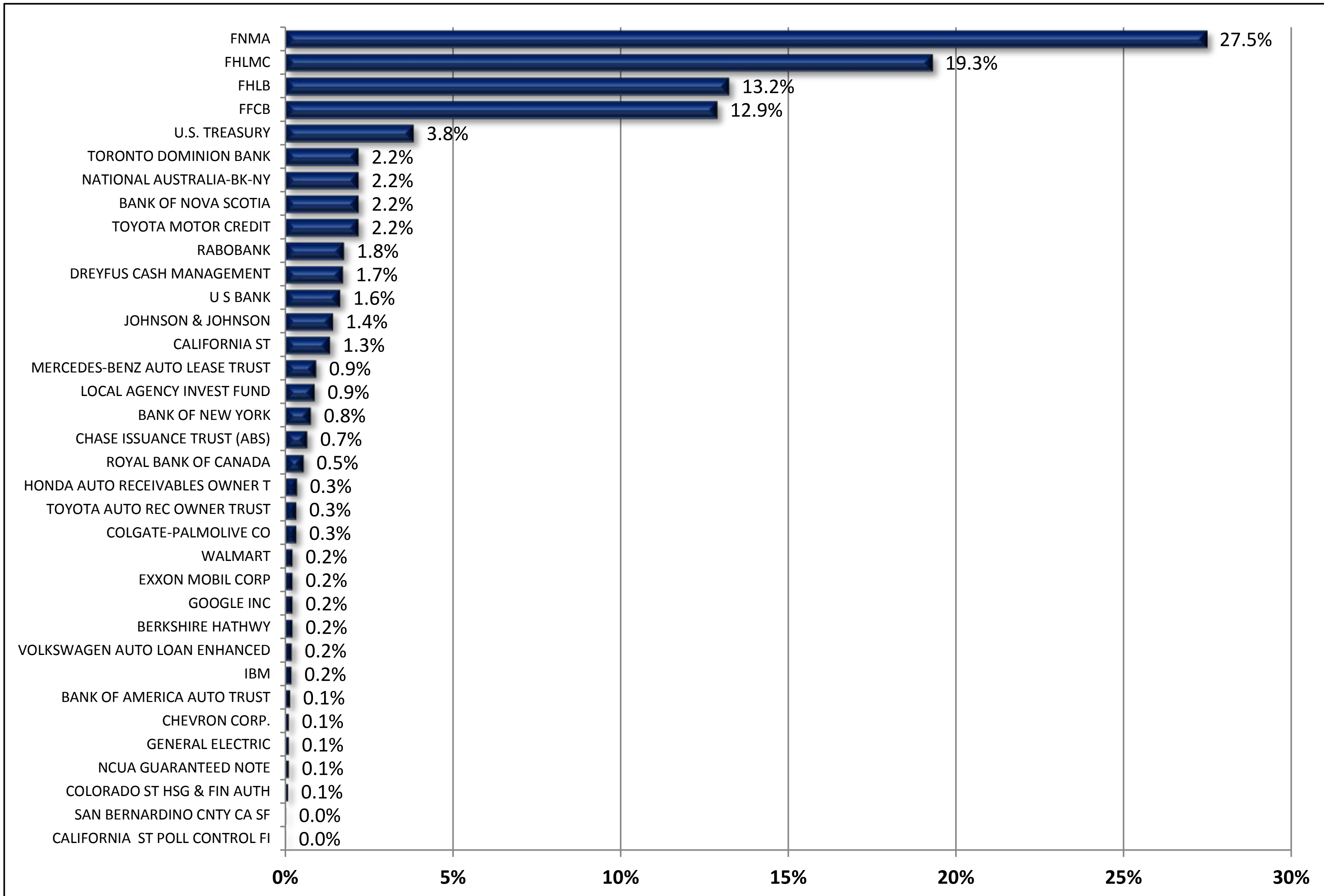
***LAIF is not rated, but is comprised of State Code allowable securities

Amounts are based on book values

Santa Clara County Commingled Pool

Holdings by Issuer - Percent of Commingled Pool

March 31, 2014

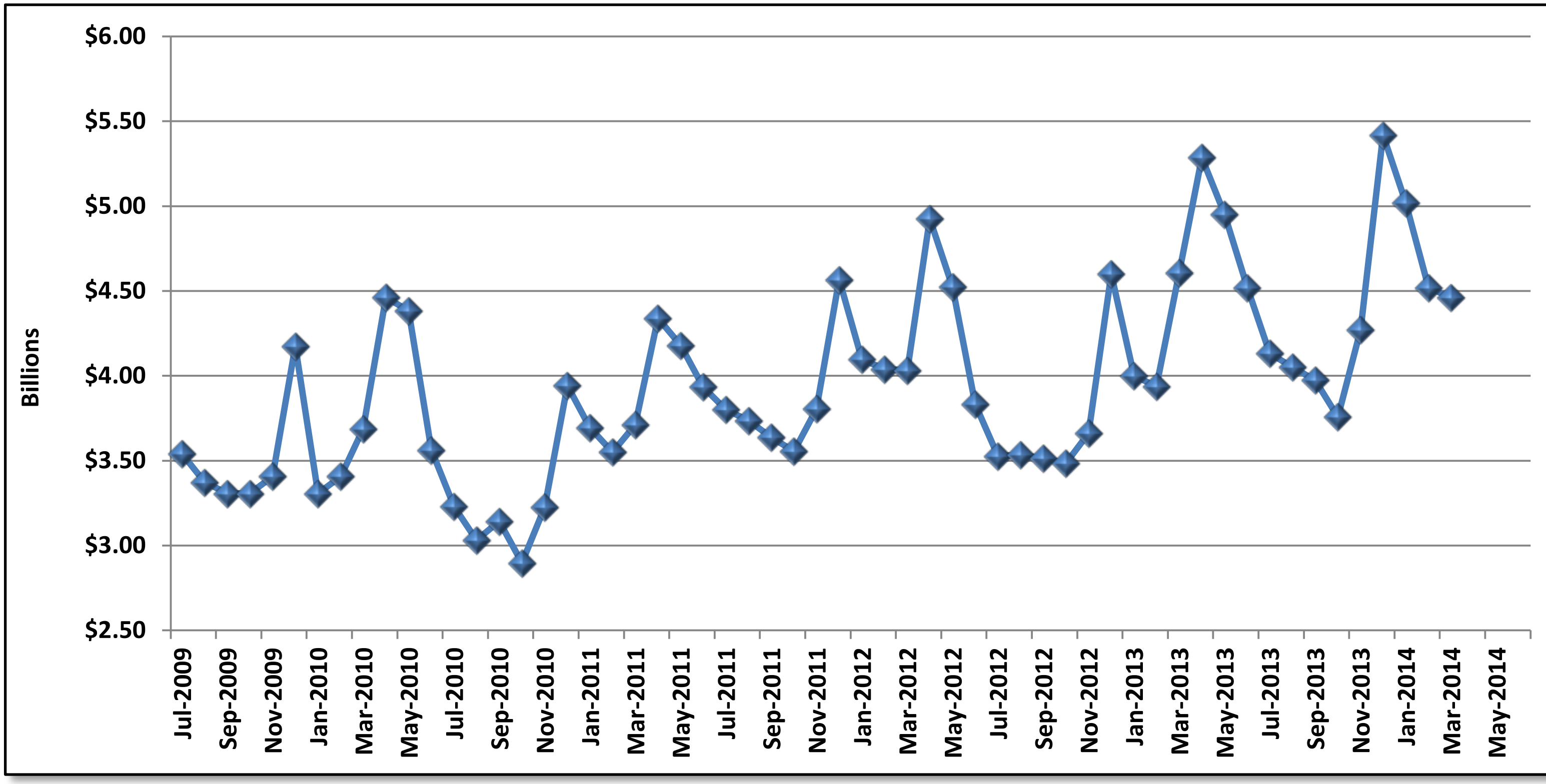


Amounts are based upon book values

Santa Clara County Commingled Pool

Historical Month End Book Values

March 31, 2014



Fiscal Year	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun
FY 2010	$3.541	$3.373	$3.307	$3.307	$3.408	$4.175	$3.307	$3.408	$3.687	$4.463	$4.384	$3.536
FY 2011	$3.230	$3.032	$3.143	$2.898	$3.227	$3.943	$3.695	$3.551	$3.712	$4.339	$4.179	$3.935
FY 2012	$3.801	$3.736	$3.637	$3.555	$3.805	$4.567	$4.097	$4.040	$4.032	$4.926	$4.525	$3.833
FY 2013	$3.508	$3.517	$3.515	$3.469	$3.645	$4.600	$3.918	$3.982	$4.606	$5.286	$4.952	$4.521
FY 2014	$4.133	$4.052	$3.975	$3.758	$4.271	$5.419	$5.019	$4.520	$4.461			

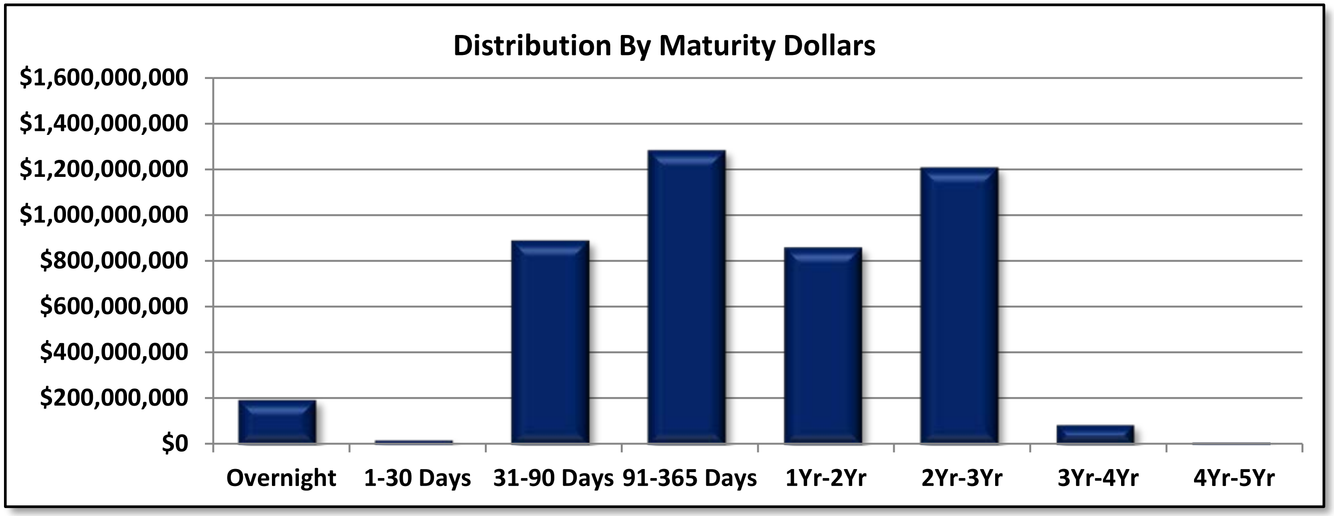
Amounts in billions

Santa Clara County Commingled Pool

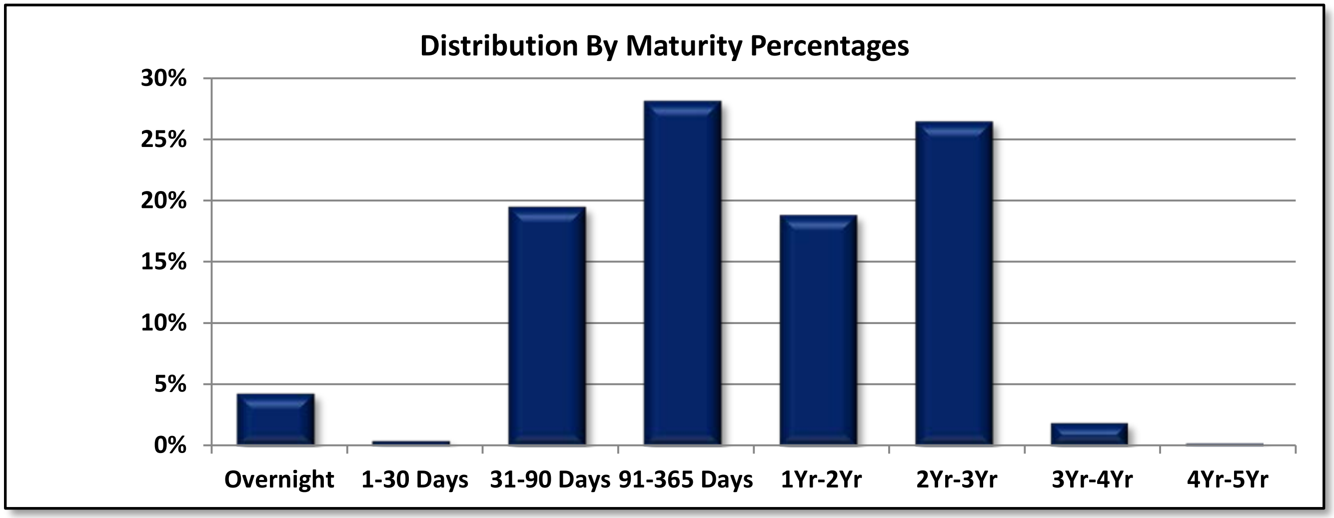
Distribution by Maturity

March 31, 2014

Maturity	Amount*
Overnight	196,754,165
1-30 Days	19,750,606
31-90 Days	892,136,612
91-365 Days	1,287,394,692
1Yr-2Yr	862,327,659
2Yr-3Yr	1,211,825,754
3Yr-4Yr	87,370,593
4Yr-5Yr	10,262,367
	4,567,822,449



Maturity	Amount*
Overnight	4.31%
1-30 Days	0.43%
31-90 Days	19.53%
91-365 Days	28.18%
1Yr-2Yr	18.88%
2Yr-3Yr	26.53%
3Yr-4Yr	1.91%
4Yr-5Yr	0.22%
	100.00%



*Amounts are based on book value

APPENDIX E

FORMS OF OPINIONS OF BOND COUNSEL

SERIES A BONDS

[Letterhead of Quint & Thimmig LLP]

[Closing Date]

Board of Education of the
Sunnyvale School District
819 West Iowa Avenue
Sunnyvale, California 94086

OPINION: $28,000,000 Sunnyvale School District (Santa Clara County, California) General Obligation Bonds, Election of 2013, Series A (2014)

Members of the Board of Education:

We have acted as bond counsel to the Sunnyvale School District (the "District") in connection with the issuance by the District of $28,000,000 principal amount of Sunnyvale School District (Santa Clara County, California) General Obligation Bonds, Election of 2013, Series A (2014) (the "Bonds"), pursuant to the provisions of Article 4.5 of Chapter 3 of Part 1 of Division 2 of Title 5 (commencing with section 53506) of the California Government Code (the "Act"), and a resolution adopted by the Board of Education of the District on March 6, 2014 (the "Resolution"). We have examined the law and such certified proceedings and other papers as we deemed necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon representations of the District contained in the Resolution and in the certified proceedings and certifications of public officials and others furnished to us, without undertaking to verify such facts by independent investigation.

Based upon our examination, we are of the opinion, as of the date hereof, that:

1. The District is duly created and validly existing as a school district with the power to cause the Board to issue the Bonds in its name and to perform its obligations under the Resolution and the Bonds.

2. The Resolution has been duly adopted by the District and creates a valid first lien on the funds pledged under the Resolution for the security of the Bonds.

3. The Bonds have been duly authorized, executed and delivered by the Board and are valid and binding general obligations of the District. The Board of Supervisors of Santa Clara County is required under the Act to levy a tax upon all taxable property in the District for the interest and redemption of all outstanding bonds of the District, including the Bonds. The Bonds are payable from an *ad valorem* tax levied without limitation as to rate or amount.

4. Subject to the District's compliance with certain covenants, interest on the Bonds is excludable from gross income of the owners thereof for federal income tax purposes and is not included as an item of tax preference in computing the alternative minimum tax for individuals and corporations under the Internal Revenue Code of

1986, as amended, but is taken into account in computing an adjustment used in determining the federal alternative minimum tax for certain corporations. Failure to comply with certain of such District covenants could cause interest on the Bonds to be includible in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds.

5. The interest on the Bonds is exempt from personal income taxation imposed by the State of California.

Ownership of the Bonds may result in other tax consequences to certain taxpayers, and we express no opinion regarding any such collateral consequences arising with respect to the Bonds.

The rights of the owners of the Bonds and the enforceability of the Bonds and the Resolution may be subject to the bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and also may be subject to the exercise of judicial discretion in accordance with general principles of equity.

Our opinion represents our legal judgment based upon such review of the law and the facts that we deem relevant to render our opinion and is not a guarantee of a result. This opinion is given as of the date hereof and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Respectfully submitted,

REFUNDING BONDS

[Letterhead of Quint & Thimmig LLP]

[Closing Date]

Board of Education of the
Sunnyvale School District
819 West Iowa Avenue
Sunnyvale, California 94086

OPINION: $14,815,000 Sunnyvale School District (Santa Clara County, California) 2014 General Obligation Refunding Bonds

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Members of the Board of Education:

We have acted as bond counsel to the Sunnyvale School District (the "District") in connection with the issuance by the District of $14,815,000 principal amount of Sunnyvale School District (Santa Clara County, California) 2014 General Obligation Refunding Bonds (the "Bonds"), pursuant to the provisions of Article 9 of Chapter 3 (commencing with section 53550) of Division 2 of Title 5 of the California Government Code (the "Act"), and a resolution adopted by the Board of Education of the District on June 19, 2014 (the "Resolution"). We have examined the law and such certified proceedings and other papers as we deemed necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon representations of the District contained in the Resolution and in the certified proceedings and certifications of public officials and others furnished to us, without undertaking to verify such facts by independent investigation.

Based upon our examination, we are of the opinion, as of the date hereof, that:

1. The District is duly created and validly existing as a school district with the power to cause the Board to issue the Bonds in its name and to perform its obligations under the Resolution and the Bonds.

2. The Resolution has been duly adopted by the District and creates a valid first lien on the funds pledged under the Resolution for the security of the Bonds.

3. The Bonds have been duly authorized, executed and delivered by the Board and are valid and binding general obligations of the District. The Board of Supervisors of Santa Clara County is required under the Act to levy a tax upon all taxable property in the District for the interest and redemption of all outstanding bonds of the District, including the Bonds. The Bonds are payable from an *ad valorem* tax levied without limitation as to rate or amount.

4. Subject to the District's compliance with certain covenants, interest on the Bonds is excludable from gross income of the owners thereof for federal income tax purposes and is not included as an item of tax preference in computing the alternative minimum tax for individuals and corporations under the Internal Revenue Code of 1986, as amended, but is taken into account in computing an adjustment used in determining the federal alternative minimum tax for certain corporations. Failure to comply with certain of such District covenants could cause interest on the Bonds to be includible in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds.

5. The interest on the Bonds is exempt from personal income taxation imposed by the State of California.

Ownership of the Bonds may result in other tax consequences to certain taxpayers, and we express no opinion regarding any such collateral consequences arising with respect to the Bonds.

The rights of the owners of the Bonds and the enforceability of the Bonds and the Resolution may be subject to the bankruptcy, insolvency, reorganization, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and also may be subject to the exercise of judicial discretion in accordance with general principles of equity.

Our opinion represents our legal judgment based upon such review of the law and the facts that we deem relevant to render our opinion and is not a guarantee of a result. This opinion is given as of the date hereof and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Respectfully submitted,

APPENDIX F

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This CONTINUING DISCLOSURE CERTIFICATE (the "Disclosure Certificate") is executed and delivered by the SUNNYVALE SCHOOL DISTRICT (the "District") in connection with the issuance by the District of its $28,000,000 Sunnyvale School District (County of Santa Clara, California) General Obligation Bonds, Election of 2013, Series A (2014) (the "Series A Bonds"), and its $14,815,000 Sunnyvale School District (County of Santa Clara, California) 2014 General Obligation Refunding Bonds (the "Refunding Bonds" and, with the Series A Bonds, the "Bonds"). The Bonds are being issued pursuant to resolutions adopted by the Board of Education of the District on June 19, 2014 (collectively, the "Resolutions"). The District covenants and agrees as follows:

Section 1. Definitions. In addition to the definitions set forth in the Resolutions, which apply to any capitalized term used in this Disclosure Certificate, unless otherwise defined in this Section 1, the following capitalized terms shall have the following meanings when used in this Disclosure Certificate:

"*Annual Report*" shall mean any Annual Report provided by the District pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"*Beneficial Owner*" shall mean any person who (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

"*Dissemination Agent*" shall mean Public Financial Management, Inc. or any successor Dissemination Agent designated in writing by the District and which has filed with the District a written acceptance of such designation. In the absence of such a designation, the District shall act as the Dissemination Agent.

"*EMMA*" or "*Electronic Municipal Market Access*" means the centralized on-line repository for documents to be filed with the MSRB, such as official statements and disclosure information relating to municipal bonds, notes and other securities as issued by state and local governments.

"*Listed Events*" shall mean any of the events listed in Section 5(a) or 5(b) of this Disclosure Certificate.

"*MSRB*" means the Municipal Securities Rulemaking Board, which has been designated by the Securities and Exchange Commission as the sole repository of disclosure information for purposes of the Rule, or any other repository of disclosure information which may be designated by the Securities and Exchange Commission as such for purposes of the Rule in the future.

"*Participating Underwriter*" shall mean the original underwriter of the Bonds, required to comply with the Rule in connection with offering of the Bonds.

"*Rule*" shall mean Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

Section 2. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the District for the benefit of the owners and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5).

Section 3. Provision of Annual Reports.

(a) *Delivery of Annual Report*. The District shall, or shall cause the Dissemination Agent to, not later than nine months after the end of the District's fiscal year (which currently ends on June 30), commencing with the report for the 2013-14 Fiscal Year, which is due not later than March 31, 2015, file with EMMA, in a readable PDF or other electronic format as prescribed by the MSRB, an Annual Report that is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the audited financial statements of the District may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date.

(b) *Change of Fiscal Year*. If the District's fiscal year changes, it shall give notice of such change in the same manner as for a Listed Event under Section 5(c), and subsequent Annual Report filings shall be made no later than nine months after the end of such new fiscal year end.

(c) *Delivery of Annual Report to Dissemination Agent*. Not later than fifteen (15) Business Days prior to the date specified in subsection (a) (or, if applicable, subsection (b)) of this Section 3 for providing the Annual Report to EMMA, the District shall provide the Annual Report to the Dissemination Agent (if other than the District). If by such date, the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall notify the District.

(d) *Report of Non-Compliance*. If the District is the Dissemination Agent and is unable to file an Annual Report by the date required in subsection (a) (or, if applicable, subsection (b)) of this Section 3, the District shall send a notice to EMMA substantially in the form attached hereto as Exhibit A. If the District is not the Dissemination Agent and is unable to provide an Annual Report to the Dissemination Agent by the date required in subsection (c) of this Section 3, the Dissemination Agent shall send a notice to EMMA in substantially the form attached hereto as Exhibit A.

(e) *Annual Compliance Certification*. The Dissemination Agent shall, if the Dissemination Agent is other than the District, file a report with the District certifying that the Annual Report has been filed with EMMA pursuant to Section 3 of this Disclosure Certificate, stating the date it was so provided and filed.

Section 4. Content of Annual Reports. The Annual Report shall contain or incorporate by reference the following:

(a) *Financial Statements.* Audited financial statements of the District for the preceding fiscal year, prepared in accordance generally accepted accounting principles. If the District's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) *Other Annual Information.* To the extent not included in the audited final statements of the District, the Annual Report shall also include financial and operating data with respect to the District for preceding fiscal year, substantially similar to that provided in the corresponding tables and charts in the official statement for the Bonds, as follows:

(i) Adopted budget (or summary) of the District for the current fiscal year, or any interim budget reports approved as of the date of filing of the Annual Report;

(ii) Information regarding total assessed valuation of taxable properties within the District, if and to the extent provided to the District by the County; and

(iii) Information regarding total secured tax charges and delinquencies on taxable properties within the District, if and to the extent provided to the District by the County.

(c) *Cross References.* Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the District or related public entities, which are available to the public on EMMA. The District shall clearly identify each such other document so included by reference.

If the document included by reference is a final official statement, it must be available from EMMA.

(d) *Further Information.* In addition to any of the information expressly required to be provided under paragraph (b) of this Section 4, the District shall provide such further information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

Section 5. Reporting of Listed Events.

(a) *Reportable Events.* The District shall, or shall cause the Dissemination (if not the District) to, give notice of the occurrence of any of the following events with respect to the Bonds:

(1) Principal and interest payment delinquencies.
(2) Unscheduled draws on debt service reserves reflecting financial difficulties.
(3) Unscheduled draws on credit enhancements reflecting financial difficulties.
(4) Substitution of credit or liquidity providers, or their failure to perform.
(5) Defeasances.
(6) Rating changes.
(7) Tender offers.
(8) Bankruptcy, insolvency, receivership or similar event of the obligated person.
(9) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the security, or other material events affecting the tax status of the security.

(b) *Material Reportable Events.* The District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

(1) Non-payment related defaults.
(2) Modifications to rights of security holders.
(3) Bond calls.
(4) The release, substitution, or sale of property securing repayment of the securities.
(5) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms.
(6) Appointment of a successor or additional trustee, or the change of name of a trustee.

(c) *Time to Disclose.* Whenever the District obtains knowledge of the occurrence of a Listed Event, the District shall, or shall cause the Dissemination Agent (if not the District) to, file a notice of such occurrence with EMMA, in an electronic format as prescribed by the MSRB, in a timely manner not in excess of 10 business days after the occurrence of the Listed Event. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(5) and (b)(3) above need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to owners of affected Bonds under the Resolutions.

Section 6. Identifying Information for Filings with EMMA. All documents provided to EMMA under this Disclosure Certificate shall be accompanied by identifying information as prescribed by the MSRB.

Section 7. Termination of Reporting Obligation. The District's obligations under this Disclosure Certificate shall terminate upon the defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the District shall give notice of such termination in the same manner as for a Listed Event under Section 5(c).

Section 8. Dissemination Agent.

(a) *Appointment of Dissemination Agent*. The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate and may discharge any such agent, with or without appointing a successor Dissemination Agent. If the Dissemination Agent is not the District, the Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the District pursuant to this Disclosure Certificate. It is understood and agreed that any information that the Dissemination Agent may be instructed to file with EMMA shall be prepared and provided to it by the District. The Dissemination Agent has undertaken no responsibility with respect to the content of any reports, notices or disclosures provided to it under this Disclosure Certificate and has no liability to any person, including any Bondholder, with respect to any such reports, notices or disclosures. The fact that the Dissemination Agent or any affiliate thereof may have any fiduciary or banking relationship with the District shall not be construed to mean that the Dissemination Agent has actual knowledge of any event or condition, except as may be provided by written notice from the District.

(b) *Compensation of Dissemination Agent*. The Dissemination Agent shall be paid compensation by the District for its services provided hereunder in accordance with its schedule of fees as agreed to between the Dissemination Agent and the District from time to time and all expenses, legal fees and expenses and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. The Dissemination Agent shall not be deemed to be acting in any fiduciary capacity for the District, owners or Beneficial Owners, or any other party. The Dissemination Agent may rely, and shall be protected in acting or refraining from acting, upon any direction from the District or an opinion of nationally recognized bond counsel. The Dissemination Agent may at any time resign by giving written notice of such resignation to the District. The Dissemination Agent shall not be liable hereunder except for its negligence or willful misconduct.

(c) *Responsibilities of Dissemination Agent*. In addition of the filing obligations of the Dissemination Agent set forth in Sections 3(e) and 5, the Dissemination Agent shall be obligated, and hereby agrees, to provide a request to the District to compile the information required for its Annual Report at least 30 days prior to the date such information is to be provided to the Dissemination Agent pursuant to subsection (c) of Section 3. The failure to provide or receive any such request shall not affect the obligations of the District under Section 3.

Section 9. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the District may amend this Disclosure Certificate (and the Dissemination Agent shall agree to any amendment so requested by the District that does not impose any greater duties or risk of liability on the Dissemination Agent), and any provision of this Disclosure Certificate may be waived, provided that all of the following conditions are satisfied:

(a) *Change in Circumstances*. If the amendment or waiver relates to the provisions of Sections 3(a), 4 or 5(a) or (b), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the Bonds, or the type of business conducted.

(b) *Compliance as of Issue Date*. The undertaking, as amended or taking into account such waiver, would, in the opinion of a nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances.

(c) *Consent of Holders; Non-impairment Opinion*. The amendment or waiver either (i) is approved by the Bondholders in the same manner as provided in the Resolutions for amendments to the Resolutions with the consent of Bondholders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the Bondholders or Beneficial Owners.

If this Disclosure Certificate is amended or any provision of this Disclosure Certificate is waived, the District shall describe such amendment or waiver in the next following Annual Report and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the District. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(c), and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Section 10. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the District chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the District shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 11. Default. In the event of a failure of the District to comply with any provision of this Disclosure Certificate, any Bondholder or Beneficial Owner may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Certificate. The sole remedy under this Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance.

Section 12. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and no implied covenants or obligations shall be read into this Disclosure Certificate against the Dissemination Agent, and the District agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees and expenses) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall have the same rights, privileges and immunities hereunder as are afforded to the Paying Agent under the Resolutions. The obligations of the District under this Section 12 shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

Section 13. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Dissemination Agent, the Participating Underwriter and the owners and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Date: [Closing Date]

SUNNYVALE SCHOOL DISTRICT

By ____

Benjamin H. Picard, Ed.D.
Superintendent

ACCEPTED:

PUBLIC FINANCIAL MANAGEMENT, INC., as Dissemination Agent

By ____

Authorized Officer

EXHIBIT A

NOTICE TO EMMA OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer:	Sunnyvale School District
Name of Issues:	Sunnyvale School District (County of Santa Clara, California) General Obligation Bonds, Election of 2013, Series A (2014) Sunnyvale School District (County of Santa Clara, California) 2014 General Obligation Refunding Bonds
Date of Issuance:	[Closing Date]

NOTICE IS HEREBY GIVEN that the Obligor has not provided an Annual Report with respect to the above-named Issues as required by the Continuing Disclosure Certificate, dated [Closing Date], furnished by the Issuer in connection with the Issue. The Issuer anticipates that the Annual Report will be filed by _______________.

Dated: __________________________

PUBLIC FINANCIAL MANAGEMENT, INC., as
Dissemination Agent

By ____
Title _______________________________________

cc: Paying Agent

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APPENDIX G

BOOK-ENTRY SYSTEM

The following description of the procedures and record keeping with respect to beneficial ownership interests in the Bonds, payment of principal of and interest on the Bonds to Direct Participants, Indirect Participants or Beneficial Owners (as such terms are defined below) of the Bonds, confirmation and transfer of beneficial ownership interests in the Bonds and other Bond related transactions by and between DTC, Direct Participants, Indirect Participants and Beneficial Owners of the Bonds is based solely on information furnished by DTC to the District which the District believes to be reliable, but the District and the Underwriter do not and cannot make any independent representations concerning these matters and do not take responsibility for the accuracy or completeness thereof. Neither the DTC, Direct Participants, Indirect Participants nor the Beneficial Owners should rely on the foregoing information with respect to such matters, but should instead confirm the same with DTC or the DTC Participants, as the case may be.

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede &Co. or such other name as requested by an authorized representative of DTC. The deposit of the Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct or Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as tenders, defaults, and proposed amendments to the Bonds documents. For example, Beneficial Owners of the Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Paying Agent and request that copies of notices be provided directly to them.

Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of principal of and interest on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the District or the Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Paying Agent or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its service as depository with respect to the Bonds at any time by giving reasonable notice to the District or the Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The District may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, the Bond certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy thereof.

In the event that (a) DTC determines not to continue to act as securities depository for the Bonds, or (b) the District determines that DTC shall no longer act and delivers a written certificate to the Paying Agent to that effect, then the District will discontinue the Book-Entry System with DTC for the Bonds. If the District determines to replace DTC with another qualified securities depository, the District will prepare or direct the preparation of a new single separate, fully registered Bond for each maturity of the Bonds registered in the name of such successor or substitute securities depository as are not inconsistent with the terms of the Resolution. If the District fails to identify another qualified securities depository to replace the incumbent securities depository for the Bonds, then the Bonds shall no longer be restricted to being registered in the Bond registration books in the name of the incumbent securities depository or its nominee, but shall be registered in whatever name or names the incumbent securities depository or its nominee transferring or exchanging the Bonds shall designate.

In the event that the Book-Entry System is discontinued, the following provisions would also apply: (i) the Bonds will be made available in physical form, (ii) payment of principal of and interest on the Bonds will be payable upon surrender thereof at the trust office of the Paying Agent identified in the Resolution, and (iii) the Bonds will be transferable and exchangeable as provided in the Resolution.

The District and the Paying Agent do not have any responsibility or obligation to DTC Participants, to the persons for whom they act as nominees, to Beneficial Owners, or to any other person who is not shown on the registration books as being an owner of the Bonds, with respect to (i) the accuracy of any records maintained by DTC or any DTC Participants; (ii) the payment by DTC or any DTC Participant of any amount in respect of the principal of and interest on the Bonds; (iii) the delivery of any notice which is permitted or required to be given to registered owners under the Resolution; (iv) any consent given or other action taken by DTC as registered owner; or (v) any other matter arising with respect to the Bonds or the Resolution. The District and the Paying Agent cannot and do not give any assurances that DTC, DTC Participants or others will distribute payments of principal of and interest on the Bonds paid to DTC or its nominee, as the registered owner, or any notices to the Beneficial Owners or that they will do so on a timely basis or will serve and act in a manner described in this Official Statement. The District and the Paying Agent are not responsible or liable for the failure of DTC or any DTC Participant to make any payment or give any notice to a Beneficial Owner in respect to the Bonds or any error or delay relating thereto.

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