

**PRELIMINARY OFFICIAL STATEMENT DATED MAY 1, 2026**

**NEW ISSUE – BOOK ENTRY ONLY**

**RATING:  
S&P: “AAA”  
(See “RATING” herein.)**

*In the opinion of Dannis Woliver Kelley, Bond Counsel to the District, under existing law, interest on the Bonds is exempt from personal income taxes of the State of California, and, assuming continuing compliance after the date of initial delivery of the Bonds with certain covenants contained in the Resolution authorizing the Bonds and subject to the matters set forth under “TAX MATTERS” herein, interest on the Bonds for federal income tax purposes under existing statutes, regulations, published rulings, and court decisions will be excludable from the gross income of the owners thereof pursuant to section 103 of the Internal Revenue Code of 1986, as amended to the date of initial delivery of the Bonds, and will not be included in computing the alternative minimum taxable income of the owners thereof; however, interest on the Bonds is taken into account in determining annual adjusted financial statement income for the purpose of computing alternative minimum tax imposed on certain corporations. See “TAX MATTERS” herein.*

**\$80,885,000\***  
**SUNNYVALE SCHOOL DISTRICT  
(SANTA CLARA COUNTY, CALIFORNIA)  
2026 GENERAL OBLIGATION REFUNDING BONDS**

**Dated: Date of Delivery**

**Due: September 1, as shown on inside cover.**

The Sunnyvale School District 2026 General Obligation Refunding Bonds (the “Refunding Bonds”) are being issued by the District to (i) refund certain outstanding general obligation bonds of the District described herein, and (ii) pay certain costs of issuance associated therewith, as more fully described herein under the caption “THE REFUNDING.” The Bonds are secured by a statutory lien on all revenues received pursuant to the levy and collection of *ad valorem* property taxes for the payment thereof.

The Bonds are general obligations of the District only and are not obligations of the County of Santa Clara (the “County”), the State of California or any of its other political subdivisions. The Board of Supervisors of the County has the power and is obligated to levy and collect *ad valorem* property taxes without limitation as to rate or amount (except for certain personal property which is taxable at limited rates), for each fiscal year upon the taxable property within the District in an amount at least sufficient, together with other moneys available for such purpose, to pay the principal of and interest on each Bond as the same becomes due and payable.

Interest on the Bonds is payable on March 1 and September 1 of each year, commencing September 1, 2026. See “THE BONDS” herein.

The Bonds will be issued in book-entry form only, in denominations of \$5,000 or integral multiples thereof. The Bonds will be initially registered in the name of Cede & Co., as nominee of The Depository Trust Company (“DTC”). Purchasers will not receive certificates representing their interests in the Bonds. Payments on the Bonds will be made by U.S. Bank Trust Company, National Association, as Paying Agent, to DTC for subsequent disbursement to DTC Participants who will remit such payments to the beneficial owners of the Bonds. See “THE BONDS – Book-Entry Only System.”

**The Bonds are subject to redemption prior to maturity as described herein.\*** See “THE BONDS – Redemption” herein.

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**MATURITY SCHEDULE**

On Inside Cover Page

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**THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR QUICK REFERENCE ONLY. IT IS NOT A SUMMARY OF THIS ISSUE. INVESTORS MUST READ THE ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION.**

*The Bonds will be offered when, as and if issued and received by the Underwriter subject to the approval of legality by Dannis Woliver Kelley, Long Beach, California, Bond Counsel, and certain other conditions. Dannis Woliver Kelley, Long Beach, California, is acting as Disclosure Counsel for the issue and Kutak Rock LLP, Denver, Colorado is acting as counsel to the Underwriter. It is anticipated that the Bonds will be available for delivery in definitive form in New York, New York, through the facilities of DTC on or about June 4, 2026.*

**STIFEL**

The Date of this Official Statement is: \_\_\_\_\_, 2026.

\* Preliminary, subject to change.

*This Preliminary Official Statement and the information contained herein are subject to completion or amendment. These securities may not be sold, nor may offers to buy them be accepted, prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of, these securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration, qualification or filing under the securities laws of any such jurisdiction.*

**MATURITY SCHEDULE**

**\$80,885,000\***

**SUNNYVALE SCHOOL DISTRICT  
(SANTA CLARA COUNTY, CALIFORNIA)  
2026 GENERAL OBLIGATION REFUNDING BONDS**

<u>Maturity (September 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Yield</u>	<u>CUSIP<sup>1</sup> (867578)</u>
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\* Preliminary, subject to change.

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**SUNNYVALE SCHOOL DISTRICT**  
**Santa Clara County, State of California**

**Board of Education**

Peggy Shen Brewster, *President*  
Isabel Jubes-Flamerich, *Vice President*  
Evelyn Castillo Profeta, *Clerk*  
Michelle Maginot, *Trustee*  
Bridget Watson, *Trustee*

**District Administrators**

Gudiel R. Crosthwaite, Ph.D., *Superintendent*  
Jeremy Nishihara, *Assistant Superintendent of Human Resources and Information Systems*  
Vacant, *Chief Teaching and Learning Officer*<sup>1</sup>  
Laura Phan, *Interim Chief Business Officer*<sup>2</sup>

**SPECIAL SERVICES**

**Bond Counsel and Disclosure Counsel**

Dannis Woliver Kelley  
*Long Beach, California*

**Municipal Advisor**

Isom Advisors, a Division of Urban Futures, Inc.  
*Walnut Creek, California*

**Paying Agent, Transfer Agent and Registration Agent and Escrow Agent**

U.S. Bank Trust Company, National Association  
*San Francisco, California*

**Verification Agent**

Causey Public Finance, LLC  
*Denver, Colorado*

<sup>1</sup> The District has initiated the process to select a new Chief Teaching and Learning Officer and intends to have the position filled by July 1, 2026.

<sup>2</sup> The Board is expected to appoint a permanent Chief Business Officer on May 5, 2026.

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No dealer, broker, salesperson or other person has been authorized by the Sunnyvale School District (the "District") to provide any information or to make any representations other than as contained herein and, if given or made, such other information or representation must not be relied upon as having been authorized by the District. This Official Statement does not constitute an offer to sell, the solicitation of an offer to buy, nor shall 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.

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 described herein, are intended solely as such and are not to be construed as a representation of facts.

The information and expressions of opinion 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. Although certain information set forth in this Official Statement has been provided by the County of Santa Clara, the County of Santa Clara has not approved this Official Statement and is not responsible for the accuracy or completeness of the statements contained in this Official Statement except for the information set forth under the caption "SANTA CLARA COUNTY POOLED INVESTMENT FUND."

**In connection with this offering, the Underwriter may offer and sell the Bonds to certain securities dealers, institutional investors, banks or others at prices lower or higher than the public offering prices stated on the inside cover page hereof and said public offering prices may be changed from time to time by the Underwriter.**

The District maintains a website and certain social media accounts. However, the information presented there is not part of this Official Statement and should not be relied upon in making an investment decision with respect to the Bonds.

The Underwriter has provided the following sentence 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.

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.

**\$80,885,000\***  
**SUNNYVALE SCHOOL DISTRICT**  
**(SANTA CLARA COUNTY, CALIFORNIA)**  
**2026 GENERAL OBLIGATION REFUNDING BONDS**

**INTRODUCTION**

*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, 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.*

**General**

The Sunnyvale School District (the “District”) proposes to issue \$80,885,000\* aggregate principal amount of its 2026 General Obligation Refunding Bonds (the “Bonds”) in order to: (i) refund certain maturities of the District’s outstanding General Obligation Bonds, Election of 2013, Series A (2014) (the “2013 Series A Bonds”), 2015 General Obligation Refunding Bonds (the “2015 Refunding Bonds”) and General Obligation Bonds, Election of 2013, Series B (2016) (the “2013 Series B Bonds” and together with the 2013 Series A Bonds and the 2015 Refunding Bonds, the “Prior Bonds” ) and (ii) pay certain costs of issuance associated therewith. See “THE REFUNDING” herein.

The Bonds are secured by a statutory lien on all revenues received pursuant to the levy and collection of *ad valorem* property taxes for the payment thereof.

**Registration**

U.S. Bank Trust Company, National Association will act as the initial registrar, transfer agent and paying agent for the Bonds (the “Paying Agent”). As long as The Depository Trust Company, New York, New York (“DTC”) is the registered owner of the Bonds and DTC’s book entry-method is used for the Bonds, the Paying Agent will send any notice of redemption or other notices to owners only to DTC. See “THE BONDS – Description of the Bonds” herein.

**The District**

The District, established in 1904, is located in northwestern Santa Clara County (the “County”) in the region of the State of California (the “State”) known as Silicon Valley. The District serves the residents in approximately two-thirds of the City of Sunnyvale (the “City”) and provides education services in a comprehensive preschool program, eight elementary schools and two middle schools. The average daily attendance (“ADA”) for the District at P-2 for fiscal year 2025-26 is 5,403.13 students and the District has a 2025-26 assessed valuation of \$52,367,214,414.

The District’s audited financial statements for the fiscal year ended June 30, 2025, are attached hereto as APPENDIX B. For further information concerning the District, see the caption “SUNNYVALE SCHOOL DISTRICT” herein.

\* Preliminary, subject to change.

## **Sources of Payment for the Bonds**

The Bonds are general obligations of the District payable solely from *ad valorem* property taxes. The Bonds are not payable from the General Fund of the District. The Board of Supervisors of the County is empowered and obligated to annually levy *ad valorem* property taxes upon all property subject to taxation by the District, without limitation as to rate or amount (except certain personal property which is taxable at limited rates), for the payment of principal and interest on the Bonds when due. See “SECURITY FOR THE BONDS” and “TAX BASE FOR REPAYMENT OF THE BONDS” herein.

## **Continuing Disclosure**

The District has covenanted that it will comply with and carry out all of the provisions of the Continuing Disclosure Agreement executed by the District in connection with the Bonds. See “THE BONDS – Continuing Disclosure Agreement,” “CONTINUING DISCLOSURE” herein and APPENDIX D – “FORM OF CONTINUING DISCLOSURE AGREEMENT” hereto.

## **Professionals Involved in the Offering**

Dannis Woliver Kelley, Long Beach, California, is acting as Bond Counsel to the District with respect to the Bonds. Dannis Woliver Kelley, Long Beach, California is acting as Disclosure Counsel to the District with respect to the Bonds. Isom Advisors, a Division of Urban Futures, Inc. is acting as Municipal Advisor to the District in connection with the issuance of the Bonds. Kutak Rock LLP, Denver, Colorado is serving as counsel to the Underwriter with respect to the Bonds. Dannis Woliver Kelley and Isom Advisors, a Division of Urban Futures, Inc. will receive compensation from the District contingent upon the sale and delivery of the Bonds. Kutak Rock LLP will receive compensation from the Underwriter contingent upon the sale and delivery of the Bonds.

## **Forward Looking Statements**

Certain statements included or incorporated by reference in this Official Statement constitute “forward-looking statements” within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used such as “plan,” “expect,” “estimate,” “project,” “budget” or other similar words. Such forward-looking statements include, but are not limited to, certain statements contained in the information regarding the District herein. THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS WHICH MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. THE DISTRICT DOES NOT PLAN TO ISSUE ANY UPDATES OR REVISIONS TO THE FORWARD-LOOKING STATEMENTS SET FORTH IN THIS OFFICIAL STATEMENT.

## **Closing Date**

The Bonds are offered when, as and if issued, subject to approval as to their legality by Bond Counsel. It is anticipated that the Bonds in book-entry form will be available for delivery through the facilities of DTC on or about June 4, 2026.

## THE BONDS

### Authority for Issuance

The Bonds are being issued by the District under the provisions of Title 5, Division 2, Part 1, Chapter 3, Articles 9 and 11 of the Government Code (commencing with Section 53550) and pursuant to a resolution of the Board adopted on March 26, 2026 (the “Resolution”).

### Purpose of Issue

The net proceeds of the Bonds will be applied to refund certain maturities of the Prior Bonds. See “THE REFUNDING” herein.

### Description of the Bonds

The Bonds will be dated their date of delivery and will be issued only as fully registered bonds in denominations of \$5,000 principal amount or integral multiples thereof. The Bonds will mature on the dates and in the amounts and bear interest at the rates *per annum*, all as set forth on the inside cover page of this Official Statement.

The Bonds will be issued in fully registered form and, when issued, will be registered in the name of Cede & Co., as registered owner and nominee of DTC. DTC will act as securities depository for the Bonds. So long as Cede & Co. is the registered owner of the Bonds, as nominee of DTC, references herein to the Owners or registered owners shall mean Cede & Co. as aforesaid, and shall not mean the Beneficial Owners (as defined herein) of the Bonds.

### Book-Entry Only System

The Bonds will be issued under a book-entry system, evidencing ownership of the Bonds in denominations of \$5,000 principal amount or integral multiples thereof, with no physical distribution of Bonds made to the public. DTC will act as depository for the Bonds, which will be immobilized in their custody. The Bonds will be registered in the name of Cede & Co., as nominee for DTC.

So long as Cede & Co. is the registered owner of the Bonds, principal of and interest and premium, if any, on the Bonds are payable by wire transfer or New York Clearing House or by wire transfer of same day funds by U.S. Bank Trust Company, National Association as Paying Agent, to Cede & Co., as nominee for DTC. DTC is obligated, in turn, to remit such amounts to the DTC participants for subsequent disbursement to the Beneficial Owners. See APPENDIX F – “BOOK-ENTRY ONLY SYSTEM” herein.

### Payment of the Bonds

Interest on the Bonds is payable commencing September 1, 2026, and semiannually thereafter on March 1 and September 1 of each year (each, an “Interest Payment Date”). Principal of the Bonds is payable on September 1 of each year as shown on the inside front cover page hereto until maturity, or, with respect to the Bonds, the earlier redemption thereof. The Bonds shall be issued in fully registered form, without coupons, in denominations of \$5,000 or any integral multiple thereof.

Interest on each Bond shall accrue from its dated date at the interest rates applicable thereto as set forth on the inside cover page hereof. Interest shall be computed using a year of 360 days comprised of twelve 30-day months and shall be payable on each Interest Payment Date to the Owner thereof as of the close of business on the fifteenth calendar day of the month next preceding an Interest Payment Date (the

“Record Date”). Interest will be payable from the Interest Payment Date next preceding the date of registration thereof, unless (i) it is registered as of an Interest Payment Date, in which event interest shall be payable from such date, or (ii) it is registered prior to an Interest Payment Date and after a Record Date, in which event interest shall be payable from such Interest Payment Date, or (iii) it is registered prior to the close of business on August 15, 2026, in which event interest shall be payable from its dated date; provided, however, that if at the time of registration of any Bond interest with respect thereto is in default, interest with respect thereto shall be payable from the Interest Payment Date to which interest has previously been paid or made available for payment. Payments of interest will be made on each Interest Payment Date by check or draft of the Paying Agent sent by first-class mail, postage prepaid, to the Owner thereof on the Record Date, or by wire transfer to any Owner of \$1,000,000 or more of such Bonds, to the account specified by such Owner in a written request delivered to the Paying Agent on or prior to the Record Date for such Interest Payment Date; provided, however, that payments of defaulted interest shall be payable to the person in whose name such Bond is registered at the close of business on a special record date fixed therefor by the Paying Agent which shall not be more than 15 days and not less than ten days prior to the date of the proposed payment of defaulted interest.

**Redemption\***

**Optional Redemption.** The Bonds maturing on or before September 1, 20\_\_ are not subject to redemption prior to their stated maturity dates. The Bonds maturing on or after September 1, 20\_\_ are subject to redemption prior to maturity, at the option of the District, in whole or in part among maturities on such basis as shall be designated by the District and by lot within a maturity, from any available source of funds, on September 1, 20\_\_, or on any date thereafter, at a price equal to 100% of the principal amount thereof, without premium, together with accrued interest thereon to the redemption date.

**Mandatory Redemption.** The Bonds maturing September 1, 20\_\_ are subject to mandatory sinking fund redemption on September 1 of each Mandatory Sinking Fund Payment Date and in the respective principal amounts as set forth in the following schedule, at a redemption price equal to the principal amount thereof to be redeemed plus accrued interest thereon to the date fixed for redemption, without premium:

Mandatory Sinking Fund Payment Date (September 1)	Principal Amount to be Redeemed
---	------------------------------------

<sup>(1)</sup> Maturity.

In the event that a portion of the Bonds maturing on September 1, 20\_\_ is optionally redeemed prior to maturity, the remaining mandatory sinking fund payments shown above shall be reduced proportionately, or as otherwise directed by the District, in integral multiples of \$5,000 principal amount of such Bonds optionally redeemed.

**Selection of Bonds for Redemption**

If less than all of the Bonds shall be 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, on a proportional basis. Within a maturity, the Paying Agent shall select the Bonds for redemption as

\* Preliminary; subject to change.

directed by the District, and, in lieu of such direction by lot; provided, however, that the portion of any Bond to be redeemed shall be in the principal amount of five thousand dollars (\$5,000) or some integral multiple thereof and that, in selecting Bonds for redemption, the Paying Agent shall treat each Bond as representing that number of Bonds which is obtained by dividing the principal amount of such Bond by five thousand dollars (\$5,000).

### **Notice of Redemption**

When redemption is authorized, the Paying Agent, upon written instruction from the District, shall give notice of the redemption of such Bonds at least 20 but not more than 45 days prior to the redemption date to the respective Owners of such Bonds designated for redemption by first class mail, postage prepaid. 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 to be redeemed 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 Bond to be redeemed, the portion of the principal amount of such Bond 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.

Any notice of redemption for an optional redemption of the Bonds delivered in accordance with the Resolution 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) the notice of redemption shall be of no force and effect, (ii) the District shall not be required to redeem such Bonds, (iii) the redemption shall not be made, and (iv) the Paying Agent shall within a reasonable time thereafter give notice to the persons 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 canceled.

### **Right to Rescind Notice of Redemption**

The District may rescind any optional redemption and notice thereof for any reason on any date 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 shall 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 and interest and any premium due on the Bonds called for redemption. Notice of rescission of redemption shall be given in the same manner in which notice of redemption was originally given. The actual receipt by the owner of any Bond of notice of such rescission shall not be a condition precedent to rescission, and failure to receive such notice or any defect in such notice shall not affect the validity of the rescission.

### **Effect of Notice of Redemption**

Notice having been given as required in the Resolution, and the moneys for redemption (including the interest to the applicable date of redemption) having been set aside for payment of the redemption price, 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, then from and after such redemption date, interest on the Bonds to be redeemed shall cease to accrue and become payable.

## **Transfer and Exchange**

Following the termination or removal of DTC or successor depository, any Bond may, in accordance with its terms, be transferred, upon the Registration Books, by the Owner thereof, in person or by the duly authorized attorney of such Owner, upon surrender of such Bond to the Paying Agent for cancellation, accompanied by delivery of a duly executed written instrument of transfer in a form approved by the Paying Agent.

Whenever any Bonds shall be surrendered for transfer, the designated District officials shall execute and the Paying Agent shall authenticate and deliver, new Bonds, of the same series, maturity and interest rate for a like aggregate principal amount. The Paying Agent may require the payment by any Owner of Bonds requesting any such transfer of any tax or other governmental charge required to be paid with respect to such transfer.

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

The Bonds may be exchanged for Bonds of other authorized denominations of the same maturity and interest rate, by the Owner thereof, in person or by the duly authorized attorney of such Owner, upon surrender of such Bond to the Paying Agent for cancellation, accompanied by delivery of a duly executed request for exchange in a form approved by the Paying Agent.

Whenever any Bonds shall be surrendered for exchange, the designated District officials shall execute and the Paying Agent shall authenticate and deliver, new Bonds of the same maturity and interest rate for a like aggregate principal amount. The Paying Agent may require the payment by the Owner requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange.

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

## **Defeasance**

Any or all of the Bonds may be paid by the District in any one or more of the following ways: (a) by paying or causing to be paid the principal or redemption price of and interest on Bonds Outstanding, as and when the same become due and payable; or (b) by depositing with an escrow agent selected by the District, in trust, at or before maturity, money or securities in the necessary amount, including investment earnings thereon, to pay or redeem Bonds Outstanding; or (c) by delivering to the Paying Agent, for cancellation by it, Bonds Outstanding.

If the District shall pay all Bonds Outstanding and shall also pay or cause to be paid all other sums payable under the Resolution by the District, then and in that case, at the election of the District (evidenced by a certificate of an Authorized Officer, filed with the Paying Agent, signifying the intention of the District

to discharge all such indebtedness and the Resolution), and notwithstanding that any Bonds shall not have been surrendered for payment, such Resolution and other assets made under such Resolution and all covenants, agreements and other obligations of the District under such Resolution shall cease, terminate, become void and be completely discharged and satisfied, except only as provided in such Resolution. In such event, upon request of the District, the Paying Agent shall cause an accounting for such period or periods as may be requested by the District to be prepared and filed with the District and shall execute and deliver to the District all such instruments as may be necessary to evidence such discharge and satisfaction, and the Paying Agent shall pay over, transfer, assign or deliver to the District all moneys or securities or other property held by it pursuant to such Resolution which are not required for the payment or redemption of Bonds not theretofore surrendered for such payment or redemption.

**Continuing Disclosure Agreement**

In accordance with the requirements of Rule 15c2-12 (the “Rule”) promulgated by the Securities and Exchange Commission, the District will enter into a Continuing Disclosure Agreement (the “Continuing Disclosure Agreement”), substantially in the form of APPENDIX D hereto, on or prior to the delivery of the Bonds in which the District will undertake, for the benefit of the Beneficial Owners of the Bonds, to provide certain information as set forth therein. See “CONTINUING DISCLOSURE” herein and APPENDIX D – “FORM OF CONTINUING DISCLOSURE AGREEMENT” hereto.

**SOURCES AND USES OF FUNDS**

The proceeds of the Bonds are expected to be applied as follows:

*Sources of Funds*

Principal Amount of Bonds  
 [Net] Original Issue Premium  
 Total Sources

*Uses of Funds*

Deposit to Escrow Fund  
 Costs of Issuance<sup>(1)</sup>  
 Total Uses

---

<sup>(1)</sup> Includes Underwriter’s discount, Bond and Disclosure Counsel fees, Municipal Advisor fees, paying agent fees, escrow agent fees, verification agent fees, rating agency fees, and other costs of issuance.

**District Investments; Application of Proceeds**

The Santa Clara County Controller-Treasurer (the “Treasurer”) manages, in accordance with Government Code Section 53600 et seq., funds deposited with the Treasurer by school and community college districts located in the County, various special districts, and some cities within the State of California. State law generally requires that all moneys of the County, school and community college districts and certain special districts located in the County be held in the County’s pooled investment fund (the “Pooled Investment Fund”).

The composition and value of investments under management in the Pooled Investment Fund vary from time to time depending on cash flow needs of the County and public agencies invested in the pool, maturity or sale of investments, purchase of new securities, and due to fluctuations in interest rates

generally. For a further discussion of the Pooled Investment Fund, see the caption “SANTA CLARA POOLED INVESTMENT FUND” herein.

The net proceeds of the Bonds will be deposited into the Escrow Fund (defined herein) established pursuant to the Escrow Agreement (defined herein) and invested in those certain non-callable direct obligations of the United States of America, the payment of the principal of and interest on which is guaranteed by a pledge of the full faith and credit of the United States of America.

### DEBT SERVICE SCHEDULES

The first of the following two tables summarizes the annual principal and interest payments on the Bonds, assuming no optional redemption. The second table shows the annual debt service payments on all of the District’s outstanding general obligation bonds, comprising its General Obligation Bonds, Election of 2004, Series C, (2010) (the “2004 Series C Bonds”), General Obligation Bonds, Election of 2004, Series D, (2012) (the “2004 Series D Bonds”), 2013 Series A Bonds, 2015 Refunding Bonds, 2013 Series B Bonds, General Obligation Bonds, Election of 2013, Series C (2019) (the “2013 Series C Bonds”), 2019 General Obligation Refunding Bonds (the “2019 Refunding Bonds”), General Obligation Bonds, 2018 Election, 2021 Series A (the “2018 Series A Bonds”), 2021 General Obligation Refunding Bonds (the “2021 Refunding Bonds”), General Obligation Bonds, 2018 Election, 2023 Series B (the “2018 Series B Bonds”), General Obligation Bonds, 2018 Election, 2024 Series C (the “2018 Series C Bonds”), General Obligation Bonds, 2024 Election, 2025 Series A (the “2024 Series A Bonds”) and the Bonds, assuming no optional redemption.

Bond Year Ending September 1	Principal	Interest	Total Debt Service
2026			
2027			
2028			
2029			
2030			
2031			
2032			
2033			
2034			
2035			
2036			
2037			
2038			
2039			
2040			
2041			
2042			
2043			
2044			
<b>Total</b>			

## DEBT SERVICE ON ALL OUTSTANDING GENERAL OBLIGATION BONDS

Period Ending September 1	2004 Series C Bonds	2004 Series D Bonds	2013 Series A Bonds <sup>(2)</sup>	2015 Refunding Bonds <sup>(2)</sup>	2013 Series B Bonds <sup>(2)</sup>	2013 Series C Bonds	2019 Refunding Bonds	2018 Series A Bonds	2021 Refunding Bonds	2018 Series B Bonds	2018 Series C Bonds	2024 Series A Bonds	The Bonds	Total Debt Service
2026	\$220,000	--	\$113,194	\$5,711,950	\$1,502,725	\$2,123,200	\$1,027,392	\$901,200	\$1,811,111	\$1,726,650	\$2,019,250	\$9,128,800		
2027	220,000	--	113,194	6,183,200	2,712,725	1,047,400	1,027,314	901,200	1,813,968	1,201,650	1,741,000	7,779,800		
2028	220,000	--	113,194	1,857,200	2,677,225	1,227,200	1,026,776	901,200	6,164,692	1,201,650	1,741,000	3,485,300		
2029	220,000	--	613,194	1,857,200	2,635,475	914,000	1,025,863	901,200	6,117,197	1,201,650	1,741,000	3,485,300		
2030	220,000	--	598,194	1,857,200	2,552,825	1,162,200	1,024,510	901,200	6,069,248	1,201,650	1,741,000	3,485,300		
2031	220,000	--	868,194	1,857,200	2,516,525	1,084,800	1,022,902	901,200	6,071,594	1,201,650	1,741,000	3,485,300		
2032	1,220,000	--	918,663	1,857,200	2,607,200	1,099,400	1,025,891	901,200	5,201,425	1,201,650	1,741,000	3,485,300		
2033	1,665,000	--	975,713	1,857,200	2,838,600	972,400	1,028,339	901,200	4,905,216	1,201,650	2,336,000	3,600,300		
2034	1,582,500	--	--	1,857,200	3,088,600	944,400	1,950,226	901,200	5,031,295	1,201,650	2,776,250	3,729,550		
2035	--	\$1,500,000	--	1,857,200	3,136,000	1,022,300	2,001,758	1,181,200	4,822,343	1,201,650	2,998,000	3,857,050		
2036	--	1,500,000	--	7,152,200	3,368,400	917,350	2,052,857	1,370,000	--	1,201,650	2,976,000	3,992,550		
2037	--	--	--	8,555,400	3,398,200	1,009,950	2,111,305	1,570,800	--	1,201,650	2,981,750	4,130,300		
2038	--	--	--	8,549,000	3,343,000	1,149,250	2,171,805	1,667,800	--	1,201,650	3,083,750	4,274,800		
2039	--	--	--	8,551,800	3,446,000	1,183,750	2,224,211	1,779,800	--	1,201,650	3,177,000	4,425,300		
2040	--	--	--	8,558,000	3,380,800	1,386,450	2,288,670	1,866,000	--	2,251,650	2,276,500	4,581,050		
2041	--	--	--	8,557,000	3,323,800	1,587,250	2,347,544	1,932,200	--	2,329,150	2,441,500	4,741,300		
2042	--	--	--	3,863,600	3,259,600	1,801,000	7,067,891	1,999,000	--	2,415,150	2,600,750	4,910,300		
2043	--	--	--	--	3,193,400	2,017,100	2,296,635	2,071,200	--	2,493,900	2,704,000	5,082,050		
2044	--	--	--	--	3,125,200	2,240,250	2,365,388	2,143,400	--	2,585,400	2,823,500	5,255,800		
2045	--	--	--	--	--	--	--	2,215,400	--	2,678,650	3,428,000	5,440,800		
2046	--	--	--	--	--	--	--	2,297,000	--	2,768,150	3,622,800	5,630,800		
2047	--	--	--	--	--	--	--	2,372,600	--	2,868,650	3,785,800	5,829,800		
2048	--	--	--	--	--	--	--	2,457,200	--	2,964,150	3,907,800	6,031,550		
2049	--	--	--	--	--	--	--	2,545,200	--	3,069,400	4,000,000	6,245,050		
2050	--	--	--	--	--	--	--	2,631,200	--	3,179,600	4,078,200	6,463,800		
2051	--	--	--	--	--	--	--	--	--	6,011,200	4,227,600	6,691,550		
2052	--	--	--	--	--	--	--	--	--	--	--	6,921,275		
2053	--	--	--	--	--	--	--	--	--	--	--	7,165,750		
2054	--	--	--	--	--	--	--	--	--	--	--	7,414,250		
2055	--	--	--	--	--	--	--	--	--	--	--	7,675,750		
2056	--	--	--	--	--	--	--	--	--	--	--	7,943,250		
Total <sup>(1)</sup>	\$5,787,500	\$3,000,000	\$4,313,537	\$80,539,750	\$56,106,300	\$24,889,650	\$37,087,276	\$40,210,800	\$48,008,089	\$52,963,150	\$72,690,451	\$166,369,075		

<sup>(1)</sup> Totals may not sum due to rounding.

<sup>(2)</sup> Includes debt service on the Refunded Bonds intended to be refunded with proceeds of the Bonds. See "THE REFUNDING" herein.

## THE REFUNDING

The District intends to apply the proceeds of the sale of the Bonds to (i) refund certain maturities of the Prior Bonds identified below (the “Refunded Bonds”) and (ii) pay certain costs of issuance associated therewith.

The 2013 Series A Bonds intended to be refunded (the “Refunded 2013 Series A Bonds”) by the Bonds are as follows\*:

**Sunnyvale School District  
(Santa Clara County, California)  
General Obligation Bonds, Election of 2013, Series A (2014)  
Identification of Refunded Bonds**

Maturity Date (September 1)	Principal Amount to be Refunded	Redemption Date*	Interest Rate	CUSIP <sup>1</sup> (867578)
2029	\$500,000	September 1, 2026	3.000%	RG3
2030	500,000	September 1, 2026	3.000	RH1
2031	785,000	September 1, 2026	3.125	RJ7
2032	860,000	September 1, 2026	3.250	RK4
2033	945,000	September 1, 2026	3.250	RL2

The 2015 Refunding Bonds intended to be refunded by the Bonds (the “2015 Refunded Bonds”) are as follows\*:

**Sunnyvale School District  
(Santa Clara County, California)  
2015 General Obligation Refunding Bonds  
Identification of Refunded Bonds**

Maturity Date (September 1)	Principal Amount to be Refunded	Redemption Date*	Interest Rate	CUSIP <sup>1</sup> (867578)
2027	\$4,120,000	July 6, 2026	5.000%	SL1
2042 <sup>T</sup>	46,430,000	July 6, 2026	4.000	SV9

<sup>T</sup> – Term Bond

\* Preliminary; subject to change.

<sup>1</sup> Copyright 2026, American Bankers Association. CUSIP data herein is provided by CUSIP Global Services, managed by FactSet Research Systems on behalf of The American Bankers Association. This data is not intended to create a database and does not serve in any way as a substitute for the CUSIP Service. The CUSIP number is provided for convenience of reference only. Neither the District nor the Underwriter take any responsibility for the accuracy of such CUSIP number.

The 2013 Series B Bonds intended to be refunded by the Bonds (the “Refunded 2013 Series B Bonds”) are as follows\*:

**Sunnyvale School District  
(Santa Clara County, California)  
General Obligation Bonds, Election of 2013, Series B (2016)  
Identification of Refunded Bonds**

Maturity Date (September 1)	Principal Amount to be Refunded	Redemption Date*	Interest Rate	CUSIP <sup>1</sup> (867578)
2027	\$1,210,000	September 1, 2026	5.000%	TB2
2028	1,235,000	September 1, 2026	5.000	TC0
2029	1,255,000	September 1, 2026	3.000	TD8
2030	1,210,000	September 1, 2026	3.000	TE6
2031	1,210,000	September 1, 2026	3.250	TF3
2032	1,340,000	September 1, 2026	4.000	TG1
2033	1,625,000	September 1, 2026	4.000	TH9
2034	1,940,000	September 1, 2026	4.000	TJ5
2035	2,065,000	September 1, 2026	4.000	TK2
2036	2,380,000	September 1, 2026	4.000	TL0
2037	2,505,000	September 1, 2026	4.000	TM8
2038	2,550,000	September 1, 2026	4.000	TN6
2044 <sup>T</sup>	17,275,000	September 1, 2026	4.000	TP1

<sup>T</sup> – Term Bond

The 2015 Refunding Bonds which are not intended to be refunded are as follows\*:

**Sunnyvale School District  
(Santa Clara County, California)  
2015 General Obligation Refunding Bonds  
Identification of Unrefunded Bonds**

Maturity Date (September 1)	Principal Amount	Interest Rate	CUSIP <sup>1</sup> (867578)
2026	\$3,475,000	5.000%	SK3

Upon the issuance of the Bonds, the District will transfer the net proceeds of the Bonds to U.S. Bank Trust Company, National Association, as escrow agent (the “Escrow Agent”), for deposit into an escrow fund (the “Escrow Fund”) established pursuant to that certain Escrow and Deposit Agreement by and between the District and the Escrow Agent (the “Escrow Agreement”), to be applied to the redemption of the Refunded 2013 Series A Bonds and the Refunded 2013 Series B Bonds on or about September 1, 2026 and the redemption of the 2015 Refunded Bonds on or about July 6, 2026, at a redemption price of the par amount of the applicable Refunded Bonds plus accrued interest.

\* Preliminary; subject to change.

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The sufficiency of the amounts transferred to the Escrow Agent, together with investment earnings thereon, to effect the redemption of the Refunded Bonds will be verified by Causey Public Finance LLC, certified public accountants (the “Verification Agent”). See the caption “VERIFICATION” herein.

As a result of the deposit and application of funds so provided in the Escrow Agreement, and assuming the accuracy of the Underwriter’s and the Verification Agent’s computations, the Refunded Bonds will be defeased and the obligation of the County to levy *ad valorem* taxes for payment of the Refunded Bonds will also be defeased. Amounts deposited pursuant to the Escrow Agreement are not available to pay debt service on the Bonds.

## **SECURITY FOR THE BONDS**

### **General**

The Bonds are general obligations of the District, and the Board of Supervisors of the County has the power and is obligated to levy and collect *ad valorem* taxes upon all property within the District subject to taxation by the County, without limitation as to rate or amount (except certain personal property which is taxable at limited rates) for payment of both principal of and interest on the Bonds. The *ad valorem* property taxes collected for payment of principal of and interest on the Bonds shall be deposited to the Interest and Sinking Fund of the District held by the County prior to being transferred to the Paying Agent for payment of the Bonds.

The District is authorized to issue refunding bonds to refinance its outstanding general obligation bonds (including general obligation refunding bonds) or to purchase its outstanding general obligation bonds to be refunded under the Government Code (commencing with section 53550 thereof).

### **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 receive property taxes for payment of voter-approved bonds as well as for general operating purposes.

Local property taxation is the responsibility of various county officers. School districts whose boundaries extend into more than one county are treated for property tax purposes as separate jurisdictions in each county in which they are located. 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 treasurer and tax collector prepares and mails tax bills to taxpayers and collects the taxes. In addition, the treasurer and tax collector, as *ex officio* treasurer of each school district located in the county, holds school district funds, including taxes collected for payment of school bonds, and is charged with payment of principal and interest on the bonds when due.

### **Restrictions on use of *Ad Valorem* Taxes and Statutory Lien on Debt Service**

Under State law, school districts may levy *ad valorem* taxes (in addition to their share of the 1% county tax to pay operating expenses) only to pay principal of and interest on general obligation bonds that, like the Bonds, are approved at an election to finance specified projects or are bonds issued to refund such general obligation bonds. Moreover, State law provides that the *ad valorem* taxes may be levied to

pay the principal of and interest on bonds and for no other purpose. Consequently, under State law, the District is not authorized to divert revenue from *ad valorem* taxes levied to pay the Bonds to a purpose other than payment of the Bonds. Such *ad valorem* taxes are held by the County separate and apart from other funds of the County and the District. See “SOURCES AND USES OF FUNDS – District Investments; Application of Proceeds” hereinabove.

Pursuant to Section 53515 of the State Government Code, effective for any bonds issued on or after January 1, 2016, the Bonds will be secured by a statutory lien on all revenues received pursuant to the levy and collection of *ad valorem* property taxes for the payment thereof. The lien automatically attaches, without further action or authorization by the Board, and is valid and binding from the time the Bonds are executed and delivered. The revenues received pursuant to the levy and collection of the *ad valorem* property tax will be immediately subject to the lien, and such lien will be enforceable against the District, its successor, transferees and creditors, and all other parties asserting rights therein, irrespective of whether such parties have notice of the lien and without the need for physical delivery, recordation, filing or further act.

### **Pledge of Tax Revenues**

Under the Resolution, the District has pledged, as security for the Bonds and the interest thereon, the proceeds from the levy of the *ad valorem* tax which the County levies and receives and all interest earnings thereon (the “Pledged Moneys”). The Pledged Moneys shall be used to pay the principal of and interest on the Bonds when and as the same shall become due and payable.

The Bonds are the general obligations of the District, payable solely from Pledged Moneys and do not constitute an obligation of the County except as provided in the Resolutions. No part of any fund or account of the County is pledged or obligated to the payment of the Bonds or the interest thereon. Other than the Pledged Moneys, no funds or accounts of the District are pledged to payment of the Bonds.

### **TAX BASE FOR REPAYMENT OF THE BONDS**

*The information in this section describes ad valorem property taxation, assessed valuation, and other measures of the tax base of the District. The Bonds are payable solely from ad valorem taxes levied and collected by the County on taxable property in the District. The District’s General Fund is not a source for the repayment of the Bonds.*

### **Ad Valorem Property Taxation**

Taxes are levied for each fiscal year on taxable real and personal property which is situated in the County as of the preceding January 1. However, upon a change in ownership of property or completion of new construction, State law permits an accelerated recognition and taxation of increases in real property assessed valuation (known as a “floating lien date”). For assessment and 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 property secured by a lien which is sufficient, in the opinion of the assessor, to secure payment of the taxes. Other property is assessed on the “unsecured roll.”

The County levies a 1% property tax on behalf of all taxing agencies in the County. The taxes collected are allocated on the basis of a formula established by State law enacted in 1979. Under this formula, the County and all other taxing entities receive a base year allocation plus an allocation on the basis of “situs” growth in assessed value (new construction, change of ownership, inflation) prorated among the jurisdictions which serve the tax rate areas within which the growth occurs. Tax rate areas are specifically defined geographic areas which were developed to permit the levying of taxes for less than

county-wide or less than city-wide special and school districts. In addition, the County levies and collects additional approved property taxes and assessments on behalf of any taxing agency within the County.

Property taxes on the secured roll are due in two installments, on November 1 and February 1. If unpaid, such taxes become delinquent after December 10 and April 10, respectively, and a 10% penalty attaches to any delinquent payment. In addition, property on the secured roll secured by the assessee's fee ownership of land with respect to which taxes are delinquent is declared tax-defaulted on or about June 30. Those properties on the secured roll that become tax-defaulted on June 30 of the fiscal year that are not secured by the assessee's fee ownership of land are transferred to the unsecured roll and are then subject to the Treasurer's enforcement procedures (*i.e.*, seizures of money and property, liens and judgments). Such property may thereafter be redeemed by payment of the delinquent taxes and the delinquency penalty, plus a penalty of one and one-half percent per month to the time of redemption. If taxes are unpaid for a period of five years or more, the tax-defaulted property is subject to sale by the Treasurer.

Property taxes on the unsecured roll as of July 31 become delinquent, if unpaid, on August 31 and are subject to a 10% delinquency penalty. Unsecured property taxes remaining unpaid on October 31 are also subject to an additional penalty of one and one half percent per month on the first day of each month thereafter. The additional penalties shall continue to attach until the time of payment or until the time a court judgment is entered for the amount of unpaid taxes and penalties, whichever occurs first.

The taxing authority has four ways of collecting unsecured personal property taxes: (1) a civil action against the taxpayer; (2) filing a certificate in the office of the respective County Clerk specifying certain facts in order to obtain a judgment lien on certain property of the taxpayer; (3) filing a certificate of delinquency for recordation in the County Recorder's office in order to obtain a lien on certain property of the taxpayer; and (4) seizure and sale of personal property, improvements, bank accounts or possessory interests belonging or assessed to the taxpayer.

### **Assessed Valuations**

The assessed valuation of property in the District is established by the County Assessor, except for public utility property which is assessed by the State Board of Equalization. Assessed valuations are reported at 100% of the full value of the property, as defined in Article XIII A of the California Constitution. See "CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES" herein.

The State Constitution currently requires a credit of \$7,000 of the taxable value of an owner-occupied dwelling for which application has been made to the County Assessor. The revenue estimated to be lost to local taxing agencies due to the exemption is reimbursed from State sources. Reimbursement is based upon total taxes due upon such exempt value and is not reduced by any amount for estimated or actual delinquencies. Current law also provides, upon application, a basis exemption of \$100,000 increased by inflation for veterans with specified disabilities or for unmarried spouses of deceased veterans. The exemption may be raised to \$150,000 if the applicant meets the income limit of \$40,000.

In addition, certain classes of property such as cemeteries, free public libraries and museums, public schools, churches, colleges, not-for-profit hospitals and charitable institutions are exempt from property taxation and do not appear on the tax rolls. No reimbursement is made by the State for such exemptions.

The following table presents assessed valuation in the District since fiscal year 2016-17. The District’s total assessed valuation was \$52,367,214,414 for fiscal year 2025-26.

**SUNNYVALE SCHOOL DISTRICT  
Summary of Assessed Valuations  
Fiscal Years 2016-17 Through 2025-26**

Fiscal Year	Local Secured	Utility	Unsecured	Total	Annual % Change
2016-17	\$24,290,084,502	\$0	\$2,424,997,778	\$26,715,082,280	--
2017-18	26,543,056,988	0	2,904,372,166	29,447,429,154	10.23%
2018-19	29,990,582,897	0	3,268,724,793	33,259,307,690	12.94
2019-20	32,657,079,815	0	2,922,755,052	35,579,834,867	6.98
2020-21	35,615,460,430	0	3,460,698,087	39,076,158,517	9.82
2021-22	37,965,163,405	0	3,157,968,689	41,123,132,094	5.24
2022-23	40,945,886,603	0	3,335,290,402	44,281,177,005	7.68
2023-24	44,760,505,579	0	3,468,430,194	48,228,935,773	8.92
2024-25	48,076,428,470	0	3,138,482,804	51,214,911,274	6.19
2025-26	49,265,013,588	0	3,102,200,826	52,367,214,414	2.25

Source: *California Municipal Statistics, Inc.*

Economic and other factors beyond the District’s control, such as general market decline in property values, disruption in financial markets that may reduce availability of financing for purchasers of property, reclassification of property to a class exempt from taxation, whether by ownership or use (such as exemptions for property owned by the State and local agencies and property used for qualified education, hospital, charitable or religious purposes), or the complete or partial destruction of the taxable property caused by a natural or manmade disaster, such as earthquake, flood, fire, drought, or toxic contamination, or other impacts of climate change and global warming, could cause a reduction in the assessed value of taxable property within the District. Any such reduction would result in a corresponding increase in the annual tax rate levied by the County to pay the debt service with respect to the Bonds. See “SECURITY FOR THE BONDS” and the following section regarding natural disasters

**Natural Disasters Impacting Assessed Valuations**

***Drought Conditions.*** Water shortfalls resulting from the driest conditions in recorded State history caused a State-wide drought State of Emergency for California in 2014 and the imposition by State regulators of reductions in water usage through 2017 when the State-wide drought ended in almost all California counties.

During fiscal years 2020-21, 2021-22, and 2022-23, much of the State experienced Severe or Extreme Drought, pursuant to the U.S. Drought Monitor Classification Scheme. Beginning in April, 2021, Governor Newsom signed several executive orders relating to the drought, including declaring states of emergency due to drought in the State. On January 4, 2022, State Water Board adopted emergency use regulations prohibiting certain wasteful water practices such as watering ornamental landscapes during rain and using potable water to clean hard surfaces and driveways. In June 2022, additional emergency water conservation regulations took effect limiting watering of ornamental grasses in certain locations followed by additional water use regulations in December prohibiting wasteful water use practices. On March 24, 2023, as a result of rain and snowfall in the State, Governor Newsom rolled back many of the water use restrictions in his previous drought-related executive orders but left in place certain measures aimed at wasteful water uses as well as preserving ground water supplies. In September 2024, Governor Newsom lifted the drought states of emergency in 19 counties, including the County.

Currently, according to the U.S. Drought Monitor, 4.9% of the State is experiencing moderate drought and 51.4% of the State is experiencing abnormally dry conditions. The County is experiencing abnormally dry conditions. The District cannot predict if water usage restrictions might be imposed again or what impact such restrictions, if imposed, might have on the assessed valuation of the District and the local economy.

**Wildfires.** In recent years, certain portions of the State were affected by large-scale wildfires which destroyed both natural lands and residential and commercial properties and resulted in large-scale property value reductions in the impacted areas. The District has not been materially impacted by recent wildfires.

**Earthquakes.** All jurisdictions in California are subject to the effects of damaging earthquakes. Earthquakes are considered a threat to the District due to the highly active seismic region and the proximity of fault zones, which could influence the entire coastal portion of the State. An earthquake along one of the faults in the vicinity, either known or unknown, could cause a number of casualties and extensive property damage. The effects of such a quake could be aggravated by aftershocks and secondary effects such as fires, landslides, dam failure, liquefaction and other threats to public health, safety and welfare. The potential direct and indirect consequences of a major earthquake can easily exceed the resources of the District and other local public entities and would require a high level of self-help, coordination and cooperation.

The District is located in a high risk-level earthquake zone. The territory within the City has experienced more than 5,387 earthquakes since 1931, with the largest earthquake within 30 miles of the County, being a 6.9 magnitude, which occurred in 1989. There is a 99.6% chance of a major earthquake (i.e., a 5.0 magnitude or greater) within 50 miles of the County within the next 50 years.

**Climate Change.** Climate change caused by human activities may have adverse effects on the property within the boundaries of the District. Climate change can also result in more variable weather patterns throughout the State, which can lead to longer and more severe droughts and wildfires as well as increased risk of flooding and a rise in sea levels. Projections of the impacts of global climate change are complex and depend on many factors that are outside the District's control. The various scientific studies that forecast the amount and timing of adverse impacts of climate change are based on assumptions contained in such studies, but actual events may vary materially. Also, the scientific understanding of climate change and its effects continues to evolve. Accordingly, the District is unable to forecast with certainty when adverse impacts of climate change will occur or the extent of such impacts.

The occurrence of natural disasters within the boundaries of the District could result in substantial damage to property within the District (including District properties) and, in turn, could substantially reduce assessed valuations of such property.

**Change in Economic Conditions.** The outbreak of COVID-19 and the corresponding measures to prevent its spread caused widespread unemployment and economic slowdown in the United States, the State and the County. The economic slowdown created by such a pandemic may increase the risk of an economic recession or depression or a general market decline in real estate values in the future, which in turn could lead to a reduction of assessed values in the District. Economic downturn which impacts property values can occur as a result of many factors which cannot be predicted.

The District cannot make any representation regarding the effects that drought, flooding, changes in economic conditions (caused by pandemic, tariffs or otherwise), fire conditions, earthquakes, or other natural disasters has had, or may have on the value of taxable property within the District, or to what

extent such conditions could cause disruptions to economic activity, destroy property, reduce land values and adversely impact other economic activity within the boundaries of the District.

### **Re-assessments and Appeals of Assessed Valuations**

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 a form prescribed by the State Board of Equalization (“SBE”), with the appropriate county board of equalization or assessment appeals board. In most cases, an appeal is filed because the applicant believes that present market conditions (such as lower residential home sale 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. Such reductions are subject to yearly reappraisals and may be adjusted back to their original values when market conditions improve. Once the property has regained its prior value, adjusted for inflation, it once again is subject to the annual inflationary factor growth rate allowed under Article XIII A. See “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES – Article XIII A of the California Constitution.”

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.

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, as occurred between 2009 and 2011) 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 XIII A (currently, a 2% annual maximum) until such assessed value again equals the Article XIII A 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 XIII A and base year values may not be increased by more than the standard Article XIII A 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 XIII A base year value for such property. See “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES – Article XIII A of the California Constitution” herein.

**Assembly Bill 102.** On June 27, 2017, the Governor of the State (the “Governor”) signed into law Assembly Bill 102 (“AB 102”). AB 102 restructured the functions of the SBE and created two new separate agencies: (i) the California Department of Tax and Fee Administration, and (ii) the Office of Tax Appeals. Under AB 102, the California Department of Tax and Fee Administration took over programs previously in the SBE Property Tax Department, such as the Tax Area Services Section, which is responsible for maintaining all property tax-rate area maps and for maintaining special revenue district boundaries. Under AB 102, the SBE continues to perform the duties assigned by the State Constitution

related to property taxes, however, effective January 1, 2018, the SBE only hears appeals related to the programs that it constitutionally administers and the Office of Tax Appeals hears appeals on all other taxes and fee matters, such as sales and use tax and other special taxes and fees. AB 102 obligates the Office of Tax Appeals to adopt regulations as necessary to carry out its duties, powers and responsibilities. No assurances can be given as to the effect of such regulations on the appeals process or on the assessed valuation of property within the District.

No assurance can be given that property tax appeals and reassessments in the future will not significantly reduce the assessed valuation of property within the District. However, any reduction in assessed value within the District would simply increase the tax rate necessary to pay the Bonds and any outstanding general obligations bonds of the District. The Board of Supervisors of the County is obligated to levy and collect *ad valorem* taxes, without limitation as to rate or amount (except certain personal property which is taxable at limited rates) for payment of both principal of and interest on outstanding general obligation bonds of the District.

**Assessed Valuation by Jurisdiction**

The table below sets forth the assessed valuation of the taxable property within the District by jurisdiction for fiscal year 2025-26.

**SUNNYVALE SCHOOL DISTRICT  
2025-26 Assessed Valuation by Jurisdiction**

<u>Jurisdiction:</u>	Assessed Valuation <u>in District</u>	% of <u>District</u>	Assessed Valuation <u>of Jurisdiction</u>	% of Jurisdiction <u>in District</u>
City of Mountain View	\$ 457,715,185	0.87%	\$ 47,929,037,656	0.95%
City of Sunnyvale	<u>51,909,499,229</u>	<u>99.13</u>	73,955,973,488	70.19
Total District	\$52,367,214,414	100.00%		
Santa Clara County	\$52,367,214,414	100.00%	\$724,389,302,999	7.23%

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Source: *California Municipal Statistics, Inc.*

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## Assessed Valuation by Land Use

The table below sets forth the assessed valuation of the taxable property within the District by land use for fiscal year 2025-26.

### SUNNYVALE SCHOOL DISTRICT 2025-26 Assessed Valuation and Parcels by Land Use

	2025-26 Assessed Valuation <sup>(1)</sup>	% of Total	No. of Parcels	% of Total
<b>Non-Residential:</b>				
Commercial	\$ 2,169,986,115	4.40%	405	1.91%
Professional/Office	10,755,973,672	21.83	370	1.75
Industrial	12,147,784,400	24.66	476	2.25
Recreational	14,081,475	0.03	5	0.02
Government/Social/Institutional	<u>13,381,096</u>	<u>0.03</u>	<u>34</u>	<u>0.16</u>
Subtotal Non-Residential	\$25,101,206,758	50.95%	1,290	6.09%
<b>Residential:</b>				
Single Family Residence	\$11,269,107,681	22.87%	11,474	54.14%
Condominium/Townhouse	5,694,399,577	11.56	5,967	28.16
Mobile Home	115,890,547	0.24	1,010	4.77
2-4 Residential Units	897,462,272	1.82	903	4.26
5+ Residential Units/Apartments	<u>5,914,054,656</u>	<u>12.00</u>	<u>448</u>	<u>2.11</u>
Subtotal Residential	\$23,890,914,733	48.49%	19,802	93.44%
Vacant	\$272,892,097	0.55%	101	0.48%
<b>Total</b>	<b>\$49,265,013,588</b>	<b>100.00%</b>	<b>21,193</b>	<b>100.00%</b>

<sup>(1)</sup> Local Secured Assessed Valuation, excluding tax-exempt property.  
Source: *California Municipal Statistics, Inc.*

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**Assessed Valuation of Single Family Homes**

The following table sets forth ranges of assessed valuations of single family homes in the District for fiscal year 2025-26, including the median and average assessed value per single family parcel.

**SUNNYVALE SCHOOL DISTRICT  
Per Parcel 2025-26 Assessed Valuation of Single Family Homes**

Single Family Residential	<u>No. of Parcels</u>	<u>2025-26 Assessed Valuation</u>	<u>Average Assessed Valuation</u>	<u>Median Assessed Valuation</u>
	11,474	\$11,269,107,681	\$982,143	\$797,799

  

<u>2025-26 Assessed Valuation</u>	<u>No. of Parcels<sup>(1)</sup></u>	<u>% of Total</u>	<u>Cumulative % of Total</u>	<u>Total Valuation</u>	<u>% of Total</u>	<u>Cumulative % of Total</u>
\$0 - \$99,999	745	6.493%	6.493%	\$ 55,724,238	0.494%	0.494%
\$100,000 - \$199,999	834	7.269	13.762	116,247,479	1.032	1.526
\$200,000 - \$299,999	584	5.090	18.851	145,458,225	1.291	2.817
\$300,000 - \$399,999	779	6.789	25.641	270,754,966	2.403	5.219
\$400,000 - \$499,999	724	6.310	31.950	326,912,253	2.901	8.120
\$500,000 - \$599,999	706	6.153	38.104	389,080,232	3.453	11.573
\$600,000 - \$699,999	752	6.554	44.657	487,863,712	4.329	15.902
\$700,000 - \$799,999	632	5.508	50.166	472,206,615	4.190	20.093
\$800,000 - \$899,999	525	4.576	54.741	446,795,435	3.965	24.057
\$900,000 - \$999,999	506	4.410	59.151	480,165,764	4.261	28.318
\$1,000,000 - \$1,099,999	534	4.654	63.805	561,338,273	4.981	33.299
\$1,100,000 - \$1,199,999	463	4.035	67.840	532,293,323	4.723	38.023
\$1,200,000 - \$1,299,999	402	3.504	71.344	502,374,912	4.458	42.481
\$1,300,000 - \$1,399,999	387	3.373	74.717	521,469,741	4.627	47.108
\$1,400,000 - \$1,499,999	330	2.876	77.593	478,006,289	4.242	51.350
\$1,500,000 - \$1,599,999	309	2.693	80.286	478,499,379	4.246	55.596
\$1,600,000 - \$1,699,999	269	2.344	82.630	443,343,078	3.934	59.530
\$1,700,000 - \$1,799,999	252	2.196	84.827	440,184,735	3.906	63.436
\$1,800,000 - \$1,899,999	228	1.987	86.814	421,300,048	3.739	67.175
\$1,900,000 - \$1,999,999	206	1.795	88.609	401,159,360	3.560	70.735
\$2,000,000 and greater	<u>1,307</u>	<u>11.391</u>	100.000	<u>3,297,929,624</u>	<u>29.265</u>	100.000
	11,474	100.000%		\$11,269,107,681	100.000%	

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

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## Largest Taxpayers

The table below sets forth the largest local secured taxpayers within the District in fiscal year 2025-26. Each taxpayer listed below is a name listed on the tax rolls. The District cannot make any representation as to whether individual persons, corporations or other organizations are liable for tax payments with respect to multiple properties held in various names that in aggregate may be larger than is suggested by the table below.

### SUNNYVALE SCHOOL DISTRICT 2025-26 Largest Total Secured Taxpayers

	<u>Property Owner</u>	<u>Primary Land Use</u>	2025-26 <u>Assessed Valuation</u>	% of <u>Total<sup>(1)</sup></u>
1.	Google Inc.	Office Building	\$ 3,797,349,686	7.71%
2.	Intuitive Surgical Inc.	Office Building	1,574,741,362	3.20
3.	Lockheed Missiles and Space Co. Inc.	Manufacturing	1,049,775,154	2.13
4.	Applied Materials Inc.	Manufacturing	908,564,354	1.84
5.	Pathline Park I LLC	Industrial	862,329,813	1.75
6.	CW SPE LLC	Office Building	843,853,777	1.71
7.	LinkedIn Corporation	Office Building	722,709,825	1.47
8.	Menlo & Juniper Networks LLC	Office Building	682,836,848	1.39
9.	1345-1395 Crossman Owner LLC	Industrial	589,280,429	1.20
10.	MP 521 LLC	Office Building	535,535,976	1.09
11.	441 Real Estate LLC	Industrial	448,799,998	0.91
12.	KR 555 Mathilda LLC	Office Building	413,684,524	0.84
13.	STC Venture 200WA LLC	Office Building	402,708,840	0.82
14.	Fortinet Inc.	Industrial	379,573,974	0.77
15.	SPF Mathilda LLC	Office Building	375,427,593	0.76
16.	STC Venture Block 3RWS LLC	Apartments	345,015,611	0.70
17.	Desert Sunrise LLC	Industrial	337,382,359	0.68
18.	CLPF GRP Sunnyvale Kifer LLC	Apartments	330,666,333	0.67
19.	Tech Corners Campus LLC	Industrial	325,468,735	0.66
20.	655 South Fair Oaks	Apartments	<u>318,374,205</u>	<u>0.65</u>
			\$15,244,079,396	30.94%

<sup>(1)</sup> 2025-26 local secured assessed valuation: \$49,265,013,588

Source: *California Municipal Statistics, Inc.*

The top 20 taxpayers on the secured roll for fiscal year 2025-26 account for 30.94% of the local secured assessed value in the District which is \$49,265,013,588. According to California Municipal Statistics, Inc., the largest secured taxpayer in the District for fiscal year 2025-26 was Google Inc. accounting for 7.71% of the total secured assessed value in the District. No other secured taxpayer accounts for more than 3.20% of the total secured assessed value in the District. The more property (by assessed value) owned by a single taxpayer, the more tax collections are exposed to weakness, if any, in such taxpayer's financial situation and ability or willingness to pay property taxes in a timely manner. The District cannot determine from County assessment records whether individual persons, corporations or other organizations are liable for tax payments with respect to multiple properties held in various names that in aggregate may be larger than is suggested by the table.

**Tax Rates**

The following table sets forth typical tax rates levied in Tax Rate Area 9-002 by the County within the District for fiscal years 2021-22 through 2025-26:

**SUNNYVALE SCHOOL DISTRICT  
Typical Tax Rate per \$100 Assessed Valuation (TRA 9-002)<sup>(1)</sup>**

	<u>2021-22</u>	<u>2022-23</u>	<u>2023-24</u>	<u>2024-25</u>	<u>2025-26</u>
General Tax Rate	\$1.00000	\$1.00000	\$1.00000	\$1.00000	\$1.00000
County Retirement Levy	0.03880	0.03880	0.03880	0.03880	0.03880
County Hospital and Housing Bonds	0.01876	0.01710	0.01500	0.00980	0.01080
Sunnyvale School Bond	0.03250	0.03230	0.02920	0.02860	0.04330
Foothill-De Anza Community College	0.03310	0.02910	0.02780	0.02860	0.03110
Fremont Union High School District	0.04160	0.03710	0.04410	0.03970	0.04170
El Camino Hospital District	0.01000	0.00900	0.00500	0.00200	0.00200
Midpeninsula Open Space District	<u>0.00150</u>	<u>0.00130</u>	<u>0.00120</u>	<u>0.00130</u>	<u>0.00140</u>
Total All Property Tax Rate	\$1.17626	\$1.16470	\$1.16110	\$1.14880	\$1.16910
SCVWD – State Water Project	<u>\$0.00510</u>	<u>\$0.00440</u>	<u>\$0.00410</u>	<u>\$0.00410</u>	<u>\$0.00390</u>
Total Land and Improvement Tax Rate	\$0.00510	\$0.00440	\$0.00410	\$0.00410	\$0.00390

<sup>(1)</sup> 2025-26 assessed valuation of TRA 9-002 is \$40,858,787,812 which is 78.02% of the District’s total assessed valuation.  
Source: *California Municipal Statistics, Inc.*

**The Teeter Plan**

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. Under the Teeter Plan for the County, the County apportions secured property taxes on an accrual basis when due (irrespective of actual collections) to its local political subdivisions, including the District, for which the County acts as the tax-levying or tax-collecting agency.

The Teeter Plan for the County is applicable to all tax levies for which the County acts as the tax-levying or tax-collecting agency, or for which the County Treasury is the legal depository of tax collections.

Under the Teeter Plan, the District will receive 100% of its *ad valorem* property tax levied on the secured roll with respect to the Bonds irrespective of actual delinquencies in the collection of property taxes by the County.

The Teeter Plan of the County 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 of the County receives a petition for its discontinuance joined in by a resolution adopted by at least two-thirds of the participating revenue districts in the County. In the event the Board of Supervisors of the County orders discontinuance of its Teeter Plan, 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. In addition, if the delinquency rate for all *ad valorem* property taxes levied within the District exceeds 3%, the Board of Supervisors can terminate the Teeter Plan with respect to the District. In the event that the Teeter Plan were terminated with regard to the secured tax roll, the amount of the levy of *ad valorem* property taxes

would depend upon the collection of *ad valorem* property taxes and delinquency rates experienced with respect to the parcels within the District.

The District is not aware of any petitions for the discontinuance of the Teeter Plan now pending in the County. There can be no assurance that the County will always maintain the Teeter Plan or will have sufficient funds available to distribute the full amount of the District's share of property tax collections to the District. The ability of the County to maintain the Teeter Plan may depend on its financial resources and may be affected by future property tax delinquencies. Property tax delinquencies may be impacted by economic and other factors beyond the District's or the County's control, including the ability or willingness of property owners to pay property taxes during an economic recession or depression. An economic recession or depression could be caused by many factors outside the control of the District, including high interest rates, reduced consumer confidence, reduced real wages or reduced economic activity as a result of pandemics or natural or manmade disaster.

### **Direct and Overlapping Debt**

Numerous local agencies that provide public services overlap the District's service area. These local agencies have outstanding debt in the form of general obligation, lease revenue and special assessment bonds. The following table shows the District's estimated direct and overlapping bonded debt. The statement excludes self-supporting revenue bonds, tax allocation bonds and non-bonded capital lease obligations. The District and the Underwriter have not reviewed this table and there can be no assurance as to the accuracy of the information contained in the table; inquiries concerning the scope and methodology of procedures carried out to compile the information presented should be directed to California Municipal Statistics, Inc.

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The following table is a statement of the District's direct and estimated overlapping bonded debt as of March 1, 2026:

**SUNNYVALE SCHOOL DISTRICT**  
**Direct and Overlapping Bonded Indebtedness**

2025-26 Assessed Valuation: \$52,367,214,414

<u>DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>% Applicable</u>	<u>Debt 3/1/26</u>
Santa Clara County	7.229%	\$ 84,980,871
Foothill-De Anza Community College District	20.429	140,792,237
Fremont Union High School District	45.592	351,409,499
<b>Sunnyvale School District</b>	<b>100.000</b>	<b>355,235,820<sup>(1)</sup></b>
El Camino Hospital District	32.207	30,718,297
Midpeninsula Regional Open Space District	11.748	13,175,969
City of Sunnyvale Community Facilities District No. 1	100.000	9,165,000
Santa Clara Valley Water District Benefit Assessment District	7.229	1,476,523
Santa Clara Valley Water District Parcel Tax Obligation	7.229	<u>8,518,292</u>
<b>TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT</b>		<b>\$995,472,508</b>
 <u>OVERLAPPING GENERAL FUND DEBT:</u>		
Santa Clara County General Fund Obligations	7.229%	\$ 71,092,805
Santa Clara County Pension Obligation Bonds	7.229	22,518,356
Santa Clara County Office of Education General Fund Obligations	7.229	834,980
City of Sunnyvale General Fund Obligations	70.190	88,555,214
Midpeninsula Regional Open Space District General Fund Obligations	11.748	<u>7,979,312</u>
<b>TOTAL GROSS OVERLAPPING GENERAL FUND DEBT</b>		<b>\$190,980,667</b>
Less: Santa Clara County Lease Revenue Bonds supported by VMC and airport revenues		<u>156,508</u>
<b>TOTAL NET OVERLAPPING GENERAL FUND DEBT</b>		<b>\$190,824,159</b>
 <b>GROSS COMBINED TOTAL DEBT</b>		 <b>\$1,186,453,175<sup>(2)</sup></b>
<b>NET COMBINED TOTAL DEBT</b>		<b>\$1,186,296,667</b>

Ratios to 2025-26 Assessed Valuation:

<b>Direct Debt (\$355,235,820)</b> .....	<b>0.68%</b>
Total Direct and Overlapping Tax and Assessment Debt .....	1.90%
Gross Combined Total Debt.....	2.27%
Net Combined Total Debt.....	2.27%

<sup>(1)</sup> Excludes the Bonds to be sold and includes the Refunded Bonds.

<sup>(2)</sup> Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

Source: *California Municipal Statistics, Inc.*

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## DISTRICT FINANCIAL INFORMATION

*The information in this section concerning the operations of the District and the District's finances 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 and interest on the Bonds is payable from the General Fund of the District. The Bonds are payable from the proceeds of an ad valorem tax approved by the voters pursuant to all applicable laws and State Constitutional requirements, and required to be levied by the County on all taxable property within the District in an amount sufficient for the timely payment of principal and interest on the Bonds. See "SECURITY FOR THE BONDS" and "TAX BASE FOR REPAYMENT OF THE BONDS" herein.*

### State Funding of Education

**Local Control Funding Formula.** State Assembly Bill 97 (Stats. 2013, Chapter 47) ("AB 97"), enacted as a part of the 2013-14 State budget, enacted the Local Control Funding Formula ("LCFF") beginning in fiscal year 2013-14, which replaced the revenue limit funding system and many categorical programs. The LCFF distributes resources to school districts through a guaranteed base funding grant (the "Base Grant") per unit of ADA. The average Base Grant per unit of ADA under the LCFF is more than the average revenue limit under the prior funding system. A Base Grant is assigned to each of four grade spans. Additional supplemental funding is made available based on the proportion of English language learners, low-income students and foster youth.

For fiscal year 2025-26, the LCFF provides to school districts and charter schools a Target Base Grant for each Local Education Agency ("LEA") equivalent to (a) \$11,323 per ADA for transitional kindergarten/kindergarten through grade 3; (b) \$10,411 per ADA for grades 4 through 6; (c) \$10,719 per ADA for grades 7 and 8; and (d) \$12,746 per ADA for grades 9 through 12. For fiscal year 2025-26, the LCFF also provides an adjusted add-on for Transitional Kindergarten ("TK") equal to \$5,545.

Beginning in fiscal year 2013-14, and in each subsequent year, the Base Grants have been adjusted for cost-of-living increases by applying the implicit price deflator for government goods and services. With full implementation of the LCFF, the provision of a cost-of-living-adjustment ("COLA") is now subject to appropriation for such adjustment in the annual State budget. For fiscal year 2024-25, the COLA was 1.07%, and for fiscal year 2025-26, the COLA is slightly higher, at 2.30%. See "– 2025-26 State Budget" for information regarding the COLA for fiscal year 2025-26. The differences among Base Grants are linked to differentials in statewide average revenue limit rates by district type, and are intended to recognize the generally higher costs of education at higher grade levels.

The Base Grants for grades K-3 and 9-12 are subject to adjustments of 10.4% and 2.6%, respectively, to cover the costs of class size reduction in early grades and the provision of career technical education in high schools. Unless otherwise collectively bargained for, school districts serving students in grades K-3 must maintain an average class enrollment of 24 or fewer students in grades K-3 at each school site in order to continue receiving the adjustment to the K-3 Base Grant. Additional add-ons are also provided to school districts that received categorical block grant funding pursuant to the Targeted Instructional Improvement and Home-to-School Transportation programs during fiscal year 2012-13.

The State budget for fiscal year 2021-22 also implemented a plan to expand the LCFF to include TK to all four-year olds. This plan has been phased-in in cohorts of TK students over a four-year period, which will be complete in fiscal year 2025-26.

School districts that serve students of limited English proficiency ("EL" students), students from low income families that are eligible for free or reduced priced meals ("LI" students) and foster youth are

eligible to receive additional funding grants. Enrollment counts are unduplicated, such that students may not be counted as both EL and LI (foster youth automatically meet the eligibility requirements for free or reduced priced meals (“FRPM”) and are not discussed separately herein). A supplemental grant add-on (each, a “Supplemental Grant”) is authorized for school districts that serve EL/LI students, equal to 20% of the applicable Base Grant multiplied by such districts’ percentage of EL/LI student enrollment. School districts whose EL/LI student populations exceed 55% of their total enrollment are eligible for a concentration grant add-on (each, a “Concentration Grant”) equal to 65% of the applicable Base Grant multiplied by the percentage of such district’s unduplicated EL/LI student enrollment in excess of the 55% threshold.

**ADA and Enrollment**

The following table sets forth the historical ADA at P-2 and enrollment for fiscal years 2016-17 through 2024-25.

**SUNNYVALE SCHOOL DISTRICT  
Historical ADA and Enrollment  
Fiscal Years 2016-17 through 2024-25**

Fiscal Year	ADA	Enrollment
2016-17	6,426	6,536
2017-18	6,327	6,575
2018-19	6,412	6,664
2019-20	6,414	6,426
2020-21 <sup>1</sup>	6,414	5,950
2021-22	5,272	5,480
2022-23	5,150	5,465
2023-24	5,313	5,618
2024-25	5,481	5,764

<sup>1</sup> Due to the COVID-19 pandemic, Average Daily Attendance was irregularly reported in 2021. Average Daily Attendance at P-2 was not reported in 2021. Funding was based on Average Daily Attendance at P-2 as reported in 2020.  
Source: *The District*.

**Enrollment Trends.** As shown in the table above, the District has experienced slow enrollment growth followed by declines in the last decade with small increases in recent years. The District expects enrollment to decline slightly in the next two fiscal years, with an annual loss of approximately 50 students, which as a community-funded district, does not impact funding.

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The following table sets forth the actual ADA, enrollment and the percentage of EL/LI enrollment for fiscal year 2024-25, budgeted for fiscal year 2025-26 and projected for fiscal years 2026-27 through 2027-28.

**SUNNYVALE SCHOOL DISTRICT**  
**ADA, English Language/Low Income Enrollment**  
**Fiscal Years 2024-25 through 2027-28**

Fiscal Year	ADA			Total ADA	Enrollment	
	TK-3	4-6	7-8		Total Enrollment	% of EL/LI Enrollment
2024-25	2,602.79	1,754.70	1,123.57	5,481.06	5,764	40.74%
2025-26 <sup>(1)</sup>	2,563.81	1,730.36	1,108.96	5,403.13	5,686	44.42
2026-27 <sup>(2)</sup>	2,541.30	1,715.16	1,099.22	5,355.68	5,636	44.42
2027-28 <sup>(2)</sup>	2,516.49	1,698.42	1,088.49	5,303.41	5,581	44.42

<sup>1</sup> Budgeted.

<sup>2</sup> Projected.

Source: *The District*.

Due to the COVID-19 pandemic and related State budget-implementing legislation, California school districts, other than certain charter school districts, were held harmless against any loss of ADA for purposes of calculating apportionment in the 2020-21 fiscal year, with ADA for purposes of calculation of state funding based on ADA for fiscal year 2019-20. Additionally, due to State-wide declining enrollment trends, additional hold harmless measures have been instituted to shelter school districts from large annual revenue losses. For fiscal year 2021-22, ADA for funding purposes was based on ADA in fiscal year 2019-20. The fiscal year 2022-23 budget for the State permits school districts, on an on-going basis, to use the greater of the current year or prior year ADA or an average of the three prior years' ADA to calculate LCFF funding. See "DISTRICT FINANCIAL INFORMATION – State Budget Measures."

The sum of a school district's adjusted Base, Supplemental and Concentration Grants will be multiplied by such district's P-2 ADA for the current, prior year, or an average of the three prior years' ADA, whichever is greater (with certain adjustments applicable to small school districts). This funding amount, together with any applicable categorical block grant add-ons, will yield a district's total LCFF allocation. Generally, the amount of annual State apportionments received by a school district will amount to the difference between such total LCFF allocation and such district's share of applicable local property taxes. Most school districts receive a significant portion of their funding from such State apportionments. As a result, decreases in State revenues may significantly affect appropriations made by the State Legislature to school districts.

Certain school districts, known as "community-funded" districts (formerly, "basic aid" districts), have allocable local property tax collections that equal or exceed such districts' total LCFF allocation, and result in the receipt of no State apportionment aid. Community-funded school districts receive only special categorical funding, which is deemed to satisfy the "basic aid" requirement of \$120 per student per year guaranteed by Article IX, Section 6 of the State Constitution. The implication for community-funded districts is that the legislatively determined allocations to school districts, and other politically determined factors, are less significant in determining their primary funding sources. Rather, property tax growth and the local economy are the primary determinants.

The District currently qualifies as community funded, as its local property tax collections exceed its LCFF funding entitlement and expects to continue to qualify as community funded in future fiscal years. The District estimates that its local property tax revenues exceeded the threshold for categorization as a community funded district by approximately \$46.9 million or 40.8% for fiscal year 2025-26.

**Accountability.** The State Board of Education has promulgated regulations regarding the expenditure of supplemental and concentration funding, including a requirement that school districts increase or improve services for EL/LI students in proportion to the increase in funds apportioned to such district on the basis of the number and concentration of such EL/LI students, as well as the conditions under which school districts can use supplemental or concentration funding on a school-wide or district-wide basis.

School districts are also required to adopt Local Control and Accountability Plans (“LCAPs”) disclosing annual goals for all students, as well as certain numerically significant student subgroups, to be achieved in eight areas of State priority identified by the LCFF. LCAPs may also specify additional local priorities. LCAPs must specify the actions to be taken to achieve each goal, including actions to correct identified deficiencies with regard to areas of State priority. LCAPs, covering a three-year period, are required to be adopted annually. The SBE has developed and adopted a template LCAP for use by school districts.

**Support and Intervention.** The LCFF establishes a new system of support and intervention to assist school districts meet the performance expectations outlined in their respective LCAPs. School districts must adopt their LCAPs (or annual updates thereto) in tandem with their annual operating budgets, and not later than five days thereafter submit such LCAPs or updates to their respective county superintendents of schools. On or before August 15 of each year, a county superintendent may seek clarification regarding the contents of a district’s LCAP (or annual update thereto), and the district is required to respond to such a request within 15 days. Within 15 days of receiving such a response, the county superintendent can submit non-binding recommendations for amending the LCAP or annual update, and such recommendations must be considered by the respective school district at a public hearing within 15 days. A district’s LCAP or annual update must be approved by the county superintendent by October 8 of each year if the superintendent determines that (i) the LCAP or annual update adheres to the State template, and (ii) the district’s budgeted expenditures are sufficient to implement the actions and strategies outlined in the LCAP.

A school district is required to receive additional support if its respective LCAP or annual update thereto is not approved, if the district requests technical assistance from its respective county superintendent, or if the district does not improve student achievement across more than one State priority for one or more student subgroups. Such support can include a review of a district’s strengths and weaknesses in the eight State priority areas, or the assignment of an academic expert to assist the district identify and implement programs designed to improve outcomes. Assistance may be provided by the California Collaborative for Educational Excellence, a state agency created by the LCFF and charged with assisting school districts achieve the goals set forth in their LCAPs. The State Board of Education has developed rubrics to assess school district performance and the need for support and intervention.

The State Superintendent of Public Instruction (the “State Superintendent”) is further authorized, with the approval of the State Board of Education, to intervene in the management of persistently underperforming school districts. The State Superintendent may intervene directly or assign an academic trustee to act on his or her behalf. In so doing, the State Superintendent is authorized to (i) modify a district’s LCAP, (ii) impose budget revisions designed to improve student outcomes, and (iii) stay or

rescind actions of the local governing board that would prevent such district from improving student outcomes; provided, however, that the State Superintendent is not authorized to rescind an action required by a local collective bargaining agreement. The District has not previously been subject to any of the above-described support and intervention procedures.

In the last five years, the District has adopted its annual LCAP in compliance with the LCFF.

## **Revenue Sources**

The District categorizes its General Fund revenues into four sources. Each of these revenue sources is briefly described below. See “-Percentage of Revenues by Source” below for the percentage of total General Fund revenues from each of the four sources of revenue for fiscal years 2021-22 through 2025-26.

***LCFF Sources.*** State funding under the LCFF consists of Base Grants and supplemental grants as described above. This category also includes local property taxes. See “-- State Funding of Education – Local Control Funding Formula” above. When a district is a community-funded district, like the District, such district’s share of local property taxes meets or exceeds its LCFF entitlement and therefore the District only receives minimum State aid and not any portion of its Base Grant from the State. The District is currently a community-funded district and expects to continue as community-funded for the foreseeable future.

***Federal Revenues.*** The federal government provides funding under the Every Student Succeeds Act for several District programs, including special education programs.

On January 20, 2025, President Trump issued a series of executive orders, which include ensuring that federal funds are used in a manner approved by the current administration. In response to and in an effort to carry out such orders, on January 27, 2025, the White House Office of Management and Budget (“OMB”) released its memorandum M-25-13, Temporary Pause of Agency Grant, Loan, and Other Financial Assistance Programs (the “OMB Memorandum”). The OMB Memorandum directed federal agencies to temporarily pause all activities related to obligation or disbursement of all federal financial assistance in order to review spending for consistency with the Trump Administration’s policies, stating that the temporary pause was to become effective at 5:00 p.m. on January 28, 2025. The OMB Memorandum caused uncertainty as to whether certain Federal funding and grants would be paused.

Before the OMB Memorandum became effective, two separate lawsuits were filed in federal district courts in Rhode Island and the District of Columbia challenging the OMB Memorandum and seeking injunctions. On January 28, 2025, shortly before the OMB Memorandum became effective, a District of Columbia federal judge issued an emergency administrative stay through February 3, 2025, at which time a preliminary injunction hearing was set. On January 29, 2025, OMB rescinded the OMB Memorandum. Although the OMB Memorandum was rescinded, the executive orders are in effect and the matter is ongoing as spending reviews are ongoing. On January 31, 2025, a Rhode Island federal judge issued a temporary restraining order on the pause. On February 3, 2025, the District of Columbia federal judge issued a temporary restraining order as well. On February 10, 2025, the Rhode Island federal judge granted a motion for a preliminary injunction and issued an Enforcement Order clarifying the scope of the temporary restraining order and ordering the Trump Administration to release federal funds and comply with the earlier order. The Trump Administration appealed the temporary restraining order to the U.S. Court of Appeals for the First Circuit. The Trump Administration’s request to stay the temporary restraining order pending appeal was denied. The U.S. Department of Education released a letter, dated February 14, 2025, notifying schools and colleges to eliminate diversity, equity, and inclusion programs and initiatives by the end of the month or risk losing federal funding. The District cannot predict any

action to be taken in carrying out the executive orders nor its effect on the District's federal funding or operations of the District.

On March 20, 2025, President Trump signed an executive order aimed at terminating the United States Department of Education. On June 30, 2025, the Trump Administration announced it would be withholding approximately \$6.8 billion in federal funding due to be released on July 1, 2025 for certain Title I, II, III and IV programs, including migrant education, professional development, English-learner services, academic enrichment, before-and after-school programs, and adult basic and literacy education. In the June 30, 2025 announcement, the Trump Administration stated that such program grants were under review and no decision had yet been made for the upcoming academic year. The District cannot predict the types of possible federal funding cuts that may occur or the extent of such cuts, if any, however, the District does not expect the withholding of such federal funds to have a material impact on the District's revenues or operations.

***Other State Revenues.*** The District receives some other State revenues. These other State revenues are primarily restricted revenues funding items such as instructional materials and various block grants.

The District receives State aid from the California State Lottery (the "Lottery"), which was established by a constitutional amendment approved in the November 1984 general election. Lottery revenues must be used for the education of students and cannot be used for non-instructional purposes such as real property acquisition, facility construction, or the financing of research. Moreover, State law requires that 50% of the increase in Lottery revenues over 1997-98 levels must be restricted to use on instructional material.

***Other Local Revenues.*** In addition to property taxes, the District receives additional local revenues from items such as interest earnings, interagency services and other local sources.

***Parcel Tax Revenue.*** On November 5, 2024, voters in the District approved Measure Y, renewing a \$59 parcel tax that was first approved by the voters in 2011 for a period of eight years. The District expects to collect approximately \$1.1 million annually under Measure Y.

***Lease Revenue.*** The District has entered into ground and land leases with three parties. The leases vary in length from eight to twenty-eight years and the District receives \$4,078,349 in total annual payments. The District recognized \$3,597,215 in lease revenue and \$481,134 in interest revenue during fiscal year 2024-25.

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**Percentage of Revenues by Source**

The following table presents each revenue source as a percentage of total General Fund revenues for fiscal years 2021-22 through 2025-26.

**SUNNYVALE SCHOOL DISTRICT  
Percentage of Revenue by Source<sup>(1)</sup>  
Fiscal Years 2021-22 through 2025-26**

Revenue Source	2021-22	2022-23	2023-24	2024-25	2025-26 <sup>(2)</sup>
LCFF sources	80.29%	75.10%	78.78%	80.23%	81.10%
Federal revenues	2.43	4.34	2.46	2.16	1.64
Other State revenues	10.70	13.02	9.82	9.24	10.37
Other local revenues	6.58	7.54	8.94	8.37	6.89

<sup>(1)</sup> Percentages may not total to 100% due to rounding.  
<sup>(2)</sup> Budgeted, per fiscal year 2025-26 Second Interim Budget Report.  
Source: *The District*.

**Developer Fees**

The District receives developer fees per square foot pursuant to Education Code Section 17620 which must be used to fund construction or reconstruction of school facilities. The District has a long-standing developer fee sharing agreement with Fremont Union High School District, under which the District may levy 61.8% of the maximum Level 1 developer fee amount, with the remaining portion allocated to the high school district. Current developer fees collected by the District are \$3.20 per square foot for residential construction and \$0.52 per square foot of commercial/residential construction. Effective May 25, 2026, developer fees collected by the District will be increased to \$3.32 per square foot for residential construction and \$0.54 per square foot for commercial/residential construction.

The District collected \$668,022.92 in developer fees for fiscal year 2020-21, \$3,100,851.55 for fiscal year 2021-22, \$1,936,226.85 for fiscal year 2022-23, \$848,460.00 for fiscal year 2023-24 and \$769,260 for fiscal year 2024-25. The District has budgeted collections of \$504,187.00 for fiscal year 2025-26.

**COVID-19 Outbreak and its Economic Impact**

In late 2019, an outbreak of COVID-19, a respiratory virus, initially occurred in China and subsequently spread globally. The global outbreak, together with measures undertaken to limit the spread of COVID-19 imposed by local and federal governments, caused volatility in financial markets as well as operating restrictions upon many businesses. The COVID-19 outbreak resulted in the imposition of restrictions on mass gatherings and widespread temporary closings of businesses, universities and schools through much of 2020 and portions of 2021, as well as supply chain issues and increases in inflation as these restrictions and closures have been lifted.

As a result of the various regulations imposed in order to slow the spread of COVID-19, economic activity within the State, the County and the community around and within the District suffered episodes of recession and/or depression. The District cannot predict whether a future pandemic may occur, the extent or duration of such an outbreak, or what impact it may have on the District’s General Fund revenues. However, the Bonds are general obligations of the District payable solely from *ad valorem* property taxes and are not payable from the General Fund of the District. See “SECURITY FOR THE BONDS” herein.

## **Budget Procedures**

***State Budgeting Requirements.*** The District is required by provisions of the State 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. In 2014, Assembly Bill 2585 was enacted, which repealed provisions authorizing school districts to use a dual budget adoption cycle. Instead, all school districts must be on a single budget cycle. 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.

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 September 15, the county superintendent will approve, conditionally approve or disapprove the adopted budget for each school district. Budgets may be disapproved if they fail the above conditions. The district board must be notified by September 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 September 20. Any recommendations made by the county superintendent must be made available by the district for public inspection. No later than November 8, the county superintendent must notify the State Superintendent of all school districts whose budget has been disapproved.

For districts whose budgets have been disapproved, the district must revise and readopt its budget by October 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 November 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 Education Code Section 42127.1. 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.

In the past five fiscal years, the District’s adopted budget has never been disapproved by the County Superintendent.

***Interim Financial Reports.*** Under the provisions of AB 1200, each school district is required to file interim reports 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 fiscal year. The school district governing board must certify its financial condition as either positive, negative or qualified. A positive certification is assigned to any school district that will meet its financial obligations for the current fiscal year and the 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 current 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 the two subsequent fiscal

years. The school district must file the report with the county superintendent of schools, who may either agree with the school district’s certification or change the certification.

The District has filed positive certifications on each interim report in the last five fiscal years.

***Fiscal Stabilization Plan.*** While the District filed a positive certification for its Second Interim Report for fiscal year 2025-26, in March 2026 the District implemented a Fiscal Stabilization Plan (“FSP”) to help ensure long-term solvency. The FSP addresses a structural budget deficit which is due to several factors including declining enrollment, rising personnel and benefit costs, inflationary pressures, and increased service needs, particularly in special education. The FSP establishes a multi-year, structural strategy which aims to eliminate the deficit by fiscal year 2027–28 and maintain a 20% reserve minimum to protect against economic volatility. Staffing alignment is a primary strategy for budget stabilization.

***General Fund Budget.*** The District’s General Fund adopted budgets for fiscal years 2021-22 through 2025-26, audited actuals for the fiscal years 2021-22 through 2024-25, and the Second Interim Budget Report for fiscal year 2025-26, are set forth on the following page.

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**SUNNYVALE SCHOOL DISTRICT  
GENERAL FUND BUDGETING**

	Original Budget 2021-22 <sup>(1)</sup>	Audited Actuals 2021-22 <sup>(1)</sup>	Original Budget 2022-23 <sup>(1)</sup>	Audited Actuals 2022-23 <sup>(1)</sup>	Original Budget 2023-24 <sup>(1)</sup>	Audited Actuals 2023-24 <sup>(1)</sup>	Original Budget 2024-25 <sup>(1)</sup>	Audited Actuals 2024-25 <sup>(1)</sup>	Original Budget 2025-26 <sup>(2)</sup>	2 <sup>nd</sup> Interim Results 2025-26 <sup>(3)</sup>
<b>REVENUES</b>										
LCFF Sources	\$93,260,649	\$99,262,451	\$98,593,121	\$105,711,692	\$108,788,608	\$114,484,238	\$119,109,771	\$120,533,641	\$122,295,199	\$122,389,342
Federal	6,206,246	3,005,693	4,773,980	6,112,803	1,884,818	3,569,272	2,253,269	3,245,653	2,373,730	2,468,496
Other State	7,397,119	13,226,194	9,631,157	18,324,928	7,383,139	14,276,805	12,489,099	13,877,522	12,876,101	15,656,230
Other Local	<u>8,704,450</u>	<u>8,404,660<sup>(4)</sup></u>	<u>8,534,776</u>	<u>10,348,973</u>	<u>8,986,511</u>	<u>12,987,589</u>	<u>10,677,466</u>	<u>12,581,872</u>	<u>9,408,532</u>	<u>10,403,943</u>
<b>Total Revenues</b>	<b>115,568,464</b>	<b>123,898,998</b>	<b>121,533,034</b>	<b>140,498,396</b>	<b>127,043,076</b>	<b>145,317,904</b>	<b>144,529,604</b>	<b>150,238,688</b>	<b>146,953,562</b>	<b>150,918,011</b>
<b>EXPENDITURES</b>										
Current										
Certificated Salaries	45,972,201	48,851,938	49,604,391	52,574,627	55,255,503	54,988,003	58,999,143	58,116,710	59,704,815	58,877,384
Classified Salaries	17,081,755	18,297,025	19,370,186	20,502,582	23,619,704	22,894,344	26,907,125	26,175,470	27,959,460	26,695,104
Employee Benefits	27,592,979	30,608,984	33,330,579	34,128,383	36,803,893	37,094,486	40,340,019	40,174,972	41,857,650	42,294,132
Books and Supplies	5,227,155	3,868,457	2,042,057	3,130,023	1,953,716	4,862,506	3,255,601	4,849,486	4,298,574	3,685,241
Services, Other Operating Expenses	11,571,693	13,664,165	10,547,086	15,599,187	10,935,170	18,454,777	18,018,075	20,017,318	18,971,225	17,855,683
Other Outgo	30,000	9,996	30,000	47,280	--	--	30,000	83,658	65,329	30,000
Other Outgo – Transfer Ind. Costs										(42,100)
Capital outlay	<u>228,675</u>	<u>297,056</u>	<u>54,000</u>	<u>634,792</u>	<u>--</u>	<u>3,338,821</u>	<u>5,354,048</u>	<u>5,033,454</u>	<u>3,829,421</u>	<u>2,579,825</u>
<b>Total Expenditures</b>	<b>107,704,458</b>	<b>115,597,621</b>	<b>114,978,299</b>	<b>126,616,874</b>	<b>128,567,986</b>	<b>141,632,937</b>	<b>152,904,011</b>	<b>154,451,068</b>	<b>156,686,476</b>	<b>151,975,270</b>
<b>Excess (Deficiency) Of Revenues Over (Under) Expenditures</b>	<b>7,864,006</b>	<b>8,301,377</b>	<b>6,554,735</b>	<b>13,881,522</b>	<b>(1,524,910)</b>	<b>3,684,967</b>	<b>(8,374,407)</b>	<b>(4,212,380)</b>	<b>(9,732,913)</b>	<b>(1,057,259)</b>
<b>OTHER FINANCING SOURCES (USES)</b>										
Transfers in	--	377,609	--	4,625	--	--	-	1,500,000	--	--
Transfers out	<u>(1,689,406)<sup>(5)</sup></u>	<u>(953,799)</u>	<u>(1,958,502)<sup>(5)</sup></u>	<u>(618,976)</u>	<u>(602,521)</u>	<u>(592,695)</u>	<u>(774,324)</u>	<u>(577,282)</u>	<u>(1,247,793)</u>	<u>(491,752)</u>
<b>Total Other Financing Sources (Uses)</b>	<b>(1,689,406)</b>	<b>(576,190)</b>	<b>(1,958,502)</b>	<b>(614,351)</b>	<b>(602,521)</b>	<b>(592,696)</b>	<b>(774,324)</b>	<b>922,718</b>	<b>(1,247,793)</b>	<b>(491,752)</b>
<b>NET CHANGE IN FUND BALANCES</b>										
Fund Balance, July 1	6,174,600	7,725,187	4,596,233	13,267,171	(2,127,431)	3,092,271	(9,148,730)	(3,289,662)	(10,980,706)	(1,549,011)
Fund Balance, June 30	29,110,385	29,110,385	36,835,573	36,835,573	50,102,746	50,102,746	53,195,017	53,195,017	43,767,335	49,905,355
Special Reserve Fund Balance <sup>(4)</sup>	\$35,284,985	\$36,835,572	\$41,431,806	\$50,102,744	\$47,975,315	\$53,195,017	\$44,046,287	49,905,355	\$32,786,629	\$48,356,344
Fund Balance Ending (GAAP Basis)	--	--	--	14,393,070	--	15,468,242	--	14,756,244	--	--
Fund Balance Ending (GAAP Basis)	--	--	--	\$64,495,814	--	\$68,663,259	--	\$64,661,599	--	--

<sup>(1)</sup> From the District's comprehensive audited financial statements for fiscal years 2021-22 through 2024-25, respectively.

<sup>(2)</sup> From the District's adopted budget for fiscal year 2025-26.

<sup>(3)</sup> From the District's Second Interim Report results for fiscal year 2025-26.

<sup>(4)</sup> Due to the consolidation of Fund 17, Special Reserve Fund for Other Than Capital Outlay Projects, for reporting purposes into the General Fund, additional revenues and expenditures pertaining to these other funds are included in the Actual (GAAP Basis) revenues and expenditures, however, are not included in the original and final General Fund budgets.

<sup>(5)</sup> Transfers to the Child Development Fund, Cafeteria Fund, and the Special Reserve Fund.

Source: *The District*.

## **Comparative Financial Statements**

The District's General Fund finances the legally authorized activities of the District for which restricted funds are not provided. 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, 2025, 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 W. Iowa Avenue, Sunnyvale, California 94086. See APPENDIX B hereto for the fiscal year 2024-25 Audited Financial Statements of the District.

The table on the following page reflects the District's audited General Fund revenues, expenditures and fund balances from fiscal year 2021-22 to fiscal year 2024-25.

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**SUNNYVALE SCHOOL DISTRICT  
GENERAL FUND  
Statement of Revenues, Expenditures and Change in Fund Balances  
for Fiscal Years 2021-22 through 2024-25**

	2021-22 Audit	2022-23 Audit	2023-24 Audit	2024-25 Audit
<b>REVENUES</b>				
LCFF Sources	\$99,262,451	\$105,711,692	\$114,484,238	\$120,533,641
Federal Revenues	3,005,693	6,112,803	3,569,272	3,245,653
Other State Revenues	13,226,194	18,324,928	14,276,805	13,877,522
Other Local Revenues	<u>8,130,582<sup>(1)</sup></u>	<u>10,612,944</u>	<u>12,987,589</u>	<u>13,369,874</u>
<b>Total Revenues</b>	123,624,920	140,762,367	145,317,904	151,026,690
<b>EXPENDITURES</b>				
Instruction	73,612,435	79,539,927	87,750,012	94,984,868
Instruction related activities:				
Supervision of instruction	8,662,099	9,637,946	12,247,456	11,472,961
Instructional library, media and technology	288,984	463,528	506,935	560,381
School site administration	7,756,864	8,396,770	9,174,942	9,355,198
Pupil services:				
Home-to-school transportation	1,551,594	1,647,338	3,223,729	2,670,164
Food services	85,264	48,994	61,351	(270,885)
All other pupil services	7,391,789	8,191,593	8,555,693	8,551,208
Administration:				
Data processing	1,608,695	2,006,765	1,877,607	3,770,900
All other administration	5,909,434	7,387,189	6,490,119	7,682,957
Plant services	8,433,408	8,739,367	9,428,968	10,650,038
Ancillary services	--	--	--	19,950
Capital Outlay	<u>297,056</u>	<u>557,457</u>	<u>2,316,125</u>	<u>5,003,328</u>
<b>Total Expenditures</b>	115,597,622	126,616,874	141,632,937	154,451,068
Excess (Deficiency) of Revenues Over Expenditures	8,027,298	14,145,493	4,385,139	(3,424,378)
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers In	377,609	4,625	--	--
Transfers Out	<u>(578,799)</u>	<u>(243,976)</u>	<u>(217,696)</u>	<u>(577,282)</u>
<b>Net Financing Sources</b>	(201,190)	(239,351)	(217,696)	(577,282)
<b>NET CHANGE IN FUND BALANCES</b>				
	7,826,108	13,906,142	4,167,443	(4,001,660)
Fund Balances at Beginning of Year	42,763,563	50,589,672	64,495,816	68,663,259
Fund Balances at End of Year	\$50,589,671	\$64,495,814	\$68,663,259	\$64,661,599

<sup>(1)</sup> Other Local Revenues may differ from the amounts presented in the table under “-Budget Procedures - General Fund Budget” due to the inclusion of amounts held in a Special Reserve Fund.  
Source: *The District*.

## Accounting Practices

The accounting policies 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 Education Code, is to be followed by all California school districts. Revenues are recognized in the period in which they become both measurable and available to finance expenditures of the current fiscal period. Expenditures are recognized in the period in which the liability is incurred.

## State Budget Measures

*The following information concerning the State's budgets has been obtained from publicly available information which the District believes to be reliable; however, the District does not guarantee the accuracy or completeness of this information and has not independently verified such information.*

**2025-26 State Budget.** On June 27, 2025, Governor Newsom signed the fiscal year 2025-26 budget for the State (“2025-26 State Budget”), subsequent to the State Legislature passing several pieces of legislation comprising the 2025-26 State Budget bill, including Senate Bill 101 and Assembly Bill 102. The 2025-26 State Budget addresses a projected \$11.8 billion shortfall through spending cuts, borrowing, and other solutions. The 2025-26 State Budget includes statutory changes to address the State’s housing affordability challenges and facilitate housing and infrastructure production. Because the 2025-26 State Budget was approved in late June 2025, it does not reflect the impact of the cuts in federal spending included in the federal omnibus tax and spending bill signed in early July 2025.

The 2025-26 State Budget projects approximately \$215.7 billion in general fund revenues with a prior year balance of \$35.1 billion for total resources of approximately \$250.9 billion, and \$228.4 billion in expenditures for fiscal year 2025-26. For fiscal year 2024-25, the 2025-26 State Budget estimates \$268.7 billion in total resources and \$233.6 billion in expenditures. The 2025-26 State Budget contains total reserves of approximately \$15.7 billion, including \$11.2 billion in the Rainy-Day Fund and \$4.5 billion in the reserve for economic uncertainty. The 2025-26 State Budget maintains the withdrawal of the \$8.4 billion balance in the Public School System Stabilization Account (the “PSSSA”) in fiscal year 2023-24 and includes the scheduled \$7.1 billion State’s Budget Stabilization Account (the “BSA”) withdrawal in fiscal year 2025-26 included in the fiscal year 2024-25 State Budget. See “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES – Proposition 2” herein for more information regarding school district reserves.

The 2025-26 State Budget provides total TK-12 funding of \$137.6 billion (\$80.5 billion general fund and \$57.1 billion from other funds) and includes per pupil funding of over \$25,000 per student. Revised estimates of General Fund revenues in the 2025-26 State Budget result in adjusted Proposition 98 Guarantee amounts of \$98.5 billion in fiscal year 2023-24, \$119.9 billion in fiscal year 2024-25, and \$114.6 billion in fiscal year 2025-26, an increase of approximately \$3.9 billion over the three-year period relative to the 2024-25 State Budget. The 2025-26 State Budget also shifts \$232.9 million in Proposition 98 resources from community colleges to TK-12 schools to implement the expansion of transitional kindergarten.

The LCFF under the 2025-26 State Budget receives a COLA of 2.3%. To fully fund the LCFF, approximately \$405.3 million of the \$8.4 billion withdrawal from the PSSSA will support LCFF costs in fiscal year 2025-26. While the 2025-26 State Budget fully repays budgetary deferrals of \$246.6 million from fiscal year 2024-25, \$1.9 billion in LCFF funding is deferred from June 2026 to July 2026 in order to maintain the level of fiscal year 2025-26 principal apportionments.

Additional significant provisions of the 2025-26 State Budget relating to TK-12 education include the following:

- *Transitional Kindergarten* — \$2.1 billion Proposition 98 funds (inclusive of all prior years' investments) to support the full implementation of universal TK; and an additional \$1.2 billion ongoing Proposition 98 funds to support lowering the average student-to-adult ratio from 12:1 to 10:1 in every TK classroom.
- *Expanded Learning Opportunities Program* — \$515.1 million for the full implementation of the program by increasing the number of elementary schools that offer universal access to all those in school districts with at least 55% unduplicated students and \$10.4 million to increase the minimum grant amount from \$50,000 to \$100,000 per school district.
- *Literary Instruction* — \$480 million to support literacy instruction, including one-time Proposition 98 funds to expand the existing Literacy Coaches and Reading Specialists Grant Program and to support evidence-based professional learning for elementary school educators.
- *Teacher Preparation and Professional Development* — \$300 million one-time Proposition 98 funds to establish the Student Teacher Stipend Program, providing \$10,000 grants to teacher candidates beginning in the 2026-27 school year, and available through the 2028-29 school year; \$70 million one-time Proposition 98 funds to increase funding for high-quality teacher residency programs; and \$30 million one-time Proposition 98 funds to extend the timeline of the existing National Board Certification Incentive Program to support National Board Certified teachers to teach in high poverty schools.
- *Student Support and Professional Development Discretionary Block Grant* — \$1.7 billion one-time Proposition 98 funds for the Student Support and Professional Development Discretionary Block Grant to provide school districts with additional discretionary fiscal support in recognition of rising costs and to fund statewide priorities.
- *State Preschool* — \$19.3 million Proposition 98 funds and \$10.2 million non-Proposition 98 funds for the California State Preschool Program to support the cost of care.
- *Learning Recovery Emergency Block Grant* — \$378.6 million one-time Proposition 98 funds to support the Learning Recovery Emergency Block Grant to establish learning recovery initiatives through the 2027-28 school year.
- *Career Technical Education* — \$150 million one-time Proposition 98 funds for career technical education and career pathways programming, subject to pending legislation.
- *Universal School Meals Support Grant* — \$145 million one-time Proposition 98 funds for specialized kitchen equipment, infrastructure, training, and procurement of sustainably grown food to support schools in providing more freshly prepared meals; \$10 million one-time Proposition 98 funds to recruit and retain school food service workers; and \$5 million one-time Proposition 98 funds for a study of ultra-processed foods offered in California school meals.
- *Summer Electronic Benefits Transfer (SUN Bucks)* — \$21.9 million in additional ongoing Proposition 98 funds to support the SUN Bucks Program, which provides nutrition funding to eligible students during the summer months. These funds will provide the match to an equal amount of federal funds to support the program.

- *Children and Youth Behavioral Health Initiative Grants* — \$20 million one-time Proposition 98 funds to support the implementation of the Children and Youth Behavioral Health Initiative’s all-payer fee schedule.
- *Secondary School Redesign Pilot Program* — \$10 million one-time Proposition 98 funds for the California Collaborative of Educational Excellence to administer a pilot program to redesign middle and high schools to better serve the needs of all students and increase student outcomes.
- *English Language Proficiency Screener for TK Students* — \$10 million one-time Proposition 98 funds for the statewide use of English language proficiency of a list of one or more screeners to support multilingual learners in TK.
- *TK Multilingual Learner Supplementary Funding* — \$7.5 million one-time Proposition 98 funds to mitigate reductions in potential LCFF apportionment funding resulting from the recent exemption of TK students from the English language proficiency assessment.

**Proposed 2026-27 State Budget.** The proposed budget for fiscal year 2026-27 for the State (“Proposed 2026-27 State Budget”) was released by the Governor on January 9, 2026. The Proposed 2026-27 State Budget forecast reflects general fund revenues that are higher by more than \$42 billion for the period from fiscal year 2024-25 through fiscal year 2026-27, than projected at the 2024-25 State Budget. The increase is driven by higher cash receipts, higher stock market levels, and an improved economic outlook. At the same time, constitutional funding requirements, the need for an adequate discretionary budget reserve, and higher program costs exceed the level of increased revenues, resulting in a projected shortfall of \$2.9 billion. As a result, the Proposed 2026-27 State Budget focuses on implementation of previous investments and does not include new significant spending proposals.

While the Proposed 2026-27 State Budget is balanced in fiscal year 2026-27, with a discretionary reserve of \$4.5 billion, it projects a deficit of roughly \$22 billion in fiscal year 2027-28 and shortfalls in the two years following. Over the last two fiscal years, the State has withdrawn approximately \$12.2 billion from the BSA and suspended deposits into the BSA for fiscal years 2024-25 and 2025-26. Consistent with these actions, the Proposed 2026-27 State Budget suspends a \$2.8 billion “true-up” deposit into the BSA in fiscal year 2025-26. However, the Proposed 2026-27 State Budget reflects a BSA deposit in fiscal year 2026-27 of approximately \$3 billion and a minor “true-up” for fiscal year 2024-25. Accounting for these actions, the BSA balance in fiscal year 2026-27 is \$14.4 billion, an increase compared to the 2025-26 State Budget level of \$11.2 billion. In addition, the Proposed 2026-27 State Budget includes \$4.5 billion in the reserve for economic uncertainties and \$4.1 billion in the Rainy Day Fund, bringing the combined amount of reserves in fiscal year 2026-27 to roughly \$23 billion.

The Proposed 2026-27 State Budget states that federal policy changes, including House of Representatives (H.R.) 1 of 2025 (“H.R. 1”), which included changes for Health and Human Services programs, are projected to result in costs of \$1.4 billion general fund resources fiscal year 2026-27. Of this amount, \$1.1 billion in additional costs are in Medi-Cal. In addition, H.R. 1 will add nearly \$300 million in costs to CalFresh, the state’s Supplemental Nutrition Assistance Program providing food purchase assistance for adequate nutrition to more than 3 million State households.

The Proposed 2026-27 State Budget proposes spending of \$348.9 billion in total State funds, consisting of approximately \$248.3 billion from the General Fund, \$93.7 billion from special funds, and \$6.9 billion from bond funds. The Proposed 2026-27 State Budget includes total funding of \$149.1 billion (\$88.7 billion General Fund and \$60.4 billion other funds) for all TK-12 education programs. TK-12 per pupil funding totals \$20,427 general funds, a 74.6% increase over fiscal year 2018-19, and \$27,418 per

pupil when accounting for all funding sources, a 60.8% increase over fiscal year 2018-19. Both per pupil amounts are the highest level ever for California schools.

Certain budgeted programs and adjustments for K-12 education set forth in the Proposed 2026-27 State Budget include the following:

- Proposition 98. The Proposed 2026-27 State Budget reflects Proposition 98 funding levels of \$123.8 billion in fiscal year 2024-25, \$121.4 billion in fiscal year 2025-26, and \$125.5 billion in fiscal year 2026-27, representing an increase of approximately \$21.7 billion relative to the 2024-25 State Budget. At the beginning of the three-year budget window, the Proposition 98 Guarantee had an outstanding maintenance factor balance of \$8.3 billion. At the 2024-25 State Budget, there was a projected mandatory maintenance factor payment of \$5.5 billion in fiscal year 2024-25. Revised Proposition 98 factors have increased that payment amount in the Proposed 2026-27 State Budget to \$7.8 billion. No other mandatory payments are projected in fiscal years 2025-26 or 2026-27, leaving a \$584.6 million maintenance factor balance at the end of fiscal year 2026-27. The 2024-25 State Budget created \$1.9 billion in settle-up in fiscal year 2024-25. The Proposed 2026-27 State Budget proposes to fully repay the settle-up balance in fiscal year 2024-25. Additionally, the Proposed 2026-27 State Budget proposes creating \$5.6 billion in settle-up in fiscal year 2025-26. This means that the funded level of the Proposition 98 Guarantee in fiscal year 2025-26 is \$115.9 billion, instead of the calculated amount of \$121.4 billion. This is intended to mitigate the risk of potentially appropriating more resources to the Proposition 98 Guarantee than are ultimately available in the final calculation for fiscal year 2025-26. The Proposition 98 Guarantee continues to be in a Test 1 for fiscal years 2024-25, 2025-26, and 2026-27.
- Proposition 98 Rainy Day Fund. As a result of adjustments in capital gains revenues in the Proposed 2026-27 State Budget, a deposit of \$3.8 billion is required in fiscal year 2024-25, eliminating the mandatory withdrawal in fiscal year 2025-26 and replacing it with a mandatory deposit of \$424.3 million, and requiring a mandatory withdrawal of \$407.1 million in fiscal year 2026-27. Additionally, the Proposed 2026-27 State Budget proposes a discretionary deposit of \$240 million in fiscal year 2025-26, further increasing the Proposition 98 safety net. At the end of the three-year budget window, the total balance in the Proposition 98 Rainy Day Fund is \$4.1 billion. There is a cap of 10% on school district reserves in fiscal years immediately succeeding those in which the balance in the Rainy Day Fund is equal to or greater than 3% of the total TK-12 share of the Proposition 98 Guarantee. The balance in the Rainy Day Fund triggers school district reserve caps in fiscal years 2025-26 and 2026-27.
- Local Control Funding Formula. The Proposed 2026-27 State Budget includes an LCCF cost-of-living adjustment of 2.41%. The cost-of-living adjustment, when combined with population growth adjustments, increases discretionary funding for LEAs by approximately \$2 billion. Additionally, budgetary deferrals of \$1.9 billion for TK-12 education are fully repaid in fiscal year 2026-27. The Proposed 2026-27 Budget also includes an ongoing increase of \$30.7 million Proposition 98 General Fund to provide a 20% increase in LCCF funding for Necessary Small Schools, which is the funding formula for the smallest schools in the state.
- State Education Governance. The Proposed 2026-27 State Budget proposes to implement the 2002 “California’s Master Plan for Education” recommendation to amend the Education Code to move oversight authority of the management of the California Department of Education and support of LEAs under the SBE. The Proposed 2026-27 State Budget further proposes to provide the State Superintendent the ability to strengthen coordination and alignment among the bodies setting policy from early childhood through postsecondary education.

- Community Schools. The Proposed 2026-27 State Budget proposes \$1 billion ongoing Proposition 98 general fund resources to expand the community school model to more school sites that have large concentrations of students from low-income families, English learners, and youth in foster care. To date approximately 2,500 schools in California have received community schools grants through the California Community Schools Partnership Program; this new funding would provide ongoing resources for these grantees and expand access to the model to thousands of additional high-need schools.
- Special Education. The Proposed 2026-27 State Budget proposes an increase of \$509 million ongoing Proposition 98 general fund resources to increase special education base rates. This additional funding will allow for full equalization of special education rates across the state, meaning that all LEAs will now receive the same rate per pupil for state special education funding.
- Master Plan for Career Education: TK-12 Education. The Proposed 2026-27 State Budget proposes: (1) \$100 million one-time Proposition 98 general fund resources to increase access to college and career pathways for high school students, including expanding access to dual enrollment and dual credit opportunities, and (2) including prioritizing creation and expansion of dual enrollment and pathways programs with funds allocated through the \$2.8 billion Student Support and Discretionary Block Grant.
- Before, After and Summer School. The Proposed 2026-27 State Budget proposes \$62.4 million ongoing Proposition 98 general fund resources to provide a guaranteed \$1,800 per pupil for Tier 2 LEAs, stabilizing the existing variable Tier 2 rate. With this increase, total ongoing program funding is \$4.7 billion Proposition 98 general fund resources.
- Teacher Preparation. The Proposed 2026-27 State Budget includes \$250 million one-time Proposition 98 general fund resources to continue educator residency programs through 2029-30. California has invested \$620 million in residency programs over the last five years; these funds will be fully awarded by the end of fiscal year 2025-26.
- Student Support and Professional Development Discretionary Block Grant. The Proposed 2026-27 State Budget proposes \$2.8 billion one-time Proposition 98 general fund resources to provide LEAs with additional fiscal support to manage attendance and enrollment declines, including those caused by federal government immigration actions, and address rising costs. The funds will also support implementation of statewide priorities including: including: (1) professional development for teachers on the English Language Arts/English Language Development (ELA/ELD) Framework and the Literacy Roadmap, with a focus on strategies to support literacy for English learners; (2) professional development for teachers on the Mathematics Framework; (3) teacher recruitment and retention strategies; (4) professional development for TK teachers and site administrators on the principles and guidelines of developmentally appropriate TK instruction; and (5) career pathways and dual enrollment expansion efforts consistent with the Master Plan for Career Education.
- Charter School Accountability. The Proposed 2026-27 State Budget proposes new requirements for charter schools to ensure that public funds are properly utilized, address fraud and malfeasance, and improve accountability and oversight. It also provides for the use of verified data in the charter school renewal process until June 30, 2028.
- School Facilities. The recently approved Kindergarten through Grade 12 Schools and Local Community College Public Education Facilities Modernization, Repair, and Safety Bond Act of 2024 (Proposition 2) authorizes a total of \$8.5 billion in state General Obligation bonds for TK-12 schools to be allocated through the School Facility Program. These funds are allocated across

several key areas: \$4 billion for modernization projects, \$3.3 billion for new construction, \$600 million for charter schools, and \$600 million for career technical education projects. The Proposed 2026-27 State Budget continues to allocate \$1.5 billion Proposition 2 bond funds to support school construction projects in fiscal year 2026-27, similar to amounts allocated in prior years.

Additional budgeted programs and adjustments for K-12 education set forth in the Proposed 2026-27 State Budget include the following:

- Learning Recovery Emergency Block Grant. The Proposed 2026-27 State Budget provides \$757.3 million in one-time Proposition 98 general fund resources to support the Learning Recovery Emergency Block Grant, which supports LEAs in establishing learning recovery initiatives through the 2027-28 school year. This investment is expected to be the final payment to this program, which has received multi-year investments totaling \$7.2 billion in past budgets to support schools in learning recovery efforts related to the COVID-19 Pandemic.
- Home-to-School Transportation. The Proposed 2026-27 State Budget includes \$322 million one-time and \$239.2 million ongoing Proposition 98 general fund to reflect higher costs in the Home-to-School Transportation Program.
- Cost-of-Living Adjustments. The Proposed 2026-27 State Budget proposes \$228.2 million ongoing Proposition 98 general fund resources to reflect a 2.41% COLA for specified categorical programs and the LCFF Equity Multiplier. The specified categorical programs include Special Education, Child Nutrition, State Preschool, Foster Youth Services Coordinating Program, Mandates Block Grant, Adults in Correctional Facilities Program, Charter School Facility Grant Program, American Indian Education Centers, and the American Indian Early Childhood Education Program.
- Kitchen Infrastructure and Training. The Proposed 2026-27 State Budget proposes \$100 million one-time Proposition 98 general fund for specialized kitchen equipment, infrastructure, and training to support schools in providing more freshly prepared meals made with locally grown ingredients.
- Reading Difficulties Risk Screening. The Proposed 2026-27 State Budget proposes \$40 million one-time Proposition 98 general fund resources to support continued implementation of student reading difficulties screenings.
- L.A. County School Wildfire Recovery. The Proposed 2026-27 State Budget proposes \$22.9 million one-time Proposition 98 general fund resources to support LEAs that are continuing to recover from the January 2025 Los Angeles County wildfires.
- Universal and Targeted Assistance. The Proposed 2026-27 State Budget proposes \$13.3 million additional ongoing Proposition 98 general fund resources, for a total of \$131.9 million, for county offices of education to provide universal and targeted support to school districts and charter schools, including those eligible for differentiated assistance.
- Fiscal Crisis and Management Assistance Team (FCMAT). The Proposed 2026-27 State Budget proposes \$994,000 in additional ongoing Proposition 98 general fund resources to support increased FCMAT workload.
- California School Information System (CSIS). The Proposed 2026-27 State Budget proposes \$966,000 in additional ongoing Proposition 98 general fund resources to support increased CSIS costs.

- Curriculum-Embedded Performance Tasks for Science. The Proposed 2026-27 State Budget proposes \$890,000 ongoing Proposition 98 general fund resources to maintain performance task resources at the Los Angeles County Office of Education in support of inquiry-based science instruction and the state’s Next Generation Science Standards.
- K-12 High Speed Network. The Proposed 2026-27 State Budget proposes \$629,000 in additional ongoing Proposition 98 general fund resources to support the K-12 High Speed Network program.
- County Offices of Education LCFF. The Proposed 2026-27 State Budget proposes an ongoing decrease of \$15.6 million Proposition 98 general fund resources to reflect ADA changes applicable to the county office of education LCFF, and a 2.41% COLA adjustment.
- School Nutrition Programs. The Proposed 2026-27 State Budget proposes an ongoing decrease of \$67.9 million Proposition 98 general fund resources to support the Universal School Meals program, reflecting a reduction in fiscal year 2025-26 estimates compared to the 2025-26 State Budget projections and an increase in meal reimbursement rates.
- Local Property Tax Adjustments. The Proposed 2026-27 State Budget proposes a decrease of \$18 million Proposition 98 general fund resources for school districts and county offices of education in fiscal year 2025-26, and a decrease of \$1.4 billion ongoing Proposition 98 general fund resources for school districts and county offices of education in fiscal year 2026-27, resulting from increased offsetting property taxes.

**Future Actions.** The State has in past years experienced budgetary difficulties and has balanced its budget by requiring local political subdivisions to fund certain costs previously borne by the State. No prediction can be made as to whether the State will, in the future, take further measures which would, in turn, adversely affect the District. Further State actions taken to address any budgetary difficulties could have the effect of reducing District support indirectly, and the District is unable to predict the nature, extent or effect of such reductions. See also “DISTRICT FINANCIAL INFORMATION – COVID-19 Outbreak and its Economic Impact” for a discussion of COVID-19 and its impact on the State economy.

The District cannot predict the extent to which the State will encounter budgetary difficulties and what budget actions will be taken to resolve those difficulties in future fiscal years. The District also cannot predict the impact future State Budgets will have on District finances and operations or what actions the State Legislature and the Governor may take to respond to changing State revenues and expenditures. Current and future State Budgets will be affected by national and State economic conditions and other factors which the District cannot control.

Certain actions or results could produce a significant shortfall of revenue and cash, and could consequently impair the State’s ability to fund schools.

## **CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES**

### **Article XIII A of the California Constitution**

Article XIII A of the State Constitution (“Article XIII A”) limits the amount of *ad valorem* taxes on real property to 1% of “full cash value” as determined by the County assessor. Article XIII A defines “full cash value” to mean “the county assessor’s valuation of real property as shown on the 1975-76 bill under ‘full cash value,’ or thereafter, the appraised value of real property when purchased, newly constructed or a change in ownership has occurred after the 1975 assessment,” subject to exemptions in certain

circumstances of property transfer or reconstruction. Determined in this manner, the full cash value is also referred to as the “base year value.” The “full cash value” is subject to annual adjustment to reflect increases, not to exceed 2% for any year, or decreases in the consumer price index or comparable local data, or to reflect reductions in property value caused by damage, destruction or other factors.

Article XIII A has been amended to allow for temporary reductions of assessed value in instances where the fair market value of real property falls below the base year value. Proposition 8—approved by the voters in November of 1978—provides for the enrollment of the lesser of the base year value or the market value of real property, taking into account reductions in value due to damage, destruction, depreciation, obsolescence, removal of property, or other factors causing a similar decline. In these instances, the market value is required to be reviewed annually until the market value exceeds the base year value. Reductions in assessed value could result in a corresponding increase in the annual tax rate levied by the County to pay debt service on outstanding general obligation bonds of the District, including the Bonds. See “TAX BASE FOR REPAYMENT OF THE BONDS – Assessed Valuations” herein.

Article XIII A requires a vote of two-thirds of the qualified electorate of a city, county, special district or other public agency to impose special taxes, while totally precluding the imposition of any additional *ad valorem*, sales or transaction tax on real property. Article XIII A exempts from the 1% tax limitation any taxes above that level required to pay debt service (a) on any indebtedness approved by the voters prior to July 1, 1978, or (b) as the result of an amendment approved by State voters on June 3, 1986, on any bonded indebtedness approved by two-thirds or more of the votes cast by the voters for the acquisition or improvement of real property on or after July 1, 1978, or (c) on 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% or more of the votes cast on the proposition, but only if certain accountability measures are included in the proposition. The tax for payment of principal of and interest on the Bonds falls within the exception described in (c) of the immediately preceding sentence. In addition, Article XIII A requires the approval of two-thirds or more of all members of the State Legislature to change any State taxes for the purpose of increasing tax revenues.

***Property Tax Base Transfer Constitutional Amendment.*** On November 3, 2020, voters in the State approved a constitutional amendment entitled Property Tax Transfers, Exemptions and Revenue for Wildfire Agencies and Counties Amendment. Proposition 19 (i) expands special rules that give property tax savings to homeowners that are over the age of 55, severely disabled, or whose property has been impacted by a natural disaster or contamination, when they buy a different home; (ii) narrows existing special rules for inherited properties; and (iii) broadens the scope of legal entity ownership changes that trigger reassessment of properties. The District cannot make any assurance as to what effect the implementation of Proposition 19 will have on assessed valuation of real property in the District.

### **Legislation Implementing Article XIII A**

Legislation has been enacted and amended a number of times since 1978 to implement Article XIII A. 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.

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 XIII A.

### **Unitary Property**

Some amount of property tax revenue of the District is derived from utility property which is considered part of a utility system with components located in many taxing jurisdictions (“unitary property”). Under the State Constitution, such property is assessed by the State Board of Equalization as part of a “going concern” rather than as individual pieces of real or personal property. State-assessed unitary and certain other property is allocated to the County by the State Board of Equalization, taxed at special county-wide rates, and the tax revenues distributed to taxing jurisdictions (including the District) according to statutory formulae generally based on the distribution of taxes in the prior year.

The California electric utility industry has experienced significant changes in its structure and in the way in which components of the industry are regulated and owned. Sale of electric generation assets to largely unregulated, nonutility companies may affect how those assets are assessed, and which local agencies are to receive the property taxes. The District is unable to predict the impact of these changes on its utility property tax revenues, or whether legislation may be proposed or adopted in response to industry restructuring, or whether any future litigation may affect ownership of utility assets or the State’s methods of assessing utility property and the allocation of assessed value to local taxing agencies, including the District. The District is a basic aid district so any taxes lost through a reduction in assessed valuation will not be compensated by the State as equalization aid under the State’s school financing formula. See “DISTRICT FINANCIAL INFORMATION – State Funding of Education” herein.

### **Article XIII B of the California Constitution**

Article XIII B of the State Constitution (“Article XIII B”), 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 XIII B 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 shall 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 XIII B, as amended.

The appropriations of an entity of local government subject to Article XIII B 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, including debt service on the Bonds, (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 State Legislature, (f) appropriations derived from certain fuel and vehicle taxes and (g) appropriations derived from certain taxes on tobacco products.

Article XIII B 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. However, if a school district's revenues exceed its spending limit, such school district may in any fiscal year increase its appropriations limit to equal its spending by borrowing appropriations limit from the State.

Article XIII B 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 shall be transferred and allocated to the State School Fund pursuant to Section 8.5 of Article XVI of the State Constitution. See "–Proposition 98" and "–Proposition 111" below.

### **Article XIII C and Article XIII D of the California Constitution**

On November 5, 1996, the voters of the State of California approved Proposition 218, popularly known as the "Right to Vote on Taxes Act." Proposition 218 added to the California Constitution Articles XIII C and XIII D (respectively, "Article XIII C" and "Article XIII D"), which contain a number of provisions affecting the ability of local agencies, including school districts, to levy and collect both existing and future taxes, assessments, fees and charges.

According to the "Title and Summary" of Proposition 218 prepared by the California Attorney General, Proposition 218 limits "the authority of local governments to impose taxes and property-related assessments, fees and charges." Among other things, Article XIII C establishes that every tax is either a "general tax" (imposed for general governmental purposes) or a "special tax" (imposed for specific purposes), prohibits special purpose government agencies such as school districts and community college districts from levying general taxes, and prohibits any local agency from imposing, extending or increasing any special tax beyond its maximum authorized rate without a two-thirds vote; and also provides that the initiative power will not be limited in matters of reducing or repealing local taxes, assessments, fees and charges. Article XIII C further provides that no tax may be assessed on property other than *ad valorem* property taxes imposed in accordance with Articles XIII and XIII A of the California Constitution and special taxes approved by a two-thirds vote under Article XIII A, Section 4. Article XIII D deals with assessments and property-related fees and charges, and explicitly provides that nothing in Article XIII C or XIII D will be construed to affect existing laws relating to the imposition of fees or charges as a condition of property development.

The District does not impose any taxes, assessments, or property-related fees or charges which are subject to the provisions of Proposition 218. It does, however, receive a portion of the basic one percent (1%) *ad valorem* property tax levied and collected by the County pursuant to Article XIII A of the California Constitution. The provisions of Proposition 218 may have an indirect effect on the District, such as by limiting or reducing the revenues otherwise available to other local governments whose boundaries encompass property located within the District thereby causing such local governments to reduce service levels and possibly adversely affecting the value of property within the District.

### **Proposition 26**

On November 2, 2010, voters in the State approved Proposition 26. Proposition 26 amends Article XIII C 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 XIII D. 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. Proposition 26 does not apply to the levy of *ad valorem* taxes to pay general obligations bonds, including the Bonds.

### **Proposition 98**

On November 8, 1988, California 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 the State General Fund revenues as the percentage appropriated to such districts in 1986-87, or (b) the amount actually appropriated to such districts from the State General Fund in the previous fiscal year, adjusted for increases in enrollment and changes in the cost of living. The Accountability Act permits the State Legislature to suspend this formula for a one year period.

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 XIII B 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.

Since the Accountability Act is unclear in some details, there can be no assurances that the State Legislature or a court might not interpret the Accountability Act to require a different percentage of State 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.

### **Proposition 111**

On June 5, 1990, the voters of California approved the Traffic Congestion Relief and Spending Limitation Act of 1990 ("Proposition 111"), which modified the State Constitution to alter the Article XIII B spending limit and the education funding provisions of Proposition 98. Proposition 111 took effect on July 1, 1990.

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

a. Annual Adjustments to Spending Limit. The annual adjustments to the Article XIII B 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 XIII B 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 is 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 XIII B spending limit. First, there are excluded all appropriations for "qualified capital outlay projects" as defined by the State Legislature. Second, there are excluded any increases in gasoline taxes above 1990 levels (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 State 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 XIII B 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 XIII B 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 capita personal income. Under the third test, K-14 school districts 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.

### **Proposition 39**

On November 7, 2000, California voters approved an amendment (commonly known as Proposition 39) to the California Constitution. This amendment (1) allows school facilities bond measures to be approved by 55% (rather than two-thirds) of the voters in local elections and permits property taxes to exceed the current 1% limit in order to repay the bonds and (2) changed existing statutory law regarding charter school facilities. As adopted, the constitutional amendment may be changed only with another Statewide vote of the people. The statutory provisions could be changed by a majority vote of both houses of the State Legislature and approval by the Governor, but only to further the purposes of the proposition. The local school jurisdictions affected by this proposition are K-12 school districts, including the District, community college districts, and county offices of education. As noted above, the California Constitution previously limited property taxes to 1% of the value of property, and property taxes could only exceed this limit to pay for (1) any local government debts approved by the voters prior to July 1, 1978 or (2) bonds to buy or improve real property that receive two-thirds voter approval after July 1, 1978.

The 55% vote requirement applies only if the local bond measure presented to the voters includes: (1) a requirement that the bond funds can be used only for construction, rehabilitation, equipping of school facilities, or the acquisition or lease of real property for school facilities; (2) a specific list of school projects to be funded and certification that the school board has evaluated safety, class size reduction, and information technology needs in developing the list; and (3) a requirement that the school board conduct annual, independent financial and performance audits until all bond funds have been spent to ensure that the bond funds have been used only for the projects listed in the measure. Legislation approved in June 2000 placed certain limitations on local school bonds to be approved by 55% of the voters. These provisions require that the tax rate per \$100,000 of taxable property value projected to be levied as the result of any single election be no more than \$60 (for a unified school district), \$30 (for a high school or elementary school district), or \$25 (for a community college district), when assessed valuation is projected to increase in accordance with Article XIII A of the Constitution. 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.

### **Jarvis v. Connell**

On May 29, 2002, the California Court of Appeal for the Second District decided the case of *Howard Jarvis Taxpayers Association, et al. v. Kathleen Connell* (as Controller of the State of California (the “Controller”)). The Court of Appeal held that either a final budget bill, an emergency appropriation, a self-executing authorization pursuant to state statutes (such as continuing appropriations) or the California Constitution or a federal mandate is necessary for the Controller to disburse funds. The foregoing requirement could apply to amounts budgeted by the District as being received from the State. To the extent

the holding in such case would apply to State payments reflected in the District's budget, the requirement that there be either a final budget bill or an emergency appropriation may result in the delay of such payments to the District if such required legislative action is delayed, unless the payments are self-executing authorizations or are subject to a federal mandate. On May 1, 2003, the California Supreme Court upheld the holding of the Court of Appeal, stating that the Controller is not authorized under State law to disburse funds prior to the enactment of a budget or other proper appropriation, but under federal law, the 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.

### **Proposition 1A and Proposition 22**

On November 2, 2004, California voters approved Proposition 1A, which amends the State constitution to significantly reduce the State's authority over major local government revenue sources. Under Proposition 1A, the State cannot (i) reduce local sales tax rates or alter the method of allocating the revenue generated by such taxes, (ii) shift property taxes from local governments to schools or community colleges, (iii) change how property tax revenues are shared among local governments without two-third approval of both houses of the State Legislature or (iv) decrease Vehicle License Fee revenues without providing local governments with equal replacement funding. Proposition 1A does allow the State to approve voluntary exchanges of local sales tax and property tax revenues among local governments within a county. Proposition 1A also amends the State Constitution to require the State to suspend certain State laws creating mandates in any year that the State does not fully reimburse local governments for their costs to comply with the mandates. This provision does not apply to mandates relating to schools or community colleges or to those mandates relating to employee rights.

Proposition 22, The Local Taxpayer, Public Safety, and Transportation Protection Act, approved by the voters of the State on November 2, 2010, prohibits the State from enacting new laws that require redevelopment agencies to shift funds to schools or other agencies and eliminates the State's authority to shift property taxes temporarily during a severe financial hardship of the State. In addition, Proposition 22 restricts the State's authority to use State fuel tax revenues to pay debt service on state transportation bonds, to borrow or change the distribution of state fuel tax revenues, and to use vehicle license fee revenues to reimburse local governments for state mandated costs. Proposition 22 impacts resources in the State's General Fund and transportation funds, the State's main funding source for schools and community colleges, as well as universities, prisons and health and social services programs. According to an analysis of Proposition 22 submitted by the Legislative Analyst's Office (the "LAO") on July 15, 2010, the expected reduction in resources available for the State to spend on these other programs as a consequence of the passage of Proposition 22 was expected to be approximately \$1 billion in fiscal year 2010-11, with an estimated immediate fiscal effect equal to approximately 1% of the State's total General Fund spending. The longer-term effect of Proposition 22, according to the LAO analysis, will be an increase in the State's General Fund costs by approximately \$1 billion annually for several decades.

On December 30, 2011, the California Supreme Court issued its decision in the case of *California Redevelopment Association v. Matosantos*, finding ABx1 26, a trailer bill to the 2011-12 State budget, to be constitutional. As a result, all redevelopment agencies in California were dissolved as of February 1, 2012, and all net tax increment revenues, after payment of redevelopment bonds debt service and administrative costs, will be distributed to cities, counties, special districts and school districts. The Court also found that ABx1 27, a companion bill to ABx1 26, violated the California Constitution, as amended by Proposition 22. ABx1 27 would have permitted redevelopment agencies to continue operations provided their establishing cities or counties agreed to make specified payments to school districts and county offices of education, totaling \$1.7 billion statewide. ABx1 26 was modified by Assembly Bill No. 1484 (Chapter 26, Statutes of 2011-12), which, together with ABx1 26, is referred to herein as the "Dissolution Act." The

Dissolution Act provides that all rights, powers, duties and obligations of a redevelopment agency that have not been repealed, restricted or revised pursuant to ABx1 26 will be vested in a successor agency, generally the county or city that authorized the creation of the redevelopment agency (each, a “Successor Agency”). All property tax revenues that would have been allocated to such redevelopment agency will be allocated to the Successor Agency, to be used for the payment of pass-through payments to local taxing entities and to any other “enforceable obligations” (as defined in the Dissolution Act), as well to pay certain administrative costs. The Dissolution Act defines “enforceable obligations” to include bonds, loans, legally requirement payments, judgments or settlements, legal binding and enforceable obligations, and certain other obligations. Tax revenues in excess of such amounts, if any, will be distributed to local taxing entities in the same proportions as other tax revenues.

The District can make no representations as to the extent to which its property tax apportionments may be offset by the future receipt of pass-through tax increment revenues, or any other surplus property tax revenues pursuant to the Dissolution Act.

### **Proposition 30**

On November 6, 2012, voters approved the Temporary Taxes to Fund Education, Guaranteed Local Public Safety Funding, Initiative Constitutional Amendment (also known as “Proposition 30”), which temporarily increased the State Sales and Use Tax and personal income tax rates on higher incomes. Proposition 30 temporarily imposed 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 imposed 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 was levied at a rate of 0.25% of the sales price of the property so purchased. For personal income taxes imposed beginning in the taxable year commencing January 1, 2012 and ending January 1, 2019, Proposition 30 increased the marginal personal income tax rate by: (i) 1% for taxable income over \$250,000 but less than \$300,000 for single filers (over \$500,000 but less than \$600,001 for joint filers and over \$340,000 but less than \$408,001 for head-of-household filers), (ii) 2% for taxable income over \$300,000 but less than \$500,001 for single filers (over \$600,000 but less than \$1,000,001 for joint filers and over \$408,000 but less than \$680,001 for head-of-household filers), and (iii) 3% for taxable income over \$500,000 for single filers (over \$1,000,000 for joint filers and over \$680,000 for head-of-household filers).

The revenues generated from the temporary tax increases were 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 – Proposition 98” and “— Proposition 111” herein. From an accounting perspective, the revenues generated from the temporary tax increases were 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 were and will be allocated quarterly, with 89% of such funds provided to school districts and 11% provided to community college districts. The funds are 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.

## **Proposition 55**

At the November 8, 2016 general election, the voters in the State approved the Tax Extension of Education and Healthcare Initiative (“Proposition 55”) which extends the increase in personal income tax on high-income taxpayers imposed under Proposition 30 until 2030. Proposition 55 did not extend the sales tax increases imposed under Proposition 30 which expired at the end of 2016.

## **Proposition 2**

Proposition 2, a legislatively referred Constitutional amendment approved by the voters in November, 2014 (“Proposition 2”), changed the way in which the State pays off existing debts, funds its reserves and draws from those reserves in times of economic slowdowns, as well as requires that reserves be set aside for schools and community colleges under certain circumstances. In addition, as a result of the passage of Proposition 2, new rules for school district reserves were implemented.

Under Proposition 2, the State is required annually to deposit 1.5% of General Fund revenues into the BSA. From fiscal year 2015-16 through 2029-30, under Proposition 2, one half of the amount required to be deposited to the BSA must be applied to the payment of debts for pension and retiree benefits and specified debts to local governments and certain other State accounts. In years when capital gains tax revenues exceed 8% of General Fund revenues, a portion of such excess capital gains tax revenue is also required to be applied to the pay down of State debt. Deposits to the BSA are required until the amount on hand in the BSA reaches 10% of General Fund revenues. Once the maximum has been reached, the required deposit amount may be applied to other expenditures.

In the event the Governor were to declare a budget emergency, Proposition 2 would permit a smaller deposit to the BSA. A budget emergency may be called if there is a natural disaster such as an earthquake or flood or General Fund revenues reach a certain minimum level. Withdrawals from the BSA, under Proposition 2, are permitted upon a majority vote of the legislature only when the Governor has declared a budget emergency. If a budget emergency is called for two straight years in a row, in the second budget emergency year, the entire amount on hand might be withdrawn.

***Public School System Stabilization Account.*** In the event capital gains tax revenues collected by the State in any given fiscal year exceed 8% of General Fund revenues, a portion of such excess is required to be deposited into the newly established under Proposition 2 PSSSA which serves as a reserve account for school funding in years when the State budget is smaller.

***SB 858 and SB 751.*** State regulations require school districts to budget a reserve for economic uncertainties. The recommended minimum amounts vary from 1% to 5% of total expenditures and other financing uses, depending on the district's ADA. SB 858, adopted in June 2014, imposed limitations relating to ending fund balances for school districts. Beginning in fiscal year 2015–16, a school district that proposes to adopt or revise a budget that includes an ending fund balance that is two to three times higher than the state’s minimum recommended reserve for economic uncertainties must substantiate the need for the higher balance. SB 751, which was adopted in October 2017 and amended Section 42127.01 of the Education Code, placed certain restrictions on the amount of a school district’s ending fund balances if a certain amount of funds is available in the PSSSA. In a fiscal year in which the amount of moneys in the PSSSA is equal to or exceeds 3% of the combined total of General Fund revenues appropriated for school districts for that fiscal year, (see “CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUES – Proposition 98”), a school district’s adopted or revised budget may not contain an assigned or unassigned ending fund balance higher than 10% of expenditures and other financing uses. A county superintendent could waive the prohibition, pursuant to specified conditions, for

up to two consecutive years within a three-year period. SB 751 does not apply to school districts with an ADA of less than 2,501 students and community-funded school districts.

If the cap is triggered, unless exempted, a school district would be required to increase expenditures in order to bring its ending fund balance down to the maximum level. The PSSSA appears to be intended to provide a substitute for local reserves in the event of a future economic downturn. See “DISTRICT FINANCIAL INFORMATION – State Budget Measures – 2025-26 State Budget” for information regarding the triggering of the reserve cap in fiscal year 2025-26.

***Reserve for Economic Uncertainty.*** The District is required to maintain a reserve for economic uncertainties at least equal to 3% of General Fund expenditures and other financing uses. On June 30, 2025, the District had available reserves of \$44,696,045 or 28.83% of General Fund expenditures and other financing uses and has budgeted available reserves of \$38,448,416, or 24.34% of General Fund expenditures and other financing uses for fiscal year 2025-26. The District is unable to predict what the effect on its budget will be following implementation of these new rules. It is anticipated that if the cap is triggered, it will materially change the District’s current policies on reserves.

## **Proposition 2 (Facilities)**

***K-12 School Facilities.*** The State school facilities bond approved by voters on November 5, 2024 (the “2024 State School Facilities Bond”) includes \$3.3 billion for the new construction of K-12 facilities and an additional \$4 billion for the modernization of existing K-12 facilities. Up to \$10 million of the allocation for new constructions will be reserved for small school districts with an enrollment of fewer than 2,501 students. Of the \$4 billion assigned for modernization of existing K-12 facilities, up to \$115 million will be allocated for the repairment of lead in water at school facilities. Generally, K-12 school districts will be required to pay for 50% of the new construction costs and 40% of the modernization costs with local revenues. However, some districts that have lower assessed property values and meet certain other socio-economic criteria will be required to pay as low as 45% and 35% of new construction costs and modernization costs, respectively. In addition, a total of \$1.2 billion will be available for the modernization and new construction of charter school facilities (\$600 million) and technical education facilities (\$600 million). The State will award funds to technical education and charter school through an application process, and charter schools must be deemed financially sound before project approval.

***Community College Facilities.*** The 2024 State School Facilities Bond includes \$1.5 billion for community college district facility projects, including buying land, constructing new buildings, modernizing existing buildings, and purchasing equipment.

## **Proposition 28**

On November 8, 2022, voters approved The Arts and Music in Schools - Funding Guarantee and Accountability Act which provides additional funding for arts and music education in all K–12 public schools (including charter schools) by annually allocating from the State General Fund an amount equal to 1% of total State and local revenues received by public schools in the preceding fiscal year under Proposition 98. Amounts provided under Proposition 28 are in addition to and not considered a part of the Proposition 98 guarantee. Funds appropriated under Proposition 28 are to be allocated 70% based on a school district’s share of Statewide enrollment and 30% based on such school district’s share of Statewide enrollment of economically disadvantaged students and must be distributed to school sites following such allocation. School districts must expend funds received pursuant to Proposition 28 within three years or such funds revert to the California Department of Education for reallocation under Proposition 28.

As a condition to receipt of funds under Proposition 28, school districts must certify that funds are to be used for arts education and that funds received in the prior fiscal year were, in fact, used for those purposes. Additionally, no more than 1% of Proposition 28 funds may be used for administrative purposes in implementing Proposition 28 programs. Schools with 500 or more students must certify that at least 80% of the funding is to be used to employ teachers and that the remainder will be spent on training, supplies, and education partnerships. Amounts appropriated under Proposition 28 in a given year may be reduced if the State legislature suspends the Proposition 98 guarantee but only in an amount equal to the percent reduction of the Proposition 98 guarantee. See “DISTRICT FINANCIAL INFORMATION – State Budget Measures – 2025-26 State Budget” for information regarding Proposition 28.

**Future Initiatives.** Article XIII A, Article XIII B, Article XIII C and Article XIII D of the California Constitution and Propositions 26, 98 and 111 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 District revenues, particularly revenues from the State, or the District’s ability to expend revenues. The nature and impact of these measures cannot be anticipated by the District.

## THE DISTRICT

### Introduction

The District, established in 1904, is located in the northwestern portion of the County in the region of the State known as Silicon Valley. The District serves the residents in approximately two-thirds of the City and provides education services in a comprehensive preschool program, eight elementary schools and two middle schools. ADA for fiscal year 2025-26 at P-2 is 5,403.13 students and the District has a 2025-26 total assessed valuation of \$52,367,214,414. The audited financial statements for the District for the fiscal year ended June 30, 2025 are attached hereto as APPENDIX B.

### Board of Education

The District is governed by a Board consisting of five members who were elected to overlapping four-year terms at elections held in staggered years. The District transitioned to by-trustee area elections beginning with the November 8, 2022 election. If a vacancy arises during any term, the vacancy is filled by either an appointment by the majority vote of the remaining Board members or by a special election. The years in which the current terms for each member of the Board expire are set forth in the following table:

### BOARD OF EDUCATION

Name	Office	Trustee Area	Term Expires December
Peggy Shen Brewster	President	4	2028
Isabel Jubes-Flamerich	Vice President	2	2028
Evelyn Castillo Profeta	Clerk	5	2026
Michelle Maginot	Trustee	3	2026
Bridget Watson	Trustee	1	2026

Unless otherwise indicated, the following financial, statistical and demographic data has been provided by the District. Additional information concerning the District and copies of the most recent and subsequent audited financial statements of the District may be obtained by contacting: Sunnyvale School District, 819 Iowa Avenue, Sunnyvale, California 94086, Attention: Superintendent. The District may charge a small fee for copying, mailing and handling.

## Key Personnel

The following is a listing of the key administrative personnel of the District and a brief biography of the Superintendent follows.

Name	Title
Gudiel R. Crosthwaite, Ph.D.	Superintendent
Jeremy Nishihara	Assistant Superintendent of Human Resources and Information Systems
Vacant	Chief Teaching and Learning Officer <sup>1</sup>
Laura Phan	Interim Chief Business Officer <sup>2</sup>

<sup>1</sup> The District has initiated the process to select a new Chief Teaching and Learning Officer and intends to have the position filled by July 1, 2026.

<sup>2</sup> The Board is expected to appoint a permanent Chief Business Officer on May 5, 2026.

***Gudiel R. Crosthwaite, Ph.D. – Superintendent.*** Dr. Crosthwaite has served as Superintendent of the District since July 1, 2025. Dr. Crosthwaite has over thirty years of experience in education. Prior to the District, he served as the Superintendent of Lynwood Unified School District. He has also taught eighth grade and high school English and English Language Development and has served as an administrator in the elementary, middle, and high school levels. Dr. Crosthwaite earned an undergraduate degree from UCLA, Master’s degrees from California State University, Los Angeles and Harvard Graduate School of Education, and a Ph.D. in Education from Claremont Graduate University.

## Employees and Labor Relations

The District has budgeted for approximately 368.0 full-time equivalent certificated academic professionals as well as approximately 340.5 full-time equivalent classified employees and approximately 62.0 full-time management employees.

The certificated employees of the District have assigned the Sunnyvale Education Association (“SEA”) as their exclusive bargaining agent. The contract between the District and SEA expires on June 30, 2028.

The classified employees have assigned California School Employees Association and its Chapter 205 (“CSEA”) as their exclusive bargaining agent. The contract between the District and CSEA expires on June 30, 2028.

The certificated management, classified management and confidential employees of the District have assigned the Sunnyvale Certificated and Classified Association for Management Personnel (“SCCAMP”) as their exclusive bargaining agent. The contract between the District and SCCAMP expires on June 30, 2028.

## District Retirement Systems

*The information set forth below regarding the District’s retirement programs, other than the information provided by the District regarding its annual contributions thereto, has been obtained from publicly available sources which are believed to be reliable but are not guaranteed as to accuracy or completeness, and should not be construed as a representation by the District.*

**STRS.** All full-time certificated employees, as well as certain classified employees, are members of the California State Teachers' Retirement System ("STRS"). STRS provides retirement, disability and survivor benefits to plan members and beneficiaries, under a defined benefit program (the "STRS Defined Benefit Program").

Benefit provisions and employer contributions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law. For fiscal year 2025-26, the District is required by such statutes to contribute 19.10% of eligible salary expenditures, while participants contributed either 10.25% or 10.205% of their respective salaries. The State also contributes to STRS, currently in an amount equal to 10.828% of teacher payroll for fiscal year 2025-26. The State's contribution reflects a base contribution of 2.017% and a supplemental contribution that will vary from year-to-year based on statutory criteria, and a contribution of 2.5% of the fiscal year covered STRS member payroll to the Supplemental Benefit Protection Account (the "SBPA"), which was established by statute to provide supplemental payments to beneficiaries whose purchasing power has fallen below 85% of the purchasing power of their initial allowance.

As part of the 2014-15 State Budget, the Governor signed Assembly Bill 1469 ("AB 1469") which implemented a new funding strategy for STRS, increasing the employer contribution rate in fiscal year 2014-15 from 8.25% to 8.88% of covered payroll. Such rate increased by 1.85% in fiscal year 2015-16, and will continue to increase annually as further described below. Teacher contributions also increased from 8.00% to a total of 10.25% of pay for employees ("Classic Members") hired before the Implementation Date (defined herein) and 10.205% for employees ("PEPRA Members") hired after the Implementation Date (defined herein), over the three year period from 2014-15 through 2017-18. The State's total contribution also increased from approximately 3% in fiscal year 2013-14 to 6.30% of payroll in fiscal year 2016-17, plus the continued payment of 2.5% of payroll annually for a supplemental inflation protection program for a total of 8.80%. Based upon the recommendation from its actuary, for fiscal year 2017-18 and each fiscal year thereafter, the STRS Teachers' Retirement Board (the "STRS Board") is required, with certain limitations, to increase or decrease the State's contribution rates to reflect the contribution required to eliminate the unfunded actuarial accrued liability attributed to benefits in effect before July 1, 1990. However, the maximum increase or decrease in a given year is limited to 0.5% of payroll under the STRS valuation policy. Once the State has eliminated its share of the STRS' unfunded actuarial obligation, the State contribution will be immediately reduced to the base contribution rate of 2.017% of payroll.

In addition, based upon the recommendation from its actuary, for fiscal year 2021-22 and each fiscal year thereafter the STRS Board, is required to increase or decrease the K-14 school districts' contribution rate to reflect the contribution required to eliminate the remaining 2014 liability by June 30, 2046; provided that the rate cannot change in any fiscal year by more than 1% of creditable compensation upon which members' contributions to the STRS Defined Benefit Program are based; and provided further that such contribution rate cannot exceed a maximum of 20.25%. The State Teachers Retirement Board would also have authority to reduce employer and State contributions if they are no longer necessary.

Pursuant to AB 1469, school districts' employer contribution rates increased over a seven-year phase-in period beginning in fiscal year 2014-15 through fiscal year 2019-20 when employer contribution rates reached 16.15% (including certain reductions in the contribution rate for supplemental payments made by the State in fiscal years 2019-20 and 2020-21.)

**Recent Investment Returns.** In fiscal years 2023-24 and 2024-25, STRS realized net return on investments of 8.4% and 8.5% respectively, exceeding its investment rate of return assumption of 7.0% in both years. The STRS pension system is ahead of schedule in reaching full funding by 2046.

The District contributed \$8,039,751 to STRS for fiscal year 2021-22, \$9,778,570 for fiscal year 2022-23, \$10,173,334 for fiscal year 2023-24 and \$10,584,426 for fiscal year 2024-25. Such contributions were equal to 100% of the required contributions for the respective years. The District has budgeted a contribution of \$15,922,501 for fiscal year 2025-26, per its Second Interim Budget Report. With the implementation of AB 1469, the District anticipates that its contributions to STRS will increase in future fiscal years as compared to prior fiscal years. The District, nonetheless, is unable to predict all factors or any changes in law that could affect its required contributions to STRS in future fiscal years.

**PERS** Classified employees working four or more hours per day are members of the California Public Employees’ Retirement System (“PERS”). PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the State statutes, as legislatively amended, with the Public Employees’ Retirement Law. The District is currently required to contribute to PERS at an actuarially determined rate, which is 26.81% of eligible salary expenditures for fiscal year 2025-26, while Classic Members contribute at a rate established by statute which is 7.00% of their respective salaries. For fiscal year 2025-26, PEPRAs Members contribute at an actuarially determined rate which is 8.00% of their respective salaries, which will remain at 8.00% for fiscal year 2026-27. See –“California Public Employees’ Pension Reform Act of 2013” below.

On April 14, 2026, the PERS Board adopted the fiscal year 2026-27 contribution rate for school districts of 26.40% and released its school employer projected contribution rates as follows:

Fiscal Year	Projected Employer Contribution Rates
2027-28	26.80%
2028-29	25.90
2029-30	25.10
2030-31	24.00
2031-32	23.80

The projected employer contribution rates will fluctuate based on actual future investment returns and other demographic changes and will be updated after the release of the fiscal year 2025-26 valuation report.

**Recent Investment Returns.** From its Basic Financial Statements issued on November 15, 2022, PERS reported a negative 7.5% net return on investments for fiscal year 2021-22, which was PERS’ first negative return on investments since fiscal year 2008-09. However, PERS Basic Financial Statements for fiscal year ended June 30, 2023 and for fiscal year ended June 30, 2024 reported investment returns of 6.1% and 9.5%, respectively. Most recently, on July 14, 2025, PERS reported a preliminary investment return of 11.6% for the fiscal year ended June 30, 2025.

The District contributed \$4,483,222 to PERS for fiscal year 2021-22, \$5,592,215 for fiscal year 2022-23, \$6,580,694 for fiscal year 2023-24 and \$7,676,606 for fiscal year 2024-25. The District has budgeted a contribution of \$7,591,237 for fiscal year 2025-26, per its Second Interim Budget Report.

**State Pension Trusts.** Each of STRS and PERS issues a separate comprehensive financial report that includes financial statements and required supplemental information. Copies of such financial reports may be obtained from each of STRS and PERS as follows: (i) STRS, P.O. Box 15275, Sacramento, California 95851-0275; (ii) PERS, P.O. Box 942703, Sacramento, California 94229-2703. Moreover, each of STRS and PERS maintains a website, as follows: (i) STRS: [www.calstrs.com](http://www.calstrs.com); (ii) PERS:

[www.calpers.ca.gov](http://www.calpers.ca.gov). However, the information presented in such financial reports or on such websites is not incorporated into this Official Statement by any reference.

Both STRS and PERS have substantial statewide unfunded liabilities. The amount of these unfunded liabilities will vary depending on actuarial assumptions, returns on investments, salary scales and participant contributions. The following table summarizes information regarding the actuarially-determined accrued liability for PERS as of June 30, 2024 and STRS as of June 30, 2024.

**FUNDED STATUS**  
**STRS (DEFINED BENEFIT PROGRAM) and PERS**  
**Actuarial Valuation**  
**(Dollar Amounts in Millions)**

Plan	Accrued Liability	Market Value of Trust Assets	Unfunded Liability
California Public Employees Retirement Fund (PERS)	\$133,978	\$ 93,187	\$(40,791)
California State Teachers' Retirement Fund Defined Benefit Program (STRS)	380,507	321,910	(85,532)

Source: *PERS State & Schools Actuarial Valuation; STRS Defined Benefit Program Actuarial Valuation.*

Unlike PERS, STRS contribution rates for participant employers, Classic Members and the State are set by statute and do not currently vary from year-to-year based on actuarial valuations. As a result of the Reform Act (defined below), the contribution rate for STRS PEPRA Members will vary from year-to-year based on actuarial valuations. See “ – California Public Employees’ Pension Reform Act of 2013” below. In recent years, the combined employer, employee and State contributions to STRS have been less than actuarially required amounts. As a result, and due in part to investment losses, STRS continues to maintain an unfunded liability. AB 1469 is intended to address this unfunded liability. The District can make no representations regarding the future program liabilities of STRS, or whether the District will be required to make larger contributions to STRS in the future. The District can also provide no assurances that the District’s required contributions to PERS will not increase in the future.

**California Public Employees’ Pension Reform Act of 2013.** On September 12, 2012, the Governor signed into law the California Public Employee’s Pension Reform Act of 2013 (the “Reform Act”), which makes changes to both STRS and PERS, most substantially affecting new employees hired after January 1, 2013 (the “Implementation Date”). For STRS participants hired after the Implementation Date, the Reform Act changes the normal retirement age by increasing the eligibility for the 2% age factor (the age factor is the percent of final compensation to which an employee is entitled to for each year of service) from age 60 to 62 and increasing the eligibility of the maximum age factor of 2.4% from age 63 to 65. Similarly, for non-safety PERS participants hired after the Implementation Date, the Reform Act changes the normal retirement age by increasing the eligibility for the 2% age factor from age 55 to 62 and increases the eligibility requirement for the maximum age factor of 2.5% to age 67. Among the other changes to PERS and STRS, the Reform Act also: (i) requires all new participants enrolled in PERS and STRS after the Implementation Date to contribute at least 50% of the total annual normal cost of their pension benefit each year as determined by an actuary, (ii) requires STRS and PERS to determine the final compensation amount for employees based upon the highest annual compensation earnable averaged over a consecutive 36-month period as the basis for calculating retirement benefits for new participants enrolled after the Implementation Date (currently 12 months for STRS members who retire with 25 years of service), and (iii) caps “pensionable compensation” for new participants enrolled after the Implementation Date at 100% of the federal Social Security contribution and benefit base for members participating in Social

Security or 120% for members not participating in social security, while excluding previously allowed forms of compensation under the formula such as payments for unused vacation, annual leave, personal leave, sick leave, or compensatory time off.

***GASB Statement Nos. 67 and 68.*** On June 25, 2012, GASB approved Statements No. 67 and No. 68 (“Statements”) with respect to pension accounting and financial reporting standards for state and local governments and pension plans. The new Statements, No. 67 and No. 68, replace GASB Statement No. 27 and most of Statements No. 25 and No. 50. The changes impact the accounting treatment of pension plans in which state and local governments participate. Major changes include: (1) the inclusion of unfunded pension liabilities on the government’s balance sheet (currently, such unfunded liabilities are typically included as notes to the government’s financial statements); (2) more components of full pension costs being shown as expenses regardless of actual contribution levels; (3) lower actuarial discount rates being required to be used for underfunded plans in certain cases for purposes of the financial statements; (4) closed amortization periods for unfunded liabilities being required to be used for certain purposes of the financial statements; and (5) the difference between expected and actual investment returns being recognized over a closed five-year smoothing period. In addition, according to GASB, Statement No. 68 means that, for pensions within the scope of such Statement, a cost-sharing employer that does not have a special funding situation is required to recognize a net pension liability, deferred outflows of resources, and deferred inflows of resources related to pensions and pension expense, based on its proportionate share of the net pension liability for benefits provided through the pension plan. The reporting requirements for pension plans took effect for the fiscal year beginning July 1, 2013 and the reporting requirements for government employers, including the District, took effect for the fiscal year beginning July 1, 2014.

The District’s proportionate shares of the net pension liability of PERS and STRS, as of June 30, 2025, are as shown in the following table.

<u>Pension Plan</u>	<u>Proportionate Share of Net Pension Liability</u>
PERS	\$44,640,985
STRS	<u>53,881,753</u>
Total	\$98,522,738

*Source:* The District.

For further information about the District’s contributions to PERS and STRS, see Note 14 in the District’s audited financial statements for fiscal year ended June 30, 2025 attached hereto as APPENDIX B.

School districts’ retirement contributions decrease when investment earnings rise and increase when investment earnings decline. As a result, declines in investment earnings may result in substantial increases in school district contributions. The District cannot determine whether current financial market losses and/or volatility might impact the value of investments held by either PERS or STRS to fund retirement benefits or whether the District’s contribution rates to PERS or STRS might increase in the future as a result of any declines in the value of investments..

**Other Post-Employment Benefits**

In June 2004, the Governmental Accounting Standards Board (“GASB”) pronounced Statement No. 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions*. The pronouncement required public agency employers providing healthcare benefits to retirees to recognize and account for the costs for providing these benefits on an accrual basis and provide footnote disclosure on the progress toward funding the benefits. In June 2015, GASB replaced Statement No. 45

with Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

Employees who are eligible to receive retiree employment benefits other than pensions (“Health & Welfare Benefits”) while in retirement must meet specific criteria, *i.e.*, age and years with the District. Contribution requirements are established and may be amended by agreement between the District and each of its bargaining units. At June 30, 2023, the valuation date, 22 retirees and their beneficiaries were receiving Health & Welfare Benefits with 735 employees earning service credit towards eligibility.

The following table shows the changes in the District’s net Health and Welfare Benefits as of June 30, 2025.

**SUNNYVALE SCHOOL DISTRICT  
Total June 30, 2025 OPEB Liability**

Service Cost	\$831,376
Interest on Total OPEB Liability	467,719
Changes of Assumptions	(64,711)
Benefits Payments	<u>600,120</u>
Net Change in Total OPEB Liability	634,264
Total OPEB Liability - Beginning	11,582,909
Total OPEB Liability - Ending	\$12,217,173

Source: *The District*.

**Risk Management**

The District is exposed to various risks of loss related to tortious liability, theft, damage or destruction of assets, errors or omissions, employee injuries or natural disasters. The District is a member of Silicon Valley Transportation Authority (“SVTA”), Alliance of Schools for Cooperative Insurance Programs (“ASCIP”) and Santa Clara County Schools’ Insurance Group (“SCCSIG”) which provide health, workers’ compensation and property liability insurance coverage to the District. SVTA, ASCIP and SCCSIG are joint powers authorities. The relationship between the District and the joint powers authorities is such that the joint powers authorities are not a component unit of the District for financial reporting purposes.

The District maintains insurance or self-insurance in such amounts and with such retentions and other terms providing coverages for property damage, fire and theft, general public liability and worker’s compensation as are adequate, customary and comparable with such insurance maintained by similarly situated school districts. In addition, based upon prior claims experience, The District believes that the recorded liabilities for self-insured claims are adequate.

**Cyber Security**

School districts, like other governmental and business entities, face significant risks relating to the use and application of computer software and hardware for educational and operational and management purposes. The District also collects, processes, and distributes an enormous amount of private, protected and personal information on students, staff, parents, visitors, and contractors. As the custodian of such information, the District may face cybersecurity threats from time to time. Given the importance of cybersecurity for school districts, federal lawmakers recently approved the K-12 Cybersecurity Act of 2021 to study cybersecurity risks that school districts face and develop recommended guidelines and an online training toolkit for school district officials to address such cybersecurity risks.

The District is not aware of any major cybersecurity attack or breach of its systems during the last five years. To protect itself from cybersecurity attacks, the District utilizes firewalls, multifactor authentication, antivirus and anti-malware software, and provides cybersecurity training to District employees. In addition, the District has an informal general technology use policy. As a result, the District expects that any such disruptions caused by a cyberattack would be temporary in nature. The District currently maintains a policy of cyber liability insurance. There can be no assurance that a future cyberattack or attempted cyberattack would not compromise the personal information that the District collects, processes and stores or cause a disruption in District operations, particularly given that students, teachers, and staff are accessing District computer systems and platforms remotely which may increase the risks of intrusion by third parties.

**Charter Schools**

The State Legislature enacted the Charter Schools Act of 1992 (State Education Code Sections 47600-47663) to permit teachers, parents, students, and community members to establish schools that would be free from most state and district regulations. Revised in 1998, the State’s charter school law states that local boards are the primary charter-approving agency and that county boards of education can approve a denied charter. State education standards apply, and charter schools are required to use the same student assessment instruments. Charter schools are exempt from state and local education rules and regulations, except as specified in the legislation.

The District has certain fiscal oversight and other responsibilities with respect to any independent and District-operated charter schools established within its boundaries. However, any independent charter schools would receive funding directly from the State, and such funding would not be reported in the District’s audited financial statements. Any District-operated charter schools would receive funding through the District, and such funding would be reflected in the District’s audited financial statements.

The County Office of Education previously approved a charter school to operate within the District, Summit Denali Middle School (“Summit Denali”), which closed at the end of the 2022-23 school year. The closure of Summit Denali caused a short-term increase in District enrollment as its students entered District middle schools. The District does not expect the closure of Summit Denali to have any further impact on District enrollment.

**District Debt Structure**

**Long-Term Debt.** A schedule of the District’s changes in long-term debt for the year ended June 30, 2025 is shown below:

	Balance July 1, 2024	Increases	Decreases	Balance June 30, 2025	Balance Due In One Year
General obligation bonds	\$252,101,855	\$120,099,105	\$(8,150,000)	\$364,050,960	\$8,070,000
Unamortized debt premiums	18,346,830	4,863,209	(988,856)	22,221,183	988,856
Compensated absences	<u>3,592,553</u>	<u>--</u>	<u>(643,547)</u>	<u>2,949,006</u>	<u>2,501,392</u>
Total	<u>\$274,041,238</u>	<u>\$124,962,314</u>	<u>\$(9,782,403)</u>	<u>\$389,221,149</u>	<u>\$11,560,248</u>

Source: *The District.*

**General Obligation Bonds**

On November 2, 2004, the District received authorization to issue \$120,000,000 of general obligation bonds (the “2004 Authorization”). Pursuant to the 2004 Authorization, the District issued its

\$35,000,000 General Obligation Bonds, Election of 2004, Series A (the “2004 Series A Bonds”), its \$30,000,000 General Obligation Bonds, Election of 2004, Series B (the “2004 Series B Bonds”), its \$35,000,000 General Obligation Bonds, Election of 2004, Series C, (2010) (the “2004 Series C Bonds”) and its \$20,000,000 General Obligation Bonds, Election of 2004, Series D, (2013) (“2004 Series D Bonds”). On March 30, 2015, the District issued its \$110,610,000 2015 General Obligation Refunding Bonds to refund a portion of i) the 2004 Series A Bonds, ii) the 2004 Series B Bonds, iii) the 2004 Series C Bonds, and iv) the 2004 Series D Bonds (the “2015 Refunding Bonds”). On November 17, 2021, the District issued its \$46,455,000 2021 General Obligation Refunding Bonds to refund a portion of the 2015 Refunding Bonds. The Bonds are intended to refund all or a portion of the 2015 Refunding Bonds.

On November 5, 2013, the District received authorization to issue \$96,000,000 principal amount of general obligations bonds (the “2013 Authorization”). Pursuant to the 2013 Authorization, the District issued its \$28,000,000 General Obligation Bonds, Election of 2013, Series A (2014) (the “2013 Series A Bonds”), its \$40,000,000 General Obligation Bonds, Election of 2013, Series B (2016) (the “2013 Series B Bonds”) and its \$28,000,000 General Obligation Bonds, Election of 2013, Series C (2019). The Bonds are intended to refund all or a portion of the 2013 Series A Bonds and the 2013 Series B Bonds.

On September 19, 2019, the District issued its \$27,590,000 2019 General Obligation Refunding Bonds to refund a portion of the 2004 Series D Bonds and the 2013 Series A Bonds.

No additional general obligation bonds remain for issuance under the 2004 Authorization or the 2013 Authorization, except for refunding bonds.

On November 6, 2018, the District received authorization to issue \$100,000,000 aggregate principal amount of general obligation bonds. Pursuant to the 2018 Authorization, the District issued its \$30,000,000 General Obligation Bonds, 2018 Election, 2021 Series A, its \$30,000,000 General Obligation Bonds, 2018 Election, 2023 Series B and its \$40,000,000 General Obligation Bonds, 2018 Election, 2024 Series C. No general obligation bonds remain for issuance pursuant to the 2018 Authorization.

On March 5, 2024, the District received authorization to issue \$214,000,000 of general obligation bonds (the “2024 Authorization”). Pursuant to the 2024 Authorization, on June 18, 2025, the District issued its \$80,000,000 General Obligation Bonds, 2024 Election, 2025 Series. \$134,000,000 aggregate principal amount of general obligation bonds remain for issuance under the 2024 Authorization.

### **Short-Term Debt**

As of June 30, 2025, the District did not have any short-term debt outstanding. The District does not intend to issue tax and revenue anticipation notes in fiscal year 2025-26.

## **SANTA CLARA COUNTY POOLED INVESTMENT FUND**

*The following information concerning the Santa Clara County Pooled Investment Fund has been provided by the County Treasurer and has not been confirmed or verified by the District or the Underwriter. No representation is made herein as to the accuracy or adequacy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof, or that the information contained or incorporated hereby by reference is correct as of any time subsequent to its date.*

The County Board of Supervisors approved the current County Investment Policy Statement (the “Investment Policy”) effective March 14, 2023. See APPENDIX E – “SANTA CLARA COUNTY INVESTMENT POLICY STATEMENT.” The Investment Policy applies to all funds managed by the Treasurer as delegated by the County Board of Supervisors. The objective of the Investment Policy is to

obtain the highest feasible return consistent with a high degree of safety of principal and the level of liquidity necessary to meet the needs of the County and the agencies participating in the Pooled Investment Fund. In that regard, safety and liquidity sufficient to meet cash flow needs are of primary concern. Under the Investment Policy, return is secondary and subordinate to safety and liquidity in making investment decisions.

Under California law, the District is required to pay all monies received from any source into the Santa Clara County Treasury to be held on behalf of the District. The Treasurer has authority to implement and oversee the investment of funds on deposit in commingled funds of the Treasury.

Decisions on the investment of funds in the Pooled Investment Fund are made by the County Treasurer and deputies in accordance with established policy guidelines. In the County, investment decisions are governed by Government Code Sections 53601 and 53635, et seq., which govern legal investments by local agencies in the State of California, and a more restrictive Investment Policy proposed by the Treasurer and adopted by the County Board of Supervisors on an annual basis. The Investment Policy is reviewed and approved annually by the County Board of Supervisors. The Treasurer’s compliance with the Investment Policy is also audited annually by an independent certified public accountant. See APPENDIX E hereto for the Santa Clara County Investment Policy.

**SANTA CLARA COUNTY  
POOLED INVESTMENT FUND  
REPORT AS OF DECEMBER 31, 2025**

<u>Investment Type:</u>	<u>Par Value</u> (Millions)	<u>Book Value</u> (Millions)	<u>Market Value</u> (Millions)
Federal Agencies	\$2,471.00	\$2,463.68	\$2,456.27
Corporate Bonds	1,370.47	1,366.76	1,371.16
Repurchase Agreements	--	--	--
Commercial Paper	311.85	310.40	310.38
Asset-Backed Securities	683.93	683.86	688.55
ABS Green Bonds	31.79	31.78	31.90
Mortgage Backed Securities	1,763.20	1,751.95	1,753.64
Municipal Securities	12.91	12.91	12.99
U.S. Treasuries	340.00	339.84	336.26
Negotiable CDs	340.00	340.00	340.02
Local Agency Investment Fund	48.85	48.85	48.85
Money Market	1,847.13	1,847.13	1,847.13
Supranationals – Green Bond	--	--	--
Supranationals	<u>638.37</u>	<u>638.24</u>	<u>638.49</u>
<b>Total</b>	<b>\$9,859.50</b>	<b>\$9,835.39</b>	<b>\$9,835.65</b>

Source: Santa Clara County Treasurer-Tax Collector.

*Neither the District nor the Underwriter has made an independent investigation of the investments in the Pooled Investment Fund and has made no assessment of the current Investment Policy. The value of the various investments in the Pooled Investment Fund will fluctuate on a daily basis as a result of a multitude of factors, including generally prevailing interest rates and other economic conditions. Additionally, the Treasurer, after a review and approval by the County Board of Supervisors may change the Investment Policy at any time. Therefore, there can be no assurance that the values of the various investments in the Pooled Investment Fund will not vary significantly from the values described therein.*

## **CONTINUING DISCLOSURE**

The District has covenanted for the benefit of the Owners of the Bonds to provide certain financial information and operating data relating to the District (the “Annual Report”) by not later than nine (9) months following the end of the District’s fiscal year (currently ending June 30), which date would be April 1, commencing with the report for the 2025-26 fiscal year, and to provide notices of the occurrence of certain enumerated events. The District will enter into a Continuing Disclosure Agreement (“Continuing Disclosure Agreement”) for the benefit of the Owners of the Bonds. The Annual Report and each notice of enumerated events will be filed by the District with the Electronic Municipal Market Access system (“EMMA”) of the Municipal Securities Rulemaking Board (the “MSRB”), or any other repository then recognized by the Securities and Exchange Commission. The specific nature of the information to be contained in the Annual Report or the notices of enumerated events is set forth in APPENDIX D – “FORM OF CONTINUING DISCLOSURE AGREEMENT” hereto. These covenants have been made in order to assist the Underwriter in complying with Securities and Exchange Commission Rule 15c2-12(b)(5) (the “Rule”).

Within the last five years, the District has not failed to comply in all material respects with its continuing disclosure undertakings under the Rule.

The District has engaged Isom Advisors, a Division of Urban Futures, Inc. to act as Dissemination Agent with respect to the undertaking to be entered into with respect to the Bonds and to assist the District with compliance with its current and future continuing disclosure obligations.

## **LEGAL MATTERS**

The legal opinion of Dannis Woliver Kelley, Long Beach, California, Bond Counsel to the District (“Bond Counsel”), attesting to the validity of the Bonds, will be supplied to the Underwriter of the Bonds without charge, the form of which is attached hereto as APPENDIX A. Dannis Woliver Kelley, Long Beach, California is also acting as Disclosure Counsel to the District. Kutak Rock LLP, Denver, Colorado is acting as counsel to the Underwriter (“Underwriter’s Counsel”). Bond Counsel, Disclosure Counsel and Underwriter’s Counsel will receive compensation contingent upon the sale and delivery of the Bonds.

### **Limitation on Remedies; Amounts Held in the County Treasury Pool**

The opinion of Bond Counsel, the proposed form of which is attached hereto as APPENDIX A are qualified by reference to bankruptcy, insolvency and other laws relating to or affecting creditor’s rights. The rights of the Owners of the Bonds are subject to certain limitations. Enforceability of the rights and remedies of the Owners of the Bonds, and the obligations incurred by the District, are limited by applicable bankruptcy, insolvency, reorganization, moratorium, and similar laws relating to or affecting the enforcement of creditors’ rights generally, now or hereafter in effect, equity principles that may limit the specific enforcement under State law of certain remedies, the exercise by the United States of America of the powers delegated to it by the Constitution, the reasonable and necessary exercise, in certain exceptional situations, of the police powers inherent in the sovereignty of the State and its governmental bodies in the interest of serving a significant and legitimate public purpose, and the limitations on remedies against school and community college districts in the State. Bankruptcy proceedings, if initiated, could subject the beneficial owners of the Bonds to judicial discretion and interpretation of their rights in bankruptcy or otherwise, and consequently may entail risks of delay, limitation, or modification of their rights.

Under Chapter 9 of the Federal Bankruptcy Code (Title 11, United States Code) (the “Bankruptcy Code”), which governs the bankruptcy proceedings for public agencies, no involuntary petitions for bankruptcy relief are permitted. While current State law precludes school districts from voluntarily seeking

bankruptcy relief under Chapter 9 of the Bankruptcy Code without the concurrence of the State, such concurrence could be granted or State law could be amended.

The Resolution and the provisions of the Government Code require the County to annually 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), for the payment of the principal of, premium, if any, and interest on the Bonds. The County, on behalf of the District, is thus expected to be in possession of the annual *ad valorem* taxes and certain funds to repay the Bonds and may invest these funds in the Pooled Investment Fund, as described in APPENDIX E – “SANTA CLARA COUNTY INVESTMENT POLICY STATEMENT” attached hereto. In the event the District or the County were to go into bankruptcy, a federal bankruptcy court might hold that the Owners of the Bonds are unsecured creditors with respect to any funds received by the District or the County prior to the bankruptcy, where such amounts are deposited into the Pooled Investment Fund, and such amounts may not be available for payment of the principal of and interest on the Bonds unless the Owners of the Bonds can “trace” those funds. There can be no assurance that the Owners could successfully so “trace” such taxes on deposit in the District’s Interest and Sinking Fund where such amounts are invested in the Pooled Investment Fund. Under any such circumstances, there could be delays or reductions in payments on the Bonds.

### **California Senate Bill 222**

Government Code Section 53515, added by Senate Bill 222 (“SB 222”), applicable to general obligations bonds issued after its effective date on January 1, 2017, removes the extra step between (a) the issuance of general obligation bonds by cities, counties, cities and counties, school districts, community college districts, authorities and special districts; and (b) the imposition of a lien on the future *ad valorem* property taxes that are the source of repayment of the general obligation bonds. By clarifying that the lien created with each general obligation bond issuance is a “statutory” lien (consistent with bankruptcy statutory law and case precedent), SB 222, while it does not prevent default, should reduce the ultimate bankruptcy risk of non-recovery on local general obligation bonds.

### **TAX MATTERS**

The delivery of the Bonds is subject to delivery of the opinion of Bond Counsel, to the effect that interest on the Bonds for federal income tax purposes under existing statutes, regulations, published rulings, and court decisions (1) will be excludable from the gross income, as defined in section 61 of the Internal Revenue Code of 1986, as amended to the date of initial delivery of the Bonds (the “Code”), of the owners thereof pursuant to section 103 of the Code, (2) will not be included in computing alternative minimum taxable income for purposes of the federal alternative minimum tax imposed on individuals, and (3) will be taken into account in determining adjusted financial statement income for the alternative minimum tax imposed on certain corporations. The delivery of the Bonds is also subject to the delivery of the opinion of Bond Counsel, based upon existing provisions of the laws of the State of California, that interest on the Bonds is exempt from personal income taxes of the State of California. The statutes, regulations, rulings, and court decisions on which such opinions will be based are subject to change. The form of Bond Counsel’s anticipated opinion respecting the Bonds is included in APPENDIX A.

In rendering the foregoing opinions, Bond Counsel will rely upon the representations and certifications of the District made in a certificate (the “Tax Certificate”) of even date with the initial delivery of the Bonds pertaining to the use, expenditure, and investment of the proceeds of the Bonds and will assume continuing compliance with the provisions of the Resolution by the District subsequent to the issuance of the Bonds. The Tax Certificate contains covenants by the District with respect to, among other matters, the use of the proceeds of the Bonds and the facilities and equipment financed therewith by persons other than state or local governmental units, the manner in which the proceeds of the Bonds are to be

invested, if required, the calculation and payment to the United States Treasury of any “arbitrage profits” and the reporting of certain information to the United States Treasury. Failure to comply with any of these covenants could cause interest on the Bonds to be includable in the gross income of the owners thereof from the date of the issuance of the Bonds.

Except as described above, Bond Counsel will express no other opinion with respect to any other federal, State or local tax consequences under present law, or proposed legislation, resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Bonds. Prospective purchasers of the Bonds should be aware that the ownership of tax-exempt obligations such as the Bonds may result in collateral federal tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, S corporations with subchapter C earnings and profits, certain foreign corporations doing business in the United States, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, owners of an interest in a financial asset securitization investment trust, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Prospective purchasers should consult their own tax advisors as to the applicability of these consequences to their particular circumstances.

Bond Counsel’s opinion is not a guarantee of a result, but represents its legal judgment based upon its review of existing statutes, regulations, published rulings and court decisions and the representations and covenants of the District described above. No ruling has been sought from the Internal Revenue Service (“IRS” or the “Service”) or the State of California with respect to the matters addressed in the opinion of Bond Counsel, and Bond Counsel’s opinion is not binding on the Service or the State of California. The Service has an ongoing program of auditing the tax status of the interest on municipal obligations. If an audit of the Bonds is commenced, under current procedures, the Service is likely to treat the District as the “taxpayer,” and the Owners of the Bonds would have no right to participate in the audit process. In responding to or defending an audit of the tax-exempt status of the interest on the Bonds, the District may have different or conflicting interests from the owners of the respective Bonds. Public awareness of any future audit of the Bonds could adversely affect the value and liquidity of the Bonds during the pendency of the audit, regardless of its ultimate outcome.

### ***Tax Accounting Treatment of Discount and Premium on Certain of the Bonds***

The initial public offering price of certain of the Bonds (the “Discount Bonds”) may be less than the amount payable on such Bonds at maturity. An amount equal to the difference between the initial public offering price of a Discount Bond (assuming that a substantial amount of the Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes original issue discount to the initial purchaser of such Discount Bond. The tax rules requiring inclusion in income annually by the holder of a debt instrument having original issue discount of the daily portion of original issue discount for each day during a taxable year in which such holder held such debt instrument is inapplicable to the Bonds. A portion of such original issue discount, allocable to the holding period of such Discount Bond by the initial purchaser, will, upon the disposition of such Discount Bond (including by reason of its payment at maturity), be treated as interest excludable from gross income, rather than as taxable gain, and will be added to the holder’s basis in the Discount Bond, for federal income tax purposes, on the same terms and conditions as those for other interest on the bonds described above under “TAX MATTERS.” Such interest is considered to be accrued in accordance with the constant-yield-to-maturity method over the life of a Discount Bond taking into account the semiannual compounding of accrued interest at the yield to maturity on such Discount Bond, and generally will be allocated to an original purchaser in a different amount from the amount of the payment denominated as interest actually received by the original purchaser during the tax year.

However, such interest may be required to be taken into account in determining the amount of the branch profits tax applicable to certain foreign corporations doing business in the United States, even though there will not be a corresponding cash payment. In addition, the accrual of such interest may result in certain other collateral federal income tax consequences to, among others, financial institutions, life insurance companies, property and casualty insurance companies, S corporations with subchapter C earnings and profits, individual recipients of Social Security or Railroad Retirement benefits, individuals otherwise qualifying for the earned income tax credit, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry, or who have paid or incurred certain expenses allocable to, tax-exempt obligations. Moreover, in the event of the redemption, sale or other taxable disposition of a Discount Bond by the initial Owner prior to maturity, the amount realized by such Owner in excess of the basis of such Discount Bond in the hands of such Owner (adjusted upward by the portion of the original issue discount allocable to the period for which such Discount Bond was held) is includable in gross income.

Owners of Discount Bonds should consult with their own tax advisors with respect to the determination for federal income tax purposes of accrued interest upon disposition of Discount Bonds and with respect to the state and local tax consequences of owning Discount Bonds. It is possible that, under applicable provisions governing determination of state and local income taxes, accrued interest on Discount Bonds may be deemed to be received in the year of accrual even though there will not be a corresponding cash payment.

The initial offering price of certain Bonds (the “Premium Bonds”), may be greater than the amount payable on such bonds at maturity. An amount equal to the difference between the initial public offering price of a Premium Bond (assuming that a substantial amount of the Bonds of that maturity are sold to the public at such price) and the amount payable at maturity constitutes premium to the initial purchaser of such Premium Bonds. The basis for federal income tax purposes of a Premium Bond in the hands of such initial purchaser must be reduced each year by the amortizable bond premium, although no federal income tax deduction is allowed as a result of such reduction in basis for amortizable bond premium. Such reduction in basis will increase the amount of any gain (or decrease the amount of any loss) to be recognized for federal income tax purposes upon a sale or other taxable disposition of a Premium Bond. The amount of premium which is amortizable each year by an initial purchaser is determined by using such purchaser’s yield to maturity. Purchasers of the Premium Bonds should consult with their own tax advisors with respect to the determination of amortizable bond premium with respect to the Premium Bonds for federal income purposes and with respect to the state and local tax consequences of owning Premium Bonds.

***Form of Bond Counsel Opinion.*** The form of the proposed opinion of Bond Counsel relating to the Bonds is attached to this Official Statement as APPENDIX A.

## **LEGALITY FOR INVESTMENT**

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 investing bank, are prudent for the investment of funds of depositors. Under provisions of the Government Code, the Bonds are eligible to secure deposits of public moneys in California.

## **RATING**

S&P Global Ratings, a business unit of Standard & Poor’s Financial Services LLC (“S&P”) has assigned its municipal bond rating of “AAA” to the Bonds. Such rating reflects only the views of S&P and an explanation of the significance of such rating may be obtained as follows: S&P at 55 Water Street, New York, New York 10041, tel. (212) 438-7280. There is no assurance that such rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely if, in the judgment of the

rating agency, circumstances so warrant. Any such downward revision or withdrawal of any such rating may have an adverse effect on the market price of the Bonds.

Generally, rating agencies base their ratings on information and materials furnished to them (which may include information and material from the District which is not included in this Official Statement) and on investigations, studies and assumptions by the rating agencies.

### **VERIFICATION**

The sufficiency of amounts on deposit in the Escrow Fund to pay interest on and the redemption price of the Refunded Bonds will be verified by Causey Public Finance, LLC, certified public accountants (the "Verification Agent"). The Verification Agent will deliver a report to that effect on the date of delivery of the Bonds.

### **UNDERWRITING**

Stifel, Nicolaus & Company, Incorporated (the "Underwriter") has agreed to purchase the Bonds pursuant to the terms of a bond purchase agreement by and between the District and the Underwriter ("Purchase Agreement") at the purchase price of \$ \_\_\_\_\_ (reflecting the principal amount of the Bonds plus [net] original issue premium in the amount of \$ \_\_\_\_\_ less an Underwriter's discount of \$ \_\_\_\_\_), at the rates and yields shown on the inside cover hereof.

The Purchase Agreement provides that the Underwriter will purchase all of the Bonds, subject to certain terms and conditions set forth in the Purchase Agreement, including the approval of certain legal matters by counsel. The Underwriter may offer and sell the Bonds to certain dealers and others at yields other than the yields stated on the inside cover page. The offering prices may be changed from time to time by the Underwriter.

The Underwriter has provided the following information for inclusion in this Official Statement. The District does not guarantee the accuracy or completeness of the following information, and the inclusion thereof should not be construed as a representation of the District.

The Underwriter and its affiliates comprise a full service financial institution engaged in activities which may include sales and trading, commercial and investment banking, advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services. The Underwriter and its affiliates may have provided, and may in the future provide, a variety of these services to the District and to persons and entities with relationships with the District, for which they received or will receive customary fees and expenses.

In the ordinary course of these business activities, the Underwriter and its affiliates may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans and other financial instruments for their own account and for the accounts of their customers, and such investment and trading activities may involve or relate to assets, securities and/or instruments of the District (directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with the District.

The Underwriter and its affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire such assets, securities and instruments. Such investment and securities activities may involve securities and instruments of the District.

## **NO MATERIAL LITIGATION**

*Absence of Pending or Threatened Litigation Relating to the Bonds.* No litigation is pending or threatened, nor is any audit or investigation known to be premised on any assertion, concerning or contesting the validity of the Bonds, or contesting the District's ability to issue the Bonds. The District is not aware of any litigation pending or threatened, nor is any audit or investigation known to be premised on any assertion, questioning the political existence of the District or contesting the title to the offices of District officers who will execute the Bonds or District officials who will sign certifications relating to the Bonds, or the powers of those officers. A certificate (or certificates) to that effect will be furnished to the Underwriter (defined herein) at the time of the original delivery of the Bonds.

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**OTHER INFORMATION**

References are made herein to certain documents and reports which are brief summaries thereof which do not purport to be complete or definitive and reference is made such documents and reports for full and complete statements of the contents thereof. A copy of the Resolution is available upon request from the Sunnyvale School District, 819 W. Iowa Avenue, Sunnyvale, California 94086.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the District and the purchasers or Owners of any of the Bonds.

The execution and delivery of this Official Statement has been duly authorized by the District.

SUNNYVALE SCHOOL DISTRICT

By: \_\_\_\_\_  
Superintendent

**APPENDIX A**

**FORM OF BOND COUNSEL OPINION**

\_\_\_\_\_, 2026

Board of Education  
Sunnyvale School District  
819 W. Iowa Avenue  
Sunnyvale, California 94086

Re: \$\_\_\_\_\_ Sunnyvale School District (Santa Clara County, California)  
2026 General Obligation Refunding Bonds

Members of the Board:

We have acted as bond counsel for the Sunnyvale School District (Santa Clara County, California) (the “District”), in connection with the issuance by the District of \$\_\_\_\_\_ aggregate principal amount of the District’s 2026 General Obligation Refunding Bonds (the “Bonds”). The Bonds are issued pursuant to the Government Code of the State of California (commencing at Section 53550), and that certain resolution adopted by the Board of Education of the District on March 26, 2026 (the “Resolution”). All terms used herein and not otherwise defined shall have the meanings given to them in the Resolution.

As bond counsel, we have examined copies certified to us as being true and complete copies of the proceedings of the District for the authorization and issuance of the Bonds, including the Resolution. Our services as such bond counsel were limited to an examination of such proceedings and to the rendering of the opinions set forth below. In this connection, we have also examined such certificates of public officials and officers of the District and the County of Santa Clara as we have considered necessary for the purposes of this opinion.

Certain agreements, requirements and procedures contained or referred to in the Resolution and other relevant documents may be changed and certain actions (including, without limitation, defeasance of Bonds) may be taken or omitted under the circumstances and subject to the terms and conditions set forth in such documents. No opinion is expressed herein as to any effect on any Bonds if any such change occurs or action is taken or omitted upon the advice or approval of counsel other than ourselves.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. Our engagement with respect to the

Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by any parties other than the District. We have

not undertaken to verify independently, and have assumed, the accuracy of the factual matters represented, warranted or certified in the documents referred to in the second paragraph hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Resolution. We call attention to the fact that the rights and obligations under the Bonds and the Resolution may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors, rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against public entities in the State of California. We express no opinion with respect to any indemnification, contribution, choice of law, choice of forum or waiver provisions contained in the foregoing documents. We express no opinion and make no comment with respect to the sufficiency of the security for the marketability of the Bonds. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Bonds and express no opinion herein with respect thereto.

Based on and subject to the foregoing and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Bonds constitute valid and binding general obligations of the District.
2. The Bonds are payable as to both principal and interest from the proceeds of a levy of *ad valorem* taxes on all property subject to such taxes in the District, which taxes are unlimited as to rate or amount, except for certain personal property that is taxable at limited rates.
3. The Resolution has been duly adopted and constitutes a valid and binding obligation of the District enforceable against the District in accordance with its terms.
4. Interest on the Bonds is excluded from the gross income of the owners thereof for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986, as amended.
5. Interest on the Bonds is exempt from personal income taxes of the State of California.

Bondholders should note that interest on the Bonds is not a preference item for purposes of the alternative minimum tax imposed on individuals but is taken into account in determining the annual adjusted financial statement income for the purpose of computing the alternative minimum tax imposed on certain corporations. Ownership of tax-exempt obligations such as the Bonds may result in collateral tax consequences. The nature and extent of these other tax consequences will depend upon the particular tax status of the owner of the Bonds or such owner's other items of income or deduction. We express no opinion with respect to any federal, state, or local tax consequences, under present law or any proposed legislation, resulting from the receipt or accrual of interest on, or the acquisition or disposition of, the Bonds.

Our opinions are based on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Our opinions represent our legal judgment based upon our review of existing law that we deem relevant to such opinions and in reliance upon the representations and covenants referenced above.

The foregoing opinions represent our legal judgment based upon a review of existing legal authorities that we deem relevant to render such opinions and are not a guarantee of results.

Dannis Woliver Kelley

**APPENDIX B**

**SUNNYVALE SCHOOL DISTRICT  
AUDITED FINANCIAL STATEMENTS  
FOR FISCAL YEAR ENDED JUNE 30, 2025**

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Financial Statements  
June 30, 2025

# Sunnyvale School District

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## Independent Auditor's Report

To the Governing Board  
Sunnyvale School District  
Sunnyvale, California

### Report on the Audit of the Financial Statements

#### *Opinions*

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Sunnyvale School District (District), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

In our opinion, the accompanying 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, 2025, and the respective changes in financial position, and, where applicable, cash flows.

#### *Basis for Opinions*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### *Correction of an Error*

As discussed in Note 17 to the financial statements, certain errors that resulted in an overstatement of previously reported accumulated depreciation were discovered by the District's management during the current year. Accordingly, the beginning net position of the governmental activities have been restated as of July 1, 2024, to correct the error. Our opinions are not modified with respect to this matter.

### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the District's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion Budgetary Comparison Schedule – General Fund, the Schedule of Changes in the District's Total OPEB Liability and Related Ratios, the Schedule of the District's Proportionate Share of the Net Pension Liability and Related Ratios and the Schedule of the District's Pension Contributions be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, 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.

### ***Supplementary 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 Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, the combining non-major governmental fund financial statements, and other supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information 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. The 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 GAAS. In our opinion, the Schedule of Expenditures of Federal Awards, the combining non-major governmental fund financial statements, and other supplementary information listed in the table of contents are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### ***Other Information***

Management is responsible for the other information included in the financial statements. The other information comprises the Local Education Agency Organization Structure but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 29, 2026 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, grant agreements, and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

The image shows a handwritten signature in cursive script that reads "Eide Bailly LLP". The signature is written in black ink and is positioned above the printed name and date.

Menlo Park, California  
January 29, 2026

This section of Sunnyvale School District's (the District) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2025, with comparative information for the year ended June 30, 2024. Please read it in conjunction with the District's financial statements, which immediately follow this section.

### **Financial Highlights**

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

- The District's cash and investments balances increased by \$86.6 million with most of that increase reported in our capital projects funds. The increase was due to the issuance of a new general obligation bond.
- Capital assets increased by \$30.7 million which is comprised of \$39.7 million in capital asset additions which was offset by depreciation of \$9.0 million.
- The District's long-term debt other than pension and other postemployment benefit (OPEB) liabilities increased by \$115.2 million mainly due to issuance of new general obligation bonds series. The District's general obligation bonds are secured with proceeds from property taxes collected from various bond measures approved by the District's voters.
- The District's net pension liability increased by \$11.5 million due to changes in market value of investments with the pension plans and contributions made by the District.
- The District's federal and state grants increased slightly by \$.2 million mainly due to receiving an increased ELOP entitlement, receiving the Arts, Music, and Instructional Materials grant and receiving the Learning Recovery Emergency Block Grant funding.
- The District's instructional related expenses increased by \$0.5 million mainly due to the increased cost of personnel as well as the expansion of instructional related programs.
- The District's local sources such as property taxes, increased by \$0.7 million due to increases related property assessed valuation within the District's boundaries.

### **Overview of the Financial Statements**

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

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

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

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

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

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

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

## Government-Wide Overall Financial Analysis

### Net Position

The District's net position was \$26.2 million for the fiscal year ended June 30, 2025, a 28.1% decrease over the net position for the fiscal year ended June 30, 2024. Of this amount, \$18.9 million is invested in capital assets which was offset by related debt. Restricted net position is reported separately to show legal constraints from debt covenants and enabling legislation that limits the Board's ability to use the net position for day-to-day operations. Management's analysis below focuses on the net position (Table 1) and on the changes in net position (Table 2) of the District's governmental activities:

Table 1  
Net Position

	Governmental Activities		Percentage Change
	2025	2024, Restated	
<b>Assets</b>			
Current and other assets	\$ 232,765,107	\$ 146,803,908	58.6%
Capital assets	299,826,090	269,159,751	11.4%
Total assets	532,591,197	415,963,659	28.0%
Deferred outflows of resources	45,737,566	50,411,886	-9.3%
<b>Liabilities</b>			
Current liabilities	13,887,028	13,060,981	6.3%
Longterm liabilities*	499,961,060	393,164,383	27.2%
Total liabilities	513,848,088	406,225,364	26.5%
Deferred inflows of resources	38,298,716	37,253,218	2.8%
<b>Net Position (Deficit)</b>			
Net investment in capital assets	18,975,969	20,410,496	-7.0%
Restricted	49,483,832	32,944,827	50.2%
Unrestricted deficit	(42,277,842)	(30,458,360)	-38.8%
Total net position	\$ 26,181,959	\$ 22,896,963	14.3%

\* The 2024 amounts were not restated for the effect of the change in accounting principle related to compensated absences.

Significant changes include an decrease in net pension liability due to changes in pension investments at CalSTRS and CalPERS and increase in general obligation bonds liability. The deferred inflows of resources changed due to the changes in assumptions and investment gains related to pension, leases and OPEB.

**Changes in Net Position**

The results of this year's operations for the District as a whole are reported in the *Statement of Activities*. Table 2 takes the information from the Statement, rounds off the numbers, and rearranges them slightly to show the total revenues for the year.

Table 2  
Changes in Net Position

	Governmental Activities		Percentage Change
	2025	2024, Restated	
<b>Revenues</b>			
Program revenues			
Charges for services and sales	\$ 44,313	\$ 858,916	-94.8%
Operating grants and contributions	31,908,361	31,806,243	0.3%
General revenues			
Federal and State aid not restricted	5,850,833	5,607,461	4.3%
Property taxes	134,416,732	133,704,404	0.5%
Other general revenues	4,952,522	4,411,109	12.3%
Total revenues	<u>177,172,761</u>	<u>176,388,133</u>	0.4%
<b>Expenses*</b>			
Instruction related	117,657,763	119,018,925	-1.1%
Pupil services	16,842,853	15,331,097	9.9%
Administration	12,246,143	12,343,764	-0.8%
Plant services	12,032,624	11,468,390	4.9%
All other services	12,657,420	11,131,944	13.7%
Total expenses	<u>171,436,803</u>	<u>169,294,120</u>	1.3%
Change in net position	<u>\$ 5,735,958</u>	<u>\$ 7,094,013</u>	-19.1%

\* The 2024 amounts were not restated for the effect of the change in accounting principle related to compensated absences.

Total revenues increased 0.1% over the previous fiscal period to \$177.4 million. An increase of 0.5% was noted this year in property tax revenues due to increase in the assessed valuation of properties within the District's boundaries. Total expenditures decreased 0.9% over the previous period to \$170.8 million.

## **Financial Analysis of Governmental Funds**

As the District completed this year, our governmental funds reported a combined fund balance of \$195.8 million of which \$64.6 million was in the General Fund. The General fund reported an decrease in fund balance of \$4.0 million. The decrease is attributed to the increase in personnel costs and increase in other expenditures related to our day to day operations. The Building Fund experienced a \$85.7 million increase in its fund balance, primarily due to issuance of general obligations bonds in the amount of \$120.0 million.

## **General Fund Budgetary Highlights**

Over the course of the year, the District revises its budget as it attempts to deal with unexpected changes in revenues and expenditures. The final amendment to the budget was adopted on June 18, 2025. A schedule showing the District's original and final budget amounts compared with amounts actually paid and received is provided in the General Fund Budget to Actual schedule reported in the required supplementary information section of this report.

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

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

- Salary expenditures were adjusted to reflect step and column movements and negotiated salary increases.
- Adjustments were made to health, welfare, and statutory benefits to reflect personnel, premium, and rate changes during the year.
- Technology expenditures were adjusted to accommodate for the purchase of a new HR management system to support recruitment, hiring, absence tracking, professional development, and evaluation.
- Textbook expenditures were adjusted to accommodate piloting Elementary Phonics and Math curriculum.

## **Capital Asset and Long-Term Liabilities**

### **Capital Assets**

At June 30, 2025, the District had \$299.8 million in a broad range of capital assets (net of depreciation), including land, buildings, furniture, and equipment. This amount represents a net increase (including additions, deductions, and depreciation) of \$30.66 million from last year (Table 4). The increase is related to construction activities occurring at school sites offset by depreciation expense.

This year's additions of \$39.6 million includes HVAC upgrades, exterior improvements to our campuses, and the campus modernization at Sunnyvale Middle School. We present information that is more detailed about our capital assets in Notes 5 to the financial statements. These construction projects are funded mostly by bonds proceeds.

Table 4  
Capital Assets

	Governmental Activities		Percentage Change
	2025	2024 Restated	
Land and construction in progress	\$ 44,872,145	\$ 62,094,500	-27.7%
Buildings and improvements	252,193,725	203,838,017	23.7%
Vehicles	1,414,924	1,785,752	-20.8%
Equipment	1,345,296	1,441,482	-6.7%
Total	<u>\$ 299,826,090</u>	<u>\$ 269,159,751</u>	11.4%

### Long-Term Liabilities

At the end of this year, the District had \$499.6 million in long-term liabilities outstanding versus \$395.0 million last year, an increase of 26.5% (see Table 5). More detailed information about the District's long-term liabilities is presented in Note 11 to the financial statements.

Table 5  
Long-Term Liabilities

	Governmental Activities		Percentage Change
	2025	2024	
Long-Term Liabilities			
General obligation bonds	\$ 364,050,960	\$ 252,101,855	44.4%
Unamortized premiums/(discounts)	22,221,183	18,346,830	21.1%
Compensated absences *	2,949,006	3,592,553	-17.9%
Total OPEB liability	11,817,284	10,999,936	7.4%
Aggregate net pension liability	98,522,738	109,991,198	-10.4%
Total	<u>\$ 499,561,171</u>	<u>\$ 395,032,372</u>	26.5%

\* The 2024 amounts were not restated for the effect of the change in accounting principle related to compensated absences.

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

The District's net pension liabilities increased by 10.4% due to investment market performance. These investments are managed by CalPERS and CalSTRS and are used to offset the District's proportionate share of the pension liabilities.

**Discussion of Fiscal Year 2024-2025 and Outlook for 2025-2026 and Beyond:**

The Sunnyvale School District serves over 5,600 students from preschool through eighth grade and is located in northwestern Santa Clara County, neighboring the cities of Santa Clara, Mountain View, and Cupertino in the heart of Silicon Valley. Approximately two-thirds of the TK-8 students residing in the City of Sunnyvale fall within the District's boundaries. In the fiscal year 2024-2025, the District's share of local property tax revenue exceeded its Local Control Funding Formula (LCFF) entitlement, allowing it to continue as a community funded district. Under this funding model, general fund revenue does not increase with enrollment growth.

Despite being a community funded district, the Sunnyvale School District's diverse community challenges the typical image of such districts. Its ten schools serve students from a wide range of ethnic and socio-economic backgrounds. The District emphasizes equitable access and support for disadvantaged students, ensuring that all curricula are accessible regardless of language, ethnicity, or socio-economic status. The District's student population is 40.8% Hispanic, 26.1% Asian, 18.0% White, 4.4% Filipino, and 10.7% from other ethnic backgrounds.

The District's mission is to provide every student with a strong foundation of academic, behavioral, and social-emotional skills to prepare them for success in an increasingly diverse and changing world. Its promise is that every student is known by name, strength, and need, ready to excel in high school and beyond while leading a life of joy and purpose.

The 2024-2025 fiscal year served as a transformative period for the Sunnyvale School District, anchored by the adoption of a new Strategic Plan for 2024-2030. This guiding document is built upon three strategic pillars: Student Learning, Instructional Effectiveness, and Empowering Infrastructure. Throughout the fiscal year, the District's financial planning remained strictly aligned with these pillars, prioritizing inclusive environments, enhanced instructional practices, and equitable access to modern facilities.

The District's ability to serve its students is significantly bolstered by exceptional community support. Bond Measure GG is now nearly fully expended, having funded significant school renovations and upgrades over the past cycle. In March 2024, voters overwhelmingly passed Measure C, a \$214 million general obligation bond dedicated to modernizing schools, upgrading technology infrastructure, and improving campus safety. Additionally, in November 2024, voters renewed Measure Y. This parcel tax maintains the existing rate of \$59 annually, securing approximately \$1.1 million per year for the next eight years. These funds are restricted to supporting academic programs, maintaining small class sizes, and sustaining essential technology. Both active measures include strict oversight provisions to guarantee transparency and accountability in expenditure.

The 2024-2025 fiscal year closed with property tax revenue growth of approximately 5.61%, providing a stable funding base for District operations. However, the year also marked the expiration of one-time pandemic relief funds and continued cost pressures associated with the expansion of Transitional Kindergarten (TK). In June 2025, the District successfully concluded labor negotiations, settling on a three-year compensation agreement that provides salary increases of approximately 3%, 2%, and 2% over the term of the contract. This agreement reflects the District's commitment to retaining high-quality staff while necessitating careful long-term budget planning.

Looking ahead to the 2025-2026 fiscal year and beyond, the District faces a shifting economic landscape. Property tax growth has slowed significantly, currently projected at approximately 1.86% for 2025-2026, a marked decrease from the prior year's growth and well below historical averages. This slowing revenue growth, combined with the multi-year impact of negotiated salary increases and rising special education costs (which have increased 48% over the last six years), has contributed to a projected structural deficit. Multi-year projections indicate that expenditures are currently outpacing ongoing revenues, which may place pressure on the District's reserves if left unaddressed.

In response, District administration has activated a "Sustainability Playbook." This proactive fiscal strategy focuses on operational efficiency, strategic alignment, and cost control. Specifically, the District is conducting vacancy reviews to capture attrition savings and optimizing procurement contracts, evaluating all programs and staffing models to "right-size" resources, and ensuring resources are allocated where they have the greatest impact on student outcomes. The District remains committed to its mission of empowering every learner. By implementing these prudent fiscal measures and maintaining transparent communication with stakeholders, we are positioned to navigate these economic headwinds while sustaining high-quality educational programs.

### **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 Arthur Cuffy, Chief Business Officer at Sunnyvale School District, 819 W. Iowa Avenue, Sunnyvale, California, 94086, or e-mail at [arthur.cuffy@sesd.org](mailto:arthur.cuffy@sesd.org).

Sunnyvale School District  
Statement of Net Position  
June 30, 2025

	Governmental Activities
<b>Assets</b>	
Deposits and investments	\$ 197,659,061
Receivables	7,121,677
Due from other governments	86,399
Prepaid items	102,734
Stores inventories	216,387
Leases receivable	27,578,849
Capital assets not depreciated or amortized	44,872,145
Capital assets, net of accumulated depreciation and amortization	254,953,945
Total assets	532,591,197
<b>Deferred Outflows of Resources</b>	
Deferred outflows related to refunding charges	8,539,853
Deferred outflows of resources related to OPEB	3,009,476
Deferred outflows of resources related to pensions	34,188,237
Total deferred outflows of resources	45,737,566
<b>Liabilities</b>	
Accounts payable	8,790,932
Interest payable	3,790,912
Unearned revenue	1,305,184
Long-term liabilities	
Long-term liabilities other than OPEB and pensions, due within one year	11,560,248
Long-term liabilities other than OPEB and pensions, due in more than one year	377,660,901
Total other postemployment benefits liability (OPEB), due within one year	399,889
Total other postemployment benefits liability (OPEB), due in more than one year	11,817,284
Aggregate net pension liabilities due in more than one year	98,522,738
Total liabilities	513,848,088
<b>Deferred Inflows of Resources</b>	
Deferred inflows of resources related to OPEB	1,988,437
Deferred inflows of resources related to leases	26,782,188
Deferred inflows of resources related to pensions	9,528,091
Total deferred inflows of resources	38,298,716
<b>Net Position</b>	
Net investment in capital assets	18,975,969
Restricted for	
Debt service	12,786,393
Capital projects	15,504,435
Educational programs	19,805,256
Food Services	1,387,748
Unrestricted deficit	(42,277,842)
Total net position	\$ 26,181,959

Sunnyvale School District  
Statement of Activities  
Year Ended June 30, 2025

Functions/Programs	Expenses	Program Revenues		Net (Expenses)
		Charges for Services and Sales	Operating Grants and Contributions	Revenues and Changes in Net Position
				Governmental Activities
Governmental Activities				
Instruction	\$ 95,523,495	\$ 24,732	\$ 23,820,495	\$ (71,678,268)
Instruction-related activities				
Supervision of instruction	12,003,372	2,280	1,034,920	(10,966,172)
Instructional library, media, and technology	595,433	-	-	(595,433)
School site administration	9,535,463	-	750,961	(8,784,502)
Pupil services				
Home-to-school transportation	2,837,184	-	49,637	(2,787,547)
Food services	5,364,938	6,997	4,792,939	(565,002)
All other pupil services	8,640,731	6,837	905,413	(7,728,481)
Administration				
Data processing	4,006,772	-	-	(4,006,772)
All other administration	8,239,371	911	517,861	(7,720,599)
Plant services	12,032,624	2,556	36,135	(11,993,933)
Ancillary services	21,198	-	-	(21,198)
Interest on long-term liabilities	12,552,564	-	-	(12,552,564)
Other outgo	83,658	-	-	(83,658)
Total governmental activities	<u>\$ 171,436,803</u>	<u>\$ 44,313</u>	<u>\$ 31,908,361</u>	<u>(139,484,129)</u>
General Revenues and Subventions				
Property taxes, levied for general purposes				116,526,840
Property taxes, levied for debt service				16,181,819
Taxes levied for other specific purposes				1,708,073
Federal and State aid not restricted to specific purposes				5,850,833
Interest and investment earnings				3,694,337
Interagency revenues				6,250
Miscellaneous				1,251,935
Subtotal, general revenues and subventions				<u>145,220,087</u>
Change in Net Position				<u>5,735,958</u>
Net Position - Beginning, as previously reported				8,481,637
Adjustment ( Note 17)				<u>11,964,364</u>
Net Position - Beginning, as restated				<u>20,446,001</u>
Net Position - Ending				<u>\$ 26,181,959</u>

Sunnyvale School District  
Balance Sheet – Governmental Funds  
June 30, 2025

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Deposits and investments	\$ 64,467,325	\$ 100,581,590	\$ 32,610,146	\$ 197,659,061
Receivables	5,727,443	338,046	1,056,188	7,121,677
Due from other funds	66,353	3,545	2,876,202	2,946,100
Due from other governments	86,399	-	-	86,399
Prepaid expenditures	102,734	-	-	102,734
Stores inventories	108,150	-	108,237	216,387
Leases receivable	27,578,849	-	-	27,578,849
<b>Total assets</b>	<b>\$ 98,137,253</b>	<b>\$ 100,923,181</b>	<b>\$ 36,650,773</b>	<b>\$ 235,711,207</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>				
<b>Liabilities</b>				
Accounts payable	\$ 3,098,219	\$ 4,786,152	\$ 902,530	\$ 8,786,901
Due to other funds	2,879,747	-	66,353	2,946,100
Due to other governments	4,031	-	-	4,031
Unearned revenue	711,469	-	593,715	1,305,184
<b>Total liabilities</b>	<b>6,693,466</b>	<b>4,786,152</b>	<b>1,562,598</b>	<b>13,042,216</b>
<b>Deferred Inflows of Resources</b>				
Lease related	26,782,188	-	-	26,782,188
<b>Fund Balances</b>				
Nonspendable	1,033,845	-	108,537	1,142,382
Restricted	18,931,709	96,137,029	34,979,638	150,048,376
Unassigned	44,696,045	-	-	44,696,045
<b>Total fund balances</b>	<b>64,661,599</b>	<b>96,137,029</b>	<b>35,088,175</b>	<b>195,886,803</b>
<b>Total liabilities, deferred inflows of resources, and fund balances</b>	<b>\$ 98,137,253</b>	<b>\$ 100,923,181</b>	<b>\$ 36,650,773</b>	<b>\$ 235,711,207</b>

Sunnyvale School District  
 Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position  
 June 30, 2025

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Total Fund Balance - Governmental Funds		\$ 195,886,803
<p>Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because</p> <p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.</p>		
The cost of capital assets is		\$ 412,415,688
Accumulated depreciation and amortization is		<u>(112,589,598)</u>
Net capital assets		299,826,090
<p>In governmental funds, unmatured interest on long-term liabilities is recognized in the period when it is due. On the government-wide financial statements, unmatured interest on long-term liabilities is recognized when it is incurred.</p>		
		(3,790,912)
<p>Deferred outflows of resources represent a consumption of net position in a future period and is not reported in the governmental funds. Deferred outflows of resources amounted to and related to</p>		
Debt refunding (deferred charge on refunding)		8,539,853
Other postemployment benefits (OPEB)		3,009,476
Net pension liability		<u>34,188,237</u>
Total deferred outflows of resources		45,737,566
<p>Deferred inflows of resources represent an acquisition of net position that applies to a future period and is not reported in the governmental funds. Deferred inflows of resources amount to and related to</p>		
Other postemployment benefits related		(1,988,437)
Pension related		<u>(9,528,091)</u>
Total deferred inflows of resources		(11,516,528)
<p>Net pension liability is not due and payable in the current period, and is not reported as a liability in the funds.</p>		
		(98,522,738)
<p>The District's OPEB liability is not due and payable in the current period, and is not reported as a liability in the funds.</p>		
		(12,217,173)
<p>Long-term liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year-end consist of</p>		
General obligation bonds		(386,272,143)
Compensated absences (vacations)		<u>(2,949,006)</u>
Total long-term liabilities		<u>(389,221,149)</u>
Total net position - governmental activities		<u><u>\$ 26,181,959</u></u>

**Sunnyvale School District**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds**  
**Year Ended June 30, 2025**

	General Fund	Building Fund	Non-Major Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Local control funding formula (LCFF)	\$ 120,533,641	\$ -	\$ -	\$ 120,533,641
Federal sources	3,245,653	-	1,479,484	4,725,137
Other State sources	13,877,522	-	4,815,297	18,692,819
Other local sources	13,369,874	1,421,566	21,170,872	35,962,312
Total revenues	<u>151,026,690</u>	<u>1,421,566</u>	<u>27,465,653</u>	<u>179,913,909</u>
<b>Expenditures</b>				
<b>Current</b>				
Instruction	94,984,868	-	917,668	95,902,536
Instruction-related activities				
Supervision of instruction	11,472,961	-	64,262	11,537,223
Instructional library, media, and technology	560,381	-	-	560,381
School site administration	9,355,198	-	104,324	9,459,522
Pupil services				
Home-to-school transportation	2,670,164	-	-	2,670,164
Food services	(270,885)	-	5,319,997	5,049,112
All other pupil services	8,551,208	-	-	8,551,208
Administration				
Data processing	3,770,900	-	-	3,770,900
All other administration	7,682,957	-	230,359	7,913,316
Plant services	10,650,038	598,973	63,932	11,312,943
Ancillary services	19,950	-	-	19,950
Capital Outlay	5,003,328	34,502,836	138,400	39,644,564
Debt service				
Principal	-	-	8,150,000	8,150,000
Interest and other	-	644,000	9,955,735	10,599,735
Total expenditures	<u>154,451,068</u>	<u>35,745,809</u>	<u>24,944,677</u>	<u>215,141,554</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(3,424,378)</u>	<u>(34,324,243)</u>	<u>2,520,976</u>	<u>(35,227,645)</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in	-	-	577,282	577,282
Bond issuance	-	120,000,000	-	120,000,000
Bond premiums	-	-	4,863,208	4,863,208
Transfers out	(577,282)	-	-	(577,282)
Net Financing Sources (Uses)	<u>(577,282)</u>	<u>120,000,000</u>	<u>5,440,490</u>	<u>124,863,208</u>
Net Change in Fund Balances	(4,001,660)	85,675,757	7,961,466	89,635,563
Fund Balance - Beginning	68,663,259	10,461,272	27,126,709	106,251,240
Fund Balance - Ending	<u>\$ 64,661,599</u>	<u>\$ 96,137,029</u>	<u>\$ 35,088,175</u>	<u>\$ 195,886,803</u>

Sunnyvale School District  
 Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental  
 Funds to the Statement of Activities  
 Year Ended June 30, 2025

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Total Net Change In Fund Balances - Governmental Funds \$ 89,635,563

Amounts Reported for Governmental Activities In the Statement of  
 Activities Are Different Because

Capital outlay to purchase or build capital assets are reported in governmental funds as expenditures; however, for governmental activities, those costs are shown in the Statement of Net Position and allocated over their estimated useful lives as annual depreciation and amortization expense in the statement of activities.

This is the amount by which capital outlay exceeds depreciation and amortization in the period.

Depreciation and amortization expense	\$ (8,978,225)	
Capital outlays	<u>39,644,564</u>	

Net expense adjustment		30,666,339
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The District issued capital appreciation general obligations bonds. The accretion of interest on the general obligation bonds during the current fiscal year was (99,105)

In the statement of activities, certain operating expenses, such as compensated absences (vacations) are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This amount is the difference between vacation earned and used. 643,547

In the governmental funds, pension costs are based on employer contributions made to pension plans during the year. However, in the statement of activities, pension expense is the net effect of all changes in the deferred outflows, deferred inflows and net pension liability during the year. 4,289,787

In the governmental funds, OPEB costs are based on employer contributions made to OPEB plans during the year. However, in the statement of activities, OPEB expense is the net effect of all changes in the deferred outflows, deferred inflows, and net OPEB liability during the year. (833,240)

Proceeds received from General obligation bonds is a revenue in the governmental funds, but it increases long-term liabilities in the statement of net position and does not affect the statement of activities. (120,000,000)

Sunnyvale School District  
 Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental  
 Funds to the Statement of Activities (Continued)  
 Year Ended June 30, 2025

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*Continued from previous page.*

Governmental funds report the effect of premiums, discounts, and the deferred charge on refunding when the debt is first issued, whereas the amounts are deferred and amortized in the statement of activities.

Premium on issuance recognized	(3,874,353)
Deferred charge on refunding recognized	(2,052,270)

Payment of principal on long-term-liabilities is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net position and does not affect the statement of activities.

General obligation bonds	8,150,000
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Interest on long-term liabilities is recorded as an expenditure in the funds when it is due; however, in the Statement of Activities, interest expense is recognized as the interest accretes or accrues, regardless of when it is due.

(790,310)
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Change in net position of governmental activities	\$ 5,735,958
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## **Note 1 - Summary of Significant Accounting Policies**

### **Financial Reporting Entity**

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

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

### **Basis of Presentation - Fund Accounting**

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

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

### **Major Governmental Funds**

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

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

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

### **Non-Major Governmental Funds**

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

- **Child Development Fund** The Child Development Fund is used to account separately for Federal, State, and local revenues to operate child development programs and is to be used only for expenditures for the operation of child development programs.
- **Cafeteria Fund** The Cafeteria Fund is used to account separately for Federal, State, and local resources to operate the food service program (*Education Code* Sections 38090-38093) and is used only for those expenditures authorized by the governing board as necessary for the operation of the District's food service program (*Education Code* Sections 38091 and 38100).
- **Deferred Maintenance Fund** The Deferred Maintenance Fund is used to account separately for revenues that are restricted or committed for deferred maintenance purposes (*Education Code* Section 17582).

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

- **Capital Facilities Fund** The Capital Facilities Fund is used primarily to account separately for monies received from fees levied on developers or other agencies as a condition of approval (*Education Code* Sections 17620-17626 and *Government Code* Section 65995 et seq.). Expenditures are restricted to the purposes specified in *Government Code* Sections 65970-65981 or to the items specified in agreements with the developer (*Government Code* Section 66006).
- **County School Facilities Fund** The county School Facilities Fund is established pursuant to *Education Code* Section 17070.43 to receive apportionments from the 1998 State School Facilities Fund (Proposition 1A), the 2002 State School Facilities Fund (Proposition 47), the 2004 State School Facilities Fund (Proposition 51), the 2006 State School Facilities Fund (Proposition 1D), or the 2016 State School Facilities Fund (Proposition 51) authorized by the State Allocation Board for new school facility construction, modernization projects, and facility hardship grants, as provided in the Leroy F. Greene School Facilities Act of 1998 (*Education Code* Section 17070.10 et seq.).

**Debt Service Funds** The Debt Service funds are used to account for the accumulation of resources for and the payment of principal and interest on general long-term liabilities. The District has only one Debt Service Fund, Bond Interest and Redemption Fund, that is presented as Major governmental funds.

- **Bond Interest and Redemption Fund** The Bond Interest and Redemption Fund is used to account for the accumulation of resources for, and the repayment of, district bonds, interest, and related costs.

#### **Basis of Accounting - Measurement Focus**

**Government-Wide Financial Statements** The government-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of the proprietary fund financial statements, but differs from the manner in which governmental fund financial statements are prepared.

The government-wide statement of activities presents a comparison between expenses, both direct and indirect, and program revenues for each segment of the business-type activities of the District and for each governmental function. Direct expenses are those that are specifically associated with a service, program, or department and are therefore, clearly identifiable to a particular function. The District does not allocate indirect expenses to functions in the Statement of Activities, except for depreciation and amortization of capital assets. Program revenues include charges paid by the recipients of the goods or services offered by the programs, 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 program or business segment 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 placed on net position 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 results from special revenue funds and the restrictions on their use.

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

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

**Revenues – Exchange and Non-Exchange Transactions** Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be collected soon enough thereafter, to be used to pay liabilities of the current fiscal year. The District considers revenues to be available if they are collected within one year after year-end, except for property taxes, which are considered available if collected within 60 days. The following revenue sources are considered to be both measurable and available at fiscal year-end: State apportionments, interest, certain grants, and other local sources.

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

**Unearned Revenue** Unearned revenues arise when resources are received by the District before it has a legal claim to them, such as when certain grants are received prior to the occurrence of qualifying expenditures. In the subsequent periods, when the District has a legal claim to the resources, the liability for unearned revenue is removed from the balance sheet and the revenue is recognized.

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

### **Cash and Cash Equivalents**

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

### **Investments**

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

The District's investment in the county treasury is measured at fair value on a recurring basis, which is determined by the fair value per share of the underlying portfolio determined by the program sponsor. Positions in this investment pool are not required to be categorized within the fair value hierarchy.

### **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. General capital assets are long-lived assets of the District as a whole. 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. In the government-wide statement of net position and activities, such amounts are capitalized and their cost is amortized to operations over their useful lives by annual depreciation expense charge. The valuation basis for capital assets is historical cost, or where historical cost is not available, estimated historical cost based on replacement cost. Donated capital assets are capitalized at acquisition value on the date donated. Depreciation is computed using the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 20 to 50 years; improvements, 5 to 50 years; equipment, 2 to 15 years.

The District records impairments of capital assets when it becomes probable that the carrying value of the assets will not be fully recovered over their estimated useful life. Impairments are recorded to reduce the carrying value of the assets to their net realizable value based on facts and circumstances in existence at the time of the determination. No impairments were recorded during the year ended June 30, 2025.

### **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 activities columns of the statement of net position.

### **Compensated Absences**

Compensated absences are accrued as a liability as the benefits are earned for leave balances that are more likely than not to be used for compensated leave or settled through cash or noncash means. The entire compensated absence liability is reported on the government-wide Statement of Net Position. For governmental funds, a liability for 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, only the portion of accumulated sick leave that is more likely than not to be used by the employee for paid leave is recognized as a liability in the District's financial statements. Credit for unused sick leave is applicable to all classified school members who retire after January 1, 1999. At retirement, each member will receive 0.004 year of service credit for each day of unused sick leave. Credit for unused sick leave is applicable to all certificated employees and is determined by dividing the number of unused sick days by the number of base service days required to complete the last school year, if employed full-time. The portion of sick leave that is more likely than not to be settled through conversion to service credit for employee retirement plans is not included in the District's liability for compensated absences.

### **Accrued Liabilities and Long-term Liabilities**

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

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

### **Debt Issuance Costs, Premiums and Discounts**

Debt premiums, discounts, and debt issuance costs related to prepaid insurance are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund Statement of Net Position. Debt premiums and discounts, as well as issuance costs related to prepaid insurance costs, are amortized over the life of the bonds using the straight-line method, which approximates the effective interest method.

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

### **Deferred Outflows/Inflows of Resources**

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

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

### **Pensions**

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

### **Fund Balances - Governmental Funds**

As of June 30, 2025, 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 did not report committed fund balances.

**Assigned** - amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the District's adopted policy, only the governing board or chief business officer/assistant superintendent of business services may assign amounts for specific purposes. The District did not report assigned fund balances.

**Unassigned** - all other spendable amounts.

### **Spending Order Policy**

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the District considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the District considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the governing board has provided otherwise in its commitment or assignment actions. The District had no committed fund balance reported in the current fiscal year.

### **Minimum Fund Balance Policy**

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

### **Net Position**

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

### **Estimates**

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

### **Property Tax**

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

**Adoption of New Accounting Standard**

Implementation of GASB Statement No. 101

As of June 30, 2025, the District adopted GASB Statement No. 101, *Compensated Absences*. The provisions of this standard modernize the types of leave that are considered a compensated absence and provides guidance for a consistent recognition and measurement of the compensated absence liability. The effect of the implementation of this standard on beginning net position is disclosed in Note 17.

**Note 2 - Deposits and Investments**

**Summary of Deposits and Investments**

Deposits and investments as of June 30, 2025, are classified in the accompanying financial statements as follows:

Governmental funds	<u>\$ 197,659,061</u>
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Deposits and investments as of June 30, 2025, consist of the following:

Cash in revolving	\$ 26,300
Investments in county pool	<u>197,632,761</u>
Total deposits and investments	<u>\$ 197,659,061</u>

**Policies and Practices**

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

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

**General Authorizations**

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

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

**Interest Rate Risk**

Interest rate risk is the risk that change in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rate. The District manages its exposure to interest rate risk by depositing substantially all of its funds in the County Treasury pool. The weighted average maturity of the pool was 415 days.

**Credit Risk**

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The District's investment in the county pool is not rated, as of June 30, 2025.

**Custodial Credit Risk - Deposits**

This is the risk that in the event of a bank failure, the District's deposits may not be returned to it. The District does not have a policy for custodial credit risk for deposits. However, the California *Government Code* requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. The District believes it has no significant custodial credit risk.

**Note 3 - Receivables and Due from Other Governments**

Receivables, excluding lease receivables, at June 30, 2025, consisted of intergovernmental grants, entitlements, interest and other local sources. All receivables are considered collectible in full.

	General Fund	Building Fund	Non-Major Governmental Funds	Total
Federal Government				
Categorical aid	\$ 1,623,562	\$ -	\$ 793,171	\$ 2,416,733
State Government				
Categorical aid	1,450,143	-	54,809	1,504,952
Lottery	304,275	-	-	304,275
Local Government				
Interest	659,517	338,046	208,208	1,205,771
Other local sources	1,776,345	-	-	1,776,345
	<u>\$ 5,813,842</u>	<u>\$ 338,046</u>	<u>\$ 1,056,188</u>	<u>\$ 7,208,076</u>
Total	<u>\$ 5,813,842</u>	<u>\$ 338,046</u>	<u>\$ 1,056,188</u>	<u>\$ 7,208,076</u>

**Note 4 - Capital Assets**

Capital asset activity for the fiscal year ended June 30, 2025, was as follows:

	Balance July 1, 2024 Restated	Additions	Deductions	Balance June 30, 2025
<b>Governmental Activities</b>				
Capital assets not being depreciated				
Land	\$ 3,814,433	\$ -	\$ -	\$ 3,814,433
Construction in progress	58,280,067	36,969,403	(54,191,758)	41,057,712
<b>Total capital assets not being depreciated</b>	<b>62,094,500</b>	<b>36,969,403</b>	<b>(54,191,758)</b>	<b>44,872,145</b>
Capital assets being depreciated				
Land improvements	51,574,753	3,708,004	-	55,282,757
Buildings and improvements	248,517,630	52,964,236	-	301,481,866
Vehicles	4,101,795	-	-	4,101,795
Furniture and equipment	6,482,446	194,679	-	6,677,125
<b>Total capital assets being depreciated</b>	<b>310,676,624</b>	<b>56,866,919</b>	<b>-</b>	<b>367,543,543</b>
<b>Total capital assets</b>	<b>372,771,124</b>	<b>93,836,322</b>	<b>(54,191,758)</b>	<b>412,415,688</b>
Accumulated depreciation				
Land improvements	(21,010,133)	(2,789,336)	-	(23,799,469)
Buildings and improvements	(75,244,233)	(5,527,196)	-	(80,771,429)
Vehicles	(2,316,043)	(370,828)	-	(2,686,871)
Furniture and equipment	(5,040,964)	(290,865)	-	(5,331,829)
	<b>(103,611,373)</b>	<b>(8,978,225)</b>	<b>-</b>	<b>(112,589,598)</b>
<b>Governmental activities capital assets, net</b>	<b>\$ 269,159,751</b>	<b>\$ 84,858,097</b>	<b>\$ (54,191,758)</b>	<b>\$ 299,826,090</b>

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

Governmental Activities	
Instruction	\$ 5,489,324
Supervision of instruction	660,374
Instructional library, media, and technology	32,075
School site administration	541,450
Home-to-school transportation	152,836
Food services	289,004
All other pupil services	490,601
Data processing	215,841
All General administration	448,158
Plant services	658,562
	<u>658,562</u>
Total depreciation and amortization expense governmental activities	\$ 8,978,225

**Note 5 - Leases Receivable**

The District reports leases receivable related to three ground and land leases to three parties. The leases vary in length from 8 to 28 years, and the District will receive an annual amount of \$ 4,078,349 in annual payments. The District recognized \$3,597,215 in lease revenue and \$481,134 in interest revenue during the current fiscal year related to these leases. As of June 30, 2025, the District's receivable for lease payments was \$27,578,849 discounted using a 2.00% discount rate. In addition, the District reported a deferred inflow of resources associated with this lease that will be recognized as revenue over the lease term. As of June 30, 2025, the balance of the deferred inflow of resources was \$26,782,188.

**Note 6 - Interfund Transactions**

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

Interfund receivable and payable balances arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Interfund receivable and payable balances at June 30, 2025, between major and non-major governmental funds are as follows:

Due To	Due From			Total
	General Fund	Building Fund	Non-Major Governmental Funds	
General Fund	\$ -	\$ 3,545	\$ 2,876,202	\$ 2,879,747
Non-Major Governmental Funds	66,353	-	-	66,353
Total	\$ 66,353	\$ 3,545	\$ 2,876,202	\$ 2,946,100

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

**Interfund Transfers**

Interfund transfers for the year ended June 30, 2025, consisted of the following:

Transfer Out	Transfers In Non-Major Governmental Funds
General Fund - contubution	\$ 577,282

**Note 7 - Deferred Charge on Refunding**

Deferred charge on refunding is a consumption of net asset by the District that is applicable to a future reporting period. For governmental activities, the net investment in capital assets includes the effect of deferring the recognition of loss from advance refunding. The \$8,539,853 balance of the deferred outflow of resources at June 30, 2025 will be recognized as an expense and as a decrease in net position over the remaining life of related bonds.

	Balance July 1, 2024	Additions	Deductions	Balance June 30, 2025
Deferred charge on bond refunding	\$ 10,592,123	\$ -	\$ (2,052,270)	\$ 8,539,853

**Note 8 - Accounts Payable and Due to Other Governments**

Accounts payable at June 30, 2025, consisted of the following:

	General Fund	Building Fund	Non-Major Governmental Funds	Total
Vendor payables	\$ 1,786,583	\$ -	\$ 902,290	\$ 2,688,873
Construction	-	4,786,152	-	4,786,152
Due to Other governments	4,031	-	-	4,031
Salaries and benefits	1,311,636	-	240	1,311,876
Total	\$ 3,102,250	\$ 4,786,152	\$ 902,530	\$ 8,790,932

**Note 9 - Unearned Revenue**

Unearned revenue at June 30, 2025, consisted of the following:

	General Fund	Non-Major Governmental Funds	Total
Federal financial assistance	\$ 221,241	\$ -	\$ 221,241
State categorical aid	5,106	593,715	598,821
Other local	485,122	-	485,122
Total	\$ 711,469	\$ 593,715	\$ 1,305,184

**Note 10 - Long-Term Liabilities Other than OPEB and Pensions**

**Summary**

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

	July 1, 2024 as restated	Increase	Deductions	Balance June 30, 2025	Due in One Year
Long-Term Liabilities					
General obligation bonds	\$252,101,855	\$ 120,099,105	\$ (8,150,000)	\$ 364,050,960	\$ 8,070,000
Unamortized debt premiums	18,346,830	4,863,209	(988,856)	22,221,183	988,856
Compensated absences	3,592,553	-	(643,547)	2,949,006	2,501,392
Total	\$ 274,041,238	\$ 124,962,314	\$ (9,782,403)	\$ 389,221,149	\$ 11,560,248

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

**General Obligation Bonds**

The outstanding general obligation bonded debt is as follows:

Issuance Date	Final Maturity Date	Interest Rate	Original Issue	Bonds Outstanding July 1, 2024	Issued/ Accreted	Redeemed/ Refunded	Bonds Outstanding June 30, 2025
<b>General Obligation Bonds</b>							
2010 C	9/1/34	4.25-5.00%	\$ 35,000,000	\$4,000,000	\$ -	\$ -	\$ 4,000,000
2013 A	9/1/44	2.00-5.00%	28,000,000	3,590,000	-	-	3,590,000
2015 Ref	9/1/35	2.00-5.00%	110,610,000	60,245,000	-	(2,915,000)	57,330,000
2013 B	9/1/44	3.00-5.00%	40,000,000	37,800,000	-	-	37,800,000
2013 C	9/1/44	3.00-4.00%	28,000,000	20,695,000	-	(1,160,000)	19,535,000
2019 Ref	9/1/44	1.70-2.80%	27,590,000	26,490,000	-	(245,000)	26,245,000
2021 A	9/1/50	4%	30,000,000	24,155,000	-	(1,625,000)	22,530,000
2021 Ref	9/1/35	4%	46,455,000	44,250,000	-	(930,000)	43,320,000
2023 B	9/1/51	5%	30,000,000	30,000,000	-	(1,275,000)	28,725,000
2024 Series C	9/1/51	5%	40,000,000	-	40,000,000	-	40,000,000
2025 Series A	9/1/56	5%	80,000,000	-	80,000,000	-	80,000,000
Subtotal				251,225,000	120,000,000	(8,150,000)	363,075,000
<b>Capital Appreciation Bonds</b>							
2012 D	9/1/42	3.00-11.00%	230,820	876,855	99,105	-	975,960
				<u>\$ 252,101,855</u>	<u>\$ 120,099,105</u>	<u>\$ (8,150,000)</u>	<u>\$ 364,050,960</u>

**Debt Service Requirements to Maturity**

The bonds mature through 2051 as follows:

Fiscal Year	Principal	Interest to Maturity	Total
2026	\$ 8,070,000	\$ 11,372,735	\$ 19,442,735
2027	12,145,000	14,083,467	26,228,467
2028	11,150,000	13,535,700	24,685,700
2029	7,535,000	12,980,764	20,515,764
2030	7,820,000	12,799,710	20,619,710
2031-2035	47,060,000	60,416,825	107,476,825
2036-2040	69,585,000	51,377,588	120,962,588
2041-2045	86,540,000	34,681,117	121,221,117
2046-2050	52,795,000	20,899,675	73,694,675
2051-2055	52,810,000	9,427,275	62,237,275
2056-2057	7,565,000	378,250	7,943,250
Accretion to date	975,960		
Subtotal	<u>\$ 364,050,960</u>	<u>\$ 241,953,106</u>	<u>\$ 605,028,106</u>

**Note 11 - Fund Balance**

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

	General Fund	Building Fund	Non-Major Governmental Funds	Total
<b>Nonspendable Lease</b>				
Revolving cash	\$ 26,300	\$ -	\$ -	\$ 26,300
Stores inventories	108,150	-	108,537	216,687
Prepaid expenditures	102,734	-	-	102,734
Leases	796,661	-	-	796,661
Total nonspendable	<u>1,033,845</u>	<u>-</u>	<u>108,537</u>	<u>1,142,382</u>
<b>Restricted</b>				
Educational program	18,931,709	-	873,547	19,805,256
Food service	-	-	1,279,211	1,279,211
Capital projects	-	96,137,029	15,504,435	111,641,464
Debt services	-	-	17,322,445	17,322,445
Total restricted	<u>18,931,709</u>	<u>96,137,029</u>	<u>34,979,638</u>	<u>150,048,376</u>
<b>Unassigned</b>				
Reserve for economic uncertainties	30,917,238	-	-	30,917,238
Remaining unassigned	13,778,807	-	-	13,778,807
Total unassigned	<u>44,696,045</u>	<u>-</u>	<u>-</u>	<u>44,696,045</u>
Total	<u>\$ 64,661,599</u>	<u>\$ 96,137,029</u>	<u>\$ 35,088,175</u>	<u>\$ 195,886,803</u>

**Note 12 - Total Other Postemployment Benefit (OPEB) Liability**

For the fiscal year ended June 30, 2025, the District reported total OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense for the following plans:

OPEB Plan	Total OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	OPEB Expense
Retiree Health Plan	<u>\$ 12,217,173</u>	<u>\$ 3,009,476</u>	<u>\$ 1,988,437</u>	<u>\$ 650,147</u>

**Plan Administration**

The District’s retiree healthcare plan (the Plan) is provided through California Employers’ Retirement Benefit Trust (CERBT), an agent multiple-employer defined benefit healthcare program administered by CalPERS. The Plan is a defined benefit plan that is used to provide postemployment benefits other than pensions (OPEB) for eligible retirees and their spouses. The District's plan was administered through CalPERS. CalPERS issues a publicly available entity-wide financial report that includes financial statements and required supplementary information pertaining to CERBT. This report is on the CalPERS website at: <http://www.calpers.ca.gov>.

Management of the Plan is vested in District management. Management of the trustee assets is vested with CalPERS.

**Benefits Provided**

The Plan provides medical and dental insurance benefits to eligible retirees and their spouses. Benefits are provided through a third-party insurer, and the full cost of benefits is covered by the Plan. The District’s governing board has the authority to establish and amend the benefit terms as contained within the negotiated labor agreements. Benefit eligibility and the District-paid benefits vary by classification and date of hire. Certificated employees hired before July 1, 2006 will receive benefits at the later of age 60 and 15 years of service. Classified and management employees hired before June 30, 2006 will receive benefits at the later of age 55 and 15 years of service. Certificated and classified employees hired on or after July 1, 2006 will receive benefits at the later of age 60 and 20 years of service and management employees hired on or after July 1, 2006 will receive benefits at the later of age 60 and 10 years of service. Employees hired Before July 1, 2006 will receive 100% of medical, dental and vision premiums for retiree, and 70% of medical premium only for all dependents. Additionally, management retirees receive District-paid life insurance, as well as 100% of dental and vision premiums for all dependents. Groups other than management now pay 8% of vision premium for retiree. Those hired on or after July 1, 2006 will receive 100% of medical, dental and vision premiums for retiree only, up to an annual \$10,000 cap. Benefits pro-rated for part-time service. District-paid benefits end at age 65.

**Plan Membership**

At June 30, 2023, the valuation date, the Plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefits payments	22
Inactive employees entitled to but not yet receiving benefits payments	-
Active employees	735
Total	757

**Contributions**

The benefit payment requirements of the Plan members and the District are established and may be amended by the District, represented groups and unrepresented groups. The benefit payment is based on projected pay-as-you-go financing requirements as determined annually through the agreements with the District, TEA, CSEA, and the unrepresented groups. The District’s contributions to the plan was \$399,889.

**Actuarial Assumptions**

The total OPEB liability in the June 30, 2023 actuarial valuation was determined using the following assumptions, applied to all periods included in the measurement, unless otherwise specified:

Measurement Date	June 30, 2024
Valuation Date	June 30, 2023
Experience Study - CalSTRS	2015 - 2018
Experience Study - CalPERS	2000 - 2019
Actuarial Cost Method	Entry age normal
Discount Rate	3.97% using Bond Buyer 20-bond General Obligation Index
Healthcare cost trend rate	5.50% initially trending down to 4% in 2070
Medicare Premium Cost Trend Rate	4.50%

**Changes in the Total OPEB Liability**

	<u>Total OPEB Liability</u>
Balance, June 30, 2024	<u>\$11,582,909</u>
Service cost	831,376
Interest	467,719
Changes of assumptions or other inputs	(64,711)
Benefit payments	<u>(600,120)</u>
Net change in total OPEB liability	<u>634,264</u>
Balance, June 30, 2025	<u><u>\$ 12,217,173</u></u>

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

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

<u>Discount Rate</u>	<u>Total OPEB Liability</u>
1% decrease (2.97%)	\$ 12,632,677
Current discount rate (3.97%)	12,217,173
1% increase (4.97%)	11,649,532

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

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

Healthcare Cost Trend Rate	Total OPEB Liability
1% decrease (Current rate less 1%)	\$ 10,941,141
Current healthcare cost trend rate	12,217,173
1% increase (Current rate plus 1%)	13,704,548

**OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEB**

For the year ended June 30, 2025, the District recognized OPEB expense of \$650,147. At June 30, 2025, the District reported deferred outflows of resources and deferred inflow of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
OPEB contributions subsequent to measurement date	\$ 399,889	\$ -
Differences between expected and actual experience	1,264,304	973,771
Changes of assumptions	1,345,283	1,014,666
Total	\$ 3,009,476	\$ 1,988,437

The deferred outflows of resources for OPEB contributions subsequent to measurement date will be recognized as reduction of the total OPEB liability in the subsequent fiscal year. The remaining deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2026	\$ (48,819)
2027	(48,819)
2028	(48,819)
2029	(18,625)
2030	(8,476)
Thereafter	794,708
Total	\$ 621,150

**Note 13 - Risk Management**

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

**Property and Liability**

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. During fiscal year ending June 30, 2025, the District contracted with the District contracted with Alliance of Schools for Cooperative Insurance Programs for property and liability insurance coverage. Settled claims have not exceeded this commercial coverage in any of the past three years.

**Workers' Compensation**

For fiscal year 2025, the District participated in the Alliance of Schools for Cooperative Insurance Programs (ASCIP), an insurance purchasing pool. The intent of the ASCIP is to achieve the benefit of a reduced premium for the District by virtue of its grouping and representation with other participants in the ASCIP. The workers' compensation experience of the participating districts is calculated as one experience and a common premium rate is applied to all districts in the ASCIP. Each participant pays its workers' compensation premium based on its individual rate. A participant will then either receive money from or be required to contribute to the "equity pooling fund". This "equity pooling" arrangement ensures that each participant shares equally in the overall performance of the ASCIP. Participation in the ASCIP is limited to districts that can meet the ASCIP selection criteria.

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

Insurance Program / Company Name	Type of Coverage	Limits
<b>Workers' Compensation Program</b>		
Santa Clara County School Insurance Group	Workers' Compensation	\$ 1,000,000
<b>Property and Liability Program</b>		
Alliance of Schools for Cooperative Insurance Programs	General	\$ 5,000,000
	Automobile	\$ 5,000,000
	Employee Dishonesty	\$ 5,000,000
	Property	\$ 500,000,000

**Note 14 - Employee Retirement Systems**

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

For the fiscal year ended June 30, 2025, the District reported its proportionate share of net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expense for each of the above plans as follows:

Pension Plan	Collective Net Pension Liability	Collective Deferred Outflows of Resources	Collective Deferred Inflows of Resources	Collective Pension Expense
CalSTRS	\$ 53,881,753	\$ 19,696,276	\$ 8,471,832	\$ 6,291,693
CalPERS	44,640,985	14,491,961	1,056,259	7,678,552
Total	<u>\$ 98,522,738</u>	<u>\$ 34,188,237</u>	<u>\$ 9,528,091</u>	<u>\$ 13,970,245</u>

The details of each plan are as follows:

**California State Teachers' Retirement System (CalSTRS)**

**Plan Description**

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

A full description of the pension plan regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2023, annual actuarial valuation report, Defined Benefit Program Actuarial Valuation. This report and CalSTRS audited financial information are publicly available reports that can be found on the CalSTRS website under Publications at: <http://www.calstrs.com/forms-publication>.

**Benefits Provided**

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

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

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

The STRP provisions and benefits in effect at June 30, 2025, are summarized as follows:

	STRP Defined Benefit Program	
	On or before December 31, 2012	On or after January 1, 2013
Hire date	2% at 60	2% at 62
Benefit formula	5 years of service	5 years of service
Benefit vesting schedule	Monthly for life	Monthly for life
Benefit payments	60	62
Retirement age	2.0% - 2.4%	2.0% - 2.4%
Monthly benefits as a percentage of eligible compensation	10.25%	10.205%
Required employee contribution rate	19.10%	19.10%
Required employer contribution rate	10.828%	10.828%
Required state contribution rate		

**Contributions**

Required member, District and State of California contributions rates are set by the California Legislature and Governor and detailed in Teachers’ Retirement Law. The contributions rates are expressed as a level percentage of payroll using the entry age normal actuarial method. In accordance with AB 1469, employer contributions into the CalSTRS will be increasing to a total of 19.1 percent of applicable member earnings phased over a seven-year period. The contribution rates for each plan for the year ended June 30, 2025, are presented and the District’s total contributions were \$10,584,426.

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

At June 30, 2025, the District reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the District. The amount recognized by the District as its proportionate share of the net pension liability, the related state support and the total portion of the net pension liability that was associated with the District were as follows:

Total net pension liability, including State share

Proportionate share of net pension liability	\$ 53,881,753
State's proportionate share of the net pension liability	<u>24,721,134</u>
Total	<u><u>\$ 78,602,887</u></u>

The net pension liability was measured as of June 30, 2024. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating member districts and the State, actuarially determined. The District's proportionate share for the measurement period June 30, 2024 and June 30, 2023, respectively was 0.0802% and 0.0838%, resulting in a net decrease in the proportionate share of 0.0036%.

For the fiscal year ended June 30, 2025, the District recognized pension expense of \$6,291,693. In addition, the District recognized pension expense and revenue of \$2,250,570 for support provided by the State.

At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 10,584,426	\$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	2,781,267	2,218,267
Differences between projected and actual earnings on pension plan investments	-	217,410
Differences between expected and actual experience in the measurement of the total pension liability	6,094,720	2,356,218
Changes of assumptions	<u>235,863</u>	<u>3,679,937</u>
Total	<u><u>\$ 19,696,276</u></u>	<u><u>\$ 8,471,832</u></u>

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

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2026	\$ (3,612,079)
2027	4,350,287
2028	(354,930)
2029	(600,688)
Total	\$ (217,410)

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2026	\$ 515,907
2027	423,945
2028	(25,831)
2029	184,836
2030	386,202
Thereafter	(627,631)
Total	\$ 857,428

### Actuarial Methods and Assumptions

Total pension liability for STRP was determined by applying updated procedures to the financial reporting actuarial valuation as of July 1, 2023, and rolling forward the total pension liability to June 30, 2024. The financial reporting actuarial valuation as of July 1, 2023, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2023
Measurement date	June 30, 2024
Experience study	July 1, 2007 through June 30, 2022
Actuarial cost method	Entry age normal
Discount rate	7.10%
Investment rate of return	7.10%
Consumer price inflation	2.75%
Wage growth	3.50%

CalSTRS uses a generational mortality assumption, which is based off generational mortality tables that reflect expected future improvements in mortality and includes a base table and a projection table. The base mortality tables are CalSTRS custom tables derived to best fit the patterns of mortality among our members. The projection table reflects the expected annual reduction in mortality rates at each age. The current mortality assumption uses a base year of 2023, and projected improvement is based on the MP–2021 Ultimate Projection Scale.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. The best estimate ranges were developed using capital market assumptions from CalSTRS general investment consultant as an input to the process. The actuarial investment rate of return assumption was adopted by the board in January 2024 in conjunction with the most recent experience study. For each current and future valuation, CalSTRS' independent consulting actuary (Milliman) reviews the return assumption for reasonableness based on the most current capital market assumptions. The assumed asset allocation and best estimates of the expected rates of return for each major asset class for the year ended June 30, 2024, are summarized in the following table:

Asset Class	Assumed Asset Allocation	Long-Term Expected Real Rate of Return
Public equity	38%	5.25%
Real estate	15%	4.05%
Private equity	14%	6.75%
Fixed income	14%	2.45%
Risk mitigating strategies	10%	2.25%
Inflation sensitive	7%	3.65%
Cash/liquidity	2%	0.1%

**Discount Rate**

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

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

Discount Rate	Net Pension Liability
1% decrease (6.10%)	\$ 95,838,008
Current discount rate (7.10%)	53,881,753
1% increase (8.10%)	18,846,540

**California Public Employees Retirement System (CalPERS)**

**Plan Description**

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

A full description of the pension plan(s) regarding benefit provisions, assumptions (for funding, but not accounting purposes), and membership information is listed in the June 30, 2023 annual actuarial valuation report, Schools Pool Actuarial Valuation. These reports and CalPERS audited financial information are publicly available reports that can be found on the CalPERS website under Forms and Publications at:

<https://www.calpers.ca.gov/page/forms-publications>.

**Benefits Provided**

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

The CalPERS provisions and benefits in effect at June 30, 2025, are summarized as follows:

	<u>School Employer Pool (CalPERS)</u>	
	On or before December 31, 2012	On or after January 1, 2013
Hire date		
Benefit formula	2% at 55	2% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	55	62
Monthly benefits as a percentage of eligible compensation	1.1% - 2.5%	1.0% - 2.5%
Required employee contribution rate	7.00%	8.00%
Required employer contribution rate	27.05%	27.05%

**Contributions**

Section 20814(c) of the California Public Employees’ Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on July 1 following notice of a change in the rate. Total plan contributions are calculated through the CalPERS annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. The contributions rates are expressed as percentage of annual payroll. The contribution rates for each plan for the year ended June 30, 2025, are presented and the total District contributions were \$7,675,606.

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

As of June 30, 2025, the District reported net pension liabilities for its proportionate share of the CalPERS net pension liability totaling \$44,640,985. The net pension liability was measured as of June 30, 2024. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the pension plan relative to the projected contributions of all participating school districts, actuarially determined. The District's proportionate share for the measurement period June 30, 2024 and June 30, 2023, respectively was 0.1249% and 0.1275%, resulting in a net decrease in the proportionate share of 0.0026%.

For the year ended June 30, 2025, the District recognized pension expense of \$7,678,552. At June 30, 2025, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 7,675,606	\$ -
Change in proportion and differences between contributions made and District's proportionate share of contributions	353,100	736,764
Differences between projected and actual earnings on pension plan investments	1,734,045	-
Differences between expected and actual experience in the measurement of the total pension liability	3,742,494	319,495
Changes of assumptions	986,716	-
Total	\$ 14,491,961	\$ 1,056,259

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

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

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2026	\$ (14,948)
2027	2,696,045
2028	(398,374)
2029	(548,678)
Total	\$ 1,734,045

The deferred outflows/(inflows) of resources related to the change in proportion and differences between contributions made and District's proportionate share of contributions, differences between expected and actual experience in the measurement of the total pension liability, and changes of assumptions will be amortized over the Expected Average Remaining Service Life (EARSL) of all members that are provided benefits (active, inactive, and retirees) as of the beginning of the measurement period. The EARSL for the measurement period is 3.9 years and will be recognized in pension expense as follows:

Year Ended June 30,	Deferred Outflows/(Inflows) of Resources
2026	\$ 2,015,298
2027	1,350,804
2028	659,949
Total	\$ 4,026,051

### Actuarial Methods and Assumptions

Total pension liability for the SEP was determined by applying update procedures to the financial reporting actuarial valuation as of July 1, 2023, and rolling forward the total pension liability to June 30, 2024. The financial reporting actuarial valuation as of July 1, 2023, used the following methods and assumptions, applied to all prior periods included in the measurement:

Valuation date	June 30, 2023
Measurement date	June 30, 2024
Experience study	July 1, 1997 through June 30, 2015
Actuarial cost method	Entry age normal
Discount rate	6.90%
Consumer price inflation	2.30%
Wage growth	Varies by entry age and service

Mortality table used was developed based on CalPERS-specific data and incorporate Generational Mortality to capture ongoing mortality improvement using 80% of Scale MP-2020 published by the Society of Actuaries.

In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. Projected returns for all asset classes are estimated and, combined with risk estimates, are used to project compound (geometric) returns over the long term. The discount rate used to discount liabilities was informed by the long-term projected portfolio return. The target asset allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Assumed Asset Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global equity - cap-weighted	30%	4.54%
Global equity non-cap-weighted	12%	3.84%
Private equity	13%	7.28%
Treasury	5%	0.27%
Mortgage-backed securities	5%	0.50%
Investment grade corporates	10%	1.56%
High yield	5%	2.27%
Emerging market debt	5%	2.48%
Private debt	5%	3.57%
Real assets	15%	3.21%
Leverage	(5%)	(0.59%)

### Discount Rate

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

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

<u>Discount Rate</u>	<u>Net Pension Liability</u>
1% decrease (5.90%)	\$ 66,314,555
Current discount rate (6.90%)	44,640,985
1% increase (7.90%)	26,736,890

### **On Behalf Payments**

The State of California makes contributions to CalSTRS on behalf of the District. These payments consist of State General Fund contributions to CalSTRS in the amount of \$4.99 million (10.828% of annual payroll). Contributions are no longer appropriated in the annual Budget Act for the legislatively mandated benefits to CalPERS. Therefore, there is no on behalf contribution rate for CalPERS. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures. Accordingly, these amounts have been recorded in these financial statements and General Fund-Budgetary Comparison Schedule.

### **Note 15 - Commitments and Contingencies**

#### **Grants**

The District received financial assistance from Federal and State agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and are subject to audit by the grantor agencies. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material adverse effect on the overall financial position of the District at June 30, 2025.

#### **Litigation**

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

#### **Construction Commitments**

As of June 30, 2025, the District had construction commitments with respect to the unfinished capital projects in the amount of \$4,013,037.

### **Note 16 - Participation in Public Entity Risk Pools, Joint Powers 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.

**Note 17 - Restatement**

**Change in Accounting Principle**

As of June 30, 2025, the District adopted GASB Statement No. 101, *Compensated Absences*. The provisions of this standard modernize the types of leave that are considered a compensated absence and provides guidance for a consistent recognition and measurement of the compensated absence liability. Therefore, compensated absences current portion and compensated absences noncurrent portion were increased by \$2,041,357 and \$409,605, respectively, as of July 1, 2024.

**Correction of Error in Previously Issued Financial Statements**

During the year ended June 30, 2025, the District determined that there were certain errors in amounts previously reported on the June 30, 2024 financial statements resulting in a restatement of the beginning governmental activities net position as a result of an overstatement in accumulated depreciation and depreciation expense. Had the accumulated depreciation been recorded correctly in the prior year, the change in net position of the governmental activities would have increased by \$5,527,196 as a result of this error.

The effect of this change in accounting principle and the correction of error is shown below:

	Governmental Activities
Beginning, as previously reported on June 30, 2024	\$ 8,481,637
Restatement of Accumulated Depreciation	14,415,326
Change in Accounting Principle-Compensated Absences	(2,450,962)
Beginning, as Restated on July 1, 2024	\$ 20,446,001

Required Supplementary Information  
June 30, 2025

## Sunnyvale School District

Sunnyvale School District  
Budgetary Comparison Schedule – General Fund  
Year Ended June 30, 2025

	Budgeted Amounts		Actual	Variance
	Original	Final		Final to Actual
<b>Revenues</b>				
Local control funding formula (LCFF)	\$ 119,109,771	\$ 120,362,325	\$ 120,533,641	\$ 171,316
Federal sources	2,253,269	2,927,264	3,245,653	318,389
Other State sources	12,489,099	14,046,066	13,877,522	(168,544)
Other local sources	10,677,466	8,713,181	12,581,872	3,868,691
Total revenues	<u>144,529,604</u>	<u>146,048,836</u>	<u>150,238,688</u>	<u>4,189,852</u>
<b>Expenditures</b>				
Current				
Certificated salaries	58,999,143	57,985,959	58,116,710	(130,751)
Classified salaries	26,907,125	25,755,108	26,175,470	(420,362)
Employee benefits	40,340,019	40,610,405	40,174,972	435,433
Books and supplies	3,255,601	5,479,071	4,849,486	629,585
Services and operating expenditures	18,018,075	19,483,314	20,017,318	(534,004)
Other outgo	30,000	65,329	83,658	(18,329)
Capital outlay	5,354,048	4,980,288	5,033,454	(53,166)
Total expenditures	<u>152,904,011</u>	<u>154,359,473</u>	<u>154,451,068</u>	<u>(91,595)</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(8,374,407)</u>	<u>(8,310,638)</u>	<u>(4,212,380)</u>	<u>4,098,258</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in	-	1,500,000	1,500,000	-
Transfers out	(774,324)	(710,483)	(577,282)	133,201
Net Financing Sources (Uses)	<u>(774,324)</u>	<u>789,517</u>	<u>922,718</u>	<u>133,201</u>
Net Change in Fund Balances	(9,148,730)	(7,521,120)	(3,289,662)	4,231,458
Fund Balance - Beginning	53,195,017	53,195,017	53,195,017	-
Fund Balance - Ending	<u>\$ 44,046,287</u>	<u>\$ 45,673,897</u>	49,905,355	<u>\$ 4,231,458</u>
Special Reserve Fund Balance			<u>14,756,244</u>	
Fund Balance - Ending (GAAP Basis)			<u>\$ 64,661,599</u>	

<sup>1</sup> Due to the consolidation of Fund 17, Special Reserve Fund for Other Than Capital Outlay Projects for reporting purposes into the General Fund, additional revenues and expenditures pertaining to this fund are not included in the Actual or budgeted revenues and expenditures.

Sunnyvale School District  
Schedule of Changes in the District's Total OPEB Liability and Related Ratios  
Last Ten Years

	2025	2024	2023	2022	2021	2020	2019	2018
Total OPEB Liability								
Service cost	\$ 831,376	\$ 445,081	\$ 531,185	\$ 463,059	\$ 406,331	\$ 367,104	\$ 456,043	\$ 442,760
Interest	467,719	355,451	205,982	258,018	307,867	362,907	317,967	312,567
Difference between expected and actual experience	-	1,413,926	-	(428,082)	-	(1,516,189)	-	-
Changes of assumptions	(64,711)	489,721	(1,114,830)	423,246	491,000	775,614	(338,801)	-
Benefit payments	(600,120)	(612,449)	(653,289)	(521,672)	(609,893)	(559,498)	(578,718)	(586,822)
Net change in total OPEB liability	634,264	2,091,730	(1,030,952)	194,569	595,305	(570,062)	(143,509)	168,505
Total OPEB Liability - Beginning	<u>\$11,582,909</u>	<u>9,491,179</u>	<u>10,522,131</u>	<u>10,327,562</u>	<u>9,732,257</u>	<u>10,302,219</u>	<u>10,445,828</u>	<u>10,277,323</u>
Total OPEB Liability - Ending	<u>\$ 12,217,173</u>	<u>\$11,582,909</u>	<u>\$9,491,179</u>	<u>\$10,522,131</u>	<u>\$10,327,562</u>	<u>\$9,732,157</u>	<u>\$10,302,319</u>	<u>\$10,445,828</u>
Covered-employee Payroll	\$ 77,928,799	\$77,928,799	\$67,085,102	\$62,423,706	\$59,812,528	\$58,767,467	\$56,822,796	\$55,708,624
Total OPEB Liability as a Percentage of Covered Payroll	<u>15.7%</u>	<u>14.9%</u>	<u>14.1%</u>	<u>16.9%</u>	<u>17.3%</u>	<u>16.6%</u>	<u>18.1%</u>	<u>18.8%</u>
Measurement Date	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017

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

Sunnyvale School District  
Schedule of the District's Proportionate Share of the Net Pension Liability and Related Ratios  
Year Ended June 30, 2025

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
<b>CalSTRS</b>										
Proportion of the net pension liability	0.0802%	0.0838%	0.0820%	0.0808%	0.0781%	0.0740%	0.0715%	0.0661%	0.0657%	0.0645%
Proportionate share of the net pension liability	\$ 53,881,753	\$ 63,847,874	\$ 56,999,798	\$ 36,771,812	\$ 75,649,803	\$ 66,822,801	\$ 65,726,508	\$ 61,114,708	\$ 53,119,808	\$ 43,405,078
State's proportionate share of the net pension liability	24,721,134	30,591,312	28,545,276	18,502,150	38,997,482	36,456,299	37,631,500	36,154,945	30,240,159	22,956,501
Total	\$ 78,602,887	\$ 94,439,186	\$ 85,545,074	\$ 55,273,962	\$ 114,647,285	\$ 103,279,100	\$ 103,358,008	\$ 97,269,653	\$ 83,359,967	\$ 66,361,579
Covered payroll	\$ 53,263,529	\$ 53,263,529	\$ 51,196,702	\$ 47,516,259	\$ 44,060,489	\$ 42,574,240	\$ 40,305,191	\$ 38,140,235	\$ 35,433,174	\$ 33,073,528
Proportionate share of the net pension liability as a percentage of its covered payroll	101.16%	119.87%	111.33%	77.39%	171.70%	156.96%	163.07%	160.24%	149.92%	131.24%
Plan fiduciary net position as a percentage of the total pension liability	84%	81%	81%	87%	72%	73%	71%	69%	70%	74%
Measurement Date	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
<b>CalPERS</b>										
Proportion of the net pension liability	0.1249%	0.1275%	0.1249%	0.1280%	0.1257%	0.1215%	0.1202%	0.1142%	0.1103%	0.1059%
Proportionate share of the net pension liability	\$ 44,640,985	\$ 46,143,324	\$ 42,994,077	\$ 26,021,011	\$ 38,575,798	\$ 35,416,582	\$ 32,042,693	\$ 27,254,479	\$ 21,778,311	\$ 15,615,970
Covered payroll	\$ 24,665,270	\$ 24,665,270	\$ 22,042,629	\$ 19,568,843	\$ 18,363,217	\$ 18,112,423	\$ 16,813,572	\$ 15,866,311	\$ 14,598,236	\$ 13,188,492
Proportionate share of the net pension liability as a percentage of its covered payroll	180.99%	187.08%	195.05%	132.97%	210.07%	195.54%	190.58%	171.78%	149.18%	118.41%
Plan fiduciary net position as a percentage of the total pension liability	72%	70%	70%	81%	70%	70%	71%	72%	74%	79%
Measurement Date	June 30, 2024	June 30, 2023	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015

Sunnyvale School District  
Schedule of the District's Contributions  
Year Ended June 30, 2025

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
<b>CalSTRS</b>										
Contractually required contribution	\$ 10,584,426	\$ 10,173,334	\$ 9,778,570	\$ 8,039,751	\$ 7,115,769	\$ 7,280,195	\$ 6,561,687	\$ 5,502,065	\$ 4,456,767	\$ 3,548,001
Less contributions in relation to the contractually required contribution	10,584,426	10,173,334	9,778,570	8,039,751	7,115,769	7,280,195	6,561,687	5,502,065	4,456,767	3,548,001
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 55,415,843	\$ 53,263,529	\$ 51,196,702	\$ 47,516,259	\$ 44,060,489	\$ 42,574,240	\$ 40,305,191	\$ 38,140,235	\$ 35,433,174	\$ 33,073,528
Contributions as a percentage of covered payroll	19.10%	19.10%	19.10%	16.92%	16.15%	17.10%	16.28%	14.43%	12.58%	10.73%
<b>CalPERS</b>										
Contractually required contribution	\$ 7,675,606	\$ 6,580,694	\$ 5,592,215	\$ 4,483,222	\$ 3,801,186	\$ 3,571,951	\$ 3,032,956	\$ 2,463,916	\$ 2,027,403	\$ 1,441,064
Less contributions in relation to the contractually required contribution	7,675,606	6,580,694	5,592,215	4,483,222	3,801,186	3,571,951	3,032,956	2,463,916	2,027,403	1,441,064
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 28,375,623	\$ 24,665,270	\$ 22,042,629	\$ 19,568,843	\$ 18,363,217	\$ 18,112,423	\$ 16,813,572	\$ 15,866,311	\$ 14,598,236	\$ 13,188,492
Contributions as a percentage of covered payroll	27.050%	26.680%	25.370%	22.910%	20.700%	19.7210%	18.0620%	15.5310%	13.8880%	11.8470%

## **Note 1 - Purpose of Schedules**

### **Budgetary Comparison Schedule(s)**

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

The amounts reported as the original budgeted amounts in the budgetary statements reflect the amounts when the original appropriations were adopted. The amounts reported as the final budgeted amounts in the budgetary statements reflect the amounts after all budget amendments have been accounted for. The budgetary level of control is at the total expenditure level.

### **Schedule of Changes in the District's Total OPEB Liability and Related Ratios**

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

- *Changes in Benefit Terms* – there were no changes in the benefit terms.
- *Changes of Assumptions* – the discount rate was adjusted to reflect changes in the 20 year municipal bond index on an annual basis.

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

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

- *Changes in Benefit Terms* – There were no significant changes in benefit terms since the previous valuations for both CalSTRS and CalPERS.
- *Changes of Assumptions* – There were no significant changes in economic assumptions for the CalSTRS or CalPERS plans from the previous valuations.

### **Schedule of the District's Contributions**

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

Supplementary Information  
June 30, 2025

## Sunnyvale School District

Sunnyvale School District  
Schedule of Expenditures of Federal Awards  
Year Ended June 30, 2025

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal Financial Assistance Listing	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Education			
Passed Through the Santa Clara County SELPA			
Special Education Cluster			
Special Education Grants to States	84.027	15197	\$ 133,290
Special Education Grants to States	84.027	13379	1,533,731
Special Education Grants to States	84.027	10115	13,064
Special Education-Preschool Grants	84.173	13430	<u>103,838</u>
Total Special Education Cluster			<u>1,783,923</u>
Passed Through California Department of Education (CDE)			
COVID-19 Elementary and Secondary School Emergency Relief Fund III	84.425U	15621	582,114
Title I Grants to Local Educational Agencies	84.010	14329	536,402
Supporting Effective Instruction State Grants	84.367	14341	120,682
English Language Acquisition State Grants	84.365	14346	<u>222,532</u>
Total U.S. Department Education			<u>3,245,653</u>
U.S. Department of Agriculture			
Passed Through California Department of Education			
Child Nutrition Cluster			
School Breakfast Program	10.553	13525	304,656
National School Lunch Program	10.555	13396	719,174
National School Lunch Program	10.555	15655	89,596
National School Lunch Program - Commodity	10.555	13391	<u>152,168</u>
Total Child Nutrition Cluster			<u>1,265,594</u>
Passed Through California Department of Social Services			
Child and Adult Care Food Program	10.558	13393	<u>213,890</u>
Total U.S. Department of Agriculture			<u>1,479,484</u>
Total Federal Financial Assistance			<u>\$ 4,725,137</u>

Sunnyvale School District  
Schedule of Average Daily Attendance  
Year Ended June 30, 2025

	Final Report	
	Second Period Report	Annual Report
Regular ADA		
Transitional kindergarten through third	2,596.97	2,595.44
Fourth through sixth	1,752.69	1,754.89
Seventh and eighth	1,123.25	1,121.10
Total Regular ADA	<u>5,472.91</u>	<u>5,471.43</u>
Extended Year Special Education		
Transitional kindergarten through third	5.89	5.89
Fourth through sixth	2.01	2.01
Seventh and eighth	0.30	0.30
Total Extended Year Special Education	<u>8.20</u>	<u>8.20</u>
Special Education, Nonpublic, Nonsectarian Schools		
Transitional kindergarten through third	1.79	1.98
Fourth through sixth	4.27	3.61
Seventh and eighth	3.85	2.94
Total Special Education, Nonpublic, Nonsectarian Schools	<u>9.91</u>	<u>8.53</u>
Extended Year Special Education, Nonpublic, Nonsectarian Schools		
Transitional kindergarten through third	0.19	0.19
Fourth through sixth	0.58	0.58
Seventh and eighth	0.78	0.78
Total Extended Year Special Education, Nonpublic, Nonsectarian Schools	<u>1.55</u>	<u>1.55</u>
Total ADA	<u><u>5,492.57</u></u>	<u><u>5,489.71</u></u>

Sunnyvale School District  
 Schedule of Instructional Time  
 Year Ended June 30, 2025

Grade Level	1986-1987 Minutes Requirement	2024-2025 Actual Minutes	Traditional Calendar Number of Actual Days	Multitrack Calendar Number of Actual Days	Status
Kindergarten	36,000	51,760	181	N/A	Complied
Grades 1 - 3	50,400				
Grade 1		51,470	181	N/A	Complied
Grade 2		51,470	181	N/A	Complied
Grade 3		51,470	181	N/A	Complied
Grades 4 - 8	54,000				
Grade 4		55,250	181	N/A	Complied
Grade 5		55,250	181	N/A	Complied
Grade 6		61,579	181	N/A	Complied
Grade 7		61,579	181	N/A	Complied
Grade 8		61,579	181	N/A	Complied

The District did not file J-13A in the current year.

Sunnyvale School District  
 Reconciliation of Annual Financial and Budget Report with Audited Financial Statements  
 Year Ended June 30, 2025

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

	<u>General Fund</u>	<u>Special Reserve Fund for other than Capital Outlay</u>
Fund Balance		
Balance, June 30, 2025 - unaudited actuals	<u>\$ 49,905,355</u>	<u>\$ 14,756,244</u>
Reclassification of Special Reserve Fund For Other Than Capital Outlay	<u>14,756,244</u>	<u>(14,756,244)</u>
Balance, June 30, 2025, audited financial statements	<u><u>\$ 64,661,599</u></u>	<u><u>\$ -</u></u>

Sunnyvale School District  
Schedule of Financial Trends and Analysis  
Year Ended June 30, 2025

	(Budget) 2026 <sup>1</sup>	2025	2024	2023
General Fund				
Revenues and other sources	\$ 146,953,562	\$ 151,026,690	\$146,018,076	\$140,766,992
Expenditures	156,686,476	154,451,068	141,632,937	126,616,874
Net other uses and transfers	1,247,793	577,282	217,696	243,976
Total expenditures and other uses	157,934,268	155,028,350	141,850,633	126,860,850
Increase/(Decrease) in Fund Balance	(10,980,706)	(4,001,660)	4,167,443	13,906,142
Ending Fund Balance	\$ 53,680,893	\$ 64,661,599	\$ 68,663,259	\$64,495,816
Available Reserves <sup>2</sup>	\$ 38,448,416	\$ 44,696,045	\$45,521,464	\$42,237,943
Available Reserves as a Percentage of Total Outgo	24.34%	28.83%	32.09%	33.29%
Long-Term Liabilities	\$ 488,400,812	\$ 499,961,060	\$393,164,383	\$389,339,013
K-12 Average Daily Attendance at P-2	5,476	5,493	5,331	5,159

The General Fund balance has increased by \$165,783 over the past two years. The fiscal year 2025-2026 budget projects a decrease of \$10,980,706 in the General Fund balance. For a district this size, the State recommends available reserves of at least three percent of total General Fund expenditures, transfers out, and other uses (total outgo).

The District has incurred operating surpluses for the FY 2022-23 & FY 2023-24 but incurred operating deficit in FY 2024-25 and anticipates incurring an operating deficit during the 2025-2026 fiscal year. Total long-term liabilities have increased by \$110,622,047 over the past two years.

Average daily attendance has increased by 334 over the past two years. A decrease of 17 ADA is anticipated during fiscal year 2025-2026.

<sup>1</sup> Financial information for 2026, 2024, and 2023 are included for analytical purposes only and has not been subjected to audit.

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

Sunnyvale School District  
Combining Balance Sheet – Non-Major Governmental Funds  
June 30, 2025

	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund	County School Facilities Fund	Bond Interest and Redemption Fund	Total Non-Major Governmental Funds
<b>Assets</b>							
Deposits and investments	\$ 1,464,703	\$ 1,259,768	\$ 21,239	\$ 11,652,217	\$ 964,054	\$ 17,248,165	\$ 32,610,146
Receivables	68,927	799,623	190	104,536	8,632	74,280	1,056,188
Due from other funds	-	119,571	2,756,631	-	-	-	2,876,202
Stores inventories	-	108,237	-	-	-	-	108,237
<b>Total assets</b>	<b><u>\$ 1,533,630</u></b>	<b><u>\$ 2,287,199</u></b>	<b><u>\$ 2,778,060</u></b>	<b><u>\$ 11,756,753</u></b>	<b><u>\$ 972,686</u></b>	<b><u>\$ 17,322,445</u></b>	<b><u>\$ 36,650,773</u></b>
<b>Liabilities and Fund Balances</b>							
<b>Liabilities</b>							
Accounts payable	\$ 15	\$ 899,451	\$ -	\$ 3,064	\$ -	\$ -	\$ 902,530
Due to other funds	66,353	-	-	-	-	-	66,353
Unearned revenue	593,715	-	-	-	-	-	593,715
<b>Total liabilities</b>	<b><u>660,083</u></b>	<b><u>899,451</u></b>	<b><u>-</u></b>	<b><u>3,064</u></b>	<b><u>-</u></b>	<b><u>-</u></b>	<b><u>1,562,598</u></b>
<b>Fund Balances</b>							
Nonspendable	-	108,537	-	-	-	-	108,537
Restricted	873,547	1,279,211	2,778,060	11,753,689	972,686	17,322,445	34,979,638
<b>Total fund balances</b>	<b><u>873,547</u></b>	<b><u>1,387,748</u></b>	<b><u>2,778,060</u></b>	<b><u>11,753,689</u></b>	<b><u>972,686</u></b>	<b><u>17,322,445</u></b>	<b><u>35,088,175</u></b>
<b>Total liabilities and fund balances</b>	<b><u>\$ 1,533,630</u></b>	<b><u>\$ 2,287,199</u></b>	<b><u>\$ 2,778,060</u></b>	<b><u>\$ 11,756,753</u></b>	<b><u>\$ 972,686</u></b>	<b><u>\$ 17,322,445</u></b>	<b><u>\$ 36,650,773</u></b>

**Sunnyvale School District**  
**Combining Statement of Revenues, Expenditure, and Changes in Fund Balances – Non-Major Governmental Funds**  
**Year Ended June 30, 2025**

	Child Development Fund	Cafeteria Fund	Deferred Maintenance Fund	Capital Facilities Fund	County School Facilities Fund	Bond Interest and Redemption Fund	Total Non-Major Governmental Funds
<b>Revenues</b>							
Federal sources	\$ -	1,479,484	\$ -	\$ -	\$ -	\$ -	\$ 1,479,484
Other State sources	1,392,990	3,402,124	-	-	-	20,183	4,815,297
Other local sources	71,002	67,354	2,757,694	1,337,372	48,271	16,889,179	21,170,872
<b>Total revenues</b>	<b>1,463,992</b>	<b>4,948,962</b>	<b>2,757,694</b>	<b>1,337,372</b>	<b>48,271</b>	<b>16,909,362</b>	<b>27,465,653</b>
<b>Expenditures</b>							
<b>Current</b>							
Instruction	917,668	-	-	-	-	-	917,668
Instruction-related activities							
Supervision of instruction	64,262	-	-	-	-	-	64,262
School site administration	104,324	-	-	-	-	-	104,324
Pupil services							
Food services	-	5,319,997	-	-	-	-	5,319,997
Administration							
All other administration	71,930	158,429	-	-	-	-	230,359
Plant services	-	-	-	63,932	-	-	63,932
Capital Outlay	-	-	-	138,400	-	-	138,400
Debt service							
Principal	-	-	-	-	-	8,150,000	8,150,000
Interest and other	-	-	-	-	-	9,955,735	9,955,735
<b>Total expenditures</b>	<b>1,158,184</b>	<b>5,478,426</b>	<b>-</b>	<b>202,332</b>	<b>-</b>	<b>18,105,735</b>	<b>24,944,677</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>305,808</b>	<b>(529,464)</b>	<b>2,757,694</b>	<b>1,135,040</b>	<b>48,271</b>	<b>(1,196,373)</b>	<b>2,520,976</b>
<b>Other Financing Sources (Uses)</b>							
Transfers in	-	577,282	-	-	-	-	577,282
Other sources	-	-	-	-	-	4,863,208	4,863,208
<b>Net Financing Sources (Uses)</b>	<b>-</b>	<b>577,282</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,863,208</b>	<b>5,440,490</b>
<b>Net Change in Fund Balances</b>	<b>305,808</b>	<b>47,818</b>	<b>2,757,694</b>	<b>1,135,040</b>	<b>48,271</b>	<b>3,666,835</b>	<b>7,961,466</b>
Fund Balance - Beginning	567,739	1,339,930	20,366	10,618,649	924,415	13,655,610	27,126,709
<b>Fund Balance - Ending</b>	<b>\$ 873,547</b>	<b>\$ 1,387,748</b>	<b>\$ 2,778,060</b>	<b>\$ 11,753,689</b>	<b>\$ 972,686</b>	<b>\$ 17,322,445</b>	<b>\$ 35,088,175</b>

## **Note 1 - Purpose of Schedules**

### **Schedule of Expenditures of Federal Awards (SEFA)**

#### **Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (the schedule) includes the federal award activity of the Sunnyvale School District (the District) under programs of the federal government for the year ended June 30, 2025. The information is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position or fund balance of the District.

#### **Summary of Significant Accounting Policies**

Expenditures reported in the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. No federal financial assistance has been provided to a subrecipient.

#### **Indirect Cost Rate**

The District has not elected to use the ten percent de minimis cost rate.

### **Schedule of Average Daily Attendance (ADA)**

Average daily attendance (ADA) is a measurement of the number of pupils attending classes of the District. The purpose of attendance accounting from a fiscal standpoint is to provide the basis on which apportionments of State funds are made to school districts. This schedule provides information regarding the attendance of students at various grade levels and in different programs.

### **Schedule of Instructional Time**

The District has received incentive funding for increasing instructional time as provided by the Incentives for Longer Instructional Day. The District has met its target funding. This schedule presents information on the amount of instructional time offered by the District and whether the District complied with the provisions of *Education Code* Sections 46200 through 46207.

Districts must maintain their instructional minutes at the 1986-87 requirements, as required by *Education Code* Section 46201.

**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 of time.

**Non-Major Governmental Funds - Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances**

These schedules are included to provide information regarding the individual funds that have been included in the Non-Major Governmental Funds column on the Governmental Funds Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances.

Other Information  
June 30, 2025

## Sunnyvale School District

**Organization**

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

**Governing Board**

Member	Office	Term Expires
Bridget Watson	President	2026
Peggy Shen Brewster	Vice President	2028
Michelle Maginot	Clerk	2026
Isabel Jubles-Flamerich	Member	2028
Evelyn Castillo Profets	Member	2026

**Administration**

Name	Title
Gudiel Crosthwaite, Ed. D	Superintendent
Tasha Dean, Ed. D	Chief Teaching and Learning Officer
Jeremy Nishihara	Assistant Superintendent of Human Resources and Information Systems
Arthur Cuffy	Chief Business Officer

Independent Auditor's Reports  
June 30, 2025

# Sunnyvale School District



**Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance  
and Other Matters Based on an Audit of Financial Statements Performed in Accordance with  
*Government Auditing Standards***

To the Governing Board  
Sunnyvale School District  
Sunnyvale, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Sunnyvale School District (the District), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the District’s basic financial statements and have issued our report thereon dated January 29, 2026.

**Report on Internal Control over Financial Reporting**

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

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2025-001, that we consider to be a material weakness.

## **Report on Compliance and Other Matters**

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

## **District's Response to Findings**

*Government Auditing Standards* requires the auditor to perform limited procedures on the District's response to the findings identified in our audit and described in the accompanying Schedule of Findings and Questioned Costs. The District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

## **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.

The image shows a handwritten signature in black ink that reads "Eide Sully LLP". The signature is written in a cursive, flowing style.

Menlo Park, California  
January 29, 2026



**Independent Auditor’s Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance Required by the Uniform Guidance**

To the Governing Board  
Sunnyvale School District  
Sunnyvale, California

**Report on Compliance for Each Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited Sunnyvale School District’s (the District) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the District’s major federal programs for the year ended June 30, 2025. The District’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2025.

***Basis for Opinion on Each Major Federal Program***

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

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

***Responsibilities of Management for Compliance***

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

## ***Auditor's Responsibilities for the Audit of Compliance***

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

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

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

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

### **Report on Internal Control over Compliance**

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

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

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

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

*Eide Bailly LLP*

Menlo Park, California  
January 29, 2026



## Independent Auditor's Report on State Compliance and on Internal Control Over Compliance

To the Governing Board  
Sunnyvale School District  
Sunnyvale, California

### Report on Compliance

#### *Opinion on State Compliance*

We have audited Sunnyvale School District's (the District) compliance with the requirements specified in the *2024-2025 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, applicable to the District's state program requirements identified below for the year ended June 30, 2025.

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that are applicable to the laws and regulations of the state programs noted in the table below for the year ended June 30, 2025.

#### *Basis for Opinion*

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*), and the *2024-2025 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

#### *Responsibilities of Management for Compliance*

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

**Auditor’s Responsibilities for the Audit of Compliance**

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District’s compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the *2024-2025 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting* will always detect a material noncompliance when it exists. The risk of not detecting a material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District’s compliance with the requirements of the state programs as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the *2024-2025 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the District’s compliance with the compliance requirements referred to above and performing such other procedures as we consider necessary in the circumstances.
- Obtain an understanding of the District’s internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the *2024-2025 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*, but not for the purpose of expressing an opinion on the effectiveness of the District’s internal controls over compliance. Accordingly, we express no such opinion; and
- Select and test transactions and records to determine the District’s compliance with the state laws and regulations applicable to the following items:

2024-2025 K-12 Audit Guide Procedures	Procedures Performed
Local Education Agencies Other Than Charter Schools	
Attendance	Yes
Teacher Certification and Misassignments	Yes
Independent Study	No
Continuation Education	N/A
Instructional Time	Yes
Instructional Materials	Yes
Ratios of Administrative Employees to Teachers	Yes
Classroom Teacher Salaries	Yes
Early Retirement Incentive	N/A
GANN Limit Calculation	Yes

2024-2025 K-12 Audit Guide Procedures	Procedures Performed
School Accountability Report Card	Yes
Juvenile Court Schools	N/A
Middle or Early College High Schools	N/A
K-3 Grade Span Adjustment	Yes
Apprenticeship: Related and Supplemental Instruction	N/A
Comprehensive School Safety Plan	Yes
District of Choice	N/A
Home to School Transportation Reimbursement	Yes
School Districts, County Offices of Education, and Charter Schools	
Proposition 28 Arts and Music in Schools	Yes
After/Before School Education and Safety Program	Yes
Proper Expenditure of Education Protection Account Funds	Yes
Unduplicated Local Control Funding Formula Pupil Counts	Yes
Local Control and Accountability Plan	Yes
Independent Study - Course Based	N/A
Immunizations	Yes
Educator Effectiveness	Yes
Expanded Learning Opportunities Grant (ELO-G)	N/A
Career Technical Education Incentive Grant	N/A
Expanded Learning Opportunities Program	Yes
Transitional Kindergarten	Yes
Kindergarten Continuance	Yes
Charter Schools	
Attendance	N/A
Mode of Instruction	N/A
Nonclassroom-Based Instruction/Independent Study	N/A
Determination of Funding for Nonclassroom-Based Instruction	N/A
Annual Instructional Minutes - Classroom Based	N/A
Charter School Facility Grant Program	N/A

We did not perform testing for Independent Study because average daily attendance reported did not exceed thresholds required for testing.

The term “Not Applicable” is used above to mean either the District did not offer the program during the current fiscal year, the District did not participate in the program during the current fiscal year, or the program applies to a different type of local education agency.

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

## Report on Internal Control over Compliance

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

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the *2024-2025 Guide for Annual Audits of K-12 Local Education Agencies and State Compliance Reporting*. Accordingly, this report is not suitable for any other purpose.



Menlo Park, California  
January 29, 2026

Schedule of Findings and Questioned Costs  
June 30, 2025

## Sunnyvale School District

**Financial Statements**

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

**Federal Awards**

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

**Identification of major programs:**

Name of Federal Program or Cluster	Federal Financial Assistance Listing
Child Nutrition Cluster	10.555 , 10.553
Special Education Cluster	84.027, 84.173
Dollar threshold used to distinguish between type A and type B programs:	\$750,000
Auditee qualified as low-risk auditee?	No

**State Compliance**

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

**Financial Statement Findings**

**2025-001      30000 – Material Audit Adjustment**

Criteria

Management is responsible for the design, implementation, and maintenance of internal controls to ensure the financial statements are free from material misstatement, whether due to error or fraud. Additionally, management is responsible for the preparation and fair presentation of the financial statements in accordance with generally accepted accounting principles (GAAP).

Condition

The District identified an error in formulas used to calculate the amounts reported for depreciation reported on the financial statements. The error caused the accumulated depreciation amounts to be overstated by \$14,415,326 as of July 1, 2024.

Effect

Audit adjustments were necessary in order for the District's financial statements to be fairly stated in accordance with GAAP.

Cause

The error was caused by formula errors used in calculating the annual depreciation in the capital assets subledgers.

Repeat Finding

No.

Recommendation

The reviews of the subledgers should occur on an annual basis going forward similar to the manner it was performed in the current year.

Corrective Action Plan and Views of Responsible Officials

District management concurs with the finding. Notably, District staff independently identified and corrected this formula error during the current fiscal year's internal review. The discrepancy stemmed from a calculation formula embedded in the depreciation schedule for approximately the last 5-6 years. Moving forward, the District will maintain the practice of conducting comprehensive annual reviews of capital asset subledgers to ensure ongoing accuracy and GAAP compliance.

None reported.

None reported.

**Financial Statement Findings**

**2024-001      Material Audit Adjustments**

Criteria

Management is responsible for the design, implementation, and maintenance of internal controls to ensure the financial statements are free from material misstatement. Additionally, management is responsible for the preparation and fair presentation of the financial statements in accordance with generally accepted accounting principles (GAAP).

Condition

We were requested to draft the financial statements and related notes to the financial statements. The District incorrectly reported its cash with county controller at the end of the fiscal year which was offset by the same amount reported within the interfund balances. Further, the District incorrectly reported its lease receivable at the end of the fiscal year. The District does not have an internal control system designed to provide for the preparation of the financial statements and related financial statement disclosures being audited. Although this circumstance is not unusual for a California school district similar to this District, the preparation of financial statements as a part of the audit engagement may result in financial statements and related information included in financial statement disclosures not being available for management purposes as timely as it would be if prepared by District personnel. It is the responsibility of management and those charged with governance to determine whether to accept the risk associated with this condition because of cost or other considerations.

Effect

Audit adjustments were necessary in order for the District's financial statements to be fairly stated in accordance with GAAP.

Cause

Errors noted above appear to be management oversight during the year end closing process.

Repeat Finding

No.

Recommendation

We recommend management continue its effort to implement procedures to ensure lease receivables are correctly recorded in the District's financial statements as of year-end. In addition, management should review county cash entries at year end.

Current Status

Resolved.

**State Compliance Findings**

**2024-002      Independent Study**

Criteria

According to the *2023-2024 Guide for Annual Audit of K-12 Local Education Agencies and State Compliance Reporting*, prescribed in the California Code of Regulations and published by the Education Audit Appeals Panel, The District must maintain on file a current written agreement for each independent study pupil. Every agreement must contain all required elements, including signatures affixed prior to the commencement of independent study for a pupil that is scheduled to participate for more than 14 schooldays.

Condition

During our testing of the independent study program, we noted one student did not have all required signatures affixed prior to the commencement of independent study.

Questioned Costs

2.81 ADA extrapolated.

Effect

The District was not in compliance with the independent study program requirements.

Cause

Sites failed to ensure independent study program was administered in accordance with the state compliance requirements.

Repeat Finding

No.

Recommendation

The District should continue its effort in providing necessary trainings to individuals involved in the independent study program to ensure the program is administered in accordance with state compliance requirements.

Current Status

Resolved.

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## APPENDIX C

### GENERAL ECONOMIC AND DEMOGRAPHIC INFORMATION FOR SANTA CLARA COUNTY

*The following information concerning the City of Sunnyvale (the “City”) and Santa Clara County (the “County”) is presented for information purposes only. The following information has been obtained from sources which are believed to be reliable but is not guaranteed as to accuracy or completeness, and is not to be construed as a representation by the District or the Underwriter. The District comprises only a portion of the County and the Bonds are only payable from ad valorem property taxes levied on property in the District. The following information concerning the City and the County is included only for the purpose of supplying general information regarding the area served by the District. The Bonds are not a debt of the City or the County.*

#### **General**

***City of Sunnyvale.*** The District is located in the City in the County. The City was incorporated in 1912 and operates under a council-manager form of government. The City comprises approximately 23 square miles. The City Council is comprised of seven members consisting of the Mayor and six Councilmembers. Councilmembers are elected at large. The City Councilmembers serve a four-year term and are limited to two four-year terms within any 12-year period. The Mayor is selected by the City Council for a two year term and the Vice-Mayor for a one year term.

***Santa Clara County.*** The County, one of nine counties which comprise the greater San Francisco bay area, covers an area of over 1,300 square miles in northern California. There are two distinct valleys in the County, which are referred to as North County and South County. South County has a primarily agricultural base and is comprised of only two cities located approximately twenty miles apart. In contrast, North County is densely populated, heavily industrialized and extensively urbanized. North County is comprised of 13 cities, including the City, each adjacent to another. Due to its high concentration of high-technology industries, the northwestern portion of North County is commonly referred to as “Silicon Valley.”

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## Population

The following table shows historical population statistics from 2021 through 2025 for the cities in the County, and the County.

**POPULATION ESTIMATES<sup>(1)</sup>**  
**Cities of Santa Clara County and the County Total**  
**Calendar Years 2021 through 2025**

City	2021	2022	2023	2024	2025
Campbell	43,461	43,010	43,320	43,377	43,281
Cupertino	59,915	59,464	59,861	59,887	59,831
Gilroy	59,910	59,686	60,860	61,531	62,205
Los Altos	31,383	31,211	31,474	31,523	31,720
Los Altos Hills	8,459	8,389	8,490	8,520	8,548
Los Gatos	33,266	33,056	33,519	33,500	33,355
Milpitas	80,358	80,707	81,980	82,401	81,915
Monte Sereno	3,462	3,488	3,583	3,613	3,637
Morgan Hill	46,267	46,069	46,449	46,573	46,599
Mountain View	83,456	83,848	84,731	86,674	86,513
Palo Alto	67,849	67,791	68,468	68,570	68,794
San Jose	994,319	970,089	978,546	980,174	979,415
Santa Clara	129,747	130,567	133,469	133,829	134,587
Saratoga	30,878	30,638	30,937	31,020	31,110
<b>Sunnyvale</b>	<b>155,259</b>	<b>155,936</b>	<b>158,006</b>	<b>158,948</b>	<b>159,673</b>
Balance Of	85,605	90,878	91,472	91,266	91,076
Incorporated	<u>1,827,989</u>	<u>1,803,949</u>	<u>1,823,693</u>	<u>1,830,140</u>	<u>1,831,183</u>
County Total	1,913,594	1,894,827	1,915,165	1,921,406	1,922,259

<sup>(1)</sup> Population estimates for January 1st for the County and cities.

Source: *California State Department of Finance, E-4 Population Estimates for Cities, Counties, and the State, 2021-2025, with 2020 Census Benchmark.* Sacramento, California, May 2025.

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## Employment

The County, State and United States civilian labor force figures are shown in the following table for the years 2020 through 2024. The County figures are county-wide and may not necessarily reflect employment trends in the District.

### LABOR FORCE, EMPLOYMENT, AND UNEMPLOYMENT<sup>(1)</sup> Santa Clara County, California, And United States Calendar Years 2020 through 2024

Year and Area	Labor Force	Employment	Unemployment	Unemployment Rate <sup>(2)</sup>
<b>2020</b>				
Santa Clara County	1,002,000	929,100	72,900	7.3%
California	18,958,600	17,037,000	1,921,600	10.1
United States	160,742,000	147,795,000	12,947,000	8.1
<b>2021</b>				
Santa Clara County	987,300	938,600	48,700	4.9%
California	18,956,600	17,568,700	1,387,800	7.3
United States	161,204,000	152,581,000	8,623,000	5.3
<b>2022</b>				
Santa Clara County	1,009,200	981,200	28,100	2.8%
California	19,169,300	18,348,900	820,400	4.3
United States	164,287,000	158,291,000	5,996,000	3.6
<b>2023</b>				
Santa Clara County	1,021,900	985,800	36,200	3.5%
California	19,308,300	18,388,300	920,000	4.8
United States	167,116,000	161,037,000	6,080,000	3.6
<b>2024</b>				
Santa Clara County	1,023,200	980,900	42,300	4.1%
California	19,644,100	18,600,900	1,046,100	5.3
United States	168,106,000	161,346,000	6,761,000	4.0

<sup>(1)</sup> The unemployment rate is calculated using unrounded data. Data may not add due to rounding.

<sup>(2)</sup> Labor force data is by place of residence; includes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

Source: *California State Employment Development Department, and U.S. Bureau of Labor Statistics.*

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## Industry

Educational and health services are the largest employers in the County followed by professional and business services. The table below shows the estimated employment by industry group for 2020 through 2024.

### EMPLOYMENT BY INDUSTRY<sup>(1)</sup> Santa Clara County Calendar Years 2020 through 2024

Industry	2020	2021	2022	2023	2024
Total Farm	3,100	3,000	3,000	2,900	2,900
Total Nonfarm	1,065,500	1,084,300	1,136,900	1,141,600	1,134,900
Goods Producing	214,300	214,700	227,600	228,500	174,100
Manufacturing	165,500	164,400	175,300	176,300	122,300
Service Providing	851,200	869,600	909,300	913,100	960,700
Wholesale Trade	28,800	27,900	28,500	28,600	28,100
Retail Trade	71,800	72,400	72,100	72,300	70,700
Transportation, Warehousing, Utl.	15,400	16,400	18,300	17,900	16,000
Information	105,800	107,000	105,900	97,800	93,900
Financial Activities	37,700	38,100	37,800	37,600	36,300
Professional Business and Services	236,300	241,200	248,900	244,200	284,700
Private Education and Health	171,200	176,900	185,400	194,400	206,900
Leisure and Hospitality	71,700	77,400	94,900	99,700	101,700
Other Services	21,700	22,400	24,900	25,900	26,800
Government	90,900	90,100	92,500	94,700	95,600
Total	1,068,600	1,087,400	1,139,900	1,144,500	1,137,800

<sup>(1)</sup> Data not seasonally adjusted; Industry employment is by place of work; excludes self-employed individuals, unpaid family workers, household domestic workers, and workers on strike.

Source: *State of California Employment Development Department Labor Market Information Division*, Industry Employment and Labor Force by Annual Average, March 2024 Benchmark. Sacramento, California, May 2025.

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## Major Employers

The County has a diverse mix of major employers representing industries ranging from software and government research to online retailers and health services. The following table lists the County's major employers.

### MAJOR EMPLOYERS Santa Clara County Calendar Year of 2025

Employer	Location	Industry
Adobe Inc	San Jose	Prepackaged Software
Advanced Micro Devices Inc	Santa Clara	Semiconductor Devices (mfrs)
Alphabet Inc	Mountain View	Internet Search Engines
Analog Devices Inc	San Jose	Semiconductor Devices-Wholesale
Apple Inc	Cupertino	Computers-Electronic-Manufacturers
Applied Materials Inc	Santa Clara	Semiconductor Manufacturing Equip (mfrs)
Avaya Inc	San Jose	Telecommunications Services
CA Inc	San Jose	Computer Software Application Svc Prvdrs
California's Great America	Santa Clara	Amusement & Theme Parks
Christopher Ranch LLC	Gilroy	Garlic (mfrs)
Cisco Systems Inc	San Jose	Computer Peripherals (mfrs)
Ebay Inc	San Jose	Online Retailers & Marketplaces
HP Inc	Palo Alto	Computers-Electronic-Manufacturers
Intel Corp	Santa Clara	Semiconductor Devices (mfrs)
Intuitive Surgical Inc	Sunnyvale	Orthopedic Prosthetic/Srgcl Appl (mfrs)
Kaiser Foundation Health Plan	Santa Clara	Health Services
Lockheed Martin Space Systems	Sunnyvale	Satellite Equipment & Systems-Mfrs
NASA	Mountain View	Federal Government-Space Research
Netapp Inc	San Jose	Computer Storage Devices (mfrs)
NVIDIA Corp	Santa Clara	Software/Application/Platform Developers
Palo Alto VA Medical Ctr	Palo Alto	Hospitals
Prime Materials	San Jose	Semiconductors & Related Devices (mfrs)
SAP Center	San Jose	Stadiums Arenas & Athletic Fields
Stanford University Sch-Mdcn	Stanford	Schools-Medical
Super Micro Computer Inc	San Jose	Computers-Electronic-Manufacturers

Source: California Employment Development Department, extracted from the America's Labor Market Information System (ALMIS) Employer Database, 2026 1<sup>st</sup> Edition.

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The following table lists the City’s top 10 principal employers as of June 30, 2025.

**PRINCIPAL EMPLOYERS  
CITY OF SUNNYVALE**

Employer	Number of Employees	Rank	Percentage of Total Employment
Google	14,426	1	16.19%
Apple Inc.	12,458	2	13.98
Amazon Com Services	6,578	3	7.38
Altaba	3,877	4	4.35
Intuitive Surgical Operations	3,836	5	4.31
Lockheed Martin Space Systems	3,362	6	3.77
A2Z Development Center	3,250	7	3.65
Walmart	3,232	8	3.63
Cepheid	3,042	9	3.41
Facebook	3,017	10	3.39
<b>Total</b>	<b>57,078</b>		<b>64.06%</b>

Source: *City of Sunnyvale, Annual Comprehensive Financial Report for the Fiscal Year Ended June 30, 2025.*

## Income

The following tables summarize the personal income and the per capita personal income for the County, the State of California, and the United States from 2020 through 2024, the most recent data available.

### PERSONAL INCOME Santa Clara County, State of California, and United States Calendar Years 2020 through 2024

Year	Santa Clara County	California	United States
2020	\$ 235,337,536	\$2,770,488,779	\$19,613,059,000
2021	272,410,237	3,019,215,724	21,484,168,000
2022	267,278,720	3,021,645,501	22,144,814,000
2023	283,486,355	3,182,779,295	23,577,208,000
2024	303,627,499	3,400,237,317	24,897,613,000

Source: *U.S. Bureau of Economic Analysis, SAINCI* State annual personal income summary: personal income, population, per capita personal income and *CAINCI* County and *MSA* personal income summary: personal income, population, per capita personal income (accessed Tuesday, February 10, 2026).

### PER CAPITA PERSONAL INCOME<sup>(1)</sup> Santa Clara County, State of California, and the United States Calendar Years 2020 through 2024

Year	Santa Clara County	California	United States
2020	\$122,266	\$70,100	\$59,151
2021	145,029	77,134	64,692
2022	141,894	77,196	66,298
2023	149,429	81,196	70,002
2024	157,620	86,232	73,204

<sup>(1)</sup> Per capita personal income is the total personal income divided by the total mid-year population estimates of the U.S. Bureau of the Census. All dollar estimates are in current dollars (not adjusted for inflation).  
Source: *U.S. Department of Commerce, Bureau of Economic Analysis*.

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**Commercial Activity**

A summary of historic taxable sales in the County and City from 2020 through 2024 (the most recent data available) are shown in the following tables.

**VALUATION OF TAXABLE TRANSACTIONS  
Santa Clara County  
Fiscal Years 2020 through 2024**

<u>Year</u>	<u>Retail and Food Permits</u>	<u>Retail and Food Taxable Transactions</u>	<u>Total Permits</u>	<u>Total Outlets Taxable Transactions</u>
2020	30,969	\$27,467,410,004	50,447	\$55,527,704,042
2021	28,365	31,393,299,191	49,698	57,098,298,396
2022	28,214	33,619,772,753	51,222	57,738,947,209
2023	27,227	33,369,250,097	51,015	52,994,694,164
2024	27,465	33,980,830,138	55,395	46,444,650,255

Source: *California Department of Tax and Fee Administration.*

**VALUATION OF TAXABLE TRANSACTIONS  
City of Sunnyvale  
Fiscal Years 2020 through 2024**

<u>Year</u>	<u>Retail and Food Permits</u>	<u>Retail and Food Taxable Transactions</u>	<u>Total Permits</u>	<u>Total Outlets Taxable Transactions</u>
2020	1,735	\$1,191,196,394	3,278	\$1,935,681,704
2021	1,704	1,333,949,899	3,243	2,337,541,192
2022	1,663	1,609,745,159	3,255	2,926,157,130
2023	1,636	1,571,299,939	3,176	3,031,241,268
2024	1,691	1,670,322,314	3,269	3,211,742,177

Source: *California Department of Tax and Fee Administration.*

## APPENDIX D

### FORM OF CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (this “Disclosure Agreement”) is executed and delivered by the Sunnyvale School District (the “District”) in connection with the execution and delivery of \$ \_\_\_\_\_ aggregate principal amount of the District’s 2026 General Obligation Refunding Bonds (the “Bonds”). The Bonds are being issued pursuant to resolutions adopted by the Board of Education of the District on March 26, 2026 (the “Resolution”). Capitalized terms used but not defined herein shall have the meanings ascribed thereto in the Resolution.

In consideration of the execution and delivery of the Bonds by the District and the purchase of such Bonds by the Underwriter described below, the District hereby covenants and agrees as follows:

SECTION 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the District for the benefit of the Bondholders and in order to assist Stifel, Nicolaus & Company, Incorporated (the “Underwriter”) in complying with Rule 15c2-12(b)(5) (the “Rule”) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended.

SECTION 2. Additional Definitions. In addition to the above definitions and the definitions set forth in the Resolution, the following capitalized terms shall have the following meanings:

“Annual Report” shall mean any Annual Report provided by the District pursuant to, and as described in, Sections 4 and 5 of this Disclosure Agreement.

“Bondholder” or “Holder” means any holder of the Bonds or any beneficial owner of the Bonds so long as they are immobilized with DTC.

“Dissemination Agent” shall mean any Dissemination Agent, or any alternate or successor Dissemination Agent, designated in writing by the Superintendent (or otherwise by the District), which Agent has evidenced its acceptance in writing. The initial Dissemination Agent shall be Isom Advisors, a Division of Urban Futures, Inc.

“Financial Obligation” shall mean a (i) debt obligation; (ii) derivative instrument entered into in connection with, or pledged as security or a source of payment for, an existing or planned debt obligation; or (iii) guarantee of (i) or (ii). The term financial obligation shall not include municipal securities as to which a final official statement has been provided to the MSRB consistent with the Rule.

“Listed Event” means any of the events listed in Section 6 of this Disclosure Agreement.

“MSRB” shall mean the Municipal Securities Rulemaking Board, through its electronic municipal market access system, which can be found at <http://emma.msrb.org/>, or any repository of disclosure information that may be designated by the Securities and Exchange Commission for purposes of the Rule.

SECTION 3. CUSIP Numbers and Final Official Statement. The CUSIP Numbers for the Bonds have been assigned. The Final Official Statement relating to the Bonds is dated \_\_\_\_\_, 2026 (“Final Official Statement”).

SECTION 4. Provision of Annual Reports.

(a) The District shall cause the Dissemination Agent, not later than nine (9) months after the end of the District's fiscal year (currently ending June 30), which date would be April 1, commencing with the report for the fiscal year ended June 30, 2026, which would be due on April 1, 2027, to provide to the MSRB an Annual Report which is consistent with the requirements of Section 5 of this Disclosure Agreement. 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 5 of this Disclosure Agreement; provided that the audited financial statements of the District may be submitted, when and if available, separately from the balance of the relevant Annual Report.

(b) If the District is unable to provide to the MSRB an Annual Report by the date required in paragraph (a) above, the District, in a timely manner, shall send a notice to the MSRB in substantially the form attached as Exhibit A.

(c) The Dissemination Agent shall:

(i) determine the name and address of the MSRB each year prior to the date established hereunder for providing the Annual Report; and

(ii) if the Dissemination Agent is other than the District or an official of the District, the Dissemination Agent shall file a report with the District certifying that the Annual Report has been provided pursuant to this Disclosure Agreement, stating the date it was provided and listing all the Repositories to which it was provided.

SECTION 5. Content of Annual Report. The District's Annual Report shall contain or incorporate by reference the following:

(a) Audited financial statements of the District for the preceding fiscal year, prepared in accordance with the laws of the State of California and including all statements and information prescribed for inclusion therein by the Controller of the State of California. If the District's audited financial statements are not available by the time the Annual Report is required to be provided to the MSRB pursuant to Section 4(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 provided to the MSRB in the same manner as the Annual Report when they become available.

(b) To the extent not included in the audited financial statements of the District, the Annual Report shall also include the following:

(i) Adopted general fund budget for the current fiscal year or most recent interim report;

(ii) 20 largest local secured taxpayers as shown on the most recent equalized assessment roll;

(iii) Assessed valuations, as shown on the most recent equalized assessment roll, if and to the extent information is provided to the District by the County; and

(iv) Property tax levies, collections and delinquencies, only if the County terminates or discontinues the Teeter Plan within the District.

Any or all of the items listed above may be set forth in one or a set of documents or 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 the MSRB website. If the document included by reference is a final official statement, it must be available from the MSRB. The District shall clearly identify each such other document so included by reference.

SECTION 6. Reporting of Significant Events.

(a) The District agrees to provide or cause to be provided to the MSRB, in readable PDF or other electronic format as prescribed by the MSRB, notice of the occurrence of any of the following events with respect to the Bonds not later than ten (10) Business Days after the occurrence of the event:

- (i) Principal and interest payment delinquencies.
- (ii) Unscheduled draws on any debt service reserves reflecting financial difficulties.
- (iii) Unscheduled draws on any credit enhancements reflecting financial difficulties.
- (iv) Substitution of or failure to perform by any credit provider.
- (v) Adverse tax opinions with respect to the tax status of the Bonds or the issuance by the Internal Revenue Service of proposed or final determination of taxability or of a Notice of Proposed Issue (IRS Form 5701 TEB) with respect to the Bonds;
- (vi) Tender Offers;
- (vii) Defeasances;
- (viii) Rating changes;
- (ix) Bankruptcy, insolvency, receivership or similar event of the obligated person (for the purposes of this subsection, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person); or
- (x) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a Financial Obligation of the obligated person which reflect financial difficulties.

(b) The District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the securities, if material, not later than ten (10) business days after the occurrence of the event:

(i) Unless described in paragraph 6(a)(v) hereof, other material notices or determinations by the Internal Revenue Service with respect to the tax status of the Bonds or other material events affecting the tax status of the securities;

(ii) Modifications of rights to security holders;

(iii) Bond calls;

(iv) Release, substitution or sale of property securing repayment of the Bonds;

(v) Non-payment related defaults;

(vi) 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;

(vii) Appointment of a successor or additional Paying Agent or Trustee or the change of name of a Paying Agent or Trustee; and

(viii) Incurrence of a Financial Obligation of the obligated person or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a Financial Obligation of the obligated person, any of which affect security holders.

(c) The District shall give, or cause to be given, in a timely manner, notice of a failure to provide the annual financial information on or before the date specified in Section 4 hereof, as provided in Section 4(b) hereof.

(d) Whenever the District obtains knowledge of the occurrence of a Listed Event described in Section 6(a) hereof, or determines that knowledge of a Listed Event described in Section 6(b) hereof would be material under applicable federal securities laws, the District shall within ten (10) business days of occurrence file a notice of such occurrence with the MSRB in electronic format, accompanied by such identifying information as is prescribed by the MSRB. Notwithstanding the foregoing, notice of the Listed Event described in subsection (b)(iii) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected Bonds pursuant to the Resolution.

SECTION 7. Termination of Reporting Obligation. The District's obligations under this Disclosure Agreement shall terminate when the District is no longer an obligated person with respect to the Bonds, as provided in the Rule, upon the defeasance, prior redemption or payment in full of all of the Bonds.

SECTION 8. Dissemination Agent. The Superintendent may, from time to time, appoint or engage an alternate or successor Dissemination Agent to assist in carrying out the District's obligations under this Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent.

The Dissemination Agent shall be entitled to the protections, limitations from liability, immunities and indemnities provided to the Paying Agent as set forth in the Resolutions which are incorporated by reference herein. The Dissemination Agent agrees to perform only those duties of the Dissemination Agent specifically set forth in the Disclosure Agreement, and no implied duties, covenants or obligations shall be read into this Agreement against the Dissemination Agent.

The Dissemination Agent shall have no duty or obligation to review the Annual Report nor shall the Dissemination Agent be responsible for filing any Annual Report not provided to it by the District in a timely manner in a form suitable for filing. In accepting the appointment under this Disclosure Agreement, the Dissemination Agent is not acting in a fiduciary capacity to the registered holders or beneficial owners of the Bonds, the District, or any other party or person.

The Dissemination Agent may consult with counsel of its choice and shall be protected in any action taken or not taken by it in accordance with the advice or opinion of such counsel. No provision of this Disclosure Agreement shall require the Dissemination Agent to risk or advance or expend its own funds or incur any financial liability. The Dissemination Agent shall have the right to resign from its duties as Dissemination Agent under this Disclosure Agreement upon thirty days' written notice to the District. The Dissemination Agent shall be entitled to compensation for its services as Dissemination Agent and reimbursement for its out-of-pocket expenses, attorney's fees, costs and advances made or incurred in the performance of its duties under this Disclosure Agreement in accordance with its written fee schedule provided to the District, as such fee schedule may be amended from time to time in writing. The District agrees to indemnify and hold the Dissemination Agent harmless from and against any cost, claim, expense, cost or liability related to or arising from the acceptance of and performance of the duties of the Dissemination Agent hereunder, provided the Dissemination Agent shall not be indemnified to the extent of its willful misconduct or negligence. The obligations of the District under this Section shall survive the termination or discharge of this Disclosure Agreement and the Bonds.

SECTION 9. Amendment. Notwithstanding any other provision of this Disclosure Agreement, the District may amend this Disclosure Agreement under the following conditions, provided no amendment to this Disclosure Agreement shall be made that affects the rights, duties or obligations of the Dissemination Agent without its written consent:

(a) The amendment may be made only 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 the obligated person, or type of business conducted;

(b) This Disclosure Agreement, as amended, would have complied with the requirements of the Rule at the time of the primary offering of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment does not materially impair the interests of Holders, as determined either by parties unaffiliated with the District or another obligated person (such as the Bond Counsel) or by the written approval of the Bondholders; provided, that the Annual Report containing the amended operating data or financial information shall explain, in narrative form, the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

SECTION 10. Additional Information. If the District chooses to include any information from any document or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, the District shall have no obligation under this Disclosure Agreement to update such information or to include it in any future disclosure or notice of occurrence of a Listed Event.

Nothing in this Disclosure Agreement shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement 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 Agreement.

SECTION 11. Default. The District shall give notice to the MSRB of any failure to provide the Annual Report when the same is due hereunder, which notice shall be given prior to July 1 of that year. In the event of a failure of the District to comply with any provision of this Disclosure Agreement, any Bondholder 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 Agreement. A default under this Disclosure Agreement shall not be deemed an event of default under the Resolution, and the sole remedy under this Disclosure Agreement in the event of any failure of the District to comply with this Disclosure Agreement shall be an action to compel performance.

SECTION 12. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the District, the Dissemination Agent, the Underwriter and Holders from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 13. Governing Law. This Disclosure Agreement shall be governed by the laws of the State, applicable to contracts made and performed in such State.

Dated: \_\_\_\_\_, 2026

SUNNYVALE SCHOOL DISTRICT

By: \_\_\_\_\_  
Superintendent

Acceptance of duties as Dissemination Agent:

ISOM ADVISORS, A DIVISION OF URBAN FUTURES, INC.

By: \_\_\_\_\_  
Authorized Representative

EXHIBIT A

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: Sunnyvale School District

Name of Issue: \$\_\_\_\_\_ 2026 General Obligation Refunding Bonds

Date of Issuance: \_\_\_\_\_, 2026

NOTICE IS HEREBY GIVEN that the above-named Issuer has not provided an Annual Report with respect to the above-named Bonds as required by Section 4(a) of the Continuing Disclosure Agreement dated \_\_\_\_\_, 2026. The Issuer anticipates that the Annual Report will be filed by \_\_\_\_\_.

Dated: \_\_\_\_\_

ISOM ADVISORS, A DIVISION OF URBAN  
FUTURES, INC.

By: \_\_\_\_\_  
Authorized Representative

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**APPENDIX E**

**SANTA CLARA COUNTY INVESTMENT POLICY STATEMENT**

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## **4.8 TREASURY INVESTMENT POLICY**

### **4.8.1 Statement of Intent**

The purpose of this document is to set forth the County of Santa Clara's policy applicable to the investment of short-term surplus funds. In general, it is the policy of the County to invest public funds in a manner that will provide a competitive rate of return with maximum security while meeting the cash flow requirements of the County, school districts and special districts whose funds are held in the County Treasury, in accordance with all state laws and County ordinances governing the investment of public funds.

### **4.8.2 Scope**

This investment policy applies to all financial assets held by the County. Those assets specifically included in this investment policy are accounted for in the County's Comprehensive Annual Financial Report and are included here as part of the County's Commingled Investment Pool.

### **4.8.3 Objectives**

The following investment objectives shall be applied in the management of the County's funds.

- (A) The foremost objective of the County's investment program shall be to safeguard principal. Investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio.
- (B) The secondary objective shall be to meet the liquidity needs of its participants. The investment portfolio shall remain sufficiently liquid to meet all operating requirements that may be reasonably anticipated.
- (C) The third objective shall be to attain a market rate of return (yield) throughout budgetary and economic cycles, taking into account the County's investment constraints and cash flow characteristics. The core of investments will be limited to low risk securities in anticipation of earning a fair return relative to the risk being assumed.

### **Risk Mitigation**

Those factors that can lead to an unexpected financial loss can be broadly grouped into the following categories: credit risk, liquidity risk, interest rate risk and operational risk. Credit risk is the possibility that a bond issuer will default or that the change in the credit quality of counterparty will affect the value of a security. Liquidity risk for a portfolio that does not market value its holdings on a daily basis is the risk that sufficient cash or cash equivalents are not available and a security may have to be sold at a loss (based on its original cost) in order to meet a payment liability. Interest rate risk is the risk that the value of a fixed income security or portfolio will fall as a result of an increase in interest rates. Operational risk refers to potential losses resulting from inadequate systems, management failure, faulty controls, fraud and human error.

It is part of this policy to pursue the listed actions below to reduce the risk of exposure to the County's investments.

### **Credit Risk**

- Diversifying the investment portfolio so that potential losses on individual securities will be minimized.
- Only purchasing securities that meet ratings standards specified in this policy.
- Conducting ongoing reviews as needed of all credit exposures within investment portfolios.
- Rating restrictions for all investments are denoted as requirements at time of purchase. If a security should incur a downgrade by either rating agency, placing the security on special surveillance to identify and monitor any continuing deterioration trends and, if warranted, selling the security.
- Reviewing the possible sale of a security whose credit quality is declining to minimize loss of principal.

### **Liquidity Risk**

- To the extent possible, matching investment maturities with anticipated cash demands, also known as creating static liquidity. Alternatively, apply application software to analyze and validate that cash from investment activity is sufficient to cover all liabilities.
- Since all possible cash demands cannot be anticipated, maintaining portfolios largely of securities with active secondary or resale markets (dynamic liquidity).
- Making investments that could be appropriately held to maturity without compromising liquidity requirements.
- Prior to approving or disapproving a withdrawal request (a reduction of liquidity), the County Treasurer shall determine that the proposed withdrawal will not adversely affect the interests of the other depositors in the County pool.

### **Interest Rate Risk**

- Not investing in securities maturing more than five years from the settlement date unless the issuer is a Federal Agency of the United States or the credit is backed by the full faith and credit of the United States Government and the underlying remaining weighted average life of the debt security is less than five years at time of purchase.
- Limiting the weighted average maturity of the County's Commingled portfolio to three years or less.
- Limiting segregated investments to maturities of five years or less unless a longer term is specifically approved by the appropriate legislative body.
- Not investing in any funds in financial futures, option contracts, inverse floaters, range note or interest-only strips that are derived from a pool of mortgages, or any security

that could result in zero interest accrual if held to maturity.

- Ensuring that adequate resources are devoted to interest rate risk measurement.

### **Operational Risk**

- Establishing a system of internal controls, which is designed to prevent losses of public funds arising from fraud, employee error, and misrepresentation by third parties, unanticipated changes in financial markets, or imprudent actions by employees and officers of the County.
- Having an audit review to examine the system of internal controls to assure that established policies including risk management procedures are being complied with.

### **4.8.4 Standards of Care**

(A) **Prudence.** The County Treasurer is a trustee and therefore a fiduciary subject to the prudent investor standard. When investing, reinvesting, purchasing, acquiring, exchanging, selling, and managing public funds, the County Treasurer shall act with care, skill, prudence, and diligence under the circumstances then prevailing, that prudent person acting in a like capacity and familiar with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the County and the other depositors. Within the limitations of this section and considering individual investments as part of an overall investment strategy, the County Treasurer is authorized to acquire investments as authorized by law.

The overall investment program shall be designed and managed with a degree of professionalism that is worthy of the public trust. The County recognizes that no investment program is totally riskless and that the investment activities of the County are a matter of public record. Accordingly, the County recognizes that occasional measured losses are inevitable in a diversified portfolio and shall be considered within the context of the overall portfolio's return, provided that the portfolio is adequately diversified and that the sale of a security is in the best long-term interest of the County. Significant adverse credit changes or market price changes on County-owned securities shall be reported to the Board of Supervisors and the County Executive in a timely fashion.

(B) **Competitive Transactions.** Where practicable, each investment transaction shall be competitively transacted with brokers/dealers/banks approved by the County Treasurer.

(C) **Indemnification.** Investment officers acting in accordance with state laws, County ordinances, this policy and written procedures, and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided that deviations from expectations are reported in a timely fashion and appropriate action is taken to control adverse development.

**Ethics and Conflicts of Interest.** County employees involved in the investment process shall refrain from personal business activity that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial decisions. Investment officials shall disclose any material interests in financial institutions with

which they conduct business. They shall further disclose any personal financial/investment positions that could be related to the performance of the investment portfolio. Employees and investment personnel shall subordinate their personal investment transactions to those of the County, particularly with regard to the timing of purchases and sales.

County officers and employees involved with the investment process shall refrain from accepting gifts that would be reportable under the Fair Political Practices Commission (FPPC) regulations.

Members of the Treasury Oversight Committee shall not accept any honoraria, gifts or gratuities from advisors, brokers, dealers, bankers or other persons with whom the County Treasury conducts business that would be reportable under the FPPC regulations or prohibited under any applicable law or policy.

#### **4.8.5 Authorized Financial Dealers and Institutions**

The County Treasurer shall establish an approved list of brokers, dealers, banks and direct issuers of commercial paper to provide investment services to the County. It shall be the policy of the County to conduct security transactions only with approved institutions and firms. To be eligible for authorization, firms that are commercial banks must be members of the FDIC, and broker/dealers:

- Preferably should be recognized as a Primary Dealer by the Market Reports Division of the Federal Reserve Bank of New York, and
- Must maintain a secondary position in the type of investment instruments purchased by the County.

In addition, the firm must also qualify under SEC Rule 15C3-1 (Uniform Net Capital Rule). Approved broker/dealer representatives and the firms they represent shall be licensed to do business in the State of California.

The criteria for selecting security brokers and dealers from, to, or through whom the County Treasury may purchase or sell securities or other instruments, prohibits the selection of any broker, brokerage, dealer, or securities firm that has, within any consecutive 48-month period following January 1, 1996, made a political contribution in an amount exceeding the limitations contained in Rule G-37 of the Municipal Securities Rulemaking Board, to any member of the governing board of any local agency that is a participant in the County Treasury or any candidate for those offices.

No public deposit shall be made except in a qualified public depository as established by state law. An annual analysis of the financial condition and professional institution/bank rating will be conducted by the County Treasurer and reported to the County Treasury Oversight Committee. Information indicating a material reduction in ratings standards, or a material loss or prospective loss of capital must be shared with the Board of Supervisors, the County Executive, and the Oversight Committee in writing immediately.

To be eligible to receive local agency money, a bank, savings association, federal association or federally insured industrial loan company shall have received an overall rating of not less than “satisfactory” in its most recent evaluation by the appropriate federal financial supervisory agency

of its record of meeting the credit needs of California communities, including low- and moderate-income neighborhoods, pursuant to Section 2906 of Title 12 of the United States Code.

#### **4.8.6 County Treasury Oversight Committee**

A County Treasury Oversight Committee shall be established by the Board of Supervisors pursuant to Government Code Section 27130 et seq to advise the County Treasurer in the management and investment of the Santa Clara County Treasury. The Oversight Committee shall be comprised of six members representing the County, school districts and other local government agencies whose funds are deposited in the County's commingled pool and other segregated investments. Members of the Oversight Committee will be nominated by the Treasurer and confirmed by the Board of Supervisors. The Committee is comprised of the following members:

- (1) County Director of Finance.
- (2) County Executive appointed by the Board of Supervisors.
- (3) Representative appointed by a majority of the presiding officers of the legislative bodies of the special districts in the County that are required or authorized to deposit funds in the County Treasury.
- (4) County Superintendent of Schools or his or her designee.
- (5) Representative selected by a majority of the presiding officers of the governing bodies of the school districts and community college districts in the County.
- (6) One member of the public that has expertise in and or an academic background in public finance.

Each member may designate an alternate to serve in the absence of the member. The alternate shall take the oath of office and file a conflict of interest report with the Clerk of the Board. The alternate shall exercise the vote of the member at meetings where the member is not present.

It is the responsibility of the County Treasury Oversight Committee to approve the investment policy prepared annually by the County Treasurer, to review and monitor the quarterly investment reports prepared by the County Treasurer, to review depositories for County funds and broker/dealers and banks as approved by the County Treasurer, and to cause an annual audit to be conducted to determine the County Treasury's compliance with all relevant investment statutes and ordinances, and this investment policy. Any receipt of honoraria, gifts, and gratuities from advisors, brokers, and dealers, bankers or other persons with whom the County Treasury conducts business by any member of the County Treasury Oversight Committee is limited to amounts that would not be reportable to the Fair Political Practices Commission. These limits may be in addition to the limits set by a committee member's own agency or by state or local law or policy.

Nothing in this article shall be construed to allow the County Treasury Oversight Committee to direct individual investment decisions, select individual brokers, or dealers, or impinge on the day-to-day operations of the County Treasury.

#### **4.8.7 Eligible, Authorized and Suitable Investments**

All investments shall conform with state law including but not limited to Government Code 53600 et seq and any further restrictions imposed by this policy (Authorized Investments). Where this section specifies a percentage limitation for a particular category of investment or specific issuer, that percentage is applicable only at the date of purchase. If subsequent to purchase, portfolio percentage constraints are above the maximum thresholds due to changes in value of the portfolio or changes due to revisions of the policy, then affected securities may be held to maturity in order to avoid principal losses. However, the County Treasurer may choose to rebalance the portfolio if percentage imbalances are deemed to impair portfolio diversification.

If after purchase securities are downgraded below the minimum required rating level the securities shall be reviewed for possible sale within a reasonable amount of time after the downgrade. Significant downgrades and the action to be taken will be disclosed in the Quarterly Investment Report.

**U.S. Treasury and Government Agencies.** There shall be no limit in the amount that may be invested in debt obligations that are backed by the full faith and credit of the United States government. This includes but is not limited to U.S. Treasury bills, notes or bonds. However, this does not include Medium-Term Corporate Notes or Deposit Notes, as described below.

There shall be no limit in the amount that may be invested in Federal Agencies of the United States or United States government sponsored-enterprise obligations, participations, and bond issuances including those issued by or fully guaranteed as to principal and interest by federal agencies or the United States government.

**Repurchase Agreements.** A repurchase agreement consists of two simultaneous transactions under the same agreement. One is the purchase of securities by an investor (County Treasury) from a financial institution. The other is the commitment by the financial institution to repurchase the securities at a specified price and on a date mutually agreed upon.

Repurchase agreements shall be entered into only with financial institutions which have executed a Master Repurchase Agreement with the County. Counterparty dealers must be recognized as primary dealers with the Market Reports Division of the Federal Reserve Bank of New York.

- The term of the repurchase agreement is limited to 92 days or less. The securities underlying the agreement may be obligations of the United States Government, its agencies, or agency mortgage backed securities. For repurchase agreements that exceed 15 days, the maturities on purchased securities may not exceed 5 years.
- The purchased securities shall have a minimum market value, including accrued interest, of 102 percent of the dollar value of the agreement. Purchased securities shall be held in the County's custodian bank as safekeeping agent either as a purchase versus delivery or a tri-party arrangement, and the market value of the securities shall be marked-to-market on a daily basis.

**Reverse Repurchase Agreements.** A reverse repurchase agreement consists of two simultaneous transactions under the same agreement. One is the sale of securities by the County Treasury to a bank or dealer. The other is the commitment by the County Treasury to repurchase the securities at a specified price and on a date mutually agreed upon.

Reverse repurchase agreements may only be transacted with dealers and financial institutions which have executed a Master Repurchase Agreement with the County as approved by the Board of Supervisors, and which are Primary Dealers of the Federal Reserve Bank of New York. Reverse repurchase transactions must meet the following requirements:

- Sold securities must be owned and fully paid a minimum of 30 days prior to transaction.
- The total of all reverse repurchase and securities lending agreements cannot exceed 20% of the portfolio's base value.<sup>1</sup>
- The term of the reverse repurchase agreement is not to exceed 92 days unless the agreement includes a written codicil that guarantees a minimum earning or spread for the entire period between the sale of a security using a reverse repurchase agreement and the final maturity date of the same security.
- Funds obtained through a reverse repurchase agreement shall not be used to purchase another security with a maturity longer than 92 days from the initial settlement date of the reverse repurchase agreement unless the reverse repurchase agreement includes a written codicil guaranteeing a minimum earning or spread for the entire period between the sale of a security using a reverse repurchase agreement and the final maturity date of the same security.
- Reverse repurchase agreements may only be used to effect a "matched" transaction whereby the proceeds of the reverse are reinvested for approximately the same time period as the term of the reverse repurchase agreement.
- Reverse repurchase agreements may not exceed \$90 million.
- Investments in reverse repurchase agreements in which Treasury sells securities prior to purchase with a simultaneous agreement to repurchase the security may only be made upon prior approval of the Board of Supervisors.

Reverse Repurchase Agreements will be used solely for the intent of accessing liquid funds on a temporary basis and will not be used as a means to amplify portfolio returns.

All other cost effective means of obtaining liquidity will be considered prior to exercising this option.

In exception to the above, a trial transaction will be permitted on a periodic basis as emergency preparation to ensure that internal systems and staff members remain up-to-date on processing

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<sup>1</sup> Base value of the County's Pool refers to the dollar amount obtained by totaling all cash balances placed in the pool by all pool participants, excluding any amounts obtained through selling securities by way of reverse repurchase agreements or securities lending agreements.

procedures. The amount of the trial transaction will not exceed pre-established limits set by the Treasurer.

**Securities Lending.** The mechanics behind a securities lending transaction consist of the County lending a security. The borrower, a financial institution, pledges collateral consisting of cash to secure the loan. Borrowers sometimes offer letters of credit as collateral. The lending agreement requires that the collateral must always exceed the market value of the security by 2%. Changes in the security's price during the term of the loan may require adjustments in the amount of collateral. The cash collateral obtained from the borrower is then invested in short-term assets for additional income. Also, the County is entitled to all coupon interest earned by the loaned security. At the end of the loan term, the transaction is unwound, the securities and collateral, which are held by a custodian bank, are returned to the original owners. The borrower is obliged to return the securities to the lender, either on demand from the County or at the end of any agreed term. Lending transactions must meet the following requirements:

- Loaned securities must be owned and fully paid a minimum of 30 days prior to transaction.
- The total of all reverse repurchase and securities lending agreements cannot exceed 20% of the portfolio's base value.
- The term of the securities lending agreement is not to exceed 92 days.
- Funds obtained through a securities lending agreement shall not be used to purchase another security with a maturity longer than 92 days from the initial settlement date of the securities lending agreement.
- The objective of the transaction is to produce positive earnings.

To qualify as a counter-party to the County in a securities lending transaction, the broker/dealer must be recognized as a Primary Dealer by the Federal Reserve Bank and the County's custodial bank must indemnify the County against losses related to the broker-dealer.

**Non-negotiable Time Deposits (CDs) that are FDIC Insured and Collateralized Time Deposits.** Time deposits with banks or savings and loan associations shall be subject to the limitations imposed by the Government Code, as amended, and additional constraints prepared by the County Treasurer that would limit amounts to be placed with institutions based on creditworthiness, size, market conditions and other investment considerations.

**Negotiable Certificates of Deposit.** The bank issuing a negotiable certificate of deposit with a maturity of one year or less, must reflect the following or higher ratings from at least two of these *nationally recognized statistical rating organizations* (NRSRO's): Moody's (P1), Standard and Poor's (A1), and Fitch (F1). Certificates that exceed one year, must reflect the following ratings or higher by at least two of these NRSRO's: Moody's (Aa3), Standard and Poor's (AA-), and Fitch (AA-). Negotiable certificates of deposit shall not exceed 30% of the surplus funds of the portfolio. No more than 5% of the portfolio shall be in a single bank.

**Bankers' Acceptances.** Investments in eligible bankers' acceptances of United States or foreign banks shall not exceed 180 days maturity from the date of purchase. This debt must reflect the following or higher ratings by at least two of these NRSRO's: Moody's (P1), Standard and Poor's

(A1), and Fitch (F1). Bankers' Acceptances shall not exceed 40% of surplus funds. No more than 5% of the portfolio shall be invested in a single commercial bank.

**Commercial Paper.** Investments in commercial paper shall not have a maturity that exceeds 270 days. Commercial paper must reflect the following or higher ratings by at least two of these NRSRO's: Moody's (P1), Standard and Poor's (A1), and Fitch (F1). The issuer must meet the qualifications as indicated below pursuant to California Government Code:

If the commercial paper is short-term unsecured promissory notes issued by financial institutions or corporations, the issuer must:

- Be organized and operating in the United States as a general corporation;
- Have total assets in excess of five hundred million dollars (\$500,000,000); and
- If the issuer has senior debt outstanding, the senior debt must reflect the following ratings or higher by at least two of these NRSRO's: Moody's (A3) Standard and Poor's (A-) and Fitch (A-).

If the commercial paper is asset backed, the issuer must:

- Be organized within the United States as a special purpose corporation, trust, or limited liability company; and
- Have program-wide credit enhancements including, but not limited to, over collateralization, letters of credit or surety bonds and include a liquidity vehicle.

Commercial paper shall not exceed 40% of the local agency's funds. No more than 5% of the portfolio shall be invested in any single issuer of commercial paper.

**Medium Term Corporate Notes or Deposit Notes.** The purchase of corporate notes shall be limited to securities that reflect the following ratings or higher by at least two of these NRSRO's: Moody's (A3), Standard and Poor's (A-), and Fitch (A-), but no single NRSRO rating can be lower than A- or equivalent. Medium term corporate notes or deposit notes (five years or less) shall be limited to 30% of surplus funds. No more than 5% of the portfolio shall be invested in any single corporation including those issuers whose debt is fully guaranteed as to principal and/or interest by federal agencies or the United States government.

**Local Agency California Investment Fund (LAIF).** Funds may be invested in LAIF, a State of California managed investment pool up to the maximum dollar amounts in conformance with the account balance limits authorized by the State Treasurer.

**Municipal Obligations.** The purchase of municipal obligations shall include the following:

(A) **Treasury notes or bonds of the state of California**, including other obligations such as registered state warrants, certificates of participation, lease revenue bonds and bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the state or by a department, board, agency, or authority of the state.

**(B) Bonds, notes, warrants, certificates of participation, lease revenue bonds or other evidence of indebtedness of any local agency within this state,** including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the local agency, or by a department, board, agency, or authority of the local agency.

**(C) Registered treasury notes or bonds of any of the other 49 United States in addition to California,** including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by a state or by a department, board, agency, or authority of any of the other 49 United States, in addition to California.

For those instruments that are rated, long-term obligations must reflect the following ratings or higher by at least two of these NRSRO's: Moody's (A3), Standard and Poor's (A-), and Fitch (A-). Short term obligations must carry the following ratings or higher by at least one of these NRSRO's: Moody's (MIG-1), Standard and Poor's (SP-1), and Fitch (F-1). No more than 10% of surplus funds shall be in such obligations.

**Money Market Funds.** Companies issuing such money market funds must have assets under management in excess of \$500,000,000. The advisors must be registered with the Securities and Exchange Commission (SEC) and have at least five years' experience investing in such types of investments. The fund must reflect the highest rating by at least two of these NRSRO's: Moody's (Aaa), Standard and Poor's (AAA), and Fitch (AAA). No more than 20% of the Treasury's funds may be invested in money market funds and no more than 10% of the Treasury's funds may be invested in one money market fund. If the money market fund is tax-exempt then only one "AAA" rating by an NRSRO is required. The money market fund must also be "no-load", which is a fund that does not compensate sales intermediaries with a sales charge or commission that is deducted from the return of the fund.

**Asset Backed Securities.** Asset backed securities (ABS) are notes or bonds secured or collateralized by pools of loans such as installment loans or receivables.

- The asset backed security itself must reflect the following ratings or higher from at least two of these NRSRO's: Moody's (Aa3), Standard and Poor's (AA-) and Fitch (AA-).
- Asset backed securities may not exceed 20% of the Treasury's surplus money.

**Agency Mortgage-Backed Securities.** Mortgage-backed securities (MBS) are collateralized by pools of conforming mortgage loans or multi-family mortgage loans insured by FHLMC or FNMA and or guaranteed by FHA (GNMA)

**Supranational Debt Obligations.** United States dollar-denominated senior unsecured unsubordinated obligations issued or unconditionally guaranteed by the International Bank for Reconstruction and Development of the World Bank (IBRD) or the Inter-American Development Bank (IADB), with a maximum remaining maturity of five years or less,

and eligible for purchase and sale within the United States. Investments must be rated “AAA” by at least two of the following, NRSRO’s, Moody’s, Standard and Poor’s or Fitch and shall not exceed ten percent, in aggregate, of the Treasury’s surplus funds.

## **General Parameters**

### *Socially and Environmentally Responsible Investments*

Whenever possible, in addition to and subordinate to the objectives set forth in section 4.8.3 herein, it is the County’s policy to create a positive impact by investing in socially and environmentally responsible corporations and agencies as defined by priorities set by the Board of Supervisors.

### *Ineligible Investments*

Ineligible investments include common stock, inverse floaters, range notes, mortgage-derived interest only strips and any security that could result in zero interest accrual if held to maturity or any security that does not pay (cash or earn accrued) interest in one year or at least semi-annually in subsequent years and any investment not authorized by this policy unless otherwise allowed by law and approved by the Board of Supervisors.

### *Combined Issuer/Institutional Limits.*

No more than 5% of the portfolio shall be invested in aggregate of any single institution of the following types: Bankers Acceptances, Commercial paper, Negotiable Certificates of Deposit, and Corporate Notes.

### *Swaps*

Investments will be reviewed for the possibility of a swap to enhance yield when both securities have a similar duration so as not to affect the cash flow needs of the program. Swaps should have a minimum of five basis points before being transacted.

## **4.8.8 Maximum Maturity**

The County Investment portfolio shall be structured to provide that sufficient funds from investments are available to meet the anticipated cash needs of the depositors in the County’s commingled investment pool. The choice of investment instruments and maturities shall be based on an analysis of depositors cash needs, existing and anticipated revenues, interest rate trends and specific market opportunities. The average weighted maturity of the portfolio will not exceed three years and investments will have a maturity of no more than five years from the settlement date unless specifically approved by the Board of Supervisors or the provisions set forth elsewhere in this policy.

## **4.8.9 Segregated Investments (excludes Commingled Funds)**

Segregated investments of instruments permitted in Government Code Section 53601 can be made upon proper authorization where cash flow or other factors warrant segregation from the commingled pool. Examples that may justify such segregation are bond or note proceeds, Retiree Health funds or Workers Compensation funds where longer term or matching term investments are warranted.

For segregated investment funds, no investment shall be made that could not appropriately be held to maturity without compromising liquidity requirements.

Segregated investments shall be limited to five years maturity unless a longer term is specifically approved by the appropriate legislative body.

Government Code Sections 53620 and 53622 grant the County authority to invest the assets of the Santa Clara County Retiree Health Trust in any form or type of investment deemed prudent by the governing body. Accordingly, the County Board of Supervisors has determined that up to 67 percent of the Trust's assets, excluding near-term liability pay-outs, may be invested in equities through mutual funds or through the direct purchase of common stocks by a money management firm(s) approved by the Board of Supervisors.

In accordance with the prudent person standard in Government Code Sections 53620 through 53622, the assets of the Santa Clara County Retiree Health Trust may be invested in bonds that have a final maturity of 30 years or less from purchase date, and in bonds that reflect the following ratings or higher from at least two of these NRSRO's: Moody's (A3), Standard and Poor's (A-), and Fitch (A-).

#### **4.8.10 Safekeeping and Custody**

All security transactions, including collateral for repurchase agreements, shall be conducted on a delivery-versus-payment (DVP) basis. Securities will be held in the name of the County by a custodian designated by the County Treasurer and evidenced by trade confirmations and safekeeping holdings reports.

The County Treasurer will approve certain financial institutions on an annual basis to provide safekeeping and custodial services for the County. Custodian banks shall be selected on the basis of their ability to provide service to the County's account and the competitive pricing of their safekeeping related services. All securities purchased by the County under this section shall be properly designated as an asset of the County and held in safekeeping by a custodial bank chartered by the United States Government or the State of California. The County will execute custodial agreement(s) with its bank(s). Such agreements will outline the responsibilities of each party for the notification of security purchases and sales, address wire transfers as well as safekeeping and transaction costs, and provide details on procedures in case of wire failures or other unforeseen mishaps along with the liability of each party.

To be eligible for designation as the County's safekeeping and custodian agent, a financial institution shall meet the following criteria:

- Have a Moody's rating of P-1 or Standard and Poor's rating of A-1 for the most recent reporting quarter before the time of selection.
- Qualify as a depository of public funds in the State of California as defined in Government Code Section 53638.

The County Treasurer shall require each approved custodial bank to submit a copy of its Consolidated Report of Condition and Income (Call Report) to the County within forty-five days after the end of each calendar quarter.

It is the intent of the County to mitigate custodial credit risk by insuring that all securities are appropriately held.

Securities typically clear and settle as electronic book entries through the following clearinghouses: (1) the Depository Trust Corp. (DTC), a member of the Federal Reserve Bank; or (2) the Fed Book-Entry System, owned by the Federal Reserve. Governments generally do not have their own account in the Fed Book-Entry System or at DTC, but have access to those systems through large financial institutions who are members and participants. The County's securities within the clearing system are held under the Custodial Bank's name. The Custodial Bank's internal records identify the County as the underlying beneficial owner of securities.

Infrequently, physical certificates are used to reflect ownership of a security. When physical securities are received by the Custodial Bank, they are sent to a transfer agent to be registered into the Custodial Bank's nominee name. It is kept in the bank's vault until redeemed or sold. The Custodial Bank records identify the County as the underlying beneficial owner and include the securities on the County's Safekeeping report.

#### **4.8.11 Internal Controls and Accounting**

The County shall establish a system of internal controls, which is designed to prevent losses of public funds arising from fraud, employee error, and misrepresentation by third parties, unanticipated changes in financial markets, or imprudent actions by employees and officers of the County.

The County maintains its records on the basis of funds and account groups, each of which is considered a separate accounting entity. All investment transactions shall be recorded in the various funds of the County in accordance with Generally Accepted Accounting Principles as promulgated by the Government Accounting Standards Board.

The County shall establish a process for an annual review by either the County's internal or external auditor. This review will examine the system of internal controls to assure that the established policies and procedures are being complied with and many result in recommendations to change operating procedures to improve internal control.

#### **4.8.12 Reporting**

##### **(A) Methods.**

(i) The County Treasurer shall prepare an investment report quarterly, including a management summary that provides a clear status of the current investment portfolio, quarterly transactions, investment philosophy and market actions and trends. The management summary will be prepared in a manner which will allow the County to ascertain whether investment activities during the reporting period have conformed to the investment policy. The report should be provided to the Board of Supervisors, the County Executive, the County Treasury Oversight Committee, Internal Auditor, and local agencies with funds on deposit in the County pool. The report will include the following:

- A listing of individual securities by type of investment and maturity held at the end of the reporting period.
- A composite of transactions purchased during the reporting period by type of security.
- Unrealized gains or losses resulting from appreciation or depreciation of securities held in the portfolio, by listing the cost of market value of securities.
- Average weighted yield to maturity of the portfolio and benchmark comparisons.
- Weighted average maturity of the portfolio.
- A summary of purchases during the reporting period by broker/dealers or banks showing the purchase date, issuing agency, amount purchased, cost and purchase date.
- A statement denoting the ability of the County to meet its pool's expenditure requirements for the next six months, or provide an explanation as to why sufficient money shall, or may not, be available.

(ii) The County Treasurer shall prepare a monthly report with a brief summary of the investment report and a listing of the transactions conducted during the month. The report will be provided to the Board of Supervisors, Treasury Oversight Committee and the local agencies with funds on deposit in the County Pool.

Material deviations from projected budgetary investment results shall be reported no less frequently than quarterly to the Board of Supervisors and the County Executive.

**(B) Performance Standards.**

The investment portfolio will be managed in accordance with the parameters specified within this policy. The portfolio should obtain a market average rate of return during a market/economic environment of stable interest rates, taking into account the County's investment risk constraints and cash flow needs.

The basis for measurement used to determine whether market yields/rate of return are being achieved shall be the State Treasurer's Local Agency Investment Fund (LAIF). It should be recognized, however, that since the investment parameters of LAIF are broader than the County's investment policies, the returns realized by the County cannot necessarily be expected to exceed the returns realized by LAIF on a regular basis.

(C) The County utilizes the following methods to pay for banking services and County administration of the investment function:

**General Banking Services.** General banking services such as safekeeping, items deposited, statements, account maintenance, etc., may be paid to the bank through direct payment or a combination of direct payment and compensating balance.

**Investment and Banking Administration Costs.** The County recovers staffing and other costs relating to the County's administration services for banking and investment functions provided to the County Treasury. The administrative costs are allocated against the earnings of the County pool prior to apportionment of earnings.

**Earnings Apportionment.** Earnings of the County pool are apportioned quarterly to all participants of the pool based on the average daily balance of each fund during the quarter.

Realized capital gains (the gain from securities sold at a higher price compared to cost) are added to quarterly earnings. Realized capital losses (the loss from securities sold at a lower price compared to cost) reduce quarterly earnings. To the extent that a realized capital loss exceeds the quarterly aggregate earnings of the Pool, the loss will be shared across all funds. The size of the write-down for any individual fund balance will be based on the average daily balance of each fund during the quarter in which the loss occurred.

Any apportioned earnings may not be available for withdrawal until all monies that have been earned (i.e., accrued) have actually been received by the County Treasurer.

#### **4.8.13 Investment Policy Adoption**

Pursuant to Government Code Section 27133 the County Treasurer annually prepares an investment policy that is reviewed, monitored and approved by the County Treasury Oversight Committee. Any changes must be approved by the Board of Supervisors. Copies of the approved investment policy shall be circulated annually to local agencies with funds on deposit in the County pool.

#### **4.8.14 Voluntary Participants**

The County provides the opportunity for local agencies to deposit excess funds within the County's Commingled Pool pursuant to Government Code Section 53684. In order to participate, voluntary participants must sign the County's Disclosure and Agreement for Voluntary Deposits which outlines the terms and conditions of participation, including constraints on deposits and withdrawals from the pool. Voluntary participants must also submit a resolution duly adopted by its governing board authorizing the deposit of funds into the Investment Pool.

It is the County's policy to not allow access to the pool unless the voluntary participant agrees to a long-term relationship utilizing the pool and County Treasury for its primary banking needs. The County does not wish to enter into relationships where an entity is placing funds because yields for a time may be higher than what is available at other organizations, because such activity can

have an adverse and unfair impact on the other participants. Upon approval of the Treasurer, accommodations may be made to utilize the County resources to make specific investments or manage segregated funds for a voluntary participant at an agreed cost.

#### **4.8.14.1 Temporary Loans to Pool Participants**

Various public entities maintain funds on deposit with the County Treasury. From time to time, these public entities experience cash flow problems. Allowing these entities to temporarily borrow from the commingled investment pool is an alternative way to address their short-term cash flow problems. In order to ensure that these temporary loans comply with all legal requirements and investment pool objectives, no such transfers shall be made unless all of the following requirements are met:

- Because the commingled investment pool consists of deposits from both restricted and unrestricted sources, all transfers shall comply with all requirements of Government Code Sections 53601, 53840, 53841 and 53842, including the requirements that they be legally characterized as loans and formalized with “evidences of indebtedness,” and meet maturity and security criteria.
- All transfers shall comply with Article XVI, Section 6 of the California Constitution, including the limitations on borrowing amounts and loan periods.
- No transfers shall be made during any fiscal year unless the Board of Supervisors has adopted a resolution authorizing transfers for that fiscal year. (Cal. Constitution Article XVI, Section 6; Government Code Section 25252.)
- Any inter-fund transfers between school district and community college accounts shall be formally approved by the district’s governing board and shall comply with all other requirements of Education Code Sections 42603, 42620 and 85220, including requirements regarding repayment, sufficient income, and maximum transfer amounts.
- No transfer may occur until the fund needing the transfer meets the revenue sufficiency test, consistent with state law and County investment pool investment-risk constraints, established by the Director of Finance to ensure repayment.
- Direct borrowing from the pool should be a last resort funding alternative. Pool participants will be encouraged to use all available internal sources for cash flow needs through inter-fund borrowing between the participant’s various funds.

The Director of Finance shall do all of the following:

- Proactively monitor fund balances.
- Establish early warning triggers to identify those funds most likely to incur an overdraft and require a transfer.
- Establish a revenue sufficiency test for the purpose of assessing repayment ability.
- Place tax apportionments assigned to an overdrawn fund in a lock box sequestered for credit to the investment pool.
- Establish and monitor investment pool exposure limits.

- Monitor funds to ensure that loans meet dry period (last Monday in April through June 30 of the fiscal year) financing restrictions.
- Restrict certain individual funds (e.g., bond reserve funds) from use as a borrowing source in inter-fund borrowing across funds held by pool participant.
- Establish a hierarchy of associated funds owned by each pool participant to be used as alternative funding sources in the event any of the participant's funds needs a loan.
- Implement accounting procedures that either manually or automatically transfer funds from one fund to another based on preset rules.
- Report within the Quarterly Investment listing all loans extended by the investment pool to participants.

The County's external financial auditor shall regularly review all of the practices and procedures in this Section to ensure compliance with all legal requirements.

#### **4.8.15 Withdrawal of Funds by Voluntary Participants**

Public entities that are voluntary participants in the County pool who wish to make withdrawals for the purpose of investing outside of the County pool may request such withdrawals in accordance with the County Investment Management Agreement.

The County Treasurer will assess the proposed withdrawal on the stability and predictability of the investments in the County pool. Prior to approving or disapproving a withdrawal request, the County Treasurer shall determine that the proposed withdrawal will not adversely affect the interests of the other depositors in the County pool. Funds are withdrawn based on the market value.

#### **4.8.16 Warranties**

All depositors acknowledge that funds deposited in the Investment Pool are subject to market/investment risk, and that the County Treasurer makes no warranties regarding Investment Pool performance, including but not limited to preservation of capital or rate of return earned on funds deposited in the Investment Pool. Depositors knowingly accept these risks and waive any claims or causes of action against the County Treasurer, the County, and any employee, official or agent of the County for loss, damage or any other injury related to the Depositors' funds in the Investment Pool, with the exception of loss, damage or injury caused solely by the County Treasurer's material failure to comply with the County Investment Policy and all applicable laws and regulations.

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## APPENDIX F

### BOOK-ENTRY ONLY SYSTEM

*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 or completeness thereof. The District cannot and does not give any assurances that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Bonds, (b) Bonds representing ownership interest in or other confirmation or ownership interest in the Bonds, or (c) prepayment or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Bonds, or that they will so do on a timely basis or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Official Statement. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedure" of DTC to be followed in dealing with DTC Participants are on file with DTC.*

#### General

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, in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest 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](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org). *The foregoing internet addresses are included for reference only, and the information on these internet sites is not incorporated by reference herein.*

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 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 may be requested by an authorized representative of DTC. The deposit of 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 and 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.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to 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 (or the Paying Agent on behalf thereof) 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 Bonds are credited on the Record Date (identified in a listing attached to the Omnibus Proxy).

Principal, premium, if any, and interest payments 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 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 nor its nominee, Paying Agent, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, premium, if any, and interest payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the District or 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 services as depository with respect to the Bonds at any time by giving reasonable notice to the District or Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, Bonds are required to be printed and delivered.

The District may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). Discontinuance of use of the system of book-entry transfers through DTC may require the approval of DTC Participants under DTC's operational arrangements. In that event, printed certificates for the Bonds will be printed and delivered.

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.

### **Discontinuation of Book-Entry Only System; Payment to Beneficial Owners**

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

The principal of the Bonds and any premium and interest upon the redemption thereof prior to the maturity will be payable in lawful money of the United States of America upon presentation and surrender of the Bonds at the office of the Paying Agent, initially located in San Francisco, California. Interest on the Bonds will be paid by the Paying Agent by check or draft mailed to the person whose name appears on the registration books of the Paying Agent as the registered owner, and to that person's address appearing on the registration books as of the close of business on the Record Date. At the written request of any registered owner of at least \$1,000,000 in aggregate principal, payments shall be wired to a bank and account number on file with the Paying Agent as of the Record Date.

Any Bond may be exchanged for Bonds of any authorized denomination upon presentation and surrender at the office of the Paying Agent, initially located in St. Paul, Minnesota, together with a request for exchange signed by the registered owner or by a person legally empowered to do so in a form satisfactory to the Paying Agent. A Bond may be transferred only on the Bond registration books upon presentation and surrender of the Bond at such office of the Paying Agent together with an assignment executed by the registered 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 shall complete, authenticate and deliver a new Bond or Bonds of any authorized denomination or denominations requested by the owner equal in the aggregate to the unmatured principal amount of the Bond surrendered and bearing interest at the same rate and maturing on the same date.

Neither the District nor the Paying Agent will be required to exchange or transfer any Bond during the period from the Record Date through the next Interest Payment Date.



