REFUNDING NEW ISSUE — BOOK-ENTRY ONLY **RATING:**

Standard & Poor's: **AAA**

(See **"BOND INSURANCE"** and **"MISCELLANEOUS — Rating"** herein).

*In the opinion of Quint & Thimmig LLP, San Francisco, California, Bond Counsel, subject, however to certain qualifications described herein, under existing law, the interest on the Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, although for the purpose of computing the alternative minimum tax imposed on certain corporations, such interest is taken into account in determining certain income and earnings. In the further opinion of Bond Counsel, such interest is exempt from California personal income taxes. See **"LEGAL MATTERS — Tax Matters"*** herein.

$8,715,000
SUNNYVALE SCHOOL DISTRICT
Santa Clara County, California
2003 General Obligation Refunding Bonds
(Not Bank Qualified)

Dated: December 1, 2003 SSD **Due: September 1, as shown below**

The Bonds are issued by the Sunnyvale School District (the "District") to refund certain previously issued bonds, as described herein. The Board of Supervisors of Santa Clara County is empowered and is obligated to annually levy *ad valorem* taxes, without limitation as to rate or amount, upon all property subject to taxation within the District (except certain personal property which is taxable at limited rates), for the payment of interest on, and principal of, the Bonds, all as more fully described herein under **"THE BONDS"** and **"*AD VALOREM* PROPERTY TAXATION."** Interest on the Bonds is payable semiannually on each March 1 and September 1 commencing March 1, 2004. The Bonds, when delivered, will be registered initially in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the Bonds as described herein under **"THE BONDS — Book-Entry System."** The Bonds due on or before September 1, 2011, are not subject to optional redemption; the Bonds due on and after September 1, 2012, are subject to optional redemption beginning on September 1, 2011, as described herein under **"THE BONDS — Redemption."**

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Bonds by **FINANCIAL SECURITY ASSURANCE INC.**

FSA

The following firm, serving as financial advisor to the District, has structured this financing:

KNN
Kelling, Northcross & Nobriga
A DIVISION OF
ZIONS FIRST NATIONAL BANK

MATURITY SCHEDULE

Maturity (September 1)	Principal Amount	Interest Rate	Price or Yield	Maturity (September 1)	Principal Amount	Interest Rate	Price or Yield
2004	$225,000	2.000%	1.100%	2013	$515,000	3.625%	100 %
2005	255,000	2.000	1.250	2014	540,000	4.000	3.800*
2006	255,000	2.000	1.600	2015	565,000	4.000	100
2007	265,000	2.000	1.950	2016	590,000	4.000	100
2008	545,000	3.000	2.350	2017	615,000	4.125	100
2009	560,000	3.000	2.650	2018	640,000	4.200	100
2010	575,000	3.000	100	2019	695,000	4.300	100
2011	565,000	3.125	100	2020	775,000	4.500	100
2012	535,000	3.500	100				

*Priced to the September 1, 2012, call date at 100%.

(plus accrued interest from December 1, 2003)

The Bonds will be offered when, as and if issued by the District and received by the Underwriter, subject to the approval of legality by Quint & Thimmig LLP, San Francisco, California, Bond Counsel. It is anticipated that the Bonds, in book-entry form, will be available for delivery through The Depository Trust Company in New York, New York, on or about December 16, 2003.

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.

Official Statement Date: December 4, 2003

No dealer, broker, salesperson or other person has been authorized by the Sunnyvale School District (the "District") to give any information or to make any representations other than those 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 or the solicitation of any 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 so described herein, are intended solely as such and are not to be construed as a representation of facts. The summaries and descriptions of documents, statutes and constitutional provisions referred to herein do not purport to be comprehensive or definitive, and are qualified in their entireties by reference to each such document, statute and constitutional provision.

The information set forth herein, other than that provided by the District, has been obtained from sources which the District believes to be reliable, but is not guaranteed as to accuracy or completeness, and its inclusion herein is not to be taken as a representation of such by the District. 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. This Official Statement is submitted in connection with the sale of the Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

THE PRICES AND OTHER TERMS OF THE OFFERING AND SALE OF THE BONDS MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER AFTER SUCH BONDS ARE RELEASED FOR SALE AND SUCH BONDS MAY BE OFFERED AND SOLD AT PRICES OTHER THAN THE INITIAL OFFERING PRICES, INCLUDING SALES TO DEALERS WHO MAY SELL SUCH BONDS INTO INVESTMENT ACCOUNTS. IN CONNECTION WITH THE OFFERING OF BONDS, THE UNDERWRITER MAY OVER-ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES FOR SUCH BONDS AT A LEVEL ABOVE THAT WHICH MIGHT PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

THE BONDS HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON THE EXEMPTION CONTAINED IN SECTION 3(a)(2) OF SUCH ACT.

Other than with respect to information concerning Financial Security Assurance Inc. ("Financial Security") contained under the caption "Bond Insurance" and APPENDIX E specimen "Municipal Bond Insurance Policy" herein, none of the information in this Official Statement has been supplied or verified by Financial Security and Financial Security makes no representation or warranty, express or implied, as to (i) the accuracy or completeness of such information; (ii) the validity of the Bonds; or (iii) the tax exempt status of the interest on the Bonds.

SUNNYVALE SCHOOL DISTRICT

Board of Education

Nancy Newkirk
President

Bob Roberts
Vice President

Phyllis Fowler
Clerk

Jeff Arnett
Member

Linda Kilian
Member

District Administration

Joseph Rudnicki, Ed.D.
District Superintendent of Schools

Benjamin Picard, Ed.D.
Deputy Superintendent

Sandra Skinner, Ed.D.
Assistant Superintendent

Donald Jolly
Director, Special Education/Pupil Services

Shelly James
Director of Human Resources

Nellie Hungerford
Director of Fiscal Services

PROFESSIONAL SERVICES

Financial Advisor

Kelling, Northcross & Nobriga
A Division of Zions First National Bank
Oakland, California

Bond Counsel

Quint & Thimmig LLP
San Francisco, California

Paying Agent

U.S. Bank National Association
San Francisco, California

Verification Agent

Grant Thornton LLP
Minneapolis, Minnesota

(THIS PAGE INTENTIONALLY LEFT BLANK)

TABLE OF CONTENTS

OFFICIAL STATEMENT

$8,715,000
SUNNYVALE SCHOOL DISTRICT
Santa Clara County, California
2003 General Obligation Refunding Bonds
(Not Bank Qualified)

INTRODUCTION

This introduction is not a summary of this official statement (the "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 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.

This Official Statement, which includes the cover page and appendices hereto, is provided to furnish information in connection with the sale of $8,715,000 principal amount of Sunnyvale School District (Santa Clara County, California), General Obligation Refunding Bonds, 2003 General Obligation Refunding Bonds (the "Bonds"), as described more fully herein.

The District

The Sunnyvale School District (the "District") provides educational services to the residents of City of Sunnyvale (the "City"), in Santa Clara (the "County"), in the State of California (the "State"). More detailed information regarding the area served by the District and the student population of the District may be found under **"DISTRICT INFORMATION," "DISTRICT TAX BASE INFORMATION,"** and **"ECONOMIC PROFILE"** herein.

Sources of Payment for the Bonds

The Bonds are issued by the District, and the Board of Supervisors of the County is empowered and is obligated to annually levy *ad valorem* taxes, without limitation as to rate or amount, upon all property subject to taxation within the District (except certain personal property which is taxable at limited rates), as necessary for payment of interest on and principal of the Bonds. See **"THE BONDS — Security and Sources of Payment," "*AD VALOREM* PROPERTY TAXATION"** and **"DISTRICT TAX BASE INFORMATION"** herein.

Bond Insurance

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Bonds by Financial Security Assurance Inc. ("Financial Security"). See **"BOND INSURANCE"** herein.

Purpose of the Bonds

The proceeds of the Bonds are authorized to be used to refund the Prior Bonds, as defined herein. See "**THE AUTHORITY AND PURPOSE OF THE BONDS — Purpose of Issue.**"

Authority for Issuance of the Bonds

The Bonds are issued pursuant to certain provisions of the State of California Government Code (the "Government Code") and other applicable law, and pursuant to a resolution adopted by the Board of Education of the District. See "**THE AUTHORITY AND PURPOSE OF THE BONDS — Authority for Issuance**" herein.

Description of the Bonds

The Bonds will be issued as current interest bonds without coupons in denominations of $5,000 each, or any integral multiple thereof and will be registered initially in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the Bonds. So long as DTC, or Cede & Co., as its nominee, is the registered owner of all the Bonds, payments on the Bonds will be made directly to DTC, and disbursement of such payments to the DTC Participants (defined herein) will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners (defined herein) will be the responsibility of the DTC Participants, as more fully described hereinafter. See "**THE BONDS — Description of the Bonds; Book-Entry System**" and "**— Discontinuation of Book-Entry System; Payment to Beneficial Owners**" herein.

The Bonds will bear interest semiannually each March 1 and September 1, commencing March 1, 2004 from a dated date of December 1, 2003, calculated on the basis of a 360-day year consisting of twelve 30-day months. Principal of the Bonds will be paid, subject to any optional redemption, on the dates and in the amounts set forth on the cover page hereof. See "**THE BONDS**" herein.

The Bonds maturing on and after September 1, 2012, may be redeemed prior to maturity at the option of the District beginning on September 1, 2011, as described under "**THE BONDS — Redemption**" herein.

Tax Matters

In the opinion of Quint & Thimmig LLP, San Francisco, California, Bond Counsel, subject, however to certain qualifications described herein, under existing law, the interest on the Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, although for the purpose of computing the alternative minimum tax imposed on certain corporations, such interest is taken into account in determining certain income and earnings. In the further opinion of Bond Counsel, such interest is exempt from California personal income taxes. See "**LEGAL MATTERS — Tax Matters**"

Professionals Involved in the Offering

With respect to the Bonds, Kelling, Northcross & Nobriga, A Division of Zions First National Bank, Oakland, California, is the District's financial advisor (the "Financial Advisor") (see **"MISCELLANEOUS — Financial Advisor"** herein) and Quint & Thimmig LLP, San Francisco, California, is the District's bond counsel (the "Bond Counsel"). U.S. Bank National Association, San Francisco, California, will act on behalf of the County as paying agent, registrar and transfer agent (the "Paying Agent") with respect to the Bonds. The Financial Advisor, Bond Counsel, and Paying Agent will receive compensation from the District contingent upon the sale and delivery of the Bonds.

Verification of Mathematical Accuracy

Grant Thornton LLP, independent certified public accountants, acting as verification agent with respect to the refunding (the "Verification Agent"), will deliver a report of the mathematical accuracy of certain computations relating to the sufficiency of funds to be held in escrow to refund the Refunded Bonds. See **"MISCELLANEOUS — Verification of Mathematical Accuracy"** herein.

Offering and Delivery of the Bonds

The Bonds will be offered when, as and if issued by the District and received by the Underwriter, 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 DTC in New York, New York on or about December 16, 2003.

Other Information

This Official Statement speaks only as of its date, and the information contained herein is subject to change. Copies of documents referred to herein and information concerning the Bonds are available from the Business Office, Sunnyvale School District, P.O. Box 3217, Sunnyvale, CA 94086-5926 (408) 522-8200. The District may impose a charge for copying, mailing and handling. See also "**MISCELLANEOUS — Continuing Disclosure**" herein.

END OF INTRODUCTION

THE AUTHORITY AND PURPOSE OF THE BONDS

Authority for Issuance

The Bonds are issued under the provisions Articles 9 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code, commencing with Section 53550 (the "Government Code") and other applicable law, as authorized by the Board of Education of the District by a resolution adopted on November 20, 2003. Pursuant to the Government Code, bonds issued for the purpose of refunding outstanding bonds previously authorized by voter approval, and that reduce the debt service obligation of taxpayers, do not require voter approval, either for issuance or the levy of *ad valorem* property tax sufficient to pay principal and interest as due on the refunding bonds.

The District received authorization to issue $34 million of bonds at an election held on June 4, 1996, by an affirmative vote of 85% of the votes cast. A two-thirds vote in favor was required. The District has issued $33,999,947 under this authorization. The bonds to be refunded are from the first series issued under this authorization.

Purpose of Issue

Proceeds of the Bonds will be used to refund bonds previously issued by the District as described below and to pay for certain associated costs of issuance.

The Refunding Plan

The bonds to be refunded (the "Prior Bonds") are as follows:

SUNNYVALE SCHOOL DISTRICT
Prior Bonds to be Refunded

Series	Dated Date	Final Maturity Date	First Call Date	Original Principal Amount	Maturities to be Refunded	Principal To be Refunded
Series 1996A	8/1/1996	9/1/2020	9/1/2004	$10,000,000	2005-2020	$8,065,000

The deposit of Bond proceeds is specified in the Resolution and shall be applied to three funds as further described below.

A portion of the proceeds from the sale of the Bonds will be deposited in an escrow fund (the "Escrow Fund") to be created and maintained by the Paying Agent. Monies in the Escrow Fund will be sufficient for payment of all interest and any prepayment premium due, and outstanding principal of the Prior Bonds.

A portion of the proceeds of the Bonds will be deposited to a Cost of Issuance Fund held by the Paying Agent that will be used to pay costs associated with the issuance of the Bonds and, the refunding of the Prior Bonds. Any proceeds of the sale of the Bonds not needed to fund the Escrow Fund or to pay costs of issuance of the Bonds will be transferred to the County Treasury for deposit to the credit of the Sunnyvale School District 2003 General Obligation Refunding Bonds Interest and Sinking Fund ("Interest and Sinking Fund"). Accrued interest, and any premium received, will also be transferred to the County for deposit to the Debt Service Fund. All funds held by the County in the Debt Service Fund shall be applied to the payment of principal and interest on the Bonds, and until needed for such purpose shall be invested at the discretion of the County's Director of Finance pursuant to law and the investment policy of the County. See **"GENERAL SCHOOL DISTRICT FINANCIAL INFORMATION — County Investment Pool"** and **"APPENDIX D — EXCERPTS FROM THE SANTA CLARA COUNTY INVESTMENT PORTFOLIO REPORT"** herein.

Verification of Mathematical Accuracy

Grant Thorton., independent certified public accountants, acting as verification agent with respect to the refunding (the "Verification Agent"), will deliver a report of the mathematical accuracy of certain computations relating to the sufficiency of funds to be held in escrow to refund the Refunded Bonds. See **"MISCELLANEOUS — Verification of Mathematical Accuracy"** herein.

Sources and Deposits of Funds

At closing on December 16, 2003, the proceeds of the Bonds will be deposited as shown in the table below.

SUNNYVALE SCHOOL DISTRICT
Sources and Deposits of Funds

Sources of Funds	
Principal Amount of Bonds	$8,715,000.00
Accrued Interest	12,927.45
Original Issue Premium	41,710.25
Total Sources	$8,769,637.70
Deposits of Funds	
County Held Funds	
Debt Service Fund	$ 12,927.45
Paying Agent Held Funds	
Funds to Refund Prior Bonds	8,528,071.71
Cost of Issuance[(a)]	137,397.00
Underwriter's Compensation[(b)]	91,241.54
Total Deposits	$8,769,637.70

[(a)] Includes estimated fees for Financial Advisor, Bond Counsel, rating agency, printing and distribution of official statement, Paying Agent, and miscellaneous costs of issuance.
[(b)] Includes bond insurance premium of $22,000.

THE BONDS

Description of the Bonds

The Bonds in the aggregate principal amount of $8,715,000 will be dated December 1, 2003, and will bear interest payable semiannually each March 1 and September 1 (each an "Interest Payment Date"), commencing March 1, 2004, at the interest rates shown on the cover hereof. The Bonds will mature on September 1 in each of the years and in the principal amounts shown on the cover page hereof. Interest on the Bonds will be computed on the basis of a 360-day year of twelve 30-day months. Each Bond authenticated on or before February 15, 2004, shall bear interest from the date of the Bonds. Each Bond authenticated during the period between the 15th day of the month preceding any Interest Payment Date (the "Record Date") and that Interest Payment Date shall bear interest from that Interest Payment Date. Any other Bond shall bear interest from the Interest Payment Date immediately preceding the date of its authentication.

The Bonds will be issued in the denomination of $5,000 principal amount each or any integral multiple thereof. The Bonds when issued will be registered in the name of Cede & Co., as registered owner and nominee of DTC. So long as DTC, or Cede & Co., as its nominee, is the registered owner of all the Bonds, principal and interest payments on the Bonds will be made directly to DTC, and disbursement of such payments to the DTC Participants (defined below) will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners (defined below) will be the responsibility of the DTC Participants, as more fully described below under "**Book-Entry System.**" Only if the Bonds should cease to be paid through a book-entry system would the Paying Agent make payments on the Bonds directly to Beneficial Owners, as registered owners of the Bonds, as more fully described below under "**Discontinuation of Book-Entry System; Payment to Beneficial Owners.**"

Security and Sources of Payment

The Board of Supervisors of the County is empowered and is obligated to annually levy *ad valorem* taxes, without limitation as to rate or amount, as necessary for payment of interest on and principal of the Bonds, upon all property within the District (except certain personal property which is taxable at limited rates). Such taxes, when collected, will be placed by the County in the Debt Service Fund.

The rate for the *ad valorem* tax will be set annually by the County based on the assessed value of taxable property in the District and the debt service requirement on the outstanding Bonds in each year. Variation in the annual debt service requirement and changes in assessed valuation within the District may cause the annual tax rate for the Bonds to change from year to year. For further information regarding *ad valorem* property taxation in general and within the District in particular, see "***AD VALOREM* PROPERTY TAXATION**" and "**DISTRICT TAX BASE INFORMATION**" herein.

Bond Insurance

The scheduled payment of principal of and interest on the Bonds when due will be guaranteed under an insurance policy to be issued concurrently with the delivery of the Bonds by Financial Security. See "**BOND INSURANCE**" herein.

Book-Entry System

The information in this section concerning DTC and DTC's book-entry system has been furnished by DTC for use in disclosure documents, and the District takes no responsibility for the accuracy or completeness thereof. The District cannot and does not give any assurances that DTC will distribute to Direct Participants, or that Direct Participants or Indirect Participants will distribute to the Beneficial Owners, payments of principal of, interest, and premium, if any, on the Bonds paid or any redemption or other notices or that they will do so on a timely basis or will serve and act in the manner described in this Official Statement. Neither the District nor the County nor the Paying Agent are responsible or liable for the failure of DTC or any Direct or Indirect Participant to make any payments or give any notice to a Beneficial Owner or any error or delay relating thereto. Accordingly, no representations can be made concerning these matters and neither the Direct nor Indirect Participants nor the Beneficial Owners should rely on the following information with respect to such matters but should instead confirm the same with DTC or the DTC Participants, as the case may be.

DTC 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 certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest 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 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 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, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. 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 Standard & Poor's highest rating: AAA. 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.

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as 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. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the security documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

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 Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer 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).

Redemption proceeds, distributions, and dividend 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 Issuer or 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), the Paying Agent, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend 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 the Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the District or the Paying Agent. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The District may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered.

Discontinuation of Book-Entry System; Payment to Beneficial Owners

Payment, registration, transfer, exchange and replacement of the Bonds with respect to Beneficial Owners under the DTC book-entry system are as described above. Only in the event that Bonds are printed and delivered to the Beneficial Owners do these provisions then apply directly to Beneficial Owners.

Principal of the Bonds and any premium upon the redemption thereof prior to the maturity will be payable upon presentation and surrender of the Bonds at the principal corporate trust office of the Paying Agent as defined in the Resolution, or such other location as the Paying Agent may specify. Interest shall be paid by check to the owner of any Bond at the address of such owner shown on the registration books of the Paying Agent, or at such other address the owner of the Bond has filed with the Paying Agent for such purpose on or before the Record Date. Owners of not less than $1,000,000 in principal amount of Bonds may, by written request received by the Paying Agent not later than the Record Date prior to any Interest Payment Date, have interest payments made on the date due to an account maintained in the United States of America in immediately available funds.

Any Bond may be exchanged for Bonds of any authorized denominations upon presentation and surrender at the principal corporate trust office of the Paying Agent as defined in the Resolution, 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 only upon presentation and surrender of the Bond at the principal corporate trust 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 registered owner or by a person legally empowered to do so, 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.

The Paying Agent will not be required to exchange or transfer any Bond during the period from (a) the close of business on the applicable Record Date to and including the succeeding Interest Payment Date, or (b) the close of business on the date on which notice of redemption is given to and including the redemption date.

Debt Service

Semi-annual debt service obligations for the Bonds, assuming that no optional redemptions are made, are as follows:

SUNNYVALE SCHOOL DISTRICT
Semi-annual Debt Service

Payment Date	Principal	Interest	Total
March 1, 2004		$ 77,564.69	$ 77,564.69
September 1, 2004	$ 225,000	155,129.38	380,129.38
March 1, 2005		152,879.38	152,879.38
September 1, 2005	255,000	152,879.38	407,879.38
March 1, 2006		150,329.38	150,329.38
September 1, 2006	255,000	150,329.38	405,329.38
March 1, 2007		147,779.38	147,779.38
September 1, 2007	265,000	147,779.38	412,779.38
March 1, 2008		145,129.38	145,129.38
September 1, 2008	545,000	145,129.38	690,129.38
March 1, 2009		136,954.38	136,954.38
September 1, 2009	560,000	136,954.38	696,954.38
March 1, 2010		128,554.38	128,554.38
September 1, 2010	575,000	128,554.38	703,554.38
March 1, 2011		119,929.38	119,929.38
September 1, 2011	565,000	119,929.38	684,929.38
March 1, 2012		111,101.25	111,101.25
September 1, 2012	535,000	111,101.25	646,101.25
March 1, 2013		101,738.75	101,738.75
September 1, 2013	515,000	101,738.75	616,738.75
March 1, 2014		92,404.38	92,404.38
September 1, 2014	540,000	92,404.38	632,404.38
March 1, 2015		81,604.38	81,604.38
September 1, 2015	565,000	81,604.38	646,604.38
March 1, 2016		70,304.38	70,304.38
September 1, 2016	590,000	70,304.38	660,304.38
March 1, 2017		58,504.38	58,504.38
September 1, 2017	615,000	58,504.38	673,504.38
March 1, 2018		45,820.00	45,820.00
September 1, 2018	640,000	45,820.00	685,820.00
March 1, 2019		32,380.00	32,380.00
September 1, 2019	695,000	32,380.00	727,380.00
March 1, 2020		17,437.50	17,437.50
September 1, 2020	775,000	17,437.50	792,437.50
TOTAL	$8,715,000	$3,418,395.43	$12,133,395.43

Redemption

Optional Redemption

The Bonds maturing on or before September 1, 2011, are not subject to optional redemption. Bonds maturing on and after September 1, 2012, are subject to redemption prior to their respective stated maturity dates, at the option of the District, from any source of available funds, in whole or in part, on any date on or after September 1, 2011, at the optional redemption prices set forth below. If less than all of the Bonds are called for redemption, such Bonds shall be redeemed in inverse order of maturities or as otherwise directed by the District, and if less than all of the Bonds of any given maturity are called for redemption, the portions of such Bonds of a given maturity to be redeemed shall be determined by lot.

Redemption Date	Redemption Price
September 1, 2011, through August 31, 2012	101%
September 1, 2012, and thereafter	100

Notice of Redemption

The Paying Agent on behalf and at the expense of the District shall mail (by first class mail) notice of any redemption to (i) the respective Owners of any Bonds designated for redemption, at least thirty (30) but not more than sixty (60) days prior to the redemption date, at their respective addresses appearing on the Registration Books, and (ii) the Securities Depositories and to one or more Information Services, at least thirty (30) but not more than sixty (60) days prior to the redemption; *provided however,* that neither failure to receive any such notice so mailed nor any defect therein shall affect the validity of the proceedings for the redemption of such Bonds or the cessation of the accrual of interest thereon. Such notice shall state the date of the notice, the redemption date, the redemption place and the redemption price and shall designate the CUSIP numbers, the bond numbers and the maturity or maturities (in the event of redemption of all of the bonds of such maturity or maturities in whole) of the Bonds to be redeemed, and shall require that such Bonds be then surrendered at the Office of the Paying Agent for redemption at the redemption price, giving notice also that further interest on such Bonds will not accrue from and after the redemption date.

BOND INSURANCE

Bond Insurance Policy

Concurrently with the issuance of the Bonds, Financial Security will issue its Municipal Bond Insurance Policy for the Bonds (the "Policy"). The Policy guarantees the scheduled payment of principal of and interest on the Bonds when due as set forth in the form of the Policy included as an exhibit to this Official Statement.

The Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

Financial Security Assurance Inc.

Financial Security is a New York domiciled insurance company and a wholly owned subsidiary of Financial Security Assurance Holdings Ltd. ("Holdings"). Holdings is an indirect subsidiary of Dexia, S.A., a publicly held Belgian corporation. Dexia, S.A., through its bank subsidiaries, is primarily engaged in the business of public finance in France, Belgium and other European countries. No shareholder of Holdings or Financial Security is liable for the obligations of Financial Security.

At September 30, 2003, Financial Security's total policyholders' surplus and contingency reserves were approximately $2,021,327,000 and its total unearned premium reserve was approximately $1,281,769,000 in accordance with statutory accounting practices. At September 30, 2003, Financial Security's total shareholders' equity was approximately $2,208,123,000 and its total net unearned premium reserve was approximately $1,098,686,000 in accordance with generally accepted accounting principles.

The financial statements included as exhibits to the annual and quarterly reports filed by Holdings with the Securities and Exchange Commission are hereby incorporated herein by reference. Also incorporated herein by reference are any such financial statements so filed from the date of this Official Statement until the termination of the offering of the Bonds. Copies of materials incorporated by reference will be provided upon request to Financial Security Assurance Inc.: 350 Park Avenue, New York, New York 10022, Attention: Communications Department (telephone (212) 826-0100).

The Policy does not protect investors against changes in market value of the Bonds, which market value may be impaired as a result of changes in prevailing interest rates, changes in applicable ratings or other causes. Financial Security makes no representation regarding the Bonds or the advisability of investing in the Bonds. Financial Security makes no representation regarding the Official Statement, nor has it participated in the preparation thereof, except that Financial Security has provided to the Issuer the information presented under this caption for inclusion in the Official Statement.

AD VALOREM PROPERTY TAXATION

The information in this section describes how ad valorem *property taxes in general are assessed and levied. For specific information on the property tax base, tax levies and collections in the District, see "**DISTRICT TAX BASE INFORMATION**" herein.*

County Services

School districts within each county use the services of that county for the assessment and collection of property taxes for district purposes. District property taxes, including the *ad valorem* property tax for payment of the Bonds, are assessed and collected by the county at the same time and on the same rolls as county, special district and city property taxes.

Assessed Valuation

All property is assessed using full cash value as defined by Article XIIIA of the Constitution. State law exempts from taxation $7,000 of the full cash value of an owner-occupied dwelling, provided that the owner files for such exemption. This exemption does not result in any loss of tax revenue to local agencies, since the State reimburses local agencies for the value of taxes on exempted property. State law also provides exemptions from *ad valorem* property taxation for certain classes of property based on ownership or use, such as churches, colleges, non-profit hospitals and charitable institutions; the State does not reimburse local agencies for any tax not levied due to these exemptions. State and federal government property also is not taxed.

For assessment and collection purposes, property is classified as either "secured" or "unsecured" and is listed accordingly on separate parts of the assessment roll. The "secured roll" is that part of the assessment roll containing State-assessed property and other property having a tax lien which is sufficient, in the opinion of the assessor, to secure payment of the taxes. Unsecured property comprises all other taxable property. Unsecured property is assessed on the "unsecured roll." Every tax levied by a county that becomes a lien on secured property has priority over all present and future private liens arising pursuant to State law on the secured property, regardless of the time of the creation of the other liens. A tax levied on unsecured property does not become a lien against the taxed unsecured property, but may become a lien on other property owned by the taxpayer. Valuation of secured property and a statutory tax lien is established as of January 1 prior to the tax year (the tax year is the July 1 - June 30 fiscal year of the State) of the related tax levy, and the secured and unsecured tax rolls are certified on or before July 1 of the tax year by the County Assessor. New property and improvements are assessed and added to "supplemental" rolls during the year acquired or improvements are completed, and taxed at the secured or unsecured rate then in effect, as the case may be, for the remaining portion of that year. The next year and thereafter such assets are assessed on the regular tax rolls.

Future growth in assessed valuation allowed under Article XIIIA is allocated on the basis of "situs" among the jurisdictions that serve the tax rate area within which the growth occurs. Local agencies and school districts will share the growth of "base" revenues from the tax rate area. Each year's growth allocation becomes part of each agency's allocation in the following year.

See **"DISTRICT TAX BASE INFORMATION"** herein for a history of assessed valuation and a list of the largest secured tax payers for the current tax year within the District.

Litigation Involving Assessment Practices

Section 51 of the California Revenue and Taxation Code allows properties which have been reassessed to a lower value by county assessors as a result of natural disasters, economic downturns or other factors, to be reassessed at a higher value later at rate of increase greater than 2% in one year, up to the pre-decline value of the property, plus 2% annually for any years between reduction and such "reinstatement" of assessed value, depending on the extent of restoration of value following repairs, economic upturn or other factors. On December 27, 2001, an Orange County Superior Court ruled in *County of Orange v. Orange County Assessment Appeals Board No. 3* that a reassessment to a lower value creates a new "base year value" under Article XIIIA and that subsequent increases in assessed value of property in excess of 2% in a single year violate Article XIIIA (see **"CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUE AND APPROPRIATIONS - Article XIIIA"** herein). On December 12, 2002, an Orange County Superior Court certified the lawsuit as a class action, applicable to all Orange County taxpayers subject to assessment recapture under Section 51. Orange County has submitted an appeal of the case to the State's Fourth District Court of Appeal. A ruling by the Court of Appeal would extend the decision to the District.

If the plaintiffs in *County of Orange v. Orange County Assessment Appeals Board No. 3* ultimately prevail and the decision is made applicable to all similarly situated property owners in the State, the assessed value of the District may decrease. The District cannot predict the final outcome of this litigation nor the extent of any impact on its general fund property tax revenue or bond property tax rates if plaintiffs should prevail. For the Bonds, the County is obligated to levy an *ad valorem* tax at whatever rate necessary, without limit, to pay principal of, and interest on, the Bonds as due.

State-Assessed Utility Property

The Constitution provides that the State Board of Equalization (the "SBE") rather than counties assess certain property owned or used by regulated utilities. Such property is grouped and assessed by the SBE as "going concern" operating units, which may cross local tax jurisdiction boundaries, rather than as individual parcels of real or personal property separately assessed. Such utility property is known as "unitary property." The SBE assesses property at "fair market value," determined by various methods and formulae depending on the nature of the property, except that certain railroad property is assessed at a specified percentage of the fair market value determined by the SBE, in conformity with federal law. The SBE assesses values as of January 1 prior to the tax year of the related tax levy. Property tax on SBE-assessed property is then levied and collected by each county in the same manner as county assessed property, but at special county-wide tax rates, and distributed to each taxing agency within that county, subject to certain adjustments, according to the approximate percentage allocated to each taxing agency in the prior year.

Recent changes in the California electric utility industry structure and in the way in which components of that industry are regulated and owned, including the sale of electric generation assets to largely unregulated, non-utility companies, have caused some property that had been assessed by the SBE to be assessed locally instead. If locally taxed property is acquired by a utility and taxed as unitary property, the property tax revenue will be distributed on a county-wide basis. If the State or a local municipality buys or otherwise acquires property owned by a private, tax paying utility, such property will be removed from the tax rolls. *Ad valorem* tax rates for local agency bonds may have to be adjusted up or down in response to such changes in assessed value.

Tax Levies, Collections and Delinquencies

Property tax rates are set by the first business day of September of the tax year of the related tax levy. The secured property tax is payable in two equal installments due November 1 and February 1, and payments become delinquent if not postmarked or paid by end of business day on December 10 and April 10, respectively. Taxes on unsecured property (personal property and leasehold interests) are levied at the preceding fiscal year's secured tax rate and have a due date set by each county effectively no earlier than July 1 and no later than July 31 of each year. Taxes on unsecured property become delinquent if not postmarked or paid by the end of the business day on August 31, or if added to the unsecured roll after July 31, become delinquent at the end of the month succeeding the month of enrollment.

A 10% penalty attaches to any delinquent payment for secured roll taxes. In addition, property on the secured roll for which taxes are delinquent becomes tax-defaulted. Such property may thereafter be redeemed by payment of the delinquent taxes and the delinquency penalty, plus a redemption penalty of 1.5% per month to the time of redemption. If taxes are unpaid for a period of five years or more, the property is subject to auction sale by the County Tax-Collector.

In the case of unsecured property taxes, a 10% penalty attaches to delinquent taxes on property on the unsecured roll, and after the last day of the second month after the 10% penalty attaches, an additional penalty of 1.5% per month begins to accrue, and a lien is recorded against the assessee. The taxing authority may collect delinquent unsecured personal property taxes by: (a) a civil action against the taxpayer; (b) filing a certificate of delinquency in the office of the County Clerk specifying certain facts in order to obtain a judgment lien on specific property of the taxpayer; and (c) seizure and sale of personal property, improvements or possessory interests belonging or assessed to the assessee.

Supplemental roll taxes are due on the date mailed. If the tax bill is mailed within the months of July through October, the first installment shall become delinquent at 5 p.m., or the end of the business day, whichever is later, on December 10 of the same year and the second installment shall become delinquent at 5 p.m., or the end of the business day, whichever is later, on April 10 of the next year; if the bill is mailed within the months of November through June, the first installment shall become delinquent at 5 p.m., or the end of the business day, whichever is later, on the last day of the month following the month in which the bill is mailed and the second installment shall become delinquent at 5 p.m., or the end of the business day, whichever is later, on the last day of the fourth calendar month following the date the first installment is delinquent. A 10% penalty attaches to any delinquent payment for supplemental roll taxes.

All tax due dates and delinquency dates become the next business day if they fall on a day that is not a business day.

Teeter Plan

Under 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 State Revenue and Taxation Code, each participating local agency levying property taxes, including school districts, receives from its county the amount of uncollected taxes credited to its fund, in the same manner as if the amount credited had been collected. In return, the county receives and retains delinquent payments, penalties and interest as collected, that would have been due the local agency. The Teeter Plan, once adopted by a county, remains in effect unless the county board of supervisors orders its discontinuance or unless, prior to the commencement of any fiscal year, the board of supervisors receives a petition for its discontinuance from two-thirds of the participating revenue districts in the county. A board of supervisors may, after holding a public hearing on the matter, discontinue the procedures under the Teeter Plan with respect to any tax levying agency in the county when delinquencies for taxes levied by that agency exceed 3%.

The Teeter Plan applies to the 1% general purpose property tax levy. Whether or not the Teeter Plan also is applied to other tax levies for local agencies, such as the tax levy for general obligation bonds of a local agency, varies by county. See **"DISTRICT TAX BASE INFORMATION — Secured Tax Charges and Delinquencies"** herein for applicability of the Teeter Plan and a history of property tax collections and delinquencies in the District.

CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUE AND APPROPRIATIONS

The information in this section concerning certain provisions of Articles XIIIA, XIIIB, XIIIC and XIIID of the State constitution, Propositions 98 and 111 and certain other law is provided as supplementary information only, to outline the principal constitutional and statutory laws under which the operating revenue and finances of K-12 school districts in the State are determined. For specific financial information on the District, see ***"DISTRICT INFORMATION"*** *herein.*

Article XIIIA

Article XIIIA of the State constitution (the "Constitution") limits, subject to certain exceptions, the amount of *ad valorem* taxes on real property to 1% of "full cash value" as determined by the county assessor. Article XIIIA defines "full cash value" to mean "the county assessor's valuation of real property as shown on the 1975/76 tax 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. 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 XIIIA requires a vote of two-thirds of those voting in an election to impose *ad valorem* taxes beyond 1%, and, except to pay debt service on certain voter approved indebtedness, prohibits the imposition of any additional *ad valorem*, sales or transaction taxes on real property. Article XIIIA does permit *ad valorem* taxes to be levied in excess of the basic 1% tax limitation as required to pay debt service (a) on any indebtedness approved by the voters prior to July 1, 1978, (b) on any bonded indebtedness approved by two-thirds of the votes cast by the voters for the acquisition or improvement of real property on or after July 1, 1978, or (c) on any bonded indebtedness approved by fifty-five percent of the votes cast by the voters of a school or community college district for the construction, reconstruction, rehabilitation or replacement of, including furnishing and equipping of, or the acquisition or lease of real property for, school facilities, provided that certain accountability and other requirements are satisfied. In addition, Article XIIIA requires the approval of two-thirds of all members of the State Legislature to change any State taxes for the purpose of increasing tax revenues, while prohibiting the imposition by the State Legislature of any new *ad valorem*, sales or transaction taxes on real property.

Legislation has been enacted and amended a number of times since 1978 to implement Article XIIIA. Under current law, local agencies are no longer permitted to levy directly any property tax except to pay voter-approved indebtedness. The 1% property tax is automatically levied by each county in the State and distributed according to a formula among taxing agencies within that county. The formula apportions the tax roughly in proportion to the relative shares of taxes last levied prior to 1989.

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

Article XIIIB

Article XIIIB of the Constitution, approved by voters in 1979 and subsequently amended by Propositions 98 and 111 (together, the "Gann limit"), 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, for transfers in the financial responsibility for providing services and for certain declared emergencies. As amended, Article XIIIB defines:

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

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

The appropriations of an entity of local government subject to Article XIIIB limitations include the proceeds of taxes levied by or for that entity and the proceeds of certain State subventions to that entity. "Proceeds of taxes" include, but are not limited to, all tax revenues and the proceeds to the entity from (a) regulatory licenses, user charges and user fees (but only to the extent that these proceeds exceed the reasonable costs in providing the regulation, product or service), and (b) the investment of tax revenues. For school districts Article XIIIB constrains appropriations from State and local tax sources, but not federal aid or non-tax income, such as revenues from cafeteria sales or adult education fees.

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

Article XIIIB includes a requirement that all revenues received by an entity of government other than the State in a fiscal year and in the fiscal year immediately following it in excess of the amount permitted to be appropriated during that fiscal year and the fiscal year immediately following it shall be returned by a revision of tax rates or fee schedules within the next two fiscal years. If a school district receives any proceeds of taxes in excess of its appropriations limit, it may increase its appropriations limit to equal that amount by taking appropriations limit from the State.

Article XIIIB also includes a requirement that fifty percent 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 Constitution. See **"Propositions 98 and 111"** below.

Propositions 98 and 111

On November 8, 1988, the voters approved Proposition 98, an initiative constitutional amendment and statute called "The Classroom Instructional Improvement and Accountability Act" ("Proposition 98"). In addition to adding certain provisions to the Education Code, Proposition 98 also amended Article XIIIB and Section 8 of Article XVI of the Constitution and added Section 8.5 of Article XVI to the Constitution, the effects of which are to establish a minimum level of State funding for school districts, to allocate to school districts, within limits, State revenues in excess of the State's appropriations limit and to exempt such excess funds from school district appropriations limits.

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

Article XIIIB, as amended by both Proposition 98 and Proposition 111, is discussed above under **"Article XIIIB."**

The provisions of Sections 8 and 8.5 of Article XVI, as added to or amended by Propositions 98 and 111, may be summarized as follows:

(a) *State Funding of Schools (Section 8).* Monies to be applied by the State for the support of school districts must be at a level equal to the greater of the following "tests":

(i) The amount which, as a percentage of the State general fund revenues which may be appropriated pursuant to Article XIIIB, equals the percentage of general fund revenues appropriated for school districts in fiscal year 1986/87;

(ii) The amount actually appropriated to school districts in the prior fiscal year from general fund proceeds and from allocated local proceeds of taxes (excluding any excess state revenues allocated pursuant to Section 8.5), adjusted for changes in enrollment and for the change in the cost of living (operative only in a fiscal year in which the percentage growth in California per capita personal income is less than or equal to the percentage growth in per capita general fund revenues plus one-half of one percent); or

(iii) The amount actually appropriated to school districts in the prior fiscal year from general fund proceeds and from allocated local proceeds of taxes (excluding any excess State revenues allocated pursuant to Section 8.5) adjusted for changes in enrollment and for the change in per capita general fund revenues, and, in addition, an amount equal to one-half of one percent times the prior year appropriations (excluding any excess State revenues) adjusted for changes in enrollment (operative only in a fiscal year in which the percentage growth in California per capita personal income is greater than the percentage growth in per capita general fund revenues plus one-half of one percent).

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 the general fund revenue growth exceeds personal income growth.

The State legislature by a two-thirds vote of both houses, with the Governor's concurrence, may suspend for one year the minimum funding provisions for school districts as provided for in Section 8.

(b) *Allocations to the State School Fund (Section 8.5).* In addition to the amounts applied to school districts under the tests discussed above, the State Controller is directed to allocate available excess State revenues (pursuant to Article XIIIB) to the State School Fund. However, no such allocation is required at any time that the Director of Finance and the Superintendent of Public Instruction mutually determine that current annual expenditures per student equal or exceed the average annual expenditures per student of the 10 states with the highest annual expenditures per student and the average class size equals or is less than the average class size of the 10 states with the lowest class size.

Such allocations do not constitute appropriations subject to Article XIIIB limitations and are to be made in an equal amount per enrollment.

Articles XIIIC and XIIID

On November 5, 1996, the voters of the State approved Proposition 218, the so-called "Right to Vote on Taxes Act." Proposition 218 added Articles XIIIC and XIIID to the Constitution, which contain a number of provisions affecting the ability of local agencies, including school districts, to levy and collect taxes, assessments, fees and charges. Among other things, Article XIIIC 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 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. Article XIIIC also provides that no tax may be assessed on property other than *ad valorem* property taxes imposed in accordance with Articles

XIII and XIIIA of the Constitution and special taxes approved by a two-thirds vote under Article XIIIA, Section 4.

Article XIIIC also provides that the initiative power shall not be limited in matters of reducing or repealing local taxes, assessments, fees and charges. In respect to school district general obligation bonds, the Constitution and laws of the State impose a mandatory duty on the county Treasurer-Tax Collector to levy a property tax sufficient to pay debt service on such bonds coming due in each year. The initiative power cannot be used to reduce or repeal the authority and obligation to levy such taxes which are pledged as security for payment of such bonds or to otherwise interfere with performance of the mandatory duty of a school district and its county with respect to such taxes which are pledged as security for payment of such bonds. Legislation adopted in 1997 provides that Article XIIIC shall not be construed to mean that any owner or beneficial owner of a municipal security assumes the risk of, or consents to, any initiative measure which would constitute an impairment of contractual rights under the contracts clause of the U.S. Constitution.

Voter approved special taxes, including those levied pursuant to the Mello-Roos Community Facilities Act, "parcel" taxes, and assessments levied pursuant to the Landscape and Lighting District Act of 1972, that are not pledged by statute to the payment of bonds, may be subject to reduction or repeal by voter initiative under the provisions of Article XIIIC.

Article XIIID deals with assessments and property-related fees and charges. Article XIIID explicitly provides that nothing in Article XIIIC or XIIID shall be construed to affect laws existing prior to enactment of Articles XIIIC and XIIID relating to the imposition of fees or charges as a condition of property development; however it is not clear whether the initiative power is therefore unavailable to repeal or reduce developer and mitigation fees imposed by a school district.

The interpretation and application of Article XIIIC and Article XIIID will ultimately be determined by the courts with respect to a number of the matters discussed above, and it is not possible at this time to predict with certainty the outcome of such determination.

Future Initiatives

Articles XIIIA, XIIIB, XIIIC and XIIID and Propositions 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 school districts' revenues or ability to expend revenues.

GENERAL SCHOOL DISTRICT FINANCIAL INFORMATION

*The information in this section concerning funding procedures of K-12 school districts in the State is provided as supplementary information only. For specific financial information on the District, see "**DISTRICT INFORMATION**" herein.*

State Funding of School Districts

Annual State apportionments of basic and equalization aid to K-12 school districts for general purposes are made according to a revenue limit per unit of average daily attendance ("A.D.A."). If a district's total revenue limit exceeds its property tax revenue, its annual State apportionments, subject to certain adjustments, amount to the difference between revenue limit and its actual property tax receipts (after any redevelopment agency tax increment or other deductions or "shifts" that may be in effect under State law). A.D.A. is determined by school districts twice a year, in December ("First Period A.D.A.") and April ("Second Period A.D.A.").

The calculation of the amount of State apportionment a school district is entitled to receive each year is summarized as follows: first, the prior year Statewide revenue limit per A.D.A. is recalculated with certain adjustments for equalization and other factors; second, this adjusted prior year Statewide revenue limit per A.D.A. is inflated according to formulas based on the implicit price deflator for government goods and services and the Statewide average revenue limit per A.D.A. for each type of A.D.A., yielding the school district's current year revenue limits per A.D.A.; third, the current year revenue limits per A.D.A. are applied to the school district's A.D.A. for either the current or prior year, as the district elects; fourth, revenue limit adjustments known as "add-ons" are calculated for each school district if the school district qualifies for such add-ons (for example, add-ons to adjust for small school district size and providing meals for needy pupils, among others); and fifth, local property tax revenues are deducted from the total revenue limit calculated for each district to arrive at the amount of State apportionment each school district is entitled to for the current year.

The State revenue limit is calculated three times a year for each school district on the basis of projections submitted by the district on or about December 10, based on First Period A.D.A., and April 15 and June 30, both based on Second Period A.D.A. Beginning in fiscal year 1998/99, A.D.A. calculations have been based on actual attendance and no longer include excused absences. Revenue limit calculations are made by each school district, reviewed by the County Office of Education and submitted to the State Department of Education. The State Department of Education reviews the calculations for accuracy, determines the amount of State apportionment owed to each school district and notifies the State Controller to distribute the apportionments. The first calculation is performed for the First Principal Apportionment in February, the second calculation for the Second Principal Apportionment in June, and the final calculation for the end of the fiscal year Annual Principal Apportionment, in essence a correction that is made in October of the next fiscal year.

See **"DISTRICT INFORMATION"** herein for the District's specific annual revenue limit per A.D.A.

Basic Aid Districts

In the event that a school district's property tax revenue exceeds its calculated revenue limit entitlement, that school district retains all of its property tax revenue and State apportionments to that district are limited to the minimum "basic aid" amount of $120 per A.D.A. set forth in the Constitution. Such districts are commonly known as "Basic Aid Districts." See **"DISTRICT INFORMATION — Average Daily Attendance and Revenue Limit"** herein for the District's Basic Aid status.

State Budget

The State budget approval process begins with the release of the Governor's proposed budget for the next fiscal year by January 10th to the State legislature. State fiscal years begin July 1st. In May, the Governor submits a revision of the proposed budget that reflects updated estimates of revenues and expenditures. After a series of public hearings and the other steps in the legislative process, the budget must be approved by two-thirds vote in each house of the State legislature and submitted to the Governor.

The Governor may reduce or eliminate any appropriation through the line-item veto. Although the budget is required by the Constitution to be approved no later than June 15th, it often has not been approved until later.

While the Constitution in large part dictates the formulae for determining the allocation of State revenues to the K-12 education portion of the State budget pursuant to Proposition 98 and other provisions (see **"CONSTITUTIONAL AND STATUTORY PROVISIONS AFFECTING DISTRICT REVENUE AND APPROPRIATIONS"** herein), the Governor and State legislature still have significant leeway in deciding whether and by how much to exceed or reduce such allocation in the actual funding of K-12 school districts, and to decide what funds will be general purpose or restricted purpose, in the State budget process.

The *2002/03 Budget Act*, creating the State's budget for 2002/03, was signed into law on September 5, 2002. The *2002/03 Budget Act* identified a $23.6 billion gap between State expenditures and revenues, addressed through a combination of program and personnel reductions, loans, fund shifts, accelerations of revenue recognition, transfers and tax increases. Many of these steps were one time adjustments that benefited 2002/03 by delaying the effect of parts of this gap until future years. In December 2002 the Governor released *2002 Mid-Year Spending Reduction Proposals* to reduce the 2002/03 State budget by $10.2 billion. The State legislature enacted $6.9 billion of these reductions. As a part of the 2002/03 reductions, the State postponed payment of June, 2003 apportionments to school districts until July, 2003.

On January 10, 2003 the *Governor's 2003/04 Budget* was released, and revised as of May 14, 2003, with the release of the *Governor's Budget May Revision 2003/04*, identifying a revised budget gap for 2002/03 through 2003/04 of $38.2 billion. On August 2, 2003 the *2003/04 Budget Act* was signed into law, with $39.415 billion in budget relief through State expenditure reductions, shifting administration and funding of certain programs to counties and local governments, increased taxes, various fund shifts and transfers and loan and borrowing programs. Among other things, the *2003/04 Budget Act* assumes calls for the State to issue $10.675 billion in "fiscal recovery" bonds and $2 billion of pension obligation bonds, measures to help relieve the State general fund deficit in 2003/04. The *2003/04 Budget Act* also calls for postponement of the June, 2004 apportionments to school districts until July, 2004.

The *Governor's Budget May Revision 2003/04* reports general fund revenue and transfers-in of $72.263 billion for 2001/02 and the *2003/04 Budget Act* projects $70.852 billion for 2002/03 and $73.353 billion for 2003/04. General fund expenditures are reported as $76.752 for 2001/02, and projected to be $78.142 billion for 2002/03 and $71.137 billion for 2003/04. The *2003/04 Budget Act* shows a fiscal year end general fund balance of ($1.983) billion for 2001/02, and, assuming $10.675 billion of fiscal recovery bonds and $2 billion of pension obligation bonds are issued in 2002/03, projects general fund balance of $1.402 billion for 2002/03 and $3.618 billion for 2003/04. However, the $10.675 billion of fiscal recovery bonds and $2 billion of pension obligation bonds have not been issued.

On September 23, 2003, the Superior Court in and for the County of Sacramento rejected the proposed pension obligation bond issue, the legality of which had been challenged by the Howard Jarvis Taxpayers' Organization. The State has appealed. The following day, the Pacific Legal Foundation filed suit against the proposed fiscal recovery bonds. It is not clear what the outcome of either case will be. On November 11, 2003, Mr. Arnold Schwarzenegger became Governor of the State, following the recall of Mr. Gray Davis by State voters on October 7, 2003. Governor Schwarzenegger has proposed the idea of $15 billion in bonds to be approved by State voters in March 2004.

Proposition 98 K-12 education funding allocations, including local property tax revenue, are reported at $43.3 billion for 2001/02 in the *Governor's Budget May Revision 2003/04* and are projected at $43.9 billion for 2002/03 and $45.7 billion for 2003/04 in the *2003/04 Budget Act.* Of these amounts, $29.7 billion in 2001/02 is reported to be funded by the State general fund, and $29.3 billion in 2002/03 and $29.3 billion in 2003/04 are projected to be funded by the State general fund; the difference is funded from local property tax revenue received by each school district. For 2001/02, Proposition 98 funding included a 3.87% cost of living adjustment (the "COLA") for school district and county office of education revenue limit apportionments and categorical programs, and funding of a 1.51% increase in statewide enrollment. For 2002/03, the *2002/03 Budget Act* included a 2.00% COLA (only 1.66% was mandated under Proposition 98 formula) for school district and county office of education revenue limit apportionments and categorical programs, and funding of a 1.37% increase in statewide enrollment. The *Governor's Budget May Revision 2003/04* indicated a 2002/03 increase in statewide enrollment of 1.75%. The *2003/04 Budget Act* has no COLA and assumes funding of a 1.34% increase in statewide enrollment for 2003/04. Proposition 98 K-12 funding per pupil in the *Governor's Budget May Revision 2003/04* are reported as $6,685 for 2000/01 and $6,608 for 2001/02, and in the *2003/04 Budget Act* are projected to be $6,624 for 2002/03 and $6,887 for 2003/04.

While it is anticipated that Governor Schwarzenegger will, in addition to $15 billion in voter approved bonds, among other things, seek further, perhaps large, State spending reductions, and to limit State spending in future years to amounts that are within actual State revenues, the District is unable to predict what actions the new Governor and the legislature will actually take in respect to revenues and expenditures of the State, and what the impact on school district funding will be in 2003/04 and later years.

State Funding of Schools Without A State Budget

On May 29, 2002, the Court of Appeal of the State of California for the Second Appellate District in *Steven White v. Gray Davis et al.* (combined with *Howard Jarvis Taxpayers Association et al. v. Westly* in appeal) held, among other things, that during a State budget impasse, absent adoption of a budget bill or an emergency appropriation by the Legislature, the State Controller may disburse State funds authorized by (a) continuing appropriation enacted by the Legislature, (b) self-executing provision of the State constitution, including payment of certain funds for public schools under Article XVI, Section 8.5 of the constitution, and (c) mandate of federal law, such as prompt payment of minimum wage and overtime compensation mandated by the federal Fair Labor Standards Act and benefits under federal food stamp, foster care and adoption, child support and child welfare programs. The Court of Appeal specifically concluded that Article XVI, Section 8 does not constitute a self-executing authorization to disburse revenue limit apportionment to school districts; legislative appropriation is required for revenue limit disbursement. On May 1, 2003, the California Supreme Court in its decision on *Steven White v. Gray Davis et al.* granted review to two other matters and let these particular conclusions of the Court of Appeal stand without ruling on them.

During the 2003/04 State budget impasse the State Controller announced that only "payments of prior year obligations, constitutional authorizations, federal mandates and continuous legislative appropriations would be made." The State Controller concluded that revenue limit apportionments to school districts, under provisions of the Education Code implementing Article XVI, Section 8 of the State constitution, are authorized in statute as continuous legislative appropriations, so disbursed these funds without a budget bill or emergency appropriation enacted. The State Controller did not disburse certain categorical and other funds to school districts until the *2003/04 Budget Act* was enacted.

State Funding of School Construction

The State makes funding for school facility construction and modernization available to K-12 districts throughout the State through the Office of Public School Construction ("OPSC") and the State Allocation Board ("SAB"), financed with the proceeds of State general obligation bonds authorized and issued for this purpose. Such bonds were authorized in the amount of $13.05 billion, $11.40 billion of which is for K-12 school facilities and $1.65 billion of which is for higher education facilities, on November 5, 2002 under Proposition 47, passed by 58.9% of the State-wide vote. The SAB is allocating Proposition 47 bond funds for 50% of approved new construction costs, 60% of approved modernization costs (80% for modernization project applications made prior to February 1, 2002), or 100% of approved costs of any type if the school district is approved for "hardship" funding. The school district is responsible for the portion of costs not funded by the State. School districts routinely apply for such funding whenever they have projects they believe meet OPSC and SAB criteria for funding, often in order to be "in line" for future State bond funding.

An additional bond measure for education capital projects has been approved by the State legislature for submission to State voters in March 2004 in an authorization amount of $12.3 billion, $10.0 billion of which is for K-12 school facilities and $2.3 billion of which is for higher education facilities. Approval by a majority of State voters is required for this measure to pass.

State Retirement Programs

School districts participate in the State of California Teachers Retirement System ("STRS"). This plan covers all full-time and most part-time certificated employees. In order to receive STRS benefits, an employee must be at least 55 years old and have provided five years of service to California public schools. School districts also participate in the Public Employees Retirement System ("PERS"). This plan covers all classified personnel who are employed at least four hours per day. In order to receive PERS benefits, an employee must be at least 50 years old and have had five years of covered PERS service as a public employee.

Contribution rates to these two retirement systems vary annually depending on changes in actuarial assumptions and other factors, such as changes in benefits. The contribution rates are based on statewide rates set by the STRS and PERS State retirement boards. STRS has a substantial State-wide unfunded liability. Under current law, the liability is the responsibility of the State and not of individual school districts. Since this liability has not been broken down by each school district, it is impossible to determine each district's share. See "**DISTRICT INFORMATION**" herein for information regarding the District's contributions to these retirement systems.

County Office of Education

In each county there is a county superintendent of schools (the "County Superintendent") and a county board of education. The Office of the County Superintendent, frequently known as the "County Office of Education" (the "County Office") provides the staff and organization that carries out the activities of the County Superintendent and county board of education.

County Offices provide instructional and support services to school districts within their counties, and various State mandated services county-wide, particularly in special education and juvenile court education services. County Office business services departments act as a control point for a variety of information, including pupil data collection, attendance accounting, teacher credential registration, payroll accounting, retirement and tax information and school district budgets, and also report such information to the State Department of Education. All school district budgets must be approved by their County Office and each district must provide its County Office with scheduled interim reports throughout the fiscal year. County Offices also act as enforcement entities which intervene in district fiscal matters should a district fail to meet State budget and reporting criteria.

School District Budget Process

School districts are 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. School districts' annual general fund expenditures are characterized in large part by multi-year expenditure commitments such as union contracts. Year-to-year fluctuations in State and local funding of school district general funds could result in revenue decreases which, if large enough, may not easily be offset by an equal reduction in expenditures until at least the following fiscal year. School districts are required by State law to maintain general fund reserves which can be drawn upon in the event of a resulting excess of expenditures over revenues for a given fiscal year. The State Department of Education imposes a uniform budgeting and accounting format for school districts.

School districts must adopt a budget no later than June 30 of each year. The budget must be submitted to the County Superintendent within five days of adoption or by July 1, whichever occurs first. A district may be on either a dual or single budget cycle. The dual budget option requires a revised and readopted budget by September 1 that is subject to State mandated standards and criteria. The revised budget must reflect changes in projected income and expenses subsequent to July 1. The single budget is only readopted if it is disapproved by the County Superintendent, or as needed.

For both dual and single budgets submitted on July 1, the County Superintendent will examine the adopted budget for compliance with the standards and criteria adopted by the State Board of Education and identify technical corrections necessary to bring the budget into compliance, and will determine if the budget allows the district to meet its current obligations and is consistent with a financial plan that will enable the district to meet its multi-year financial commitments. On or before August 15, the County Superintendent will approve or disapprove the adopted budget for each school district. Pursuant to State law, the county superintendent has available various remedies by which to impose and enforce a budget that complies with State criteria, depending on the circumstances, if a budget is disapproved.

Subsequent to approval, the County Superintendent throughout the fiscal year will monitor each school district under his or her jurisdiction pursuant to its adopted budget to determine on an ongoing basis if the district can meet its current or subsequent year financial obligations. If a County Superintendent determines that a district cannot meet its current or subsequent year obligations, the County Superintendent will notify the district's governing board of the determination and the County Superintendent may do either or both of the following: (a) assign a fiscal advisor to enable the district to meet those obligations or (b) if a study and recommendations are made and a district fails to take appropriate action to meet its financial obligations, the County Superintendent will so notify the State Superintendent of Public Instruction, and then may do any or all of the following for the remainder of the fiscal year: (i) request additional information regarding the district's budget and operations; (ii) develop and impose, after also consulting with the district's board, revisions to the budget that will enable the district to meet its financial obligations; and (iii) stay or rescind any action inconsistent with such revisions. However, the County Superintendent may not abrogate any provision of any collective bargaining agreement that was entered into prior to the date upon which the County Superintendent assumed authority.

At minimum, school districts file with their County Superintendent and the State Department of Education a First Interim Financial Report by December 15th covering financial operations from July 1 through October 31st, and a Second Interim Financial Report by March 15th covering financial operations from November 1 through January 31st. Section 42131 of the Education Code requires that each interim report be certified by the school board as either (a) "positive," certifying that the district, "based upon current projections, will meet its financial obligations for the current fiscal year and subsequent two fiscal years," (b) "qualified," certifying that the district, "based upon current projections, may not meet its financial obligations for the current fiscal year or two subsequent fiscal years," or (c) "negative," certifying that the district, "based upon current projections, will be unable to meet its financial obligations for the remainder of the fiscal year or the subsequent fiscal year." A certification by a school board may be revised by the County Superintendent. If either the First or Second Interim Report is not "positive," the County Superintendent may require the district to provide a Third Interim Financial Report covering financial operations from February 1st through April 30th by June 1st. If not required, a Third Interim Financial Report is not prepared. Each interim report shows fiscal year to date financial operations and the current budget, with any budget amendments made in light of operations and conditions to that point. After the close of the fiscal year on June 30th, an unaudited financial report for the fiscal year is prepared and filed without certification with the County Superintendent and the State Department of Education.

Accounting Practices

The accounting policies of California school districts conform to generally accepted accounting principles, as modified in accordance with policies and procedures of the California School Accounting Manual. This manual, pursuant 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. See also **"Note 1"** in "**APPENDIX A**" herein for further discussion of applicable accounting policies.

County Investment Pool

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

Each county treasurer is required to invest funds, including those pooled funds described above, in accordance with Government Code Sections 53601 *et seq.* and 53635 *et seq.* In addition, each county treasurer is required to establish an investment policy which may impose further limitations beyond those required by the Government Code. A copy of the County investment policy and periodic reports on the County investment pool are available from the County Treasurer-Tax Collector, County of Santa Clara, 70 West Hedding Street, East Wing, Second Floor, San Jose, CA 95110 (408) 299-4034; for more information see “**APPENDIX D — EXCERPTS FROM THE SANTA CLARA COUNTY INVESTMENT PORTFOLIO REPORT.**”

DISTRICT INFORMATION

The description in this section concerning District general operating and financial information is provided as supplementary information only. It should not be inferred from the inclusion of this information that any of the matters discussed in this section affect in any way the obligation of the County on behalf of the District to levy ad valorem *taxes on taxable property within the District in an amount sufficient to pay all amounts due on the Bonds.*

General Information

The District includes approximately 25 square miles in Santa Clara County and provides educational (K-8) services to the residents of the City of Sunnyvale (the “City”). The District operates eight elementary schools (K-5), two middle schools (6-8), and one alternative school (7-8). The estimated population of the District is 79,000.

The 2003/04 pupil-teacher ratios are expected to be as follows:

SUNNYVALE SCHOOL DISTRICT
Pupil - Teacher Ratios

Grade	Ratio
K through 3	18:1
4 through 6	29.2:1
7 and 8	29.2:1

Source: The District.

The District is governed by a Board of consisting of five members. Members are elected to four-year terms in staggered years. The day-to-day operations are managed by a board-appointed Superintendent of Schools. Dr. Joseph Rudnicki has served in this capacity since 1997.

Average Daily Attendance and Revenue Limit

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

SUNNYVALE SCHOOL DISTRICT
Average Daily Attendance Second Period Report

Academic Year	Average Daily Attendance[a]
1999/00	5,646[b]
2000/01	5,666[b]
2001/02	5,665[b]
2002/03	5,734[c]
2003/04	5,738[c]

[a] Includes grades K-6, special education, home to hospital, and extended year.
[b] Audited Financial Statements.
[c] Unaudited Actuals 2002/03.

Source: The District.

The District is a Basic Aid District. As a result, the District receives revenues in excess of its entitlement under the revenue limit and is less dependent on State funding. See **"GENERAL SCHOOL DISTRICT FINANCIAL INFORMATION — State Funding of School Districts"** herein.

Labor Relations

Currently the District employs 367 full-time equivalent (FTE) certificated employees, and 276 FTE classified employees. There are two formal bargaining units operating in the District which are described in the table below.

SUNNYVALE SCHOOL DISTRICT
Labor Organizations

Labor Organization	Number of Employees	Contract Expiration
Sunnyvale Education Association	336	June 30, 2006
California Schools Employees Association	263	June 30, 2006

Source: The District.

See **"— Comparative Financial Statements"** below for historical comparison of salary expense for the District.

Retirement Programs

The District's General Fund contribution to STRS for fiscal year 2002/03 was $1,803,219 and in fiscal year 2003/04 is estimated to be $1,805,270. The District's General Fund contribution to PERS for fiscal year 2002/03 was $217,164 and for fiscal year 2003/04 is projected to be $733,523. See **"GENERAL SCHOOL DISTRICT FINANCIAL INFORMATION — State Retirement Programs"** herein.

Comparative Financial Statements

The table below summarizes the District's historical and current General Fund revenue, expenditures, and fund balances from fiscal year 1999/00 through 2002/03. Year-end fund balance is comprised of reserved and unreserved funds, including a reserve for economic uncertainty. (See **"APPENDIX A"** and the **"Combined Balance Sheet"** therein for further detail on the composition of the June 30, 2002, ending balance.)

The District's Second Interim Report for fiscal year 2002/03 was certified as "positive." The District's 2003/04 budget has been approved by the County Superintendent.

SUNNYVALE SCHOOL DISTRICT
General Fund Revenue, Expenditures and Fund Balances
1999/00 through 2003/04

	Actuals 1999/00[a]	Actuals 2000/01[a]	Actuals 2001/02[a]	Unaudited Actuals 2002/03[b]	Projected Budget 2003/04[b]
REVENUE:					
Revenue Limit Sources:					
State Aid	$ 1,021,025	$ 898,544	$ 912,547	$ 1,007,304	$ 347,389
Property Taxes	23,054,739	24,337,433	28,317,219	30,296,275	29,985,381
Federal Revenue	1,016,204	1,285,308	1,273,996	1,566,525	1,594,341
Other State Revenue	6,099,240	90,084,932	7,607,003	6,442,553	6,104,004
Other Local Revenue	3,273,867	7,090,491	6,065,692	6,631,857	6,101,595
Other	2,394,861	0	0	0	0
TOTAL REVENUE	36,859,936	42,696,708	44,176,457	45,944,514	44,132,710
EXPENDITURES:					
Certificated Salaries	19,029,728	21,044,072	22,241,143	23,060,169	22,530,289
Classified Salaries	6,496,995	6,928,235	7,247,769	7,851,305	7,450,286
Employee Benefits	5,220,232	5,860,708	6,395,058	7,430,599	8,205,149
Books and Supplies	1,667,299	1,552,680	2,113,452	2,007,489	1,536,597
Services and Other Operating Expenses	3,750,815	4,631,916	4,748,961	5,119,304	4,853,334
Capital Outlay	647,277	970,271	562,217	241,751	205,367
Other	(29,297)	58,653	293,722	285,114	618,941
TOTAL EXPENDITURES	36,783,049	41,046,535	43,602,322	45,995,731	45,399,963
OTHER SOURCES / (USES):					
Operating Transfers In	74,034	83,392	0	0	0
Operating Transfers Out	0	0	(220,737)	0	0
Other Sources / (Uses)	(659,506)	0	0	(25,454)	(78,435)
TOTAL OTHER SOURCES / (USES)	(585,472)	83,392	(220,737)	(25,454)	&78,435)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(508,585)	1,733,565	353,398	(76,671)	(1,345,688)
FUND BALANCE, JULY 1	1,690,901	1,182,316	2,915,881	3,221,300[c]	3,144,629
FUND BALANCE, JUNE 30	$1,182,316	$ 2,915,881	$ 3,269,279	$ 3,144,629	$ 1,798,941

[a] Audited Financial Statements.
[b] Unaudited Actuals 2002/03 dated as of September 18, 2003.
[c] The July 1, 2002, beginning balance indicated in the Unaudited Actuals 2002/03 differs from the June 30, 2002, ending balance indicated in the June 30, 2002, Audited Financial Statement.

Source: The District

Audit

Excerpts from the 2001/02 audited financial statements are included in **APPENDIX A,** herein. The District is required to accept its annual audit at a public meeting no later than January 31st of the following year. The District considers its audited financial statements to be documents of public record. The District has not requested its auditors to review this Official Statement, nor have they done so.

Operating Lease Revenue

The District leases certain facilities under lease agreements classified as operating leases, which expire at various dates through 2029. None of the agreements contain purchase options. For the year ending June 30, 2002, the rental income of these operating leases was approximately $2,810,250. As of June 30, 2002, future fiscal year minimum rental receipts under such operating leases are expected to be as follows:

Sunnyvale School District
Operating Lease Revenue

Year Ending June 30,	Lease Revenue
2002	$ 2,465,460
2003	2,220,600
2004	2,220,600
2005	2,220,600
2006	2,220,600
Thereafter	7,253,200
Total	$18,601,060

Source: The District.

District Debt

The District has never defaulted on the payment of principal or interest on any of its indebtedness.

Short-Term Obligations. On July 1, 2003, the District issued $5,000,000 in tax and revenue anticipation notes (the "Notes") due June 30, 2004. The Notes are general obligations of the District payable from general fund and any other lawfully available revenues received during the 2003/04 fiscal year.

General Obligation Bonds. The outstanding bonds as of closing on December 16, 2003, are set forth in the table below. See **"THE AUTHORITY AND PURPOSE OF THE BONDS — Authority for Issuance"** and **"THE BONDS — Debt Service"** herein.

SUNNYVALE SCHOOL DISTRICT
Outstanding General Obligation Bonds
As of December 16, 2003

Series	Dated Date	Original Principal Amount	Outstanding Principal As of December 16, 2003
Series 1998B	5/8/1998	$ 9,500,000	$ 8,765,000
Series 2000C	3/15/2000	14,499,947	13,299,947
2003 Refunding	12/1/2003	8,715,000	8,715,000
		$32,714,947	$30,779,947

Source: The District.

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

Capital Leases. As of June 30, 2002, the District's minimum capital lease payments are as follows:

Sunnyvale School District
Capital Leases

Year Ending June 30,	Lease Payment
2003	$ 639,215
2004	648,869
2005	412,243
2006	412,452
2007	184,144
Thereafter	1,095,437
Total	3,392,360
Less: Amount Representing Interest	(742,838)
Present Value of Minimum Lease Payments	$2,649,522

Source: The District.

Availability of Documents

Additional public documents will be made available upon request through the Business Office of the District. Such public documents include periodic financial reports such as interim reports, approved budget and audited financial statements. See **"INTRODUCTION — Other Information"** herein for contact information.

DISTRICT TAX BASE INFORMATION

This section presents certain information concerning the property tax base in the District. For general information on how ad valorem *property tax is assessed, levied and collected, see* **"AD VALOREM** ***PROPERTY TAXATION"*** *herein.*

Assessed Valuation

The following table represents the five-year history of assessed valuation in the District. For more information regarding how property is assessed in the State of California, see ***"AD VALOREM*** **PROPERTY TAXATION — Assessed Valuation"** herein.

SUNNYVALE SCHOOL DISTRICT
Assessed Valuation

Fiscal Year	Local Secured	Utility	Unsecured	Total
1999/00	$ 8,186,013,060	$ 555,796	$ 1,763,710,545	$ 9,950,279,401
2000/01	8,825,368,222	513,794	1,740,473,939	10,566,355,955
2001/02	9,991,615,474	562,507	2,306,448,863	12,298,626,844
2002/03	10,339,445,167	541,571	2,786,977,797	13,126,964,535
2003/04	10,749,284,967	618,480	2,428,954,010	13,178,857,457

Source: California Municipal Statistics, Inc. and Santa Clara County.

The *ad valorem* property tax to pay debt service on the Bonds and the Prior Bonds is levied on total assessed value of all taxable property within the District before deducting any redevelopment agency tax increment. The District's general fund property tax revenue is a percentage of the County-wide 1% general purpose tax rate levied on total assessed value of all taxable property within the District after deducting redevelopment agency tax increment.

Secured Tax Charges and Delinquencies

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

SUNNYVALE SCHOOL DISTRICT
Secured Tax Charges and Delinquencies

Fiscal Year	Secured Tax Charge[a]	Amount Delinquent June 30	Percent Delinquent June 30
1998/99	$1,799,568.26	$ 6,775.65	0.38%
1999/00	1,362,085.89	7,451.03	0.55
2000/01	1,366,181.27	7,753.59	0.57
2001/02	1,628,019.38	9,490.80	0.58
2002/03	1,642,194.36	11,947.69	0.73

[a] Debt service levy only.

Source: California Municipal Statistics, Inc.

Under the Teeter Plan, the County funds the District its full tax levy allocation rather than funding only actual collections (levy less delinquencies). In exchange, the County receives the interest and penalties that accrue on delinquent payments, when the late taxes are collected. The County includes the secured and unsecured *ad valorem* tax levy for the District's general obligation bonds under the Teeter Plan. See "***AD VALOREM*** **PROPERTY TAXATION — Teeter Plan**" herein.

Tax Rates

The following is a summary of tax rates for a representative tax rate area, TRA 9-002, within the District. TRA 9-002 has a total 2003/04 assessed valuation of $8,315,811,128, approximately 63.10% of the District's total assessed valuation. See "***AD VALOREM*** **PROPERTY TAXATION**" for further information on establishing tax rates.

SUNNYVALE SCHOOL DISTRICT
Tax Rates - TRA 9-002

	1998/99	1999/00	2000/01	2001/02	2002/03
County-wide Rate[a]	1.0000%	1.0000%	1.0000%	1.0000%	1.0000%
County Retirement Levy	0.0388	0.0319	0.0356	0.0364	0.0388
Sunnyvale School Bond	0.0163	0.0166	0.0156	0.0164	0.0158
Foothill-DeAnza Community College	--	--	0.0140	0.0115	0.0108
Fremont Union High School District	0.0229	0.0218	0.0239	0.0204	0.0246
Total All Property	1.0780	1.0703	1.0894	1.0847	1.0900
SCVWD – State Water Project	0.0060	0.0068	0.0059	0.0053	0.0063
SCVWD, Zone W-1 Bond	0.0022	0.0017	0.0016	0.0009	0.0009
Total Land and Improvement	0.0082	0.0085	0.0075	0.0062	0.0072

[a] Maximum rate for purposes other than paying debt service in accordance with Article XIIIA of the State Constitution.

Source: California Municipal Statistics, Inc.

Largest Taxpayers

The twenty largest taxpayers in the District, as shown on the secured tax roll, and the amounts of their assessed valuations for all taxing jurisdictions within the District, are shown below.

SUNNYVALE SCHOOL DISTRICT
Largest Taxpayers

Name	Primary Land Use	2003/04 Assessed Valuation	Percent of Total[a]
Lockheed Missiles and Space Co. Inc.	Manufacturing	$ 602,874,890	5.61%
Applied Materials Inc.	Manufacturing	592,427,601	5.51
Yahoo Inc.	Office Buildings	325,513,107	3.03
Network Appliance Inc.	Manufacturing	206,141,261	1.92
Bay Apartment Communities Inc.	Apartments	172,135,625	1.60
Maxim Integrated Products Inc.	Industrial	170,994,429	1.59
AMB Property LP / AMB Institutional Alliance Fund II LP	Manufacturing	151,715,988	1.41
Menlo & Juniper Networks LLC	Manufacturing	138,295,000	1.29
Irvine Company	Manufacturing	115,899,017	1.08
Moffett Park Dr. LLC	Manufacturing	108,800,000	1.01
John Olson Charles, Trust	Apartments	85,276,440	0.79
Carramerica Realty Corp.	Industrial	85,195,334	0.79
BNP leasing Corp.	Manufacturing	81,029,365	0.75
Monument 3 Realty Fund VI, VII & VIII Ltd.	Apartments	78,513,071	0.73
Nearon Acacia Partners LP	Apartments	64,951,843	0.60
AMD Properties Inc.	Manufacturing	64,275,755	0.60
JSR Microelectronics Inc.	Industrial	62,140,698	0.58
Sunnyvale Business Park	Industrial	60,644,313	0.56
M-F Downtown Sunnyvale LLC	Commercial	59,052,110	0.55
Moffett Office Park Investors LLC	Industrial	58,932,338	0.55
		$3,284,808,185	30.56%

(a) 2003/04 Local Secured Assessed Valuation: $10,749,284,967.

Source: California Municipal Statistics, Inc.

Statement of Direct and Overlapping Debt

Set forth below is a direct and overlapping debt report (the "Debt Report") prepared by California Municipal Statistics, Inc. and dated as of October 1, 2003. The Debt Report is included for general information purposes only. The District has not reviewed the Debt Report for completeness or accuracy and makes no representation in connection therewith.

The Debt Report generally includes long-term obligations sold in the public credit markets by public agencies whose boundaries overlap the boundaries of the District in whole or in part. Such long-term obligations generally are not payable from revenues of the District (except as indicated) nor are they necessarily obligations secured by land within the District. In many cases long-term obligations issued by a public agency are payable only from the general fund or other revenues of such public agency. The first column of the Debt Report lists local agencies with territory overlapping, at least in part, that of the District. The second column shows the portion of each overlapping entity's debt assignable to property within the boundaries of the District, and the third column shows the amount of that portion of the overlapping entity's existing debt. The total amount of debt for each overlapping entity is not given.

The Debt Report also shows, at the top, the gross assessed valuation, less any redevelopment agency tax increment and the resulting net assessed valuation after deducting redevelopment agency tax increment.

SUNNYVALE SCHOOL DISTRICT
Statement of Direct and Overlapping Debt

2003/04 Assessed Valuation:	$13,178,857,457
Redevelopment Increment Valuation:	(329,742,783)
Adjusted Assessed Valuation:	$12,849,114,674

DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT:	Percent Applicable[a]	Debt 10/1/03
Santa Clara Valley Water District, Zone W-1	8.434%	$ 581,524
Foothill-De Anza Community College District	20.918	20,778,903
Fremont Union High School District	43.364	56,068,732
Sunnyvale School District	100	30,239,947[b]
City of Sunnyvale Community Facilities District No. 1	100	36,000,000
City of Sunnyvale 1915 Act Bonds	100	280,000
Santa Clara Valley Water District Benefit Assessment District	7.059	14,377,065
TOTAL DIRECT AND OVERLAPPING TAX AND ASSESSMENT DEBT		160,326,171
DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT:		
Santa Clara County General Fund Obligations	7.059	$42,608,124
Santa Clara County Board of Education Certificates of Participation	7.059	1,342,622
Foothill Community College District Certificates of Participation	20.918	5,340,365
Sunnyvale School District Certificates of Participation	100	235,000
City of Mountain View General Fund Obligations	1.601	423,204
City of Sunnyvale General Fund Obligations	71.674	25,322,424
El Camino Hospital Authority	35.044	427,537
Mid-Peninsula Regional Open Space Park District General Fund Obligations	12.386	13,047,435
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT		88,746,711
Less: City of Mountain View self-supporting bonds		(271,049)
El Camino Hospital Authority		(427,537)
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND OBLIGATION DEBT		$ 88,048,125
GROSS COMBINED TOTAL DEBT		$249,072,882[c]
NET COMBINED TOTAL DEBT		$248,374,296

[a] Based on 2002/03 ratios.
[b] Excludes general obligation bonds to be sold.
[c] Excludes tax and revenue anticipation notes, revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Ratios to 2003/04 Assessed Valuation:	
Direct Debt ($30,239,947)	0.23%
Total Direct and Overlapping Tax and Assessment Debt	1.22%

Ratios to Adjusted Assessed Valuation:	
Combined Direct Debt ($30,474,947)	0.24%
Gross Combined Total Debt	1.94%
Net Combined Total Debt	1.93%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/03: $0

Source: California Municipal Statistics, Inc.

ECONOMIC PROFILE

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

Introduction

The District is located in the City of Sunnyvale in Santa Clara County.

Santa Clara County is located below the southern point of San Francisco Bay and covers a total land area of over 1,300 square miles, or about 847,000 acres. The valley floor of Santa Clara County, which extends outward from the Bay in a southeasterly direction, is shaped by the Santa Cruz Mountains on the west and the Diablo Range on the east. Actually, two distinct valleys are formed where the hills narrow at the town of Coyote, located approximately in the center of Santa Clara County. This natural division defines the two areas known locally as North County and South County.

Land use patterns are as distinct as the two valleys. Although land development is ongoing, South County has retained more of the agricultural base which once existed throughout the area. In complete contrast, North County is densely populated, extensively urbanized and subdivided, and heavily industrialized. It contains thirteen cities, each one adjacent to another, while South County has two cities, separated by roughly 20 miles. The uppermost western portion of North County, with its concentration of high-technology, electronics-oriented industry, is often referred to as the "Silicon Valley." It derives this name from the base material used to manufacture semiconductors, which were first developed here.

Population

The following table summarizes population figures for the City and for the County.

CITY OF SUNNYVALE AND SANTA CLARA COUNTY
Population

Year	City of Sunnyvale	Santa Clara County
1980	106,618	1,295,071
1990	117,324	1,497,577
2000	131,760	1,682,585
2001	132,200	1,697,800
2002	132,600	1,716,800
2003	132,500	1,729,900

Source: The 1980, 1990 and 2000 totals are U.S. Census figures. The figures for the years 2001, 2002 and 2003 are based upon adjusted January 1 estimates provided by the State.

Employment

The following table summarizes historical employment and unemployment in Santa Clara County.

SANTA CLARA COUNTY
Civilian Labor Force, Employment and Unemployment
Annual Averages

	1998	1999	2000	2001	2002
Civilian Labor Force[a]					
Employment	927,900	936,300	982,000	959,800	879,000
Unemployment	30,900	29,200	19,800	45,800	80,600
Total	958,800	965,500	1,001,800	1,005,600	959,600
Unemployment Rate[b]	3.2%	3.0%	2.0%	4.6%	8.4%

[a] Based on place of residence, March 2002 benchmark.
[b] The unemployment rate is calculated using unrounded data.

Source: California Employment Development Department, Labor Market Information Division.

The following table summarizes the historical numbers of workers in the County by industry.

SANTA CLARA COUNTY
Estimated Number of Wage and Salary Workers by Industry[a]
(in thousands)

	1998	1999	2000	2001	2002
Agricultural	5,200	5,300	6,000	4,600	4,500
Natural Resources and Mining	200	200	200	200	300
Construction	41,100	44,600	47,400	47,800	42,900
Manufacturing	246,100	234,900	251,700	240,600	203,600
Trade, Transportation and Utilities	143,100	146,200	150,400	145,200	134,600
Information	29,000	32,500	42,700	41,900	34,100
Financial Activities	33,800	34,200	34,000	35,200	34,900
Professional and Business Services	196,700	207,100	225,800	210,000	172,500
Educational and Health Services	84,200	85,500	85,200	89,800	93,200
Leisure and Hospitality	66,700	68,600	71,400	72,000	69,100
Other Services	26,400	26,100	26,700	26,300	26,300
Government	88,900	91,400	94,500	94,600	97,900
Total All Industries	961,500	976,600	1,035,000	1,008,100	913,800

[a] The industry employment data are now based upon the North American Industry Classification System (NAICS). Newly released data are ***not*** comparable to the data based on the Standard Industrial Classification (SIC). Items may not add to totals due to independent rounding. March 2002 Benchmark.

Source: California Employment Development Department, Labor Market Information Division.

Major Employers

The following table summarizes the major employers in the City:

CITY OF SUNNYVALE
Largest Employers

Employer	Product/Service	Number of Employees
Lockheed Martin Missiles/Space	Manufactures missiles, space systems & commercial satellites	6,200
Advanced Micro Devices Inc.	Manufactures integrated circuits; produces microporcessors & related peripherals, memories & programmable logic devices for telecommunications & networking	3,100
Veritas Software Corp.	Develops computer systems software; software quality management tools	3,000
Philips Semiconductors Inc.	Manufactures integrated circuits & discrete semiconductors	2,100
Fuhitsu IT Holdings Inc.	Manufactures mainframe computer systems; software development; consulting services	2,000
Yahoo Inc.	Internet access provider	1,800
Network Appliance Inc.	Manufactures & supports network data storage appliances	1,600
Northrop Grumman Systems Corp.	Manufactures marine propulsion systems & turbine generator sets	1,000
Maxim Integrated Products Inc.	Manufactures integrated circuits & semiconductors	956
Fremont Union High School District	Public school district	800
Juniper Networks Inc.	Manufactures wire & cable routers	800
Trimble Navigation Limited	Manufactures satellite based navigation data products including global positioning system for air & marine navigation, land surveying, vehicle tracking & mobile computing	750
Marvell Semiconductor Inc.	Semiconductors design services; manufacturers integrated circuit boards	720
Camino Medical Group	Medical clinic	700
Sunnyvale School District	Public school district	650
Computer Curriculum Corp.	Develops & markets multimedia education software for elementary, middle & high school students	600
Finisar Corp.	Manufactures hi-speed fiber optic equipment	600
Sandisk Corp.	Manufacture, designs, develo9ps & markets flash memory data storage products in consumer, OEM & industrial markets	600
Volex Interconnect Systems	Manufactures custom cable assemblies & power & medical cords	600
Interwoven Inc.	Provider of Web content management software	500
Safeway	Retail grocery supermarkets	500
Vitria Technology Inc.	E-business infrastructure software	450
Silicon Storage Technology Inc.	Manufactures flash memory chips	445
Dionex Corp.	Manufactures ion chromatograph systems	400
Netscreen Technologies Inc.	Distributes computer firewalls	400

Source: 2002 Harris InfoSource, March 2003.

The following table summarizes the major employers in Santa Clara County.

SANTA CLARA COUNTY
Major Employers

Employer	Product/Service	Employees
Hewlett Packard Corp.	Manufactures mainframe computer systems, computer peripherals & terminals	11,225
Cisco Systems	Manufactures, develops & supports high performance, multi protocol Internetworking systems that link LAN & WAN networks	9,400
Lockheed Martin Corp.	Systems integrators, DOD contractor	9,001
IBM	Manufactures & repairs electronic data processing systems; research & development; e-business software developers	8,300
Dialogic (Intel Corp.)	Manufactures semiconductor devices, microcomputer chips, chipsets, motherboards & flash memory	8,190
Solectron Corp.	Provides customized manufacturing services to electronics OEMs; pre-manufacturing, manufacturing & post-manufacturing services	7,300
Agilent Technologies	Manufactures laser & ink jet printers; test & measurement equipment; electronic components	7,025
Stanford Hospital & Clinics	Hospital & clinic facilities	6,800
Nortel Networks	Manufactures communications equipment	4,700
Sun Microsystems Inc.	Manufactures network computing products	3,720
Sanmina Corp.	Manufactures custom printed circuit boards	3,515
KLA Tencor Corp.	Manufactures semiconductor inspection & measurement equipment	3,500
Santa Clara Valley Health/Hospital	Medical & surgical hospital & trauma center	3,500
Veterans Health Administration	General medical & surgical hospital services	3,500
Advanced Micro Devices Inc.	Manufactures integrated circuits; produces microprocessors & related peripherals, memories, programmable logic devices for telecommunications & networking	3,150
JD Uniphase	Fiber optic isolators, couplers, attenuators & controllers; programmable laser diode source & optical amps	3,000
Santa Teresa Community Hospital	Medical & surgical hospital	3,000
Space Systems Loral Inc.	Designs & manufactures communications & meteorological satellites	3,000
Safeway	Supermarkets & other grocery stores	2,955
Philips Semiconductors	Integrated circuits, single board computers & related software	2,850
East Side Union High School District	Public school district	2,666
E-Bay Inc.	E-commerce personal auction services	2,500
San Jose Mercury News	Publishes daily newspaper	2,500
Sony Electronics/Info Tech	Manufactures computers & peripheral products	2,500

Source: 2002 Harris InfoSource, March 2003.

Construction Activity

The following table summarizes historical residential building permit valuation for the City and the County.

CITY OF SUNNYVALE AND SANTA CLARA COUNTY
Residential Building Permit Valuation
(Dollars in Thousands)

	City of Sunnyvale		Santa Clara County	
Year[a]	Residential Units[b]	Residential Valuation[c]	Residential Units[b]	Residential Valuation[c]
1998	73	$11,402	7,506	$1,036,012
1999	189	29,001	6,880	993,444
2000	189	32,463	6,620	932,374
2001	179	15,594	5,964	765,544
2002	34	5,701	4,477	729,579

[a] As of January 1.
[b] Does not include alterations and additions.
[c] Includes all residential building activity.

Source: "California Building Permit Activity," Economic Sciences Corporation.

Commercial Activity

The following table summarizes historical taxable transactions in the City and the County.

CITY OF SUNNYVALE AND SANTA CLARA COUNTY
Taxable Transactions
(Dollars in Thousands)

	City of Sunnyvale		Santa Clara County	
Year	Outlets	Taxable Transactions	Outlets	Taxable Transactions
1997	4,149	$2,274,314	51,377	$26,951,487
1998	3,957	2,224,248	49,530	27,488,815
1999	3,842	2,433,646	49,111	30,348,644
2000	3,679	3,077,722	48,162	37,303,662
2001	3,468	2,408,843	47,175	32,133,247

Source: State Board of Equalization.

Median Household Income

Effective Buying Income (EBI) is defined as money income less personal income tax and non-tax payments, such as fines, fees or penalties. The following table summarizes historical median household EBI, for the City, County, State of California and United States of America.

CITY OF SUNNYVALE, SANTA CLARA COUNTY,
STATE OF CALIFORNIA AND UNITED STATES OF AMERICA
Median Household Effective Buying Income

Year[a]	City of Sunnyvale	Santa Clara County	State of California	United States of America
1999	$56,894	$57,144	$37,091	$35,377
2000	58,427	61,122	39,492	37,233
2001	67,589	72,124	44,464	39,129
2002	65,008	64,504	43,532	38,365
2003	63,031	62,725	42,484	38,035

[a] As of January 1.

Source: "Survey of Buying Power", Sales and Marketing Management Magazine.

LEGAL MATTERS

Tax Matters

In the opinion of Quint & Thimmig LLP, San Francisco, California, Bond Counsel, subject, however to the qualifications set forth below, under existing law, the interest on the Bonds is excluded from gross income for federal income tax purposes and such interest is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, provided, however, that, for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining certain income and earnings.

The opinions set forth in the preceding paragraph are subject to the condition that the District comply with all requirements of the Internal Revenue Code of 1986 (the "Code") that must be satisfied subsequent to the issuance of the Bonds in order that such interest be, or continue to be, excluded from gross income for federal income tax purposes. The District has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of such interest in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds.

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

Owners of the Bonds should also be aware that the ownership or disposition of, or the accrual or receipt of interest on, the Bonds may have federal or state tax consequences other than as described above. Bond Counsel expresses no opinion regarding any federal or state tax consequences arising with respect to the Bonds other than as expressly described above.

Legality for Investment in California

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

No Litigation

No litigation is pending or threatened concerning the validity of the Bonds, and a Certificate to that effect will be furnished to purchasers at the time of the original delivery of the Bonds. The District is not aware of any litigation pending or threatened questioning the political existence of the District or contesting the District's ability to receive *ad valorem* taxes or to collect other revenues or contesting the District's ability to issue and retire the Bonds.

Legal Opinion

The validity of the Bonds and certain other legal matters are subject to the approving opinion of Quint & Thimmig LLP, San Francisco, California, Bond Counsel. Bond Counsel undertakes no responsibility for the accuracy, completeness, or fairness of this Official Statement.

The form of opinion of Bond Counsel is attached hereto as **APPENDIX B**.

MISCELLANEOUS

Rating

Standard & Poor's has assigned its municipal bond rating of "AAA" to the Bonds, based on the understanding that the Policy will be issued by Financial Security concurrently with the delivery of the Bonds. Such rating reflects only the view of the organization which issued the rating and any desired explanation of the significance of such rating should be obtained from the rating agency at the following address: Standard & Poor's Rating Services, 55 Water Street, 38th Floor, New York, NY 10041.

Generally, a rating agency bases its rating on the information and materials furnished to it (some of which may not be included in this Official Statement) and on investigations, studies and assumptions of its own. There is no assurance such rating will continue for any given period of time or that such rating will not be revised downward or withdrawn entirely by the rating agency, if in the judgment of such rating agency, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the Bonds.

Verification Of Mathematical Accuracy

Grant Thornton LLP, independent certified public accountants, upon delivery of the Bonds will deliver a report verifying the mathematical sufficiency of the anticipated receipts in the Escrow Fund to pay, when due, the principal, whether at maturity or upon prior Prepayment, interest and Prepayment premium requirements of the Prior Bonds.

The report of Grant Thornton LLP will include the statement that the scope of their engagement is limited to verifying mathematical accuracy, and that they have no obligation to update their report because of events occurring, or data or information coming to their attention, subsequent to the date of their report.

Underwriting

The Bonds are being purchased for reoffering by Banc of America Securities LLC (the "Underwriter"). The Underwriter has agreed to purchase the Bonds pursuant to a contract of purchase between the District and the Underwriter (the "Bond Purchase Agreement") at an aggregate purchase price of $8,665,468.71, plus accrued interest to the date of delivery of the Bonds. The Bond Purchase Agreement sets forth certain representations and agreements of both the District and the Underwriter, and certain conditions to closing. The Underwriter has certified to the District that all of the Bonds of each maturity have been offered to the public and that a representative portion of each maturity of the Bonds has been actually sold, at the prices or yields stated on the cover page hereof for an aggregate reoffering price of $8,756,710.25, plus accrued interest. Based on such representations, underwriter compensation for the Bonds will be $69,241.54. To the extent that Bonds are sold at reoffering prices that differ from those represented, underwriter compensation for the Bonds will also be different.

Closing Papers

The District will furnish to the Underwriter, without charge, concurrently with payment for and delivery of the Bonds, the following closing papers, each dated the date of such delivery:

(a) The opinion of Quint & Thimmig LLP, San Francisco, California, California, Bond Counsel, substantially in the form attached as **APPENDIX B** hereto;

(b) The tax certificate of the District containing certifications and covenants relied upon by Bond Counsel in rendering its opinion that the interest on the Bonds is exempt from federal income taxation;

(c) The certificate on behalf of the District certifying that there is no litigation pending affecting the validity of the Bonds;

(d) The Certificate of an appropriate District official, acting on behalf of the District solely in his or her official and not in his or her personal capacity, certifying that at the time of the sale of the Bonds and at all times subsequent thereto up to and including the time of delivery of the Bonds to the initial purchasers thereof, to the best knowledge and belief of said Official, this Official Statement (excluding the description of the DTC and its book-entry system, information relating to a municipal bond insurance policy, if any, and the provider thereof, information provided by the Underwriter relating to the underwriting and the reoffering of the Bonds, and information relating to the investment of District funds, provided by the County Treasurer-Tax Collector), did not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading;

(e) The signature certificate of the officials of the District certifying that said officials have signed the Bonds, whether by facsimile or manual signature, and that they were duly authorized to do so;

(f) The Continuing Disclosure Certificate of the District in substantially the form shown in **APPENDIX C** attached hereto.

Continuing Disclosure

The District has covenanted for the benefit of the holders and beneficial owners of the Bonds to provide certain financial information and operating data relating to the District by not later than nine months following the end of the District's fiscal year (the "Annual Report"), commencing with the Annual Report for the 2002/03 Fiscal Year, which is due no later than April 1, 2004, and to provide notices of the occurrence of certain enumerated events, if material, to each Nationally Recognized Municipal Securities Information Repository ("NRMSIR") and with the state information repository, if any. Such filings are available to the public from the NRMSIR. Currently, the District's Fiscal Year ends on June 30 of each year. The specific nature of the information to be contained in the Annual Report or the notices of material events is set forth below under the caption **"APPENDIX C — FORM OF CONTINUING DISCLOSURE CERTIFICATE."** These covenants have been made to assist the Underwriter in complying with S.E.C. Rule 15c2-12(b)(5). The District has never failed to comply in all material respects with any previous undertakings with regard to said Rule to provide annual reports or notices of material events.

Financial Advisor

The District has entered into an agreement with Kelling, Northcross & Nobriga, A Division of Zions First National Bank, whereunder the Financial Advisor provides financial recommendations and guidance to the District with respect to preparation and sale of the Bonds. The Financial Advisor has read and participated in the drafting of certain portions of this Official Statement and has supervised the completion and editing thereof. The Financial Advisor has not audited, authenticated or otherwise verified the information set forth in the Official Statement, or any other related information available to the District, with respect to accuracy and completeness of disclosure of such information, and the Financial Advisor makes no guaranty, warranty or other representation respecting accuracy and completeness of the Official Statement or any other matter related to the Official Statement.

Additional Information

The purpose of this Official Statement is to supply information to prospective buyers of the Bonds. Quotations from and summaries and explanations of the Bonds, the Resolution providing for issuance of the Bonds, and the documents, statutes and constitutional provisions referenced herein, do not purport to be complete, and reference is made to said documents, statutes, and constitutional provisions for full and complete statements of their provisions. This Official Statement has been reviewed and approved by the District.

SUNNYVALE SCHOOL DISTRICT

By: /s/ Joseph Rudnicki, Ed.D.
Superintendent

(THIS PAGE INTENTIONALLY LEFT BLANK)

APPENDIX A

EXCERPTS FROM 2001/02 AUDITED FINANCIAL STATEMENTS

(THIS PAGE INTENTIONALLY LEFT BLANK)

vtd

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

VALUE THE DIFFERENCE

INDEPENDENT AUDITORS' REPORT

Board of Education
Sunnyvale School District
Sunnyvale, California

We have audited the accompanying general-purpose financial statements of the Sunnyvale School District, as of and for the year ended June 30, 2002, as listed in the table of contents. These general-purpose financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these general-purpose financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and *Standards and Procedures for Audits of California K-12 Local Educational Agencies*, prescribed by the State Controller. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general-purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general-purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general-purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In common with other school districts, the District has not maintained a complete historical cost record of its general fixed assets and, accordingly, the general-purpose financial statements do not include the general fixed assets group of accounts required by accounting principles generally accepted in the United States of America. The amount that should be recorded in the general fixed assets account group relates to historical data that is not currently available.

In our opinion, except for the effect on the general-purpose financial statements of the omission of the general fixed asset group of accounts, the general-purpose financial statements referred to above present fairly, in all material respects, the financial position of the Sunnyvale School District at June 30, 2002, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2002, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

8270 Aspen Street Rancho Cucamonga, CA 91730 Tel: 909.466.4410 Fax: 909.466.4431 www.vtdcpa.com

FRESNO • LAGUNA HILLS • PLEASANTON • RANCHO CUCAMONGA • SACRAMENTO • SAN JOSE

The accompanying financial and statistical information listed in the table of contents, including the Schedule of Expenditures of Federal Awards which is required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the general-purpose financial statements. Such information has been subjected to the auditing procedures applied in the audit of the general-purpose financial statements and, in our opinion, is fairly stated in all material respects, in relation to the general-purpose financial statements taken as a whole.

Vavrinek Trine Day & Co. LLP

San Jose, California
November 14, 2002

(THIS PAGE INTENTIONALLY LEFT BLANK)

SUNNYVALE SCHOOL DISTRICT

ALL FUND TYPES AND ACCOUNT GROUP
COMBINED BALANCE SHEET
JUNE 30, 2002

	Governmental Fund Types		
	General	Special Revenue	Debt Service
ASSETS			
Cash	$ 5,300,789	$ 815	$ -
Investments	3,221,147	2,973,100	1,562,233
Accounts receivable	1,416,346	393,340	13,272
Due from other funds	101,124	24,972	-
Stores inventory	105,163	35,163	-
Other current assets	-	70,000	-
Amount available for the retirement of general long-term debt	-	-	-
Amount to be provided for the retirement of general long-term debt	-	-	-
Total Assets	$ 10,144,569	$ 3,497,390	$ 1,575,505
LIABILITIES AND FUND EQUITY			
LIABILITIES			
Deficit cash balance	$ -	$ 9,558	$ -
Accounts payable	968,415	58,379	-
Due to other funds	23,336	100,924	-
Current loans	5,162,049	-	-
Deferred revenue	721,490	-	-
Due to student groups	-	-	-
General long-term debt	-	-	-
Total Liabilities	6,875,290	168,861	-
FUND EQUITY			
Fund balances			
Reserved	1,827,721	105,463	-
Unreserved			
Undesignated	1,441,558	3,223,066	1,575,505
Total Fund Equity	3,269,279	3,328,529	1,575,505
Total Liabilities and Fund Equity	$ 10,144,569	$ 3,497,390	$ 1,575,505

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

Capital Projects	Fiduciary Fund Types: Trust and Agency	Account Group: General Long-Term Debt	Total (Memorandum Only)
$ 10,478	$ 182,242	$ -	$ 5,494,324
9,148,214	-	-	16,904,694
75,732	-	-	1,898,690
487,888	-	-	613,984
-	-	-	140,326
-	-	-	70,000
-	-	1,575,505	1,575,505
-	-	35,675,427	35,675,427
$ 9,722,312	$ 182,242	$ 37,250,932	$ 62,372,950
$ -	$ -	$ -	$ 9,558
175,191	-	-	1,201,985
489,724	-	-	613,984
-	-	-	5,162,049
3,498,060	-	-	4,219,550
-	182,242	-	182,242
-	-	37,250,932	37,250,932
4,162,975	182,242	37,250,932	48,640,300
-	-	-	1,933,184
5,559,337	-	-	11,799,466
5,559,337	-	-	13,732,650
$ 9,722,312	$ 182,242	$ 37,250,932	$ 62,372,950

SUNNYVALE SCHOOL DISTRICT

ALL GOVERNMENTAL FUND TYPES AND EXPENDABLE TRUST FUNDS COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE FOR THE YEAR ENDED JUNE 30, 2002

	Governmental Fund Types		
	General	Special Revenue	Debt Service
REVENUES			
Revenue Limit Sources			
State apportionments	$ 912,547	$ -	$ -
Local sources	28,317,219	-	-
Total Revenue Limit Sources	29,229,766	-	-
Federal revenues	1,273,996	777,376	-
Other state revenues	7,607,003	462,042	12,768
Other local revenues	6,065,692	1,157,983	2,181,910
Total Revenues	44,176,457	2,397,401	2,194,678
EXPENDITURES			
Current Expenditures			
Certificated salaries	22,241,143	89,734	-
Classified salaries	7,247,769	709,082	-
Employee benefits	6,395,058	181,257	-
Books and supplies	2,113,452	716,818	-
Services and operating expenditures	4,748,961	226,607	-
Other outgo	(101,099)	99,207	-
Capital outlay	562,217	971,440	-
Debt service - principal	-	-	140,000
Debt service - interest and other	394,821	-	1,536,924
Total Expenditures	43,602,322	2,994,145	1,676,924
EXCESS OF REVENUES OVER/ (UNDER) EXPENDITURES	574,135	(596,744)	517,754
OTHER FINANCING SOURCES/(USES)			
Operating transfers in	-	220,737	-
Operating transfers out	(220,737)	-	-
Total Other Financing Sources/(Uses)	(220,737)	220,737	-
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER/(UNDER) EXPENDITURES AND OTHER USES	353,398	(376,007)	517,754
FUND BALANCE, BEGINNING OF YEAR	2,915,881	3,704,536	1,057,751
FUND BALANCE, END OF YEAR	$ 3,269,279	$ 3,328,529	$ 1,575,505

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

Capital Projects	Total (Memorandum Only)
$ -	$ 912,547
-	28,317,219
-	29,229,766
-	2,051,372
3,386,793	11,468,606
576,359	9,981,944
3,963,152	52,731,688
-	22,330,877
34,093	7,990,944
4,567	6,580,882
7,996	2,838,266
263,140	5,238,708
1,892	-
8,839,546	10,373,203
-	140,000
243,040	2,174,785
9,394,274	57,667,665
(5,431,122)	(4,935,977)
-	220,737
-	(220,737)
-	-
(5,431,122)	(4,935,977)
10,990,459	18,668,627
$ 5,559,337	$ 13,732,650

SUNNYVALE SCHOOL DISTRICT

ALL BUDGETED GOVERNMENTAL FUND TYPES
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2002

	General		
	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Revenue Limit Sources			
State apportionments	$ 729,492	$ 912,547	$ 183,055
Local sources	27,622,030	28,317,219	695,189
Total Revenue Limit Sources	28,351,522	29,229,766	878,244
Federal revenues	1,383,480	1,273,996	(109,484)
Other state revenues	7,865,660	7,607,003	(258,657)
Other local revenues	6,914,065	6,065,692	(848,373)
Total Revenues	44,514,727	44,176,457	(338,270)
EXPENDITURES			
Current Expenditures			
Certificated salaries	22,775,683	22,241,143	534,540
Classified salaries	7,662,681	7,247,769	414,912
Employee benefits	6,437,803	6,395,058	42,745
Books and supplies	3,814,757	2,113,452	1,701,305
Services and operating expenditures	5,067,767	4,748,961	318,806
Other outgo	(19,694)	(101,099)	81,405
Capital outlay	422,579	562,217	(139,638)
Debt service - principal	-	-	-
Debt service - interest and other	377,025	394,821	(17,796)
Total Expenditures	46,538,601	43,602,322	2,936,279
EXCESS OF REVENUES OVER/ (UNDER) EXPENDITURES	(2,023,874)	574,135	2,598,009
OTHER FINANCING SOURCES/(USES)			
Operating transfers in	84,000	-	(84,000)
Operating transfers out	(174,000)	(220,737)	(46,737)
Total Other Financing Sources/(Uses)	(90,000)	(220,737)	(130,737)
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER/(UNDER) EXPENDITURES AND OTHER USES	(2,113,874)	353,398	2,467,272
FUND BALANCE, BEGINNING OF YEAR	2,915,881	2,915,881	-
FUND BALANCE, END OF YEAR	$ 802,007	$ 3,269,279	$ 2,467,272

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

Special Revenue			Debt Service		
Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
$ -	$ -	$ -	$ -	$ -	$ -
-	-	-	-	-	-
-	-	-	-	-	-
766,286	777,376	11,090	-	-	-
399,603	462,042	62,439	12,416	12,768	352
1,183,187	1,157,983	(25,204)	2,058,133	2,181,910	123,777
2,349,076	2,397,401	48,325	2,070,549	2,194,678	124,129
91,387	89,734	1,653	-	-	-
743,535	709,082	34,453	-	-	-
201,809	181,257	20,552	-	-	-
702,614	716,818	(14,204)	-	-	-
587,555	226,607	360,948	-	-	-
97,176	99,207	(2,031)	-	-	-
27,000	971,440	(944,440)	-	-	-
-	-	-	140,000	140,000	-
-	-	-	1,538,009	1,536,924	1,085
2,451,076	2,994,145	(543,069)	1,678,009	1,676,924	1,085
(102,000)	(596,744)	(494,744)	392,540	517,754	125,214
174,000	220,737	46,737	-	-	-
-	-	-	-	-	-
174,000	220,737	46,737	-	-	-
72,000	(376,007)	(448,007)	392,540	517,754	125,214
3,704,536	3,704,536	-	1,057,751	1,057,751	-
$ 3,776,536	$ 3,328,529	$ (448,007)	$ 1,450,291	$ 1,575,505	$ 125,214

SUNNYVALE SCHOOL DISTRICT

ALL BUDGETED GOVERNMENTAL FUND TYPES
COMBINED STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2002

	Capital Projects		
	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES			
Revenue Limit Sources			
State apportionments	$ -	$ -	$ -
Local sources	-	-	-
Total Revenue Limit Sources	-	-	-
Federal revenues	-	-	-
Other state revenues	4,618,872	3,386,793	(1,232,079)
Other local revenues	369,582	576,359	206,777
Total Revenues	4,988,454	3,963,152	(1,025,302)
EXPENDITURES			
Current Expenditures			
Certificated salaries	-	-	-
Classified salaries	-	34,093	(34,093)
Employee benefits	-	4,567	(4,567)
Books and supplies	8,000	7,996	4
Services and operating expenditures	67,914	263,140	(195,226)
Other outgo	4,500	1,892	2,608
Capital outlay	8,874,958	8,839,546	35,412
Debt service - principal	-	-	-
Debt service - interest and other	(203,507)	243,040	(446,547)
Total Expenditures	8,751,865	9,394,274	(642,409)
EXCESS OF REVENUES OVER/ (UNDER) EXPENDITURES	(3,763,411)	(5,431,122)	(1,667,711)
OTHER FINANCING SOURCES/(USES)			
Operating transfers in	-	-	-
Operating transfers out	-	-	-
Total Other Financing Sources/(Uses)	-	-	-
EXCESS OF REVENUES AND OTHER FINANCING SOURCES OVER/(UNDER) EXPENDITURES AND OTHER USES	(3,763,411)	(5,431,122)	(1,667,711)
FUND BALANCE, BEGINNING OF YEAR	10,990,459	10,990,459	-
FUND BALANCE, END OF YEAR	$ 7,227,048	$ 5,559,337	$ (1,667,711)

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

Total (Memorandum Only)		
Budget	Actual	Variance Favorable (Unfavorable)
$ 729,492	$ 912,547	$ 183,055
27,622,030	28,317,219	695,189
28,351,522	29,229,766	878,244
2,149,766	2,051,372	(98,394)
12,896,551	11,468,606	(1,427,945)
10,524,967	9,981,944	(543,023)
53,922,806	52,731,688	(1,191,118)
22,867,070	22,330,877	536,193
8,406,216	7,990,944	415,272
6,639,612	6,580,882	58,730
4,525,371	2,838,266	1,687,105
5,723,236	5,238,708	484,528
81,982	-	81,982
9,324,537	10,373,203	(1,048,666)
140,000	140,000	-
1,711,527	2,174,785	(463,258)
59,419,551	57,667,665	1,751,886
(5,496,745)	(4,935,977)	560,768
258,000	220,737	(37,263)
(174,000)	(220,737)	(46,737)
84,000	-	(84,000)
(5,412,745)	(4,935,977)	476,768
18,668,627	18,668,627	-
$ 13,255,882	$ 13,732,650	$ 476,768

NOTE #1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Sunnyvale School District conform to accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (GASB) and the American Institute of Certified Public Accountants, except that a complete historical cost record of fixed assets has not been maintained. The Sunnyvale School District accounts for its financial transactions in accordance with the policies and procedures of the California School Accounting Manual.

A. Financial Reporting Entity

The District includes all funds, account groups, and other entities that are controlled by or dependent on the District's governing board for financial reporting purposes. The District has considered all potential component units in determining how to define the reporting entity, using criteria set forth in accounting principles generally accepted in the United States of America. The District determined that there are no potential component units that meet the criteria for inclusion within the reporting entity.

B. Fund Accounting

The accounts of the District are organized on the basis of funds or account groups, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures, as appropriate. District resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The District accounts are organized into fund types and account groups as follows:

Governmental Funds

- General Fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund.
- Special Revenue Funds are used to account for specific revenue sources that are legally restricted to expenditures for specific purposes.
- Debt Service Funds are used to account for the accumulation of resources for and the payment of general long-term debt principal, interest, and related costs.
- Capital Projects Funds are used to account for the acquisition and/or construction of all major governmental general fixed assets.

Fiduciary Funds

- Agency Funds are used to account for assets of others for which the District acts as agent.

Account Group

The accounting and reporting treatment applied to long-term liabilities associated with a fund is determined by its measurement focus. All governmental funds and expendable trust funds are accounted for on a spending or "financial flow" measurement focus. This means that only current assets and current liabilities are generally included on their balance sheet. Their reported fund balance is considered a measure of "available spendable resources". Thus, the long-term liabilities associated with governmental funds are accounted for in the account group of the District.

- The General Long-Term Debt Account Group is used to account for long-term liabilities expected to be financed from governmental funds.

C. Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of measurement made, regardless of the measurement focus applied.

Governmental funds are generally accounted for using the modified accrual basis of accounting. Their revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current fiscal period. Expenditures are recognized in the accounting period in which the liability is incurred (when goods are received or services rendered), except for unmatured interest on general long-term debt, which is recognized when due.

Fiduciary fund assets and liabilities are also accounted for on the modified accrual basis.

D. Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds except the Debt Service Fund, which is maintained by the Santa Clara County Office of Education. The District's governing board must adopt an operating budget no later than July 1 in accordance with state law. A public hearing must be conducted to receive comments prior to adoption. The District's governing board satisfied these requirements. The Board revises this budget during the year to give consideration to unanticipated revenue and expenditures primarily resulting from events unknown at the time of budget adoption. It is this final revised budget that is presented in these financial statements. The District employs budget control by minor object and by individual appropriation accounts. Expenditures cannot legally exceed appropriations by major object account.

E. Encumbrances

The District utilizes an encumbrance accounting system under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation. Encumbrances are liquidated when the commitments are paid and all outstanding encumbrances are liquidated at June 30 since they do not constitute expenditures or liabilities.

F. Stores Inventory

Inventory is valued at weighted average cost utilizing the purchase method. Inventory in the applicable funds consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are withdrawn from the stores inventory for consumption. Reported inventories are equally offset by a fund balance reserve that indicates that these amounts are not "available for appropriation and expenditure" even though they are a component of net current assets.

G. Compensated Absences

Accumulated unpaid employee vacation benefits are recognized when paid. The noncurrent portion of the liability is recognized in the general long-term debt account group.

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, therefore, are never paid for any sick leave balance at termination of employment or any other time. Therefore, the value of accumulated sick leave is not recognized as a liability in the District's financial statements. However, credit for unused sick leave is applicable to all classified school members who retire after January 1, 1999. At retirement, each member will receive .004 year of service credit for each day of unused sick leave.

H. Fund Balance Reserves and Designations

Reservations of the ending fund balance indicate the portions of fund balance not available for appropriation or amounts legally segregated for a specific future use.

Designations of the ending fund balance indicate tentative plans for financial resource utilization in a future period.

I. 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 for the District. The District recognizes tax revenues when received.

J. Deferred Revenue

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

K. Use of Estimates

The preparation of 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 reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

L. Total (Memorandum Only) Columns on Combined Statements

The Combined Financial Statements include total columns captioned as "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with accounting principles generally accepted in the United States of America. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTE #2 – CASH

Cash at June 30, 2002, is presented below and categorized separately to give an indication of the level of risk assessment with each deposit:

	Bank Balance - Category * 1	Bank Balance - Category * 3	Total	Carrying Amount
Cash on hand and in banks	$ 100,000	$ 89,627	$ 189,627	$ 182,242
Cash in revolving fund	-	16,951	16,951	26,300
Cash with fiscal agent	-	5,162,049	5,162,049	5,162,049
Cash awaiting deposit	-	-	-	123,733
Total	$ 100,000	$ 5,268,627	$ 5,368,627	$ 5,494,324

*These categories are as follows:

Category 1: Insured or collateralized with securities held by the District or by its agent in the District's name.

Category 3: Uncollateralized. This includes any bank balance that is collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the District's name.

NOTE #3 – INVESTMENTS

Investments at June 30, 2002, held on behalf of the District are presented below, categorized separately to give an indication of the level of risk associated with each investment:

	Category * 2	Reported Amount	Fair Value
Categorized			
U.S. treasury note	$ 534,715	$ 534,715	$ 534,715
Uncategorized:			
Deposits with county treasurer		16,154,215	16,213,178
Investment in state treasurer's pool		215,764	214,879
Subtotal		16,904,694	16,962,772
Deficit cash balances		9,558	9,558
Total		$ 16,895,136	$ 16,953,214

*This category is as follows:

Category 2: Uninsured and unregistered, with securities held by the counter party's trust department or agent in the District's name.

A. Authorized Investments

The District is authorized 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.

B. Investment in State Treasurer's Pool

The Local Agency Investment Fund (LAIF) is an external investment pool sponsored by the State of California authorized under Section 16429.1, 2, and 3 of the California Government code. The fund is a voluntary program created by statute as an investment alternative for California local governments and special districts. The California State Treasurer administers the fund. The District deposits excess cash in LAIF for investment purposes. LAIF is not required to be categorized. The pool sponsor provided the fair value for these deposits.

C. Deposits with County Treasurer

Deposits with county treasurer is an external investment pool sponsored by the County of Santa Clara. School districts are required to deposit all receipts and collections of monies with their county treasurer (Education Code Section 41001). Therefore, the District is considered to be an involuntary participant in an external investment pool. County deposits are not required to be categorized. The pool sponsor provided the fair value for these deposits.

NOTE #4 – ACCOUNTS RECEIVABLE

Receivables at June 30, 2002, consist of the following:

	General	Special Revenue	Debt Service	Capital Projects	Total
Federal Government					
Categorical aid	$ 208,399	$ 160,867	$ -	$ -	$ 369,266
State Government					
Apportionment	28,001	-	-	-	28,001
Categorical aid	330,272	15,630	-	-	345,902
Lottery	578,611	-	-	-	578,611
Other state	-	188,087	-	-	188,087
Local Government					
Interest	81,254	28,756	13,272	75,732	199,014
Other Local Sources	189,809	-	-	-	189,809
Total	$ 1,416,346	$ 393,340	$ 13,272	$ 75,732	$ 1,898,690

SUNNYVALE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2002

NOTE #5 – INTERFUND TRANSACTIONS

A. Interfund Receivables/Payables (Due To/Due From)

Individual fund interfund receivable and payable balances at June 30, 2002, are as follows:

	Interfund Receivables	Interfund Payables
Funds		
General	$ 101,124	$ 23,336
Child Development	-	16,898
Cafeteria	3,414	84,026
Deferred Maintenance	21,558	-
Building	487,888	487,832
Capital Facilities	-	1,892
Total	$ 613,984	$ 613,984

B. Operating Transfers

Interfund transfers consist of operating transfers from funds receiving revenue to funds through which the resources are to be expended. Interfund transfers for the year ended June 30, 2002, are as follows:

The General fund transferred to the Deferred Maintenance fund for District match.	$ 220,737

NOTE #6 – ACCOUNTS PAYABLE

Accounts payable at June 30, 2002, consists of the following:

	General	Special Revenue	Capital Projects	Total
Vendor payables	$ 530,760	$ 55,786	$ 175,191	$ 761,737
Salaries and benefits	437,655	2,593	-	440,248
Total	$ 968,415	$ 58,379	$ 175,191	$1,201,985

SUNNYVALE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2002

NOTE #7 – DEFERRED REVENUE

Deferred revenue at June 30, 2002, consists of the following:

	General	Capital Projects	Total
Federal financial assistance	$ 151,466	$ -	$ 151,466
State categorical aid	418,244	-	418,244
School facilities apportionment	-	3,498,060	3,498,060
Other local	151,780	-	151,780
Total	$ 721,490	$ 3,498,060	$ 4,219,550

NOTE #8 – FUND BALANCES

Fund balances are composed of the following elements:

	General	Special Revenue	Debt Service	Capital Projects	Total
Reserved					
Revolving cash	$ 26,000	$ 300	$ -	$ -	$ 26,300
Stores inventory	105,163	35,163	-	-	140,326
Prepaids	-	70,000	-	-	70,000
Restricted programs	1,696,558	-	-	-	1,696,558
Total Reserved	1,827,721	105,463	-	-	1,933,184
Undesignated	1,441,558	3,223,066	1,575,505	5,559,337	11,799,466
Total	$3,269,279	$3,328,529	$ 1,575,505	$5,559,337	$ 13,732,650

SUNNYVALE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2002

NOTE #9 – GENERAL LONG-TERM DEBT

A. Long-Term Debt Summary

A schedule of changes in long-term debt for the year ended June 30, 2002, is shown below:

	Balance Beginning of Year	Additions and Adjustments	Deductions	Balance End of Year
General obligation bonds	$ 32,323,190	$ 372,673	$ 140,000	$ 32,555,863
Accumulated vacation - net	309,715	-	29,027	280,688
Postemployment benefits	2,102,910	116,379	454,430	1,764,859
Capital leases	3,114,522	-	465,000	2,649,522
	$ 37,850,337	$ 489,052	$ 1,088,457	37,250,932
Amount currently available and reserved for retirement of general long-term debt				
Bond interest and redemption				1,575,505
Amount to be provided for retirement of general long-term debt				$ 35,675,427

B. General Obligation Bonds

The outstanding general obligation bonded debt is as follows:

Issue Date	Maturity Date	Interest Rate	Original Issue	Bonds Outstanding Beginning of Year	Issued (Redeemed)	Accreted	Bonds Outstanding End of Year
General Obligation Bonds							
1996	2020	4.5-7.5%	10,000,000	$ 8,460,000	$ (90,000)	$ -	$ 8,370,000
1998	2023	4.6-7.6%	9,500,000	8,915,000	(50,000)	-	8,865,000
2000	2025	5.8-6.0%	9,540,000	9,540,000	-	-	9,540,000
		Subtotal		26,915,000	(140,000)	-	26,775,000
Appreciation Bonds							
2000	2025	5.3-6.5%	4,959,947	5,408,190	-	372,673	5,780,863
				$32,323,190	$ (140,000)	$ 372,673	$32,555,863

Debt Service Requirements to Maturity

Fiscal Year		Principal	Interest to Maturity	Accretions	Total
2003		$ 685,000	$ 1,494,099	$ -	$ 2,179,099
2004		810,000	1,413,764	-	2,223,764
2005		940,000	1,347,824	-	2,287,824
2006		1,025,000	1,301,237	-	2,326,237
2007		1,125,000	1,242,220	-	2,367,220
Thereafter		27,149,947	13,613,690	6,094,138	46,857,775
	Subtotal	31,734,947	$20,412,834	$ 6,094,138	$58,241,919
Accretions to date		820,916			
	Total	$32,555,863			

C. Accumulated Unpaid Employee Vacation

The long-term portion of accumulated unpaid employee vacation for the District at June 30, 2002, amounted to $280,688.

D. Postemployment Benefits

The District provides postemployment health care benefits, in accordance with District employment contracts, to all employees who retire from the District on or after attaining age 55 with at least 11 years of service. Currently, 75 employees meet those eligibility requirements. The District contributes various percentages depending on the plan and covers the amount of premiums incurred by retirees and their dependents. Expenditures for postemployment benefits are recognized on a pay-as-you-go basis, as premiums are paid. During the year, expenditures of $454,430 were recognized for retirees' health care benefits.

The approximate accumulated future liability for the District at June 30, 2002, amounts to $1,764,859. This amount was calculated based upon the number of retirees receiving benefits multiplied by the yearly district payment per employee in effect at June 30, 2002, multiplied by the number of years of payments remaining. Since the benefits are limited to age 65, an actuarial study is not required to determine the full liability for current employees.

SUNNYVALE SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2002

E. Capital Leases

The District's liability on lease agreements with options to purchase are summarized below:

	City of Sunnyvale	Energy Retrofit	Total
Balance, Beginning of Year	$ 3,301,030	$ 725,327	$ 4,026,357
Payments	390,957	243,040	633,997
Balance, End of Year	$ 2,910,073	$ 482,287	$ 3,392,360

The capital leases have minimum lease payments as follows:

Year Ending June 30,	Lease Payment
2003	$ 639,215
2004	648,869
2005	412,243
2006	412,452
2007	184,144
Thereafter	1,095,437
Total	3,392,360
Less: Amount Representing Interest	742,838
Present Value of Minimum Lease Payments	$ 2,649,522

NOTE #10 – OPERATING LEASE REVENUE

The District leases certain facilities under lease agreements classified as operating leases. None of the agreements contain purchase options. The rental income was approximately $2,810,250 for the year ended June 30, 2002. The following is a schedule by fiscal year of the minimum rental receipts under such operating leases, which expire at various dates through 2029.

Year Ending June 30,	Lease Revenue
2002	$ 2,465,460
2003	2,220,600
2004	2,220,600
2005	2,220,600
2006	2,220,600
Thereafter	7,253,200
Total	$ 18,601,060

NOTE #11 – EMPLOYEE RETIREMENT SYSTEMS

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

A. STRS

Plan Description

The District contributes to the California State Teachers' Retirement System (STRS); a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by STRS. The plan provides retirement and disability benefits and survivor benefits to beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the State Teachers' Retirement Law. STRS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the STRS annual financial report may be obtained from STRS, 7667 Folsom Blvd., Sacramento, CA 95826.

Funding Policy

Active plan members are required to contribute 8.0 percent of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by STRS Teachers' Retirement Board. The required employer contribution rate for fiscal year 2001-2002 was 8.25 percent of annual payroll. The contribution requirements of the plan members are established by State statute. The District's contributions to STRS for the fiscal years ending June 30, 2002, 2001, and 2000 were $1,715,413, $1,620,707, and $1,642,272, respectively, and equal 100 percent of the required contributions for each year.

B. PERS

Plan Description

The District contributes to the School Employer Pool under the California Public Employees' Retirement System (CalPERS); a cost-sharing multiple-employer public employee retirement system defined benefit pension plan administered by CalPERS. The plan provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State statutes, as legislatively amended, within the Public Employees' Retirement Laws. CalPERS issues a separate comprehensive annual financial report that includes financial statements and required supplementary information. Copies of the CalPERS' annual financial report may be obtained from the CalPERS Executive Office, 400 P Street, Sacramento, CA 95814.

Funding Policy

Active plan members are required to contribute 7.0 percent of their salary and the District is required to contribute an actuarially determined rate. The actuarial methods and assumptions used for determining the rate are those adopted by the CalPERS Board of Administration. There was no required employer contribution for the fiscal years 2001-2002, 2000-2001 and 1999-2000. The contribution requirements of the plan members are established by State statute.

C. On Behalf Payments

The State of California makes contributions to STRS and PERS on behalf of the District. These payments consist of State General Fund contributions to STRS in the amount of $414,217 (1.975 percent of salaries subject to STRS). A contribution to PERS was not required. Under accounting principles generally accepted in the United States of America, these amounts are to be reported as revenues and expenditures, however, guidance received from the California Department of Education advises local educational agencies not to record these amounts in the Annual Financial and Budget Report Unaudited Actuals. These amounts also have not been recorded in these financial statements.

D. Social Security

As established by Federal law, all public sector employees who are not members of their employer's existing retirement system (STRS or PERS) must be covered by Social Security or an alternative plan. The District has elected to use social security as its alternative plan. The District's contributions are calculated according to Federal law. Employees' required and actual payments equal the District's.

NOTE #12 – RISK MANAGEMENT

A. Description

The District's risk management activities are recorded in the General Fund. Employee life, health, and disability programs are administered by the General Fund through the purchase of commercial insurance. The District participates in the Santa Clara County Schools Insurance Group public entity risk pool (the pool) for its workers' compensation and property/liability coverage and purchases excess liability coverage through the pool. Refer to Note #13 for additional information regarding the pool. Excess property and liability coverage is obtained through The Schools Excess Liability Fund and ReliEF.

For insured programs, there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

The following is a summary of the insurance policies carried by the District as of June 30, 2002.

Insurance Program Company Name	Type of Coverage	Limits	
Workers' Compensation Program			
Santa Clara County Schools Insurance Group	Workers' Compensation	State Statutory Limits	
Property/Libility Program			
Santa Clara County Schools Insurance Group	Excess Property Liability	$	95,000,000
	Property Liability	$	100,000,000
	Equipment	$	26,295,950
	Liability	$	5,000,000
Excess Property and Liability Program			
School Excess Liability Fund (SELF)	Excess Liability	$	15,000,000
Northern California ReLiEF	Excess Liability	$	2,000,000

NOTE #13 – PARTICIPATION IN PUBLIC ENTITY RISK POOLS AND 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 the pool for its health, workers' compensation, property liability and excess coverage. Fees for transportation services are paid to the Silicon Valley Transportation Authority JPA. The relationships between the District, the pool, and the JPA 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.

A. Entity	Santa Clara County Schools Insruance Group	Silicon Valley Transportation Agency
B. Purpose	Operate a common risk management and insurance program for member school districts	Provides transportation for Special Education Students
C. Participants	School district and county office of education	School districts
D. Governing Board	One representative from each member district	One representative from each member district

E. Condensed Audited Financial Information Follows

	June 30, 2001*	June 30, 2002
Assets	$ 24,488,905	$ 367,306
Liabilities	9,790,651	272,784
Fund Equity	$ 14,698,254	$ 94,522
Revenues	19,247,078	3,658,363
Expenses	17,601,607	3,563,841
Net Increase in Fund Equity	$ 1,645,471	$ 94,522
F. Payments for the Current Year	$ 1,225,446	$ 702,502

*Most recent information available

NOTE #14 – COMMITMENTS AND CONTINGENCIES

A. State and Federal Allowances, Awards and Grants

The District has received State and Federal funds for specific purposes that are subject to review and audit by the grantor agencies. Although such audits could generate expenditure disallowances under terms of the grants, in the opinion of management any required reimbursements will not be material.

B. Construction Commitments

As of June 30, 2002, the District had the following commitments with respect to the unfinished capital projects:

CAPITAL PROJECT	Remaining Construction Commitment	Expected Date of Completion
Lakewood Modernization	$ 353,799	Jan-03
Cherry Chase Library	59,848	Dec-02
Cherry Chase Modernization	556,878	Apr-03
Cumberland Modernization	417,712	Feb-03
Ellis Modernization	627,141	Mar-03
Columbia Modernization	284,001	Jan-03
Ellis/Vargas Relocatable Clsrms	33,901	Dec-02
Bishop Playground Upgrade	2,000	Dec-02
Cherry Chase Multi/Kitchen Remod	54,616	Feb-03
Columbia Staff Lounge Remodel	14,200	Dec-02
Ellis Multi-Use Renovation	8,600	Dec-02
Lakewood Multi-Tables	54,000	Feb-03
	$ 2,466,696	

NOTE #15 – TAX AND REVENUE ANTICIPATION NOTES

On July 1, 2001, the District issued $5,000,000 Tax and Revenue Anticipation Notes bearing interest at 3.25 percent. Half of the interest and principal were due and payable on in half in January. By May of 2002, the District had placed 100 percent of principal and interest in an irrevocable trust for the sole purpose of satisfying the notes. The District was not required to make any additional payments on the notes.

NOTE #16 – SUBSEQUENT EVENT

The District issued $5,000,000 of Tax And Revenue Anticipation Notes dated July 1, 2002. The notes mature in May, 2003, and yield 3.00 percent interest. The notes were sold to supplement cash flow. Repayment requirements are that 50 percent of principal and interest be deposited with the fiscal agent by January 1, 2002, and the remaining 50 percent of principal and interest due on account by April 30, 2003

NOTE #17 – NEW ACCOUNTING PRONOUNCEMENT

In June 1999, the Governmental Accounting Standards Board (GASB) issued Statement of Financial Accounting Standard No. 34 *"Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments"* as amended by GASB Statements No. 37 and No. 38. This Statement establishes financial reporting standards for state and local governments, including states, cities, towns, villages and special-purpose governments such as school districts and public utilities. Specifically the basic financial statements and required supplementary information (RSI) for general-purpose governments should consist of:

A. Management's Discussion and Analysis (MD&A)

B. Basic Financial Statements which include:

- Government-wide financial statements prepared using the economic measurement focus and the accrual basis of accountings.
- Fund financial statements prepared using the current financial resources measurement focus and the modified accrual basis of accounting.
- Required supplementary information.

C. The requirements of this statement are effective in three phases based on a government's total annual revenues for the year ended June 30, 1999, with earlier application encouraged. These phases are as follows:

Phase I: Districts with total revenue of $100 million or more are required to implement for the year ending June 30, 2002.

Phase II: Districts with total revenue of at least $10 million but less then $100 million are required to implement for the year ending June 30, 2003.

Phase III: Districts with total revenue of less than $10 million are required to implement for the year ending June 30, 2004.

Based on the above criteria, the District expects to adopt the provisions of this statement for the fiscal year ending June 30, 2003. While the District believes the adoption of this statement will have a significant impact on how the District's financial position and results of operations is presented in its annual financial statements, the District has not determined the full impact of the adoption.

APPENDIX B

PROPOSED FORM OF LEGAL OPINION

(THIS PAGE INTENTIONALLY LEFT BLANK)

APPENDIX B

PROPOSED FORM OF LEGAL OPINION

[Letterhead of Quint & Thimmig LLP]

[Closing Date]

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

OPINION: $8,715,000 Sunnyvale School District (Santa Clara County, California) 2003 General Obligation Refunding Bonds

---

Members of the Board of Education:

We have acted as bond counsel to the Sunnyvale School District (the "District") in connection with the issuance by the District of $8,715,000 principal amount of Sunnyvale School District (Santa Clara County, California) 2003 General Obligation Refunding Bonds, dated as of December 1, 2003 (the "Bonds"), pursuant to Title 5, Division 2, Chapter 3, Article 9 of the California Government Code, commencing with section 53550 (the "Act") and a resolution of the Board of Education of the District (the "Board"), adopted on November 20, 2003 (the "Resolution"). We have examined the law and such certified proceedings and other papers as we deemed necessary to render this opinion.

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

Based upon our examination, we are of the opinion, under existing law, as follows:

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

2. The Resolution has been duly adopted by the Board and constitutes a valid and binding obligation of the District enforceable upon the District.

3. Pursuant to the Act, the Resolution creates a valid lien on funds pledged by the Resolution for the security of the Bonds.

4. The Bonds have been duly authorized, executed and delivered by the District and are valid and binding general obligations of the District.

5. The interest on the Bonds is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; it should be noted, however, that, for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining certain income and earnings. The opinions set forth in the preceding sentence are subject to the condition that the District comply with all requirements of the Internal Revenue Code of 1986 that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The District has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bonds in gross income for

federal income tax purposes to be retroactive to the date of issuance of the Bonds. We express no opinion regarding other federal tax consequences arising with respect to the Bonds.

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

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

Respectfully submitted,

APPENDIX C

FORM OF CONTINUING DISCLOSURE CERTIFICATE

(THIS PAGE INTENTIONALLY LEFT BLANK)

APPENDIX C

FORM OF CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the SUNNYVALE SCHOOL DISTRICT (the "District") in connection with the issuance by the District of $8,715,000 Sunnyvale School District (Santa Clara County, California) 2003 General Obligation Refunding Bonds (the "Bonds"). The Bonds are being issued pursuant to a resolution adopted by the Board of Education of the District on November 20, 2003 (the "Resolution"). The District covenants and agrees as follows:

Section 1. Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the District for the benefit of the holders and beneficial owners of the Bonds and in order to assist the Participating Underwriters in complying with S.E.C. Rule 15c2-12(b)(5).

Section 2. Definitions. In addition to the definitions set forth in the Resolution, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section 2, 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 3 and 4 of this Disclosure Certificate.

"Dissemination Agent" shall mean the District, or any successor Dissemination Agent designated in writing by the District and which has filed with the District a written acceptance of such designation.

"Listed Events" shall mean any of the events listed in Section5(a) of this Disclosure Certificate.

"National Repository" shall mean any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule.

"Participating Underwriter" shall mean any of the original underwriters of the Bonds required to comply with the Rule in connection with offering of the Bonds.

"Repository" shall mean each National Repository and each State Repository.

"Rule" shall mean Rule15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

"State Repository" shall mean any public or private repository or entity designated by the State of California as a state repository for the purpose of the Rule and recognized as such by the Securities and Exchange Commission. As of the date of this Disclosure Certificate, there is no State Repository.

Section 3. Provision of Annual Reports.

(a) The District shall, or upon written direction shall cause the Dissemination Agent to, not later than nine months after the end of the District's fiscal year (which date would be March 31), commencing with the report for the 2002-2003 fiscal year, provide to each Repository and the Participating Underwriter an Annual Report which is consistent with the requirements of Section4 of this Disclosure Certificate. Not later than fifteen (15) Business Days prior to said date, the District shall provide the Annual Report to the Dissemination Agent (if other than the District). The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section4 of this Disclosure Certificate; provided that the audited financial statements of the District may be submitted separately from the balance of the Annual Report, and later than the date required above for the filing of the Annual Report if not available by that date. If the District's fiscal year changes, it shall give notice of such change to the Municipal Securities Rulemaking Board and each State Repository. The District shall provide a written certification with each Annual Report furnished to the Dissemination Agent to the effect that such Annual Report constitutes the Annual Report required to be furnished by the District hereunder.

(b) If the District is unable to provide to the Repositories an Annual Report by the date required in subsection (a), the District shall send a notice to the Municipal Securities Rulemaking Board and each State Repository in substantially the form attached as Exhibit A.

(c) The Dissemination Agent shall:

(i) determine each year prior to the date for providing the Annual Report the name and address of each National Repository and each State Repository, if any; and

(ii) if the Dissemination Agent is other than the District, file a report with the District certifying that the Annual Report has been provided pursuant to this Disclosure Certificate, stating the date it was provided and listing all the Repositories to which it was provided.

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

(a) Audited Financial Statements prepared in accordance with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the District's audited financial statements are not available by the time the Annual Report is required to be filed pursuant to Section 3(a), the Annual Report shall contain unaudited financial statements in a format similar to the financial statements contained in the final Official Statement, and the audited financial statements shall be filed in the same manner as the Annual Report when they become available.

(b) Unless otherwise provided in the audited financial statements filed on or prior to the annual filing deadline for Annual Reports provided for in Section 3 above, financial information and operating data with respect to the District for preceding fiscal year, substantially similar to that provided in the corresponding tables and charts in the official statement for the Bonds:

(i) Average daily attendance second period report;
(ii) Assessed value of taxable property in the District;
(iii) Property tax levies, collections and delinquencies;
(iv) Tax rates; and
(v) Largest taxpayers.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the District or related public entities, which have been submitted to each of the Repositories or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The District shall clearly identify each such other document so included by reference.

(c) In addition to any of the information expressly required to be provided under this Disclosure Certificate, the District shall provide such further material information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

Section 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the District shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Bonds, if material:

(i) Principal and interest payment delinquencies.

(ii) Non-payment related defaults.
(iii) Unscheduled draws on debt service reserves reflecting financial difficulties.
(iv) Unscheduled draws on credit enhancements reflecting financial difficulties.
(v) Substitution of credit or liquidity providers, or their failure to perform.
(vi) Adverse tax opinions or events affecting the tax-exempt status of the security.
(vii) Modifications to rights of security holders.
(viii) Contingent or unscheduled bond calls.
(ix) Defeasances.
(x) Release, substitution, or sale of property securing repayment of the securities.
(xi) Rating changes.

(b) Whenever the District obtains knowledge of the occurrence of a Listed Event, the District shall as soon as possible determine if such event would be material under applicable Federal securities law. The Dissemination Agent shall have no role nor any responsibility for such determination.

(c) If the District determines that knowledge of the occurrence of a Listed Event would be material under applicable Federal securities law, the District shall promptly file a notice of such occurrence with the Municipal Securities Rulemaking Board and each Repository with a copy to the Participating Underwriter. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(viii) and (ix) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Bond owners pursuant to the Resolution.

Section 6. Termination of Reporting Obligation. The District's obligations under this Disclosure Certificate shall terminate upon the legal defeasance, prior prepayment or payment in full of all of the Bonds.

Section 7. Dissemination Agent. The District may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Certificate, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be the District. Any Dissemination Agent may resign by providing thirty days' written notice to the District.

Section 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Certificate, the District may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, provided that the following conditions are satisfied:

(a) if the amendment or waiver relates to the provisions of Sections 3(a) or 4, it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature, or status of an obligated person with respect to the Bonds, or type of business conducted;

(b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, 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 proposed amendment or waiver either (i) is approved by holders of the Bonds in the manner provided in the Resolution for amendments to the Resolution with the consent of holders, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the holders or beneficial owners of the Bonds.

If the annual financial information or operating data to be provided in the Annual Report is amended pursuant to the provisions hereof, the first annual financial information filed pursuant hereto 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.

If an amendment is made to the undertaking specifying the accounting principles to be followed in preparing financial statements, the annual financial information for the year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. The comparison shall include a qualitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information, in order to provide information to investors to enable them to evaluate the ability of the District to meet its obligations. To the extent reasonably feasible, the comparison shall be quantitative. A notice of the change in the accounting principles shall be sent to the Municipal Securities Rulemaking Board and each Repository.

Section 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the District from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Certificate. If the District chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Certificate, the District shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

Section 9. Default. In the event of a failure of the District to comply with any provision of this Disclosure Certificate any holder or beneficial owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the District to comply with its obligations under this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an Event of Default under the Resolution, and the sole remedy under this Disclosure Certificate in the event of any failure of the District to comply with this Disclosure Certificate shall be an action to compel performance.

Section 10. Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in this Disclosure Certificate, and the District agrees to indemnify and hold the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's negligence or willful misconduct. The Dissemination Agent shall be paid compensation by the District for its services provided hereunder in accordance with its schedule of fees as amended from time to time and all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. The Dissemination Agent shall have no duty or obligation to review any information provided to it by the District and shall not be deemed to be acting in any fiduciary capacity for the District, the Bond holders or any other party. The obligations of the District under this Section 10 shall survive resignation or removal of the Dissemination Agent and payment of the Bonds.

Section 11. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the District, the Dissemination Agent, the Participating Underwriters and holders and beneficial owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Date: [Closing Date]

SUNNYVALE SCHOOL DISTRICT

By ____
Authorized Officer

EXHIBIT A

NOTICE TO MUNICIPAL SECURITIES RULEMAKING BOARD AND EACH STATE REPOSITORY OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer:	Sunnyvale School District
Name of Issue:	$8,715,000 Sunnyvale School District (Santa Clara County, California) 2003 General Obligation Refunding Bonds
Date of Issuance:	[Closing Date]

NOTICE IS HEREBY GIVEN that the Sunnyvale School District (the "District") has not provided an Annual Report with respect to the above-named Bonds as required by Section 5.07 of the resolution adopted by the Board of Education of the District on November 20, 2003. The District anticipates that the Annual Report will be filed by ______________.

Dated: ________________

SUNNYVALE SCHOOL DISTRICT

By ___________________________________
Title __________________________________

APPENDIX D

EXCERPTS FROM THE
SANTA CLARA COUNTY INVESTMENT PORTFOLIO REPORT

(THIS PAGE INTENTIONALLY LEFT BLANK)

County of Santa Clara
Finance Agency
Controller-Treasurer Department

County Government Center
70 West Hedding Street, East Wing, 2nd Floor
San Jose, California 95110-1705
(408) 299-5200 FAX: (408) 289-8629

July 18, 2003

Prepared by: Herb Wiley
Herb Wiley, Investment Officer

Submitted by: David G. Elledge
David G. Elledge, Controller-Treasurer

TO: Board of Trustees, Santa Clara County School Districts
Boards of Directors, Santa Clara County Special Purpose Districts

FROM: John V. Guthrie, Director
Finance Agency

SUBJECT: Santa Clara County Treasury Investment Portfolio Status

RECOMMENDATION
Receive and file the June 30, 2003 Detailed Investment Portfolio Listing.

DISCUSSION
In compliance with the State of California Government Code as amended by Chapters 783 and 784, Statutes of 1995, and in compliance with County Policy, the Santa Clara County Treasury Investment Portfolio Report as of June 30, 2003 is submitted for your review and acceptance.

The attached detailed investment reports list each investment of the County Treasury Pool as well as individual reports for specific investment funds each school district or special district has in the County Treasury. The reports include the respective purchase and maturity dates, par value, amortized cost, present value, and effective yield for each investment.

A summary of market value versus cost is provided below for "Commingled Investments of the County Pool."

	Cost	Market Value	Increase (Decrease)	Percent
Commingled Investments	$3,319,718,766	$3,327,852,679	$8,133,912	0.244%

SANTA CLARA COUNTY TREASURY-COMMINGLED FUNDS
CURRENT INVESTMENT STRATEGY, MATURITY AND YIELDS

At the June Federal Open Market Committee meeting, the FOMC lowered the funds rate to 1%, a drop of 25 basis points. This was less than many had expected and as a result some short rates have risen since the announcement. Many now think that this will be the last action to be taken this year. It would appear that lowering rates further would not have that much impact on the economy, but it makes yields on CDs and money market funds very low. The FOMC said they would continue to monitor business activity closely in anticipation that there would be an increase later in the year. They were pursuing less of an anti-deflation strategy and more of a growth strategy.

The latest unemployment figures showed a surprise increase to 6.4%. This obviously was not good news for the business community, but since there was an increase in employment in the service sector, some attributed the increase to an expanding labor force with more people entering the job market with a higher expectation of finding employment. Although there is a hope that the tax rate cuts will increase consumer spending, the serious problems faced by local governments may mitigate its effect.

At this time, the 2 Year Treasury Note yields about 1.30%, at the low end of where they traded in the prior quarter. It is anticipated that two-year rates will fluctuate from approximately 1.20% to 1.40% over the next few months, possibly throughtout the remaining year. Callable agencies must exceed about 2 ¼ years in maturity to have a yield above 2%. Non-callable securities must have a maturity of about 3 ½ years to obtain 2%. The current yield of the pool is 1.73%. There will continue to be a decline in the return of the pool because liquidity requirements will require the investment of shorter-term funds that will yield 1% or less. With the uncertainty of the state financial situation, some funds are being held in short-term investments to assure liquidity until it is clear what programs will be paid and when state funds can be received. Where liquidity permits, some investments in the two and one-half year range will be made to capture the higher yield.

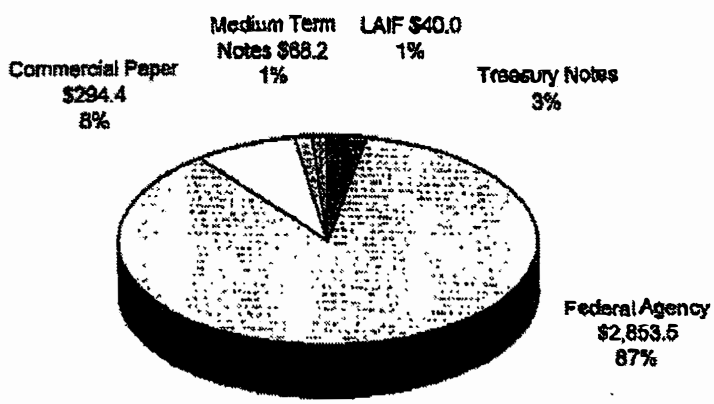
as of June 30, 2003

	June	May	April	March	February	January
Average Days to Maturity	371	333	333	328	309	328
County Average Yield	1.73	1.77	1.8	1.89	1.98	2.13
LAIF Average Yield	1.65	1.82	1.82	1.89	1.91	2.07

SANTA CLARA COUNTY TREASURY-COMMINGLED FUNDS
INVESTMENT CONCENTRATION AND MATURITY DISTRIBUTION

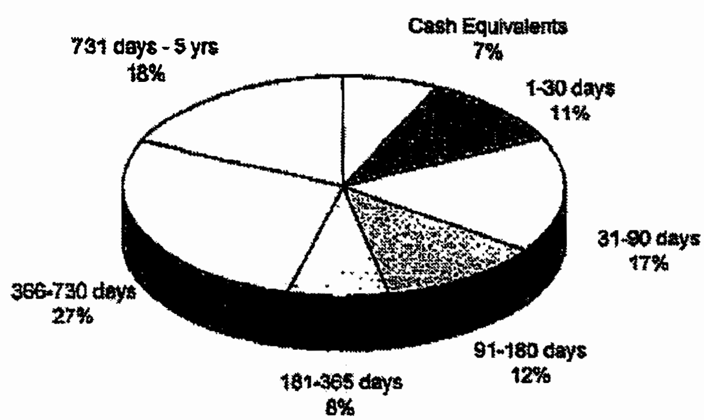
as of June 30, 2003

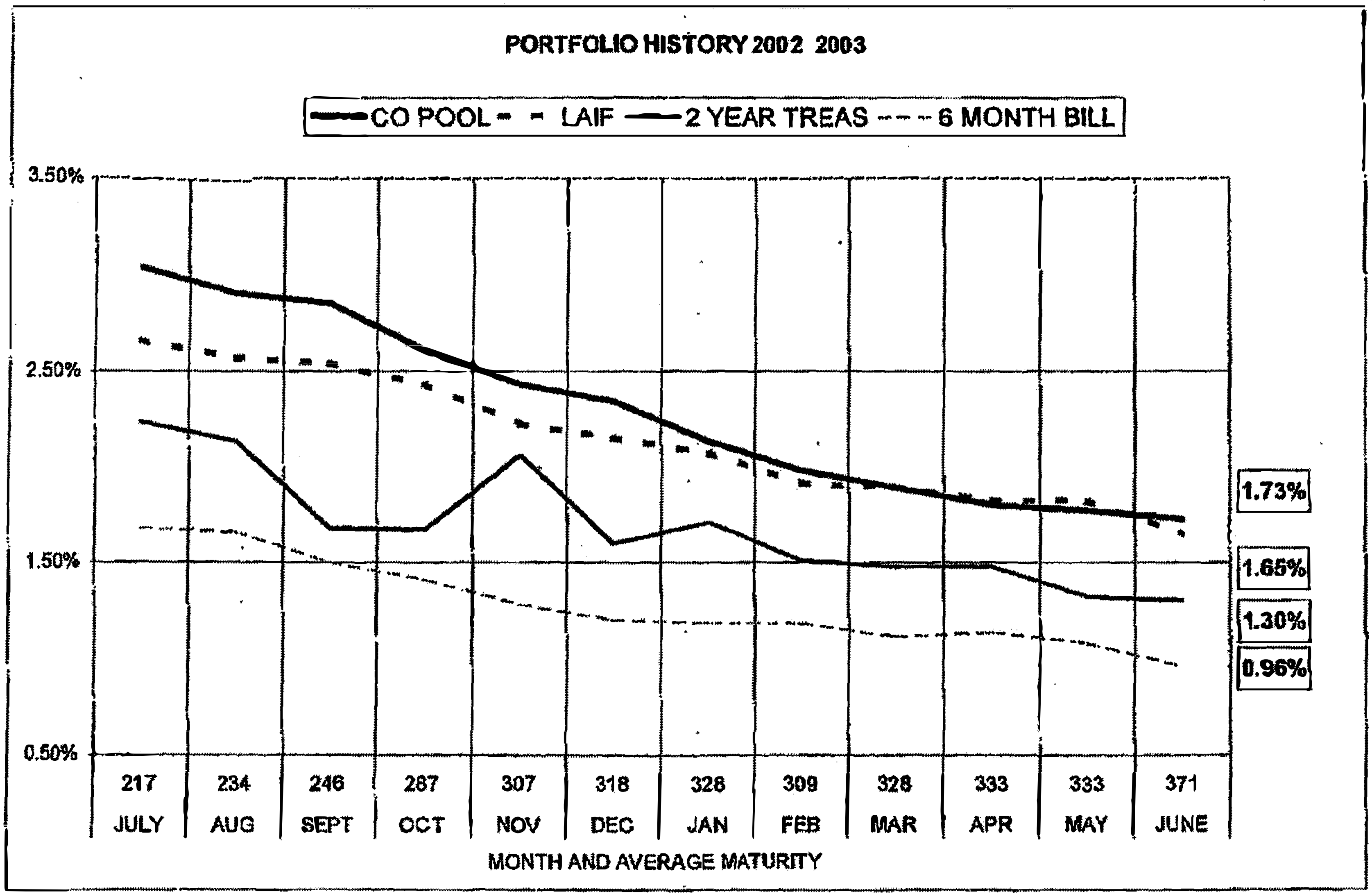
SECURITIES BY TYPE*



*Amounts are in millions (000)

SECURITIES BY MATURITY




PORTFOLIO HISTORY 2002 2003
CO POOL
LAIF
2 YEAR TREAS
6 MONTH BILL
3.50%
2.50%
1.50%
0.50%
1.73%
1.65%
1.30%
0.96%
217
JULY
234
AUG
246
SEPT
287
OCT
307
NOV
318
DEC
328
JAN
309
FEB
328
MAR
333
APR
333
MAY
371
JUNE
MONTH AND AVERAGE MATURITY

APPENDIX E

SPECIMEN OF MUNICIPAL BOND INSURANCE POLICY

(THIS PAGE INTENTIONALLY LEFT BLANK)

FINANCIAL SECURITY ASSURANCE®

MUNICIPAL BOND INSURANCE POLICY

ISSUER: Policy No.: -N

BONDS: Effective Date:

Premium:

FINANCIAL SECURITY ASSURANCE INC. ("Financial Security"), for consideration received, hereby UNCONDITIONALLY AND IRREVOCABLY agrees to pay to the trustee (the "Trustee") or paying agent (the "Paying Agent") (as set forth in the documentation providing for the issuance of and securing the Bonds) for the Bonds, for the benefit of the Owners or, at the election of Financial Security, directly to each Owner, subject only to the terms of this Policy (which includes each endorsement hereto), that portion of the principal of and interest on the Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Issuer.

On the later of the day on which such principal and interest becomes Due for Payment or the Business Day next following the Business Day on which Financial Security shall have received Notice of Nonpayment, Financial Security will disburse to or for the benefit of each Owner of a Bond the face amount of principal of and interest on the Bond that is then Due for Payment but is then unpaid by reason of Nonpayment by the Issuer, but only upon receipt by Financial Security, in a form reasonably satisfactory to it, of (a) evidence of the Owner's right to receive payment of the principal or interest then Due for Payment and (b) evidence, including any appropriate instruments of assignment, that all of the Owner's rights with respect to payment of such principal or interest that is Due for Payment shall thereupon vest in Financial Security. A Notice of Nonpayment will be deemed received on a given Business Day if it is received prior to 1:00 p.m. (New York time) on such Business Day; otherwise, it will be deemed received on the next Business Day. If any Notice of Nonpayment received by Financial Security is incomplete, it shall be deemed not to have been received by Financial Security for purposes of the preceding sentence and Financial Security shall promptly so advise the Trustee, Paying Agent or Owner, as appropriate, who may submit an amended Notice of Nonpayment. Upon disbursement in respect of a Bond, Financial Security shall become the owner of the Bond, any appurtenant coupon to the Bond or right to receipt of payment of principal of or interest on the Bond and shall be fully subrogated to the rights of the Owner, including the Owner's right to receive payments under the Bond, to the extent of any payment by Financial Security hereunder. Payment by Financial Security to the Trustee or Paying Agent for the benefit of the Owners shall, to the extent thereof, discharge the obligation of Financial Security under this Policy.

Except to the extent expressly modified by an endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "Business Day" means any day other than (a) a Saturday or Sunday or (b) a day on which banking institutions in the State of New York or the Insurer's Fiscal Agent are authorized or required by law or executive order to remain closed. "Due for Payment" means (a) when referring to the principal of a Bond, payable on the stated maturity date thereof or the date on which the same shall have been duly called for mandatory sinking fund redemption and does not refer to any earlier date on which payment is due by reason of call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity unless Financial Security shall elect, in its sole discretion, to pay such principal due upon such acceleration together with any accrued interest to the date of acceleration and (b) when referring to interest on a Bond, payable on the stated date for payment of interest. "Nonpayment" means, in respect of a Bond, the failure of the Issuer to have provided sufficient funds to the Trustee or, if there is no Trustee, to the Paying Agent for payment in full of all principal and interest that is Due for Payment on such Bond. "Nonpayment" shall also include, in respect of a Bond, any payment of principal or interest that is Due for Payment made to an Owner by or on behalf of the Issuer which has been recovered from such Owner pursuant to the

United States Bankruptcy Code by a trustee in bankruptcy in accordance with a final, nonappealable order of a court having competent jurisdiction. "Notice" means telephonic or telecopied notice, subsequently confirmed in a signed writing, or written notice by registered or certified mail, from an Owner, the Trustee or the Paying Agent to Financial Security which notice shall specify (a) the person or entity making the claim, (b) the Policy Number, (c) the claimed amount and (d) the date such claimed amount became Due for Payment. "Owner" means, in respect of a Bond, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Bond to payment thereof, except that "Owner" shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Bonds.

Financial Security may appoint a fiscal agent (the "Insurer's Fiscal Agent") for purposes of this Policy by giving written notice to the Trustee and the Paying Agent specifying the name and notice address of the Insurer's Fiscal Agent. From and after the date of receipt of such notice by the Trustee and the Paying Agent, (a) copies of all notices required to be delivered to Financial Security pursuant to this Policy shall be simultaneously delivered to the Insurer's Fiscal Agent and to Financial Security and shall not be deemed received until received by both and (b) all payments required to be made by Financial Security under this Policy may be made directly by Financial Security or by the Insurer's Fiscal Agent on behalf of Financial Security. The Insurer's Fiscal Agent is the agent of Financial Security only and the Insurer's Fiscal Agent shall in no event be liable to any Owner for any act of the Insurer's Fiscal Agent or any failure of Financial Security to deposit or cause to be deposited sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, Financial Security agrees not to assert, and hereby waives, only for the benefit of each Owner, all rights (whether by counterclaim, setoff or otherwise) and defenses (including, without limitation, the defense of fraud), whether acquired by subrogation, assignment or otherwise, to the extent that such rights and defenses may be available to Financial Security to avoid payment of its obligations under this Policy in accordance with the express provisions of this Policy.

This Policy sets forth in full the undertaking of Financial Security, and shall not be modified, altered or affected by any other agreement or instrument, including any modification or amendment thereto. Except to the extent expressly modified by an endorsement hereto, (a) any premium paid in respect of this Policy is nonrefundable for any reason whatsoever, including payment, or provision being made for payment, of the Bonds prior to maturity and (b) this Policy may not be canceled or revoked. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.

In witness whereof, FINANCIAL SECURITY ASSURANCE INC. has caused this Policy to be executed on its behalf by its Authorized Officer.

[Countersignature] FINANCIAL SECURITY ASSURANCE INC.

By ______________________ By ______________________
Authorized Officer

A subsidiary of Financial Security Assurance Holdings Ltd. (212) 826-0100
350 Park Avenue, New York, N.Y. 10022-6022

Form 500NY (5/90)

FINANCIAL SECURITY ASSURANCE®

ENDORSEMENT NO. 1 TO MUNICIPAL BOND INSURANCE POLICY (California Insurance Guaranty Association)

ISSUER:

BONDS:

Policy No.:

Effective Date:

Notwithstanding the terms and provisions contained in this Policy, it is further understood that the insurance provided by this Policy is not covered by the California Insurance Guaranty Association established pursuant to Article 14.2 (commencing with Section 1063) of Chapter 1 of Part 2 of Division 1 of the California Insurance Code.

Nothing herein shall be construed to waive, alter, reduce or amend coverage in any other section of the Policy. If found contrary to the Policy language, the terms of this Endorsement supersede the Policy language.

In witness whereof, FINANCIAL SECURITY ASSURANCE INC. has caused this Endorsement to be executed on its behalf by its Authorized Officer.

FINANCIAL SECURITY ASSURANCE INC.

By: ______________________________
Authorized Officer

A subsidiary of Financial Security Assurance Holdings Ltd.
350 Park Avenue, New York, N.Y. 10022-6022

(212) 826-0100

(THIS PAGE INTENTIONALLY LEFT BLANK)