

COMPREHENSIVE
ANNUAL
FINANCIAL REPORT



For the fiscal year ended June 30, 2008

City of Sunnyvale California
A Commitment to Excellence

Comprehensive Annual Financial Report

For The Fiscal Year Ended

June 30, 2008



City of Sunnyvale

650 West Olive Avenue

Sunnyvale, California 94086

(408) 730-7380

Prepared by the Department of Finance

Mary J. Bradley, Director of Finance

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City of SUNNYVALE

Department of Finance
650 West Olive Avenue
Sunnyvale, California 94086
408-730-7380

November 18, 2008

To the Honorable Mayor and Members of the City Council and Citizens of the City of Sunnyvale, California

We are pleased to submit the City of Sunnyvale's (City) Comprehensive Annual Financial Report for the fiscal year ended June 30, 2008. The City Charter (Section 1318) requires that a licensed certified public accountant conduct an annual audit at the end of each fiscal year and issue a complete set of financial statements to be submitted to City Council. The financial statements are presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards.

Responsibility for the accuracy of the data and the fairness of presentation, including all footnotes and disclosures, rests with the City. We believe the data presented in this report is accurate in all material respects and all statements and disclosures necessary for the reader to obtain a thorough understanding of the City's financial activities have been included. Management of the City has established a comprehensive internal control framework that is designed both to protect the City's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatements.

While traditionally addressed to the governing body of the City, this report is also intended to provide relevant financial information to the citizens of the City of Sunnyvale, City staff, creditors, investors and other concerned readers. We encourage all readers to contact the Department of Finance with any questions or comments concerning this report.

The City's financial statements have been audited by Maze and Associates, a firm of certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended June 30, 2008, are free of material misstatements. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Based upon the audit, the independent auditors concluded that there was reasonable basis for rendering an unqualified opinion which states that the City's financial statements for the fiscal year ended June 30, 2008, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

Chief Finance Officer's Letter of Transmittal, Continued
Fiscal Year Ended June 30, 2008

The independent audit of the financial statements of the City was part of a broader, federally mandated "Single Audit" designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the City's separately issued Single Audit Reports.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City's MD&A can be found immediately following the report of the independent auditors.

This report is divided into three sections:

- The **Introductory Section** includes this letter of transmittal, an organizational overview of the City government and prior awards received.
- The **Financial Section** consists of the independent auditors' report, Management's Discussion and Analysis, Basic Financial Statements (which include the Government-Wide Financial Statements, Fund Financial Statements, Notes to the Financial Statements and Required Supplementary Information) and a Supplementary Section containing the Combining and Individual Fund Financial Statements and Schedules.
- The **Statistical Section** includes a number of tables of unaudited data depicting the financial history of the City, demographics and other selected information about the City.

PROFILE OF THE CITY

Basic Information

The City of Sunnyvale was incorporated December 24, 1912. The original Charter of the City was prepared in accordance with the provisions of Section 8, Article XI of the Constitution of the State of California and became effective on May 18, 1949. The City operates under a Council-Manager form of government. Policy-making and legislative authority are vested with the City Council. There are seven Council Members elected by seat number for staggered four-year terms, with a two-term limit. The City Manager is responsible for carrying out the policies and ordinances of the City Council, for overseeing the day-to-day operations of the City, and for appointing the heads of various departments. The City Manager and City Attorney are appointed by the City Council.

Chief Finance Officer's Letter of Transmittal, Continued
Fiscal Year Ended June 30, 2008

PROFILE OF THE CITY, Continued

Component Units

In defining the reporting entity, we have included the City's component units, which are the Sunnyvale Redevelopment Agency (the Agency), Sunnyvale Financing Authority (the Authority), and Community Facilities District (the District). The City Council sits as the Board of the three component units. Both the Agency and the Authority are fiscally dependent on the City. The District was formed to provide a financing mechanism for the construction of parking facilities. The City's financial role with the District is fiduciary in nature.

There are no other governmental units over which the City Council has financial accountability.

Types of Services

The City provides the full range of municipal services contemplated by its Charter. These include police and fire protection, library services, construction and maintenance of streets, parks, storm drains and other infrastructure, human services, recreational programs and community development activities. The City also operates Water, Wastewater, and Solid Waste municipal utilities.

Boards and Commissions

The City utilizes various Boards and Commissions in the conduct of its affairs. A Directory of Boards and Commissions is provided within this report. Boards and Commissions required by the City Charter are:

- Board of Library Trustees
- Heritage Preservation Commission
- Parks and Recreation Commission
- Personnel Board
- Planning Commission

All other Boards and Commissions were established by the authority of the City Council. These are:

- Arts Commission
- Bicycle and Pedestrian Advisory Committee
- Board of Building Code Appeals
- Child Care Advisory Board
- Housing and Human Services Commission

Chief Finance Officer's Letter of Transmittal, Continued
Fiscal Year Ended June 30, 2008

PROFILE OF THE CITY, Continued

Although certain Boards and Commissions have specific powers granted by the City Charter, for the most part all act in an advisory capacity to the City Council.

Budget

Sunnyvale Charter Section 1302 originally specified that the City Manager submitted a budget to the City Council annually. Sunnyvale Charter Section 1305 originally specified that all budget appropriations would lapse and must be re-authorized at the end of the fiscal year if they have not been spent or legally committed.

On November 6, 2007, Sunnyvale voters approved to amend Sections 1302 and Section 1305 of the City Charter. The amendment adds language that requires the annual submission of a ten-year balanced budget that includes level of service information, historical financial trend data, and charts for ease of understanding the budget and provides that approved appropriations for capital projects will not lapse at the end of the fiscal year, unless completed, closed out or Council takes action to modify. The long-term nature of the City's financial planning system allows decision makers to better understand the effect of policy decisions to prevent wild swings in service levels during the upturns and downturns of economic cycles.

The legal level of budgetary control is placed by the City Council at the program level, with adjustments between programs within funds allowed below specified thresholds. A separate Budgetary Year-End Financial Report is prepared in December of each year, which presents details to demonstrate compliance at the legal level of control for the previous fiscal year.

The budget process and the governmental funds for which annual budgets are appropriated are described in detail in the Financial Section - Required Supplementary Information portion of this report.

Chief Finance Officer's Letter of Transmittal, Continued
Fiscal Year Ended June 30, 2008

LOCAL ECONOMY

The Silicon Valley region's economic bubble burst in 2001. According to the Association of Bay Area Governments (ABAG), over 200,000 jobs were lost in the Bay Area region between 2001 and 2004. The steep economic downturn that so severely impacted the City's fiscal condition over those years gave way to a moderate recovery, led by gains in consumer spending, large increases in business investment, and an active housing market. The growth slowed significantly in the first half of 2008. A subsequent crisis in the global financial and credit markets emerged in October 2008; the economic outlook remains bleak and uncertain.

The weak economic outlook also resulted in reduced consumer spending, lower industrial production, and higher unemployment. Increasing signs suggest that Silicon Valley is continuing to feel negative effects of the economic slowdown.

There are several areas of vulnerability with respect to revenues, most notably, property tax, sales tax, and development-related revenues. The recent turmoil in the financial industry and the troubles in the nation's housing market have caused significant slowdown in the residential housing market, the fiscal impact of which will be felt starting next fiscal year. Additionally, the underlying weak economic factors have caused the State to forecast huge budget shortfalls absent corrective action. The fiscal impact of the State's budget crisis on local governments is difficult to predict as the State has not yet determined how to address the deficit.

The construction of the Sunnyvale Town Center redevelopment project is well underway. Downtown Sunnyvale Mixed Use, LLC, the Developer, has assured the City that, despite the current financial crisis, funding for the project is not now, nor has it ever been in jeopardy. However, the unprecedented economic condition over the last few months, along with the anticipated economic situation in early 2009, caused the Developer to request a First Amendment to the Amended and Restated Disposition and Development and Owner Participation Agreement (ARDDOPA).

The Council approved the First Amendment to the ARDDOPA on November 18, 2008. The Amendment includes a small reduction in the number of residential units to be completed, the sale of residential units to be phased in over a five-year period with a rental unit conversion, and a one-year postponement so that delivery of retail space will be completed on or before March, 2010.

Chief Finance Officer's Letter of Transmittal, Continued
Fiscal Year Ended June 30, 2008

LONG-TERM FINANCIAL PLANNING

When the fiscal year 2009 Budget was prepared, the City had made considerable progress toward its goal of long term financial stability. City staff continues to implement cost saving strategies. Additionally, Council successfully pursued two tax increases. In November 2005, Sunnyvale voters approved increases to the City's Transient Occupancy Tax and Business License Tax rates, which were lower than those of most of our surrounding communities. These two revenue increases provide additional resources to address our ongoing fiscal challenges.

City staff is undertaking a thorough User Fee and Cost of Service Study for all services related to development. The project will include identification of all direct and indirect costs, recommendation of a new fee structure or validation of the existing structure, and clear identification of the revenue impacts of any proposed fee changes on end users. Results of the study will be brought to Council and incorporated into next year's fee setting process as appropriate.

Although the adopted fiscal year 2009 Long-Term Financial Plan for the General Fund was balanced over the full twenty years in accordance with City Council Policy, the recession which we are currently experiencing will negatively impact our ongoing revenues. In addition, the City faces fiscal challenges such as: Library facilities and programming needs; the need for Civic Center replacement or renovation and other unfunded capital projects; a continued structural imbalance in the Community Recreation Fund; and rising employee costs and the need to invest in our workforce.

The Library of the Future study, completed in fiscal year 2007, was an extensive study of Library needs over the next thirty years. The study indicated the need to replace our aging Library facility to more than double the existing space. A bond measure to fund the construction of a new Library was placed on the November 6, 2007 election ballot. While the measure did not receive the necessary two-thirds vote, it did receive 59% approval, indicating that Sunnyvale citizens are interested in an improved and expanded facility. Council subsequently directed City staff to reexamine the possibility of a branch library and consider a leased facility. The study issue is to be completed by the end of 2008.

An additional challenge to the General Fund's long term fiscal health is the unfunded capital and infrastructure projects that have been identified through the budget process. Of particular concern is the state of the Civic Center facilities, which are suffering from functional obsolescence and significant maintenance and repair costs. We are currently undertaking a strategic review of all public facilities to identify what is needed to support the City's mission over the long term.

Chief Finance Officer's Letter of Transmittal, Continued
Fiscal Year Ended June 30, 2008

LONG-TERM FINANCIAL PLANNING, Continued

The Community Recreation Fund continues to experience a structural imbalance between revenues and expenditures, in spite of efforts over the last several years to improve and stabilize its financial position. This imbalance results from a continuing decline in golf revenues and other recreation fees. It will be important to continue to monitor and make course adjustments to both revenues and expenditures so as to not add financial burdens to the General Fund.

The cost for employees, both in salaries and benefits, continues to be a major fiscal vulnerability. The Long Term Financial Plan assumes that personnel costs will increase moderately, at about the pace of inflation. However, historically we know that our salary costs as well as certain benefit costs such as medical insurance and retirement have increased at a pace well in excess of inflation. It will be imperative for us to manage to our new fiscal reality and maintain control over personnel costs, which make up by far the largest portion of our expenses.

Further, the demographics of our workforce indicate that we will experience a number of retirements in the coming year or two as the baby boomers age and leave the work place. As this occurs, it will be important that we attract the best candidates in order to continue to deliver the highest quality service in the most cost effective manner. We will also need to invest in our human resources, providing opportunities for learning, encouraging skills and professional development, and providing the tools necessary to function at optimum levels.

RELEVANT FINANCIAL POLICIES

Multi-year financial planning allows the City to recognize trends over time and begin at an early point to consider the necessary steps to alter the long-term forecasted position of a particular fund should that appear necessary. The City has established reserves in the General Fund that are restricted by prior policy or legal requirements to specific uses. The reserves and set-asides contained in the General Fund's Long-Term Financial Plan play a pivotal role in the City's multi-year planning strategy. The General Fund currently has three major reserves.

The first is the *Contingencies Reserve*. By fiscal policy, this reserve shall be equal to 20% of the operating budget each year to cover emergency or disaster. It is not intended for normal unanticipated expenditures. This reserve changes each year as operations of the General Fund either increase or decrease.

Chief Finance Officer's Letter of Transmittal, Continued
Fiscal Year Ended June 30, 2008

RELEVANT FINANCIAL POLICIES, Continued

A second reserve in the General Fund is entitled the *20-Year Resource Allocation Plan (RAP) Reserve*. This reserve functions to level economic cycles from year to year. By letting this reserve vary each year, the fund can absorb the cyclical effects of the economy. In essence, this reserve grows during periods of economic growth and is drawn down during the low points of economic cycles to maintain stable service levels. The *20-Year RAP Reserve* functions very effectively to prevent the City from adding services at the top of the economic cycle that cannot be sustained while allowing us to maintain Council-approved services levels during economic downturns.

The function of the *20-Year RAP Reserve* and its strength was particularly apparent when the City struggled with the rapid economic downturn resulting from the dot-com bust that began in 2001. In prior years when the City was experiencing strong economic growth, the reserve was building up over time to the \$61 million level reached in fiscal year 2002. Then, as the effects of the economic downturn began to be fully felt, the reserve was drawn down to provide a "cushion" to maintain City services at desired levels and allow time to develop a measured approach to the new fiscal reality. In the recommended fiscal year 2004 Budget, a structural imbalance between revenues and expenditures of \$15 million was identified, and a plan consisting of a combination of service level/expenditure reductions and fee increases was implemented to bring the General Fund into balance over the twenty-year planning period.

The third reserve in the General Fund is the *Reserve for Capital Improvement Projects*. Originally entitled the *Land Acquisition Reserve*, it was established in fiscal year 1995 for the purpose of purchasing land or property in the downtown area with an emphasis on future income generation through economic development. In the past, it was used to purchase key parcels in the downtown area. As the title change indicates, its purpose has now been expanded to provide funds for one-time capital improvement projects. The reserve increases throughout the Long-Term Financial Plan as several of the City's land assets are sold.

Finally, from time to time it is necessary to establish various additional reserves for specific purposes as required by contracts or grants.

In addition to reserves, which are one-time (once drawn down the funds are gone), the General Fund also has a *Service Level Set-Aside*, established at \$500,000 increasing with inflation each year. This Set-Aside represents funds that are available to increase service levels or add new services on an ongoing basis. It should be noted, however, that once identified for ongoing purposes, the funds are transferred to the appropriate program and the Set-Aside is reduced accordingly.

Chief Finance Officer's Letter of Transmittal, Continued
Fiscal Year Ended June 30, 2008

MAJOR INITIATIVES

Downtown Sunnyvale

In February 2007, the Sunnyvale City Council and the Redevelopment Agency approved the purchase by Downtown Sunnyvale Mixed Use, LLC, a partnership of RREEF and Sand Hill Properties, of the mostly shuttered Sunnyvale Town Center to begin site redevelopment. The purchase restarted the project to redevelop the Town Center Mall and revitalize the City's downtown. Since the new developers took over the project, significant progress has been made and construction is well underway. Sand Hill Properties has also purchased the adjacent Town and Country retail site and is currently developing plans to rebuild this site.

The next several years promise to be very busy and exciting in the redevelopment of Downtown. Major parts of the Town Center Project and the Town and Country Redevelopment will be opening by March, 2010. If the City can also complete the major Downtown infrastructure projects to which City Council has assigned high priority, including those supporting the anticipated private development, we can enjoy a totally rebuilt Downtown within the next several years.

Economic Development

Major office development projects included the Jay Paul Moffett Towers with over 1.5 million square feet in construction inspection. Planning approval also included Class A office space of 2.5 million square feet, retail space of 50,000 square feet and 290 housing units. New building permits were processed for the large Millennium project consisting of a 263-room hotel and 250 condominium flats surrounding an existing man-made lake. Permitting and construction inspection for over 1,000 new residential units were conducted.

Affordable Housing

A non-profit housing developer was selected to build a minimum 120-unit affordable senior housing project next to the new County Health Clinic with funding from the HOME grant and Housing Mitigation Funds.

Green Building Incentives and Sustainability

The City developed ambitious green building incentives and standards for future developments, including strategies to encourage photovoltaic heating systems. In addition, a budget supplement was approved for fiscal year 2009 to add the City's first environmental coordinator to build and implement a formal structure for coordinating environmental sustainability activities citywide.

Chief Finance Officer's Letter of Transmittal, Continued
Fiscal Year Ended June 30, 2008

MAJOR INITIATIVES, Continued

Parks and Recreation Improvements

Using State grants, the City's youth and teen units and the School District were able to increase enrollment at four after school programs, bringing the total grant funded after school programs to seven. The City worked with the Sunnyvale School District on this effort.

The Sunnyvale Golf Course Tee Renovation Project was completed at the end of the fiscal year and has received very positive customer response. A "SoloRider" mobility-impaired golf cart was acquired to provide physically challenged customers with access to all parts of the course, including tees and greens.

The City also used State funding to renovate the aged Recreation Building Lobby at the Community Center.

Community Engagement and Relationship Building

The Challenge Team is a collaborative effort that brings community members, school administrators, non-profits, interested individuals, and Public Safety staff together once each month to focus on issues that affect our youth. The Challenge Team just completed its first year as an organization. A mentoring program for the most at risk youth was developed; a 12-week parenting course was introduced to teach core skills to the parents of at risk youth; and a leadership curriculum was brought to Columbia Middle School in cooperation with the non-profit Fresh Lifelines for Youth.

Workforce Development

The North Valley Job Training Consortium (NOVA) contracted with UCSC Extension to develop and offer a certificate program targeted at retraining dislocated software engineers to work in aerospace. Both were recognized for the development of the successful training curriculum/certificate to transition unemployed/underemployed software engineers into aerospace engineers.

The flip side of worker dislocation is the significant number of job opportunities in the region as a result of "churning" – the "new" job opportunities that are created by the evolution of the valley while at the same time the destruction of "old" jobs that are no longer cost effective to continue here. It has been a continuous challenge for NOVA to help its clients become competitive for the new jobs, and the focus in recent years has been to pay particular attention to the jobs being created by the Clean Tech/ Green Tech/Solar Tech industries. NOVA coordinated with five community colleges to create occupational training curriculum and class offerings for solar panel installers and helped develop a workforce development component for a renewable energy industry consortium.

Chief Finance Officer's Letter of Transmittal, Continued
Fiscal Year Ended June 30, 2008

MAJOR INITIATIVES, Continued

Library's New Service

In Sunnyvale's high technology community, there is a high demand for electronic communication and electronic delivery of information. During fiscal year 2008, there was a focus on Library 2.0 features and functionality to bring the best of online communication and resources to Library customers. These features included the use of blogs, instant messaging, social networking, and wikis. The purpose of the project was also to introduce Library staff to Web 2.0 technologies and encourage thinking around how these technologies could be used to improve library services. Other additions to service that can be attributed to the 2.0 training include instant messaging for responding to reference questions, a class for the public on creating and using blogs, and development of a class on online book networking sites (e.g. Library/Thing, Shelfari) that will be introduced in Fall 2008.

Ongoing Major Projects

The following major projects that are currently being undertaken will continue into next year and beyond:

Mathilda Avenue Railroad Overpass Replacement and Reconfiguration

The State of California Department of Transportation (CalTrans) inspects bridges throughout the state every other year for structural adequacy and functional operation. As per the CalTrans inspection report in 2000, the current Mathilda Avenue Railroad Overpass bridge design does not meet bridge pier clearance standards, deceleration lane design standards, shoulder width standards, and bridge railing standards.

This project was initiated in 2000 and has a total budget of \$32.6 million. City staff anticipates receiving federal funds (Federal Highway Bridge Program) with 11.47% local match for removing the deficiencies and improving traffic circulation on the bridge. The bridge improvements include reconfiguring the off ramp to Evelyn Avenue to allow full access to Evelyn from southbound Mathilda Avenue. As an added benefit, this improvement can service the anticipated increase in traffic from southbound Mathilda Avenue to downtown Sunnyvale. Construction is anticipated to begin in fiscal year 2009 and be completed by fiscal year 2011.

Chief Finance Officer's Letter of Transmittal, Continued
Fiscal Year Ended June 30, 2008

MAJOR INITIATIVES, Continued

Replacement of Materials Recovery Facility at the SMART Station

The materials recovery facility (MRF) equipment line is integral to the Sunnyvale Materials Recovery and Transfer (SMaRT[®]) Station. The MRF line began operation in 1994 with an original cost of \$6.3 million. After years of heavy usage, key components of the MRF equipment were showing excessive wear and downtime. The replacement project, according to City staff's analysis, will result in a net benefit of \$18.5 million over 15 years, as compared to not going forward with the project. The net financial benefits include reduced operating costs, reduced landfill costs, and increased recycling revenues to be shared among the partner cities of Sunnyvale, Mountain View, and Palo Alto.

This project has a budgeted cost of \$14.8 million, partially funded by revenue bonds issued in November 2007. Construction began in fiscal year 2008 and will be completed in fiscal year 2009.

The Water Pollution Control Plant Replacement

In the City's fiscal year 2008 Long-Term Financial Plan, the need for a new Water Pollution Control Plant (WPCP) was identified. The original components of the plant were constructed in 1956, with subsequent additions continuing through the early to mid-1980s. Many of the components of the plant have met or exceeded their useful life. City staff is considering the costs and benefits of two options: (1) Replace the existing facility with a new WPCP, or (2) Renovate and optimize the existing plant. Pending the review results, the estimated costs for a new WPCP have been included in the Long-Term Financial Plan. These costs are significant enough to require funding through revenue bonds which will spread the financial impact over the life of the asset. The City is planning to issue bonds in series. Bonded debt service is estimated to start in fiscal year 2011, gradually increasing as the plant is built, reaching full debt service by fiscal year 2022.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Sunnyvale for its comprehensive annual financial report for the fiscal year ended June 30, 2007. This was the twenty-second consecutive year that the City has achieved this prestigious award.

Chief Finance Officer's Letter of Transmittal, Continued
Fiscal Year Ended June 30, 2008

AWARDS AND ACKNOWLEDGEMENTS, Continued

In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized Comprehensive Annual Financial Report. This report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only. We believe that our current Comprehensive Annual Financial Report continues to meet the Certificate program requirements. This report will be submitted to GFOA to determine its eligibility for another certificate.

The City of Sunnyvale also received the Distinguished Budget Presentation Award from GFOA for the City's adopted budget for the fiscal year ended June 30, 2008. This was the nineteenth consecutive year that the City has received this award. In order to qualify for the award program, the City's budget document was judged to be proficient in four categories including policy document, financial plan, operations guide, and communications device. In addition to qualifying for the award this year, our budget received the "special performance measures" recognition because we were rated outstanding by all raters in the performance measures category.

Since 1999, the City's investment policy has received certification by the Association of Public Treasurers (Association). The Association provides professional guidance and assistance in improving investment policies in the public sector. At least three experts in the field review the investment policies and those jurisdictions that comply with Association's criteria are presented with the Association's Written Investment Policy Certification.

The City has received the Annual Achievement of Excellence in Procurement Awards from National Purchasing Institute (NPI) for the past nine years since 2000. NPI is the public sector purchasing affiliate of the Institute for Supply Management (ISM). The mission of NPI is to facilitate the educational and professional development of its members.

The preparation of this Comprehensive Annual Financial Report could not have been accomplished without the professional, efficient, and dedicated service of the staff of the Department of Finance. In particular I would like to express my appreciation to the following members of the Finance Department who contributed to the development of this report: Grace Leung, Senior Finance Manager; Jamie Oei, Senior Accountant; Lisa Sandigo, Luis Cuellar, and Juan Castro, Accountants; Rebecca Vanderstelt, Senior Accounting Technician; and Tim Kashitani, Administrative Aide.

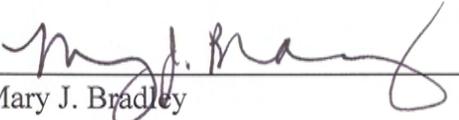
***Chief Finance Officer's Letter of Transmittal, Concluded
Fiscal Year Ended June 30, 2008***

Awards and Acknowledgements, Continued

I also wish to thank our auditors, Maze and Associates, Certified Public Accountants, for their cooperation and assistance.

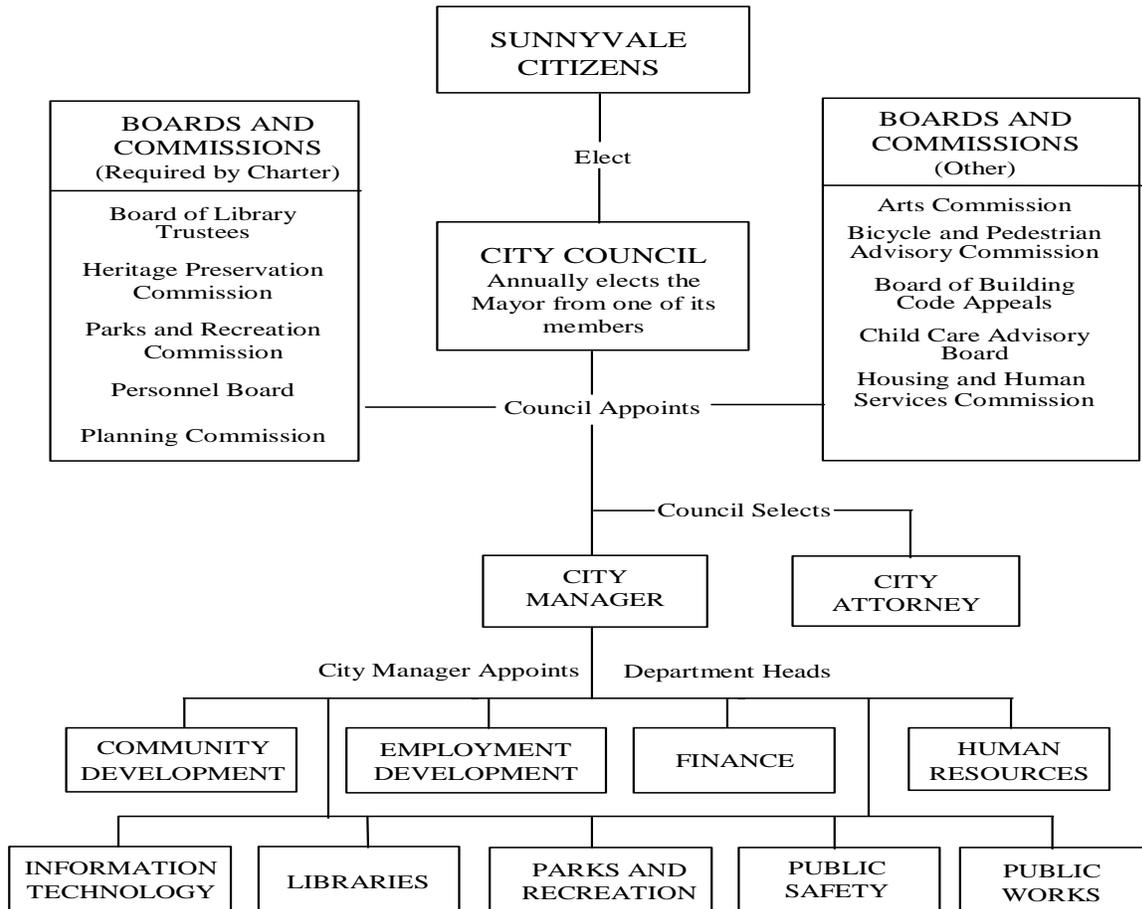
Sincere appreciation is also expressed to the City Manager and members of the City Council for their support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,



Mary J. Bradley
Director of Finance

Organization Chart



Anthony Spitaleri
Mayor

Melinda Hamilton
Vice-Mayor

John N. Howe
Councilmember

Ron Swegles
Councilmember

Otto O. Lee
Councilmember

Christopher R. Moylan
Councilmember

David Whittum
Councilmember

Amy Chan
City Manager

Deborah Barrow
Director of Libraries

Cuong Nguyen
Director of Information Technology

Mary J. Bradley
Director of Finance

Hanson Hom
Director of Community Development

Michael Curran
Director of Employment Development

Marvin Rose
Director of Public Works

Don Johnson
Director of Public Safety

Robert Walker
Asssitant City Manager

David Lewis
Director of Parks and Recreation

Erwin Young
Director of Human Resources

David Kahn
City Attorney

**Directory of Boards and Commissions
Fiscal Year Ended June 30, 2008**

Arts Commission

Carney, Dixie
Estrada, Amber
Martin-Milius, Tara
Obrey, Robert
Shinseki, Dennis

Bicycle and Pedestrian Advisory Committee

Durham, Ralph
Jackson, Kevin
Manitakos, Jr., James
Reece, Michael
Stawitcke, Andrea
Warner, Richard

Board of Building Code Appeals

Faravelli, Ted
Kim, James
Pal, Nick
Walz, Patrick

Board of Library Trustees

Griffith, James
Lilly, John
Meagher, Kathleen
Pathak, Narendra
Su, Ray

Child Care Advisory Board

Bosco, Carrie
Khazeni, Manijeh
Matos, Melvin
Sell, Jacqueline
Shea, Maxine
Taiz, Lisa

Heritage Preservation Commission

Fussell, Betty
Kausek, Rose
McDonough, Nancy
Stanek, Jeanine
Vaidyanathan, Nirmala
Verma, Amrit

Housing and Human Services Commission

Andersen, Ann
Falk, Micki
Hubble, Jeremy
Johnson, Mark
Keeler, Charles
Meyering, Patrick
Josefsberg, Gal
Plant, Patricia
Tindle, Florence

Parks and Recreation Commission

Chuck, Howard
Colvin, James
Harms, Robert
Kinder, Robert
Oliver, Richard

Personnel Board

Fryer, Branden
Gans, Werner
Hendricks, Glenn
Nickey, Judith
Saprai, Stephanie

Planning Commission

Babcock, Laura
Chang, Bo
Hungerford, Charles
Klein, Larry
Rowe, Harriet
Simons, David
Sulser, Brandon

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Sunnyvale
California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2007

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



Oliver S. Cox

President

Jeffrey R. Emen

Executive Director

INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Members of the
City Council of the City of Sunnyvale, California

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Sunnyvale, California as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these basic financial statements based on our audit. The financial statements as of June 30, 2007 were audited by other auditors whose opinion dated November 2, 2007 were unqualified.

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

In our opinion, the basic financial statements referred to above present fairly in all material respects the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Sunnyvale, California as of June 30, 2008 and the respective changes in the financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Notes 11 and 13, the City implemented the provisions of Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* and Governmental Accounting Standards Board Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2008 on our consideration of the City of Sunnyvale's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and the budgetary comparison information are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The supplemental section listed in the Table of Contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. This information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Maze & Associates

November 14, 2008

Management's Discussion and Analysis

***Management's Discussion and Analysis
Fiscal Year Ended June 30, 2008***

This portion of the City of Sunnyvale's annual financial report presents management's discussion and analysis of the City's financial activities and performance for the fiscal year ended June 30, 2008. The information presented here should be considered in conjunction with additional information we presented in our transmittal letter in the Introductory Section at the front of this report, and the City's financial statements, which follow.

This is the seventh year the City has prepared its annual financial report in accordance with Governmental Accounting Standards Board (GASB) Statement No. 34. As we fine-tune the implementation of those reporting requirements, we have made some reclassifications between the line items in the originally presented fiscal year 2007 information so that the comparative analysis will be more meaningful. These reclassifications did not change net assets reported in that year. In the condensed comparative statements, fiscal year 2007 numbers have been restated to reflect prior period adjustments as explained in the Notes to the Basic Financial Statements.

A. FINANCIAL HIGHLIGHTS

- At June 30, 2008, the City's net assets (excess of assets over liabilities) were \$709.2 million. Of this amount, \$182.3 million may be used to meet the City's ongoing operations.
- During the fiscal year the City's total net assets increased by \$22.5 million. Total expense of \$261.1 million was more than offset by total revenues of \$283.6 million.
- At June 30, 2008, the City's governmental funds reported combined ending fund balance of \$133.6 million, an increase of \$17.7 million from the prior year. Approximately 49% of this total fund balance, \$56.6 million, all from the General Fund, was designated for the City's 20-Year Resource Allocation Plan, after all other reservations and designations of fund balances. Total General Fund balance was \$121.2 million, while total General Fund expenditures were \$120.3 million.
- The City's total liabilities increased by \$22.6 million from the prior year. The City issued Solid Waste Revenue Bonds, Series 2007, in the amount of \$8.1 million during this year. Principal repayment of bonded debt reduced liabilities by \$4.2 million. An estimated \$8.4 million was recorded for the Town Center pollution remediation obligations. A net Other Postemployment Benefits (OPEB) obligation of \$3.9 million was recorded to implement GASB Statement No. 45. Grant funds received in advance increased by \$2.2 million. The City also reported increases of \$3.2 million in other current liabilities (primarily accounts payable) and of \$1 million in other long-term liabilities.

B. OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City of Sunnyvale's basic financial statements. The City's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Management's Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2008

B. OVERVIEW OF FINANCIAL STATEMENTS, Continued

The basic financial statements include the City (primary government) and all legally separate entities (component units) for which the government is financially accountable. The City's component units consist of the Redevelopment Agency of the City of Sunnyvale (Agency) and the Sunnyvale Financing Authority (Authority). These component units are, for practical purposes, departments or programs of the City and have been included in the basic financial statements as an integral part of the primary government using the blended method.

The government-wide financial statements consist of a statement of net assets and the statement of activities and changes in net assets. These statements are designed to present the financial picture of the City and provide readers with a broad view of the City's finances. These statements present governmental activities and business-type activities separately and include all assets of the City (including infrastructure) as well as all liabilities (including long-term debt). Additionally, certain interfund receivables, payables, and other interfund activity have been eliminated as prescribed by GASB Statement No. 34.

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

The statement of net assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities and changes in net assets presents information showing how the City's net assets changed during the most recent year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of timing of related cash flows. Thus, revenues and expenses are reported in this statement for items that may only impact cash flows in future fiscal periods.

In the statement of net assets and the statement of activities and changes in net assets, we separate the City's activities as follows:

Governmental Activities—Most of the City's basic services are reported in this category, including Planning and Management, Public Safety, Community Development, Environmental Management, Socioeconomic, Cultural, and Transportation. Property taxes, sales taxes, other taxes, user fees, interest income, franchise fees, and state and federal grants finance these activities.

Management's Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2008

B. OVERVIEW OF FINANCIAL STATEMENTS, Continued

Business-Type Activities—The City charges a fee to customers to cover all or most of the costs of certain services it provides. The City's Water System, Wastewater System, Solid Waste System, SMaRT[®] Station, and Community Recreation activities are reported as business-type activities.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Sunnyvale uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Some funds are established as required by State law and by bond covenants. However, management establishes many other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants and other monies. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

The fund financial statements report the City's operations in more detail than the government-wide financial statements by providing detailed information about the City's most significant funds (called "Major Funds.")

The fund financial statements include statements for the aforementioned three categories of activities. The governmental funds are prepared using the current financial resources measurement focus and modified accrual basis of accounting. The proprietary funds are prepared using the economic resources measurement focus and the accrual basis of accounting. The fiduciary funds are agency funds which only report assets and liabilities and do not have a measurement focus.

Governmental Funds—Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental funds financial statements focus on current financial resources, which emphasize near-term inflows and outflows of spendable resources as well as balances of spendable resources at the end of the fiscal year. This information is essential in evaluating the City's near-term financial requirements.

In order to better understand the City's long-term and short-term requirements, it is useful to compare the City's governmental fund statements with the governmental activities in the government-wide financial statements. Reconciliations are provided for both the governmental fund balance sheet and the statement of revenues, expenditures, and changes in fund balances to facilitate this comparison.

The City maintains 22 individual governmental funds. Information is presented separately in the governmental fund financial statements for the following major governmental funds: General Fund, Employment Development Special Revenue Fund, Redevelopment Agency Debt Service Fund, and City Capital Projects Fund. All other funds are shown in the aggregate as other nonmajor funds.

Management's Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2008

B. OVERVIEW OF FINANCIAL STATEMENTS, Continued

Fund Financial Statements, Continued

Proprietary Funds—The City maintains two types of proprietary funds: enterprise funds and internal service funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its Water, Wastewater, Solid Waste, SMaRT Station, and Community Recreation operations. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its General Services, Employee Benefits, and Risk Management operations. Because these services predominantly benefit the governmental rather than business-type activities, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. All enterprise funds are presented as major funds. The internal service funds are combined into a single aggregated presentation in the proprietary fund financial statements.

Fiduciary Funds—The City is the trustee, or fiduciary, for certain funds held on behalf of external parties. The City's fiduciary activities are reported in separate statements of fiduciary net assets. These activities are excluded from the City's other financial statements because the resources of these funds are not available to support the City's own programs. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes follow the basic financial statements.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. This information includes budgetary comparison schedules, more detailed information regarding the modified approach used for reporting the City's infrastructure capital assets, and information concerning the City's progress in funding its obligation to provide pension benefits to its employees.

Combining statements for the nonmajor governmental funds and the internal service funds are presented immediately following the required supplementary information.

Management's Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2008

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Assets

Net assets may serve over time as a good indicator of the City's financial position. At the close of fiscal year 2008, assets exceeded liabilities by \$709.2 million. This is an increase of \$22.5 million from the prior year.

The following is the condensed statement of net assets for the fiscal years ended June 30, 2008 and 2007.

City of Sunnyvale
Condensed Comparative Statements of Net Assets
June 30, 2008 and 2007
(Amounts in Millions)

	Governmental Activities		Business-type Activities		Total		Total % Change
	2008	2007	2008	2007	2008	2007	
Assets:							
Current and Other Assets	\$ 331.3	\$ 302.0	\$ 12.9	\$ 6.5	\$ 344.2	\$ 308.5	11.6 %
Capital Assets, Net	397.4	395.1	113.7	106.5	511.1	501.6	1.9 %
Total Assets	728.7	697.1	126.6	113.0	855.3	810.1	5.6 %
Liabilities:							
Noncurrent Liabilities	58.2	58.8	51.2	45.6	109.4	104.4	4.8 %
Other Liabilities	28.1	11.5	8.6	7.5	36.7	19.1	92.3 %
Total Liabilities	86.3	70.3	59.8	53.1	146.1	123.5	18.3 %
Net Assets:							
Invested in Capital Assets, Net of Related Debt	361.9	358.3	66.1	64.5	428.0	422.8	1.2 %
Restricted	86.3	72.6	12.6	6.9	98.9	79.5	24.4 %
Unrestricted	194.2	195.9	(11.9)	(11.5)	182.3	184.4	(1.2)%
Total Net Assets	\$ 642.4	\$ 626.8	\$ 66.8	\$ 59.9	\$ 709.2	\$ 686.7	3.3 %

Management's Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2008

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

Statement of Net Assets, Continued

At June 30, 2008, the largest portion of net assets (60%) consisted of the City's investment in capital assets net of related debt. This component portrays the total amount of funds required to acquire those assets less any related debt used for such acquisition that is still outstanding. This amount increased this year by \$5.2 million because asset additions exceeded depreciation expenses. The City uses these capital assets to provide services to citizens. The amount of net assets invested in capital assets, net of related debt, is reported as a distinct component of net assets because this amount is not available for future spending. In addition, although the City's investment in its capital assets is reported net of related debt, the resources needed to repay this debt must be provided from other sources because the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net assets (14%) represents resources that are subject to external restrictions on how they may be used. The increase in restricted net assets of \$13.6 million in governmental activities reflects the increase in capital grants and contributions and development-related fees. Restricted net assets in business-type activities increased by \$5.8 million primarily due to the new revenue bonds issued in order to replace materials recovery facility at the SMaRT Station.

The remaining balance of unrestricted net assets (26%) may be used to finance day-to-day-operations without constraints established by debt covenants or other legal requirements. As in the prior fiscal year, the City was able to report positive balances in all these categories for the City as a whole and for its governmental activities. The business-type activities reported deficit unrestricted net assets in both years, caused by advances from the General Fund to construct facilities and to stabilize utility rates over the long term.

Management's Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2008

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

Statement of Activities

The City's net assets increased by \$22.5 million (3.3%) from the prior year. The following is the condensed statement of activities and changes in net assets for the fiscal years ended June 30, 2008 and 2007.

City of Sunnyvale
Condensed Comparative Statements of Activities and Changes in Net Assets
June 30, 2008 and 2007
(Amounts in Millions)

	Governmental Activities		Business-Type Activities		Total		Total % Change
	2008	2007	2008	2007	2008	2007	
Revenues:							
Program Revenues:							
Charges for Services	\$ 35.2	\$ 27.4	\$ 111.3	\$ 100.6	\$ 146.5	\$ 128.0	14.4 %
Operating Grants and Contributions	14.8	17.9	-	-	14.8	17.9	(17.2)%
Capital Grants and Contributions	6.9	3.5	0.6	0.5	7.5	4.0	87.9 %
Total Program Revenues	56.9	48.8	111.9	101.1	168.8	149.9	12.6 %
General Revenues:							
Property Taxes	44.1	41.0	-	-	44.1	41.0	7.5 %
Sales and Use Taxes	29.7	30.9	-	-	29.7	30.9	(3.7)%
Other Taxes	25.9	23.3	-	-	25.9	23.3	11.0 %
Investment Income	13.0	13.3	1.8	2.1	14.7	15.4	(4.5)%
Other	0.4	0.0	-	-	0.4	0.0	1,445.7 %
Total General Revenues	113.1	108.6	1.8	2.1	114.8	110.6	3.8 %
Total Revenues	170.0	157.4	113.6	103.2	283.6	260.6	8.9 %
Expenses							
Planning and Management	20.6	19.0	-	-	20.6	19.0	8.8 %
Public Safety	72.9	65.8	-	-	72.9	65.8	10.9 %
Community Development	21.4	20.2	-	-	21.4	20.2	6.0 %
Transportation	11.2	11.8	-	-	11.2	11.8	(5.4)%
Socioeconomic	9.2	10.8	-	-	9.2	10.8	(15.3)%
Cultural	9.6	8.9	-	-	9.6	8.9	8.7 %
Environmental Management	14.3	2.0	-	-	14.3	2.0	604.5 %
Water Supply and Distribution	-	-	20.7	19.4	20.7	19.4	6.6 %
Wastewater Management	-	-	16.7	16.8	16.7	16.8	(0.4)%
Solid Waste Management	-	-	29.0	28.0	29.0	28.0	3.6 %
SMaRT Station	-	-	22.7	19.0	22.7	19.0	19.3 %
Community Recreation	-	-	11.2	10.8	11.2	10.8	3.4 %
Interest on Long-term Debt	1.6	1.7	-	-	1.6	1.7	(5.1)%
Total Expenses	160.8	140.2	100.3	94.0	261.1	234.2	11.5 %
Increase (decrease) in Net Assets							
before Transfers and Special Items	9.1	17.2	13.4	9.2	22.5	26.4	(14.6)%
Transfers	6.4	7.3	(6.4)	(7.3)	-	-	-
Special Item	-	7.3	-	-	-	7.3	100.0 %
Increase (Decrease) in Net Assets	15.5	31.8	7.0	1.9	22.5	33.7	(33.2)%
Net Assets - Beginning	626.8	595.0	59.9	58.0	686.7	653.0	5.2 %
Net Assets - Ending	\$ 642.3	\$ 626.8	\$ 66.8	\$ 59.9	\$ 709.2	\$ 686.7	3.3 %

**Management’s Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2008**

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

Governmental Activities

The City’s governmental activities increased net assets by \$15.5 million. Program revenues of \$56.9 million and general revenues of \$113.1 million were sufficient to fund total program expense and interest on long-term debt of \$160.8 million. Transfers from business-type to governmental activities amounted to \$6.4 million, primarily for services provided by the General Fund programs. Key elements of this change were as follows:

Revenue Highlights:

- Total revenues excluding transfers were \$170 million, an increase by \$12.6 million from the prior year.
- Property tax revenues increased by \$3.1 million or 8% in fiscal year 2008.
- Sales and use tax revenue decreased by \$1.2 million or 4% from the prior year.
- Other tax revenues increased by \$2.6 million or 11% from the prior year.

	Total Other Tax Revenues		Total % Change
	2008	2007	2008-2007
Transient Occupancy Tax (TOT)	\$ 7.3	\$ 6.5	12.7 %
Utility Users Tax	6.8	6.5	5.0 %
Motor Vehicle License Fees	0.6	0.8	(24.8)%
Construction & Real Property Transfer	4.2	3.1	34.8 %
Franchise Fees (based on gross receipts)	5.9	5.7	3.1 %
Business License Tax	1.1	0.7	57.1 %
Total	\$ 25.9	\$ 23.3	11.3 %

The revenue growth in transient occupancy tax was due to increased occupancy and room rates as well as the increase in the TOT rate from 8.5% to 9%, approved by Sunnyvale voters in November 2005. Construction tax and real property transfer tax increased due to the increased level of residential housing activity in the City. Utility users tax and franchise fees increased slightly in fiscal year 2008. Business license tax revenue increased significantly. In November 2005 Sunnyvale voters approved a gradual increase to the City’s business license tax rates to take place over a three-year period from fiscal year 2007 to fiscal year 2009.

- Charges for services increased by \$7.8 million or 28% from the previous year, due to revenue growth in permits, licenses, fines, forfeitures, service fees and development fees.
- Operating grants and contributions decreased by \$3.1 million or 17%. Intergovernmental reimbursements for WIA (Workforce Investment Act) grants, CDBG (Community Development Block Grant) and HOME grants all contributed to this decline.
- Capital grants and contributions increased by \$3.4 million or 98%, primarily due to increased federal and state funding for transportation projects, including Borregas Avenue Bicycle Corridor and Mathilda Avenue Railroad Overpass Improvement projects.

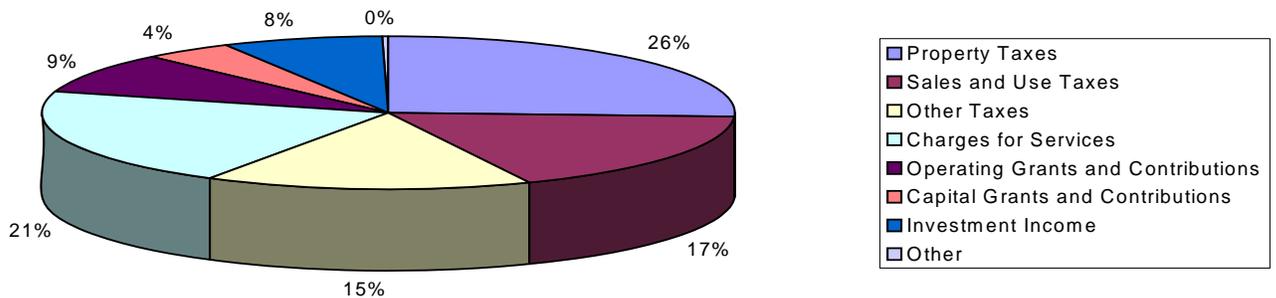
Management's Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2008

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

Governmental Activities, Continued

- GASB Statement No 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools," requires that investments be stated at fair value at the end of the fiscal year. A significant portion of the City's investment portfolio is in high-quality debt securities, which are sensitive to changes in interest rates. Investment earnings (a combination of interest income and change in fair value of investments) decreased by \$0.3 million or 3% from the previous year. The change in fair value of investments at the end of fiscal year 2008 was an increase of \$1.5 million, compared with an increase of \$2.9 million at the end of fiscal year 2007. The changes in fair value of investments do not represent actual gains or losses since the City's policy is to buy and hold investments until their maturity dates. As to the realized investment income, governmental activities' share of interest earnings from the City's portfolio was \$8.7 million. This is \$1.5 million higher than the previous year, primarily due to cash inflows from revenues significantly outpacing cash outflows for expenditures. However, the average rate of return on the City's portfolio was 4.48% as compared to 4.81% of last year. Interest rates went down for authorized investments during the year.

Governmental Activities
Revenues by Source
June 30, 2008



Management's Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2008

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

Governmental Activities, Continued

Expense Highlights:

Total expenses for governmental activities were \$160.8 million. This was higher than last year by \$20.6 million. There were two primary contributors to this increase. First, \$0.6 million was spent and additional estimated expenses of \$8.4 million were accrued at year end for the Town Center pollution investigation and remediation for a total of \$9 million. Second, \$8.3 million in chargeback, due to operating loss, was recorded to governmental activities from the Internal Services Funds. \$5.3 million of the operating loss was due to actuarial adjustments, including \$3.9 million for recording a liability for post-employment benefits other than pension (OPEB) for the first time. The remaining \$3 million in operating loss was attributed rising operating costs for insurance and retirement premiums, fuel, and materials and supplies. Although the chargeback is reflected as additional expenses, it is important to note that the City anticipated much of the insurance and retirement premium increases and planned for the use of interfund transfers, investment earnings, and drawdown of reserves to mitigate these increases. During fiscal year 2008, the net investment earning of \$3.1 million and net interfund transfers of \$2.4 million partially offset the operating loss, resulting in a reduction of net assets of \$2.8 million in the Internal Service Funds, most of which was anticipated.

In its adopted fiscal year 2008 Budget, the City earmarked \$17.2 million of the existing net assets in the Employee Benefits Internal Service Fund for OPEB trust purposes. However, in light of market volatility, the City has not placed any earmarked funds with the OPEB trust created by CalPERS. Had the City deposited the earmarked funds into the OPEB trust, the City would not have accrued any OPEB liability. However, the City's position in the OPEB trust would have been substantially reduced due to the subsequent financial meltdown after June 30, 2008. In order to comply with Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, the City recognized a Net OPEB Obligation of \$3.9 million, the difference between the annual required contribution of \$7.6 million and contributions of \$3.7 made on a pay-as-you-go basis. The earmarked funds will be placed in the OPEB trust when the market condition improves.

The Public Safety and Environmental Management programs were each allocated \$3 million of the \$8.3 million chargeback from the Internal Service Funds. The Community Development, Planning and Management, Cultural, Socioeconomic, and Transportation programs were allocated the following amounts of chargeback from the Internal Service Funds: \$0.6 million, \$0.5 million, \$0.4 million, \$0.3 million, and \$0.2 million respectively. Other increases in program expenses were primarily due to depreciation expenses and common factors such as rising costs of labor and purchased goods and services, including Public Safety's police recruitment and training expenses. The only exception was the cut in expenses on the Socioeconomic program to respond to reduced grant funding.

Management's Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2008

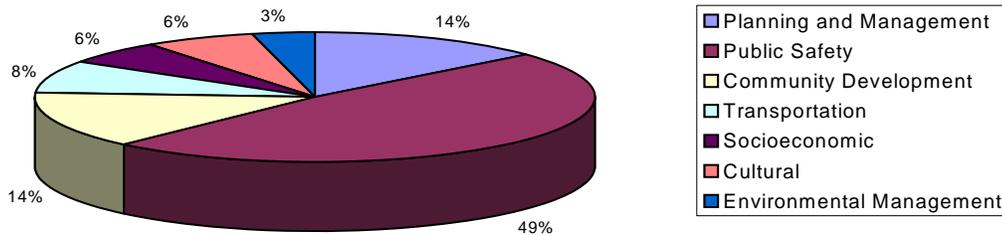
C. GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

Governmental Activities, Continued

Program revenues offset total expenses as follows:

- Those who directly benefited from programs contributed \$35.2 million in charges for services.
- The City was able to fund some of its programs through operating grants and contributions from outside sources or other governments for a total amount of \$14.8 million.
- A total of \$6.9 million in capital projects was funded by outside agencies through capital grants and contributions.

**Governmental Activities
 Expenses by Function/Program
 June 30, 2008**



Functional expenses for the years ended June 30, 2008 and 2007 were as follows (amount in millions):

	<u>Total Cost of Services</u>		<u>Percentage Change</u>	<u>Net Cost of Services</u>		<u>Percentage Change</u>
	<u>2008</u>	<u>2007</u>	<u>2007-2008</u>	<u>2008</u>	<u>2007</u>	<u>2007-2008</u>
Planning and Management	\$ 20.6	\$ 19.0	8.8 %	\$ 19.5	\$ 18.3	6.7 %
Public Safety	72.9	65.8	10.9 %	67.3	60.1	12.0 %
Community Development	21.4	20.2	5.9 %	(3.0)	(1.5)	103.1 %
Transportation	11.2	11.8	(5.3)%	(3.9)	3.2	(220.4)%
Socioeconomic	9.2	10.8	(15.0)%	1.2	(0.0)	(5,116.4)%
Cultural	9.6	8.9	8.2 %	9.2	8.3	11.1 %
Environmental Management	14.3	2.0	605.5 %	11.9	1.2	865.6 %
Total	\$ 159.2	\$ 138.5	15.0 %	\$ 102.2	\$ 89.7	14.0 %

**Management’s Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2008**

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

Business Type Activities

The City’s business-type activities increased net assets by \$7.0 million. Key elements of this increase were as follows:

	Program Revenues		Percentage Change	Program Expenses		Percentage Change
	2008	2007	2007-2008	2008	2007	2007-2008
Business-Type Activities:						
Water Supply & Distribution	\$ 24.4	\$ 23.5	3.8 %	\$ 20.7	\$ 19.4	6.7 %
Wastewater Management	23.2	20.8	11.5 %	16.7	16.8	(0.6)%
Solid Waste Management	32.1	30.0	7.0 %	29.0	28.0	3.6 %
SMaRT Station	24.4	19.2	27.1 %	22.7	19.0	19.5 %
Community Recreation	7.8	7.5	4.0 %	11.2	10.7	4.7 %
Total	\$ 111.9	\$ 101.0	10.8 %	\$ 100.3	\$ 93.9	6.8 %

Revenue Highlights:

- Total program revenues in business-type activities increased from last year by \$10.9 million, primarily in charges for services. The significant increase in fee revenues in the Wastewater Management activity was to reimburse the City for the owners’ and developers’ fair share for using the System. The significant increase in the SMaRT Station revenues was for the replacement of the materials recovery facility equipment. Included in the above numbers are infrastructure assets contributed by developers, which amounted to \$0.6 million, or \$0.1 million more than last year. For general revenues (not in the above table), investment earnings (a combination of interest income and change in fair value of investments) totaled \$1.8 million, about \$0.3 million less than last year.

Expense Highlights:

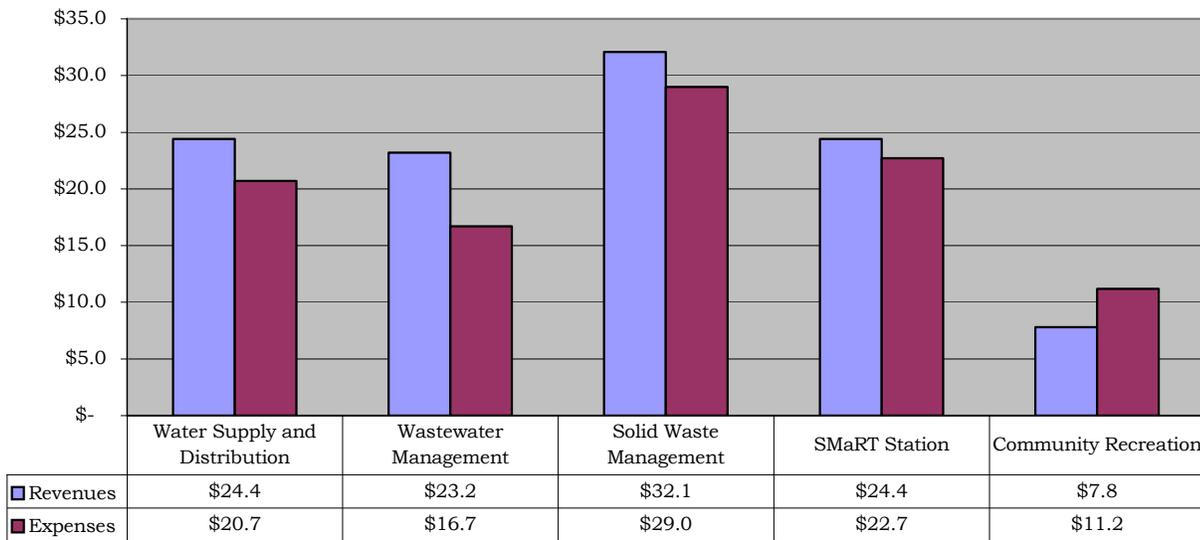
- Total expenses in business-type activities increased from last fiscal year by \$6.4 million. Expenses of the SMaRT Station increased by \$3.7 million, primarily due to higher tipping fees. Expenses decreased by \$0.1 million in the Wastewater Management activity, primarily due to reduced depreciation expenses from the almost fully depreciated wastewater treatment plant for which replacement is in progress. Solid Waste Management activity increased by \$1.0 million; the City’s allocated share of the SMaRT Station operations contributed to this increase. Water Supply and Distribution activity increased by \$1.3 million, primarily due to the increasing cost of water purchased for resale and electricity. The \$0.5 million increase in Community Recreation expenses were due to rising cost of labor, contractual services, utilities and recreation software support.

Management’s Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2008

C.GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

Business Type Activities, Continued

Business-Type Activities
Program Revenues and Expenses
June 30, 2008



Further discussion on the City’s enterprise activities can be found in the following section *D. Fund Financial Statement Analysis*.

Management's Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2008

D. FUND FINANCIAL STATEMENT ANALYSIS

As discussed earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The State Budget Act of 2004 substantially changed the valuation, distribution method, and timing of three major local government revenues: the sales tax, vehicle license fee, and property tax. In fiscal year 2005, the State issued Economic Recovery Bonds as part of the solution to its record budget deficit. As security for these Bonds, the State has temporarily changed the local sales tax allocation from 1% to 0.75% and replaced the reduction of local sales tax with a dollar-for-dollar allocation of local property tax from the County Educational Revenue Augmentation Fund (ERAF). The exchange mechanism will be in place as long as the Bonds are outstanding. True-up reconciliations between the actual amounts and the State estimates are done each year in October, and the actual property tax distribution is scheduled for January of the following year. The net effect of this exchange on the City is that property tax is remitted twice a year while sales tax is remitted monthly; this causes a reduction in overall interest earnings and a potential cash flow impact.

During fiscal year 2005 the State also permanently reduced the Motor Vehicle License Fee (VLF) from 2% to 0.67%. For fiscal year 2005, the amount that the City would have gotten from VLF at the 2% rate was calculated and this amount was added to the property tax base through transfer from the County ERAF. Beginning fiscal year 2006, the City received its portion of VLF at the now-permanent low rate with the increased property tax base growing according to economic conditions.

Additional information on the City's revenue recognition policy concerning the impacted revenues can be found in Note 1 to the Basic Financial Statements.

The focus of the City's governmental funds is to provide information on short-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful indicator of a government's net resources available for spending at the end of the fiscal year.

At the end of fiscal year 2008, the City's governmental funds reported combined ending fund balances of \$133.6 million, an increase of \$17.7 million from \$115.9 million of fiscal year 2007. Of the ending fund balances, \$68.2 million is reserved to indicate that it is not available for appropriation because it has already been committed for various purposes (see Note 14 in the Basic Financial Statements). The remaining \$65.4 million constitutes unreserved fund balance, which is available for spending at the government's discretion. The City designates all its unreserved fund balance for future expenditures.

Management's Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2008

D. FUND FINANCIAL STATEMENT ANALYSIS, Continued

Governmental Funds, Continued

The following are the major funds that the City considers important to financial statement users.

General Fund

The General Fund is the chief operating fund of the City. At the end of fiscal year 2008, total fund balance was \$121.2 million, of which \$90.3 million was unreserved. The unreserved fund balance has been designated as follows: \$0.6 million for the change in fair value of investments, \$22.7 million for contingencies, \$10.4 million for capital projects, and \$56.6 million for the 20-Year Resource Allocation Plan. The contingencies reserve is set by fiscal policy to equal 20% of the operating budget each year to cover emergency or disaster. It is not intended for normal unanticipated expenditures. With a distinctly different purpose, the 20-Year Resource Allocation Plan, also set by fiscal policy, is designed to levelize economic cycles from year to year. By letting these funds vary each year, the General Fund can absorb the cyclical effects of the economy. The function and strength of the 20-Year Resource Allocation Plan was particularly apparent when the City struggled with the rapid economic downturn resulting from the technology bust. In prior years when the City was experiencing the height of the economic cycle, the City was prudently adding to the reserve, which was built up over time. Then, as the effects of the economic downturn began to be fully felt, the funds were available to provide a "cushion" to maintain City services while dealing in a systematic way with the City's new fiscal reality. The 20-Year Resource Allocation has increased in recent years with the economic recovery, and it is anticipated these funds will be drawn down in the next few years as the impact of the national recession is felt.

As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total expenditures. At June 30, 2008, unreserved fund balance was 75% of total General Fund expenditures while total fund balance was 101% of total expenditures.

The fund balance of the General Fund was \$9.1 million higher than last year. One major contributing factor was the receipt of \$4.7 million, the final installment of proceeds from sale of City land for downtown redevelopment in the previous fiscal year. The proceeds have been reserved for capital improvements in the Downtown area.

General Fund revenues exceeded expenditures by \$1 million. Revenues of \$121.3 million were \$9.3 million higher and expenditures of \$120.3 million were \$6.9 million higher than those of the previous year.

Management's Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2008

D. FUND FINANCIAL STATEMENT ANALYSIS, Continued

Governmental Funds, Continued

General Fund, Continued

Transfers from other City funds of \$9.8 million were primarily in-lieu payments for General Fund administrative costs, including \$8.1 million from the Enterprise Funds. Transfers to other funds totaled \$6.4 million. Operating subsidies in the amount of \$4.3 million were made to the Communities Recreation Enterprise Fund and the amount of \$0.3 million to the Youth and Neighborhood Services Fund (a nonmajor fund). The General Fund also transferred \$1 million to the Employee Benefits Internal Service Fund to implement the Public Safety salary survey results. The remaining \$0.8 million was transferred out to reimburse other City Funds for project administration, special project costs and debt service costs.

Employment Development Special Revenue Fund

The Employment Development Special Revenue Fund showed no significant change in fund balance. Since this Fund is highly dependent on federal and state job training grants for revenues, expenditures were kept within the amount of expected revenues. During the year revenues decreased by \$2.7 million, which was matched with equally reduced expenditures and transfers out to other funds.

Redevelopment Agency Debt Service Fund

The Redevelopment Agency Debt Service Fund experienced a decrease in fund balance by \$2 million in this fiscal year. The decrease was primarily due to interest accrued on outstanding loans owed to the City General Fund.

City Projects Capital Project Fund

The City Projects Capital Project Fund showed an increase in fund balance by \$4.7 million, primarily due to increased revenues from transportation impact fees and grant funding.

Management's Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2008

D. FUND FINANCIAL STATEMENT ANALYSIS, Continued

Proprietary Funds

The fund financial statements for the City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. The major factors concerning these funds have already been addressed in the government-wide financial analysis of business-type activities above.

The following are the proprietary funds with significant changes in net assets:

Water Supply and Distribution Enterprise Fund

The Water Supply and Distribution Enterprise Fund's net assets showed an increase of \$1.4 million. The Fund's net income before contributions and transfers was \$3.7 million. Non-cash capital contributions were \$0.4 million. Approximately \$2.7 million was transferred out to other funds for administrative and project support.

Wastewater Management Enterprise Fund

The Wastewater Management Enterprise Fund's net assets grew by \$2.9 million. The Fund's net income before contributions and transfers was \$7.1 million. Non-cash capital contributions were \$0.2 million. Approximately \$4.4 million was transferred out to reimburse other funds for administrative and project support. Infrastructure maintenance and replacement is the largest issue for this Fund.

Solid Waste Management Enterprise Fund

The Solid Waste Management Enterprise Fund's net assets decreased by \$0.4 million. The Fund's net income before transfers was \$3.3 million. Approximately \$2.6 million was transferred out to other funds for administrative and project support and \$1.1 million for SMaRT Station Enterprise Fund's debt service. This Fund had deficit net assets of \$24.2 million, mainly caused by advances from the General Fund. At year end the balance of the General Fund advances was approximately \$26 million. The deficit is expected to be funded by charges for services.

SMaRT Station Enterprise Fund

The SMaRT Station Enterprise Fund's net assets grew by \$3.1 million. The Fund's net income before transfers was approximately \$2 million. The amount of \$1.1 million was transferred from the Solid Waste Management Enterprise Fund for debt service.

Management's Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2008

D. FUND FINANCIAL STATEMENT ANALYSIS, Continued

Proprietary Funds, Continued

Community Recreation Enterprise Fund

The Community Recreation Enterprise Fund's net assets showed little change from the previous year. The Fund's operating loss of \$3.4 million and transfers-out for in-lieu charges of \$1 million were offset by subsidies of \$4.4 million from the General Fund and the Permanent Funds (nonmajor governmental funds).

E. GENERAL FUND BUDGETARY HIGHLIGHTS

The budgetary comparison schedule for the General Fund is located in the Required Supplementary Information following the Notes to the Financial Statements.

Over the course of the year, the City Council revised the City budget a number of times. These budget amendments fall into two categories:

- Amendments and appropriations approved after the beginning of the year to reflect capital and special project carryovers for unspent appropriations from the prior year for projects that have not been completed.
- New appropriations approved by City Council.

Final appropriations, including transfers to other funds, for fiscal year 2008 were \$136.1 million, an increase of \$3.9 million from the original appropriations of \$132.2 million. Carryover appropriations of \$1.5 million and various new unanticipated expenditures of \$2.4 million were appropriated throughout the fiscal year. Funding sources included grant revenues and the 20-Year Resource Allocation Plan (RAP) Reserve.

Actual charges to appropriations (outflows) for the fiscal year were \$4.3 million under the original budget and \$8.3 million under the amended budget. Most of the unspent funds for project appropriations will not lapse for fiscal year 2009. On November 6, 2007 Sunnyvale voters amended the City Charter so that approved appropriations for capital improvement projects will not lapse at the end of the fiscal year, unless completed, closed out, or modified by the City Council.

Resources (inflows) available for appropriations were \$16.3 million over the original budget and \$0.5 million over the final budgeted amounts. During the fiscal year 2008 budget process, revenues were analyzed and amended to more appropriately reflect the actual trends based upon year-to-date information.

Management's Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2008

F. CAPITAL ASSETS AND LONG-TERM OBLIGATIONS

Capital Assets Including Infrastructure

Capital assets including infrastructure assets of the City are those assets that are used in the performance of the City's functions. At June 30, 2008, net capital assets of the governmental activities totaled \$397.4 million and the net capital assets of the business-type activities totaled \$113.7 million, including depreciation on capital assets, which is recognized in the government-wide financial statements.

The City has elected to use the "Modified Approach" as defined by GASB Statement No. 34 for infrastructure reporting for its Street Pavement system. Under GASB Statement No. 34, eligible infrastructure capital assets are not required to be depreciated under the following requirements:

- The City manages the eligible infrastructure capital assets using an asset management system which requires that the City (1) perform an up-to-date inventory; (2) perform condition assessments and summarize the results using a measurement scale; and (3) estimate the annual amounts to maintain and preserve the asset at the established condition assessment level.
- The City documents that the eligible infrastructure capital assets are being preserved approximately at or above the established and disclosed condition assessment level.

The City Policy is to achieve a Pavement Condition Index (PCI) rating of 70 or better for all streets. This rating represents a "Good" or better condition based on a national measurement scale. The average rating for City's streets, based on the most recent study conducted in fiscal year 2008, was 76.

The City's streets are constantly deteriorating as a result of the following four factors: (1) traffic using the streets; (2) the sun's ultra-violet rays drying out and breaking down the top layer of pavement; (3) utility company/private development interests trenching operations; and (4) water damage from natural precipitation and other urban runoff. The City is continuously taking actions to arrest the deterioration through short-term maintenance activities such as pothole patching, street sweeping, and sidewalk repair. The City's budget for street maintenance (pavement preventive maintenance and corrective repairs) for the fiscal year ended June 30, 2008 was \$2.6 million. Actual expenditures were \$2.6 million. These expenditures delayed deterioration, and helped maintain the overall condition of the streets at a PCI level meeting the City's goal.

Management's Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2008

F. CAPITAL ASSETS AND LONG-TERM OBLIGATIONS, Continued

Capital Assets including Infrastructure, Continued

The following is a summary of the City's capital assets as of June 30, 2008.

Description	Cost	Accumulated Depreciation	Carrying Value
Capital Assets - Governmental Activities:			
Land	\$ 104.0	\$ -	\$ 104.0
Buildings and Structures	88.1	37.4	50.7
Improvements Other than Buildings	60.1	23.4	36.7
Machinery and Equipment	33.5	21.0	12.5
Construction in Progress	9.0	-	9.0
Infrastructure:			
Nondepreciable	159.5	-	159.5
Depreciable	75.4	50.4	25.0
Total	\$ 529.6	\$ 132.2	\$ 397.4
Capital Assets - Business-Type Activities:			
Land	\$ 16.3	\$ -	\$ 16.3
Buildings and Structures	22.2	20.5	1.7
Improvements Other than Buildings	34.5	15.3	19.2
Machinery and Equipment	0.9	0.6	0.3
Construction in Progress	12.3	-	12.3
Infrastructure - Depreciable	115.6	51.7	63.9
Total	\$ 201.8	\$ 88.1	\$ 113.7

During this year, developers and other governmental agencies contributed capital assets (streets, traffic signals, and equipment) with fair market value of \$1.1 million to governmental activities. Developers also contributed infrastructure assets of \$0.4 million and \$0.2 million to the Water Supply and Distribution Fund and Wastewater Management Fund respectively.

A major project completed during the year is Frances Street Corridor Improvements, moving a total \$1.5 million from Construction in Progress to Improvements. Many capital projects were still in progress at year end. Amounts capitalized for major capital projects in progress in this year included \$7.2 million for SMaRT Station Equipment Replacement, \$4.1 million for Borregas Avenue Bicycle Corridor, \$1.4 million for Mathilda Avenue Railroad Overpass Improvement, and \$1.2 million for Replacement of Digesters and Digester Lids at the Water Pollution Control Plant.

Additional information on capital assets can be found in Note 6 to the Basic Financial Statements.

Management’s Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2008

F. CAPITAL ASSETS AND LONG-TERM OBLIGATIONS, Continued

Long-Term Obligations

As of June 30, 2008, the City had outstanding debt issues as listed below. Not included in the following table are the Community Facilities District No.1 Special Tax Bonds, which are backed by property tax levies against property owners, and the Housing Revenue Bonds, which are secured by a deed of trust on the property. The City is not obligated in any manner for these bonds. Each of the City’s other bonds are backed by certain specific revenues or General Fund lease payments. Most of the bonds are insured. The current upheaval in the national capital markets has had a significant impact on bond insurers and therefore the bond ratings (see Note 7. A.)

The City’s long-term obligations for the fiscal years 2008 and 2007 were as follows:

	Governmental Activities		Business-type Activities		Total	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
Tax Allocation Refunding Bonds	\$ 6.7	\$ 7.0	\$ -	\$ -	\$ 6.7	\$ 7.0
Certificates of Participation	29.7	31.0	-	-	29.7	31.0
Revenue Bonds	-	-	47.5	41.9	47.5	41.9
Total Bonded Debt	<u>\$ 36.4</u>	<u>\$ 38.0</u>	<u>\$ 47.5</u>	<u>\$ 41.9</u>	<u>\$ 83.9</u>	<u>\$ 79.9</u>

During the year principal retired amounted to \$4.2 million. A new debt, the Solid Waste Revenue Bonds, Series 2007, was issued in the amount of \$8.1 million.

Additional information on long-term obligations can be found in Note 7 to the Basic Financial Statements.

Management's Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2008

G. ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

In response to the downturn in the overall economy which began in fiscal year 2002, the City took a number of strategic actions to manage its resources and encourage the continued expansion of the economic base. A number of cost saving strategies were implemented beginning in fiscal year 2004 to address the structural gap between expenditures and revenues that had developed due to the economic downturn. Council also successfully pursued two tax increases. In November 2005, Sunnyvale voters approved increases to the City's Transient Occupancy Tax and Business License Tax rates, which were lower than those of most of our surrounding communities. These two revenue increases provided additional resources to address our ongoing fiscal obligations. Additionally, revitalization of the City's Downtown, which is underway, is expected to yield an additional \$1 million in net new revenue beginning in the second half of fiscal year 2010.

In the meantime, Sunnyvale has experienced a steady economic recovery including a declining unemployment rate, combined with an expanding labor force, and a relatively stable housing market. The Budget for fiscal year 2009, adopted on June 10, 2008, was balanced for twenty years as required by Council fiscal policy. The adopted budget maintained existing service levels, provided increases in selected services, and included funds for ongoing liabilities such as retiree medical costs and infrastructure repair.

However, shortly following adoption of the budget, it became clear that the national and state economies had begun to contract sharply, as evidenced by rising unemployment, job losses across a number of sectors, declines in housing starts, and steadily weakening taxable sales. This situation was further impacted by the subsequent crisis and meltdown of the national financial and credit markets that occurred in October. California's unemployment rate has now risen to 7.7%, primarily as a result of the major job and income losses associated with the housing-related and financial services industries. American retailers posted their worst month in eight years during October, according to October's monthly retail sales report from the federal government. The U. S. Commerce Department's measure of consumer spending fell by an annual rate of 3.1 percent, the biggest pullback since 1980. This fall in consumer spending has had a domino effect on virtually every sector of the economy.

Based on the dramatic economic events of the past two months, the financial and credit market collapse and the repeated government bailouts, the City will need to revise our short-term and long-term revenue assumptions and to reconsider spending priorities. However, one of the most powerful aspects of the City's multi-year financial planning is its capability to recognize trends over time and begin at an early point to consider the necessary steps to adjust the long-term position of a particular fund as needed. Staff is currently assessing the City's major revenue sources and will be presenting a complete picture of our fiscal condition at the Budget Issues Workshop in January. While it is expected that the current financial crisis will have an effect on the City's resources, the reserves and set-asides contained in the Long-Term Financial Plans for the General Fund and the enterprise funds will allow the City to rationally develop a multiple-year strategy to ensure sustainability over the twenty-year planning horizon.

*Management's Discussion and Analysis, Concluded
Fiscal Year Ended June 30, 2008*

H. REQUEST FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City of Sunnyvale Finance Department, 650 W. Olive Avenue, Sunnyvale, California 94086.

Government-Wide Financial Statements



**Statement of Net Assets
June 30, 2008**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and Investments Held by City (Note 2)	\$ 181,118,562	\$ 30,586,774	\$ 211,705,336
Receivables, Net (Note 3)	10,485,416	10,741,187	21,226,603
Inventories and Prepayments	2,729,509	256,951	2,986,460
Assets Held for Resale	1,381,077	-	1,381,077
Other Long-term Receivables (Note 3)	2,745,124	-	2,745,124
Long-term Internal Balances	42,116,047	(42,116,047)	-
Deferred Charges (Note 7)	456,916	641,019	1,097,935
Restricted Assets:			
Cash and Investments Held by City (Note 2)	55,207,335	-	55,207,335
Cash and Investments Held by Fiscal Agent (Note 2)	3,504,678	12,430,926	15,935,604
Receivables, Net (Note 3)	645,109	10,176	655,285
Intergovernmental Receivables (Note 3)	4,402,429	397,959	4,800,388
Housing Loans Receivable, Net (Note 3)	26,484,620	-	26,484,620
Capital Assets (Note 6):			
Land and Nondepreciable Assets	272,482,636	28,604,657	301,087,293
Depreciable Assets, Net	124,927,031	85,053,092	209,980,123
Total Assets	728,686,489	126,606,694	855,293,183
Liabilities:			
Wages Payable	3,826,453	-	3,826,453
Accounts Payable and Accrued Liabilities	7,975,040	7,509,151	15,484,191
Refundable Deposits	896,968	507,814	1,404,782
Interest Payable	285,392	575,469	860,861
Net OPEB Obligations (Note 11)	3,938,500	-	3,938,500
Pollution Remediation Obligations (Note 16)	8,400,000	-	8,400,000
Unearned Revenues (Note 4)	2,814,855	-	2,814,855
Noncurrent Liabilities (Note 7):			
Due Within One Year	11,424,336	3,080,000	14,504,336
Due in More than One Year	46,764,044	48,101,048	94,865,092
Total Liabilities	86,325,588	59,773,482	146,099,070
Net Assets (Note 14):			
Invested in Capital Assets, Net of Related Debt	361,946,265	66,108,868	428,055,133
Restricted for:			
Capital Projects	16,963,530	7,358,085	24,321,615
Debt Service	3,472,599	5,315,166	8,787,765
Specific Projects and Programs:			
Nonexpendable	1,424,834	-	1,424,834
Expendable	64,356,177	-	64,356,177
Total Restricted Net Assets	86,217,140	12,673,251	98,890,391
Unrestricted Net Assets (Deficit)	194,197,496	(11,948,907)	182,248,589
Total Net Assets	\$ 642,360,901	\$ 66,833,212	\$ 709,194,113

**Statement of Activities and Changes in Net Assets
Year Ended June 30, 2008**

Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
Planning and Management (Note 12)	\$ 20,624,047	\$ 489,537	\$ 585,098	\$ -
Public Safety	72,917,927	3,310,676	1,932,947	400,330
Community Development	21,399,200	22,250,373	2,020,120	73,898
Transportation	11,181,984	6,221,651	2,402,718	6,448,580
Socioeconomic	9,178,379	345,188	7,679,412	-
Cultural	9,626,601	223,009	178,714	-
Environmental Management	14,279,823	2,339,536	-	-
Interest on Long-term Debt	1,638,210	-	-	-
Total Governmental Activities	160,846,170	35,179,970	14,799,009	6,922,808
Business-Type Activities:				
Water Supply and Distribution	20,684,841	24,007,036	-	386,400
Wastewater Management	16,728,396	23,003,898	-	215,300
Solid Waste Management	29,012,463	32,129,371	-	-
SMaRT Station	22,670,265	24,372,776	-	-
Community Recreation	11,166,262	7,764,425	-	-
Total Business-Type Activities	100,262,227	111,277,506	-	601,700
Total Primary Government	\$ 261,108,397	\$ 146,457,476	\$ 14,799,009	\$ 7,524,508

General Revenues:

Taxes:

Property Taxes and Homeowners' Property Tax Relief

Sales and Use Taxes

Motor Vehicle License Fees - Unrestricted

Franchise Fees, Unrestricted

Utilities Users Taxes

Transient Occupancy Taxes

Real Property Transfer Taxes

Construction Taxes

Business License Taxes

Total Taxes

Investment Earnings - Unrestricted (Note 2)

Miscellaneous

Transfers (Note 12)

Total General Revenues and Transfers

Change in Net Assets

Net Assets - Beginning of Year

Net Assets - End of Year

-

See Accompanying Notes to Basic Financial Statements

Net (Expense) Revenue and Changes in Net Assets			
Total	Governmental Activities	Business-Type Activities	Total
\$ 1,074,635	\$ (19,549,412)	\$ -	\$ (19,549,412)
5,643,953	(67,273,974)	-	(67,273,974)
24,344,391	2,945,191	-	2,945,191
15,072,949	3,890,965	-	3,890,965
8,024,600	(1,153,779)	-	(1,153,779)
401,723	(9,224,878)	-	(9,224,878)
2,339,536	(11,940,287)	-	(11,940,287)
-	(1,638,210)	-	(1,638,210)
<u>56,901,787</u>	<u>(103,944,383)</u>	<u>-</u>	<u>(103,944,383)</u>
24,393,436	-	3,708,595	3,708,595
23,219,198	-	6,490,802	6,490,802
32,129,371	-	3,116,908	3,116,908
24,372,776	-	1,702,511	1,702,511
7,764,425	-	(3,401,837)	(3,401,837)
<u>111,879,206</u>	<u>-</u>	<u>11,616,979</u>	<u>11,616,979</u>
<u>\$ 168,780,993</u>	<u>(103,944,383)</u>	<u>11,616,979</u>	<u>(92,327,404)</u>
	44,106,564	-	44,106,564
	29,705,343	-	29,705,343
	601,973	-	601,973
	5,855,124	-	5,855,124
	6,840,343	-	6,840,343
	7,350,255	-	7,350,255
	1,224,717	-	1,224,717
	2,942,548	-	2,942,548
	1,075,004	-	1,075,004
	99,701,871	-	99,701,871
	12,960,147	1,764,309	14,724,456
	416,653	-	416,653
	6,410,376	(6,410,376)	-
	<u>119,489,047</u>	<u>(4,646,067)</u>	<u>114,842,980</u>
	15,544,664	6,970,912	22,515,576
	626,816,237	59,862,300	686,678,537
	<u>\$ 642,360,901</u>	<u>\$ 66,833,212</u>	<u>\$ 709,194,113</u>



Governmental Fund Financial Statements

The ***General Fund*** accounts for all financial resources necessary to carry out basic governmental activities of the City that are not accounted for in another fund. The General Fund supports essential City services such as police and fire protection, street maintenance, libraries, and parks and open space maintenance.

The ***Employment Development Fund*** accounts for various Federal funds and program revenues used for workforce development activities conducted by the North Valley Job Training Consortium (NOVA).

The ***Redevelopment Agency Debt Service Fund*** accumulates funds for payment of the Central Core Tax Allocation Refunding Bonds, Series 2003, the 1998 Parking Lease Certificates of Participation, and Advances from the City General Fund. Debt service is financed with incremental property tax revenues and the City's General Fund loan to the Agency in the form of parking lease payments. The Central Core Tax Allocation Bonds, Series 1992 were refunded and paid off in fiscal year 2004 by the issuance of the Central Core Tax Allocation Refunding Bonds, Series 2003.

The ***City Projects Fund*** accounts for City major capital projects funded by the General Fund or other governmental funds, or any projects funded by multiple sources.

CITY OF SUNNYVALE

**Balance Sheet
Governmental Funds
June 30, 2008**

	Major Funds		
	General Fund	Employment Development	Redevelopment Debt Service
Assets:			
Cash and Investments Held by City (Note 2)	\$ 93,514,274	\$ -	\$ -
Cash and Investments Held by Fiscal Agent (Note 2)	-	-	1,928,786
Receivables, Net (Note 3)	9,597,382	107,637	33,272
Intergovernmental Receivables (Note 3)	840,985	508,904	-
Due From Other Funds (Note 5)	238,312	-	-
Advances to Other Funds (Note 5)	103,072,150	-	-
Inventories and Prepayments	447,185	2,860	-
Other Long-term Receivables (Note 3)	3,573,772	-	-
Housing Loans Receivable (Note 3)	-	-	-
Assets Held for Resale	1,101,077	-	-
Total Assets	\$ 212,385,137	\$ 619,401	\$ 1,962,058
Liabilities and Fund Balances:			
Liabilities:			
Accounts Payable and Accrued Liabilities	2,829,068	185,188	2,011
Refundable Deposits	872,866	-	-
Due to Other Funds (Note 5)	-	238,312	-
Advances from Other Funds (Note 5)	-	-	58,609,600
Deferred Revenues (Note 4)	87,505,568	30,209	-
Total Liabilities	91,207,502	453,709	58,611,611
Fund Balances (Note 14):			
Reserved:			
Housing Mitigation	-	-	-
Housing Revolving Fund	-	-	-
Park Dedication	-	-	-
Public Safety	-	-	-
Low and Moderate Housing	-	-	-
Restricted Donations and Contributions	414,317	162,832	-
Advances to Other Funds Net of Deferred Revenue	17,384,370	-	-
Long-term Receivables Net of Deferred Revenue	2,697,118	-	-
Inventories and Prepayments	447,185	2,860	-
Assets Held for Resale	1,101,077	-	-
Capital Improvement Projects	8,805,438	-	-
Debt Service	-	-	1,962,058
Total Reserved	30,849,505	165,692	1,962,058
Unreserved, Designated for, Reported in:			
Unrealized Gains	616,124	-	-
Contingencies	22,680,376	-	-
Current Capital and Special Projects	10,440,464	-	-
20-Year Resource Allocation Plan	56,591,166	-	-
Special Revenue Funds	-	-	-
Capital Projects Funds	-	-	-
Total Unreserved, Designated	90,328,130	-	-
Unreserved, Undesignated for, Reported in:			
Major Funds	-	-	(58,611,611)
Special Revenue Funds	-	-	-
Total Fund Balances	121,177,635	165,692	(56,649,553)
Total Liabilities and Fund Balances	\$ 212,385,137	\$ 619,401	\$ 1,962,058

See Accompanying Notes to Basic Financial Statements

Major Funds City Projects	Other Governmental Funds	Total Governmental Funds
\$ 17,362,417	\$ 51,076,122	\$ 161,952,813
-	1,575,892	3,504,678
153,620	465,168	10,357,079
1,922,610	1,129,930	4,402,429
-	8,999,253	9,237,565
-	-	103,072,150
650,000	370,000	1,470,045
-	-	3,573,772
-	26,484,620	26,484,620
-	280,000	1,381,077
<u>\$ 20,088,647</u>	<u>\$ 90,380,985</u>	<u>\$ 325,436,228</u>
1,865,081	1,386,398	6,267,746
-	4,350	877,216
-	8,999,253	9,237,565
-	-	58,609,600
2,747,189	26,520,265	116,803,231
<u>4,612,270</u>	<u>36,910,266</u>	<u>191,795,358</u>
-	15,165,436	15,165,436
-	1,839,963	1,839,963
-	4,992,829	4,992,829
-	1,243,941	1,243,941
-	8,999,253	8,999,253
-	1,424,834	2,001,983
-	-	17,384,370
-	-	2,697,118
-	-	450,045
-	-	1,101,077
-	-	8,805,438
-	1,529,897	3,491,955
<u>-</u>	<u>35,196,153</u>	<u>68,173,408</u>
381,176	-	997,300
-	-	22,680,376
15,095,201	-	25,535,665
-	-	56,591,166
-	13,269,257	13,269,257
-	14,344,058	14,344,058
<u>15,476,377</u>	<u>27,613,315</u>	<u>133,417,822</u>
-	-	(58,611,611)
-	(9,338,749)	(9,338,749)
<u>15,476,377</u>	<u>53,470,719</u>	<u>133,640,870</u>
<u>\$ 20,088,647</u>	<u>\$ 90,380,985</u>	<u>\$ 325,436,228</u>



**Reconciliation of the Governmental Funds Balance Sheet
to the Government-Wide Statement of Net Assets
June 30, 2008**

Total Fund Balances - Total Governmental Funds	\$ 133,640,870
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used to support governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet. This amount represents, at June 30, 2008, capital assets used by governmental activities excluding \$10,862,664 of capital assets used by Internal Service Funds.	386,547,003
Town Center Pollution Remediation Obligations are not recognized in the fund financials on a modified accrual basis.	(8,400,000)
Interest payable on long-term debt does not require current financial resources. Therefore, interest payable is not reported as a liability in governmental funds balance sheet.	(285,392)
Interest earned, not available, from interfund advances to business-type activities is reported as deferred revenues in the governmental funds statements. This amount represents cumulative interest accrued and deferred.	30,436,262
Interest earned, not available, from General Fund advances to Redevelopment Agency and Internal Service Funds is reported as deferred revenues in the General Fund and as interest charges in the borrower fund statements. These amounts are consolidated in the government-wide financial statements. This amount represents cumulative interest accrued and deferred.	55,251,518
Interest earned on employee loans, not available, is reported as deferred revenues in the fund statements. This amount increases the net assets in the governmental activities.	48,006
Eligible expenditures to be reimbursed by grants, not in time to become available for the reporting year, were reported as deferred revenues in the fund financial statements.	692,951
Receivables from long-term housing loans are offset by deferred revenues in the fund statements.	26,484,620
State and County cost reimbursements earned but not available are not current financial resources.	130,269
Long-term receivables from capital special assessments are not current financial resources and are offset by deferred revenues in the fund statements. In the government-wide statements, revenues are recognized when the capital improvement is completed.	116,102
Internal Service Funds are primarily to serve governmental activities. The assets and liabilities of the Internal Service Funds are included in governmental activities in the government-wide statement of net assets. This amount represents Internal Service Funds' net assets at year end.	53,672,750
Long-term liabilities of governmental activities are not reported as fund liabilities. These liabilities are reported in the government-wide statement of net assets.	
Bonds payable, par	(36,445,000)
Unamortized discount on bonds	51,598
Deferred charges on bonds	456,916
Rebatable arbitrage does not require the use of current financial resources and is not reported as an expenditure in governmental funds until due and payable to the federal government. The liability is accrued in the government-wide statements as soon as rebatable arbitrage is incurred.	(37,572)
Net Assets of Governmental Activities	<u><u>\$ 642,360,901</u></u>

CITY OF SUNNYVALE

**Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2008**

	Major Funds		
	General Fund	Employment Development	Redevelopment Debt Service
Revenues:			
Property Taxes	\$ 38,948,750	\$ -	\$ -
Sales and Use Taxes	30,914,631	-	-
Other Taxes	19,432,867	-	-
Franchise Fees	5,855,124	-	-
Intergovernmental Revenues	2,069,693	7,262,488	-
Permits and Licenses	9,265,468	-	-
Fines and Forfeitures	1,219,050	-	-
Special Assessments	71,436	-	-
Service Fees	7,042,099	9,384	-
Rents and Concessions	1,732,012	38,274	-
Investment Earnings	4,011,330	-	127,617
Other Revenues	765,878	336,085	-
Total Revenues	121,328,338	7,646,231	127,617
Expenditures:			
Current:			
Planning and Management	18,876,449	-	-
Public Safety	69,184,094	-	-
Community Development	17,208,822	-	-
Transportation	5,311,564	-	-
Socioeconomic	261,085	7,513,055	-
Cultural	7,502,286	-	-
Environmental Management	1,870,598	-	-
Capital Outlay	98,830	-	-
Debt Service:			
Principal Retirement	-	-	920,000
Interest	-	-	5,448,053
Fiscal Charges	-	-	55,394
Total Expenditures	120,313,728	7,513,055	6,423,447
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,014,610	133,176	(6,295,830)
Other Financing Sources (Uses):			
Transfers In (Note 12)	9,758,000	-	4,270,605
Transfers Out (Note 12)	(6,382,118)	(192,499)	-
Total Other Financing Sources (Uses)	3,375,882	(192,499)	4,270,605
Special Item			
Proceeds from Sale of Land (Note 3)	4,700,000	-	-
Net Change in Fund Balances	9,090,492	(59,323)	(2,025,225)
Fund Balances - Beginning of Year	112,087,143	225,015	(54,624,328)
Fund Balances - End of Year	\$ 121,177,635	\$ 165,692	\$ (56,649,553)

<u>Major Funds City Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ 4,944,483	\$ 43,893,233
-	-	30,914,631
-	-	19,432,867
-	-	5,855,124
5,108,302	5,126,638	19,567,121
-	-	9,265,468
-	29,968	1,249,018
-	-	71,436
5,773,854	8,899,992	21,725,329
-	136,408	1,906,694
607,761	2,116,974	6,863,682
-	721,533	1,823,496
<u>11,489,917</u>	<u>21,975,996</u>	<u>162,568,099</u>
-	513,136	19,389,585
-	397,574	69,581,668
3,693	3,603,880	20,816,395
46,757	2,175,189	7,533,510
-	825,794	8,599,934
-	42,260	7,544,546
-	621,289	2,491,887
7,549,527	2,042,376	9,690,733
-	785,000	1,705,000
-	643,097	6,091,150
-	48,866	104,260
<u>7,599,977</u>	<u>11,698,461</u>	<u>153,548,668</u>
3,889,940	10,277,535	9,019,431
827,661	3,469,141	18,325,407
<u>(66,843)</u>	<u>(7,632,277)</u>	<u>(14,273,737)</u>
<u>760,818</u>	<u>(4,163,136)</u>	<u>4,051,670</u>
-	-	4,700,000
4,650,758	6,114,399	17,771,101
<u>10,825,619</u>	<u>47,356,320</u>	<u>115,869,769</u>
<u>\$ 15,476,377</u>	<u>\$ 53,470,719</u>	<u>\$ 133,640,870</u>

CITY OF SUNNYVALE**Reconciliation of the Governmental Funds Statement of Revenues, Expenditures,
and Changes in Fund Balances to the Government-Wide Statement of Activities and Changes in Net Assets
Year Ended June 30, 2008**

Net Change in Fund Balances - Total Governmental Funds	\$ 17,771,101
Amounts reported for governmental activities in the statement of activities and changes in net assets are different because:	
Governmental funds report capital outlay as expenditures. In the statement of activities and changes in net assets, the cost of the assets is allocated over their estimated useful lives as depreciation expense.	
Capital asset additions recorded in the current period - governmental activities	8,583,011
Depreciation recorded in the current period - governmental activities	(6,886,037)
Private contributions of capital assets are not recorded in the governmental funds.	1,092,965
Town Center pollution Remediation Obligations are not recognized in the fund financials on a modified accrual basis.	(8,400,000)
Timing difference in revenue recognition: Certain earned yet not available revenues are deferred in the fund financials but are recognized as revenues in the government-wide financial statements.	
Interfund interest revenues - advances to business-type activities	3,033,184
Interest accrued on long-term housing loan receivables	633,144
Interest accrued on employees' loan receivables	10,742
Reimbursable costs incurred on abandoned vehicles	43,806
Reimbursable costs incurred due to State mandates	86,463
Grant revenues earned but were not available.	692,951
Housing loans disbursed are recorded as expenditures in the fund financial statements. They are reclassified as receivables in the government-wide financial statements. This number is adjusted by allowance for uncollectible accounts.	1,461,497
Housing loans repaid, recorded as revenues in the fund financial statements, are reclassified as receivables in the Government-Wide financial statements.	(452,391)
Interfund advances interest charged on the borrower governmental funds with deferred revenues recorded in the General Fund is consolidated in the government-wide statements.	4,734,664
Revenues recognized in the government-wide statement of activities and changes in net assets in prior fiscal years became available in current fiscal year:	
Interest accrued on employees' loan receivables	(36,023)
Reimbursable costs incurred on State mandate and abandoned vehicles	(57,594)
Conway assessment installments received	(60,185)
Grant revenues earned but were not available in prior years	(663,264)
Second installment received from prior year land sale. This amount represents proceeds from a note of \$4.7 million and interest of \$221,111.	(4,921,111)
Repayment of principal of long-term debt has no effect on the government-wide statement of activities and changes in net assets.	1,705,000
Governmental funds record the effect of issuance costs, premiums, discounts, and similar items when debt is first issued. These amounts are deferred and amortized in the government-wide statement of activities and changes in net assets.	(36,181)
Increase in rebatable arbitrage liability that does not require current financial resources is not reported as expenditures in the fund financial statements.	34,160
This amount represents the change in accrued interest on bonds payable from prior year.	17,318
Internal Service Funds are primarily to serve governmental activities. The change in net assets of the Internal Service Funds is reported with governmental activities.	(2,842,556)
Change in Net Assets of Governmental Activities	\$ 15,544,664

Proprietary Fund Financial Statements

The ***Water Supply and Distribution Fund*** accounts for all revenues and expenses related to the City-operated water utility.

The ***Wastewater Management Fund*** accounts for all revenues and expenses related to the City-operated sewer collection and Water Pollution Control Plant systems.

The ***Solid Waste Management Fund*** accounts for the revenues and expenses related to the City's refuse collection and solid waste disposal services.

The ***SMaRT Station® Fund*** accounts for the revenues and expenditures associated with the operations of the Sunnyvale Materials and Recovery Transfer Station.

The ***Community Recreation Fund*** accounts for revenues and expenses related to the two City-operated golf courses, tennis center, and recreation classes and services offered by the City.

CITY OF SUNNYVALE

**Statement of Net Assets
Proprietary Funds
June 30, 2008**

	Major Enterprise Funds		
	Water Supply and Distribution	Wastewater Management	Solid Waste Management
Assets:			
Current Assets			
Cash and Investments Held by City (Note 2)	\$ 7,575,189	\$ 15,343,590	\$ 2,018,594
Cash and Investments Held by Fiscal Agent (Note 2)	959,652	1,402,795	-
Receivables, Net (Note 3)	3,839,685	2,783,601	3,957,150
Intergovernmental Receivables (Note 3)	-	8,544	84,814
Inventories and Prepayments	-	9,287	-
Total Current Assets	12,374,526	19,547,817	6,060,558
Noncurrent Assets			
Deferred Charges (Note 7)	-	-	-
Capital Assets (Note 6):			
Land & Nondepreciable Assets	2,493,360	9,116,839	-
Depreciable Assets, Net	34,818,954	29,774,830	1,068,792
Total Noncurrent Assets	37,312,314	38,891,669	1,068,792
Total Assets	49,686,840	58,439,486	7,129,350
Liabilities:			
Current Liabilities			
Wages Payable	-	-	-
Accounts Payable and Accrued Liabilities	1,808,927	866,100	1,480,405
Due to Other Funds	-	-	-
Advances from Other Funds (Note 5)	351,700	3,458,637	976,440
Refundable Deposits	148,430	80,515	242,238
Interest Payable	127,891	175,084	-
Net Other Postemployment Benefits Obligation (Note 11)	-	-	-
Claims and Judgments Payable - Due Within One Year (Note 7)	-	-	-
Compensated Absences Payable - Due Within One Year (Note 7)	-	-	-
Long-term Debt - Due Within One Year (Note 7)	605,738	829,262	-
Total Current Liabilities	3,042,686	5,409,598	2,699,083
Noncurrent Liabilities			
Advances from Other Funds (Note 5)	1,611,623	10,722,460	24,995,187
Claims and Judgments Payable - Due in More than One Year (Note 7)	-	-	-
Compensated Absences Payable - Due in More than One Year (Note 7)	-	-	-
Landfill Closure and Postclosure Costs (Note 7)	-	-	3,632,167
Long-term Debt - Due in More than One Year (Note 7)	6,812,235	16,178,680	-
Total Noncurrent Liabilities	8,423,858	26,901,140	28,627,354
Total Liabilities	11,466,544	32,310,738	31,326,437
Net Assets (Note 14):			
Invested in Capital Assets, Net of Related Debt	29,894,341	21,883,727	1,068,792
Restricted for Debt Service	1,103,671	1,510,937	-
Restricted for Capital and Special Projects	-	-	-
Unrestricted	7,222,284	2,734,084	(25,265,879)
Total Net Assets	\$ 38,220,296	\$ 26,128,748	\$ (24,197,087)

See Accompanying Notes to Basic Financial Statements

Major Enterprise Funds		Total Enterprise Funds	Governmental Activities Internal Service Funds
SMaRT Station	Community Recreation		
\$ 4,769,577	\$ 879,824	\$ 30,586,774	\$ 74,373,084
10,068,479	-	12,430,926	-
35,357	135,570	10,751,363	773,446
304,601	-	397,959	-
-	247,664	256,951	1,259,464
<u>15,178,014</u>	<u>1,263,058</u>	<u>54,423,973</u>	<u>76,405,994</u>
641,019	-	641,019	-
7,310,854	9,683,604	28,604,657	-
<u>14,934,775</u>	<u>4,455,741</u>	<u>85,053,092</u>	<u>10,862,664</u>
<u>22,886,648</u>	<u>14,139,345</u>	<u>114,298,768</u>	<u>10,862,664</u>
<u>38,064,662</u>	<u>15,402,403</u>	<u>168,722,741</u>	<u>87,268,658</u>
-	-	-	3,826,453
3,094,551	259,168	7,509,151	1,707,294
-	-	-	-
-	-	4,786,777	600,000
-	36,631	507,814	19,752
272,494	-	575,469	-
-	-	-	3,938,500
-	-	-	2,623,576
-	-	-	7,265,760
<u>1,645,000</u>	<u>-</u>	<u>3,080,000</u>	<u>-</u>
<u>5,012,045</u>	<u>295,799</u>	<u>16,459,211</u>	<u>19,981,335</u>
-	-	37,329,270	1,746,503
-	-	-	11,093,424
-	-	-	774,646
-	-	3,632,167	-
21,477,966	-	44,468,881	-
<u>21,477,966</u>	<u>-</u>	<u>85,430,318</u>	<u>13,614,573</u>
<u>26,490,011</u>	<u>295,799</u>	<u>101,889,529</u>	<u>33,595,908</u>
(877,337)	14,139,345	66,108,868	10,862,664
2,700,558	-	5,315,166	-
7,358,085	-	7,358,085	-
<u>2,393,345</u>	<u>967,259</u>	<u>(11,948,907)</u>	<u>42,810,086</u>
<u>\$ 11,574,651</u>	<u>\$ 15,106,604</u>	<u>\$ 66,833,212</u>	<u>\$ 53,672,750</u>

CITY OF SUNNYVALE**Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
Year Ended June 30, 2008**

	Major Enterprise Funds		
	Water Supply and Distribution	Wastewater Management	Solid Waste Management
Operating Revenues:			
Charges for Services	\$ 24,007,036	\$ 23,003,898	\$ 32,129,371
Total Operating Revenues	24,007,036	23,003,898	32,129,371
Operating Expenses:			
Personnel Services	2,879,822	7,571,521	960,291
Contractual Services	521,070	1,566,805	25,505,339
Materials and Supplies	989,999	2,626,735	50,307
Utilities	384,977	543,100	50,207
Taxes and Licenses	922,678	131,319	537,732
Equipment and Building Rental	394,141	620,563	82,530
Water Purchased for Resale	12,546,097	-	-
Insurance Premiums and Claims	-	-	-
Retirement Premiums	-	-	-
Other Operating Expenses	53,410	116,081	6,953
Depreciation	1,333,687	1,685,673	70,960
Total Operating Expenses	20,025,881	14,861,797	27,264,319
Operating Income (Loss)	3,981,155	8,142,101	4,865,052
Nonoperating Revenues (Expenses):			
Investment Earnings	408,404	830,486	206,886
Interest Expense	(658,960)	(1,866,599)	(1,748,144)
Total Nonoperating Revenues (Expenses)	(250,556)	(1,036,113)	(1,541,258)
Income (Loss) before Contributions and Transfers	3,730,599	7,105,988	3,323,794
Capital Contributions	386,400	215,300	-
Transfers In (Note 12)	-	4,841	-
Transfers Out (Note 12)	(2,749,805)	(4,413,903)	(3,700,123)
Change in Net Assets	1,367,194	2,912,226	(376,329)
Total Net Assets - Beginning of Year	36,853,102	23,216,522	(23,820,758)
Total Net Assets - End of Year	\$ 38,220,296	\$ 26,128,748	\$ (24,197,087)

See Accompanying Notes to Basic Financial Statements

Major Enterprise Funds		Total Enterprise Funds	Governmental Activities Internal Service Funds
SMaRT Station	Community Recreation		
\$ 24,372,776	\$ 7,764,425	\$ 111,277,506	\$ 69,480,921
24,372,776	7,764,425	111,277,506	69,480,921
240,447	6,608,951	18,261,032	21,765,036
9,026,075	1,313,270	37,932,559	2,685,663
313,302	628,425	4,608,768	2,933,791
-	371,276	1,349,560	1,621,834
11,405,119	-	12,996,848	10,090
7,812	1,900,390	3,005,436	1,056,747
-	-	12,546,097	-
-	-	-	21,264,173
-	-	-	24,517,391
-	66,109	242,553	17,385
833,454	277,841	4,201,615	1,926,984
21,826,209	11,166,262	95,144,468	77,799,094
2,546,567	(3,401,837)	16,133,038	(8,318,173)
289,120	29,413	1,764,309	3,309,673
(844,056)	-	(5,117,759)	(192,762)
(554,936)	29,413	(3,353,450)	3,116,911
1,991,631	(3,372,424)	12,779,588	(5,201,262)
-	-	601,700	-
1,109,727	4,364,597	5,479,165	3,643,974
-	(1,025,710)	(11,889,541)	(1,285,268)
3,101,358	(33,537)	6,970,912	(2,842,556)
8,473,293	15,140,141	59,862,300	56,515,306
\$ 11,574,651	\$ 15,106,604	\$ 66,833,212	\$ 53,672,750

CITY OF SUNNYVALE**Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2008**

	Major Enterprise Funds		
	Water Supply and Distribution	Wastewater Management	Solid Waste Management
Cash Flow from Operating Activities:			
Cash Received from Customers	\$ 24,288,878	\$ 23,009,384	\$ 32,054,054
Cash Payments to Suppliers of Goods and Services	(15,871,020)	(6,009,931)	(26,317,068)
Cash Payments for Employee Services	(2,868,619)	(7,626,796)	(1,037,483)
Insurance and Claims Paid	-	-	-
Other Receipts (Payments)	12,483	-	39,756
Net Cash Provided by (Used for) Operating Activities	5,561,722	9,372,657	4,739,259
Cash Flows from Noncapital Financing Activities:			
Transfers Received	-	4,841	-
Transfers Paid	(2,749,805)	(4,413,903)	(3,700,123)
Repayment of Advance From/To Other Funds	(351,700)	(3,458,637)	(750,000)
Net Cash Provided by (Used for) Noncapital Financing Activities	(3,101,505)	(7,867,699)	(4,450,123)
Cash Flows from Capital and Related Financing Activities:			
Proceeds from New Long-term Debt (Net)	-	-	-
Principal Paid on Long-term Debt	(578,301)	(791,699)	-
Interest Paid on Long-term Debt	(524,573)	(718,147)	-
Acquisition and Construction of Capital Assets	(974,280)	(1,930,155)	-
Net Cash Provided by (Used for) Capital and Related Financing Activities	(2,077,154)	(3,440,001)	-
Cash Flows from Investing Activities:			
Interest on Investments	388,498	802,123	178,303
Change in the Fair Value of Investments	14,388	29,143	3,834
Net Cash Provided by Investing Activities	402,886	831,266	182,137
Net Increase (Decrease) in Cash and Cash Equivalents	785,949	(1,103,777)	471,273
Cash and Investments - Beginning of Year	7,748,892	17,850,162	1,547,321
Cash and Investments - End of Year	\$ 8,534,841	\$ 16,746,385	\$ 2,018,594
Reconciliation to Statement of Net Assets:			
Cash and Investments Held by City	\$ 7,575,189	\$ 15,343,590	\$ 2,018,594
Cash and Investments Held by Fiscal Agent	959,652	1,402,795	-
Total Cash and Investments	\$ 8,534,841	\$ 16,746,385	\$ 2,018,594

See Accompanying Notes to Basic Financial Statements



<u>Major Enterprise Funds</u>		<u>Total Enterprise Funds</u>	<u>Governmental Activities Internal Service Funds</u>
<u>SMaRT Station</u>	<u>Community Recreation</u>		
\$ 27,886,535	\$ 7,682,070	\$ 114,920,921	\$ 69,118,092
(24,278,438)	(4,437,152)	(76,913,609)	(7,534,851)
(231,452)	(6,612,477)	(18,376,827)	(45,349,211)
-	-	-	(16,186,562)
37,086	34,298	123,623	111,057
<u>3,413,731</u>	<u>(3,333,261)</u>	<u>19,754,108</u>	<u>158,525</u>
1,109,727	4,364,597	5,479,165	4,496,225
-	(1,025,710)	(11,889,541)	(2,137,519)
-	-	(4,560,337)	(600,000)
<u>1,109,727</u>	<u>3,338,887</u>	<u>(10,970,713)</u>	<u>1,758,706</u>
8,035,427	-	8,035,427	-
(1,165,000)	-	(2,535,000)	-
(898,196)	-	(2,140,916)	-
<u>(6,050,269)</u>	<u>(27,673)</u>	<u>(8,982,377)</u>	<u>(1,881,800)</u>
<u>(78,038)</u>	<u>(27,673)</u>	<u>(5,622,866)</u>	<u>(1,881,800)</u>
423,034	27,875	1,819,833	3,155,029
9,059	1,664	58,088	140,941
<u>432,093</u>	<u>29,539</u>	<u>1,877,921</u>	<u>3,295,970</u>
4,877,513	7,492	5,038,450	3,331,401
9,960,543	872,332	37,979,250	71,041,683
<u>\$ 14,838,056</u>	<u>\$ 879,824</u>	<u>\$ 43,017,700</u>	<u>\$ 74,373,084</u>
\$ 4,769,577	\$ 879,824	\$ 30,586,774	\$ 74,373,084
10,068,479	-	12,430,926	-
<u>\$ 14,838,056</u>	<u>\$ 879,824</u>	<u>\$ 43,017,700</u>	<u>\$ 74,373,084</u>

Continued

CITY OF SUNNYVALE**Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2008**

	Major Enterprise Funds		
	Water Supply and Distribution	Wastewater Management	Solid Waste Management
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:			
Operating Income (Loss)	\$ 3,981,155	\$ 8,142,101	\$ 4,865,052
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation	1,333,687	1,685,673	70,960
Changes in Assets and Liabilities:			
Receivables, Net	320,840	(55,884)	(75,759)
Due from Other Governments	-	56,061	16,783
Inventories and Prepayments	-	(4,307)	-
Accounts Payable and Accrued Liabilities	(73,960)	(450,987)	(12,225)
Landfill Postclosure Care	-	-	(125,552)
Claims and Judgments Payable	-	-	-
Compensated Absences Payable	-	-	-
Other Postemployment Benefits Obligation	-	-	-
Net Cash Provided by (Used for) Operating Activities	\$ 5,561,722	\$ 9,372,657	\$ 4,739,259
Noncash Investing, Capital and Financing Activities:			
Purchase of Capital Assets on Account	188,128	349,154	-
Non Cash Capital Contributions	386,400	215,300	-

See Accompanying Notes to Basic Financial Statements



<u>Major Enterprise Funds</u>		<u>Total Enterprise Funds</u>	<u>Governmental Activities Internal Service Funds</u>
<u>SMaRT Station</u>	<u>Community Recreation</u>		
\$ 2,546,567	\$ (3,401,837)	\$ 16,133,038	\$ (8,318,173)
833,454	277,841	4,201,615	1,926,984
(5,476)	(51,908)	131,813	32,856
62,375	-	135,219	-
110	120,363	116,166	470,347
(23,299)	(305,393)	(865,864)	945,877
-	27,673	(97,879)	-
-	-	-	1,335,000
-	-	-	(172,866)
-	-	-	3,938,500
<u>\$ 3,413,731</u>	<u>\$ (3,333,261)</u>	<u>\$ 19,754,108</u>	<u>\$ 158,525</u>

1,163,431	-	1,700,713	48,918
-	-	601,700	-
			Concluded



Fiduciary Fund Financial Statements

Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. They are used to account for assets held in an agency capacity for others and therefore cannot be used to support the City's programs. The City's Agency Funds account for financial transactions for the Community Facilities District (CFD) and the Santa Clara Valley Urban Runoff Pollution Prevention Program (SCVURPPP).

CITY OF SUNNYVALE

Statement of Fiduciary Net Assets
Agency Funds
June 30, 2008

	<u>Agency Funds</u>
Assets:	
Cash and Investments Held by City (Note 2)	\$ 3,076,095
Cash and Investments Held by Fiscal Agent (Note 2)	1,748,413
Receivables (Note 3)	<u>54,532</u>
Total Assets	<u><u>\$ 4,879,040</u></u>
Liabilities:	
Accounts Payable and Accrued Liabilities	\$ 1,166,141
Due to Bondholders	<u>3,712,899</u>
Total Liabilities	<u><u>\$ 4,879,040</u></u>

See Accompanying Notes to Basic Financial Statements

*Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2008*

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***Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2008***

1. SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the City of Sunnyvale, California (City) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental agencies. The Governmental Accounting Standards Boards (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

A. Reporting Entity

The City of Sunnyvale was incorporated on December 24, 1912. The original charter of the City was prepared in accordance with the provisions of Section 8, Article XI of the Constitution of the State of California and became effective on May 18, 1949. The City operates under a Council-Manager form of government and provides the following services as authorized by its charter: public safety (police and fire), library, parks, recreation, water, sewer, refuse collection and disposal, golf, traffic engineering, street maintenance, community development (planning and zoning), public improvements, and general administrative services.

As required by GAAP, these basic financial statements present the City and its component units, entities for which the City is considered to be financially accountable. Blended component units, although legally separate entities are, in substance, part of the City's operations and data from these units are combined with data of the City. Discretely presented component units, on the other hand, are reported in a separate column in the combined basic financial statements to emphasize their legal separateness from the City. Each blended component unit has a June 30 year-end. The City had no discretely presented component units. The Redevelopment Agency of the City of Sunnyvale and the Sunnyvale Financing Authority are reported as blended component units:

Redevelopment Agency of the City of Sunnyvale

The Redevelopment Agency of the City of Sunnyvale (Agency) was established under the provisions of the community redevelopment laws of the State of California by a resolution of the City Council adopted on November 19, 1957. In this resolution, the City Council declared itself to be the governing members of the Agency.

Sunnyvale Financing Authority

The Sunnyvale Financing Authority (Authority) was formed on September 22, 1992 by the Joint Exercise of Powers Agreement between the City and the Agency. The Authority was created to facilitate financing of public improvements within the City. The Authority's governing board has the same members as those on the City Council and Agency board.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2008

1. SIGNIFICANT ACCOUNTING POLICIES, Continued

The Redevelopment Agency and Financing Authority's assets, liabilities, revenues and expenditures are blended into the City's financial statements. Separately issued financial statements for the Redevelopment Agency and the Financing Authority are available at the Department of Finance, City Hall Annex.

The Community Facilities District No. 1

The Community Facilities District No. 1 (the District) was created by resolutions of the City Council on February 23, 1999. The purpose is to provide financing for the construction of parking facilities required by the redevelopment of the Sunnyvale Town Center. The District's governing board has the same members as those on the City Council and Redevelopment Agency. The City is not obligated in any manner for the debt of the District. Property tax collections related to the repayment of the District's bonded debt are accounted for in a fiduciary (agency) fund, pending their remittance to bondholders. The District is a component unit of the City's financial reporting entity. All financial transactions of the District are reported in the fiduciary fund financial statements.

B. Basis of Accounting and Measurement Focus

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for in a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. City 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.

Government-Wide Financial Statements

The City government-wide financial statements include a statement of net assets and a statement of activities and changes in net assets. These statements present summaries of governmental and business-type activities for the City accompanied by a total column. Fiduciary activities of the City are not included in these statements.

The government-wide financial statements are presented on an "*economic resources*" measurement focus and the accrual basis of accounting. Accordingly, all of the City's assets and liabilities, including capital assets, as well as infrastructure assets, and long-term liabilities, are included in the accompanying statement of net assets. The statement of activities presents changes in net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. The types of transactions reported as program revenues for the City are reported in three categories: 1) charges for services, 2) operating grants and contributions, and 3) capital grants and contributions.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2008

1. SIGNIFICANT ACCOUNTING POLICIES, Continued

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, payables and receivables including the corresponding deferred revenues. All internal balances in the Statement of Net Assets have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the statement of activities, internal service fund transactions have been eliminated. However, transactions between governmental and business-type activities are not eliminated.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to the same limitation. The City has elected not to follow subsequent private-sector guidance.

Fund Financial Statements

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, although the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Governmental funds

Governmental fund financial statements include a balance sheet and a statement of revenues, expenditures and changes in fund balances for all major governmental funds and nonmajor funds aggregated. The City reports the following major governmental funds that met the criteria of major fund reporting:

- The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in any other fund.
- The Redevelopment Agency Debt Service Fund accumulates funds for repayment of the Agency's bonded debt and advances from the City General Fund.

The following two funds, though not meeting the major fund criteria in this reporting year, have been included as major funds in the interest of consistency:

- The Employment Development Fund accounts for Federal funds and private grants and donations used for workforce development activities conducted by the North Valley Job Training Consortium (NOVA) on behalf of the cities of Sunnyvale, Mountain View, Cupertino, Los Altos, Palo Alto, Milpitas, and Santa Clara.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2008

1. SIGNIFICANT ACCOUNTING POLICIES, Continued

- The City Projects Fund accounts for financial resources to be used for the acquisition or construction of major capital facilities.

All governmental funds are accounted for on a spending or "*current financial resources*" measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the balance sheets. The statement of revenues, expenditures and changes in fund balances presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized only as they are susceptible to accrual (measurable and available). Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The primary revenue sources which have been treated as susceptible to accrual by the City are property tax, taxpayer-assessed tax revenues (sales taxes, transient occupancy taxes, franchise taxes, etc.), certain grant revenues and earnings on investments.

The State Budget Act of 2004 substantially changed the valuation, distribution method, and timing of three major local government revenues: the sales tax, vehicle license fee, and property tax. In fiscal year 2005, the State issued Economic Recovery Bonds as part of the solution to its record budget deficit. As security for these Bonds, the State has temporarily changed the local sales tax allocation from 1% to 0.75% and replaced the reduction of local sales tax with a dollar-for-dollar allocation of local property tax from the County Educational Revenue Augmentation Fund (ERAF.) The exchange mechanism will be in place as long as the Bonds are outstanding. True-up reconciliations between the actual amounts and the State estimates are done each year in October, and the actual property tax distribution is scheduled for January of the following year. The net effect of this exchange on the City is that property tax is remitted twice a year while sales tax is remitted monthly; this causes a reduction in overall interest earnings and a potential cash flow impact.

During fiscal year 2005 the State also permanently reduced the Motor Vehicle License Fee (VLF) from 2% to 0.67%. For fiscal year 2004-05, the amount that the City would have gotten from VLF at the 2% rate was calculated and this amount was added to the property tax base through transfer from the County ERAF. In the following years, the City receives its portion of VLF at the now-permanent low rate and the increased property tax base grows according to economic conditions.

The City considers revenues to be available if they are collected within 60 days of the current fiscal year end for property tax and non-grant revenues, 90 days for grant revenues, with the exception of the County back-fill (for the loss of sales tax and VLF revenues) for which the City adopts a seven-month availability period so that total sales tax and VLF revenues would be most consistent with revenues reported in years before the State sales tax flip and VLF swap. Expenditures generally are recorded when a liability is incurred except for debt service expenditures which are recorded when payment is due.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2008

1. SIGNIFICANT ACCOUNTING POLICIES, Continued

Reconciliation of the fund financial statements to the government-wide financial statements is provided in the basic financial statements to explain the differences created by the integrated approach.

Proprietary Funds

Proprietary fund financial statements include a statement of net assets, a statement of revenues, expenses and changes in fund net assets, and a statement of cash flows for each major proprietary fund and nonmajor funds aggregated. A column representing internal service funds is also presented in these statements.

Although not qualifying as a major enterprise fund, the Community Recreation Enterprise Fund is treated as a major fund in financial reporting. The City reports the following major enterprise funds:

- The Water Supply and Distribution Fund accounts for the activities of the City-operated water utility.
- The Wastewater Management Fund accounts for the activities related to the City-operated sewer collection and water pollution control systems.
- The Solid Waste Management Fund accounts for the activities of the City's refuse collection and solid waste disposal services.
- The SMaRT Station Fund accounts for the revenues and expenditures related to the operations of the Sunnyvale Materials and Recovery Transfer Station.
- The Community Recreation Fund accounts for the activities related to the City-operated golf courses, tennis center, and recreation classes and services offered by the City.

Additionally, the City reports the following fund types:

- Internal service funds account for charges to City departments for services provided, on a cost reimbursement basis, in the following areas: fleet equipment, building services, computers, office equipment, communication equipment, print shop, public safety equipment, sewer equipment, recreation equipment, employee leave time, benefits, and property and liability insurance.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2008

1. SIGNIFICANT ACCOUNTING POLICIES, Continued

Proprietary funds are accounted for using the "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the statement of net assets. The statement of revenues, expenses and changes in fund net assets presents increases (revenues) and decreases (expenses) in total net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. In these funds, receivables have been recorded as revenue and provisions have been made for uncollectible amounts.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. Operating expenses are those expenses that are essential to the primary operations of the fund. Items included in the non-operating category are interest income, interest expense, and contributions.

Fiduciary Funds

Fiduciary fund financial statements include a statement of net assets. The City's fiduciary funds represent agency funds that are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The agency funds are accounted for using the accrual basis of accounting.

The activities reported in the City's fiduciary funds include collecting the special tax levy from property owners and then remitting to bondholders' agent. The City is not obligated in any manner for the special assessment debt (see Note 7 E, Non City Obligations – Community Facilities District). The City also uses the fiduciary funds to account for the collection of annual member assessments and payments to cover the cost of programmatic activities related to the Santa Clara Valley Urban Runoff Pollution Prevention Program, which was formed by the cities in Santa Clara County and the Santa Clara Valley Water District that discharge storm water to the San Francisco Bay.

C. Restricted Assets and Use of Restricted/Unrestricted Net Assets

Restricted assets are assets whose use is subject to constraints that are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation. Restricted net assets equal the carrying value of restricted assets reduced by amounts repayable from those assets, excluding capital-related debt.

When an expense is incurred for purposes for which both restricted and unrestricted net assets are available, the City's policy is to apply restricted net assets first.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2008

1. SIGNIFICANT ACCOUNTING POLICIES, Continued

D. Cash, Cash Equivalents and Investments

The City pools cash resources of its various funds to facilitate cash management. Cash in excess of current requirements is invested and reported as investments. It is the City's intent to hold investments until maturity. However, the City may, in response to market conditions, sell investments prior to maturity in order to improve the quality, liquidity or yield of the portfolio. Interest earnings are apportioned among funds based on ending accounting period cash and investment balance.

The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and highly liquid investments with original maturities of three months or less at the time of acquisition.

In accordance with GASB Statement No. 40, *Deposit and Investment Disclosures (Amendment of GASB No. 3)*, certain disclosure requirements for Deposits and Investment Risks were made in the following areas:

- Interest Rate Risk
- Credit Risk
- Concentration of Credit Risk
- Custodial Credit Risk

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, highly liquid market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available.

The City participates in the Local Agency Investment Fund (LAIF), an investment pool managed by the State of California. LAIF has invested a portion of the pool funds in Structured Notes and Asset-Backed Securities. LAIF's investments are subject to credit risk because the collateral on these investments is the full faith and credit of the State of California. In addition, these Structured Notes and Asset-Backed Securities are subject to market risk as a result of changes in interest rates.

E. Receivables

All receivables are shown net of an allowance for doubtful accounts. Utility revenues (water, sewer and refuse collection) are recorded as billed to customers on a cyclical basis. All utility customers are billed either monthly or bi-monthly. Charges for utility services rendered but unbilled at June 30 are accrued and are recognized as revenues.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2008

1. SIGNIFICANT ACCOUNTING POLICIES, Continued

F. Property Tax Revenue

California State Constitution Article XIII A provides that the combined maximum property tax rate on any given property may not exceed one percent of its assessed value unless an additional amount has been approved by voters. Assessed value is calculated at 100 percent of market value as defined by Article XIII A and may be increased by no more than two percent per year unless there is new construction on the property or the property is sold or transferred. The California Legislature has determined the method of distribution of receipts from the one percent tax levy among the counties, cities, school districts, and other districts.

Santa Clara County assesses properties and bills and collects property taxes for the City. Secured and unsecured taxes are levied on the preceding January 1. Secured tax is due in two installments on November 1 and February 1. If unpaid, such taxes become delinquent on December 10 and April 10, respectively, and a 10% penalty attaches to any delinquent payments. Unsecured tax is due as of the January 1 lien date and becomes delinquent if unpaid on August 31. A 10% penalty attaches to delinquent unsecured tax. If unsecured tax remains unpaid on October 31, an additional 1.5% attaches to it on the first day of each month until paid. The term "unsecured" refers to taxes on property not secured by liens on real property. The City has elected not to participate in the "Teeter Plan" offered by the County, thereby retaining the right to any interest and penalties collected on the related delinquent taxes.

Property tax revenues are recorded when they become measurable and available. Available means due, or past due, and receivable within the current period and collected no longer than 60 days after the close of the current period.

Starting fiscal year 2005, the State has replaced a temporary 0.25% reduction of the local sales tax allocation with a dollar-for-dollar allocation of local property tax from the County Educational Revenue Augmentation Fund (ERAF). The City reports this allocation from the County as "Sales Tax In-lieu", under the Sales Tax revenue category. Although the source of funds is a temporary allocation of the State-controlled County ERAF fund, the economic basis of the valuation is still sales tax. Note 1.B explains the relevant revenue recognition policy.

G. Interfund Balances/Internal Balances

Advances to and advances from other funds represent interfund loans in the fund financial statements. Advances between funds are offset by a fund balance reservation or by deferred revenue in the applicable governmental funds to indicate that they are not expendable available financial resources. Any unpaid interest due to lack of funds in the borrowing fund increases the principal owed and is reported in the lending fund as deferred revenue.

All other outstanding balances between funds are reported as due to and due from other funds.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2008

1. SIGNIFICANT ACCOUNTING POLICIES, Continued

Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances.”

H. Inventory and Prepaid Items

The consumption method is used to account for inventory and inventory is valued at average cost. Inventory in the General Fund consists of expendable supplies held for consumption by all departments; user programs are charged when inventory items are withdrawn for use. Inventory in the Community Recreation Enterprise Fund consists of golf merchandise held for resale to customers; the cost of goods sold is recorded at the end of the accounting period, adjusted by physical inventory results.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

I. Assets Held for Resale

Assets held for resale are carried at the lower of cost or market, but not greater than the net realizable value. In the Fund Financial Statements, an amount equal to the carrying value of the asset is reserved in fund balance because such assets are not available to finance the City’s current operations.

J. Capital Assets

Capital assets, which include land, buildings, improvements, equipment, construction in progress, and infrastructure assets (e.g., streets, sidewalks, curbs, gutters, street lights, traffic signals, water supply and distribution system, wastewater treatment and collection system), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets, other than infrastructure assets, are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. The City reports infrastructure assets on a system basis. Accordingly, the amounts spent for the construction or acquisition of infrastructure assets are capitalized and reported in the government-wide financial statements regardless of their amount.

Capital assets are recorded at historical cost or estimated historical cost if actual cost is not available. Donated assets are recorded at their estimated fair value on the date donated.

For the initial capitalization of the City’s general infrastructure assets, a valuation of the infrastructure assets (streets, sidewalks, curbs, gutters, street lights and traffic signals) as of July 1, 2001 was conducted. The City was able to estimate the historical cost for the initial reporting of these assets through backtrending (i.e., estimating the current replacement cost of the infrastructure to be capitalized and using an appropriate price-level index to deflate the cost to the acquisition year or estimated acquisition year).

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2008

1. SIGNIFICANT ACCOUNTING POLICIES, Continued

The City has chosen the modified approach for reporting the street pavement system, and as a result no depreciation is recorded for that system. For all other assets, depreciation is recorded on a straight-line method (with half-year convention applied to the first year of acquisition) over the useful lives of the assets as follows:

- Buildings 10 - 50 years
- Sidewalks, Curbs, Gutters, Street Lights, and Traffic Signals 10 - 40 years
- Water Supply and Distribution System 10 - 80 years
- Wastewater Treatment and Collection system 10 - 80 years
- Other land improvements 7 - 80 years
- Equipment 2 - 30 years

The accumulated depreciation, defined as the total depreciation from the date of construction/acquisition to the current date was computed on a straight-line method using industry accepted life expectancies for each infrastructure subsystem. The book value was then computed by deducting the accumulated depreciation from the original cost.

Using the modified approach to report the City's street pavement system, each homogeneous segment of City owned street was assigned a physical condition based on potential defects. A pavement condition index (PCI) was assigned to each street segment. The index is expressed in a continuous scale from 0 to 100, where 0 is assigned to the least acceptable physical condition and 100 is assigned to segments of street that have the physical characteristics of a new street. The following conditions were defined:

- Excellent 86-100
- Very Good 71-85
- Good 56-70
- Fair 41-55
- Poor 26-40
- Very Poor 11-25
- Substandard 0-10

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2008

1. SIGNIFICANT ACCOUNTING POLICIES, Continued

The City's policy relative to maintaining the street assets is to achieve a PCI rating of over 70 for all street segments, which is in the "good" range or better. For detailed description of the modified approach, see the required supplementary information section of this report.

K. Compensated Absences

Accrued vacation pay and floating holiday pay for all regular City employees and paid time-off for management employees is recorded in the Employee Benefits Internal Service Fund and is fully funded by cash and investments. Some employees also accrue compensatory time. Sick leave for regular employees does not vest. The City's disability plan provides for wage continuation for up to ninety calendar days per illness or disability after which payments may be assumed by a long-term disability insurance carrier to the age of seventy, depending on age at time of disability. The total amount of vacation, floating holiday, compensatory time, and paid time off is included as a liability in the governmental activities of the government-wide financial statements.

L. Unearned Revenue and Deferred Revenue

In the government-wide financial statements, unearned revenue is recognized for transactions for which revenue has not yet been earned. Typical transactions for which unearned revenue is recorded are unearned grant revenues and prepayments from customers.

In the fund financial statements, deferred revenue is recorded when transactions have not yet met the revenue recognition criteria based on the modified accrual basis of accounting. The City records deferred revenue for transactions for which revenues have not been earned, or for which funds are not available to meet current financial obligations. Typical transactions for which deferred revenue is recorded are grants received but not yet earned or available, interest accrued on interfund advances, long-term assessments and long-term loans receivables.

M. Claims and Judgments

Claims and judgments are recognized as expenditures when it is probable that the liability has been incurred and the amount of the loss can be reasonably estimated based on actuarial studies.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2008

1. SIGNIFICANT ACCOUNTING POLICIES, Continued

N. Long-term Debt

Government-Wide Financial Statements

Long-term debt and other financial obligations are reported as liabilities in the appropriate activities. Bond premiums and discounts and issuance costs are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of premium or discount. Issuance costs are reported as deferred charges.

Fund Financial Statements

Long-term debt is not reported in the fund financial statements but is shown in the reconciliation of the governmental funds balance sheet to the government-wide statement of net assets. In the fund financial statements, governmental funds recognize bond premiums and discounts and issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums on debt issuance are reported as other financing sources while discounts on debt issuance are reported as other financing uses. All debt issuance costs are reported as debt service expenditures.

O. Net Assets and Fund Equity

Government-Wide Financial Statements

Invested in Capital Assets, Net of Related Debt – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that is attributed to the acquisition, construction, or improvement of the assets.

Restricted – This amount is restricted by external creditors, grantors, contributors, or laws or regulations of other governments.

Unrestricted – This amount is all net assets that do not meet the definition of “invested in capital assets, net of related debt” or “restricted net assets.”

Fund Financial Statements

Fund Equity – Reservations and designations of fund balances of governmental funds and unrestricted net assets of proprietary funds are created to either satisfy legal covenants, including State laws, that require a portion of the fund equity be segregated or identify the portion of the fund equity not available for future expenditures.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2008

1. SIGNIFICANT ACCOUNTING POLICIES, Continued

P. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities. In addition, estimates affect the reported amount of expenditures and expenses. Actual results could differ from these estimates and assumptions.

Q. Legal Level of Budgetary Control

The legal level of budgetary control is placed by the City Council at the program level, with adjustments between programs within funds allowed below specified thresholds. A separate Budgetary Year-End Financial Report is prepared in December of each year, which presents details to demonstrate compliance at the legal level of control for the previous fiscal year.

R. Implementation of New GASB Pronouncements

In this fiscal year, the City adopted the following new accounting standards in order to conform to the Government Accounting Standards Board Statements:

- GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. Refer to Note 11 for details.
- GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*. Refer to Note 13 for details.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2008

2. CASH AND INVESTMENTS

The City maintains a cash and investment pool, which includes cash balances and authorized investments of all funds. This pooled cash is invested by the City Treasurer to preserve capital and enhance interest earnings. The pooled interest earned is allocated to the funds based on cash and investment balances in these funds at the end of each accounting period.

A. Deposits

The carrying amounts of the City’s cash deposits were \$3,412,112 at June 30, 2008. Bank balances before reconciling items (i.e., deposits in transit and outstanding checks) were \$8,161,056 at that date, the total amount of which was collateralized or insured with securities held by the pledging financial institutions in the City’s name as discussed below. The City follows the practice of pooling cash and investments of all funds, except for funds required to be held by fiscal agents under the provisions of bond indentures. Interest income earned on pooled cash and investments is allocated on an accounting period basis to the various funds based on the period-end cash and investment balances. Interest income from cash and investments with fiscal agents is credited directly to the related fund.

B. Investments

Under the provisions of the City’s Investment Policy, and in accordance with the California Government Code, the following investments were authorized:

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Securities issued by the U.S. Treasury	7 years	100%	N/A
U.S. Agency Securities	7 years	100%	N/A
Banker's Acceptances	180 days	30%	5%
Non-negotiable Certificates of Deposit	1 year	20%	5%
Negotiable Certificates of Deposit	180 days	30%	5%
Repurchase Agreements	15 days	10%	N/A
Local Agency Investment Fund	N/A	20%	N/A
Corporate Medium-term Notes	5 years	30%	5%
Mortgage Pass-through Securities	5 years	20%	5%
Asset-backed Securities	5 years	20%	5%
Money Market Mutual Funds	N/A	10%	N/A
Commercial Paper	180 days	15%	5%

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2008

2. CASH AND INVESTMENTS, Continued

B. Investments, Continued

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, investments were stated at fair value using the aggregate method in all funds and component units, resulting in the following investment income:

	<u>Governmental Activities</u>			<u>Business-Type Activities</u>
	<u>Governmental Funds</u>	<u>Internal Service Funds</u>	<u>Total</u>	
Investment Income				
Interest	\$ 5,843,587	\$ 2,847,574	\$ 8,691,161	\$ 1,573,869
Net Changes in the fair value of investments	1,020,095	462,099	1,482,194	190,440
Investment Income - Fund Financial Statements	<u>\$ 6,863,682</u>	<u>\$ 3,309,673</u>	10,173,355	<u>\$ 1,764,309</u>
Reconciliation to Government-Wide Investment Earnings:				
Deferred or Earned Interest - Interfund Advances to Business-Type			3,033,184	-
Deferred or Earned Interest - Loans to City Employees			(25,281)	-
Interest accrued and recognized in prior year that became available in current year:				
Interest on Note Receivable			(221,111)	-
Investment Income - Government-Wide Financial Statements			<u>\$ 12,960,147</u>	<u>\$ 1,764,309</u>

The City portfolio value fluctuates in an inverse relationship to any change in interest rate. In accordance with GASB Statement No. 31, the net changes in the fair value of investments take into account all changes in fair value (including purchases and sales) that occurred during the year. These portfolio value changes are unrealized unless sold. These unrealized value changes do not represent actual market fluctuations or losses since the City's policy is to buy and hold investments until their maturity dates.

C. Summary of Cash and Investments

The following is a summary of cash and investments at June 30, 2008:

	<u>Government-Wide Statement of Net Assets</u>			<u>Funds Financials Fiduciary Funds</u>	
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	<u>Statement of Net Assets</u>	<u>Total</u>
Cash and Investments	\$ 181,118,562	\$ 30,586,774	\$ 211,705,336	\$ -	\$ 211,705,336
Restricted Cash and Investments					
Held by the City	55,207,335	-	55,207,335	3,076,095	58,283,430
Held by the Fiscal Agent	3,504,678	12,430,926	15,935,604	1,748,413	17,684,017
Total	<u>\$ 239,830,575</u>	<u>\$ 43,017,700</u>	<u>\$ 282,848,275</u>	<u>\$ 4,824,508</u>	<u>\$ 287,672,783</u>

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2008

2. CASH AND INVESTMENTS, Continued

C. Summary of Cash and Investments, Continued

At June 30, 2008, the City had the following deposits and investments:

	S&P/ Moody's	Details	Total Fair Value
City Treasury Pooled Cash and Investments:			
Deposits and Cash on Hand	Not Rated	\$ 37,035,370	
Investments:			
Corporate Notes	AA-/Aa2	2,996,760	
Corporate Notes	AAA/Aaa	9,149,543	
Total Corporate Notes		<u>12,146,303</u>	
Securities of U.S. Government Agencies/Government Sponsored Enterprises:			
Federal Home Loan Bank (2)	AAA/ Aaa	67,116,425	
Freddie Mac (2)	AAA/ Aaa	20,268,346	
Fannie Mae (2)	AAA/ Aaa	26,096,562	
Government National Mortgage Association (1)	N/A	2,664	
U.S. Treasury (1)	N/A	32,455,000	
Tennessee Valley Authority (1)	AAA/ Aaa	6,058,758	
Federal Farm Credit Bank (2)	AAA/ Aaa	25,736,149	
Total Securities of U.S. Government Agencies		<u>177,733,904</u>	
Local Agency Investment Funds	Not Rated	39,997,094	
Total City Treasury Pooled Cash and Investments			\$ 266,912,671
City Cash and Investments with Fiscal Agents:			
Guaranteed Investment Contracts	Not Rated	7,661,664	
Treasury Obligation Mutual Funds	AAA/ Aaa	8,273,940	
Total City Cash and Investments with Fiscal Agents			<u>15,935,604</u>
Total City Cash and Investments			\$ 282,848,275
Fiduciary Fund Deposits not in City Treasury Pooled Cash and Investments			
Fiduciary Fund Cash and Investments with Fiscal Agents:			
Guaranteed Investment Contracts	Not Rated	1,748,140	
Treasury Obligation Mutual Funds	AAA/ Aaa	273	
Total Fiduciary Cash and Investments with Fiscal Agents			<u>1,748,413</u>
Total Fiduciary Fund Cash and Investments			\$ 4,824,508

(1) Explicitly guaranteed by the U.S. government or issuing agency.

(2) Government sponsored enterprises.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2008

2. CASH AND INVESTMENTS, Continued

D. Risk Disclosures

Interest Rate Risk - To minimize the City's exposure to fair value losses caused by rising interest rates, the City's investment policy limits its investment portfolio to an average maturity of no greater than 2.5 years.

Investments held in the City Treasury grouped by maturity date at June 30, 2008 are as follows:

	Maturity (in years)				Total Fair Value
	1 year or less	1 to 2 years	2 to 5 years	5 to 10 years	
Cash and Deposits	\$ 37,035,370	\$ -	\$ -	\$ -	\$ 37,035,370
Investments:					
Federal Farm Credit Bank	10,047,500	15,688,649	-	-	25,736,149
Federal Home Loan Bank	63,016,425	4,100,000	-	-	67,116,425
Freddie Mac	16,166,106	4,101,250	237	753	20,268,346
Fannie Mae	26,096,562	-	-	-	26,096,562
Government National Mortgage Association	197	2,467	-	-	2,664
Tennessee Valley Authority	6,058,758	-	-	-	6,058,758
U. S. Treasuries	8,048,750	20,306,250	4,100,000	-	32,455,000
Local Agency Investment Funds	39,997,094	-	-	-	39,997,094
Corporate Notes	9,135,110	3,011,193	-	-	12,146,303
					-
City Treasury Pooled Cash and Investments	<u>\$ 215,601,872</u>	<u>\$ 47,209,809</u>	<u>\$ 4,100,237</u>	<u>\$ 753</u>	<u>\$ 266,912,671</u>

Credit Risk – This is risk that a security or a portfolio will lose some or all of its value due to a real or perceived change in the ability of the issuer to repay its debt. The City's investment policy is that no more than 5% of the total portfolio may be invested in securities of any single issuer, other than the U. S. Government, its agencies and instrumentalities, and LAIF. Additionally, no more than 10% may be invested in short-term repurchase agreements or money market mutual funds. If a security is downgraded by either Moody's or Standard & Poor's (S&P) to a level below the minimum quality required by the City, it shall be the City's policy to sell that security as soon as practicable.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2008

2. CASH AND INVESTMENTS, Continued

D. Risk Disclosures, Continued

Custodial Credit Risk- The custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the City will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The California Government Code requires California depositories to secure the City's cash deposits by pledging securities as collateral. This Code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus, collateral for cash deposits is considered to be held in the City's name. The market value of pledged securities must equal at least 110% of the City's cash deposits. California law also allows institutions to secure the City's deposits by pledging first trust deed mortgage notes having a value of 150% of the City's total cash deposits or letters of credit issued by the Federal Home Loan Bank of San Francisco having a value of 105% in excess of the total amount of deposits.

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the City will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. To mitigate this risk, all of the City's investments in securities are held in the name of the City. The City's custodial agreement policy prohibits counterparties holding securities not in the City's name.

Concentration of Credit Risk – This is the risk of loss attributed to the magnitude of investment in any single issuer, excluding investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds and external investment pools.

At June 30, 2008, the City's investments in the following issuers represented 5 percent or more of total City portfolio. The City's Investment Policy allows up to 100% of total City portfolio to be invested in federally sponsored agency securities maturing within seven years or less.

<u>Issuer</u>	<u>Amount</u>
<i>Federally Sponsored Agencies:</i>	
Federal Farm Credit Bank	\$ 25,736,149
Federal Home Loan Bank	67,116,425
Freddie Mac	20,268,346
Fannie Mae	26,096,562
Total	<u>\$ 139,217,482</u>

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2008

2. CASH AND INVESTMENTS, Continued

E. Investments in Local Agency Investment Fund

The Local Agency Investment Fund (LAIF) is a State of California investment pool which offers local agencies within California the opportunity to participate in a major portfolio using the expertise of the State Treasurer's Office investment staff at no additional cost to taxpayers. Oversight of LAIF is provided by the Pooled Money Investment Board and the Local Agency Investment Advisory Board. These boards review LAIF investment policies annually. In addition, the Bureau of State Audits has a continuing audit process throughout the year.

The City's investments with the Local Agency Investment Fund (LAIF), at June 30, 2008, included a portion of the pool funds invested in Structured Notes and Asset-Backed Securities. These investments included the following:

Structured Notes are debt securities (other than asset-backed securities) whose cash flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indexes and/or that have embedded forwards or options. They are issued by corporations and by government-sponsored enterprises such as the Federal National Mortgage Association and the Federal Home Loan Bank System.

Asset-Backed Securities entitle the purchaser to receive a share of the cash flows from a pool of assets such as principal and interest repayments from a pool of mortgages (such as Collateralized Mortgage Obligations), small business loans, or credit card receivables.

As of June 30, 2008, the City had \$39,997,094 at fair value invested in LAIF, which had invested 14.72% of the pool investment funds in medium-term and short-term structured notes and asset-backed securities. The City valued its investments in LAIF as of June 30, 2008, by multiplying its account balance with LAIF by a fair value factor determined by LAIF. This fair value factor was determined by dividing all LAIF participants' total aggregate fair value by total aggregate amortized cost resulting in a factor of 0.999950219.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2008

3. RECEIVABLES

A. Current Receivables

Government Wide Financial Statements

At June 30, 2008, the government-wide financial statements show the following current receivables net of allowances for uncollectible amounts:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Unrestricted:			
Accounts	\$ 247,939	\$ 10,383,529	\$ 10,631,468
Taxes	7,981,047	-	7,981,047
Interest	1,609,877	265,027	1,874,904
Other	646,553	92,631	739,184
Total Unrestricted	<u>10,485,416</u>	<u>10,741,187</u>	<u>21,226,603</u>
Restricted:			
Accounts	48,720	-	48,720
Taxes	4,444	-	4,444
Interest	477,496	10,176	487,672
Other	114,449	-	114,449
Total Restricted	<u>645,109</u>	<u>10,176</u>	<u>655,285</u>
Total Current Receivables, Net	<u>\$ 11,130,525</u>	<u>\$ 10,751,363</u>	<u>\$ 21,881,888</u>

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2008

3. RECEIVABLES, Continued

A. Current Receivables, Continued

Fund Financial Statements

At June 30, 2008, the fund financial statements show the following current receivables net of allowances for uncollectible amounts:

	<u>Accounts Receivable</u>	<u>Taxes</u>	<u>Interest</u>	<u>Other</u>	<u>Less: Allowance for Uncollectible</u>	<u>Total</u>
Governmental Funds:						
General	\$ 443,517	\$ 7,981,047	\$ 851,914	\$ 521,708	\$ (200,804)	\$ 9,597,382
Employment Development	-	-	-	107,637	-	107,637
Redevelopment Debt Service	-	-	33,272	-	-	33,272
City Projects	-	-	146,920	6,700	-	153,620
Nonmajor Funds	48,720	4,444	411,893	111	-	465,168
Total Governmental Funds	<u>492,237</u>	<u>7,985,491</u>	<u>1,443,999</u>	<u>636,156</u>	<u>(200,804)</u>	<u>10,357,079</u>
Proprietary Funds:						
Water Supply and Distribution	3,957,192	-	65,854	-	(183,361)	3,839,685
Wastewater Management	2,823,706	-	132,760	24,314	(197,179)	2,783,601
Solid Waste Management	4,300,639	-	38,761	45,322	(427,572)	3,957,150
SMART Station	-	-	29,881	5,476	-	35,357
Community Recreation	110,102	-	7,945	17,523	-	135,570
Internal Service Funds	25,763	-	643,375	124,843	(20,535)	773,446
Total Proprietary Funds	<u>11,217,402</u>	<u>-</u>	<u>918,576</u>	<u>217,478</u>	<u>(828,647)</u>	<u>11,524,809</u>
Total Governmental and Proprietary Funds	<u>11,709,639</u>	<u>7,985,491</u>	<u>2,362,575</u>	<u>853,634</u>	<u>(1,029,451)</u>	<u>21,881,888</u>
Agency Funds	<u>-</u>	<u>-</u>	<u>52,532</u>	<u>2,000</u>	<u>-</u>	<u>54,532</u>
Total	<u>\$ 11,709,639</u>	<u>\$ 7,985,491</u>	<u>\$ 2,415,107</u>	<u>\$ 855,634</u>	<u>\$ (1,029,451)</u>	<u>\$ 21,936,420</u>

Proceeds from Sale of Land in Last Fiscal Year:

On October 13, 2006, the City sold 2.02 gross acres of land within the Downtown Parking District to the developer, Sunnyvale T&C, LLC, for a net amount of \$8,183,130 after expenses. Cash proceeds of \$3,483,130 were received in the previous fiscal year. The remaining balance was paid by a promissory note (dated December 12, 2006) in the principal amount of \$4.7 million, bearing interest at 8.51% per annum, due on September 12, 2007. Interest was calculated to be \$0.3 million. The note was paid in full plus interest on the due date.

The promissory note was reported under current receivables in the General Fund in the previous fiscal year. The \$4.7 million note repayment in this year reduced that receivable balance together with reporting a Special Item-Proceeds from Sale of Land in the General Fund.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2008

3. RECEIVABLES, Continued

B. Intergovernmental Receivables

Intergovernmental receivables are incurred as a result of grants and other intergovernmental revenue the City has earned but not yet received. At June 30, 2008, the City had intergovernmental receivables in the following major funds and nonmajor funds in the aggregate:

Governmental Funds:	
General Fund	\$ 840,985
Employment Development Special Revenue Fund	508,904
City Projects Fund	1,922,610
Nonmajor Funds	<u>1,129,930</u>
Total Governmental Funds	<u>4,402,429</u>
Proprietary Funds:	
Wastewater Management Enterprise Fund	8,544
Solid Waste Management Enterprise Fund	84,814
SMaRT Station Fund	<u>304,601</u>
Total Proprietary Funds	<u>397,959</u>
Total	<u>\$ 4,800,388</u>

C. Other Long-term Receivables

At June 30, 2008, the City had the following long-term receivables in the governmental funds:

	<u>General Fund</u>
Sunnyvale School District	\$ 828,648
Loans to City Employees	<u>2,745,124</u>
Total	<u>\$ 3,573,772</u>

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2008

3. RECEIVABLES, Continued

C. Other Long-term Receivables, Continued

Sunnyvale School District

During fiscal year 1998, the City issued \$1,935,000 Certificates of Participation (ABAG 39) to acquire relocatable classroom buildings on sites owned by the Sunnyvale School District. The purpose was to provide childcare and preschool education services within the boundaries of the City for the benefit of the Sunnyvale School District (District). The District leases the modular classroom buildings from the City and pays semi-annual rent. The lease for ABAG 39 Project will expire in fiscal year 2013.

At June 30, 2008, receivables related to ABAG 39 Project amounted to \$828,648. Corresponding deferred revenue was recorded in the fund financial statements because this amount is not available to meet current liability requirements; in addition, future lease payments depend on continued use of the project. The receivable and deferred revenues were both eliminated in the government-wide financial statements.

Loans to City Employees

In 1981, the City Council established a mortgage loan program for Council-appointed officers and department heads. The program was designed to keep the cost of housing from limiting the number of qualified applicants for senior executive positions. All loans are secured by a deed of trust, carry interest at rates ranging from 2.118% to 3.879%, and have repayment terms of up to 45 years. As of June 30, 2008, the City had five loans outstanding to City employees totaling \$2,697,118 and accrued interest of \$48,006, which was also recorded as deferred revenue.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2008

3. RECEIVABLES, Continued

D. Housing Loans Receivable

Governmental Activities:

Maturity Date Year Ending June 30,	Community					Total
	Development Block Grant	Housing Mitigation	Rental Rehabilitation	First Time Homebuyer	HOME Grant	
2009	\$ 404,823	\$ 481,484	\$ 53,881	\$ -	\$ -	\$ 940,188
2010	224,706	-	-	-	27,180	251,886
2011	167,566	-	-	-	-	167,566
2012	207,165	2,212,537	-	-	-	2,419,702
2013	136,435	-	-	-	-	136,435
2014-2018	544,314	276,639	-	-	-	820,953
2019-2023	626,133	-	31,690	-	-	657,823
2024-2028	1,052,987	-	-	-	1,841,788	2,894,775
2029-2033	1,050,585	1,627,138	-	-	2,708,791	5,386,514
2034-2038	1,898,900	375,751	-	1,288,603	1,650,218	5,213,472
2039-2043	3,744,607	1,527,906	-	9,037	941,043	6,222,593
2044-2048	377,209	-	-	-	806,609	1,183,818
2049-2053	-	-	-	-	-	-
2054-2058	122,668	-	-	-	-	122,668
2059-2063	53,123	-	-	-	-	53,123
Due Upon Sale or Transfer of Property	553,606	-	-	-	-	553,606
	<u>\$ 11,164,827</u>	<u>\$ 6,501,455</u>	<u>\$ 85,571</u>	<u>\$ 1,297,640</u>	<u>\$ 7,975,629</u>	<u>\$ 27,025,122</u>
Less: Allowance for Uncollectibles	<u>(223,296)</u>	<u>(130,029)</u>	<u>(1,711)</u>	<u>(25,953)</u>	<u>(159,513)</u>	<u>(540,502)</u>
Housing Loans Receivables, Net at June 30, 2008	<u>\$ 10,941,531</u>	<u>\$ 6,371,426</u>	<u>\$ 83,860</u>	<u>\$ 1,271,687</u>	<u>\$ 7,816,116</u>	<u>\$ 26,484,620</u>

All housing loans, excluding mobile home loans, are secured by deeds of trust. Mobile home loans are secured by certificates of title. These loans carry interest rates ranging from 0% to 5% with repayment terms from 10 to 55 years or upon sale or transfer of property. Interest rates are set at below market rates and, in some cases, below the rate of inflation. Repayment of these loans is not assured until cash is received, and in some instances the loans are either not fully recoverable (e.g., mobile home loans due to depreciation) or terms are extended. The City maintains an allowance to reflect both the economic cost of providing loans at low interest rates, which reduces their present value, and for credit risk. In the fund financial statements, an offsetting amount is recorded as deferred revenue due to the long-term nature of the loans. In the government-wide financial statements, the housing loans receivable is reported net of allowances for uncollectible amounts as a restricted asset. The receivable balance is increased by the issuance of new loans and interest accrued on the loans and is decreased by loan repayments.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2008

3. RECEIVABLES, Continued

D. Housing Loans Receivable, Continued

Community Development Block Grant (CDBG) Loans

The City has made a number of loans totaling \$11,164,827 to qualified applicants using Community Development Block Grants. These loans can be used for the acquisition and development of new affordable housing units. Loans are also available to low-income households for the rehabilitation of single family and mobile homes.

Housing Mitigation Loans

The City has made housing mitigation loans totaling \$6,501,455. These loans are given to qualified applicants and can be used for acquisition, rehabilitation, new construction and predevelopment costs of affordable housing.

Rental Rehabilitation Loans

The City has made loans totaling \$85,571 for rehabilitation of rental property. The program is no longer active and any amounts outstanding are from old loans.

First Time Homebuyer Loans

The City has made loans totaling \$1,297,640 using Below Market Rates (BMR) funds to assist in the down payments of qualified first time homebuyers.

HOME Grant Loans

The City has made loans totaling \$7,975,629 using Federal HOME funds for the construction, rehabilitation, or acquisition of housing for low-income households.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2008

4. UNEARNED REVENUE AND DEFERRED REVENUE

Government-Wide Financial Statements

Unearned revenues in the government-wide financial statements represent revenues received in advance of expenses. At June 30, 2008, unearned revenues were as follows:

	<u>Governmental Activities</u>
Customer prepayments	\$ 571,488
Unearned grant revenues	<u>2,243,367</u>
Total	<u><u>\$ 2,814,855</u></u>

Customer prepayments consisted of \$565,283 for business license renewal and \$6,205 for use of City property. Beginning fiscal year 2005, renewal of business licenses has been changed from annually to bi-annually. The prorated portion belonging to fiscal year 2009 was reported as unearned revenue.

Unearned grant revenues in the amount of \$2,243,367 were funds received from other governmental agencies for which the City had not fulfilled grant requirements as of June 30, 2008.

Fund Financial Statements

At June 30, 2008, the following deferred revenues were recorded in the fund financial statements because either the revenues had not been earned or the funds were not available to finance expenditures of the current period:

	<u>General Fund</u>	<u>Employment Development</u>	<u>City Projects</u>	<u>Nonmajor</u>	<u>Total</u>
Deferred Interest on Interfund Advances	\$ 85,687,780	\$ -	\$ -	\$ -	\$ 85,687,780
Deferred Interest on Loans to City Employees	48,006	-	-	-	48,006
Capital Special Assessments	116,102	-	-	-	116,102
Sunnyvale School District	828,648	-	-	-	828,648
Customer Prepayments	571,488	-	-	-	571,488
Mandated Costs	86,463	-	-	-	86,463
Housing Loans	-	-	-	27,025,122	27,025,122
Unearned or unavailable grant revenues	123,274	30,209	2,747,189	35,645	2,936,317
Cost Reimbursement - Abandoned Vehicles	43,807	-	-	-	43,807
Total	<u><u>\$ 87,505,568</u></u>	<u><u>\$ 30,209</u></u>	<u><u>\$ 2,747,189</u></u>	<u><u>\$ 27,060,767</u></u>	<u><u>\$ 117,343,733</u></u>

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2008

5. INTERFUND RECEIVABLES/PAYABLES

A. Due to/from Other Funds

The composition of due to/from other funds as of June 30, 2008 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Employment Development Fund	\$ 238,312
Nonmajor Fund: Low and Moderate Income Housing	Nonmajor Fund: Redevelopment Agency	<u>8,999,253</u>
Total		<u><u>\$ 9,237,565</u></u>

The amounts due to the General Fund from the Employment Development Fund were due to cash flow needs at year end. These amounts will be repaid shortly after the end of the year, as cash becomes available to the borrower fund.

The amount of \$8,999,253 represents 20% of redevelopment property tax increment revenues required to be set aside for low and moderate income housing by State law. The Redevelopment Agency cannot provide funding due to pre-existing bonded debt and other obligations. The funding deficit carries no interest and has no specific repayment terms until the aforementioned debt obligations are repaid.

B. Advances to/from Other Funds

The composition of advances to/from other funds as of June 30, 2008 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Redevelopment Agency Debt Service	\$ 58,609,600
	Water Supply and Distribution	1,963,323
	Wastewater Management	14,181,097
	Solid Waste Management	25,971,627
	Internal Service - General Services	<u>2,346,503</u>
Total		<u><u>\$ 103,072,150</u></u>

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2008

5. INTERFUND RECEIVABLES/PAYABLES, Continued

The Redevelopment Agency (as lessor) entered into a lease agreement with the City (as lessee) on May 1, 1977, for a two-level parking structure at the Sunnyvale Town Center Mall. (In 2005, the leased asset, a two-level parking structure, was demolished and two surface parking lots with improvements were substituted as the leased assets for the 1998 Parking Facility Certificates of Participation). The lease, as amended, requires the City to pay to the Agency base rental payments ranging from \$1,131,103 to \$1,281,250 on October 1 and April 1 of each year until October 1, 2022. During the fiscal year ended June 30, 2008, the City made \$1,213,805 in base rental payments to the Agency. According to the terms of the First Amended Repayment Contract, the Agency made the commitment to repay the City for costs advanced on its behalf and base rentals plus 8% interest thereon. During the fiscal year ended June 30, 2002, the General Fund advanced extra funds of \$1,500,000 to the Redevelopment Agency to fund downtown public improvements. This advance bears interest at 6% . The funds needed to repay the City are generated from tax increment revenues. The remaining tax increment revenues determine each year's repayment to the General Fund after paying the Central Core bonded debt service. Repayments totaling \$4,332,136 were made during the fiscal year ended June 30, 2008. However, during the year, in addition to base rental payments, the General Fund also made additional advances of \$618,999 to cover the Agency's operating and project expenditures. At June 30, 2008, total loan balance was \$58,609,600.

During the fiscal year ended June 30, 2003, the City purchased property located at 239 Commercial Street to provide additional space for the Public Works Corporation Yard. The total purchase price of \$2,550,000 was funded by the City's Water Supply and Distribution and Wastewater Management Enterprise Funds based on the number of staff located at the corporation yard. Using this methodology, the Water Supply and Distribution Fund's share of the costs amounted to 64% or \$1,632,000, and the Wastewater Management Fund's share amounted to 36% or \$918,000. The Wastewater Management Fund had sufficient funds for the purchase. Since the Water Supply and Distribution Fund did not have sufficient funds, the General Fund agreed to loan the Water Supply and Distribution Fund the amount of \$1,632,000. The loan accrues interest of 6% starting in fiscal year 2003. Repayment in the amount of \$351,700 was made in this year; an equal amount is budgeted to be repaid annually from fiscal year 2008 through fiscal year 2015. At June 30, 2008, total loan balance was \$1,963,323.

During fiscal year ended June 30, 2000, the General Fund advanced \$2,000,000 to the General Services Internal Service Fund for cash flow purposes for the Technology Services Subfund. Repayment in the amount of \$50,000 was made in this year. The advance bears interest at 7% and is payable in installments, including interest, of \$500,000 annually from fiscal year 2009 to fiscal year 2012 and \$189,789 in 2013. During fiscal year 2001, the General Fund advanced an additional \$450,000 to the General Services Public Safety Equipment Subfund for cash flow purposes. Repayment in the amount of \$100,000 was made in this year. The advance bears interest at 7% and is payable in installments of \$100,000 annually from fiscal year 2009 to fiscal year 2014, and \$65,720 in fiscal year 2015. At June 30, 2008, combined balance for the two loans was \$2,346,503.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2008

5. INTERFUND RECEIVABLES/PAYABLES, Continued

During the fiscal year ended June 30, 1981, the General Fund advanced to the Wastewater Management Fund \$10,700,000 for the purpose of remodeling the primary facilities of the wastewater treatment plant and expanding the plant capacity from 22.5 million gallons per day to 29.5 million gallons per day. Starting from fiscal year 1994-95, the interest charged to the Wastewater Management Fund has been reduced from 12% to 7%. Unpaid interest has increased the principal due to the General Fund. During the current fiscal year, repayment of \$2,820,914 was made to the General Fund. Annual installments of \$2,820,914, including interest, were budgeted through fiscal year 2013. During fiscal year 1996, the General Fund advanced an additional \$2,453,635 to the Wastewater Management Fund for cash flow purposes. The advance bears interest at 7%. During the current fiscal year, repayment of \$637,723 was made to the General Fund. Annual installments of \$637,723, including interest, were budgeted through fiscal year 2013 to pay off the remaining balance. At June 30, 2008, total loan balance was \$14,181,097.

During fiscal years ended June 30, 1985, 1988 and 1989, the General Fund advanced to the Solid Waste Management Fund a total of \$3,680,000 to construct and operate a system to convert methane gas to a marketable form of energy. Between fiscal years 1995 and 1999, the General Fund advanced a total of \$10,505,152 to the Solid Waste Management Fund for the purpose of stabilizing the rates charged to utility customers in the long run. The advances bear interest at 7%. Unpaid interest increases the principal balance. Repayment of \$750,000 was made to the General Fund during this fiscal year. Annual repayments were budgeted as follows: \$750,000 in fiscal 2008, \$976,440 in fiscal year 2009, \$1,367,016 in fiscal year 2010, \$3,124,259 annually from fiscal year 2011 to fiscal year 2014, \$4,603,652 annually from fiscal year 2015 to fiscal year 2020. At June 30, 2008, total loan balance was \$25,971,627.

6. CAPITAL ASSETS

Land Exchange

Refer to Note 7. E. concerning the Community Facilities District. The Amended and Restated Disposition and Development and Owner participation Agreement (ARDDOPA) provides the mechanism for land exchange between the Redevelopment Agency and the developer for the purposes of construction by the developer of specified public and private improvements in the Town Center redevelopment project. The Agency owns the land under the public streets and public parking structure as a result of the exchange. This transaction was legally executed on September 28, 2007. The Agency received 1,860 square-feet more land of similar areas than it had prior to the swap. Cost of \$5,501 was incurred for title/escrow fees.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2008

6. CAPITAL ASSETS, Continued

Modified Approach for Street Pavement System

Refer to Note 1. J. The City elected to use the modified approach as defined by GASB Statement No. 34 for infrastructure reporting for its street pavement system. As a result, no accumulated depreciation or depreciation expense has been recorded for this system. A more detailed discussion of this approach is presented in the required supplementary information section of this report. All other capital assets were reported using the basic approach whereby accumulated depreciation and depreciation expense have been recorded. The following table presents summary information on capital assets.

Government-Wide Financial Statements

At June 30, 2008, the City’s capital assets consisted of the following:

	Governmental Activities	Business-Type Activities	Totals
Nondepreciable Assets:			
Land	\$ 103,992,293	\$ 16,269,169	\$ 120,261,462
Construction in Progress	8,962,560	12,335,488	21,298,048
Infrastructure - Streets	159,527,783	-	159,527,783
Total Nondepreciable Assets	272,482,636	28,604,657	301,087,293
Depreciable Assets:			
Buildings	88,086,501	22,248,672	110,335,173
Improvements	60,108,072	34,477,474	94,585,546
Equipment	33,503,356	889,905	34,393,261
Infrastructure:			
Sidewalks	34,181,740	-	34,181,740
Curbs and Gutters	31,261,012	-	31,261,012
Street Lights	3,100,664	-	3,100,664
Traffic Signals	6,864,434	-	6,864,434
Wastewater Treatment & Collection	-	56,508,544	56,508,544
Water Supply & Distribution	-	59,048,360	59,048,360
Total Depreciable Assets	257,105,779	173,172,955	430,278,734
Less Accumulated Depreciation	(132,178,748)	(88,119,863)	(220,298,611)
Total Depreciable Assets, Net	124,927,031	85,053,092	209,980,123
Total Capital Assets	\$ 397,409,667	\$ 113,657,749	\$ 511,067,416

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2008

6. CAPITAL ASSETS, Continued

The following is a summary of capital assets for governmental activities:

	Balance July 1, 2007	Additions	Deletions	Balance June 30, 2008
Nondepreciable Assets:				
Land	\$ 103,986,792	\$ 5,501	\$ -	\$ 103,992,293
Construction in Progress	4,281,754	4,680,806	-	8,962,560
Infrastructure - Streets	158,885,182	642,601	-	159,527,783
Total Nondepreciable Assets	267,153,728	5,328,908	-	272,482,636
Depreciable Assets:				
Buildings and Structures	88,914,284	428,668	(1,256,451)	88,086,501
Improvements Other than Buildings	58,045,538	2,170,000	(107,466)	60,108,072
Machinery and Equipment	33,750,682	1,953,741	(2,201,067)	33,503,356
Infrastructure	74,051,907	1,355,943	-	75,407,850
Total Depreciable Assets	254,762,411	5,908,352	(3,564,984)	257,105,779
Accumulated Depreciation:				
Buildings and Structures	(35,851,201)	(2,855,004)	1,256,451	(37,449,754)
Improvements Other than Buildings	(21,592,338)	(1,892,287)	107,466	(23,377,159)
Machinery and Equipment	(20,950,522)	(2,105,632)	2,079,750	(20,976,404)
Infrastructure	(48,415,333)	(1,960,098)	-	(50,375,431)
Total Accumulated Depreciation	(126,809,394)	(8,813,021)	3,443,667	(132,178,748)
Depreciable Assets, Net	127,953,017	(2,904,669)	(121,317)	124,927,031
Total Governmental Activities Capital Assets, Net	\$ 395,106,745	\$ 2,424,239	\$ (121,317)	\$ 397,409,667

Governmental activities' depreciation expense for capital assets for the year ended June 30, 2008, are as follows:

Planning and Management	\$ 1,204,656
Public Safety	1,055,195
Community Development	1,522,744
Transportation	2,498,794
Socioeconomic	266,881
Cultural	1,765,056
Environmental Management	499,695
Total Depreciation Expense	\$ 8,813,021

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2008

6. CAPITAL ASSETS, Continued

The following is a summary of capital assets for business-type activities:

	<u>Balance July 1, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2008</u>
Nondepreciable Assets:				
Land	\$ 16,269,169	\$ -	\$ -	\$ 16,269,169
Construction in Progress	2,732,357	9,606,980	(3,849)	12,335,488
Total Nondepreciable Assets	<u>19,001,526</u>	<u>9,606,980</u>	<u>(3,849)</u>	<u>28,604,657</u>
Depreciable Assets:				
Buildings and Structures	22,248,672	-	-	22,248,672
Improvements Other than Buildings	34,477,474	-	-	34,477,474
Machinery and Equipment	845,503	58,867	(14,465)	889,905
Infrastructure	113,836,958	1,719,947	-	115,556,905
Total Depreciable Assets	<u>171,408,607</u>	<u>1,778,814</u>	<u>(14,465)</u>	<u>173,172,956</u>
Accumulated Depreciation:				
Buildings and Structures	(20,192,124)	(350,765)	-	(20,542,889)
Improvements Other than Buildings	(14,196,056)	(1,069,637)	-	(15,265,693)
Machinery and Equipment	(559,511)	(50,308)	14,465	(595,354)
Infrastructure	(48,985,023)	(2,730,905)	-	(51,715,928)
Total Accumulated Depreciation	<u>(83,932,714)</u>	<u>(4,201,615)</u>	<u>14,465</u>	<u>(88,119,864)</u>
Depreciable Assets, Net	<u>87,475,893</u>	<u>(2,422,801)</u>	<u>-</u>	<u>85,053,092</u>
Total Business-Type Activities Capital Assets, Net	<u>\$ 106,477,419</u>	<u>\$ 7,184,179</u>	<u>\$ (3,849)</u>	<u>\$ 113,657,749</u>

Business-type activities depreciation expenses for capital assets for the year ended June 30, 2008 are as follows:

Water Supply and Distribution	\$ 1,333,687
Wastewater Management	1,685,673
Solid Waste Management	70,960
SMaRT Station	833,454
Community Recreation	277,841
Total Depreciation Expense	<u>\$ 4,201,615</u>

Fund Financial Statements

The Fund Financial Statements do not present general government capital assets, which are shown in the reconciliation of the governmental funds balance sheet to the government-wide statement of net assets.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2008

7. LONG-TERM LIABILITIES

Following is a summary of changes in long-term liabilities during the fiscal year ended June 30, 2008:

Description	Beginning Balance July 1, 2007	Additions	Reductions	Bond Amortization	Ending Balance June 30, 2008	Amounts Due Within One Year	Amount Due in More than One Year
Governmental Activities:							
Bonds Payable:							
Certificates of Participation:							
1993 ABAG	\$ 220,000	\$ -	\$ (220,000)	-	\$ -	\$ -	\$ -
1998 ABAG	1,055,000	-	(125,000)	-	930,000	135,000	795,000
1998 Parking Facility Series A	13,400,000	-	(570,000)	-	12,830,000	590,000	12,240,000
2001 Government Center	16,370,000	-	(440,000)	-	15,930,000	455,000	15,475,000
Tax Allocation Bonds							
Central Core Series 2003	7,049,731	-	(350,000)	3,671	6,703,402	355,000	6,348,402
Rebatable Arbitrage	71,732	16,274	(50,434)	-	37,572	-	37,572
Self Insurance							
and Contingent Liability	12,382,000	3,363,800	(2,028,800)	-	13,717,000	2,623,576	11,093,424
Compensated Absences	8,213,272	7,561,361	(7,734,227)	-	8,040,406	7,265,760	774,646
Total Governmental Activities	\$ 58,761,735	\$ 10,941,435	\$ (11,518,461)	\$ 3,671	\$ 58,188,380	\$ 11,424,336	\$ 46,764,044
Business-Type Activities:							
Bonds Payable:							
Revenue Bonds:							
Water and Wastewater Series 2001	25,782,704	-	(1,370,000)	13,211	24,425,915	1,435,000	22,990,915
Solid Waste Series 2003	16,148,879	-	(1,165,000)	9,087	14,992,966	1,205,000	13,787,966
Solid Waste Series 2007	-	8,130,000	-	-	8,130,000	440,000	7,690,000
Landfill Postclosure Care Costs	3,757,719	-	(125,552)	-	3,632,167	-	3,632,167
Total Business-Type Activities	\$ 45,689,302	\$ 8,130,000	\$ (2,660,552)	\$ 22,298	\$ 51,181,048	\$ 3,080,000	\$ 48,101,048

A. Bonds Payable

Most of the City's bonded debt issues are insured and that is reflected in the reported ratings for the bonds. In March 2007 Standard & Poor's (S&P) Rating Services affirmed its "AA+" issuer credit rating (ICR) on the City.

S&P underlying ratings (SPUR) and insured ratings for the City's outstanding bonds as of June 30, 2008 are as follows:

	Outstanding Par Amount	SPUR	Insured
Central Core Tax Allocation Refunding Bonds, Series 2003	\$ 6,755,000	A-	AA
1998 Parking Facility, Series A Certificates of Participation	12,830,000	AA	AA
1998 ABAG Certificates of Participation	930,000	N/A	N/A
2001 Government Center Certificates of Participation	15,930,000	AA	AA
Water and Wastewater Revenue Bonds, Series 2001	24,585,000	AA	AA
Solid Waste Revenue Bonds, Series 2003	15,080,000	A+	AA
Solid Waste Revenue Bonds, Series 2007	8,130,000	N/A	N/A

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2008

7. LONG-TERM LIABILITIES, Continued

A. Bonds Payable, Continued

Certificates of Participation

\$1,935,000 1998 ABAG Certificates of Participation

Due in annual installments of \$110,000-\$220,000 through July 15, 2013, interest at 4.40-5.20%, repayments made from lease revenues from the Sunnyvale School District recorded in the ABAG COP Debt Service Fund.

The debt service requirements for the Certificates of Participation at June 30, 2008 were as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 135,000	\$ 44,010	\$ 179,010
2010	140,000	37,270	177,270
2011	145,000	30,145	175,145
2012	155,000	22,490	177,490
2013	165,000	14,170	179,170
2013-2014	190,000	4,940	194,940
Total	\$ 930,000	\$ 153,025	\$ 1,083,025

\$17,525,000 1998 Parking Facility, Series A, Certificates of Participation

Due in annual installments of \$315,000-\$1,250,000 through October 1, 2022, interest at 3.65%-5.00%, repayments made from base rental payments from the General Fund.

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 590,000	\$ 618,280	\$ 1,208,280
2010	620,000	590,892	1,210,892
2011	645,000	561,475	1,206,475
2012	675,000	530,118	1,205,118
2013	710,000	496,523	1,206,523
2014-2018	4,110,000	1,903,564	6,013,564
2019-2023	5,480,000	720,750	6,200,750
Total	\$ 12,830,000	\$ 5,421,602	\$ 18,251,602

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2008

7. LONG-TERM LIABILITIES, Continued

A. Bonds Payable, Continued

\$18,710,000 2001 Government Center Certificates of Participation

Due in annual installments of \$360,000-\$995,000 through April 1, 2031, variable interest rate determined weekly by the remarketing agent. Repayments are made from lease payments from the General Fund and the Enterprise Funds based on a predetermined pro-rata share of each activity’s use of the civic center premises.

Annual debt service requirements for the Government Center Certificates of Participation are based on a variable interest rate that is determined by the remarketing agent as the rate that would be necessary to enable the remarketing of the COPs at 100% of the principal amount. At June 30, 2008, the interest rate was 3.66%, which was the rate used to project the interest portion of the debt service payments for future years. This rate will change with market fluctuations.

The debt service requirements for the Certificates of Participation at June 30, 2008 were as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 455,000	\$ 582,269	\$ 1,037,269
2010	475,000	565,638	1,040,638
2011	490,000	548,276	1,038,276
2012	505,000	530,365	1,035,365
2013	525,000	511,907	1,036,907
2014-2018	2,925,000	2,257,069	5,182,069
2019-2023	3,500,000	1,682,293	5,182,293
2024-2028	4,175,000	995,121	5,170,121
2029-2031	2,880,000	213,097	3,093,097
Total	<u>\$ 15,930,000</u>	<u>\$ 7,886,035</u>	<u>\$ 23,816,035</u>

Subsequent to June 30, 2008, the instability in the financial market has resulted in a shift of demand to obligations of the U. S. Government. The demand for variable rate bonds has dropped, causing a significant increase in the interest paid by the City to investors of these bonds. The City Council has approved an amendment to the Investment Policy which will allow the City to invest in municipal obligations issued by other states and local agencies as well as by the City itself. The City plans to take advantage of the current market conditions to earn higher yields by investing in its own Government Center Certificates of Participation.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2008

7. LONG-TERM LIABILITIES, Continued

A. Bonds Payable, Continued

Tax Allocation Bonds

\$7,960,000 Central Core Redevelopment Project Tax Allocation Refunding Bonds, Series 2003

Due in annual installments of \$230,000-\$585,000 through August 1, 2022, interest at 2.00-4.50%, repayments made from incremental property taxes recorded in the Redevelopment Agency Special Revenue Fund. The bonds are presented net of unamortized discount of \$51,598. The bonds also had deferred charges of \$606,763, which were recorded as an asset and amortized over the life of the bond on a straight-line basis. The balance of the deferred charges at June 30, 2008 was \$456,915.

The debt service requirements for the bonds at June 30, 2008 were as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 355,000	\$ 254,941	\$ 609,941
2010	360,000	246,536	606,536
2011	370,000	236,486	606,486
2012	385,000	224,776	609,776
2013	395,000	211,704	606,704
2014-2018	2,200,000	819,356	3,019,356
2019-2023	2,690,000	309,252	2,999,252
	6,755,000	2,303,051	9,058,051
Less Unamortized Discount	(51,598)	-	(51,598)
Total	\$ 6,703,402	\$ 2,303,051	\$ 9,006,453

Revenue Bonds

\$32,115,000 Water and Wastewater Revenue Bonds, Series 2001

Due in annual installments of \$1,150,000 - \$2,215,000 through October 1, 2026, interest at 2.5% - 5.17%, repayments made from net revenues of the Water Supply and Distribution and Wastewater Management Enterprise Funds. The bonds are presented net of unamortized discount of \$159,085.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2008

7. LONG-TERM LIABILITIES, Continued

A. Bonds Payable, Continued

\$32,115,000 Water and Wastewater Revenue Bonds, Series 2001, Continued

The debt service requirements for the bonds at June 30, 2008 were as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 1,435,000	\$ 1,179,608	\$ 2,614,608
2010	1,495,000	1,118,915	2,613,915
2011	1,555,000	1,059,410	2,614,410
2012	1,610,000	991,030	2,601,030
2013	1,705,000	908,994	2,613,994
2014-2018	9,995,000	3,064,471	13,059,471
2019-2023	3,395,000	1,289,875	4,684,875
2024-2027	3,395,000	350,375	3,745,375
	<u>24,585,000</u>	<u>9,962,678</u>	<u>34,547,678</u>
Less Unamortized Discount	(159,085)	-	(159,085)
Total	\$ 24,425,915	\$ 9,962,678	\$ 34,388,593

\$20,575,000 Solid Waste Revenue Bonds, Series 2003

Due in annual installments of \$1,025,000 - \$1,890,000 through October 1, 2017, interest at 2.0% - 5.5%, repayments made from net revenues of the Solid Waste Enterprise Fund and monies received by the City from the cities of Mountain View and Palo Alto under the Memorandum of Understanding in connection with the City's Solid Waste Material Recovery and Transfer Station. The bonds are presented net of unamortized discount of \$87,034. The bonds also had deferred charges of \$854,769, which were recorded as an asset and amortized over the life of the bond on a straight line basis. The balance of the deferred charges at June 30, 2008 was \$552,751.

The debt service requirements for the bonds at June 30, 2008 were as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 1,205,000	\$ 737,601	\$ 1,942,601
2010	1,255,000	690,063	1,945,063
2011	1,310,000	635,350	1,945,350
2012	1,370,000	572,850	1,942,850
2013	1,440,000	505,300	1,945,300
2014-2018	8,500,000	1,219,626	9,719,626
	<u>15,080,000</u>	<u>4,360,790</u>	<u>19,440,790</u>
Less Unamortized Discount	(87,034)	-	(87,034)
Total	\$ 14,992,966	\$ 4,360,790	\$ 19,353,756

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2008**7. LONG-TERM LIABILITIES, Continued****A. Bonds Payable, Continued****\$8,130,000 Solid Waste Revenue Bonds, Series 2007**

Due in annual installments of \$440,000 - \$745,000 through October 1, 2021, interest at 4.0197%, repayments made from net revenues of the Solid Waste Enterprise Fund, and monies received from the City of Palo Alto under the Memorandum of Understanding in connection with the City's Solid Waste Material Recovery and Transfer Station. The bonds had deferred charges of \$94,574, which were recorded as an asset and amortized over the life of the bond on a straight line basis. The balance of the deferred charges at June 30, 2008 was \$88,268.

The debt service requirements for the bonds at June 30, 2008 were as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	\$ 440,000	\$ 317,958	\$ 757,958
2010	460,000	299,869	759,869
2011	480,000	280,977	760,977
2012	495,000	261,381	756,381
2013	520,000	240,981	760,981
2014-2018	2,930,000	867,855	3,797,855
2019-2023	2,805,000	231,232	3,036,232
Total	\$ 8,130,000	\$ 2,500,253	\$ 10,630,253

Description of New Debt: Solid Waste Revenue Bonds, Series 2007

The Sunnyvale Materials Recovery and Transfer (SMaRT®) Station serves as the transfer station for solid waste generated within the jurisdictions of the cities of Mountain View, Palo Alto, and Sunnyvale. Under the Second Memorandum of Understanding, dated June 9, 1992, among the three cities, the City of Sunnyvale assumed responsibility for the construction, ownership and operation of the SMaRT Station. The three cities have been steadily contributing funds to the capital equipment replacement reserve kept in the SMaRT Station Enterprise Fund.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2008

7. LONG-TERM LIABILITIES, Continued

A. Bonds Payable, Continued

Description of New Debt: Solid Waste Revenue Bonds, Series 2007, Continued

In 2007 the City of Sunnyvale determined to proceed with the project of replacing materials recovery facility equipment (the Project), which required additional funding to supplement the capital equipment replacement reserve. The City of Mountain View elected to pay cash, \$2.2 million, to make up its proportionate share of the Project. The cities of Palo Alto and Sunnyvale obtained financing through the issuance of traditional fixed rate bonds, \$8,130,000, placed directly with a financial institution through a competitive bid process. Final issuance costs under the direct placement approach amounted to \$94,574. The remaining bond proceeds were allocated to the Project Fund in the amount of \$7,274,445, and to the Reserve Fund in the amount of \$760,981; both accounts are maintained by the fiscal agent.

The cities of Palo Alto and Sunnyvale agree to participate in the debt service at the percentages of 27.79% and 72.21% respectively by making semi-annual debt service payments into the SMaRT Station Fund.

Annual Debt Service Requirements to Maturity-All Bonded Debt

The annual requirements to amortize long-term bonded debt outstanding as of June 30, 2008 by activity are listed below:

	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2009	\$ 1,535,000	\$ 1,499,500	\$ 3,080,000	\$ 2,235,167
2010	1,595,000	1,440,336	3,210,000	2,108,847
2011	1,650,000	1,376,382	3,345,000	1,975,737
2012	1,720,000	1,307,749	3,475,000	1,825,261
2013	1,795,000	1,234,304	3,665,000	1,655,275
2014-2018	9,425,000	4,984,929	21,425,000	5,151,952
2019-2023	11,670,000	2,712,295	6,200,000	1,521,107
2024-2028	4,175,000	995,121	3,395,000	350,375
2029-2031	2,880,000	213,097	-	-
	<u>36,445,000</u>	<u>15,763,713</u>	<u>47,795,000</u>	<u>16,823,721</u>
Less Unamortized Discount	(51,598)	-	(246,119)	-
Total	<u>\$ 36,393,402</u>	<u>\$ 15,763,713</u>	<u>\$ 47,548,881</u>	<u>\$ 16,823,721</u>

Rebatable Arbitrage

Total long-term debt also included rebatable arbitrage of \$37,572, representing the cumulative rebate liability for the 2001 Government Center Certificates of Participation, due in fiscal year 2011. The City remitted \$50,434 to the Internal Revenue Service in April, 2008, for the cumulative rebate liability on the 1998 Parking Facility, Series A, Certificates of Participation.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2008

7. LONG-TERM LIABILITIES, Continued

A. Bonds Payable, Continued

Matured Bonded Debt

On February 1, 2008, the final debt service was made to pay off the 1993 ABAG Certificates of Participation.

The City has complied with all significant bond covenants relating to reserve and sinking fund requirements, proof of insurance and budgeted revenues and maintenance costs.

B. Self-Insurance and Contingent Liabilities

There are several pending lawsuits in which the City is involved. The City, however, estimates that the potential claims against the City not covered by insurance resulting from such litigation would not materially affect the basic financial statements of the City.

The City is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has established various self-insurance programs and maintained contracts with various insurance companies to manage excessive risks.

The City has \$40,000,000 in excess general liability coverage, subject to \$500,000 self-insured retention (SIR) for each occurrence, through California Joint Powers Risk Management Authority (CJPRMA), a risk-sharing pool. The City's excess workers' compensation coverage is provided through the California State Association of Counties Excess Insurance Authority (CSAC-EIA); the coverage provides \$300,000,000 in excess workers' compensation, subject to \$500,000 SIR for each occurrence. Unemployment claims paid by the State are reimbursed dollar-for-dollar by the City.

The California Joint Powers Risk Management Authority is a joint powers authority created by certain California cities and other joint powers authorities to provide a pooled approach for liability coverage. The CJPRMA is governed by a board of directors comprised of officials appointed by each member agency. The activities of the CJPRMA include setting and collecting premiums, administering and paying claims and related expenses and investing assets. Each member is assessed a contribution based on actuarially determined rates, which is intended to cover the CJPRMA's claims, operating costs and claim settlement expenses. Additional cash contributions may be assessed on the basis of adverse loss experiences. The CJPRMA maintains members' equity accounts for each pool member. Losses and expenses are paid from these pools up to the limit of coverage subject to the self-insured retention. Financial statements for CJPRMA for the fiscal year ended June 30, 2008 may be obtained from CJPRMA at 2333 San Ramon Valley Blvd. Suite 250, San Ramon, CA 94583-4456.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2008

7. LONG-TERM LIABILITIES, Continued

B. Self-Insurance and Contingent Liabilities, Continued

The California State Association of Counties (CSAC) Excess Insurance Authority (EIA) is a member-directed joint powers insurance authority, operating since 1979. The EIA has been providing California's counties, and more recently other public entities, including cities, schools and special districts, with stable cost-effective insurance alternatives and quality risk management services. The City is currently a member of the EIA Excess Workers Compensation Insurance Program. The EIA is governed by a board of directors composed of officials appointed by member agencies. Each participating member is required to share all costs of that program, including development charges, premiums, premium surcharge, and administrative costs. Losses and expenses are paid from these pools up to the limit of coverage subject to the self-insured retention. Financial statements for the CSAC - EIA for the fiscal year ended June 30, 2008, may be obtained from CSAC Excess Insurance Authority at 3017 Gold Canal Drive, Rancho Cordova, CA 95670.

The City's risk management activities are accounted for in the internal service funds. Charges to the General Fund and other insured funds are determined from an analysis of claims costs. Estimated liabilities are recorded in the internal service funds when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Claims that have been incurred but not reported (IBNRs) are also included in the liability estimates.

A summary of the changes in general and workers' compensation liabilities for the past three fiscal years follows:

	<u>2008</u>	<u>2007</u>	<u>2006</u>
General:			
Liability at beginning of fiscal year	\$ 779,000	\$ 1,252,000	\$ 1,300,000
Claims paid	(186,500)	(675,000)	(344,000)
Current fiscal year claims and changes in estimated liability	686,500	202,000	296,000
Liability at end of fiscal year	<u>\$ 1,279,000</u>	<u>\$ 779,000</u>	<u>\$ 1,252,000</u>
Workers' Compensation:			
Liability at beginning of fiscal year	\$ 11,603,000	\$ 11,791,000	\$ 10,899,000
Claims paid	(1,842,300)	(2,157,000)	(2,008,300)
Current fiscal year claims and changes in estimated liability	2,677,300	1,969,000	2,900,300
Liability at end of fiscal year	<u>\$ 12,438,000</u>	<u>\$ 11,603,000</u>	<u>\$ 11,791,000</u>
Total estimated claims payable	<u>\$ 13,717,000</u>	<u>\$ 12,382,000</u>	<u>\$ 13,043,000</u>

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2008

7. LONG-TERM LIABILITIES, Continued

B. Self-Insurance and Contingent Liabilities, Continued

Since the loss and the loss adjustment expense payments associated with the claims liabilities will be spread over several years, the liabilities are discounted to reflect anticipated investment on assets set aside to pay these costs. The claims liabilities are reported at present value, which have been computed using a discount rate of 5%, on the carrying amount of estimated general liability of \$1,396,000 and estimated workers' compensation liability of \$16,410,000 at the 70% confidence level.

There have been no significant reductions in any insurance coverage, nor have there been any insurance related settlements that exceeded insurance coverage during the past three fiscal years.

C. Compensated Absences

The City's compensated absences consist of accrued vacation pay, floating holiday pay for all regular employees and paid time off and floating holiday pay for management employees. Some employees also accrue compensatory time. The total amount of the accrued liability is recorded in the Employee Benefits Internal Service Fund and is reported under governmental activities in the government-wide financial statements. The total amount of the liability at June 30, 2008 was \$8,040,406.

D. Landfill Postclosure Care Costs

On September 30, 1993, the City used up all of its landfill's remaining capacity. In accordance with state and federal laws and regulations, the City placed a final cover on its landfill and is required to perform certain maintenance and monitoring functions at the landfill site for thirty years after closure. At June 30, 2008 a liability in the amount of \$3,632,167 has been recognized based on the estimated remaining postclosure care costs that will be incurred over the next 16 years to meet the regulatory requirements. Postclosure care costs exceeding those required to meet regulatory requirements are incurred each year to meet local community standards. The estimated liability is based on the amount that would be paid if all equipment, facilities, and services required to monitor and maintain the landfill were acquired as of June 30, 2008. However, the actual cost of postclosure care may be higher or lower due to inflation, changes in technology, or changes in landfill laws and regulations. These landfill closure and postclosure care costs will be financed by a combination of the Solid Waste Management Fund's existing cash and investments and future refuse collection charges.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2008

7. LONG-TERM LIABILITIES, Continued

E. Non City Obligations

Community Facilities District

On May 16, 2001, the City issued \$36,000,000 of Special Tax Bonds pursuant to the Mello-Roos Community Facilities Act of 1982 as amended (Act) on behalf of Community Facilities District No. 1 (CFD No. 1). The CFD No. 1 bonds bear interest at 7.65% to 7.75% and mature August 1, 2032. Neither the City's General Fund nor the full faith and credit of the City is pledged for the payment of principal or interest on the CFD No. 1 bonds. The CFD No. 1 bonds will be repaid solely from the proceeds of a special tax levied upon all taxable real property in CFD No. 1. The bonds are secured by special taxes on the Sunnyvale Town Center Mall property. The proceeds of the bonds were to be used to finance certain public improvements, primarily two new parking garages.

The bond documents for the CFD No. 1 bonds stipulated that in the event the Initial Release Test was not satisfied, the bonds would be redeemed in part. In order to satisfy the Initial Release Test, the Director of Finance of the City of Sunnyvale had to determine, at the time of the initial disbursement from the Escrow Fund, that several conditions had been met. Prior to the initial disbursement from the Escrow Fund, the Director of Finance determined that the Initial Release Test had not been satisfied. Therefore, bonds in the amount of \$16,010,000 were redeemed in September 2002. The principal balance of currently outstanding bonds was \$18,930,000 at June 30, 2008. These funds were used to finance one of the two proposed new parking garages. This garage, which contains 958 parking spaces, opened on October 2001.

The owner of the Sunnyvale Town Center Mall property initiated Chapter 11 bankruptcy proceedings on September 24, 2002 in the United States Bankruptcy Court of the Central District of California. The mall closed in the summer of 2003. The two anchor stores (Macy's and Target) are independently owned and operated and remain open for business. As part of the bankruptcy proceedings, the principal creditor of the mall property identified a potential developer and together they proposed a plan to purchase the property out of bankruptcy. As part of the plan, they obtained a special development permit from the City for a new mixed-use retail, office, and residential development. A Disposition and Development and Owner Participation Agreement (DDOPA) was also negotiated with the City's Redevelopment Agency for the project. A confirmation hearing, which was required by the Bankruptcy Court on the bankruptcy plan, was held on November 12, 2004, and the plan was confirmed on April 25, 2005. Ownership of the Town Center Mall property was transferred to Stanley Thomas, principal equity investor in the Forum Development Group of Smyrna, Georgia (under the legal name of Fourth Quarter Properties XLVIII,LLC). This action completed the bankruptcy process and placed all of the property under the control of the same developer with whom the City negotiated the DDOPA. Since that time certain requirements of the DDOPA were not met and in March 2006 the City notified the developer that he was in breach of the agreement.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2008

7. LONG-TERM LIABILITIES, Continued

E. Non City Obligations, Continued

Community Facilities District, Continued

On October 2, 2006, Fourth Quarter Properties requested permission from the Redevelopment Agency (the Agency) to transfer the project to RREEF America III (RREEF), a large real estate investment trust, which would develop the property in joint venture with Sand Hill Properties, a local developer. After due diligence review, on December 12, 2006 the Agency gave preliminary approval to transfer the project to RREEF and Sand Hill Properties. On February 6, 2007, the Agency approved the Amended and Restated Disposition, Development and Owner Participation Agreement (ARDDOPA) with Downtown Sunnyvale Mixed Use LLC, a joint venture of RREEF and Sand Hill Properties Company. The ARDDOPA includes an important new provision that will impose on the developer substantial penalties for missed milestones during construction. The milestones are keyed to the start of demolition through delivery of space to retailers who will open stores. Delivery of space to retailers is expected to be completed by March 2010.

There have been no defaults on any debt service payments to the bondholders.

2002 Housing Revenue Bonds, Series A

On December 26, 2002, the City issued \$2,600,000 of 2002 Housing Revenue Bonds, Series A on behalf of the EHC Life Builders, formerly Emergency Housing Consortium, a nonprofit corporation. The bonds bear interest at 7.5% to 9.0% and mature December 1, 2032. The bonds were used to partially finance the acquisition of a 24-unit apartment complex located at 183 Acalanes Drive to increase the number of affordable rental housing units in the City. The bonds are secured by a deed of trust on the property. Neither the City's General Fund nor the full faith and credit of the City is pledged for the payment of principal or interest on the Housing Revenue Bonds. Since the bonds do not constitute a debt of the City, they are not reported in the accompanying financial statements.

**Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2008****8. OPERATING LEASES**

The City leases from NASA a portion of certain land located at Moffett Field under a noncancellable operating lease. The leased property is used solely for the maintenance and operation of a public golf course. Future minimum payments under this lease at June 30, 2008 are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2009	\$ 52,747
2010	52,747
2011	52,747
2012	52,747
2013	52,747
2014-2018	263,735
2019-2021	158,241
Total	\$ 685,711

9. COMMITMENTS

At June 30, 2008, the City had outstanding construction commitments for the following projects:

<u>Description</u>	<u>Contract</u>	<u>Unpaid</u>
SMaRT Station Processing Equipment Replacement	\$ 13,062,517	\$ 5,934,482
Borregas Pedestrian Bridge	6,859,064	2,956,044
Pavement Rehabilitation of Various Streets	1,328,157	1,328,157
Traffic Signal Reconstruction at Mary and Fremont Avenue	419,142	419,142
Corporation Yard Roof Replacement	217,084	217,084
	<u>\$ 21,885,964</u>	<u>\$ 10,854,909</u>

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2008

10. RETIREMENT PLAN

Plan Description

All permanent City of Sunnyvale employees participate in the California Public Employees' Retirement System (PERS) per the City's charter. PERS is an agent multiple-employer defined benefit pension plan that acts as a common investment and administrative agent for participating public entities within the State of California. PERS provides retirement and disability benefits, annual cost-of living adjustments, and death benefits to plan members and beneficiaries. Employees vest after five years of service and are eligible to receive benefits at age 50 for safety and miscellaneous (non-safety) employees. State statutes and City ordinance establish benefit provisions, which are reflected in a contract between the City and PERS. Copies of PERS' annual financial report may be obtained from their Executive Office, 400 Q Street, Sacramento, CA 95814.

Funding Policy

Miscellaneous participants were required to contribute 8% of annual covered salary, and safety participants were required to contribute 11.25% of their annual covered salary. The City made the contributions required of City employees on their behalf and for their account for 7% of annual salary for miscellaneous participants and the full contribution for safety participants, which amounted to \$6,966,034 for the fiscal year ended June 30, 2008. The City is required to make actuarially determined employer contributions necessary to fund the benefits for its members. For the fiscal year ending June 30, 2008, the City contribution was 16.699% for miscellaneous employees and 28.978% for safety employees. The contribution requirements of the plan members are established by State statute and the employer contribution rate is established annually and may be amended by PERS.

Annual Pension Cost (APC)

For fiscal year 2008 the City's annual pension cost of \$17,274,385 was equal to the City's required and actual contributions. Originally the required employer contribution was determined as part of the June 30, 2005, actuarial valuation using the entry age normal actuarial cost method. The required employer contribution rates for this year were later amended at the City's request to avoid negative amortization of the unfunded actuarial accrued liability. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses), (b) projected salary increases ranging from 3.25% to 14.45% for miscellaneous employees and from 3.25% to 13.15% for safety employees depending on age, service, and type of employment, and (c) 2% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 3%. The actuarial value of PERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a fifteen-year period. The PERS unfunded actuarial accrued liability (or surplus) is being amortized as a level percentage of projected payroll on a closed basis. The average remaining amortization period at June 30, 2005, was 25 years for miscellaneous and 32 years for safety employees for prior and current service unfunded liability.

In June 2007 the City Council approved an amendment to the contract between PERS and the City for the miscellaneous plan. Refer to the Required Supplementary Information Section for funding progress.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2008

10. RETIREMENT PLAN, Continued

Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)		Total APC	Percentage of APC Contributed	Net Pension Obligation
	Miscellaneous Plan	Safety Plan			
06/30/06	\$ 5,977,597	\$ 8,774,922	\$ 14,752,519	100%	-
06/30/07	6,436,205	8,193,013	14,629,218	100%	-
06/30/08	8,827,288	8,447,097	17,274,385	100%	-

11. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

During fiscal year 2008, the City implemented the provisions of Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This Statement establishes uniform financial reporting standards for employers providing postemployment benefits other than pensions (OPEB). The provisions of this statement are applied prospectively and do not affect prior years' financial statements. Required disclosures are presented below.

Plan Description

The City's retired employees' postemployment healthcare plan is a multiple-employer defined benefit plan, provided through the California Public Employees' Retirement System (PERS) under the California Public Employees' Medical and Hospital Care Act (PEMHCA). Employees who are vested in PERS and who retire from the City are eligible to receive postemployment health benefits. The City remits to PERS the employer's share of the insurance premium on a monthly, pay-as-you-go basis. The City's Employee Benefits Internal Service Funds hold assets set aside for the payment of City's OPEB obligations (see Note 14 Classification of Net Assets). The City has not yet participated in the California Employers' Retiree Benefit Trust (CERBT) Fund – an irrevocable trust established by PERS to pre-fund OPEB. The City Council has approved a resolution for the City to enter the CERBT. The specific timing of the entry into the trust depends on current market environment. Copies of PERS' annual financial report may be obtained from their Executive Office, 400 Q Street, Sacramento, CA 95814.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2008

11. OTHER POSTEMPLOYMENT BENEFITS (OPEB), Continued

Funding Policy

The contribution requirements of plan members and the City are established and may be amended by the City Council. Under the PEMHCA, public agencies contracting with PERS for medical coverage are required to make equal contribution towards the cost of medical coverage for retirees and active employees. The City contributes the lower of the insurance premium or a dollar amount as agreed with the respective bargaining units. The limits range from \$284 to \$517 monthly for this year. For management employees, the City also maintains a retiree health reimbursement program, providing the retiree a monthly reimbursement amount equal to the difference between the City contribution and the retiree's medical premium for their selected plan. Management employees appointed on or after July 1, 2007, are subject to a vesting schedule with City reimbursement ranging from 50% to 100% after at least five years of management service. The City contributed, on a pay-as-you-go basis, \$3,694,500 to the OPEB plan during this fiscal year.

Annual OPEB Cost and Net OPEB Obligation

The City's annual OPEB cost (expense) of \$7,633,000 was calculated based on the annual required contribution of the employer (ARC), an amount determined as part of the June 30, 2006 actuarial valuation in accordance with the parameters of GASB Statement 45.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2008

11. OTHER POSTEMPLOYMENT BENEFITS (OPEB), Continued

Annual OPEB Cost and Net OPEB Obligation, Continued

In the June 30, 2006, actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 7.75 percent investment rate of return (the estimated long-term investment yield on the investments that are expected to be used to finance the payment of benefits) and an annual healthcare cost trend rate of 12 percent (PPO) and 11 percent (HMO) initially, reduced by decrements to an ultimate rate of 4.5 percent after ten years. Both rates include a 3.0 percent inflation assumption. The unfunded actuarial accrued liability (UAAL) is being amortized as a level percentage of projected payroll over 30 years. It is assumed that the City's payroll will increase 3.25% per year. The City reported no net OPEB obligation (liability) or net OPEB asset at the beginning of the fiscal year 2008. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) not to exceed thirty years. For fiscal year 2008, the ARC was approximately 10% of total projected payroll. The following table shows the components of the City's annual OPEB costs for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation.

	<u>June 30, 2008</u>
Annual required contribution (ARC)	\$7,633,000
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost (expense)	<u>7,633,000</u>
Contributions made	<u>(3,694,500)</u>
Increase in net OPEB obligation	<u>3,938,500</u>
Net OPEB obligation - beginning of year	-
Net OPEB obligation - end of year	<u><u>\$3,938,500</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2008 and the two preceding years were as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Annual OPEB Cost Contributed</u>	<u>OPEB Obligation</u>
6/30/2006	N/A	N/A	N/A
6/30/2007	N/A	N/A	N/A
6/30/2008	\$ 7,633,000	48.4%	\$ 3,938,500

Refer to the Required Supplementary Information for funding progress.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2008

12. INTERFUND TRANSFERS

Transfers are nonreciprocal interfund transactions wherein the two funds involved do not receive equivalent cash, goods, or services. The City’s transfer activity is indicative of funding for (1) capital projects, (2) debt service payments, (3) subsidies and reimbursements of various operating activities, (4) allocated share in Government Center debt service, and (5) employee benefits.

As indicated in the schedule below, all enterprise funds (Water Supply and Distribution, Wastewater Management, Solid Waste Management, and Community Recreation Funds) made significant payments for administrative services provided by the General Fund. The administrative services included utility billing and collections, fiscal and financial management, procurement, personnel services, legal services, etc. Related expenditures were reported under Planning and Management in the General Fund financial statements. In the government-wide financial statements, these costs were presented as Program Expense under Planning and Management.

Below is a summary of interfund transfers.

Fund Financial Statements

<u>Fund Receiving Transfers</u>	<u>Fund Making Transfers</u>	<u>Amount Transferred</u>	<u>Funding Purpose</u>
General Fund	Employment Development	\$ 92,499	(3)
	City Projects	13,921	(1)
	Nonmajor Governmental	440,577	(3)
	Internal Service - General Services	382,411	(3)
	Water Supply and Distribution	2,281,605	(3)
	Wastewater Management	3,017,290	(3)
	Solid Waste Management	2,503,987	(3)
	Community Recreation	1,025,710	(3)
	Subtotal - General Fund	<u>9,758,000</u>	

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2008

12. INTERFUND TRANSFERS, Continued

Fund Financial Statements, Continued

<u>Fund Receiving Transfers</u>	<u>Fund Making Transfers</u>	<u>Amount Transferred</u>	<u>Funding Purpose</u>
Redevelopment Debt Service	Nonmajor Governmental	\$ 4,270,605	(2)
	Subtotal - Redevelopment Service	<u>4,270,605</u>	
City Projects	General Fund	14,069	(1)
	Nonmajor Governmental	813,592	(1)
	Subtotal - City Projects	<u>827,661</u>	
Nonmajor Governmental	General Fund	784,371	(3)
	Nonmajor Governmental	1,532,873	(1)
	Internal Service - General Services	898,016	(4)
	Water Supply and Distribution	99,651	(4)
	Wastewater Management	71,310	(4)
	Solid Waste Management	82,920	(4)
	Subtotal - Nonmajor Governmental	<u>3,469,141</u>	
Internal Service - General Services	General Fund	273,210	(1)
	City Projects	52,922	(1)
	Nonmajor Governmental	511,115	(1)
	Water Supply and Distribution	368,549	(1)
	Wastewater Management	1,325,303	(1)
	Solid Waste Management	3,489	(1)
	Subtotal - Internal Service - General Services	<u>2,534,588</u>	
Internal Service - Employee Benefits	General Fund	1,009,386	(5)
	Employment Development	100,000	(5)
	Subtotal - Internal Service - Employee Benefits	<u>1,109,386</u>	
Wastewater Management	Internal Service - General Services	4,841	(1)
	Subtotal - Wastewater Management	<u>4,841</u>	
SMaRT Station	Solid Waste Management	1,109,727	(2)
	Subtotal - SMaRT Station	<u>1,109,727</u>	
Community Recreation	General Fund	4,301,081	(3)
	Nonmajor Governmental	63,516	(3)
	Subtotal - Community Recreation	<u>4,364,597</u>	
Total Interfund Transfers		<u>\$ 27,448,546</u>	

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2008

12. INTERFUND TRANSFERS, Continued

Government-Wide Financial Statements

Per GASB Statement No. 34, all interfund transfers within governmental activities and business-type activities are eliminated. Transfers in net amounts between governmental and business-type activities are shown on the statement of activities and changes in net assets and eliminated in the total column.

13. PLEDGED REVENUES

During this year, the City implemented the applicable provisions of GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*. The disclosures pertaining to future revenues that have been pledged are intended to provide financial statement users with information about which revenues will be unavailable for other purposes and how long they will continue to be so.

Utility Revenues Pledged in Connection with Water and Wastewater Revenue Bonds, Series 2001

The City has pledged, as security for bonds issued by the Sunnyvale Financing Authority (a blended component unit), net revenues of its Water System and Wastewater System. The bonds were issued by the Authority in 2001 in the amount of \$32,115,000 to pay off the Utilities Revenue Bonds, 1992 Series A and to provide financing for additions and improvements to the Wastewater System. The Authority has pledged, as the sole security for the bonds, amounts to be paid by the City to the Authority, pursuant to an Installment Sale Agreement. Net revenues available from each System are limited to each System's allocable share of payments under the Installment Sale Agreement, which is approximately 42% for the Water System and approximately 58% for the Wastewater System through October 1, 2017; after that date, the Bonds will be payable solely from net revenues of the Wastewater System.

Total principal and interest remaining on the debt is \$34,547,678 with annual requirements ranging from \$2,614,608 in fiscal year 2009 to \$960,750 in the final fiscal year 2027. For the current year, principal and interest paid by the Authority and the combined net revenues of the Water System and Wastewater System recognized by the City were \$2,612,720 and \$9,222,639 respectively. Net revenues for calculating debt coverage include the following components: operating revenues, operating expenses (excluding depreciation), interest income, and net interfund transfers.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2008

13. PLEDGED REVENUES, Continued

Utility Revenues Pledged in Connection with Solid Waste Revenue Refunding Bonds, Series 2003 and Series 2007

The City has pledged, as security for the Bonds issued, net revenues of its Solid Waste System and all moneys received from the cities of Mountain View and Palo Alto designated as debt service payments under the Memorandum of Understanding entered into for the City's Solid Waste Materials Recovery and Transfer Station (the SMaRT[®] Station Fund). The bonds issued in 2003 by the City in the amount of \$20,575,000 were used to defease and refund the Sunnyvale Financing Authority Utilities Revenue Bonds, 1992 Series B. Debt service payments for the 2003 Bonds are allocated to the cities of Sunnyvale, Mountain View, and Palo Alto at 55.28%, 23.45%, and 21.27 % respectively. The Bonds issued in 2007 by the Sunnyvale Financing Authority in the amount of \$8,130,000 were to provide additional funds for replacing materials recovery facility equipment. Debt service payments for the 2007 Bonds are allocated to the cities of Sunnyvale and Palo Alto at 72.21% and 27.79 % respectively.

Total principal and interest remaining to be paid on the 2003 Bonds is \$19,440,790 with annual requirements ranging from \$1,942,601 in fiscal year 2009 to \$1,941,975 in the final fiscal year 2018. Total principal and interest remaining to be paid on the 2007 bond issues is \$10,630,253 with annual requirements ranging from \$757,958 in fiscal year 2009 to \$759,973 in the final fiscal year 2022.

For the current year, principal and interest payments were \$1,945,185 for the 2003 Bonds and \$118,011 for the 2007 Bonds. Net revenues of the Solid Waste System were \$2,552,502 for fiscal year 2008. Net revenues for calculating debt coverage include the following components: operating revenues, operating expenses (excluding depreciation), interest income, and net interfund transfers (excluding transfer of \$1,109,727 to the SMaRT Station Fund for Sunnyvale's share of debt service after taking into account interest earned from debt service reserve fund). The cities of Mountain View and Palo Alto paid \$436,417 and \$426,994 into the SMaRT Station Fund to cover their allocated debt service in this year.

Tax Increment Revenues Pledged

Tax increment revenues of \$4,944,483, net of administrative fees, for this year were reported in the Redevelopment Agency Special Revenue Fund-Nonmajor Governmental Funds. All future tax increment revenues are pledged for purposes stated below.

Under California law, the Redevelopment Agency has the power to utilize tax increment financing to borrow funds for land acquisition and public infrastructure improvements in the redevelopment project area. In 1977 the Redevelopment Agency issued \$16,800,000 of tax allocation bonds for the above purposes. Those bonds were twice refinanced. The current outstanding issue, Central Core Redevelopment Project Tax Allocation Refunding Bonds, Series 2003, has remaining principal and interest of \$9,058,051. The annual debt service, ranging from \$609,941 in fiscal year 2009 to \$598,163 in the final fiscal year 2023, is fully covered by current tax increment.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2008

13. PLEDGED REVENUES, Continued

Tax Increment Revenues Pledged, continued

Also in 1977, the Agency sold lease revenue bonds totaling \$22,300,000 to construct a parking structure in the project area. Those bonds were twice refinanced. The current outstanding issue, Parking Facility Certificates of Participation, 1998 Series A, has remaining principal and interest of \$18,251,602. The annual debt service, ranging from \$1,208,280 in fiscal year 2009 to \$1,281,250 in the final fiscal year 2023, is fully covered by advances from the City General Fund in the form of base rental payments. Under the 1977 First Amended Repayment Contract, the Agency is to repay the City General Fund for these advances (the "1977 Loan") after paying for debt service of the Tax Allocation Bonds. Since 1986, the City General Fund has also provided additional loans (the "1986 Loan") to the Agency's for certain administrative costs and project expenditures. The Agency has not been able to produce sufficient tax increment revenues to significantly reduce the balance of General Fund advances. Refer to Note 5. B. Interfund Receivables/Payables for more details.

In 1986, the State Legislature imposed a new statutory obligation on the Agency to set aside an amount equal to 20% of the gross tax increment revenues generated each year in the project area. Due to preexisting debt obligations, the Agency has to adopt, on a yearly basis, a Housing Fund Deficit Reduction Plan, to defer payments into the Agency's Low and Moderate Income Housing Fund until future years after the final maturity of pre-existing obligations giving rise to such deficit. State law allows the Agency to continue collecting tax increment after the redevelopment project time and tax increment limits are reached so that the housing deficit can be eliminated. Refer to Note 5. A. Interfund Receivables/Payables. for more details.

Since the inception of the Redevelopment Project, the State has enacted several laws that placed revenue restrictions on redevelopment agencies. These include capping the time period for collection of tax increment for the redevelopment project area. For Sunnyvale's project area, the termination date was extended to November 2028 two years ago.

More important was the establishment of revenue limits for redevelopment agencies. The revenue limit/increment cap for the Sunnyvale Redevelopment Agency as originally established was \$118 million. In fiscal year 2006 the Agency amended its Redevelopment Plan to increase the tax increment cap to \$600 million.

It should be noted that when tax increment received by the Agency reaches the original \$118 million cap, certain pass through payments to other taxing agencies will be required.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2008

13. PLEDGED REVENUES, Continued

Tax Increment Revenues Pledged, continued

The \$400 million Town Center redevelopment project by RREEF/Sand Hill Properties (the Developer) has progressed according to schedule. As part of the Amended and Restated Disposition, Development, and Owner Participation Agreement (ARDDOPA) signed with the Developer in February 2007, the Agency has agreed to return to the Developer up to \$4.5 million per year of tax increment plus 50% of any receipts above this amount, in return for construction by the developer of public streets and underground parking. The mechanism for making the payments will be repayment of the General Fund loan by the Agency. In the General Fund Long Term Financial Plan, the Agency loan repayment revenue is shown as revenue with a corresponding expense item shown as *Payment to Town Center Developer*. The tax increment agreement ends in fiscal year 2026.

14. CLASSIFICATION OF NET ASSETS

Government-Wide Financial Statements

In the government-wide financial statements, net assets are classified in the following categories:

Invested In Capital Assets, Net of Related Debt – This category groups all capital assets, including infrastructure, into one component of net assets. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce this category.

Restricted – This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted – This category represents the net assets of the City, which are not restricted for any projects or programs.

Fund Financial Statements

In the fund financial statements, reserves and designations segregate portions of fund balance that are either not available or have been earmarked for specific purposes. The various reserves and designations are established by actions of the City Council and management and can be increased, reduced or eliminated by similar actions.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2008

14. CLASSIFICATION OF NET ASSETS, Continued

In governmental funds, fund reservations are presented as a component of fund balance as follows:

	General Fund	Employment Development	Redevelopment Debt Service	Nonmajor Governmental Funds
Housing Mitigation	\$ -	\$ -	\$ -	\$ 15,165,436
Housing Revolving Fund	-	-	-	1,839,963
Park Dedication	-	-	-	4,992,829
Public Safety	-	-	-	1,243,941
Low and Moderate Income Housing	-	-	-	8,999,253
Restricted Donations and Contributions	414,317	162,832	-	1,424,834
Advances to Other Funds Net of Deferred Revenue	17,384,370	-	-	-
Long-term Receivables Net of Deferred Revenue	2,697,118	-	-	-
Inventories and Prepayments	447,185	2,860	-	-
Assets Held for Resale	1,101,077	-	-	-
Capital Improvement Projects	8,805,438	-	-	-
Debt Service	-	-	1,962,058	1,529,897
Total	\$ 30,849,505	\$ 165,692	\$ 1,962,058	\$ 35,196,153

Fund reservations are described as follows:

Reserved for Housing Mitigation represents the unspent portion of housing mitigation fees paid by high-intensity industrial developers to mitigate development impacts on the City’s jobs/housing balance. This reserve will be used to support the provision of affordable housing within the City.

Reserved for Housing Revolving Fund represents CDBG program revenues set aside for housing rehabilitation programs and acquisition of affordable housing units within the City. These activities, in turn, generate payments to the fund for use in carrying out the same types of housing activities.

Reserved for Park Dedication represents unspent park dedication fee revenues restricted for future park projects.

Reserved for Public Safety is used to account for drug forfeiture monies in the Asset Forfeiture Special Revenue Fund that, by Federal or State law, must be expended on drug enforcement activities. Also included in the reserve is the fund balance of the Police Service Augmentation Fund, which accounts for law enforcement grants from State and Federal governments.

Reserved for Low and Moderate Income Housing represents the portion of the Redevelopment Agency’s property tax increment revenues which are required by State law to be spent on housing for low and moderate income households. The Agency cannot provide funding due to pre-existing bonded debt and other obligations.

Reserved for Restricted Donations and Contributions represents contributions from other agencies and donations from citizens to support unbudgeted activities.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2008

14. CLASSIFICATION OF NET ASSETS, Continued

Reserved for Advances to Other Funds and Long-term Receivables, Net of Deferred Revenue reflect the balances due, net of deferred interest revenues, from other funds and other parties that are long-term in nature and do not represent available expendable resources of the City.

Reserved for Inventories and Prepayments reflect the carrying value of these assets. Since these assets are goods that have already been purchased, they do not represent available spendable resources of the City.

Reserved for Assets Held for Resale reflects the carrying value of properties acquired throughout the years held for economic development or other restricted purposes and represents resources unavailable for appropriations.

Reserved for Capital Improvement Projects represents the proceeds received from downtown land sale that will be used for specific capital improvement projects.

Reserved for Debt Service represents the portion of retained earnings that is legally restricted as per bond covenants.

In governmental funds, unreserved fund balances are designated or undesignated as follows:

	Major Funds			Nonmajor Funds	
	General Fund	Redevelopment Debt Service	City Projects	Special Revenue Funds	Capital Projects Funds
Unrealized Gains	\$ 616,124	\$ -	\$ 381,176	\$ 17,865	\$ -
Contingencies	22,680,376	-	-	-	-
Current Capital and Special Projects	10,440,464	-	15,095,201	2,917,199	6,715,021
20-Year Resource Allocation Plan	56,591,166	-	-	10,334,193	7,629,037
Total Unreserved, Designated	90,328,130	-	15,476,377	13,269,257	14,344,058
Unreserved and Undesignated	-	(58,611,611)	-	-	-
Total Unreserved	\$ 90,328,130	\$ (58,611,611)	\$ 15,476,377	\$ 13,269,257	\$ 14,344,058

Designated for Unrealized Gains represents management’s intent not to liquidate investments to realize the reported gains in the following year.

Designated for Contingencies is established by City Council in the General Plan Fiscal Sub-element as 20% of General Fund operating budget to provide funding for any significant unplanned event that may arise such as a natural disaster, a one-time loss of revenues, or to provide a buffer period in the event of a major ongoing revenue loss.

Designated for Current Capital Projects reflects the amount needed for uncompleted capital projects, special projects, and miscellaneous equipment needs in the following fiscal year.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2008

14. CLASSIFICATION OF NET ASSETS, Continued

Designated for 20-Year Resource Allocation Plan are the amounts that assure, based on current estimates, the feasibility of the City’s 20-year Long-Term Financial Plan. This reserve prevents the City from adding services at the top of the economic cycle that cannot be sustained, and it allows the City to maintain the Council-approved service levels during economic downturns. All funds not otherwise reserved or designated are designated for this purpose.

Unreserved and undesignated amounts reflect the deficit fund balances in the Redevelopment Agency Debt Service Fund caused by long-term advances from the General Fund, and the Redevelopment Agency Special Revenue Fund due to the State mandated 20% of tax increment revenues set aside for low and moderate income housing.

In proprietary funds net assets is separated into the three categories as explained above in the government-wide classification of net assets. The unrestricted portion of net assets is further earmarked by City Council and Management as follows:

	<u>Water Supply and Distribution</u>	<u>Wastewater Management</u>	<u>Solid Waste Management</u>	<u>SMaRT Station</u>	<u>Community Recreation</u>	<u>Internal Service Funds</u>
Contingencies	\$ 4,780,657	\$ 3,053,280	\$ 2,670,069	\$ -	\$ -	\$ -
Government Center Project	85,994	59,033	87,388	-	-	865,941
Capital Projects	3,188,080	4,304,681	246,568	-	20,311	-
Rate Stabilization	2,663,574	8,230,107	-	-	-	-
Other Postemployment Benefits	-	-	-	-	-	17,215,785
Equipment Replacement	-	-	-	424,036	-	5,838,238
20-Year Resource Allocation Plan	-	-	-	1,969,309	946,948	18,890,122
Funded by Rates	<u>(3,496,021)</u>	<u>(12,913,017)</u>	<u>(28,269,904)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 7,222,284</u>	<u>\$ 2,734,084</u>	<u>\$ (25,265,879)</u>	<u>\$ 2,393,345</u>	<u>\$ 967,259</u>	<u>\$ 42,810,086</u>

Contingencies are established by City Council to provide funding for any significant unplanned event that may arise such as a natural disaster or emergencies. The Fiscal Sub-Element of the City’s General Plan requires the following percentages of operations to be maintained as a contingency reserve: 25% for Water Supply and Distribution, 25% for Wastewater Management, and 10% for Solid Waste Management due to less risk for damage or disaster.

Government Center Project represents the portion of unrestricted net assets that is in next year’s budget to pay for the respective fund’s share of debt service for the acquisition of the Government Center.

Capital Projects reflects the amounts needed to reappropriate uncompleted capital projects, and special projects in the following fiscal year.

Rate Stabilization represents the restrictions on the use of some of the enterprise funds’ net resources in order to minimize the fluctuation of rates charged to the City's utility customers.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2008

14. CLASSIFICATION OF NET ASSETS, Continued

Other Postemployment Benefits represents the portion of net assets in the Employee Benefits Internal Service Fund set aside for future medical premiums for retired employees pursuant to GASB Statement No. 45, which the City has implemented in fiscal year 2008.

Equipment Replacement represents amounts in the General Services Internal Service Fund that are being earmarked for the replacement of old equipment. In the SMART Station Fund, it represents the portion of net assets from sources other than bonded obligations.

Funded by Rates represents the deficits expected to be funded by rate increases in order to meet debt service obligations, acquire capital projects, and stabilize the rate structure.

15. DEFICIT NET ASSETS AND FUND EQUITY

Government-Wide Financial Statements

The business-type activities in the government-wide financial statements had deficit unrestricted net assets of \$(11,948,907). This net total deficit is composed of positive net unrestricted assets in all business type activities except for deficits in the following:

Solid Waste Management Unrestricted Net Assets	(\$25,265,879)
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These deficit unrestricted net assets in Solid Waste Management were due to liabilities incurred by these activities from advances made by the General Fund. These advances were used to either acquire or improve capital assets or to keep rates stable for citizens affected by these activities. The deficit net assets will be eliminated as repayments are scheduled to be made to the General Fund from rates charged to customers.

Fund Financial Statements

The following funds had deficit fund balance or net assets as of June 30, 2008:

Major Funds Deficit Fund Balance:	
Redevelopment Agency Debt Service Fund	\$ (56,649,553)
Solid Waste Management Enterprise Fund	(24,197,087)
Non-Major Fund Deficit Fund Balance:	
Redevelopment Agency Special Revenue Fund	(9,338,749)
Internal Service Fund Deficit Net Assets:	
Risk Management Fund	(977,199)

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2008

15. DEFICIT NET ASSETS AND FUND EQUITY, Continued

The long-term advances from the General Fund to the Redevelopment Agency caused the deficit fund equity in the Redevelopment Agency Debt Service Fund. As of June 30, 2008, total advances amounted to \$58,609,600 that includes accrued unpaid interest. The deficit is expected to be funded by transfers from the Redevelopment Agency Special Revenue Fund as tax increment revenues are collected in that fund.

The deficit in the Solid Waste Management Fund was due to several transactions. The General Fund has made several advances to the Solid Waste Management Fund for construction of new facilities and for cash flow purposes. Interest has been accrued annually on the outstanding loan balances. The deficit is also partially explained by the Governmental Accounting Standards Board Statement No. 18 (Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Costs), which requires the City to recognize, at the time a landfill is closed, all estimated total future costs related to closure and postclosure care. This fund also transferred net assets of \$2.5 million to the SMaRT Station Fund that was created in fiscal year 1996-97. Annually, through transfers, this fund pays the SMaRT Station Fund 55% of the Solid Waste Revenue Bonds, Series 2003 debt service and also pays the General Fund for its general government support services. Beginning in this fiscal year, this Fund also pays 72% of the Solid Waste Revenue Bonds, Series 2007 debt service. The deficit is expected to be funded by charges for services.

The deficit fund balance in the Redevelopment Agency Special Revenue Fund was caused by the State mandated 20% of tax increment revenues set aside for low and moderate income housing. The deficit is expected to be funded by collection of property tax increment after preexisting debt obligations are paid.

The deficit net assets in the Risk Management Internal Service Fund was caused by two main factors: higher claims than budgeted and actuarial adjustments due to most recent valuation. The deficit is expected to be funded by increasing future charges to other City funds.

16. TOWN CENTER POLLUTION REMEDIATION OBLIGATIONS

Refer to Note 7. F. concerning the Community Facilities District. Pursuant to the Amended and Restated Disposition and Development and Owner Participation Agreement (ARDDOPA), the Redevelopment Agency (Agency) and Downtown Sunnyvale Mixed Use, LLC (Developer) have agreed to cooperate and share the costs in the investigation of, and response to, environmental conditions associated with the Town Center Project (Project) under the oversight of an appropriate regulatory agency. The Agency and the Developer have also agreed to cooperate in any efforts by either party to seek and obtain suitable liability protection, immunities and/or other assurances from the oversight agency regarding those environmental conditions pursuant to the Polanco Redevelopment Act, enacted by the State to encourage redevelopment of sites impacted by the presence of hazardous substances and to provide incentives in the form of state immunities if completed.

Notes to the Basic Financial Statements, Concluded
Fiscal Year Ended June 30, 2008

16. TOWN CENTER POLLUTION REMEDIATION OBLIGATIONS, Continued

During the period of due diligence by the Developer, it became known that soil and groundwater contamination does exist in the Project area. The contaminants include hazardous materials released by former Downtown dry cleaning establishments, auto repair enterprises, gas stations, and other uses that use, store, or dispose of hazardous materials and wastes.

On July 17, 2007, the Agency adopted a resolution approving and authorizing an agreement with the San Francisco Bay Regional Water Quality Control Board as the oversight agency to facilitate investigation of, and response to, environmental conditions associated with the Project.

The ARDDOPA provides tiered cost sharing with the Developer; the Agency must pay 50% of the first \$2 million, 65% of the next \$1 million, 75% of the next \$1 million and 85% of cost above \$4 million. The Agency's estimate is that, by fiscal year 2010 at the completion of the Project, Agency's share of the pollution remediation outlays may reach \$9 million in total. These costs include expenses incurred for legal and environmental consulting, reimbursements to the oversight agency, and costs related to remediation implementation and postremediation monitoring. During fiscal year 2008, the Agency incurred costs of approximately \$0.6 million. Accordingly, a balance in the amount of \$8.4 million is recognized as a liability-Pollution Remediation Obligations-under governmental activities in the government-wide statement of net assets.

The remediation project is budgeted under the Redevelopment Agency Special Revenue Fund (Nonmajor Fund). The City General Fund may need to advance additional funds to the Agency since the Agency has committed tax increments to preexisting obligations as explained in Note 12 about pledged revenues.

The estimated liability may increase or decrease with new information and better understanding of the components of the remediation. The City has not obtained all information required to implement Governmental Accounting Standards Board Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, which will take effect in the next fiscal year.

Required Supplementary Information

**Required Supplementary Information
Fiscal Year Ended June 30, 2008**

BUDGETARY POLICY AND CONTROL

**Budgetary Comparison Schedule - General Fund
Fiscal Year Ended June 30, 2008**

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget Positive(Negative)
Budgetary Fund Balance, July 1, 2007	\$ 76,843,122	\$ 82,707,115	\$ 82,707,115	\$ -
Resources (inflows):				
Property Taxes	37,164,308	38,742,251	38,948,750	206,499
Sales and Use Taxes	32,584,622	32,601,594	30,914,631	(1,686,963)
Other Taxes	16,972,932	19,850,808	19,432,867	(417,941)
Franchise Fees	6,037,676	5,877,729	5,855,124	(22,605)
Intergovernmental Revenues	1,605,690	2,954,692	2,070,649	(884,043)
Permits and Licenses	6,722,084	9,014,078	9,265,468	251,390
Fines and Forfeitures	896,479	1,111,456	1,219,050	107,594
Service Fees	4,793,820	5,982,183	7,039,219	1,057,036
Rents and Concessions	2,481,002	2,455,150	2,378,305	(76,845)
Investment Earnings	2,881,617	3,935,579	3,824,016	(111,563)
Interfund Revenues	7,944,831	7,936,357	9,995,951	2,059,594
Other Revenues	89,926	5,418,557	5,469,530	50,973
Transfers In	7,738,652	7,774,972	7,759,046	(15,925)
Total Resources	127,913,639	143,655,406	144,172,606	517,201
Charges to appropriations (outflows):				
Planning and Management	18,856,999	20,398,400	20,082,937	315,463
Public Safety	69,082,815	69,792,203	69,164,304	627,899
Community Development	16,890,081	17,456,019	17,243,408	212,611
Transportation	5,704,482	5,558,050	5,307,605	250,445
Socioeconomic	289,452	270,931	240,994	29,937
Cultural	7,402,150	7,685,956	7,477,217	208,739
Environmental Management	1,846,335	1,867,908	1,870,598	(2,690)
Capital Outlay	55,172	383,028	95,206	287,822
Debt Service	408,969	408,969	408,969	-
Transfers Out	11,683,429	12,319,029	5,994,677	6,324,352
Total charges to appropriations	132,219,884	136,140,493	127,885,915	8,254,578
Excess of resources over (under) charges to appropriations	(4,306,246)	7,514,913	16,286,691	8,771,779
Budgetary Fund Balance, June 30, 2008	\$ 72,536,876	\$ 90,222,028	\$ 98,993,806	\$ 8,771,779

Note 1: The excess of charges to appropriations over budget in the amount of (\$2,690) is expected to be covered by savings in Planning and Management since the excess was for project management at the same department.

Required Supplementary Information, Continued
Fiscal Year Ended June 30, 2008

BUDGETARY POLICY AND CONTROL, Continued

Budgetary Comparison Schedule - Employment Development Fund
Fiscal Year Ended June 30, 2008

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1, 2007	\$ 900,927	\$ 225,015	\$ 225,015	\$ -
Resources (inflows):				
Intergovernmental Revenues	7,531,002	7,621,002	7,262,488	(358,514)
Service Fees	-	-	9,384	9,384
Rents and Concessions	-	-	38,274	38,274
Other Revenues	245,000	463,998	336,085	(127,913)
Total Resources	<u>7,776,002</u>	<u>8,085,000</u>	<u>7,646,231</u>	<u>(438,769)</u>
Charges to appropriations (outflows):				
Socioeconomic	8,550,988	7,845,001	7,605,554	239,447
Transfers Out	-	-	100,000	(100,000)
Total charges to appropriations	<u>8,550,988</u>	<u>7,845,001</u>	<u>7,705,554</u>	<u>139,447</u>
Excess of resources over (under) charges to appropriations	<u>(774,986)</u>	<u>239,999</u>	<u>(59,323)</u>	<u>(299,322)</u>
Budgetary Fund Balance, June 30, 2008	<u>\$ 125,941</u>	<u>\$ 465,014</u>	<u>\$ 165,692</u>	<u>\$ (299,322)</u>

Required Supplementary Information, Continued
Fiscal Year Ended June 30, 2008

BUDGETARY POLICY AND CONTROL, Continued

Note to Required Supplementary Information

NOTE A - Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenues and Expenditures

	General Fund	Employment Development Fund
Sources/Inflow of Resources:		
Actual amounts (budgetary basis) of "total resources" from the budgetary comparison schedule	\$ 144,172,606	\$ 7,646,231
Differences - Budget to GAAP		
Interfund advances repayment is a budgetary resource but is not a revenue for financial reporting purposes	(8,873,474)	-
Interfund rent is a budgetary resource but is a transfer, not a revenue, for financial reporting purposes	(646,293)	-
Interfund revenues are a budgetary resource but are transfers, not revenues, for financial reporting purposes	(1,122,477)	-
Change in fair value of investments is not budgetary resource	187,593	-
Sale of Land is a special item for financial reporting purposes	(4,700,000)	-
ABAG Debt Service Fund included in budgetary fund structure	(16,818)	-
Private donations are not in budget	86,247	-
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes	(7,759,046)	-
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	\$ 121,328,338	\$ 7,646,231
Uses/Outflows of Resources		
Actual amounts (budgetary basis) of "total charges to appropriations" from the budgetary comparison schedule	\$ 127,885,915	\$ 7,705,554
Differences - Budget to GAAP		
Interfund advances is a budgetary expenditure but is not an expenditure for financial reporting purposes	(1,213,805)	-
ABAG Debt Service Fund included in budgetary fund structure	(21,528)	-
Private donations are not in budget	56,135	-
Contribution to Multimodal Sinking Fund	(10,871)	-
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(6,382,118)	(192,499)
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	\$ 120,313,728	\$ 7,513,055

Required Supplementary Information, Continued
Fiscal Year Ended June 30, 2008

BUDGETARY INFORMATION

The City's budget is adopted based on generally accepted accounting principles (GAAP) with some exceptions as presented in the preceding Note to Required Supplementary Schedule.

Sunnyvale's approach to budget preparation is a central part of the City's Planning and Management System (PAMS). Key elements of the PAMS framework include:

- Long-range strategic planning (General Plan Elements and Sub-Elements),
- Long-term financial planning (Resource Allocation Plan, which includes projections over a 20-year time frame),
- Short-term allocation of resources (two-year action budget),
- Measurement of program service delivery,
- The Council Study Issues process,
- Performance "contracts" for Management,
- Annual performance reporting and evaluation, and
- Performance audits based on risk assessments.

The City in establishing the budgetary data reflected in its financial statements follows the procedures listed below:

- At the midpoint of each year, a public hearing (not legally required) is held by the City Council to obtain budgetary comments from the public early in the budget process.
- During May of each year, the City Manager submits to the City Council a recommended budget for the fiscal year commencing July 1. The City Charter requires that the City Council receive the City Manager's budget no later than May 25.
- The City Manager's budget includes recommended expenditures for equipment, operating costs, debt service costs, and capital and special projects for the ensuing year.
- During May of each year the City Council holds a workshop on the budget. The workshop is open to the public.
- During June of each year the City Council holds a public hearing, legally required by the City Charter, where the public may submit written or oral comments regarding the entire budget or portions thereof.

Required Supplementary Information, Continued
Fiscal Year Ended June 30, 2008

BUDGETARY INFORMATION, Continued

- Prior to June 30 of each year, the budget as modified by the City Council is legally enacted by adoption of a budget resolution. The legal level of budgetary control is placed by the City Council at the program level, with adjustments between programs within funds allowed below specified thresholds. A separate Budgetary Year-End Financial Report is prepared in December of each year, which presents details to demonstrate compliance at the legal level of control for the previous fiscal year. Appropriations for operations lapse at year-end to the extent they have not been expended. On November 6, 2007 Sunnyvale voters amended the City Charter so that appropriations for capital improvement projects will not lapse at year-end unless completed, closed out, or modified by the City Council.
- Budgets are legally adopted for all governmental funds.
- Formal budgets are employed as a management control device for all funds in which a budget has been adopted. They serve as the primary means of spending control for the general fund, special revenue funds, debt service funds and capital project funds.
- Budgeted amounts reported are those as originally adopted June 19, 2007 plus all amendments approved during the year by the City Council. Individual amendments were not material in relation to the original amounts budgeted.

BUDGETARY HIGHLIGHTS

The General Fund

The General Fund appropriations budget (outflows) was amended during the fiscal year to reflect carryover of unspent capital and special projects funds and unanticipated expenditures. Total budget modifications included project carryover appropriations of \$980,929, equipment carryover of \$176,300, and operating carryover of \$515,160. Additionally, a total amount of \$2,248,219 was appropriated throughout the fiscal year for various unanticipated expenditures, including \$1,686,772 for projects and \$454,647 for operating expenditures. Transfers to other City funds in the amount of \$106,800 were made for administrative budget adjustments. Funding sources for these amendments included grant revenues, General Fund savings due to other funding sources and General Fund reserves. Original appropriation for pavement operations was also reduced by \$528,800 with the funds transferred to a street reconstruction project in the Capital Projects Fund.

Resources (inflows) of the General Fund were also amended during the fiscal year due to unanticipated receipt of grant funds and mid-year budgetary adjustments. Grant funding for projects in the amount of \$1,578,540 was secured during the fiscal year. The mid-year budget revenue adjustments were part of the budget development process to more appropriately reflect the actual trends based upon year-to-date information. Revenue adjustments other than grants for projects totaled \$14,126,907. Budget modification also included transfers from other funds in the amount of \$36,320 (including carryover of \$16,818) to pay for projects.

Required Supplementary Information, Continued
Fiscal Year Ended June 30, 2008

BUDGETARY HIGHLIGHTS, Continued

The Employment Development Special Revenue Fund

The budget of the City's Department of Employment Development (DED) is periodically modified to reflect the changes in its actual versus planned funding levels. This amendment was required to align the appropriations budget with the Workforce Investment Act (WIA) grant funds from the State.

During the fiscal year, the federal funds allocated to the State for dislocated worker programs declined significantly due to the State's declining unemployment rate. In December 2007 the WIA allocation reductions were further exacerbated by Congress passing a law to rescind 9% of total national appropriations from WIA funding for this year and last year, after the State had already allocated them out to the local areas. In addition to the reduction in federal funding, State funds are also being diverted due to the State's \$14 billion structural budget deficit.

To mitigate the shortfall of funds, DED also explored options to secure additional funding through competitive grants. As a result, budgeted resources were increased by \$308,998. An initial appropriation reduction of \$1 million was adjusted to a smaller reduction of \$705,987.

Required Supplementary Information, Continued
Fiscal Year Ended June 30, 2008

MODIFIED APPROACH FOR CITY STREETS INFRASTRUCTURE CAPITAL ASSETS

The City has elected to use the “Modified Approach” as defined by GASB Statement No. 34 for infrastructure reporting for its Street Pavement System. Under GASB Statement No. 34, eligible infrastructure capital assets are not required to be depreciated under the following conditions:

- The City manages the eligible infrastructure capital assets using an asset management system which requires that the City (1) perform an up-to-date inventory; (2) perform condition assessments and summarize the results using a measurement scale; and (3) estimate the annual amounts to maintain and preserve the asset at the established condition assessment level.
- The City documents that the eligible infrastructure capital assets are being preserved approximately at or above the established and disclosed condition assessment level.

In September 2001, the City conducted a study to update the physical condition assessment of the streets. The streets, primarily concrete and asphalt pavements, were defined as all physical features associated with the operation of motorized vehicles that exist within the limits of City right-of-way. City-owned streets are classified based on land use, access and traffic utilization into the following four classifications: arterial/major, secondary, collector and local. This condition assessment will be performed no less than every three years or as allowed by resources. Each street was assigned a physical condition based on potential defects. A Pavement Condition Index (PCI), a nationally recognized index, was assigned to each street and expressed in a continuous scale from 0 to 100, where 0 is assigned to the least acceptable physical condition and 100 is assigned the physical characteristics of a new street.

The following conditions were defined:

Condition	Rating
Excellent	86-100
Very Good	71-85
Good	56-70
Fair	41-55
Poor	26-40
Very Poor	11-25
Substandard	0-10

Required Supplementary Information, Continued
Fiscal Year Ended June 30, 2008

MODIFIED APPROACH FOR CITY STREETS INFRASTRUCTURE CAPITAL ASSETS, Continued

The City Policy is to achieve a rating of over 70 for all streets, which is a “good” or better rating based on Metropolitan Traffic commission (MTC) Regional standards. The last study report was issued in October 2008 for fiscal year 2008. In that study, the City’s street system was rated at a PCI index of 76 on the average with the detail condition as follows:

<u>Condition</u>	<u>Rating</u>
Excellent	28.8%
Very Good	53.6%
Good	13.3%
Fair	3.2%
Poor	0.7%
Very Poor	0.3%
Substandard	0.1%

The City’s streets are constantly deteriorating resulting from the following four factors: (1) traffic using the streets; (2) the sun’s ultra-violet rays drying out and breaking down the top layer of pavement; (3) utility company/private development interests trenching operations; and (4) water damage from natural precipitation and other urban runoff. The City is continuously taking actions to arrest the deterioration through short-term maintenance activities such as pothole patching, street sweeping, and sidewalk repair. The City expended \$2,556,000 on street maintenance for the fiscal year ended June 30, 2008. These expenditures delayed deterioration, and maintained the conditions of the City streets. A schedule of estimated annual amount calculated to maintain and preserve its streets at the current level compared to actual expenditures for street maintenance for the last five years is presented below.

<u>Fiscal Year</u>	<u>Maintenance Estimate</u>	<u>Actual Expenditures</u>	<u>Average PCI Index</u>
2003-2004	\$2,503,000	\$2,436,000	84
2004-2005	2,648,000	2,383,000	86
2005-2006	2,732,000	2,543,000	N/A
2006-2007	2,945,000	2,720,000	76
2007-2008	2,611,000	2,556,000	76

The City has an on-going street rehabilitation program that is intended to maintain the condition rating of the City Streets. The rehabilitation program is formulated based on deficiencies identified as a part of its Pavement Management System.

**Required Supplementary Information, Continued
Fiscal Year Ended June 30, 2008**

**PUBLIC EMPLOYEES' RETIREMENT SYSTEM (PERS)
SCHEDULE OF FUNDING PROGRESS**

MISCELLANEOUS PLAN

Retirement Program:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
6/30/2005	\$ 204,593,980	\$ 233,122,429	\$ 28,528,449	87.8%	\$ 52,934,271	53.9%
6/30/2006	224,784,269	272,674,993	47,890,724	82.4%	54,985,789	87.1%
6/30/2007	249,902,644	291,615,588	41,712,944	85.7%	54,173,556	77.0%

SAFETY PLAN

Retirement Program:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
6/30/2005	\$ 219,877,751	\$ 272,415,582	\$ 52,537,831	80.7%	\$ 26,752,644	196.4%
6/30/2006	238,474,105	291,108,117	52,634,012	81.9%	26,128,909	201.4%
6/30/2007	258,148,912	314,253,296	56,104,384	82.1%	28,140,257	199.4%

Amendment to the Contract between PERS and the City

On June 5, 2007, the City Council approved an ordinance authorizing an amendment to the contract between PERS and the City to provide enhanced retirement benefits for Miscellaneous members by July 1, 2007.

PERS requires that the future annual costs of the proposed contract amendment be made public at least two weeks prior to the adoption of the final ordinance. According to a cost analysis provided by PERS, the contract amendment will result in (1) increase in past service cost representing the increased benefit for all past service of current members and (2) increase in normal (current service) cost for the increased benefit.

PERS calculated the increase in past service cost to be \$18,924,876. This unfunded liability was planned to be amortized over 20 years from the effective date of the amendment. This would increase the City's employer rate by 3.336% for 20 years. The City's normal cost, which represents the annual cost of service accrued for the year for active employees, is calculated as a percentage of payroll based on current members and current actuarial assumptions. This percentage will change each year based on actual results and adjustments to actuarial assumptions. In addition, the employee contribution rate will increase by 1%, paid by employees on a pre-tax basis.

Required Supplementary Information, Concluded
Fiscal Year Ended June 30, 2008

POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS
SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
6/30/2005	N/A	N/A	N/A	N/A	N/A	N/A
6/30/2006	N/A	N/A	N/A	N/A	N/A	N/A
6/30/2007	\$ -	\$ 80,094,000	\$ 80,094,000	0.0%	\$ 76,210,000	105.1%

Note:

In January 2003-long before implementing Governmental Accounting Standards Board (GASB) Statement No 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*-the City obtained an actuarial study of postemployment medical obligation based on the anticipated Government Accounting Standards Board (GASB) guidance. According to estimates from that study, as of June 30, 2002, the City plan's actuarial accrued liability (AAL) was \$53,644,000 and the amount of annual covered payroll was \$62,836,000.



Supplementary Information



Nonmajor Governmental Funds

Special Revenue Funds are used to account for specific revenue sources that are legally restricted to expenditures for specified purposes. The Special Revenue funds used by the City in this report are listed below:

The ***Community Development Block Grant Fund*** accounts for the use of community development block grant funds received from the federal government. Other revenues in this fund include repayments of commercial and residential loans and rental income from City property. Funds are used for programs or projects that increase affordable housing and benefit people with special needs such as senior and handicapped citizens.

The ***HOME Grant Fund*** accounts for HOME investment partnership grant funds received from the federal government. Other revenues in this fund include repayments of loans. Funds are used to provide affordable housing for low- and very low-income households.

The ***Housing Fund*** accounts for local housing mitigation revenues and Below-Market-Rate (BMR) receipts. Funds are expended on special and capital projects designed to achieve the City's goal of affordable housing and community development.

The ***Park Dedication Fund*** accounts for funds that developers contribute towards the acquisition, construction or renovation of neighborhood parks.

The ***Asset Forfeiture Fund*** accounts for the proceeds from sale of assets seized primarily from illegal narcotics activity. Asset forfeiture funds are used to supplement law enforcement activities.

The ***Police Services Augmentation Fund*** accounts for monies received from the federal and state governments, which are expended to enhance law enforcement services.

The ***Parking District Fund*** accounts for special assessments levied on real property located in the City's downtown parking district. The tax revenues in this fund are used primarily to maintain parking lots within the district.

The ***Gas Tax Fund*** accounts for gas tax revenues and traffic congestion relief funds received from the State and expended for construction and maintenance of City streets.

The ***Transportation Development Act (TDA) Fund*** accounts for activities related to the TDA funds received from the State through the Metropolitan Transportation Commission, which are expended on pedestrian and bicycle projects.

The ***Youth and Neighborhood Services Fund*** accounts for revenues and operating program expenditures of the Columbia Neighborhood Center, a partnership between the City, the Sunnysvale School District and Advanced Micro Devices, a private corporation.

Nonmajor Governmental Funds

The ***Redevelopment Agency Fund*** accounts for the activities of the Redevelopment Agency of the City of Sunnyvale, which was created by the City council to prepare and carry out redevelopment plans for designated areas of the City.

The ***Low and Moderate Income Housing Fund*** accounts for funds deposited by the Redevelopment Agency of the City of Sunnyvale to improve and increase the supply of low and moderate income housing within the City.

Permanent Funds are used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for restricted purposes. The specific permanent funds used by the City in this report are listed below:

The ***Swirsky Youth Opportunity Fund*** accounts for proceeds received from the estate of Ms. Dorolou Pierson Swirsky dedicated to providing recreation opportunities for disadvantaged youth.

The ***Fremont Pool Fund*** accounts for private donations to be used for the maintenance and operations of the Fremont High School swimming pool.

Debt Service Funds are used for the accumulation and disbursement of financial resources that will be used to make principal and interest payments on general long-term debt. The specific debt service funds used by the City in this report are listed below:

The ***ABAG Certificates of Participation Fund*** is used to accumulate funds for the payment of the 1998 Certificates of Participation. Debt service is financed with transfers from the General Fund, which receives lease revenues from the Sunnyvale School District.

The ***Government Center Certificates of Participation Fund*** is used to accumulate funds for the payment of the Certificates of Participation issued in 2001 to finance the acquisition of land and buildings for possible construction of a new government center. Debt service is financed with transfers from the General Services Internal Service Fund, the Water Supply and Distribution Fund, the Wastewater Management Fund and the Solid Waste Management Fund.

Nonmajor Governmental Funds

Capital Projects Funds are used to account for major capital acquisition and construction activities. The specific capital project funds used by the City in this report are listed below:

The ***Infrastructure Renovation and Replacement Fund*** accounts for funds used for the City's long-term infrastructure renovation and replacement program.

The ***Redevelopment Agency Projects Fund*** accounts for the use of financial resources for Redevelopment Agency capital projects.

CITY OF SUNNYVALE

**Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2008**

	Special Revenue			
	Community Development Block Grant	HOME Grant	Housing	Park Dedication
Assets:				
Cash and Investments Held by City	\$ 1,893,334	\$ 63,630	\$ 16,896,104	\$ 8,843,079
Cash and Investments Held by Fiscal Agent	-	-	-	-
Other Receivables, Net	-	-	146,734	75,679
Intergovernmental Receivables	298,022	25,645	-	-
Due from Other Funds	-	-	-	-
Inventories and Prepayments	-	-	370,000	-
Housing Loans Receivable	10,941,531	7,816,116	7,726,973	-
Assets Held for Resale	-	-	280,000	-
Total Assets	\$ 13,132,887	\$ 7,905,391	\$ 25,419,811	\$ 8,918,758
Liabilities and Fund Balances:				
Liabilities:				
Accounts Payable and Accrued Liabilities	112,515	1,791	102,398	193,436
Refundable Deposits	-	-	1,000	3,350
Due to Other Funds	-	-	-	-
Deferred Revenues	10,941,531	7,841,761	7,726,973	-
Total Liabilities	11,054,046	7,843,552	7,830,371	196,786
Fund Balances:				
Reserved :				
Housing Mitigation	-	-	15,165,436	-
Housing Revolving Fund	1,839,963	-	-	-
Park Dedication	-	-	-	4,992,829
Public Safety	-	-	-	-
Low and Moderate Income Housing	-	-	-	-
Restricted Donations	-	-	-	-
Debt Service	-	-	-	-
Total Reserved	1,839,963	-	15,165,436	4,992,829
Unreserved, Designated:				
Unrealized Gains	-	-	-	-
Current Capital and Special Projects	238,878	-	526,840	1,943,009
20-Year Resource Allocation Plan	-	61,839	1,897,164	1,786,134
Total Unreserved, Designated	238,878	61,839	2,424,004	3,729,143
Unreserved and Undesignated	-	-	-	-
Total Fund Balances (Deficit)	2,078,841	61,839	17,589,440	8,721,972
Total Liabilities and Fund Balances	\$ 13,132,887	\$ 7,905,391	\$ 25,419,811	\$ 8,918,758

Special Revenue

<u>Asset Forfeiture</u>	<u>Police Services Augmentation</u>	<u>Parking District</u>	<u>Gas Tax</u>	<u>Transportation Development Act</u>	<u>Youth and Neighborhood Services</u>
\$ 1,313,182	\$ 10,896	\$ 606,834	\$ 4,798,387	\$ -	\$ 507,888
-	-	-	-	-	-
11,171	91	5,243	41,464	-	53,140
-	-	-	806,263	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 1,324,353</u>	<u>\$ 10,987</u>	<u>\$ 612,077</u>	<u>\$ 5,646,114</u>	<u>\$ -</u>	<u>\$ 561,028</u>
33,776	-	13,861	18,777	-	18,811
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	10,000	-	-
<u>33,776</u>	<u>-</u>	<u>13,861</u>	<u>28,777</u>	<u>-</u>	<u>18,811</u>
-	-	-	-	-	-
-	-	-	-	-	-
1,233,285	10,656	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>1,233,285</u>	<u>10,656</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
17,534	331	-	-	-	-
39,758	-	5,818	162,896	-	-
-	-	592,398	5,454,441	-	542,217
<u>57,292</u>	<u>331</u>	<u>598,216</u>	<u>5,617,337</u>	<u>-</u>	<u>542,217</u>
-	-	-	-	-	-
<u>1,290,577</u>	<u>10,987</u>	<u>598,216</u>	<u>5,617,337</u>	<u>-</u>	<u>542,217</u>
<u>\$ 1,324,353</u>	<u>\$ 10,987</u>	<u>\$ 612,077</u>	<u>\$ 5,646,114</u>	<u>\$ -</u>	<u>\$ 561,028</u>

Continued

CITY OF SUNNYVALE

**Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2008**

	Special Revenue		Total	Permanent
	Redevelopment Agency	Low and Moderate Income Housing		Swirsky Youth Opportunity
Assets:				
Cash and Investments Held by City	\$ -	\$ -	\$ 34,933,334	\$ 531,304
Cash and Investments Held by Fiscal Agent	-	-	-	-
Receivables, Net	4,444	-	337,966	4,718
Intergovernmental Receivables	-	-	1,129,930	-
Due from Other Funds	-	8,999,253	8,999,253	-
Inventories and Prepayments	-	-	370,000	-
Housing Loans Receivable	-	-	26,484,620	-
Assets Held for Resale	-	-	280,000	-
Total Assets	\$ 4,444	\$ 8,999,253	\$ 72,535,103	\$ 536,022
Liabilities and Fund Balances:				
Liabilities:				
Accounts Payable and Accrued Liabilities	343,940	-	839,305	-
Refundable Deposits	-	-	4,350	-
Due to Other Funds	8,999,253	-	8,999,253	-
Deferred Revenues	-	-	26,520,265	-
Total Liabilities	9,343,193	-	36,363,173	-
Fund Balances:				
Reserved :				
Housing Mitigation	-	-	15,165,436	-
Housing Revolving Fund	-	-	1,839,963	-
Park Dedication	-	-	4,992,829	-
Public Safety	-	-	1,243,941	-
Low and Moderate Income Housing	-	8,999,253	8,999,253	-
Restricted Donations	-	-	-	536,022
Debt Service	-	-	-	-
Total Reserved	-	8,999,253	32,241,422	536,022
Unreserved, Designated:				
Unrealized Gains	-	-	17,865	-
Current Capital and Special Projects	-	-	2,917,199	-
20-Year Resource Allocation Plan	-	-	10,334,193	-
Total Unreserved, Designated	-	-	13,269,257	-
Unreserved	(9,338,749)	-	(9,338,749)	-
Total Fund Balances (Deficit)	(9,338,749)	8,999,253	36,171,930	536,022
Total Liabilities and Fund Balances	\$ 4,444	\$ 8,999,253	\$ 72,535,103	\$ 536,022



Permanent		Debt Service Government Center		
Fremont Pool	Total	ABAG Certificates of Participation	Certificates of Participation	Total
\$ 881,057	\$ 1,412,361	\$ -	\$ 12,070	\$ 12,070
-	-	207,123	1,368,769	1,575,892
7,755	12,473	17	124	141
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>\$ 888,812</u>	<u>\$ 1,424,834</u>	<u>\$ 207,140</u>	<u>\$ 1,380,963</u>	<u>\$ 1,588,103</u>
-	-	-	58,206	58,206
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	58,206	58,206
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
888,812	1,424,834	-	-	-
-	-	207,140	1,322,757	1,529,897
<u>888,812</u>	<u>1,424,834</u>	<u>207,140</u>	<u>1,322,757</u>	<u>1,529,897</u>
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>888,812</u>	<u>1,424,834</u>	<u>207,140</u>	<u>1,322,757</u>	<u>1,529,897</u>
<u>\$ 888,812</u>	<u>\$ 1,424,834</u>	<u>\$ 207,140</u>	<u>\$ 1,380,963</u>	<u>\$ 1,588,103</u>

Continued

CITY OF SUNNYVALE

**Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2008**

	Capital Projects			Total Nonmajor Governmental Funds
	Infrastructure Renovation and Replacement	Redevelopment Agency Projects	Total	
Assets:				
Cash and Investments Held by City	\$ 13,231,204	\$ 1,487,153	\$ 14,718,357	\$ 51,076,122
Cash and Investments Held by Fiscal Agent	-	-	-	1,575,892
Receivables, Net	114,588	-	114,588	465,168
Intergovernmental Receivables	-	-	-	1,129,930
Due from Other Funds	-	-	-	8,999,253
Inventories and Prepayments	-	-	-	370,000
Housing Loans Receivable	-	-	-	26,484,620
Assets Held for Resale	-	-	-	280,000
Total Assets	\$ 13,345,792	\$ 1,487,153	\$ 14,832,945	\$ 90,380,985
Liabilities and Fund Balances:				
Liabilities:				
Accounts Payable and Accrued Liabilities	488,887	-	488,887	1,386,398
Refundable Deposits	-	-	-	4,350
Due to Other Funds	-	-	-	8,999,253
Deferred Revenues	-	-	-	26,520,265
Total Liabilities	488,887	-	488,887	36,910,266
Fund Balances:				
Reserved :				
Housing Mitigation	-	-	-	15,165,436
Housing Revolving Fund	-	-	-	1,839,963
Park Dedication	-	-	-	4,992,829
Public Safety	-	-	-	1,243,941
Low and Moderate Income Housing	-	-	-	8,999,253
Restricted Donations	-	-	-	1,424,834
Debt Service	-	-	-	1,529,897
Total Reserved	-	-	-	35,196,153
Unreserved, Designated:				
Unrealized Gains (Losses)	-	-	-	17,865
Current Capital and Special Projects	6,715,021	1,487,153	8,202,174	11,119,373
20-Year Resource Allocation Plan	6,141,884	-	6,141,884	16,476,077
Total Unreserved, Designated	12,856,905	1,487,153	14,344,058	27,613,315
Unreserved	-	-	-	(9,338,749)
Total Fund Balances (Deficit)	12,856,905	1,487,153	14,344,058	53,470,719
Total Liabilities and Fund Balances	\$ 13,345,792	\$ 1,487,153	\$ 14,832,945	\$ 90,380,985

Concluded



CITY OF SUNNYVALE

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2008**

	Special Revenue			
	Community Development Block Grant	HOME Grant	Housing	Park Dedication
Revenues:				
Property Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental Revenues	937,734	784,751	-	-
Fines and Forfeitures	-	-	-	-
Service Fees	-	-	6,293,274	2,410,793
Rents and Concessions	-	-	15,858	99,700
Investment Earnings	-	-	641,107	350,533
Other Revenues	320,258	87,484	131,524	-
Total Revenues	1,257,992	872,235	7,081,763	2,861,026
Expenditures:				
Current:				
Planning and Management	-	-	317	-
Public Safety	-	-	-	-
Community Development	1,087,900	809,097	1,295,970	-
Transportation	-	-	-	-
Socioeconomic	161,306	-	-	-
Cultural	-	-	-	-
Environmental Management	-	-	-	-
Capital Outlay	86,763	-	-	571,378
Debt Service:				
Principal Retirement	-	-	-	-
Interest	-	-	-	-
Fiscal Charges	-	-	-	-
Total Expenditures	1,335,969	809,097	1,296,287	571,378
Excess of Revenues Over (Under) Expenditures	(77,977)	63,138	5,785,476	2,289,648
Other Financing Sources (Uses):				
Transfers In	-	-	-	-
Transfers Out	(28,586)	(1,299)	(29,581)	(296,240)
Total Other Financing Sources (Uses)	(28,586)	(1,299)	(29,581)	(296,240)
Net Change in Fund Balances	(106,563)	61,839	5,755,895	1,993,408
Fund Balances - Beginning of Year	2,185,404	-	11,833,545	6,728,564
Fund Balances - End of Year	\$ 2,078,841	\$ 61,839	\$ 17,589,440	\$ 8,721,972

Special Revenue

Asset Forfeiture	Police Services Augmentation	Parking District	Gas Tax	Transportation Development Act	Youth and Neighborhood Services
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	281,022	-	2,495,286	434,258	132,406
29,968	-	-	-	-	-
-	-	168,591	-	-	27,334
-	-	-	-	-	20,850
62,372	1,815	25,015	239,747	-	22,820
-	-	157,955	-	-	-
<u>92,340</u>	<u>282,837</u>	<u>351,561</u>	<u>2,735,033</u>	<u>434,258</u>	<u>203,410</u>
-	-	2,026	-	-	-
123,879	273,695	-	-	-	-
-	-	146,813	-	-	-
-	-	-	1,528,101	-	-
-	-	-	-	-	664,488
-	-	-	-	-	-
10,214	-	-	55,818	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>134,093</u>	<u>273,695</u>	<u>148,839</u>	<u>1,583,919</u>	<u>-</u>	<u>664,488</u>
(41,753)	9,142	202,722	1,151,114	434,258	(461,078)
-	-	-	29,789	-	334,666
(100,094)	-	(16,485)	(731,089)	(373,480)	-
<u>(100,094)</u>	<u>-</u>	<u>(16,485)</u>	<u>(701,300)</u>	<u>(373,480)</u>	<u>334,666</u>
(141,847)	9,142	186,237	449,814	60,778	(126,412)
1,432,424	1,845	411,979	5,167,523	(60,778)	668,629
<u>\$ 1,290,577</u>	<u>\$ 10,987</u>	<u>\$ 598,216</u>	<u>\$ 5,617,337</u>	<u>\$ -</u>	<u>\$ 542,217</u>

Continued

CITY OF SUNNYVALE

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2008**

	Special Revenue			Permanent
	Redevelopment Agency	Low and Moderate Income Housing	Total	Swirsky Youth Opportunity
Revenues:				
Property Taxes	\$ 4,944,483	\$ -	\$ 4,944,483	\$ -
Intergovernmental Revenues	-	-	5,065,457	-
Fines and Forfeitures	-	-	29,968	-
Service Fees	-	-	8,899,992	-
Rents and Concessions	-	-	136,408	-
Investment Earnings	-	-	1,343,409	25,287
Other Revenues	-	-	697,221	-
Total Revenues	4,944,483	-	21,116,938	25,287
Expenditures:				
Current:				
Planning and Management	142,683	-	145,026	-
Public Safety	-	-	397,574	-
Community Development	199,000	-	3,538,780	-
Transportation	-	-	1,528,101	-
Socioeconomic	-	-	825,794	-
Cultural	-	-	-	-
Environmental Management	621,289	-	621,289	-
Capital Outlay	-	-	724,173	-
Debt Service:				
Principal Retirement	-	-	-	-
Interest	-	-	-	-
Fiscal Charges	-	-	-	-
Total Expenditures	962,972	-	7,780,737	-
Excess of Revenues Over (Under) Expenditures	3,981,511	-	13,336,201	25,287
Other Financing Sources (Uses):				
Transfers In	-	999,077	1,363,532	-
Transfers Out	(5,314,564)	-	(6,891,418)	(24,277)
Total Other Financing Sources (Uses)	(5,314,564)	999,077	(5,527,886)	(24,277)
Net Change in Fund Balances	(1,333,053)	999,077	7,808,315	1,010
Fund Balances - Beginning of Year	(8,005,696)	8,000,176	28,363,615	535,012
Fund Balances - End of Year	\$ (9,338,749)	\$ 8,999,253	\$ 36,171,930	\$ 536,022

Permanent		Debt Service		
Fremont Pool	Total	ABAG Certificates of Participation	Government Center Certificates of Participation	Total
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
40,911	66,198	16,818	60,752	77,570
24,312	24,312	-	-	-
<u>65,223</u>	<u>90,510</u>	<u>16,818</u>	<u>60,752</u>	<u>77,570</u>
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	345,000	440,000	785,000
-	-	63,969	579,128	643,097
-	-	-	48,866	48,866
-	-	<u>408,969</u>	<u>1,067,994</u>	<u>1,476,963</u>
65,223	90,510	(392,151)	(1,007,242)	(1,399,393)
-	-	387,441	1,067,886	1,455,327
(39,238)	(63,515)	(230,184)	-	(230,184)
<u>(39,238)</u>	<u>(63,515)</u>	<u>157,257</u>	<u>1,067,886</u>	<u>1,225,143</u>
25,985	26,995	(234,894)	60,644	(174,250)
862,827	1,397,839	442,034	1,262,113	1,704,147
<u>\$ 888,812</u>	<u>\$ 1,424,834</u>	<u>\$ 207,140</u>	<u>\$ 1,322,757</u>	<u>\$ 1,529,897</u>

Continued

CITY OF SUNNYVALE

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2008**

	Capital Projects			Total Nonmajor Governmental Funds
	Infrastructure Renovation and Replacement	Redevelopment Agency Projects	Total	
Revenues:				
Property Taxes	\$ -	\$ -	\$ -	\$ 4,944,483
Intergovernmental Revenues	61,181	-	61,181	5,126,638
Fines and Forfeitures	-	-	-	29,968
Service Fees	-	-	-	8,899,992
Rents and Concessions	-	-	-	136,408
Investment Earnings	629,797	-	629,797	2,116,974
Other Revenues	-	-	-	721,533
Total Revenues	690,978	-	690,978	21,975,996
Expenditures:				
Current:				
Planning and Management	368,110	-	368,110	513,136
Public Safety	-	-	-	397,574
Community Development	65,100	-	65,100	3,603,880
Transportation	647,088	-	647,088	2,175,189
Socioeconomic	-	-	-	825,794
Cultural	42,260	-	42,260	42,260
Environmental Management	-	-	-	621,289
Capital Outlay	1,318,203	-	1,318,203	2,042,376
Debt Service:				
Principal Retirement	-	-	-	785,000
Interest	-	-	-	643,097
Fiscal Charges	-	-	-	48,866
Total Expenditures	2,440,761	-	2,440,761	11,698,461
Excess of Revenues Over (Under) Expenditures	(1,749,783)	-	(1,749,783)	10,277,535
Other Financing Sources (Uses):				
Transfers In	650,282	-	650,282	3,469,141
Transfers Out	(447,160)	-	(447,160)	(7,632,277)
Total Other Financing Sources (Uses)	203,122	-	203,122	(4,163,136)
Net Change in Fund Balances	(1,546,661)	-	(1,546,661)	6,114,399
Fund Balances - Beginning of Year	14,403,566	1,487,153	15,890,719	47,356,320
Fund Balances - End of Year	\$ 12,856,905	\$ 1,487,153	\$ 14,344,058	\$ 53,470,719

Concluded

CITY OF SUNNYVALE

**Redevelopment Debt Service Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2008**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1, 2007	\$ 1,942,702	\$ 1,942,702	\$ 1,942,702	\$ -
Resources (Inflows):				
Lease Payment from City General Fund	1,213,805	1,213,805	1,213,805	-
Interest Income	100,000	100,000	127,617	27,617
Transfers In	2,258,704	2,258,704	4,270,605	2,011,901
Total Resources	3,572,509	3,572,509	5,612,027	2,039,518
Charges to Appropriations (Outflows):				
Debt Service:				
Principal Retirement	920,000	920,000	920,000	-
Interest	906,151	906,151	906,151	-
Fiscal Charges	8,475	8,475	55,394	(46,919)
Loan Repayment -City General Fund	1,646,358	1,646,358	3,713,137	(2,066,779)
Total Charges to Appropriations	3,480,984	3,480,984	5,594,682	(2,113,698)
Excess of Resources Over (Under) Charges to Appropriations	91,525	91,525	17,345	(74,180)
Budgetary Fund Balance, June 30, 2008	\$ 2,034,227	\$ 2,034,227	\$ 1,960,047	\$ (74,180)

Note: Budgetary fund balance is different from GAAP fund balance due to basis difference, timing difference, and perspective difference.

**Explanation of differences between Budgetary Inflows
and Outflows and GAAP Revenues and Expenditures**

Sources/Inflow of Resources:

Actual amounts (budgetary basis) of "total resources"	\$ 5,612,027
Differences - Budget to GAAP	
Interfund advances are a budgetary resource but are not revenues for financial reporting purposes	(1,213,805)
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes	(4,270,605)
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	\$ 127,617

Uses/Outflows of Resources

Actual amounts (budgetary basis) of "total charges to appropriations"	\$ 5,594,682
Differences - Budget to GAAP	
Accrued interest on interfund advances is not a budgetary outflow but is an expense for financial reporting purposes	4,541,902
Interfund loan repayments are outflows of budgetary resources but are balance sheet items for financial reporting purposes	(3,713,137)
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	\$ 6,423,447

CITY OF SUNNYVALE

**City Capital Projects Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2008**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1, 2007	\$ 16,581,747	\$ 10,477,531	\$ 10,477,531	\$ -
Resources (Inflows):				
Intergovernmental Revenues	3,714,482	27,276,489	5,108,302	(22,168,187)
Service Fees	3,563,887	5,648,270	5,773,854	125,584
Interest Income	413,006	481,608	574,674	93,066
Other Revenues	18,400	68,400	-	(68,400)
Transfers In	3,140,009	8,797,184	1,171,419	(7,625,766)
Total Resources	10,849,784	42,271,951	12,628,248	(29,643,703)
Charges to Appropriations (Outflows):				
Transportation	-	2,180,482	76,846	2,103,636
Community Development	110,000	110,000	3,693	106,307
Capital Outlay	4,030,226	22,480,058	8,169,438	14,310,620
Transfers Out	36,063	1,525,276	410,600	1,114,676
Total Charges to Appropriations	4,176,289	26,295,816	8,660,577	17,635,239
Excess of Resources Over (Under) Charges to Appropriations	6,673,495	15,976,135	3,967,672	(12,008,464)
Budgetary Fund Balance, June 30, 2008	\$ 23,255,242	\$ 26,453,666	\$ 14,445,203	(12,008,464)

Note: Budgetary fund balance is different from GAAP fund balance due to basis difference and/or timing difference.

**Explanation of differences between Budgetary Inflows
and Outflows and GAAP Revenues and Expenditures**

Sources/Inflow of Resources:

Actual amounts (budgetary basis) of "total resources"	\$ 12,628,248
Differences - Budget to GAAP	
Change in fair value of investments is not budgetary resource	33,087
Transfers from other funds or subfunds within this Fund are inflows of budgetary resources but are not revenues for financial reporting purposes	(1,171,419)
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 11,489,917</u>

Uses/Outflows of Resources

Actual amounts (budgetary basis) of "total charges to appropriations"	\$ 8,660,577
Differences - Budget to GAAP	
Prepaid expense for financial reporting purposes, outflow for budgetary purposes	(650,000)
Transfers to other funds or subfunds within this Fund are outflows of budgetary resources but are not expenditures for financial reporting purposes	(410,599)
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 7,599,977</u>

CITY OF SUNNYVALE

**Community Development Block Grant Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2008**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1, 2007	\$ 1,255,241	\$ 2,185,404	\$ 2,185,404	\$ -
Resources (Inflows):				
Intergovernmental Revenues	1,268,078	1,952,627	937,734	(1,014,892)
Other Revenues	350,000	850,000	320,257	(529,743)
Total Resources	<u>1,618,078</u>	<u>2,802,627</u>	<u>1,257,991</u>	<u>(1,544,635)</u>
Charges to Appropriations (Outflows):				
Community Development	1,966,042	2,463,147	1,087,900	1,375,246
Socioeconomic	416,988	161,306	161,306	-
Capital Outlay	100,000	862,635	86,763	775,872
Transfers Out	-	12,000	28,586	(16,586)
Total Charges to Appropriations	<u>2,483,030</u>	<u>3,499,088</u>	<u>1,364,555</u>	<u>2,134,532</u>
Excess of Resources Over (Under) Charges to Appropriations	<u>(864,952)</u>	<u>(696,461)</u>	<u>(106,564)</u>	<u>589,897</u>
Budgetary Fund Balance, June 30, 2008	<u>\$ 390,289</u>	<u>\$ 1,488,943</u>	<u>\$ 2,078,840</u>	<u>\$ 589,897</u>

Note: Budgetary fund balance is different from GAAP fund balance due to basis difference and/or timing difference.

**Explanation of differences between Budgetary Inflows
and Outflows and GAAP Revenues and Expenditures**

Sources/Inflow of Resources:

Actual amounts (budgetary basis) of "total resources"	\$ 1,257,991
Differences - Budget to GAAP	
None	<u>-</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 1,257,991</u>

Uses/Outflows of Resources

Actual amounts (budgetary basis) of "total charges to appropriations"	\$ 1,364,555
Differences - Budget to GAAP	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	<u>(28,586)</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 1,335,969</u>

CITY OF SUNNYVALE

**Housing Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2008**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1, 2007	\$ 10,853,665	\$ 11,644,288	\$ 11,644,288	\$ -
Resources (Inflows):				
Service Fees	3,566,453	6,118,256	6,119,274	1,018
Rents and Concessions	17,186	16,520	15,858	(662)
Interest Income	653,240	744,082	608,896	(135,186)
Other Revenues	93,070	273,887	305,521	31,634
Total Resources	4,329,949	7,152,745	7,049,549	(103,196)
Charges to Appropriations (Outflows):				
Planning and Management	6,867	6,887	317	6,570
Community Development	1,456,577	2,145,248	1,295,970	849,278
Transfers Out	-	14,652	29,581	(14,929)
Total Charges to Appropriations	1,463,444	2,166,787	1,325,868	840,919
Excess of Resources Over (Under) Charges to Appropriations	2,866,505	4,985,958	5,723,681	737,723
Budgetary Fund Balance, June 30, 2008	\$ 13,720,170	\$ 16,630,246	\$ 17,367,970	\$ 737,723

Note: Budgetary fund balance is different from GAAP fund balance due to basis difference and/or timing difference.

**Explanation of differences between Budgetary Inflows
and Outflows and GAAP Revenues and Expenditures**

Sources/Inflow of Resources:

Actual amounts (budgetary basis) of "total resources"	\$ 7,049,549
Differences - Budget to GAAP	
Change in fair value of investments is not budgetary resource	32,211
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 7,081,761</u>

Uses/Outflows of Resources

Actual amounts (budgetary basis) of "total charges to appropriations"	\$ 1,325,868
Differences - Budget to GAAP	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(29,581)
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 1,296,287</u>

CITY OF SUNNYVALE

**HOME Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2008**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1, 2007	\$ -	\$ -	\$ -	\$ -
Resources (Inflows):				
Intergovernmental Revenues	3,217,017	3,213,135	784,751	(2,428,384)
Other Revenues	-	-	87,484	87,484
Total Resources	3,217,017	3,213,135	872,235	(2,340,900)
Charges to Appropriations (Outflows):				
Community Development	3,217,017	3,213,135	809,097	2,404,038
Transfers Out	-	-	1,299	(1,299)
Total Charges to Appropriations	3,217,017	3,213,135	810,396	2,402,739
Excess of Resources Over (Under)				
Charges to Appropriations	-	-	61,839	61,839
Budgetary Fund Balance, June 30, 2008	\$ -	\$ -	\$ 61,839	\$ 61,839

**Explanation of differences between Budgetary Inflows
and Outflows and GAAP Revenues and Expenditures**

Sources/Inflow of Resources:

Actual amounts (budgetary basis) of "total resources"	\$ 872,235
Differences - Budget to GAAP	
None	-
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 872,235</u>

Uses/Outflows of Resources

Actual amounts (budgetary basis) of "total charges to appropriations"	\$ 810,396
Differences - Budget to GAAP	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(1,299)
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 809,097</u>

CITY OF SUNNYVALE

**Park Dedication Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2008**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1, 2007	\$ 4,457,772	\$ 6,745,996	\$ 6,745,996	\$ -
Resources (Inflows):				
Service Fees	4,054,747	2,410,793	2,410,793	(0)
Rents and Concessions	99,750	92,084	99,700	7,616
Interest Income	233,806	356,344	333,864	(22,480)
Total Resources	4,388,303	2,859,221	2,844,356	(14,865)
Charges to Appropriations (Outflows):				
Capital Outlay	2,015,000	2,532,758	571,378	1,961,380
Transfers Out	1,943,798	2,978,263	296,240	2,682,023
Total Charges to Appropriations	3,958,798	5,511,021	867,619	4,643,402
Excess of Resources Over (Under) Charges to Appropriations	429,505	(2,651,800)	1,976,738	4,628,538
Budgetary Fund Balance, June 30, 2008	\$ 4,887,277	\$ 4,094,196	\$ 8,722,734	\$ 4,628,538

Note: Budgetary fund balance is different from GAAP fund balance due to basis difference and/or timing difference.

**Explanation of differences between Budgetary Inflows
and Outflows and GAAP Revenues and Expenditures**

Sources/Inflow of Resources:

Actual amounts (budgetary basis) of "total resources"	\$ 2,844,356
Differences - Budget to GAAP	
Change in fair value of investments is not budgetary resource	16,669
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 2,861,026</u>

Uses/Outflows of Resources

Actual amounts (budgetary basis) of "total charges to appropriations"	\$ 867,619
Differences - Budget to GAAP	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(296,240)
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 571,378</u>

CITY OF SUNNYVALE

**Asset Forfeiture Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2008**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1, 2007	\$ 1,259,649	\$ 1,417,384	\$ 1,417,384	\$ -
Resources (Inflows):				
Fines and Forfeitures	-	-	29,968	29,968
Interest Income	53,543	66,890	59,878	(7,012)
Total Resources	<u>53,543</u>	<u>66,890</u>	<u>89,846</u>	<u>22,956</u>
Charges to Appropriations (Outflows):				
Public Safety	103,045	166,599	123,879	42,720
Capital Outlay	-	11,903	10,214	1,689
Transfers Out	85,748	139,970	100,094	39,876
Total Charges to Appropriations	<u>188,793</u>	<u>318,472</u>	<u>234,187</u>	<u>84,285</u>
Excess of Resources Over (Under) Charges to Appropriations	<u>(135,250)</u>	<u>(251,582)</u>	<u>(144,341)</u>	<u>107,241</u>
Budgetary Fund Balance, June 30, 2008	<u>\$ 1,124,399</u>	<u>\$ 1,165,802</u>	<u>\$ 1,273,043</u>	<u>\$ 107,241</u>

Note: Budgetary fund balance is different from GAAP fund balance due to basis difference and/or timing difference.

**Explanation of differences between Budgetary Inflows
and Outflows and GAAP Revenues and Expenditures**

Sources/Inflow of Resources:

Actual amounts (budgetary basis) of "total resources"	\$ 89,846
Differences - Budget to GAAP	
Change in fair value of investments is not budgetary resource	<u>2,494</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 92,340</u>

Uses/Outflows of Resources

Actual amounts (budgetary basis) of "total charges to appropriations"	\$ 234,187
Differences - Budget to GAAP	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	<u>(100,094)</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 134,093</u>

CITY OF SUNNYVALE

**Police Services Augmentation Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2008**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1, 2007	\$ 5,142	\$ 1,535	\$ 1,535	\$ -
Resources (Inflows):				
Intergovernmental Revenues	270,733	281,022	281,022	-
Interest Income	-	-	1,794	1,794
Transfers In	-	-	20,043	20,043
Total Resources	<u>270,733</u>	<u>281,022</u>	<u>302,859</u>	<u>21,837</u>
Charges to Appropriations (Outflows):				
Public Safety	266,447	273,695	273,695	-
Transfers Out	-	-	20,043	(20,043)
Total Charges to Appropriations	<u>266,447</u>	<u>273,695</u>	<u>293,738</u>	<u>(20,043)</u>
Excess of Resources Over (Under) Charges to Appropriations	<u>4,286</u>	<u>7,327</u>	<u>9,121</u>	<u>1,794</u>
Budgetary Fund Balance, June 30, 2008	<u>\$ 9,428</u>	<u>\$ 8,862</u>	<u>\$ 10,656</u>	<u>\$ 1,794</u>

Note: Budgetary fund balance is different from GAAP fund balance due to basis difference and/or timing difference.

**Explanation of differences between Budgetary Inflows
and Outflows and GAAP Revenues and Expenditures**

Sources/Inflow of Resources:

Actual amounts (budgetary basis) of "total resources"	\$ 302,859
Differences - Budget to GAAP	
Change in fair value of investments is not budgetary resource	21
Transfers between subfunds within the fund are inflows of budgetary resources but are not revenues for financial reporting purposes	(20,043)
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 282,837</u>

Uses/Outflows of Resources

Actual amounts (budgetary basis) of "total charges to appropriations"	\$ 293,738
Differences - Budget to GAAP	
Transfers between subfunds within the fund are outflows of budgetary resources but are not expenditures for financial reporting purposes	(20,043)
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 273,695</u>

CITY OF SUNNYVALE

**Parking District Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2008**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1, 2007	\$ 366,772	\$ 414,340	\$ 414,340	\$ -
Resources (Inflows):				
Service Fees	167,063	167,063	168,591	1,528
Interest Income	17,117	25,996	23,863	(2,133)
Other Revenues	-	-	157,954	157,954
Total Resources	<u>184,180</u>	<u>193,059</u>	<u>350,408</u>	<u>157,349</u>
Charges to Appropriations (Outflows):				
Planning and Management	3,500	7,845	2,027	5,818
Community Development	170,850	170,720	146,813	23,907
Transfers Out	16,485	16,485	16,485	(0)
Total Charges to Appropriations	<u>190,835</u>	<u>195,050</u>	<u>165,324</u>	<u>29,725</u>
Excess of Resources Over (Under) Charges to Appropriations	<u>(6,655)</u>	<u>(1,991)</u>	<u>185,083</u>	<u>187,074</u>
Budgetary Fund Balance, June 30, 2008	<u>\$ 360,117</u>	<u>\$ 412,349</u>	<u>\$ 599,423</u>	<u>\$ 187,074</u>

Note: Budgetary fund balance is different from GAAP fund balance due to basis difference and/or timing difference.

**Explanation of differences between Budgetary Inflows
and Outflows and GAAP Revenues and Expenditures**

Sources/Inflow of Resources:

Actual amounts (budgetary basis) of "total resources"	\$ 350,408
Differences - Budget to GAAP	
Change in fair value of investments is not budgetary resource	<u>1,154</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 351,561</u>

Uses/Outflows of Resources

Actual amounts (budgetary basis) of "total charges to appropriations"	\$ 165,324
Differences - Budget to GAAP	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	<u>(16,485)</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 148,839</u>

CITY OF SUNNYVALE

**Gas Tax Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2008**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1, 2007	\$ 1,477,250	\$ 5,179,922	\$ 5,179,922	\$ -
Resources (Inflows):				
Intergovernmental Revenues	3,278,278	2,532,295	2,495,286	(37,009)
Interest Income	115,858	235,910	230,620	(5,290)
Transfers In	-	29,789	29,789	-
Total Resources	3,394,136	2,797,994	2,755,695	(42,299)
Charges to Appropriations (Outflows):				
Transportation	1,589,798	1,789,732	1,528,101	261,632
Community Development	150,000	150,000	-	150,000
Capital Outlay	15,000	72,820	55,818	17,002
Transfers Out	1,842,666	5,146,158	731,089	4,415,069
Total Charges to Appropriations	3,597,464	7,158,710	2,315,007	4,843,703
Excess of Resources Over (Under) Charges to Appropriations	(203,328)	(4,360,716)	440,688	4,801,404
Budgetary Fund Balance, June 30, 2008	\$ 1,273,922	\$ 819,206	\$ 5,620,610	\$ 4,801,404

Note: Budgetary fund balance is different from GAAP fund balance due to basis difference and/or timing difference.

**Explanation of differences between Budgetary Inflows
and Outflows and GAAP Revenues and Expenditures**

Sources/Inflow of Resources:

Actual amounts (budgetary basis) of "total resources"	\$ 2,755,695
Differences - Budget to GAAP	
Change in fair value of investments is not budgetary resource	9,127
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes	(29,789)
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 2,735,033</u>

Uses/Outflows of Resources

Actual amounts (budgetary basis) of "total charges to appropriations"	\$ 2,315,007
Differences - Budget to GAAP	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(731,089)
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 1,583,918</u>

CITY OF SUNNYVALE

**Transportation Development Act Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2008**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1, 2007	\$ -	\$ (60,778)	\$ (60,778)	\$ -
Resources (Inflows):				
Intergovernmental Revenues	81,600	434,258	434,258	-
Total Resources	81,600	434,258	434,258	-
Charges to Appropriations (Outflows):				
Transfers Out	81,600	373,480	373,480	-
Total Charges to Appropriations	81,600	373,480	373,480	-
Excess of Resources Over (Under) Charges to Appropriations	-	60,778	60,778	-
Budgetary Fund Balance, June 30, 2008	\$ -	\$ -	\$ -	\$ -

**Explanation of differences between Budgetary Inflows
and Outflows and GAAP Revenues and Expenditures**

Sources/Inflow of Resources:

Actual amounts (budgetary basis) of "total resources"	\$ 434,258
Differences - Budget to GAAP	
None	-
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 434,258</u>

Uses/Outflows of Resources

Actual amounts (budgetary basis) of "total charges to appropriations"	\$ 373,480
Differences - Budget to GAAP	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	<u>(373,480)</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ -</u>

CITY OF SUNNYVALE

**Youth and Neighborhood Services Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2008**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1, 2007	\$ 695,912	\$ 674,310	\$ 674,310	\$ -
Resources (Inflows):				
Intergovernmental Revenues	119,593	124,331	132,405	8,074
Service Fees	21,508	24,305	27,334	3,029
Rents and Concessions	11,230	16,030	20,850	4,820
Interest Income	25,333	24,143	21,855	(2,288)
Transfers In	334,666	334,666	334,666	-
Total Resources	512,330	523,475	537,109	13,634
Charges to Appropriations (Outflows):				
Socioeconomic	700,334	685,159	664,488	20,671
Total Charges to Appropriations	700,334	685,159	664,488	20,671
Excess of Resources Over (Under) Charges to Appropriations	(188,004)	(161,684)	(127,378)	34,306
Budgetary Fund Balance, June 30, 2008	\$ 507,909	\$ 512,626	\$ 546,932	\$ 34,306

Note: Budgetary fund balance is different from GAAP fund balance due to basis difference and/or timing difference.

**Explanation of differences between Budgetary Inflows
and Outflows and GAAP Revenues and Expenditures**

Sources/Inflow of Resources:

Actual amounts (budgetary basis) of "total resources"	\$ 537,109
Differences - Budget to GAAP	
Change in fair value of investments is not budgetary resource	965
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes	(334,666)
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 203,408</u>

Uses/Outflows of Resources

Actual amounts (budgetary basis) of "total charges to appropriations"	\$ 664,488
Differences - Budget to GAAP	
None	-
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 664,488</u>

CITY OF SUNNYVALE

**Redevelopment Agency Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2008**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1, 2007	\$ (8,005,696)	\$ (8,005,696)	\$ (8,005,696)	\$ -
Resources (Inflows):				
Property Taxes	4,856,846	4,856,846	4,944,483	87,637
Total Resources	<u>4,856,846</u>	<u>4,856,846</u>	<u>4,944,483</u>	<u>87,637</u>
Charges to Appropriations (Outflows):				
Planning and Management	168,038	168,038	142,683	25,355
Community Development	288,625	288,625	199,000	89,625
Transportation	4,100,000	4,100,000	621,289	3,478,711
Transfers Out	2,303,586	2,303,586	5,314,564	(3,010,978)
Total Charges to Appropriations	<u>6,860,249</u>	<u>6,860,249</u>	<u>6,277,536</u>	<u>582,713</u>
Excess of Resources Over (Under) Charges to Appropriations	<u>(2,003,403)</u>	<u>(2,003,403)</u>	<u>(1,333,053)</u>	<u>670,350</u>
Budgetary Fund Balance, June 30, 2008	<u>\$ (10,009,099)</u>	<u>\$ (10,009,099)</u>	<u>\$ (9,338,749)</u>	<u>\$ 670,350</u>

Note: Budgetary fund balance is different from GAAP fund balance due to basis difference, timing difference, and perspective difference.

**Explanation of differences between Budgetary Inflows
and Outflows and GAAP Revenues and Expenditures**

Sources/Inflow of Resources:

Actual amounts (budgetary basis) of "total resources"	\$ 4,944,483
Differences - Budget to GAAP	
None	<u>-</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 4,944,483</u>

Uses/Outflows of Resources

Actual amounts (budgetary basis) of "total charges to appropriations"	\$ 6,277,536
Differences - Budget to GAAP	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	<u>(5,314,564)</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 962,972</u>

CITY OF SUNNYVALE

**Low and Moderate Income Housing Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2008**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1, 2007	\$ 8,000,176	\$ 8,000,176	\$ 8,000,176	\$ -
Resources (Inflows):				
Transfers In	971,369	971,369	999,077	27,708
Amount Available for Appropriation	<u>971,369</u>	<u>971,369</u>	<u>999,077</u>	<u>27,708</u>
Budgetary Fund Balance, June 30, 2008	<u>\$ 8,971,545</u>	<u>\$ 8,971,545</u>	<u>\$ 8,999,253</u>	<u>\$ 27,708</u>

Note: Budgetary fund balance is different from GAAP fund balance due to basis difference, timing difference, and perspective difference.

**Explanation of differences between Budgetary Inflows
and Outflows and GAAP Revenues and Expenditures**

Sources/Inflow of Resources:

Actual amounts (budgetary basis) of "total resources"	\$ 999,077
Differences - Budget to GAAP	
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes	<u>(999,077)</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ -</u>

Uses/Outflows of Resources

Actual amounts (budgetary basis) of "total charges to appropriations"	
Differences - Budget to GAAP	\$ -
None	<u>-</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ -</u>

CITY OF SUNNYVALE

**Swirsky Youth Opportunity Permanent Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2008**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1, 2007	\$ 551,619	\$ 551,911	\$ 551,911	\$ -
Resources (Inflows):				
Interest Income	26,330	26,675	24,277	(2,398)
Total Resources	<u>26,330</u>	<u>26,675</u>	<u>24,277</u>	<u>(2,398)</u>
Charges to Appropriations (Outflows):				
Transfers Out	25,024	25,024	24,277	747
Total Charges to Appropriations	<u>25,024</u>	<u>25,024</u>	<u>24,277</u>	<u>747</u>
Excess of Resources Over (Under) Charges to Appropriations	<u>1,306</u>	<u>1,651</u>	<u>-</u>	<u>(1,651)</u>
Budgetary Fund Balance, June 30, 2008	<u>\$ 552,925</u>	<u>\$ 553,562</u>	<u>\$ 551,911</u>	<u>\$ (1,651)</u>

Note: Budgetary fund balance is different from GAAP fund balance due to basis difference and/or timing difference.

**Explanation of differences between Budgetary Inflows
and Outflows and GAAP Revenues and Expenditures**

Sources/Inflow of Resources:

Actual amounts (budgetary basis) of "total resources"	\$ 24,277
Differences - Budget to GAAP	
Change in fair value of investments is not budgetary resource	1,009
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 25,286</u>

Uses/Outflows of Resources

Actual amounts (budgetary basis) of "total charges to appropriations"	\$ 24,277
Differences - Budget to GAAP	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(24,277)
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ -</u>

CITY OF SUNNYVALE

**Fremont Pool Permanent Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2008**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1, 2007	\$ 860,971	\$ 882,937	\$ 882,937	\$ -
Resources (Inflows):				
Interest Income	43,049	42,996	39,238	(3,758)
Other Revenues	-	-	24,312	24,312
Total Resources	43,049	42,996	63,550	20,554
Charges to Appropriations (Outflows):				
Transfers Out	43,049	43,049	39,238	3,811
Total Charges to Appropriations	43,049	43,049	39,238	3,811
Excess of Resources Over (Under) Charges to Appropriations	-	(53)	24,312	24,365
Budgetary Fund Balance, June 30, 2008	\$ 860,971	\$ 882,884	\$ 907,249	\$ 24,365

Note: Budgetary fund balance is different from GAAP fund balance due to basis difference and/or timing difference.

**Explanation of differences between Budgetary Inflows
and Outflows and GAAP Revenues and Expenditures**

Sources/Inflow of Resources:

Actual amounts (budgetary basis) of "total resources"	\$ 63,550
Differences - Budget to GAAP	
Change in fair value of investments is not budgetary resource	1,672
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 65,223</u>

Uses/Outflows of Resources

Actual amounts (budgetary basis) of "total charges to appropriations"	\$ 39,238
Differences - Budget to GAAP	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(39,238)
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ -</u>

CITY OF SUNNYVALE

**ABAG Certificates of Participation Debt Service Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2008**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1, 2007	\$ 442,034	\$ 442,034	\$ 442,034	\$ -
Resources (Inflows):				
Interest Income	-	-	16,818	16,818
Transfers In	408,969	408,969	387,441	(21,528)
Total Resources	408,969	408,969	404,259	(4,710)
Charges to Appropriations (Outflows):				
Principal Retirement	345,000	345,000	345,000	-
Interest	63,969	63,969	63,969	-
Transfers Out	-	-	230,184	(230,184)
Total Charges to Appropriations	408,969	408,969	639,153	(230,184)
Excess of Resources Over (Under) Charges to Appropriations	-	-	(234,894)	(234,894)
Budgetary Fund Balance, June 30, 2008	\$ 442,034	\$ 442,034	\$ 207,140	\$ (234,894)

In the budgetary fund structure, this Fund is included in the General Fund.

**Explanation of differences between Budgetary Inflows
and Outflows and GAAP Revenues and Expenditures**

Sources/Inflow of Resources:

Actual amounts (budgetary basis) of "total resources"	\$ 404,259
Differences - Budget to GAAP	
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes	(387,441)
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 16,818</u>

Uses/Outflows of Resources

Actual amounts (budgetary basis) of "total charges to appropriations"	\$ 639,153
Differences - Budget to GAAP	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(230,184)
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 408,969</u>

CITY OF SUNNYVALE

**Government Center Certificates of Participation Debt Service Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2008**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1, 2007	\$ 1,262,113	\$ 1,262,113	\$ 1,262,113	\$ -
Resources (Inflows):				
Interest Income	-	-	60,752	60,752
Transfers In	1,126,198	1,126,198	1,067,886	(58,312)
Total Resources	<u>1,126,198</u>	<u>1,126,198</u>	<u>1,128,638</u>	<u>2,440</u>
Charges to Appropriations (Outflows):				
Principal Retirement	440,000	440,000	440,000	-
Interest	736,650	736,650	579,128	157,522
Fiscal Charges	46,708	46,708	48,866	(2,158)
Total Charges to Appropriations	<u>1,223,358</u>	<u>1,223,358</u>	<u>1,067,994</u>	<u>155,364</u>
Excess of Resources Over (Under) Charges to Appropriations	<u>(97,160)</u>	<u>(97,160)</u>	<u>60,644</u>	<u>157,804</u>
Budgetary Fund Balance, June 30, 2008	<u>\$ 1,164,953</u>	<u>\$ 1,164,953</u>	<u>\$ 1,322,757</u>	<u>\$ 157,804</u>

**Explanation of differences between Budgetary Inflows
and Outflows and GAAP Revenues and Expenditures**

Sources/Inflow of Resources:

Actual amounts (budgetary basis) of "total resources"	\$ 1,128,638
Differences - Budget to GAAP	
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes	(1,067,886)
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 60,752</u>

Uses/Outflows of Resources

Actual amounts (budgetary basis) of "total charges to appropriations"	\$ 1,067,994
Differences - Budget to GAAP	
None	-
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 1,067,994</u>

CITY OF SUNNYVALE

**Infrastructure Renovation and Replacement Capital Projects Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2008**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1, 2007	\$ 11,215,395	\$ 14,472,362	\$ 14,472,362	\$ -
Resources (Inflows):				
Intergovernmental Revenues	50,000	149,039	61,181	(87,858)
Interest Income	755,248	664,869	604,666	(60,203)
Other Revenues	-	46,757	-	(46,757)
Transfers In	5,348,949	6,514,423	650,282	(5,864,141)
Total Resources	6,154,197	7,375,088	1,316,129	(6,058,959)
Charges to Appropriations (Outflows):				
Planning and Management	680,950	1,557,230	368,110	1,189,120
Community Development	295,000	351,279	65,100	286,179
Transportation	809,217	809,217	647,088	162,129
Cultural	60,000	82,260	42,260	40,000
Capital Outlay	4,272,998	6,549,461	1,318,203	5,231,258
Transfers Out	540,553	540,553	447,160	93,393
Total Charges to Appropriations	6,658,718	9,890,000	2,887,921	7,002,079
Excess of Resources Over (Under)				
Charges to Appropriations	(504,521)	(2,514,912)	(1,571,792)	943,119
Budgetary Fund Balance, June 30, 2008	\$ 10,710,874	\$ 11,957,450	\$ 12,900,570	\$ 943,119

Note: Budgetary fund balance is different from GAAP fund balance due to basis difference and/or timing difference.

**Explanation of differences between Budgetary Inflows
and Outflows and GAAP Revenues and Expenditures**

Sources/Inflow of Resources:

Actual amounts (budgetary basis) of "total resources"	\$ 1,316,129
Differences - Budget to GAAP	
Change in fair value of investments is not budgetary resource	25,131
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes	(650,282)
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 690,978</u>

Uses/Outflows of Resources

Actual amounts (budgetary basis) of "total charges to appropriations"	\$ 2,887,921
Differences - Budget to GAAP	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(447,160)
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 2,440,761</u>

CITY OF SUNNYVALE

**Redevelopment Agency Capital Projects Fund
 Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
 Year Ended June 30, 2008**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1, 2007	\$ 1,487,153	\$ 1,487,153	\$ 1,487,153	\$ -
Resources (Inflows):				
Transfers In	-	-	-	-
Total Resources	-	-	-	-
Charges to Appropriations (Outflows):				
Capital Outlay	-	-	-	-
Transfers Out	-	-	-	-
Total Charges to Appropriations	-	-	-	-
Excess of Resources Over (Under)				
Charges to Appropriations	-	-	-	-
Budgetary Fund Balance, June 30, 2008	\$ 1,487,153	\$ 1,487,153	\$ 1,487,153	\$ -

**Explanation of differences between Budgetary Inflows
 and Outflows and GAAP Revenues and Expenditures**

Sources/Inflow of Resources:

Actual amounts (budgetary basis) of "total resources"	\$ -
Differences - Budget to GAAP	
None	-
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	\$ -

Uses/Outflows of Resources

Actual amounts (budgetary basis) of "total charges to appropriations"	\$ -
Differences - Budget to GAAP	
None	-
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	\$ -

Internal Service Funds

The ***General Services Fund*** accounts for charges to City departments for use of fleet equipment, building space, office equipment, print shop services and computer services on a cost reimbursement basis.

The ***Employee Benefits Fund*** accounts for charges to City departments for leave time and employee benefits on a cost reimbursement basis.

The ***Risk Management Fund*** accounts for charges to City departments for property and liability insurance on a cost reimbursement basis.



CITY OF SUNNYVALE

**Combining Statement of Net Assets
All Internal Service Funds
June 30, 2008**

	<u>General Services</u>	<u>Employee Benefits</u>	<u>Risk Management</u>	<u>Totals</u>
Assets:				
Current Assets				
Cash and Investments Held by City	\$ 26,394,549	\$ 47,677,696	\$ 300,839	\$ 74,373,084
Receivables, Net	273,776	497,022	2,648	773,446
Inventories and Prepayments	166,783	1,078,447	14,234	1,259,464
Total Current Assets	<u>26,835,108</u>	<u>49,253,165</u>	<u>317,721</u>	<u>76,405,994</u>
Capital Assets:				
Land & Nondepreciable Assets	-	-	-	-
Depreciable Buildings, Property, Equipment and Infrastructure, Net	10,862,664	-	-	10,862,664
Total Assets	<u>37,697,772</u>	<u>49,253,165</u>	<u>317,721</u>	<u>87,268,658</u>
Liabilities:				
Current Liabilities				
Wages Payable	-	3,826,453	-	3,826,453
Accounts Payable and Accrued Liabilities	521,450	1,169,924	15,920	1,707,294
Due to Other Funds	-	-	-	-
Advances from Other Funds	600,000	-	-	600,000
Refundable Deposits	19,752	-	-	19,752
Net Other Postemployment Benefits Obligation	-	3,938,500	-	3,938,500
Claims and Judgments Payable - Due Within One Year	-	2,323,576	300,000	2,623,576
Compensated Absences Payable - Due Within One Year	-	7,265,760	-	7,265,760
Total Current Liabilities	<u>1,141,202</u>	<u>18,524,213</u>	<u>315,920</u>	<u>19,981,335</u>
Noncurrent Liabilities				
Advances from Other Funds	1,746,503	-	-	1,746,503
Claims and Judgments Payable- Due in More than One Year	-	10,114,424	979,000	11,093,424
Compensated Absences Payable - Due in More than One Year	-	774,646	-	774,646
Total Noncurrent Liabilities	<u>1,746,503</u>	<u>10,889,070</u>	<u>979,000</u>	<u>13,614,573</u>
Total Liabilities	<u>2,887,705</u>	<u>29,413,283</u>	<u>1,294,920</u>	<u>33,595,908</u>
Net Assets:				
Invested in Capital Assets, Net of Related Debt	10,862,664	-	-	10,862,664
Unrestricted	23,947,403	19,839,882	(977,199)	42,810,086
Total Net Assets	<u>\$ 34,810,067</u>	<u>\$ 19,839,882</u>	<u>\$ (977,199)</u>	<u>\$ 53,672,750</u>

CITY OF SUNNYVALE**Combining Statement of Revenues, Expenses and Changes in Net Assets
All Internal Service Funds
Year Ended June 30, 2008**

	<u>General Services</u>	<u>Employee Benefits</u>	<u>Risk Management</u>	<u>Totals</u>
Operating Revenues:				
Charges for Services	\$ 16,108,288	\$ 51,778,153	\$ 1,594,480	\$ 69,480,921
Total Operating Revenues	<u>16,108,288</u>	<u>51,778,153</u>	<u>1,594,480</u>	<u>69,480,921</u>
Operating Expenses:				
Personnel Services	7,559,233	14,141,811	63,992	21,765,036
Contractual Services	2,582,616	1,075	101,972	2,685,663
Material and Supplies	2,933,791	-	-	2,933,791
Utilities	1,621,834	-	-	1,621,834
Taxes and Licenses	10,090	-	-	10,090
Equipment and Building Rental	1,056,747	-	-	1,056,747
Insurance Premiums and Claims	-	19,710,982	1,553,191	21,264,173
Retirement Premiums	-	24,517,391	-	24,517,391
Other Operating Expenses	13,495	3,890	-	17,385
Depreciation	1,926,984	-	-	1,926,984
Total Operating Expenses	<u>17,704,790</u>	<u>58,375,149</u>	<u>1,719,155</u>	<u>77,799,094</u>
Operating Income (Loss)	(1,596,502)	(6,596,996)	(124,675)	(8,318,173)
Nonoperating Revenues (Expenses):				
Investment Earnings	1,205,675	2,094,172	9,826	3,309,673
Interest Expense	(192,762)	-	-	(192,762)
Total Nonoperating Revenues (Expenses)	<u>1,012,913</u>	<u>2,094,172</u>	<u>9,826</u>	<u>3,116,911</u>
Income (loss) before Transfers	(583,589)	(4,502,824)	(114,849)	(5,201,262)
Transfers In	2,534,588	1,109,386	-	3,643,974
Transfers Out	(1,285,268)	-	-	(1,285,268)
Change in Net Assets	665,731	(3,393,438)	(114,849)	(2,842,556)
Net Assets - Beginning of Year	<u>34,144,336</u>	<u>23,233,320</u>	<u>(862,350)</u>	<u>56,515,306</u>
Net Assets - End of Year	<u>\$ 34,810,067</u>	<u>\$ 19,839,882</u>	<u>\$ (977,199)</u>	<u>\$ 53,672,750</u>

CITY OF SUNNYVALE**Combining Statement of Cash Flows
All Internal Service Funds
Year Ended June 30, 2008**

	General Services	Employee Benefits	Risk Management	Totals
Cash Flows from Operating Activities:				
Cash Received from Customers	\$ 15,918,066	\$ 51,605,546	\$ 1,594,480	\$ 69,118,092
Cash Payments to Suppliers of Goods and Services	(7,429,988)	(1,061)	(103,802)	(7,534,851)
Cash Payments for Employee Services	(7,500,016)	(37,785,389)	(63,806)	(45,349,211)
Insurance and Claims Paid	-	(15,151,427)	(1,035,135)	(16,186,562)
Other Receipts (Payments)	209,133	-	(98,076)	111,057
Net Cash Provided by (Used for) Operating Activities	1,197,195	(1,332,331)	293,661	158,525
Cash Flows from Noncapital Financing Activities:				
Transfers Received	2,632,101	1,864,124	-	4,496,225
Transfers Paid	(1,382,781)	(754,738)	-	(2,137,519)
Repayment of Advance From/To Other Funds	(600,000)	-	-	(600,000)
Net Cash Provided by (Used for) Noncapital Financing Activities	649,320	1,109,386	-	1,758,706
Cash Flows from Capital and Related Financing Activities:				
Acquisition and Construction of Capital Assets	(1,881,800)	-	-	(1,881,800)
Net Cash Provided by (Used for) Capital and Related Financing Activities	(1,881,800)	-	-	(1,881,800)
Cash Flows from Investing Activities:				
Interest on Investments	1,151,141	1,997,281	6,607	3,155,029
Change in the Fair Value of Investments	50,131	90,240	570	140,941
Net Cash Provided by Investing Activities	1,201,272	2,087,521	7,177	3,295,970
Net Increase (Decrease) in Cash and Cash Equivalents	1,165,987	1,864,576	300,838	3,331,401
Cash and Cash Equivalents - Beginning of Year	25,228,562	45,813,121	-	71,041,683
Cash and Cash Equivalents - End of Year	\$ 26,394,549	\$ 47,677,697	\$ 300,838	\$ 74,373,084
Reconciliation to Statement of Net Assets:				
Cash and Investments Held by City	\$ 26,394,549	\$ 47,677,696	\$ 300,839	\$ 74,373,084

Continued

CITY OF SUNNYVALE**Combining Statement of Cash Flows
All Internal Service Funds
Year Ended June 30, 2008**

	<u>General Services</u>	<u>Employee Benefits</u>	<u>Risk Management</u>	<u>Totals</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:				
Operating Income (Loss)	\$ (1,596,502)	\$ (6,596,996)	\$ (124,675)	\$ (8,318,173)
Adjustment to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:				
Depreciation	1,926,984	-	-	1,926,984
Changes in Assets and Liabilities:				
Receivables, Net	(41,425)	74,281	-	32,856
Due from Other Governments	-	-	-	-
Inventories and Prepayments	461,460	(10,509)	19,396	470,347
Accounts Payable and Accrued Liabilities	446,678	600,259	(101,060)	945,877
Claims and Judgments Payable	-	835,000	500,000	1,335,000
Compensated Absences Payable	-	(172,866)	-	(172,866)
Other Postemployment Benefit Obligation	-	3,938,500	-	3,938,500
Net Cash Provided (Used) by Operating Activities	<u>\$ 1,197,195</u>	<u>\$ (1,332,331)</u>	<u>\$ 293,661</u>	<u>\$ 158,525</u>

Noncash Investing, Capital and Financing Activities:

Purchase of Capital Assets on Account	48,918	-	-	48,918
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Concluded

Fiduciary Fund Financial Statements

Agency Funds:

The ***Community Facilities District (CFD) Agency Fund*** accounts for the collection of property taxes and the payments to bondholders of Community Facilities District Special Tax Bonds.

The ***Santa Clara Valley Urban Runoff Pollution Prevention Program (SCVURPPP) Fund*** accounts for the collection of annual member assessments and payments to cover the cost of programmatic activities related to implementing the National Pollution Discharge Elimination System (NPDES) permit issued to the cities in Santa Clara County and the Santa Clara Valley Water District that discharge storm water to the San Francisco Bay.

CITY OF SUNNYVALE**Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
Year Ended June 30, 2008****Community Facilities District**

	<u>Beginning Balance July 1, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance June 30, 2008</u>
Assets:				
Cash and Investments	\$ 251,200	\$ 3,273,029	\$ (1,614,275)	\$ 1,909,954
Cash and Investments Held by Fiscal Agent	1,748,243	1,720,492	(1,720,322)	1,748,413
Receivables	60,672	-	(6,140)	54,532
Total Assets	<u>\$ 2,060,115</u>	<u>\$ 4,993,521</u>	<u>\$ (3,340,737)</u>	<u>\$ 3,712,899</u>
Liabilities:				
Due to Bondholders	2,060,115	4,993,521	(3,340,737)	3,712,899
Total Liabilities	<u>\$ 2,060,115</u>	<u>\$ 4,993,521</u>	<u>\$ (3,340,737)</u>	<u>\$ 3,712,899</u>

Santa Clara Valley Urban Runoff Pollution Prevention Program

	<u>Beginning Balance July 1, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance June 30, 2008</u>
Assets:				
Cash and Investments	\$ 1,299,942	\$ 7,643,363	\$ (7,777,164)	\$ 1,166,141
Total Assets	<u>\$ 1,299,942</u>	<u>\$ 7,643,363</u>	<u>\$ (7,777,164)</u>	<u>\$ 1,166,141</u>
Liabilities:				
Accounts Payable and Accrued Liabilities	1,299,942	7,643,363	(7,777,164)	1,166,141
Total Liabilities	<u>\$ 1,299,942</u>	<u>\$ 7,643,363</u>	<u>\$ (7,777,164)</u>	<u>\$ 1,166,141</u>

Combined

	<u>Beginning Balance July 1, 2007</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance June 30, 2008</u>
Assets:				
Cash and Investments	\$ 1,551,142	\$ 10,916,392	\$ (9,391,439)	\$ 3,076,095
Cash and Investments Held by Fiscal Agent	1,748,243	1,720,492	(1,720,322)	1,748,413
Receivables	60,672	-	(6,140)	54,532
Total Assets	<u>\$ 3,360,057</u>	<u>\$ 12,636,884</u>	<u>\$ (11,117,901)</u>	<u>\$ 4,879,040</u>
Liabilities:				
Accounts Payable and Accrued Liabilities	1,299,942	7,643,363	(7,777,164)	1,166,141
Due to Bondholders	2,060,115	4,993,521	(3,340,737)	3,712,899
Total Liabilities	<u>\$ 3,360,057</u>	<u>\$ 12,636,884</u>	<u>\$ (11,117,901)</u>	<u>\$ 4,879,040</u>

Capital Assets Used in the Operation of Governmental Funds



CITY OF SUNNYVALE**Capital Assets Used in the Operation of Governmental Funds
Comparative Schedules by Source
June 30, 2008 and 2007**

	<u>2008</u>	<u>2007</u>
Governmental Funds Capital Assets:		
Land	\$ 103,992,293	\$ 103,986,792
Buildings	88,086,502	88,914,284
Improvements Other Than Buildings	59,006,315	56,943,781
Machinery and Equipment	3,990,049	3,719,382
Construction In Progress	8,962,560	4,281,753
Infrastructure:		
Nondepreciable	159,527,783	158,885,183
Depreciable	<u>75,407,849</u>	<u>74,051,907</u>
Total Governmental Funds Capital Assets	<u><u>\$ 498,973,351</u></u>	<u><u>\$ 490,783,082</u></u>
 Investment In Governmental Funds Capital Assets by Source:		
General Fund	\$ 323,053,560	\$ 323,665,584
Special Revenue Funds	51,609,231	51,103,808
Capital Projects Funds	79,957,902	72,753,997
Contributions From Developers and Donations	<u>44,352,658</u>	<u>43,259,693</u>
Total Investment In Governmental Funds Capital Assets	<u><u>\$ 498,973,351</u></u>	<u><u>\$ 490,783,082</u></u>

This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

CITY OF SUNNYVALE**Capital Assets Used in the Operation of Governmental Funds
Schedule by Function and Activity
Year Ended June 30, 2008**

Function and Activity	Land	Buildings	Improvements Other Than Buildings	Machinery and Equipment
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Planning and Management	\$ 20,681,843	\$ 14,211,980	\$ 3,062,646	\$ 706,011
Public Safety	1,252,625	2,343,961	4,690,634	1,200,246
Community Development	39,972,966	25,496,234	24,332,503	88,055
Transportation	18,274,326	6,598,462	6,090,645	171,060
Socioeconomic	-	1,944,176	7,576,079	246,212
Cultural	6,352,073	35,284,183	7,369,761	385,752
Environmental Management	17,458,460	2,207,506	5,884,047	1,192,713
Total Governmental Funds Capital Assets	<u>\$ 103,992,293</u>	<u>\$ 88,086,502</u>	<u>\$ 59,006,315</u>	<u>\$ 3,990,049</u>

This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.



Construction in Progress	Infrastructure		Total
	Nondepreciable	Depreciable	
\$ 390,695	\$ -	\$ -	\$ 39,053,175
-	-	-	9,487,466
121,368	-	-	90,011,126
7,990,162	159,527,783	75,407,849	274,060,287
-	-	-	9,766,467
460,335	-	-	49,852,104
-	-	-	26,742,726
<u>\$ 8,962,560</u>	<u>\$ 159,527,783</u>	<u>\$ 75,407,849</u>	<u>\$ 498,973,351</u>

CITY OF SUNNYVALE**Capital Assets Used in the Operation of Governmental Funds
Schedule of Changes by Function and Activity
Year Ended June 30, 2008**

Function and Activity	Governmental Funds Capital Assets			Governmental Funds Capital Assets
	July 1, 2007	Additions	Deletions	June 30, 2008
Planning and Management	\$ 38,800,529	\$ 313,729	\$ (61,083)	\$ 39,053,175
Public Safety	9,207,526	368,668	(88,728)	9,487,466
Community Development	89,522,851	556,141	(67,866)	90,011,126
Transportation	266,385,954	7,674,333	-	274,060,287
Socioeconomic	9,771,626	-	(5,159)	9,766,467
Cultural	50,351,870	763,105	(1,262,871)	49,852,104
Environmental Management	26,742,726	-	-	26,742,726
Total Governmental Funds Capital Assets	\$ 490,783,082	\$ 9,675,976	\$ (1,485,707)	\$ 498,973,351

This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

Statistical Section

This portion of the City of Sunnyvale's comprehensive annual financial report presents detailed information as a context for understanding what information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial activities and performance.

Contents	Page
<i>Financial Trends</i> These schedules contain trend information to help the reader understand how the City's financial performance and fiscal well being have changed over time.	179-186
<i>Revenue Capacity</i> These schedules present information to assist the reader in assessing the City's most significant local revenue source, the property tax.	187-190
<i>Debt Capacity</i> These schedules presents information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	191-194
<i>Demographic and Economic Information</i> These schedules present demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	195-196
<i>Operating Information</i> These schedules contain service and infrastructure data to assist the reader in understanding how the information in the City's financial report relates to the services the City provides and the activities it performs.	197-199



CITY OF SUNNYVALE**Net Assets by Component****Last Seven Fiscal Years ¹****(accrual basis of accounting)****(dollars in thousands)**

	Fiscal Year						
	2008	2007	2006	2005	2004	2003	2002
Governmental Activities							
Invested in Capital Assets, Net of Related Debt	\$ 361,946	\$ 358,287	\$ 359,656	\$ 358,104	\$ 367,258	\$ 362,069	\$ 356,181
Restricted	86,217	72,587	65,838	60,360	58,670	69,542	87,661
Unrestricted	194,198	195,942	169,481	168,381	177,767	177,615	154,245
Total Governmental Activities Net Assets	\$ 642,361	\$ 626,816	\$ 594,975	\$ 586,845	\$ 603,695	\$ 609,226	\$ 598,087
Business-type activities							
Invested in Capital Assets, Net of Related Debt	\$ 66,109	\$ 64,546	\$ 61,193	\$ 58,850	\$ 49,830	\$ 50,614	\$ 52,309
Restricted	12,673	6,886	9,119	15,039	15,244	17,380	15,205
Unrestricted	(11,949)	(11,569)	(12,335)	(11,891)	(17,172)	(15,062)	(14,971)
Total Business-Type Activities Net assets	\$ 66,833	\$ 59,863	\$ 57,977	\$ 61,998	\$ 47,902	\$ 52,932	\$ 52,543
Primary Government							
Invested in Capital Assets, Net of Related Debt	\$ 428,055	\$ 422,833	\$ 420,849	\$ 416,954	\$ 417,088	\$ 412,683	\$ 408,490
Restricted	98,890	79,473	74,957	75,399	73,914	86,922	102,866
Unrestricted	182,249	184,373	157,146	156,490	160,595	162,553	139,274
Total Primary Government Net Assets	\$ 709,194	\$ 686,679	\$ 652,952	\$ 648,843	\$ 651,597	\$ 662,158	\$ 650,630

Notes: 1 The City implemented GASB Statement No. 34 in fiscal year 2002

2 Starting fiscal year 2003, Patent Library Fund was reclassified from Proprietary Fund to Governmental Fund .

CITY OF SUNNYVALE

**Changes in Net Assets
Last Seven Fiscal Years ¹
(accrual basis of accounting)
(dollars in thousands)**

	Fiscal Year						
	2008	2007	2006	2005	2004	2003	2002
Expenses:							
Governmental Activities:							
Planning and Management	\$ 20,624	\$ 18,957	\$ 16,170	\$ 15,247	\$ 14,053	\$ 15,004	\$ 13,525
Public Safety	72,918	65,768	62,682	58,718	55,360	54,004	46,523
Community Development	21,399	20,198	20,104	22,655	18,815	21,068	19,915
Transportation	11,182	11,832	9,886	8,841	13,492	11,820	13,599
Socioeconomic	9,178	10,833	12,791	12,909	13,857	14,803	13,049
Cultural	9,627	8,858	8,530	8,715	8,438	8,812	9,160
Environmental Management	14,280	2,027	1,596	2,077	2,346	1,684	2,463
Interest on Long-term Debt	1,638	1,727	1,680	1,624	1,479	1,743	2,253
Total Governmental Activities	160,846	140,200	133,439	130,786	127,840	128,938	120,487
Business-Type Activities:							
Water Supply and Distribution	20,685	19,410	18,010	17,751	17,232	16,144	15,106
Wastewater Management	16,728	16,782	17,109	16,387	14,971	15,007	15,472
Solid Waste Management	29,013	28,008	29,553	27,340	27,610	26,567	26,641
SMaRT Station	22,670	18,966	18,954	18,094	18,327	18,408	19,566
Community Recreation	11,166	10,761	10,476	9,676	9,428	9,472	9,008
Patent Library	-	-	-	-	-	-	669
Information Technology	-	-	-	-	-	13	5
Total Business-Type Activities	100,262	93,927	94,102	89,248	87,568	85,611	86,467
Total Primary Government Expenses	\$ 261,108	\$ 234,127	\$ 227,541	\$ 220,034	\$ 215,408	\$ 214,549	\$ 206,954
Program Revenues:							
Governmental Activities:							
Charges for Services							
Planning and Management	\$ 490	\$ 397	\$ 380	\$ 1,171	\$ 303	\$ 162	\$ 101
Public Safety	3,311	3,011	2,394	2,556	2,191	2,106	2,259
Community Development	22,250	20,177	11,065	10,054	9,175	7,233	9,463
Transportation	6,222	2,185	715	2,861	611	338	621
Socioeconomic	345	526	593	574	548	601	598
Cultural	223	332	585	600	501	471	168
Environmental Management	2,339	795	825	34	200	31	659
Operating Grants and Contributions	14,799	17,899	21,142	18,289	17,716	20,542	19,541
Capital Grants and Contributions	6,923	3,505	2,676	1,464	5,211	9,589	6,722
Total Governmental Activities Program Revenues	56,902	48,827	40,375	37,603	36,456	41,073	40,132
Business-Type Activities:							
Charges for Services							
Water Supply and Distribution	24,007	23,244	19,953	19,263	19,365	18,525	16,854

Wastewater Management	23,527	20,594	18,673	17,579	16,428	16,159	14,544
Solid Waste Management	31,606	29,981	29,777	29,289	27,219	28,527	26,396
SMaRT Station	24,373	19,187	19,077	17,431	17,494	17,901	18,616
Community Recreation	7,764	7,548	7,540	7,373	7,537	7,567	7,974
Patent Library	-	-	-	-	-	-	355
Information Technology	-	-	-	-	-	16	9
Operating Grants and Contributions	-	-	-	-	-	-	-
Capital Grants and Contributions	602	489	1,076	118	290	1,423	200
Total Business-Type Activities Program Revenues	<u>111,879</u>	<u>101,043</u>	<u>96,096</u>	<u>91,053</u>	<u>88,333</u>	<u>90,118</u>	<u>84,948</u>
Total Primary Government Program Revenues	<u>\$ 168,781</u>	<u>\$ 149,870</u>	<u>\$ 136,471</u>	<u>\$ 128,656</u>	<u>\$ 124,789</u>	<u>\$ 131,191</u>	<u>\$ 125,080</u>
Net (Expense)/Revenue							
Governmental Activities	\$ (103,944)	\$ (91,373)	\$ (93,064)	\$ (93,183)	\$ (91,384)	\$ (87,865)	\$ (80,355)
Business-Type Activities	11,617	7,116	1,994	1,805	765	4,507	(1,519)
Total Primary Government Net Expense	<u>\$ (92,327)</u>	<u>\$ (84,257)</u>	<u>\$ (91,070)</u>	<u>\$ (91,378)</u>	<u>\$ (90,619)</u>	<u>\$ (83,358)</u>	<u>\$ (81,874)</u>
General Revenues and Other Changes in Net Assets							
Governmental Activities:							
Taxes							
Property Taxes	\$ 44,107	\$ 41,018	\$ 35,646	\$ 33,105	\$ 27,588	\$ 26,858	\$ 25,824
Sales and Use Taxes	29,705	30,852	28,422	24,917	23,452	25,753	25,787
Motor Vehicle License	602	850	847	3,650	5,970	7,926	7,393
Franchise Fees, Unrestricted	5,855	5,714	5,531	5,395	5,521	5,226	5,494
Utilities Users Taxes	6,840	6,479	6,057	5,833	5,877	5,652	5,688
Transient Occupancy Taxes	7,350	6,480	5,633	5,074	4,752	5,094	6,320
Real Property Transfer Taxes	1,225	1,216	1,140	1,352	765	580	534
Construction Taxes	2,943	1,899	1,342	923	860	672	1,222
Business License Taxes	1,075	687	286	215	244	269	250
Unrestricted Grants and Contributions	-	-	-	-	821	678	144
Investment Earnings	12,960	13,348	8,787	6,587	3,829	13,710	16,511
Gain (Loss) on Disposal of Assets	-	7,337	-	-	(55)	33	122
Miscellaneous	417	27	102	354	(3)	710	63
Transfers	6,410	7,308	7,512	(11,072)	6,232	5,843	9,259
Total Governmental Activities	<u>119,489</u>	<u>123,215</u>	<u>101,305</u>	<u>76,333</u>	<u>85,853</u>	<u>99,004</u>	<u>104,611</u>
Business-type activities							
Investment Earnings	1,764	2,077	1,496	1,219	395	1,689	2,204
Gain (Loss) on Disposal of Assets	-	-	-	-	42	31	-
Miscellaneous	-	-	-	-	-	4	-
Transfers	(6,410)	(7,308)	(7,511)	11,072	(6,232)	(5,842)	(9,259)
Total Business-Type Activities	<u>(4,646)</u>	<u>(5,231)</u>	<u>(6,015)</u>	<u>12,291</u>	<u>(5,795)</u>	<u>(4,118)</u>	<u>(7,055)</u>
Total Primary Government	<u>\$ 114,843</u>	<u>\$ 117,984</u>	<u>\$ 95,290</u>	<u>\$ 88,624</u>	<u>\$ 80,058</u>	<u>\$ 94,886</u>	<u>\$ 97,556</u>
Change in Net Assets							
Governmental Activities	\$ 15,545	\$ 31,842	\$ 8,241	\$ (16,850)	\$ (5,531)	\$ 11,139	\$ 24,256
Business-Type Activities	6,971	1,885	(4,021)	14,096	(5,030)	389	(8,574)
Total Primary Government	<u>\$ 22,516</u>	<u>\$ 33,727</u>	<u>\$ 4,220</u>	<u>\$ (2,754)</u>	<u>\$ (10,561)</u>	<u>\$ 11,528</u>	<u>\$ 15,682</u>

Notes: 1 The City implemented GASB Statement No. 34 in fiscal year 2002



CITY OF SUNNYVALE

**Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)
(dollars in thousands)**

	Fiscal Year									
	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
General Fund										
Reserved	\$ 30,850	\$ 33,053	\$ 34,765	\$ 37,074	\$ 45,677	\$ 47,139	\$ 44,908	\$ 45,182	\$ 43,004	\$ 30,275
Unreserved	90,328	79,034	73,813	72,842	68,959	76,541	90,361	85,345	64,752	58,890
Total General Fund	<u>\$ 121,178</u>	<u>\$ 112,087</u>	<u>\$ 108,578</u>	<u>\$ 109,916</u>	<u>\$ 114,636</u>	<u>\$ 123,680</u>	<u>\$ 135,269</u>	<u>\$ 130,527</u>	<u>\$ 107,756</u>	<u>\$ 89,165</u>
All Other Governmental Funds										
Reserved	\$ 37,324	\$ 29,983	\$ 23,895	\$ 22,098	\$ 18,050	\$ 15,573	\$ 29,307	\$ 30,381	\$ 40,795	\$ 11,479
Unreserved reported in:										
Special Revenue Funds	3,931	3,650	4,228	5,888	10,038	13,610 ²	2,975	10,851	6,246 ¹	7,896
Debt Service Funds	(58,612)	(56,567)	(54,836)	(51,180)	(48,708)	(45,889)	(42,496)	(36,697)	(34,706)	(30,461)
Capital Projects Funds	29,821	26,717	25,563	27,926	34,754	40,757	51,060	39,187	17,497	12,530
Permanent Funds	-	-	-	-	-	(52)	13	-	-	-
Total All Other Governmental Funds	<u>\$ 12,464</u>	<u>\$ 3,783</u>	<u>\$ (1,150)</u>	<u>\$ 4,732</u>	<u>\$ 14,134</u>	<u>\$ 23,999</u>	<u>\$ 40,859</u>	<u>\$ 43,722</u>	<u>\$ 29,832</u>	<u>\$ 1,444</u>

Notes: ¹ Starting fiscal year 2000, Swirsky Youth Opportunity Fund was reclassified from Fiduciary Fund to Governmental Fund.

² Starting fiscal year 2003, Patent Library Fund was reclassified from Proprietary Fund to Governmental Fund .

CITY OF SUNNYVALE

***Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)
(dollars in thousands)***

	Fiscal Year									
	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Revenues										
Property Taxes	\$ 43,893	\$ 40,807	\$ 35,436	\$ 32,895	\$ 27,367	\$ 26,632	\$ 25,595	\$ 22,836	\$ 21,098	\$ 19,583
Sales and Use Taxes	30,915	32,053	29,617	26,070	24,599	27,015	27,270	37,620	31,253	26,242
Other Taxes	19,433	16,761	14,459	13,397	12,498	12,268	14,013	20,156	16,854	13,929
Franchise Fees	5,855	5,714	5,531	5,395	5,521	5,226	5,494	4,918	4,452	4,271
Intergovernmental Revenues	19,567	19,577	21,950	22,342	27,459	36,500	31,409	24,765	29,282	23,661
Permits and Licenses	9,265	7,042	5,780	4,996	4,252	3,133	4,392	6,415	5,379	3,140
Fines and Forfeitures	1,249	1,394	756	944	774	782	1,647	804	1,332	780
Special Assessments	71	66	63	71	136	300	297	718	297	313
Service Fees	21,725	15,621	7,500	7,713	5,495	3,123	3,493	5,088	4,010	2,298
Rents and Concessions	1,907	2,150	1,664	1,538	1,518	1,758	2,585	2,064	1,442	2,571
Investment Earnings	6,864	6,433	3,976	2,858	971	7,865	12,058	13,916	4,698	2,899
Other Revenues	1,824	1,442	1,555	2,991	1,584	3,339	2,660	11,112	1,110	1,232
Total Revenues	162,568	149,060	128,287	121,210	112,174	127,941	130,913	150,412	121,207	100,919
Expenditures										
Planning and Management	19,390	17,252	14,115	13,860	13,096	14,200	11,810	10,177	10,960	9,354
Public Safety	69,582	66,346	62,069	57,709	53,847	52,764	44,514	41,212	40,491	38,952
Community Development	20,816	22,245	20,638	20,093	16,928	19,521	18,150	18,906	20,577	18,147
Transportation	7,533	7,309	6,868	6,475	7,694	9,402	8,929	7,344	9,042	8,200
Socioeconomic	8,600	10,653	12,618	12,774	13,406	14,430	12,592	10,197	13,792	13,715
Cultural	7,545	7,824	7,493	7,331	7,056	7,541	6,398	5,962	5,409	7,427
Environmental Management	2,492	1,747	1,656	1,026	1,622	1,304	1,581	733	1,062	1,502
Capital Outlay	9,691	5,548	7,008	3,447	14,379	25,883	25,633	31,419	3,929	970
Debt Service:										
Principal Retirement	1,705	1,640	1,525	1,700	1,675	1,595	1,535	13,558	1,065	885
Interest	6,091	6,010	5,687	5,414	5,097	5,074	4,962	6,113	4,109	1,648
Fiscal Charges	104	66	125	67	677	110	62	474	466	15
Total Expenditures	153,549	146,640	139,802	129,896	135,477	151,824	136,166	146,095	110,902	100,815
Excess (Deficiency) of Revenues Over (Under) Expenditures	9,019	2,420	(11,515)	(8,686)	(23,303)	(23,883)	(5,253)	4,317	10,305	104

Other Financing Sources (Uses):

Transfers In	18,325	19,154	19,683	17,307	20,376	23,880	24,180	42,717	21,679	31,195
Transfers Out	(14,273)	(16,615)	(15,277)	(22,743)	(16,628)	(29,113)	(17,048)	(38,117)	(13,712)	(37,955)
Proceeds from Refunding Bonds	-	-	-	-	7,960	-	-	-	-	-
Proceeds from Issuing Bonds	-	-	-	-	-	-	-	18,710	25,000	-
Issuance Discount on Refunding Bonds	-	-	-	-	(69)	-	-	-	-	-
Payment to Refunded Bonds Escrow Agent	-	-	-	-	(7,245)	-	-	-	-	-
Proceeds from Sale of Capital Assets ¹	4,700	3,483	-	-	-	498	-	9,034	3,805	-
Total Other Financing Sources (Uses)	8,752	6,022	4,406	(5,436)	4,394	(4,735)	7,132	32,344	36,772	(6,760)
Net Change in Fund Balances	\$ 17,771	\$ 8,442	\$ (7,109)	\$ (14,122)	\$ (18,909)	\$ (28,618)	\$ 1,879	\$ 36,661	\$ 47,077	\$ (6,656)
Capital Expenditures	8,583	3,211	6,245	3,554	10,937	25,396	21,967	29,360	13,801	22,651
Debt Service as a Percentage of Noncapital Expenditures	5.7%	5.6%	5.7%	6.0%	6.0%	5.6%	6.2%	20.8%	5.1%	2.6%

Notes: 1 Proceeds from sale of capital assets are normally reported as other financing sources. The amounts were significant enough in fiscal years 2008 and 2007 to be reported as special items in the basic financial statements according to GASB Statement No. 34 guidance, which the City implemented in fiscal year 2002.

CITY OF SUNNYVALE**General Governmental Tax Revenues by Source
Last Ten Fiscal Years
(modified accrual basis of accounting)
(dollars in thousands)**

	Fiscal Year									
	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Property	\$ 43,893	\$ 40,808	\$ 35,436	\$ 32,895	\$ 27,367	\$ 26,632	\$ 25,595	\$ 22,836	\$ 21,098	\$ 19,583
Sales and Use	30,915	32,053	29,617	26,070	24,599	27,015	27,270	37,620	31,253	26,242
Transient Occupancy	7,350	6,480	5,633	5,074	4,752	5,095	6,320	10,735	9,775	7,566
Utility Users	6,840	6,479	6,057	5,833	5,877	5,652	5,688	5,859	4,395	4,139
Business Licenses	1,075	687	286	215	244	269	250	287	263	266
Real Property Transfer	1,225	1,216	1,140	1,352	765	580	534	856	641	742
Construction	2,943	1,899	1,342	923	860	672	1,221	2,419	1,780	1,216
Franchise	5,855	5,713	5,531	5,395	5,521	5,226	5,494	4,690	4,452	4,271
Total	<u>\$ 100,096</u>	<u>\$ 95,335</u>	<u>\$ 85,042</u>	<u>\$ 77,757</u>	<u>\$ 69,985</u>	<u>\$ 71,141</u>	<u>\$ 72,372</u>	<u>\$ 85,302</u>	<u>\$ 73,657</u>	<u>\$ 64,025</u>

CITY OF SUNNYVALE**Assessed Value of Taxable Property
Last Ten Fiscal Years**

Fiscal Year Ended June 30	Residential Property	Commercial Property	Industrial Property	Other Property¹	Unsecured Property	Total Assessed Value²	Less: Exemptions	Total Taxable Assessed Value	Total Direct Tax rate
1999	6,407,953,086	1,065,425,005	3,418,662,398	252,527,729	2,191,466,165	13,336,034,383	80,242,259	13,255,792,124	0.148%
2000	6,908,364,842	1,146,130,575	3,415,417,568	595,712,119	1,918,246,282	13,983,871,386	83,009,774	13,900,861,612	0.152%
2001	7,458,380,111	1,264,733,239	3,737,520,807	533,742,584	1,939,609,113	14,933,985,854	89,166,475	14,844,819,379	0.154%
2002	8,209,857,729	1,484,441,624	4,301,444,243	572,760,665	2,535,111,340	17,103,615,601	117,271,451	16,986,344,150	0.151%
2003	8,718,777,077	1,580,029,083	4,267,941,289	565,472,712	2,986,380,377	18,118,600,538	124,172,255	17,994,428,283	0.148%
2004	9,337,009,241	1,779,321,058	4,345,984,376	424,172,231	2,647,745,844	18,534,232,750	126,967,347	18,407,265,403	0.149%
2005	9,829,408,454	1,689,619,669	3,978,983,532	502,956,838	2,096,290,114	18,097,258,607	176,856,725	17,920,401,882	0.184%
2006	10,915,550,621	1,751,820,673	3,549,056,669	458,368,221	2,751,400,421	19,426,196,605	198,943,408	19,227,253,197	0.184%
2007	11,986,705,089	1,972,723,950	4,360,713,609	464,268,466	2,136,425,257	20,920,836,371	208,373,332	20,712,463,039	0.197%
2008	12,899,641,149	2,249,318,824	4,864,685,262	680,647,211	2,203,422,900	22,897,715,346	230,239,556	22,667,475,790	0.194%

Source: County of Santa Clara Assesor's Office

Notes: 1 Other property includes government, institution, irrigated and vacant lands, State Board of Equalization (SBE) nonunitary utilities, and miscellaneous and unclassified properties.

2 Assessed value is calculated at 100 per cent of market value as defined by California State Constitution Article XIII A and increases each year by no more than two per cent unless there is new construction or change in ownership on the property.

See notes in the Schedule of Property Tax Rates on page 174 for information on direct tax rate.

CITY OF SUNNYVALE

**Property Tax Rates
Last Ten Fiscal Years**

	Fiscal Year									
	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Direct Rates ¹										
County	1.03880	1.03880	1.03880	1.03880	1.03880	1.03880	1.03640	1.03560	1.03190	1.03880
Special District										
Santa Clara Valley Water District	0.00710	0.00720	0.00780	0.00920	0.00870	0.00720	0.00620	0.00750	0.00850	0.00820
Overlapping Rates ²										
School Districts ³								0.05350	0.03840	0.03920
Sunnyvale School District	0.03560	0.03440	0.03970	0.01880	0.01570	0.01580	0.01640	-	-	-
Cupertino Elementary	0.03370	0.02890	0.26810	0.03600	0.03570	0.03290	0.04570	-	-	-
Los Altos Elementary	0.05430	0.05510	0.04520	0.04870	0.04830	0.03980	0.04370	-	-	-
Mountain View Elementary	0.03120	0.03400	0.03780	0.04230	0.03880	0.03700	0.02950	-	-	-
Fremont High	0.02410	0.02430	0.02600	0.02680	0.02490	0.02460	0.02040	-	-	-
Mountain View-Los Altos High	0.01590	0.01690	0.01790	0.01930	0.01830	0.01880	0.01750	-	-	-
Santa Clara Unified	0.02710	0.07970	0.08610	0.03440	0.02630	0.02520	0.03660	-	-	-
Foothills-De Anza College	0.01130	0.03460	0.01190	0.01290	0.01100	0.01080	0.01150	-	-	-
Special District										
Parking District	- ⁴	0.05216	0.05400	0.05200	0.05900	0.06190				

Source: County of Santa Clara Assessor's Office

Note 1 California State Constitution Article XIII A limits the property tax rate on any given property not to exceed one per cent of its assessed value unless an additional amount has been approved by votes. The County of Santa Clara assesses properties and collects property taxes for the City. The California Legislature determines the method of distribution of receipts from the one per cent tax levy among the counties, cities, school and other districts.

2 Overlapping rates are those of local and county governments that apply to property owners within the City of Sunnyvale. Not all overlapping rates apply to all Sunnyvale property owners. Although the county and water district property tax rates apply to all City property owners, the school and parking district rates apply only to those City property owners whose property is located within that district geographic boundaries.

3 Information required by GASB Statement 44 differs from information reported for fiscal years 1996 through 2001. Property tax rates of school districts for fiscal years 1996 through 2001 were not available. Tax rates reported for 1996 through 2001 were those that apply to the tax area with the highest assessed valuation within the City of Sunnyvale.

4 Parking district retired its debt on July 1, 2003.

CITY OF SUNNYVALE

**Principal Property Tax Payers
June 30, 2008**

Taxpayer	2008			1999		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Lockheed Martin Corporation	\$ 700,987,100	1	2.10%	\$ 1,494,473,140	1	8.04%
Yahoo Inc	655,568,800	2	1.96%			
Applied Materials Inc	605,937,230	3	1.81%			
Network Appliance Inc	543,355,700	4	1.63%			
Downtown Sunnyvale Mixed Use Ltd Parnership	529,603,510	5	1.59%			
SPF Mathilda LLC	518,414,950	6	1.55%			
Spansion LLC	391,856,110	7	1.17%			
Downtown Sunnyvale No LLC	362,572,250	8	1.09%			
MT SPE LLC	326,135,620	9	0.98%			
Lockheed Missles & Space Company Inc	316,674,180	10	0.95%			
Santa Clara County Transit District						
AMD Properties				440,689,840	2	2.37%
Amdahl Corporation				421,230,770	3	2.27%
Sunnyvale LLC				238,227,690	4	1.28%
Bay Apartment Communities Inc				196,476,730	5	1.06%
AMB Property Limited Partnership				140,503,990	6	0.76%
AETNA Life Insurance Company				136,604,650	7	0.74%
Sun Towncenter Properties Corporation				121,358,260	8	0.65%
Irvine Company				117,136,360	9	0.63%
Sunnyvale Partners Limited Partnership				108,240,400	10	0.58%
Total	\$ 4,951,105,450		14.83%	\$ 3,414,941,830		18.38%

Source: County of Santa Clara Assessor's Office

CITY OF SUNNYVALE

**Property Tax Levies and Collections
Last Ten Fiscal Years**

Fiscal Year Ended June 30	Total Tax Levy for Fiscal Year ²	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years ¹	Total Collections to date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
1999	19,404,406	18,877,897	97.3%	704,941	19,582,838	100.9%
2000	20,357,281	20,314,902	99.8%	783,000	21,097,902	103.6%
2001	22,239,752	22,028,206	99.0%	807,879	22,836,085	102.7%
2002	23,550,640	22,349,137	94.9%	542,847	22,891,984	97.2%
2003	27,334,218	25,962,607	95.0%	669,322	26,631,929	97.4%
2004	27,561,419	26,755,807	97.1%	611,235	27,367,042	99.3%
2005	27,845,911	24,628,122	88.4%	734,809	25,362,931	91.1%
2006	28,812,518	26,489,526	91.9%	783,888	27,273,414	94.7%
2007	31,790,994	31,125,424	97.9%	888,602	32,014,027	100.7%
2008	34,017,054	33,208,221	97.6%	1,072,976	34,281,197	100.8%

Sources: City of Sunnyvale
County of Santa Clara Assessor's Office

Notes 1 Information required by GASB Statement 44 differs from information reported. Collections in subsequent years represent total delinquent amounts received during the fiscal year, regardless of the fiscal year of the tax levy. Data for delinquent tax collections by levy year is not available from the Santa Clara County Assessor's Office.

2 Property tax levy and collections do not include the VLF (motor vehicle license fees) swap, which was made permanent starting fiscal year 2005.

CITY OF SUNNYVALE

***Ratios of Outstanding Debt by Type
Last Ten Fiscal Years
(dollars in thousands except Per Capita)***

	Fiscal Year									
	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Governmental Activities:										
Parking District Bonds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 75	\$ 145	\$ 215	\$ 280	\$ 345
Special Assessment Bonds	-	-	-	-	280	540	780	1,005	1,215	1,415
Tax Allocation Bonds	6,703	7,050	7,386	7,667	7,894	7,440	7,625	7,800	7,965	8,120
Parking Lease Revenue Bonds	-	-	-	-	-	-	-	-	-	-
Certificates of Participation	29,690	31,045	32,345	33,585	34,775	35,920	37,020	38,085	20,050	20,695
Promissory Note	-	-	-	-	-	-	-	-	-	-
Business-Type Activities:										
Water and Wastewater										
Revenue Bonds	24,426	25,783	27,089	28,346	29,563	30,740	31,877	18,970	19,591	20,177
Solid Waste Revenue Bonds	23,129	16,149	17,275	18,371	19,426	20,442	18,296	18,955	19,575	20,165
Golf Revenue Bonds	-	-	-	-	-	-	-	-	-	-
Total Primary Government	\$ 83,948	\$ 80,027	\$ 84,095	\$ 87,969	\$ 91,938	\$ 95,157	\$ 95,743	\$ 85,030	\$ 68,676	\$ 70,917
Percentage of Personal Income ¹	0.09%	0.08%	0.09%	0.10%	0.11%	0.12%	0.12%	0.10%	0.08%	0.10%
Per Capita ²	\$ 610	\$ 590	\$ 630	\$ 661	\$ 694	\$ 718	\$ 721	\$ 432	\$ 516	\$ 533

Notes: Details regarding the City's outstanding debt can be found in the notes to the financial statements.

1 Personal income data are presented in the Schedule of Demographic and Economic Statistics on page 181. Personal income for fiscal year 2006 was used to calculate percentages for fiscal years 2007 and 2008 since data for fiscal years 2007 and 2008 are not currently available.

2 Population data are presented in the Schedule of Demographic and Economic Statistics on page 181.

CITY OF SUNNYVALE**Direct and Overlapping Governmental Activities Debt
As of June 30, 2008**

Governmental Unit	Debt Outstanding	Percentage Applicable	Share of Overlapping Debt
Debt Repaid with Property Taxes: County			
City of Sunnyvale Community Facilities District No. 1 Special Tax Bonds	\$ 18,930,000	100.000 %	\$ 18,930,000
Cupertino Union School District & Certificates of Participation	130,504,881	14.916	19,466,108
El Camino Hospital District	148,000,000	36.860	53,950,139
Foothill Community College District Certificates of Participation	29,700,000	23.033	6,376,686
Foothill-De Anza Community College District	486,686,935	23.033	111,667,275
Fremont Union High School District	132,000,000	48.483	63,997,560
Midpeninsula Regional Open Space Park District Certificates of Participation	104,840,196	15.447	16,194,665
Mountain View School District & Certificates of Participation	31,179,681	2.446	762,655
Mountain View-Los Altos Union High School District & Certificates of Participation	45,709,198	0.848	387,614
Los Altos School District	99,819,136	0.124	120,707
Santa Clara County General Fund Obligations	826,480,000	8.760	78,459,378
Santa Clara County Board of Education Certificates of Participation	15,445,000	8.760	1,352,982
Santa Clara County Pension Obligations	389,484,817	8.760	34,118,870
Santa Clara County Vector Control Certificates of Participation	4,275,000	8.760	374,490
Santa Clara Unified School District Certificates of Participation	180,559,994	13.973	25,229,648
Santa Clara Valley Water District Benefit Assessment District	165,020,000	8.760	14,455,752
Sunnyvale School District	89,274,785	99.326	88,673,073
West Valley-Mission Community College District Certificates of Participation	86,325,011	4.718	4,072,814
Subtotal Overlapping Debt			538,590,416
Direct Debt ¹			
City of Sunnyvale Certificates of Participation			16,860,000
City of Sunnyvale Parking Facility Certificates of Participation			12,830,000
Subtotal Direct Debt			29,690,000
Total Direct and Overlapping Debt ²			\$ 568,280,416

Sources: California Municipal Statistics, Inc.
City of Sunnyvale

Notes:

¹ Direct debt excludes revenue bonds reported in the enterprise funds and Redevelopment Agency Central Core Tax Allocation Bonds.

² Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

CITY OF SUNNYVALE

**Legal Debt Margin Information
Last Ten Fiscal Years
(dollars in thousands)**

	Fiscal Year									
	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Debt limit	\$ 3,434,657	\$ 3,138,125	\$ 2,913,929	\$ 2,714,589	\$ 2,761,090	\$ 2,699,169	\$ 2,547,946	\$ 2,226,723	\$ 2,085,130	\$ 1,988,281
Total net debt applicable to limit	36,394	38,094	39,731	41,251	42,949	43,975	45,570	47,105	29,510	30,575
Legal debt Margin	<u>\$ 3,398,263</u>	<u>\$ 3,100,031</u>	<u>\$ 2,874,198</u>	<u>\$ 2,673,338</u>	<u>\$ 2,718,141</u>	<u>\$ 2,655,194</u>	<u>\$ 2,502,376</u>	<u>\$ 2,179,618</u>	<u>\$ 2,055,620</u>	<u>\$ 1,957,706</u>
Total net debt applicable to the limit as a percentage of debt limit	1.06%	1.21%	1.36%	1.52%	1.56%	1.63%	1.79%	2.12%	1.42%	1.54%

Legal Debt Margin Calculation for Fiscal Year 2008

Assessed value	\$ 22,667,476
Add back: exempt real property	230,240
Total assessed value	<u>\$ 22,897,716</u>
Debt limit (15% of total assessed value)	3,434,657
Debt applicable to limit:	
Total bonded debt	83,949
Less:	
Water and Wastewater Revenue Bonds	(24,426)
Solid Waste Revenue Bonds	<u>(23,129)</u>
Total net debt applicable to limit	<u>36,394</u>
Legal debt margin	<u>\$ 3,398,263</u>

Note: Section 1308 of the City Charter of the City of Sunnyvale, California, states: "The bonded indebtedness of the City may not in the aggregate exceed the sum of fifteen (15%) percent of the total assessed valuation of property within the City, exclusive of any indebtedness that has been or may hereafter be incurred for the purposes of acquiring, constructing, extending or maintaining municipally owned utilities, for which purposes a further indebtedness may be incurred by the issuance of bonds, subject only to provisions of the State Constitution and of this Charter."

CITY OF SUNNYVALE

***Pledged-Revenue Coverage
Last Ten Fiscal Years
(dollars in thousands)***

	Fiscal Year									
	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Water and Wastewater Revenue Bonds										
Gross Revenues	\$ 48,250	\$ 45,287	\$ 39,641	\$ 37,671	\$ 36,092	\$ 35,800	\$ 32,498	\$ 32,561	\$ 31,242	\$ 27,879
Less: Operating Expenses	31,868	30,472	29,564	28,669	26,984	25,989	25,444	24,576	23,670	21,139
Net Available Revenue	\$ 16,382	\$ 14,815	\$ 10,077	\$ 9,002	\$ 9,108	\$ 9,811	\$ 7,054	\$ 7,985	\$ 7,572	\$ 6,740
Debt Service										
Principal	\$ 1,370	\$ 1,320	\$ 1,270	\$ 1,230	\$ 1,190	\$ 1,150	\$ 670	\$ 635	\$ 600	\$ 570
Interest	1,243	1,294	1,340	1,382	1,423	1,461	1,164	1,200	1,234	1,266
Coverage	6.3	5.7	3.9	3.4	3.5	3.8	3.8	4.4	4.1	3.7
Solid Waste Revenue Bonds										
Gross Revenues	\$ 56,998	\$ 49,766	\$ 49,297	\$ 47,083	\$ 44,909	\$ 48,365	\$ 46,222	\$ 52,428	\$ 50,858	\$ 46,520
Less: Operating Expenses	48,186	43,490	45,116	41,945	42,532	41,931	42,803	45,993	46,260	42,951
Net Available Revenue	\$ 8,812	\$ 6,276	\$ 4,181	\$ 5,138	\$ 2,377	\$ 6,434	\$ 3,419	\$ 6,435	\$ 4,598	\$ 3,569
Debt Service										
Principal	\$ 1,165	\$ 1,135	\$ 1,105	\$ 1,065	\$ 1,025	\$ 745	\$ 705	\$ 665	\$ 635	\$ 605
Interest	898	810	841	882	918	691	1,154	1,192	1,227	1,259
Coverage	4.3	3.2	2.1	2.6	1.2	4.5	1.8	3.5	2.5	1.9

CITY OF SUNNYVALE**Demographic and Economic Statistics
Last Ten Fiscal Years**

Fiscal Year	Population	Personal Income (in millions)¹	Per Capita Personal Income¹	Median Age	School Enrollment	Civilian Labor Force	Unemployment Rate
1999	132,940	73,045.8	43,701	Not Available	30,133	81,517	2.80%
2000	133,215	91,386.2	54,188	34	30,453	81,134	2.90%
2001	196,603	83,978.7	49,624	34	30,285	81,370	4.20%
2002	132,825	77,997.9	46,499	33	13,329	76,342	7.30%
2003	132,500	78,165.2	46,640	33	15,365	73,034	7.80%
2004	132,422	81,920.7	48,689	34	14,338	71,286	5.70%
2005	133,086	88,217.4	51,934	36	14,792	70,800	4.70%
2006	133,544	95,911.6	55,735	36	14,793	71,647	4.00%
2007	135,721	Not Available	Not Available	36	14,891	73,578	4.10%
2008	137,538	Not Available	Not Available	36	15,142	75,256	5.10%

Sources: State of California, Department of Finance
U.S. Department of Commerce, Bureau of Economic Analysis
Cupertino Union School District, Fremont Union High School District, Santa Clara Unified
School District, and Sunnyvale School District
U.S. Department of Labor, Bureau of Labor Statistics

Note: 1 Santa Clara County

CITY OF SUNNYVALE

**Principal Employers
June 30, 2008**

Employer	2008			1999		
	Number of Employees	Rank	Percentage of Total Employment	Number of Employees	Rank	Percentage of Total Employment
Lockheed Martin Corporation	7,375	1	9.80%	<i>Not available</i>		
Yahoo! Inc.	4,906	2	6.52%			
Juniper Networks Inc.	2,187	3	2.91%			
Network Appliance Inc.	2,133	4	2.83%			
Maxim Integrated Products	1,800	5	2.39%			
Spansion LLC	1,256	6	1.67%			
Northrup Gruman Marine Systems	1,200	7	1.59%			
Palm Inc.	858	8	1.14%			
Synopsys Inc.	714	9	0.95%			
Advanced Micro Devices Inc.	702	10	0.93%			

Source: City of Sunnyvale, Department of Finance
U.S. Department of Labor, Bureau of Labor Statistics

CITY OF SUNNYVALE**Full-time Equivalent City Government Employees by Function
Last Ten Fiscal Years**

Function/Program	Full-time Equivalent Employees as of June 30									
	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Planning and Management	141	142	141	138	145	150	140	133	138	139
Public Safety ¹	335	325	308	309	333	358	337	322	327	333
Community Development	129	132	132	133	131	142	130	127	132	131
Transportation	35	35	37	35	42	46	47	47	46	43
Socioeconomic	65	79	96	102	108	106	74	62	73	73
Cultural	61	61	65	66	67	73	71	71	69	66
Environmental Management	21	19	18	17	14	17	18	20	18	17
Water Supply and Distribution	29	31	34	32	29	32	21	22	26	22
Wastewater Management	69	67	72	71	69	75	68	67	68	63
Solid Waste Management	10	10	9	9	9	9	8	8	9	8
SMaRT Station	1	1	1	2	2	2	1	1	1	1
Community Recreation	92	92	89	87	95	104	44	37	37	36
Total	988	994	1,002	1,001	1,044	1,114	959	917	944	932

Source: City of Sunnyvale, Department of Finance

Note: 1 The City's Department of Public Safety is a fully integrated Police/Fire agency. All officers are certified in both disciplines.

CITY OF SUNNYVALE

**Operating Indicators by Function
Last Ten Fiscal Years**

Function	Fiscal Year									
	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Public Safety:										
Police										
Emergency Responses	41,062	47,173	47,460	46,132	52,017	48,613	47,645	52,486	62,281	48,512
Crime Investigations	3,749	3,834	3,467	3,617	4,268	4,268	4,288	3,909	3,899	2,328
Traffic Events and Citations	19,657	16,753	22,716	24,188	20,213	16,114	12,284	26,433	30,997	34,721
Fire										
Emergency Responses	7,385	6,793	7,026	6,643	6,646	7,421	6,662	6,674	6,480	6,621
Fire Safety Inspections	4,666	5,934	6,080	5,489	5,189	6,606	7,314	13,939	7,001	6,529
Transportation:										
Streets Resurfacing (1,000 square feet)	42	42	179	179	156	307	-	-	347	31
Street Preventive Maintenance (1,000 square feet)	4,056	3,882	8,159	5,709	5,767	4,648	7,619	7,436	7,384	6,701
Streetlight Lamps Replaced	682	1,092	846	674	752	922	901	717	950	1,146
Library:										
Library Visitors	798,194	768,983	723,731	737,506	861,591	877,135	819,664	736,103	735,140	514,081
Library Materials Circulated	2,329,375	2,247,777	1,891,080	1,818,370	2,130,978	1,996,562	1,709,468	1,363,068	1,358,078	1,071,879
Library Materials Turnover Rate (average use)	7.4	7.4	6.7	6.6	7.6	7.0	6.0	6.0	5.1	3.2
Water Supply and Distribution:										
Average Daily Demand (million gallons)	20.8	21.9	20.0	21.7	22.8	21.4	23.2	23.3	22.5	23.4
Peak Daily Use (million gallons)	42.4	44.0	40.0	43.0	46.0	46.0	46.0	46.0	46.0	46.0
Water Main Repairs	28	61	34	24	13	35	31	13	31	24
Wastewater Management:										
Average Daily Sewage Treatment (million gallons)	14.9	15.4	15.5	15.3	14.9	15.3	16.6	16.9	16.6	17.3
Solid Waste Management:										
Refuse collected (tons per day)	261.9	265.8	277.6	271.5	278.6	284.6	298.1	337.7	323.5	309.8
Recyclables collected (tons per day)	67.4	69.4	71.4	73.2	74.2	73.8	70.4	69.1	69.6	66.6
SMaRT Station										
Refuse received (tons per day)	709.7	722.2	731.4	707.7	721.6	733.0	746.4	777.0	781.8	746.9
Community Recreation:										
Recreation Programs Registration (hours)	745,720	708,158	1,552,262	1,524,493	585,023	511,257	Not Available	Not Available	Not Available	Not Available
Rental Use of Recreation Facilities (1,000 Participant Hours 1999-2006)	18,324	18,623	545	450	482	484	609	554	742	1,173
Plays at Golf Courses	142,137	150,303	147,650	156,523	150,944	182,855	185,255	190,757	191,692	196,422

Source: City of Sunnyvale, various departments

CITY OF SUNNYVALE

**Capital Asset Statistics by Function
Last Ten Fiscal Years**

Function/Program	Fiscal Year									
	2008	2007	2006	2005	2004	2003	2002	2001	2000	1999
Public Safety										
Police:										
Jail Facilities	1 (6 cells)									
Vehicular Patrol Units	63	65	52	52	52	51	52	52	54	48
Fire Stations	6	6	6	6	6	6	6	6	6	6
Transportation										
Streets (miles)	300	300	300	300	300	300	300	300	300	300
Streetlights	8,928	8,928	8,919	8,919	8,909	8,904	8,867	8,779	8,769	8,764
Traffic Signals	129	129	129	129	129	129	126	126	122	121
Water Supply and Distribution										
Water Mains (miles)	283	283	282	282	282	282	282	282	282	282
Fire Hydrants	3,381	3,381	3,400	3,385	3,385	3,385	3,351	3,351	3,351	3,350
Storage Capacity (million gallons)	28.0	28.0	28.0	28.0	28.0	27.5	27.5	27.5	27.5	27.5
Wastewater Management										
Sanitary Sewer (miles)	283	283	283	283	283	283	283	283	283	283
Treatment Plant Capacity (million gallons)	29.5	29.5	29.5	29.5	29.5	29.5	29.5	29.5	29.5	29.5
SMaRT Station										
Refuse transfer and recovery station capacity (ton per day)	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500
Community Recreation										
Park Acreage	323	323	322	322	322	322	322	322	322	321
Parks	19	19	19	19	19	19	18	18	18	18
Golf Courses	2	2	2	2	2	2	2	2	2	2
Swimming Pools	6	6	6	6	6	6	5	5	5	5
Tennis Courts	38	38	38	38	38	38	38	38	35	35
Skate Parks	2	2	1	1	1	1	-	-	-	-
Recreation Centers	3	3	3	3	3	3	2	2	2	2

Source: City of Sunnyvale, various departments

Note: No capital asset indicators are available for library function.