

COMPREHENSIVE ANNUAL FINANCIAL REPORT



For the fiscal year ended June 30, 2010

City of Sunnyvale California
A Commitment to Excellence

Comprehensive Annual Financial Report

For The Fiscal Year Ended

June 30, 2010



City of Sunnyvale

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Prepared by the Department of Finance

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City of SUNNYVALE

Department of Finance
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November 29, 2010

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, 2010. 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, 2010, 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, 2010, 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, 2010

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, 2010

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
- Housing and Human Services Commission
- Sustainability Commission – Established by Council May 11, 2010

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.

Chief Finance Officer's Letter of Transmittal, Continued
Fiscal Year Ended June 30, 2010

PROFILE OF THE CITY, Continued

Budget

Sunnyvale Charter Section 1302 originally specified that the City Manager submit 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.

LOCAL ECONOMY

The recession resulting from the global financial and credit market meltdown in October 2008 has appeared to give way to a modest recovery that began towards the end of fiscal year 2010. Sales Tax revenues exceeded updated budget projections and grew slightly from fiscal year 2009 revenues. Development-related revenues also began to rebound during the latter half of the fiscal year, as there was an increase in building and construction activity, particularly in the final quarter. Property Tax revenues remained strong throughout the recession, with continued growth in fiscal year 2010. However, because of the nature of the assessment valuation and appeals process, this revenue source lags the economy by several years. The significant appeals that have been filed on commercial properties in the City are still in the review process, and it is expected that the result of these appeals will be a reduction in Secured Property Tax revenues in fiscal year 2012 and 2013. This will even further temper what is expected to be a slow and modest economic recovery for the local economy.

Chief Finance Officer's Letter of Transmittal, Continued
Fiscal Year Ended June 30, 2010

LOCAL ECONOMY, Continued

The recession has also caused the State to act on huge budget shortfalls. The State budget solutions have included budgetary cuts, borrowing from local agencies, and payment delays, all of which have imposed additional challenges on local government finances.

Despite an apparent turnaround in the economy, it is obvious that budgets for governments at all levels will be under pressure for years to come due to structural issues resulting from ongoing expenditure projections exceeding ongoing revenue projections. Operating expenditures, predominantly personnel-related costs, continue to increase at a rate greater than the rate of growth of revenue sources. With only modest growth projected for revenues, this trend is only expected to get worse, forcing local and state governments to address their structural deficits to create a sustainable balance between revenues and expenditures.

With the City's long term planning approach, steps have been taken beginning in fiscal year 2010 to address the City's structural imbalance. The steps deal with three key areas: prioritization of services and service delivery, sustainable solutions for personnel costs, and new revenue sources. It is anticipated it will take several years to fully address the imbalance, but the foundation for a financially stable future has begun to be laid out.

LONG-TERM FINANCIAL PLANNING

In Sunnyvale, the Fiscal Sub-Element of the General Plan establishes the policy framework upon which short and long-term financial decisions are made. In particular, it identifies the long-range goals needed for fiscal sustainability and develops strategies necessary to achieve these goals.

Sunnyvale uses long-term financial planning to ensure stability through ups and downs in economic cycles. A recent amendment to the City Charter requires that the City Manager annually submit a budget which is balanced for ten years, and City fiscal policy requires that the budget be balanced for the entire twenty-year planning period. The long-term nature of the City's financial planning system allows decision-makers to better understand the true effect of policy decisions and effectively requires that decisions made today guarantee that the resources will be available to provide quality services in the future. This long-term planning horizon prevents wild swings in service levels during the upturns and downturns of economic cycles.

Annual budget review and approval is a sound business practice and is required by the City Charter. However, an understanding of the City's long-term financial picture is more important to the process than just looking at a one-year or two-year snapshot. City fiscal policy requires City staff to analyze past and present fiscal health, and project its future fiscal condition. One of the most powerful aspects of multi-year financial planning is its capability 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.

Chief Finance Officer's Letter of Transmittal, Continued
Fiscal Year Ended June 30, 2010

LONG-TERM FINANCIAL PLANNING, Continued

This point is well illustrated in the current environment with the impacts of the global recession. While the City faces a structural imbalance like most other governmental agencies, the City's multi-year planning strategy has afforded us an additional financial cushion that most communities do not have. As such, the City has the time to plan for a sustainable future in a measured and strategic manner.

Sunnyvale's long-term financial planning process is connected to City departments' long-term plans. At appropriate intervals, departments conduct long-range assessments of City infrastructure replacement needs for major components of the City's physical assets, such as traffic capacity, transportation facilities, streets and roadways, public lands and facilities. These studies are coordinated with long-range budgeting.

Over the past several years the City has enjoyed a number of grants and outside funding sources available for specific project categories, such as parks and streets and transportation. Revenues generated from City-imposed fees such as Traffic Mitigation, Traffic Impact, Park Dedication, and Housing Mitigation also have added to the City's ability to address capital needs. For the future, these "self help" revenue sources will continue to play important roles in the City's ability to sustain and add to its physical assets. It also appears that an increased level of transportation funding, particularly from federal stimulus funds, will be available in the near term to assist with local needs.

Since City revenues typically lag the economy, constant scanning of the economic environment has allowed the City to plan for serious fiscal challenges, and thus the City has been able to modify assumptions and better cope with the most recent economic crisis as it developed. Due to the magnitude of this economic downturn, creating a balanced long-term financial plan required a reset in the way the City plans and conducts its business.

One significant development identified through our long-term planning process is the substantial increase in the City's contribution rates for employee pensions through the California Public Employees' Retirement System (PERS). Because of large investment losses taken during fiscal year 2009, employer contribution rates are projected to rise dramatically beginning in fiscal year 2012. To mitigate the impact on contracting agencies, PERS has proposed to modify its smoothing methodology so that the significant losses from 2009 are added to employer retirement contribution rates over three years (fiscal year 2012 through fiscal year 2014) rather than incorporating the entire impact in fiscal year 2012. In the short term, this will have a positive cash flow impact for the City. However, over the long term there will be a negative fiscal impact since delaying increases in contribution rates only means that more money will have to be collected in the future. Furthermore, the City believes that PERS' latest proposal will result in negative amortization of its unfunded liability. As a result, the City is working on alternatives to ensure that enough is paid annually to meet our obligations and to amortize the City's unfunded liability over an appropriate timeframe. This required the City to work with PERS and its consulting actuary to develop alternate rates to those initially provided by PERS and to incorporate these rates into the City's balanced Long-Term Financial Plan as adopted in June 2010.

Chief Finance Officer's Letter of Transmittal, Continued
Fiscal Year Ended June 30, 2010

LONG-TERM FINANCIAL PLANNING, Continued

A challenge the City faces is the maintenance of the City's infrastructure. By far the largest of the unfunded projects are those that involve aging City buildings. Redevelopment of the library facility and general administrative buildings, including the City Hall complex, the Corporation Yard, and the Public Safety Headquarters, were estimated for a total preliminary cost of \$241 million. In addition, there are several significant unfunded projects related to the rehabilitation of the existing City facilities. A strategic decision as to whether ongoing major maintenance and repair is continued or replacement and remodeling of facilities is funded will have to be made for the sake of cost efficiency according to the City's Capital Improvement Policy.

RELEVANT FINANCIAL POLICIES

According to the Fiscal Sub-Element of the General Plan, long-term financial planning should enable the current service level provided to be sustained over time through the strategic use of reserves. The reserves 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.

A second reserve in the General Fund is entitled the *Budget Stabilization Fund*. Up to the end of fiscal year 2009, it was called 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. Strict policy adherence to the premise of the *Budget Stabilization Fund* prevents us from adding services at the top of economic cycle that cannot be sustained while allowing us to maintain Council-approved service levels during economic downturns.

The function of the *Budget Stabilization Fund* 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. The reserve was building up in prior years while the City experienced strong economic growth. 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. With the most recent severe downturn that began 2008, the *Budget Stabilization Fund* has again proven its value and is a key part of the strategy to bring the General Fund into balance over the twenty-year planning period.

Chief Finance Officer's Letter of Transmittal, Continued
Fiscal Year Ended June 30, 2010

RELEVANT FINANCIAL POLICIES, Continued

In the fiscal year 2011 Budget, the City has again planned on judiciously drawing down the *Budget Stabilization Fund* over the next 12 years to partially address the structural imbalance between revenues and expenditures that has been identified in the General Fund. It was originally estimated that the *Budget Stabilization Fund* would end fiscal year 2010 with a balance of about \$32 million. From fiscal year 2011 through fiscal year 2023 the plan is for the *Budget Stabilization Fund* to be drawn down a total of \$23 million. Following fiscal year 2023 the *Budget Stabilization Fund* begins to replenish itself and fluctuates between \$10 million and \$15 million over the remainder of the planning period. In this manner, the Budget Stabilization Fund provides the City the time to address the structural imbalance strategically.

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 reserve revenues from land sales and other one-time sources for use on capital improvement projects. The reserve increases throughout the Long-Term Financial Plan as several of the City's land assets are sold.

Employee benefits costs continue to be a fiscal challenge for the City. The City uses the Employee Benefits Fund (an Internal Service Fund) as a mechanism to cover expenditures related to pension costs, insurance plans, workers compensation costs, and leave time while applying the principles of full cost accounting. This is accomplished by charging an additive rate to staff salaries whenever personnel hours are budgeted and expended. Resources are set aside for contribution-rate uncertainty, workers compensation, and retiree medical costs to reduce volatility and to minimize the effect on the funding of other City operations.

MAJOR INITIATIVES

Sunnyvale Works! and Downtown Core Projects

In 2010, significant progress was made in *Sunnyvale Works!*, the City's own local stimulus program, with 26 major capital projects completed and more than \$21.4 million spent. On average, project costs were seven percent below budget. 48 capital contracts were awarded, totaling over \$46.8 million. Grant funding of \$25.2 million was leveraged to provide maximum value to the City, accounting for approximately 54 percent of the contracts awarded during the year.

Significant progress was also made on the Downtown core projects, including: inspecting, monitoring and processing payment for the Infrastructure Improvement Agreement for the Town Center in support of the Target store opening and Nokia lease; resumption of the Town Center Environmental Remediation; completion of the Historic Murphy Avenue Utilities and Streetscape; and commencement of the Mathilda Bridge rehabilitation project.

Chief Finance Officer's Letter of Transmittal, Continued
Fiscal Year Ended June 30, 2010

MAJOR INITIATIVES, Continued

Budget Restructure

A task force was formed by the City Manager at the beginning of the fiscal year and charged with making the City's operating budget more simple, precise, and meaningful. The task force, which included staff from the Office of the City Manager, Department of Finance, and the Human Resources Department, made a number of recommendations that were approved for implementation. These recommendations included significantly reducing the number of operating programs and activities; only utilizing products where they made sense and provided meaningful data; removing all productivity metrics in the budget document; organizing the budget by department instead of element; and including write-ups that describe each department's operations, its budget proposal, and its position allocation. Due to the resources required to implement these changes, the initial goal was to have as many programs restructured as possible for the FY 2010/11 Recommended Budget. However, through the efforts across all City departments and the Budget Division staff, all programs were restructured for inclusion in the budget. In total, the restructure resulted in 90 operating programs being reduced to 54, operating activities being reduced from 2,300 to 1,100, and the Recommended Budget being reduced from four volumes to two. The budget document is now presented in a way that is more easily comprehended by all who may have an interest. As we focus on transparency, more changes are anticipated.

Pension Reform

With the City's pension costs nearly equaling what we collect in total sales tax revenue, pension reform is a critical piece to containing employee costs and addressing the structural deficit over the long term. Significant research and analysis was performed to understand why the pension costs have increased so sharply and why they will continue to remain high for the foreseeable future. Council identified pension reform as an area of focus for 2010, and staff presented a report on this subject at a Council meeting in March 2010. Alternative strategies, including a two-tier plan, employee contributions and leaving CalPERS were presented. As a result of the presentation, staff has met with the City's bargaining units for discussion and has provided information on the City's pensions to City employees. No substantive progress with the bargaining units has been made to date.

Organizational Changes

The Office of the City Manager (OCM) was expanded this past fiscal year to include services associated with the Print and Copy Shop (formerly in the IT Department); Fleet Services (formerly with the Public Works Department); and the Facilities Division (formerly with the Community Services Department). OCM did lose services as well (Volunteer Services moved to Human Resources, and the Columbia Neighborhood Center was transferred to Community Services, but on balance the Office of the City Manager grew in size and complexity. This laid the foundation for a year of transition and challenge, but the end result has been a positive one. Staff has spent the better part of this past fiscal year analyzing and assessing these adopted services, and FY 2010/11 promises to bear fruit in the form of more efficient and effective operations. Other significant changes will be made over the coming year as well.

Chief Finance Officer's Letter of Transmittal, Continued
Fiscal Year Ended June 30, 2010

MAJOR INITIATIVES, Continued

Also during the year, Neighborhood Preservation/Code Enforcement was placed under the direction of Public Safety. The purpose was to better align like services, improve the coordination between departments, and focus on resolving neighborhood issues related to blight. Working closely with the Neighborhood Preservation staff, the Deputy Chief in charge streamlined the citation processes related to non-compliance and simultaneously proposed an ordinance change to Council that was adopted. The ordinance now allows the City to turn unpaid citations over to the County for collection. Once the request for collection is made to the County, the County immediately pays Sunnyvale the balance owed, and subsequently attaches a lien to the subject property.

Upgrade of City's Website

The Information Technology Department and the Office of the City Manager collaborated to significantly upgrade the City's external website. The Information Technology Department took the lead in researching and selecting a technology platform and vendor, as well as in configuring, deploying, maintaining and troubleshooting the system. The Office of the City Manager's Communications Division took the lead in the overall design and functionality of the website, as well as in migrating data from the old website. The Information Technology Department and the Communications Division shared responsibility for creating all department and division web pages, while each department was responsible for populating its own content. Based on initial feedback, the improved appearance and increased functionality are resulting in easier and quicker access to important information.

Workforce Development

NOVA's one-stop Connect! Center had another banner year. Once again, staff saw record numbers of customers, thanks to the recession, but maintained high marks for customer services from both job seekers and employers. Although the federal performance target for entered employment rate was missed, the raw data for placements into jobs proves that this measure is not relevant for a learning lab that enrolls all customers. NOVA's entered employments for the past year equal 1,732 actual jobs for individuals out of 3,911 who exited the program.

NOVA's rate is 44 percent compared to the State average of 48 percent even though the State average includes only 12 learning labs and 37 other local areas that still have complete control over the numbers enrolled and exited. For comparison, in the year prior to the start of either the learning lab pilot or the recession, NOVA's entered employment rate was 77 percent, but included only 680 actual jobs for individuals.

Chief Finance Officer's Letter of Transmittal, Continued
Fiscal Year Ended June 30, 2010

MAJOR INITIATIVES, Continued

Library's New Material Handling System

The new materials handling system project was completed within budget and on schedule. All library materials were converted from barcode to RFID technology, and the circulation office was reconfigured to accommodate the installation of a 21-bin sort automated materials handling system (AMH). Five materials intakes were installed and six self-checks were installed, one of them height-adjustable.

The AMH is capable of checking in and sorting up to 1,800 items per hour, resulting in materials returning to the shelves much faster than before. Self-check use has increased from the approximately 55 percent pre-remodel to about 92 percent. These efficiencies have allowed staff to continue to provide high-quality services to the public. This project was featured in American Libraries Magazine as a case study in using technology to save staff time and improve efficiency.

Library staff, and volunteers trained by staff, converted approximately 220,000 items in the collection to RFID technology by tagging items during a three-month period before the AMH system was installed. It is estimated that by not contracting out for this project the Library saved the City \$100,000 dollars.

Green Building Program

An aggressive green building ordinance for single-family, multi-family, commercial and industrial new construction and major rehabilitation was adopted (effective July 1, 2010). Following adoption, staff conducted focus group meetings, gathered resources, and developed handouts for a successful implementation program.

General Plan Update

Council decided during 2010 to consolidate the General Plan's Sub-Elements and to form a General Plan Consolidation Advisory Committee to develop recommendations. The advisory committee made a number of recommendations regarding the project's parameters, including: measures of success; definitions of goals, policies, and actions; topics addressed in the General Plan; topic organization and level of detail; objectives and features for the web-based General Plan; look and feel for the printed General Plan. Council has approved these recommendations, which are currently in the process of implementation. Final Council approval of the consolidated General Plan is expected in fiscal year 2011.

Ongoing Projects

The City's Capital Improvement Program has a number of significant projects currently underway that will continue into fiscal year 2011 and beyond.

***Chief Finance Officer's Letter of Transmittal, Continued
Fiscal Year Ended June 30, 2010***

MAJOR INITIATIVES, Continued

Downtown Sunnyvale Enhancement Projects:

In addition to the private development taking place downtown, the City is constructing or participating in five important capital projects that will significantly enhance the downtown environment. The following projects were funded in the fiscal year 2010 Budget and will be completed in the next two years or in coordination with the Town Center development.

- *Sunnyvale Avenue Median* (City share \$750,000)
- *Traffic Signal Modification* (City share \$745,000)
- *Washington/Mathilda Intersection Improvements* (City share \$336,826)
- *Downtown Wayfinding and Gateways* (\$850,000)
- *Hazardous Materials Remediation in Town Center* (Estimated total at \$9 million)

Replacement of Water Pollution Control Plant

Both the recent Optimal Staffing Study for Public Works and the Asset Condition Assessment of the Water Pollution Control Plant (WPCP) completed in August 2006 identified the aging and deteriorating condition of the plant and recommended that a master plan for the long-term needs of the plant be completed. In response to those recommendations, a project for a comprehensive Strategic Infrastructure Plan (SIP) study was funded in the fiscal year 2008 projects budget. The purpose of this study, which is complete and undergoing a peer review process, is to determine the most cost-effective alternative, including rebuild or mix of rehabilitation and replacement, in order to maintain current service levels and meet future needs at the plant.

To provide funding for the types of recommendations anticipated from the SIP, a project has been budgeted as a "placeholder" to provide up to full replacement of the plant. More details on specific plant areas for rehabilitation and/or replacement, and a more detailed planning level estimate, are provided by the SIP, which is currently undergoing a peer review.

Ongoing Water Pollution Control Plant Infrastructure

The fiscal year 2011 Budget includes other infrastructure projects that have been previously identified as being required in the short-term to address the most advanced areas of deterioration of the plant that are in increasing danger of failure. They are also the areas in which technology has not changed significantly since they were originally built and would be unlikely to be replaced with alternative technology in the construction of a new plant. These areas of infrastructure include rehabilitation of digesters and replacement of digester lids, renovation of the primary sedimentation basins, and air floatation tank rehabilitation.

Chief Finance Officer's Letter of Transmittal, Continued
Fiscal Year Ended June 30, 2010

MAJOR INITIATIVES, Continued

Water Utility Infrastructure

Over the past few years, Sunnyvale staff has been working to identify and scope projects to improve the City's water supply and distribution system. \$34 million in capital, special and infrastructure projects are included in the first ten years of the fiscal year 2011 Long-Term Financial Plan, and an additional \$17.7 million in fully-identified water infrastructure and capital projects are included in the second ten years of the plan.

These projects address the three primary areas of the City's distribution system: storage, pipes, and wells. Due to the age of the system, the projects are front loaded in the Long-Term Financial Plan. The largest are \$16 million for water line replacements, \$3.7 million for improvements to the Wright Avenue water tanks, \$3.4 million for interior coating of water tanks, and \$3.2 million for exterior painting of water tanks. In order to supplement funding for these projects and spread their costs over their useful life for rate-setting purposes, City staff issued the 2010 Water Revenue Bonds in the amount of \$24 million. The bonds, which were issued in June of 2010, provided approximately \$17 million in new money for various water projects.

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. The CalTrans inspection found that the Mathilda Avenue Railroad Overpass Bridge is "functionally obsolete," not meeting several standards for bridge pier clearance, deceleration lane, shoulder width, bridge railing, and pedestrian access.

This project was originally budgeted at \$17.5 million with a \$10 million funding limit from federal funds, which left a significant anticipated shortfall. In the 2008 State Budget, CalTrans budgeted \$32.9 million for this project, which included a required 11.47% local match, translating to a maximum federal share of \$29.13 million with the City's share of \$3.77 million. The actual construction bid came in at less than \$16 million, representing a significant savings over initial estimates and freeing up local funds.

CalTrans approved the project design and all other documents needed for funding in fiscal year 2010 and the construction portion of the project got underway. The total duration of this portion of the project is expected to last approximately 18 months, with completion expected during fiscal year 2011.

Chief Finance Officer's Letter of Transmittal, Continued
Fiscal Year Ended June 30, 2010

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, 2009. This was the twenty-fourth consecutive year that the City has achieved this prestigious award.

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, 2010. This was the twenty-first 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.

Since 1999, the City's investment policy has received certification by the Association of Public Treasurers of the United States and Canada (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 the National Purchasing Institute (NPI) for the past eleven 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: Jamie Oei, Senior Accountant; Lisa Sandigo, Luis Cuellar, and Juan Castro, Accountants; Rebecca Vanderstelt, Senior Accounting Technician; Tim Kashitani, Administrative Aide; and Drew Corbett, Budget Manager.

Chief Finance Officer's Letter of Transmittal, Concluded
Fiscal Year Ended June 30, 2010

AWARDS AND ACKNOWLEDGEMENTS, Continued

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

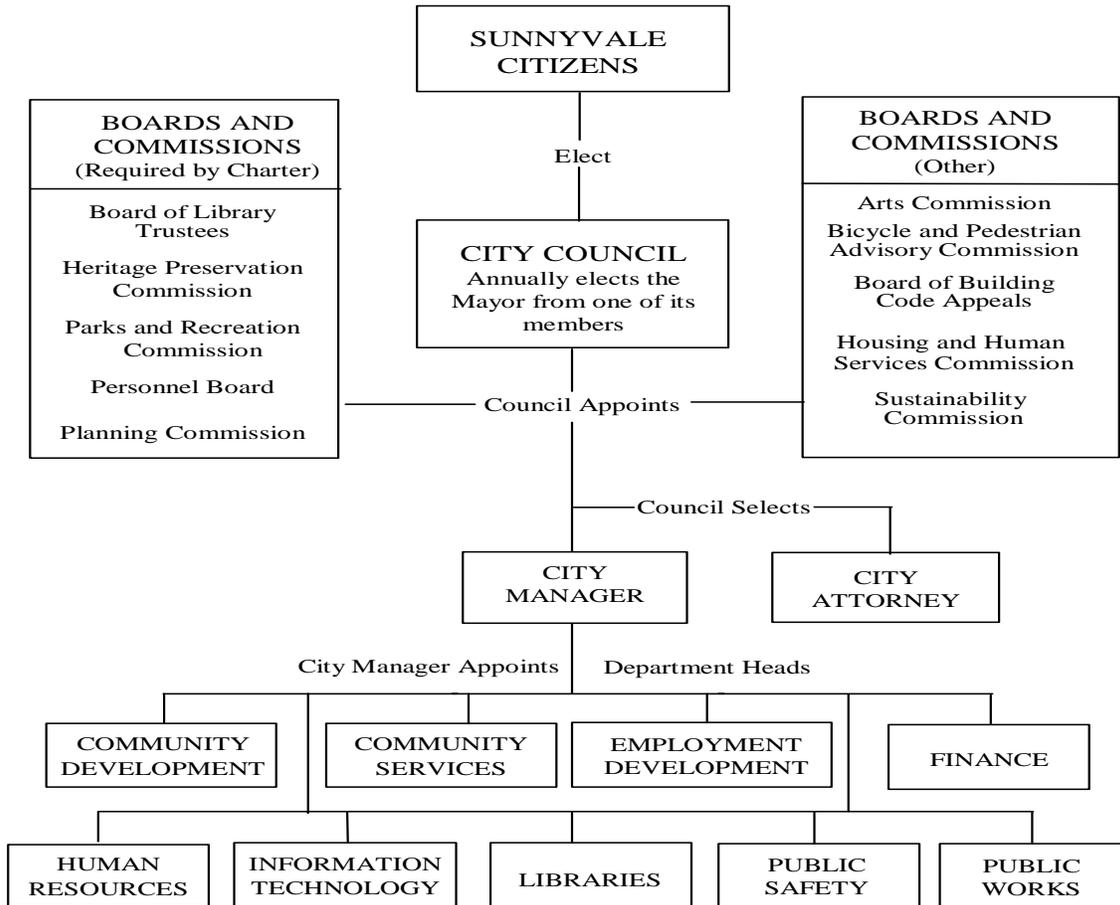
Sincere appreciation is also expressed to the City Manager and members of the City Council for their support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,



Grace K. Leung
Director of Finance

Organization Chart



Melinda Hamilton
Mayor

Christopher R. Moylan
Vice-Mayor

Otto O. Lee
Councilmember

Ron Swegles
Councilmember

Anthony Spitaleri
Councilmember

David Whittum
Councilmember

James Griffith
Councilmember

Gary Luebbers
City Manager

Mary J. Bradley*
Director of Finance

Marvin Rose
Director of Public Works

Hanson Hom
Director of Community Development

Lisa Rosenblum
Director of Libraries

Don Johnson
Director of Public Safety

Kris Stadelman
Director of Employment Development

David Lewis*
Director of Community Services

Robert Walker
Assistant City Manager

Cuong Nguyen
Director of Information Technology

Teri Silva
Director of Human Resources

David Kahn
City Attorney

*Subsequent to year-end, no longer serving the City

**Directory of Boards and Commissions
Fiscal Year Ended June 30, 2010**

Arts Commission

Hughes, Noelle
Martin-Milius, Tara
Obrey, Robert
Seto, Tracy
Shinseki, Dennis

Bicycle and Pedestrian Advisory Commission

Durham, Ralph
Jackson, Kevin
Manitakos, Jr., James
Stawitcke, Andrea
Switzer, Cathy
Walz, Patrick
Warner, Richard

Board of Building Code Appeals

Baltar, Pedro
Kim, James
Ludlow, Roger
Musgrave, David
Walz, Patrick

Board of Library Trustees

Flaherty, Thomas
Miller, Judi
Pathak, Narendra
Shanmugasundaram, Jill
Su, "Ray" Zahn

Heritage Preservation Commission

Marsolais, Frenchie
McDonough, Nancy
Ringel, Ted
Squellati, David
Stanek, Jeanine
Vaidyanathan, Nirmala
Verma, Amrit

Housing and Human Services Commission

Anderson, Eric
Dietrich, Hannalore
Fowler, Fred
Hailu, Dori
Jeong, Younil
Pham, Mathieu
Vacant

Parks and Recreation Commission

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

Personnel Board

Fryer, Branden
Hendricks, Glenn
Nickey, Judith
Saprai, Stephanie
Sellers, Garry

Planning Commission

Chang, Bo
Hungerford, Charles
Klein, Larry
McKenna, Dianne
Rowe, Harriet
Sulser, Brandon
Travis, Nick

Sustainability Commission

Established by Council May 11, 2010

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, 2009

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.



A stylized, handwritten signature in black ink, appearing to read "JEFFREY R. EMER".

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Emer".

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, 2010, 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.

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, 2010 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 2010 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 12, 2010

Management's Discussion and Analysis

***Management's Discussion and Analysis
Fiscal Year Ended June 30, 2010***

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, 2010. 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 ninth 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 2009 information so that the comparative analysis will be more meaningful. These reclassifications did not change net assets reported in that year.

A. FINANCIAL HIGHLIGHTS

- At June 30, 2010, the City's net assets (excess of assets over liabilities on the full accrual basis) were \$702.1 million. Of this amount, \$153.3 million may be used to meet the City's ongoing operations.
- During the fiscal year the City's total net assets increased by \$2.5 million. Net expenses (after deducting program income) of \$101.2 million were less than general revenues of \$103.7 million by that amount.
- At June 30, 2010, the City's governmental funds reported a combined fund balance of \$88.9 million, a decrease of \$20.1 million from the prior year. The General Fund balance was \$88.8 million, a decline of \$11.2 million from the prior year.
- The City's noncurrent liabilities increased by \$40.6 million, of which \$37.6 million was attributable to business-type activities. The City issued Water Revenue Bonds and Wastewater Revenue Bonds, Series 2010 to (1) prepay the 2001 Water and Wastewater Revenue Bonds, and (2) incur new debt to construct and acquire certain improvements to the City's water and wastewater systems.
- Noncurrent liabilities arising from governmental activities increased by \$3.0 million. The change was caused by the following: principal retired on bonded debt was \$1.6 million, Town Center pollution remediation obligations decreased by \$4.3 million, liability for compensated absences decreased by \$0.5 million, and net OPEB obligations increased by \$9.4 million.

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, 2010

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, changes 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.

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.

Management's Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2010

B. OVERVIEW OF FINANCIAL STATEMENTS, Continued

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, 2010

B. OVERVIEW OF 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 internal services predominantly benefit governmental rather than business-type activities, they have been consolidated in the governmental activities column in the government-wide financial statements, with crossover amount from look-back adjustment reported as internal balances under the two activities.

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, and more detailed information regarding the modified approach used for reporting the City's infrastructure capital assets.

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, 2010

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 2010, assets exceeded liabilities by \$702.1 million. This is a decrease of \$2.5 million from the prior year.

The following is the condensed statement of net assets for the fiscal years ended June 30, 2010 and 2009.

City of Sunnyvale
Condensed Comparative Statements of Net Assets
June 30, 2010 and 2009
(Amounts in Millions)

	Governmental Activities		Business-type Activities		Total		Total % Change
	2010	2009	2010	2009	2010	2009	
Assets:							
Current and Other Assets	\$ 326.6	\$ 324.4	\$ 42.5	\$ 8.7	\$ 369.1	\$ 333.1	10.8 %
Capital Assets, Net	412.0	403.4	119.5	115.4	531.5	518.8	2.4 %
Total Assets	738.6	727.8	162.0	124.1	900.6	851.9	5.7 %
Liabilities:							
Noncurrent Liabilities	76.3	73.3	92.8	55.2	169.1	128.5	31.6 %
Other Liabilities	21.5	16.7	7.9	7.1	29.4	23.8	23.5 %
Total Liabilities	97.8	90.0	100.7	62.3	198.5	152.3	30.4 %
Net Assets:							
Invested in Capital Assets, Net of Related Debt	379.0	372.0	82.4	75.8	461.4	447.8	3.0 %
Restricted	87.4	86.5	-	-	87.4	86.5	1.0 %
Unrestricted	174.4	179.3	(21.1)	(14.0)	153.3	165.3	(7.3)%
Total Net Assets	\$ 640.8	\$ 637.8	\$ 61.3	\$ 61.8	\$ 702.1	\$ 699.6	0.4 %

Management's Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2010

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

At June 30, 2010, the largest portion of net assets (66% of total net assets) 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 \$13.6 million because of asset additions exceeding depreciation expenses and principal retirement of related debt. 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 (12% of total net assets) represents resources that are subject to external restrictions on how they may be used. The increase in restricted net assets of \$0.9 million was mostly attributable to the recognition of outstanding grant reimbursement requests for eligible transportation project expenses.

The unrestricted net assets (22% of total net assets) may be used to finance day-to-day-operations without constraints established by debt covenants or other legal requirements. Total unrestricted net assets decreased by \$12.0 million, primarily due to resources spent on the acquisition and construction of capital assets. 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, which was caused by the recognition of certain significant liabilities in the solid waste activity. These liabilities include landfill postclosure care liability and 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, 2010

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

Statement of Activities

The following is the condensed comparative statement of activities and changes in net assets for the fiscal years ended June 30, 2010 and 2009.

City of Sunnyvale
Condensed Comparative Statements of Activities and Changes in Net Assets
June 30, 2010 and 2009
(Amounts in Millions)

	Governmental Activities		Business-Type Activities		Total		Total % Change
	2010	2009	2010	2009	2010	2009	
Revenues:							
Program Revenues:							
Charges for Services	\$ 17.1	\$ 15.3	\$ 112.9	\$ 109.8	\$ 130.0	\$ 125.1	3.9 %
Operating Grants and Contributions	19.4	17.4	-	-	19.4	17.4	11.5 %
Capital Grants and Contributions	12.6	8.1	0.8	0.4	13.4	8.5	57.6 %
Total Program Revenues	49.1	40.8	113.7	110.2	162.8	151.0	7.8 %
General Revenues:							
Property Taxes	51.6	50.7	-	-	51.6	50.7	1.8 %
Sales and Use Taxes	25.4	25.1	-	-	25.4	25.1	1.2 %
Other Taxes	21.7	22.1	-	-	21.7	22.1	(1.8)%
Investment Income	4.6	8.9	0.4	1.3	5.0	10.2	(51.0)%
Total General Revenues	103.3	106.8	0.4	1.3	103.7	108.1	(4.1)%
Total Revenues	152.4	147.6	114.1	111.5	266.5	259.1	2.9 %
Expenses:							
Planning and Management	20.5	21.4	-	-	20.5	21.4	(4.2)%
Public Safety	73.9	74.9	-	-	73.9	74.9	(1.3)%
Community Development	23.8	21.8	-	-	23.8	21.8	9.2 %
Transportation	11.1	11.8	-	-	11.1	11.8	(5.9)%
Socioeconomic	12.9	10.5	-	-	12.9	10.5	22.9 %
Cultural	9.8	9.5	-	-	9.8	9.5	3.2 %
Environmental Management	1.4	2.2	-	-	1.4	2.2	(36.4)%
Water Supply and Distribution	-	-	23.1	21.9	23.1	21.9	5.5 %
Wastewater Management	-	-	17.3	17.4	17.3	17.4	(0.6)%
Solid Waste Management	-	-	30.8	37.5	30.8	37.5	(17.9)%
SMaRT Station	-	-	26.6	26.3	26.6	26.3	1.1 %
Community Recreation	-	-	11.8	11.7	11.8	11.7	0.9 %
Interest on Long-term Debt	1.0	1.7	-	-	1.0	1.7	(41.2)%
Total Expenses	154.4	153.8	109.6	114.8	264.0	268.6	(1.7)%
Increase (decrease) in Net Assets before Transfers	(2.0)	(6.2)	4.5	(3.3)	2.5	(9.5)	(126.3)%
Transfers	5.0	1.7	(5.0)	(1.7)	-	-	-
Increase (Decrease) in Net Assets	3.0	(4.5)	(0.5)	(5.0)	2.5	(9.5)	(126.3)%
Net Assets - Beginning	637.8	642.3	61.8	66.8	699.6	709.1	(1.3)%
Net Assets - Ending	\$ 640.8	\$ 637.8	\$ 61.3	\$ 61.8	\$ 702.1	\$ 699.6	0.4 %

Management’s Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2010

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

Governmental Activities

The City’s governmental activities increased net assets by \$3.0 million. Program revenues of \$49.1 million and general revenues of \$103.3 million were insufficient to fund total program expense and interest on long-term debt of \$154.4 million. Net transfers from business-type to governmental activities amounted to \$5.0 million, primarily for services provided by the General Fund programs. Net transfers between the two activities were much lower last year because assets with carrying value of \$3.6 million were transferred from governmental to business-type activities last year. Key elements of this change were as follows:

Revenue Highlights:

- Total revenues excluding transfers were \$152.4 million, which was \$4.8 million more than the prior year.
- Property tax revenues increased \$0.9 million or 1.8% from the prior year.
- Sales and use tax revenue increased \$0.3 million or 1.2% from the prior year.
- Other tax revenues decreased by \$0.4 million or 1.8% from the prior year.

	Total Other Tax Revenues		Total % Change
	2010	2009	2010-2009
Transient Occupancy Tax (TOT)	\$ 5.6	\$ 5.7	(1.8)%
Utility Users Tax	6.8	6.8	-
Motor Vehicle License Fees	0.4	0.5	(20.0)%
Construction & Real Property Transfer	1.5	1.8	(16.7)%
Franchise Fees (based on gross receipts)	6.0	6.1	(1.6)%
Business License Tax	1.4	1.2	16.7 %
Total	\$ 21.7	\$ 22.1	1.8 %

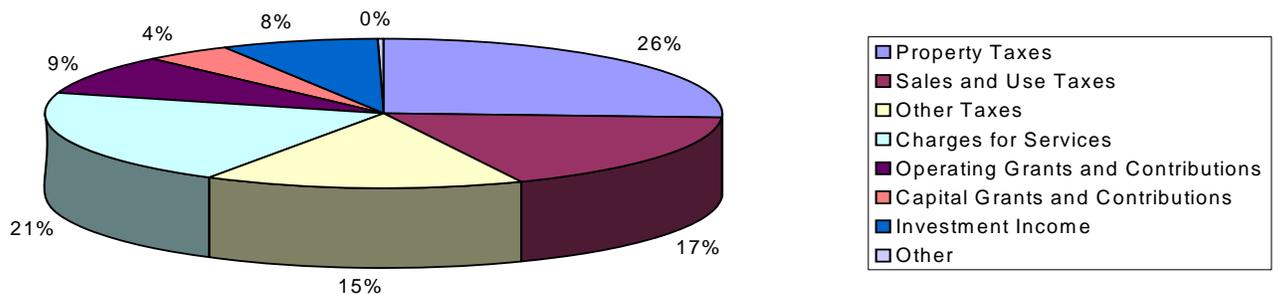
- The revenue decline in transient occupancy tax was due to the slowdown in business-related travel, in spite of the increase in TOT rate in January 2009 from 9% to 9.5%. The decrease in construction tax and real property transfer tax reflected the downturn of development-related activity caused by the current economic crisis. Motor vehicle license fees continued to decline from prior years. Business license tax revenue increased 16.7%. 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. Several audit recovery efforts in this year also had a positive impact.
- Charges for services increased by \$1.8 million or 12% from the previous year. Park dedication fee revenue increased by \$2.5 million due to one large development project while other development fees declined \$0.4 million. Revenues from permits, licenses, fines, forfeitures, and service fees all declined from last year.
- Operating grants and contributions increased by \$2 million or 11.5%. Major contributors included increased funding from the WIA (Workforce Investment Act) grants. A portion of the WIA grant funds received was attributed to the Federal stimulus money from the American Recovery and Reinvestment Act of 2009.

Management’s Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2010

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

- Capital grants and contributions increased by \$4.5 million or 56% from the prior year. The Federal funds contributed significant resources for transportation projects such as Mathilda Avenue Railroad Overpass and Murphy Avenue Streetscape Revitalization, and for community development projects such as CDBG Sidewalk Replacement and ADA Curb Retrofit. The Valley Transportation Authority also provided major funding sources for the Tasman/Fairoaks Area Streetscape and Sense of Place project.
- 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 \$4.3 million or 48% from the previous year. The decline was primarily due to the reduced investment portfolio caused by the economic downturn and the low yield on U.S. Treasury and other highly safe similar instruments. The change in fair value of investments at the end of fiscal year 2010 was a negative \$3.3 million because most of the investments were acquired at a premium for better yields. No actual gains or losses were incurred since the City's policy is to buy and hold investments until their maturity dates. If excluding the change in fair value, the average rate of return on the City’s portfolio was 1.12%, down from 2.58% of last year.

Governmental Activities
Revenues by Source
June 30, 2010



Management's Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2010

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

Expense Highlights:

Total expenses, excluding interest expense, for governmental activities were \$153.4 million, higher than last year by \$1.3 million. Changes are summarized below:

- Look-back adjustments to various governmental programs, due to Internal Service Funds' operating losses, were \$3.3 million more than the previous year. Total adjustments were \$3.5 million in fiscal year 2009 and \$6.8 million in fiscal year 2010.
- Excluding the effects of Internal Service Fund look-back adjustments, other direct charges to all governmental programs actually had a decrease of approximately \$2 million: Public Safety programs decreased \$3.3 million; Planning and Management decreased \$1.4 million; Environmental programs decreased \$0.8 million; Transportation decreased 0.5 million; Community Development programs increased \$1.1 million; Socioeconomic programs increased \$2.2 million; and Cultural programs increased \$ 0.9 million.
- Not included in the expenses above was approximately \$14 million of the governmental funds' capital outlay (mostly work in progress), which has been capitalized under the full accrual basis.

In fiscal year 2010, the Internal Service Funds' operating loss was primarily due to the increase in actuarially determined liability for other postemployment benefits (OPEB). 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 an additional net OPEB obligation of \$9.4 million in this fiscal year; that amount equaled the difference between the annual OPEB cost of \$13.4 million and contributions of \$4 million made on a pay-as-you-go basis.

Although the look-back adjustment is reflected as additional expenses to the governmental programs, it is important to note that the City anticipated much of the increases and planned for the use of interfund transfers, investment earnings, and unrestricted net assets to mitigate these increases.

In August 2008 the City Council approved the City's participation in the California Employers' Retiree Benefit Trust Fund (CERBT) to pre-fund the retiree medical liability. The City then budgeted \$28.1 million in for its initial investment into the CERBT. Had a transfer been made in 2008, a considerable portion of the \$28.1 million would have been lost due to the unprecedented negative earnings in the CERBT investment portfolio.

As of the close of fiscal year 2010, the City was still evaluating its options related to establishing an OPEB Trust. In early fiscal year 2011, the City selected PFM Asset Management, LLC as its investment advisor for the purpose of managing its OPEB Trust. Over the course of fiscal year 2011, the City expects to contribute approximately \$33 million as an initial investment in the Trust, with additional funds being added on an ongoing basis until the Trust is fully funded.

Management's Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2010

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

Changes in various programs' operational expenses are briefly explained below:

Expenses for the Public Safety program declined \$1 million from the prior year. The Internal Service Fund look-back adjustment was \$2.3 million more than the prior year. However, other costs decreased by \$3.3 million, mostly due to savings in personnel costs and cuts in recruitment and training costs.

Expenses for Planning and Management declined \$0.9 million from the prior year. The Internal Service Fund look-back adjustment was \$0.5 million more than the prior year. Other costs decreased by \$1.4 million, mostly due to savings in the General Fund operations and expensed capital outlay of the Infrastructure Renovation and Replacement Nonmajor Capital Projects Fund.

Expenses for Environmental Management decreased \$0.8 million from \$2.2 million of last year. In fiscal year 2008, the City implemented GASB 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, and recognized approximately \$9 million of pollution remediation costs and related liabilities. Subsequent years' expenditures by the governmental fund were applied to reduce the liability under the full accrual basis of accounting.

Expenses for the Transportation program declined \$0.7 million from last year. The Internal Service Fund look-back adjustment was \$0.4 million less than the prior year. Other operating costs decreased by \$0.3 million, mainly in pavement operations and other services.

Expenses for the Community Development program increased \$2 million. The Internal Service Fund look-back adjustment was \$0.8 million more than the prior year. Other operating costs increased \$1.2 million, mostly attributable to project costs not capitalized as capital assets, such as park improvements or housing revitalization funded by CDBG.

Expenses for the Socioeconomic program increased \$2.4 million from the prior year. The Internal Service Fund look-back adjustment was \$0.2 million more than the prior year. Other costs increased by \$2.2 million, due to increased Federal funding for the North Valley (NOVA) Job Training Program. Additionally, the Community Development Block Grant (CDBG) provided significant funding for the Homelessness Prevention project.

The Cultural program expense increased \$0.3 million from last year. The Internal Service Fund look-back adjustment was \$0.1 million less than the prior year. Other costs increased 0.4 million, primarily associated with the Library's Automated Materials Handling System project. Since not all capital outlay became capitalized expenses, operating costs showed a one-time increase of \$0.4 million in this year. This project is expected to reduce the Library's future operating costs in a significant way.

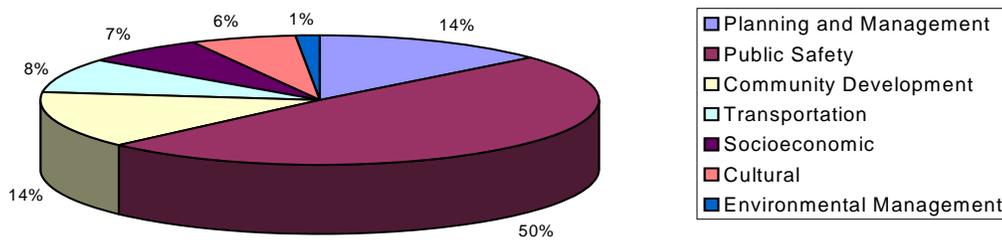
Management’s Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2010

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

Program revenues offset total expenses as follows:

- Those who directly benefited from programs contributed \$17.1 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 \$19.4 million.
- A total of \$12.6 million in capital projects was funded by outside agencies through capital grants and contributions.

Governmental Activities
Expenses by Function/Program
June 30, 2010



Functional expenses for the years ended June 30, 2010 and 2009 were as follows (amount in millions):

	Total Cost of Services		Percentage Change	Net Cost of Services		Percentage Change
	2010	2009	2009-2010	2010	2009	2009-2010
Planning and Management	\$ 20.5	\$ 21.4	(4.2)%	\$ 19.4	\$ 20.4	(4.9)%
Public Safety	73.9	74.9	(1.3)%	68.5	68.9	(0.6)%
Community Development	23.8	21.8	9.2 %	9.4	10.5	(10.5)%
Transportation	11.1	11.8	(5.9)%	(4.5)	2.1	(314.3)%
Socioeconomic	12.9	10.5	22.9 %	1.2	0.9	33.3 %
Cultural	9.8	9.5	3.2 %	9.3	6.5	43.1 %
Environmental Management	1.4	2.2	(36.4)%	1.0	2.0	(50.0)%
Total	\$ 153.4	\$ 152.1	0.9 %	\$ 104.3	\$ 111.3	(6.3)%

Management's Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2010

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

Business Type Activities

	Program Revenues		Percentage Change	Program Expenses		Percentage Change
	2010	2009	2009-2010	2010	2009	2009-2010
Business-Type Activities:						
Water Supply & Distribution	\$ 25.5	\$ 25.1	1.6 %	\$ 23.1	\$ 21.9	5.5 %
Wastewater Management	23.1	21.6	6.9 %	17.3	17.4	(0.6)%
Solid Waste Management	33.9	33.1	2.4 %	30.8	37.5	(17.9)%
SMaRT Station	23.8	22.7	4.8 %	26.6	26.3	1.1 %
Community Recreation	7.4	7.7	(3.9)%	11.8	11.7	0.9 %
Total	\$ 113.7	\$ 110.2	3.2 %	\$ 109.6	\$ 114.8	(4.5)%

Revenue Highlights:

- Total program revenues in business-type activities increased \$3.5 million from last year. Revenue from charges for services increased \$3.1 million. The rate increase was 8% for water services, 7.5% for wastewater services and 5.5% for solid waste services. These rate increases were needed to cover the increased costs of operations and maintenance of facilities. Despite the rate increases, charges for services still dropped \$0.2 million for the Water Supply and Distribution activity, due to the slowdown of business activity. The increase in the SMaRT Station revenues was due to increased processing capacity brought by the newly replaced materials recovery facility equipment. The decrease in Community Recreation revenues was primarily caused by lower golf fee revenues. Capital contributions from developers increased \$0.4 million. For general revenues (not shown in the table above), investment earnings (a combination of interest income and change in fair value of investments) totaled \$0.4 million, about \$0.7 million less than last year.

Expense Highlights:

- Total expenses in business-type activities decreased by \$5.2 million from last fiscal year; this decrease was primarily due to the recognition of \$7 million landfill postclosure care costs in fiscal year 2009. Expenses increased by \$1.2 million in the Water Supply and Distribution activity, due to the start of capital improvement projects funded by new bond proceeds (capital outlay not capitalized is reported as operating expenses). Other business-type activities had insignificant changes in program expenses from last year.

Management’s Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2010

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

**Business-Type Activities
 Program Revenues and Expenses
 June 30, 2010**



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

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

In this fiscal year, the City implemented GASB 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Note 14 to the Basic Financial Statements provides detailed discussion of the components of fund balances at the end of fiscal year 2010.

Management's Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2010

D. FUND FINANCIAL STATEMENT ANALYSIS, Continued

At year end, the City's governmental funds reported combined fund balances of \$88.9 million, a decrease of \$20.1 million from the prior fiscal year. A significant portion of the decrease, \$11.2 million, was from the General Fund's expenditures exceeding revenues and net transfers-in. Another substantial portion of the decline, \$7.9 million, was due to the nonmajor governmental funds' expenditures and net transfers-out exceeding revenues, mostly due to spending in housing and infrastructure improvements from resources accumulated in prior years. Other major funds' balances reported a combined decline of \$1 million, mostly caused by interest charged to the Redevelopment Agency for advances from the City General Fund.

The components of the total ending fund balance of \$88.9 million are as follows: an amount of \$18.2 million is nonspendable because of their form or because they must be maintained intact. Another \$66.2 million is subject to restrictions for purposes imposed by external parties or enabling legislation. Still another \$46 million (committed or assigned) reflects amounts whose use is constrained by limitations that the City imposes upon itself, by the City Council or its designated officials. A negative amount of \$28.2 million for the major funds (a combination of a positive \$36.8 million in the General Fund, a negative \$64.7 million in the Redevelopment Agency Debt Service Fund, and a negative \$0.3 million in the City Projects Fund) and a negative amount of \$13.3 million for the nonmajor governmental funds are reported as unassigned fund balances.

For fiscal year 2010, revenues for all governmental funds amounted to \$146.2 million, which were \$3.5 million higher than last year. Grant revenues were significantly higher than last year. Expenditures for all governmental funds totaled \$172.0 million and were \$9.2 million higher than last year. Most spending increases were for capital outlay and housing projects (under the Community Development program).

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

General Fund

The General Fund is used to account for and report all financial resources not accounted for and reported in other funds. At the end of fiscal year 2010, total fund balance was \$88.8 million, a decrease of \$11.2 million from the prior year.

Total General Fund revenue was \$107.0 million, a decline of \$2.9 million from last year. Property taxes increased \$1.5 million or 3.4% while sales and other taxes had no remarkable changes from the prior year. Revenues from permits, licenses, fines, forfeitures, and service fees declined \$1.4 million from the prior year. Intergovernmental grant revenue increased by \$0.4 million. Rents, concessions and other revenues increased by \$0.6 million, primarily due to Sunnyvale School District's prepayment of modular classroom rent. As safety remains the foremost objective of the City's investment decisions, investment earnings declined \$4 million or 73% from the prior year.

Management's Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2010

D. FUND FINANCIAL STATEMENT ANALYSIS, Continued

General Fund expenditures were \$123.7 million, which was \$1.6 million less than last year. The most significant reduction (\$3.4 million) was in the Public Safety program's personnel, recruitment and training costs. However, the \$1.2 million increase in capital outlay (primarily the Library's new materials handling system) offset a portion of the spending cuts in public safety. Other programs had less significant changes except for the Socioeconomic program, which had an increase of \$0.6 million. At the beginning of the fiscal year, assets (including an endowment of \$0.5 million) and liabilities of the former Youth and Neighborhood Service Special Revenue Nonmajor Fund were transferred to the General Fund, since a major portion of such services has been and still is funded by the General Fund.

Transfers of \$12.7 million from other City funds were primarily in-lieu payments for General Fund administrative costs. Transfers to other funds totaled \$7.2 million which included operating subsidies in the amount of \$4.6 million made to the Community Recreation Enterprise Fund. The remaining \$2.6 million was transferred out to reimburse other City Funds for project administration, special project costs, and debt service costs.

General Fund expenditures exceeded revenues by \$16.7 million, with net interfund transfers-in of \$5.5 million, resulting in a decrease of \$11.2 million in fund balance from last year. Discussion of the components of the General Fund balance can be located in Note 14 to the Basic Financial Statements.

Employment Development Special Revenue Fund

The City of Sunnyvale, as administrative entity for the North Valley (NOVA) Job Training Consortium, is required by legislation and regulations to account for the use of various federal and state funds and program revenues for the workforce development activities that are conducted for the North Valley Job Training Consortium (NOVA). The City has established the Employment Development Fund to fulfill this obligation.

The Employment Development Special Revenue Fund showed no significant change in fund balance. Since this Fund is entirely dependent on federal and state job training grants to fund its programs, the expenditures were kept within the amount of expected revenues. During the year revenues increased by \$1.6 million, which was matched with equally increased expenditures and transfers out to other funds.

Redevelopment Agency Debt Service Fund

The Redevelopment Agency Debt Service Fund is used to account for and report financial resources that are restricted to expenditures for principal and interest for the bonded and other legally mandated debt (advances from the City General Fund) incurred for the redevelopment project area.

Management's Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2010

D. FUND FINANCIAL STATEMENT ANALYSIS, Continued

The 1977 First Amended Repayment Contract between the City and the Agency was executed in accordance with California Redevelopment Law to provide tax increment financing for capital improvements in the project area. The Agency agrees to reimburse the City for land and improvements that have been or will be paid or provided for initially by the City.

The Redevelopment Agency Debt Service Fund experienced a decrease in fund balance of \$0.7 million in this fiscal year. The decrease was primarily due to interest accrued on outstanding advances owed to the City General Fund. The Agency's tax increment revenues have not been sufficient to repay City General Fund advances after paying some pre-existing debt obligations. During the current year, the Agency also borrowed additional funds from the City General Fund to pay for infrastructure improvements and pollution remediation obligations.

City Projects Capital Projects Fund

The City Projects Capital Projects Fund is used to account for financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets. Major funding sources include grants and development fees.

The City Projects Capital Project Fund showed an insignificant decrease in fund balance of \$0.2 million. Intergovernmental grant revenues increased significantly to reimburse the City's capital outlay, mostly transportation projects. The Fund also received net transfers-in of \$1.7 million from other City funds to reimburse a portion of project costs.

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.

Water Supply and Distribution Enterprise Fund

The Water Supply and Distribution Enterprise Fund's net assets had an increase of \$0.4 million. The Fund's net income before contributions and transfers was \$2.5 million. Non-cash capital contributions were \$0.8 million. This Fund also transferred a net amount of \$2.9 million to other funds for administrative and project support. Refer to Note 7 to the Basic Financial Statements for new debt issued to fund capital improvements to the water systems.

Management's Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2010

D. FUND FINANCIAL STATEMENT ANALYSIS, Continued

Wastewater Management Enterprise Fund

The Wastewater Management Enterprise Fund's net assets grew by \$2.7 million. The Fund's net income before contributions and transfers was \$6.9 million. Approximately \$4.2 million was transferred out to reimburse other funds for administrative and project support. Capital improvements to the City's aging wastewater treatment plant and collection system are funded by rate revenue and new debt. Refer to Note 7 to the Basic Financial Statements for new debt issued to fund capital improvements to the wastewater systems.

Solid Waste Management Enterprise Fund

The Solid Waste Management Enterprise Fund's net assets decreased \$1.6 million from last year. The Fund's net income before transfers was \$3.2 million. Approximately \$3.2 million was transferred out to other funds for administrative and project support and \$1.6 million for the SMaRT Station Enterprise Fund's debt service. This Fund had deficit net assets of \$34.3 million, mainly caused by having incurred two liabilities—advances from the General Fund and the landfill postclosure care liability. At year end the balance of the General Fund advances was approximately \$28.1 million and landfill liability \$10.1 million. The deficit is expected to be funded by charges for services in future years.

SMaRT Station Enterprise Fund

The SMaRT Station Enterprise Fund's net assets decreased \$0.9 million from the prior year. Details are explained below.

The new materials recovery facility (MRF) operation began on September 1, 2009. One of the major revenue sources was the MRF revenue, which increased \$1.2 million from last year. Total operating expenses remained the same: The new MRF resulted in savings in disposal fees to the landfill; the savings were offset by increased tipping fees paid to the MRF operator. On the other hand, the decrease in tonnage to the landfill caused the Fund to pay "put or pay" penalties. Depreciation expense decreased significantly from last year when accelerated depreciation was applied to the replaced MRF, and that offset increases in all other operating costs.

Interest expense increased by \$0.4 million; which was due to an equal amount being capitalized in fiscal year 2009 as the new MRF was being built. Interest revenue was \$0.1 million less than the prior year.

Transfers from the Solid Waste Fund increased by \$0.2 million, primarily to reimburse prior-year costs in addition to the annual debt service transfer of \$1.6 million.

Management's Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2010

D. FUND FINANCIAL STATEMENT ANALYSIS, Continued

Community Recreation Enterprise Fund

The Community Recreation Enterprise Fund's net assets decreased \$0.7 million. The Fund's operating loss of \$4.3 million and transfers-out of \$1.1 million (for in-lieu charges to the General Fund) were offset by subsidies of \$4.7 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 Basic 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 to existing appropriations to reflect Council-approved changes to operating programs or capital projects.
- New appropriations approved by City Council.

Final appropriations, including transfers to other funds, for fiscal year 2010 were \$140.1 million, an increase of \$10.3 million from the original appropriations of \$129.8 million. Amendments to existing project appropriations had a net increase of \$2.2 million. Transfers carryover appropriations of \$5.9 million were approved to fund existing projects. New appropriations of \$3.7 million were appropriated throughout the fiscal year for various new unanticipated operating expenditures and projects. Funding sources included grant revenues and fund balance. Additional operating cost savings measures reduced appropriations by \$1.5 million.

Actual charges to appropriations (outflows) for the fiscal year were \$2.0 million over the original budget and \$8.2 million under the amended budget. Variations between the original and final amended appropriations are explained in the Required Supplementary Information. Actual cost savings in operating programs approximated \$2.4 million, primarily due to focused efforts to reduce costs through operational efficiencies to counter revenue shortfalls. Actual debt service costs were \$0.5 million more than anticipated as funds were remitted to the trustee in order to prepay the outstanding 1998 ABAG Certificates of Participation in August 2011. Most of the unspent funds for project appropriations, which amounted to \$6.3 million, will not lapse for fiscal year 2011. 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.

Management's Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2010

E. GENERAL FUND BUDGETARY HIGHLIGHTS, Continued

Resources (inflows) available for appropriations were \$3.5 million over the original budget and \$7.2 million over the final budgeted amounts. During the fiscal year 2010 budget process, revenues were analyzed and amended to reflect the actual trends based upon mid-year review of revenues, State remittances, and information from consultants. It turned out the final two quarters of sales tax were much better than expected. The loan repayment from Redevelopment Agency was also significantly higher than originally estimated.

F. CAPITAL ASSETS AND LONG-TERM OBLIGATIONS

Capital Assets

Capital assets including infrastructure are those assets that are used in the performance of the City's functions. At June 30, 2010, the City reported capital assets with carrying value of \$412 million under governmental activities and \$119.5 million under business-type activities.

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 over 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 2010, 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, 2010 was \$2.8 million. Actual expenditures were \$2.5 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, 2010

F. CAPITAL ASSETS AND LONG-TERM OBLIGATIONS, Continued

The following is a summary of the City's capital assets as of June 30, 2010.

Description	Cost	Accumulated Depreciation	Carrying Value
Capital Assets - Governmental Activities:			
Land	\$ 105.5	\$ -	\$ 105.5
Buildings and Structures	92.1	42.3	49.8
Improvements Other than Buildings	72.6	27.3	45.3
Machinery and Equipment	31.0	18.1	12.9
Construction in Progress	14.0	-	14.0
Infrastructure:			
Nondepreciable	160.2	-	160.2
Depreciable	78.3	54.0	24.3
Total	\$ 553.7	\$ 141.7	\$ 412.0
Capital Assets - Business-Type Activities:			
Land	\$ 16.5	\$ -	\$ 16.5
Buildings and Structures	22.2	20.8	1.4
Improvements Other than Buildings	28.2	16.2	12.0
Machinery and Equipment	5.3	4.6	0.7
Construction in Progress	23.4	-	23.4
Infrastructure - Depreciable	123.1	57.6	65.5
Total	\$ 218.7	\$ 99.2	\$ 119.5

During the year, the City recorded some capital contributions from external sources. Developers contributed capital assets (streets, traffic signals, and lights) with fair market value of \$2.2 million to governmental activities. Developers also contributed infrastructure assets of \$0.8 million and \$0.1 million to the water supply and distribution system and wastewater management system respectively.

A major project completed during the year was Borregas Avenue Bicycle Corridor, moving a total \$8.8 million from construction in progress to improvements. Another major project, Tasman/Fair Oaks Streetscape & Sense of Place, was capitalized in the amount of \$1.6 million. Many capital projects were still in progress at year end. Amounts capitalized for major capital projects in progress included \$3.2 million for Murphy Avenue Streetscape Revitalization, \$2.8 million for Mathilda Avenue Railroad Overpass Improvements, and \$0.5 million for SMaRT Station equipment replacement.

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, 2010

F. CAPITAL ASSETS AND LONG-TERM OBLIGATIONS, Continued

Long-Term Obligations

As of June 30, 2010, the City had outstanding bonded obligations 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. Refer to Note 7 to the Basic Financial Statements for more details.

The City’s long-term obligations for the fiscal years 2010 and 2009 were as follows:

	Governmental Activities		Business-type Activities		Total	
	2010	2009	2010	2009	2010	2009
Tax Allocation Refunding Bonds	\$ 6.0	\$ 6.4	\$ -	\$ -	\$ 6.0	\$ 6.4
Certificates of Participation	27.6	28.9	-	-	27.6	28.9
Revenue Bonds	-	-	82.7	44.5	82.7	44.5
Total Bonded Debt	\$ 33.6	\$ 35.3	\$ 82.7	\$ 44.5	\$ 116.3	\$ 79.8

At the end of the fiscal year, the City issued \$24 million of Water Revenue Bonds and \$35.4 million of Wastewater Revenue Bonds, Series 2010 to refund in advance the Sunnyvale Financing Authority’s Water and Wastewater Revenue Bonds, Series 2001 and to provide new funding for needed significant capital improvements to the water and wastewater facilities.

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

G. ECONOMIC FACTORS AND NEXT YEAR’S BUDGET

The City Budget for fiscal year 2011, adopted on June, 29, 2010, reflected the anticipated end of the recession and the resulting modest recovery. Despite this positive news, the City still faces significant fiscal challenges, as the impact of this recession, both in the short- and long-term, was greater than previously anticipated.

*Management's Discussion and Analysis, Concluded
Fiscal Year Ended June 30, 2010*

G. ECONOMIC FACTORS AND NEXT YEAR'S BUDGET, Continued

City staff continued to revise short- and long-term revenue assumptions to address the impact of the recession that clearly eroded our revenue base. Projections for major revenue sources such as Sales Tax, Transient Occupancy Tax, and Construction-related taxes and fees reflect very modest growth over the next several years, mirroring the expected slow recovery of the economy. The impacts of the recession have yet to be realized for the General Fund's largest revenue source, Property Tax, as the timing of assessment appeals causes Property Tax revenues to lag one to two years behind the economic cycle. The City anticipates a decline in Property Tax revenue related to commercial property over the next several years before recovery begins in FY 2013/2014.

In addition to the erosion of the City's revenue base, which has resulted in fewer available resources to provide services, personnel costs, especially those related to pensions, continue to increase at a rate that is unsustainable. This has required the City to cut service levels and forego funding for much needed infrastructure improvement.

As a result of these revenue and expenditure issues, the City has continued to build on the foundation it laid in the fiscal year 2010 budget by developing a comprehensive plan that allows the City to live within its means while balancing the needs of all stakeholders. The fiscal year 2011 budget addresses the structural imbalance in the General Fund through four main strategies:

- Addressing rising personnel costs by resetting salary increase projections in the 20-year plan, putting a hold on all vacant General Fund positions that are considered non-essential, and exploring alternatives to reduce the cost of our pension plans.
- Increasing organizational efficiency by looking for opportunities to permanently eliminate positions without appreciably affecting service and utilizing reorganizations to achieve economies of scale and eliminate redundancy.
- Focusing on enhancing our revenue base by maximizing cost recovery on services where applicable, and allocating resources to areas where revenue generation opportunities exist.
- Drawing down our Budget Stabilization Fund by \$24 million over the next twelve years to mitigate more significant service level or personnel reductions.

Despite its fiscal challenges, the City has maintained its AAA "Issuer Credit Rating" from Standard & Poor's, which was upgraded from AA+ in 2009. This illustrates Sunnyvale's commitment to long-term financial planning and its past ability to adhere to the Long-Term Financial Plan to weather difficult financial times.

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, 2010**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and Investments Held by City (Note 2)	\$ 156,833,238	\$ 27,837,043	\$ 184,670,281
Receivables, Net (Note 3)	10,075,371	10,447,671	20,523,042
Inventories and Prepayments	1,256,505	235,313	1,491,818
Assets Held for Resale	1,381,077	-	1,381,077
Other Long-term Receivables (Note 3)	3,780,684	-	3,780,684
Internal Balances (Note 5)	42,898,347	(42,898,347)	0
Deferred Charges (Note 7)	871,197	1,152,832	2,024,029
Restricted Assets:			
Cash and Investments Held by City (Note 2)	62,467,154	-	62,467,154
Cash and Investments Held by Fiscal Agent (Note 2)	3,710,627	45,631,268	49,341,895
Receivables, Net (Note 3)	734,338	-	734,338
Intergovernmental Receivables (Note 3)	7,768,480	161,000	7,929,480
Housing Loans Receivable, Net (Note 3)	34,823,184	-	34,823,184
Capital Assets (Note 6):			
Land and Nondepreciable Assets	279,659,143	39,863,080	319,522,223
Depreciable Assets, Net	132,301,293	79,589,998	211,891,291
Total Assets	738,560,638	162,019,858	900,580,496
Liabilities:			
Wages Payable	4,418,011	-	4,418,011
Accounts Payable and Accrued Liabilities	14,323,392	7,092,686	21,416,078
Refundable Deposits	507,734	539,482	1,047,216
Interest Payable	259,077	255,570	514,647
Unearned Revenues (Note 4)	2,009,495	18,471	2,027,966
Noncurrent Liabilities (Note 7):			
Due Within One Year	13,918,871	4,720,973	18,639,844
Due in More than One Year	62,364,780	88,043,603	150,408,383
Total Liabilities	97,801,360	100,670,785	198,472,145
Net Assets (Note 14):			
Invested in Capital Assets, Net of Related Debt	378,989,712	82,414,667	461,404,379
Restricted for:			
Capital Projects	15,282,387	-	15,282,387
Specific Projects and Programs:			
Nonexpendable	1,942,560	-	1,942,560
Expendable	70,182,877	-	70,182,877
Total Restricted Net Assets	87,407,824	-	87,407,824
Unrestricted Net Assets (Deficit (Note 15))	174,361,742	(21,065,594)	153,296,148
Total Net Assets	\$ 640,759,278	\$ 61,349,073	\$ 702,108,351

**Statement of Activities and Changes in Net Assets
Year Ended June 30, 2010**

Programs	Expenses	Program Revenues			Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government:					
Governmental Activities:					
Planning and Management	\$ 20,532,541	\$ 524,343	\$ 602,438	\$ -	\$ 1,126,781
Public Safety	73,902,976	3,429,518	1,831,369	182,285	5,443,172
Community Development	23,832,575	10,817,921	2,358,453	1,243,963	14,420,337
Transportation	11,080,674	887,211	3,441,549	11,202,939	15,531,699
Socioeconomic	12,932,385	804,357	10,972,489	-	11,776,846
Cultural	9,756,931	233,054	177,332	1,970	412,356
Environmental Management	1,445,293	366,329	35,693	639	402,661
Interest on Long-term Debt	1,003,196	-	-	-	-
Total Governmental Activities	154,486,571	17,062,733	19,419,323	12,631,796	49,113,852
Business-Type Activities:					
Water Supply and Distribution	23,065,473	24,773,352	-	781,800	25,555,152
Wastewater Management	17,248,721	22,997,493	-	75,800	23,073,293
Solid Waste Management	30,814,425	33,899,673	-	-	33,899,673
SMaRT Station	26,618,354	23,825,675	-	-	23,825,675
Community Recreation	11,833,519	7,360,717	-	-	7,360,717
Total Business-Type Activities	109,580,492	112,856,910	-	857,600	113,714,510
Total Primary Government	\$ 264,067,063	\$ 129,919,643	\$ 19,419,323	\$ 13,489,396	\$ 162,828,362

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 11)

Total General Revenues and Transfers

Change in Net Assets

Net Assets - Beginning of Year

Net Assets - End of Year



**Net (Expense) Revenue
and Changes in Net Assets**

Governmental Activities	Business-Type Activities	Total
\$ (19,405,760)	\$ -	\$ (19,405,760)
(68,459,804)	-	(68,459,804)
(9,412,238)	-	(9,412,238)
4,451,025	-	4,451,025
(1,155,539)	-	(1,155,539)
(9,344,575)	-	(9,344,575)
(1,042,632)	-	(1,042,632)
(1,003,196)	-	(1,003,196)
<u>(105,372,719)</u>	<u>-</u>	<u>(105,372,719)</u>
-	2,489,679	2,489,679
-	5,824,572	5,824,572
-	3,085,248	3,085,248
-	(2,792,679)	(2,792,679)
-	(4,472,802)	(4,472,802)
<u>-</u>	<u>4,134,018</u>	<u>4,134,018</u>
<u>(105,372,719)</u>	<u>4,134,018</u>	<u>(101,238,701)</u>
51,633,093	-	51,633,093
25,431,711	-	25,431,711
408,379	-	408,379
5,979,301	-	5,979,301
6,797,770	-	6,797,770
5,578,196	-	5,578,196
570,967	-	570,967
936,993	-	936,993
1,363,638	-	1,363,638
98,700,048	-	98,700,048
4,634,759	385,612	5,020,371
18,204	-	18,204
4,970,214	(4,970,214)	-
<u>108,323,225</u>	<u>(4,584,602)</u>	<u>103,738,623</u>
2,950,506	(450,584)	2,499,922
<u>637,808,772</u>	<u>61,799,657</u>	<u>699,608,429</u>
<u>\$ 640,759,278</u>	<u>\$ 61,349,073</u>	<u>\$ 702,108,351</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 Special Revenue 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 ***City Projects Fund*** accounts for major capital projects funded by grants, development fees, and transfers from other City funds.

CITY OF SUNNYVALE

**Balance Sheet
Governmental Funds
June 30, 2010**

	Major Funds		
	General Fund	Employment Development Special Revenue	Redevelopment Debt Service
Assets:			
Cash and Investments Held by City (Note 2)	\$ 69,676,195	\$ 6,175	\$ -
Cash and Investments Held by Fiscal Agent (Note 2)	-	-	1,928,741
Receivables, Net (Note 3)	9,493,942	1,962	-
Intergovernmental Receivables (Note 3)	945,873	697,273	-
Due From Other Funds (Note 5)	18,113	-	-
Advances to Other Funds (Note 5)	107,387,001	-	-
Inventories and Prepayments	492,763	4,385	-
Other Long-term Receivables (Note 3)	3,780,684	-	-
Housing Loans Receivable (Note 3)	-	-	-
Assets Held for Resale	1,101,077	-	-
Total Assets	\$ 192,895,648	\$ 709,795	\$ 1,928,741
Liabilities and Fund Balances:			
Liabilities:			
Accounts Payable and Accrued Liabilities	5,059,559	543,425	-
Refundable Deposits	478,061	-	-
Due to Other Funds (Note 5)	-	-	-
Advances from Other Funds (Note 5)	-	-	64,671,255
Deferred Revenues (Note 4)	98,564,604	6,088	-
Total Liabilities	104,102,224	549,513	64,671,255
Fund Balances (Note 14 and Note 15):			
Nonspendable	15,982,874	4,385	-
Restricted	534,051	155,897	1,928,741
Committed	35,418,315	-	-
Assigned	21,676	-	-
Unassigned, Reported in			
Major Funds	36,836,508	-	(64,671,255)
Special Revenue Funds	-	-	-
Total Fund Balances	88,793,424	160,282	(62,742,514)
Total Liabilities and Fund Balances	\$ 192,895,648	\$ 709,795	\$ 1,928,741

See Accompanying Notes to Basic Financial Statements



Major Funds		
City Projects	Other Governmental Funds	Total Governmental Funds
15,318,622	\$ 46,112,711	\$ 131,113,703
-	1,781,886	3,710,627
393,897	279,291	10,169,092
3,636,089	2,489,245	7,768,480
-	13,063,497	13,081,610
-	-	107,387,001
450,000	-	947,148
-	-	3,780,684
-	34,823,184	34,823,184
-	280,000	1,381,077
\$ 19,798,608	\$ 98,829,814	\$ 314,162,606
2,812,073	2,749,744	11,164,801
-	8,425	486,486
-	13,081,610	13,081,610
-	-	64,671,255
1,569,940	35,699,051	135,839,683
4,382,013	51,538,830	225,243,835
450,000	1,715,902	18,153,161
15,282,387	48,344,558	66,245,634
-	10,553,668	45,971,983
-	-	21,676
(315,792)	-	(28,150,539)
-	(13,323,144)	(13,323,144)
15,416,595	47,290,984	88,918,771
\$ 19,798,608	\$ 98,829,814	\$ 314,162,606

CITY OF SUNNYVALE

**Reconciliation of the Governmental Funds Balance Sheet
to the Government-Wide Statement of Net Assets
June 30, 2010**

Total Fund Balances - Total Governmental Funds	\$ 88,918,771
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, 2010, capital assets used by governmental activities excluding \$10,756,665 of capital assets used by Internal Service Funds.	401,203,771
Town Center Pollution Remediation Obligations are not recognized in the fund financials on a modified accrual basis.	(1,714,082)
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.	(259,077)
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.	32,625,389
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.	64,553,198
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.	106,722
The State deferred payment of gas tax apportionment for fiscal year 2010 until April 2011.	107,595
Eligible expenditures, yet to be reimbursed by grants, are reported as deferred revenues in the fund financial statements.	1,092,209
Receivables from long-term housing loans are offset by deferred revenues in the fund statements.	34,823,184
State and County cost reimbursements earned but not available are not current financial resources.	330,559
Proposition 172 revenue recognized but not available for fiscal year 2010	83,956
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 have been recognized when the capital improvement is completed.	107,376
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.	50,292,701
This amount represents Internal Service Funds' chargeback and subsequent transfers from Business-Type Activities.	1,241,533
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	(33,670,000)
Unamortized discount on bonds	44,276
Deferred charges on bonds	871,197
Net Assets of Governmental Activities	\$ 640,759,278

See Accompanying Notes to Basic Financial Statements

CITY OF SUNNYVALE

**Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2010**

	Major Funds		
	General Fund	Employment Development Special Revenue	Redevelopment Debt Service
Revenues:			
Property Taxes	\$ 43,699,859	\$ -	\$ -
Sales and Use Taxes	26,590,337	-	-
Other Taxes	15,247,564	-	-
Franchise Fees	5,979,301	-	-
Intergovernmental Revenues	2,176,433	10,817,079	-
Permits and Licenses	4,765,710	-	-
Fines and Forfeitures	1,117,547	-	-
Special Assessments	20,750	-	-
Service Fees	3,192,871	8,417	-
Rents and Concessions	2,248,632	-	-
Investment Earnings	1,472,974	-	-
Other Revenues	461,298	102,602	-
Total Revenues	106,973,276	10,928,098	-
Expenditures:			
Current:			
Planning and Management	18,274,119	-	-
Public Safety	69,823,349	-	-
Community Development	18,158,351	-	-
Transportation	5,354,945	-	-
Socioeconomic	956,582	10,487,202	-
Cultural	7,867,176	-	-
Environmental Management	1,829,394	-	-
Capital Outlay	1,396,342	-	-
Debt Service:			
Principal Retirement	-	-	980,000
Interest	-	-	5,968,763
Fiscal Charges	-	-	7,655
Total Expenditures	123,660,258	10,487,202	6,956,418
Excess (Deficiency) of Revenues Over (Under) Expenditures	(16,686,982)	440,896	(6,956,418)
Other Financing Sources (Uses):			
Transfers In (Note 11)	12,711,881	-	6,273,884
Transfers Out (Note 11)	(7,249,497)	(459,339)	-
Total Other Financing Sources (Uses)	5,462,384	(459,339)	6,273,884
Net Change in Fund Balances	(11,224,598)	(18,443)	(682,534)
Fund Balances - Beginning of Year	100,018,022	178,725	(62,059,980)
Fund Balances - End of Year	\$ 88,793,424	\$ 160,282	\$ (62,742,514)

See Accompanying Notes to Basic Financial Statements



<u>Major Funds</u>		
<u>City Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ 7,706,864	\$ 51,406,723
-	-	26,590,337
-	-	15,247,564
-	-	5,979,301
8,055,126	7,058,638	28,107,276
-	-	4,765,710
-	47,627	1,165,174
-	-	20,750
359,303	3,248,949	6,809,540
-	117,068	2,365,700
154,399	407,170	2,034,543
656,262	454,092	1,674,254
<u>9,225,090</u>	<u>19,040,408</u>	<u>146,166,872</u>
-	433,534	18,707,653
-	199,642	70,022,991
18,947	8,155,809	26,333,107
-	2,009,484	7,364,429
-	669,159	12,112,943
-	63,403	7,930,579
60,369	3,416,492	5,306,255
11,036,933	4,064,142	16,497,417
-	650,000	1,630,000
-	72,143	6,040,906
-	40,036	47,691
<u>11,116,249</u>	<u>19,773,844</u>	<u>171,993,971</u>
(1,891,159)	(733,436)	(25,827,099)
2,153,556	5,472,512	26,611,833
(473,321)	(12,665,841)	(20,847,998)
<u>1,680,235</u>	<u>(7,193,329)</u>	<u>5,763,835</u>
(210,924)	(7,926,765)	(20,063,264)
<u>15,627,519</u>	<u>55,217,749</u>	<u>108,982,035</u>
<u>\$ 15,416,595</u>	<u>\$ 47,290,984</u>	<u>\$ 88,918,771</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, 2010**

Net Change in Fund Balances - Total Governmental Funds	\$ (20,063,264)
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, transfers, and deletions recorded in the current period - governmental	13,790,882
Depreciation and net losses in disposal recorded in the current period - governmental activities	(6,489,379)
Private contributions of capital assets are not recorded in the governmental funds.	2,162,800
This amount represents Town Center pollution remediation obligations reduced in the current year but had already been recognized in prior year government-wide financial statements.	4,308,970
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	2,800,751
Interest accrued on long-term housing loan receivables	884,730
Interest accrued on employees' loan receivables	41,352
Customer late payment arrangements	(6,660)
Reimbursable costs incurred for abandoned vehicles and State mandates	233,737
Current grant revenues earned but not available	1,092,209
Payment of current gas tax apportionment deferred by the State	107,595
Current Proposition 172 revenue recognized but not available	83,956
Housing loans disbursed are recorded as expenditures in the fund financial statements. They are reclassified as increases in receivables in the government-wide financial statements.	6,173,916
Housing loans repaid, recorded as revenues in the fund financial statements, are reclassified as reductions in receivables in the Government-Wide financial statements. This number is adjusted by allowance for uncollectible accounts.	(605,066)
Interfund advances interest charged on the borrower governmental funds with deferred revenues recorded in the General Fund is consolidated in the government-wide statements.	5,233,320
Interfund interest revenue previously deferred in governmental funds was received in current year.	(950,000)
Revenues recognized in the government-wide statement of activities and changes in net assets in prior fiscal years became available in current fiscal year:	
Reimbursable costs incurred on State mandate and abandoned vehicles	(225,864)
Conway assessment installments received	(9,746)
Prior grant revenues earned but were not available until current year	(177,543)
Repayment of principal or issuance of refunding debt should have no effect on the government-wide statement of activities and changes in net assets.	1,630,000
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.	(59,730)
This amount represents the change in accrued interest on bonds payable from prior year.	13,797
Internal Service Funds are primarily to serve governmental activities. The change in net assets of the Internal Service Funds is reported with governmental activities.	(7,376,879)
This amount represents Internal Service Fund look-back adjustments from Business-Type Activities.	356,622
Change in Net Assets of Governmental Activities	\$ 2,950,506

See Accompanying Notes to Basic Financial Statements

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 expenses 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 Fund Net Assets
Proprietary Funds
June 30, 2010**

	Major Enterprise Funds		
	Water Supply and Distribution	Wastewater Management	Solid Waste Management
Assets:			
Current Assets			
Cash and Investments Held by City (Note 2)	\$ 4,483,119	\$ 17,330,505	\$ 746,527
Cash and Investments Held by Fiscal Agent (Note 2)	18,951,819	23,971,904	-
Receivables, Net (Note 3)	3,629,580	2,913,582	3,750,501
Intergovernmental Receivables (Note 3)	-	9,947	151,053
Inventories and Prepayments	-	11,598	-
Total Current Assets	<u>27,064,518</u>	<u>44,237,536</u>	<u>4,648,081</u>
Noncurrent Assets			
Deferred Charges (Note 7)	279,515	358,877	-
Capital Assets (Note 6):			
Land & Nondepreciable Assets	6,267,941	9,055,802	-
Depreciable Assets, Net	34,068,433	32,452,543	982,251
Total Noncurrent Assets	<u>40,615,889</u>	<u>41,867,222</u>	<u>982,251</u>
Total Assets	<u>67,680,407</u>	<u>86,104,758</u>	<u>5,630,332</u>
Liabilities:			
Current Liabilities			
Wages Payable	-	-	-
Accounts Payable and Accrued Liabilities	1,933,903	1,371,216	1,416,025
Advances from Other Funds (Note 5)	351,700	450,000	1,300,000
Refundable Deposits	122,662	95,354	279,702
Interest Payable	6,639	9,250	-
Unearned Revenues (Note 4)	-	-	-
Claims and Judgments Payable - Due Within One Year (Note 7)	-	-	-
Compensated Absences Payable - Due Within One Year (Note 7)	-	-	-
Landfill Closure and Postclosure Costs (Note 7)	-	-	575,973
Long-term Debt - Due Within One Year (Note 7)	755,000	1,600,000	-
Total Current Liabilities	<u>3,169,904</u>	<u>3,525,820</u>	<u>3,571,700</u>
Noncurrent Liabilities			
Advances from Other Funds (Note 5)	1,129,787	11,635,198	26,790,129
Net Other Postemployment Benefits Obligation (Note 7)	-	-	-
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)	-	-	9,518,924
Long-term Debt - Due in More than One Year (Note 7)	23,787,777	36,745,762	-
Total Noncurrent Liabilities	<u>24,917,564</u>	<u>48,380,960</u>	<u>36,309,053</u>
Total Liabilities	<u>28,087,468</u>	<u>51,906,780</u>	<u>39,880,753</u>
Net Assets (Deficit) (Note 14 and Note 15):			
Invested in Capital Assets, Net of Related Debt	34,745,416	27,134,487	982,251
Unrestricted	4,847,523	7,063,491	(35,232,672)
Total Net Assets (Deficits)	<u>\$ 39,592,939</u>	<u>\$ 34,197,978</u>	<u>\$ (34,250,421)</u>

See Accompanying Notes to Basic Financial Statements

Major Enterprise Funds		Total Enterprise Funds	Governmental
SMaRT Station	Community Recreation		Activities Internal Service Funds
\$ 4,759,383	\$ 517,509	\$ 27,837,043	\$ 88,186,689
2,707,545	-	45,631,268	-
18,138	135,870	10,447,671	640,617
-	-	161,000	-
-	223,715	235,313	309,357
<u>7,485,066</u>	<u>877,094</u>	<u>84,312,295</u>	<u>89,136,663</u>
514,440	-	1,152,832	-
14,855,733	9,683,604	39,863,080	193,981
8,141,048	3,945,723	79,589,998	10,562,684
<u>23,511,221</u>	<u>13,629,327</u>	<u>120,605,910</u>	<u>10,756,665</u>
<u>30,996,287</u>	<u>14,506,421</u>	<u>204,918,205</u>	<u>99,893,328</u>
-	-	-	4,418,011
2,132,961	238,581	7,092,686	3,158,591
-	-	2,101,700	500,000
-	41,764	539,482	21,248
239,681	-	255,570	-
-	18,471	18,471	-
-	-	-	3,575,683
-	-	-	7,513,173
-	-	575,973	-
1,790,000	-	4,145,000	-
<u>4,162,642</u>	<u>298,816</u>	<u>14,728,882</u>	<u>19,186,706</u>
-	-	39,555,114	558,932
-	-	-	19,748,000
-	-	-	9,128,317
-	-	-	978,672
-	-	9,518,924	-
17,991,140	-	78,524,679	-
<u>17,991,140</u>	<u>-</u>	<u>127,598,717</u>	<u>30,413,921</u>
<u>22,153,782</u>	<u>298,816</u>	<u>142,327,599</u>	<u>49,600,627</u>
5,923,186	13,629,327	82,414,667	10,756,665
2,919,319	578,278	(19,824,061)	39,536,036
<u>\$ 8,842,505</u>	<u>\$ 14,207,605</u>	<u>\$ 62,590,606</u>	<u>\$ 50,292,701</u>

CITY OF SUNNYVALE

***Reconciliation of the Enterprise Funds Statement of Net Assets
to the Government-Wide Statement of Net Assets
June 30, 2010***

Total Net Assets - Total Enterprise Funds	\$ 62,590,606
Cumulative Internal Service Funds' Look-back Adjustments, Payable to Governmental Activities	<u>(1,241,533)</u>
Net Assets of Business-Type Activities	<u><u>\$ 61,349,073</u></u>

See Accompanying Notes to Basic Financial Statements

CITY OF SUNNYVALE

**Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
Year Ended June 30, 2010**

	Major Enterprise Funds		
	Water Supply and Distribution	Wastewater Management	Solid Waste Management
Operating Revenues:			
Charges for Services	\$ 24,773,352	\$ 22,997,493	\$ 33,899,673
Total Operating Revenues	24,773,352	22,997,493	33,899,673
Operating Expenses:			
Personnel Services	3,355,197	8,051,693	1,182,189
Contractual Services	1,549,346	2,013,222	27,009,303
Materials and Supplies	928,394	1,537,502	71,780
Utilities	419,250	490,706	34,446
Taxes and Licenses	916,674	134,629	423,135
Equipment and Building Rental	405,264	667,334	85,932
Water Purchased for Resale	12,762,596	-	-
Insurance Premiums and Claims	-	-	-
Retirement Premiums	-	-	-
Other Operating Expenses	270,390	396,886	15,402
Depreciation	1,393,907	1,757,398	42,931
Total Operating Expenses	22,001,018	15,049,370	28,865,118
Operating Income (Loss)	2,772,334	7,948,123	5,034,555
Nonoperating Revenues (Expenses):			
Investment Earnings	107,764	121,051	80,235
Interest Expense	(401,505)	(1,212,201)	(1,876,926)
Total Nonoperating Revenues (Expenses)	(293,741)	(1,091,150)	(1,796,691)
Income (Loss) before Contributions and Transfers	2,478,593	6,856,973	3,237,864
Capital Contributions	781,800	75,800	-
Transfers In (Note 11)	152,989	-	-
Transfers Out (Note 11)	(2,987,002)	(4,192,623)	(4,830,220)
Change in Net Assets	426,380	2,740,150	(1,592,356)
Total Net Assets (Deficit) - Beginning of Year	39,166,559	31,457,828	(32,658,065)
Total Net Assets (Deficit) - End of Year	\$ 39,592,939	\$ 34,197,978	\$ (34,250,421)



Major Enterprise Funds		Total Enterprise Funds	Governmental
SMaRT Station	Community Recreation		Activities Internal Service Funds
\$ 23,825,675	\$ 7,360,717	\$ 112,856,910	\$ 75,566,490
<u>23,825,675</u>	<u>7,360,717</u>	<u>112,856,910</u>	<u>75,566,490</u>
269,014	6,959,202	19,817,295	22,862,136
12,678,585	1,441,885	44,692,341	2,591,403
642,216	691,723	3,871,615	1,920,716
-	272,887	1,217,289	1,518,506
9,404,519	864	10,879,821	9,009
7,534	1,987,157	3,153,221	1,122,583
-	-	12,762,596	-
-	-	-	26,784,796
-	-	-	25,609,885
14	55,307	737,999	238,513
<u>2,563,802</u>	<u>267,743</u>	<u>6,025,781</u>	<u>1,639,053</u>
<u>25,565,684</u>	<u>11,676,768</u>	<u>103,157,958</u>	<u>84,296,600</u>
<u>(1,740,009)</u>	<u>(4,316,051)</u>	<u>9,698,952</u>	<u>(8,730,110)</u>
68,594	7,968	385,612	708,113
<u>(1,034,555)</u>	<u>-</u>	<u>(4,525,187)</u>	<u>(101,986)</u>
<u>(965,961)</u>	<u>7,968</u>	<u>(4,139,575)</u>	<u>606,127</u>
<u>(2,705,970)</u>	<u>(4,308,083)</u>	<u>5,559,377</u>	<u>(8,123,983)</u>
-	-	857,600	-
1,777,376	4,656,717	6,587,082	2,082,752
-	(1,088,176)	(13,098,021)	(1,335,648)
<u>(928,594)</u>	<u>(739,542)</u>	<u>(93,962)</u>	<u>(7,376,879)</u>
<u>9,771,099</u>	<u>14,947,147</u>	<u>62,684,568</u>	<u>57,669,580</u>
<u>\$ 8,842,505</u>	<u>\$ 14,207,605</u>	<u>\$ 62,590,606</u>	<u>\$ 50,292,701</u>

CITY OF SUNNYVALE

***Reconciliation of the Enterprise Funds Statement of Revenues, Expenses,
and Changes in Fund Net Assets to the Government-Wide Statement of Activities and Changes in Net Assets
Year Ended June 30, 2010***

Net Change in Net Assets - Total Enterprise Funds	\$ (93,962)
Internal Service Funds' Look-Back Adjustments	<u>(356,622)</u>
Change in Net Assets of Business-Type Activities	<u><u>\$ (450,584)</u></u>

CITY OF SUNNYVALE

**Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2010**

	Major Enterprise Funds		
	Water Supply and Distribution	Wastewater Management	Solid Waste Management
Cash Flow from Operating Activities:			
Cash Received from Customers	\$ 24,841,116	\$ 22,960,416	\$ 33,948,776
Cash Payments to Suppliers of Goods and Services	(16,932,781)	(5,110,088)	(28,473,044)
Cash Payments for Employee Services	(3,393,049)	(8,124,702)	(1,182,189)
Insurance and Claims Paid	-	-	-
Other Receipts (Payments)	41,865	-	75,968
Net Cash Provided by (Used for) Operating Activities	4,557,151	9,725,626	4,369,511
Cash Flows from Noncapital Financing Activities:			
Transfers Received	2,989	-	-
Transfers Paid	(2,987,002)	(4,042,623)	(4,830,220)
Repayment of Advance From/To Other Funds	(351,700)	(450,000.00)	(600,000)
Net Cash Provided by (Used for) Noncapital Financing Activities	(3,335,713)	(4,492,623)	(5,430,220)
Cash Flows from Capital and Related Financing Activities:			
Proceeds from New Long-term Debt (Net)	18,062,386	22,665,425	-
Principal Paid on Long-term Debt	(631,065)	(863,935)	-
Interest Paid on Long-term Debt	(472,313)	(646,602)	-
Acquisition and Construction of Capital Assets	(3,874,574)	(4,174,607)	-
Net Cash Provided by (Used for) Capital and Related Financing Activities	13,084,434	16,980,281	-
Cash Flows from Investing Activities:			
Interest on Investments	108,486	186,495	45,909
Change in the Fair Value of Investments	32,438	(43,303)	40,800
Net Cash Provided by Investing Activities	140,924	143,192	86,709
Net Increase (Decrease) in Cash and Cash Equivalents	14,446,796	22,356,476	(974,000)
Cash and Investments - Beginning of Year	8,988,142	18,945,933	1,720,527
Cash and Investments - End of Year	\$ 23,434,938	\$ 41,302,409	\$ 746,527
Reconciliation to Statement of Net Assets:			
Cash and Investments Held by City	\$ 4,483,119	\$ 17,330,505	\$ 746,527
Cash and Investments Held by Fiscal Agent	18,951,819	23,971,904	-
Total Cash and Investments	\$ 23,434,938	\$ 41,302,409	\$ 746,527

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>		
\$ 29,052,303	\$ 7,327,307	\$ 118,129,918	\$ 75,319,884
(26,516,075)	(4,490,136)	(81,522,124)	(6,897,112)
(280,518)	(6,960,089)	(19,940,547)	(54,576,444)
-	-	-	(9,562,935)
-	26,155	143,988	430,018
<u>2,255,710</u>	<u>(4,096,763)</u>	<u>16,811,235</u>	<u>4,713,411</u>
1,777,377	4,656,717	6,437,083	2,082,752
-	(1,088,176)	(12,948,021)	(1,335,648)
-	-	(1,401,700)	(500,000)
<u>1,777,377</u>	<u>3,568,541</u>	<u>(7,912,638)</u>	<u>247,104</u>
-	-	40,727,811	-
(1,715,000)	-	(3,210,000)	-
(989,932)	-	(2,108,847)	-
(633,092)	-	(8,682,273)	(774,991)
<u>(3,338,024)</u>	<u>-</u>	<u>26,726,691</u>	<u>(774,991)</u>
112,691	11,356	464,937	938,549
(43,400)	1,217	(12,248)	(166,811)
<u>69,291</u>	<u>12,573</u>	<u>452,689</u>	<u>771,738</u>
764,354	(515,649)	36,077,977	4,957,262
<u>6,702,574</u>	<u>1,033,158</u>	<u>37,390,334</u>	<u>83,229,427</u>
<u>\$ 7,466,928</u>	<u>\$ 517,509</u>	<u>\$ 73,468,311</u>	<u>\$ 88,186,689</u>
\$ 4,759,383	\$ 517,509	\$ 27,837,043	\$ 88,186,689
2,707,545	-	45,631,268	-
<u>\$ 7,466,928</u>	<u>\$ 517,509</u>	<u>\$ 73,468,311</u>	<u>\$ 88,186,689</u>

Continued

CITY OF SUNNYVALE**Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2010**

	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)	\$ 2,772,334	\$ 7,948,123	\$ 5,034,555
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation	1,393,907	1,757,398	42,931
Changes in Assets and Liabilities:			
Receivables, Net	104,903	(55,083)	153,266
Due from Other Governments	-	3,571	(71,561)
Inventories and Prepayments	113	(1,068)	608
Customer Deposits	58,021	16,990	25,440
Accounts Payable and Accrued Liabilities	227,873	55,695	(222,916)
Unearned Revenue	-	-	-
Landfill Postclosure Care	-	-	(592,812)
Claims and Judgments Payable	-	-	-
Compensated Absences Payable	-	-	-
Other Postemployment Benefits Obligation	-	-	-
Net Cash Provided by (Used for) Operating Activities	\$ 4,557,151	\$ 9,725,626	\$ 4,369,511
Noncash Investing, Capital and Financing Activities:			
Purchase of Capital Assets on Account	\$ 136,028	\$ 492,325	-
Non Cash Capital Contributions	781,800	75,800	-

See Accompanying Notes to Basic Financial Statements



<u>Major Enterprise Funds</u>		<u>Total Enterprise Funds</u>	<u>Governmental</u>
<u>SMaRT Station</u>	<u>Community Recreation</u>		<u>Activities Internal Service Funds</u>
\$ (1,740,009)	\$ (4,316,051)	\$ 9,698,952	\$ (8,730,110)
2,563,802	267,743	6,025,781	1,639,053
-	(18,075)	185,011	85,870
855,263	-	787,273	-
-	158,363	158,016	1,292,866
-	59,826	160,277	2,820
576,655	(267,040)	370,267	(5,255,209)
-	18,471	18,471	-
-	-	(592,812)	-
-	-	-	(67,000)
-	-	-	6,330,621
-	-	-	9,414,500
<u>\$ 2,255,711</u>	<u>\$ (4,096,763)</u>	<u>\$ 16,811,236</u>	<u>\$ 4,713,411</u>

\$ 70,750	-	\$ 699,103	\$ 305,214
-	-	857,600	-
			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, 2010

	<u>Agency Funds</u>
Assets:	
Cash and Investments Held by City (Note 2)	\$ 3,373,687
Cash and Investments Held by Fiscal Agent (Note 2)	1,800,091
Receivables (Note 3)	<u>78,341</u>
Total Assets	<u><u>\$ 5,252,119</u></u>
 Liabilities:	
Accounts Payable and Accrued Liabilities	\$ 1,465,911
Due to Bondholders	<u>3,786,208</u>
Total Liabilities	<u><u>\$ 5,252,119</u></u>

See Accompanying Notes to Basic Financial Statements

Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2010

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Fiscal Year Ended June 30, 2010

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Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2010

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, 2010

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. Refer to Note 7G for more information about the District.

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, 2010

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 Special Revenue 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, 2010

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 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. 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 revenues) for which the City adopts a seven-month availability period so that total sales tax revenues would be most consistent with revenues reported in years before the State sales tax flip. 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, 2010

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, project administration, employee leave time, benefits, and property and liability insurance.

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.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2010

1. SIGNIFICANT ACCOUNTING POLICIES, Continued

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 from developers and other external parties.

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 the bondholders' agent. The City is not obligated in any manner for the special assessment debt (see Note 7G 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.

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.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2010

1. SIGNIFICANT ACCOUNTING POLICIES, Continued

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.

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.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2010

1. SIGNIFICANT ACCOUNTING POLICIES, Continued

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. The exception to this rule is explained in the next paragraph.

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.

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.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2010

1. SIGNIFICANT ACCOUNTING POLICIES, Continued

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 (including easements), buildings, improvements, equipment (including computer software), 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).

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

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2010

1. SIGNIFICANT ACCOUNTING POLICIES, Continued

- Other land improvements 7 - 80 years
- Equipment 2 - 30 years
- Computer Software 3 - 15 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

The City's policy relative to maintaining the street assets is to achieve a PCI rating of 70 or over 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.

The City had been capitalizing computer software before GASB Statement 51 became effective this fiscal year. Easements purchased or donated are capitalized, assigned an indefinite life, and reported under the land category of capital assets. The City policy is not to retroactively report intangible assets considered to have indefinite useful lives as of the effective date of GASB Statement 51.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2010

1. SIGNIFICANT ACCOUNTING POLICIES, Continued

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.

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.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2010

1. SIGNIFICANT ACCOUNTING POLICIES, Continued

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.

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.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2010

1. SIGNIFICANT ACCOUNTING POLICIES, Continued

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. 51, *Accounting and Financial Reporting for Intangible Assets.*
- GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments.*
- GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*
- GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting principles for State and Local governments.*
- GASB Statement No. 56, *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards.*

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 and Cash on Hand

The carrying amounts of the City's cash deposits were \$2,115,388 at June 30, 2010. Bank balances before reconciling items (i.e., deposits in transit and outstanding checks) were \$4,751,474 at that date, the total amount of which was insured or collateralized 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.

Total cash on hand at year end was \$8,720, kept by designated employees as change funds at various City facilities.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2010

2. CASH AND INVESTMENTS, Continued

B. Investments

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

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
Securities issued by the U.S. Treasury	7 years	100%	N/A
Government Sponsored Enterprise Securities	7 years	100%	30%
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%
Municipal Bonds	5 years	100%	5%

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	\$ 4,012,443	\$ 2,017,061	\$ 6,029,504	\$ 798,728
Net changes in the fair value of investments	(1,977,900)	(1,308,948)	(3,286,848)	(413,116)
Investment Income - Fund Financial Statements	<u>\$ 2,034,543</u>	<u>\$ 708,113</u>	2,742,656	385,612
Reconciliation to Government-Wide Investment Earnings:				
Earned interest on interfund advances to business-type activities. This amount is not available.			2,800,751	-
Interest recognized in prior year government-wide financial statements that became available in current year:			(950,000)	
Deferred recognition of earned, unavailable interest - loans to employees			41,352	-
Investment Income - Government-Wide Financial Statements			<u>\$ 4,634,759</u>	<u>\$ 385,612</u>

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2010

2. CASH AND INVESTMENTS, Continued

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

	<u>Government-Wide Statement of Net Assets</u>			<u>Fund Financials</u>	
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	<u>Fiduciary Funds Statement of Net Assets</u>	<u>Total</u>
Cash and Investments	\$ 156,833,238	\$ 27,837,043	\$ 184,670,281	\$ -	\$ 184,670,281
Restricted Cash and Investments					
Held by the City	62,467,154	-	62,467,154	3,373,687	65,840,841
Held by the Fiscal Agent	3,710,627	45,631,268	49,341,895	1,800,091	51,141,986
Total	<u>\$ 223,011,019</u>	<u>\$ 73,468,311</u>	<u>\$ 296,479,330</u>	<u>\$ 5,173,778</u>	<u>\$ 301,653,108</u>

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2010

2. CASH AND INVESTMENTS, Continued

At June 30, 2010, 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, Excluding Fiduciary Funds	Not Rated	\$ 216,332	
Investments:			
Money Market	Not Rated	12,291,707	
Securities of U.S. Government Agencies/Government Sponsored Enterprises:			
Federal Home Loan Bank (2)	AAA/ Aaa	72,016,459	
Freddie Mac (2)	AAA/ Aaa	25,274,323	
Fannie Mae (2)	AAA/ Aaa	28,443,750	
U.S. Treasury (1)	N/A	23,290,236	
Tennessee Valley Authority (1)	AAA/ Aaa	22,406,033	
Federal Farm Credit Bank (2)	AAA/ Aaa	13,116,406	
Total Securities of U.S. Government Agencies		<u>184,547,207</u>	
Local Agency Investment Funds	Not Rated	<u>50,082,189</u>	
Total City Treasury Pooled Cash and Investments			\$ 247,137,435
City Cash and Investments with Fiscal Agents:			
Guaranteed Investment Contracts	Not Rated	2,140,064	
Local Agency Investment Funds	Not Rated	2,474,817	
Treasury Obligation Mutual Funds	AAA/ Aaa	<u>44,727,014</u>	
Total City Cash and Investments with Fiscal Agents			<u>49,341,895</u>
Total City Cash and Investments			\$ 296,479,330
Fiduciary Fund Deposits Held by the City, not in the City Pool	Not Rated		\$ 1,465,911
Fiduciary Fund Deposits Held in the City Pool	Not Rated		1,907,776
Fiduciary Fund Cash and Investments with Fiscal Agents:			
Treasury Obligation Mutual Funds	Not Rated		51,951
Guaranteed Investment Contracts	Not Rated		1,748,140
Total Fiduciary Fund Cash and Investments			<u>\$ 5,173,778</u>

- (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, 2010

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, 2010 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	
City Treasury Pooled Cash and Investments:					
Cash and Deposits	\$ 216,332	\$ -	\$ -	\$ -	\$ 216,332
Investments:					
Money Market	12,291,707	-	-	-	12,291,707
Federal Farm Credit Bank	5,101,406	8,015,000	-	-	13,116,406
Federal Home Loan Bank	45,379,270	26,637,189	-	-	72,016,459
Freddie Mac	25,273,990	-	-	333	25,274,323
Fannie Mae	12,083,750	16,360,000	-	-	28,443,750
Tennessee Valley Authority	18,928,485	3,477,548	-	-	22,406,033
U. S. Treasuries	8,022,501	-	15,267,735	-	23,290,236
Local Agency Investment Funds	50,082,189	-	-	-	50,082,189
Total	\$ 177,379,630	\$ 54,489,737	\$ 15,267,735	\$ 333	\$ 247,137,435
City Cash and Investments with Fiscal Agents:					
Guaranteed Investment Contracts	\$ -	\$ 193,500	\$ 1,946,564	\$ -	\$ 2,140,064
Local Agency Investment Funds	1,715,813	-	-	-	1,715,813
Treasury Obligation Mutual Funds	45,486,018	-	-	-	45,486,018
Total	\$ 47,201,831	\$ 193,500	\$ 1,946,564	\$ -	\$ 49,341,895
Fiduciary Fund Cash and Investment:					
Guaranteed Investment Contracts	\$ -	\$ -	\$ -	\$ 1,748,140	\$ 1,748,140
Treasury Obligation Mutual Funds	51,951	-	-	-	\$ 51,951
Cash and Deposits	3,373,687	-	-	-	3,373,687
Total	\$ 3,425,638	\$ -	\$ -	\$ 1,748,140	\$ 5,173,778

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, 2010

2. CASH AND INVESTMENTS, 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, 2010, 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 federal agencies or government sponsored enterprise securities maturing within seven years or less.

<u>Issuer</u>	<u>Amount</u>
<i>Federally Sponsored Agencies:</i>	
Federal Farm Credit Bank	\$ 13,116,406
Federal Home Loan Bank	72,016,459
Freddie Mac	25,274,323
Fannie Mae	28,443,750
Tennessee Valley Authority	22,406,033
Total	<u>\$ 161,256,971</u>

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2010

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, 2010, 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 or an international agency such as the World Bank.

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, 2010, the City had \$50,082,189 at fair value invested in LAIF, which had invested 5.42% 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, 2010, 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 1.001643776.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2010

3. RECEIVABLES

A. Current Receivables

Government Wide Financial Statements

At June 30, 2010, 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	\$ 299,291	\$ 10,199,198	\$ 10,498,489
Taxes	7,888,101	-	7,888,101
Interest	1,057,736	181,613	1,239,349
Other	830,243	66,860	897,103
Total Unrestricted	<u>10,075,371</u>	<u>10,447,671</u>	<u>20,523,042</u>
Restricted:			
Accounts	53,581	-	53,581
Taxes	1,077	-	1,077
Interest	378,914	-	378,914
Other	300,766	-	300,766
Total Restricted	<u>734,338</u>	<u>-</u>	<u>734,338</u>
Total Current Receivables, Net	<u>\$ 10,809,709</u>	<u>\$ 10,447,671</u>	<u>\$ 21,257,380</u>

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2010

3. RECEIVABLES, Continued

Fund Financial Statements

At June 30, 2010, 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	\$ 553,154	\$ 7,888,102	\$ 491,840	\$ 762,261	\$ (201,415)	\$ 9,493,942
Employment Development	-	-	-	1,962	-	1,962
Redevelopment Debt Service	-	-	-	-	-	-
City Projects	-	-	102,197	291,700	-	393,897
Nonmajor Funds	959	1,077	270,152	7,103	-	279,291
Total Governmental Funds	<u>554,113</u>	<u>7,889,179</u>	<u>864,189</u>	<u>1,063,026</u>	<u>(201,415)</u>	<u>10,169,092</u>
Proprietary Funds:						
Water Supply and Distribution	3,868,718	-	29,029	-	(268,167)	3,629,580
Wastewater Management	2,973,884	-	112,671	45,799	(218,772)	2,913,582
Solid Waste Management	4,117,475	-	18,183	9,677	(394,834)	3,750,501
SMART Station	-	-	18,138	-	-	18,138
Community Recreation	120,895	-	3,593	11,382	-	135,870
Internal Service Funds	174	-	572,459	67,984	-	640,617
Total Proprietary Funds	<u>11,081,146</u>	<u>-</u>	<u>754,073</u>	<u>134,842</u>	<u>(881,773)</u>	<u>11,088,288</u>
Total Governmental and Proprietary Funds	<u>11,635,259</u>	<u>7,889,179</u>	<u>1,618,262</u>	<u>1,197,868</u>	<u>(1,083,188)</u>	<u>21,257,380</u>
Agency Funds	<u>-</u>	<u>-</u>	<u>52,824</u>	<u>25,517</u>	<u>-</u>	<u>78,341</u>
Total	<u>\$ 11,635,259</u>	<u>\$ 7,889,179</u>	<u>\$ 1,671,086</u>	<u>\$ 1,223,385</u>	<u>\$ (1,083,188)</u>	<u>\$ 21,335,721</u>

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2010

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, 2010, the City had intergovernmental receivables in the following major funds and nonmajor funds in the aggregate:

<i>Governmental Funds:</i>	
General Fund	\$ 945,873
Employment Development Special Revenue Fund	697,273
City Projects Fund	3,636,089
Nonmajor Funds	<u>2,489,245</u>
Total Governmental Funds	<u>7,768,480</u>
<i>Proprietary Funds:</i>	
Wastewater Management Enterprise Fund	9,947
Solid Waste Management Enterprise Fund	<u>151,053</u>
Total Proprietary Funds	<u>161,000</u>
Total	<u><u>\$ 7,929,480</u></u>

C. Other Long-term Receivables

At June 30, 2010, the City had long-term receivables in the amount of \$3,780,684, reported under the General Fund.

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 0% to 3.879%, and have repayment terms of up to 45 years. At year end, the City had six loans outstanding to City employees totaling \$3,780,684, including accrued interest of \$106,722.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2010

3. RECEIVABLES, Continued

D. Housing Loans Receivable

Governmental Activities:

Maturity Date Year Ending June 30,	Community		BMR			Total
	Development Block Grant	Housing Mitigation	Rental Rehabilitation	First Time Homebuyer	HOME Grant	
2011	\$ 586,375	\$ 1,004,090	\$ 25,440	\$ -	\$ -	\$ 1,615,905
2012	195,726	2,380,767	-	-	-	2,576,493
2013	142,045	-	-	-	-	142,045
2014	89,779	-	-	-	-	89,779
2015	32,668	-	-	-	-	32,668
2016-2020	656,397	224,971	31,173	-	-	912,541
2021-2025	578,490	-	-	-	1,815,332	2,393,822
2026-2030	1,224,876	-	-	-	104,262	1,329,138
2031-2035	1,040,510	1,882,319	-	-	2,846,955	5,769,784
2036-2040	3,192,938	240,763	-	1,499,245	1,813,429	6,746,375
2041-2045	2,794,139	1,612,742	-	-	987,907	5,394,788
2046-2050	7,500	-	-	-	854,675	862,175
2051-2055	-	-	-	-	-	-
2056-2060	128,677	-	-	-	-	128,677
2061-2065	56,127	4,842,518	-	-	1,657,929	6,556,574
Due Upon Sale or Transfer of Property	983,096	-	-	-	-	983,096
	<u>\$ 11,709,343</u>	<u>\$ 12,188,170</u>	<u>\$ 56,613</u>	<u>\$ 1,499,245</u>	<u>\$ 10,080,489</u>	<u>\$ 35,533,860</u>
Less: Allowance for Uncollectibles	<u>(234,187)</u>	<u>(243,763)</u>	<u>(1,132)</u>	<u>(29,985)</u>	<u>(201,609)</u>	<u>(710,676)</u>
Housing Loans Receivables, Net at June 30, 2010	<u><u>\$ 11,475,156</u></u>	<u><u>\$ 11,944,407</u></u>	<u><u>\$ 55,481</u></u>	<u><u>\$ 1,469,260</u></u>	<u><u>\$ 9,878,880</u></u>	<u><u>\$ 34,823,184</u></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, 2010

3. RECEIVABLES, Continued

Community Development Block Grant (CDBG) Loans

The City has made a number of loans totaling \$11,709,343 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 \$12,188,170. 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 \$56,613 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 \$1,499,245 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 \$10,080,489 using Federal HOME funds for the construction, rehabilitation, or acquisition of housing for low-income households, and for First Time Homebuyer Loans.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2010

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, 2010, unearned revenues were as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Customer prepayments	\$ 728,660	\$ -
Unearned grant and contributions	1,280,835	18,471
Total	<u>\$ 2,009,495</u>	<u>\$ 18,471</u>

Customer prepayments consisted of \$728,660 for business license renewal. Beginning fiscal year 2005, renewal of business licenses has been changed from annually to bi-annually. The prorated portion belonging to fiscal year 2011 was reported as unearned revenue.

Unearned grants and contributions were funds received from other governmental agencies or private sources for which the City had not fulfilled grant or contribution requirements as of June 30, 2010.

Fund Financial Statements

At June 30, 2010, 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	\$ 97,178,587	\$ -	\$ -	\$ -	\$ 97,178,587
Deferred Interest on Loans to City Employees	106,722	-	-	-	106,722
Capital Special Assessments	107,376	-	-	-	107,376
Proposition 172 Sales Tax	83,956	-	-	-	83,956
Customer Prepayments	728,660	-	-	-	728,660
State Mandated Costs	280,418	-	-	-	280,418
Housing Loans	-	-	-	34,823,184	34,823,184
Unearned or unavailable grant revenues	18,190	6,088	1,569,940	875,867	2,470,085
County Reimbursement	10,555	-	-	-	10,555
Cost Reimbursement - Abandoned Vehicles	50,140	-	-	-	50,140
Total	<u>\$ 98,564,604</u>	<u>\$ 6,088</u>	<u>\$ 1,569,940</u>	<u>\$ 35,699,051</u>	<u>\$ 135,839,683</u>

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2010

5. INTERNAL BALANCES, INTERFUND RECEIVABLES/PAYABLES

Government-Wide Financial Statements

Internal Balances consist of the following items:

	<u>Amount</u>
Outstanding Advances from Governmental to Business-Type Activities	\$ 41,656,814
Internal Service Fund Look-back Adjustments:	
Owed by Business-Type to Governmental Activities	<u>1,241,533</u>
	<u>\$ 42,898,347</u>

Fund Financial Statements

A. Due to/from Other Funds

The composition of due to/due from other funds at year end is as follows:

<u>Lender Fund</u>	<u>Borrower Fund</u>	<u>Amount</u>
General Fund	Transportation Development Act	\$ 18,113
Nonmajor Fund:	Nonmajor Fund:	
Housing	Community Development Block Grant	358,300
Housing	HOME Grant	72,151
Low and Moderate Income Housing	Redevelopment Agency	<u>12,633,046</u>
Total		<u>\$ 13,081,610</u>

The amounts due to the General Fund and the Housing Fund from the respective borrower funds 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 funds.

The amount of \$12,633,046 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.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2010

5. INTERNAL BALANCES, INTERFUND RECEIVABLES/PAYABLES, Continued

B. Advances to/from Other Funds

<u>Lender Fund</u>	<u>Borrower Fund</u>	<u>Amount</u>
General Fund	Redevelopment Agency Debt Service	\$ 64,671,255
	Internal Service - General Services	1,058,932
	Enterprise Funds:	
	Water Supply and Distribution	1,481,487
	Wastewater Management	12,085,198
	Solid Waste Management	28,090,129
	Total General Fund Advances	<u>\$ 107,387,001</u>

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, 2010, the City made \$1,210,892 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 \$7,100,328 were made during the fiscal year ended June 30, 2010. However, during the year, in addition to base rental payments, the General Fund also made additional advances of \$1,439,759 to cover the Agency's operating and anticipated project expenditures. At June 30, 2010, outstanding project loan balance under the 1977 Repayment Agreement was \$34,826,314; outstanding administrative loan balance was \$27,310,723; outstanding loan balance for downtown public improvements was \$2,534,218. The total loan balance was \$64,671,255.

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 \$500,000 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 2011 to fiscal year 2012 and \$189,789 in 2013. At June 30, 2010, the loan balance was \$1,058,932.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2010**5. INTERNAL BALANCES, INTERFUND RECEIVABLES/PAYABLES, Continued**

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 2011 through fiscal year 2015. At June 30, 2010, total loan balance was \$1,481,487.

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 1995, 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 \$450,000 was made to the General Fund. Annual repayments were budgeted as follows: \$550,000 in fiscal year 2011, \$1,255,821 annually from fiscal year 2012 to fiscal year 2019, and \$841,656 annually thereafter to pay off the remaining balance. At June 30, 2010, total loan balance was \$12,085,198.

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 \$600,000 was made to the General Fund during this fiscal year. Annual repayments were budgeted as follows: \$1,300,000 in fiscal year 2011, \$3,157,302 annually from fiscal year 2012 to fiscal year 2014, and \$4,653,203 annually from fiscal year 2015 to fiscal year 2021. At June 30, 2010, total loan balance was \$28,090,129.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2010

6. CAPITAL ASSETS

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.

Intangible Assets

The City's intangible assets include easements and computer software. Easements, mostly contributed by developers, are considered to have indefinite useful lives. The City's policy is not to retroactively report intangible assets considered to have indefinite useful lives as of the effective date of Governmental Accounting Standards Board Statement 51. Computer software had been capitalized in prior years before Statement 51 took effect at the beginning of this fiscal year.

During this year, donated easements with fair value of \$1.7 million were accepted by the City and reported under the land category of general capital assets. The City also recorded acquired easements of \$0.2 million under the land category of Water and Wastewater Enterprise Funds.

At June 30, 2010, capitalized computer software (reported under the equipment category of capital assets) approximated \$2.8 million, mostly accounted for in the General Services Internal Service Fund, which maintains replacement schedules for various assets used in operations.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2010

6. CAPITAL ASSETS, Continued

Government-Wide Financial Statements

At June 30, 2010, the City's capital assets consisted of the following:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Totals</u>
Nondepreciable Assets:			
Land	\$ 105,495,854	\$ 16,469,169	\$ 121,965,023
Construction in Progress	13,956,606	23,393,911	37,350,517
Infrastructure - Streets	160,206,683	-	160,206,683
Total Nondepreciable Assets	<u>279,659,143</u>	<u>39,863,080</u>	<u>319,522,223</u>
Depreciable Assets:			
Buildings	92,139,913	22,248,672	114,388,585
Improvements	72,546,664	28,245,303	100,791,967
Equipment	30,948,195	5,291,347	36,239,542
Infrastructure:			
Sidewalks	34,824,509	-	34,824,509
Curbs and Gutters	32,159,659	-	32,159,659
Street Lights	3,240,564	-	3,240,564
Traffic Signals	8,091,770	-	8,091,770
Wastewater Treatment & Collection	-	61,992,947	61,992,947
Water Supply & Distribution	-	61,052,600	61,052,600
Total Depreciable Assets	<u>273,951,274</u>	<u>178,830,869</u>	<u>452,782,143</u>
Less Accumulated Depreciation	<u>(141,649,981)</u>	<u>(99,240,871)</u>	<u>(240,890,852)</u>
Total Depreciable Assets, Net	<u>132,301,293</u>	<u>79,589,998</u>	<u>211,891,291</u>
Total Capital Assets	<u>\$ 411,960,436</u>	<u>\$ 119,453,078</u>	<u>\$ 531,413,514</u>

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2010

6. CAPITAL ASSETS, Continued

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

	Balance July 1, 2009	Additions	Deletions	Balance June 30, 2010
Nondepreciable Assets:				
Land	\$ 103,992,293	\$ 1,673,300	\$ (169,739)	\$ 105,495,854
Construction in Progress	16,355,908	8,953,703	(11,353,005)	13,956,606
Infrastructure - Streets	159,864,183	342,500	-	160,206,683
Total Nondepreciable Assets	280,212,384	10,969,503	(11,522,744)	279,659,143
Depreciable Assets:				
Buildings and Structures	91,507,503	734,584	(102,174)	92,139,913
Improvements Other than Buildings	60,222,752	12,323,912	-	72,546,664
Machinery and Equipment	30,547,561	1,771,780	(1,371,146)	30,948,195
Infrastructure	75,733,950	2,582,552	-	78,316,502
Total Depreciable Assets	258,011,766	17,412,828	(1,473,320)	273,951,274
Accumulated Depreciation:				
Buildings and Structures	(39,874,783)	(2,483,819)	61,305	(42,297,297)
Improvements Other than Buildings	(25,235,985)	(2,042,497)	-	(27,278,482)
Machinery and Equipment	(17,363,817)	(1,953,055)	1,249,329	(18,067,543)
Infrastructure	(52,358,242)	(1,648,417)	-	(54,006,659)
Total Accumulated Depreciation	(134,832,827)	(8,127,788)	1,310,634	(141,649,981)
Depreciable Assets, Net	123,178,939	9,285,040	(162,686)	132,301,293
Total Governmental Activities Capital Assets, Net	\$ 403,391,323	\$ 20,254,543	\$ (11,685,430)	\$ 411,960,436

Governmental activities' depreciation expense for capital assets for the year ended June 30, 2010, are as follows:

Planning and Management	\$ 1,080,288
Public Safety	1,076,998
Community Development	1,494,466
Transportation	2,416,077
Socioeconomic	266,195
Cultural	1,452,948
Environmental Management	340,816
Total Depreciation Expense	\$ 8,127,788

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2010

6. CAPITAL ASSETS, Continued

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

	<u>Balance July 1, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2010</u>
Nondepreciable Assets:				
Land	\$ 16,269,169	\$ 200,000	\$ -	\$ 16,469,169
Construction in Progress	15,622,298	8,040,780	(269,167)	23,393,911
Total Nondepreciable Assets	<u>31,891,467</u>	<u>8,240,780</u>	<u>(269,167)</u>	<u>39,863,080</u>
Depreciable Assets:				
Buildings and Structures	22,248,672	-	-	22,248,672
Improvements Other than Buildings	28,177,474	67,829	-	28,245,303
Machinery and Equipment	5,169,204	191,934	(69,791)	5,291,347
Infrastructure	121,171,361	1,924,186	(50,000)	123,045,547
Total Depreciable Assets	<u>176,766,711</u>	<u>2,183,949</u>	<u>(119,791)</u>	<u>178,830,869</u>
Accumulated Depreciation:				
Buildings and Structures	(20,689,782)	(141,414)	-	(20,831,196)
Improvements Other than Buildings	(13,468,309)	(2,763,191)	-	(16,231,500)
Machinery and Equipment	(4,559,626)	(139,476)	69,630	(4,629,472)
Infrastructure	(54,567,003)	(2,981,700)	-	(57,548,703)
Total Accumulated Depreciation	<u>(93,284,720)</u>	<u>(6,025,781)</u>	<u>69,630</u>	<u>(99,240,871)</u>
Depreciable Assets, Net	<u>83,481,991</u>	<u>(3,841,832)</u>	<u>(50,161)</u>	<u>79,589,998</u>
Total Business-Type Activities Capital Assets, Net	<u>\$ 115,373,458</u>	<u>\$ 4,398,948</u>	<u>\$ (319,328)</u>	<u>\$ 119,453,078</u>

Business-type activities depreciation expenses for capital assets for the year ended June 30, 2010 are as follows:

Water Supply and Distribution	\$ 1,393,907
Wastewater Management	1,757,398
Solid Waste Management	42,931
SMaRT Station	2,563,802
Community Recreation	267,743
Total Depreciation Expense	<u>\$ 6,025,781</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, 2010

7. LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities during the fiscal year ended June 30, 2010:

Description	Beginning			Bond Amortization	Ending		
	Balance July 1, 2009	Additions	Reductions		Balance June 30, 2010	Amounts Due Within One Year	Amounts Due in More than One Year
Governmental Activities:							
Bonds Payable: (Note 7.A.)							
Certificates of Participation:							
1998 ABAG	\$ 795,000	\$ -	\$ (140,000)	\$ -	\$ 655,000	\$ 655,000	\$ -
1998 Parking Facility Series A	12,240,000	-	(620,000)	-	11,620,000	645,000	10,975,000
2009 Government Center	15,865,000	-	(510,000)	-	15,355,000	470,000	14,885,000
Tax Allocation Bonds							
Central Core Series 2003	6,352,063	-	(360,000)	3,661	5,995,724	370,000	5,625,724
Net OPEB Obligations (Note 7.B.)	10,333,500	9,414,500	-	-	19,748,000	-	19,748,000
Self Insurance and							
Contingent Liability (Note 7.C.)	12,771,000	238,000	(305,000)	-	12,704,000	3,575,683	9,128,317
Compensated Absences (Note 7.D.)	8,949,630	6,851,940	(7,309,725)	-	8,491,845	7,513,173	978,672
Town Center Pollution Remediation							
Obligations (Note 7.F.)	6,023,053	-	(4,308,971)	-	1,714,082	690,015	1,024,067
Total Governmental Activities	\$ 73,329,246	\$ 16,504,440	\$ (13,553,696)	\$ 3,661	\$ 76,283,651	\$ 13,918,871	\$ 62,364,780
Business-Type Activities:							
Bonds Payable: (Note 7.A.)							
Revenue Bonds:							
Water and Wastewater Series 2001	\$ 23,004,126	\$ -	\$ (23,017,337)	\$ 13,211	\$ -	\$ -	\$ -
Water Revenue Series 2010	-	24,542,777	-	-	24,542,777	755,000	23,787,777
Wastewater Revenue Series 2010	-	38,345,762	-	-	38,345,762	1,600,000	36,745,762
Solid Waste Series 2003	13,797,053	-	(1,255,000)	9,087	12,551,140	1,310,000	11,241,140
Solid Waste Series 2007	7,690,000	-	(460,000)	-	7,230,000	480,000	6,750,000
Landfill Postclosure							
Care Costs (Note 7.E.)	10,687,709	-	(592,812)	-	10,094,897	575,973	9,518,924
Total Business-Type Activities	\$ 55,178,888	\$ 62,888,539	\$ (25,325,149)	\$ 22,298	\$ 92,764,576	\$ 4,720,973	\$ 88,043,603

There have been no defaults on any debt service payments to the bondholders as of June 30, 2010. The City has complied with all significant bond covenants. Refer to Note 7 G for debt for which the City is not obligated in any manner.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2010

7. LONG-TERM LIABILITIES, Continued

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 May 2009 Standard & Poor’s (S&P) Rating Services increased the City’s issuer credit rating (ICR) from AA+ to AAA, affording the City the highest possible underlying rating from S&P.

Ratings for the City’s outstanding bonds as of June 30, 2010 are as follows:

Bonded Debt	Outstanding Par Amount	Moody's	S&P	Underlying Rating	
				Moody's	S&P
Central Core Tax Allocation Refunding Bonds, Series 2003	\$ 6,040,000	Aa3	AA	A3	A-
1998 Parking Facility, Series A Certificates of Participation	11,620,000	Aaa	AAA	A1	N/A
1998 ABAG Certificates of Participation	655,000	N/A	N/A	Aa1	N/A
2009 Government Center Certificates of Participation	15,355,000	Aaa	AAA	Aa1	AA+
Water Revenue Bonds, Series 2010	24,085,000	N/A	AAA	Aa1	N/A
Wastewater Revenue Bonds, Series 2010	35,380,000	N/A	AAA	Aa2	N/A
Solid Waste Revenue Bonds, Series 2003	12,620,000	Aa3	AA	A1	A+
Solid Waste Revenue Bonds, Series 2007	7,230,000	N/A	N/A	N/A	N/A

Certificates of Participation

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

Due in original annual installments of \$110,000-\$220,000 through July 15, 2013, interest at 4.40-5.20%, repayments made from sublease 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, 2010 were as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 655,000	\$ 16,885	\$ 671,885

In June, 2010, Sunnyvale School District, by exercising the prepayment option on the sublease agreement, wired \$464,595 to the City. The City then forwarded the funds to the trustee in order to redeem all outstanding COPs on the next scheduled debt service due August 1, 2010. The trustee had determined earlier that this amount, plus reserve fund on hand and interest earned, would be sufficient to pay off the remaining principal and interest. The remaining principal amount of \$655,000 was originally scheduled to be paid off from fiscal year 2011 through fiscal year 2014.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2010

7. LONG-TERM LIABILITIES, Continued

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

Due in original 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>
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	745,000	460,689	1,205,689
2015	780,000	422,750	1,202,750
2016-2020	4,570,000	1,471,000	6,041,000
2021-2023	3,495,000	269,875	3,764,875
Total	\$ 11,620,000	\$ 4,212,430	\$ 15,832,430

\$15,865,000 2009 Government Center Variable Rate Demand Refunding Certificates of Participation

Due in original annual installments of \$470,000-\$1,065,000 through April 1, 2031, with interest rates reset weekly. Repayments are made from lease payments from the Internal Service Funds and the Enterprise Funds based on a predetermined pro-rata share of each activity’s use of the civic center premises.

The Government Center Certificates of Participation are backed by an irrevocable direct draw letter of credit from Union Bank. In 2009 the City paid an upfront fee of \$179,673 to obtain the letter of credit. City lease payments reimburse Union Bank for monthly letter of credit draws according to a Reimbursement Agreement which will expire in May, 2012. The fee for each draw is \$250. The City can seek a renewal at the end of each anniversary date or plan an alternative course of action. At June 30, 2010, the City had no amounts drawn on the letter of credit outstanding.

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, 2010, the interest rate was 0.33%, 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 2009 Certificates had original deferred charges of \$504,650, which was recorded as an asset in the government-wide financial statements and amortized over the life of the Certificates. The balance of the deferred charges at June 30, 2010 was \$479,123.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2010

7. LONG-TERM LIABILITIES, Continued

The debt service requirements for the 2009 Government Center Variable Rate Demand Refunding Certificates of Participation at June 30, 2010 were as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 470,000	\$ 50,672	\$ 520,672
2012	490,000	49,120	539,120
2013	510,000	47,504	557,504
2014	535,000	45,820	580,820
2015	555,000	44,055	599,055
2016-2020	2,465,000	191,219	2,656,219
2021-2025	3,700,000	134,805	3,834,805
2026-2030	4,540,000	65,685	4,605,685
2031	2,090,000	3,515	2,093,515
Total	\$ 15,355,000	\$ 632,395	\$ 15,987,395

Tax Allocation Bonds

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

Due in original 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 \$44,276. The bonds also had original 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, 2010 was \$392,074.

The debt service requirements for the bonds at June 30, 2010 were as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 370,000	\$ 236,486	\$ 606,486
2012	385,000	224,776	609,776
2013	395,000	211,704	606,704
2014	405,000	197,451	602,451
2015	425,000	181,876	606,876
2016-2020	2,380,000	633,896	3,013,896
2021-2023	1,680,000	115,385	1,795,385
	6,040,000	1,801,574	7,841,574
Less Unamortized Discount	(44,276)	-	(44,276)
Total	\$ 5,995,724	\$ 1,801,574	\$ 7,797,298

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2010

7. LONG-TERM LIABILITIES, Continued

Revenue Bonds

\$24,085,000 Water Revenue Bonds, Series 2010 (Issued on June 29, 2010)

Due in original annual installments \$455,000 - \$1,300,000 from April 1, 2011 to April 1, 2040, interest at 0.34 - 5.25%, with repayments made from net revenues of the Water Supply and Distribution Enterprise Fund. The bonds are presented net of unamortized premium of \$457,777. The Bond also had deferred charges of \$279,515, which were recorded as an asset and will be amortized over the life of the bonds on a straight-line basis.

The debt service requirements for the bonds at June 30, 2010 were as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 755,000	\$ 902,964	\$ 1,657,964
2012	710,000	1,164,900	1,874,900
2013	745,000	1,136,500	1,881,500
2014	780,000	1,099,250	1,879,250
2015	810,000	1,069,800	1,879,800
2016-2020	3,585,000	4,786,800	8,371,800
2021-2025	2,740,000	4,102,563	6,842,563
2026-2030	3,530,000	3,312,750	6,842,750
2031-2035	4,550,000	2,284,538	6,834,538
2036-2040	5,880,000	957,600	6,837,600
	<u>24,085,000</u>	<u>20,817,664</u>	<u>44,902,664</u>
Add Net Unamortized Premium	457,777	-	457,777
Total	<u><u>\$ 24,542,777</u></u>	<u><u>\$ 20,817,664</u></u>	<u><u>\$ 45,360,441</u></u>

\$35,380,000 Wastewater Revenue Bonds, Series 2010 (Issued on June 29, 2010)

Due in original annual installments \$740,000 - \$1,600,000 from April 1, 2011 to April 1, 2040, , interest at 0.34 - 5.25%, with repayments made from net revenues of the Wastewater Management Enterprise Fund. The bonds are presented net of unamortized premium of \$2,965,762. The Bond also had deferred charges of \$358,877, which were recorded as an asset and will be amortized over the life of the bonds on a straight-line basis.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2010

7. LONG-TERM LIABILITIES, Continued

The debt service requirements for the bonds at June 30, 2010 were as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 1,600,000	\$ 1,257,957	\$ 2,857,957
2012	1,190,000	1,659,503	2,849,503
2013	1,210,000	1,652,125	2,862,125
2014	1,255,000	1,603,725	2,858,725
2015	1,305,000	1,553,525	2,858,525
2016-2020	6,400,000	6,748,375	13,148,375
2021-2025	6,155,000	5,252,900	11,407,900
2026-2030	5,280,000	3,612,788	8,892,788
2031-2035	4,795,000	2,405,550	7,200,550
2036-2040	6,190,000	1,007,738	7,197,738
	<u>35,380,000</u>	<u>26,754,185</u>	<u>62,134,185</u>
Add Net Unamortized Premium	2,965,762	-	2,965,762
Total	\$ 38,345,762	\$ 26,754,185	\$ 65,099,947

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

Due in original 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 \$68,860. The bonds also had original 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, 2010 was \$438,782.

The debt service requirements for the 2003 Solid Waste Revenue Bonds at June 30, 2010 were as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	1,520,000	425,700	1,945,700
2015	1,605,000	339,763	1,944,763
2016-2018	5,375,000	454,163	5,829,163
	<u>12,620,000</u>	<u>2,933,126</u>	<u>15,553,126</u>
Less Unamortized Discount	(68,860)	-	(68,860)
Total	\$ 12,551,140	\$ 2,933,126	\$ 15,484,266

**Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2010****7. LONG-TERM LIABILITIES, Continued****\$8,130,000 Solid Waste Revenue Bonds, Series 2007**

In 2007 the City of Sunnyvale proceeded with the project of replacing the materials recovery facility (MRF). The City of Mountain View elected to pay \$2.2 million for its proportionate share of the project costs. The cities of Palo Alto and Sunnyvale obtained financing through the issuance of traditional fixed-rate bonds, \$8,130,000, placed directly with a financing through a competitive bid.

Due in original 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 original 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, 2010 was \$75,658.

The debt service requirements for the bonds at June 30, 2010 were as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 480,000	\$ 280,977	\$ 760,977
2012	495,000	261,381	756,381
2013	520,000	240,981	760,981
2014	540,000	219,677	759,677
2015	560,000	197,569	757,569
2016-2020	3,175,000	622,551	3,797,551
2021-2022	1,460,000	59,290	1,519,290
Total	\$ 7,230,000	\$ 1,882,426	\$ 9,112,426

Advance Refunding and New Debt

On April 6, 2010, the Sunnyvale City Council approved an ordinance which enacted the Sunnyvale Municipal Utilities Revenue Bond Law, authorizing the City to issue utility revenue bonds as an alternative to the issuance of utility revenue bonds by the Sunnyvale Financing Authority (the Authority). The Council then authorized the issuance of new water revenue bonds and wastewater revenue bonds (the 2010 Bonds) under the Revenue Bond Law for the purposes of (i) funding needed significant capital improvements to the water and wastewater facilities, and (ii) refunding the Sunnyvale Financing Authority's 2001 Water and Wastewater Revenue Bonds, Series 2001 (the 2001 Bonds).

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2010

7. LONG-TERM LIABILITIES, Continued

On May 25, 2010, the Authority Board of Directors adopted a resolution authorizing the refunding of the 2001 Bonds by the City's 2010 Bonds. The City, the Authority and the escrow agent then entered into an escrow agreement. Under this agreement, the escrow agent will hold a portion of proceeds of the 2010 Bonds in an irrevocable refunding escrow which will be sufficient to pay debt service exclusively on the 2001 Bonds when due through October 1, 2011, at which date the 2001 Bonds will be called and redeemed in full.

On June 29, 2010, the City issued \$24,085,000 of Water Revenue Bonds, Series 2010, and \$35,380,000 of Wastewater Revenue Bonds, Series 2010. The following schedules present a summary of both the refunding and the new debt issuance transactions:

Sources and Uses of the 2010 Bonds Proceeds:

	Water	Wastewater	Total
Sources:			
Principal Amount of the 2010 Bonds	\$ 24,085,000	\$ 35,380,000	\$ 59,465,000
Issue Premium	1,894,327	3,128,328	5,022,655
Funds from 2001 Bonds Reserve Account	889,434	1,306,478	2,195,912
Total Sources	<u>\$ 26,868,761</u>	<u>\$ 39,814,806</u>	<u>\$ 66,683,567</u>
Uses:			
Escrow Fund to Defeas the 2001 Bonds	\$ 7,637,426	\$ 15,484,025	\$ 23,121,451
The 2010 Bonds Project Fund Account	17,998,970	22,526,067	40,525,037
The 2010 Bonds Reserve Fund Account	940,750	1,431,638	2,372,388
The 2010 Bonds Cost of Issuance Fund Account	150,387	164,494	314,881
Underwriter's Discount	141,228	208,582	349,810
Total Uses	<u>\$ 26,868,761</u>	<u>\$ 39,814,806</u>	<u>\$ 66,683,567</u>

Calculation of Deferred Amount on the 2001 Bonds:

	Water	Wastewater	Total
(1) Reacquisition Price (Amount Placed in Escrow)	\$ 7,637,426	\$ 15,484,025	\$ 23,121,451
Amount Due at Maturity at par	6,274,771	15,380,229	21,655,000
Unamortized Deferred Charge	<u>(73,895)</u>	<u>(58,770)</u>	<u>(132,665)</u>
(2) Net Carrying Amount of the 2001 Bonds	6,200,876	15,321,459	21,522,335
((1) - (2)): Deferred Amount on the 2001 Bonds	<u>\$ 1,436,550</u>	<u>\$ 162,566</u>	<u>\$ 1,599,116</u>

The deferred amount on the 2001 Bonds has been reported as a reduction of the amount of the 2010 Bonds Payable and will be amortized over the remaining life of the old 2001 Bonds. The issue premium of the 2010 Bonds has been reported as an addition to the amount of the 2010 Bonds Payable and will be amortized over the life of the 2010 Bonds.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2010

7. LONG-TERM LIABILITIES, Continued

The advance refunding is expected to reduce debt service payments for the next 17 years by \$2.7 million in gross amount or \$2.4 million in present value, discounted at the effective interest rate 3.93% of the new debt. After adjusting for additional cash paid, the economic gain was \$1 million.

The 2001 Bonds are considered to be defeased in substance and the liability for those bonds has been removed from the balance sheet.

Annual Debt Service Requirements to Maturity-All Bonded Debt

The annual requirements to amortize long-term bonded debt outstanding as of June 30, 2010 by activity are listed below:

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2011	\$ 1,630,000	\$ 878,778	\$ 4,145,000	\$ 3,077,248
2012	1,705,000	826,504	3,765,000	3,658,634
2013	1,780,000	769,901	3,915,000	3,534,906
2014	1,875,000	708,900	4,095,000	3,348,352
2015	1,760,000	648,681	4,280,000	3,160,657
2016-2020	9,415,000	2,296,115	18,535,000	12,611,889
2021-2025	8,875,000	520,065	10,355,000	9,414,753
2026-2030	4,540,000	65,685	8,810,000	6,925,538
2031-2035	2,090,000	3,515	9,345,000	4,690,088
2036-2040	-	-	12,070,000	1,965,338
	<u>33,670,000</u>	<u>6,718,144</u>	<u>79,315,000</u>	<u>52,387,403</u>
Add Unamortized Premium	-	-	3,423,539	-
Less Unamortized Discount	(44,276)	-	(68,860)	-
Total	\$ 33,625,724	\$ 6,718,144	\$ 82,669,679	\$ 52,387,403

B. Other Postemployment Benefits (OPEB)

Plan Description

The City's Retiree healthcare plan is a single-employer defined benefit healthcare plan administered by the City. The plan provides healthcare benefits to eligible retirees and their dependents through the California Public Employees' Retirement System healthcare program (PEMHCA). Benefit provisions are established and may be amended through agreements and memorandums of understanding between the City, its non-represented employees, and the unions representing City employees.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2010

7. LONG-TERM LIABILITIES, Continued

The City provides a retiree healthcare stipend equal to the lesser of the medical premium or a dollar limit that varies by employee group (\$311 to \$565 per month for 2010). The City pays 100% of the medical premium for management employees who retired on or before December 31, 2007 and 100% of the medical premium up to a dollar cap for management employees who retire after December 31, 2007. Management employees appointed on or after July 1, 2007 are subject to a vesting schedule ranging from 50% after 5 years of management service to 100% after 15 years of management service. There were 643 retired plan participants at year end.

Funding Policy

The contribution requirements of the Plan participants and the City are established by and may be amended by the City. The annual required contribution (ARC) is an amount actuarially determined in accordance with the parameters of GASB Statement 45, *Accounting and Financial Reporting by Employers of Postemployment Benefits Other Than Pensions*. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

For fiscal year 2010, the ARC was \$13,663,000. The City contributed \$3,942,500 on a pay-as-you-go basis for current benefit payments. Since 2007, the City has set aside funds in the Employee Benefits Internal Service Fund for future OPEB obligations. In August 2008, City Council approved a resolution for the City to participate in the California Employers' Retiree Benefit Trust (CERBT), a tax-qualified irrevocable trust administered by the California Public Employees' Retirement System (CalPERS) and organized under Internal Revenue Code Section 115 to pre-fund retiree healthcare benefits. Due to City staff's concerns about unstable market conditions and the vulnerability of the CalPERS portfolio, no transfer has been made to date and the funds have been earning interest at the City's current portfolio rate.

As of the close of fiscal year 2010, the City was still evaluating its options related to establishing an OPEB Trust. The City expects to contribute approximately \$33 million as an initial investment in the Trust in fiscal year 2011. The Employee Benefits Internal Service Fund has accumulated such resources in past years through internal service charges and transfers from the General Fund. Additional resources will be added on an ongoing basis until the Trust is fully funded. A separate OPEB plan report will be developed once the Trust is established.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2010

7. LONG-TERM LIABILITIES, Continued

Annual OPEB Cost and Net OPEB Obligation

The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's Net OPEB obligation:

Annual Required Contribution, FY 09/10	\$	13,663,000
Interest on net OPEB obligation		491,000
Adjustment to annual required contribution		(797,000)
Annual OPEB Cost		<u>13,357,000</u>
Contributions made to irrevocable trust		-
Benefit payments made outside of trust		<u>(3,942,500)</u>
Increase in net OPEB obligation		9,414,500
Net OPEB obligation-beginning of year		10,333,500
Net OPEB Obligation-end of year	\$	<u><u>19,748,000</u></u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2009 and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Annual OPEB Cost Contributed	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
6/30/2008	\$ 7,633,000	\$ 3,694,500	48.4%	\$ 3,938,500
6/30/2009	10,390,000	3,995,000	38.5%	10,333,500
6/30/2010	13,357,000	3,942,500	29.5%	19,748,000

Funded Status and Funding Progress

The most recent actuarial study, dated August 27, 2009, provided results as of June 30, 2008. The funded status of the plan as of June 30, 2008, was as follows:

Actuarial accrued liability (AAL)	\$	131,489,000
Actuarial value of plan assets		<u>-</u>
Unfunded actuarial accrued liability (UAAL)		131,489,000
Funded ratio (actuarial value of plan assets/AAL)		0%
Covered payroll (active Plan participants)	\$	79,269,000
UAAL as a percentage of covered payroll		165.9%

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2010

7. LONG-TERM LIABILITIES, Continued

Actuarial valuations of an ongoing plan involve estimates of the value of expected benefit payments 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. The following Schedule of Funding Progress presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability</u>	<u>Unfunded Actuarial Accrued Liability (UAAL)</u>	<u>Funded Ratio</u>	<u>Annual Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
N/A						
6/30/2006	\$ -	\$ 80,094,000	\$ 80,094,000	0%	\$76,210,000	105.1%
6/30/2008	-	131,489,000	131,489,000	0%	79,269,000	165.9%

The 6/30/2006 Actuarial Accrued Liability was calculated using a discount rate of 7.75%, compared with 4.75% used in the 6/30/2008 liability calculation. The 2008 valuation, dated 8/27/2009, used a lower discount rate because funds have not been deposited into the OPEB trust.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan participants 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.

For the June 30, 2008, actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 4.75 percent investment rate of return (net of administrative expenses) and a 3% general inflation assumption. Premiums were assumed to increase with a pre-Medicare medical cost increase rate of 9.1% for HMOs and 9.8% for PPOs for 2011, both grading down to 4.5% for 2018 and thereafter. The post-Medicare medical cost increase rates were 9.4% for HMOs and 10.1% for PPOs for 2011, both grading down to 4.5% for 2018 and thereafter. The initial UAAL was amortized as a level percentage of projected payroll over a fixed 30-year period (29 years remaining as of the June 30, 2008 actuarial valuation), plan and assumption changes over a fixed 20-year period, and gains and losses over an open 15-year period.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2010

7. LONG-TERM LIABILITIES, Continued

C. 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. CJPRMA 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, 2010 may be obtained from CJPRMA at 2333 San Ramon Valley Blvd. Suite 250, San Ramon, CA 94583-4456.

The City's excess workers' compensation coverage is provided through the California State Association of Counties Excess Insurance Authority (CSAC-EIA), with statutory limits subject to a \$500,000 self-insured retention. Employer's Liability limit is \$5,000,000. The excess workers' compensation coverage is structured in layers as described below:

- \$500,000 - \$1,000,000. Coverage provided by CSAC-EIA (30% quota share) and American Safety Casualty Insurance Company (70% quota share)
- \$1,000,001 - \$5,000,000. Coverage provided by CSAC-EIA.
- \$5,000,001 - \$50,000,000. Coverage provided by ACE American Insurance Company
- \$50,000,001 - Statutory. Coverage provided by National Union Fire Insurance Co. of Pittsburgh, PA (AIG)

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2010

7. LONG-TERM 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, 2010, 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.

Unemployment claims paid by the State are reimbursed dollar-for-dollar by the City.

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

	<u>2010</u>	<u>2009</u>	<u>2008</u>
General:			
Liability at beginning of fiscal year	\$ 1,262,000	\$ 1,279,000	\$ 779,000
Claims paid	(710,765)	(351,600)	(186,500)
Current fiscal year claims and changes in estimated liability	948,765	334,600	686,500
Liability at end of fiscal year	<u>\$ 1,500,000</u>	<u>\$ 1,262,000</u>	<u>\$ 1,279,000</u>
Workers' Compensation:			
Liability at beginning of fiscal year	\$ 11,509,000	\$ 12,438,000	\$ 11,603,000
Claims paid	(1,607,992)	(1,556,600)	(1,842,300)
Current fiscal year claims and changes in estimated liability	1,302,992	627,600	2,677,300
Liability at end of fiscal year	<u>\$ 11,204,000</u>	<u>\$ 11,509,000</u>	<u>\$ 12,438,000</u>
Total estimated claims payable	<u>\$ 12,704,000</u>	<u>\$ 12,771,000</u>	<u>\$ 13,717,000</u>

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2010

7. LONG-TERM 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 \$1,662,000 and estimated workers' compensation liability of \$14,841,000 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.

D. 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 and confidential 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, 2010 was \$8,491,845.

E. 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.

In 2008, the California Integrated Waste Management Board amended regulations on landfill closure and postclosure maintenance cost estimates. The City revised prior estimates accordingly; the resulting change in accounting estimate (a net increase of \$7 million in liability from the previous year) was fully recognized in fiscal year 2009.

At June 30, 2010, a liability in the amount of \$10,094,897 was reported based on the estimated remaining postclosure care costs that will be incurred over the next 14 years to meet the regulatory requirements. 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, 2010. 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, 2010

7. LONG-TERM LIABILITIES, Continued

F. Pollution Remediation Obligations

Town Center Pollution Remediation Obligations

Pursuant to the Amended and Restated Disposition and Development and Owner Participation Agreement (ARDDOPA) and the successor 2010 Amended Disposition and Development and Owner Participation Agreement (ADDOPA), the Redevelopment Agency (Agency) and Downtown Sunnyvale Mixed Use, LLC (Developer) and successor in interest (the Receiver) 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 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.

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

On July 17, 2007, the Agency as responsible party 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 provided 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 original estimate was that, by fiscal year 2010 at the completion of the Project, Agency's share of the pollution remediation outlays might reach \$9 million in total. These costs would include expenses incurred for legal and environmental consulting, reimbursements to the oversight agency, and costs related to remediation implementation and post-remediation monitoring.

The Developer halted construction in early 2009 after failing to secure further funding to complete the Project. The Project was about forty percent completed at the time. Meanwhile, a dispute existed between the Agency and the Developer with respect to the amount and respective obligations related to certain environmental costs shared under the ARDDOPA. The amount in dispute was \$4,836,844, requested by the Developer for reimbursing costs incurred during the period from April, 2008 to March, 2009.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2010

7. LONG-TERM LIABILITIES, Continued

Despite the problem with this Project, a newly constructed modern Target store (a separate project, with street infrastructure to be installed by the Town Center Project Developer) was scheduled to open on the date of November 15, 2009. In order to effectuate the planned store opening, the Target site improvement work needed to be completed by October 8, 2009.

On July 17, 2009, the Agency's obligations to the Developer with respect to the aforementioned disputed amount were discharged and replaced by a new *Infrastructure Improvement Agreement* (the IIA). The Agency wired \$1,107,118 immediately to reimburse the Developer for prior environmental costs; that amount was accrued to fiscal year 2009 in the fund financial statements. The Agency also committed \$3,729,726, to be paid to the contractor only upon completion of certain site improvements that were the obligation of the Developer under the terms of the IIA, representing the Agency's share of environmental costs otherwise owed.

In September, 2009, after the Developer's default on a \$108 million loan in June, 2009, the lender Wachovia/Wells Fargo Bank began foreclosure proceedings on the Town Center development project (the Project). In an October 5 court action, the Santa Clara County Superior Court appointed Jerry Hunt and Quattro Realty Group as the Receiver of the Project. The Receiver's responsibilities include devising a plan to protect and preserve the value of the Project site. During this time, Wachovia/Wells Fargo Bank has the power to authorize funds for improvements needed to secure the site.

Since December, 2009, the Receiver and the Agency have been negotiating modifications to the ARDDOPA and those modifications have resulted in the 2010 Modification Agreement (MA), dated May 14, 2010. The Agency's share of total environmental costs, beginning 2010, has been changed to 50% from the previous 85% in the top tier. This change was documented in the 2010 ADDOPA, as of August 2, 2010.

The Agency's total estimated pollution remediation obligation has been revised to be \$8,128,811, measured at the current value of expected, most likely outlays. This amount is the sum of \$7,828,811 (Agency's estimated share of total environmental costs with the Developer) and \$300,000 (Agency's own personnel and legal costs). The shared environmental costs include commercially reasonable costs incurred by the Developer and the Agency, including oversight fees charged by the environmental oversight agency, hazardous waste generator fees or taxes imposed by statute, hazardous waste transportation and disposal costs, related environmental fees charged by attorneys and consultants, costs to install, operate, and maintain soil, soil vapor and groundwater remedial systems, and costs related to the closure of remedial facilities.

During fiscal year 2010, the Agency's Special Revenue Fund reported environmental expenditures of \$3,416,492, incurred according to the aforementioned IIA to discharge the Agency from certain prior pollution remediation obligations. From fiscal years 2008 through 2010, the Agency's cumulative environmental expenditures amounted to \$6,414,729. At the end of fiscal year 2010, the Agency estimated remaining future environmental outlays at \$1,714,082, out of the revised total of \$8,128,811.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2010

7. LONG-TERM LIABILITIES, Continued

Although a great deal of work has already been accomplished to characterize the extent of the pollutants and to treat PCB, the work is subject to the approval by the Regional Water Quality Board, and subsequent proof of effective remediation.

The estimated pollution remediation obligations may change with new information, price increase or reductions, technology, or changes in applicable laws and regulations.

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 increment to preexisting obligations and will need the City General Fund resources to fund the remediation project.

Morse Park Pollution Remediation Obligations

The Morse Avenue Neighborhood Park Development Project has been in the City's long-term capital improvement plans since the City purchased the future park site property in 1990. Due to funding issues and the lack of residual development in the area, the property had been leased to tenants for private industrial use until the City Council appropriated \$4.1 million in the current year, which was based on the 2009 Parks of the Future Study.

On May 25, 2010, the City Council was notified of the preliminary findings from the environmental analysis conducted on the future neighborhood park site. The findings showed lead and arsenic in shallow soil on the site at concentrations above regulatory screening criteria, most likely from applications of lead-arsenate as a pesticide when the site was previously used as an orchard.

On June 29, 2010, the City Council approved additional consulting and testing services from the environmental consultant for the project site, to better determine the extent of the soil contamination and remediation options.

During July, 2010, the environmental consultant took samples from various locations throughout the future park site, including the collection of soil samples from various depths beneath the existing building floor slabs. In August, 2010, the consultant submitted a report for the City to use to develop its action plan to abate the hazards to residential standards. City engineering staff will need to assemble a definitive plan of action to submit to the State regulatory agencies for approval.

The initial estimate for soil remediation was \$1.3 million and, for other associated costs, \$0.5 million. Total costs will be funded by transfers from the Park Dedication Special Revenue (Nonmajor) Fund to the City Projects (Major) Fund. As of June 30, 2010, the City incurred cost of \$60,369 for environmental consulting work. Since all outlays to prepare this future park site for its intended use are capitalized as incurred, the City does not record a pollution liability or expense in the government-wide financial statements.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2010

7. LONG-TERM LIABILITIES, Continued

G. 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 \$18,370,000 at June 30, 2010. 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, 2010

7. LONG-TERM LIABILITIES, 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 (the Developer), a joint venture of RREEF and Sand Hill Properties Company.

The ARDDOPA included an important new provision that imposed on the developer substantial penalties for missed milestones during construction. The milestones were keyed to the start of demolition through delivery of space to retailers who would open stores. Delivery of space to retailers was originally expected to be completed by March 2010. Due to the 2008 credit market meltdown and the severe recession, the Developer halted construction in February 2009 for lack of further funding. The Town Center development project was about 40% completed at the time.

Since July 2009, liens totaling more than \$17 million have been filed against the property by the general contractor and subcontractors for missed payments on work completed. In August 2009 Devcon Construction, the general contractor, filed a multimillion-dollar lawsuit against various parties including the Developer, the Agency, and the lender Wachovia Bank (part of Wells Fargo Bank), seeking foreclosure of the property.

The retailer Target and the Developer were parties to a separate Site Development Agreement dated October 28, 2008. A newly constructed modern Target store, which is a separate project from the rest of the Town Center Project, opened on November 15, 2009. The streets and sidewalks leading to the new store are part of about \$8 million worth of infrastructure included in the Town Center Project. On July 19, 2009, the City, the Agency, the Developer, and Target reached an Infrastructure Improvement Agreement so that the required infrastructure could be installed in time for the new store opening. Concurrently, the Agency settled a dispute with the Developer with respect to certain environmental costs incurred by the Developer in the period from April 2008 to March 2009. Refer to Note 7 F on Town Center Pollution Remediation Obligations for more details.

The lender Wachovia/Wells Fargo Bank began foreclosure proceedings on the Project in September 2009 after the Developer's default on a \$108 million loan in June 2009. In an October 5 court action, the Santa Clara County Superior Court appointed Gerald Hunt and Quattro Realty Group as the Receiver of the Project. The receiver's responsibilities include devising a plan to protect and preserve the value of the Project site. During this time, Wachovia/Wells Fargo Bank has the power to authorize funds for improvements needed to secure the site.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2010

7. LONG-TERM LIABILITIES, Continued

The Agency and the Receiver had been negotiating certain modifications to the ARDDOPA until reaching the 2010 Modification Agreement in May, 2010. On August 2, 2010, the Agency and the Receiver entered into the 2010 Amended Disposition and Development and Ownership Agreement (ADDOPA) in order to document the changes agreed to in the 2010 Modification Agreement. The 2010 ADDOPA is effective as of May 14, 2010.

Under the new terms, the Developer must report quarterly to the Agency on its process with leasing and financing efforts. Overall the ADDOPA reflects the principle that construction will commence and thereafter be diligently completed as soon as commercially reasonable financing and leasing commitments have been obtained, rather than an absolute date with a firm construction schedule when construction will commence. There is a one-time penalty of \$5 million for failure to meet the construction schedule. The transfer provisions permit the lender to foreclose on its security interest and to transfer the Project to a developer that meets criteria for experience, financial capability and reputation. These modifications represent compromises by both the Receiver and the Agency, and provide the basis for investment and restarting the Project as soon as possible.

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, 2010

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. On the equipment side, the City leases copiers for city-wide use. Future minimum payments under these leases at June 30, 2010 are as follows:

<u>Year Ending June 30,</u>	<u>Land</u>	<u>Equipment</u>	<u>Total</u>
2011	\$ 52,747	\$ 139,132	\$ 191,879
2012	52,747	139,132	191,879
2013	52,747	34,783	87,530
2014	52,747	-	52,747
2015	52,747	-	52,747
2016-2020	263,735	-	263,735
2021	52,747	-	52,747
Total	<u>\$ 580,217</u>	<u>\$ 313,047</u>	<u>\$ 893,264</u>

9. COMMITMENTS

At June 30, 2010, the City had outstanding construction commitments for the following projects:

<u>Description</u>	<u>Contract</u>	<u>Unpaid</u>
Rehabilitation of WPCP Digester No. 4	\$ 2,309,650	\$ 969,290
Public Safety Roof & HVAC	1,637,447	592,691
Three Tanks at Hamilton Water Plant	569,501	569,501
Water Main Replacement 2012 @ Washington Avenue	316,130	316,130
Sulfur Dioxide Equipment Replacement	396,000	355,052
Mathilda Avenue Overhead Bridge	15,652,311	15,233,605
	<u>\$ 20,881,039</u>	<u>\$ 18,036,269</u>

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2010

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, which account for 7% of annual salary for miscellaneous participants and the full contribution for safety participants. This amounted to \$7,431,063 for the fiscal year ended June 30, 2010. 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, 2010, the City contribution was 15.254% for miscellaneous employees and 29.836% for safety employees. The contribution requirements of the plan members are established by State statute and the employer contribution rate or annual lump sum prepayment option is established annually and may be amended by PERS.

Annual Pension Cost (APC)

For fiscal year 2010 the City's annual pension cost of \$17,892,689 was equal to the City's required and actual contributions. Originally the required employer contribution was determined as part of the June 30, 2007, actuarial valuation using the entry age normal actuarial cost method. 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. The average remaining amortization period at June 30, 2007, was 20 years for miscellaneous and 32 years for safety employees on a closed basis.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2010

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			
06/30/08	8,827,288	8,447,097	17,274,385	100%	-
06/30/09	9,339,925	8,372,838	17,712,763	100%	-
06/30/10	8,500,662	9,392,027	17,892,689	100%	-

Funding Progress

The most recent actuarial valuations available from PERS were as of June 30, 2008:

Miscellaneous Plan

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
6/30/2006	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%
6/30/2008	272,822,360	321,873,624	49,051,264	84.8%	52,930,362	92.7%

Safety Plan

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
6/30/2006	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%
6/30/2008	276,074,688	334,085,457	58,010,769	82.6%	29,840,404	194.4%

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2010

11. 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 or equipment, (2) debt service payments, (3) subsidies and reimbursements of various operating activities, and (4) allocated share in Government Center debt service.

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	\$ 459,339	(3)
	City Projects	11,743	(1)
	Nonmajor Governmental	1,421,350	(3)
	Internal Service - General Services	704,184	(3)
	Internal Service - Employee Benefits	150,000	(3)
	Water Supply and Distribution	2,407,872	(3)
	Wastewater Management	3,479,241	(3)
	Solid Waste Management	2,989,976	(3)
	Community Recreation	1,088,176	(3)
	Subtotal - General Fund	12,711,881	

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2010

11. TRANSFERS, Continued

<u>Fund Receiving Transfers</u>	<u>Fund Making Transfers</u>	<u>Amount Transferred</u>	<u>Funding Purpose</u>
Redevelopment Debt Service	Nonmajor Governmental	\$ 6,273,884	(2)
	Subtotal - Redevelopment Debt Service	<u>6,273,884</u>	
City Projects	General Fund	789,757	(1)
	Nonmajor Governmental	1,363,799	(1)
	Subtotal - City Projects	<u>2,153,556</u>	
Nonmajor Governmental	General Fund	1,304,791	(3)
	City Projects	447,555	(1)
	Nonmajor Governmental	3,118,359	(1)
	Internal Service - General Services	481,464	(4)
	Water Supply and Distribution	45,342	(4)
	Wastewater Management	30,676	(4)
	Solid Waste Management	44,325	(4)
	Subtotal - Nonmajor Governmental	<u>5,472,512</u>	
Internal Service - General Services	General Fund	513,229	(1)
	City Projects	14,023	(1)
	Nonmajor Governmental	473,452	(1)
	Water Supply and Distribution	533,788	(1)
	Wastewater Management	531,426	(1)
	Solid Waste Management	16,834	(1)
	Subtotal - Internal Service - General Services	<u>2,082,752</u>	
Water Supply and Distribution	Wastewater Management	151,280	(1)
	Solid Waste Management	1,709	
	Subtotal - Water Supply and Distribution	<u>152,989</u>	
SMaRT Station	Solid Waste Management	1,578,834	(2)
	Solid Waste Management	198,542	(1)
	Subtotal - SMaRT Station	<u>1,777,376</u>	
Community Recreation	General Fund	4,641,720	(3)
	Nonmajor Governmental	14,997	(3)
	Subtotal - Community Recreation	<u>4,656,717</u>	
Total Interfund Transfers		<u>\$ 35,281,667</u>	

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2010

11. TRANSFERS, Continued

Government-Wide Financial Statements

Transfers in net amounts between governmental and business-type activities are presented on the statement of activities and changes in net assets. According to GASB Statement No. 34, all interfund transfers in the fund financial statements are consolidated separately within governmental activities and business-type activities. Interfund transfers that reduced internal balances resulting from Internal Service Funds' look-back adjustments are not included as transfers in the government-wide financial statements. During fiscal year 2010, business-type activities transferred a net amount of \$4,970,214 to governmental activities, primarily to reimburse the General Fund for administrative costs.

12. PROPOSITION 1A BORROWING BY THE STATE AND SECURITIZATION

Under the provisions of Proposition 1A and as part of the 2009-10 State budget package passed by the California state legislature on July 28, 2009, the State borrowed 8% of the amount of property tax revenue, including those property taxes associated with the in-lieu motor vehicle license fee, the triple flip in lieu sales tax, and supplemental property tax, apportioned to cities, counties and special districts, except for redevelopment agencies. The State is required to repay the obligations plus interest by June 30, 2013. After repayment of this initial borrowing, the California legislature may consider only one borrowing within a ten-year period. The amount of this borrowing pertaining to the City was \$3,992,151.

Authorized with the 2009-10 State budget package, the Proposition 1A Securitization Program was instituted by the California Statewide Communities Development Authority ("California Communities"), a joint powers authority sponsored by the California State Association of Counties and the League of California Cities, to enable local governments to sell their Proposition 1A receivables to California Communities. Under the Securitization Program, California communities simultaneously purchased the Proposition 1A receivables and issued bonds ("Prop 1A Bonds") to provide local agencies with cash proceeds in two equal installments. On January 15, 2010 and May 3, 2010. The purchase price paid to the local agencies equaled 100% of the amount of the property tax reduction. All transaction costs of issuance and interest were paid by the State. Participating local agencies have no obligation on the bonds and no credit exposure to the State. The City participated in the securitization program and accordingly property taxes have been recorded in the same manner as if the State had not exercised its rights under Proposition 1A. Since the receivable sale proceeds were equal to the book value of State borrowings, no gain or loss was recorded.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2010

13. PLEDGED REVENUES

The following disclosures pertain to future revenues that have been pledged and will be unavailable for other purposes.

Utility Revenues Pledged in Connection with Water Revenue Bonds, Series 2010

Refer to Note 7A about the advanced refunding and new debt transactions related to the Water and Wastewater Revenue Bonds.

The City has pledged, as security for the 2010 Water Revenue Bonds, net revenues of its Water System. The 2010 Bonds were issued at the end of the current year in the amount of \$24,085,000 to pay off the Water Fund's share of the 2001 Water and Wastewater Revenue Bonds, and to provide financing for additions and improvements to the Water System.

Total principal and interest remaining on the debt is \$44,902,644 with annual requirements ranging from \$1,657,964 in fiscal year 2011 to \$1,368,250 in the final fiscal year 2040. For the current year, debt service principal and interest totaling \$1,103,378 was paid for the Water Fund's share in the 2001 Water and Wastewater Bonds, which were defeased in substance on June 29, 2010. Net revenues of the Water System amounted to \$1,865,866. Net revenues for calculating debt coverage include the following components: operating revenues, operating expenses (excluding depreciation), interest earnings, and net interfund operating transfers.

Utility Revenues Pledged in Connection with Wastewater Revenue Bonds, Series 2010

Refer to Note 7A about the advanced refunding and new debt transactions related to the Water and Wastewater Revenue Bonds.

The City has pledged, as security for the 2010 Wastewater Revenue Bonds, net revenues of its Wastewater System. The 2010 Bonds were issued at the end of the current year in the amount of \$35,380,000 to pay off the Wastewater Fund's share of the 2001 Water and Wastewater Revenue Bonds, and to provide financing for additions and improvements to the Wastewater System.

Total principal and interest remaining on the debt is \$62,134,185 with annual requirements ranging from \$2,857,957 in fiscal year 2011 to \$1,436,663 in the final fiscal year 2040. For the current year, debt service principal and interest totaling \$1,510,536 was paid for the Wastewater Funds' share in the 2001 Water and Wastewater Bonds, which were defeased in substance on June 29, 2010. Net revenues of the Wastewater System amounted to \$7,159,251. Net revenues for calculating debt coverage include the following components: operating revenues, operating expenses (excluding depreciation), interest earnings, and net interfund operating transfers.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2010

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 monies 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 requirements for the 2003 Bonds are shared by 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 requirements for the 2007 Bonds are shared by 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 \$15,553,126 with annual requirements ranging from \$1,945,350 in fiscal year 2011 to \$1,941,975 in the final fiscal year 2018. Total principal and interest remaining to be paid on the 2007 bond issues is \$9,112,426 with annual requirements ranging from \$760,977 in fiscal year 2011 to \$759,973 in the final fiscal year 2022.

For the current year, principal and interest payments were \$1,945,063 for the 2003 Bonds and \$759,870 for the 2007 Bonds. Net revenues of the Solid Waste System amounted to \$2,123,446 for fiscal year 2010. Net revenues for calculating debt coverage include the following components: operating revenues, operating expenses (excluding depreciation), interest earnings, and net interfund operating transfers.

The Solid Waste Fund made a debt service transfer of \$1,578,834 to the SMaRT Station Fund. The cities of Mountain View and Palo Alto paid \$435,929 and \$607,530 into the SMaRT Station Fund to cover their allocated share of debt service in this year.

Tax Increment Revenues Pledged

Tax increment revenue in the amount of \$7,706,864, after deducting County administrative fees and the State takeaway for the Educational Revenue Augmentation Fund (ERAF), was 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 \$7,797,298. The annual debt service, ranging from \$606,486 in fiscal year 2011 to \$598,163 in the final fiscal year 2023, is fully covered by current tax increment revenue.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2010

13. PLEDGED REVENUES, 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 \$15,832,430. The annual debt service, ranging from \$1,206,475 in fiscal year 2011 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 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 the 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 that are 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. At June 30, 2010, cumulative tax increment received, adjusted by approximately \$1 million for which valuation is currently under appeal, amounted to \$83,589,867.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2010

13. PLEDGED REVENUES, Continued

Refer to Note 7G. As part of the Amended Disposition, Development, and Owner Participation Agreement (ADDOPA) on August 2, 2010, 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 City General Fund Long Term Financial Plan, the Agency loan repayment revenue is shown as revenue with a corresponding expenditure item shown as *Payment to Town Center Developer*. The tax increment agreement ends in fiscal year 2026.

14. CLASSIFICATION OF NET ASSETS AND FUND BALANCES

Government-Wide Financial Statements and Proprietary Fund Financial Statements

Net assets are classified in the following categories:

Invested In Capital Assets, Net of Related Debt

This category represents the net carrying value of all capital assets, reduced by the outstanding balances of long-term debt that are attributable to the acquisition, construction or improvement of these assets.

Restricted

The restricted component of net assets represents restricted assets reduced by liabilities related to those assets. For governmental activities, 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.

For the City's business-type activities or enterprise funds, the restricted assets are bond proceeds used for constructing capital improvements and for establishing the debt service reserve. Since the related bonds payable is greater than the bond proceeds held by the trustee under each fund or activity, there is no restricted net asset to report.

The City Policy is to spend restricted resources first and use unrestricted resources when the restricted funds are depleted.

Unrestricted

This category is the "residual" component of net assets. It consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2010

14. CLASSIFICATION OF NET ASSETS AND FUND BALANCES, Continued

Governmental Fund Financial Statements

The following schedule presents details of fund balance components at June 30, 2010:

	<u>Major Funds</u>				<u>Nonmajor Governmental Funds</u>
	<u>General Fund</u>	<u>Employment Development Special Revenue</u>	<u>Redevelopment Debt Service</u>	<u>City Projects</u>	
Fund Balances:					
Nonspendable:					
Inventories and Prepayments	\$ 492,763	\$ 4,385	\$ -	\$ 450,000	\$ -
Advances to Other Funds Net of Deferred Interest Revenue	10,208,414	-	-	-	-
Long-term Receivables Net of Deferred Revenue	3,673,962	-	-	-	-
Assets Held for Resale	1,101,077	-	-	-	280,000
Permanent Fund Principal	-	-	-	-	1,435,902
Columbia Neighborhood Center Endowment	506,658	-	-	-	-
Subtotal	15,982,874	4,385	-	450,000	1,715,902
Restricted for:					
Donations and Contributions from External Sources	415,301	-	-	-	-
Hazardous Materials Program Enforcement Actions	118,750	-	-	-	-
Housing Mitigation	-	-	-	-	11,956,622
Housing - CDBG and HOME Grants	-	-	-	-	1,731,436
Park Dedication	-	-	-	-	10,051,233
Law Enforcement - Asset Forfeiture Funds	-	-	-	-	1,270,769
Police Services Augmentation	-	-	-	-	121,182
Workforce Training and Development	-	155,897	-	-	-
Downtown Parking Maintenance	-	-	-	-	589,639
Public Street and Highways	-	-	-	-	6,018,034
Infrastructure Improvement Agreement	-	-	-	-	470,016
Town Center Pollution Remediation Obligations	-	-	-	-	1,714,082
Low and Moderate Income Housing	-	-	-	-	12,633,046
Debt Service Reserve	-	-	1,928,741	-	1,788,499
Capital Projects Funded by External Resources	-	-	-	15,282,387	-
Subtotal	534,051	155,897	1,928,741	15,282,387	48,344,558
Committed to:					
Contingency Reserve	24,744,081	-	-	-	-
Capital Improvement Projects (Downtown)	8,737,347	-	-	-	-
Infrastructure Renovation and Improvement Projects	-	-	-	-	10,553,668
Current Capital and Special Projects Carryover	1,936,887	-	-	-	-
Subtotal	35,418,315	-	-	-	10,553,668
Assigned to:					
Youth and Neighborhood Services	21,676	-	-	-	-
Unassigned, Reported in					
Major Funds	36,836,508	-	(64,671,255)	(315,792)	-
Special Revenue Funds	-	-	-	-	(13,323,144)
Total	\$ 88,793,424	\$ 160,282	\$ (62,742,514)	\$ 15,416,595	\$ 47,290,984

In the fund financial statements, the components of fund balances reflect policies and procedures established by actions of the City Council and its designated officials.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2010

14. CLASSIFICATION OF NET ASSETS AND FUND BALANCES, Continued

Fund Balance Classifications:

The *nonspendable* fund balance includes portion of net resources that cannot be spent because of their form or because they must be maintained intact. Resources not in spendable form include supplies inventories and prepaid items, long-term advances to other funds net of deferred interest revenue, long-term receivable net of deferred interest revenue, nonfinancial assets held for resale, and unrealized change in the fair value of investments

Some resources are spendable but are legally or contractually required to be maintained intact. Such resources include the principal of an endowment.

The *restricted* fund balance includes net resources that can be spent only for the specific purposes stipulated by constitution, external resource providers (creditors, grantors, contributors), laws and regulations of other governments, or through enabling legislation.

The enabling legislation authorizes the City to assess, levy, charge or otherwise mandate payment of resources from external resource providers; those resources can be used only for the specific purposes stipulated in the legislation. The City's fee revenue generated through enabling legislation include impact fees such as housing mitigation fees and park dedication fees reported under the Nonmajor Special Revenue Funds, and transportation impact fees reported under the City Projects Major Fund.

The *committed* fund balance includes spendable net resources that can only be used for specific purposes pursuant to constraints imposed by formal Council actions, no later than the close of the fiscal year. Those constraints remain binding unless removed or changed in the same manner employed to previously commit those resources.

The *assigned* fund balance includes amounts that are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. Such intent should be expressed by the City Council or its designated officials to assign amounts to be used. Constraints imposed on the use of assigned amounts can be removed with no formal Council actions. The assigned fund balance is only reported in the General Fund.

The *unassigned* fund balance represents spendable net resources that have not been restricted, committed, or assigned to specific purposes.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2010

14. CLASSIFICATION OF NET ASSETS AND FUND BALANCES, Continued

Spending Prioritization in Using Available Resources:

When both restricted resources and other resources (i.e., committed, assigned, and unassigned) can be used for the same purpose, the City budget considers restricted resources to be spent first.

When committed, assigned, and unassigned resources can be used for the same purpose, the flow assumption in the City budget is to spend in the sequence of committed resources first, assigned second, and unassigned last.

General Fund Balance Requirements Caused by Council Actions or Management's Intended Use:

The General Fund Contingency Reserve is established by the City Council at 20% of General Fund operating expenditures as budgeted to provide funding for any significant unplanned event that may arise such as natural disasters or emergencies. It is not intended for normal unanticipated expenditures. In the fiscal year 2010 adopted budget, the amount of \$24,744,081 was identified and set aside for the designated purpose. This specific reserve is classified as committed resources.

The General Fund Reserve for Capital Improvement Projects reflects the proceeds received from Downtown land sale between fiscal year 2006 and fiscal year 2008; which amounted to \$8,737,347. Such proceeds have been approved by the Council for specific Downtown improvement projects. This specific reserve is classified as committed resources.

The Current Capital and Special Projects represent the unspent amount of project appropriations at the end of fiscal year 2010. The amount of \$1,936,887 remains committed until the completion of Council-approved projects.

The Budget Stabilization Fund was called the *20-Year Resource Allocation Plan* in prior years. It functions to levelize economic cycles from year to year. After identifying nonspendable, restricted, committed, and assigned fund balances, the remaining balances become the Budget Stabilization Fund. This Fund is expected to increase during periods of economic growth and is to be drawn down during the low points of economic cycles to maintain stable service levels over the long term. At the end of fiscal year 2010, this Fund had a balance of \$36,836,508. This Fund is classified as unassigned resources.

The *assigned* amount of \$21,676 in the General Fund represents management's intention to utilize the funds to subsidize operating costs of Youth and Neighborhood Services in fiscal year 2011. The Council-approved budget directed the General Fund to provide \$550,497 to subsidize Youth and Neighborhood Services' operating costs for fiscal year 2010. By fiscal year end, unused amount was \$21,676.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2010

14. CLASSIFICATION OF NET ASSETS AND FUND BALANCES, Continued

Explanation of Fund Balance Requirements Other than the General Fund:

Additional explanations are provided below to supplement the schedule presented on page 122.

For the Redevelopment Debt Service Fund, the negative amount of \$64,671,255 represents the outstanding balance of advances from the General Fund. Refer to Note 15 which explains the deficit fund balance.

For the City Projects Major Fund, total fund balance was \$15,416,595. After having identified the unspendable amount of \$450,000 (prepayments) and the restricted amount of \$15,282,387 (resources from grants and impact fees), the unassigned fund balance was determined to be a negative amount of \$315,792, which was due to pending project reimbursements from grantor agencies.

For the Nonmajor Governmental Funds, the amount of \$10,553,668 represents resources needed for uncompleted projects accounted for in the Infrastructure Renovation and Improvement Nonmajor Fund. Appropriations for multiple-year projects were approved by the Council in prior and current fiscal years.

For the Nonmajor Governmental Funds, a negative amount of \$13,323,144 was reported in the Redevelopment Agency Special Revenue Nonmajor Fund. It was caused primarily by the State law requiring 20% of tax increment be set aside for low and moderate income housing (refer to Note 5A). Additionally, the Agency is restricted by development agreement to share certain environmental costs (refer to Note 7F).

15. DEFICIT NET ASSETS AND FUND BALANCES

Government-Wide Financial Statements

The business-type activities in the government-wide financial statements had deficit unrestricted net assets of (\$21,065,594). This amount was composed of positive net unrestricted assets in all enterprise funds except for deficits in the Solid Waste Management Fund.

Total Unrestricted Net Assets in Enterprise Funds	\$ (19,824,061)
Cumulative Internal Service Funds' Look-back Adjustments	(1,241,533)
Deficit Unrestricted Net Assets in Business-Type Activities	<u>\$ (21,065,594)</u>

The deficit unrestricted net assets in the Solid Waste Management are primarily due to the recognition of the landfill postclosure liability, Sunnyvale's share in the SMaRT Station debt service, and interest charges from General Fund advances. The General Fund advances were used to acquire and improve capital assets while keeping rates stable for customers. The deficit net assets will be funded by future rates charged to customers.

Notes to the Basic Financial Statements, Concluded
Fiscal Year Ended June 30, 2010

15. DEFICIT NET ASSETS AND FUND BALANCES, Continued

Fund Financial Statements

The following funds had deficit fund balance or net assets as of June 30, 2010:

Major Funds Deficit Fund Balance:

Redevelopment Agency Debt Service Fund	\$ (62,742,514)
Solid Waste Management Enterprise Fund	(34,250,421)

Although the combined fund balances for all nonmajor governmental funds were \$47,290,984, one of the nonmajor funds, the Redevelopment Agency Special Revenue Fund, had a deficit fund balance of \$11,139,046 at year end.

Although the combined net assets for all internal service funds were \$50,292,701, one of the internal service funds, the Risk Management Fund, had a deficit net asset of \$548,026 at year end.

The long-term advances from the General Fund to the Redevelopment Agency Debt Service Fund caused the deficit fund equity in the Redevelopment Agency Debt Service Fund. As of June 30, 2010, total advances amounted to \$64,671,255 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.

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 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. Net assets of \$2.5 million were transferred to the SMaRT Station Fund when it was created in fiscal year 1997. Annually, through interfund transfers, this Fund pays Sunnyvale's share of debt service to the SMaRT Station Fund. The Fund also pays the General Fund for general government support services. The deficit is expected to be funded by charges for services.

The deficit fund balance in the Redevelopment Agency Special Revenue Fund has been caused by the State mandated 20% of tax increment revenue set-aside for low and moderate income housing. The deficit is expected to be funded by property tax increment after the Agency's 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 liability adjustments. The deficit is expected to be funded by future internal service charges to other City funds.

Required Supplementary Information

**Required Supplementary Information
Fiscal Year Ended June 30, 2010**

BUDGETARY POLICY AND CONTROL

**Budgetary Comparison Schedule - General Fund
Fiscal Year Ended June 30, 2010**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive(Negative)
	Original	Final		
Budgetary Fund Balance, July 1, 2009	\$ 64,886,866	\$ 78,925,683	\$ 78,925,683	\$ -
Resources (inflows):				
Property Taxes	41,834,737	43,270,592	43,699,859	429,267
Sales and Use Taxes	27,100,000	24,500,000	26,590,337	2,090,337
Other Taxes	15,703,058	14,540,016	15,247,564	707,548
Franchise Fees	6,227,378	5,975,125	5,979,301	4,176
Intergovernmental Revenues	907,805	2,259,681	2,020,473	(239,208)
Permits and Licenses	4,355,724	4,385,352	4,765,710	380,358
Fines and Forfeitures	1,139,833	1,128,841	1,107,547	(21,294)
Service Fees	3,287,591	2,975,808	3,165,696	189,888
Rents and Concessions	2,664,903	2,778,562	3,144,813	366,251
Investment Earnings	1,946,606	789,257	755,108	(34,149)
Interfund Revenues	7,082,396	5,388,346	8,911,807	3,523,461
Other Revenues	47,160	232,917	344,897	111,980
Transfers In	9,933,340	10,305,949	10,019,710	(286,239)
Total Resources	<u>122,230,531</u>	<u>118,530,446</u>	<u>125,752,822</u>	<u>7,222,376</u>
Charges to appropriations (outflows):				
Planning and Management	19,482,244	20,658,750	19,561,798	1,096,952
Public Safety	71,092,238	70,108,373	69,794,754	313,619
Community Development	17,294,653	19,232,936	18,207,289	1,025,647
Transportation	5,535,278	5,666,008	5,354,945	311,063
Socioeconomic	275,547	271,564	227,034	44,530
Cultural	7,645,971	8,055,075	7,812,883	242,192
Environmental Management	1,613,918	2,008,764	1,829,394	179,370
Capital Outlay	55,272	1,395,850	1,271,159	124,691
Debt Service	177,270	177,270	177,270	-
Transfers Out	6,640,946	12,530,064	7,622,723	4,907,341
Total charges to appropriations	<u>129,813,337</u>	<u>140,104,654</u>	<u>131,859,249</u>	<u>8,245,405</u>
Excess of resources over (under) charges to appropriations	<u>(7,582,806)</u>	<u>(21,574,208)</u>	<u>(6,106,427)</u>	<u>15,467,781</u>
Budgetary Fund Balance, June 30, 2010	<u>\$ 57,304,060</u>	<u>\$ 57,351,475</u>	<u>\$ 72,819,256</u>	<u>\$ 15,467,781</u>

Required Supplementary Information, Continued
Fiscal Year Ended June 30, 2010

BUDGETARY POLICY AND CONTROL, Continued

Budgetary Comparison Schedule - Employment Development Fund
Fiscal Year Ended June 30, 2010

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1, 2009	\$ 3,692,605	\$ 178,726	\$ 178,726	\$ -
Resources (inflows):				
Intergovernmental Revenues	9,784,506	12,545,960	10,816,354	(1,729,606)
Service Fees	-	-	8,416	8,416
Other Revenues	-	-	103,328	103,328
Total Resources	9,784,506	12,545,960	10,928,098	(1,617,862)
Charges to appropriations (outflows):				
Socioeconomic	11,968,167	11,936,515	10,487,202	1,449,313
Transfers Out	524,206	524,206	459,339	64,867
Total charges to appropriations	12,492,373	12,460,721	10,946,541	1,514,180
Excess of resources over (under) charges to appropriations	(2,707,867)	85,239	(18,443)	(103,682)
Budgetary Fund Balance, June 30, 2010	\$ 984,738	\$ 263,965	\$ 160,283	\$ (103,682)

**Required Supplementary Information, Continued
Fiscal Year Ended June 30, 2010**

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	\$ 125,752,822	\$ 10,928,098
Differences - Budget to GAAP		
Interfund advances repayment is a budgetary resource but is not a revenue for financial reporting purposes	(6,612,269)	-
Interfund rent is a budgetary resource but is a transfer, not a revenue, for financial reporting purposes	(910,652)	-
Interfund revenues are a budgetary resource but are transfers, not revenues, for financial reporting purposes	(1,037,331)	-
Change in fair value of investments is not budgetary resource	(227,447)	-
ABAG Debt Service Fund included in budgetary fund structure	(15,107)	-
Private donations are not in budget	163,600	-
Youth and Neighborhood Services are not in budget	202,447	-
Contribution to Multimodal Sinking Fund	(10,870)	-
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes	(10,331,917)	-
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	\$ 106,973,276	\$ 10,928,098
Uses/Outflows of Resources		
Actual amounts (budgetary basis) of "total charges to appropriations" from the budgetary comparison schedule	\$ 131,859,249	\$ 10,946,541
Differences - Budget to GAAP		
Interfund advances is a budgetary expenditure but is not an expenditure for financial reporting purposes	(1,210,893)	-
ABAG Debt Service Fund included in budgetary fund structure	(448,690)	-
Private donations are not in budget	93,218	-
Youth and Neighborhood Services are not in budget	729,548	-
Contribution to Multimodal Sinking Fund	(10,870)	-
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(7,351,304)	(459,339)
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	\$ 123,660,258	\$ 10,487,202

Required Supplementary Information, Continued
Fiscal Year Ended June 30, 2010

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.
- 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.

Required Supplementary Information, Continued
Fiscal Year Ended June 30, 2010

BUDGETARY INFORMATION, Continued

- 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 23, 2009 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 updated during the fiscal year to incorporate carryover of unspent capital and special projects funds and unanticipated expenditures. Total budget modifications included project carryover appropriations of \$3,155,756, equipment carryover of \$164,835, and transfer carryover of \$5,881,016. Additionally, a total amount of \$3,700,516 was appropriated throughout the fiscal year for various unanticipated expenditures, including \$1,775,877 for projects and \$1,924,639 for operating expenditures. Funding sources for these amendments included grant revenues, General Fund savings due to other funding sources, General Fund reserves, and savings from projects and transfers which did not require their full appropriation. A planned cost savings measure to defer employee group salary increases was achieved earlier than anticipated by the General Fund Long Term Plan and reduced appropriations by \$1,503,104. Appropriations were further reduced by \$1,115,803 for projects which will not carry forward. An administrative budget adjustment reallocated \$50,604 amongst operating programs with no change to total appropriations.

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 \$1,153,755 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 new grants for projects reduced anticipated resources by \$5,226,449. Budget modification also included transfers from other funds in the amount of \$372,609 to pay for projects and unanticipated legal costs.

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. The original budget anticipated the Federal stimulus funds from the American Recovery and Reinvestment Act of 2009 and the appropriations reflected that accordingly.

Required Supplementary Information, Continued
Fiscal Year Ended June 30, 2010

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, Concluded
Fiscal Year Ended June 30, 2010

**MODIFIED APPROACH FOR CITY STREETS INFRASTRUCTURE CAPITAL ASSETS,
 Continued**

The City Policy is to achieve a rating of 70 or over 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 June 2010 for fiscal year 2010. 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	17.4%
Very Good	59.5%
Good	17.1%
Fair	3.9%
Poor	1.5%
Very Poor	0.5%
Substandard	0.0%

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 \$2,494,000 on street maintenance for the fiscal year ended June 30, 2010. 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>
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
2008-2009	3,592,000	2,712,000	76
2009-2010	4,301,000	3,255,000	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. The City leverages grant funding when available to augment the program

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 Sunnyvale School District and Advanced Micro Devices, a private corporation. This Fund was closed at the beginning of this fiscal year after transferring assets and liabilities to the General Fund.

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, 2010**

	Special Revenue			
	Community Development Block Grant	HOME Grant	Housing	Park Dedication
Assets:				
Cash and Investments Held by City	\$ 1,792,010	\$ -	\$ 11,492,524	\$ 10,042,931
Cash and Investments Held by Fiscal Agent	-	-	-	-
Other Receivables, Net	6,992	-	74,437	65,251
Intergovernmental Receivables	728,081	72,273	1,004,034	-
Due from Other Funds	-	-	430,451	-
Housing Loans Receivable	11,475,156	9,878,880	13,469,148	-
Assets Held for Resale	-	-	280,000	-
Total Assets	\$ 14,002,239	\$ 9,951,153	\$ 26,750,594	\$ 10,108,182
Liabilities and Fund Balances:				
Liabilities:				
Accounts Payable and Accrued Liabilities	378,408	122	336,282	49,524
Refundable Deposits	-	-	1,000	7,425
Due to Other Funds	358,300	72,151	-	-
Deferred Revenues	11,534,095	9,878,880	14,176,690	-
Total Liabilities	12,270,803	9,951,153	14,513,972	56,949
Fund Balances:				
Nonspendable	-	-	280,000	-
Restricted	1,731,436	-	11,956,622	10,051,233
Committed	-	-	-	-
Unassigned	-	-	-	-
Total Fund Balances (Deficit)	1,731,436	-	12,236,622	10,051,233
Total Liabilities and Fund Balances	\$ 14,002,239	\$ 9,951,153	\$ 26,750,594	\$ 10,108,182

Special Revenue

Asset Forfeiture	Police Services Augmentation	Parking District	Gas Tax	Transportation Development Act	Youth and Neighborhood Services
\$ 1,266,645	\$ 32,557	\$ 572,739	\$ 5,532,981	\$ -	\$ -
-	-	-	\$ -	-	-
8,078	-	3,720	32,251	-	-
-	88,625	15,931	560,397	18,113	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 1,274,723</u>	<u>\$ 121,182</u>	<u>\$ 592,390</u>	<u>\$ 6,125,629</u>	<u>\$ 18,113</u>	<u>\$ -</u>
3,954	-	2,751	-	-	-
-	-	-	-	-	-
-	-	-	-	18,113	-
-	-	-	107,595	-	-
<u>3,954</u>	<u>-</u>	<u>2,751</u>	<u>107,595</u>	<u>18,113</u>	<u>-</u>
-	-	-	-	-	-
1,270,769	121,182	589,639	6,018,034	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>1,270,769</u>	<u>121,182</u>	<u>589,639</u>	<u>6,018,034</u>	<u>-</u>	<u>-</u>
<u>\$ 1,274,723</u>	<u>\$ 121,182</u>	<u>\$ 592,390</u>	<u>\$ 6,125,629</u>	<u>\$ 18,113</u>	<u>\$ -</u>

Continued

CITY OF SUNNYVALE**Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2010**

	Special Revenue			Permanent
	Redevelopment Agency	Low and Moderate Income Housing	Total	Swirsky Youth Opportunity
Assets:				
Cash and Investments Held by City	\$ 2,753,760	\$ -	\$ 33,486,147	\$ 533,785
Cash and Investments Held by Fiscal Agent	-	-	-	-
Receivables, Net	1,077	-	191,806	3,558
Intergovernmental Receivables	-	-	2,487,454	-
Due from Other Funds	-	12,633,046	13,063,497	-
Housing Loans Receivable	-	-	34,823,184	-
Assets Held for Resale	-	-	280,000	-
Total Assets	\$ 2,754,837	\$ 12,633,046	\$ 84,332,088	\$ 537,343
Liabilities and Fund Balances:				
Liabilities:				
Accounts Payable and Accrued Liabilities	1,260,837	-	2,031,878	-
Refundable Deposits	-	-	8,425	-
Due to Other Funds	12,633,046	-	13,081,610	-
Deferred Revenues	-	-	35,697,260	-
Total Liabilities	13,893,883	-	50,819,173	-
Fund Balances:				
Nonspendable	-	-	280,000	537,343
Restricted	2,184,098	12,633,046	46,556,059	-
Committed	-	-	-	-
Unassigned	(13,323,144)	-	(13,323,144)	-
Total Fund Balances (Deficit)	(11,139,046)	12,633,046	33,512,915	537,343
Total Liabilities and Fund Balances	\$ 2,754,837	\$ 12,633,046	\$ 84,332,088	\$ 537,343



Permanent		Debt Service Government Center		
Fremont Pool	Total	ABAG Certificates of Participation	Certificates of Participation	Total
\$ 892,661	\$ 1,426,446	\$ -	\$ 26,268	\$ 26,268
-	-	666,534	1,115,352	1,781,886
5,898	9,456	4,435	-	4,435
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>\$ 898,559</u>	<u>\$ 1,435,902</u>	<u>\$ 670,969</u>	<u>\$ 1,141,620</u>	<u>\$ 1,812,589</u>
-	-	-	24,090	24,090
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>24,090</u>	<u>24,090</u>
898,559	1,435,902	-	-	-
-	-	670,969	1,117,530	1,788,499
-	-	-	-	-
-	-	-	-	-
<u>898,559</u>	<u>1,435,902</u>	<u>670,969</u>	<u>1,117,530</u>	<u>1,788,499</u>
<u>\$ 898,559</u>	<u>\$ 1,435,902</u>	<u>\$ 670,969</u>	<u>\$ 1,141,620</u>	<u>\$ 1,812,589</u>

Continued

CITY OF SUNNYVALE**Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2010**

	Capital Projects			Total Nonmajor Governmental Funds
	Infrastructure Renovation and Replacement	Redevelopment Agency Projects	Total	
Assets:				
Cash and Investments Held by City	\$ 11,173,850	\$ -	\$ 11,173,850	\$ 46,112,711
Cash and Investments Held by Fiscal Agent	-	-	-	1,781,886
Receivables, Net	73,594	-	73,594	279,291
Intergovernmental Receivables	1,791	-	1,791	2,489,245
Due from Other Funds	-	-	-	13,063,497
Housing Loans Receivable	-	-	-	34,823,184
Assets Held for Resale	-	-	-	280,000
Total Assets	\$ 11,249,235	\$ -	\$ 11,249,235	\$ 98,829,814
Liabilities and Fund Balances:				
Liabilities:				
Accounts Payable and Accrued Liabilities	693,776	-	693,776	2,749,744
Refundable Deposits	-	-	-	8,425
Due to Other Funds	-	-	-	13,081,610
Deferred Revenues	1,791	-	1,791	35,699,051
Total Liabilities	695,567	-	695,567	51,538,830
Fund Balances:				
Nonspendable	-	-	-	1,715,902
Restricted	-	-	-	48,344,558
Committed	10,553,668	-	10,553,668	10,553,668
Unassigned	-	-	-	(13,323,144)
Total Fund Balances (Deficit)	10,553,668	-	10,553,668	47,290,984
Total Liabilities and Fund Balances	\$ 11,249,235	\$ -	\$ 11,249,235	\$ 98,829,814

Concluded

CITY OF SUNNYVALE

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2010**

	Special Revenue			
	Community Development Block Grant	HOME Grant	Housing	Park Dedication
Revenues:				
Property Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental Revenues	2,124,190	935,858	297,492	-
Fines and Forfeitures	-	-	-	-
Service Fees	-	-	6,100	3,082,455
Rents and Concessions	-	-	16,967	100,101
Investment Earnings	-	-	163,239	42,627
Other Revenues	321,283	-	125,971	-
Total Revenues	2,445,473	935,858	609,769	3,225,183
Expenditures:				
Current:				
Planning and Management	-	-	-	-
Public Safety	-	-	-	-
Community Development	645,066	930,151	6,038,986	-
Transportation	-	-	-	-
Socioeconomic	669,159	-	-	-
Cultural	-	-	-	-
Environmental Management	-	-	-	-
Capital Outlay	1,233,875	-	-	34,693
Debt Service:				
Principal Retirement	-	-	-	-
Interest	-	-	-	-
Fiscal Charges	-	-	-	-
Total Expenditures	2,548,100	930,151	6,038,986	34,693
Excess of Revenues Over (Under) Expenditures	(102,627)	5,707	(5,429,217)	3,190,490
Other Financing Sources (Uses):				
Transfers In	-	-	-	-
Transfers Out	(35,570)	(5,707)	(38,450)	(997,569)
Total Other Financing Sources (Uses)	(35,570)	(5,707)	(38,450)	(997,569)
Net Change in Fund Balances	(138,197)	-	(5,467,667)	2,192,921
Fund Balances - Beginning of Year	1,869,633	-	17,704,289	7,858,312
Fund Balances - End of Year	\$ 1,731,436	\$ -	\$ 12,236,622	\$ 10,051,233

Special Revenue

Asset Forfeiture	Police Services Augmentation	Parking District	Gas Tax	Transportation Development Act	Youth and Neighborhood Services
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	256,209	-	3,423,436	18,113	-
47,627	-	-	-	-	-
-	-	160,394	-	-	-
-	-	-	-	-	-
12,941	357	4,097	35,379	-	-
-	-	-	-	-	-
<u>60,568</u>	<u>256,566</u>	<u>164,491</u>	<u>3,458,815</u>	<u>18,113</u>	<u>-</u>
-	-	1,996	-	-	-
55,747	143,895	-	-	-	-
-	-	123,715	-	-	-
-	-	-	2,009,484	-	-
-	-	-	-	-	-
-	-	-	-	-	-
48,000	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>103,747</u>	<u>143,895</u>	<u>125,711</u>	<u>2,009,484</u>	<u>-</u>	<u>-</u>
(43,179)	112,671	38,780	1,449,331	18,113	-
-	-	-	-	-	-
<u>(92,600)</u>	<u>-</u>	<u>(14,729)</u>	<u>(975,628)</u>	<u>(18,113)</u>	<u>(504,938)</u>
<u>(92,600)</u>	<u>-</u>	<u>(14,729)</u>	<u>(975,628)</u>	<u>(18,113)</u>	<u>(504,938)</u>
(135,779)	112,671	24,051	473,703	-	(504,938)
1,406,548	8,511	565,588	5,544,331	-	504,938
<u>\$ 1,270,769</u>	<u>\$ 121,182</u>	<u>\$ 589,639</u>	<u>\$ 6,018,034</u>	<u>\$ -</u>	<u>\$ -</u>

Continued

CITY OF SUNNYVALE

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2010**

	Special Revenue			Permanent
	Redevelopment Agency	Low and Moderate Income Housing	Total	Swirsky Youth Opportunity
Revenues:				
Property Taxes	\$ 7,706,864	\$ -	\$ 7,706,864	\$ -
Intergovernmental Revenues	-	-	7,055,298	-
Fines and Forfeitures	-	-	47,627	-
Service Fees	-	-	3,248,949	-
Rents and Concessions	-	-	117,068	-
Investment Earnings	-	-	258,640	5,123
Other Revenues	-	-	447,254	-
Total Revenues	7,706,864	-	18,881,700	5,123
Expenditures:				
Current:				
Planning and Management	236,381	-	238,377	-
Public Safety	-	-	199,642	-
Community Development	241,401	-	7,979,319	-
Transportation	-	-	2,009,484	-
Socioeconomic	-	-	669,159	-
Cultural	-	-	-	-
Environmental Management	3,416,492	-	3,416,492	-
Capital Outlay	-	-	1,316,568	-
Debt Service:				
Principal Retirement	-	-	-	-
Interest	-	-	-	-
Fiscal Charges	-	-	-	-
Total Expenditures	3,894,274	-	15,829,041	-
Excess of Revenues Over (Under) Expenditures	3,812,590	-	3,052,659	5,123
Other Financing Sources (Uses):				
Transfers In	-	1,965,833	1,965,833	-
Transfers Out	(8,298,910)	-	(10,982,214)	(5,662)
Total Other Financing Sources (Uses)	(8,298,910)	1,965,833	(9,016,381)	(5,662)
Net Change in Fund Balances	(4,486,320)	1,965,833	(5,963,722)	(539)
Fund Balances - Beginning of Year	(6,652,726)	10,667,213	39,476,637	537,882
Fund Balances - End of Year	\$ (11,139,046)	\$ 12,633,046	\$ 33,512,915	\$ 537,343

Permanent		Debt Service		
Fremont Pool	Total	ABAG Certificates of Participation	Government Center Certificates of Participation	Total
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
8,253	13,376	15,107	1,972	17,079
6,838	6,838	-	-	-
15,091	20,214	15,107	1,972	17,079
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	140,000	510,000	650,000
-	-	37,270	34,873	72,143
-	-	-	40,036	40,036
-	-	177,270	584,909	762,179
15,091	20,214	(162,163)	(582,937)	(745,100)
-	-	625,960	589,086	1,215,046
(9,334)	(14,996)	-	-	-
(9,334)	(14,996)	625,960	589,086	1,215,046
5,757	5,218	463,797	6,149	469,946
892,802	1,430,684	207,172	1,111,381	1,318,553
\$ 898,559	\$ 1,435,902	\$ 670,969	\$ 1,117,530	\$ 1,788,499

Continued

CITY OF SUNNYVALE

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2010**

	Capital Projects			Total Nonmajor Governmental Funds
	Infrastructure Renovation and Replacement	Redevelopment Agency Projects	Total	
Revenues:				
Property Taxes	\$ -	\$ -	\$ -	\$ 7,706,864
Intergovernmental Revenues	3,340	-	3,340	7,058,638
Fines and Forfeitures	-	-	-	47,627
Service Fees	-	-	-	3,248,949
Rents and Concessions	-	-	-	117,068
Investment Earnings	118,075	-	118,075	407,170
Other Revenues	-	-	-	454,092
Total Revenues	121,415	-	121,415	19,040,408
Expenditures:				
Current:				
Planning and Management	195,157	-	195,157	433,534
Public Safety	-	-	-	199,642
Community Development	176,490	-	176,490	8,155,809
Transportation	-	-	-	2,009,484
Socioeconomic	-	-	-	669,159
Cultural	63,403	-	63,403	63,403
Environmental Management	-	-	-	3,416,492
Capital Outlay	2,747,574	-	2,747,574	4,064,142
Debt Service:				
Principal Retirement	-	-	-	650,000
Interest	-	-	-	72,143
Fiscal Charges	-	-	-	40,036
Total Expenditures	3,182,624	-	3,182,624	19,773,844
Excess of Revenues Over (Under) Expenditures	(3,061,209)	-	(3,061,209)	(733,436)
Other Financing Sources (Uses):				
Transfers In	2,291,633	-	2,291,633	5,472,512
Transfers Out	(997,709)	(670,922)	(1,668,631)	(12,665,841)
Total Other Financing Sources (Uses)	1,293,924	(670,922)	623,002	(7,193,329)
Net Change in Fund Balances	(1,767,285)	(670,922)	(2,438,207)	(7,926,765)
Fund Balances - Beginning of Year	12,320,953	670,922	12,991,875	55,217,749
Fund Balances - End of Year	\$ 10,553,668	\$ -	\$ 10,553,668	\$ 47,290,984

Concluded

CITY OF SUNNYVALE

**Redevelopment Debt Service Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2010**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1, 2009	\$ 1,929,618	\$ 1,929,618	\$ 1,929,618	\$ -
Resources (Inflows):				
Lease Payment from City General Fund	1,210,893	1,210,893	1,210,893	-
Interest Income	-	-	-	-
Transfers In	606,536	606,536	6,273,884	5,667,348
Total Resources	<u>1,817,429</u>	<u>1,817,429</u>	<u>7,484,777</u>	<u>5,667,348</u>
Charges to Appropriations (Outflows):				
Debt Service:				
Principal Retirement	980,000	980,000	980,000	-
Interest	837,428	837,428	837,429	(1)
Fiscal Charges	8,475	8,475	7,655	820
Loan Repayment -City General Fund	-	-	5,660,569	(5,660,569)
Total Charges to Appropriations	<u>1,825,903</u>	<u>1,825,903</u>	<u>7,485,653</u>	<u>(5,659,750)</u>
Excess of Resources Over (Under) Charges to Appropriations	<u>(8,474)</u>	<u>(8,474)</u>	<u>(876)</u>	<u>7,598</u>
Budgetary Fund Balance, June 30, 2010	<u>\$ 1,921,144</u>	<u>\$ 1,921,144</u>	<u>\$ 1,928,742</u>	<u>\$ 7,598</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"	\$ 7,484,777
Differences - Budget to GAAP	
Interfund advances are a budgetary resource but are not revenues for financial reporting purposes	(1,210,893)
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes	(6,273,884)
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"	\$ 7,485,653
Differences - Budget to GAAP	
Accrued interest on interfund advances is not a budgetary outflow but is an expense for financial reporting purposes	5,131,334
Interfund loan repayments are outflows of budgetary resources but are balance sheet items for financial reporting purposes	(5,660,569)
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 6,956,418</u>

CITY OF SUNNYVALE

**City Capital Projects Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2010**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1, 2009	\$ 13,271,268	\$ 14,639,686	\$ 14,639,686	\$ -
Resources (Inflows):				
Intergovernmental Revenues	5,711,872	43,015,463	8,055,126	(34,960,337)
Service Fees	457,450	225,000	359,303	134,303
Interest Income	395,098	207,404	165,307	(42,097)
Other Revenues	-	48,000	656,262	608,262
Transfers In	1,940,875	5,244,652	2,849,775	(2,394,877)
Total Resources	8,505,295	48,740,519	12,085,773	(36,654,746)
Charges to Appropriations (Outflows):				
Transportation	1,996,000	2,588,989	1,242,990	1,345,999
Community Development	-	40,081	18,947	21,134
Capital Outlay	5,782,876	51,886,081	9,754,312	42,131,769
Transfers Out	30,980	1,745,513	1,169,540	575,973
Total Charges to Appropriations	7,809,856	56,260,664	12,185,789	44,074,875
Excess of Resources Over (Under) Charges to Appropriations	695,439	(7,520,145)	(100,016)	7,420,129
Budgetary Fund Balance, June 30, 2010	\$ 13,966,707	\$ 7,119,541	\$ 14,539,670	7,420,129

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"	\$ 12,085,773
Differences - Budget to GAAP	
Change in fair value of investments is not budgetary resource	(10,908)
Transfers from other funds or subfunds within this Fund are inflows of budgetary resources but are not revenues for financial reporting purposes	(2,849,775)
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 9,225,090</u>

Uses/Outflows of Resources

Actual amounts (budgetary basis) of "total charges to appropriations"	\$ 12,185,789
Differences - Budget to GAAP	
Prepaid expense for financial reporting purposes, outflow for budgetary purposes	100,000
Transfers to other funds or subfunds within this Fund are outflows of budgetary resources but are not expenditures for financial reporting purposes	(1,169,540)
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 11,116,249</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, 2010**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1, 2009	\$ 1,625,246	\$ 1,869,633	\$ 1,869,633	\$ -
Resources (Inflows):				
Intergovernmental Revenues	2,077,780	3,401,370	2,131,182	(1,270,188)
Other Revenues	150,000	264,644	321,283	56,639
Total Resources	<u>2,227,780</u>	<u>3,666,014</u>	<u>2,452,465</u>	<u>(1,213,549)</u>
Charges to Appropriations (Outflows):				
Community Development	1,299,254	1,609,226	652,058	957,168
Socioeconomic	675,153	670,606	669,159	1,447
Capital Outlay	1,285,519	2,415,034	1,233,875	1,181,159
Transfers Out	38,043	38,043	35,570	2,473
Total Charges to Appropriations	<u>3,297,969</u>	<u>4,732,908</u>	<u>2,590,662</u>	<u>2,142,246</u>
Excess of Resources Over (Under) Charges to Appropriations	<u>(1,070,189)</u>	<u>(1,066,894)</u>	<u>(138,197)</u>	<u>928,697</u>
Budgetary Fund Balance, June 30, 2010	<u>\$ 555,057</u>	<u>\$ 802,739</u>	<u>\$ 1,731,436</u>	<u>\$ 928,697</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"	\$ 2,452,465
Differences - Budget to GAAP	
Prior year adjustment due to disallowed cost not Budgeted	(6,992)
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 2,445,473</u>

Uses/Outflows of Resources

Actual amounts (budgetary basis) of "total charges to appropriations"	\$ 2,590,662
Differences - Budget to GAAP	
Prior year adjustment due to disallowed cost not Budgeted	(6,992)
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(35,570)
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 2,548,100</u>

CITY OF SUNNYVALE

**Housing Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2010**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1, 2009	\$ 11,449,929	\$ 17,424,273	\$ 17,424,273	\$ -
Resources (Inflows):				
Intergovernmental Revenues	-	-	297,492	297,492
Service Fees	15,000	5,000	6,100	1,100
Rents and Concessions	18,302	16,967	16,967	-
Interest Income	318,813	217,852	144,671	(73,181)
Other Revenues	134,695	167,466	125,970	(41,496)
Total Resources	486,810	407,285	591,200	183,915
Charges to Appropriations (Outflows):				
Community Development	1,463,071	6,197,746	6,038,986	158,760
Transfers Out	38,450	38,450	38,450	-
Total Charges to Appropriations	1,501,521	6,236,196	6,077,436	158,760
Excess of Resources Over (Under) Charges to Appropriations	(1,014,711)	(5,828,911)	(5,486,236)	342,675
Budgetary Fund Balance, June 30, 2010	\$ 10,435,218	\$ 11,595,363	\$ 11,938,037	\$ 342,675

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"	\$ 591,200
Differences - Budget to GAAP	
Change in fair value of investments is not budgetary resource	18,569
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 609,769</u>

Uses/Outflows of Resources

Actual amounts (budgetary basis) of "total charges to appropriations"	\$ 6,077,436
Differences - Budget to GAAP	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(38,450)
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 6,038,986</u>

CITY OF SUNNYVALE

**HOME Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2010**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1, 2009	\$ 1,501,475	\$ -	\$ -	\$ -
Resources (Inflows):				
Intergovernmental Revenues	679,202	3,284,686	935,858	(2,348,828)
Other Revenues	26,573	-	-	-
Total Resources	<u>705,775</u>	<u>3,284,686</u>	<u>935,858</u>	<u>(2,348,828)</u>
Charges to Appropriations (Outflows):				
Community Development	321,178	2,230,242	930,151	1,300,091
Transfers Out	6,178	6,178	5,707	471
Total Charges to Appropriations	<u>327,356</u>	<u>2,236,420</u>	<u>935,858</u>	<u>1,300,562</u>
Excess of Resources Over (Under)				
Charges to Appropriations	<u>378,419</u>	<u>1,048,266</u>	<u>-</u>	<u>(1,048,266)</u>
Budgetary Fund Balance, June 30, 2010	<u>\$ 1,879,894</u>	<u>\$ 1,048,266</u>	<u>\$ -</u>	<u>\$ (1,048,266)</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"	\$ 935,858
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>\$ 935,858</u>

Uses/Outflows of Resources

Actual amounts (budgetary basis) of "total charges to appropriations"	\$ 935,858
Differences - Budget to GAAP	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	<u>(5,707)</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 930,151</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, 2010**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1, 2009	\$ 6,336,178	\$ 7,832,517	\$ 7,832,517	\$ -
Resources (Inflows):				
Service Fees	2,017,699	2,672,144	3,082,455	410,311
Rents and Concessions	104,595	101,118	100,101	(1,017)
Interest Income	149,439	101,000	83,403	(17,597)
Total Resources	<u>2,271,733</u>	<u>2,874,262</u>	<u>3,265,959</u>	<u>391,697</u>
Charges to Appropriations (Outflows):				
Capital Outlay	15,000	15,000	34,693	(19,693)
Transfers Out	3,462,168	4,644,401	997,569	3,646,832
Total Charges to Appropriations	<u>3,477,168</u>	<u>4,659,401</u>	<u>1,032,262</u>	<u>3,627,139</u>
Excess of Resources Over (Under) Charges to Appropriations	<u>(1,205,435)</u>	<u>(1,785,139)</u>	<u>2,233,697</u>	<u>4,018,836</u>
Budgetary Fund Balance, June 30, 2010	<u>\$ 5,130,743</u>	<u>\$ 6,047,378</u>	<u>\$ 10,066,214</u>	<u>\$ 4,018,836</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"	\$ 3,265,959
Differences - Budget to GAAP	
Change in fair value of investments is not budgetary resource	<u>(40,776)</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 3,225,183</u>

Uses/Outflows of Resources

Actual amounts (budgetary basis) of "total charges to appropriations"	\$ 1,032,262
Differences - Budget to GAAP	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	<u>(997,569)</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 34,693</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, 2010**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1, 2009	\$ 1,380,643	\$ 1,384,243	\$ 1,384,243	\$ -
Resources (Inflows):				
Fines and Forfeitures	-	47,627	47,627	-
Interest Income	47,199	12,358	13,772	1,414
Total Resources	<u>47,199</u>	<u>59,985</u>	<u>61,399</u>	<u>1,414</u>
Charges to Appropriations (Outflows):				
Public Safety	81,030	81,030	55,747	25,283
Capital Outlay	48,000	48,000	48,000	-
Transfers Out	93,565	93,565	92,600	965
Total Charges to Appropriations	<u>222,595</u>	<u>222,595</u>	<u>196,347</u>	<u>26,248</u>
Excess of Resources Over (Under) Charges to Appropriations	<u>(175,396)</u>	<u>(162,610)</u>	<u>(134,948)</u>	<u>27,662</u>
Budgetary Fund Balance, June 30, 2010	<u>\$ 1,205,247</u>	<u>\$ 1,221,633</u>	<u>\$ 1,249,295</u>	<u>\$ 27,662</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"	\$ 61,399
Differences - Budget to GAAP	
Change in fair value of investments is not budgetary resource	<u>(831)</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 60,568</u>

Uses/Outflows of Resources

Actual amounts (budgetary basis) of "total charges to appropriations"	\$ 196,347
Differences - Budget to GAAP	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	<u>(92,600)</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 103,747</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, 2010**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1, 2009	\$ -	\$ 8,033	\$ 8,033	\$ -
Resources (Inflows):				
Intergovernmental Revenues	294,979	192,584	256,209	63,625
Interest Income	-	307	363	56
Transfers In	92,584	92,584	92,685	101
Total Resources	387,563	285,475	349,257	63,782
Charges to Appropriations (Outflows):				
Public Safety	232,503	225,394	143,895	81,499
Transfers Out	92,584	92,584	92,685	(101)
Total Charges to Appropriations	325,087	317,978	236,580	81,398
Excess of Resources Over (Under) Charges to Appropriations	62,476	(32,503)	112,677	145,180
Budgetary Fund Balance, June 30, 2010	\$ 62,476	\$ (24,470)	\$ 120,710	\$ 145,180

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"	\$ 349,257
Differences - Budget to GAAP	
Change in fair value of investments is not budgetary resource	(6)
Transfers between subfunds within the fund are inflows of budgetary resources but are not revenues for financial reporting purposes	(92,685)
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 256,566</u>

Uses/Outflows of Resources

Actual amounts (budgetary basis) of "total charges to appropriations"	\$ 236,580
Differences - Budget to GAAP	
Transfers between subfunds within the fund are outflows of budgetary resources but are not expenditures for financial reporting purposes	(92,685)
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 143,895</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, 2010**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1, 2009	\$ 596,962	\$ 564,866	\$ 564,866	\$ -
Resources (Inflows):				
Service Fees	154,102	143,430	160,394	16,964
Interest Income	17,740	6,870	5,473	(1,397)
Total Resources	<u>171,842</u>	<u>150,300</u>	<u>165,867</u>	<u>15,567</u>
Charges to Appropriations (Outflows):				
Planning and Management	2,000	1,996	1,996	-
Community Development	142,990	141,980	124,382	17,598
Environmental Management	-	-	(667)	667
Transfers Out	14,729	14,729	14,729	-
Total Charges to Appropriations	<u>159,719</u>	<u>158,705</u>	<u>140,440</u>	<u>18,265</u>
Excess of Resources Over (Under) Charges to Appropriations	<u>12,123</u>	<u>(8,405)</u>	<u>25,427</u>	<u>33,832</u>
Budgetary Fund Balance, June 30, 2010	<u>\$ 609,085</u>	<u>\$ 556,461</u>	<u>\$ 590,293</u>	<u>\$ 33,832</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"	\$ 165,867
Differences - Budget to GAAP	
Change in fair value of investments is not budgetary resource	<u>(1,376)</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 164,491</u>

Uses/Outflows of Resources

Actual amounts (budgetary basis) of "total charges to appropriations"	\$ 140,440
Differences - Budget to GAAP	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	<u>(14,729)</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 125,711</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, 2010**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1, 2009	\$ 1,043,282	\$ 5,530,450	\$ 5,530,450	\$ -
Resources (Inflows):				
Intergovernmental Revenues	3,510,513	3,375,819	3,423,436	47,617
Interest Income	52,663	110,717	50,925	(59,792)
Transfers In	-	50,000	-	(50,000)
Total Resources	<u>3,563,176</u>	<u>3,536,536</u>	<u>3,474,361</u>	<u>(62,175)</u>
Charges to Appropriations (Outflows):				
Transportation	2,050,946	2,100,946	2,009,484	91,462
Capital Outlay	10,000	200,000	-	200,000
Transfers Out	1,218,026	5,808,052	975,628	4,832,424
Total Charges to Appropriations	<u>3,278,972</u>	<u>8,108,998</u>	<u>2,985,112</u>	<u>5,123,886</u>
Excess of Resources Over (Under) Charges to Appropriations	<u>284,204</u>	<u>(4,572,462)</u>	<u>489,249</u>	<u>5,061,711</u>
Budgetary Fund Balance, June 30, 2010	<u>\$ 1,327,486</u>	<u>\$ 957,988</u>	<u>\$ 6,019,700</u>	<u>\$ 5,061,711</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"	\$ 3,474,361
Differences - Budget to GAAP	
Change in fair value of investments is not budgetary resource	<u>(15,546)</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 3,458,815</u>

Uses/Outflows of Resources

Actual amounts (budgetary basis) of "total charges to appropriations"	\$ 2,985,112
Differences - Budget to GAAP	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	<u>(975,628)</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 2,009,484</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, 2010**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1, 2009	\$ -	\$ -	\$ -	\$ -
Resources (Inflows):				
Intergovernmental Revenues	207,000	367,294	18,113	(349,181)
Total Resources	<u>207,000</u>	<u>367,294</u>	<u>18,113</u>	<u>(349,181)</u>
Charges to Appropriations (Outflows):				
Capital Outlay	207,000	-	-	-
Transfers Out	-	367,294	18,113	349,181
Total Charges to Appropriations	<u>207,000</u>	<u>367,294</u>	<u>18,113</u>	<u>349,181</u>
Excess of Resources Over (Under)				
Charges to Appropriations	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Budgetary Fund Balance, June 30, 2010	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</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"	\$ 18,113
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>\$ 18,113</u>

Uses/Outflows of Resources

Actual amounts (budgetary basis) of "total charges to appropriations"	\$ 18,113
Differences - Budget to GAAP	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	<u>(18,113)</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ -</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, 2010**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1, 2009	\$ (6,652,726)	\$ (6,652,726)	\$ (6,652,726)	\$ -
Resources (Inflows):				
Property Taxes	6,395,478	6,949,996	7,706,864	756,868
Total Resources	<u>6,395,478</u>	<u>6,949,996</u>	<u>7,706,864</u>	<u>756,868</u>
Charges to Appropriations (Outflows):				
Planning and Management	351,930	630,999	236,381	394,618
Community Development	150,049	150,049	241,401	(91,352)
Environmental Management	1,000,000	6,001,763	3,416,492	2,585,271
Transfers Out	5,178,675	5,535,661	8,298,910	(2,763,249)
Total Charges to Appropriations	<u>6,680,654</u>	<u>12,318,472</u>	<u>12,193,184</u>	<u>125,288</u>
Excess of Resources Over (Under) Charges to Appropriations	<u>(285,176)</u>	<u>(5,368,476)</u>	<u>(4,486,320)</u>	<u>882,156</u>
Budgetary Fund Balance, June 30, 2010	<u>\$ (6,937,902)</u>	<u>\$ (12,021,202)</u>	<u>\$ (11,139,046)</u>	<u>\$ 882,156</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"	\$ 7,706,864
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>\$ 7,706,864</u>

Uses/Outflows of Resources

Actual amounts (budgetary basis) of "total charges to appropriations"	\$ 12,193,184
Differences - Budget to GAAP	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	<u>(8,298,910)</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 3,894,274</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, 2010**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1, 2009	\$ 10,667,213	\$ 10,667,213	\$ 10,667,213	\$ -
Resources (Inflows):				
Transfers In	-	-	1,965,833	1,965,833
Amount Available for Appropriation	-	-	1,965,833	1,965,833
Budgetary Fund Balance, June 30, 2010	\$ 10,667,213	\$ 10,667,213	\$ 12,633,046	\$ 1,965,833

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"	\$ 1,965,833
Differences - Budget to GAAP	
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes	(1,965,833)
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	\$ -

CITY OF SUNNYVALE

**Swirsky Youth Opportunity Permanent Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2010**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1, 2009	\$ 551,911	\$ 551,971	\$ 551,971	\$ -
Resources (Inflows):				
Interest Income	16,557	6,900	5,662	(1,238)
Total Resources	<u>16,557</u>	<u>6,900</u>	<u>5,662</u>	<u>(1,238)</u>
Charges to Appropriations (Outflows):				
Transfers Out	16,557	16,557	5,662	10,895
Total Charges to Appropriations	<u>16,557</u>	<u>16,557</u>	<u>5,662</u>	<u>10,895</u>
Excess of Resources Over (Under) Charges to Appropriations	<u>-</u>	<u>(9,657)</u>	<u>-</u>	<u>9,657</u>
Budgetary Fund Balance, June 30, 2010	<u>\$ 551,911</u>	<u>\$ 542,314</u>	<u>\$ 551,971</u>	<u>\$ 9,657</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"	\$ 5,662
Differences - Budget to GAAP	
Change in fair value of investments is not budgetary resource	<u>(539)</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 5,123</u>

Uses/Outflows of Resources

Actual amounts (budgetary basis) of "total charges to appropriations"	\$ 5,662
Differences - Budget to GAAP	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	<u>(5,662)</u>
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, 2010**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1, 2009	\$ 907,249	\$ 908,249	\$ 908,249	\$ -
Resources (Inflows):				
Interest Income	27,217	11,353	9,334	(2,019)
Other Revenues	-	-	6,838	6,838
Total Resources	<u>27,217</u>	<u>11,353</u>	<u>16,172</u>	<u>4,819</u>
Charges to Appropriations (Outflows):				
Transfers Out	27,217	27,217	9,334	17,883
Total Charges to Appropriations	<u>27,217</u>	<u>27,217</u>	<u>9,334</u>	<u>17,883</u>
Excess of Resources Over (Under) Charges to Appropriations	-	(15,864)	6,838	22,702
Budgetary Fund Balance, June 30, 2010	<u>\$ 907,249</u>	<u>\$ 892,385</u>	<u>\$ 915,087</u>	<u>\$ 22,702</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"	\$ 16,172
Differences - Budget to GAAP	
Change in fair value of investments is not budgetary resource	(1,081)
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 15,091</u>

Uses/Outflows of Resources

Actual amounts (budgetary basis) of "total charges to appropriations"	\$ 9,334
Differences - Budget to GAAP	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(9,334)
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, 2010**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1, 2009	\$ 207,172	\$ 207,172	\$ 207,172	\$ -
Resources (Inflows):				
Interest Income	-	-	15,107	15,107
Transfers In	177,270	177,270	625,960	448,690
Total Resources	<u>177,270</u>	<u>177,270</u>	<u>641,067</u>	<u>463,797</u>
Charges to Appropriations (Outflows):				
Principal Retirement	140,000	140,000	140,000	-
Interest	37,270	37,270	37,270	-
Total Charges to Appropriations	<u>177,270</u>	<u>177,270</u>	<u>177,270</u>	<u>-</u>
Excess of Resources Over (Under) Charges to Appropriations	<u>-</u>	<u>-</u>	<u>463,797</u>	<u>463,797</u>
Budgetary Fund Balance, June 30, 2010	<u>\$ 207,172</u>	<u>\$ 207,172</u>	<u>\$ 670,969</u>	<u>\$ 463,797</u>

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"	\$ 641,067
Differences - Budget to GAAP	
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes	(625,960)
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 15,107</u>

Uses/Outflows of Resources

Actual amounts (budgetary basis) of "total charges to appropriations"	\$ 177,270
Differences - Budget to GAAP	
None	-
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 177,270</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, 2010**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1, 2009	\$ 1,111,381	\$ 1,111,381	\$ 1,111,381	\$ -
Resources (Inflows):				
Interest Income	-	-	1,972	1,972
Transfers In	1,061,108	1,061,108	589,086	(472,022)
Total Resources	<u>1,061,108</u>	<u>1,061,108</u>	<u>591,058</u>	<u>(470,050)</u>
Charges to Appropriations (Outflows):				
Principal Retirement	475,000	475,000	510,000	(35,000)
Interest	406,993	406,993	34,873	372,120
Fiscal Charges	45,600	45,600	40,036	5,564
Total Charges to Appropriations	<u>927,593</u>	<u>927,593</u>	<u>584,909</u>	<u>342,684</u>
Excess of Resources Over (Under) Charges to Appropriations	<u>133,515</u>	<u>133,515</u>	<u>6,149</u>	<u>(127,366)</u>
Budgetary Fund Balance, June 30, 2010	<u>\$ 1,244,896</u>	<u>\$ 1,244,896</u>	<u>\$ 1,117,530</u>	<u>\$ (127,366)</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"	\$ 591,058
Differences - Budget to GAAP	
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes	(589,086)
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 1,972</u>

Uses/Outflows of Resources

Actual amounts (budgetary basis) of "total charges to appropriations"	\$ 584,909
Differences - Budget to GAAP	
None	-
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 584,909</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, 2010**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1, 2009	\$ 12,413,375	\$ 12,321,015	\$ 12,321,015	\$ -
Resources (Inflows):				
Intergovernmental Revenues	-	19,682	3,340	(16,342)
Interest Income	348,178	169,003	123,181	(45,822)
Transfers In	3,093,973	7,524,786	2,291,633	(5,233,153)
Total Resources	3,442,151	7,713,471	2,418,154	(5,295,317)
Charges to Appropriations (Outflows):				
Planning and Management	-	405,136	195,157	209,979
Community Development	501,033	978,405	176,490	801,915
Cultural	287,816	324,519	63,403	261,116
Capital Outlay	3,956,235	7,482,970	2,747,574	4,735,396
Transfers Out	981,199	1,212,959	997,709	215,250
Total Charges to Appropriations	5,726,283	10,403,989	4,180,333	6,223,656
Excess of Resources Over (Under) Charges to Appropriations	(2,284,132)	(2,690,517)	(1,762,179)	928,338
Budgetary Fund Balance, June 30, 2010	\$ 10,129,243	\$ 9,630,498	\$ 10,558,836	\$ 928,338

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"	\$ 2,418,154
Differences - Budget to GAAP	
Change in fair value of investments is not budgetary resource	(5,106)
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes	(2,291,633)
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 121,415</u>

Uses/Outflows of Resources

Actual amounts (budgetary basis) of "total charges to appropriations"	\$ 4,180,333
Differences - Budget to GAAP	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(997,709)
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 3,182,624</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, 2010**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1, 2009	\$ 670,922	\$ 670,922	\$ 670,922	\$ -
Resources (Inflows):				
Transfers In	-	-	-	-
Total Resources	<u>670,922</u>	<u>670,922</u>	<u>-</u>	<u>-</u>
Charges to Appropriations (Outflows):				
Capital Outlay	-	-	-	-
Transfers Out	656,428	656,428	670,922	(14,494)
Total Charges to Appropriations	<u>656,428</u>	<u>656,428</u>	<u>670,922</u>	<u>(14,494)</u>
Excess of Resources Over (Under)				
Charges to Appropriations	<u>14,494</u>	<u>14,494</u>	<u>(670,922)</u>	<u>14,494</u>
Budgetary Fund Balance, June 30, 2010	<u>\$ 685,416</u>	<u>\$ 685,416</u>	<u>\$ -</u>	<u>\$ 14,494</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"	\$ -
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>\$ -</u>

Uses/Outflows of Resources

Actual amounts (budgetary basis) of "total charges to appropriations"	\$ 670,922
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	<u>(670,922)</u>
and changes in fund balances - governmental funds	<u>\$ -</u>

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, 2010**

	<u>General Services</u>	<u>Employee Benefits</u>	<u>Risk Management</u>	<u>Totals</u>
Assets:				
Current Assets				
Cash and Investments Held by City	\$ 22,163,679	\$ 65,042,709	\$ 980,301	\$ 88,186,689
Receivables, Net	189,151	445,131	6,335	640,617
Inventories and Prepayments	225,964	51,310	32,083	309,357
Total Current Assets	<u>22,578,794</u>	<u>65,539,150</u>	<u>1,018,719</u>	<u>89,136,663</u>
Capital Assets:				
Land & Nondepreciable Assets	193,981	-	-	193,981
Depreciable Buildings, Property, Equipment and Infrastructure, Net	10,562,684	-	-	10,562,684
Total Assets	<u>\$ 33,335,459</u>	<u>\$ 65,539,150</u>	<u>\$ 1,018,719</u>	<u>\$ 99,893,328</u>
Liabilities:				
Current Liabilities				
Wages Payable	-	4,418,011	-	4,418,011
Accounts Payable and Accrued Liabilities	677,013	2,414,833	66,745	3,158,591
Advances from Other Funds	500,000	-	-	500,000
Refundable Deposits	21,248	-	-	21,248
Claims and Judgments Payable - Due Within One Year	-	3,265,093	310,590	3,575,683
Compensated Absences Payable - Due Within One Year	-	7,513,173	-	7,513,173
Total Current Liabilities	<u>1,198,261</u>	<u>17,611,110</u>	<u>377,335</u>	<u>19,186,706</u>
Noncurrent Liabilities				
Advances from Other Funds	558,932	-	-	558,932
Net Other Postemployment Benefits Obligation	-	19,748,000	-	19,748,000
Claims and Judgments Payable- Due in More than One Year	-	7,938,907	1,189,410	9,128,317
Compensated Absences Payable - Due in More than One Year	-	978,672	-	978,672
Total Noncurrent Liabilities	<u>558,932</u>	<u>28,665,579</u>	<u>1,189,410</u>	<u>30,413,921</u>
Total Liabilities	<u>1,757,193</u>	<u>46,276,689</u>	<u>1,566,745</u>	<u>49,600,627</u>
Net Assets (Deficit):				
Invested in Capital Assets, Net of Related Debt	10,756,665	-	-	10,756,665
Unrestricted	20,821,601	19,262,461	(548,026)	39,536,036
Total Net Assets (Deficit)	<u>\$ 31,578,266</u>	<u>\$ 19,262,461</u>	<u>\$ (548,026)</u>	<u>\$ 50,292,701</u>

CITY OF SUNNYVALE

**Combining Statement of Revenues, Expenses and Changes in Net Assets
All Internal Service Funds
Year Ended June 30, 2010**

	<u>General Services</u>	<u>Employee Benefits</u>	<u>Risk Management</u>	<u>Totals</u>
Operating Revenues:				
Charges for Services	\$ 16,586,229	\$ 57,375,398	\$ 1,604,863	\$ 75,566,490
Total Operating Revenues	<u>16,586,229</u>	<u>57,375,398</u>	<u>1,604,863</u>	<u>75,566,490</u>
Operating Expenses:				
Personnel Services	8,023,977	14,742,867	95,292	22,862,136
Contractual Services	2,348,257	-	243,146	2,591,403
Material and Supplies	1,918,650	-	2,066	1,920,716
Utilities	1,517,795	-	711	1,518,506
Taxes and Licenses	9,009	-	-	9,009
Equipment and Building Rental	1,082,795	-	39,788	1,122,583
Insurance Premiums and Claims	-	25,392,526	1,392,270	26,784,796
Retirement Premiums	-	25,609,885	-	25,609,885
Other Operating Expenses	238,243	270	-	238,513
Depreciation	1,639,053	-	-	1,639,053
Total Operating Expenses	<u>16,777,779</u>	<u>65,745,548</u>	<u>1,773,273</u>	<u>84,296,600</u>
Operating Income (Loss)	(191,550)	(8,370,150)	(168,410)	(8,730,110)
Nonoperating Revenues (Expenses):				
Investment Earnings	181,135	504,292	22,686	708,113
Interest Expense	(101,986)	-	-	(101,986)
Total Nonoperating Revenues (Expenses)	<u>79,149</u>	<u>504,292</u>	<u>22,686</u>	<u>606,127</u>
Income (loss) before Transfers	(112,401)	(7,865,858)	(145,724)	(8,123,983)
Transfers In	2,082,752	-	-	2,082,752
Transfers Out	(1,185,648)	-	(150,000)	(1,335,648)
Change in Net Assets	784,703	(7,865,858)	(295,724)	(7,376,879)
Net Assets (Deficit) - Beginning of Year	<u>30,793,563</u>	<u>27,128,319</u>	<u>(252,302)</u>	<u>57,669,580</u>
Net Assets (Deficit) - End of Year	<u>\$ 31,578,266</u>	<u>\$ 19,262,461</u>	<u>\$ (548,026)</u>	<u>\$ 50,292,701</u>

CITY OF SUNNYVALE**Combining Statement of Cash Flows
All Internal Service Funds
Year Ended June 30, 2010**

	General Services	Employee Benefits	Risk Management	Totals
Cash Flows from Operating Activities:				
Cash Received from Customers	\$ 16,589,729	\$ 57,125,292	\$ 1,604,863	\$ 75,319,884
Cash Payments to Suppliers of Goods and Services	(6,667,425)	-	(229,687)	(6,897,112)
Cash Payments for Employee Services	(8,023,057)	(46,458,095)	(95,292)	(54,576,444)
Insurance and Claims Paid	-	(8,369,051)	(1,193,884)	(9,562,935)
Other Receipts (Payments)	199,351	230,667	-	430,018
Net Cash Provided by (Used for) Operating Activities	2,098,598	2,528,813	86,000	4,713,411
Cash Flows from Noncapital Financing Activities:				
Transfers Received	2,082,752	-	-	2,082,752
Transfers Paid	(1,185,648)	-	(150,000)	(1,335,648)
Repayment of Advance From/To Other Funds	(500,000)	-	-	(500,000)
Net Cash Provided by (Used for) Noncapital Financing Activities	397,104	-	(150,000)	247,104
Cash Flows from Capital and Related Financing Activities:				
Acquisition and Construction of Capital Assets	(774,991)	-	-	(774,991)
Net Cash Provided by (Used for) Capital and Related Financing Activities	(774,991)	-	-	(774,991)
Cash Flows from Investing Activities:				
Interest on Investments	233,335	687,620	17,594	938,549
Change in the Fair Value of Investments	(40,423)	(132,965)	6,577	(166,811)
Net Cash Provided by Investing Activities	192,912	554,655	24,171	771,738
Net Increase (Decrease) in Cash and Cash Equivalents	1,913,623	3,083,468	(39,829)	4,957,262
Cash and Cash Equivalents - Beginning of Year	20,250,056	61,959,241	1,020,130	83,229,427
Cash and Cash Equivalents - End of Year	\$ 22,163,679	\$ 65,042,709	\$ 980,301	\$ 88,186,689
Reconciliation to Statement of Net Assets:				
Cash and Investments Held by City	\$ 22,163,679	\$ 65,042,709	\$ 980,301	\$ 88,186,689

Continued

CITY OF SUNNYVALE**Combining Statement of Cash Flows
All Internal Service Funds
Year Ended June 30, 2010**

	<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)	\$ (191,550)	\$ (8,370,150)	\$ (168,410)	\$ (8,730,110)
Adjustment to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:				
Depreciation	1,639,053	-	-	1,639,053
Changes in Assets and Liabilities:				
Receivables, Net	98,451	(12,581)	-	85,870
Inventories and Prepayments	136,738	1,147,342	8,786	1,292,866
Customer Deposits	2,820	-	-	2,820
Accounts Payable and Accrued Liabilities	413,086	(5,675,919)	7,624	(5,255,209)
Claims and Judgments Payable	-	(305,000)	238,000	(67,000)
Compensated Absences Payable	-	6,330,621	-	6,330,621
Other Postemployment Benefit Obligation	-	9,414,500	-	9,414,500
Net Cash Provided (Used) by Operating Activities	<u>\$ 2,098,598</u>	<u>\$ 2,528,813</u>	<u>\$ 86,000</u>	<u>\$ 4,713,411</u>
Noncash Investing, Capital and Financing Activities:				
Purchase of Capital Assets on Account	305,214	-	-	305,214
				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, 2010****Community Facilities District**

	<u>Beginning Balance July 1, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance June 30, 2010</u>
Assets:				
Cash and Investments	\$ 1,909,921	\$ 1,684,877	\$ (1,687,022)	\$ 1,907,776
Cash and Investments Held by Fiscal Agent	1,748,139	1,770,964	(1,719,012)	1,800,091
Receivables	61,721	20,835	(4,215)	78,341
Total Assets	\$ 3,719,781	\$ 3,476,676	\$ (3,410,249)	\$ 3,786,208
Liabilities:				
Due to Bondholders	3,719,781	3,476,676	(3,410,249)	3,786,208
Total Liabilities	\$ 3,719,781	\$ 3,476,676	\$ (3,410,249)	\$ 3,786,208

Santa Clara Valley Urban Runoff Pollution Prevention Program

	<u>Beginning Balance July 1, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance June 30, 2010</u>
Assets:				
Cash and Investments	\$ 1,387,424	\$ 11,569,012	\$ (11,490,525)	\$ 1,465,911
Total Assets	\$ 1,387,424	\$ 11,569,012	\$ (11,490,525)	\$ 1,465,911
Liabilities:				
Accounts Payable and Accrued Liabilities	1,387,424	11,569,012	(11,490,525)	1,465,911
Total Liabilities	\$ 1,387,424	\$ 11,569,012	\$ (11,490,525)	\$ 1,465,911

Combined

	<u>Beginning Balance July 1, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance June 30, 2010</u>
Assets:				
Cash and Investments	\$ 3,297,345	\$ 13,253,889	\$ (13,177,547)	\$ 3,373,687
Cash and Investments Held by Fiscal Agent	1,748,139	1,770,964	(1,719,012)	1,800,091
Receivables	61,721	20,835	(4,215)	78,341
Total Assets	\$ 5,107,205	\$ 15,045,688	\$ (14,900,774)	\$ 5,252,119
Liabilities:				
Accounts Payable and Accrued Liabilities	1,387,424	11,569,012	(11,490,525)	1,465,911
Due to Bondholders	3,719,781	3,476,676	(3,410,249)	3,786,208
Total Liabilities	\$ 5,107,205	\$ 15,045,688	\$ (14,900,774)	\$ 5,252,119

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, 2010 and 2009**

	<u>2010</u>	<u>2009</u>
Governmental Funds Capital Assets:		
Land	\$ 105,495,854	\$ 103,992,293
Buildings	92,139,913	91,507,504
Improvements Other Than Buildings	71,444,908	59,120,996
Machinery and Equipment	4,949,984	4,036,034
Construction In Progress	13,762,624	16,355,908
Infrastructure:		
Nondepreciable	160,206,683	159,864,183
Depreciable	<u>78,316,502</u>	<u>75,733,949</u>
Total Governmental Funds Capital Assets	<u><u>\$ 526,316,468</u></u>	<u><u>\$ 510,610,867</u></u>
 Investment In Governmental Funds Capital Assets by Source:		
General Fund	\$ 324,977,903	\$ 323,601,025
Special Revenue Funds	52,256,708	51,494,559
Capital Projects Funds	99,366,768	87,962,993
Contributions From Developers and Donations	<u>49,715,089</u>	<u>47,552,290</u>
Total Investment In Governmental Funds Capital Assets	<u><u>\$ 526,316,468</u></u>	<u><u>\$ 510,610,867</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, 2010**

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	\$ 15,331,415	\$ 3,062,646	\$ 480,640
Public Safety	1,252,625	2,343,961	4,690,634	1,768,970
Community Development	31,933,588	25,496,234	24,332,503	81,174
Transportation	20,520,899	6,598,462	18,247,879	171,060
Socioeconomic	-	1,944,176	7,576,079	96,857
Cultural	6,352,073	38,218,159	7,651,120	1,172,009
Environmental Management	24,754,826	2,207,506	5,884,047	1,179,274
Total Governmental Funds Capital Assets	\$ 105,495,854	\$ 92,139,913	\$ 71,444,908	\$ 4,949,984

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	
\$ 2,595,219	\$ -	\$ -	\$ 42,151,763
-	-	-	10,056,190
1,349,079	-	-	83,192,578
9,751,010	160,206,683	78,316,502	293,812,495
-	-	-	9,617,112
67,316	-	-	53,460,677
-	-	-	34,025,653
<u>\$ 13,762,624</u>	<u>\$ 160,206,683</u>	<u>\$ 78,316,502</u>	<u>\$ 526,316,468</u>

CITY OF SUNNYVALE**Capital Assets Used in the Operation of Governmental Funds
Schedule of Changes by Function and Activity
Year Ended June 30, 2010**

Function and Activity	Governmental Funds Capital Assets			Governmental Funds Capital Assets
	July 1, 2009	Additions	Deletions	June 30, 2010
Planning and Management	\$ 40,843,646	\$ 1,590,987	\$ (282,870)	\$ 42,151,763
Public Safety	9,504,571	561,469	(9,850)	10,056,190
Community Development	90,236,953	2,099,776	(9,144,151)	83,192,578
Transportation	280,794,788	13,150,156	(132,449)	293,812,495
Socioeconomic	9,766,467	-	(149,355)	9,617,112
Cultural	52,735,155	893,703	(168,181)	53,460,677
Environmental Management	26,729,287	7,296,366	-	34,025,653
Total Governmental Funds Capital Assets	<u>\$ 510,610,867</u>	<u>\$ 25,592,457</u>	<u>\$ (9,886,856)</u>	<u>\$ 526,316,468</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.

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.	185-191
<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.	192-196
<i>Debt Capacity</i> These schedules present 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.	197-200
<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.	201-203
<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.	204-205

CITY OF SUNNYVALE

Net Assets by Component
*Last Nine Fiscal Years*¹
(accrual basis of accounting)
(dollars in thousands)

	Fiscal Year								
	2010	2009	2008	2007	2006	2005	2004	2003	2002
Governmental Activities									
Invested in Capital Assets, Net of Related Debt	\$ 378,990	\$ 371,980	\$ 361,946	\$ 358,287	\$ 359,656	\$ 358,104	\$ 367,258	\$ 362,069	\$ 356,181
Restricted	87,408	86,468	86,217	72,587	65,838	60,360	58,670	69,542	87,661
Unrestricted	174,362	179,360	194,198	195,942	169,481	168,381	177,767	177,615	154,245
Total Governmental Activities Net Assets	\$ 640,760	\$ 637,808	\$ 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	\$ 82,415	\$ 75,783	\$ 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	(21,066)	(13,983)	(11,949)	(11,569)	(12,335)	(11,891)	(17,172)	(15,062)	(14,971)
Total Business-Type Activities Net assets	\$ 61,349	\$ 61,800	\$ 66,833	\$ 59,863	\$ 57,977	\$ 61,998	\$ 47,902	\$ 52,932	\$ 52,543
Primary Government									
Invested in Capital Assets, Net of Related Debt	\$ 461,404	\$ 447,763	\$ 428,055	\$ 422,833	\$ 420,849	\$ 416,954	\$ 417,088	\$ 412,683	\$ 408,490
Restricted	87,408	86,468	98,890	79,473	74,957	75,399	73,914	86,922	102,866
Unrestricted	153,296	165,377	182,249	184,373	157,146	156,490	160,595	162,553	139,274
Total Primary Government Net Assets	\$ 702,108	\$ 699,608	\$ 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 Nine Fiscal Years ¹

(accrual basis of accounting)

(dollars in thousands)

	Fiscal Year								
	2010	2009	2008	2007	2006	2005	2004	2003	2002
Expenses:									
Governmental Activities:									
Planning and Management	\$ 20,533	\$ 21,405	\$ 20,624	\$ 18,957	\$ 16,170	\$ 15,247	\$ 14,053	\$ 15,004	\$ 13,525
Public Safety	73,903	74,876	72,918	65,768	62,682	58,718	55,360	54,004	46,523
Community Development	23,833	21,790	21,399	20,198	20,104	22,655	18,815	21,068	19,915
Transportation	11,081	11,831	11,182	11,832	9,886	8,841	13,492	11,820	13,599
Socioeconomic	12,932	10,533	9,178	10,833	12,791	12,909	13,857	14,803	13,049
Cultural	9,757	9,449	9,627	8,858	8,530	8,715	8,438	8,812	9,160
Environmental Management	1,445	2,167	14,280	2,027	1,596	2,077	2,346	1,684	2,463
Interest on Long-term Debt	1,003	1,730	1,638	1,727	1,680	1,624	1,479	1,743	2,253
Total Governmental Activities	154,487	153,781	160,846	140,200	133,439	130,786	127,840	128,938	120,487
Business-Type Activities:									
Water Supply and Distribution	23,065	21,939	20,685	19,410	18,010	17,751	17,232	16,144	15,106
Wastewater Management	17,249	17,376	16,728	16,782	17,109	16,387	14,971	15,007	15,472
Solid Waste Management	30,814	37,503	29,013	28,008	29,553	27,340	27,610	26,567	26,641
SMaRT Station	26,618	26,256	22,670	18,966	18,954	18,094	18,327	18,408	19,566
Community Recreation	11,834	11,687	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	109,580	114,761	100,262	93,927	94,102	89,248	87,568	85,611	86,467
Total Primary Government Expenses	\$ 264,067	\$ 268,542	\$ 261,108	\$ 234,127	\$ 227,541	\$ 220,034	\$ 215,408	\$ 214,549	\$ 206,954
Program Revenues:									
Governmental Activities:									
Charges for Services									
Planning and Management	\$ 524	\$ 442	\$ 490	\$ 397	\$ 380	\$ 1,171	\$ 303	\$ 162	\$ 101
Public Safety	3,430	4,417	3,311	3,011	2,394	2,556	2,191	2,106	2,259
Community Development	10,818	8,998	22,250	20,177	11,065	10,054	9,175	7,233	9,463
Transportation	887	814	6,222	2,185	715	2,861	611	338	621
Socioeconomic	805	300	345	526	593	574	548	601	598
Cultural	233	205	223	332	585	600	501	471	168
Environmental Management	366	161	2,339	795	825	34	200	31	659
Operating Grants and Contributions	19,419	17,353	14,799	17,899	21,142	18,289	17,716	20,542	19,541
Capital Grants and Contributions	12,632	8,079	6,923	3,505	2,676	1,464	5,211	9,589	6,722
Total Governmental Activities Program Revenues	49,114	40,769	56,902	48,827	40,375	37,603	36,456	41,073	40,132

Business-Type Activities:

Charges for Services										
Water Supply and Distribution	24,773	25,022	24,007	23,244	19,953	19,263	19,365	18,525	16,854	
Wastewater Management	22,997	21,244	23,527	20,594	18,673	17,579	16,428	16,159	14,544	
Solid Waste Management	33,900	33,153	31,606	29,981	29,777	29,289	27,219	28,527	26,396	
SMaRT Station	23,826	22,699	24,373	19,187	19,077	17,431	17,494	17,901	18,616	
Community Recreation	7,361	7,663	7,764	7,548	7,540	7,373	7,537	7,567	7,974	
Patent Library	-	-	-	-	-	-	-	-	355	
Information Technology	-	-	-	-	-	-	-	16	9	
Capital Grants and Contributions	857	457	602	489	1,076	118	290	1,423	200	
Total Business-Type Activities Program Revenues	113,714	110,238	111,879	101,043	96,096	91,053	88,333	90,118	84,948	
Total Primary Government Program Revenues	\$ 162,828	\$ 151,007	\$ 168,781	\$ 149,870	\$ 136,471	\$ 128,656	\$ 124,789	\$ 131,191	\$ 125,080	

Net (Expense)/Revenue

Governmental Activities	\$ (105,373)	\$ (113,012)	\$ (103,944)	\$ (91,373)	\$ (93,064)	\$ (93,183)	\$ (91,384)	\$ (87,865)	\$ (80,355)
Business-Type Activities	4,134	(4,523)	11,617	7,116	1,994	1,805	765	4,507	(1,519)
Total Primary Government Net Expense	\$ (101,239)	\$ (117,535)	\$ (92,327)	\$ (84,257)	\$ (91,070)	\$ (91,378)	\$ (90,619)	\$ (83,358)	\$ (81,874)

General Revenues and Other Changes in Net Assets**Governmental Activities:**

Taxes									
Property Taxes	\$ 51,633	\$ 50,741	\$ 44,107	\$ 41,018	\$ 35,646	\$ 33,105	\$ 27,588	\$ 26,858	\$ 25,824
Sales and Use Taxes	25,432	25,072	29,705	30,852	28,422	24,917	23,452	25,753	25,787
Motor Vehicle License Fees	408	468	602	850	847	3,650	5,970	7,926	7,393
Franchise Fees, Unrestricted	5,979	6,127	5,855	5,714	5,531	5,395	5,521	5,226	5,494
Utilities Users Taxes	6,798	6,841	6,840	6,479	6,057	5,833	5,877	5,652	5,688
Transient Occupancy Taxes	5,578	5,686	7,350	6,480	5,633	5,074	4,752	5,094	6,320
Real Property Transfer Taxes	571	548	1,225	1,216	1,140	1,352	765	580	534
Construction Taxes	937	1,260	2,943	1,899	1,342	923	860	672	1,222
Business License Taxes	1,364	1,199	1,075	687	286	215	244	269	250
Unrestricted Grants and Contributions	-	-	-	-	-	-	821	678	144
Investment Earnings	4,635	8,851	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	18	8	417	27	102	354	(3)	710	63
Transfers	4,970	1,658	6,410	7,308	7,512	(11,072)	6,232	5,843	9,259
Total Governmental Activities	108,323	108,459	119,489	123,215	101,305	76,333	85,853	99,004	104,611

Business-type activities

Investment Earnings	386	1,148	1,764	2,077	1,496	1,219	395	1,689	2,204
Gain (Loss) on Disposal of Assets	-	-	-	-	-	-	42	31	-
Miscellaneous	-	-	-	-	-	-	-	4	-
Transfers	(4,970)	(1,658)	(6,410)	(7,308)	(7,511)	11,072	(6,232)	(5,842)	(9,259)
Total Business-Type Activities	(4,584)	(510)	(4,646)	(5,231)	(6,015)	12,291	(5,795)	(4,118)	(7,055)
Total Primary Government	\$ 103,739	\$ 107,949	\$ 114,843	\$ 117,984	\$ 95,290	\$ 88,624	\$ 80,058	\$ 94,886	\$ 97,556

Change in Net Assets

Governmental Activities	\$ 2,950	\$ (4,553)	\$ 15,545	\$ 31,842	\$ 8,241	\$ (16,850)	\$ (5,531)	\$ 11,139	\$ 24,256
Business-Type Activities	(450)	(5,033)	6,971	1,885	(4,021)	14,096	(5,030)	389	(8,574)
Total Primary Government	\$ 2,500	\$ (9,586)	\$ 22,516	\$ 33,727	\$ 4,220	\$ (2,754)	\$ (10,561)	\$ 11,528	\$ 15,682

Notes: 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									
	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
General Fund										
Nonspendable	\$ 15,983	\$ 21,893	\$ 22,246	\$ 29,449	\$ 34,270	\$ 36,968	\$ 42,676	\$ 46,323	\$ 39,920	\$ 40,517
Restricted	534	536	414	-	-	-	-	-	3,855	4,050
Committed	35,418	35,724	41,927	27,334	22,284	21,575	23,313	25,205	22,354	19,367
Assigned	22	-	-	-	-	-	-	-	-	-
Unassigned	<u>36,836</u>	<u>41,865</u>	<u>56,591</u>	<u>55,304</u>	<u>52,024</u>	<u>51,373</u>	<u>48,647</u>	<u>49,166</u>	<u>69,140</u>	<u>66,401</u>
Total General Fund	<u>\$ 88,793</u>	<u>\$ 100,018</u>	<u>\$ 121,178</u>	<u>\$ 112,087</u>	<u>\$ 108,578</u>	<u>\$ 109,916</u>	<u>\$ 114,636</u>	<u>\$ 120,694</u>	<u>\$ 135,269</u>	<u>\$ 130,335</u>
All Other Governmental Funds										
Nonspendable	\$ 2,170	\$ 1,843	\$ 909	\$ 874	\$ 843	\$ 872	\$ 646	\$ 2,821	\$ 2,015	\$ 1,170
Restricted	65,711	50,132	50,030	41,012	34,405	33,774	32,688	31,251	34,372	32,570
Committed	10,554	27,632	29,439	26,368	25,270	27,585	34,652	39,585	50,713	50,974
Assigned	-	-	35	163	159	100	349	679	160	205
Unassigned	<u>(78,310)</u>	<u>(70,643)</u>	<u>(67,950)</u>	<u>(64,634)</u>	<u>(61,827)</u>	<u>(57,599)</u>	<u>(54,201)</u>	<u>(50,337)</u>	<u>(46,402)</u>	<u>(41,093)</u>
Total All Other Governmental Funds	<u>\$ 125</u>	<u>\$ 8,964</u>	<u>\$ 12,463</u>	<u>\$ 3,783</u>	<u>\$ (1,150)</u>	<u>\$ 4,732</u>	<u>\$ 14,134</u>	<u>\$ 23,999</u>	<u>\$ 40,858</u>	<u>\$ 43,826</u>

- Notes:** 1 Starting fiscal year 2003, Patent Library Fund was reclassified from Proprietary Fund to Governmental Fund.
2 The City implemented GASB Statement No. 54 in fiscal year 2010

CITY OF SUNNYVALE

**Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)
(dollars in thousands)**

	Fiscal Year									
	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Revenues										
Property Taxes	\$ 51,407	\$ 50,523	\$ 43,893	\$ 40,807	\$ 35,436	\$ 32,895	\$ 27,367	\$ 26,632	\$ 25,595	\$ 22,836
Sales and Use Taxes	26,590	26,201	30,915	32,053	29,617	26,070	24,599	27,015	27,270	37,620
Other Taxes	15,248	15,534	19,433	16,761	14,459	13,397	12,498	12,268	14,013	20,156
Franchise Fees	5,979	6,127	5,855	5,714	5,531	5,395	5,521	5,226	5,494	4,918
Intergovernmental Revenues	28,107	21,468	19,567	19,577	21,950	22,342	27,459	36,500	31,409	24,765
Permits and Licenses	4,766	5,435	9,265	7,042	5,780	4,996	4,252	3,133	4,392	6,415
Fines and Forfeitures	1,165	1,537	1,249	1,394	756	944	774	782	1,647	804
Special Assessments	21	17	71	66	63	71	136	300	297	718
Service Fees	6,809	5,416	21,725	15,621	7,500	7,713	5,495	3,123	3,493	5,088
Rents and Concessions	2,366	2,029	1,907	2,150	1,664	1,538	1,518	1,758	2,585	2,064
Investment Earnings	2,035	7,298	6,864	6,433	3,976	2,858	971	7,865	12,058	13,916
Other Revenues	1,674	1,075	1,824	1,442	1,555	2,991	1,584	3,339	2,660	11,112
Total Revenues	146,167	142,660	162,568	149,060	128,287	121,210	112,174	127,941	130,913	150,412
Expenditures										
Planning and Management	18,708	19,483	19,390	17,252	14,115	13,860	13,096	14,200	11,810	10,177
Public Safety	70,023	73,457	69,582	66,346	62,069	57,709	53,847	52,764	44,514	41,212
Community Development	26,333	21,034	20,816	22,245	20,638	20,093	16,928	19,521	18,150	18,906
Transportation	7,364	7,706	7,533	7,309	6,868	6,475	7,694	9,402	8,929	7,344
Socioeconomic	12,113	10,031	8,600	10,653	12,618	12,774	13,406	14,430	12,592	10,197
Cultural	7,931	7,871	7,545	7,824	7,493	7,331	7,056	7,541	6,398	5,962
Environmental Management	5,306	4,148	2,492	1,747	1,656	1,026	1,622	1,304	1,581	733
Capital Outlay	16,497	10,621	9,691	5,548	7,008	3,447	14,379	25,883	25,633	31,419
Debt Service:										
Principal Retirement	1,630	1,535	1,705	1,640	1,525	1,700	1,675	1,595	1,535	13,558
Interest	6,041	6,399	6,091	6,010	5,687	5,414	5,097	5,074	4,962	6,113
Fiscal Charges	48	551	104	66	125	67	677	110	62	474
Total Expenditures	171,994	162,836	153,549	146,640	139,802	129,896	135,477	151,824	136,166	146,095
Excess (Deficiency) of Revenues Over (Under) Expenditures	(25,827)	(20,176)	9,019	2,420	(11,515)	(8,686)	(23,303)	(23,883)	(5,253)	4,317

Other Financing Sources (Uses):										
Transfers In	26,612	19,011	18,325	19,154	19,683	17,307	20,376	23,880	24,180	42,717
Transfers Out	(20,848)	(23,883)	(14,273)	(16,615)	(15,277)	(22,743)	(16,628)	(29,113)	(17,048)	(38,117)
Proceeds from Refunding Bonds	-	15,865	-	-	-	-	7,960	-	-	-
Proceeds from Issuing Bonds	-	-	-	-	-	-	-	-	-	18,710
Issuance Discount on Refunding Bonds	-	-	-	-	-	-	(69)	-	-	-
Payment to Refunded Bonds Escrow Agent	-	(15,475)	-	-	-	-	(7,245)	-	-	-
Proceeds from Sale of Capital Assets ¹	-	-	4,700	3,483	-	-	-	498	-	9,034
Total Other Financing Sources (Uses)	5,764	(4,482)	8,752	6,022	4,406	(5,436)	4,394	(4,735)	7,132	32,344
Net Change in Fund Balances	\$ (20,063)	\$ (24,658)	\$ 17,771	\$ 8,442	\$ (7,109)	\$ (14,122)	\$ (18,909)	\$ (28,618)	\$ 1,879	\$ 36,661
Capital Expenditures	13,791	8,458	8,583	3,211	6,245	3,554	10,937	25,396	21,967	29,360
Debt Service as a Percentage of Noncapital Expenditures	4.8%	5.1%	5.4%	5.3%	5.4%	5.6%	5.4%	5.3%	5.7%	16.9%

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									
	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Property	\$ 51,407	\$ 50,523	\$ 43,893	\$ 40,808	\$ 35,436	\$ 32,895	\$ 27,367	\$ 26,632	\$ 25,595	\$ 22,836
Sales and Use	26,590	26,201	30,915	32,053	29,617	26,070	24,599	27,015	27,270	37,620
Transient Occupancy	5,578	5,686	7,350	6,480	5,633	5,074	4,752	5,095	6,320	10,735
Utility Users	6,798	6,841	6,840	6,479	6,057	5,833	5,877	5,652	5,688	5,859
Business Licenses	1,364	1,200	1,075	687	286	215	244	269	250	287
Real Property Transfer	571	548	1,225	1,216	1,140	1,352	765	580	534	856
Construction	937	1,260	2,943	1,899	1,342	923	860	672	1,221	2,419
Franchise	5,979	6,127	5,855	5,713	5,531	5,395	5,521	5,226	5,494	4,690
Total	<u>\$ 99,224</u>	<u>\$ 98,386</u>	<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>

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
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%
2009	13,884,261,832	2,769,989,883	5,384,520,573	577,941,420	2,355,453,585	24,972,167,293	246,909,926	24,725,257,367	0.204%
2010	14,129,616,998	2,848,229,899	5,641,227,308	952,386,638	2,624,851,504	26,196,312,347	296,867,486	25,899,444,861	0.196%

Source: County of Santa Clara Assessor'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									
	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Direct Rates ¹										
County	1.03880	1.03880	1.03880	1.03880	1.03880	1.03880	1.03880	1.03880	1.03640	1.03560
Special District										
Santa Clara Valley Water District	0.00740	0.00610	0.00710	0.00720	0.00780	0.00920	0.00870	0.00720	0.00620	0.00750
El Camino Hospital	0.01290	0.01290	0.01290	0.01290	-	-	-	-	-	-
Overlapping Rates ²										
School Districts ³										0.05350
Sunnyvale School District	0.02670	0.03390	0.03560	0.03440	0.03970	0.01880	0.01570	0.01580	0.01640	-
Cupertino Elementary	0.03120	0.03060	0.03370	0.02890	0.26810	0.03600	0.03570	0.03290	0.04570	-
Los Altos Elementary	0.05390	0.05260	0.05430	0.05510	0.04520	0.04870	0.04830	0.03980	0.04370	-
Mountain View Elementary	0.02880	0.02940	0.03120	0.03400	0.03780	0.04230	0.03880	0.03700	0.02950	-
Fremont High	0.03060	0.03390	0.02410	0.02430	0.02600	0.02680	0.02490	0.02460	0.02040	-
Mountain View-Los Altos High	0.01470	0.01480	0.01590	0.01690	0.01790	0.01930	0.01830	0.01880	0.01750	-
Santa Clara Unified	0.07010	0.07430	0.02710	0.07970	0.08610	0.03440	0.02630	0.02520	0.03660	-
Foothills-De Anza College	0.03220	0.01230	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						

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, 2010**

Taxpayer	2010			2001		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Lockheed Martin Corporation	\$ 691,268,336	1	2.67%			
Lockheed Missles & Space Company Inc	558,761,130	2	2.16%	745,033,655	1	4.99%
Network Appliance Inc	465,845,479	3	1.80%			
Yahoo Inc	450,231,608	4	1.74%			
Applied Materials Inc	416,109,333	5	1.61%	126,917,017	5	0.85%
Menlo And Juniper Networks LLC	314,197,163	6	1.21%	240,866,338	3	1.61%
Moffett Towers LLC	289,519,862	7	1.12%			
SPF Mathilda LLC	277,440,000	8	1.07%			
Arden Realty LP	261,006,557	9	1.01%			
MT SPE LLC	239,497,931	10	0.92%			
Advanced Micro Devices Inc				306,550,101	2	2.05%
Bay Apartment Communities Inc				190,588,590	4	1.28%
AETNA Life Insurance Company				124,605,198	6	0.83%
AMB Property Limited Partnership				112,918,096	7	0.76%
BNP Leasing Corporation				108,076,500	8	0.72%
Irvine Company				108,061,376	9	0.72%
Delaware Chip LLC				92,820,000	10	0.62%
Total	\$ 3,963,877,399		15.31%	\$ 2,156,436,871		14.43%

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
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%
2009	40,322,813	38,415,190	95.3%	1,610,512	40,025,702	99.3%
2010	42,336,677	38,838,499	91.7%	1,572,241	40,410,740	95.5%

Sources: City of Sunnyvale
County of Santa Clara Assesor'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									
	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Governmental Activities:										
Parking District Bonds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 75	\$ 145	\$ 215
Special Assessment Bonds	-	-	-	-	-	-	280	540	780	1,005
Tax Allocation Bonds	5,996	6,352	6,703	7,050	7,386	7,667	7,894	7,440	7,625	7,800
Certificates of Participation	27,630	28,900	29,690	31,045	32,345	33,585	34,775	35,920	37,020	38,085
Business-Type Activities:										
Water and Wastewater										
Revenue Bonds	62,889	23,004	24,426	25,783	27,089	28,346	29,563	30,740	31,877	18,970
Solid Waste Revenue Bonds	19,781	21,487	23,129	16,149	17,275	18,371	19,426	20,442	18,296	18,955
Total Primary Government	\$ 116,296	\$ 79,743	\$ 83,948	\$ 80,027	\$ 84,095	\$ 87,969	\$ 91,938	\$ 95,157	\$ 95,743	\$ 85,030
Percentage of Personal Income ¹	0.11%	0.08%	0.08%	0.08%	0.09%	0.10%	0.11%	0.12%	0.12%	0.10%
Per Capita ²	\$ 828	\$ 574	\$ 610	\$ 590	\$ 630	\$ 661	\$ 694	\$ 718	\$ 721	\$ 643

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 201. Personal income for fiscal year 2008 was used to calculate percentages for fiscal years 2009 and 2010 since data for fiscal years 2009 and 2010 are not currently available.

2 Population data are presented in the Schedule of Demographic and Economic Statistics on page 201.

CITY OF SUNNYVALE

**Direct and Overlapping Governmental Activities Debt
As of June 30, 2010**

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Percentage Applicable</u>	<u>Share of Overlapping Debt</u>
Debt Repaid with Property Taxes: County			
City of Sunnyvale Community Facilities District No. 1 Special Tax Bonds	\$ 18,370,000	100.000 %	\$ 18,370,000
Cupertino Union School District & Certificates of Participation	127,264,911	14.601	18,581,950
El Camino Hospital District	144,975,000	37.408	54,232,248
Foothill Community College District Certificates of Participation	23,450,000	23.012	5,396,314
Foothill-De Anza Community College District	479,279,288	23.012	110,291,750
Fremont Union High School District	202,415,000	48.275	97,715,841
Midpeninsula Regional Open Space Park District Certificates of Participation	113,788,031	15.574	17,721,348
Mountain View School District & Certificates of Participation	27,789,685	5.498	1,527,877
Mountain View-Los Altos Union High School District & Certificates of Participation	39,153,569	1.942	760,362
Los Altos School District	90,819,000	0.265	240,670
Santa Clara County	350,000,000	9.251	32,378,500
Santa Clara County General Fund Obligations	825,070,000	9.251	76,327,226
Santa Clara County Board of Education Certificates of Participation	13,580,000	9.251	1,256,286
Santa Clara County Pension Obligations	388,044,822	9.251	35,898,026
Santa Clara County Vector Control Certificates of Participation	3,965,000	9.251	366,802
Santa Clara Unified School District Certificates of Participation	280,065,000	13.845	38,774,999
Santa Clara Valley Water District Benefit Assessment District	152,440,000	9.251	14,102,224
Santa Clara Valley Water District Zone W-1	910,000	11.361	103,385
Sunnyvale School District	119,092,005	98.960	117,853,448
West Valley-Mission Community College District Certificates of Participation	271,189,692	4.724	12,811,001
Subtotal Overlapping Debt			<u>654,710,257</u>
Direct Debt ¹			
City of Sunnyvale Certificates of Participation			15,355,000
City of Sunnyvale Parking Facility Certificates of Participation			11,620,000
Subtotal Direct Debt			<u>26,975,000</u>
Total Direct and Overlapping Debt ²			<u>\$ 681,685,257</u>

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									
	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Debt limit	\$ 3,929,447	\$ 3,745,825	\$ 3,434,657	\$ 3,138,125	\$ 2,913,929	\$ 2,714,589	\$ 2,761,090	\$ 2,699,169	\$ 2,547,946	\$ 2,226,723
Total net debt applicable to limit	32,971	35,252	36,394	38,094	39,731	41,251	42,949	43,975	45,570	47,105
Legal debt Margin	<u>\$ 3,896,476</u>	<u>\$ 3,710,573</u>	<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>
Total net debt applicable to the limit as a percentage of debt limit	0.84%	0.94%	1.06%	1.21%	1.36%	1.52%	1.56%	1.63%	1.79%	2.12%

Legal Debt Margin Calculation for Fiscal Year 2010

Assessed value	\$ 25,899,445
Add back: exempt real property	<u>296,867</u>
Total assessed value	\$ 26,196,312
Debt limit (15% of total assessed value)	3,929,447
Debt applicable to limit:	
Total bonded debt	112,217
Less:	
Water and Wastewater Revenue Bonds	(59,465)
Solid Waste Revenue Bonds	<u>(19,781)</u>
Total net debt applicable to limit	<u>32,971</u>
Legal debt margin	<u>\$ 3,896,476</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									
	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Water and Wastewater Revenue Bonds										
Gross Revenues	\$ 48,000	\$ 47,060	\$ 48,250	\$ 45,287	\$ 39,641	\$ 37,671	\$ 36,092	\$ 35,800	\$ 32,498	\$ 32,561
Less: Operating Expenses	33,899	33,272	31,868	30,472	29,564	28,669	26,984	25,989	25,444	24,576
Net Available Revenue	\$ 14,101	\$ 13,788	\$ 16,382	\$ 14,815	\$ 10,077	\$ 9,002	\$ 9,108	\$ 9,811	\$ 7,054	\$ 7,985
Debt Service										
Principal	\$ 1,495	\$ 1,435	\$ 1,370	\$ 1,320	\$ 1,270	\$ 1,230	\$ 1,190	\$ 1,150	\$ 670	\$ 635
Interest	1,119	1,180	1,243	1,294	1,340	1,382	1,423	1,461	1,164	1,200
Coverage	5.4	5.3	6.3	5.7	3.9	3.4	3.5	3.8	3.8	4.4
Solid Waste Revenue Bonds										
Gross Revenues	\$ 57,874	\$ 56,147	\$ 56,998	\$ 49,766	\$ 49,297	\$ 47,083	\$ 44,909	\$ 48,365	\$ 46,222	\$ 52,428
Less: Operating Expenses	51,824	56,896	48,186	43,490	45,116	41,945	42,532	41,931	42,803	45,993
Net Available Revenue	\$ 6,050	\$ (749)	\$ 8,812	\$ 6,276	\$ 4,181	\$ 5,138	\$ 2,377	\$ 6,434	\$ 3,419	\$ 6,435
Debt Service										
Principal	\$ 1,715	\$ 1,645	\$ 1,165	\$ 1,135	\$ 1,105	\$ 1,065	\$ 1,025	\$ 745	\$ 705	\$ 665
Interest	990	1,056	898	810	841	882	918	691	1,154	1,192
Coverage ¹	2.2	-0.3	4.3	3.2	2.1	2.6	1.2	4.5	1.8	3.5

Notes:

¹ The negative coverage amount for fiscal year 2009 was caused by a \$7 million increase in accounting estimate of landfill postclosure liability, which will be funded by future rate increases in the next 15 years.

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
2001	132,187	83,979	49,624	34	Not Available	81,370	4.2%
2002	132,825	77,998	46,499	33	13,329	76,342	7.3%
2003	132,500	78,165	46,640	33	15,365	73,034	7.8%
2004	132,422	81,921	48,689	34	14,338	70,992	5.7%
2005	133,086	87,910	52,081	36	14,792	70,190	4.7%
2006	133,544	96,091	56,521	36	14,793	70,921	3.9%
2007	135,721	103,604	60,098	36	14,891	72,907	4.0%
2008	137,538	103,993	59,227	37	15,142	75,062	5.0%
2009	138,826	Not Available	Not Available	37	15,596	74,989	10.0%
2010	140,450	Not Available	Not Available	37	15,979	74,975	9.7%

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, 2010**

Employer	2010			2001		
	Number of Employees	Rank	Percentage of Total Employment	Number of Employees	Rank	Percentage of Total Employment
Lockheed Martin Corporation	7,296	1	9.73%	<i>Not available</i>		
Yahoo! Inc	4,906	2	6.54%			
Network Appliance Inc	2,620	3	3.49%			
Juniper Networks Inc	2,200	4	2.93%			
Northrup Gruman Marine Systems	1,200	5	1.60%			
Applied Materials Inc	1,035	6	1.38%			
West Valley Eng Inc	1,088	7	1.45%			
Maxim Integrated Products	946	8	1.26%			
Palm Inc	849	9	1.13%			
Synopsys Inc	821	10	1.10%			

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									
	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Planning and Management	137	144	141	142	141	138	145	150	140	133
Public Safety ¹	328	340	335	325	308	309	333	358	337	322
Community Development	117	126	129	132	132	133	131	142	130	127
Transportation	35	36	35	35	37	35	42	46	47	47
Socioeconomic	89	66	65	79	96	102	108	106	74	62
Cultural	58	61	61	61	65	66	67	73	71	71
Environmental Management	20	21	21	19	18	17	14	17	18	20
Water Supply and Distribution	30	30	29	31	34	32	29	32	21	22
Wastewater Management	69	70	69	67	72	71	69	75	68	67
Solid Waste Management	11	10	10	10	9	9	9	9	8	8
SMaRT Station	1	1	1	1	1	2	2	2	1	1
Community Recreation	89	92	92	92	89	87	95	104	44	37
Total	984	997	988	994	1,002	1,001	1,044	1,114	959	917

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									
	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Public Safety:										
Police										
Emergency Responses	37,721	38,676	41,062	47,184	47,464	46,132	52,017	48,613	47,645	52,486
Crime Investigations	1,966	3,240	3,749	3,834	3,467	3,617	4,268	4,268	4,288	3,909
Traffic Events and Citations	17,208	20,258	19,657	16,753	22,716	24,188	20,213	16,114	12,284	26,433
Fire										
Emergency Responses	6,901	7,123	7,385	6,793	7,026	6,643	6,646	7,421	6,662	6,674
Fire Safety Inspections	2,775	3,422	4,666	5,934	6,080	5,489	5,189	6,606	7,314	13,939
Transportation:										
Streets Resurfacing (1,000 square feet)	152	42	42	42	179	179	156	307	-	-
Street Preventive Maintenance (1,000 square feet)	4,481	3,553	4,056	3,882	8,159	5,709	5,767	4,648	7,619	7,436
Streetlight Lamps Replaced	1,011	954	682	1,092	846	674	752	922	901	717
Library:										
Library Visitors	796,329	871,128	798,194	768,983	723,731	737,506	861,591	877,135	819,664	736,103
Library Materials Circulated	2,379,284	2,481,633	2,329,375	2,247,777	1,891,080	1,818,370	2,130,978	1,996,562	1,709,468	1,363,068
Library Materials Turnover Rate (average use)	7.9	7.1	7.4	7.4	6.7	6.6	7.6	7.0	6.0	6.0
Water Supply and Distribution:										
Average Daily Demand (million gallons)	18.0	20.3	20.8	21.9	20.0	21.7	22.8	21.4	23.2	23.3
Peak Daily Use (million gallons)	40.3	41.3	42.4	44.0	40.0	43.0	46.0	46.0	46.0	46.0
Water Main Repairs	15	9	28	61	34	24	13	35	31	13
Wastewater Management:										
Average Daily Sewage Treatment (million gallons)	12.6	14.1	14.9	15.4	15.5	15.3	14.9	15.3	16.6	16.9
Solid Waste Management:										
Refuse collected (tons per day)	224.1	233.7	261.9	265.8	277.6	271.5	278.6	284.6	298.1	337.7
Recyclables collected (tons per day)	70.6	68.9	67.4	69.4	71.4	73.2	74.2	73.8	70.4	69.1
SMaRT Station										
Refuse received (tons per day)	604.0	667.1	709.7	722.2	731.4	707.7	721.6	733.0	746.4	777.0
Community Recreation:										
Recreation Programs Registration (hours)	717,931	710,537	745,720	708,158	1,552,262	1,524,493	585,023	511,257	Not Available	Not Available
Rental Use of Recreation Facilities ¹ (1,000 Participant Hours 2000-2006)	85,143	65,900	18,324	18,623	545	450	482	484	609	554
Plays at Golf Courses	134,312	137,012	142,137	150,303	147,650	156,523	150,944	182,855	185,255	190,757

Source: City of Sunnyvale, various departments

Note: 1 Starting fiscal year 2009, includes sports field rentals for youth sports organizations.

CITY OF SUNNYVALE

**Capital Asset Statistics by Function
Last Ten Fiscal Years**

Function/Program	Fiscal Year									
	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Public Safety										
Police:										
Jail Facilities	1 (6 cells)									
Vehicular Patrol Units	66	67	63	65	52	52	52	51	52	52
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	9,542	9,242	8,928	8,928	8,919	8,919	8,909	8,904	8,867	8,779
Traffic Signals	128	128	129	129	129	129	129	129	126	126
Water Supply and Distribution										
Water Mains (miles)	326	326	283	283	282	282	282	282	282	282
Fire Hydrants	3,390	3,390	3,381	3,381	3,400	3,385	3,385	3,385	3,351	3,351
Storage Capacity (million gallons)	27.5	27.5	28.0	28.0	28.0	28.0	28.0	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	323	323	322	322	322	322	322	322
Parks	19	19	19	19	19	19	19	19	18	18
Golf Courses	2	2	2	2	2	2	2	2	2	2
Swimming Pools	6	6	6	6	6	6	6	6	5	5
Tennis Courts	38	38	38	38	38	38	38	38	38	38
Skate Parks	2	2	2	2	1	1	1	1	-	-
Recreation Centers	3	3	3	3	3	3	3	3	2	2

Source: City of Sunnyvale, various departments

Note: No capital asset indicators are available for library function.