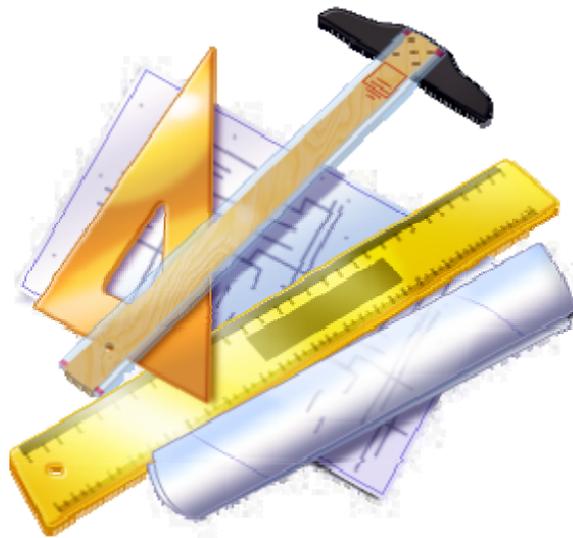


Sunnyvale Financing Authority

Sunnyvale, California



**Basic Financial Statements
and Independent Auditors' Reports**
For the year ended June 30, 2010



Sunnyvale Financing Authority
Basic Financial Statements
And Independent Auditors' Reports
For The Fiscal Year Ended
June 30, 2010



City of Sunnyvale
650 West Olive Avenue
Sunnyvale, California 94086
(408) 730-7380

Prepared by the Department of Finance
Grace K. Leung, Director of Finance

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June 30, 2010

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INDEPENDENT AUDITORS' REPORT

To the Members of the Governing Board
of the Sunnyvale Financing Authority
City of Sunnyvale, California

We have audited the accompanying financial statements of the governmental activities and each major fund of the Sunnyvale Financing Authority (Authority), a component unit of the City of Sunnyvale, California, as of and for the fiscal year ended June 30, 2010 as listed in the Table of Contents. These component unit financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about 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 financial statements referred to above present fairly in all material respects the respective financial position of the governmental activities and each major fund of the Authority as of June 30, 2010 and the respective changes in the financial position for the fiscal year then ended, in conformity with generally accepted accounting principles in the United States of America.

Management's Discussion and Analysis is not a required part of the financial statements but is 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.

Maze & Associates

November 12, 2010

Management's Discussion and Analysis

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

This analysis of the Sunnyvale Financing Authority (Authority) of the City of Sunnyvale's (City) financial performance provides an overview of the Authority's financial activities for the fiscal year ended June 30, 2010. Please read it in conjunction with the accompanying basic component unit financial statements and the accompanying notes to those component unit financial statements.

A. FINANCIAL HIGHLIGHTS

- At June 30, 2010, the Authority had insignificant amount of net assets. The Authority receives semi-annual lease payments from the City and makes debt service payments when due. The fiscal agents handle such transactions for the Authority.
- Other than the reserve funds held by fiscal agents as security for the bondholders, the Authority's major asset includes lease receivable, which should be sufficient to pay off the outstanding bonds payable in the remaining years. Any insignificant amount of net assets represents excess reserve (primarily interest earned) that can be used by the City to reduce future lease payments to the Authority.
- In June 2010, the 2001 Water and Wastewater Revenue Bonds were defeased in substance. A total amount of \$23.1 million was placed in escrow, sufficient to pay debt service when due through October 1, 2011, when the 2001 Bonds will be called and redeemed in full.

B. OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements, which are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the basic financial statements.

The basic financial statements include only the Authority, which is a component unit of the City and is reported in the City's financial statements using the blended method.

The Authority's main activity is the issuance of debt for the benefit of the City.

Government-Wide Financial Statements

The government-wide financial statements present the financial picture of the Authority and provide readers with a broad view of the Authority's finances. These statements present governmental activities and include all assets of the Authority as well as all liabilities (including long-term debt). Additionally, certain interfund receivables, payables and other interfund activity have been eliminated as prescribed by Governmental Accounting Standards Board (GASB) Statement No. 34.

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

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

B. OVERVIEW OF FINANCIAL STATEMENTS, Continued

Government-Wide Financial Statements, Continued

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

The statement of activities and changes in net assets presents information showing how the Authority's net assets changed during the 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.

The Authority only conducts governmental activities, which are shown in the statement of net assets and the statement of activities and changes in net assets.

The Authority's main function is the issuance of debt and as a result, the activities of the Authority are restricted to the payment of interest expense and other debt related costs such as bond issuance costs. The Authority's revenue sources are lease payments from the City and interest income.

Fund Financial Statements

The fund financial statements provide detailed information about the Authority's individual funds, not the Authority as a whole. Some funds are required to be established by State law and by bond covenants. However, management establishes other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using its resources.

The fund financial statements include statements for the governmental funds which are prepared using the current financial resources measurement focus and modified accrual basis of accounting.

The 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 Authority's near-term financial requirements.

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

Management's Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2010**B. OVERVIEW OF FINANCIAL STATEMENTS, Continued****Fund Financial Statements, Continued**

All of the Authority's funds were determined to be major funds. These funds included the 2009 Government Center Certificates of Participation Debt Service Fund, Solid Waste Revenue Bonds, Series 2007 Debt Service Fund, the Water and Wastewater Revenue Bonds, Series 2001 Debt Service Fund, which are reported in detail in the governmental fund financial statements.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the Government-Wide and Fund Financial Statements.

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS**Statement of Net Assets**

The Authority's net assets represent resources held by the fiscal agent in excess of reserve requirements. Such excess comes from interest earned on the reserve funds, which can be used to reduce future lease payments from the City. Both total assets and liabilities were less than last year due to the defeasance in substance of the 2001 Water and Wastewater Revenue Bonds. The following is the condensed comparative statement of net assets.

	Sunnyvale Financing Authority	
	Condensed Statements of Net Assets	
	(Amounts in Thousands)	
	2010	2009
Assets:		
Current Assets	\$ 2,904	\$ 6,535
Noncurrent Assets	19,776	43,508
Total Assets	<u>22,680</u>	<u>50,043</u>
Liabilities:		
Current Liabilities	1,026	2,833
Long-term Liabilities	21,635	44,240
Total Liabilities	<u>22,661</u>	<u>47,073</u>
Net Assets:		
Restricted for Debt Service	19	2,970
Total Net Assets	<u>\$ 19</u>	<u>\$ 2,970</u>

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.

	2010	2009
Revenues:		
Program Revenues:		
Lease Revenue	\$ 1,174	\$ 1,986
Lease Revenue Adjustment	(2,951)	-
Investment Earnings	3	140
	<u>(1,774)</u>	<u>2,126</u>
Expenses:		
Interest Expense	1,177	2,389
	<u>1,177</u>	<u>2,389</u>
Increase (Decrease) in Net Assets	(2,951)	(263)
Net Assets - Beginning	2,970	3,233
Net Assets - Ending	<u>\$ 19</u>	<u>\$ 2,970</u>

The lease revenue adjustment was due to prior years' overstating lease receivable by including amounts held by fiscal agents. Expenses decreased significantly from last year, primarily due to lower interest rates applied to the 2009 Government Center Variable Rate Demand and Refunding Certificates of Participation. The low rates also reduced investment earnings and the City lease payments to the Authority.

D. FUND FINANCIAL STATEMENT ANALYSIS

The focus of the Authority's governmental funds is to provide information on short-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the Authority's financing requirements.

As of the end of fiscal year 2010, the Authority's governmental funds reported an ending fund balance of \$1.9 million. All of the fund balance was reserved to meet future debt service requirements.

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

E. BUDGETARY HIGHLIGHTS

Debt service for the Government Center is budgeted in the City Internal Service Funds. Debt service for the 2007 Solid Waste Bonds is included in the financial plans for the City's Utilities Funds.

F. LONG-TERM OBLIGATIONS

As of June 30, 2010, the Authority had outstanding debt issues as listed below (amounts in thousands).

	<u>Amounts in Thousands</u>
2009 Government Center Certificates of Participation	\$ 15,355
Solid Waste, Series 2007	<u>7,230</u>
Total Long-Term Debt	<u><u>\$ 22,585</u></u>

For more information on the Authority's long-term debt, see the notes to the component unit basic financial statements.

G. REQUEST FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Authority's finances and to demonstrate the Authority'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

Sunnyvale Financing Authority

Statement of Net Assets
June 30, 2010

	Governmental Activities
Assets:	
Current Assets	
Cash and Investments Held by Fiscal Agent	\$ 1,876,332
Interest Receivable	753
Lease Receivable Due Within One Year	1,026,501
Total Current Assets	<u>2,903,586</u>
Noncurrent Assets	
Lease Receivable Due in More Than One Year	19,776,625
Total Noncurrent Assets	<u>19,776,625</u>
Total Assets	<u>22,680,211</u>
Liabilities:	
Current Liabilities	
Interest Payable	76,501
Long Term Debt - Due Within One Year	950,000
Total Current Liabilities	<u>1,026,501</u>
Noncurrent Liabilities	
Long-term Debt - Due in More than One Year	21,635,000
Total Noncurrent Liabilities	<u>21,635,000</u>
Total Liabilities	<u>22,661,501</u>
Net Assets:	
Restricted for:	
Debt Service	18,710
Total Net Assets	<u>\$ 18,710</u>

See Accompanying Notes to Basic Financial Statements

Sunnyvale Financing Authority

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

	Governmental Activities
Program Expenses:	
Interest Expense and Fiscal Charges	\$ 1,177,413
Total Program Expenses	<u>1,177,413</u>
Program Revenues:	
Charges for Services:	
Lease Revenue from City	1,174,569
Lease Revenue Adjustment	(2,951,317)
Investment Earnings - Restricted	<u>2,725</u>
Total Program Revenues	<u>(1,774,023)</u>
Change in Net Assets	(2,951,436)
Net Assets - Beginning of Year	<u>2,970,146</u>
Net Assets - End of Year	<u>\$ 18,710</u>

See Accompanying Notes to Basic Financial Statements

Governmental Fund Financial Statements

The 2001 Government Center Certificates of Participation Fund is used to accumulate funds for the debt service payments 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 lease payments from the City.

The 2009 Government Center Certificates of Participation Fund is used to account for the refunding of the Certificates of Participation issued in 2001. Debt service is financed with lease payments from the City.

The Solid Waste Revenue Bonds, Series 2007 Fund is used to accumulate funds for the debt service payments of the Revenue Bonds issued in 2007 to finance the replacement of the materials recovery facility. Debt service is financed with semi-annual installment payments from the participating cities of Sunnyvale and Palo Alto.

The 2007 Solid Waste Capital Projects Fund accounts for the use of proceeds from the issuance of Solid Waste Revenue Bonds, Series 2007 for construction.

The Water and Wastewater Revenue Bonds, Series 2001 Fund was used to accumulate funds for the debt service payments of the Revenue Bonds issued in 2001 to defease the Authority's outstanding 1992 Utilities Revenue Bonds, Series A, and to finance certain improvements to the Wastewater System. Debt service is financed with lease payments from the City's Water Supply and Distribution and Wastewater Management Enterprise Funds. These Bonds were defeased in substance on June 29, 2010.

Sunnyvale Financing Authority

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

	Major Funds			
	2009 Government Center Certificates of Participation	2007 Solid Waste Revenue Bonds Series 2007	Water & Wastewater Revenue Bonds Series 2001	Total Major Governmental Funds
Assets:				
Cash and Investments Held by Fiscal Agent	\$ 1,115,351	\$ 760,981	\$ -	\$ 1,876,332
Accrued Interest Receivable	-	753	-	753
Lease Receivable	14,257,606	6,469,019	-	20,726,625
Total Assets	\$ 15,372,957	\$ 7,230,753	\$ -	\$ 22,603,710
Liabilities and Fund Balances:				
Liabilities:				
Accrued Interest Payable	\$ 3,845	\$ -	\$ -	\$ 3,845
Deferred Revenue	14,257,606	6,469,019	-	20,726,625
Total Liabilities	14,261,451	6,469,019	-	20,730,470
Fund Balances:				
Restricted for Debt Service	1,111,506	761,734	-	1,873,240
Total Fund Balances	1,111,506	761,734	-	1,873,240
Total Liabilities and Fund Balances	\$ 15,372,957	\$ 7,230,753	\$ -	\$ 22,603,710

See Accompanying Notes to Basic Financial Statements

Sunnyvale Financing Authority

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

Total Fund Balances - Total Governmental Funds	\$ 1,873,240
Amounts reported for governmental activities in the statement of net assets are different because:	
Interest payable is not reported as a liability in governmental funds balance sheet since interest payable on long-term debt does not require current financial resources.	
This amount represents total interest payable at the end of the fiscal year.	(72,656)
The interest portion of lease payment due from the City at year end is not reported as receivable in governmental funds.	76,501
Lease receivable reported in the government-wide statement of net assets reflects future lease payments from the City as semi-annual debt service payments become due. This amount is less than the par value of outstanding bonds because the trustee holds the debt service reserve fund as security for the bondholders.	20,726,625
Long-term liabilities are not due and payable in the current period and therefore they are not reported in the governmental fund balance sheet.	<u>(22,585,000)</u>
Net Assets of Governmental Activities	<u><u>\$ 18,710</u></u>

See Accompanying Notes to Basic Financial Statements

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

	Major Funds			
	2009 Government Center Certificates of Participation	2007 Solid Waste Revenue Bonds Series 2007	Water & Wastewater Revenue Bonds Series 2001	Total Major Governmental Funds
Revenues:				
Lease Payments from City	\$ 553,735	\$ 759,745	\$ 2,617,130	\$ 3,930,610
Interest Income	1,972	753	-	2,725
Total Revenues	555,707	760,498	2,617,130	3,933,335
Expenditures:				
Debt Service:				
Principal Retirement	510,000	460,000	1,495,000	2,465,000
Interest and Fiscal Charges	46,867	299,869	1,118,915	1,465,651
Total Expenditures	556,867	759,869	2,613,915	3,930,651
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,160)	629	3,215	2,684
Other Financing Sources (Uses):				
Proceeds for Defeasance of Debt	-	-	20,925,540	20,925,540
Payment to Escrow Agent	-	-	(23,121,451)	(23,121,451)
Total Other Financing Sources (Uses)	-	-	(2,195,911)	(2,195,911)
Net Change in Fund Balances	(1,160)	629	(2,192,696)	(2,193,227)
Fund Balances - Beginning of Year	1,112,666	761,105	2,192,696	4,066,467
Fund Balances - End of Year	\$ 1,111,506	\$ 761,734	\$ -	\$ 1,873,240

See Accompanying Notes to Basic Financial Statements

Sunnyvale Financing Authority

**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	\$ (2,193,227)
Lease receivable was adjusted by the following cash and investments held by trustee: For 2001 Water and Wastewater Bonds, \$2,123,365; For 2009 Government Center COPs, \$1,078,902; for 2007 Solid Waste Bonds, \$116,592.	(3,318,859)
The Reserve Fund of the 2001 Water and Wastewater Revenue Bonds was transferred to the escrow agent and posted as the net of other financing sources (uses) in the fund financial statements.	2,192,697
This amount was the beginning interest payable recorded at last year end but paid in current year.	364,108
This amount was the ending interest payable recorded at this year end.	(72,656)
This amount was the lease receivable recorded at this year end. In the fund financial statement, the Government Center COPs recognized interest expense due July 1; a corresponding lease receivable was not recorded for amount not due until October.	<u>76,501</u>
Change in Net Assets of Governmental Activities	<u><u>\$ (2,951,436)</u></u>

See Accompanying Notes to Basic Financial Statements

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

1. SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Sunnyvale Financing Authority (Authority), a component unit of the City of Sunnyvale (City), California, 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 Authority's accounting policies are described below.

A. Reporting Entity

The Authority was established on September 29, 1992 by the Joint Exercise of Powers Agreement between the City and the Redevelopment Agency of the City of Sunnyvale (Agency).

The Authority is administered by a Board of Directors consisting of seven persons, each serving in his or her individual capacity as a Director of the Authority. The sitting members of the City Council constitute the Directors of the Authority until such time as they cease to be members of the City Council.

Additionally, the Authority shall have four officers as follows:

- Chairperson – Mayor of the City
- Vice-Chairperson – Vice-Mayor of the City
- Executive Director – City Manager
- Treasurer – Director of Finance

The City Attorney shall serve as General Counsel to the Authority and the City Clerk shall serve as Secretary. In addition to having the same governing board, the City is financially accountable for the Authority and conducts management activities of the Authority. Though legally a separate entity, the Authority is, in substance, a component unit of the City and is reported in the City's Comprehensive Annual Financial Report using the blended method.

The Board of the Authority is required to hold at least one regular meeting each year.

B. Basis of Accounting and Measurement Focus

The accounts of the Authority 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. Authority 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.

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

1. SIGNIFICANT ACCOUNTING POLICIES, Continued

Government-Wide Financial Statements

The Authority's 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 activities for the Authority. The Authority has no business-type activities.

The government-wide financial statements are presented on an "*economic resources*" measurement focus and the accrual basis of accounting. Accordingly, all of the Authority'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. Currently, the Authority has no capital 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 revenues for the Authority are lease revenues received from the City and interest revenues. Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, payables and receivables. All internal balances in the statement of net assets have been eliminated. In the statement of activities, interfund transfers have been eliminated.

The Authority applies all applicable GASB pronouncements (including all NCGA Statements and Interpretations currently in effect) to the governmental activities.

Governmental Fund Financial Statements

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 non-major funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in net assets as presented in these statements to the net assets presented in the government-wide financial statements. The Authority has presented all governmental funds as major funds because the Authority believes the financial position and activities of those funds are significant to the Authority as a whole.

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 in the accounting period in which they become both measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally 90 days after year-end) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the Authority, are lease revenues and earnings on investments. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

Notes to 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 to explain the differences created by the integrated approach.

C. Use of Restricted/Unrestricted Net Assets

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

D. Cash, Deposits and Investments

The Authority's cash and investments consist of restricted funds held by fiscal agents to meet debt obligations. The Authority does not have any unrestricted cash and investments.

E. Long-term Debt

Government-Wide Financial Statements

Long-term debt and other financed obligations are reported as liabilities in the governmental activities.

Fund Financial Statements

The fund financial statements do not present long-term debt, which is shown in the reconciliation of the governmental funds balance sheet to the government-wide statement of net assets.

F. Net Assets and Fund Equity

Government-Wide Financial Statements

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

Unrestricted Net Assets – This amount is all net assets that do not meet the definition "restricted net assets."

Fund Financial Statements

All of the Authority's fund balances are restricted for debt service as required by bond covenants.

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

1. SIGNIFICANT ACCOUNTING POLICIES, Continued

G. 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.

H. Implementation of New GASB Standards

In this fiscal year, the Authority adopted GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

2. CASH AND INVESTMENTS

The Authority's cash and investments consist of cash and investments held by fiscal agents. At June 30, 2010, the Authority had the following cash and investment balances:

Cash and Investments Held by Fiscal Agents:	Amount
2009 Government Center Certificates of Participation	\$ 1,115,351
Solid Waste Revenue Bonds, Series 2007	760,981
Total Cash and Investments Held By Fiscal Agents	<u>\$ 1,876,332</u>

Refer to the City's Comprehensive Annual Financial Report for detailed disclosure on cash and investments.

3. LEASE RECEIVABLE AND DEFERRED REVENUE

The lease receivable from the City, along with investments held by fiscal agents, secures the repayment of the outstanding debt issues. The lease revenue and investment income are sufficient to cover the Authority's debt service requirements.

In the fund financial statements a corresponding amount is recorded as deferred revenue since the assets are not current financial resources.

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

4. LONG TERM DEBT

Following is a summary of long term debt transactions during the fiscal year ended June 30, 2010:

Description	2009	Additions	Reductions	Ending Balance June 30, 2010	Amounts Due Within One Year	Amounts Due in More than One Year
Governmental Activities:						
2009 Government Center						
Certificates of Participation	\$ 15,865,000	\$ -	\$ (510,000)	\$ 15,355,000	\$ 470,000	\$ 14,885,000
Water and Wastewater, Series 2001	23,150,000		(23,150,000)	-	-	-
Solid Waste, Series 2007	7,690,000	-	(460,000)	7,230,000	480,000	6,750,000
Total Governmental Activities	\$ 46,705,000	\$ -	\$ (24,120,000)	\$ 22,585,000	\$ 950,000	\$ 21,635,000

\$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.

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.

Notes to Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2010**4. LONG TERM DEBT, Continued**

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

Defeasance of 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).

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 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. A total amount of \$23,121,451 was placed in escrow for the aforementioned purposes. Included in that amount was \$2,195,911, which was the 2001 Bonds Reserve Fund balance immediately before the new 2010 Bonds were issued.

The 2001 Bonds are considered to be defeased in substance and the liability for those bonds has been removed from the statement of net assets.

Notes to Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2010**4. LONG TERM DEBT, Continued****\$8,130,000 Solid Waste Revenue Bonds, Series 2007**

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, including 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 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

5. SELF-INSURANCE AND CONTINGENT LIABILITIES

The Authority is covered under the City's self-insurance plan and various insurance policies. The City has \$40,000,000 in excess general liability coverage, subject to \$500,000 self-insured retention (SIR) for each occurrence, through the California Joint Powers Risk Management Authority (CJPRMA), a risk-sharing pool. The City's excess workers' compensation coverage is provided through the California State Association of Counties Excess Insurance Authority (CSAC-EIA), 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 Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2010

6. PLEDGED REVENUES

In accordance with GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenue*, the following disclosures pertain to the City utilities revenues that have been pledged.

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

The Solid Waste Revenue Bonds, Series 2003 (issued by the City of Sunnyvale) and Series 2007 (issued by the Sunnyvale Financing Authority) are both payable and secured by the net revenues of Sunnyvale's Solid Waste System plus SMaRT Station Participant Debt Service Payments. Although the two debt issues were structured differently, in substance, they are on parity with each other. Therefore, the following disclosure is intended to present complete information about the pledged revenues.

The City has pledged, as security for the Bonds issued, net revenues of its Solid Waste System and all moneys received from the cities of Mountain View and Palo Alto designated as debt service payments under the Memorandum of Understanding entered into for the City's Solid Waste Materials Recovery and Transfer Station (the SMaRT[®] Station Fund). The bonds issued in 2003 by the City in the amount of \$20,575,000 were used to defease and refund the Sunnyvale Financing Authority Utilities Revenue Bonds, 1992 Series B. Debt service 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 income, and net interfund transfers (excluding transfer of \$1,578,834 to the SMaRT Station Fund for Sunnyvale's share of debt service). 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.

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

7. CLASSIFICATION OF NET ASSETS AND FUND BALANCES

Government-Wide Financial Statements

Restricted net assets represent 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. The restrictions imposed on the Authority's net assets are required for debt service purposes.

Fund Financial Statements

All of the Authority's fund balances are restricted for repayment of debt as required by the bond covenants.

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