Comprehensive Annual Financial Report

For The Fiscal Year Ended
June 30, 2011

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

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

Table of Contents, Continued
June 30, 2011

Page

INTRODUCTORY SECTION:

Table of Contents....i
Chief Finance Officer's Letter of Transmittal....iii
Organizational Chart....xvi
Directory of Officials....xvii
Directory of Boards and Commissions....xviii
Certificate of Achievement for Excellence in Financial Reporting....xix

FINANCIAL SECTION:

Independent Auditors' Report....1
Management's Discussion and Analysis....3
Basic Financial Statements:
Government-Wide Financial Statements:
Statement of Net Assets....29
Statement of Activities and Change in Net Assets....30
Fund Financial Statements:
Balance Sheet - Governmental Funds....33
Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Assets....35
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds....36
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....38
Statement of Net Assets – Proprietary Funds....40
Reconciliation of the Proprietary Funds Statement of Net Assets to the Government-Wide Statement of Net Assets....42
Statement of Revenues, Expenses and Changes in Fund Net Assets – Proprietary Funds....43
Reconciliation of the Proprietary Funds Statement of Revenues, Expenses and Changes in Fund Net Assets to the Government-Wide Statement of Activities and Changes in Net Assets....45
Statement of Cash Flows – Proprietary Funds....46
Statement of Fiduciary Net Assets – Agency Funds....51
Notes to Basic Financial Statements....54
Required Supplementary Information:
Budgetary Policy and Control
Budgetary Comparison Schedule – General Fund....121
Budgetary Comparison Schedule – Housing Special Revenue Fund....122
Budgetary Comparison Schedule – Employment Development Special Revenue Fund....122
Budgetary Comparison Schedule – Note to Required Supplementary Information....123
Budgetary Information....124
Modified Approach for City Streets Infrastructure Capital Assets....126
Supplementary Information:
Combining Fund Statements and Schedules
Combining Balance Sheet – Nonmajor Governmental Funds....133
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds....138
Schedules of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual:
Redevelopment Agency Debt Service Fund....143
City Capital Projects Fund....144
Community Development Block Grant Special Revenue Fund....145
HOME Grant Special Revenue Fund....146

Table of Contents, Continued
June 30, 2011

Park Dedication Special Revenue Fund 147
Asset Forfeiture Special Revenue Fund 148
Police Services Augmentation Special Revenue Fund 149
Parking District Special Revenue Fund 150
Gas Tax Special Revenue Fund 151
Transportation Development Act Special Revenue Fund 152
Redevelopment Agency Special Revenue Fund 153
Swirsky Youth Opportunity Permanent Fund 154
Fremont Pool Permanent Fund 155
ABAG Certificates of Participation Debt Service Fund 156
Government Center Certificates of Participation Debt Service Funds 157
Infrastructure Renovation and Replacement Capital Projects Fund 158
Combining Statement of Net Assets – All Internal Service Funds 160
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets - All Internal Service Funds 161
Combining Statement of Cash Flows – All Internal Service Funds 162
Statement of Changes in Assets and Liabilities – All Fiduciary Funds 165
Capital Assets Used in the Operation of Governmental Funds:
Comparative Schedules by Source 167
Schedule by Function and Activity 168
Schedule of Changes by Function and Activity 170

STATISTICAL SECTION (Unaudited):

Financial Trend:
Net Assets by Component 172
Changes in Net Assets 173
Fund Balances of Governmental Funds 175
Changes in Fund Balances of Governmental Funds 176
General Governmental Tax Revenues by Source 178
Revenue Capacity:
Assessed Value of Taxable Property 179
Property Tax Rates 180
Principal Property Tax Payers 181
Property Tax Levies and Collections 182
Debt Capacity:
Ratios of Outstanding Debt by Type 183
Direct and Overlapping Governmental Activities Debt 184
Legal Debt Margin Information 185
Pledged-Revenue Coverage 186
Demographic and Economic Information:
Demographic and Economic Statistics 186
Principal Employers 188
Operating Information:
Full-time Equivalent City Government Employees by Function 189
Operating Indicators by Function 190
Capital Asset Statistics by Function 191

City of SUNNYVALE

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

December 1, 2011

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, 2011. 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, 2011, 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, 2011, 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.

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 Combined 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.

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
- Sustainability Commission
- Housing and Human Services Commission

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

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

PROFILE OF THE CITY, Continued

Budget, Continued

On November 6, 2007, Sunnyvale voters approved to amend Section 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 severe recession that began in 2008 gave way to recovery starting late in fiscal year 2010. This recovery continued throughout fiscal year 2011, as many of the City's major revenue sources rebounded sharply. Sales Tax, Transient Occupancy Tax, and construction-related revenues, which in total constitute nearly 35% of General Fund revenue, all had significant year-over-year growth. Sales Tax led the way, increasing nearly $4 million over fiscal year 2010, which was the largest year-over-year growth in that area in the last ten years. The economy did, however, finally catch up with Property Tax, as that revenue source was down $1.3 million from fiscal year 2010. Going forward, there is still concern regarding the assessed value of commercial properties and the impact that will have on overall Property Tax revenue. Projections for Secured Property Tax for fiscal year 2012 have been adjusted downward slightly to reflect the expected outcome of appeals to commercial property valuations.

Despite an accelerated recovery for several major revenue sources, the City's fiscal situation still remains uncertain. The economy continues to be a concern, as many factors, including high unemployment and overall financial market volatility, have created the threat of a double-dip recession. Further, the State of California (State) has had to act on huge budget shortfalls, often at the expense of local agencies. Two such actions included in the State's fiscal year 2012 budget were an annual "opt in" payment to allow Redevelopment Agencies to continue to exist and the diversion of Motor Vehicle License Fee revenue from local agencies.

LOCAL ECONOMY, Continued

Even with an accelerated recovery, 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 revenues. This trend is 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, City Council fiscal policy establishes the 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. The City Charter requires that the City Manager annually submit a budget which is balanced for ten years; however, City Council 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.

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.

LONG-TERM FINANCIAL PLANNING, Continued

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, 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.

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 will begin to rise dramatically beginning in fiscal year 2012. To mitigate the impact on contracting agencies, PERS modified 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), as opposed to incorporating the entire impact in fiscal year 2012. While this phased approach eases the impact of the significant increases, it does come at a cost. Agencies end up paying more in the long term, as rates will have to stay high and continue to increase incrementally for the foreseeable future to make up for the fact that the necessary contributions were not made up front. Further, this plan leaves agencies more vulnerable to volatile rates in the future if investment returns do not hit their target. Because of the City's long-term financial planning process that carefully considers the long-term implications of decisions such as this, the City has opted to pay more than the required PERS employer contribution to ensure our retirement plans are prudently funded and to minimize rate volatility. This decision required the City to work with its consulting actuary to develop alternate rates to those provided by PERS and to incorporate these rates into the City's Long-Term Financial Plan as adopted in June 2011.

Another challenge the City faces is the maintenance of its 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 Public Safety Headquarters, are estimated at a total preliminary cost of nearly $250 million. A strategic decision as to whether ongoing major maintenance and repair is continued or replacement and remodeling of facilities is undertaken must be made in the near future.

RELEVANT FINANCIAL POLICIES

According to Council Fiscal Policy, 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.

RELEVANT FINANCIAL POLICIES, Continued

The first is the Contingencies Reserve. Fiscal policy related to this reserve was amended by Council early in fiscal year 2012. Instead of being set at 20% of operating expenditures annually, this reserve has been modified to equal 15% of operating expenditures in the first year of the long-term plan, with annual increases based on projected increases in the Consumer Price Index (CPI). This reserve is only utilized for non-fiscal emergencies or disasters as determined by Council. The policy change to reduce the amount of the reserve and tie future years' increases to CPI better aligns this reserve for its intended usage and does not set aside more funds than necessary.

A second reserve in the General Fund is entitled the Budget Stabilization Fund. This reserve functions to levelize 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 has been evident throughout its existence. It has prevented the City from spending beyond its sustainable means during periods of economic growth while also providing the City a mechanism to maintain services at desired levels during economic downturns. The value of the Budget Stabilization Fund is especially evident during economic downturns, as not only is it available to be drawn upon to assist in maintaining service levels, it also allows time to develop a measured and reasoned approach to addressing fiscal crises.

Due to the continuing ramifications of the most recent recession, the fiscal year 2012 Budget requires that the City continue to judiciously draw down the Budget Stabilization Fund. Despite service level cuts, actual employee compensation concessions, and additional budgeted employee compensation concessions, the fiscal year 2012 General Fund Long-Term Financial Plan still has a structural deficit. With planned expenditures expected to exceed planned revenues, the current $43 million balance in the Budget Stabilization Fund is anticipated to be depleted towards the end of the 20-year plan. Because of this structural deficit, the City will continue to be required to identify areas to reduce costs and potentially increase revenues in order to rebalance our revenues and expenditures into a more sustainable model.

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.

RELEVANT FINANCIAL POLICIES, Continued

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, general liability, and retiree medical costs to reduce volatility and to minimize the effect on the funding of other City operations. In fiscal year 2011, the City established an Other Post Employment Benefits (OPEB) Trust and made an initial contribution of nearly $33 million. The Employee Benefits Fund's long-term financial plan includes funding the Trust until the City's unfunded liability for retiree medical expenses is fully funded. At that point, the investment earnings from the Trust are expected to be utilized to offset ongoing retiree medical costs and reduce the funding burden on the City.

MAJOR INITIATIVES

Departmental Reorganization

In 2011, the City underwent a significant departmental reorganization to better align its service delivery to maximize the efficiency and effectiveness of its operations. The composition of the Department of Public Works changed substantially, as the utilities-related functions, including the water, wastewater, and solid waste operations, were removed to form the new Environmental Services Department. The Department of Community Services was disbanded, with its operations moving into either the Department of Public Works or the Library. Public Works added the golf and parks operations, while the Library integrated the recreation operations into its department, which was subsequently renamed the Department of Library and Community Services. Public Works also added the fleet and facilities services operations, which had previously been a part of the Office of the City Manager.

Strategic Infrastructure Plan for Water Pollution Control Plant

The strategic infrastructure plan for the Water Pollution Control Plant (WPCP) was completed in fiscal year 2011. The final stage of this process was the peer review of the plan by a panel of experts in the field of wastewater. This group reviewed and assessed all of the reasonable alternatives for rehabilitation or reconstruction identified in the Strategic Infrastructure Plan and added an additional alternative. This plan covers the environmental review portion of the project, the hiring of the program management firm, site master planning, and the design of the primary treatment and head-works for the new plant.

MAJOR INITIATIVES, Continued

Employee Compensation Concessions

Faced with an ongoing structural deficit, the City has been working with its bargaining units in an effort to curb the growth rate of employee compensation. In fiscal year 2011, the City reached agreement with two of its bargaining units on contract extensions that included compensation concessions that will result in significant savings to the City's General Fund. The City's Public Safety Officers' Association agreed to cover 3% of the employee contribution of the pension expense, as well as to move to a second-tier retirement formula for new hires. The Sunnyvale Managers' Association agreed to two years of zero salary increases, an additional 2% employee contribution to the pension expense, and a "me too" clause agreeing to go to a second-tier retirement formula for new hires when other employees in the Miscellaneous category move to a two-tier plan.

Capital and Infrastructure Projects

Significant progress was made on the City's capital and infrastructure projects in fiscal year 2011. Outside of utilities-related infrastructure, which is covered in detail later in this transmittal letter, the focus has been on concrete and pavement rehabilitation, including street overlays, sidewalk reconstruction, and Americans with Disability Act (ADA) modifications. The City has been successful in leveraging the availability of additional stimulus-related federal funds for much of the ADA work.

The focus going forward will remain on the continued rehabilitation of the City's concrete and pavement infrastructure. From fiscal year 2006 to fiscal year 2011, the City's annual investment in pavement maintenance dropped by approximately $750,000 annually. This resulted in a corresponding drop in the City's Pavement Condition Index (PCI) from 85 (categorized as "Very Good") to 75 (categorized as "Good"). And while a "Good" rating seems appropriate, the most cost effective PCI is 80. Had the City kept funding at its pre-2006 level, it would have cost the City an additional $3.8 million to maintain PCI at 80. Now that it is at 75, however, it will take an additional $12.5 million over five years to return to a PCI of 80. Continued delay and degradation to our streets will become even more expensive, as another five-year delay in maintenance will cost $19.5 million because major overlay and reconstruction will be required. As such, the City has set aside $12.5 million over the next five years to accelerate pavement rehabilitation to return the streets to a PCI of 80, and then has planned enough funds past year five to maintain that PCI.

Regional Communications System

The City of Sunnyvale's Department of Public Safety has partnered with the City of Santa Clara and the Silicon Valley Regional Interoperability Authority to initiate the creation of a Regional Communications System. Sunnyvale and Santa Clara are the first cities to join in this effort to create this new system, with other cities joining as they begin to replace their radio systems. The goal of this effort is to create a county-wide interoperable communications system that will eventually be interoperable throughout the entire State of California.

MAJOR INITIATIVES, Continued

Closure of Fair Oaks Industrial Complex and Development of Seven Seas Park

The Fair Oaks Industrial Complex, a City-owned property that was leased for use by approximately 70 small businesses, was closed during fiscal year 2011 to make way for the new Seven Seas neighborhood park. All tenants were vacated from the property by November 2010 and the administration of the property was returned to the City so it could make preparations for park development. Park development is currently underway, with design in process, followed by environmental remediation. Construction is anticipated to commence and conclude in fiscal year 2013.

New Materials Handling System at the Library

The new materials handling system has been instrumental in improving efficiency in the Library, which is essential given the growing transaction volume. In fiscal year 2011, the Library checked out over 2.5 million items, its highest output ever. 92% of circulation transactions were handled by the self-service terminals, which is a significant increase from just two years ago when only 55% of transactions were handled via self-service. The new materials handling system has also substantially improved throughput time in getting returned items shelved, as 99% of returns were re-shelved within 48 hours of being returned last fiscal year. This is not only great for the Library patrons, but it also helps generate more accurate and timely assessments of fines, which has led to increased revenues.

General Plan Update

The project to consolidate the City's General Plan, which began in fiscal year 2010, was completed during fiscal year 2011. This project included condensing 22 documents into one 250 page General Plan document, and developing a web-based format that enhances utility to staff, policy makers, and the general public. Additionally, significant progress was made with the Horizon 2035 Committee to develop a new Land Use and Transportation element that will be separate from the consolidated General Plan.

Ongoing Projects

The City's Capital Improvement Program has a number of significant projects currently underway that will continue into fiscal year 2012 and beyond.

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 2011 Budget and will be completed in the next two years or in coordination with the Town Center development.

MAJOR INITIATIVES, Continued

Ongoing Projects, Continued

- *Sunnyvale Avenue Median* (City share $750,000)
- *Traffic Signal Modification* (City share $745,000)
- *Washington/Mathilda Intersection Improvements* (City share $337,000)
- *Downtown Wayfinding and Gateways* ($850,000)
- *Hazardous Materials Remediation in Town Center* (Estimated total at $9 million)

Replacement of Water Pollution Control Plant
The City has identified the need to rehabilitate or replace its aging and deteriorating Water Pollution Control Plant (WPCP). As previously noted, in fiscal year 2011 the City completed a Strategic Infrastructure Plan (SIP) to determine the most cost effective approach to addressing this issue.

To provide funding for the recommendations made by the SIP, a project has been budgeted as a "placeholder" to provide up to full replacement of the plant. As specific projects are identified, the financial impact will be netted out of the "placeholder" and reflected as a new project. Examples of this that are currently in process include design work on new head-works and primary treatment facilities, as well as required environmental work. Work also continues on certain critical projects that were previously identified as necessary in the short term to address the most advanced areas of deterioration that are in increasing danger for failure. Some of these projects are financed through Wastewater Revenue Bonds; however, it is anticipated that due to the size and scope of these projects, additional borrowing will be required in the future.

Water Utility Infrastructure
Over the past several years, City staff has been working to identify and scope projects to improve the City's water supply and distribution system. $42.2 million in capital, special, and infrastructure projects are included in the fiscal year 2012 long-term 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 primarily planned for the first ten years of the long-term plan. There was $10 million in projects budgeted in fiscal year 2011, most of which will carry forward into fiscal year 2012. Additionally, another $22 million in projects is budgeted through fiscal year 2021. The largest projects over the next ten years are $6.6 million for water line replacements, $2.3 million for interior coating of water tanks, and $2.4 million for exterior painting of water tanks.

In mid-2010 the City issued Water Revenue Bonds, providing $17.8 million in funding for water projects. This helps to fund these projects and spread their costs over the useful life of the assets for rate setting purposes. No additional bond financing is planned in the Water Fund, as the remainder of the projects will be funded through rate revenue.

MAJOR INITIATIVES, Continued

Ongoing Projects, Continued

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 was "functionally obsolete," not meeting several standards for bridge pier clearance, deceleration lane, shoulder width, bridge railing, and pedestrian access.

The City has secured federal funds to cover nearly 90% of the cost of this project, which is currently estimated to be $25.6 million. The City's local share will be funded by Measure A funds, Traffic Mitigation fees, and Gas Tax funds. The bridge improvements, which are currently under construction, include a reconfigured off ramp to Evelyn Avenue to provide better access, new pedestrian ramps, bridge widening, streetlights, landscaping, and a modified, signalized intersection at California and Mathilda Avenues. This project is expected to be completed in January 2012.

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, 2010. This was the twenty-fifth 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 received the Distinguished Budget Presentation Award from GFOA for the City's adopted budget for the fiscal year ended June 30, 2011. This was the twenty-second consecutive year that the City has received this award. In order to qualify for the award program, the City's budget document must be 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.

AWARDS AND ACKNOWLEDGEMENTS, Continued

The City has received the Annual Achievement of Excellence in Procurement Awards from the National Purchasing Institute (NPI) for the past twelve 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; Liza Valdez, Senior Accounting Technician; Tim Kashitani, Administrative Aide; and Drew Corbett, Budget Manager.

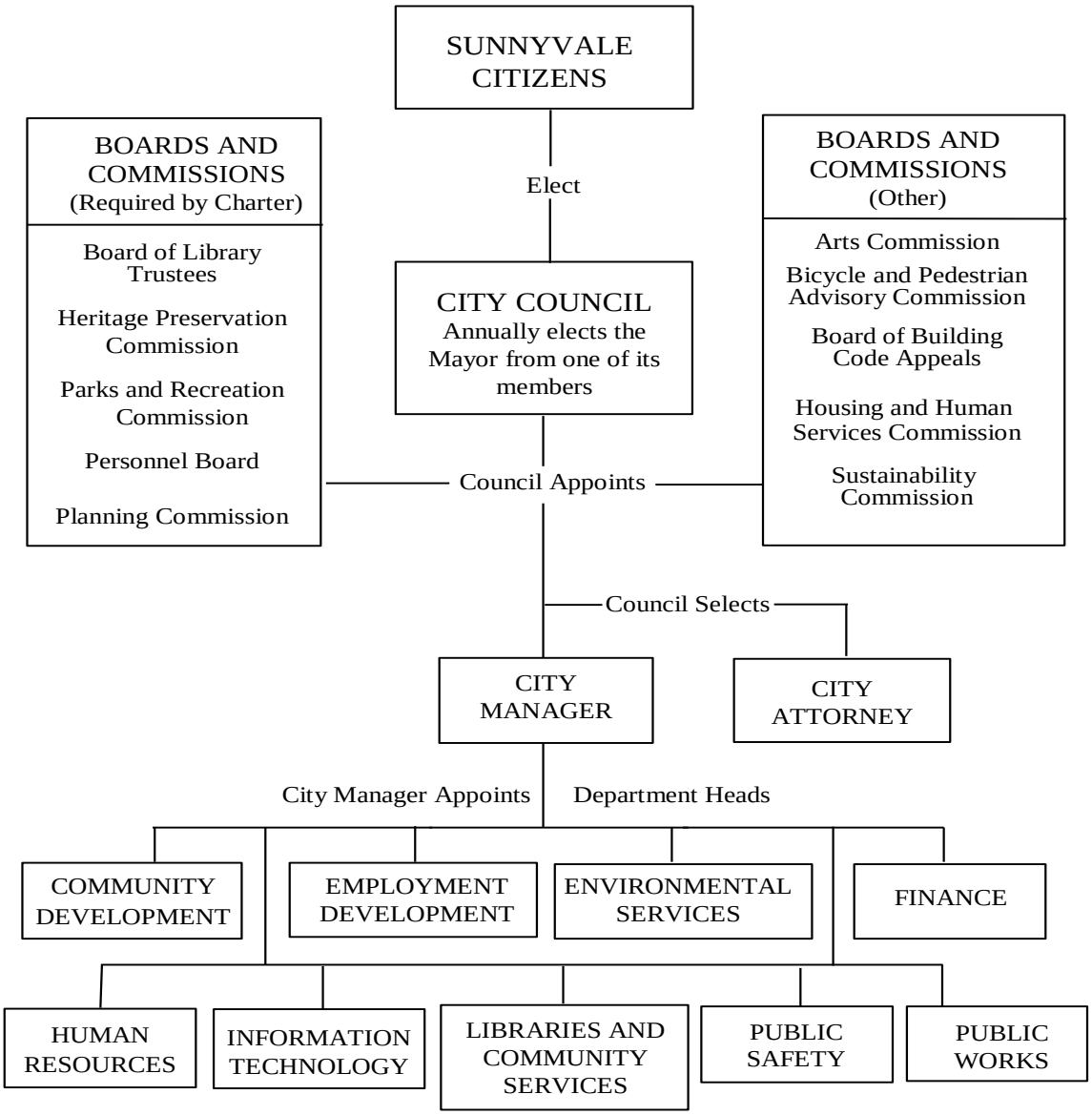
I also wish to thank our auditors, Maze and Associates, Certified Public Accountants, for their cooperation and assistance.

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



Directory of Officials
Fiscal Year Ended June 30, 2011

Melinda Hamilton
Mayor

James Griffith
Vice-Mayor

Ron Swegles
Councilmember

Anthony Spitaleri
Councilmember

Otto O. Lee
Councilmember

Christopher R. Moylan
Councilmember

David Whittum
Councilmember

Gary Luebbers
City Manager

Hanson Hom
Director of Community Development

Don Johnson*
Director of Public Safety

David Kahn
City Attorney

Grace Leung
Director of Finance

Cuong Nguyen
Director of Information Technology

Marvin Rose*
Director of Public Works and
Environmental Services

Lisa Rosenblum
Director of Libraries and
Community Services

Teri Silva
Director of Human Resources

Kris Stadelman
Director of Employment Development

Robert Walker
Assistant City Manager

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

Directory of Boards and Commissions
Fiscal Year Ended June 30, 2011

Arts Commission
Hughes, Noelle
Karun, Vinita
Martin-Milius, Tara
Obrey, Robert
Seto, Tracy

Bicycle and Pedestrian Advisory Commission
Durham, Ralph
Gandrud, David
Manitakos, Jr., James
Rausch, Angela
Stawitcke, Andrea
Switzer, Cathy
Walz, Patrick

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
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
Ko, Anna
Pham, Mathieu

Parks and Recreation Commission
Chuck, Howard
Colvin, James
Harms, Robert
Kinder, Bob
Pochowski, Robert

Personnel Board
Ketzel, Marc
Nickey, Judith
Oberman, Traci
Saprai, Stephanie
Sellers, Garry

Planning Commission
Chang, Bo
Dohadwala, Maria
Hendricks, Glenn
Hungerford, Charles
Larsson, Gustav
Sulser, Brandon
Travis, Nick

Sustainability Commission
Fukumoto, Barbara
Glaser, Gerald
Green-Heffern, Joe
Hafeman, Dan
Harrison, Sue
Srivastava, Amit
Wheeler, Regina

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, 2010

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.

President

Executive Director

MAZE & ASSOCIATES

ACCOUNTANCY CORPORATION
3478 Buskirk Ave. - Suite 215
Pleasant Hill, California 94523
(925) 930-0902 · FAX (925) 930-0135
maze@mazeassociates.com
www.mazeassociates.com

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, 2011, 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, 2011 and the respective changes in the financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As disclosed in Note 17, the State of California adopted ABx1 26 on June 28, 2011, which suspends all new redevelopment activities except for limited specified activities as of that date and dissolves redevelopment agencies effective October 1, 2011. The State simultaneously adopted ABx1 27 which allows redevelopment agencies to avoid dissolution by opting into an "alternative voluntary redevelopment program" requiring specified substantial annual contributions to local schools and special districts. These conditions raise substantial doubt about the ability of the Redevelopment Agency of the City of Sunnyvale, a component unit of the City, to continue as a going concern. However, on August 11, 2011, the California Supreme Court issued a partial stay of ABx1 26 and a full stay of ABx1 27, but the partial stay did not include the section of ABx1 26 that suspends all new redevelopment activities. As a result, the accompanying financial statements have been prepared assuming that the Redevelopment Agency of the City of Sunnyvale will continue as a going concern. The activities of the Redevelopment Agency of the City of Sunnyvale are included in the Redevelopment Agency Special Revenue Fund and Redevelopment Debt Service Fund of the accompanying financial statements. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2011 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 18, 2011

Management's Discussion and Analysis

Management's Discussion and Analysis
Fiscal Year Ended June 30, 2011

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, 2011. 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 tenth year the City has prepared its annual financial report in accordance with Governmental Accounting Standards Board (GASB) Statement No. 34 and subsequent amendments. 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 2010 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, 2011, the City's net assets (excess of assets over liabilities on the full accrual basis) were $721.8 million. Of this amount, $148.5 million may be used to meet the City's ongoing operations.

- During the fiscal year the City's total net assets increased by $19.7 million. Net expenses (after deducting program income) of $90.5 million were less than general revenues of $110.2 million by that amount.

- At June 30, 2011, the City's governmental funds reported a combined fund balance of $97.4 million, an increase of $8.5 million from the prior year. The General Fund balance was $97.8 million, an increase of $5.7 million from the prior-year restated balance of $92.1 million.

- The City's noncurrent liabilities decreased by $26 million, of which $21.2 million was attributable to governmental activities. The change was caused by the following: principal retired on bonded debt was $2.1 million, Town Center pollution remediation obligation increased $0.2 million, liability for compensated absences increased $0.1 million, general and workers' compensation liabilities increased $0.3 million, and net other postemployment benefits (OPEB) obligation decreased $19.7 million from last year.

- Noncurrent liabilities arising from business-type activities decreased by $4.8 million, of which $4.2 million was in bond principal retirement and $0.6 million in landfill postclosure care liability reduction.

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.

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.

B. OVERVIEW OF FINANCIAL STATEMENTS, Continued

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.

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 19 individual governmental funds. Information is presented separately in the governmental fund financial statements for the following major governmental funds: General Fund, Housing Special Revenue 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.

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.

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.

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 2011, assets exceeded liabilities by $721.8 million. This is an increase of $19.7 million from the prior year.

The following is the condensed statement of net assets for the fiscal years ended June 30, 2011 and 2010.

City of Sunnyvale
Condensed Comparative Statements of Net Assets
June 30, 2011 and 2010
(Amounts in Millions)

	Governmental Activities		Business-type Activities		Total		
	2011	2010	2011	2010	2011	2010	Total % Change
Assets:							
Current and Other Assets	$ 314.6	$ 326.6	$ 40.7	$ 42.5	$ 355.3	$ 369.1	(3.7)%
Capital Assets, Net	420.2	412.0	120.4	119.5	540.6	531.5	1.7 %
Total Assets	734.8	738.6	161.1	162.0	895.9	900.6	(0.5)%
Liabilities:							
Noncurrent Liabilities	55.1	76.3	88.0	92.8	143.1	169.1	(15.4)%
Other Liabilities	20.4	21.5	10.5	7.9	30.9	29.4	5.1 %
Total Liabilities	75.5	97.8	98.5	100.7	174.0	198.5	(12.3)%
Net Assets:							
Invested in Capital Assets, Net of Related Debt	388.8	379.0	85.8	82.4	474.6	461.4	2.9 %
Restricted	98.7	85.7	-	-	98.7	85.7	15.2 %
Unrestricted	171.8	176.1	(23.3)	(21.1)	148.5	155.0	(4.2)%
Total Net Assets	$ 659.3	$ 640.8	$ 62.5	$ 61.3	$ 721.8	$ 702.1	2.8 %

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

At June 30, 2011, 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 $13.2 million as a result 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 (14% 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 $13 million was mostly attributable to (1) housing loans made available by grants, (2) fee revenues for housing mitigation and park dedication purposes, and (3) net OPEB assets (Note 11 to the Basic Financial Statements).

The unrestricted net assets (20% 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 $6.5 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.

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, 2011 and 2010.

City of Sunnyvale
Condensed Comparative Statements of Activities and Changes in Net Assets
June 30, 2011 and 2010
(Amounts in Millions)

	Governmental Activities		Business-Type Activities		Total		
	2011	2010	2011	2010	2011	2010	Total % Change
Revenues:							
Program Revenues:							
Charges for Services	$ 19.3	$ 17.1	$ 120.4	$ 112.9	$ 139.7	$ 130.0	7.5 %
Operating Grants and Contributions	27.5	19.4	-	-	27.5	19.4	41.8 %
Capital Grants and Contributions	11.8	12.6	0.1	0.8	11.9	13.4	(11.3)%
Total Program Revenues	58.6	49.1	120.5	113.7	179.1	162.8	10.0 %
General Revenues:							
Property Taxes	52.3	51.6	-	-	52.3	51.6	1.4 %
Sales and Use Taxes	29.2	25.4	-	-	29.2	25.4	15.0 %
Other Taxes	23.9	21.7	-	-	23.9	21.7	10.1 %
Investment Income	1.4	1.8	0.5	0.4	1.9	2.2	(13.6)%
Interest Accrued from Advances to Business-Type Activities	2.9	2.8	-	-	2.9	2.8	3.6 %
Total General Revenues	109.7	103.3	0.5	0.4	110.2	103.7	6.3 %
Total Revenues	168.3	152.4	121.0	114.1	289.3	266.5	8.6 %
Expenses:							
Planning and Management	18.7	20.5	-	-	18.7	20.5	(8.8)%
Public Safety	76.0	73.9	-	-	76.0	73.9	2.8 %
Community Development	21.1	23.8	-	-	21.1	23.8	(11.3)%
Transportation	11.9	11.1	-	-	11.9	11.1	7.2 %
Socioeconomic	14.3	12.9	-	-	14.3	12.9	10.9 %
Cultural	9.0	9.8	-	-	9.0	9.8	(8.2)%
Environmental Management	3.6	1.4	-	-	3.6	1.4	157.1 %
Water Supply and Distribution	-	-	24.7	23.1	24.7	23.1	6.9 %
Wastewater Management	-	-	18.7	17.3	18.7	17.3	8.1 %
Solid Waste Management	-	-	32.4	30.8	32.4	30.8	5.2 %
SMaRT Station	-	-	26.3	26.6	26.3	26.6	(1.1)%
Community Recreation	-	-	11.8	11.8	11.8	11.8	-
Interest on Long-term Debt	1.1	1.0	-	-	1.1	1.0	10.0 %
Total Expenses	155.7	154.4	113.9	109.6	269.6	264.0	2.1 %
Increase (decrease) in Net Assets before Transfers	12.6	(2.0)	7.1	4.5	19.7	2.5	687.6 %
Transfers	5.9	5.0	(5.9)	(5.0)	-	-	-
Increase (Decrease) in Net Assets	18.5	3.0	1.2	(0.5)	19.7	2.5	687.6 %
Net Assets - Beginning	640.8	637.8	61.3	61.8	702.1	699.6	0.4 %
Net Assets - Ending	$ 659.3	$ 640.8	$ 62.5	$ 61.3	$ 721.8	$ 702.1	2.8 %

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

Governmental Activities

The City's governmental activities increased net assets by $18.5 million. Program revenues of $58.6 million and general revenues of $109.7 million exceeded total program expense and interest on long-term debt of $155.7 million. Net transfers from business-type to governmental activities amounted to $5.9 million, primarily for services provided by the General Fund programs. Key elements of this change were as follows:

Revenue Highlights:

- Total revenues excluding transfers were $168.3 million, which was $15.9 million more than the prior year.

- Property tax revenues increased $0.7 million or 1.4% from the prior year.

- Sales and use tax revenue increased $3.8 million or 15.0% from the prior year due to economic recovery.

- Other tax revenues increased by $2.2 million or 10.1% from the prior year.

	Total Other Tax Revenues		Total % Change
	2011	2010	2011-2010
Transient Occupancy Tax (TOT)	$ 6.6	$ 5.6	17.9 %
Utility Users Tax	6.8	6.8	-
Motor Vehicle License Fees	0.7	0.4	75.0 %
Construction & Real Property Transfer	2.1	1.5	40.0 %
Franchise Fees (based on gross receipts)	6.2	6.0	3.3 %
Business License Tax	1.5	1.4	7.1 %
Total	$ 23.9	$ 21.7	10.1 %

- Transient occupancy tax increased as business-related travel recovered, as evidenced by increases in both room rates and occupancy levels. The increase in construction tax and real property transfer tax reflected a resumption of development-related activity in the City. Motor vehicle license fees increased due to back payments for excess collections by the State. Franchise fees and business license tax revenue also experienced moderate growth.

- Charges for services increased by $2.2 million or 13% from the previous year. Park dedication and housing mitigation fee revenues increased by $0.5 and $1.3 million respectively. Revenues from permits, licenses, fines, forfeitures, and service fees all increased from last year.

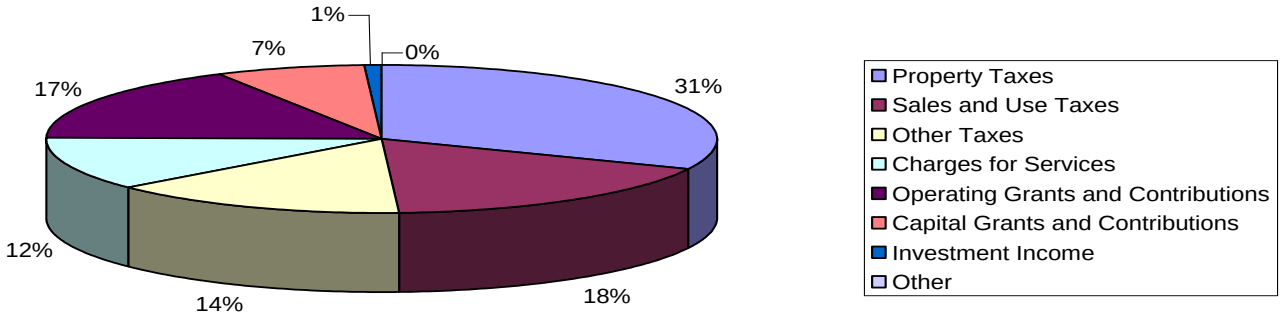
- Operating grants and contributions increased by $8.1 million or 41.6%. Major contributors included increased funding from the State Department of Housing and Community Development (Infill Infrastructure grant), and the State's Green Innovation Challenge grant.

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

- Capital grants and contributions decreased by $0.8 million or 7% from the prior year. In prior year, the City accepted $2.0 million more in developer donated assets. In addition, amounts from State Proposition 1B, American Recovery and Reinvestment Act (ARRA) funds, and from those Community Development Block Grants funds directed to capital projects, all decreased somewhat from prior year. These included the Tasman/Fair Oaks Area Streetscape and Sense of Place project, and the Downtown Murphy Avenue Streetscape Revitalization project. Offsetting most of these decreases, there was significantly more funding for the Mathilda Bridge project as construction has ramped up.

- GASB Statement No 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, requires that investments be stated at fair value at the end of the fiscal year. A significant portion of the City's investment portfolio is in high-quality debt securities, which are sensitive to changes in interest rates. Investment earnings (a combination of interest income and change in fair value of investments) decreased by $0.4 million or 22% from the previous year. The decline was primarily due to the low yield on U.S. Treasury and other highly safe similar instruments. 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. Excluding the change in fair value, the average rate of return on the City's portfolio was 0.73%, down from 1.12% of last year.

Governmental Activities
Revenues by Source
June 30, 2011



C. GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

***Expense Highlights**:*

Total expenses, excluding interest expense, for governmental activities were $154.6 million, higher than last year by $1.2 million. Changes are summarized below:

- Look-back adjustments to various governmental programs, due to Internal Service Funds' operating losses, were $1 million less than the previous year. The adjustments were $5.8 million in fiscal year 2011 compared with $6.8 million in fiscal year 2010. Charges for services collected by the Internal Service Funds were $1.2 million more than last year.

- Excluding the effects of Internal Service Fund look-back adjustments, other charges (depreciation, and capital outlay expensed, and other operating costs) to all governmental programs were $2.2 million more than last year.

- Not included in the expenses above was approximately $13.7 million of the governmental funds' capital outlay (mostly work in progress), which has been capitalized under the full accrual basis.

At the end of last fiscal year, the Employee Benefits Internal Service Fund reported a net OPEB (other postemployment benefits) obligation of $19.7 million; this amount was the cumulative differences between the annual OPEB cost and contributions made on a pay-as-you-go basis. In fiscal year 2011, the City established a tax-qualified irrevocable retiree medical trust (the Trust), organized under Internal Revenue Code Section 115. As of year end, the City contributed $32.6 million to prefund the Trust. The annual OPEB cost for this year was $13.4 million. The City also contributed $4.1 million in retiree medical benefits outside the Trust. At year end, the Employee Benefits Internal Service Fund reported a net OPEB asset of $3.6 million.

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.

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

Public Safety program expenses increased $2.1 million from the prior year. The Internal Service Fund look-back adjustment was $0.2 million less than the prior year. However, other costs increased by $2.3 million, mostly due to increase in personnel costs and program restructure. The neighborhood preservation program was moved from Community Development to Public Safety.

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

Expenses for Planning and Management declined $1.8 million from the prior year. The Internal Service Fund look-back adjustment was $0.3 million less than the prior year. Other costs decreased by $1.5 million, primarily due to restructuring operating programs in the General Fund.

Expenses for Environmental Management were $2.2 million more than last year. In fiscal year 2008, the City implemented GASB 49, *Accounting and Financial Reporting for Pollution Remediation Obligation*s, 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. Last year the liability was adjusted down by $0.9 million due to the modified terms about sharing certain environmental costs with the Town Center developer. However, the City adjusted the liability back up by $0.9 million this year to consider related legal costs.

Transportation program expenses increased $0.8 million from last year, primarily due to increase in capital outlay for street pavement. The Internal Service Fund look-back adjustment was not significantly different from prior year. The City uses the modified approach for reporting the street pavement system, and therefore related capital outlays are expensed.

Expenses for the Community Development program decreased $2.7 million. The Internal Service Fund look-back adjustment was $0.3 million more than the prior year. Restructuring moved the City's neighborhood preservation and economic development program activities from Community Development to the Public Safety and Planning and Management functions respectively.

Expenses for the Socioeconomic program increased $1.4 million from last year. The Internal Service Fund look-back adjustment was about the same as last year. This program delivered more services due to increased Federal funding for the North Valley (NOVA) Job Training Program. A two-year, $4 million Green Innovation Challenge grant was awarded earlier in the year.

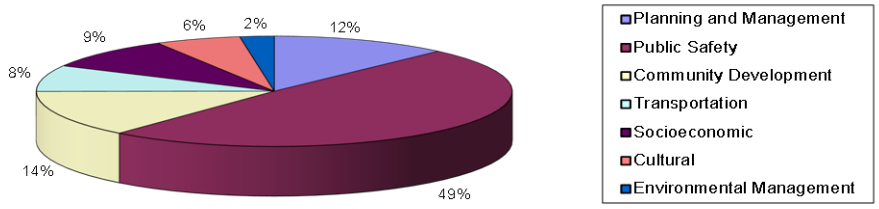
The Cultural program expense decreased $0.8 million from last year. Prior year included some one-time non-capital expenses associated with the Library's Automated Materials Handling System project. The Internal Service Fund look-back adjustment was $0.2 million less than the prior year. Program restructure also contributed to cost reductions.

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

Program revenues offset total expenses as follows:

- Those who directly benefited from programs contributed $19.3 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 $27.5 million.
- A total of $11.8 million in capital projects was funded by outside agencies through capital grants and contributions.

Governmental Activities
Expenses by Function/Program
June 30, 2011



Functional expenses for the years ended June 30, 2011 and 2010 were as follows (amount in millions):

	Total Cost of Services		Percentage Change	Net Cost of Services		Percentage Change
	2011	2010	2010-2011	2011	2010	2010-2011
Planning and Management	$ 18.7	$ 20.5	(8.8)%	$ 17.1	$ 19.4	(11.9)%
Public Safety	76.0	73.9	2.8 %	71.0	68.5	3.6 %
Community Development	21.1	23.8	(11.3)%	(1.4)	9.4	(114.9)%
Transportation	11.9	11.1	7.2 %	(4.0)	(4.5)	(11.1)%
Socioeconomic	14.3	12.9	10.9 %	1.8	1.2	50.0 %
Cultural	9.0	9.8	(8.2)%	8.6	9.3	(7.5)%
Environmental Management	3.6	1.4	157.1 %	2.9	1.0	190.0 %
Total	$ 154.6	$ 153.4	0.8 %	$ 96.0	$ 104.3	(8.0)%

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

Business Type Activities

	Program Revenues		Percentage Change	Program Expenses		Percentage Change
	2011	2010	2010-2011	2011	2010	2010-2011
Business-Type Activities:						
Water Supply & Distribution	$ 27.7	$ 25.5	8.6 %	$ 24.7	$ 23.1	6.9 %
Wastewater Management	24.3	23.1	5.2 %	18.7	17.3	8.1 %
Solid Waste Management	36.8	33.9	8.6 %	32.4	30.8	5.2 %
SMaRT Station	24.5	23.8	2.9 %	26.3	26.6	(1.1)%
Community Recreation	7.1	7.4	(4.1)%	11.8	11.8	-
Total	$ 120.4	$ 113.7	5.9 %	$ 113.9	$ 109.6	3.9 %

Revenue Highlights:

- Total program revenues in business-type activities increased $6.7 million from last year. Revenue from charges for services increased $7.5 million. The rate increases were 7.5% for water and solid waste services, and 4.5% for wastewater services. These rate increases were needed to cover fixed costs as the economic downturn reduced demand, and increased costs of operations and maintenance of infrastructure. The increase in the SMaRT Station revenues was attributable to an increase in market value from recyclable materials. The decrease in Community Recreation revenues was caused by lower golf fee revenues. Capital contributions from developers decreased $0.8 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 $0.5 million, about $0.1 million more than last year.

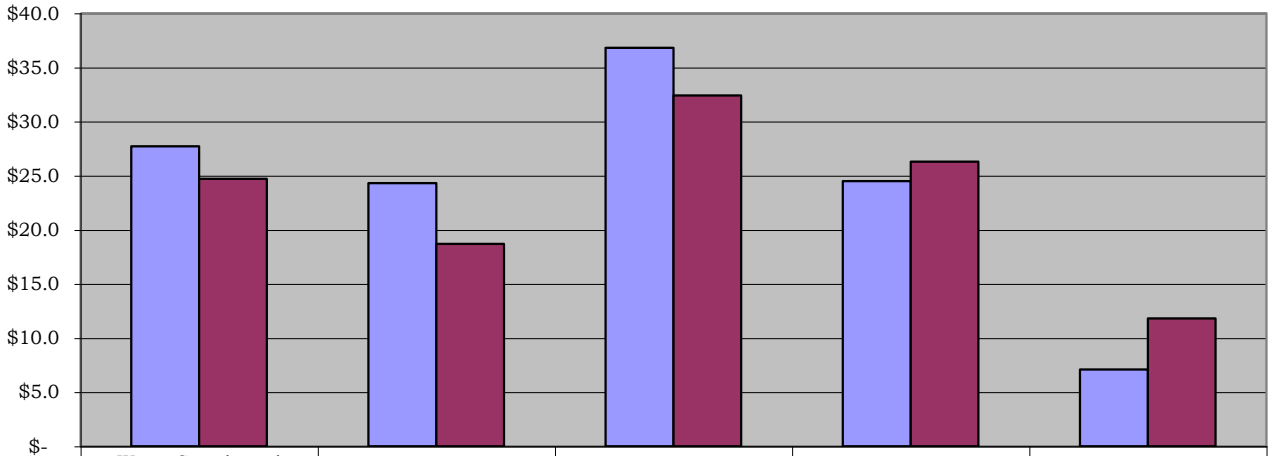
Expense Highlights:

- Total expenses in business-type activities increased $4.3 million from last fiscal year. The Water Supply and Distribution activity had an increase in expense of $1.6 million, the Wastewater Management activity increased by $1.4 million, the Solid Waste Management activity increased by $1.6 million, the SMaRT Station activity decreased by $0.3 million, and the Community Recreation activity had no change from last year.

- Internal Service Funds' look-back loss adjustment to business-type activities amounted to $2.2 million in this year. The look-back adjustment was $1.9 million last year. The Wastewater Management activity was charged $0.3 million more than last year while other activities did not have significant changes from last year.

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

Business-Type Activities
Program Revenues and Expenses
June 30, 2011



	Water Supply and Distribution	Wastewater Management	Solid Waste Management	SMaRT Station	Community Recreation
Revenues	$27.7	$24.3	$36.8	$24.5	$7.1
Expenses	$24.7	$18.7	$32.4	$26.3	$11.8

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.

Note 14 to the Basic Financial Statements provides detailed discussion of the components of fund balances at the end of fiscal year 2011.

D. FUND FINANCIAL STATEMENT ANALYSIS, Continued

At year end, the City's governmental funds reported combined fund balances of $97.4 million, an increase of $8.5 million from last year. A significant portion of the increase, $5.7 million, was from the General Fund; the Housing Special Revenue Fund had an increase of $1.1 million in fund balance; the Redevelopment Agency Debt Service Fund had an increase of $2.4 million; the City Capital Projects Fund had an increase of $0.7 million; while the nonmajor governmental funds had a decrease of $1.4 million in fund balances from last year.

The components of the total ending fund balance of $97.4 million are as follows: an amount of $18.2 million is nonspendable because of their form or because they must be maintained intact. Another $58.2 million is subject to restrictions for purposes imposed by external parties or enabling legislation. Still another $43.4 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 $18.7 million for the major funds (a combination of a positive $43.5 million in the General Fund, and a negative $62.2 million in the Redevelopment Agency Debt Service Fund) and a negative amount of $3.7 million for the nonmajor governmental funds are reported as unassigned fund balances.

For fiscal year 2011, revenues for all governmental funds amounted to $172.7 million, which were $26.5 million higher than last year. Grant revenues were significantly higher than last year. Expenditures for all governmental funds totaled $170.4 million and were $1.6 million lower than last year. Most spending increases were for capital outlay and housing-related projects.

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 2011, total fund balance was $97.8 million, an increase of $5.7 million from the restated fund balance of last year. Refer to Note 16 to the Basic Financial Statements for prior period adjustments.

Total General Fund revenue was $120.3 million, an increase of $13.4 million over last year. Deferred interest from interfund advances accounted for $8 million of the total increase in revenue. Property taxes fell by $1.3 million, or 3.1%, while sales and other taxes increased $5.5 million from last year. Franchise fee revenues increased $0.3 million. Revenues from permits, licenses, fines, forfeitures, and service fees increased $2.2 million. Rents, concessions and other revenues decreased by $1.1 million due to the closing of Fair Oaks Industrial Park for development of a Morse Avenue Neighborhood Park. Investment earnings declined $0.2 million from last year as safety remains the focus of the City's investment decisions. Other revenues did not change significantly from last year.

D. FUND FINANCIAL STATEMENT ANALYSIS, Continued

Since the year 1977, the General Fund has made long-term advances to the Redevelopment Agency, the Utilities Enterprise, and Internal Service Funds. Annual interest has been charged to the borrower funds with an equal amount reported as deferred interfund interest revenue (earned but not available) under the General Fund; the balances of the advances also increase concurrently. The General Fund recorded deferred interfund interest of $8.2 million in this year. Repayment from advances to other funds amounted to $10.2 million, which was recorded as balance sheet transactions. Of the $10.2 million received in this year, $9 million could be attributable to deferred interfund interest accumulated in prior years; therefore, the General Fund moved the $9 million from deferred revenue to revenue. Last year approximately $1 million was moved from deferred revenue to revenue, as the Wastewater Management Enterprise Fund and the Internal Service Fund had paid off the original advances and started to pay the accrued interest. During this year, the Redevelopment Agency repaid the General Fund a net amount of $8.8 million, of which $0.8 million was to pay off the original advances and $8 million was for prior-year accrued interest.

General Fund expenditures were $120.3 million, which was $1.4 million less than last year. General Fund expenditures were $121.7 million in fiscal year 2010, restated after prior period adjustments (Note 16 to the Basic Financial Statements). The reduction was primarily due to the restructure of operating programs and reductions in professional services. Expenditures for Planning and Management decreased $1.5 million from last year. Expenditures for Community Development decreased $1.2 million while expenditures for Public Safety increased $2 million from last year. The City's neighborhood preservation and economic development program activities were moved from Community Development to the Public Safety and Planning and Management programs. Spending on the Cultural program decreased $0.2 from last year, primarily due to savings in personnel costs. Other programs had a combined increase of $0.2 million. Capital outlay decreased $0.7 million from last year, primarily due to the project completion of the Library's automated materials handling system in last year.

Transfers of $11.2 million from other City funds were primarily in-lieu payments for General Fund administrative costs. Transfers to other funds totaled $5.6 million which included operating subsidies in the amount of $4.5 million made to the Community Recreation Enterprise Fund. The remaining $1.1 million was transferred out to reimburse other City Funds for project administration and special project costs.

General Fund revenues exceeded expenditures by $0.1 million, with net interfund transfers-in of $5.6 million, resulting in an increase of $5.7 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.

D. FUND FINANCIAL STATEMENT ANALYSIS, Continued

Housing Special Revenue Fund

The Housing Special Revenue Fund is used to account for housing mitigation and Below-Market-Rate (BMR) revenues. Expenditures are for operating activities related to developing affordable housing and managing the City's below-market-rate housing program and for capital and special projects.

The Housing Special Revenue Fund had an increase in fund balance of $1.1 million due primarily to fee revenues exceeding expenditures funded by fees.

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 $1.4 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.

The 1977 First Amended Repayment Contract and the 2003 Loan Repayment Agreement between the City and the Agency were 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 capital improvements that have been or will be paid or provided for initially by the City.

The Redevelopment Agency Debt Service Fund had an increase in fund balance of $2.4 million in this fiscal year. The increase was primarily due to funds transfer from the Redevelopment Agency Special Revenue Fund to repay advances from the City General Fund.

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.

D. FUND FINANCIAL STATEMENT ANALYSIS, Continued

The City Projects Capital Project Fund showed an insignificant decrease in fund balance of $0.7 million. Intergovernmental grant revenues increased significantly, by $3.9 million, to reimburse the City's capital outlay, mostly transportation projects. The Fund also received net transfers-in of $2.0 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 $0.6 million. The 7.5% rate increase was sufficient to cover the increase in cost of water purchased for resale and higher interest expense on bonded debt for infrastructure needs. The Fund's net income before contributions and transfers was $3.9 million. Non-cash capital contributions were $0.1 million. This Fund also transferred a net amount of $3.3 million to other funds for administrative and project support.

Wastewater Management Enterprise Fund

The Wastewater Management Enterprise Fund's net assets grew by $2.7 million due to the 4.5% rate increase. The Fund's net income before contributions and transfers was $7.1 million. Approximately $4.4 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 bonded debt.

Solid Waste Management Enterprise Fund

The Solid Waste Management Enterprise Fund's net assets decreased $0.3 million from last year. The Fund's net income before transfers was $4.5 million. Approximately $3.1 million was transferred out to other funds for administrative and project support and $1.6 million was transferred for the SMaRT Station Enterprise Fund's debt service. This Fund had deficit net assets of $34.5 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 $30.1 million and landfill liability $9.5 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 $0.1 million from the prior year. The Fund had an operating loss of $0.8 million. The Fund's net loss before transfers was $1.7 million. The amount of $1.6 million was transferred from the Solid Waste Management activity for the City's share of debt service.

D. FUND FINANCIAL STATEMENT ANALYSIS, Continued

SMaRT Station Enterprise Fund, Continued

The new materials recovery facility (MRF) operation began on September 1, 2009. Total operating expenses were $0.2 million lower than last year: Less material was delivered to the Kirby Canyon landfill, primarily because the City of Palo Alto redirected material to their own landfill, resulting in savings in taxes and licenses. Depreciation expense was significantly lower than last year when accelerated depreciation was applied to the replaced MRF, and that offset increases in other operating costs.

Community Recreation Enterprise Fund

The Community Recreation Enterprise Fund's net assets decreased $1.1 million. The Fund's operating loss of $4.6 million and transfers-out of $1.0 million (for in-lieu charges to the General Fund) were offset by subsidies of $4.5 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 2011 were $136.4 million, an increase of $7.5 million from the original appropriations of $128.9 million. Amendments to existing project and equipment appropriations had a net increase of $1.2 million. Transfers carryover appropriations of $4.2 million were approved to fund existing projects. New appropriations of $2.6 million were appropriated throughout the fiscal year for various new unanticipated operating expenditures and projects. Funding sources included grant revenues and fund balance.

E. GENERAL FUND BUDGETARY HIGHLIGHTS, Continued

Actual charges to appropriations (outflows) for the fiscal year were $0.9 million under the original budget and $8.3 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 and non-departmental expenditures approximated $2.9 million, primarily due to focused efforts to reduce costs through operational efficiencies to counter revenue shortfalls. Project and equipment appropriations which will not lapse for fiscal year 2012 account for the remaining $5.4 million. On November 6, 2007 Sunnyvale voters amended the City Charter so that approved appropriations for capital improvement projects will not lapse at the end of the fiscal year, unless completed, closed out, or modified by the City Council.

Resources (inflows) available for appropriations were $9.1 million over the original budget and $5.3 million over the final budgeted amounts. During the fiscal year 2011 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. Actual revenues exceeded final budget as a result of significantly higher than planned sales tax remittances and loan repayments from Redevelopment Agency.

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, 2011, the City reported capital assets with carrying value of $420.2 million under governmental activities and $120.4 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 75 or over for all streets. This rating represents a "Good" or better condition based on a regional measurement scale. The average rating for City's streets, based on the most recent study conducted in fiscal year 2011, was 77.

F. CAPITAL ASSETS AND LONG-TERM OBLIGATIONS, Continued

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, 2011 was $4.6 million. Actual expenditures were $3.1 million. These expenditures delayed deterioration, and helped maintain the overall condition of the streets at a PCI level meeting the City's goal.

The following is a summary of the City's capital assets as of June 30, 2011.

Description	Cost	Accumulated Depreciation	Carrying Value
Capital Assets - Governmental Activities:			
Land	$ 105.5	$ -	$ 105.5
Buildings and Structures	92.1	44.8	47.3
Improvements Other than Buildings	79.0	29.7	49.3
Machinery and Equipment	33.0	19.0	14.0
Construction in Progress	20.3	-	20.3
Infrastructure:			
Nondepreciable	160.2	-	160.2
Depreciable	78.9	55.3	23.6
Total	$ 569.0	$ 148.8	$ 420.2
Capital Assets - Business-Type Activities:			
Land	$ 16.5	$ -	$ 16.5
Buildings and Structures	23.3	21.0	2.3
Improvements Other than Buildings	43.1	18.0	25.1
Machinery and Equipment	5.4	4.8	0.6
Construction in Progress	8.0	-	8.0
Infrastructure - Depreciable	128.6	60.7	67.9
Total	$ 224.9	$ 104.5	$ 120.4

F. CAPITAL ASSETS AND LONG-TERM OBLIGATIONS, Continued

During the year, the City recorded some capital contributions from external sources. Developers contributed capital assets (streets, traffic signals, lights, and equipment) with fair market value of $0.2 million to governmental activities. Developers also contributed infrastructure assets of a combined $0.1 million to the water supply and distribution system and wastewater management system.

A major project completed during the year was the replacement of the materials recovery equipment at the SMaRT Station, moving a total $14.9 million from construction in progress to improvements. Another major project, to revitalize downtown's Murphy Avenue, was capitalized in the amount of $4.2 million. There were a number of capital projects which were still in progress at year end. Amounts capitalized for major capital projects in progress included $10.0 million for Mathilda Avenue Railroad Overpass Improvements, $1.1 million for replacement of digester lids at the Water Pollution Control Plant, and $0.7 million to replace the roofing and HVAC equipment of the public safety building.

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

Long-Term Obligations

As of June 30, 2011, 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 those 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 2011 and 2010 were as follows:

	Governmental Activities		**Business-type Activities**		**Total**	
	2011	2010	2011	2010	2011	2010
Tax Allocation Refunding Bonds	$ 5.6	$ 6.0	$ -	$ -	$ 5.6	$ 6.0
Certificates of Participation	25.9	27.6	-	-	25.9	27.6
Revenue Bonds	-	-	78.6	82.7	78.6	82.7
Total Bonded Debt	$ 31.5	$ 33.6	$ 78.6	$ 82.7	$ 110.1	$ 116.3

The 1998 ABAG Certificates of Participation was originally scheduled to be paid off in fiscal year 2014. Sunnyvale School District exercised the prepayment option on the sublease agreement so that the remaining principal, $0.7 million, was all paid off in August, 2010.

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 2012, adopted on June 28, 2011, reflected the continued recovery from the recent recession. Several of the City's major revenue sources, including Sales Tax and development-related fees, rebounded sharply in fiscal year 2011 and are expected to remain strong in fiscal year 2012. Despite this positive news, the City has several significant areas of fiscal vulnerability that must be addressed.

First and foremost, despite expenditure reductions in three consecutive years, including $2 million in reductions included in the fiscal year 2012 budget, the City's General Fund continues to have a structural deficit, as ongoing expenditures are greater than ongoing revenues. Exacerbating this issue is the fact that two loan repayments to the General Fund, one from the Solid Waste Fund and the other from the Redevelopment Agency Fund, are set to expire in fiscal year 2023 and fiscal year 2028, respectively. The loss of these revenue sources, $4.5 million annually from the Solid Waste Fund and $9 million annually from the Redevelopment Agency Fund, will need to be offset with either expenditure reductions, new revenue sources, or a combination of both.

Another significant vulnerability for the City is the aggressive personnel cost containment assumptions incorporated into the fiscal year 2012 budget. The budget assumed compensation concessions from the bargaining units and incorporated the estimated savings. These concessions will have to be negotiated as part of each unit's contract, and if they don't come to fruition, the City's structural deficit will increase.

Finally, the State has taken actions to address its structural imbalance that will directly impact the City. The City will be required to pay $3.7 million in fiscal year 2012 and $900,000 annually thereafter to maintain its Redevelopment Agency. Additionally, the State has eliminated the Motor Vehicle License Fee revenue distribution to local agencies, which will result in a $275,000 net annual loss.

Given the vulnerabilities discussed above, the City continues to pursue the fiscal sustainability strategies enacted in the fiscal year 2010 budget to live within our means while balancing the needs of all stakeholders, including:

- Addressing rising personnel costs by working with its bargaining units on solutions to a more sustainable compensation plan, including increased pension contributions and two-tier retirement formulas.

- 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 to mitigate more significant service level or personnel reductions as permanent solutions are identified and implemented.

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, 2011

	Primary Government		
	Governmental Activities	**Business-Type Activities**	**Total**
Assets:			
Cash and Investments Held by City (Note 2)	$ 132,688,032	$ 28,888,390	$ 161,576,422
Receivables, Net (Note 3)	12,385,924	11,906,120	24,292,044
Inventories and Prepayments	1,442,772	490,087	1,932,859
Assets Held for Resale (Note 1)	1,709,202	-	1,709,202
Other Long-term Receivables (Note 3)	3,334,373	-	3,334,373
Internal Balances (Note 5)	45,819,922	(45,819,922)	-
Deferred Charges (Note 7)	815,128	1,079,269	1,894,397
Restricted Assets:			
Cash and Investments Held by City (Note 2)	59,880,058	-	59,880,058
Cash and Investments Held by Fiscal Agent (Note 2)	3,037,319	43,956,868	46,994,187
Receivables, Net (Note 3)	436,762	-	436,762
Intergovernmental Receivables (Note 3)	7,734,500	154,015	7,888,515
Housing Loans Receivable, Net (Note 3)	41,685,041	-	41,685,041
Net OPEB Assets (Note 11)	3,568,000	-	3,568,000
Capital Assets (Note 6):			
Land and Nondepreciable Assets	285,818,912	24,491,590	310,310,502
Depreciable Assets, Net	134,423,087	95,944,301	230,367,388
Total Assets	734,779,032	161,090,718	895,869,750
Liabilities:			
Wages Payable	2,093,973	-	2,093,973
Accounts Payable and Accrued Liabilities	14,971,713	8,987,438	23,959,151
Refundable Deposits	662,860	625,279	1,288,139
Interest Payable	232,803	924,583	1,157,386
Unearned Revenues (Note 4)	2,426,597	5,735	2,432,332
Noncurrent Liabilities (Note 7):			
Due Within One Year	13,152,126	4,365,787	17,517,913
Due in More than One Year	41,956,301	83,657,260	125,613,561
Total Liabilities	75,496,373	98,566,082	174,062,455
Net Assets (Note 14)**:**			
Invested in Capital Assets, Net of Related Debt	388,752,614	85,837,283	474,589,897
Restricted for:			
Capital Projects	16,420,053	-	16,420,053
Housing	56,035,106	-	56,035,106
Park Dedication	11,684,663	-	11,684,663
Public Streets and Highways	6,534,188	-	6,534,188
Public Safety	1,195,711	-	1,195,711
Other City Programs	1,329,241	-	1,329,241
Nonexpendable Permanent Funds Principal and Endowment	1,942,103	-	1,942,103
OPEB Trust	3,568,000	-	3,568,000
Total Restricted Net Assets	98,709,065	-	98,709,065
Unrestricted Net Assets (Deficit (Note 15))	171,820,980	(23,312,647)	148,508,333
Total Net Assets	$ 659,282,659	$ 62,524,636	$ 721,807,295

See Accompanying Notes to Basic Financial Statements

Statement of Activities and Changes in Net Assets
Year Ended June 30, 2011

Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Program Revenues: Total
Primary Government:					
Governmental Activities:					
Planning and Management	$ 18,671,400	$ 732,883	$ 795,794	$ -	$ 1,528,677
Public Safety	75,988,183	3,418,616	1,571,854	-	4,990,470
Community Development	21,119,466	13,841,704	8,631,960	20,702	22,494,366
Transportation	11,844,929	548,328	3,736,970	11,579,427	15,864,725
Socioeconomic	14,329,473	61,731	12,505,503	-	12,567,234
Cultural	9,035,594	252,739	143,039	297	396,075
Environmental Management	3,608,809	435,057	106,048	194,904	736,009
Interest on Long-term Debt	1,077,819	-	-	-	-
Total Governmental Activities	155,675,673	19,291,058	27,491,168	11,795,330	58,577,556
Business-Type Activities:					
Water Supply and Distribution	24,667,162	27,687,062	-	51,900	27,738,962
Wastewater Management	18,679,764	24,277,893	-	39,300	24,317,193
Solid Waste Management	32,406,518	36,751,382	-	-	36,751,382
SMaRT Station	26,319,786	24,537,314	-	-	24,537,314
Community Recreation	11,801,592	7,110,124	-	-	7,110,124
Total Business-Type Activities	113,874,822	120,363,775	-	91,200	120,454,975
Total Primary Government	$ 269,550,495	$ 139,654,833	$ 27,491,168	$ 11,886,530	$ 179,032,531

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)
Interest Accrued from Advances to Business-Type Activities - Unrestricted (Note 5)
Miscellaneous
Transfers (Note 12)

Total General Revenues and Transfers

Change in Net Assets

Net Assets - Beginning of Year

Net Assets - End of Year

See Accompanying Notes to Basic Financial Statements

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	**Business-Type Activities**	**Total**
$ (17,142,723)	$ -	$ (17,142,723)
(70,997,713)	-	(70,997,713)
1,374,900	-	1,374,900
4,019,796	-	4,019,796
(1,762,239)	-	(1,762,239)
(8,639,519)	-	(8,639,519)
(2,872,800)	-	(2,872,800)
(1,077,819)	-	(1,077,819)
(97,098,117)	-	(97,098,117)
-	3,071,800	3,071,800
-	5,637,429	5,637,429
-	4,344,864	4,344,864
-	(1,782,472)	(1,782,472)
-	(4,691,468)	(4,691,468)
-	6,580,153	6,580,153
(97,098,117)	6,580,153	(90,517,964)
52,260,796	-	52,260,796
29,228,078	-	29,228,078
707,880	-	707,880
6,246,832	-	6,246,832
6,805,668	-	6,805,668
6,589,447	-	6,589,447
717,629	-	717,629
1,355,676	-	1,355,676
1,494,340	-	1,494,340
105,406,346	-	105,406,346
1,431,576	452,532	1,884,108
2,901,164	-	2,901,164
25,290	-	25,290
5,857,122	(5,857,122)	-
115,621,498	(5,404,590)	110,216,908
18,523,381	1,175,563	19,698,944
640,759,278	61,349,073	702,108,351
$ 659,282,659	$ 62,524,636	$ 721,807,295

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 ***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 ***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.

Balance Sheet
Governmental Funds
June 30, 2011

	Major Funds		
	General Fund	**Housing Special Revenue**	**Employment Development Special Revenue**
Assets:			
Cash and Investments Held by City (Note 2)	$ 73,169,654	$ 13,423,599	$ -
Cash and Investments Held by Fiscal Agent (Note 2)	-	-	-
Receivables, Net (Note 3)	11,965,381	75,307	14,084
Intergovernmental Receivables (Note 3)	758,669	-	862,846
Due From Other Funds (Note 5)	341,900	655,619	-
Advances to Other Funds (Note 5)	106,519,456	-	-
Inventories and Prepayments	659,795	-	4,425
Other Long-term Receivables (Note 3)	3,334,373	-	-
Housing Loans Receivable (Note 3)	-	18,212,146	-
Assets Held for Resale (Note 1)	1,429,202	280,000	-
Total Assets	$ 198,178,430	$ 32,646,671	$ 881,355
Liabilities and Fund Balances:			
Liabilities:			
Accounts Payable and Accrued Liabilities	1,472,697	1,118,161	634,909
Refundable Deposits	633,506	1,775	-
Due to Other Funds (Note 5)	-	-	76,435
Advances from Other Funds (Note 5)	-	-	-
Deferred Revenues (Note 4)	98,317,009	18,212,146	14,328
Total Liabilities	100,423,212	19,332,082	725,672
Fund Balances (Note 14 and Note 15):			
Nonspendable	15,975,496	280,000	4,425
Restricted	5,078,403	13,034,589	151,258
Committed	32,962,874	-	-
Assigned	192,993	-	-
Unassigned, Reported in			
Major Funds	43,545,452	-	-
Special Revenue Funds	-	-	-
Total Fund Balances	97,755,218	13,314,589	155,683
Total Liabilities and Fund Balances	$ 198,178,430	$ 32,646,671	$ 881,355

See Accompanying Notes to Basic Financial Statements

Major Funds		Nonmajor	
Redevelopment Debt Service	City Projects	Other Governmental Funds	Total Governmental Funds
$ -	$ 16,624,405	$ 34,936,965	$ 138,154,623
1,930,223	-	1,107,096	3,037,319
731	95,986	187,454	12,338,943
-	4,537,468	1,575,517	7,734,500
-	-	-	997,519
-	-	-	106,519,456
-	350,000	141,613	1,155,833
-	-	-	3,334,373
-	-	23,472,895	41,685,041
-	-	-	1,709,202
$ 1,930,954	$ 21,607,859	$ 61,421,540	$ 316,666,809
-	3,191,716	6,747,542	13,165,025
-	-	7,425	642,706
-	-	685,157	761,592
62,230,121	-	-	62,230,121
-	2,346,738	23,592,243	142,482,464
62,230,121	5,538,454	31,032,367	219,281,908
-	350,000	1,577,058	18,186,979
1,930,954	15,719,405	22,300,062	58,214,671
-	-	10,278,936	43,241,810
-	-	-	192,993
(62,230,121)	-	-	(18,684,669)
-	-	(3,766,883)	(3,766,883)
(60,299,167)	16,069,405	30,389,173	97,384,901
$ 1,930,954	$ 21,607,859	$ 61,421,540	$ 316,666,809

Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Assets
June 30, 2011

Total Fund Balances - Total Governmental Funds	$ 97,384,901
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, 2011, capital assets used by governmental activities excluding $11,756,182 of capital assets used by Internal Service Funds.	408,485,817
Town Center Pollution Remediation Obligations are not recognized in the fund finanicals on a modified accrual basis.	(1,903,101)
Interest payable on long-term debt does not require current financial resources. Therefore, interest payable is not reported as a liability in the governmental funds balance sheet.	(232,803)
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.	34,976,553
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.	61,361,943
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.	135,493
Eligible expenditures, yet to be reimbursed by grants, are reported as deferred revenues in the fund financial statements.	843,763
Receivables from long-term housing loans are offset by deferred revenues in the fund statements.	41,685,041
State and County cost reimbursements earned but not available are not current financial resources.	864,272
Proposition 172 revenue recognized but not available for fiscal year 2011.	91,673
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.	97,130
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.	44,238,518
This amount represents Internal Service Funds' chargeback and subsequent transfers from Business-Type Activities.	1,927,717
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	(31,530,000)
Unamortized discount on bonds	40,614
Deferred charges on bonds	815,128
Net Assets of Governmental Activities	$ 659,282,659

See Accompanying Notes to Basic Financial Statements

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2011

	Major Funds		
	General Fund	**Housing Special Revenue**	**Employment Development Special Revenue**
Revenues:			
Property Taxes	$ 42,356,100	$ -	$ -
Sales and Use Taxes	30,327,271	-	-
Other Taxes	16,962,760	-	-
Franchise Fees	6,246,832	-	-
Intergovernmental Revenues	2,173,571	4,632,304	12,227,932
Permits and Licenses	5,972,123	-	-
Fines and Forfeitures	1,229,739	-	-
Special Assessments	20,630	-	-
Service Fees	4,098,746	1,323,761	6,223
Rents and Concessions	1,100,573	14,574	-
Deferred Interest Received from Interfund Advances	8,998,723	-	-
Investment Earnings	292,889	41,343	-
Other Revenues	543,371	447,042	103,959
Total Revenues	120,323,328	6,459,024	12,338,114
Expenditures:			
Current:			
Planning and Management	16,790,303	-	-
Public Safety	71,809,725	-	-
Community Development	14,928,010	5,330,792	-
Transportation	5,383,246	-	-
Socioeconomic	995,227	-	11,962,311
Cultural	7,621,176	-	-
Environmental Management	1,976,924	-	-
Capital Outlay	747,912	-	-
Debt Service:			
Principal Retirement	-	-	-
Interest	-	-	-
Fiscal Charges	-	-	-
Total Expenditures	120,252,523	5,330,792	11,962,311
Excess (Deficiency) of Revenues Over (Under) Expenditures	70,805	1,128,232	375,803
Other Financing Sources (Uses):			
Transfers In (Note 12)	11,183,835	-	-
Transfers Out (Note 12)	(5,565,690)	(50,265)	(380,402)
Total Other Financing Sources (Uses)	5,618,145	(50,265)	(380,402)
Net Change in Fund Balances	5,688,950	1,077,967	(4,599)
Fund Balances - Beginning of Year, Restated (Note 16)	92,066,268	12,236,622	160,282
Fund Balances - End of Year	$ 97,755,218	$ 13,314,589	$ 155,683

See Accompanying Notes to Basic Financial Statements

Major Funds		Nonmajor	
Redevelopment Debt Service	City Projects	Other Governmental Funds	Total Governmental Funds
$ -	$ -	$ 9,675,964	$ 52,032,064
-	-	-	30,327,271
-	-	-	16,962,760
-	-	-	6,246,832
-	11,965,901	6,939,159	37,938,867
-	-	-	5,972,123
-	-	-	1,229,739
-	-	-	20,630
-	574,059	3,766,337	9,769,126
-	-	108,005	1,223,152
-	-	-	8,998,723
4,251	122,576	172,613	633,672
-	306	225,184	1,319,862
4,251	12,662,842	20,887,262	172,674,821
-	-	278,136	17,068,439
-	-	248,983	72,058,708
-	506	4,616,597	24,875,905
-	18,574	1,940,222	7,342,042
-	-	204,162	13,161,700
-	-	46,276	7,667,452
-	217,466	687,693	2,882,083
-	13,730,508	2,461,644	16,940,064
1,015,000	-	1,125,000	2,140,000
5,981,304	-	57,741	6,039,045
5,705	-	182,956	188,661
7,002,009	13,967,054	11,849,410	170,364,099
(6,997,758)	(1,304,212)	9,037,852	2,310,722
9,441,105	2,832,587	2,911,141	26,368,668
-	(875,565)	(13,341,338)	(20,213,260)
9,441,105	1,957,022	(10,430,197)	6,155,408
2,443,347	652,810	(1,392,345)	8,466,130
(62,742,514)	15,416,595	31,781,518	88,918,771
$ (60,299,167)	$ 16,069,405	$ 30,389,173	$ 97,384,901

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, 2011

Net Change in Fund Balances - Total Governmental Funds	$ 8,466,130
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	13,689,787
Depreciation and net losses in disposal recorded in the current period - governmental activities	(6,632,054)
Private contributions of capital assets are not recorded in the governmental funds.	224,312
This amount represents Town Center pollution remediation cost incurred in the fund statement but had been recognized in prior year government-wide statements, net against change in estimate.	(189,019)
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	2,901,164
Interest accrued on long-term housing loan receivables	899,209
Interest accrued on employees' loan receivables	28,771
Customer late payment arrangements	(83,956)
Reimbursable costs incurred for abandoned vehicles and State mandates	707,105
Current grant revenues earned but not available	843,763
Current Proposition 172 revenue recognized but not available	91,673
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.	6,441,216
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.	(478,569)
Interfund advances interest charged on the borrower governmental funds with deferred revenues recorded in the General Fund is consolidated in the government-wide statements.	5,257,468
Interfund interest revenue previously deferred in governmental funds was received in current year.	(8,998,723)
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	(173,391)
Conway assessment installments received	(10,246)
Prior grant revenues earned but were not available until current year	(1,199,804)
Repayment of principal or issuance of refunding debt should have no effect on the government-wide statement of activities and changes in net assets.	2,140,000
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.	26,274
Internal Service Funds are primarily to serve governmental activities. The change in net assets of the Internal Service Funds is reported with governmental activities.	(6,054,183)
This amount represents Internal Service Fund look-back adjustments from Business-Type Activities.	686,184
Change in Net Assets of Governmental Activities	$ 18,523,381

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, 2011

	Major Enterprise Funds		
	Water Supply and Distribution	**Wastewater Management**	**Solid Waste Management**
Assets:			
Current Assets			
Cash and Investments Held by City (Note 2)	$ 4,424,427	$ 17,610,596	$ 1,772,003
Cash and Investments Held by Fiscal Agent (Note 2)	17,975,689	23,272,680	-
Receivables, Net (Note 3)	4,310,084	3,159,279	4,272,997
Intergovernmental Receivables (Note 3)	76,080	5,564	72,371
Inventories and Prepayments	-	298,095	-
Total Current Assets	26,786,280	44,346,214	6,117,371
Noncurrent Assets			
Net OPEB Assets (Note 11)	-	-	-
Deferred Charges (Note 7)	275,701	352,417	-
Capital Assets (Note 6):			
Land & Nondepreciable Assets	4,731,301	10,076,685	-
Depreciable Assets, Net	36,723,061	33,047,720	939,999
Total Noncurrent Assets	41,730,063	43,476,822	939,999
Total Assets	68,516,343	87,823,036	7,057,370
Liabilities:			
Current Liabilities			
Wages Payable	-	-	-
Accounts Payable and Accrued Liabilities	2,772,119	1,389,928	1,691,944
Due to Other Funds (Note 5)	-	-	-
Advances from Other Funds (Note 5)	351,700	1,259,994	1,300,000
Refundable Deposits	111,273	101,374	363,833
Interest Payable	291,225	414,876	-
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)	-	-	600,787
Long-term Debt - Due Within One Year (Note 7)	710,000	1,190,000	-
Total Current Liabilities	4,236,317	4,356,172	3,956,564
Noncurrent Liabilities			
Advances from Other Funds (Note 5)	866,976	11,121,168	28,756,440
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)	-	-	8,866,784
Long-term Debt - Due in More than One Year (Note 7)	23,194,201	35,461,048	-
Total Noncurrent Liabilities	24,061,177	46,582,216	37,623,224
Total Liabilities	28,297,494	50,938,388	41,579,788
Net Assets (Deficit) (Note 14 and Note 15)**:**			
Invested in Capital Assets, Net of Related Debt	35,525,850	29,746,037	939,999
Unrestricted	4,692,999	7,138,611	(35,462,417)
Total Net Assets (Deficits)	$ 40,218,849	$ 36,884,648	$ (34,522,418)

See Accompanying Notes to Basic Financial Statements

Major Enterprise Funds			
SMaRT Station	Community Recreation	Total Enterprise Funds	Governmental Activities Internal Service Funds
$ 5,076,694	$ 4,670	$ 28,888,390	$ 54,413,467
2,708,499	-	43,956,868	-
39,811	123,949	11,906,120	483,743
-	-	154,015	-
-	191,992	490,087	286,939
7,825,004	320,611	85,395,480	55,184,149
-	-	-	3,568,000
451,151	-	1,079,269	-
-	9,683,604	24,491,590	280,046
21,555,278	3,678,243	95,944,301	11,476,136
22,006,429	13,361,847	121,515,160	15,324,182
29,831,433	13,682,458	206,910,640	70,508,331
-	-	-	2,093,973
2,881,676	251,771	8,987,438	1,806,688
-	235,927	235,927	-
-	-	2,911,694	500,000
-	48,799	625,279	20,154
218,482	-	924,583	-
-	5,735	5,735	-
-	-	-	3,689,905
-	-	-	7,412,221
-	-	600,787	-
1,865,000	-	3,765,000	-
4,965,158	542,232	18,056,443	15,522,941
-	-	40,744,584	133,057
-	-	-	9,404,095
-	-	-	1,209,720
-	-	8,866,784	-
16,135,227	-	74,790,476	-
16,135,227	-	124,401,844	10,746,872
21,100,385	542,232	142,458,287	26,269,813
6,263,550	13,361,847	85,837,283	11,756,182
2,467,498	(221,621)	(21,384,930)	32,482,336
$ 8,731,048	$ 13,140,226	$ 64,452,353	$ 44,238,518

Reconciliation of the Enterprise Funds Statement of Net Assets to the Government-Wide Statement of Net Assets
June 30, 2011

Total Net Assets - Total Enterprise Funds	$ 64,452,353
Prior-year cumulative Internal Service Funds' look-back adjustments, payable to governmental activities	(1,241,533)
Current-year Internal Service Funds' look-back adjustments, payable to governmental activities	(2,236,668)
Current-year payment transfers to governmental activities for look-back adjustments	1,550,484
Net Assets of Business-Type Activities	$ 62,524,636

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, 2011

	Major Enterprise Funds		
	Water Supply and Distribution	**Wastewater Management**	**Solid Waste Management**
Operating Revenues:			
Charges for Services	$ 27,687,062	$ 24,277,893	$ 36,751,382
Total Operating Revenues	27,687,062	24,277,893	36,751,382
Operating Expenses:			
Personnel Services	3,377,341	8,096,254	1,107,548
Contractual Services	713,909	1,838,032	28,615,400
Materials and Supplies	729,071	1,793,269	17,226
Utilities	322,543	483,671	46,959
Taxes and Licenses	547,806	137,689	431,326
Equipment and Building Rental	488,155	705,828	86,686
Water Purchased for Resale	14,712,042	-	-
Insurance Premiums and Claims	-	-	-
Retirement Premiums	-	-	-
Other Operating Expenses	142,284	215,526	11,404
Depreciation	1,551,673	1,798,650	42,251
Total Operating Expenses	22,584,824	15,068,919	30,358,800
Operating Income (Loss)	5,102,238	9,208,974	6,392,582
Nonoperating Revenues (Expenses):			
Investment Earnings	125,333	212,657	31,493
Interest Expense	(1,323,063)	(2,371,131)	(1,966,311)
Total Nonoperating Revenues (Expenses)	(1,197,730)	(2,158,474)	(1,934,818)
Income (Loss) before Contributions and Transfers	3,904,508	7,050,500	4,457,764
Capital Contributions	51,900	39,300	-
Transfers In (Note 12)	5,000	-	5,269
Transfers Out (Note 12)	(3,335,498)	(4,403,130)	(4,735,030)
Change in Net Assets	625,910	2,686,670	(271,997)
Total Net Assets (Deficit) - Beginning of Year	39,592,939	34,197,978	(34,250,421)
Total Net Assets (Deficit) - End of Year	$ 40,218,849	$ 36,884,648	$ (34,522,418)

See Accompanying Notes to Basic Financial Statements

Major Enterprise Funds			
SMaRT Station	Community Recreation	Total Enterprise Funds	Governmental Activities Internal Service Funds
$ 24,537,314	$ 7,110,124	$ 120,363,775	$ 76,772,716
24,537,314	7,110,124	120,363,775	76,772,716
290,836	7,014,010	19,885,989	23,366,697
14,375,049	1,302,416	46,844,806	2,747,674
517,669	588,926	3,646,161	2,139,904
-	332,923	1,186,096	1,482,137
8,614,260	68	9,731,149	14,607
11,062	2,110,393	3,402,124	1,276,053
-	-	14,712,042	-
-	-	-	25,669,764
-	-	-	26,476,029
41	47,447	416,702	36,791
1,525,022	267,479	5,185,075	1,564,446
25,333,939	11,663,662	105,010,144	84,774,102
(796,625)	(4,553,538)	15,353,631	(8,001,386)
77,616	5,433	452,532	769,130
(967,505)	-	(6,628,010)	(74,125)
(889,889)	5,433	(6,175,478)	695,005
(1,686,514)	(4,548,105)	9,178,153	(7,306,381)
-	-	91,200	-
1,575,057	4,484,383	6,069,709	2,308,284
-	(1,003,657)	(13,477,315)	(1,056,086)
(111,457)	(1,067,379)	1,861,747	(6,054,183)
8,842,505	14,207,605	62,590,606	50,292,701
$ 8,731,048	$ 13,140,226	$ 64,452,353	$ 44,238,518

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, 2011

Net Change in Net Assets - Total Enterprise Funds	$	1,861,747
Internal Service Funds' look-back adjustments		(2,236,668)
Payment transfers to governmental activities		1,550,484
Change in Net Assets of Business-Type Activities	$	1,175,563

See Accompanying Notes to Basic Financial Statements

CITY OF SUNNYVALE

Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2011

	Major Enterprise Funds		
	Water Supply and Distribution	**Wastewater Management**	**Solid Waste Management**
Cash Flow from Operating Activities:			
Cash Received from Customers	$ 27,035,333	$ 24,055,197	$ 36,292,634
Cash Payments to Suppliers of Goods and Services	(17,132,722)	(5,902,113)	(29,560,407)
Cash Payments for Employee Services	(3,300,560)	(8,032,880)	(1,107,548)
Insurance and Claims Paid	-	-	-
Other Receipts (Payments)	40,588	-	90,378
Net Cash Provided by (Used for) Operating Activities	6,642,639	10,120,204	5,715,057
Cash Flows from Noncapital Financing Activities:			
Transfers Received	5,000	-	5,269
Transfers Paid	(3,335,498)	(4,403,130)	(4,735,030)
Short-term Loan from Other Funds	-	-	-
Repayment of Advance From/To Other Funds	(351,700)	(550,000)	-
Net Cash Provided by (Used for) Noncapital Financing Activities	(3,682,198)	(4,953,130)	(4,729,761)
Cash Flows from Capital and Related Financing Activities:			
Principal Paid on Long-term Debt	(755,000)	(1,600,000)	-
Interest Paid on Long-term Debt	(902,964)	(1,257,957)	-
Acquisition and Construction of Capital Assets	(2,446,458)	(2,930,396)	-
Net Cash Provided by (Used for) Capital and Related Financing Activities	(4,104,422)	(5,788,353)	-
Cash Flows from Investing Activities:			
Interest on Investments	98,835	211,272	28,420
Change in the Fair Value of Investments	10,324	(9,126)	11,760
Net Cash Provided by Investing Activities	109,159	202,146	40,180
Net Increase (Decrease) in Cash and Cash Equivalents	(1,034,822)	(419,133)	1,025,476
Cash and Investments - Beginning of Year	23,434,938	41,302,409	746,527
Cash and Investments - End of Year	$ 22,400,116	$ 40,883,276	$ 1,772,003
Reconciliation to Statement of Net Assets:			
Cash and Investments Held by City	$ 4,424,427	$ 17,610,596	$ 1,772,003
Cash and Investments Held by Fiscal Agent	17,975,689	23,272,680	-
Total Cash and Investments	$ 22,400,116	$ 40,883,276	$ 1,772,003

See Accompanying Notes to Basic Financial Statements

Major Enterprise Funds			
SMaRT Station	Community Recreation	Total Enterprise Funds	Governmental Activities Internal Service Funds
$ 29,489,778	$ 7,180,533	$ 124,053,475	$ 76,204,340
(27,664,299)	(4,545,630)	(84,805,171)	(9,065,139)
(290,836)	(6,877,021)	(19,608,845)	(53,113,311)
-	-	-	(47,292,609)
-	3,600	134,566	497,161
1,534,643	(4,238,518)	19,774,025	(32,769,558)
1,575,057	4,484,383	6,069,709	2,409,907
-	(1,003,657)	(13,477,315)	(1,157,709)
-	235,927	235,927	-
-	-	(901,700)	(500,000)
1,575,057	3,716,653	(8,073,379)	752,198
(1,790,000)	-	(4,145,000)	-
(916,327)	-	(3,077,248)	-
(152,393)	-	(5,529,247)	(2,803,869)
(2,858,720)	-	(12,751,495)	(2,803,869)
100,309	4,530	443,366	810,869
(33,024)	4,496	(15,570)	237,138
67,285	9,026	427,796	1,048,007
318,265	(512,839)	(623,053)	(33,773,222)
7,466,928	517,509	73,468,311	88,186,689
$ 7,785,193	$ 4,670	$ 72,845,258	$ 54,413,467
$ 5,076,694	$ 4,670	$ 28,888,390	$ 54,413,467
2,708,499	-	43,956,868	-
$ 7,785,193	$ 4,670	$ 72,845,258	$ 54,413,467

Continued

Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2011

	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)	$ 5,102,238	$ 9,208,974	$ 6,392,582
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation	1,551,673	1,798,650	42,251
Changes in Assets and Liabilities:			
Receivables, Net	(739,900)	(233,518)	(530,997)
Due from Other Governments	-	4,384	78,682
Inventories and Prepayments	-	16	-
Customer Deposits	49,830	7,520	40,632
Accounts Payable and Accrued Liabilities	678,798	(665,822)	319,233
Unearned Revenue	-	-	-
Landfill Postclosure Care	-	-	(627,326)
Claims and Judgments Payable	-	-	-
Compensated Absences Payable	-	-	-
Other Postemployment Benefits Obligation	-	-	-
Net Cash Provided by (Used for) Operating Activities	$ 6,642,639	$ 10,120,204	$ 5,715,057
Noncash Investing, Capital and Financing Activities:			
Purchase of Capital Assets on Account	228,024	881,484	-
Non Cash Capital Contributions	51,900	39,300	-

See Accompanying Notes to Basic Financial Statements

Major Enterprise Funds			
SMaRT Station	Community Recreation	Total Enterprise Funds	Governmental Activities Internal Service Funds
$ (796,625)	$ (4,553,538)	$ 15,353,631	$ (8,001,386)
1,525,022	267,479	5,185,075	1,564,446
(11,342)	8,328	(1,507,429)	6,266
-	-	83,066	-
-	142,535	142,551	166,455
-	71,443	169,425	1,463
817,588	(162,029)	987,768	(10,363,849)
-	(12,736)	(12,736)	-
-	-	(627,326)	-
-	-	-	390,000
-	-	-	6,783,047
-	-	-	(23,316,000)
$ 1,534,643	$ (4,238,518)	$ 19,774,025	$ (32,769,558)
			-
1,876	-	1,111,384	278,134
-	-	91,200	-
			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, 2011

		Agency Funds
Assets:		
Cash and Investments Held by City (Note 2)	$	3,280,532
Cash and Investments Held by Fiscal Agent (Note 2)		1,800,969
Receivables (Note 3)		55,948
Total Assets	$	5,137,449
Liabilities:		
Accounts Payable and Accrued Liabilities	$	1,343,096
Due to Bondholders		3,794,353
Total Liabilities	$	5,137,449

See Accompanying Notes to Basic Financial Statements

Note **Page**

1. Significant Accounting Policies 54
   A. Reporting Entity....54
   B. Basis of Accounting and Measurement Focus 55
   C. Restricted Assets and Use of Restricted/Unrestricted Net Assets....59
   D. Cash, Cash Equivalents and Investments....59
   E. Receivables 60
   F. Property Tax Revenue....60
   G. Interfund Balances/Internal Balances 61
   H. Inventory and Prepaid Items 61
   I. Assets Held for Resale 62
   J. Capital Assets 62
   K. Compensated Absences 64
   L. Unearned Revenue and Deferred Revenue 64
   M. Claims and Judgements....66
   N. Long-term Debt....65
   O. Net Assets and Fund Balances 65
   P. Use of Estimates 66
   Q. Legal Level of Budgetary Control 66
   R. Implementation of New GASB Pronouncements 66

2. Cash and Investments....66
   A. Deposits and Cash on Hand 66
   B. Investments 67
   C. Summary of Cash and Investments....68
   D. Risk Disclosures 70
   E. Investments in Local Agency Investment Fund....72

3. Receivables 73
   A. Current Receivables....73
   B. Intergovernmental Receivables....75
   C. Other Long-Term Receivables....75
   D. Housing Loans Receivable 76

4. Unearned Revenue and Deferred Revenue....77

5. Internal Balances, Interfund Receivables/Payables 78
   A. Due to/from Other Funds 79
   B. Advances to/from Other Funds 79

6. Capital Assets....81

7. Long-term Liabilities 85
   A. Bonds Payable....85
   B. Self-insurance and Contingent Liabilities....92
   C. Compensated Absences 94
   D. Landfill Postclosure Care Costs....94
   E. Pollution Remediation Obligations....95
   F. Non-City Obligations....98

8. Operating Leases 101

9. Commitments 101

10. Retirement Plan 101

11. Other Postemployment Benefits (OPEB) 103

12. Transfers 107

13. Pledged Revenues 109

14. Classification of Net Assets and Fund Balances 112

15. Deficit Net Assets and Fund Balances 116

16. Prior Period Adjustments 117

17. Subsequent Events 118

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 that are fiscally and financially dependent on the City. 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 has 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.

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.

1. SIGNIFICANT ACCOUNTING POLICIES, Continued

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 7F 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.

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.

1. SIGNIFICANT ACCOUNTING POLICIES, Continued

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 Housing Special Revenue Fund accounts for financial resources primarily from grants and housing mitigation fees from high-density industrial developers. Expenditures are incurred to support the provision of affordable housing within the City.

- 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.

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

1. SIGNIFICANT ACCOUNTING POLICIES, Continued

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 late September, 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.

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.

1. SIGNIFICANT ACCOUNTING POLICIES, Continued

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 proprietary fund:

- 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.

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.

1. SIGNIFICANT ACCOUNTING POLICIES, Continued

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 7F 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.

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

1. SIGNIFICANT ACCOUNTING POLICIES, Continued

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 the amortized cost. All other investments are stated at fair value. Market value is used as fair value for those securities where 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.

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. If delinquent taxes are paid prior to June 30, the County receives the 10% penalty. For delinquencies paid after June 30, the City receives the penalty revenue. 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.

1. SIGNIFICANT ACCOUNTING POLICIES, Continued

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 are presented in the fund financial statements. The borrower is charged interest annually based on the initially stipulated rate and the lender (General Fund) recognizes an equal amount of deferred revenue; the repayment amount often varies with the borrower's cash flow needs. Any unpaid interest due to the borrower's lack of funds increases the principal owed, with the lender recognizing a corresponding amount of deferred interfund interest revenue. Since the late 1970s, General Fund has made numerous advances to other City funds (see **Note 5B**) and thus accumulated significant amounts of deferred interfund interest revenue. When the cumulative amounts of repayment of advances by the borrower exceed the original principal, the lender (General Fund) recognizes the excess portion of current repayment as interfund interest revenue and reduces the deferred revenue balance.

The principal portion of the interfund advances receivable is also presented as nonspendable fund balance of the General Fund to indicate that it is not available for appropriations.

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

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

H. Inventory and Prepaid Items

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

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

1. SIGNIFICANT ACCOUNTING POLICIES, Continued

I. Assets Held for Resale

Assets held for resale are carried at the lower of cost or net realizable value. In fiscal years 1999 and 2000, the City acquired certain real estate (currently earning rental income), which cost $1,381,077, with the intention to assemble with other parcels for the Downtown redevelopment project.

At the beginning of this fiscal year, the City entered into an agreement with a soon-to-retire City official, who executed a deed in lieu of foreclosure so that the City became the owner of the property that he purchased in 2005 with a mortgage loan from the City as part of his employment package. The outstanding balance of the loan was $389,167. At year end, the net realizable value was estimated to be $328,125. The property currently generates rental income and the City intends to sell the property when the real estate market improves in the future.

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).

1. SIGNIFICANT ACCOUNTING POLICIES, Continued

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

- Buildings 10 - 50 years
- Sidewalks, Curbs, Gutters, Street Lights, and Traffic Signals 10 - 40 years
- Water Supply and Distribution System 10 - 80 years
- Wastewater Treatment and Collection system 10 - 80 years
- Other land improvements 7 - 80 years
- Equipment 2 - 30 years
- 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 streets that have the physical characteristics of a new street. The following conditions were defined:

Condition	Rating
Excellent	90-100
Very Good	80-89
Good	70-79
Fair	60-69
At Risk	50-59
Poor	25-49
Failed	0-24

1. SIGNIFICANT ACCOUNTING POLICIES, Continued

The City's policy relative to maintaining the street assets is to achieve a PCI rating of 75 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 (reported under equipment) before GASB Statement 51 become effective. 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.

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.

1. SIGNIFICANT ACCOUNTING POLICIES, Continued

N. Long-term Debt

Government-Wide Financial Statements

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

Fund Financial Statements

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

O. Net Assets and Fund Balances

Government-Wide and Proprietary Fund 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 Balance – Fund balance for governmental funds is reported in classifications (nonspendable, restricted, committed, assigned, and unassigned) that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

1. SIGNIFICANT ACCOUNTING POLICIES, Continued

P. Use of Estimates

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

Q. Legal Level of Budgetary Control

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

R. Implementation of New GASB Pronouncements

In this fiscal year, the City adopted GASB Statement No. 59, *Financial Instruments Omnibus.*

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 amount of the City's cash deposits totaled $812,085 at June 30, 2011, including $8,720 kept by designated employees as change funds at various City facilities. Bank balances before reconciling items (i.e., deposits in transit and outstanding checks) were $3,637,771; 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.

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:

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Securities issued by the U.S. Treasury	7 years	100%	N/A
Government Agency and 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:

	Governmental Activities			
Investment Income	Governmental Funds	Internal Service Funds	Total	Business-Type Activities
Interest	$ 2,348,232	$ 1,427,858	$ 3,776,090	$ 802,121
Net Changes in the Fair Value of Investments	(1,714,557)	(658,728)	(2,373,285)	(349,589)
Total - Fund Financial Statements	633,675	769,130	1,402,805	452,532
Timing difference-Interest from loans to City Employees	28,771	-	28,771	-
Total - Government-Wide Financial Statements	$ 662,446	$ 769,130	$ 1,431,576	$ 452,532

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 and the investment is redeemed at face value.

2. CASH AND INVESTMENTS, Continued

In addition, it should be noted that GASB 31 does not include the amortization of premium or discount on an investment. Therefore, the net change in the fair value of investments represents the difference between current market value and original purchase price of the investment including the premium paid/discount received. For investments purchased at a premium because of the high interest rate paid to the City on that investment, the net changes in the fair value of investments reflect an increased loss when the market value drops (or lower gain if the market value rises). Alternatively, investments purchased at a discount reflect a decreased loss when the market value drops (or higher gain if the market value rises).

C. Summary of Cash and Investments

	Government-Wide Statement of Net Assets			Fund Financials	
	Governmental Activities	Business-Type Activities	Total	Fiduciary Funds Statement of Net Assets	Total
Cash and Investments	$ 132,688,032	$ 28,888,390	$ 161,576,422	$ -	$ 161,576,422
Restricted Cash and Investments					
Held by the City	59,880,058	-	59,880,058	3,280,532 *	63,160,590
Held by the Fiscal Agent	3,037,319	43,956,868	46,994,187	1,800,969	48,795,156
Total	$ 195,605,409	$ 72,845,258	$ 268,450,667	$ 5,081,501	$ 273,532,168

The fiduciary funds had $1,937,436 included in the City pool of cash and investments at year end.

2. CASH AND INVESTMENTS, Continued

At June 30, 2011, the City had the following deposits and investments:

	S&P/ Moody's	Details	Total Fair Value
City Treasury Pooled Cash and Investments:			
Deposits and Cash on Hand	Not Rated	$ 812,085	
Investments:			
Corporate Notes	AA+/Aa2	3,042,570	
Securities of U.S. Government Agencies/Government Sponsored Enterprises:			
Federal Home Loan Bank **(2)**	AAA/ Aaa	42,169,212	
Freddie Mac **(2)**	AAA/ Aaa	15,560,147	
Fannie Mae **(2)**	AAA/ Aaa	28,228,540	
U.S. Treasury **(1)**	AAA/Aaa	38,454,039	
Tennessee Valley Authority **(2)**	AAA/ Aaa	20,569,541	
Federal Farm Credit Bank **(2)**	AAA/ Aaa	34,494,723	
Total Securities of U.S. Government Agencies		179,476,202	
Local Agency Investment Funds	Not Rated	40,063,059	
City Pooled Cash and Investments (including portion of Fiduciary Funds)			$ 223,393,916
City Cash and Investments with Fiscal Agents:			
Guaranteed Investment Contracts	Not Rated	1,946,564	
Local Agency Investment Funds	Not Rated	43,728,804	
Treasury Obligation Mutual Funds	AAA/ Aaa	1,318,819	
Total City Cash and Investments with Fiscal Agents			46,994,187
Total City Cash and Investments ((including portion of Fiduciary Funds)			**$ 270,388,103**
Fiduciary Fund Deposits Held by the City, Separate Bank Deposit Account	Not Rated		$ 1,343,096
Fiduciary Fund Cash and Investments with Fiscal Agents:			
Treasury Obligation Mutual Funds	Not Rated		52,829
Guaranteed Investment Contracts	Not Rated		1,748,140
Total Fiduciary Fund Cash and Investments(not including portion of Funds in the City Pool)			**$ 3,144,065**

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

(2) Government sponsored enterprises.

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 in debt securities to an average maturity of no greater than 2.5 years.

Investments held in the City Treasury grouped by maturity date at June 30, 2011 are as follows:

	Maturity (in years)				Total
	1 year or less	1 to 2 years	2 to 5 years	5 to 10 years	Fair Value
City Treasury Pooled Cash and Investments, including portion of Fiduciary Funds:					
Cash and Deposits	$ 812,085	$ -	$ -	$ -	$ 812,085
Investments:					
Corporate Note	-	-	3,042,570	-	3,042,570
Federal Farm Credit Bank	16,205,132	12,048,580	6,241,011	-	34,494,723
Federal Home Loan Bank	26,096,494	4,237,360	11,835,358	-	42,169,212
Freddie Mac	-	12,325,964	3,234,183	-	15,560,147
Fannie Mae	24,194,780	4,033,760	-	-	28,228,540
Tennessee Valley Authority	7,537,425	4,363,324	8,668,792	-	20,569,541
U. S. Treasuries	-	31,379,629	7,074,410	-	38,454,039
Local Agency Investment Funds	40,063,059	-	-	-	40,063,059
Total	$ 114,908,975	$ 68,388,617	$ 40,096,324	$ -	$ 223,393,916
City Cash and Investments with Fiscal Agents (trustees):					
Guaranteed Investment Contracts	$ -	$ -	$ 1,946,564	$ -	$ 1,946,564
Local Agency Investment Funds	43,728,804	-	-	-	43,728,804
Treasury Obligation Mutual Funds	1,318,819	-	-	-	1,318,819
Total	$ 45,047,623	$ -	$ 1,946,564	$ -	$ 46,994,187
Fiduciary Fund Cash and Investment not in the City Treasury Pool:					
Guaranteed Investment Contracts	$ -	$ -	$ -	$ 1,748,140	$ 1,748,140
Treasury Obligation Mutual Funds	52,829	-	-	-	$ 52,829
Cash and Deposits	1,343,096	-	-	-	1,343,096
Total	$ 1,395,925	$ -	$ -	$ 1,748,140	$ 3,144,065

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.

2. CASH AND INVESTMENTS, Continued

On August 5, 2011, Standard & Poor's Ratings Services (S&P) lowered its long-term credit rating on the United States of America from AAA to AA+. At the same time, S&P affirmed its A-1+ short-term rating on the United States of America.

On August 8, 2011, S&P lowered its issuer credit ratings and related issue ratings on ten of twelve Federal Home Loan Banks (FHLBs) and the senior debt issued by the FHLB System from AAA to AA+. S&P also lowered the ratings on the senior debt issued by the Federal Farm Credit Banks (FFCB) from AAA to AA+, and lowered the senior issue ratings on Fannie Mae (FNMA) and Freddie Mac (FHLMC) from AAA to AA+. The A subordinated debt rating of these entities remained unchanged. Finally, S&P affirmed the short-term issue ratings for these entities at A-1+ and removed them from CreditWatch Negative.

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.

2. CASH AND INVESTMENTS, Continued

At June 30, 2011, 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.

Issuer	Amount
Government Sponsored Enterprises:	
Federal Farm Credit Bank	$ 34,494,723
Federal Home Loan Bank	42,169,212
Freddie Mac (FHLMC)	15,560,147
Fannie Mae (FNMA)	28,228,540
Tennessee Valley Authority	20,569,541
Total	$ 141,022,163

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, 2011, 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, 2011, the City had $40,063,059 at fair value invested in LAIF, which had invested 5.01% 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, 2011, 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 1.001576470.

3. RECEIVABLES

A. Current Receivables

Government Wide Financial Statements

At June 30, 2011, the government-wide financial statements show the following current receivables net of allowances for uncollectible amounts:

	Governmental Activities	Business-Type Activities	Total
Unrestricted:			
Accounts	$ 588,102	$ 11,663,008	$ 12,251,110
Taxes	9,604,761	-	9,604,761
Interest	713,420	206,349	919,769
Other	1,479,641	36,763	1,516,404
Total Unrestricted	12,385,924	11,906,120	24,292,044
Restricted:			
Accounts	56,602	-	56,602
Taxes	16,946	-	16,946
Interest	338,944	-	338,944
Other	24,270	-	24,270
Total Restricted	436,762	-	436,762
Total Current Receivables, Net	$ 12,822,686	$ 11,906,120	$ 24,728,806

3. RECEIVABLES, Continued

Fund Financial Statements

At June 30, 2011, the fund financial statements show the following current receivables net of allowances for uncollectible amounts:

	Accounts Receivable	Taxes	Interest	Other	Less: Allowance for Uncollectible	Total
Governmental Funds:						
General	$ 880,966	$ 9,604,761	$ 426,436	$ 1,289,814	$ (236,596)	$ 11,965,381
Housing Fund	-	-	72,773	2,534	-	75,307
Employment Development	-	-	-	14,084	-	14,084
Redevelopment Debt Service	-	-	731	-	-	731
City Projects	-	-	90,786	5,200	-	95,986
Nonmajor Funds	-	16,946	168,056	2,452	-	187,454
Total Governmental Funds	880,966	9,621,707	758,782	1,314,084	(236,596)	12,338,943
Proprietary Funds:						
Water Supply and Distribution	4,539,417	-	45,202	-	(274,535)	4,310,084
Wastewater Management	3,252,708	-	123,182	4,320	(220,931)	3,159,279
Solid Waste Management	4,684,533	-	9,496	7,745	(428,777)	4,272,997
SMART Station	-	-	28,469	11,342	-	39,811
Community Recreation	110,593	-	-	13,356	-	123,949
Internal Service Funds	334	-	293,582	189,827	-	483,743
Total Proprietary Funds	12,587,585	-	499,931	226,590	(924,243)	12,389,863
Total Governmental and Proprietary Funds	13,468,551	9,621,707	1,258,713	1,540,674	(1,160,839)	24,728,806
Agency Funds	-	-	51,948	4,000	-	55,948
Total	$ 13,468,551	$ 9,621,707	$ 1,310,661	$ 1,544,674	$ (1,160,839)	$ 24,784,754

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, 2011, the City had intergovernmental receivables in the following major funds and nonmajor funds in the aggregate:

Governmental Funds:	
General Fund	$ 758,669
Employment Development Special Revenue Fund	862,846
City Projects Fund	4,537,468
Nonmajor Funds	1,575,517
Total Governmental Funds	7,734,500
Proprietary Funds:	
Water Supply and Distribution Enterprise Fund	76,080
Wastewater Management Enterprise Fund	5,564
Solid Waste Management Enterprise Fund	72,371
Total Proprietary Funds	154,015
Total	$ 7,888,515

C. Other Long-term Receivables

At June 30, 2011, the City had long-term receivables in the amount of $3,334,373, 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 ranging from 30 to 45 years. At year end, the City had five loans outstanding to City employees totaling $3,334,373, including accrued interest of $135,493.

3. RECEIVABLES, Continued

D. Housing Loans Receivable

Governmental Activities:

Maturity Date Year Ending June 30,	Community Development Block Grant	HOME Grant	Housing Mitigation	Other Housing	Total
2012	$ 540,868	$ -	$ 3,480,645	$ 6,081	$ 4,027,594
2013	95,386	-	-	-	95,386
2014	93,190	-	-	-	93,190
2015	29,373	-	-	-	29,373
2016	38,817	-	214,745	-	253,562
2017-2021	750,153	-	-	31,015	781,168
2022-2026	1,263,081	1,851,831	-	-	3,114,912
2027-2031	1,460,556	2,395,747	900,591	-	4,756,894
2032-2036	1,197,459	626,513	1,214,014	172,927	3,210,913
2037-2041	4,709,430	2,110,680	-	1,368,177	8,188,287
2042-2046	809,642	3,080,261	1,654,986	-	5,544,889
2047-2051	-	-	-	-	-
2052-2056	131,668	-	-	-	131,668
2057-2061	57,623	-	-	-	57,623
2062-2066	101,397	1,705,912	4,611,852	4,928,789	11,347,950
Due Upon Sale or Transfer of Property	902,347	-	-	-	902,347
	$ 12,180,990	$ 11,770,944	$ 12,076,833	$ 6,506,989	$ 42,535,756
Less: Allowance for Uncollectibles	(243,620)	(235,419)	(241,537)	(130,139)	(850,715)
Housing Loans Receivables, Net at June 30, 2011	$ 11,937,370	$ 11,535,525	$ 11,835,296	$ 6,376,850	$ 41,685,041

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.

3. RECEIVABLES, Continued

Community Development Block Grant (CDBG) Loans

The City has made a number of loans totaling $12,180,990 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.

HOME Grant Loans

The City has made loans totaling $11,770,944 using Federal HOME funds for the construction, rehabilitation, or acquisition of housing for low-income households, and for First Time Homebuyer Loans.

Housing Mitigation Loans

The City has made housing mitigation loans totaling $12,076,833. These loans are given to qualified applicants and can be used for acquisition, rehabilitation, new construction and predevelopment costs of affordable housing.

Other Housing Loans

The City has made loans totaling $6,506,989 using Below Market Rates (BMR) and State Housing funds for down payments of qualified first time homebuyers and construction of senior housing, respectively. In addition, there are several outstanding loans for an old program which provided for rehabilitation of rental property.

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, 2011, unearned revenues were as follows:

	Governmental Activities	Business-Type Activities
Customer prepayments	$ 763,791	$ -
Unearned grant and contributions	1,662,806	5,735
Total	$ 2,426,597	$ 5,735

4. UNEARNED REVENUE AND DEFERRED REVENUE, Continued

Customer prepayments consisted of $763,791 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 2012 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, 2011.

Fund Financial Statements

At June 30, 2011, 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:

	General Fund	Housing Special Revenue	Employment Development Special Revenue	City Projects Capital Projects	Nonmajor	Total
Deferred Interest on Interfund Advances	$ 96,338,496	$ -	$ -	$ -	$ -	$ 96,338,496
Deferred Interest on Loans to City Employees	135,493	-	-	-	-	135,493
Capital Special Assessments	97,130	-	-	-	-	97,130
Proposition 172 Sales Tax	91,673	-	-	-	-	91,673
Customer Prepayments	763,791	-	-	-	-	763,791
State Mandated Costs	834,555	-	-	-	-	834,555
Housing Loans	-	18,212,146	-	-	23,472,895	41,685,041
Unearned or unavailable grant revenues	22,790	-	14,328	2,346,738	119,348	2,503,204
Cost Reimbursement - Abandoned Vehicles	33,081	-	-	-	-	33,081
Total	$ 98,317,009	$ 18,212,146	$ 14,328	$ 2,346,738	$ 23,592,243	$ 142,482,464

5. INTERNAL BALANCES, INTERFUND RECEIVABLES/PAYABLES

Government-Wide Financial Statements

Internal Balances consist of the following items:

Internal Balances	Amount
Outstanding Long-Term Advances from Governental to Business-Type Activities	$ 43,656,278
Short-Term Loan from Governmental to Business-Type Activities	235,927
Internal Service Fund Lookback Adjustment:	
Owed by Business-Type to Governmental Activities	1,927,717
Total Internal Balances	$ 45,819,922

For long-term advances, interest earned by governmental activities, or interest charged to business-type activities, was $2,901,164 in fiscal year 2011.

5. INTERNAL BALANCES, INTERFUND RECEIVABLES/PAYABLES, Continued

Fund Financial Statements

A. Due to/from Other Funds

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

Receivable Fund	Payable Fund	Amount
General Fund	Employment Development Special Revenue Fund	$ 76,435
	Nonmajor Special RevenueFund:	
	Transportation Development Act	26,371
	Police Services Augmentation	3,167
	Enterprise Fund:	
	Community Recreation Enterprise	235,927
Housing Special Revenue Fund	Nonmajor Special Revenue Fund:	
	HOME Grant	500,962
	Community Development Block Grant	154,657
Total		$ 997,519

The amounts due to the General Fund and Housing Special Revenue Fund from the respective nonmajor special revenue funds were due to cash flow needs at year end. These amounts will be repaid shortly after the end of the fiscal year, as grant reimbursement becomes available to the borrower funds.

The Community Recreation Enterprise had to borrow a short-term loan from General Fund to cover operational expenses at year end.

B. Advances to/from Other Funds

The following schedule presents the balances of interfund advances:

Lender Fund	Borrower Fund	Amount
General Fund	Redevelopment Agency Debt Service	$ 62,230,121
	Internal Service - General Services	633,057
	Enterprise Funds:	
	Water Supply and Distribution	1,218,676
	Wastewater Management	12,381,162
	Solid Waste Management	30,056,440
	Total General Fund Advances	$ 106,519,456

Refer to **Note 1G** that explains accounting for interfund advances.

5. INTERNAL BALANCES, INTERFUND RECEIVABLES/PAYABLES, Continued

The Redevelopment Agency (as lessor) entered into a lease agreement with the City (as lessee) on May 1, 1977, for a two-level parking structure at the Sunnyvale Town Center Mall (In 2005, the leased asset, a two-level parking structure, was demolished and two surface parking lots with improvements were substituted as the leased assets for the 1998 Parking Facility Certificates of Participation). The lease, as amended, requires the City to pay to the Agency base rental payments ranging from $1,131,103 to $1,281,250 annually, payable on October 1 and April 1 of each year until October 1, 2022. During the fiscal year ended June 30, 2011, the City made $1,206,475 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 $9,069,478 were made during the fiscal year ended June 30, 2011. However, during the year, in addition to base rental payments, the General Fund also made additional advances of $238,527 to cover the Agency's operating and anticipated project expenditures. At June 30, 2011, outstanding project loan balance under the 1977 Repayment Agreement was $29,809,742; outstanding administrative loan balance was $29,734,108; outstanding loan balance for downtown public improvements was $2,686,271. The total loan balance was $62,230,121.

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 in fiscal year 2012 and $189,789 in 2013. At June 30, 2011, the loan balance was $633,057.

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 2012 through fiscal year 2015. At June 30, 2011 total loan balance was $1,218,676.

5. INTERNAL BALANCES, INTERFUND RECEIVABLES/PAYABLES, Continued

During the fiscal year ended June 30, 1981, the General Fund advanced to the Wastewater Management Fund $10,700,000 for the purpose of remodeling the primary facilities of the wastewater treatment plant and expanding the plant capacity from 22.5 million gallons per day to 29.5 million gallons per day. Starting from fiscal year 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 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 fiscal year, repayment of $550,000 was made to the General Fund. Annual repayments were budgeted as follows: $1,259,994 annually from fiscal year 2012 to fiscal year 2019, and $845,829 annually thereafter to pay off the remaining balance. At June 30, 2011, total loan balance was $12,381,162.

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. No repayment was made to the General Fund during this fiscal year. Annual repayments were budgeted as follows: $1,300,000 in fiscal year 2012, $3,388,304 annually from fiscal year 2013 to fiscal year 2014, and $4,742,396, annually from fiscal year 2015 to fiscal year 2022. At June 30, 2011, total loan balance was $30,056,440.

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.

6. CAPITAL ASSETS, Continued

During this year, donated easements with fair value of $11,700 were accepted by the City and reported under the land category of general capital assets. At year end, total easements approximated $1.9 million, predominantly under governmental activities.

At June 30, 2011, capitalized computer software (reported under the equipment category of capital assets) approximated $3.1 million, mostly accounted for in the General Services Internal Service Fund, which maintains replacement schedules for various assets used in operations.

Government-Wide Financial Statements

At June 30, 2011, the City's capital assets consisted of the following:

	Governmental Activities	Business-Type Activities	Totals
Nondepreciable Assets:			
Land	$ 105,507,554	$ 16,469,169	$ 121,976,723
Construction in Progress	20,069,075	8,022,421	28,091,496
Infrastructure - Streets	160,242,283	-	160,242,283
Total Nondepreciable Assets	285,818,912	24,491,590	310,310,502
Depreciable Assets:			
Buildings	92,139,914	23,253,657	115,393,571
Improvements	78,988,225	43,104,315	122,092,540
Equipment	33,156,288	5,435,093	38,591,381
Infrastructure:			
Sidewalks	34,824,509	-	34,824,509
Curbs and Gutters	32,159,658	-	32,159,658
Street Lights	3,864,515	-	3,864,515
Traffic Signals	8,091,770	-	8,091,770
Wastewater Treatment & Collection	-	63,318,283	63,318,283
Water Supply & Distribution	-	65,258,899	65,258,899
Total Depreciable Assets	283,224,879	200,370,247	483,595,126
Less Accumulated Depreciation	(148,801,792)	(104,425,946)	(253,227,738)
Total Depreciable Assets, Net	134,423,087	95,944,301	230,367,388
Total Capital Assets	$ 420,241,999	$ 120,435,891	$ 540,677,890

6. CAPITAL ASSETS, Continued

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

	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011
Nondepreciable Assets:				
Land	$ 105,495,854	$ 11,700	$ -	$ 105,507,554
Construction in Progress	13,956,606	11,715,855	(5,603,386)	20,069,075
Infrastructure - Streets	160,206,683	35,600	-	160,242,283
Total Nondepreciable Assets	279,659,143	11,763,155	(5,603,386)	285,818,912
Depreciable Assets:				
Buildings and Structures	92,139,913	-	-	92,139,913
Improvements Other than Buildings	72,546,664	6,441,561	-	78,988,225
Machinery and Equipment	30,948,195	3,450,468	(1,242,376)	33,156,287
Infrastructure	78,316,502	623,952	-	78,940,454
Total Depreciable Assets	273,951,274	10,515,981	(1,242,376)	283,224,879
Accumulated Depreciation:				
Buildings and Structures	(42,297,297)	(2,497,303)	-	(44,794,600)
Improvements Other than Buildings	(27,278,482)	(2,395,744)	-	(29,674,226)
Machinery and Equipment	(18,067,543)	(1,973,059)	1,029,551	(19,011,051)
Infrastructure	(54,006,659)	(1,315,256)	-	(55,321,915)
Total Accumulated Depreciation	(141,649,981)	(8,181,362)	1,029,551	(148,801,792)
Depreciable Assets, Net	132,301,293	2,334,619	(212,825)	134,423,087
Total Governmental Activities Capital Assets, Net	$ 411,960,436	$ 14,097,774	$ (5,816,211)	$ 420,241,999

Governmental activities' depreciation expense for capital assets for the year ended June 30, 2011, are as follows:

Planning and Management	$ 1,089,406
Public Safety	1,089,655
Community Development	1,499,567
Transportation	2,363,146
Socioeconomic	268,852
Cultural	1,512,164
Environmental Management	358,572
Total Depreciation Expense	$ 8,181,362

6. CAPITAL ASSETS, Continued

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

	Balance July 1, 2010	Additions	Deletions	Balance June 30, 2011
Nondepreciable Assets:				
Land	$ 16,469,169	$ -	$ -	$ 16,469,169
Construction in Progress	23,393,911	3,316,673	(18,688,163)	8,022,421
Total Nondepreciable Assets	39,863,080	3,316,673	(18,688,163)	24,491,590
Depreciable Assets:				
Buildings and Structures	22,248,672	1,004,985	-	23,253,657
Improvements Other than Buildings	28,245,303	14,859,012	-	43,104,315
Machinery and Equipment	5,291,347	143,746	-	5,435,093
Infrastructure	123,045,547	5,531,635	-	128,577,182
Total Depreciable Assets	178,830,869	21,539,378	-	200,370,247
Accumulated Depreciation:				
Buildings and Structures	(20,831,196)	(166,363)	-	(20,997,559)
Improvements Other than Buildings	(16,231,500)	(1,722,692)	-	(17,954,192)
Machinery and Equipment	(4,629,472)	(123,641)	-	(4,753,113)
Infrastructure	(57,548,703)	(3,172,379)	-	(60,721,082)
Total Accumulated Depreciation	(99,240,871)	(5,185,075)	-	(104,425,946)
Depreciable Assets, Net	79,589,998	16,354,303	-	95,944,301
Total Business-Type Activities Capital Assets, Net	$ 119,453,078	$ 19,670,976	$ (18,688,163)	$ 120,435,891

Business-type activities depreciation expenses for capital assets for the year ended June 30, 2011 are as follows:

Water Supply and Distribution	$ 1,551,673
Wastewater Management	1,798,650
Solid Waste Management	42,251
SMaRT Station	1,525,022
Community Recreation	267,479
Total Depreciation Expense	$ 5,185,075

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.

7. LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities during the fiscal year ended June 30, 2011:

Description	Beginning Balance July 1, 2010	Additions	Reductions	Bond Amortization	Ending Balance June 30, 2011	Amounts Due Within One Year	Amount Due in More than One Year
Governmental Activities:							
Bonds Payable: (Note 7A)							
Certificates of Participation:							
1998 ABAG	$ 655,000	$ -	$ (655,000)	$ -	$ -	$ -	$ -
1998 Parking Facility Series A	11,620,000	-	(645,000)	-	10,975,000	675,000	10,300,000
2009 Government Center	15,355,000	-	(470,000)	-	14,885,000	490,000	14,395,000
Tax Allocation Bonds							
Central Core Series 2003	5,995,724	-	(370,000)	3,661	5,629,385	385,000	5,244,385
Net OPEB Obligations (Note 11)	19,748,000	-	(19,748,000)	-	-	-	-
Self Insurance and Contingent Liability (Note 7B)	12,704,000	2,444,515	(2,054,515)	-	13,094,000	3,689,905	9,404,095
Compensated Absences (Note 7C)	8,491,845	7,165,417	(7,035,321)	-	8,621,941	7,412,221	1,209,720
Town Center Pollution Remediation Obligations (Note 7E)	1,714,082	871,189	(682,170)	-	1,903,101	500,000	1,403,101
Total Governmental Activities	$ 76,283,651	$ 10,481,121	$ (31,660,006)	$ 3,661	$ 55,108,427	$ 13,152,126	$ 41,956,301
Business-Type Activities:							
Bonds Payable: (Note 7A)							
Revenue Bonds:							
Water Revenue Series 2010	$ 24,542,777	$ -	$ (755,000)	$ 116,424	$ 23,904,201	$ 710,000	$ 23,194,201
Wastewater Revenue Series 2010	38,345,762	-	(1,600,000)	(94,714)	36,651,048	1,190,000	35,461,048
Solid Waste Series 2003	12,551,140	-	(1,310,000)	9,087	11,250,227	1,370,000	9,880,227
Solid Waste Series 2007	7,230,000	-	(480,000)	-	6,750,000	495,000	6,255,000
Landfill Postclosure Care Costs (Note 7D)	10,094,897	-	(627,326)	-	9,467,571	600,787	8,866,784
Total Business-Type Activities	$ 92,764,576	$ -	$ (4,772,326)	$ 30,797	$ 88,023,047	$ 4,365,787	$ 83,657,260

There have been no defaults on any debt service payments to the bondholders as of June 30, 2011. The City has complied with all significant bond covenants. Refer to Note 7 F for debt for which the City is not obligated in any manner.

A. *Bonds Payable*

Most of the City's bonded debt issues are insured. 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 rating. The ICR from Moody's is Aaa, also the highest possible rating.

7. LONG-TERM LIABILITIES, Continued

Ratings for the City's outstanding bonds as of June 30, 2011 are as follows:

Bonded Debt	Outstanding Par Amount	Underlying Rating Moody's	Underlying Rating S&P
Central Core Tax Allocation Refunding Bonds, Series 2003	$ 5,670,000	A2	A-
1998 Parking Facility, Series A Certificates of Participation	10,975,000	Aa1	AA+
2009 Government Center Certificates of Participation	14,885,000	Aa1	AAA
Water Revenue Bonds, Series 2010	23,330,000	Aa1	AAA
Wastewater Revenue Bonds, Series 2010	33,780,000	Aa2	AAA
Solid Waste Revenue Bonds, Series 2003	11,310,000	A1	AA
Solid Waste Revenue Bonds, Series 2007	6,750,000	N/A	N/A

All California tax allocation bonds have been placed on review for possible rating downgrade due to substantial uncertainty over the future of redevelopment agencies. Refer to Note 17 about subsequent events.

Certificates of Participation

$1,935,000 1998 ABAG Certificates of Participation Paid Off

Debt principal amount totaling $655,000 was originally scheduled to be retired in installments from fiscal year 2011 through fiscal year 2014. In June 2010, Sunnyvale School District, by exercising the prepayment option on the sublease agreement, wired $464,595 to the City. The funds were then forwarded to the trustee in order to redeem all outstanding COPs on the next scheduled debt service due August 1, 2010. This amount, along with the reserve fund and interest earned, was sufficient to meet the remaining debt service requirement.

$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.

Year Ending June 30,	Principal	Interest	Total
2012	$ 675,000	$ 530,118	$ 1,205,118
2013	710,000	496,522	1,206,522
2014	745,000	460,689	1,205,689
2015	780,000	422,750	1,202,750
2016	820,000	382,750	1,202,750
2017-2021	4,845,000	1,235,625	6,080,625
2022-2023	2,400,000	122,500	2,522,500
Total	$10,975,000	$ 3,650,954	$ 14,625,954

7. LONG-TERM LIABILITIES, Continued

$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, initially bearing interest at a weekly interest rate as determined by the remarketing agent (based on an examination of tax-exempt obligations comparable to the Certificates under then-prevailing market conditions). 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 this fiscal year, the City incurred an annual letter of credit fee of $157,900 plus $250 for each draw. City lease payments reimburse Union Bank for monthly letter of credit draws according to the Reimbursement Agreement which will expire in May, 2012. The City intends to apply for a renewal at the end of the next anniversary date. At June 30, 2011, the City had no amounts drawn on the letter of credit outstanding.

At June 30, 2011, the annualized interest rate was 0.08%, 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, 2011 was $455,475.

The debt service requirements for the 2009 Government Center Variable Rate Demand Refunding Certificates of Participation at June 30, 2011 were as follows:

Year Ending June 30,	Principal	Interest	Total
2012	$ 490,000	$ 11,908	$ 501,908
2013	510,000	11,516	521,516
2014	535,000	11,108	546,108
2015	555,000	10,680	565,680
2016	575,000	10,236	585,236
2017-2021	3,280,000	43,840	3,323,840
2022-2026	4,015,000	29,596	4,044,596
2027-2031	4,925,000	12,140	4,937,140
Total	$ 14,885,000	$ 141,024	$ 15,026,024

7. LONG-TERM LIABILITIES, Continued

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 $40,615. 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, 2011 was $359,653.

The debt service requirements for the bonds at June 30, 2011 were as follows:

Year Ending June 30,	Principal	Interest	Total
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	435,000	164,941	599,941
2017-2021	2,480,000	532,247	3,012,247
2022-2023	1,145,000	52,087	1,197,087
	5,670,000	1,565,082	7,235,082
Less Unamortized Discount	(40,615)	-	(40,615)
Total	$ 5,629,385	$ 1,565,082	$ 7,194,467

Revenue Bonds

$24,085,000 Water Revenue Bonds, Series 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 an unamortized premium of $574,201. The Bond also had deferred charges of $275,701 which were recorded as an asset and amortized over the life of the bonds on a straight-line basis.

7. LONG-TERM LIABILITIES, Continued

The debt service requirements for the bonds at June 30, 2011 were as follows:

Year Ending June 30,	Principal	Interest	Total
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	845,000	1,033,300	1,878,300
2017-2021	3,235,000	4,626,350	7,861,350
2022-2026	2,880,000	3,962,613	6,842,613
2027-2031	3,715,000	3,127,425	6,842,425
2032-2036	4,790,000	2,045,662	6,835,662
2037-2041	4,820,000	648,900	5,468,900
	23,330,000	19,914,700	43,244,700
Add Net Unamortized Premium	574,201	-	574,201
Total	$ 23,904,201	$ 19,914,700	$ 43,818,901

$35,380,000 Wastewater Revenue Bonds, Series 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 an unamortized premium of $2,871,048. The Bond also had deferred charges of $352,417, which were recorded as an asset and amortized over the life of the bonds on a straight-line basis.

The debt service requirements for the bonds at June 30, 2011 were as follows:

Year Ending June 30,	Principal	Interest	Total
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	1,375,000	1,488,275	2,863,275
2017-2021	6,140,000	6,428,375	12,568,375
2022-2026	6,470,000	4,938,538	11,408,538
2027-2031	4,715,000	3,335,588	8,050,588
2032-2036	5,045,000	2,153,812	7,198,812
2037-2040	5,075,000	682,762	5,757,762
	33,780,000	25,496,228	59,276,228
Add Net Unamortized Premium	2,871,048	-	2,871,048
Total	$ 36,651,048	$ 25,496,228	$ 62,147,276

7. LONG-TERM LIABILITIES, Continued

$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 an unamortized discount of $59,773. 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, 2011 was $381,797.

The debt service requirements for the 2003 Solid Waste Revenue Bonds at June 30, 2011 were as follows:

Year Ending June 30,	Principal	Interest	Total
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	1,695,000	249,012	1,944,012
2017-2018	3,680,000	205,150	3,885,150
	11,310,000	2,297,775	13,607,775
Less Unamortized Discount	(59,773)	-	(59,773)
Total	$ 11,250,227	$ 2,297,775	$ 13,548,002

$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 bank through a competitive bid process.

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, 2011 was $69,354.

7. LONG-TERM LIABILITIES, Continued

The debt service requirements for the bonds at June 30, 2011 were as follows:

Year Ending June 30,	Principal	Interest	Total
2012	$ 495,000	$ 261,381	$ 756,381
2013	520,000	240,981	760,981
2014	540,000	219,677	759,677
2015	560,000	197,568	757,568
2016	585,000	174,555	759,555
2017-2021	3,305,000	492,313	3,797,313
2022	745,000	14,973	759,973
Total	$ 6,750,000	$ 1,601,448	$ 8,351,448

Annual Debt Service Requirements to Maturity-All Bonded Debt

The annual requirements to amortize long-term bonded debt outstanding as of June 30, 2011 by activity are listed below:

	Governmental Activities		Business-Type Activities	
Year Ending June 30,	Principal	Interest	Principal	Interest
2012	$ 1,550,000	$ 766,802	$ 3,765,000	$ 3,658,634
2013	1,615,000	719,742	3,915,000	3,534,906
2014	1,685,000	669,248	4,095,000	3,348,352
2015	1,760,000	615,306	4,280,000	3,160,656
2016	1,830,000	557,927	4,500,000	2,945,142
2017-2021	10,605,000	1,811,712	16,360,000	11,752,188
2022-2026	7,560,000	204,183	10,095,000	8,916,124
2027-2031	4,925,000	12,140	8,430,000	6,463,012
2032-2036	-	-	9,835,000	4,199,475
2037-2040	-	-	9,895,000	1,331,662
	31,530,000	5,357,060	75,170,000	49,310,151
Add Unamortized Premium	-	-	3,445,249	-
Less Unamortized Discount	(40,615)	-	(59,773)	-
Total	$ 31,489,385	$ 5,357,060	$ 78,555,476	$ 49,310,151

7. LONG-TERM LIABILITIES, Continued

B. Self-Insurance and Contingent Liabilities

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

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

The City has $40,000,000 in excess general liability coverage, subject to $500,000 self-insured retention (SIR) for each occurrence, through California Joint Powers Risk Management Authority (CJPRMA), a risk-sharing pool. 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, 2011 may be obtained from CJPRMA at 3252 Constitution Drive, Livermore, CA 94551.

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. The excess workers' compensation coverage is structured in layers as described below:

- $500,000 - $1,000,000. Coverage provided by CSAC-EIA (20% quota share) and CastlePoint National Insurance Company (80% 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 (Chartis)

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, 2011, may be obtained from CSAC Excess Insurance Authority at 75 Iron Point Circle, Suite 200, Folsom, CA 95630.

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:

	2011	2010	2009
General:			
Liability at beginning of fiscal year	$ 1,500,000	$ 1,262,000	$ 1,279,000
Claims paid	(558,084)	(710,765)	(351,600)
Current fiscal year claims and changes in estimated liability	684,084	948,765	334,600
Liability at end of fiscal year	$ 1,626,000	$ 1,500,000	$ 1,262,000
Workers' Compensation:			
Liability at beginning of fiscal year	$ 11,204,000	$ 11,509,000	$ 12,438,000
Claims paid	(1,496,431)	(1,607,992)	(1,556,600)
Current fiscal year claims and changes in estimated liability	1,760,431	1,302,992	627,600
Liability at end of fiscal year	$ 11,468,000	$ 11,204,000	$ 11,509,000
Total estimated claims payable	$ 13,094,000	$ 12,704,000	$ 12,771,000

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 3% for fiscal year 2012, 4% for fiscal years 2013 to 2020, and 5% for fiscal year 2021 and beyond, on the carrying amount of estimated general liability of $1,731,000 and estimated workers' compensation liability of $14,680,000 at the 70% confidence level.

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

C. Compensated Absences

The City's compensated absences consist of accrued vacation pay, floating holiday pay for all regular employees and paid time off and floating holiday pay for management 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, 2011 was $8,621,941.

D. Landfill Postclosure Care Costs

On September 30, 1993, the City used up all of its landfill's remaining capacity. In accordance with state and federal laws and regulations, the City placed a final cover on its landfill and is required to perform certain maintenance and monitoring functions at the landfill site for thirty years after closure.

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, 2011, a liability in the amount of $9,467,571 was reported based on the estimated remaining postclosure care costs that will be incurred over the next 13 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, 2011. 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.

7. LONG-TERM LIABILITIES, Continued

E. 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, the 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.

7. LONG-TERM LIABILITIES, Continued

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. 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. At year end, the balance of the committed funds was $72,641.

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.

The Receiver and the Agency negotiated 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 estimated, cumulative pollution remediation obligation has been revised to $9,000,000, measured at the current value of expected, most likely outlays. This amount includes Agency's estimated share of total environmental costs with the Developer and 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 2011, the Agency's Special Revenue Fund reported environmental expenditures of $682,170 including spending incurred according to the aforementioned IIA to discharge the Agency from certain prior pollution remediation obligations. From fiscal years 2008 through 2011, the Agency's cumulative environmental expenditures amounted to $7,096,899. At the end of fiscal year 2011, the Agency estimates remaining future environmental outlays at $1,903,101, out of the revised total of $9,000,000.

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

7. LONG-TERM LIABILITIES, Continued

The estimated pollution remediation obligations may change with new information, price increases 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 residential development in the area, the property had been leased to tenants for private industrial use until the City Council appropriated $4.2 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 is required to assemble a definitive plan of action to submit to the State regulatory agencies for approval before any construction work on the site can begin.

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, 2011, the City incurred cost of $277,835 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.

7. LONG-TERM LIABILITIES, Continued

F. 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 $18,060,000 at June 30, 2011. 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.

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 E 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, 2009 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.

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.

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, 2011 are as follows:

Year Ending June 30,	Land	Equipment	Total
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	52,747	-	52,747
2017-2021	263,735	-	263,735
Total	$ 527,470	$ 173,915	$ 701,385

9. COMMITMENTS

At June 30, 2011, the City had outstanding construction commitments for the following projects:

Description	Contract	Unpaid
Citywide Sanitary Sewer Pipe Replacement	$ 1,115,000	$ 477,144
Air Flotation Tank Impovements Project	1,853,800	1,853,800
Traffic Signal Reconstruction Fair Oaks & Wolfe Road	452,652	452,652
Mathilda Avenue Overhead Bridge	15,652,311	5,851,415
	$ 19,073,763	$ 8,635,012

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.

10. RETIREMENT PLAN, Continued

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 nearly all safety participants (the bargaining unit for captains and the deputy chiefs began paying a portion of their contribution in this year). This amounted to $7,500,360 for the fiscal year ended June 30, 2011. 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, 2011, the City contribution was 16.609% for miscellaneous employees and 29.417% 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 2011 the City's annual pension cost of $18,706,455 was equal to the City's required and actual contributions. Originally the required employer contribution was determined as part of the June 30, 2008, 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, 2008, was 20 years for miscellaneous employees on a closed basis. However, for the safety plan, the City opts to pay for a higher employer contribution rate that amortizes over 20 years on a closed basis.

Trend Information

	Annual Pension Cost (APC)				
Fiscal Year Ending	Miscellaneous Plan	Safety Plan	Total APC	Percentage of APC Contributed	Net Pension Obligation
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%	-
06/30/11	9,178,879	9,527,576	18,706,455	100%	-

10. RETIREMENT PLAN, Continued

Funding Progress

The most recent PERS actuarial valuations as of June 30, 2011 are presented below:

Miscellaneous Plan

Valuation Date	Accrued Liability (a)	Actuarial Value of Assets (AVA) (b)	Unfunded Liability (UL) (a)-(b)	Funded Ratios (AVA) (b)/(a)	Funded Ratios Market Value	Annual Covered Payroll (c)	UL as a % of Payroll [(a)-(b)]/(c)
6/30/2007	$291,615,588	$249,902,644	$ 41,712,944	85.7%	98.9%	$ 54,173,556	77.0%
6/30/2008	321,873,624	272,822,360	49,051,264	84.8%	86.0%	52,930,362	92.7%
6/30/2009	362,079,446	289,158,200	72,921,246	79.9%	57.9%	57,068,680	127.8%

Safety Plan

Valuation Date	Accrued Liability (a)	Actuarial Value of Assets (AVA) (b)	Unfunded Liability (UL) (a)-(b)	Funded Ratios (AVA) (b)/(a)	Funded Ratios Market Value	Annual Covered Payroll (c)	UL as a % of Payroll [(a)-(b)]/(c)
6/30/2007	$314,253,296	$258,148,912	$ 56,104,384	82.1%	95.6%	$ 28,140,257	199.4%
6/30/2008	334,085,457	276,074,688	58,010,769	82.6%	84.6%	29,840,404	194.4%
6/30/2009	362,842,286	287,338,615	75,503,671	79.2%	57.5%	31,418,480	240.3%

11. 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.

The City provides a retiree healthcare stipend equal to the lesser of the medical premium or a dollar limit that varies by employee group ($327 to $594 per month for 2011). 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 677 retired plan participants at year end.

11. OTHER POSTEMPLOYMENT BENEFITS (OPEB), Continued

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.

Since 2007, the City has set aside funds in the Employee Benefits Internal Service Fund for future OPEB obligations. On July 20, 2010, City Council approved the City entering into an Investment Advisory Agreement with PFM Asset Management, LLC (PFM) to establish and administer the City's retiree medical trust, a tax-qualified irrevocable trust organized under Internal Revenue Code Section 115 to pre-fund retiree healthcare benefits. On December 7, 2010, Council approved a Trust Agreement among the City (Employer), PFM (Trust Administrator), and U.S. Bank National Association (as the Trustee of Trust assets).

For fiscal year 2011, the ARC was $14,108,000. The City contributed $4,128,000 on a pay-as-you-go basis for current benefit payments. Additionally, based on PFM's analysis of the City's overall OPEB liability and consideration of mitigating funding risk from market fluctuations, the City contributed a total of $32,614,000 to the Trust between January and April, 2011. The Employee Benefits Internal Service Fund had 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. This retiree medical trust is not considered a component unit of the City and is excluded from the City's financial statements. A separate OPEB plan report can be obtained by contacting Finance Department, City of Sunnyvale, 650 West Olive Avenue, Sunnyvale, CA 94086

Annual OPEB Cost and Net OPEB Assets

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, Fiscal Year 2011		$ 14,108,000
Interest on Net OPEB Obligation		938,000
Amortization of Net OPEB Obligation		(1,620,000)
Annual OPEB Cost		13,426,000
Contributions		
Trust Pre-Funding	$ (32,614,000)	
Benefit Payments Outside of Trust	(4,128,000)	(36,742,000)
Increase (Decrease) in Net OPEB Obligation		(23,316,000)
Net OPEB Obligation-Beginning of Year		19,748,000
Net OPEB Obligation (Asset)-End of Year		$ (3,568,000)

.

11. OTHER POSTEMPLOYMENT BENEFITS (OPEB), Continued

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2011 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 (Asset)
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
6/30/2011	13,426,000	36,742,000	273.7%	(3,568,000)

Funded Status and Funding Progress

The results of the June 30, 2010 Actuarial Valuation was finalized on August 17, 2011. The funded status of the plan is presented below:

	Actuarial Valuation June 60, 2010
Actuarial Accrued Liability (AAL)	$ 105,560,000
Actuarial Value of Plan Assets	-
Unfunded Actuarial Accrued Liability (UAAL)	105,560,000
Funded Ratio (Actuarial Value of Plan Assets/AAL)	0%
Covered Payroll (Active Plan Participants)	$ 79,075,000
UAAL as a Percentage of Covered Payroll	133.5%

The market value of the City's OPEB Trust assets was $33,307,872 at June 30, 2011.

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.

11. OTHER POSTEMPLOYMENT BENEFITS (OPEB), Continued

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	$ -	$ 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%
6/30/2010	-	105,560,000	105,560,000	0%	79,075,000	133.5%

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 the OPEB trust had not been established. The 2010 valuation used a discount rate of 6.50% with ARC pre-funded.

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, 2010, actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 6.50 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 9.5% for 2012, grading down to 5% for 2021 and thereafter. The post-Medicare medical cost increase rates were 10% for 2012, grading down to 5% for 2021 and thereafter. The initial UAAL was amortized as a level percentage of projected payroll over a fixed (closed) 30-year period. Amortization period decreases by one year each fiscal year, but not less than 15 years. When amortization period reaches 15 years, new gains and losses will be amortized over a rolling 15-year period. There were 26 years remaining for projected UAAL as of June 30, 2011.

12. TRANSFERS

Transfers are interfund transactions wherein the two funds involved do not necessarily 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.

Government-Wide Financial Statements

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

Below is a summary of interfund transfers.

Fund Financial Statements

Fund Receiving Transfers	Fund Making Transfers	Amount Transferred	Funding Purpose
General Fund	Housing	$ 50,265	(3)
	Employment Development	380,402	(3)
	City Projects	12,095	(1)
	Nonmajor Governmental	168,353	(3)
	Internal Service - General Services	398,478	(3)
	Water Supply and Distribution	2,452,965	(3)
	Wastewater Management	3,634,047	(3)
	Solid Waste Management	3,083,573	(3)
	Community Recreation	1,003,657	(3)
	Subtotal - General Fund	11,183,835	

12. TRANSFERS, Continued

Fund Receiving Transfers	Fund Making Transfers	Amount Transferred	Funding Purpose
Redevelopment Debt Service	Nonmajor Governmental	$ 9,441,105	(2)
	Subtotal - Redevelopment Debt Service	9,441,105	
City Projects	General Fund	192,050	(1)
	Nonmajor Governmental	2,637,773	(1)
	Wastewater Management	2,764	(1)
	Subtotal - City Projects	2,832,587	
Nonmajor Governmental	General Fund	686,949	(3)
	City Projects	854,228	(1)
	Nonmajor Governmental	547,857	(1)
	Internal Service - General Services	657,608	(4)
	Water Supply and Distribution	60,831	(4)
	Wastewater Management	42,291	(4)
	Solid Waste Management	61,377	(4)
	Subtotal - Nonmajor Governmental	2,911,141	
Internal Service - General Services	General Fund	212,373	(1)
	City Projects	9,242	(1)
	Nonmajor Governmental	536,185	(1)
	Water Supply and Distribution	821,702	(1)
	Wastewater Management	716,616	(1)
	Solid Waste Management	12,166	(1)
	Subtotal - Internal Service - General Services	2,308,284	
Water Supply and Distribution	Wastewater Management	2,143	(1)
	Solid Waste Management	2,857	(1)
	Subtotal - Water Supply and Distribution	5,000	
Solid Waste Management	Wastewater Management	5,269	(1)
	Subtotal - Wastewater Management	5,269	
SMaRT Station	Solid Waste Management	1,575,057	(2)
	Subtotal - SMaRT Station	1,575,057	
Community Recreation	General Fund	4,474,318	(3)
	Nonmajor Governmental	10,065	(3)
	Subtotal - Community Recreation	4,484,383	
	Total Interfund Transfers	$ 34,746,661	

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

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 $43,244,700 with annual requirements ranging from $1,874,900 in fiscal year 2012 to $1,368,250 in the final fiscal year 2040. Debt service principal and interest totaling $1,657,964 was paid during the year. Net revenues of the Water System amounted to $3,443,746. 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

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 $59,276,228 with annual requirements ranging from $2,849,503 in fiscal year 2012 to $1,436,663 in the final fiscal year 2040. Debt service principal and interest totaling $2,857,957 was paid during the year. Net revenues of the Wastewater System amounted to $6,824,563. Net revenues for calculating debt coverage include the following components: operating revenues, operating expenses (excluding depreciation), interest earnings, and net interfund operating transfers.

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 $13,607,775 with annual requirements ranging from $1,942,850 in fiscal year 2012 to $1,941,975 in the final fiscal year 2018. Total principal and interest remaining to be paid on the 2007 bond issues is $8,351,448 with annual requirements ranging from $756,381 in fiscal year 2012 to $759,973 in the final fiscal year 2022.

For the current year, principal and interest payments made were $1,945,350 for the 2003 Bonds and $760,977 for the 2007 Bonds. Net revenues of the Solid Waste System amounted to $3,309,210 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 $1,585,326 to the SMaRT Station Fund. The cities of Mountain View and Palo Alto paid $435,339 and $606,077 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 $9,675,964, 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.

13. PLEDGED REVENUES, Continued

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 $7,235,082. The annual debt service, ranging from $609,776 in fiscal year 2012 to $598,163 in the final fiscal year 2023, is fully covered by current tax increment revenue.

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 $14,625,954. The annual debt service, ranging from $1,205,118 in fiscal year 2012 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. The cumulative balance of the housing deficit amounted to $14,673,336 at year end.

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 in fiscal year 2006.

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, 2011, cumulative tax increment received amounted to $93,265,832.

13. PLEDGED REVENUES, Continued

Refer to Note 7F. 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 through 2026 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 through General Fund advances to the Agency, as specified in the Easement Agreement, dated September 28, 2007, and the Loan and Repayment Agreement, dated December 18, 2003. At year end, estimated liability to the Developer was $4,510,795; however, no payment is due since the Minimum Project TIF (tax increment financing) Date has not been achieved. Minimum Project TIF Date means the date on which the following have occurred: (1) Completion of no less than 150,000 square feet of the retail portion of the Project, as evidenced by final City building permit and inspection, and evidence of execution of leases with retail tenants for said 150,000 square providing for tenant's construction of tenant improvements and (2) completion of the Redwood Plaza Area.

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."

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, 2011:

	Major Funds					
	General Fund	Housing Special Revenue	Employment Development Special Revenue	Redevelopment Debt Service	City Projects	Nonmajor Governmental Funds
Fund Balances:						
Nonspendable:						
Inventories and Prepayments	$ 659,795	$ -	$ 4,425	$ -	$ 350,000	$ 141,613
Advances to Other Funds Net of Deferred Revenue	10,180,961	-	-	-	-	-
Long-term Receivables Net of Deferred Revenue	3,198,880	-	-	-	-	-
Assets Held for Resale	1,429,202	280,000	-	-	-	-
Permanent Fund Principal	-	-	-	-	-	1,435,445
Columbia Neighborhood Center Endowment	506,658	-	-	-	-	-
Subtotal	15,975,496	280,000	4,425	-	350,000	1,577,058
Restricted for:						
Donations and Contributions from External Sources	442,553	-	-	-	-	-
Hazardous Materials Program Enforcement Actions	125,055	-	-	-	-	-
Housing Mitigation	-	13,034,589	-	-	-	-
Housing - CDBG and HOME Grants	-	-	-	-	-	1,196,129
Park Dedication	-	-	-	-	-	11,684,663
Law Enforcement - Asset Forfeiture Funds	-	-	-	-	-	1,108,359
Police Services Augmentation	-	-	-	-	-	63,585
Workforce Training and Development	-	-	151,258	-	-	-
Downtown Parking Maintenance	-	-	-	-	-	610,376
Public Streets and Highways	-	-	-	-	-	6,534,188
Easement Agreement with Redevelopment Agency	4,510,795	-	-	-	-	-
Debt Service Reserve	-	-	-	1,930,954	-	1,102,762
Capital Projects Funded by External Resources	-	-	-	-	15,719,405	-
Subtotal	5,078,403	13,034,589	151,258	1,930,954	15,719,405	22,300,062
Committed to:						
Contingency Reserve	23,423,708	-	-	-	-	-
Capital Improvement Projects (Downtown)	7,969,903	-	-	-	-	-
Infrastructure Renovation and Improvement Projects	-	-	-	-	-	10,278,936
Current Capital and Special Projects Carryover	1,569,263	-	-	-	-	-
Subtotal	32,962,874	-	-	-	-	10,278,936
Assigned to:	-	-	-	-	-	-
Youth and Neighborhood Services	192,993	-	-	-	-	-
Unassigned, Reported in						
Major Funds	43,545,452	-	-	(62,230,121)	-	-
Special Revenue Funds	-	-	-	-	-	(3,766,883)
Total	$ 97,755,218	$ 13,314,589	$ 155,683	$ (60,299,167)	$ 16,069,405	$ 30,389,173

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.

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

14. CLASSIFICATION OF NET ASSETS AND FUND BALANCES, Continued

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 action (Council-adopted resolution or action), 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. Amounts in excess of nonspendable, restricted, and committed fund balances in funds other than the General Fund are reported as assigned fund balance.

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

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 2011 adopted budget, the amount of $23,423,708 was identified and set aside for the designated purpose. This specific reserve is classified as committed resources.

14. CLASSIFICATION OF NET ASSETS AND FUND BALANCES, Continued

The General Fund Reserve for Capital Improvement Projects reflects the proceeds of $8,818,130 received from Downtown land sale between fiscal year 2006 and fiscal year 2008. Such proceeds have been approved by the Council for specific Downtown improvement projects. The balance at year end was $7,969,903, classified as committed resources of the fund balance.

The Current Capital and Special Projects represent the unspent amount of project appropriations at the end of fiscal year 2011. The amount of $1,569,263 remains committed until the completion of Council-approved projects.

*T*he *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 2011, this Fund had a balance of $43,545,452. This Fund is classified as unassigned resources.

The *assigned* amount of $192,993 in the General Fund represents management's intention to utilize the funds to subsidize operating costs of Youth and Neighborhood Services in fiscal year 2012. The Council-approved budget directed the General Fund to provide $532,100 to subsidize Youth and Neighborhood Services' operating costs for fiscal year 2011. By fiscal year end, the unused amount was $192,993.

Explanation of Fund Balance Requirements Other than the General Fund:

Additional explanations are provided below to supplement the schedule presented on page 113.

For the Redevelopment Debt Service Fund, the negative amount of $62,230,121 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 $16,069,405. After having identified the unspendable amount of $350,000 (prepayments), the remaining balance represents the restricted amount of $15,719,405 (resources from grants and impact fees)

For the Nonmajor Governmental Funds, the amount of $10,278,936 represents resources committed 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 $3,766,883 was reported in the Redevelopment Agency Special Revenue Nonmajor Fund. The deficit was caused by (1) the development agreement requiring the Agency to share with the developer certain environmental costs in the Town Center redevelopment project area (refer to **Note 7E**); and (2) the development agreement requiring the Agency to reimburse the Town Center developer for constructing public improvements (refer to **Note 13**).

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 ($23,312,647). 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	$	(21,384,930)
Cumulative Internal Service Funds' Look-back Adjustments		(1,927,717)
Deficit Unrestricted Net Assets in Business-Type Activities	$	(23,312,647)

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.

Fund Financial Statements

The following funds had deficit fund balance or net assets as of June 30, 2011:

Major Funds Deficit Fund Balance:	
Redevelopment Agency Debt Service Fund	$ (60,299,167)
Solid Waste Management Enterprise Fund	(34,522,418)

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, 2011, total advances amounted to $62,230,121 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.

15. DEFICIT NET ASSETS AND FUND BALANCES, Continued

Although the combined net assets for all internal service funds were $44,238,518, one of the internal service funds, the Risk Management Fund, had a deficit net asset of $776,590 at year end. 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.

16. PRIOR PERIOD ADJUSTMENTS

Fund Financial Statements

Governmental Funds	Fund Balance Originally Reported June 30, 2010	Prior Period Adjustments	Fund Balance Restated June 30, 2010
General Fund	$ 88,793,424	$ 3,272,844	$ 92,066,268
Nonmajor Special Revenue Funds:			
Redevelopment Agency	1,494,000	(3,272,844)	(1,778,844)
Total	$ 90,287,424	$ -	$ 90,287,424

Concurrent with execution of the ARDDOPA on February 6, 2007 (refer to **Note 7F and Note 13**), the City and Redevelopment Agency entered into a Payment Agreement, granting the City an easement over the public parking parcels owned by the Agency. In consideration for the easement, the City (General Fund) agrees to make certain annual payments (advances) to the Agency. The Agency will then use such funds to pay annual installments to the Developer, in consideration for Developer constructing and operating required public improvements. The first annual payment to the Developer is due when the Minimum Project TIF (Tax Increment Financing) Date has occurred. Since the Town Center Redevelopment Project has not achieved such a milestone, no payment is due to the Developer as yet. Between fiscal years 2007 to 2010, based on the interim project tax increment data, the General Fund accrued expenses and recognized estimated liabilities of $3,272,844 to the Developer. Such liabilities should have been reported under the Redevelopment Agency Special Revenue Nonmajor Fund.

According to the Loan and Repayment Agreement between the Agency and the City, dated December 18, 2003, the City may advance funds to the Agency for the costs of building public improvements such as streets, sidewalks and utilities within the Town Center. Interfund advances are reported on the balance sheet and have no effect on fund balance.

17. SUBSEQUENT EVENTS

In an effort to balance its budget, the State of California adopted ABx1 26 on June 28, 2011, which suspends all new redevelopment activities except for limited specified activities as of that date and dissolves redevelopment agencies effective October 1, 2011. The State simultaneously adopted ABx1 27 which allows redevelopment agencies to avoid dissolution by the City opting into an "alternative voluntary redevelopment program" requiring specified substantial annual contributions to local schools and special districts. Concurrently with these two measures, the State passed various budget and trailer bills that are related and collectively constitute the Redevelopment Restructuring Acts. If all sponsoring communities were to opt-in to the voluntary program, these contributions amount to an estimated $1.7 billion for fiscal year 2012 and an estimated $400 million in each succeeding year. If the City fails to make the voluntary program payment, the Agency would become subject to the dissolution provisions of ABx1 26.

On July 18, 2011, the California Redevelopment Association, the League of California Cities and others challenged the validity and constitutionality of ABx1 26 and 27 to the California Supreme Court on numerous grounds, including that the acts violate certain provisions of the California Constitution. On August 11, 2011, as modified on August 17, 2011, the California Supreme Court agreed to hear the case and issued a partial stay of ABx1 26 and a full stay of ABx1 27, but the stay did not include the section of ABx1 26 that suspends all new redevelopment activities. It is anticipated that the Court will render its decision before January 15, 2012, the date the first voluntary program payment is due.

The suspension provisions of ABx1 26 prohibit all redevelopment agencies from a wide range of activities, including incurring new indebtedness or obligations, entering into or modifying agreements or contracts, acquiring or disposing of real property, taking actions to adopt or amend redevelopment plans and other similar actions, except actions required by law or to carry out existing enforceable obligations, as defined in ABx1 26. During the suspension period, an agency is required to prepare an Enforceable Obligation Payment Schedule no later than August 29, 2011, that allows it to continue to pay certain obligations. The Agency adopted its Enforceable Obligation Payment Schedule (EOPS) on August 23, 2011. The EOPS lists the Agency's debt obligations, which include the 2003 Tax Allocation Bonds, the 1998 Parking Facility Refunding Certificates of Participation, the 1977 and 2003 Loan Repayment obligations (**Note 5B**), the Amended Disposition, Development, and Owner Participation Agreement (ADDOPA) obligations (**Notes 7E** and **13**), the Low and Moderate Housing Fund obligations (**Note 13**), costs of administration and operation of the Agency, and costs of special projects (economic analysis, plan amendment and implementation, mid-term review, and outside legal counsel services).

In addition, the suspension provisions require the State Controller to review the activities of all redevelopment agencies to determine whether an asset transfer between an agency and any public agency occurred on or after January 1, 2011. If an asset transfer did occur and the public agency that received the asset is not contractually committed to a third party for the expenditure or encumbrance of the asset, the State Controller is required to order the asset returned to the redevelopment agency. The State Controller's Office has not yet provided any information about the timing or the process for this statewide asset transfer review.

17. SUBSEQUENT EVENTS, Continued

The Agency is currently subject to the suspension provisions as described above. These facts indicate that there is more than a remote possibility the Agency may not continue as a going concern beyond October 1, 2011. The continuation of the Agency beyond October 1, 2011 will initially depend upon whether the Supreme Court rules in favor of the petitioners. There are three possible consequences to the Agency from a decision of the Supreme Court, when it is rendered:

1. If the Supreme Court determines that both ABx1 26 and ABx1 27 are valid, the City will be required to make annual payments to the County Auditor-Controller and the Agency will no longer be subject to the suspension provisions. On September 13, 2011, the City, as the sponsoring community, approved the Continuation Ordinance to keep the Agency in existence and to participate in the Voluntary Program. On September 20, 2011, Sunnyvale City Council adopted a resolution, authorizing the execution of the Agency Transfer Payment Agreement with the City of Sunnyvale pursuant to Part 1.9 of the Redevelopment Law. It is anticipated that the City's annual remittances will be reimbursed by the Agency from tax increment revenues of the Central Core Project Areas. The State Department of Finance calculated the City's Voluntary Program payment for fiscal year 2012 to be $3,650,428, which City staff has reviewed and verified with the source document.

2. If the Supreme Court determines that both ABx1 26 and ABx1 27 are valid and the City decides not to participate in the alternative voluntary redevelopment program, or if the Supreme Court determines that ABx1 26 is valid, but ABx1 27 is not valid, the Agency will continue to be subject to the suspension provisions and will then be dissolved in accordance with certain provisions of ABx1 26. Prior to dissolution, any transfers of Agency assets subsequent to January 1, 2011 to the City that were not obligated to third parties or encumbered may be subject to the State Controller's review discussed above and required to be returned to the Agency. Upon dissolution, all assets and obligations of the Agency would be transferred to a successor agency.

3. If the Supreme Court determines that both ABx1 26 and ABx1 27 are invalid, the Agency would no longer be subject to the suspension provisions and would continue in existence under California Redevelopment Law as it existed prior to the enactment of ABx1 26 and ABx1 27.

As of November 18, 2011, the Supreme Court has not ruled on the case and the Agency is subject to the suspension provisions as discussed above.

Required Supplementary Information

Required Supplementary Information
Fiscal Year Ended June 30, 2011

BUDGETARY POLICY AND CONTROL

Budgetary Comparison Schedule - General Fund
Fiscal Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive(Negative)
	Original	Final		
Budgetary Fund Balance, July 1, 2010	$ 60,247,296	$ 72,245,587	$ 72,245,587	$ -
Resources (inflows):				
Property Taxes	42,513,744	41,937,637	42,356,100	418,463
Sales and Use Taxes	25,112,500	28,450,477	30,418,944	1,968,467
Other Taxes	14,997,506	16,597,030	16,962,760	365,730
Franchise Fees	6,110,995	6,309,686	6,246,832	(62,854)
Intergovernmental Revenues	1,163,211	2,291,488	2,001,642	(289,846)
Permits and Licenses	4,825,633	5,544,598	5,972,123	427,525
Fines and Forfeitures	1,150,030	1,100,469	1,224,240	123,771
Service Fees	3,441,557	3,683,979	4,065,989	382,010
Rents and Concessions	2,695,485	1,954,014	2,012,834	58,820
Investment Earnings	994,080	492,544	490,071	(2,473)
Interfund Revenues	11,101,915	9,330,898	11,293,118	1,962,220
Other Revenues	163,651	238,013	453,743	215,730
Transfers In	9,321,491	9,435,477	9,192,254	(243,223)
Total Resources	123,591,798	127,366,310	132,690,650	5,324,340
Charges to appropriations (outflows):				
Planning and Management	18,240,093	18,990,931	17,383,705	1,607,226
Public Safety	70,827,076	72,577,895	71,781,658	796,237
Community Development	17,195,783	17,334,766	16,224,888	1,109,878
Transportation	7,012,874	7,382,224	6,589,720	792,504
Socioeconomic*	329,613	328,396	407,068	(78,672)
Cultural	7,903,158	8,157,265	7,568,401	588,864
Environmental Management	1,955,511	2,069,318	1,976,924	92,394
Capital Outlay	30,272	131,539	(6,165)	137,704
Debt Service	175,145	-	102	(102)
Transfers Out	5,219,650	9,396,157	6,097,688	3,298,469
Total charges to appropriations	128,889,175	136,368,491	128,023,989	8,344,502
Excess of resources over (under) charges to appropriations	(5,297,377)	(9,002,181)	4,666,661	13,668,842
Budgetary Fund Balance, June 30, 2011	$ 54,949,919	$ 63,243,406	$ 76,912,248	$ 13,668,842

*Actual exceeded Budget by amount within the City Manager's authority to reallocate amongst operating programs with no change to total appropriations

BUDGETARY POLICY AND CONTROL, Continued

Budgetary Comparison Schedule - Housing Fund
Fiscal Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1, 2010	$ 11,422,062	$ 11,938,037	$ 11,938,037	$ -
Resources (inflows):				
Intergovernmental Revenues	6,600,000	6,600,000	4,632,304	(1,967,696)
Service Fees	45,000	7,100	1,294,537	1,287,437
Rents and Concessions	18,851	17,700	14,574	(3,126)
Interest Income	241,498	90,666	82,606	(8,060)
Other Revenues	671,071	586,471	476,266	(110,205)
Total Resources	7,576,420	7,301,937	6,500,287	(801,650)
Charges to appropriations (outflows):				
Community Development	7,459,483	7,187,106	5,330,792	1,856,314
Transfers Out	50,265	50,265	50,265	-
Total charges to appropriations	7,509,748	7,237,371	5,381,057	1,856,314
Excess of resources over (under) charges to appropriations	66,672	64,566	1,119,230	1,054,664
Budgetary Fund Balance, June 30, 2011	$ 11,488,734	$ 12,002,603	$ 13,057,267	$ 1,054,664

Budgetary Comparison Schedule - Employment Development Fund
Fiscal Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1, 2010	$ 4,722,825	$ 160,282	$ 160,282	$ -
Resources (inflows):				
Intergovernmental Revenues	8,000,000	17,748,852	12,227,932	(5,520,920)
Service Fees	-	-	6,223	6,223
Other Revenues	-	2,088,956	103,959	(1,984,997)
Total Resources	8,000,000	19,837,808	12,338,114	(7,499,694)
Charges to appropriations (outflows):				
Socioeconomic	11,012,622	13,435,572	11,962,312	1,473,260
Transfers Out	349,800	426,850	380,401	46,449
Total charges to appropriations	11,362,422	13,862,422	12,342,713	1,519,709
Excess of resources over (under) charges to appropriations	(3,362,422)	5,975,386	(4,599)	(5,979,985)
Budgetary Fund Balance, June 30, 2011	$ 1,360,403	$ 6,135,668	$ 155,683	$ (5,979,985)

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

Sources/Inflow of Resources:	**General Fund**	**Housing Fund**	**Employment Development Fund**
Actual amounts (budgetary basis) of "total resources" from the budgetary comparison schedule	$ 132,690,650	$ 6,500,287	$ 12,338,114
Differences - Budget to GAAP			
Interfund advances repayment is a budgetary resource but is not a revenue for financial reporting purposes	(10,232,651)	-	-
Timing difference for recognition of deferred interest on interfund advances	8,998,723	-	-
Interfund rent is a budgetary resource but is a transfer, not a revenue, for financial reporting purposes	(1,177,089)	-	-
Interfund revenues are a budgetary resource but are transfers, not revenues, for financial reporting purposes	(814,492)	-	-
Change in fair value of investments is not budgetary resource	(204,255)	(41,263)	-
Private donations are not in budget	127,738	-	-
Youth and Neighborhood Services are not in budget	229,501	-	-
Contribution to Multimodal Sinking Fund	(10,870)	-	-
Timing difference for recognition of revenue which has been deferred for financial reporting purposes	(91,673)	-	-
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes	(9,192,254)	-	-
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	$ 120,323,328	$ 6,459,024	$ 12,338,114
Uses/Outflows of Resources			
Actual amounts (budgetary basis) of "total charges to appropriations" from the budgetary comparison schedule	$ 128,023,989	$ 5,381,057	$ 12,342,713
Differences - Budget to GAAP			
Interfund advance is a budgetary expenditure but is not an expenditure for financial reporting purposes	(1,206,475)	-	-
Interfund advance to RDA for easement is a budgetary expenditure but is not an expenditure for financial reporting purposes	(1,237,950)	-	-
Valuation adjustments are not budgetary expenditures	96,538		
ABAG Debt Service Fund included in budgetary fund structure	(671,987)	-	-
Private donations are not in budget	96,922	-	-
Youth and Neighborhood Services are not in budget	588,159	-	-
Contribution to Multimodal Sinking Fund	(10,870)	-	-
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(5,425,803)	(50,265)	(380,402)
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	$ 120,252,523	$ 5,330,792	$ 11,962,311

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,
- 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.

BUDGETARY INFORMATION, Continued

- Prior to June 30 of each year, the budget as modified by the City Council is legally enacted by adoption of a budget resolution. The legal level of budgetary control is placed by the City Council at the program level, with adjustments between programs within funds allowed below specified thresholds. A separate Budgetary Year-End Financial Report is prepared in December of each year, which presents details to demonstrate compliance at the legal level of control for the previous fiscal year. Appropriations for operations lapse at year-end to the extent they have not been expended. On November 6, 2007 Sunnyvale voters amended the City Charter so that appropriations for capital improvement projects will not lapse at year-end unless completed, closed out, or modified by the City Council.

- Budgets are legally adopted for all governmental funds.

- Formal budgets are employed as a management control device for all funds in which a budget has been adopted. They serve as the primary means of spending control for the general fund, special revenue funds, debt service funds and capital project funds.

- Budgeted amounts reported are those as originally adopted June 29, 2010 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

<u>The General Fund</u>

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 $1,398,803, equipment carryover of $200,449, and transfer carryover of $4,176,507. Additionally, a total amount of $2,552,609 was appropriated throughout the fiscal year for various unanticipated expenditures, including $869,852 for projects, $380,942 for equipment, and $1,301,815 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. Administrative budget adjustments increased appropriations by $158,145 to cover unanticipated legal costs. Appropriations were reduced by $361,036 for projects and equipment which will not carry forward and by $646,162 for unneeded transfers.

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 and in lieus in the amount of $840,395 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 increased anticipated resources by $2,934,117.

BUDGETARY HIGHLIGHTS, Continued

The Housing Special Revenue Fund

The original budget of the City's Housing Fund was modified during the fiscal year to reduce appropriations as projects which will not carry forward of $421,266 exceeded project carryover appropriations of $148,889.

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 increase in appropriations of $2.5 million was due to the Green Innovation Challenge Grant which was secured during the fiscal year.

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 regionally-based Pavement Condition Index (PCI) 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.

MODIFIED APPROACH FOR CITY STREETS INFRASTRUCTURE CAPITAL ASSETS, Continued

The following conditions were defined:

Condition	Rating
Excellent	90-100
Very Good	80-89
Good	70-79
Fair	60-69
At Risk	50-59
Poor	25-49
Failed	0-24

The City Policy is to achieve a rating of 75 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 2011 for fiscal year 2011. In that study, the City's street system was rated at a PCI index of 77 on the average with the detail condition as follows:

Condition	Rating
Excellent	4.2%
Very Good	4.0%
Good	38.7%
Fair	39.4%
At Risk	10.9%
Poor	2.3%
Failed	0.5%

While the 2011 study results met the City policy, the most cost effective PCI is considered to be 80. The City has budgeted additional funds beginning in fiscal year 2012 to return to a PCI of 80 and maintain that level.

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 $3,121,871 on street maintenance for the fiscal year ended June 30, 2011. 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.

MODIFIED APPROACH FOR CITY STREETS INFRASTRUCTURE CAPITAL ASSETS, Continued

Fiscal Year	Maintenance Estimate	Actual Expenditures	Average PCI Index
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
2010-2011	4,616,000	3,122,000	77

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 ***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 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.

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.

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 was receiving 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 fund used by the City in this report is listed below:

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

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2011

	Special Revenue			
	Community Development Block Grant	**HOME Grant**	**Park Dedication**	**Asset Forfeiture**
Assets:				
Cash and Investments Held by City	$ 1,331,698	$ -	$ 11,629,505	$ 1,123,152
Cash and Investments Held by Fiscal Agent	-	-	-	-
Other Receivables, Net	2,341	-	63,185	5,962
Intergovernmental Receivables	565,369	503,229	-	-
Due from Other Funds	-	-	-	-
Inventories and Prepayments	-	-	-	-
Housing Loans Receivable	11,937,370	11,535,525	-	-
Assets Held for Resale	-	-	-	-
Total Assets	$ 13,836,778	$ 12,038,754	$ 11,692,690	$ 1,129,114
Liabilities and Fund Balances:				
Liabilities:				
Accounts Payable and Accrued Liabilities	429,274	2,267	602	20,755
Refundable Deposits	-	-	7,425	-
Due to Other Funds	154,657	500,962	-	-
Deferred Revenues	12,056,718	11,535,525	-	-
Total Liabilities	12,640,649	12,038,754	8,027	20,755
Fund Balances:				
Nonspendable	-	-	-	-
Restricted	1,196,129	-	11,684,663	1,108,359
Committed	-	-	-	-
Unassigned	-	-	-	-
Total Fund Balances (Deficit)	1,196,129	-	11,684,663	1,108,359
Total Liabilities and Fund Balances	$ 13,836,778	$ 12,038,754	$ 11,692,690	$ 1,129,114

Special Revenue				
Police Services Augmentation	Parking District	Gas Tax	Transportation Development Act	Redevelopment Agency
$ -	$ 607,082	$ 6,092,640	$ -	$ 1,886,896
-	-	-	-	-
-	3,294	27,752	-	16,946
66,752	-	413,796	26,371	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
$ 66,752	$ 610,376	$ 6,534,188	$ 26,371	$ 1,903,842
-	-	-	-	5,670,725
-	-	-	-	-
3,167	-	-	26,371	-
-	-	-	-	-
3,167	-	-	26,371	5,670,725
-	-	-	-	-
63,585	610,376	6,534,188	-	-
-	-	-	-	-
-	-	-	-	(3,766,883)
63,585	610,376	6,534,188	-	(3,766,883)
$ 66,752	$ 610,376	$ 6,534,188	$ 26,371	$ 1,903,842

Continued

CITY OF SUNNYVALE

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2011

		Permanent		
	Total	**Swirsky Youth Opportunity**	**Fremont Pool**	**Total**
Assets:				
Cash and Investments Held by City	$ 22,670,973	$ 534,235	$ 893,313	$ 1,427,548
Cash and Investments Held by Fiscal Agent	-	-	-	-
Receivables, Net	119,480	2,971	4,926	7,897
Intergovernmental Receivables	1,575,517	-	-	-
Due from Other Funds	-	-	-	-
Inventories and Prepayments	-	-	-	-
Housing Loans Receivable	23,472,895	-	-	-
Assets Held for Resale	-	-	-	-
Total Assets	$ 47,838,865	$ 537,206	$ 898,239	$ 1,435,445
Liabilities and Fund Balances:				
Liabilities:				
Accounts Payable and Accrued Liabilities	6,123,623	-	-	-
Refundable Deposits	7,425	-	-	-
Due to Other Funds	685,157	-	-	-
Deferred Revenues	23,592,243	-	-	-
Total Liabilities	30,408,448	-	-	-
Fund Balances:				
Nonspendable	-	537,206	898,239	1,435,445
Restricted	21,197,300	-	-	-
Committed	-	-	-	-
Unassigned	(3,766,883)	-	-	-
Total Fund Balances (Deficit)	17,430,417	537,206	898,239	1,435,445
Total Liabilities and Fund Balances	$ 47,838,865	$ 537,206	$ 898,239	1,435,445

	Debt Service		
	ABAG Certificates of Participation	Government Center Certificates of Participation	Total
Assets:			
Cash and Investments Held by City	$ -	$ -	$ -
Cash and Investments Held by Fiscal Agent	-	1,107,096	1,107,096
Receivables, Net	-	1,311	1,311
Intergovernmental Receivables	-	-	-
Due from Other Funds	-	-	-
Inventories and Prepayments	-	141,613	141,613
Housing Loans Receivable	-	-	-
Assets Held for Resale	-	-	-
Total Assets	$ -	$ 1,250,020	$ 1,250,020
Liabilities and Fund Balances:			
Liabilities:			
Accounts Payable and Accrued Liabilities	-	5,645	5,645
Refundable Deposits	-	-	-
Due to Other Funds	-	-	-
Deferred Revenues	-	-	-
Total Liabilities	-	5,645	5,645
Fund Balances:			
Nonspendable	-	141,613	141,613
Restricted	-	1,102,762	1,102,762
Committed	-	-	-
Unassigned	-	-	-
Total Fund Balances (Deficit)	-	1,244,375	1,244,375
Total Liabilities and Fund Balances	$ -	$ 1,250,020	$ 1,250,020

Continued

CITY OF SUNNYVALE

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2011

	Capital Projects Infrastructure Renovation and Replacement	Total Nonmajor Governmental Funds
Assets:		
Cash and Investments Held by City	$ 10,838,444	$ 34,936,965
Cash and Investments Held by Fiscal Agent	-	1,107,096
Receivables, Net	58,766	187,454
Intergovernmental Receivables	-	1,575,517
Due from Other Funds	-	-
Inventories and Prepayments	-	141,613
Housing Loans Receivable	-	23,472,895
Assets Held for Resale	-	-
Total Assets	$ 10,897,210	$ 61,421,540
Liabilities and Fund Balances:		
Liabilities:		
Accounts Payable and Accrued Liabilities	618,274	6,747,542
Refundable Deposits	-	7,425
Due to Other Funds	-	685,157
Deferred Revenues	-	23,592,243
Total Liabilities	618,274	31,032,367
Fund Balances:		
Nonspendable	-	1,577,058
Restricted	-	22,300,062
Committed	10,278,936	10,278,936
Unassigned	-	(3,766,883)
Total Fund Balances (Deficit)	10,278,936	30,389,173
Total Liabilities and Fund Balances	$ 10,897,210	$ 61,421,540

Concluded

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2011

	Special Revenue		
	Community Development Block Grant	**HOME Grant**	**Park Dedication**
Revenues:			
Property Taxes	$ -	$ -	$ -
Intergovernmental Revenues	1,477,290	1,562,106	-
Service Fees	-	-	3,610,479
Rents and Concessions	-	-	108,005
Investment Earnings	-	-	75,130
Other Revenues	218,535	-	-
Total Revenues	1,695,825	1,562,106	3,793,614
Expenditures:			
Current:			
Planning and Management	-	-	-
Public Safety	-	-	-
Community Development	1,004,957	1,554,890	-
Transportation	-	-	-
Socioeconomic	204,162	-	-
Cultural	-	-	-
Environmental Management	-	-	-
Capital Outlay	989,053	-	14,207
Debt Service:			
Principal Retirement	-	-	-
Interest	-	-	-
Fiscal Charges	-	-	-
Total Expenditures	2,198,172	1,554,890	14,207
Excess of Revenues Over (Under) Expenditures	(502,347)	7,216	3,779,407
Other Financing Sources (Uses):			
Transfers In	-	-	-
Transfers Out	(32,960)	(7,216)	(2,145,977)
Total Other Financing Sources (Uses)	(32,960)	(7,216)	(2,145,977)
Net Change in Fund Balances	(535,307)	-	1,633,430
Fund Balances - Beginning of Year, Restated	1,731,436	-	10,051,233
Fund Balances - End of Year	$ 1,196,129	$ -	$ 11,684,663

Special Revenue				
Asset Forfeiture	Police Services Augmentation	Parking District	Gas Tax	Transportation Development Act
$ -	$ -	$ -	$ -	$ -
-	160,704	-	3,601,677	135,294
-	-	155,858	-	-
-	-	-	-	-
8,145	727	2,891	3,458	-
-	-	-	6,649	-
8,145	161,431	158,749	3,611,784	135,294
-	-	5,530	-	-
29,955	219,028	-	-	-
-	-	114,375	-	-
-	-	-	1,902,182	-
-	-	-	-	-
-	-	-	-	-
-	-	5,523	-	-
48,000	-	-	7,000	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
77,955	219,028	125,428	1,909,182	-
(69,810)	(57,597)	33,321	1,702,602	135,294
-	-	-	-	-
(92,600)	-	(12,584)	(1,186,448)	(135,294)
(92,600)	-	(12,584)	(1,186,448)	(135,294)
(162,410)	(57,597)	20,737	516,154	-
1,270,769	121,182	589,639	6,018,034	-
$ 1,108,359	$ 63,585	$ 610,376	$ 6,534,188	$ -

Continued

CITY OF SUNNYVALE

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2011

	Special Revenue		Permanent
	Redevelopment Agency	Total	Swirsky Youth Opportunity
Revenues:			
Property Taxes	$ 9,675,964	$ 9,675,964	$ -
Intergovernmental Revenues	-	6,937,071	-
Service Fees	-	3,766,337	-
Rents and Concessions	-	108,005	-
Investment Earnings	-	90,351	3,650
Other Revenues	-	225,184	-
Total Revenues	9,675,964	20,802,912	3,650
Expenditures:			
Current:			
Planning and Management	269,618	275,148	-
Public Safety	-	248,983	-
Community Development	1,248,118	3,922,340	-
Transportation	-	1,902,182	-
Socioeconomic	-	204,162	-
Cultural	-	-	-
Environmental Management	682,170	687,693	-
Capital Outlay	-	1,058,260	-
Debt Service:			
Principal Retirement	-	-	-
Interest	-	-	-
Fiscal Charges	-	-	-
Total Expenditures	2,199,906	8,298,768	-
Excess of Revenues Over (Under) Expenditures	7,476,058	12,504,144	3,650
Other Financing Sources (Uses):			
Transfers In	-	-	-
Transfers Out	(9,464,097)	(13,077,176)	(3,787)
Total Other Financing Sources (Uses)	(9,464,097)	(13,077,176)	(3,787)
Net Change in Fund Balances	(1,988,039)	(573,032)	(137)
Fund Balances - Beginning of Year, Restated	(1,778,844)	18,003,449	537,343
Fund Balances - End of Year	$ (3,766,883)	$ 17,430,417	$ 537,206

Permanent		Debt Service		
Fremont Pool	Total	ABAG Certificates of Participation	Government Center Certificates of Participation	Total
$ -	$ -	$ -	$ -	$ -
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
5,958	9,608	916	6,900	7,816
-	-	-	-	-
5,958	9,608	916	6,900	7,816
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	655,000	470,000	1,125,000
-	-	16,885	40,856	57,741
-	-	102	182,854	182,956
-	-	671,987	693,710	1,365,697
5,958	9,608	(671,071)	(686,810)	(1,357,881)
-	-	102	813,655	813,757
(6,278)	(10,065)	-	-	-
(6,278)	(10,065)	102	813,655	813,757
(320)	(457)	(670,969)	126,845	(544,124)
898,559	1,435,902	670,969	1,117,530	1,788,499
$ 898,239	$ 1,435,445	$ -	$ 1,244,375	$ 1,244,375

Continued

CITY OF SUNNYVALE

Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2011

	Capital Projects	
	Infrastructure Renovation and Replacement	**Total Nonmajor Governmental Funds**
Revenues:		
Property Taxes	$ -	$ 9,675,964
Intergovernmental Revenues	2,088	6,939,159
Service Fees	-	3,766,337
Rents and Concessions	-	108,005
Investment Earnings	64,838	172,613
Other Revenues	-	225,184
Total Revenues	66,926	20,887,262
Expenditures:		
Current:		
Planning and Management	2,988	278,136
Public Safety	-	248,983
Community Development	694,257	4,616,597
Transportation	38,040	1,940,222
Socioeconomic	-	204,162
Cultural	46,276	46,276
Environmental Management	-	687,693
Capital Outlay	1,403,384	2,461,644
Debt Service:		
Principal Retirement	-	1,125,000
Interest	-	57,741
Fiscal Charges	-	182,956
Total Expenditures	2,184,945	11,849,410
Excess of Revenues Over (Under) Expenditures	(2,118,019)	9,037,852
Other Financing Sources (Uses):		
Transfers In	2,097,384	2,911,141
Transfers Out	(254,097)	(13,341,338)
Total Other Financing Sources (Uses)	1,843,287	(10,430,197)
Net Change in Fund Balances	(274,732)	(1,392,345)
Fund Balances - Beginning of Year, Restated	10,553,668	31,781,518
Fund Balances - End of Year	$ 10,278,936	$ 30,389,173

Concluded

CITY OF SUNNYVALE

Redevelopment Debt Service Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2011

	Budgeted Amounts			
	Original	Final	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
Budgetary Fund Balance, July 1, 2010	$ 1,928,741	$ 1,928,741	$ 1,928,741	$ -
Resources (Inflows):				
Lease Payment from City General Fund	1,206,475	1,206,475	1,206,475	-
Interest Income	42,751	42,751	4,251	(38,500)
Transfers In	8,143,885	8,143,885	9,441,105	1,297,220
Total Resources	9,393,111	9,393,111	10,651,831	1,258,720
Charges to Appropriations (Outflows):				
Debt Service:				
Principal Retirement	1,015,000	1,015,000	1,015,000	-
Interest	797,961	797,961	797,961	-
Fiscal Charges	-	-	5,705	(5,705)
Loan Repayment -City General Fund	8,143,885	8,143,885	8,830,951	(687,066)
Total Charges to Appropriations	9,956,846	9,956,846	10,649,617	(692,771)
Excess of Resources Over (Under) Charges to Appropriations	(563,735)	(563,735)	2,214	565,949
Budgetary Fund Balance, June 30, 2011	$ 1,365,006	$ 1,365,006	$ 1,930,955	$ 565,949

Note: Budgetary fund balance is different from GAAP fund balance due to basis difference, timing difference, and perpective 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"	$ 10,651,831
Differences - Budget to GAAP	
Interfund advances are a budgetary resource but are not revenues for financial reporting purposes	(1,206,475)
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes	(9,441,105)
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	$ 4,251
Uses/Outflows of Resources	
Actual amounts (budgetary basis) of "total charges to appropriations"	$ 10,649,617
Differences - Budget to GAAP	
Accrued interest on interfund advances is not a budgetary outflow but is an expense for financial reporting purposes	5,183,343
Interfund loan repayments are outflows of budgetary resources but are balance sheet items for financial reporting purposes	(8,830,951)
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	$ 7,002,009

CITY OF SUNNYVALE

City Capital Projects Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2011

	Budgeted Amounts			
	Original	Final	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
Budgetary Fund Balance, July 1, 2010	$ 13,317,339	$ 14,539,670	$ 14,539,670	$ -
Resources (Inflows):				
Intergovernmental Revenues	5,077,675	47,779,367	11,965,901	(35,813,466)
Service Fees	850,000	398,198	574,059	175,861
Interest Income	273,148	144,078	121,017	(23,061)
Other Revenues	-	306	306	-
Transfers In	1,061,536	11,808,373	3,034,451	(8,773,922)
Total Resources	7,262,359	60,130,322	15,695,734	(44,434,588)
Charges to Appropriations (Outflows):				
Transportation	3,060,000	8,192,244	18,574	8,173,670
Community Development	-	21,134	506	20,628
Capital Outlay	1,546,536	49,421,910	13,847,974	35,573,936
Transfers Out	24,856	3,909,722	1,077,428	2,832,294
Total Charges to Appropriations	4,631,392	61,545,010	14,944,482	46,600,528
Excess of Resources Over (Under) Charges to Appropriations	2,630,967	(1,414,688)	751,252	2,165,940
Budgetary Fund Balance, June 30, 2011	$ 15,948,306	$ 13,124,982	$ 15,290,922	2,165,940

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"	$ 15,695,734
Differences - Budget to GAAP	
Change in fair value of investments is not budgetary resource	1,559
Transfers from other funds or subfunds within this Fund are inflows of budgetary resources but are not revenues for financial reporting purposes	(3,034,451)
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	$ 12,662,842
Uses/Outflows of Resources	
Actual amounts (budgetary basis) of "total charges to appropriations"	$ 14,944,482
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	(1,077,428)
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	$ 13,967,054

Community Development Block Grant Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2011

	Budgeted Amounts			
	Original	Final	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
Budgetary Fund Balance, July 1, 2010	$ 878,471	$ 1,731,436	$ 1,731,436	$ -
Resources (Inflows):				
Intergovernmental Revenues	1,338,319	2,615,499	1,477,290	(1,138,209)
Other Revenues	364,227	286,902	218,535	(68,367)
Total Resources	1,702,546	2,902,401	1,695,825	(1,206,576)
Charges to Appropriations (Outflows):				
Community Development	1,354,613	1,605,659	1,004,957	600,702
Socioeconomic	550,113	294,407	204,162	90,245
Capital Outlay	283,690	1,482,905	989,053	493,852
Transfers Out	44,293	44,293	32,960	11,333
Total Charges to Appropriations	2,232,709	3,427,264	2,231,132	1,196,132
Excess of Resources Over (Under) Charges to Appropriations	(530,163)	(524,863)	(535,307)	(10,444)
Budgetary Fund Balance, June 30, 2011	$ 348,308	$ 1,206,573	$ 1,196,129	$ (10,444)

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

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

Sources/Inflow of Resources:	
Actual amounts (budgetary basis) of "total resources"	$ 1,695,825
Differences - Budget to GAAP	
None	-
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	$ 1,695,825
Uses/Outflows of Resources	
Actual amounts (budgetary basis) of "total charges to appropriations"	$ 2,231,132
Differences - Budget to GAAP	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(32,960)
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	$ 2,198,172

HOME Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2011

	Budgeted Amounts			
	Original	Final	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
Budgetary Fund Balance, July 1, 2010	$ 792,548	$ -	$ -	$ -
Resources (Inflows):				
Intergovernmental Revenues	758,883	2,860,415	1,562,106	(1,298,309)
Total Resources	758,883	2,860,415	1,562,106	(1,298,309)
Charges to Appropriations (Outflows):				
Community Development	759,264	2,058,797	1,554,890	503,907
Transfers Out	8,622	8,622	7,216	1,406
Total Charges to Appropriations	767,886	2,067,419	1,562,106	505,313
Excess of Resources Over (Under) Charges to Appropriations	(9,003)	792,996	-	(792,996)
Budgetary Fund Balance, June 30, 2011	$ 783,545	$ 792,996	$ -	$ (792,996)

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

Sources/Inflow of Resources:	
Actual amounts (budgetary basis) of "total resources"	$ 1,562,106
Differences - Budget to GAAP	
None	-
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	$ 1,562,106
Uses/Outflows of Resources	
Actual amounts (budgetary basis) of "total charges to appropriations"	$ 1,562,106
Differences - Budget to GAAP	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(7,216)
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	$ 1,554,890

CITY OF SUNNYVALE

Park Dedication Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2011

	Budgeted Amounts			
	Original	Final	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
Budgetary Fund Balance, July 1, 2010	$ 6,037,770	$ 10,066,214	$ 10,066,214	$ -
Resources (Inflows):				
Service Fees	2,861,892	3,204,012	3,610,479	406,467
Rents and Concessions	101,118	103,170	108,005	4,835
Interest Income	110,866	85,294	80,941	(4,353)
Total Resources	3,073,876	3,392,476	3,799,425	406,949
Charges to Appropriations (Outflows):				
Capital Outlay	15,000	15,000	14,207	793
Transfers Out	3,442,467	5,432,050	2,145,977	3,286,073
Total Charges to Appropriations	3,457,467	5,447,050	2,160,184	3,286,866
Excess of Resources Over (Under) Charges to Appropriations	(383,591)	(2,054,574)	1,639,241	3,693,815
Budgetary Fund Balance, June 30, 2011	$ 5,654,179	$ 8,011,640	$ 11,705,455	$ 3,693,815

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"	$ 3,799,425
Differences - Budget to GAAP	
Change in fair value of investments is not budgetary resource	(5,811)
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	$ 3,793,614
Uses/Outflows of Resources	
Actual amounts (budgetary basis) of "total charges to appropriations"	$ 2,160,184
Differences - Budget to GAAP	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(2,145,977)
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	$ 14,207

Asset Forfeiture Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2011

	Budgeted Amounts			
	Original	**Final**	**Actual Amounts (Budgetary Basis)**	**Variance with Final Budget- Positive (Negative)**
Budgetary Fund Balance, July 1, 2010	$ 1,226,199	$ 1,249,295	$ 1,249,295	$ -
Resources (Inflows):				
Interest Income	21,521	6,835	8,134	1,299
Total Resources	21,521	6,835	8,134	1,299
Charges to Appropriations (Outflows):				
Public Safety	35,100	50,878	29,955	20,923
Capital Outlay	48,000	48,000	48,000	-
Transfers Out	89,000	89,000	92,600	(3,600)
Total Charges to Appropriations	172,100	187,878	170,555	17,323
Excess of Resources Over (Under) Charges to Appropriations	(150,579)	(181,043)	(162,421)	18,622
Budgetary Fund Balance, June 30, 2011	$ 1,075,620	$ 1,068,252	$ 1,086,874	$ 18,622

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"	$ 8,134
Differences - Budget to GAAP	
Change in fair value of investments is not budgetary resource	11
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	$ 8,145
Uses/Outflows of Resources	
Actual amounts (budgetary basis) of "total charges to appropriations"	$ 170,555
Differences - Budget to GAAP	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(92,600)
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	$ 77,955

Police Services Augmentation Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2011

	Budgeted Amounts			
	Original	Final	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
Budgetary Fund Balance, July 1, 2010	$ -	$ 120,710	$ 120,710	$ -
Resources (Inflows):				
Intergovernmental Revenues	112,000	112,000	160,704	48,704
Interest Income	-	300	271	(29)
Transfers In	12,000	12,000	18,952	6,952
Total Resources	124,000	124,300	179,927	55,627
Charges to Appropriations (Outflows):				
Public Safety	112,000	235,074	219,028	16,046
Transfers Out	12,000	12,000	18,952	(6,952)
Total Charges to Appropriations	124,000	247,074	237,980	9,094
Excess of Resources Over (Under) Charges to Appropriations	-	(122,774)	(58,053)	64,721
Budgetary Fund Balance, June 30, 2011	$ -	$ (2,064)	$ 62,657	$ 64,721

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"	$ 179,927
Differences - Budget to GAAP	
Change in fair value of investments is not budgetary resource	456
Transfers between subfunds within the fund are inflows of budgetary resources but are not revenues for financial reporting purposes	(18,952)
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	$ 161,431
Uses/Outflows of Resources	
Actual amounts (budgetary basis) of "total charges to appropriations"	$ 237,980
Differences - Budget to GAAP	
Transfers between subfunds within the fund are outflows of budgetary resources but are not expenditures for financial reporting purposes	(18,952)
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	$ 219,028

Parking District Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2011

	Budgeted Amounts			
	Original	Final	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
Budgetary Fund Balance, July 1, 2010	$ 555,022	$ 590,293	$ 590,293	$ -
Resources (Inflows):				
Service Fees	151,645	151,888	155,858	3,970
Interest Income	10,905	4,093	3,838	(255)
Total Resources	162,550	155,981	159,696	3,715
Charges to Appropriations (Outflows):				
Planning and Management	5,530	5,530	5,530	-
Community Development	140,931	140,931	114,375	26,556
Environmental Management	3,904	3,904	5,523	(1,619)
Transfers Out	12,584	12,584	12,584	-
Total Charges to Appropriations	162,948	162,948	138,012	24,936
Excess of Resources Over (Under) Charges to Appropriations	(398)	(6,967)	21,684	28,651
Budgetary Fund Balance, June 30, 2011	$ 554,624	$ 583,326	$ 611,977	$ 28,651

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"	$ 159,696
Differences - Budget to GAAP	
Change in fair value of investments is not budgetary resource	(947)
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	$ 158,749
Uses/Outflows of Resources	
Actual amounts (budgetary basis) of "total charges to appropriations"	$ 138,012
Differences - Budget to GAAP	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(12,584)
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	$ 125,428

Gas Tax Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2011

	Budgeted Amounts			
	Original	Final	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
Budgetary Fund Balance, July 1, 2010	$ 1,850,356	$ 6,019,699	$ 6,019,699	$ -
Resources (Inflows):				
Intergovernmental Revenues	3,557,198	3,557,198	3,601,677	44,479
Interest Income	52,944	52,944	29,072	(23,872)
Other Revenues	-	-	6,649	6,649
Total Resources	3,610,142	3,610,142	3,637,398	27,256
Charges to Appropriations (Outflows):				
Transportation	2,119,653	2,169,653	1,902,182	267,471
Capital Outlay	20,000	17,000	7,000	10,000
Transfers Out	1,261,387	4,796,463	1,186,448	3,610,015
Total Charges to Appropriations	3,401,040	6,983,116	3,095,630	3,887,486
Excess of Resources Over (Under) Charges to Appropriations	209,102	(3,372,974)	541,768	3,914,742
Budgetary Fund Balance, June 30, 2011	$ 2,059,458	$ 2,646,725	$ 6,561,467	$ 3,914,742

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"	$ 3,637,398
Differences - Budget to GAAP	
Change in fair value of investments is not budgetary resource	(25,614)
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	$ 3,611,784
Uses/Outflows of Resources	
Actual amounts (budgetary basis) of "total charges to appropriations"	$ 3,095,630
Differences - Budget to GAAP	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(1,186,448)
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	$ 1,909,182

Transportation Development Act Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2011

	Budgeted Amounts			
	Original	**Final**	**Actual Amounts (Budgetary Basis)**	**Variance with Final Budget- Positive (Negative)**
Budgetary Fund Balance, July 1, 2010	$ -	$ -	$ -	$ -
Resources (Inflows):				
Intergovernmental Revenues	80,000	401,494	135,294	(266,200)
Total Resources	80,000	401,494	135,294	(266,200)
Charges to Appropriations (Outflows):				
Capital Outlay	80,000	-	-	-
Transfers Out	-	401,494	135,294	266,200
Total Charges to Appropriations	80,000	401,494	135,294	266,200
Excess of Resources Over (Under) Charges to Appropriations	-	-	-	-
Budgetary Fund Balance, June 30, 2011	$ -	$ -	$ -	$ -

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

Sources/Inflow of Resources:	
Actual amounts (budgetary basis) of "total resources"	$ 135,294
Differences - Budget to GAAP	
None	-
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	$ 135,294
Uses/Outflows of Resources	
Actual amounts (budgetary basis) of "total charges to appropriations"	$ 135,294
Differences - Budget to GAAP	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(135,294)
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	$ -

CITY OF SUNNYVALE

Redevelopment Agency Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2011

	Budgeted Amounts			
	Original	Final	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
Budgetary Fund Balance, July 1, 2010	$ 1,494,001	$ 1,494,001	$ 1,494,001	$ -
Resources (Inflows):				
Property Taxes	8,750,371	8,750,371	9,675,964	925,593
Easement from General Fund	1,861,847	1,861,847	1,237,952	(623,895)
Total Resources	10,612,218	10,612,218	10,913,916	301,698
Charges to Appropriations (Outflows):				
Planning and Management	336,465	336,465	269,618	66,847
Community Development	16,506	16,506	10,166	6,340
Transportation	1,861,847	1,861,847	1,237,952	623,895
Environmental Management	1,085,272	1,085,272	682,170	403,102
Transfers Out	8,166,877	8,166,877	9,464,097	(1,297,220)
Total Charges to Appropriations	11,466,967	11,466,967	11,664,003	(197,036)
Excess of Resources Over (Under) Charges to Appropriations	(854,749)	(854,749)	(750,087)	104,662
Budgetary Fund Balance, June 30, 2011	$ 639,252	$ 639,252	$ 743,914	$ 104,662

Note: Budgetary fund balance is different from GAAP fund balance due to basis difference, timing difference, and perpective 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"	$ 10,913,916
Differences - Budget to GAAP	
Easement payments are advances to be repaid in the future	(1,237,952)
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	$ 9,675,964
Uses/Outflows of Resources	
Actual amounts (budgetary basis) of "total charges to appropriations"	$ 11,664,003
Differences - Budget to GAAP	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(9,464,097)
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	$ 2,199,906

Swirsky Youth Opportunity Permanent Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2011

	Budgeted Amounts			
	Original	Final	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
Budgetary Fund Balance, July 1, 2010	$ 551,971	$ 551,971	$ -	$ (551,971)
Resources (Inflows):				
Interest Income	11,039	11,039	3,787	(7,252)
Total Resources	11,039	11,039	3,787	(7,252)
Charges to Appropriations (Outflows):				
Transfers Out	11,039	11,039	3,787	7,252
Total Charges to Appropriations	11,039	11,039	3,787	7,252
Excess of Resources Over (Under) Charges to Appropriations	-	-	-	-
Budgetary Fund Balance, June 30, 2011	$ 551,971	$ 551,971	$ -	$ (551,971)

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"	$ 3,787
Differences - Budget to GAAP	
Change in fair value of investments is not budgetary resource	(137)
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	$ 3,650
Uses/Outflows of Resources	
Actual amounts (budgetary basis) of "total charges to appropriations"	$ 3,787
Differences - Budget to GAAP	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(3,787)
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	$ -

Fremont Pool Permanent Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2011

	Budgeted Amounts			
	Original	Final	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
Budgetary Fund Balance, July 1, 2010	$ 909,744	$ 915,087	$ 915,087	$ -
Resources (Inflows):				
Interest Income	18,195	18,195	6,278	(11,917)
Total Resources	18,195	18,195	6,278	(11,917)
Charges to Appropriations (Outflows):				
Transfers Out	18,195	18,195	6,278	11,917
Total Charges to Appropriations	18,195	18,195	6,278	11,917
Excess of Resources Over (Under) Charges to Appropriations	-	-	-	-
Budgetary Fund Balance, June 30, 2011	$ 909,744	$ 915,087	$ 915,087	$ -

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"	$ 6,278
Differences - Budget to GAAP	
Change in fair value of investments is not budgetary resource	(320)
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	$ 5,958
Uses/Outflows of Resources	
Actual amounts (budgetary basis) of "total charges to appropriations"	$ 6,278
Differences - Budget to GAAP	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(6,278)
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	$ -

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, 2011

	Budgeted Amounts			
	Original	Final	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
Budgetary Fund Balance, July 1, 2010	$ 670,969	$ 670,969	$ 670,969	$ -
Resources (Inflows):				
Interest Income	-	-	916	916
Transfers In	-	-	102	102
Total Resources	-	-	1,018	1,018
Charges to Appropriations (Outflows):				
Principal Retirement	-	-	655,000	(655,000)
Interest	-	-	16,885	(16,885)
Fiscal Charges	-	-	102	(102)
Total Charges to Appropriations	-	-	671,987	(671,987)
Excess of Resources Over (Under) Charges to Appropriations	-	-	(670,969)	(670,969)
Budgetary Fund Balance, June 30, 2011	$ 670,969	$ 670,969	$ -	$ (670,969)

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"	$ 1,018
Differences - Budget to GAAP	
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes	(102)
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	$ 916
Uses/Outflows of Resources	
Actual amounts (budgetary basis) of "total charges to appropriations"	$ 671,987
Differences - Budget to GAAP	
None	-
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	$ 671,987

Government Center Certificates of Participation Debt Service Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2011

	Budgeted Amounts			
	Original	Final	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
Budgetary Fund Balance, July 1, 2010	$ 1,117,530	$ 1,117,530	$ 1,117,530	$ -
Resources (Inflows):				
Interest Income	-	-	6,900	6,900
Transfers In	1,062,638	1,062,638	813,655	(248,983)
Total Resources	1,062,638	1,062,638	820,555	(242,083)
Charges to Appropriations (Outflows):				
Principal Retirement	470,000	470,000	470,000	-
Interest	423,733	423,733	40,856	382,877
Fiscal Charges	168,905	168,905	182,854	(13,949)
Total Charges to Appropriations	1,062,638	1,062,638	693,710	368,928
Excess of Resources Over (Under) Charges to Appropriations	-	-	126,845	126,845
Budgetary Fund Balance, June 30, 2011	$ 1,117,530	$ 1,117,530	$ 1,244,375	$ 126,845

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

Sources/Inflow of Resources:	
Actual amounts (budgetary basis) of "total resources"	$ 820,555
Differences - Budget to GAAP	
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes	(813,655)
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	$ 6,900
Uses/Outflows of Resources	
Actual amounts (budgetary basis) of "total charges to appropriations"	$ 693,710
Differences - Budget to GAAP	
None	-
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	$ 693,710

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, 2011

	Budgeted Amounts			
	Original	Final	Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
Budgetary Fund Balance, July 1, 2010	$ 9,473,583	$ 10,558,537	$ -	$ (10,558,537)
Resources (Inflows):				
Intergovernmental Revenues	-	2,533	2,088	(445)
Interest Income	304,488	78,612	73,350	(5,262)
Transfers In	3,494,350	6,511,204	2,099,450	(4,411,754)
Total Resources	3,798,838	6,592,349	2,174,888	(4,417,461)
Charges to Appropriations (Outflows):				
Planning and Management	-	202,988	2,988	200,000
Community Development	716,566	1,751,801	694,257	1,057,544
Transportation	44,800	38,040	38,040	(0)
Cultural	238,920	400,019	46,276	353,743
Capital Outlay	3,375,219	4,248,640	1,403,384	2,845,256
Transfers Out	166,847	398,607	256,164	142,443
Total Charges to Appropriations	4,542,352	7,040,094	2,441,109	4,598,985
Excess of Resources Over (Under) Charges to Appropriations	(743,514)	(447,746)	(266,221)	181,525
Budgetary Fund Balance, June 30, 2011	$ 8,730,069	$ 10,110,791	$ (266,221)	$ (10,377,012)

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"	$ 2,174,888
Differences - Budget to GAAP	
Change in fair value of investments is not budgetary resource	(8,512)
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes	(2,099,450)
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	$ 66,926
Uses/Outflows of Resources	
Actual amounts (budgetary basis) of "total charges to appropriations"	$ 2,441,109
Differences - Budget to GAAP	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(256,164)
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	$ 2,184,945

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.

Combining Statement of Net Assets
All Internal Service Funds
June 30, 2011

	General Services	Employee Benefits	Risk Management	Totals
Assets:				
Current Assets				
Cash and Investments Held by City	$ 22,058,488	$ 31,476,593	$ 878,386	$ 54,413,467
Receivables, Net	252,164	226,850	4,729	483,743
Inventories and Prepayments	205,074	56,527	25,338	286,939
Total Current Assets	22,515,726	31,759,970	908,453	55,184,149
Noncurrent Assets				
Net OPEB Assets	-	3,568,000	-	3,568,000
Capital Assets:				
Land & Nondepreciable Assets	280,046	-	-	280,046
Depreciable Buildings, Property, Equipment and Infrastructure, Net	11,476,136	-	-	11,476,136
Total Assets	$ 34,271,908	$ 35,327,970	$ 908,453	$ 70,508,331
Liabilities:				
Current Liabilities				
Wages Payable	-	2,093,973	-	2,093,973
Accounts Payable and Accrued Liabilities	565,095	1,182,550	59,043	1,806,688
Advances from Other Funds	500,000	-	-	500,000
Refundable Deposits	20,154	-	-	20,154
Claims and Judgments Payable - Due Within One Year	-	3,379,315	310,590	3,689,905
Compensated Absences Payable - Due Within One Year	-	7,412,221	-	7,412,221
Total Current Liabilities	1,085,249	14,068,059	369,633	15,522,941
Noncurrent Liabilities				
Advances from Other Funds	133,057	-	-	133,057
Net Other Postemployment Benefits Obligation	-	-	-	-
Claims and Judgments Payable- Due in More than One Year	-	8,088,685	1,315,410	9,404,095
Compensated Absences Payable - Due in More than One Year	-	1,209,720	-	1,209,720
Total Noncurrent Liabilities	133,057	9,298,405	1,315,410	10,746,872
Total Liabilities	1,218,306	23,366,464	1,685,043	26,269,813
Net Assets (Deficit):				
Invested in Capital Assets, Net of Related Debt	11,756,182	-	-	11,756,182
Unrestricted	21,297,420	11,961,506	(776,590)	32,482,336
Total Net Assets (Deficit)	$ 33,053,602	$ 11,961,506	$ (776,590)	$ 44,238,518

Combining Statement of Revenues, Expenses and Changes in Net Assets
All Internal Service Funds
Year Ended June 30, 2011

	General Services	Employee Benefits	Risk Management	Totals
Operating Revenues:				
Charges for Services	$ 17,187,910	$ 58,584,771	$ 1,000,035	$ 76,772,716
Total Operating Revenues	17,187,910	58,584,771	1,000,035	76,772,716
Operating Expenses:				
Personnel Services	7,975,864	15,275,674	115,159	23,366,697
Contractual Services	2,556,166	27,700	163,808	2,747,674
Material and Supplies	2,137,309	520	2,075	2,139,904
Utilities	1,482,137	-	-	1,482,137
Taxes and Licenses	14,607	-	-	14,607
Equipment and Building Rental	1,276,053	-	-	1,276,053
Insurance Premiums and Claims	-	24,714,729	955,035	25,669,764
Retirement Premiums	-	26,476,029	-	26,476,029
Other Operating Expenses	36,791	-	-	36,791
Depreciation	1,564,446	-	-	1,564,446
Total Operating Expenses	17,043,373	66,494,652	1,236,077	84,774,102
Operating Income (Loss)	144,537	(7,909,881)	(236,042)	(8,001,386)
Nonoperating Revenues (Expenses):				
Investment Earnings	152,726	608,926	7,478	769,130
Interest Expense	(74,125)	-	-	(74,125)
Total Nonoperating Revenues (Expenses)	78,601	608,926	7,478	695,005
Income (loss) before Transfers	223,138	(7,300,955)	(228,564)	(7,306,381)
Transfers In	2,308,284	-	-	2,308,284
Transfers Out	(1,056,086)	-	-	(1,056,086)
Change in Net Assets	1,475,336	(7,300,955)	(228,564)	(6,054,183)
Net Assets (Deficit) - Beginning of Year	31,578,266	19,262,461	(548,026)	50,292,701
Net Assets (Deficit) - End of Year	$ 33,053,602	$ 11,961,506	$ (776,590)	$ 44,238,518

Combining Statement of Cash Flows
All Internal Service Funds
Year Ended June 30, 2011

	General Services	Employee Benefits	Risk Management	Totals
Cash Flows from Operating Activities:				
Cash Received from Customers	$ 17,093,020	$ 58,111,320	$ 1,000,000	$ 76,204,340
Cash Payments to Suppliers of Goods and Services	(7,648,991)	(39,320)	(1,376,828)	(9,065,139)
Cash Payments for Employee Services	(7,865,260)	(45,145,475)	(102,576)	(53,113,311)
Insurance and Claims Paid	-	(47,661,014)	368,405	(47,292,609)
Other Receipts (Payments)	190,338	306,823	-	497,161
Net Cash Provided by (Used for) Operating Activities	1,769,107	(34,427,666)	(110,999)	(32,769,558)
Cash Flows from Noncapital Financing Activities:				
Transfers Received	2,409,907	-	-	2,409,907
Transfers Paid	(1,157,709)	-	-	(1,157,709)
Repayment of Advance From/To Other Funds	(500,000)	-	-	(500,000)
Net Cash Provided by (Used for) Noncapital Financing Activities	752,198	-	-	752,198
Cash Flows from Capital and Related Financing Activities:				
Acquisition and Construction of Capital Assets	(2,803,869)	-	-	(2,803,869)
Net Cash Provided by (Used for) Capital and Related Financing Activities	(2,803,869)	-	-	(2,803,869)
Cash Flows from Investing Activities:				
Interest on Investments	181,728	620,764	8,377	810,869
Change in the Fair Value of Investments	(4,355)	240,786	707	237,138
Net Cash Provided by Investing Activities	177,373	861,550	9,084	1,048,007
Net Increase (Decrease) in Cash and Cash Equivalents	(105,191)	(33,566,116)	(101,915)	(33,773,222)
Cash and Cash Equivalents - Beginning of Year	22,163,679	65,042,709	980,301	88,186,689
Cash and Cash Equivalents - End of Year	$ 22,058,488	$ 31,476,593	$ 878,386	$ 54,413,467
Reconciliation to Statement of Net Assets:				
Cash and Investments Held by City	$ 22,058,488	$ 31,476,593	$ 878,386	$ 54,413,467

Continued

Combining Statement of Cash Flows
All Internal Service Funds
Year Ended June 30, 2011

	General Services	Employee Benefits	Risk Management	Totals
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:				
Operating Income (Loss)	$ 144,537	$ (7,909,881)	$ (236,042)	$ (8,001,386)
Adjustment to Reconcile Operating Income to				
Net Cash Provided (Used) by Operating Activities:				
Depreciation	1,564,446	-	-	1,564,446
Changes in Assets and Liabilities:				
Receivables, Net	(87,661)	93,927	-	6,266
Due from Other Governments	-	-	-	-
Inventories and Prepayments	100,891	51,310	14,254	166,455
Customer Deposits	1,463	-	-	1,463
Accounts Payable and Accrued Liabilities	45,431	(10,394,069)	(15,211)	(10,363,849)
Claims and Judgments Payable	-	264,000	126,000	390,000
Compensated Absences Payable	-	6,783,047	-	6,783,047
Other Postemployment Benefit Obligation	-	(23,316,000)	-	(23,316,000)
Net Cash Provided (Used) by Operating Activities	$ 1,769,107	$ (34,427,666)	$ (110,999)	$ (32,769,558)
Noncash Investing, Capital and Financing Activities:				
Purchase of Capital Assets on Account	278,134	-	-	278,134

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.

Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
Year Ended June 30, 2011

Community Facilities District

	Beginning Balance July 1, 2010	Additions	Deletions	Ending Balance June 30, 2011
Assets:				
Cash and Investments	$ 1,907,776	$ 1,751,908	$ (1,722,248)	$ 1,937,436
Cash and Investments Held by Fiscal Agent	1,800,091	1,821,716	(1,820,838)	1,800,969
Receivables	78,341	58,138	(80,531)	55,948
Total Assets	$ 3,786,208	$ 3,631,762	$ (3,623,617)	$ 3,794,353
Liabilities:				
Due to Bondholders	3,786,208	3,631,762	(3,623,617)	3,794,353
Total Liabilities	$ 3,786,208	$ 3,631,762	$ (3,623,617)	$ 3,794,353

Santa Clara Valley Urban Runoff Pollution Prevention Program

	Beginning Balance July 1, 2010	Additions	Deletions	Ending Balance June 30, 2011
Assets:				
Cash and Investments	$ 1,465,911	$ 25,705,417	$ (25,828,232)	$ 1,343,096
Total Assets	$ 1,465,911	$ 25,705,417	$ (25,828,232)	$ 1,343,096
Liabilities:				
Accounts Payable and Accrued Liabilities	1,465,911	25,705,417	(25,828,232)	1,343,096
Total Liabilities	$ 1,465,911	$ 25,705,417	$ (25,828,232)	$ 1,343,096

Combined

	Beginning Balance July 1, 2010	Additions	Deletions	Ending Balance June 30, 2011
Assets:				
Cash and Investments	$ 3,373,687	$ 27,457,325	$ (27,550,480)	$ 3,280,532
Cash and Investments Held by Fiscal Agent	1,800,091	1,821,716	(1,820,838)	1,800,969
Receivables	78,341	58,138	(80,531)	55,948
Total Assets	$ 5,252,119	$ 29,337,179	$ (29,451,849)	$ 5,137,449
Liabilities:				
Accounts Payable and Accrued Liabilities	1,465,911	25,705,417	(25,828,232)	1,343,096
Due to Bondholders	3,786,208	3,631,762	(3,623,617)	3,794,353
Total Liabilities	$ 5,252,119	$ 29,337,179	$ (29,451,849)	$ 5,137,449

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, 2011 and 2010

	2011	2010
Governmental Funds Capital Assets:		
Land	$ 105,507,554	$ 105,495,854
Buildings	92,139,914	92,139,913
Improvements Other Than Buildings	77,886,469	71,444,908
Machinery and Equipment	5,709,728	4,949,984
Construction In Progress	19,789,029	13,762,624
Infrastructure:		
Nondepreciable	160,242,283	160,206,683
Depreciable	78,940,453	78,316,502
Total Governmental Funds Capital Assets	$ 540,215,430	$ 526,316,468
Investment In Governmental Funds Capital Assets by Source:		
General Fund	$ 325,541,343	$ 324,977,903
Special Revenue Funds	52,561,723	52,256,708
Capital Projects Funds	112,172,962	99,366,768
Contributions From Developers and Donations	49,939,402	49,715,089
Total Investment In Governmental Funds Capital Assets	$ 540,215,430	$ 526,316,468

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, 2011

Function and Activity	Land	Buildings	Improvements Other Than Buildings	Machinery and Equipment
Planning and Management	$ 20,681,843	$ 15,331,415	$ 3,062,646	$ 506,592
Public Safety	1,252,625	2,343,961	4,690,634	2,463,693
Community Development	31,933,588	25,496,234	24,936,897	81,174
Transportation	20,532,599	6,598,462	22,843,097	194,186
Socioeconomic	-	1,944,176	7,576,079	112,800
Cultural	6,352,073	38,218,159	8,893,069	1,172,009
Environmental Management	24,754,826	2,207,506	5,884,047	1,179,274
Total Governmental Funds Capital Assets	$ 105,507,554	$ 92,139,913	$ 77,886,469	$ 5,709,728

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 Nondepreciable	Infrastructure Depreciable	Total
$ 3,186,955	$ -	$ -	$ 42,769,451
-	-	-	10,750,913
975,254	-	-	83,423,147
15,626,821	160,242,283	78,940,453	304,977,901
-	-	-	9,633,055
-	-	-	54,635,310
-	-	-	34,025,653
$ 19,789,030	$ 160,242,283	$ 78,940,453	$ 540,215,430

CITY OF SUNNYVALE

Capital Assets Used in the Operation of Governmental Funds

Schedule of Changes by Function and Activity
Year Ended June 30, 2011

Function and Activity	Governmental Funds Capital Assets June 30, 2010	Additions	Deletions	Governmental Funds Capital Assets June 30, 2011
Planning and Management	$ 42,151,763	$ 617,688	$ -	$ 42,769,451
Public Safety	10,056,190	694,723	-	10,750,913
Community Development	83,192,578	604,394	(373,825)	83,423,147
Transportation	293,812,495	11,165,406	-	304,977,901
Socioeconomic	9,617,112	15,943	-	9,633,055
Cultural	53,460,677	1,241,949	(67,316)	54,635,310
Environmental Management	34,025,653	-	-	34,025,653
Total Governmental Funds Capital Assets	$ 526,316,468	$ 14,340,103	$ (441,141)	$ 540,215,430

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**

Financial Trends

These schedules contain trend information to help the reader understand how the City's financial performance and fiscal well being have changed over time. 172-177

Revenue Capacity

These schedules present information to assist the reader in assessing the City's most significant local revenue source, the property tax. 178-182

Debt Capacity

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. 183-186

Demographic and Economic Information

These schedules present demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place. 187-188

Operating Information

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. 189-191

CITY OF SUNNYVALE

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

	Fiscal Year									
	2011	**2010**	**2009**	**2008**	**2007**	**2006**	**2005**	**2004**	**2003**	**2002**
Governmental Activities										
Invested in Capital Assets, Net of Related Debt	$ 388,753	$ 378,990	$ 371,980	$ 361,946	$ 358,287	$ 359,656	$ 358,104	$ 367,258	$ 362,069	$ 356,181
Restricted	98,709	87,408	86,468	86,217	72,587	65,838	60,360	58,670	69,542	87,661
Unrestricted	171,821	174,362	179,360	194,198	195,942	169,481	168,381	177,767	177,615	154,245
Total Governmental Activities Net Assets	$ 659,283	$ 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	$ 85,837	$ 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	(23,312)	(21,066)	(13,983)	(11,949)	(11,569)	(12,335)	(11,891)	(17,172)	(15,062)	(14,971)
Total Business-Type Activities Net assets	$ 62,525	$ 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	$ 474,590	$ 461,404	$ 447,763	$ 428,055	$ 422,833	$ 420,849	$ 416,954	$ 417,088	$ 412,683	$ 408,490
Restricted	98,709	87,408	86,468	98,890	79,473	74,957	75,399	73,914	86,922	102,866
Unrestricted	148,508	153,296	165,377	182,249	184,373	157,146	156,490	160,595	162,553	139,274
Total Primary Government Net Assets	$ 721,807	$ 702,108	$ 699,608	$ 709,194	$ 686,679	$ 652,952	$ 648,843	$ 651,597	$ 662,158	$ 650,630

Notes: 1 Starting fiscal year 2003, Patent Library Fund was reclassified from Proprietary Fund to Governmental Fund.

Changes in Net Assets
Last Ten Fiscal Years
(accrual basis of accounting)
(dollars in thousands)

	Fiscal Year									
	2011	**2010**	**2009**	**2008**	**2007**	**2006**	**2005**	**2004**	**2003**	**2002**
Expenses:										
Governmental Activities:										
Planning and Management	$ 18,671	$ 20,533	$ 21,405	$ 20,624	$ 18,957	$ 16,170	$ 15,247	$ 14,053	$ 15,004	$ 13,525
Public Safety	75,988	73,903	74,876	72,918	65,768	62,682	58,718	55,360	54,004	46,523
Community Development	21,119	23,833	21,790	21,399	20,198	20,104	22,655	18,815	21,068	19,915
Transportation	11,845	11,081	11,831	11,182	11,832	9,886	8,841	13,492	11,820	13,599
Socioeconomic	14,329	12,932	10,533	9,178	10,833	12,791	12,909	13,857	14,803	13,049
Cultural	9,036	9,757	9,449	9,627	8,858	8,530	8,715	8,438	8,812	9,160
Environmental Management	3,609	1,445	2,167	14,280	2,027	1,596	2,077	2,346	1,684	2,463
Interest on Long-term Debt	1,078	1,003	1,730	1,638	1,727	1,680	1,624	1,479	1,743	2,253
Total Governmental Activities	155,675	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	24,667	23,065	21,939	20,685	19,410	18,010	17,751	17,232	16,144	15,106
Wastewater Management	18,680	17,249	17,376	16,728	16,782	17,109	16,387	14,971	15,007	15,472
Solid Waste Management	32,406	30,814	37,503	29,013	28,008	29,553	27,340	27,610	26,567	26,641
SMaRT Station	26,320	26,618	26,256	22,670	18,966	18,954	18,094	18,327	18,408	19,566
Community Recreation	11,802	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	113,875	109,580	114,761	100,262	93,927	94,102	89,248	87,568	85,611	86,467
Total Primary Government Expenses	$ 269,550	$ 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	$ 733	$ 524	$ 442	$ 490	$ 397	$ 380	$ 1,171	$ 303	$ 162	$ 101
Public Safety	3,418	3,430	4,417	3,311	3,011	2,394	2,556	2,191	2,106	2,259
Community Development	13,842	10,818	8,998	22,250	20,177	11,065	10,054	9,175	7,233	9,463
Transportation	548	887	814	6,222	2,185	715	2,861	611	338	621
Socioeconomic	62	805	300	345	526	593	574	548	601	598
Cultural	253	233	205	223	332	585	600	501	471	168
Environmental Management	435	366	161	2,339	795	825	34	200	31	659
Operating Grants and Contributions	27,491	19,419	17,353	14,799	17,899	21,142	18,289	17,716	20,542	19,541
Capital Grants and Contributions	11,795	12,632	8,079	6,923	3,505	2,676	1,464	5,211	9,589	6,722
Total Governmental Activities Program Revenues	58,577	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	27,687	24,773	25,022	24,007	23,244	19,953	19,263	19,365	18,525	16,854
Wastewater Management	24,278	22,997	21,244	23,527	20,594	18,673	17,579	16,428	16,159	14,544
Solid Waste Management	36,752	33,900	33,153	31,606	29,981	29,777	29,289	27,219	28,527	26,396
SMaRT Station	24,537	23,826	22,699	24,373	19,187	19,077	17,431	17,494	17,901	18,616
Community Recreation	7,110	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	91	857	457	602	489	1,076	118	290	1,423	200
Total Business-Type Activities Program Revenues	120,455	113,714	110,238	111,879	101,043	96,096	91,053	88,333	90,118	84,948
Total Primary Government Program Revenues	$ 179,032	$ 162,828	$ 151,007	$ 168,781	$ 149,870	$ 136,471	$ 128,656	$ 124,789	$ 131,191	$ 125,080
Net (Expense)/Revenue										
Governmental Activities	$ (97,098)	$ (105,373)	$ (113,012)	$ (103,944)	$ (91,373)	$ (93,064)	$ (93,183)	$ (91,384)	$ (87,865)	$ (80,355)
Business-Type Activities	6,580	4,134	(4,523)	11,617	7,116	1,994	1,805	765	4,507	(1,519)
Total Primary Government Net Expense	$ (90,518)	$ (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	$ 52,261	$ 51,633	$ 50,741	$ 44,107	$ 41,018	$ 35,646	$ 33,105	$ 27,588	$ 26,858	$ 25,824
Sales and Use Taxes	29,228	25,432	25,072	29,705	30,852	28,422	24,917	23,452	25,753	25,787
Motor Vehicle License Fees	708	408	468	602	850	847	3,650	5,970	7,926	7,393
Franchise Fees, Unrestricted	6,247	5,979	6,127	5,855	5,714	5,531	5,395	5,521	5,226	5,494
Utilities Users Taxes	6,806	6,798	6,841	6,840	6,479	6,057	5,833	5,877	5,652	5,688
Transient Occupancy Taxes	6,589	5,578	5,686	7,350	6,480	5,633	5,074	4,752	5,094	6,320
Real Property Transfer Taxes	717	571	548	1,225	1,216	1,140	1,352	765	580	534
Construction Taxes	1,356	937	1,260	2,943	1,899	1,342	923	860	672	1,222
Business License Taxes	1,494	1,364	1,199	1,075	687	286	215	244	269	250
Unrestricted Grants and Contributions	-	-	-	-	-	-	-	821	678	144
Investment Earnings	1,432	1,834	5,923	9,927	10,387	5,943	3,793	1,217	11,268	15,263
Interest Accrued from Advances to Business-Type Activities	2,901	2,801	2,928	3,033	2,961	2,844	2,794	2,612	2,442	1,248
Gain (Loss) on Disposal of Assets	-	-	-	-	7,337	-	-	(55)	33	122
Miscellaneous	25	18	8	417	27	102	354	(3)	710	63
Transfers	5,857	4,970	1,658	6,410	7,308	7,512	(11,072)	6,232	5,843	9,259
Total Governmental Activities	115,621	108,323	108,459	119,489	123,215	101,305	76,333	85,853	99,004	104,611
Business-type activities										
Investment Earnings	453	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	(5,857)	(4,970)	(1,658)	(6,410)	(7,308)	(7,511)	11,072	(6,232)	(5,842)	(9,259)
Total Business-Type Activities	(5,404)	(4,584)	(510)	(4,646)	(5,231)	(6,015)	12,291	(5,795)	(4,118)	(7,055)
Total Primary Government	$ 110,217	$ 103,739	$ 107,949	$ 114,843	$ 117,984	$ 95,290	$ 88,624	$ 80,058	$ 94,886	$ 97,556
Change in Net Assets										
Governmental Activities	$ 18,523	$ 2,950	$ (4,553)	$ 15,545	$ 31,842	$ 8,241	$ (16,850)	$ (5,531)	$ 11,139	$ 24,256
Business-Type Activities	1,176	(450)	(5,033)	6,971	1,885	(4,021)	14,096	(5,030)	389	(8,574)
Total Primary Government	$ 19,699	$ 2,500	$ (9,586)	$ 22,516	$ 33,727	$ 4,220	$ (2,754)	$ (10,561)	$ 11,528	$ 15,682

CITY OF SUNNYVALE

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

	Fiscal Year									
	2011	**2010**	**2009**	**2008**	**2007**	**2006**	**2005**	**2004**	**2003**	**2002**
General Fund										
Nonspendable	$ 15,976	$ 15,983	$ 21,893	$ 22,246	$ 29,449	$ 34,270	$ 36,968	$ 42,676	$ 46,323	$ 39,920
Restricted	5,078	3,807	1,821	1,147	357	-	-	-	-	3,855
Committed	32,963	35,418	35,724	41,927	27,334	22,284	21,575	23,313	25,205	22,354
Assigned	193	22	-	-	-	-	-	-	-	-
Unassigned	43,545	36,836	41,865	56,591	55,304	52,024	51,373	48,647	49,166	69,140
Total General Fund	$ 97,755	$ 92,066	$ 101,303	$ 121,911	$ 112,444	$ 108,578	$ 109,916	$ 114,636	$ 120,694	$ 135,269
All Other Governmental Funds										
Nonspendable	$ 2,211	$ 2,170	$ 1,843	$ 909	$ 874	$ 843	$ 872	$ 646	$ 2,821	$ 2,015
Restricted	53,137	65,711	50,132	50,030	41,012	34,405	33,774	32,688	31,251	34,372
Committed	10,279	10,554	27,632	29,439	26,368	25,270	27,585	34,652	39,585	50,713
Assigned	-	-	-	35	163	159	100	349	679	160
Unassigned	(65,997)	(81,583)	(71,928)	(68,683)	(64,991)	(61,827)	(57,599)	(54,201)	(50,337)	(46,402)
Total All Other Governmental Funds	$ (370)	$ (3,148)	$ 7,679	$ 11,730	$ 3,426	$ (1,150)	$ 4,732	$ 14,134	$ 23,999	$ 40,858

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									
	2011	**2010**	**2009**	**2008**	**2007**	**2006**	**2005**	**2004**	**2003**	**2002**
Revenues										
Property Taxes	$ 52,032	$ 51,407	$ 50,523	$ 43,893	$ 40,807	$ 35,436	$ 32,895	$ 27,367	$ 26,632	$ 25,595
Sales and Use Taxes	30,327	26,590	26,201	30,915	32,053	29,617	26,070	24,599	27,015	27,270
Other Taxes	16,963	15,248	15,534	19,433	16,761	14,459	13,397	12,498	12,268	14,013
Franchise Fees	6,247	5,979	6,127	5,855	5,714	5,531	5,395	5,521	5,226	5,494
Intergovernmental Revenues	37,939	28,107	21,468	19,567	19,577	21,950	22,342	27,459	36,500	31,409
Permits and Licenses	5,972	4,766	5,435	9,265	7,042	5,780	4,996	4,252	3,133	4,392
Fines and Forfeitures	1,230	1,165	1,537	1,249	1,394	756	944	774	782	1,647
Special Assessments	21	21	17	71	66	63	71	136	300	297
Service Fees	9,769	6,809	5,416	21,725	15,621	7,500	7,713	5,495	3,123	3,493
Rents and Concessions	1,223	2,366	2,029	1,907	2,150	1,664	1,538	1,518	1,758	2,585
Deferred Interest Received from Interfund Advances	8,999	950	3,389	6,864	6,433	3,976	2,858	971	7,865	12,058
Investment Earnings	633	1,085	3,909	-	-	-	-	-	-	-
Other Revenues	1,320	1,674	1,075	1,824	1,442	1,555	2,991	1,584	3,339	2,660
Total Revenues	172,675	146,167	142,660	162,568	149,060	128,287	121,210	112,174	127,941	130,913
Expenditures										
Planning and Management	17,068	18,708	19,483	19,390	17,252	14,115	13,860	13,096	14,200	11,810
Public Safety	72,059	70,023	73,457	69,582	66,346	62,069	57,709	53,847	52,764	44,514
Community Development	24,876	26,333	21,034	20,816	22,245	20,638	20,093	16,928	19,521	18,150
Transportation	7,342	7,364	7,706	7,533	7,309	6,868	6,475	7,694	9,402	8,929
Socioeconomic	13,162	12,113	10,031	8,600	10,653	12,618	12,774	13,406	14,430	12,592
Cultural	7,667	7,931	7,871	7,545	7,824	7,493	7,331	7,056	7,541	6,398
Environmental Management	2,882	5,306	4,148	2,492	1,747	1,656	1,026	1,622	1,304	1,581
Capital Outlay	16,940	16,497	10,621	9,691	5,548	7,008	3,447	14,379	25,883	25,633
Debt Service:										
Principal Retirement	2,140	1,630	1,535	1,705	1,640	1,525	1,700	1,675	1,595	1,535
Interest	6,039	6,041	6,399	6,091	6,010	5,687	5,414	5,097	5,074	4,962
Fiscal Charges	189	48	551	104	66	125	67	677	110	62
Total Expenditures	170,364	171,994	162,836	153,549	146,640	139,802	129,896	135,477	151,824	136,166
Excess (Deficiency) of Revenues Over (Under) Expenditures	2,311	(25,827)	(20,176)	9,019	2,420	(11,515)	(8,686)	(23,303)	(23,883)	(5,253)

Other Financing Sources (Uses):										
Transfers In	26,368	26,612	19,011	18,325	19,154	19,683	17,307	20,376	23,880	24,180
Transfers Out	(20,213)	(20,848)	(23,883)	(14,273)	(16,615)	(15,277)	(22,743)	(16,628)	(29,113)	(17,048)
Proceeds from Refunding Bonds	-	-	15,865	-	-	-	-	7,960	-	-
Proceeds from Issuing Bonds	-	-	-	-	-	-	-	-	-	-
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	-
Total Other Financing Sources (Uses)	6,155	5,764	(4,482)	8,752	6,022	4,406	(5,436)	4,394	(4,735)	7,132
Net Change in Fund Balances	$ 8,466	$ (20,063)	$ (24,658)	$ 17,771	$ 8,442	$ (7,109)	$ (14,122)	$ (18,909)	$ (28,618)	$ 1,879
Capital Expenditures	13,690	13,791	8,458	8,583	3,211	6,245	3,554	10,937	25,396	21,967
Debt Service as a Percentage of Noncapital Expenditures	5.2%	4.8%	5.1%	5.4%	5.3%	5.4%	5.6%	5.4%	5.3%	5.7%

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									
	2011	**2010**	**2009**	**2008**	**2007**	**2006**	**2005**	**2004**	**2003**	**2002**
Property	$ 52,032	$ 51,407	$ 50,523	$ 43,905	$ 40,808	$ 35,436	$ 32,895	$ 27,367	$ 26,632	$ 25,595
Sales and Use	30,327	26,590	26,201	30,915	32,053	29,617	26,070	24,599	27,015	27,270
Transient Occupany	6,589	5,578	5,686	7,350	6,480	5,633	5,074	4,752	5,095	6,320
Utility Users	6,806	6,798	6,841	6,840	6,479	6,057	5,833	5,877	5,652	5,688
Business Licenses	1,494	1,364	1,199	1,075	687	286	215	244	269	250
Real Property Transfer	718	571	548	1,225	1,216	1,140	1,352	765	580	534
Construction	1,356	937	1,260	2,943	1,899	1,342	923	860	672	1,221
Franchise	6,247	5,979	6,127	5,855	5,713	5,531	5,395	5,521	5,226	5,494
Total	$ 105,569	$ 99,224	$ 98,385	$ 100,108	$ 95,335	$ 85,042	$ 77,757	$ 69,985	$ 71,141	$ 72,372

Assessed Value of Taxable Property
Last Ten Fiscal Years

Fiscal Year Ended June 30	Residential Property	Commercial Property	Industrial Property	Other Property [1]	Unsecured Property	Total Assessed Value [2]	Less: Exemptions	Total Taxable Assessed Value	Total Direct Tax rate
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	0.198%
2011	14,187,052,958	3,593,110,296	5,306,337,209	387,154,668	2,450,352,066	25,924,007,197	303,969,181	25,620,038,016	0.203%

Source: County of Santa Clara Assesor's Office

Notes: 1 Other property includes government, institution, irrigated and vacant lands, State Board of Equalization (SBE) nonunitary utilities, and miscellaneous and unclassified properties.

2 Assessed value is calculated at 100 per cent of market value as defined by California State Constitution Article XIII A and increases each year by no more than two per cent unless there is new construction or change in ownership on the property.

See notes in the Schedule of Property Tax Rates on page 174 for information on direct tax rate.

Property Tax Rates
Last Ten Fiscal Years

	Fiscal Year									
	2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Direct Rates [1]										
County	1.03880	1.03880	1.03880	1.03880	1.03880	1.03880	1.03880	1.03880	1.03880	1.03640
Special District										
Santa Clara Valley Water District	0.00720	0.00740	0.00610	0.00710	0.00720	0.00780	0.00920	0.00870	0.00720	0.00620
El Camino Hospital	0.01290	0.01290	0.01290	0.01290	0.01290	-	-	-	-	-
Overlapping Rates [2]										
School Districts [3]										
Sunnyvale School District	0.03900	0.02670	0.03390	0.03560	0.03440	0.03970	0.01880	0.01570	0.01580	0.01640
Cupertino Elementary	0.03080	0.03120	0.03060	0.03370	0.02890	0.26810	0.03600	0.03570	0.03290	0.04570
Los Altos Elementary	0.06000	0.05390	0.05260	0.05430	0.05510	0.04520	0.04870	0.04830	0.03980	0.04370
Mountain View Elementary	0.03220	0.02880	0.02940	0.03120	0.03400	0.03780	0.04230	0.03880	0.03700	0.02950
Fremont High	0.03650	0.03060	0.03390	0.02410	0.02430	0.02600	0.02680	0.02490	0.02460	0.02040
Mountain View-Los Altos High	0.01510	0.01470	0.01480	0.01590	0.01690	0.01790	0.01930	0.01830	0.01880	0.01750
Santa Clara Unified	0.05190	0.07010	0.07430	0.02710	0.07970	0.08610	0.03440	0.02630	0.02520	0.03660
Foothills-De Anza College	0.03260	0.03220	0.01230	0.01130	0.03460	0.01190	0.01290	0.01100	0.01080	0.01150
Special District										
Parking District	- [4]	- [4]	- [4]	- [4]	- [4]	- [4]	- [4]	- [4]	0.05216	0.05400

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 though 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, 2011

	2011			2002		
Taxpayer	**Taxable Assessed Value**	**Rank**	**Percentage of Total Taxable Assessed Value**	**Taxable Assessed Value**	**Rank**	**Percentage of Total Taxable Assessed Value**
Lockheed Martin Corporation	$ 1,221,544,552	1	4.77%	$ 785,681,839	1	4.59%
Network Appliance Inc	533,961,667	2	2.08%	250,615,498	4	1.47%
Yahoo Inc	521,751,955	3	2.04%			
Applied Materials Inc	363,179,243	4	1.42%	168,583,683	6	0.99%
Menlo And Juniper Networks LLC	330,707,128	5	1.29%	338,446,458	2	1.98%
SPF Mathilda LLC	276,782,465	6	1.08%			
Downtown Sunnyvale Mixed Use	251,820,801	7	0.98%			
MT SPE LLC	249,945,500	8	0.98%			
Moffett Towers LLC	205,425,611	9	0.80%			
Spansion LLC	181,392,043	10	0.71%			
Advanced Micro Devices Inc				286,683,070	3	1.68%
Bay Apartment Communities Inc				185,457,909	5	1.08%
Maxim Integrated Products Inc				153,900,532	7	0.90%
Philips Semiconductors Inc				138,731,243	8	0.81%
Global Center Inc				115,616,842	9	0.68%
AMB Property Limited Partnership				115,176,454	10	0.67%
Total	$ 4,136,510,965		16.15%	$ 2,538,893,528		14.84%

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
2002	23,550,640	22,349,137	94.9%	542,847	22,891,984	95.0%
2003	27,334,218	25,962,607	95.0%	669,322	26,631,929	95.1%
2004	27,561,419	26,755,807	97.1%	611,235	27,367,042	97.1%
2005	27,845,911	24,628,122	88.4%	734,809	25,362,931	88.7%
2006	28,812,518	26,489,526	91.9%	783,888	27,273,414	92.2%
2007	31,790,994	31,125,424	97.9%	888,602	32,014,027	98.0%
2008	34,017,054	33,208,221	97.6%	1,072,976	34,281,197	97.7%
2009	40,322,813	38,415,190	95.3%	1,610,512	40,025,702	95.5%
2010	42,336,677	38,838,499	91.7%	1,572,241	40,410,740	92.0%
2011	41,889,029	40,216,471	96.0%	938,236	41,154,707	96.1%

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									
	2011	**2010**	**2009**	**2008**	**2007**	**2006**	**2005**	**2004**	**2003**	**2002**
Governmental Activities:										
Parking District Bonds	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ 75	$ 145
Special Assessment Bonds	-	-	-	-	-	-	-	280	540	780
Tax Allocation Bonds	5,629	5,996	6,352	6,703	7,050	7,386	7,667	7,894	7,440	7,625
Certificates of Participation	25,860	27,630	28,900	29,690	31,045	32,345	33,585	34,775	35,920	37,020
Business-Type Activities:										
Water and Wastewater Revenue Bonds	60,555	62,889	23,004	24,426	25,783	27,089	28,346	29,563	30,740	31,877
Solid Waste Revenue Bonds	18,000	19,781	21,487	23,129	16,149	17,275	18,371	19,426	20,442	18,296
Total Primary Government	$ 110,044	$ 116,296	$ 79,743	$ 83,948	$ 80,027	$ 84,095	$ 87,969	$ 91,938	$ 95,157	$ 95,743
Percentage of Personal Income [1]	0.10%	0.11%	0.08%	0.08%	0.08%	0.09%	0.10%	0.11%	0.12%	0.12%
Per Capita [2]	$ 780	$ 828	$ 574	$ 610	$ 590	$ 630	$ 661	$ 694	$ 718	$ 721

Notes: Details regarding the City's oustanding debt can be found in the notes to the financial statements.

1 Personal income data are presented in the Schedule of Demographic and Economic Statistics on page 181. Personal income for fiscal year 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 187.

CITY OF SUNNYVALE

Direct and Overlapping Governmental Activities Debt
As of June 30, 2011

Governmental Unit	Debt Outstanding	Percentage Applicable [1]	Share of Overlapping Debt
Debt Repaid with Property Taxes: County			
City of Sunnyvale Community Facilities District No. 1 Special Tax Bonds	$ 18,060,000	100.000 %	$ 18,060,000
Cupertino Union School District & Certificates of Participation	163,204,991	14.776	24,115,169
El Camino Hospital District	143,805,000	37.328	53,679,530
Foothill Community College District Certificates of Participation	21,215,000	22.767	4,830,019
Foothill-De Anza Community College District	650,224,288	22.767	148,036,564
Fremont Union High School District	265,975,108	47.817	127,181,317
Midpeninsula Regional Open Space Park District Certificates of Participation	131,003,031	15.440	20,226,868
Mountain View School District & Certificates of Participation	23,584,685	6.433	1,517,203
Mountain View-Los Altos Union High School District & Certificates of Participation	56,601,384	2.239	1,267,305
Mountain View-Whisman School District	2,645,000	4.636	122,622
Los Altos School District	86,664,000	0.252	218,393
Santa Clara County	334,900,000	9.300	31,145,700
Santa Clara County General Fund Obligations	786,980,000	9.300	73,189,140
Santa Clara County Board of Education Certificates of Participation	12,580,000	9.300	1,169,940
Santa Clara County Pension Obligations	386,024,822	9.300	35,900,308
Santa Clara County Vector Control Certificates of Participation	3,800,000	9.300	353,400
Santa Clara Unified School District Certificates of Participation	265,240,000	14.154	37,542,069
Santa Clara Valley Water District Benefit Assessment District	143,160,000	9.300	13,313,880
Santa Clara Valley Water District Zone W-1	405,000	11.375	46,069
Sunnyvale School District	117,214,273	98.904	115,929,605
West Valley-Mission Community College District Certificates of Participation	269,169,346	4.771	12,842,069
Subtotal Overlapping Debt			720,687,170
Direct Debt [2]			
City of Sunnyvale Certificates of Participation			14,885,000
City of Sunnyvale Parking Facility Certificates of Participation			10,975,000
Subtotal Direct Debt			25,860,000
Total Direct and Overlapping Debt [3]			$ 746,547,170

Sources: California Municipal Statistics, Inc.
City of Sunnyvale

Notes:

[1] Percentage of overlapping agency's assessed valuation located within the boundaries of the City.

[2] Direct debt excludes revenue bonds reported in the enterprise funds and Redevelopment Agency Central Core Tax Allocation Bonds.

[3] 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									
	2011	**2010**	**2009**	**2008**	**2007**	**2006**	**2005**	**2004**	**2003**	**2002**
Debt limit	$ 3,888,601	$ 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
Total net debt applicable to limit	31,490	32,971	35,252	36,394	38,094	39,731	41,251	42,949	43,975	45,570
Legal debt Margin	$ 3,857,111	$ 3,896,476	$ 3,710,573	$ 3,398,263	$ 3,100,031	$ 2,874,198	$ 2,673,338	$ 2,718,141	$ 2,655,194	$ 2,502,376
Total net debt applicable to the limit as a percentage of debt limit	**0.81%**	**0.84%**	**0.94%**	**1.06%**	**1.21%**	**1.36%**	**1.52%**	**1.56%**	**1.63%**	**1.79%**

Legal Debt Margin Calculation for Fiscal Year 2011

Assessed value	$ 25,620,038
Add back: exempt real property	303,969
Total assessed value	$ 25,924,007
Debt limit (15% of total assessed value)	3,888,601
Debt applicable to limit:	
Total bonded debt	110,045
Less:	
Water and Wastewater Revenue Bonds	(60,555)
Solid Waste Revenue Bonds	(18,000)
Total net debt applicable to limit	31,490
Legal debt margin	$ 3,857,111

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									
	2011	**2010**	**2009**	**2008**	**2007**	**2006**	**2005**	**2004**	**2003**	**2002**
Water and Wastewater Revenue Bonds										
Gross Revenues	$ 52,303	$ 48,000	$ 47,060	$ 48,250	$ 45,287	$ 39,641	$ 37,671	$ 36,092	$ 35,800	$ 32,498
Less: Operating Expenses	34,303	33,899	33,272	31,868	30,472	29,564	28,669	26,984	25,989	25,444
Net Available Revenue	$ 18,000	$ 14,101	$ 13,788	$ 16,382	$ 14,815	$ 10,077	$ 9,002	$ 9,108	$ 9,811	$ 7,054
Debt Service										
Principal	$ 2,355	$ 1,495	$ 1,435	$ 1,370	$ 1,320	$ 1,270	$ 1,230	$ 1,190	$ 1,150	$ 670
Interest	2,161	1,119	1,180	1,243	1,294	1,340	1,382	1,423	1,461	1,164
Coverage	4.0	5.4	5.3	6.3	5.7	3.9	3.4	3.5	3.8	3.8
Solid Waste Revenue Bonds										
Gross Revenues	$ 61,398	$ 57,874	$ 56,147	$ 56,998	$ 49,766	$ 49,297	$ 47,083	$ 44,909	$ 48,365	$ 46,222
Less: Operating Expenses	54,126	51,824	56,896	48,186	43,490	45,116	41,945	42,532	41,931	42,803
Net Available Revenue	$ 7,272	$ 6,050	$ (749)	$ 8,812	$ 6,276	$ 4,181	$ 5,138	$ 2,377	$ 6,434	$ 3,419
Debt Service										
Principal	$ 1,790	$ 1,715	$ 1,645	$ 1,165	$ 1,135	$ 1,105	$ 1,065	$ 1,025	$ 745	$ 705
Interest	916	990	1,056	898	810	841	882	918	691	1,154
Coverage [1]	2.7	2.2	-0.3	4.3	3.2	2.1	2.6	1.2	4.5	1.8

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.

Demographic and Economic Statistics
Last Ten Fiscal Years

Fiscal Year	Population	Personal Income (thousands of dollars) [1]	Per Capita Personal Income [1]	Median Age	School Enrollment	Civilian Labor Force	Unemployment Rate
2002	132,825	79,305,402	45,990	33	13,329	76,342	7.3%
2003	132,500	79,855,313	46,460	33	15,365	73,034	7.8%
2004	132,422	84,180,357	48,999	34	14,338	70,992	5.7%
2005	133,086	89,629,169	51,810	36	14,792	70,190	4.7%
2006	133,544	97,952,294	56,124	36	14,793	70,713	3.9%
2007	135,721	105,471,632	59,720	36	14,891	72,637	4.0%
2008	137,538	105,652,289	58,852	37	15,142	74,714	5.0%
2009	138,826	101,495,244	55,780	37	15,596	74,804	9.9%
2010	140,450	108,280,174	58,744	37	15,979	74,343	9.6%
2011	141,099	Not Available	Not Available	36	16,224	74,850	8.8%

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 San Jose-Sunnyvale-Santa Clara, CA

CITY OF SUNNYVALE

Principal Employers
June 30, 2011

	2011			2002		
Employer	**Number of Employees**	**Rank**	**Percentage of Total Employment**	**Number of Employees**	**Rank**	**Percentage of Total Employment**
Lockheed Martin Space Systems	7,034	1	9.40%	Not available		
Yahoo! Inc	4,905	2	6.55%			
Network Appliance Inc	2,785	3	3.72%			
Juniper Networks Inc	2,200	4	2.94%			
West Valley Eng Inc	1,600	5	2.14%			
Maxim Integrated Products	1,263	6	1.69%			
Northrup Gruman Marine Systems	1,240	7	1.66%			
Palm Inc	1,102	8	1.47%			
Applied Materials Inc	1,035	9	1.38%			
Synopsys Inc	917	10	1.23%			

Source: City of Sunnyvale, Department of Finance
U.S. Department of Labor, Bureau of Labor Statistics

Full-time Equivalent City Government Employees by Function
Last Ten Fiscal Years

	Full-time Equivalent Employees as of June 30									
	2011	**2010**	**2009**	**2008**	**2007**	**2006**	**2005**	**2004**	**2003**	**2002**
Function/Program										
Planning and Management	130	137	144	141	142	141	138	145	150	140
Public Safety [1]	321	328	340	335	325	308	309	333	358	337
Community Development	106	117	126	129	132	132	133	131	142	130
Transportation	35	35	36	35	35	37	35	42	46	47
Socioeconomic	91	89	66	65	79	96	102	108	106	74
Cultural	50	58	61	61	61	65	66	67	73	71
Environmental Management	21	20	21	21	19	18	17	14	17	18
Water Supply and Distribution	29	30	30	29	31	34	32	29	32	21
Wastewater Management	66	69	70	69	67	72	71	69	75	68
Solid Waste Management	10	11	10	10	10	9	9	9	9	8
SMaRT Station	1	1	1	1	1	1	2	2	2	1
Community Recreation	88	89	92	92	92	89	87	95	104	44
Total	948	984	997	988	994	1,002	1,001	1,044	1,114	959

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.

Operating Indicators by Function
Last Ten Fiscal Years

Function	Fiscal Year 2011	2010	2009	2008	2007	2006	2005	2004	2003	2002
Public Safety:										
Police										
Emergency Responses	41,840	37,721	38,676	41,062	47,184	47,464	46,132	52,017	48,613	47,645
Crime Investigations	3,068	Not Available	3,240	3,749	3,834	3,467	3,617	4,268	4,268	4,288
Traffic Events and Citations	17,237	17,208	20,258	19,657	16,753	22,716	24,188	20,213	16,114	12,284
Fire										
Emergency Responses	7,098	6,901	7,123	7,385	6,793	7,026	6,643	6,646	7,421	6,662
Fire Safety Inspections	4,017	Not Available	3,422	4,666	5,934	6,080	5,489	5,189	6,606	7,314
Transportation:										
Streets Resurfacing (1,000 square feet)	237	152	Not Available	158	Not Available	179	179	156	307	Not Available
Street Preventive Maintenance (1,000 square feet)	3,084	4,481	3,553	4,056	3,882	8,159	5,709	5,767	4,648	7,619
Streetlight Lamps Replaced	1,247	1,011	954	682	1,092	846	674	752	922	901
Library:										
Library Visitors	732,631	796,329	871,128	798,194	768,983	723,731	737,506	861,591	877,135	819,664
Library Materials Circulated	2,524,293	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
Library Materials Turnover Rate (average use)	8.3	7.9	7.1	7.4	7.4	6.7	6.6	7.6	7.0	6.0
Water Supply and Distribution:										
Average Daily Demand (million gallons)	18.0	18.0	20.3	20.8	21.9	20.0	21.7	22.8	21.4	23.2
Peak Daily Use (million gallons)	40.3	40.3	41.3	42.4	44.0	40.0	43.0	46.0	46.0	46.0
Water Main Repairs	23	15	9	28	61	34	24	13	35	31
Wastewater Management:										
Average Daily Sewage Treatment (million gallons)	13.8	12.6	14.1	14.9	15.4	15.5	15.3	14.9	15.3	16.6
Solid Waste Management:										
Refuse collected (tons per day)	223.6	224.1	233.7	261.9	265.8	277.6	271.5	278.6	284.6	298.1
Recyclables collected (tons per day)	68.2	70.6	68.9	67.4	69.4	71.4	73.2	74.2	73.8	70.4
SMaRT Station										
Refuse received (tons per day)	563.0	604.0	667.1	709.7	722.2	731.4	707.7	721.6	733.0	746.4
Community Recreation:										
Recreation Programs Registration (hours)	703,355	717,931	710,537	745,720	708,158	Not Available	Not Available	585,023	511,257	Not Available
Rental Use of Recreation Facilties[1] (1,000 Participant Hours 2000-2006)	73,330	85,143	65,900	18,324	18,623	Not Available	Not Available	Not Available	Not Available	Not Available
Plays at Golf Courses	133,356	134,312	137,012	142,137	150,303	147,650	156,523	150,944	182,855	185,255

Source: City of Sunnyvale, various departments

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

Capital Asset Statistics by Function
Last Ten Fiscal Years

	Fiscal Year									
	2011	**2010**	**2009**	**2008**	**2007**	**2006**	**2005**	**2004**	**2003**	**2002**
Function/Program										
Public Safety										
Police:										
Jail Facilities	1 (6 cells)	1 (6 cells)	1 (6 cells)	1 (6 cells)	1 (6 cells)	1 (6 cells)	1 (6 cells)	1 (6 cells)	1 (6 cells)	1 (6 cells)
Vehicular Patrol Units[1]	67	66	67	63	65	52	52	52	51	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	9,542	9,242	8,928	8,928	8,919	8,919	8,909	8,904	8,867
Traffic Signals	128	128	128	129	129	129	129	129	129	126
Water Supply and Distribution										
Water Mains (miles)	326	326	326	283	283	282	282	282	282	282
Fire Hydrants	3,390	3,390	3,390	3,381	3,381	3,400	3,385	3,385	3,385	3,351
Storage Capacity (million gallons)	27.5	27.5	27.5	28.0	28.0	28.0	28.0	28.0	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	323	322	322	322	322	322
Parks	19	19	19	19	19	19	19	19	19	18
Golf Courses	2	2	2	2	2	2	2	2	2	2
Swimming Pools	6	6	6	6	6	6	6	6	6	5
Tennis Courts	38	38	38	38	38	38	38	38	38	38
Skate Parks	2	2	2	2	2	1	1	1	1	-
Recreation Centers	3	3	3	3	3	3	3	3	3	2

Source: City of Sunnyvale, various departments

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

1 Patrol motorcycles and SUVs were incorporated into the count in 2007.