



COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2014



Seven Seas Park - opened July 12, 2014

CITY OF SUNNYVALE

C A L I F O R N I A

A Commitment to Excellence

Comprehensive Annual Financial Report

For The Fiscal Year Ended
June 30, 2014



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

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City of SUNNYVALE

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

December 3, 2014

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, 2014. 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 Macias Gini & O'Connell LLP (MGO), 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, 2014, 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 unmodified opinion which states that the City's financial statements for the fiscal year ended June 30, 2014, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the Financial Section of this report.

Chief Finance Officer's Letter of Transmittal, Continued
Fiscal Year Ended June 30, 2014

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 auditor's 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.

Chief Finance Officer's Letter of Transmittal, Continued
Fiscal Year Ended June 30, 2014

PROFILE OF THE CITY, Continued

Component Units

In defining the reporting entity, we have included the City's component units, which are the Sunnyvale Financing Authority (the Authority), and two Community Facilities Districts (CFDs). The City Council sits as the Board of the component units. The Authority is fiscally dependent on the City, while the two Community Facility Districts were formed to provide financing mechanisms for public improvements. One CFD is for the construction of parking facilities and the second for storm water collection and treatment facilities. The City's financial role with each District is fiduciary in nature.

Additionally, the City has established a Redevelopment Successor Agency (RSA) which replaced the Redevelopment Agency that was dissolved in 2012. The RSA is not a component unit of the City and is instead a separate legal entity overseen by the Oversight Board and the State Department of Finance. The City's role in the RSA is fiduciary in nature. The RSA is reported under the private-public trust fund, a fiduciary fund type.

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

Chief Finance Officer's Letter of Transmittal, Continued
Fiscal Year Ended June 30, 2014

PROFILE OF THE CITY, Continued

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

Budget

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

On November 6, 2007, Sunnyvale voters approved to amend 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. It also provides that approved appropriations for capital projects will not lapse at the end of the fiscal year, unless completed, closed out or Council takes action to modify. The long-term nature of the City's financial planning system allows decision makers to better understand the effect of policy decisions to prevent wild swings in service levels during the upturns and downturns of economic cycles.

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

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

Chief Finance Officer's Letter of Transmittal, Continued
Fiscal Year Ended June 30, 2014

LOCAL ECONOMY

The local economy continued its recovery from the global recession throughout fiscal year 2014. This recovery, which began late in fiscal year 2010, has been driven by the technology sector, whose expansion has fueled development activity and job growth in the City. Development activity was very robust in fiscal year 2014, resulting in a record third year of very high activity. Development-related revenues, Property Tax, and Transient Occupancy Tax all exceeded expectations. Based on the development activity currently underway, revenues are poised for growth going forward due to the residual effect that commercial development has on the General Fund's other sources of revenue. A continuing concern and vulnerability, however, is the high volatility levels for Sales Tax, Transient Occupancy Tax, and development-related revenues. Over time, these revenue sources have experienced significant year-to-year variances, which have made long-term revenue projections challenging. The fiscal year 2015 budget reflects the anticipated activity and resulting revenue growth over the next several years. Beyond the next several years, growth projections have been moderated to reflect the inevitable volatility of several of the City's revenues. However, the City continues to monitor how its revenue base is being affected by the rebounding economy and will adjust long term revenue projections annually as part of the budget development process.

Despite an accelerated recovery for several major revenue sources, the City's fiscal situation still remains tightly balanced. While the economy appears to be on relatively solid ground, the recovery remains tepid. Several factors, including financial market volatility, a possible housing bubble, and actions by the federal government, continue to cause concern about the sustainability of a healthy economy. Further, the City of Sunnyvale is under several pressures, including continuing increases in personnel costs, especially with regard to pensions and medical costs, but also with salary costs as the economy potentially drives up cost of living and, correspondingly, compensation. As the economy has rebounded, the City is also experiencing an increase in the demand for services. Operational and capital costs are facing upward pressure as increased development, environmental regulation, and aging infrastructure all strain current resources. Additionally, the bidding climate has tightened, as increasing competition due to more demand for work has increased construction costs.

Containing expenditures in the face of these pressures, particularly related to personnel costs, is critical to ensure that they do not grow at a rate that exceeds revenue growth. A balanced budget in the short- and long-term can quickly become unbalanced if these costs are not managed closely. To that end, the City, beginning in fiscal year 2011, *budgeted* more sustainable personnel costs, including concessions from its bargaining units, into its long-term plan, and since then has achieved the results required to maintain a balanced budget. To date, salary adjustments and increases in employee contributions to their pensions have largely met budgetary assumptions, although the pressures noted above have begun to manifest in salary concessions marginally beyond what was budgeted. The next several years will now be crucial in determining if the desired results can continue to be achieved so that revenues and expenditures remain in alignment.

Chief Finance Officer's Letter of Transmittal, Continued
Fiscal Year Ended June 30, 2014

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.

One significant issue identified through our long-term planning process is the impact of unfunded liabilities related to employee pension and retiree medical benefits. There has been a substantial increase in the City's contribution rates for employee pensions through the California Public Employees' Retirement System (PERS) due to a number of factors, including large investment losses in fiscal year 2009 and changes to actuarial assumptions and rate methodologies. As a result, the City's employer contribution rates have increased dramatically, starting in fiscal year 2012, and are expected to continue to increase into the foreseeable future. Because of the City's long-term financial planning process that carefully considers the long-term implications of PERS' actions, the City has periodically opted to pay more than the required PERS employer contribution to ensure our retirement plans are prudently funded and to minimize rate volatility. Working with its consulting actuary, the City develops alternate rate projections to those provided by PERS and has incorporated these rates into the City's long-term financial plan since fiscal year 2012. The City will continue to address pension funding with a long-term perspective.

Chief Finance Officer's Letter of Transmittal, Continued
Fiscal Year Ended June 30, 2014

LONG-TERM FINANCIAL PLANNING, Continued

With the same long-term analysis, the City has developed a funding plan to address the unfunded liabilities related to retiree medical benefits. Like most governmental agencies, the City had been paying for these expenses on a pay as you go basis. With the requirement to disclose our liability for other post-employment benefits (OPEB), the City saw the need to address this liability. As a result, the City began funding a retiree medical trust fund in fiscal year 2011 and has budgeted to pay the full annual required contribution over the long-term plan until the trust is fully funded.

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.

The first is the Contingencies Reserve. This reserve equals 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. Increasing future years by CPI ensures that this reserve is sufficient for its intended usage but 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 level economic cycles from year to year. By letting this reserve vary each year, the fund can absorb the cyclical effects of the economy. In essence, this reserve grows during periods of economic growth and is drawn down during the low points of economic cycles to maintain stable service levels. Strict policy adherence to the premise of the Budget Stabilization Fund prevents the City from adding services at the top of economic cycle that cannot be sustained, while allowing it 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. This was evident during the most recent recession, as the Budget Stabilization Fund was utilized to subsidize service levels when revenues dropped, which allowed the City time to assess the magnitude of the issue and address it strategically. The result was ongoing operating expenditure reductions that were primarily generated through operational efficiencies such as departmental reorganizations, as opposed to material reductions in service levels.

***Chief Finance Officer's Letter of Transmittal, Continued
Fiscal Year Ended June 30, 2014***

RELEVANT FINANCIAL POLICIES, Continued

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.

In addition to the reserves discussed above, the City also 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 liabilities, and retiree medical costs to reduce volatility and to minimize the effect on the funding of other City operations.

MAJOR INITIATIVES

Development Activity

For the third year in a row, economic recovery was evident in Sunnyvale in terms of development activity, which reached near record levels during fiscal year 2012 and fell just short of that same level of activity in fiscal year 2013. Development activity was diverse and covered almost all sectors including office, research and development, industrial, and residential. With improvements in the financing market, as well as escalating home prices, fiscal year 2014 development activity continued to be elevated. While the economic recovery and resulting increase in development permitting activity were positive news for Sunnyvale and the region as a whole, it stretched the capabilities of the Community Development Department's building, planning and housing staffs that were involved in the development review process and staffing at the One Stop Permit Center. These challenges also extended to other key divisions that were integrally involved in development review such as the engineering division (Public Works) and the fire prevention division (Public Safety). A few of the significant projects that were in some phase of the development approval process in fiscal year 2014 and are currently under construction include a new high-rise office building and parking structure at Moffett Towers, which includes a new fire station to serve north Sunnyvale; industrial to residential developments in East Sunnyvale, Apple Offices (more than twenty tenant improvements throughout the City), the Solstice apartment buildings in the Sunnyvale downtown consisting of 280 units and 34,000 square feet of retail, and many other residential and commercial developments.

Chief Finance Officer's Letter of Transmittal, Continued
Fiscal Year Ended June 30, 2014

MAJOR INITIATIVES, Continued

Opening of Seven Seas Park

Construction of Seven Seas Park was completed and the park opened in early July 2014. Seven Seas Park is the first City-developed neighborhood park built since 1987. The park was constructed on land previously leased for private industrial use. Completion of the project improved service to residents by providing 5.3 acres of park land and play areas to a previously underserved portion of the City. The park received very positive reviews by users and the media upon opening, and remains heavily used to date.

City Addresses Drought

As the region entered a drought, the City's Water Supply and Distribution program worked to meet the requirements of the City's wholesale water suppliers for reductions in use. Staff implemented measures identified in the City's drought management plan, increased the use of groundwater to offset use of dwindling surface water supplies, and began piloting a smart metering project to improve customer communication on water use. With the new water year just underway, water use is being carefully monitored throughout the City, including at City owned parks and other facilities. Should the drought continue into the next year, more restrictive measures may be required to save water.

Public Safety Recruitment and Hiring

The Department of Public Safety (DPS) continued to focus on recruitment and hiring in an effort to fill an unexpected high number of vacancies due to retirements and other separations. The department updated its recruitment materials including the development of new recruitment video, the creation of a professional recruitment brochure and a comprehensive recruitment plan. In collaboration with the Human Resources Department, DPS worked on recruitments for thirteen positions involving approximately 1,300 qualified applicants. The recruitment processes resulted in a wide variety of department positions being filled with highly qualified candidates to include both sworn and professional civilian vacancies. Formal training programs for each of the positions were implemented, including a co-sponsored Fire Academy between the Cities of Santa Clara and Sunnyvale. Projecting an ongoing need in the near future, DPS recruitment activities will continue at an elevated level for several years.

Zero Waste Strategic Plan

The Sunnyvale City Council approved a Zero Waste Strategic Plan in April of 2013 that set goals to increase the City's solid waste diversion rate to 70% by 2015 and 75% by 2020, with an ultimate goal of a 90% diversion rate by 2030. In adopting this plan, the City acknowledged the significant cost of reaching these goals and has begun to include those into its long-term planning and Solid Waste Management Enterprise. Costs include new services like food waste collection, multi-family and commercial yard waste pickup, and additional public education.

***Chief Finance Officer's Letter of Transmittal, Continued
Fiscal Year Ended June 30, 2014***

MAJOR INITIATIVES, Continued

Lakewood Branch Library Facility

The City has included a budgeted project to construct a new branch library facility in the Lakewood Neighborhood. This will increase access to library services for residents living in north Sunnyvale by making it more convenient for those residents to access City library facilities. The project is to be funded by proceeds from the sale of the Raynor Activity Center, with the final sale amount driving the cost and therefore size of the branch library. Sale of the Raynor Activity Center to a private school has been approved by City Council and the school is currently working to complete the use permit process prior to completing the sale and beginning building renovation.

Ongoing Projects

The City's Capital Improvement Program has a number of significant projects currently underway that will continue into fiscal year 2015 and beyond.

Expansion of Orchard Gardens Park

Work has begun on the expansion of Orchard Gardens Park. The City acquired three homes adjacent to the Park with a plan to expand the park to better serve the surrounding community. The homes will be demolished and replaced with landscaping, benches, walkways, a play structure, and limited parking. The project has been bid and a contract awarded. Construction is set to begin in the winter of 2014.

Water and Wastewater Infrastructure

The City continued its efforts in fiscal year 2014 to address its aging water and wastewater utility infrastructure. In the water utility, the highest priority has been placed on water pipe replacements. \$2.4 million in funds were expended in 2014 for accelerated work to improve the aging system, with another \$6.3 million planned for the current fiscal year. In the wastewater utility, a significant project to renovate the City's Water Pollution Control Plant (WPCP) is underway. Facility master planning and design for the primary treatment facilities is underway, and a contract for program management has also been awarded. Major progress on the design of both the headworks and primary treatment facilities is expected to be made in the upcoming fiscal year.

Fair Oaks Overhead Bridge Improvements

The State of California Department of Transportation (CalTrans) inspects bridges throughout the state for structural adequacy and functional operation. The most recent CalTrans inspection of the Fair Oaks Overhead Bridge revealed that it was "structurally deficient." The rating is primarily due to severe deck cracking and spalling, inadequate sidewalk width, barrier railings, approach railing and lateral clearance to the columns.

Chief Finance Officer's Letter of Transmittal, Continued
Fiscal Year Ended June 30, 2014

MAJOR INITIATIVES, Continued

To make the necessary improvements on this bridge will require an estimated \$22.8 million. The City is seeking funds from CalTrans to cover approximately 90% of the cost of this project. Upon completion of construction the bridge is expected to last for an additional 40 years.

City Infrastructure

A continuing 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, is a significant cost over multiple years. The City has begun a planning and public engagement process to determine the best path forward. In the meantime, investments are being made only on critical infrastructure to keep the existing facilities operational.

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, 2013. This was the twenty-eighth 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, 2014. This was the twenty-fifth 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.

***Chief Finance Officer's Letter of Transmittal, Concluded
Fiscal Year Ended June 30, 2014***

AWARDS AND ACKNOWLEDGEMENTS, Continued

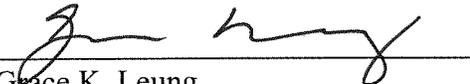
The City has received the Annual Achievement of Excellence in Procurement Awards from the National Purchasing Institute (NPI) for the past fifteen years. NPI is the public sector purchasing affiliate of the Institute for Supply Management (ISM). The mission of NPI is to facilitate the educational and 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, Principal Accountant; Lisa Sandigo, Luis Cuellar, and Juan Castro, Accountants; Liza Valdez, Senior Accounting Technician; Tim Kashitani, Administrative Aide; and Tim Kirby, Assistant Director of Finance.

I also wish to thank our auditors, Macias Gini & O'Connell LLP, Certified Public Accountants, for their cooperation and assistance.

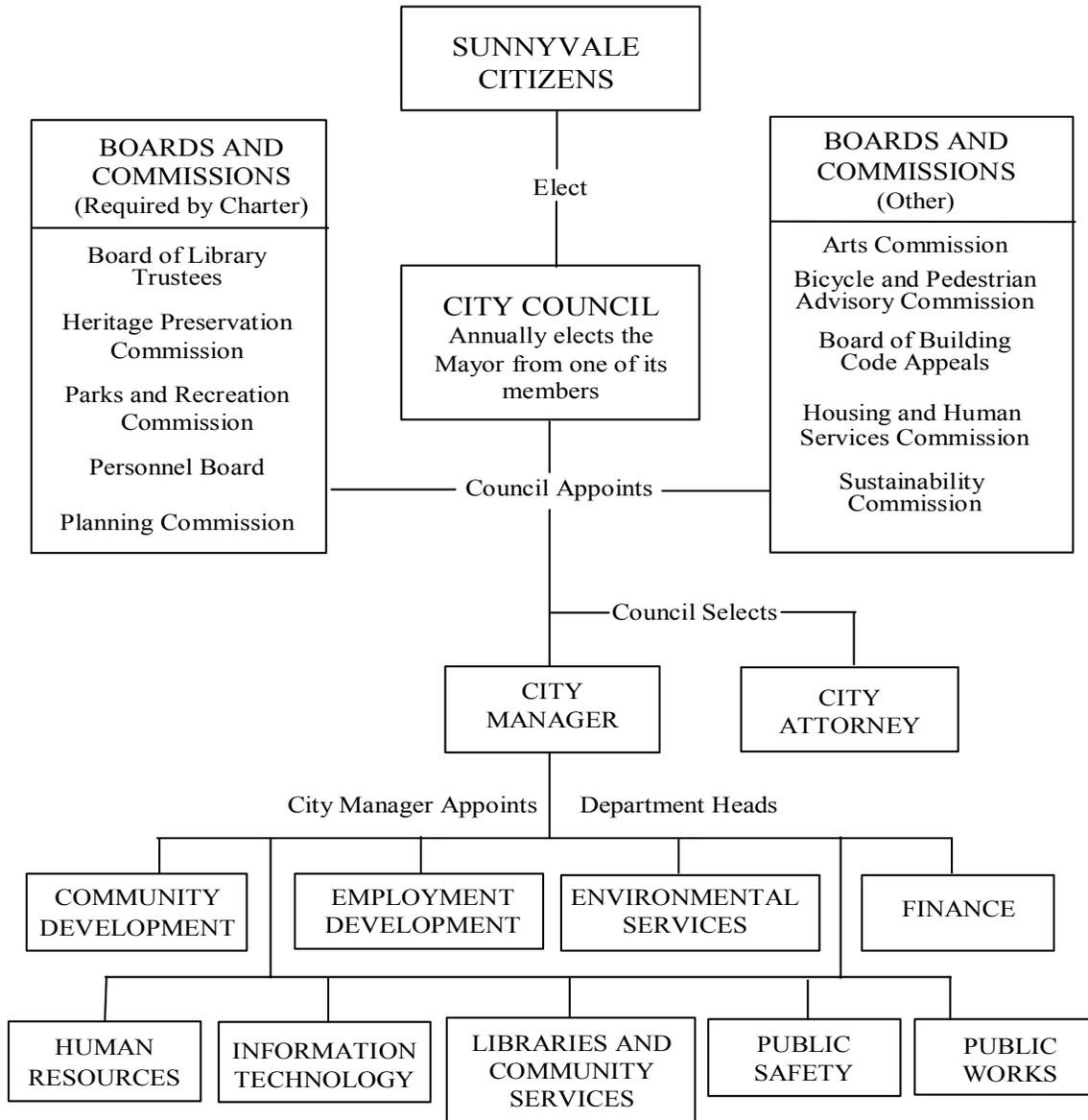
Sincere appreciation is also expressed to the City Manager and members of the City Council for their support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,



Grace K. Leung
Director of Finance

Organization Chart



Jim Griffith
Mayor

Jim Davis
Vice-Mayor

David Whittum
Councilmember

Pat Meyering
Councilmember

Tara Martin-Milius
Councilmember

Glenn Hendricks
Councilmember

Gustav Larsson
Councilmember

Deanna Santana
City Manager

Joan Borger
City Attorney

Lisa Rosenblum
Director of Libraries and
Community Services

Frank Grgurina
Director of Public Safety

Teri Silva
Director of Human Resources

Hanson Hom
Director of Community Development

Kris Stadelman
Director of Employment Development

David Jensen
Director of Information Technology

Kent Steffens
Director of Public Works

Grace Leung
Director of Finance

John Stufflebean
Director of Environmental Services

Robert Walker
Assistant City Manager

Directory of Boards and Commissions
Fiscal Year Ended June 30, 2014

Arts Commission

Karun, Vinita
Moshier, Suzanne
Park, Misuk
Santos, Shawnte

Bicycle and Pedestrian Advisory Commission

Jackson, Kevin
Jones, David
Kolber, Richard
Manitakos, Jr., James
Rausch, Angela
Switzer, Cathy
Welch, Kyle

Board of Building Code Appeals

Michitaka, Sachihiko (Mike)

Board of Library Trustees

Bremond, Daniel
Davis-East, Anne
Pathak, Narendra
Shanmugasundaram, Jill
Su, "Ray" Zahn

Heritage Preservation Commission

Dietrich, Hannalore
Johnson, Mark
Larsen, Dixie
Michitaka, Sachihiko (Mike)
Mouritsen, Dale
Squellati, David
Stanek, Jeanine

Housing and Human Services Commission

Chiu, Dennis
Evans, Patti
Gilbert, Diana
Jeong, Younil
McCloud, Chrichelle
Schmidt, Barbara
Sidhu, Navpreet (Ruby)

Parks and Recreation Commission

Alexander III, Henry
Harms, Robert
Kenton, Ralph
Pasqua, Craig
Pochowski, Robert

Personnel Board

Ketzel, Marc
Knaebel, Michael
Nickey, Judith
Oberman, Traci
Sellers, Garry

Planning Commission

Durham, Ralph
Harrison, Sue
Klein, Larry
Melton, Russell W.
Olevson, Ken
Rheume, Ken
Simons, David

Sustainability Commission

Fukumoto, Barbara
Glaser, Gerald
Hafeman, Dan
Kisyova, Petya
Paton, Bruce
Srivastava, Amit



Government Finance Officers Association

**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, 2013

Executive Director/CEO

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying 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 (City), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the 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 as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison schedules, and information on the modified approach for City streets infrastructure capital assets as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining fund financial statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2014 on our consideration of the City'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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Macias Gini & O'Connell LLP

Walnut Creek, California
December 3, 2014

Management's Discussion and Analysis

*Management's Discussion and Analysis
Fiscal Year Ended June 30, 2014*

As management of the City of Sunnyvale, we offer readers of the City of Sunnyvale's financial statements this narrative overview and analysis of the financial activities of the City of Sunnyvale for the fiscal year ended June 30, 2014. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found in the Introductory Section of this report.

A. FINANCIAL HIGHLIGHTS

- At June 30, 2014, the City's net position (assets and deferred outflows of resources exceeding liabilities and deferred inflows of resources) was \$866.2 million. Of this amount, \$216.9 million represents unrestricted net position, which may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$39.2 million from last year; governmental activities contributed \$27.1 million and business-type activities made up the remaining \$12.1 million of the increase.
- The City's total assets were \$44.2 million higher than the prior year, as evidenced by the significant increase in cash, capital assets, and housing loans receivable.
- The City's total liabilities were \$5.0 million more than the prior year. The increase in accrued current liabilities and unearned revenues exceeded the reduction in noncurrent liabilities by that amount.
- At June 30, 2014, the City's governmental funds reported a combined fund balance of \$210.1 million, an increase of \$7.3 million from the prior year. Approximately \$52.9 million, or 25.2% of the total fund balance, is available for spending at the City's discretion (unassigned fund balance).
- The General Fund's fund balance was \$102.8 million, increased by \$4.7 million from last year. The increase primarily resulted from revenue growth in development-related fee revenues, property tax, and transient occupancy tax.
- At year end the General Fund's unrestricted fund balance (the total committed, assigned, and unassigned components of fund balance) was \$94.9 million, or approximately 66.5% of total General Fund expenditures.

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 includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

Management's Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2014

B. OVERVIEW OF FINANCIAL STATEMENTS, Continued

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

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

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

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of the costs through user fees and charges (*business-type activities*). The governmental activities of the City include planning and management, public safety, community development, transportation, socioeconomic, cultural, and environmental management. The business-type activities of the City include water supply and distribution, wastewater management, solid waste management, SMaRT Station, and golf and tennis operations.

The government-wide financial statements include the City (primary government) and all legally separate entities (component units) for which the City is financially accountable. The Sunnyvale Financing Authority, though legally separate, is practically treated as a program of the City and included in the basic financial statements as an integral part of the primary government using the blended method.

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, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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.

Management's Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2014

B. OVERVIEW OF FINANCIAL STATEMENTS, Continued

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental fund statements with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the City's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains 18 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, and City Capital Projects Fund. Data from the other 14 nonmajor governmental funds are combined into a single aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements in the combining and individual fund statements and schedules section of this report.

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 Golf and Tennis operations. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its General Services, Employee Benefits, and Risk Management operations. Because these internal services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements. Individual fund data for the internal service funds are provided in the form of combining statements in the combining and individual fund statements and schedules section of this report.

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—Fiduciary funds are used to account for resources held for the benefit of parties outside of the City. Fiduciary funds are not reported in the government-wide financial statements because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The City maintains two different types of fiduciary funds. The private-purpose trust fund is used to report trust or similar arrangements under which principal and income benefit individuals, private organizations, or other governments. The agency fund reports resources held by the City in a custodial capacity for individuals, private organizations, and other governments.

*Management's Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2014*

B. OVERVIEW OF FINANCIAL STATEMENTS, Continued

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.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information, including budgetary comparison schedules and more detailed information regarding the modified approach used for reporting the City's infrastructure capital assets.

The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds are presented immediately following the required supplementary information.

Statement of Net Position

Net position over time may serve as a useful indicator of the City's financial position. At the close of fiscal year 2014, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$866.2 million. This is an increase of \$39.2 million from the prior year's net position.

The following is the condensed statement of net position for the fiscal years ended June 30, 2014 and 2013.

	Net Position					
	June 30, 2014 and 2013					
	(Amounts in Millions)					
	Governmental Activities		Business-type Activities		Total	
	2014	2013	2014	2013	2014	2013
Assets:						
Current and Other Assets	\$ 419.1	\$ 386.8	\$ 43.2	\$ 43.9	\$ 462.3	\$ 430.7
Capital Assets, Net	438.3	433.1	132.9	125.5	571.2	558.6
Total Assets	<u>857.4</u>	<u>819.9</u>	<u>176.1</u>	<u>169.4</u>	<u>1,033.5</u>	<u>989.3</u>
Deferred Outflows of Resources	<u>-</u>	<u>-</u>	<u>1.1</u>	<u>1.3</u>	<u>1.1</u>	<u>1.3</u>
Liabilities:						
Noncurrent Liabilities	46.7	46.9	74.9	78.9	121.6	125.8
Other Liabilities	34.0	23.4	12.3	13.7	46.3	37.1
Total Liabilities	<u>80.7</u>	<u>70.3</u>	<u>87.2</u>	<u>92.6</u>	<u>167.9</u>	<u>162.9</u>
Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>0.5</u>	<u>0.7</u>	<u>0.5</u>	<u>0.7</u>
Net Position:						
Net Investments in						
Capital Assets	426.0	420.3	77.4	80.8	503.4	501.1
Restricted	145.9	133.4	-	-	145.9	133.4
Unrestricted	204.8	195.9	12.1	(3.4)	216.9	192.5
Total Net Position	<u>\$ 776.7</u>	<u>\$ 749.6</u>	<u>\$ 89.5</u>	<u>\$ 77.4</u>	<u>\$ 866.2</u>	<u>\$ 827.0</u>

Management's Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2014

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

At June 30, 2014, the largest portion of the City's net position (58.1% or \$503.4 million) reflects the City's net investment in capital assets. This component consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of borrowings attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources attributable to the addition of those assets or related debt are also included. The City uses these capital assets (land, buildings, equipment, vehicles, and infrastructure) to provide services to citizens. The amount of net investment in capital assets is reported as a distinct component of net position 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 position (16.9% or \$145.9 million) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$216.9 million or 25% of total net position is unrestricted and may be used to meet the City's ongoing obligations to its citizens and creditors.

At year end, as in the prior fiscal years, the City reported positive balances in all these categories for the City as a whole and for its governmental activities. The business-type activities were able to reach positive, unrestricted net position, after being negative for many years.

The reasons for the overall increase of \$39.2 million in the City's net position are discussed in the following sections for governmental activities and business-type activities.

Management's Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2014

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

Statement of Activities

Changes in Net Position
Years Ended June 30, 2014 and 2013
(Amounts in Millions)

	Governmental Activities		Business-Type Activities		Total		Total % Change
	2014	2013	2014	2013	2014	2013	
Revenues:							
Program Revenues:							
Charges for Services	\$ 43.6	\$ 40.5	\$ 142.5	\$ 134.5	\$ 186.1	\$ 175.0	6.3 %
Operating Grants and Contributions	16.2	16.4	-	-	16.2	16.4	(1.2)%
Capital Grants and Contributions	6.8	26.0	0.4	0.6	7.2	26.6	(72.9)%
Total Program Revenues	66.6	82.9	142.9	135.1	209.5	218.0	(3.9)%
General Revenues:							
Property Taxes	50.5	47.8	-	-	50.5	47.8	5.6 %
Sales and Use Taxes	30.2	30.0	-	-	30.2	30.0	0.7 %
Other Taxes	30.8	27.6	-	-	30.8	27.6	11.6 %
Investment Income	1.7	0.8	0.5	0.3	2.2	1.1	100.0 %
Interest Accrued from Advances to Business-Type Activities	2.9	3.0	-	-	2.9	3.0	(3.3)%
Miscellaneous	1.7	1.3	-	-	1.7	1.3	100.0 %
Total General Revenues	117.8	110.5	0.5	0.3	118.3	110.8	6.8 %
Total Revenues	184.4	193.4	143.4	135.4	327.8	328.8	(0.3)%
Expenses:							
Planning and Management	18.7	17.8	-	-	18.7	17.8	5.1 %
Public Safety	80.0	78.7	-	-	80.0	78.7	1.7 %
Community Development	22.0	20.9	-	-	22.0	20.9	5.3 %
Transportation	18.8	14.2	-	-	18.8	14.2	32.4 %
Socioeconomic	8.9	9.1	-	-	8.9	9.1	(2.2)%
Cultural	16.2	16.4	-	-	16.2	16.4	(1.2)%
Environmental Management	2.0	2.3	-	-	2.0	2.3	(13.0)%
Water Supply and Distribution	-	-	31.7	31.8	31.7	31.8	(0.3)%
Wastewater Management	-	-	22.1	21.8	22.1	21.8	1.4 %
Solid Waste Management	-	-	36.5	31.6	36.5	31.6	15.5 %
SMaRT Station	-	-	27.5	26.8	27.5	26.8	2.6 %
Golf and Tennis Operations	-	-	3.6	3.7	3.6	3.7	(2.7)%
Interest on Long-term Debt	0.6	0.7	-	-	0.6	0.7	(14.3)%
Total Expenses	167.2	160.1	121.4	115.7	288.6	275.8	4.6 %
Increase in Net Position before Transfers and Extraordinary Items	17.2	33.3	22.0	19.7	39.2	53.0	(26.0)%
Extraordinary Items	-	(14.0)	-	-	-	(14.0)	100.0 %
Transfers	9.9	9.1	(9.9)	(9.1)	-	-	-
Increase in Net Position	27.1	28.4	12.1	10.6	39.2	39.0	0.5 %
Net Position - Beginning, Restated	749.6	721.2	77.4	66.8	827.0	788.0	4.9 %
Net Position - Ending	\$ 776.7	\$ 749.6	\$ 89.5	\$ 77.4	\$ 866.2	\$ 827.0	4.7 %

Management’s Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2014

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

Governmental Activities

The City’s governmental activities increased net position by \$27.1 million from the prior year. Key elements of this change were as follows:

Revenue Highlights:

- Total revenues before transfers were \$184.4 million, which was \$9.0 million lower than the prior year. The decrease of \$19.2 million in capital grants and contribution was the primary reason for the decline. Donated capital assets with fair value of \$17.5 million were accepted by the City during the previous fiscal year. Normally donated capital assets would not be a significant portion of capital grants and contributions.
- Total property tax revenues increased by a net amount of \$2.7 million from the prior year. The increase in revenues from secured tax, property tax in lieu of VLF (vehicle license fees), and supplemental roll was significant enough to offset the impact of higher County administrative fees and lower City’s share of the former tax increment revenue.
- Sales and use tax revenue increased by \$0.2 million.
- Other tax revenues increased by \$3.2 million or 11.6% from the prior year.

	Total Other Tax Revenues		Total % Change
	2014	2013	2014-2013
Transient Occupancy Tax (TOT)	\$ 10.9	\$ 9.0	21.1 %
Utility Users Tax	6.8	6.5	4.6 %
Construction & Real Property Transfer	4.7	4.0	17.5 %
Franchise Fees (based on gross receipts)	6.7	6.5	3.1 %
Business License Tax	1.7	1.6	6.2 %
Total	\$ 30.8	\$ 27.6	11.6 %

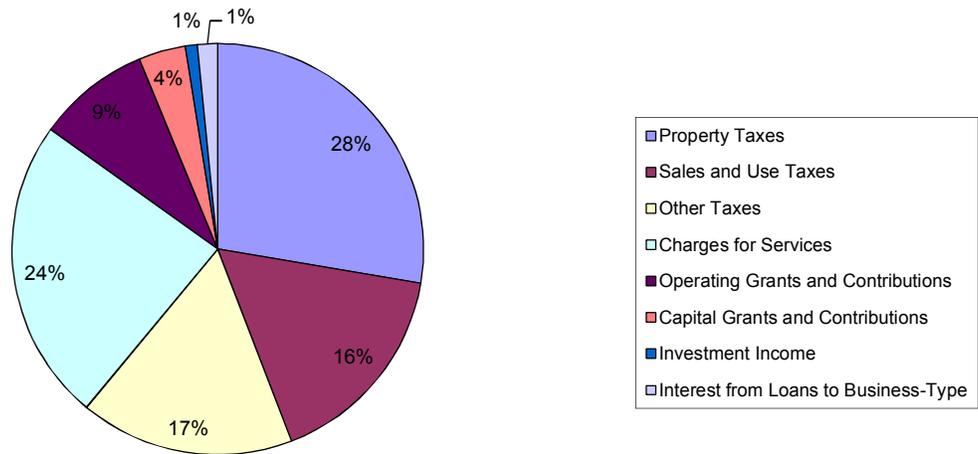
- Transient occupancy tax increased as a result of a 1% rate increase to 10.5% effective January 1, 2014, as well as increases in both room rates and occupancy levels. The increase in construction tax and real property transfer tax was due to elevated development and property sales activity throughout the City.
- Charges for services increased by \$3.1 million or 7.7% from the previous year. The most significant increase came from development-related park dedication fees and plan check fees.
- Operating grants and contributions decreased by \$0.2 million or 1.0% from the prior year. The reduced funding from the Department of Housing and Community Development, Workforce Investment Act (WIA), and certain public safety grants were not fully offset by the increase in gas tax revenues from the State.

Management’s Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2014

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

- Capital grants and contributions decreased by \$19.2 million or 73.8% from the prior year. The City accepted donated capital assets with fair value of \$1 million in this year, which was \$16.5 million less than what was accepted in the previous year. Transportation grant revenues continued to decline with the wind-down of the major bridge replacement and rehabilitation project. Significant one-time revenue such as Proposition 1B was received in fiscal year 2013.

Governmental Activities
Revenues by Source
June 30, 2014



Expense Highlights-Governmental Activities:

Total expenses for governmental activities were \$167.2 million, higher than last year by \$7.1 million. Major reasons for the increase are explained below:

- The increase in Planning and Management expenses was caused primarily by the costs incurred for the election and spending on legal matters.
- The increase in Public Safety expenses was due to the recruitment and training for sworn officers and a new project (Silicon Valley Regional Communication System) whose primary funding source came from the Department of Homeland Security grant funds.
- The higher Community Development expenses reflected increased spending in urban forestry, building safety, planning, and maintenance of neighborhood parks and open space.
- The increase in Transportation expenses was due to the City’s ongoing effort to accelerate street repairs to bring the PCI (pavement condition index) to a level of 80.

Management’s Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2014

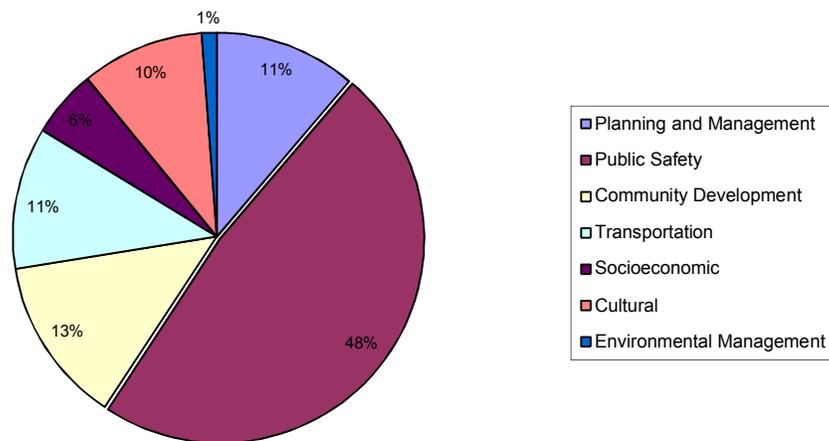
C. GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

- The decrease in Socioeconomic expenses was caused by reduced Department of Labor grant funding as the labor market improved.
- The decrease in Cultural expenses was primarily due to reduced Library management and supervisory services and lower spending on equipment maintenance.
- The decrease in Environmental expenses was because of the completion of the Light Emitting Diode (LED) Streetlight Retrofit Project in the prior fiscal year.

Program revenues that offset related expenses are explained as follows:

- Those who directly benefited from the governmental programs contributed \$43.6 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 \$16.2 million.
- A total of \$5.8 million in capital projects was funded by outside agencies through capital grants and contributions. In addition, the City accepted donated capital assets of \$1 million in fair value that would require resources to meet the future needs in the maintenance of local streets and street lighting.

Governmental Activities
Expenses by Function/Program
June 30, 2014



Management's Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2014

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

Functional expenses for the years ended June 30, 2014 and 2013 were as follows (amount in millions):

	<u>Total Cost of Services</u>		<u>Percentage Change</u>	<u>Net Cost of Services</u>		<u>Percentage Change</u>
	<u>2014</u>	<u>2013</u>	<u>2014-2013</u>	<u>2014</u>	<u>2013</u>	<u>2014-2013</u>
Planning and Management	\$ 18.7	\$ 17.8	5.1 %	\$ 18.2	\$ 16.4	11.0 %
Public Safety	80.0	78.7	1.7 %	73.4	66.5	10.4 %
Community Development	22.0	20.9	5.3 %	(10.4)	(15.7)	(33.8)%
Transportation	18.8	14.2	32.4 %	4.7	(5.2)	(190.4)%
Socioeconomic	8.9	9.1	(2.2)%	1.3	1.4	(7.1)%
Cultural	16.2	16.4	(1.2)%	11.7	11.8	(0.8)%
Environmental Management	2.0	2.3	(13.0)%	1.1	1.3	(15.4)%
Total	\$ 166.6	\$ 159.4	4.5 %	\$ 100.0	\$ 76.5	30.7 %

Business Type Activities

	<u>Program Revenues</u>		<u>Percentage Change</u>	<u>Program Expenses</u>		<u>Percentage Change</u>
	<u>2014</u>	<u>2013</u>	<u>2014-2013</u>	<u>2014</u>	<u>2013</u>	<u>2014-2013</u>
Business-Type Activities:						
Water Supply & Distribution	\$ 39.2	\$ 36.2	8.3 %	\$ 31.7	\$ 31.8	(0.3)%
Wastewater Management	32.3	29.7	8.8 %	22.1	21.8	1.4 %
Solid Waste Management	42.0	40.4	4.0 %	36.5	31.6	15.5 %
SMaRT Station	25.8	25.3	2.0 %	27.5	26.8	2.6 %
Golf and Tennis Operations	3.6	3.5	2.9 %	3.6	3.7	(2.7)%
Total	\$ 142.9	\$ 135.1	5.8 %	\$ 121.4	\$ 115.7	4.9 %

Revenue Highlights:

- Total program revenues in business-type activities increased \$7.8 million or 5.8% from last year, primarily due to charges for utility services. The rate increases were 5% for water, 4% for solid waste services, and 6.5% for wastewater services. These rate increases were needed to cover higher costs of operations and for maintenance and rehabilitation of infrastructure. The increase in the SMaRT Station revenues reflected reimbursements from participating cities based on higher expenses incurred. The increase in Golf and Tennis Operations revenues was due to higher rent, concession and fee revenues.

Expense Highlights:

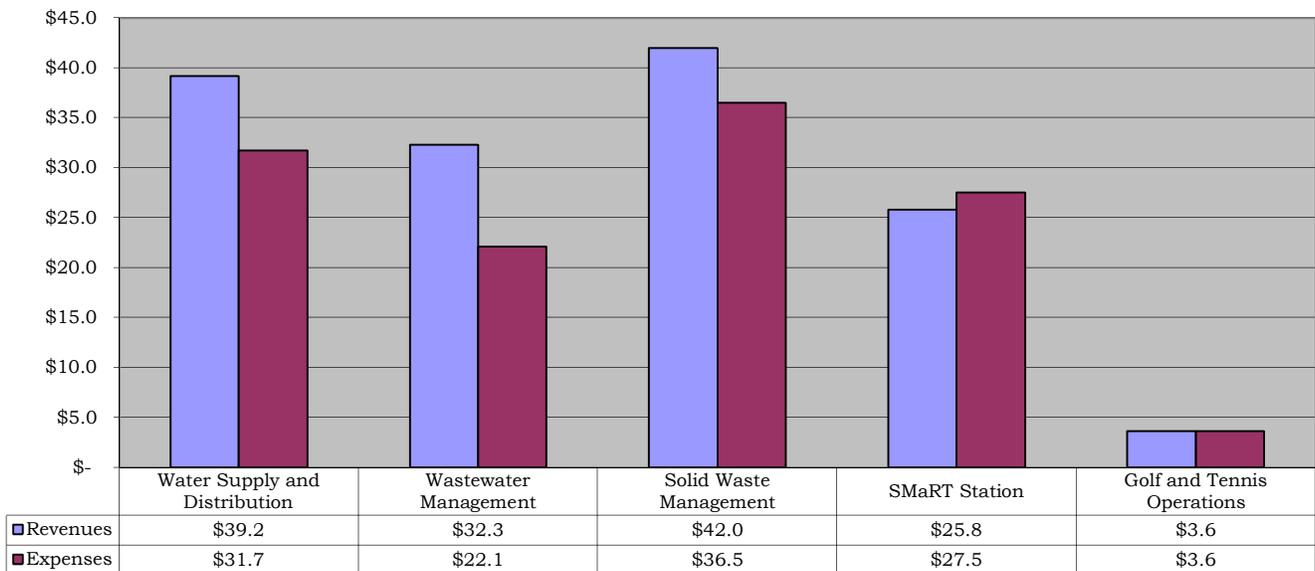
- Total expenses in business-type activities increased \$5.7 million from last fiscal year.
- The Water Supply and Distribution activity had a decrease of \$0.1 million in expense.
- The Wastewater Management activity incurred \$0.3 million more in expenses than last year.

Management’s Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2014

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

- The Solid Waste Management activity incurred \$4.9 million more in expenses than last year, primarily due to higher payments to franchise garbage collector. Last year included a \$2.9 million reduction in landfill postclosure liability due to changes in State law.
- The SMaRT Station activity increased expenses by \$0.7 million, primarily due to higher Kirby Canyon disposal fees.
- The Golf and Tennis Operations activity incurred \$0.1 million less in expenses than last year, due to lower personnel service expenses which was partially offset by higher water usage.

Business-Type Activities
Program Revenues and Expenses
June 30, 2014



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

Management's Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2014

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 near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the City's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the City itself, or others that have been delegated authority to assign resources for use for particular purposes by the City Council.

At June 30, 2014, the City's governmental funds reported combined fund balances of \$210.1 million, an increase of \$7.3 million from the prior year. Approximately \$52.9 million or 25.2% of the combined fund balance constitutes unassigned fund balance, which is available for spending at the City's discretion. The remainder of the fund balance is either nonspendable, restricted, committed, or assigned to indicate that it is 1) not in spendable form (\$5.3 million), 2) legally required to be maintained intact (\$2.1 million), 3) restricted for particular purposes (\$95.5 million), 4) committed for particular purposes (\$42 million) or 5) assigned for particular purposes (\$12.3 million).

The following are the major funds that the City considers important to financial statement users, even though only the General Fund and the Housing Special Revenue Fund qualify quantitatively under the formula used to identify major funds.

General Fund

The General Fund is the chief operating fund of the City. At the end of this fiscal year, total fund balance reached \$102.8 million, of which \$52.9 million was unassigned. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures of \$142.7 million. Unassigned fund balance represented 37% and total fund balance represented 72% of total General Fund expenditures.

The General Fund's fund balance increased by \$4.7 million during the year. Deficiency of revenues under expenditures was \$2 million. However, transfers from other funds (mostly to cover the General Fund's administrative costs for certain operating programs) exceeded transfers to other funds (mostly the General Fund's subsidy to other funds) by \$6.7 million.

Total revenues were \$140.8 million, which was \$5.7 million more than the prior year. The growth mainly came from property tax, transient occupancy tax, and development-related service fee revenues. At year end the General Fund has committed \$8.3 million to establish a new Development Enterprise Reserve to account for unplanned development-related revenues.

Total expenditures were \$142.7 million, which was \$6.1 million more than last year, with significant spending increases in Public Safety and Community Development programs as discussed in the preceding expense highlights of governmental activities.

Management's Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2014

D. FUND FINANCIAL STATEMENT ANALYSIS, Continued

The dissolution of the City's former Redevelopment Agency (RDA) on February 1, 2012 has had a significant impact on the General Fund's future financial position, which can be seen by analyzing its balance sheet. One of the assets "Advances to Redevelopment Successor Agency Trust Fund" had a balance of \$22.9 million, which was offset completely by a corresponding amount of deferred inflows of resources, leaving no effect on the fund balance at June 30, 2014. When the General Fund can collect repayments of its prior advances to the RDA remains uncertain.

Housing Special Revenue Fund

The Housing Special Revenue Fund is used to account for housing mitigation fees and Below-Market-Rate Housing (BMR) fees and fines. In recent years it has also been used to account for the State's Infill Infrastructure Grant. 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 that produce new and affordable housing.

The Housing Special Revenue Fund had a deficiency of revenues under expenditures by \$5.3 million. Total revenue was \$6.1 million, a decrease of \$2.6 million from last year, mostly in housing mitigation fee revenue. Total expenditures were \$11.4 million, an increase of \$10.2 million from the prior year, which provided funds for the development of the Armory affordable housing site, the rehabilitation of the Homestead Park Apartments, and the rehabilitation of the Jackson Street houses acquired by Habitat for Humanity during the year.

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 decreased by \$0.3 million, which was matched with reduced expenditures.

City Projects Capital Projects Fund

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

The City Projects Capital Project Fund showed an increase in fund balance of \$3.5 million. Total revenues were under expenditures by \$2.2 million due to the combination of decreased grant revenues and increased capital outlay. This Fund received net transfers-in of \$5.7 million from other City funds (mostly Park Dedication Nonmajor Special Revenue Fund) to reimburse a significant portion of project costs.

*Management's Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2014*

D. FUND FINANCIAL STATEMENT ANALYSIS, Continued

Proprietary Funds

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

Water Supply and Distribution Enterprise Fund

The Water Supply and Distribution Enterprise Fund's net position had an increase of \$4.9 million. The 5% rate increase was to cover the significant rehabilitation costs for water infrastructure. The Fund's net income before contributions and transfers was \$7.8 million. Non-cash capital contributions were \$0.2 million. This Fund also transferred a net amount of \$3.0 million to other funds for administrative and project support.

Wastewater Management Enterprise Fund

The Wastewater Management Enterprise Fund's net position grew by \$6.2 million supported by the 6.5% rate increase. The Fund's net income before contributions and transfers was \$11.1 million. Approximately \$5.1 million net 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 position increased \$0.7 million from last year. The Fund's net income before transfers was \$5.5 million. Approximately \$3.3 million was transferred out to reimburse 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 a deficit net position of \$28.1 million, mainly due to liabilities incurred for landfill postclosure care and for advances from the General Fund and Wastewater Management Fund. At year end the balance of the advances was approximately \$31.1 million and \$5.9 million for the landfill liability. 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 position had a slight increase from the prior year. The Fund had an operating loss of \$1.1 million. The Fund's net loss before transfers was \$1.6 million. The amount of \$1.6 million was transferred from the Solid Waste Management activity for the City's share of debt service.

Golf and Tennis Operations Enterprise Fund

The Golf and Tennis Enterprise Fund's net position decreased by \$0.5 million from last year. The Fund's operating loss before transfers was \$0.1 million. Transfers to the General Fund were \$0.4 million.

Management's Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2014

E. GENERAL FUND BUDGETARY HIGHLIGHTS

The budgetary comparison schedule for the General Fund is presented as 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 2014 were \$157.2 million, an increase of \$10.6 million from the original appropriations of \$146.6 million. The increase reflected net carryover appropriations of \$8.2 million and new appropriations of \$2.4 million.

Actual charges to appropriations (outflows) for the fiscal year were \$1.8 million over the original budget and \$8.8 million under the final 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 \$5.7 million, primarily due to project transfer appropriations, which will not lapse for fiscal year 2014, and staff vacancies. Project and equipment appropriations which will not lapse for fiscal year 2014 account for the remaining \$3.1 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 \$12.1 million over the original budget and \$4.7 million over the final budgeted amounts. During the fiscal year 2014 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 the final budget as a result of higher development-related revenues and higher tax revenues.

Management's Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2014

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, 2014, the City reported capital assets with carrying value of \$438.3 million under governmental activities and \$132.9 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. While City policy is to achieve a PCI of at least 75, funding for rehabilitation and maintenance of City streets was increased starting fiscal year 2012 in an effort to achieve a PCI of 80 or above within five years which is considered the most cost effective PCI to maintain. The average rating for City's streets, based on the most recent study conducted in fiscal year 2014, was 78.

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, 2014 was \$10.2 million. Actual expenditures were \$8.3 million. These expenditures delayed deterioration and helped maintain the overall condition of the streets at a PCI level meeting the City's goal.

Management's Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2014

F. CAPITAL ASSETS AND LONG-TERM OBLIGATIONS, Continued

The following is a summary of the City's capital assets as of June 30, 2014.

Description	Cost	Accumulated Depreciation	Carrying Value
Capital Assets - Governmental Activities:			
Land	\$ 110.3	\$ -	\$ 110.3
Buildings and Structures	95.6	52.2	43.4
Improvements Other than Buildings	108.5	38.7	69.8
Machinery and Equipment	38.1	23.2	14.9
Construction in Progress	14.1	-	14.1
Infrastructure:			
Nondepreciable	161.1	-	161.1
Depreciable	83.9	59.2	24.7
Total	\$ 611.6	\$ 173.3	\$ 438.3
Capital Assets - Business-Type Activities:			
Land	\$ 16.5	\$ -	\$ 16.5
Buildings and Structures	23.4	21.6	1.8
Improvements Other than Buildings	43.8	25.4	18.4
Machinery and Equipment	6.3	5.0	1.3
Construction in Progress	8.8	-	8.8
Infrastructure - Depreciable	158.2	72.1	86.1
Total	\$ 257.0	\$ 124.1	\$ 132.9

During the year, the City recorded some capital contributions from external sources. Developers contributed capital assets (streets, easements, traffic signals, and lights) with fair market value of \$1.0 million to governmental activities. Developers also contributed infrastructure assets of a combined \$0.4 million to the water supply and distribution system and wastewater management system.

A major project completed during the year was Water Line Replacement Phase I and II, moving a total of \$6.2 million from construction in progress to infrastructure. There were a number of capital projects which were still in progress at year end. Amounts capitalized for major capital projects in progress included an additional \$4.9 million for the new Seven Seas Park, \$1.5 million for a major rehabilitation of the Murphy Park building, and \$3.3 million for initial costs of a major project to design and construct new primary treatment facilities at the Water Pollution Control Plant.

Additional information on capital assets can be found in Note 11 to the Basic Financial Statements.

**Management’s Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2014**

F. CAPITAL ASSETS AND LONG-TERM OBLIGATIONS, Continued

Long-Term Obligations

As of June 30, 2014, 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 specific revenue sources. Refer to Note 12 to the Basic Financial Statements for more details.

The City’s outstanding bonded debt obligations at the end of fiscal years 2014 and 2013 were as follows:

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
Certificates of Participation	\$ 22.2	\$ 23.5	\$ -	\$ -	\$ 22.2	\$ 23.5
Revenue Bonds	-	-	68.0	72.3	68.0	72.3
Total Bonded Debt	<u>\$ 22.2</u>	<u>\$ 23.5</u>	<u>\$ 68.0</u>	<u>\$ 72.3</u>	<u>\$ 90.2</u>	<u>\$ 95.8</u>

G. ECONOMIC FACTORS AND NEXT YEAR’S BUDGET

The budget for fiscal year 2015, adopted on June 24, 2014, is balanced in both the short-and long-term. This was the result of a continued economic recovery and the City’s efforts over the past several years to contain and control expenditures. The positive year-end results for FY 2013/14 provide good news but also warrant caution as staff begins development of the FY 2015/16 Recommended Budget. While revenues came in higher than estimated, many of the categories, including development-related revenues, Sales Tax, TOT, and Real Property Transfer Tax, are highly volatile revenue sources with significant fluctuations through economic cycles. As such, a cautious and disciplined approach to budgeting and spending against these elevated levels is necessary.

On the positive side, Property Tax revenues have stayed fairly steady through economic cycles and have shown healthy gains in the taxable base. The FY 2014/15 tax roll grew 6.8% over the prior year. With the continued strong development and healthy residential market, it is expected that the City’s Property Tax base will continue to grow, resulting in a strong Property Tax revenue performance in the current fiscal year and forward. Staff has included strong growth projections for the next several years but will continue to closely monitor the information as it is received from the County to evaluate if an increase in the base is warranted.

Management's Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2014

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

Just as important as the City's revenue base, several expenditure pressures provide challenges to the General Fund. As the largest expense category, controlling personnel expenditure growth remains a priority. On the salary side, with the cooperation and leadership of the bargaining units, salary adjustments have held to budgetary assumptions to date. For the Public Safety units, where salary adjustments are based on a regional survey, the October 2014 survey resulted in a salary increase of just over two percent, substantially under the anticipated increase of four percent. These results have been beneficial to keeping the General Fund balanced, but may build pressure for higher salary adjustments in the future. In fact, a twenty year review of the history of the Public Safety salary survey shows higher salary increases following low years for an annual average increase of 4.1 percent per year. With several labor contracts open for negotiation during 2015, salary adjustments will be a key component of the discussion.

In addition to salary, a significant area of rising personnel costs continues to be the cost of benefits. The largest expenditure in this area is for pension benefits. The City, working together with bargaining units, has taken several actions to control the growth of pension costs. However, even with the implementation of reduced benefit second and third tier pension plans for new employees and the additional pick up of employee contribution rates by employees, pension costs continue to rise sharply. Currently, the City is projected to pay \$29.5 million for pensions to CalPERS. That is anticipated to increase to \$41.8 million within 10 years, more than a 40 percent increase in cost. Approximately half of the City's pension cost is payment on the unfunded liability. The City's two plans (Safety and Miscellaneous) are both just under 70 percent funded. Due to these pressures, it is critical that the City continue to make progress in controlling its salary and pension costs.

The City is also experiencing pressures from increasing demand for services including:

- Development Related Demands – the current high level of development also brings with it a demand for services including safety, parks and open space, utilities and more.
- Environmental and Regulatory Demands – increasing regulations in storm water management, pressure from the drought, and efforts to reduce greenhouse gas emissions through the implementation of the Climate Action Plan impact costs in many ways across both the General Fund and the Utility Funds.
- Demands from aging infrastructure – the City's aging administrative, parks, and utility infrastructure require resources to renovate and bring up to today's standards. Sidewalk repair needs are facing a growing backlog and streets are just coming up to the goals set by Council following additional allocation of funds.
- General Economic Pressure – as the economy has rebounded, demand competition for construction and other services has increased, driving up costs. The bidding climate is no longer as favorable as a few years ago and projects are beginning to be bid significantly over engineer's estimates.

***Management's Discussion and Analysis, Concluded
Fiscal Year Ended June 30, 2014***

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

To the extent possible, all of these pressures, while manageable, should be taken in context together through the City's budget process. Balancing priorities will be a critical piece of the budget going forward to ensure continued balance and fiscal sustainability.

In summary, the City enters fiscal year 2015 in a solid position financially based on past efforts made to restructure itself to operate more efficiently and better contain costs. It has also benefitted from an accelerated economic recovery that drove revenues higher than expected. While vulnerabilities exist, some within the City's control and some not, the City believes it has taken, and will continue to take, the actions necessary to maintain its solid financial foundation.

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.

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Government-Wide Financial Statements

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**Statement of Net Position
June 30, 2014**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and Investments Held by City (Note 3)	\$ 176,514,804	\$ 56,169,342	\$ 232,684,146
Receivables, Current (Note 4)	9,856,723	15,161,287	25,018,010
Inventories and Prepaid Items (Note 1)	1,064,817	289,670	1,354,487
Assets Held for Resale (Note 1)	1,381,077	-	1,381,077
Long-term Receivables from Employees (Note 6)	2,573,675	-	2,573,675
Service Concession Arrangement Receivable (Note 1)	-	1,570,236	1,570,236
Internal Balances (Note 10)	41,568,971	(41,568,971)	-
Advances to Redevelopment Successor Agency Trust Fund (Note 20)	22,932,236	-	22,932,236
Net Pension Asset (Note 15)	8,359,000	-	8,359,000
Net OPEB Asset (Note 16)	3,415,000	-	3,415,000
Restricted Assets:			
Cash and Investments Held by City (Note 3)	80,126,238	-	80,126,238
Cash and Investments Held by Fiscal Agent (Note 3)	2,429,649	11,392,646	13,822,295
Receivables, Current (Note 4)	326,005	-	326,005
Intergovernmental Receivables (Note 5)	4,000,306	223,668	4,223,974
Housing Deficits Receivable (Note 20)	14,673,336	-	14,673,336
Housing Loans Receivable, Net (Note 7)	49,903,514	-	49,903,514
Capital Assets (Note 11):			
Land and Nondepreciable Assets	285,573,817	25,249,278	310,823,095
Depreciable Assets, Net	152,722,920	107,620,242	260,343,162
Total Assets	<u>857,422,088</u>	<u>176,107,398</u>	<u>1,033,529,486</u>
Deferred Outflows of Resources			
Loss on Refunding (Note 1)	-	1,087,758	1,087,758
Liabilities:			
Wages Payable	2,163,031	-	2,163,031
Accounts Payable and Accrued Liabilities	8,586,996	10,529,106	19,116,102
Payable to Redevelopment Successor Agency (Note 20)	14,037,223	-	14,037,223
Refundable Deposits	770,510	959,156	1,729,666
Interest Payable	110,563	804,012	914,575
Unearned Revenues (Note 8)	8,261,124	34,834	8,295,958
Noncurrent Liabilities (Note 12):			
Due within One Year	13,527,912	5,070,334	18,598,246
Due in More than One Year	33,210,975	69,821,938	103,032,913
Total Liabilities	<u>80,668,334</u>	<u>87,219,380</u>	<u>167,887,714</u>
Deferred Inflows of Resources			
Service Concession Arrangement (Note 1)	-	518,323	518,323
Net Position (Note 19):			
Net Investment in Capital Assets	426,044,131	77,389,300	503,433,431
Restricted for:			
Capital Projects	25,597,706	-	25,597,706
Housing	85,769,913	-	85,769,913
Park Dedication	22,012,675	-	22,012,675
Public Streets and Highways	7,493,870	-	7,493,870
Public Safety	1,436,697	-	1,436,697
Other City Programs	1,452,695	-	1,452,695
Nonexpendable Permanent Funds Principal and Endowment	2,110,668	-	2,110,668
Total Restricted Net Position	<u>145,874,224</u>	<u>-</u>	<u>145,874,224</u>
Unrestricted Net Position	<u>204,835,399</u>	<u>12,068,153</u>	<u>216,903,552</u>
Total Net Position	<u>\$ 776,753,754</u>	<u>\$ 89,457,453</u>	<u>\$ 866,211,207</u>

See Accompanying Notes to the Basic Financial Statements

Statement of Activities
Year Ended June 30, 2014

Programs	Expenses	Program Revenues			Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government:					
Governmental Activities:					
Planning and Management	\$ 18,678,498	\$ 426,521	\$ 74,693	\$ -	\$ 501,214
Public Safety	80,022,477	3,573,261	2,105,920	950,353	6,629,534
Community Development	21,921,824	30,321,953	1,547,007	429,709	32,298,669
Transportation	18,821,974	3,783,281	4,932,228	5,441,651	14,157,160
Socioeconomic	8,873,508	98,458	7,434,158	-	7,532,616
Cultural	16,222,162	4,446,019	103,849	8,938	4,558,806
Environmental Management	1,992,486	953,684	-	-	953,684
Interest on Long-term Debt	647,903	-	-	-	-
Total Governmental Activities	167,180,832	43,603,177	16,197,855	6,830,651	66,631,683
Business-Type Activities:					
Water Supply and Distribution	31,732,173	39,065,965	-	152,600	39,218,565
Wastewater Management	22,101,032	32,077,633	-	247,800	32,325,433
Solid Waste Management	36,495,962	42,033,217	-	-	42,033,217
SMaRT Station	27,425,540	25,749,197	-	-	25,749,197
Golf and Tennis Operations	3,621,354	3,572,329	-	-	3,572,329
Total Business-Type Activities	121,376,061	142,498,341	-	400,400	142,898,741
Total Primary Government	\$ 288,556,893	\$ 186,101,518	\$ 16,197,855	\$ 7,231,051	\$ 209,530,424

General Revenues:

Taxes:

Property Taxes and Homeowners' Property Tax Relief

Sales and Use Taxes

Franchise Fees - Unrestricted

Utilities Users Taxes

Transient Occupancy Taxes

Real Property Transfer Taxes

Construction Taxes

Business License Taxes

Total Taxes

Investment Earnings - Unrestricted (Note 3)

Interest Accrued from Advances to Business-Type Activities - Unrestricted (Note 10)

Interest Accrued from Advances to Former RDA - Unrestricted (Note 20)

Miscellaneous

Transfers (Note 17)**Total General Revenues and Transfers****Change in Net Position****Net Position - Beginning of Year****Net Position - End of Year**

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-Type Activities	Total
\$ (18,177,284)	\$ -	\$ (18,177,284)
(73,392,943)	-	(73,392,943)
10,376,845	-	10,376,845
(4,664,814)	-	(4,664,814)
(1,340,892)	-	(1,340,892)
(11,663,356)	-	(11,663,356)
(1,038,802)	-	(1,038,802)
(647,903)	-	(647,903)
<u>(100,549,149)</u>	<u>-</u>	<u>(100,549,149)</u>
-	7,486,392	7,486,392
-	10,224,401	10,224,401
-	5,537,255	5,537,255
-	(1,676,343)	(1,676,343)
-	(49,025)	(49,025)
<u>-</u>	<u>21,522,680</u>	<u>21,522,680</u>
<u>(100,549,149)</u>	<u>21,522,680</u>	<u>(79,026,469)</u>
50,514,914	-	50,514,914
30,194,827	-	30,194,827
6,694,336	-	6,694,336
6,754,263	-	6,754,263
10,858,671	-	10,858,671
1,674,362	-	1,674,362
2,983,677	-	2,983,677
1,742,401	-	1,742,401
<u>111,417,451</u>	<u>-</u>	<u>111,417,451</u>
1,710,010	498,625	2,208,635
2,922,332	-	2,922,332
55,924	-	55,924
1,617,220	-	1,617,220
9,942,900	(9,942,900)	-
<u>127,665,837</u>	<u>(9,444,275)</u>	<u>118,221,562</u>
27,116,688	12,078,405	39,195,093
<u>749,637,066</u>	<u>77,379,048</u>	<u>827,016,114</u>
<u>\$ 776,753,754</u>	<u>\$ 89,457,453</u>	<u>\$ 866,211,207</u>

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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 Special Revenue 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 ***City Projects Fund*** accounts for major capital projects funded by grants, development fees, and transfers from other City funds.

CITY OF SUNNYVALE

**Balance Sheet
Governmental Funds
June 30, 2014**

	Major Funds		
	General Fund	Housing Special Revenue	Employment Development Special Revenue
Assets:			
Cash and Investments Held by City (Note 3)	\$ 112,987,073	\$ 19,135,228	\$ -
Cash and Investments Held by Fiscal Agent (Note 3)	1,318,912	-	-
Receivables, Current (Note 4)	9,570,707	62,657	9,858
Intergovernmental Receivables (Note 5)	1,682,428	-	470,453
Due From Other Funds (Note 10)	160,160	79,487	-
Advances to Other Funds (Note 10)	40,232,977	-	-
Advances to Redevelopment Successor Agency Trust Fund (Note 20)	22,932,236	-	-
Inventories and Prepaid Items (Note 1)	584,900	-	4,604
Long-term Receivables from Employees (Note 6)	2,573,675	-	-
Housing Deficits Receivable (Note 10)	-	-	-
Housing Loans Receivable (Note 7)	-	25,810,117	-
Assets Held for Resale (Note 1)	1,101,077	280,000	-
Total Assets	<u>\$ 193,144,145</u>	<u>\$ 45,367,489</u>	<u>\$ 484,915</u>
Liabilities:			
Accounts Payable and Accrued Liabilities	\$ 3,169,847	\$ 10,359	\$ 259,691
Payable to Redevelopment Successor Agency Trust Fund (Note 20)	14,037,223	-	-
Refundable Deposits	748,907	1,625	-
Due to Other Funds (Note 10)	-	-	30,618
Unearned Revenue (Note 8)	8,261,124	-	-
Total Liabilities	<u>26,217,101</u>	<u>11,984</u>	<u>290,309</u>
Deferred Inflows of Resources (Note 9)	<u>64,143,348</u>	<u>25,810,117</u>	<u>-</u>
Fund Balances (Note 19):			
Nonspendable	5,488,194	280,000	4,604
Restricted	2,412,998	19,265,388	190,002
Committed	42,014,589	-	-
Assigned	-	-	-
Unassigned	52,867,915	-	-
Total Fund Balances	<u>102,783,696</u>	<u>19,545,388</u>	<u>194,606</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 193,144,145</u>	<u>\$ 45,367,489</u>	<u>\$ 484,915</u>

See Accompanying Notes to the Basic Financial Statements

<u>Major Funds</u>	<u>Nonmajor Other Governmental Funds</u>	<u>Total Governmental Funds</u>
City Projects		
\$ 26,033,752	\$ 46,524,841	\$ 204,680,894
-	1,110,737	2,429,649
83,505	157,358	9,884,085
1,002,167	843,768	3,998,816
-	-	239,647
-	-	40,232,977
-	-	22,932,236
-	-	589,504
-	-	2,573,675
-	14,673,336	14,673,336
-	24,093,397	49,903,514
-	-	1,381,077
<u>\$ 27,119,424</u>	<u>\$ 87,403,437</u>	<u>\$ 353,519,410</u>
\$ 1,351,576	\$ 1,226,278	\$ 6,017,751
-	-	14,037,223
-	1,750	752,282
-	130,835	161,453
-	-	8,261,124
<u>1,351,576</u>	<u>1,358,863</u>	<u>29,229,833</u>
<u>170,142</u>	<u>24,093,397</u>	<u>114,217,004</u>
-	1,600,451	7,373,249
25,597,706	48,084,142	95,550,236
-	-	42,014,589
-	12,266,584	12,266,584
-	-	52,867,915
<u>25,597,706</u>	<u>61,951,177</u>	<u>210,072,573</u>
<u>\$ 27,119,424</u>	<u>\$ 87,403,437</u>	<u>\$ 353,519,410</u>

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CITY OF SUNNYVALE

**Reconciliation of the Governmental Funds Balance Sheet
to the Government-Wide Statement of Net Position****June 30, 2014**

Total Fund Balances - Total Governmental Funds	\$ 210,072,573
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 funds. This amount represents, at June 30, 2014, capital assets used by governmental activities excluding \$12,812,445 of capital assets used by Internal Service Funds.	425,484,292
Other long-term assets are not available to pay for current expenditures and are deferred in the funds:	
Interest accrued on interfund advances to business-type activities	39,379,762
Interest accrued on receivables from employees	134,891
Eligible expenditures to be reimbursed by grants	442,449
City advances to Successor Agency/the former Redevelopment Agency	22,932,237
Long-term housing loans	49,903,514
Unpaid administrative citations placed on tax roll	22,100
State and County cost reimbursements	1,240,888
Proposition 172 revenue recognized but not available	122,380
Long-term receivables from special capital assessments	38,783
Internal Service Funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of internal service funds are included in governmental activities in the statement of net position (the sum of net position of the internal service funds of \$48,027,648 and cumulative look-back adjustments to the business-type activities of \$1,257,800 as of year end).	49,285,448
Bonds payable is not reported as fund liabilities.	(22,195,000)
Interest payable on bonds, not due and payable in the current period, is not reported in the funds.	(110,563)
Net Position of Governmental Activities	<u>\$ 776,753,754</u>

See Accompanying Notes to the Basic Financial Statements

CITY OF SUNNYVALE

*Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2014*

	Major Funds		
	General Fund	Housing Special Revenue	Employment Development Special Revenue
Revenues:			
Property Taxes	\$ 50,293,385	\$ -	\$ -
Sales and Use Taxes	31,672,368	-	-
Other Taxes	24,013,373	-	-
Franchise Fees	6,694,336	-	-
Intergovernmental Revenues	1,956,090	1,000	7,126,276
Permits and Licenses	9,796,323	-	-
Fines and Forfeitures	1,182,296	-	-
Special Assessments	25,724	-	-
Service Fees	10,504,265	4,889,041	8,006
Rents and Concessions	1,330,144	17,100	14,775
Interest Received from Interfund Advances	1,616,080	-	-
Investment Earnings	683,476	181,399	-
Other Revenues	1,021,918	1,007,014	136,384
Total Revenues	140,789,778	6,095,554	7,285,441
Expenditures:			
Current:			
Planning and Management	17,746,454	-	-
Public Safety	80,895,877	-	-
Community Development	17,433,815	11,350,548	-
Transportation	6,100,235	-	-
Socioeconomic	1,211,480	-	6,917,787
Cultural	15,208,678	-	-
Environmental Management	1,936,055	-	-
Capital Outlay	1,002,641	-	-
Debt Service:			
Principal Retirement	745,000	-	-
Interest	460,689	-	-
Fiscal Charges	6,935	-	-
Total Expenditures	142,747,859	11,350,548	6,917,787
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,958,081)	(5,254,994)	367,654
Other Financing Sources (Uses):			
Proceeds from Sale of Capital Assets (Note 11)	-	-	-
Transfers In (Note 17)	12,672,741	-	-
Transfers Out (Note 17)	(5,988,322)	(65,786)	(326,079)
Total Other Financing Sources (Uses)	6,684,419	(65,786)	(326,079)
Net Change in Fund Balances	4,726,338	(5,320,780)	41,575
Fund Balances, Beginning of Year	98,057,358	24,866,168	153,031
Fund Balances - End of Year	\$ 102,783,696	\$ 19,545,388	\$ 194,606

See Accompanying Notes to the Basic Financial Statements

<u>Major Funds</u>	<u>Nonmajor</u>	<u>Total</u>
<u>City</u>	<u>Other</u>	<u>Governmental</u>
<u>Projects</u>	<u>Governmental</u>	<u>Governmental</u>
<u>Funds</u>	<u>Funds</u>	<u>Funds</u>
\$ -	\$ -	\$ 50,293,385
-	-	31,672,368
-	-	24,013,373
-	-	6,694,336
3,271,486	7,303,919	19,658,771
-	-	9,796,323
-	16,696	1,198,992
-	-	25,724
4,201,659	10,647,357	30,250,328
-	46,250	1,408,269
-	-	1,616,080
161,776	334,092	1,360,743
-	1,850,210	4,015,526
7,634,921	20,198,524	182,004,218
-	135,550	17,882,004
-	232,953	81,128,830
24,308	2,089,959	30,898,630
49,589	7,660,827	13,810,651
-	262,284	8,391,551
-	-	15,208,678
-	12,392	1,948,447
9,730,114	4,862,964	15,595,719
-	535,000	1,280,000
-	7,429	468,118
-	182,069	189,004
9,804,011	15,981,427	186,801,632
(2,169,090)	4,217,097	(4,797,414)
-	870,000	870,000
5,666,589	12,141,367	30,480,697
(12,853)	(12,810,328)	(19,203,368)
5,653,736	201,039	12,147,329
3,484,646	4,418,136	7,349,915
22,113,060	57,533,041	202,722,658
\$ 25,597,706	\$ 61,951,177	\$ 210,072,573

**Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes
in Fund Balances to the Government-Wide Statement of Activities
Year Ended June 30, 2014**

Net Change in Fund Balances - Total Governmental Funds \$ 7,349,915

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlay as expenditures. In the government-wide financials, the cost of the assets is allocated over their estimated useful lives as depreciation expense.

Capital asset regular additions and deletions recorded in the current period - governmental activities	12,077,443
Depreciation and net losses in disposal recorded in the current period - governmental activities	(8,225,510)
Contributions of capital assets are not recorded in the governmental funds.	1,015,600

City advance for Parking COP debt service to be collected according to Reimbursement Agreement with Redevelopment Successor Agency	1,205,689
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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.

Interest accrued on advances to Successor Agency/the former Redevelopment Agency	55,924
Interest accrued on advances to business-type activities	2,922,332
Interfund interest previously deferred in the fund was received in current year.	(1,616,080)
Interest accrued on long-term housing loan receivables and allowance for uncollectible accounts	831,585
Interest accrued on loans to employees	(15,600)
Conway assessment installments	(22,553)
Miscellaneous public safety cost reimbursements	(33,324)
State vehicle license fee collection in excess	(61,929)
Administrative citation placed on tax roll	(7,200)
Reimbursable costs incurred for abandoned vehicles and State mandates	21,522
Current grant revenues earned	299,326
Proposition 172 revenue	3,165

Housing loans disbursed are recorded as expenditures in the funds. They are reclassified as increases in receivables in the government-wide financial statements.	11,403,039
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Housing loan repayments, recorded as revenues in the funds, are reclassified as reductions in receivables in the government-wide financial statements. This number is adjusted by allowance for uncollectible accounts.	(3,096,792)
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Repayment of principal on the bonds is reported in the fund as expenditures.	1,280,000
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This amount represents the change in accrued interest on bonds payable from prior year.	9,219
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Internal Service Funds are primarily to serve governmental activities. The change in net position of the Internal Service Funds is reported with governmental activities.	2,410,804
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This amount represents the portion of change in Internal Service Fund net position attributable to business-type activities. Business-type activities paid \$1,855,344 for internal service during the year. At year end the internal service lookback adjustment was determined to be \$1,165,457.

(689,887)

Change in Net Position of Governmental Activities	\$ 27,116,688
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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 ***Golf and Tennis Operations Fund*** accounts for revenues and expenses related to the golf course and tennis center operations. Other recreation operations were moved and presented in the General Fund starting with the fiscal year 2013 Budget.

The ***Internal Service Funds*** account for charges to City departments, on a cost reimbursement basis, for provision of facilities, equipment, benefits, insurance, and project administration services. The Internal Service Funds predominantly serve governmental activities of the City.

CITY OF SUNNYVALE

**Statement of Net Position
Proprietary Funds
June 30, 2014**

	Business-Type Activities		
	Major Enterprise Funds		
	Water Supply and Distribution	Wastewater Management	Solid Waste Management
Assets:			
Current Assets			
Cash and Investments Held by City (Note 3)	\$ 16,966,775	\$ 30,367,605	\$ 3,922,742
Cash and Investments Held by Fiscal Agent (Note 3)	4,080,019	4,560,070	-
Receivables, Net (Note 4)	5,653,781	4,009,294	5,481,597
Intergovernmental Receivables (Note 5)	-	5,363	111,481
Inventories and Prepaid Items (Note 1)	-	40,674	1,682
Total Current Assets	<u>26,700,575</u>	<u>38,983,006</u>	<u>9,517,502</u>
Noncurrent Assets			
Net Pension Asset (Note 15)	-	-	-
Net OPEB Asset (Note 16)	-	-	-
Advances to Other Funds (Note 10)	-	2,282,332	-
Service Concession Arrangement Receivable (Note 1)	-	-	-
Capital Assets (Note 11):			
Land & Nondepreciable Assets	2,677,792	12,843,389	44,493
Depreciable Assets, Net	45,621,993	42,860,426	1,514,854
Total Noncurrent Assets	<u>48,299,785</u>	<u>57,986,147</u>	<u>1,559,347</u>
Total Assets	<u>75,000,360</u>	<u>96,969,153</u>	<u>11,076,849</u>
Deferred Outflows of Resources (Note 1)	<u>718,275</u>	<u>124,315</u>	<u>-</u>
Liabilities:			
Current Liabilities			
Wages Payable	-	-	-
Accounts Payable and Accrued Liabilities	3,271,682	3,289,244	1,649,925
Due to Other Funds (Note 10)	-	-	-
Advances from Other Funds (Note 10)	331,791	1,264,380	4,099,556
Refundable Deposits	246,386	170,536	542,234
Interest Payable	267,450	388,381	-
Unearned Revenues (Note 8)	-	-	-
Service Concession Arrangement Maintenance Liability (Note 1)	-	-	-
Claims and Judgments Payable - Due Within One Year (Note 12)	-	-	-
Compensated Absences Payable - Due Within One Year (Note 12)	-	-	-
Landfill Closure and Postclosure Costs (Note 12)	-	-	707,831
Bonds Payable - Due Within One Year (Note 12)	810,000	1,305,000	-
Total Current Liabilities	<u>4,927,309</u>	<u>6,417,541</u>	<u>6,999,546</u>
Noncurrent Liabilities			
Advances from Other Funds (Note 10)	-	9,843,241	26,976,341
Service Concession Arrangement Maintenance Liability (Note 1)	-	-	-
Claims and Judgments Payable - Due in More than One Year (Note 12)	-	-	-
Compensated Absences Payable - Due in More than One Year (Note 12)	-	-	-
Landfill Closure and Postclosure Costs (Note 12)	-	-	5,171,904
Bonds Payable - Due in More than One Year (Note 12)	21,926,750	31,531,218	-
Total Noncurrent Liabilities	<u>21,926,750</u>	<u>41,374,459</u>	<u>32,148,245</u>
Total Liabilities	<u>26,854,059</u>	<u>47,792,000</u>	<u>39,147,791</u>
Deferred Inflows of Resources			
Service Concession Arrangement (Note 1)	-	-	-
Net Position (Note 19)			
Net Investment in Capital Assets	30,361,329	27,551,982	1,559,347
Unrestricted	18,503,247	21,749,486	(29,630,289)
Net Position	<u>\$ 48,864,576</u>	<u>\$ 49,301,468</u>	<u>\$ (28,070,942)</u>

See Accompanying Notes to the Basic Financial Statements

Business-Type Activities			Governmental Activities
Major Enterprise Funds			Internal Service Funds
SMaRT Station®	Golf and Tennis Operations	Total Enterprise Funds	
\$ 4,912,220	\$ -	\$ 56,169,342	\$ 51,960,148
2,752,557	-	11,392,646	-
16,521	94	15,161,287	298,643
106,824	-	223,668	1,490
61,695	185,619	289,670	475,313
<u>7,849,817</u>	<u>185,713</u>	<u>83,236,613</u>	<u>52,735,594</u>
-	-	-	8,359,000
-	-	-	3,415,000
-	-	2,282,332	-
-	1,570,236	1,570,236	-
-	9,683,604	25,249,278	711,278
14,746,206	2,876,763	107,620,242	12,101,167
<u>14,746,206</u>	<u>14,130,603</u>	<u>136,722,088</u>	<u>24,586,445</u>
22,596,023	14,316,316	219,958,701	77,322,039
<u>245,168</u>	<u>-</u>	<u>1,087,758</u>	<u>-</u>
-	-	-	2,163,031
2,289,536	28,719	10,529,106	2,569,245
-	78,194	78,194	-
-	-	5,695,727	-
-	-	959,156	18,228
148,181	-	804,012	-
-	34,834	34,834	-
-	82,503	82,503	-
-	-	-	4,244,256
-	-	-	7,948,656
-	-	707,831	-
2,165,000	-	4,280,000	-
<u>4,602,717</u>	<u>224,250</u>	<u>23,171,363</u>	<u>16,943,416</u>
-	-	36,819,582	-
-	969,410	969,410	-
-	-	-	10,874,744
-	-	-	1,476,231
-	-	5,171,904	-
10,222,656	-	63,680,624	-
<u>10,222,656</u>	<u>969,410</u>	<u>106,641,520</u>	<u>12,350,975</u>
14,825,373	1,193,660	129,812,883	29,294,391
-	518,323	518,323	-
5,111,107	12,560,367	77,389,300	12,812,445
2,904,711	43,966	13,325,953	35,215,203
<u>\$ 8,015,818</u>	<u>\$ 12,604,333</u>	<u>\$ 90,715,253</u>	<u>\$ 48,027,648</u>

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CITY OF SUNNYVALE

***Reconciliation of the Enterprise Funds Statement of Net Position
to the Government-Wide Statement of Net Position
June 30, 2014***

Total Net Position - Total Enterprise Funds	\$ 90,715,253
Prior-year cumulative Internal Service look-back adjustments, payable to governmental activities	(1,947,687)
Current-year Internal Service look-back adjustment, payable to governmental activities	(1,165,457)
Current-year payment transferred to governmental activities	<u>1,855,344</u>
Net Position of Business-Type Activities	<u><u>\$ 89,457,453</u></u>

See Accompanying Notes to the Basic Financial Statements

CITY OF SUNNYVALE

**Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
Year Ended June 30, 2014**

	Major Enterprise Funds		
	Water Supply and Distribution	Wastewater Management	Solid Waste Management
Operating Revenues:			
Charges for Services	\$ 39,065,965	\$ 32,077,633	\$ 42,033,217
Operating Expenses:			
Personnel Services	4,179,322	9,721,463	1,225,702
Contractual Services	648,204	3,664,630	32,354,440
Materials and Supplies	1,079,153	2,224,529	34,277
Utilities	342,238	592,351	75,066
Taxes and Licenses	705,989	206,164	479,357
Equipment and Building Rental	538,824	699,386	155,492
Water Purchased for Resale	20,987,214	-	-
Insurance Premiums and Claims	-	-	-
Retirement Premiums	-	-	-
Other Operating Expenses	231,634	252,428	9,333
Depreciation (Note 11)	2,040,430	2,284,794	60,160
Total Operating Expenses	30,753,008	19,645,745	34,393,827
Operating Income (Loss)	8,312,957	12,431,888	7,639,390
Nonoperating Revenues (Expenses):			
Investment Earnings	105,584	317,779	71,425
Interest Expense	(622,456)	(1,644,209)	(2,172,543)
Total Nonoperating Revenues (Expenses)	(516,872)	(1,326,430)	(2,101,118)
Income (Loss) before Capital Contributions and Transfers	7,796,085	11,105,458	5,538,272
Capital Contributions	152,600	247,800	-
Transfers In (Note 17)	127,277	18,959	1,935
Transfers Out (Note 17)	(3,140,603)	(5,150,764)	(4,871,186)
Change in Net Position	4,935,359	6,221,453	669,021
Net Position, Beginning of Year	43,929,217	43,080,015	(28,739,963)
Net Position, End of Year	\$ 48,864,576	\$ 49,301,468	\$ (28,070,942)

See Accompanying Notes to the Basic Financial Statements

Major Enterprise Funds		Total Enterprise Funds	Governmental Activities Internal Service Funds
SMaRT Station®	Golf and Tennis Operations		
\$ 25,749,197	\$ 3,572,329	\$ 142,498,341	\$ 87,687,925
442,086	2,048,882	17,617,455	25,030,859
13,227,528	73,763	49,968,565	2,906,337
283,913	265,306	3,887,178	2,046,824
521	513,579	1,523,755	1,634,800
10,558,141	-	11,949,651	4,881
3,376	448,715	1,845,793	1,474,168
-	-	20,987,214	-
15,485	-	15,485	24,664,906
-	-	-	26,678,597
-	38,249	531,644	263
2,269,691	259,726	6,914,801	1,721,268
26,800,741	3,648,220	115,241,541	86,162,903
(1,051,544)	(75,891)	27,256,800	1,525,022
102,021	98	596,907	364,867
(628,137)	-	(5,067,345)	-
(526,116)	98	(4,470,438)	364,867
(1,577,660)	(75,793)	22,786,362	1,889,889
-	-	400,400	-
1,602,580	-	1,750,751	3,508,598
-	(386,442)	(13,548,995)	(2,987,683)
24,920	(462,235)	11,388,518	2,410,804
7,990,898	13,066,568	79,326,735	45,616,844
\$ 8,015,818	\$ 12,604,333	\$ 90,715,253	\$ 48,027,648

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CITY OF SUNNYVALE

***Reconciliation of the Enterprise Funds Statement of Revenues, Expenses,
and Changes in Net Position to the Government-Wide Statement of Activities
Year Ended June 30, 2014***

Change in Net Position - Total Enterprise Funds	\$	11,388,518
Internal Service Funds' look-back adjustments for the year		(1,165,457)
Payment transferred to governmental activities		<u>1,855,344</u>
Change in Net Position of Business-Type Activities	\$	<u><u>12,078,405</u></u>

See Accompanying Notes to the Basic Financial Statements

CITY OF SUNNYVALE

**Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2014**

	Major Enterprise Funds		
	Water Supply and Distribution	Wastewater Management	Solid Waste Management
Cash Flow from Operating Activities:			
Cash Received from Customers	\$ 39,061,352	\$ 31,471,167	\$ 41,549,860
Cash Payments to Suppliers of Goods and Services	(24,893,103)	(7,594,440)	(33,733,271)
Cash Payments for Employee Services	(4,181,009)	(9,922,615)	(1,229,129)
Insurance and Claims Paid	-	-	-
Other Receipts (Payments)	19,019	4,983	(17,598)
Net Cash Provided by (Used for) Operating Activities	10,006,259	13,959,095	6,569,862
Cash Flows from Noncapital Financing Activities:			
Transfers from Other Funds	127,277	18,959	1,935
Transfers to Other Funds	(3,140,603)	(5,150,764)	(4,871,186)
Short-term Loan Received from or Payments to Other Funds	-	-	-
Repayment of Advance from Other Funds	(351,700)	(1,264,380)	(2,913,001)
Net Cash Provided by (Used for) Noncapital Financing Activities	(3,365,026)	(6,396,185)	(7,782,252)
Cash Flows from Capital and Related Financing Activities:			
Principal Paid on Long-term Debt	(780,000)	(1,255,000)	-
Interest Paid on Long-term Debt	(1,099,250)	(1,603,725)	-
Acquisition and Construction of Capital Assets	(4,185,252)	(7,627,722)	(657,891)
Net Cash Used for Capital and Related Financing Activities	(6,064,502)	(10,486,447)	(657,891)
Cash Flows from Investing Activities:			
Interest on Investments	85,663	211,287	78,114
Net Cash Provided by Investing Activities	85,663	211,287	78,114
Net Increase (Decrease) in Cash and Cash Equivalents	662,394	(2,712,250)	(1,792,167)
Cash and Cash Equivalents - Beginning of Year	20,384,400	37,639,925	5,714,909
Cash and Cash Equivalents - End of Year	\$ 21,046,794	\$ 34,927,675	\$ 3,922,742
Reconciliation to Statement of Net Position:			
Cash and Investments Held by City	\$ 16,966,775	\$ 30,367,605	\$ 3,922,742
Cash and Investments Held by Fiscal Agent	4,080,019	4,560,070	-
Total Cash and Investments	\$ 21,046,794	\$ 34,927,675	\$ 3,922,742

See Accompanying Notes to the Basic Financial Statements

Major Enterprise Funds			Total Enterprise Funds	Governmental Activities Internal Service Funds
SMaRT Station	Golf and Tennis			
\$ 28,870,401	\$ 3,592,546	\$	144,545,326	\$ 86,671,915
(26,835,713)	(1,397,218)		(94,453,745)	(10,249,828)
(442,086)	(2,048,882)		(17,823,721)	(52,913,298)
-	-		-	(21,977,948)
-	5,810		12,214	1,207,952
1,592,602	152,256		32,280,074	2,738,793
1,602,580	-		1,750,751	3,508,598
-	(386,442)		(13,548,995)	(2,987,683)
-	78,194		78,194	-
-	-		(4,529,081)	-
1,602,580	(308,248)		(16,249,131)	520,915
(2,060,000)	-		(4,095,000)	-
(645,377)	-		(3,348,352)	-
-	-		(12,470,865)	(2,084,998)
(2,705,377)	-		(19,914,217)	(2,084,998)
100,843	98		476,005	366,876
100,843	98		476,005	366,876
590,648	(155,894)		(3,407,269)	1,541,586
7,074,129	155,894		70,969,257	50,418,562
\$ 7,664,777	\$ -	\$	67,561,988	\$ 51,960,148
\$ 4,912,220	\$ -	\$	56,169,342	\$ 51,960,148
2,752,557	-		11,392,646	-
\$ 7,664,777	\$ -	\$	67,561,988	\$ 51,960,148

Continued

CITY OF SUNNYVALE

Statement of Cash Flows (Continued)
Proprietary Funds
Year Ended June 30, 2014

	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)	\$ 8,312,957	\$ 12,431,888	\$ 7,639,390
Adjustments to Reconcile Operating Income (Loss) to Net Cash			
Provided (Used) by Operating Activities:			
Depreciation	2,040,430	2,284,794	60,160
Changes in Assets and Liabilities:			
Receivables, Net	(151,686)	(652,024)	(631,090)
Intergovernmental Receivables	5,000	(2,718)	39,932
Inventories and Prepayments	1,699	3,171	(622)
Refundable Deposits	161,683	53,260	90,213
Accounts Payable and Accrued Liabilities	(363,824)	(159,276)	(715,014)
Unearned Revenue	-	-	-
Landfill Postclosure Care	-	-	86,893
Claims and Judgments Payable	-	-	-
Compensated Absences Payable	-	-	-
Net Pension Asset	-	-	-
Net OPEB Asset	-	-	-
Net Cash Provided by (Used for) Operating Activities	\$ 10,006,259	\$ 13,959,095	\$ 6,569,862
Noncash Investing, Capital and Financing Activities:			
Change in the Fair Value of Investments	\$ 19,589	\$ 53,388	\$ 32,848
Purchase of Capital Assets on Account	(2,024,710)	2,123,316	(3,066)
Non Cash Capital Contributions	152,600	247,800	-
Capitalized Interest Expenses	624,544	661,634	-

See Accompanying Notes to the Basic Financial Statements



Major Enterprise Funds			Governmental
SMaRT Station	Golf and Tennis Operations	Total Enterprise Funds	Activities Internal Service Funds
\$ (1,051,544)	\$ (75,891)	\$ 27,256,800	\$ 1,525,022
2,269,691	259,726	6,914,801	1,721,268
600,000	(58)	(834,858)	106,750
307,485	-	349,699	40,510
11,196	79,305	94,749	(21,509)
-	-	305,156	(45)
(544,226)	(136,910)	(1,919,250)	(6,295,514)
-	26,084	26,084	-
-	-	86,893	-
-	-	-	169,000
-	-	-	8,131,311
-	-	-	(3,097,000)
-	-	-	459,000
<u>\$ 1,592,602</u>	<u>\$ 152,256</u>	<u>\$ 32,280,074</u>	<u>\$ 2,738,793</u>
\$ (3,325)	\$ -	\$ 102,500	\$ 104,256
-	-	95,540	-
-	-	400,400	-
-	-	1,286,178	-
			Concluded

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Fiduciary Fund Financial Statements

Fiduciary Funds are used to report assets held in a trust or agency capacity for others and therefore cannot be used to support the City's own programs. The City reports the following two types of fiduciary funds:

Private-Purpose Trust Funds are used to report resources held and administered under trust or similar arrangement for the benefits of individuals, private organizations or other governments. In fiscal year 2012, the City elected to serve as the Redevelopment Successor Agency (RSA) of the former Redevelopment Agency. The RSA is controlled by the Oversight Board whose members represent various taxing entities of the Town Center Redevelopment Project area. In fiscal year 2013, the CFD 3 Estates at Sunnyvale Trust Fund was created to report resources held and administered for the Community Facility District (CFD) No. 3 (Estates at Sunnyvale).

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 Net Position
Fiduciary Funds
June 30, 2014**

	<u>Private-Purpose Trust Funds</u>	<u>Agency Funds</u>
Assets:		
Cash and Investments Held by City (Notes 3 and 20)	\$ 856,681	\$ 4,302,893
Cash and Investments Held by Fiscal Agent (Note 3)	616,989	1,800,674
Receivables (Note 4)	15,482,921	58,210
Capital Assets (Note 20):		
Land and Nondepreciable Assets	13,959,752	-
Total Assets	<u>30,916,343</u>	<u>6,161,777</u>
Liabilities:		
Accounts Payable and Accrued Liabilities (Note 20)	14,041,712	2,323,496
Accrued Interest Payable (Note 20)	79,213	-
Due to CFD Bondholders	-	3,838,281
Long-term Obligations (Note 20):		
Due Within One Year	525,000	-
Due in More Than One Year	52,683,389	-
Total Liabilities	<u>67,329,314</u>	<u>6,161,777</u>
Net Position:		
Held in Trust for CFD No. 3 (Note 1)	32,517	-
Held in Trust for Redevelopment Successor Agency (Notes 1 and 20)	(36,445,488)	-
Total Net Position	<u>\$ (36,412,971)</u>	<u>\$ -</u>

See Accompanying Notes to the Basic Financial Statements

CITY OF SUNNYVALE**Statement of Changes in Net Position
Fiduciary Funds
For the Year Ended June 30, 2014**

	Private-Purpose Trust Funds
Additions:	
<i>Contributions:</i>	
Property Owners	\$ 23,359
City General Fund	19,780
County Redevelopment Property Tax Trust Fund	1,173,982
Unclaimed Property Revenue	63,388
Investment Income from Fiscal Agent	1,603
Total Additions	1,282,112
Deductions:	
Infrastructure Projects	18,558
1977 Loan Interest Added to Loan Principal	4,324
City Administrative Loan Interest Added to Loan Principal	46,743
City Plaza Loan Interest Added to Loan Principal	4,857
Interest Payments on Central Core Bonds	191,333
Fiscal Agent Trustee Fees	4,025
Administrative Expenses	213,697
Tax Increment Financing Liability Increase	1,512,707
Total Deductions	1,996,244
Change in Net Position	(714,132)
Net Position, Beginning of Year	(35,698,839)
Net Position, End of Year	\$ (36,412,971)

See Accompanying Notes to the Basic Financial Statements

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*Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2014*

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Fiscal Year Ended June 30, 2014

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Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2014

NOTE 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 City accounting policies are described below.

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, tennis, 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, for which the City is considered to be financially accountable. Though they are legally separate entities, blended component units are, in substance, part of the City's operations and are reported as an integral part of the City's financial statements. The City's component units, which are described below, are either blended or fiduciary in nature.

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 former Redevelopment Agency (RDA) of the City of Sunnyvale. The RDA 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. The RDA was dissolved on February 1, 2012 pursuant to ABx1 26 (the "Dissolution Act").

The Authority was created to facilitate financing of public improvements within the City. In no event shall this Agreement be terminated while any bonds of the Authority remain outstanding or any facilities constructed are owned, maintained or operated by the Authority.

The Authority's governing board has the same members as those on the City Council. City staff performs all administrative and accounting functions for the Authority. The Authority's transactions are blended into the City's financial statements. Separately issued financial statements for the Financing Authority are available at the Department of Finance, City Hall Annex.

Redevelopment Successor Agency (RSA)

Pursuant to the Dissolution Act, on January 10, 2012, the City Council adopted a resolution electing to serve as the Redevelopment Successor Agency (RSA) of the former RDA.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2014

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES, Continued

The RSA is a separate legal entity from the City of Sunnyvale. ABx1 26 establishes the oversight boards to review and approve the successor agency actions. Upon dissolution and under the control of the Oversight Board (including two members from the City of Sunnyvale and five from the County of Santa Clara, local education and special districts), the RDA's non-housing funds and assets were turned over to the RSA charged with the responsibility of paying off the RDA's existing debts, disposing of the RDA's properties and assets to help pay off debts and winding down the affairs of the RDA. The RSA's financial transactions are accounted for in a private-purpose trust fund, a fiduciary fund type.

The Community Facilities District No. 1

The Community Facilities District No. 1 (the "CFD No. 1") was created by resolutions of the City Council on February 23, 1999, pursuant to the Mello-Roos Community Facilities Act of 1982, as amended. The purpose is to provide financing for the construction of parking facilities required by the redevelopment of the Sunnyvale Town Center. The CFD No.1's governing board has the same members as those on the City Council and the former Redevelopment Agency. The CFD No. 1 is a component unit of fiduciary nature. The City is not obligated in any manner for the debt of the CFD No. 1. A special tax is levied within the CFD No. 1 and collected according to the debt service schedule of the CFD No. 1 Special Tax Bonds. All financial transactions of the CFD No. 1 are accounted for in an agency fund, a fiduciary fund type.

The Community Facilities District No. 3 (Estates at Sunnyvale)

The Community Facilities District No. 3 (Estates at Sunnyvale) (the "CFD No. 3") was created by resolutions of the City Council on April 23, 2013, pursuant to the Mello-Roos Community Facilities Act of 1982, as amended. The purpose is to finance the maintenance and replacement of publicly owned infrastructure and other improvements planned for in a 10-acre residential subdivision. Under the Santa Clara Valley Storm Water Permit C.3 Provisions, the developer is required to install storm water facilities (bio-retention basins) that reduce storm water pollutants and flow from the site.

The CFD No. 3's governing board has the same members as those on the City Council. The City Council approves the rate and method of the apportionment of the special tax and the authorized services that may be funded by the special tax. The special tax is levied to fund the maintenance and future capital replacement of the CFD No. 3 facilities. The City's administrative costs of the CFD No. 3 will also be covered by the special tax. The developer has made a deposit with the City to cover any non-contingent costs of forming the CFD and the first six months of the annual operation, maintenance and servicing costs of the bio-retention basins and associated facilities. CFD No. 3 is a component unit of fiduciary nature. All financial transactions of the CFD No. 3 are accounted for in a private-purpose trust fund, a fiduciary fund type.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2014

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES, Continued

Basis of Presentation

Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the City and its component units. All fiduciary activities are only reported in the fund financial statements. Governmental activities, which normally are supported by taxes, intergovernmental revenues, and other non-exchange transactions, are reported separately from business-type activities, which rely to a significant extent on fees and charges to external customers for support.

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds and internal service funds, while business-type activities incorporate data from the City's enterprise funds.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes or other interfund charges where the amounts are reasonably equivalent in value to the services provided. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned. 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.

Fund Financial Statements

The fund financial statements provide information about the City's funds, including the blended component units and fiduciary funds. Separate statements for each fund category-governmental, proprietary, and fiduciary-are presented. The emphasis of fund financial statements is on major governmental and enterprise funds. Each major fund is displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

The determination of a given fund as a major fund is generally based on its relative size in any of the following four groupings of financial statement elements: assets plus deferred outflows of resources, liabilities plus deferred inflows of resources, revenues, and expenditures/expense. An individual fund is a major fund if it reports, for at least one of the above groupings, both at least 10 percent of the fund type and at least 5 percent of the combined total for governmental and enterprise funds.

In spite of the quantitative criteria, an individual fund may still be presented separately as a major fund if the City believes that the fund is particularly important for financial statement users.

The City reports the following major governmental funds:

- The *General Fund* is the City's primary operating fund, always classified and presented separately as a major fund. It accounts for all financial resources of the general government, except those required to be accounted for in any other fund.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2014

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES, Continued

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

The following two funds, though not quantitatively meeting the major fund criteria in this reporting year, have been included as major funds because 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, other than those financed by proprietary funds.

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 activities related to the operations of the Sunnyvale Materials and Recovery Transfer Station.
- The *Golf and Tennis Operations Fund* accounts for the activities related to the City's golf course and tennis center operations.

Additionally, the City reports the following fund types:

- *Internal service funds* account for services provided to other City funds, on a cost reimbursement basis, in the following areas: fleet equipment, building services, computers, office equipment, communication equipment, print shop, project administration, employee benefits (leaves, workers' compensation, retirement, and insurance) and risk management services (property and liability insurance).

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2014

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES, Continued

- *Fiduciary Funds:* The *private-purpose trust fund* accounts for resources held and administered under trust or similar arrangement for the benefits of individuals, private organizations, or other governments. The transactions of the Redevelopment Successor Agency and the Community Facilities District No. 3 are accounted for in the private-purpose trust fund.

Another fiduciary fund type used by the City is the *Agency Fund*, which accounts for resources held by the City in a purely custodial capacity. The activities typically include the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments. The City uses the Agency Fund to report the transactions of the Community Facilities District No.1 and the Santa Clara Valley Urban Runoff Pollution Prevention Program (SCVURPPP). The SCVURPPP was formed by the cities in the Santa Clara County and the Santa Clara Valley Water District that discharge storm water into the San Francisco Bay.

In the fund financial statements, any residual balances outstanding at year end from interfund activity are reported as due from/to other funds and advances to/from other funds. In contrast, certain eliminations are made in the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal services funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

In the fund financial statements, amounts involving transfer of resources between funds are reported as transfers in/out. In contrast, certain eliminations are made in the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as transfers in the business-type activities column.

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.

Measurement Focus and Basis of Accounting

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2014

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES, Continued

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they become 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. For this purpose, the City considers revenues, except sales tax, to be available if they are collected within 60 days of the end of the current fiscal period. Sales taxes use a seven-month availability period to include the County's back-fill (for the loss of sales tax revenues) to be received in the subsequent fiscal year. Expenditures generally are recorded when a liability is incurred except for debt service expenditures which are recorded when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt is reported as other financing sources.

Property taxes, sales taxes, transient occupancy taxes, utility user taxes, franchise fees, certain intergovernmental revenues, special assessments due and interest earned within the current fiscal year are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal year. Entitlements are recorded as revenues when legal and contractual requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 90 days of year end).

The proprietary funds and private-purpose trust funds are reported using the economic resources measurement focus and the accrual basis of accounting. The agency fund has no measurement focus but uses the accrual basis of accounting for reporting its assets and liabilities.

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

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2014

NOTE 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 and guaranteed investment contracts are stated at the amortized cost. All other investments are stated at fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. 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.

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 recognized as revenues.

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 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 (General Fund) recognizing a corresponding amount of deferred inflows of resources. Since the late 1970s, General Fund has made numerous advances to other City funds (see Note 10) and thus accumulated significant amounts of deferred inflows of resources. When the cumulative amounts of repayment in advances by the borrower exceed the original principal, the lender (General Fund) recognizes the excess portion of current repayment as interfund interest revenue with a corresponding reduction of deferred inflows of resources.

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.

When the lender is an enterprise fund, the interest charged to the borrower fund is recognized as revenue of the current year.

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."

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2014

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES, Continued

Inventory and Prepaid Items

The consumption method is used to account for inventory and inventory is valued at average cost. Inventory in the Golf and Tennis Operations 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. Inventory in other City funds consists of expendable supplies held for consumption by all departments; user programs are charged when inventory items are withdrawn for use.

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.

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 General Fund acquired certain residential properties (currently earning rental income), which cost \$1,381,077 at the time, with the intention to assemble with other parcels for the Downtown redevelopment project. In fiscal year 2006, one such property with allocated original cost of \$280,000 was transferred to the Housing Special Revenue Fund with consideration.

At the beginning of fiscal year 2011, the City entered into an agreement with a retiring 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 loan balance was \$389,167, much higher than the net realizable value due to the depressed housing market when the City took ownership of this property. By the end of fiscal year 2013 this property had been restored to the original cost to reflect the strong housing market recovery in Sunnyvale. In March 2014, the City sold this property and the net sale proceeds received was \$498,679.

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.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2014

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES, Continued

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

The City has chosen the modified approach for reporting the street pavement system, and as a result depreciation is not 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:

<u>Condition</u>	<u>Rating</u>
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'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.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2014

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES, Continued

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City only has one item that qualifies for reporting in this category. It is the loss on refunding reported in the government-wide and enterprise fund statements of net position. A loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of net position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Accordingly, the item, unavailable revenue, is only reported in the governmental funds balance sheet. The governmental funds report unavailable revenues from sources such as housing loans, State-mandated cost reimbursements, expenditure-driven grants, special assessments, etc. (see Note 9).

Another type of item recognized as deferred inflows of resources is reported in an enterprise fund as described in the service concession arrangement.

Service Concession Arrangement

In April 2012, the City entered into an arrangement with Lifetime Tennis, Inc. (Lifetime), in which Lifetime has agreed to operate, manage, and collect the related fees from the Sunnyvale Tennis Center for a term of 15 years. The City has agreed to maintain the grounds surrounding the courts and buildings at the Tennis Center, as well as the ancillary tennis courts. At June 30, 2014, the present value of the City's maintenance obligation is estimated to be \$1,051,913, which is recognized as a liability. Initial improvements made to the tennis center building infrastructure by Lifetime were maintenance and repairs and therefore not capitalized. Lifetime has agreed to pay the City installment payments over the course of the arrangement; the present value of these installment payments is estimated to be \$1,570,236 at year end, reported as a receivable. The difference between the present value of the installments receivable and maintenance obligations was \$518,323, which was reported as deferred inflows of resources, all in the Golf and Tennis Operations Enterprise Fund.

Unearned 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.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2014

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES, Continued

Noncurrent Liabilities

Government-Wide Financial Statements

Long-term debt and other financial obligations are reported as liabilities in the appropriate activities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of premium or discount. Debt issuance costs, except any portion related to prepaid insurance costs, are recognized as an expense in the period incurred. Prepaid insurance costs are reported as an asset and recognized as an expense in a systematic and rational manner over the duration of the related debt.

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 position. 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.

Net Position Flow Assumptions

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

Fund Balance Flow Assumptions

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first followed by assigned fund balance. Unassigned fund balance is applied last.

Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The City itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2014

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES, Continued

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the City’s highest level of decision making authority. The City Council is the highest level of decision making authority for the City that, by adoption of a resolution prior to the end of the fiscal year, commits fund balance for the next fiscal year. Once adopted, the limitation imposed by the resolution remains in place until an action is taken (Council-approved budget modification) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as committed. Such intent is expressed by the City Council or its designees and may be changed at the discretion of the City Council or its designees. The City Council has not delegated the authority to make assignments of fund balance. Amounts in excess of nonspendable, restricted, and committed fund balance in funds other than the General Fund are reported as assigned fund balance.

Unassigned fund balance is the residual classification for the General Fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund. The General Fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

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.

Program Revenues

Amounts reported as program revenues on the statement of activities include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2014

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES, Continued

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 after 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 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.

For governmental funds, property tax revenues are recorded when they become measurable and available. Available means due, or past due, and receivable within the current period and collected no longer than 60 days after the close of the current period. The exception to this rule is explained in the next paragraph.

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

Compensated Absences

The City's compensated absences consist of accrued vacation pay, paid time off, compensatory time and other paid leave, with benefits varying by employee group. The total amount of accrued paid leaves is recorded in the Employee Benefits Internal Service Fund and is also reported under governmental activities in the government-wide financial statements.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2014

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES, Continued

Proprietary Funds Operating and Nonoperating Revenues and Expenses

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's proprietary funds and internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Effects of New Pronouncements

In March 2012, the GASB issued Statement No. 66, *Technical Corrections – 2012 - An Amendment of GASB Statements No. 10 and No. 62*, to resolve conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting. This statement amends Statement No. 10, *Codification of Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, by removing the provision that limits fund-based reporting of a state or local government's risk financing activities to the general fund and the internal service fund type. This statement also amends Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, by modifying the specific guidance on accounting for (1) operating lease payments that vary from a straight-line basis, (2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current servicing fee rate. Application of this statement is effective for the City's fiscal year ending June 30, 2014. As of July 1, 2013, the City adopted this statement which did not have a significant impact on its financial statements.

In April 2013, the GASB issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. This statement is intended to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. This statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. This statement also requires a government that has issued an obligation guaranteed in a nonexchange transaction to recognize revenue to the extent of the reduction in its guaranteed liabilities and requires a government that is required to repay a guarantor for making a payment on a guaranteed obligation or legally assuming the guaranteed obligation to continue to recognize a liability until legally released as an obligor. This statement also provides additional guidance for intra-entity nonexchange financial guarantees involving blended component units. As of July 1, 2013, the City adopted this statement which did not have a significant impact on its financial statements.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2014

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES, Continued

The City is currently analyzing its accounting practices to determine the potential impact on the financial statements for the following GASB Statements:

In June 2012, the GASB issued two new standards, GASB Statement No. 67, *Financial Reporting for Pension Plans - An Amendment of GASB Statement No. 25* and GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - An Amendment of GASB Statement No. 27* to improve the guidance for accounting and reporting on the pensions that governments provide to their employees.

Key changes include the following:

- Separating the determination of accounting and financial reporting from how pensions are funded.
- Employers with defined benefit pension plans will recognize a net pension liability, as defined by the standard, in their government-wide, proprietary and fiduciary fund financial statements.
- Incorporating ad hoc cost-of-living adjustments and other ad hoc postemployment benefit changes into projections of benefit payments, if an employer's past practice and future expectations of granting them indicate they are essentially automatic.
- Using a discount rate that applies (a) the expected long-term rate of return on pension plan investments for which plan assets are expected to be available to make projected benefit payments, and (b) the yield or index rate on tax-exempt 20-year general obligation municipal bonds with an average rating of AA/Aa or higher to projected benefit payments for which plan assets are not expected to be available for long-term investment in a qualified trust.
- Adopting a single actuarial cost allocation method – entry age normal – rather than the current choice among six actuarial cost methods.
- Requiring more extensive note disclosures and required supplementary information.

The statements relate to accounting and financial reporting and do not apply to a government's approach to the funding of its pension plan. At present, there generally is a close connection between the ways many governments fund pensions and how they account for and report information about them in financial statements. The statements would separate how the accounting and financial reporting is determined from how pensions are funded. The City does not have a pension trust fund and, therefore, Statement No. 67 is not applicable to the City. Application of Statement No. 68 is effective for the City's fiscal year ending June 30, 2015.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2014

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES, Continued

In January 2013, the GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations*, which is intended to improve accounting and financial reporting for U.S. state and local governments' combinations and disposals of government operations. This statement provides guidance for determining whether a specific government combination is a government merger, a government acquisition, or a transfer of operations; using carrying values (generally, the amounts recognized in the pre-combination financial statements of the combining governments or operations) to measure the assets, deferred outflows of resources, liabilities, and deferred inflows of resources combined in a government merger or transfer of operations; measuring acquired assets, deferred outflows of resources, liabilities, and deferred inflows of resources based upon their acquisition values in a government acquisition; and reporting the disposal of government operations that have been transferred or sold. Application of this statement is effective for the City's fiscal year ending June 30, 2015.

In November 2013, the GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. This statement is intended to address an issue regarding application of the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions*. The issues relate to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. Application of this statement is effective for the City's fiscal year ending June 30, 2015.

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

The required budgetary comparisons are presented in the Required Supplementary Information section.

Excess of Expenditures Over Appropriations

For the year ended June 30, 2014, expenditures exceeded appropriations within the environmental function of the General Fund due to higher land development activity in this year, and in the community development function for higher purchased water for park irrigation as a result of the State-wide drought.

During the budget year, for governmental funds, the City Manager is authorized to reappropriate budgeted amounts between programs that are financed by the same fund and within the same department. The functions requiring reappropriation were within the Public Works and Library and Community Services Departments, whose annual maximum reappropriation thresholds are \$250,000. Park irrigation drove the program beyond this threshold and the issue is being addressed in next year's budget.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2014

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY, Continued

For fiscal year 2015, the first year of a two-year operating budget, the budget for purchased water in the Parks program budget was increased by 19.7% based on a review of historical averages and factoring the planned water service rate increases. This increase was offset by decreases in other areas, such as the budget for materials, for an overall operating program budget increase of 2.45%

Deficit Net Position and Fund Balances

The deficit net position, \$28,070,942, 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. The deficit is expected to be funded by charges for services.

Although the combined net position for all internal service funds was \$48,027,648, one of the internal service funds, the Risk Management Fund, had a deficit net position of \$1,350,523 at year end. The deficit was caused by the actuarial adjustments for the general liability program. The deficit is expected to be funded by future internal service charges to other City funds.

NOTE 3 – 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.

Deposits and Cash on Hand

Excluding trust accounts held by the fiscal agents, the carrying amount of the City's cash deposits totaled \$10,845,754 at June 30, 2014, including \$8,495 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 \$11,520,508; the total amount of which was insured or collateralized with securities held by the pledging financial institutions in the City's name. 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.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2014

NOTE 3 – CASH AND INVESTMENTS, Continued

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	5 year *	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	270 days	15% *	5% *
Municipal Bonds	5 years	100%	5% *

* Represents items in which the City’s Investment Policy is more restrictive than the California Government Code.

Of the authorized investment types, except for securities issued by the U.S. Treasury, the City’s Investment Policy is more restrictive than the California Government Code requirements. The City’s Investment Policy does not apply to trust accounts held by fiscal agents.

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:

Investment Income	Governmental Activities			Business-Type Activities
	Governmental Funds	Internal Service Funds	Total	
Interest	\$ 2,261,771	\$ 599,709	\$ 2,861,480	\$ 738,935
Interfund Interest	-	-	-	98,282
Net Changes in the Fair Value of Investments	(901,028)	(234,842)	(1,135,870)	(240,310)
Total - Fund Financial Statements	1,360,743	364,867	1,725,610	596,907
Interfund Interest Elimination	-	-	-	(98,282)
Timing difference-Interest from loans to City Employees	(15,600)	-	(15,600)	-
Total - Government-Wide Financial Statements	<u>\$ 1,345,143</u>	<u>\$ 364,867</u>	<u>\$ 1,710,010</u>	<u>\$ 498,625</u>

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2014

NOTE 3 – CASH AND INVESTMENTS, Continued

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

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).

Summary of Cash and Investments

	<u>Government-Wide Statement of Net Position</u>			<u>Fund Financials</u>	
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	<u>Fiduciary Funds Statement of Net Position</u>	<u>Total</u>
Cash and Investments, Unrestricted	\$ 176,514,804	\$ 56,169,342	\$ 232,684,146	\$ -	\$ 232,684,146
Restricted Cash and Investments					
Held by the City	80,126,238	-	80,126,238	5,159,574	85,285,812
Held by the Fiscal Agent	2,429,649	11,392,646	13,822,295	2,417,663	16,239,958
Total	<u>\$ 259,070,691</u>	<u>\$ 67,561,988</u>	<u>\$ 326,632,679</u>	<u>\$ 7,577,237</u>	<u>\$ 334,209,916</u>

The fiduciary funds had \$2,836,077 included in the City pool of cash and investments at year end. The remaining amounts were held in a separate public funds account.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2014

NOTE 3 – CASH AND INVESTMENTS, Continued

At June 30, 2014, the City had the following deposits and investments:

	Credit Ratings S&P/ Moody's	Details	Total Fair Value
City Treasury Pooled Cash and Investments:			
Deposits and Cash on Hand	Not Rated		\$ 10,845,754
Investments:			
Corporate Notes:			
General Electric	AA+/A1	\$ 10,456,310	
IBM	AA-/Aa3	3,078,666	
Google	AA/Aa2	4,120,812	
Microsoft	AAA/ Aaa	7,165,248	
Toyota	AA-/Aa3	4,018,916	
Total Corporate Notes			28,839,952
Securities of U.S. Government Agencies/Government Sponsored Enterprises:			
Federal Home Loan Bank (2)	AA+/Aaa	\$ 36,351,649	
Freddie Mac (2)	AA+/Aaa	31,071,095	
Fannie Mae (2)	AA+/Aaa	27,602,009	
U.S. Treasury (1)	AA+/Aaa	73,692,000	
Tennessee Valley Authority (2)	AA+/Aaa	17,039,634	
Federal Farm Credit Bank (2)	AA+/Aaa	36,150,256	
Municipal Bonds	A/Aa3	4,101,160	
Total Securities of U.S. Government Agencies			226,007,803
Local Agency Investment Funds	Not Rated		49,952,952
City Pooled Cash and Investments (including \$2,836,077 from Fiduciary Funds)			<u>\$ 315,646,461</u>
City Cash and Investments with Fiscal Agents:			
Guaranteed Investment Contracts	Not Rated	\$ 1,946,564	
Fannie Mae (2)	AA+/Aaa	498,946	
Negotiable Certificates of Deposit, FDIC Insured	Not Rated	1,199,000	
Local Agency Investment Funds	Not Rated	9,772,874	
Treasury Obligation Mutual Funds	AAA/ Aaa	404,911	
Total City Cash and Investments with Fiscal Agents			<u>\$ 13,822,295</u>
Fiduciary Funds Cash and Investments Not in the City Treasury Pool			
Fiduciary Fund Deposits Held by the City, Separate Bank Deposit Account	Not Rated		\$ 2,323,496
Fiduciary Fund Cash and Investments with Fiscal Agents:			
Treasury Obligation Mutual Funds	Not Rated		52,776
Local Agency Investment Funds	Not Rated		616,748
Guaranteed Investment Contracts	Not Rated		1,748,140
Total Fiduciary Fund Cash and Investments not in the City Treasury Pool			<u>\$ 4,741,160</u>

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

(2) Government sponsored enterprises.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2014

NOTE 3 – CASH AND INVESTMENTS, Continued

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, 2014 are as follows:

	Maturity (in years)				Total Fair Value
	1 year or less	1 to 2 years	2 to 5 years	5 to 10 years	
City Treasury Pooled Cash and Investments, including portion of Fiduciary Funds:					
Cash and Deposits	10,845,754	-	-	-	10,845,754
Investments:					
Corporate Notes:					
General Electric	7,013,391	-	3,442,919	-	10,456,310
IBM	-	-	3,078,666	-	3,078,666
Google	-	4,120,812	-	-	4,120,812
Microsoft	-	7,165,248	-	-	7,165,248
Toyota	4,018,916	-	-	-	4,018,916
Federal Farm Credit Bank	11,033,048	4,002,652	21,114,556	-	36,150,256
Federal Home Loan Bank	9,298,395	7,014,905	20,038,349	-	36,351,649
Freddie Mac	14,025,921	4,148,899	12,896,275	-	31,071,095
Fannie Mae	11,025,230	8,158,564	8,418,215	-	27,602,009
Tennessee Valley Authority	-	-	17,039,634	-	17,039,634
U. S. Treasuries	8,010,000	25,379,501	40,302,499	-	73,692,000
Municipal Bonds	-	4,101,160	-	-	4,101,160
Local Agency Investment Funds	49,952,952	-	-	-	49,952,952
Total	\$ 125,223,607	\$ 64,091,741	\$ 126,331,113	\$ -	\$ 315,646,461
City Cash and Investments with Fiscal Agents (trustees):					
Guaranteed Investment Contracts	\$ -	\$ -	\$ 1,946,564	\$ -	\$ 1,946,564
Fannie Mae	-	-	498,946	-	498,946
Negotiable Certificates of Deposit	479,000	720,000	-	-	1,199,000
Local Agency Investment Funds	9,772,874	-	-	-	9,772,874
Treasury Obligation Mutual Funds	404,911	-	-	-	404,911
Total	\$ 10,656,785	\$ 720,000	\$ 2,445,510	\$ -	\$ 13,822,295
Fiduciary Fund Cash and Investments not in the City Treasury Pool:					
Guaranteed Investment Contracts	\$ -	\$ -	\$ -	\$ 1,748,140	\$ 1,748,140
Local Agency Investment Funds	616,748	-	-	-	616,748
Treasury Obligation Mutual Funds	52,776	-	-	-	52,776
Deposits Accounts	2,323,496	-	-	-	2,323,496
Total	\$ 2,993,020	\$ -	\$ -	\$ 1,748,140	\$ 4,741,160

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2014

NOTE 3 – CASH AND INVESTMENTS, Continued

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.

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

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

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

At June 30, 2014, the City’s investments in the following issuers represented 5 percent or more of total City portfolio. The City’s Investment Policy allows up to 100% of total City portfolio to be invested in federal agencies or government sponsored enterprise securities maturing within seven years or less.

<u>Issuer</u>	<u>Amount</u>
Federal Farm Credit Bank	\$ 36,150,256
Federal Home Loan Bank	36,351,649
Freddie Mac (FHLMC)	31,071,095
Fannie Mae (FNMA)	27,602,009
Tennessee Valley Authority	17,039,634
Total	<u>\$ 148,214,643</u>

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2014

NOTE 3 – CASH AND INVESTMENTS, Continued

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, 2014, 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, 2014, the City had \$60,342,574 at fair value invested in LAIF, which had invested 1.86% 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, 2014, 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 1.00029875.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2014

NOTE 4 – RECEIVABLES, CURRENT

Government Wide Financial Statements

At June 30, 2014, the government-wide financial statements show the following current receivables net of allowances for uncollectible amounts:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Unrestricted:			
Accounts	\$ 798,837	\$ 16,048,696	\$ 16,847,533
Taxes	8,075,733	-	8,075,733
Interest	587,790	189,384	777,174
Other	625,485	16,623	642,108
Allowance	<u>(231,122)</u>	<u>(1,093,416)</u>	<u>(1,324,538)</u>
Total Unrestricted	<u>9,856,723</u>	<u>15,161,287</u>	<u>25,018,010</u>
Restricted:			
Accounts	54,044	-	54,044
Interest	257,718	-	257,718
Other	<u>14,243</u>	<u>-</u>	<u>14,243</u>
Total Restricted	<u>326,005</u>	<u>-</u>	<u>326,005</u>
Total Current Receivables, Net	<u>\$ 10,182,728</u>	<u>\$ 15,161,287</u>	<u>\$ 25,344,015</u>

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2014

NOTE 4 – RECEIVABLES, CURRENT, Continued

Fund Financial Statements

At June 30, 2014, the fund financial statements show the following current receivables net of allowances for uncollectible amounts:

	<u>Accounts Receivable</u>	<u>Taxes</u>	<u>Interest</u>	<u>Other</u>	<u>Less: Allowance for Uncollectible</u>	<u>Total</u>
Governmental Funds:						
General	\$ 823,461	\$ 8,075,733	\$ 380,953	\$ 521,682	\$ (231,122)	\$ 9,570,707
Housing Fund	-	-	62,657	-	-	62,657
Employment Development	-	-	-	9,858	-	9,858
City Projects	-	-	83,505	-	-	83,505
Nonmajor Funds	8,245	-	149,113	-	-	157,358
Total Governmental Funds	<u>\$ 831,706</u>	<u>\$ 8,075,733</u>	<u>\$ 676,228</u>	<u>\$ 531,540</u>	<u>\$ (231,122)</u>	<u>\$ 9,884,085</u>
Proprietary Funds:						
Water Supply and Distribution	\$ 5,925,005	\$ -	\$ 57,587	\$ -	\$ (328,811)	\$ 5,653,781
Wastewater Management	4,169,075	-	102,580	14,318	(276,679)	4,009,294
Solid Waste Management	5,954,617	-	12,695	2,211	(487,926)	5,481,597
SMART Station	-	-	16,521	-	-	16,521
Golf and Tennis Operations	-	-	-	94	-	94
Internal Service Funds	21,174	-	169,280	108,189	-	298,643
Total Proprietary Funds	<u>\$ 16,069,871</u>	<u>\$ -</u>	<u>\$ 358,663</u>	<u>\$ 124,812</u>	<u>\$ (1,093,416)</u>	<u>\$ 15,459,930</u>
Fiduciary Funds:						
Private-Purpose Trust Funds	\$ -	\$ -	\$ 446	\$ 15,482,475	\$ -	\$ 15,482,921
Agency Funds	-	-	52,532	5,678	-	58,210
Total Fiduciary Funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 52,978</u>	<u>\$ 15,488,153</u>	<u>\$ -</u>	<u>\$ 15,541,131</u>

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2014

NOTE 5 – 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, 2014, the City had intergovernmental receivables in the following major funds and nonmajor funds in the aggregate:

Governmental Activities:	
<i>Governmental Funds:</i>	
General Fund	\$ 1,682,428
Employment Development Special Revenue Fund	470,453
City Projects Fund	1,002,167
Nonmajor Funds	<u>843,768</u>
Total Governmental Funds	3,998,816
Internal Service Funds	<u>1,490</u>
Total Governmental Activities	<u><u>\$ 4,000,306</u></u>
Business-Type Activities:	
Wastewater Management Enterprise Fund	\$ 5,363
Solid Waste Management Enterprise Fund	111,481
SMaRT Station Enterprise Fund	<u>106,824</u>
Total Business-Type Activities	<u><u>\$ 223,668</u></u>

NOTE 6 – LONG-TERM RECEIVABLES FROM EMPLOYEES

At June 30, 2014, the City had long-term receivables in the amount of \$2,573,675, 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 \$2,573,675, including accrued interest of \$134,891.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2014

NOTE 7 – HOUSING LOANS RECEIVABLE

Governmental Activities:

Maturity Date Year Ending June 30,	Community Development Block Grant	HOME Grant	Housing Mitigation	Other Housing	Total
2015	\$ 210,028	\$ -	\$ -	\$ -	\$ 210,028
2016	88,469	-	112,091	-	200,560
2017	212,206	-	-	-	212,206
2018	96,619	-	875,699	-	972,318
2019	133,433	-	-	-	133,433
2020-2024	505,716	-	-	-	505,716
2025-2029	801,681	2,074,994	54,286	-	2,930,961
2030-2034	1,597,637	3,122,905	1,849,816	-	6,570,358
2035-2039	2,223,927	1,003,358	348,028	983,391	4,558,704
2040-2044	5,129,865	2,473,009	2,148,552	-	9,751,426
2045-2049	142,886	950,675	-	-	1,093,561
2055-2059	140,677	-	-	-	140,677
2060-2064	62,127	231,759	-	-	293,886
2065-2069	110,405	-	-	-	110,405
2070-2074	-	2,345,938	7,996,751	-	10,342,689
2075-2079	-	-	11,968,240	-	11,968,240
Due Upon Sale or Transfer of Property	926,784	-	-	-	926,784
	<u>12,382,460</u>	<u>12,202,638</u>	<u>25,353,463</u>	<u>983,391</u>	<u>50,921,952</u>
Less: Allowance for Uncollectibles	<u>(247,648)</u>	<u>(244,053)</u>	<u>(507,069)</u>	<u>(19,668)</u>	<u>(1,018,438)</u>
Housing Loans Receivables, Net at June 30, 2014	<u>\$ 12,134,812</u>	<u>\$ 11,958,585</u>	<u>\$ 24,846,394</u>	<u>\$ 963,723</u>	<u>\$ 49,903,514</u>

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

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2014

NOTE 7 – HOUSING LOANS RECEIVABLE, Continued

Community Development Block Grant (CDBG) Loans

The City has made a number of loans totaling \$12,382,460 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 \$12,202,638 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 \$25,353,463 using housing mitigation and State housing funds. 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 \$983,391 using Below Market Rates (BMR) funds to qualified first time homebuyers.

NOTE 8 – UNEARNED REVENUES

Unearned revenues represent a liability for resources obtained prior to revenue recognition. At June 30, 2014, unearned revenues were as follows:

	Governmental Activities	Business-Type Activities	Total
Prepayments Received for :			
Business License Renewal	\$ 894,414	\$ -	\$ 894,414
Use of City Property	7,821	34,834	42,655
Armory Ground Lease	7,358,889	-	7,358,889
Total	\$ 8,261,124	\$ 34,834	\$8,295,958

Business licenses are renewed bi-annually. The prorated portion belonging to fiscal year 2015 was reported as unearned revenue.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2014

NOTE 8 – UNEARNED REVENUES, Continued

Armory Ground Lease

In May 2013, the City formally received title to two parcels on the Onizuka site (U. S. Air Force Base) totaling 5 acres. The two parcels at the time were encumbered for homeless housing subject to release of the claims from two homeless housing providers. The two parcels were not located at a convenient location for homeless housing.

In June 2013, the City elected to offer both homeless housing providers (the “Providers”) the Armory site, acquired by the City’s General Fund in the 1970s at \$1,690,511, in exchange for their interest on the Onizuka site. A Ground Lease and a Loan and Regulatory Agreement for the Armory site were executed between the City and the Providers. The homeless housing encumbrance on the Onizuka parcels was subsequently removed by the Air Force and the City did capitalize the Onizuka parcels at the fair value of \$6.9 million at the end of fiscal year 2013.

The Ground Lease establishes the relationship between the landlord (City) and tenant (each Provider) and specifies a 90-year lease with an upfront lump sum lease payment of \$7.4 million from the two providers for the entire term of the lease. The fair value of the Armory site was appraised at \$7.4 million. The Ground Lease describes the use obligation of the property, although reference is made to the more specific use provision in the accompanying Loan and Regulatory Agreements, which constitute enforceable restrictions on the use and operation of the property for an affordable housing project. The City made available \$8.2 million as loans from its Housing Special Revenue Fund to the two Providers to pay for the upfront ground lease payments due to the City and related development project costs.

The City will monitor the Providers’ operations throughout the terms of the ground lease for compliance with the City’s affordable housing program requirements. By the end of the Lease term, ownership of the property (including lessee’s improvements) will remain with the City.

The lump sum lease payment of \$7.4 million was received at the inception of the lease (January 1, 2014) by the General Fund. During fiscal year 2014, revenue recognized was \$41,111 and the remaining balance of \$7,358,889 was recorded as unearned revenue, to be recognized as revenue proportionately as use of the property continues in subsequent years.

In the government-wide financial statements, the property (land) stays as the City's governmental capital fixed asset at its original cost of \$1.7 million.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2014

NOTE 9 – DEFERRED INFLOWS OF RESOURCES

Fund Financial Statements

At June 30, 2014, the following items were recorded in the fund financial statements as deferred inflows of resources because the funds were not available to finance expenditures of the current period:

	General Fund	Housing Special Revenue	City Projects Capital Projects	Nonmajor-Other Governmental Funds	Total
Reimbursement Agreement with RSA	\$ 1,445,253	\$ -	\$ -	\$ -	\$ 1,445,253
Interest - Advances to Former RDA	21,486,984	-	-	-	21,486,984
Interest - Interfund Advances	39,379,762	-	-	-	39,379,762
Interest on Loans to City Employees	134,891	-	-	-	134,891
Capital Special Assessments	38,783	-	-	-	38,783
Administrative Citations on Tax Roll	22,100	-	-	-	22,100
Proposition 172 Sales Tax	122,380	-	-	-	122,380
State Mandated Costs	1,204,665	-	-	-	1,204,665
Housing Loans	-	25,810,117	-	24,093,397	49,903,514
Unavailable grant revenues	272,307	-	170,142	-	442,449
Cost Reimbursement - Abandoned Vehicles	36,223	-	-	-	36,223
Total	\$ 64,143,348	\$ 25,810,117	\$ 170,142	\$ 24,093,397	\$ 114,217,004

NOTE 10– INTERNAL BALANCES/INTERFUND BALANCES

Government-Wide Financial Statements

Internal Balances consist of the following items:

Internal Balances	Amount
Outstanding Long-Term Advances from Governmental to Business-Type Activities	\$ 40,232,977
Internal Service Fund Lookback Adjustment:	
Owed by Business-Type to Governmental Activities	1,335,994
Total Internal Balances	\$ 41,568,971

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2014

NOTE 10 – INTERNAL BALANCES/INTERFUND BALANCES, Continued

Fund Financial Statements

Due to/from Other Funds

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

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Major Special Revenue Fund:	
	Employment Development	\$ 30,618
	Nonmajor Special Revenue Fund:	
	Police Services Augmentation	17,099
	Transportation Development Act	34,249
	Enterprise Fund:	
	Golf and Tennis Operations	78,194
Housing Special Revenue Fund	Nonmajor Special Revenue Fund:	
	Community Development Block Grant	79,487
Total		<u><u>\$ 239,647</u></u>

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 become available to the borrower funds.

Advances to/from Other Funds

The following schedule presents the balances of interfund advances at year end:

<u>Lender Fund</u>	<u>Borrower Fund</u>	<u>Amount</u>
General Fund	Enterprise Funds:	
	Water Supply and Distribution	\$ 331,791
	Wastewater Management	11,107,621
	Solid Waste Management	28,793,565
	Total General Fund Advances	<u><u>\$ 40,232,977</u></u>
Wastewater Management Enterprise Fund	Solid Waste Management Enterprise Fund	\$ 2,282,332

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2014

NOTE 10 – INTERNAL BALANCES/INTERFUND BALANCES, Continued

Refer to Note 1 that explains accounting for interfund advances. Details about interfund advances transactions are provided as follows:

During the fiscal year ended June 30, 2003, the City purchased property located at 239 Commercial Street to provide additional space for the City's 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 at 6% starting in fiscal year 2003. Repayment in the amount of \$351,700 was made at the end of this year; the remaining balance of \$331,791 will be paid off with interest by the end of next fiscal year.

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 \$1,264,380 was made to the General Fund. Annual repayments are budgeted as follows: \$1,264,380 annually from fiscal year 2014 to fiscal year 2019, and \$850,216 annually thereafter to pay off the remaining balance. At June 30, 2014, total loan balance was \$11,107,621.

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. During the fiscal year, repayment of \$2,913,001 was made to the General Fund. Annual repayments are budgeted as follows: \$4,099,556 in fiscal year 2015, \$4,504,300 annually from fiscal year 2016 to fiscal year 2022, \$4,099,556 annually from fiscal year 2023 to fiscal year 2024. At June 30, 2014, total loan balance was \$28,793,565.

During the fiscal year ended June 30, 2012, the Wastewater Management Fund advanced to the Solid Waste Management Fund \$2,000,000 for the purpose of alleviating cash flow issues. The advance bears interest at 4.5% with repayments budgeted as \$404,744 annually from fiscal year 2016 to fiscal year 2022. At June 30, 2014, total loan balance was \$2,282,332.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2014

NOTE 11 – CAPITAL ASSETS

Modified Approach for Street Pavement System

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, accumulated depreciation or depreciation expense has not 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 capital asset policy is not to retroactively report intangible assets considered to have indefinite useful lives as of the effective date of GASB Statement No. 51

During this year, donated easements with fair value of \$581,500 were accepted by the City and reported under the land category of general capital assets. At year end, total easements approximated \$7.1 million, predominantly under governmental activities.

At June 30, 2014, capitalized computer software (reported under the equipment category of capital assets) approximated \$3.6 million, mostly accounted for in the General Services Internal Service Fund, which maintains replacement schedules for various assets used in operations.

Donated Capital Assets

During this fiscal year, the City accepted developers' capital asset contributions with fair value approximating \$1.0 million for governmental activities and \$0.4 million for business-type activities.

Sale of Jackson Street Property

Between 1988 and 1999 the City purchased two homes on Jackson Street adjacent to Murphy Park with the intention of expanding the park. The remaining four homes along the same block were unable to be acquired. In 2011 Habitat for Humanity (Habitat) expressed interest in acquiring and rehabilitating the homes for resale through its homeownership program.

On April 9, 2013, the City Council approved the sale of the unoccupied houses at 239 and 279 Jackson Street to Habitat at the appraised fair value. Habitat financed the purchase with an \$880,000 loan from the Housing Fund and entered into a Disposition and Development Agreement with the City on November 18, 2013.

The two homes with carrying value of \$628,027 were sold in January 2014. Proceeds of the sale, \$870,000, were deposited into the City's Park Dedication Nonmajor Special Revenue Fund.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2014

NOTE 11 – CAPITAL ASSETS, Continued

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

	Balance July 1, 2013	Additions	Retirements	Transfers	Balance June 30, 2014
Nondepreciable Assets:					
Land	\$ 110,393,402	\$ 581,500	\$ (628,027)	\$ -	\$ 110,346,875
Construction in Progress	6,590,476	9,599,054	-	(2,045,071)	14,144,459
Infrastructure - Streets	160,808,583	273,900	-	-	161,082,483
Total Nondepreciable Assets	277,792,461	10,454,454	(628,027)	(2,045,071)	285,573,817
Depreciable Assets:					
Buildings and Structures	95,294,697	320,301	-	-	95,614,998
Improvements Other than Buildings	107,264,877	1,199,277	-	40,502	108,504,656
Machinery and Equipment	35,899,782	2,555,844	(417,055)	9,601	38,048,172
Infrastructure	80,604,747	1,276,193	-	1,994,968	83,875,908
Total Depreciable Assets	319,064,103	5,351,615	(417,055)	2,045,071	326,043,734
Accumulated Depreciation:					
Buildings and Structures	(49,686,115)	(2,510,618)	-	-	(52,196,733)
Improvements Other than Buildings	(34,749,257)	(3,964,478)	-	-	(38,713,735)
Machinery and Equipment	(21,413,501)	(2,182,916)	369,345	-	(23,227,072)
Infrastructure	(57,894,508)	(1,288,766)	-	-	(59,183,274)
Total Accumulated Depreciation	(163,743,381)	(9,946,778)	369,345	-	(173,320,814)
Depreciable Assets, Net	155,320,722	(4,595,163)	(47,710)	2,045,071	152,722,920
Total Governmental Activities Capital Assets, Net	\$ 433,113,183	\$ 5,859,291	\$ (675,737)	\$ -	\$ 438,296,737

Governmental activities' depreciation expense for capital assets for the year ended June 30, 2014, are as follows:

Planning and Management	\$ 1,286,259
Public Safety	1,101,821
Community Development	1,488,723
Transportation	3,919,842
Socioeconomic	268,462
Cultural	1,481,651
Environmental Management	400,020
Total Depreciation Expense	\$ 9,946,778

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2014

NOTE 11 – CAPITAL ASSETS, Continued

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

	<u>Balance</u> <u>July 1, 2013</u>	<u>Additions</u>	<u>Transfers</u>	<u>Balance</u> <u>June 30, 2014</u>
Nondepreciable Assets:				
Land	\$ 16,469,169	\$ -	\$ -	\$ 16,469,169
Construction in Progress	12,222,540	7,681,713	(11,124,144)	8,780,109
Total Nondepreciable Assets	<u>28,691,709</u>	<u>7,681,713</u>	<u>(11,124,144)</u>	<u>25,249,278</u>
Depreciable Assets:				
Buildings and Structures	23,437,545	-	-	23,437,545
Improvements Other than Buildings	43,104,315	646,051	64,328	43,814,694
Machinery and Equipment	5,535,889	568,282	197,687	6,301,858
Infrastructure	141,939,915	5,356,936	10,862,129	158,158,980
Total Depreciable Assets	<u>214,017,664</u>	<u>6,571,269</u>	<u>11,124,144</u>	<u>231,713,077</u>
Accumulated Depreciation:				
Buildings and Structures	(21,393,883)	(197,514)	-	(21,591,397)
Improvements Other than Buildings	(22,884,821)	(2,482,090)	-	(25,366,911)
Machinery and Equipment	(4,903,443)	(134,070)	-	(5,037,513)
Infrastructure	(67,995,887)	(4,101,127)	-	(72,097,014)
Total Accumulated	<u>(117,178,034)</u>	<u>(6,914,801)</u>	<u>-</u>	<u>(124,092,835)</u>
Depreciable Assets, Net	<u>96,839,630</u>	<u>(343,532)</u>	<u>11,124,144</u>	<u>107,620,242</u>
Total Business-Type Activities				
Capital Assets, Net	<u>\$ 125,531,339</u>	<u>\$ 7,338,181</u>	<u>\$ -</u>	<u>\$ 132,869,520</u>

Business-type activities depreciation expenses for capital assets for the year ended June 30, 2014 are as follows:

Water Supply and Distribution	\$ 2,040,430
Wastewater Management	2,284,794
Solid Waste Management	60,160
SMaRT Station	2,269,691
Golf and Tennis Operations	259,726
Total Depreciation Expense	<u>\$ 6,914,801</u>

Fund Financial Statements

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

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2014

NOTE 12 – LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities during the fiscal year ended June 30, 2014:

Description	Beginning Balance, July 1, 2013	Additions	Reductions	Bond Amortization	Ending Balance, June 30, 2014	Amounts Due Within One Year	Amounts Due in More than One Year
Governmental Activities:							
Bonds Payable:							
Certificates of Participation:							
1998 Parking Facility Series A	\$ 9,590,000	\$ -	\$ (745,000)	\$ -	\$ 8,845,000	\$ 780,000	\$ 8,065,000
2009 Government Center	13,885,000	-	(535,000)	-	13,350,000	555,000	12,795,000
Risk Management: Self Insurance and							
Contingent Liability	14,950,000	2,557,400	(2,388,400)	-	15,119,000	4,244,256	10,874,744
Compensated Absences	8,523,266	8,440,279	(7,538,658)	-	9,424,887	7,948,656	1,476,231
Total Governmental Activities	\$ 46,948,266	\$ 10,997,679	\$ (11,207,058)	\$ -	\$ 46,738,887	\$ 13,527,912	\$ 33,210,975
Business-Type Activities:							
Bonds Payable:							
Revenue Bonds:							
Water Revenue Series 2010	\$ 23,579,894	\$ -	\$ (780,000)	\$ (63,144)	\$ 22,736,750	\$ 810,000	\$ 21,926,750
Wastewater Revenue Series 2010	34,195,496	-	(1,255,000)	(104,278)	32,836,218	1,305,000	31,531,218
Solid Waste Series 2003	8,770,130	-	(1,520,000)	(57,474)	7,192,656	1,605,000	5,587,656
Solid Waste Series 2007	5,735,000	-	(540,000)	-	5,195,000	560,000	4,635,000
Service Concession Arrangement							
Maintenance Liability	912,120	217,260	(77,467)	-	1,051,913	82,503	969,410
Landfill Postclosure							
Care Costs	5,792,842	766,785	(679,892)	-	5,879,735	707,831	5,171,904
Total Business-Type Activities	\$ 78,985,482	\$ 984,045	\$ (4,852,359)	\$ (224,896)	\$ 74,892,272	\$ 5,070,334	\$ 69,821,938

Bonded Debt

The City has an issuer credit rating (ICR) of Aaa from Moody's. This is the highest possible rating and was confirmed in January 2013. The City also has an ICR of AAA from Standard & Poor's (S&P) Rating Services, also the highest possible rating.

Ratings for the City's outstanding bonds as of June 30, 2014 are as follows:

Bonded Debt	Par Amount	Moody's	S&P
1998 Parking Facility Series A Certificates of Participation	\$ 8,845,000	Aa2	AA+
2009 Government Center Certificates of Participation	13,350,000	Aa1	AAA
Water Revenue Bonds, Series 2010	21,095,000	Aa1	AA+
Wastewater Revenue Bonds, Series 2010	30,125,000	Aa2	AAA
Solid Waste Revenue Bonds, Series 2003	6,980,000	A1	AA
Solid Waste Revenue Bonds, Series 2007	5,195,000	N/A	N/A

There have been no defaults on any debt service payments to the bondholders as of June 30, 2014. The City has complied with all significant bond covenants.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2014

NOTE 12 – LONG-TERM LIABILITIES, Continued

Certificates of Participation

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

Due in original annual installments of \$315,000-\$1,250,000 through October 1, 2022, interest at 3.65%-5.00%. Before the RDA dissolution, debt service payments had been advanced from the General Fund in the form of base rental payments according to the terms of the 1977 Loan Repayment Agreement between the City and the former RDA.

After the RDA dissolution, the City and the Successor Agency reentered into an Amended and Restated Reimbursement Agreement on April 24, 2012, effective retroactively to February 1, 2012. The funding source of the RSA reimbursement is the Redevelopment Property Tax Trust Fund (RPTTF) maintained by the County of Santa Clara. The State Department of Finance determined that the 1977 Loan Repayment Agreement and the repayment of the 1998 COPs would not qualify as enforceable obligation of the RSA. A court decision is pending on whether the debt obligation of the 1977 Repayment Agreement was made binding with the adoption of the 2012 Amended and Restated Agreement for the Certificates of participation.

The debt service requirements for the 1998 Parking Certificates of Participation at June 30, 2014 were as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 780,000	\$ 422,750	\$ 1,202,750
2016	820,000	382,750	1,202,750
2017	860,000	340,750	1,200,750
2018	905,000	296,625	1,201,625
2019	950,000	250,250	1,200,250
2020-2022	4,530,000	470,500	5,000,500
Total	\$ 8,845,000	\$ 2,163,625	\$ 11,008,625

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2014

NOTE 12 – LONG-TERM LIABILITIES, Continued

Certificates of Participation

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

Issued by the Sunnyvale Financing Authority and 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 by the City's Internal Service Funds and the Enterprise Funds based on a predetermined pro-rata share of each activity's use of the civic center premises.

In connection with the issuance of the 2009 Government Center COPs, the City obtained an irrevocable letter of credit as a credit facility with Union Bank, NA for the COPs. The City's repayment of unreimbursed draws made on the credit facilities bears interest at rates as defined in the reimbursement agreement of 12% per annum. The City is required to pay an annual facility fee of 0.90%, payable quarterly in arrears, based on the available amount in effect, from the date of issuance of the letter of credit until the stated termination date, as defined in the amended reimbursement agreement supported by the credit facility. For the year ended June 30, 2014, the City paid credit facility fees in the amount of \$160,558, which was in addition to \$21,511 in service fees to trustee, remarketing agent, and rating agencies. On May 8, 2012, the City extended the letter of credit with Union Bank, NA and the expiration date is June 1, 2015. Any outstanding draws are due at the expiration of the letter of credit. No outstanding draws existed at year end.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2014

NOTE 12 – LONG-TERM LIABILITIES, Continued

At June 30, 2014, the annualized interest rate was 0.05%, which was the rate used to project the interest portion of the debt service payments for future years. This rate will change with market fluctuations.

The debt service requirements for the 2009 Government Center Variable Rate Demand Refunding Certificates of Participation at June 30, 2014 were as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 555,000	\$ 6,675	\$ 561,675
2016	575,000	6,398	581,398
2017	605,000	6,110	611,110
2018	630,000	5,808	635,808
2019	655,000	5,493	660,493
2020-2024	3,700,000	22,275	3,722,275
2025-2029	4,540,000	12,223	4,552,223
2030-2031	2,090,000	1,578	2,091,578
Total	\$ 13,350,000	\$ 66,560	\$ 13,416,560

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 debt service requirements for the bonds at June 30, 2014 were as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 810,000	\$ 1,069,800	\$ 1,879,800
2016	845,000	1,033,300	1,878,300
2017	890,000	991,050	1,881,050
2018	925,000	951,550	1,876,550
2019	455,000	914,550	1,369,550
2020-2024	2,605,000	4,234,250	6,839,250
2025-2029	3,355,000	3,488,888	6,843,888
2030-2034	4,325,000	2,511,600	6,836,600
2035-2039	5,585,000	1,250,812	6,835,812
2040	1,300,000	68,250	1,368,250
	21,095,000	16,514,050	37,609,050
Add Unamortized Premium	1,641,750	-	1,641,750
Total	\$ 22,736,750	\$ 16,514,050	\$ 39,250,800

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2014

NOTE 12 – LONG-TERM LIABILITIES, Continued

\$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 debt service requirements for the bonds at June 30, 2014 were as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 1,305,000	\$ 1,553,525	\$ 2,858,525
2016	1,375,000	1,488,275	2,863,275
2017	1,440,000	1,419,525	2,859,525
2018	1,515,000	1,347,525	2,862,525
2019	1,010,000	1,271,775	2,281,775
2020-2024	5,860,000	5,549,125	11,409,125
2025-2029	5,815,000	3,918,075	9,733,075
2030-2034	4,555,000	2,644,687	7,199,687
2035-2039	5,885,000	1,316,700	7,201,700
2040	1,365,000	71,663	1,436,663
	<u>30,125,000</u>	<u>20,580,875</u>	<u>50,705,875</u>
Add Unamortized Premium	2,711,218	-	2,711,218
Total	\$ 32,836,218	\$ 20,580,875	\$ 53,417,093

\$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 debt service requirements for the 2003 Solid Waste Revenue Bonds at June 30, 2014 were as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 1,605,000	\$ 339,763	\$ 1,944,763
2016	1,695,000	249,012	1,944,012
2017	1,790,000	153,175	1,943,175
2018	1,890,000	51,975	1,941,975
	<u>6,980,000</u>	<u>793,925</u>	<u>7,773,925</u>
Add Unamortized Premium	212,656	-	212,656
Total	\$ 7,192,656	\$ 793,925	\$ 7,986,581

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2014**NOTE 12 – LONG-TERM LIABILITIES, Continued****\$8,130,000 Solid Waste Revenue Bonds, Series 2007**

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

Issued by the Sunnyvale Financing Authority and 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 debt service requirements for the 2007 Solid Waste Revenue Bonds at June 30, 2014 were as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 560,000	\$ 197,568	\$ 757,568
2016	585,000	174,555	759,555
2017	610,000	150,538	760,538
2018	635,000	125,515	760,515
2019	660,000	99,488	759,488
2020-2022	2,145,000	131,746	2,276,746
Total	\$ 5,195,000	\$ 879,410	\$ 6,074,410

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2014

NOTE 12 – LONG-TERM LIABILITIES, Continued

Annual Debt Service Requirements to Maturity-All Bonded Debt

The annual requirements to amortize long-term bonded debt outstanding as of June 30, 2014 by activity are listed below:

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 1,335,000	\$ 429,425	\$ 4,280,000	\$ 3,160,656
2016	1,395,000	389,148	4,500,000	2,945,142
2017	1,465,000	346,860	4,730,000	2,714,288
2018	1,535,000	302,433	4,965,000	2,476,565
2019	1,605,000	255,743	2,125,000	2,285,813
2020-2024	8,230,000	492,775	10,610,000	9,915,121
2025-2029	4,540,000	12,223	9,170,000	7,406,963
2030-2034	2,090,000	1,578	8,880,000	5,156,287
2035-2039	-	-	11,470,000	2,567,512
2040	-	-	2,665,000	139,913
Subtotal	22,195,000	2,230,185	63,395,000	38,768,260
Add Unamortized Premium	-	-	4,565,624	-
Total	<u>\$ 22,195,000</u>	<u>\$ 2,230,185</u>	<u>\$ 67,960,624</u>	<u>\$ 38,768,260</u>

Risk Management

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 the 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, 2014 may be obtained from CJPRMA at 3201 Doolan Road, Suite 285, Livermore, CA 94551.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2014

NOTE 12 – LONG-TERM LIABILITIES, Continued

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 by the limits of indemnity as described below:

- \$4,500,000 excess of \$500,000: Coverage provided by CSAC-EIA and reinsured by Wesco Insurance Company.
- \$45,000,000 excess of \$5,000,000: Coverage provided by CSAC-EIA and reinsured by ACE American Insurance Company.
- Statutory excess of \$50,000,000: Coverage provided by National Union Fire Insurance Co. of Pittsburgh, PA

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, 2014, may be obtained from CSAC Excess Insurance Authority at 75 Iron Point Circle, Suite 200, Folsom, CA 95630.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2014

NOTE 12 – LONG-TERM LIABILITIES, Continued

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

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

	<u>2014</u>	<u>2013</u>	<u>2012</u>
General:			
Liability at beginning of fiscal year	\$ 1,559,000	\$ 1,545,000	\$ 1,626,000
Claims paid	(745,600)	(140,800)	(666,300)
Current fiscal year claims and changes in estimated liability	803,600	154,800	585,300
Liability at end of fiscal year	<u>\$ 1,617,000</u>	<u>\$ 1,559,000</u>	<u>\$ 1,545,000</u>
Workers' Compensation:			
Liability at beginning of fiscal year	\$ 13,391,000	\$ 11,492,000	\$ 11,468,000
Claims paid	(1,642,800)	(1,542,100)	(1,713,100)
Current fiscal year claims and changes in estimated liability	1,753,800	3,441,100	1,737,100
Liability at end of fiscal year	<u>\$ 13,502,000</u>	<u>\$ 13,391,000</u>	<u>\$ 11,492,000</u>
Total estimated claims payable	<u>\$ 15,119,000</u>	<u>\$ 14,950,000</u>	<u>\$ 13,037,000</u>

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 0.7% for fiscal years 2014 and 2015, 2% for 2016, 3% for 2017, 4% for 2018 to 2023, and 5% for 2024 and beyond, on the carrying amount of estimated general liability of \$1,681,000 and estimated workers’ compensation liability of \$16,759,000 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.

Compensated Absences

Accrued vacation pay, paid time off, compensatory time, and other paid leave are recorded in the Employee Benefits Internal Service Fund. Sick leave for employees does not vest. The total amount of the liability at June 30, 2014 was \$9,424,887.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2014

NOTE 12 – LONG-TERM LIABILITIES, Continued

Landfill Postclosure Care Costs

The Sunnyvale Landfill stopped accepting waste in 1993 and was certified as closed in 1994. State law requires the City to maintain a Financial Assurance Mechanism (FAM) that demonstrates the City's financial ability to maintain the closed landfill as described in the Postclosure Maintenance Plan. This plan was prepared in 1992 and approved by CalRecycle, the state agency that oversees recycling and waste management. A related Water Corrective Action Plan and associated cost estimate for its implementation was similarly submitted to, and approved by, the Regional Water Quality Control Board. The original guarantee requirement was for 30 years.

The City's FAM is structured as a "pledge of revenue" that commits future solid waste rate revenues to guarantee the City's financial ability to manage the landfill in compliance with air and water quality laws and regulations.

Recent changes in State law required the City to review and update the Sunnyvale Landfill's Postclosure Maintenance Plan and the cost of implementing the plan. The updated plan resulted in lower estimates of annual postclosure environmental compliance costs when compared to the CPI-adjusted 1992 estimates. The plans and cost estimates have been reviewed and approved by the necessary regulatory agencies (CalRecycle, the Regional Water Quality Control Board and the Santa Clara County Department of Environmental Health, which acts as the Local Enforcement Agency for CalRecycle).

Because the landfill has been closed for 20 years, CalRecycle approved the City's request to decrease the number of years for which funds must be guaranteed. The new approved amount is 15 years, the shortest period allowed by law.

At June 30, 2014, a liability in the amount of \$5,879,735 was reported based on the estimated remaining postclosure care costs that will be incurred over the next 15 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, 2014. However, the actual cost of postclosure care and corrective action may be higher or lower due to inflation, changes in technology, or changes in landfill laws and regulations.

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 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.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2014

NOTE 12 – LONG-TERM LIABILITIES, Continued

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 \$16,985,000 at June 30, 2014. 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.

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 are 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.

NOTE 13 – OPERATING LEASE OBLIGATIONS

The City leases a portion of certain land located at Moffett Field from NASA for the operation of the Sunnyvale Municipal Golf Course. Future minimum payments under this lease at June 30, 2014 are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2015	\$ 58,595
2016	58,595
2017	58,595
2018	58,595
2019	58,595
2020-2021	117,190
Total	<u><u>\$ 410,165</u></u>

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2014

NOTE 14 –COMMITMENTS

Participation in the BAWSCA Capital Cost Recovery Prepayment Program

The City and County of San Francisco and wholesale water customers of San Francisco, including the City of Sunnyvale, entered into a 25-year Water Supply Agreement (“WSA”), dated July 2009, providing for the sale of water by San Francisco to the wholesale customers. The City and other wholesale customers are members of the Bay Area Water Supply and Conservation Agency (“BAWSCA”).

The cost of water paid by the wholesale customers includes a component designed to provide San Francisco capital cost recovery for existing regional assets (“ERA Payments”). The WSA provides that the wholesale customers, acting through BAWSCA, may prepay the remaining principal balance of the ERA payments.

On November 20, 2012, the City Council adopted a resolution authorizing the BAWSCA to prepay the City’s portion of the ERA payments. In 2013 BAWSCA issued revenue bonds, under a favorable interest rate environment, to finance the outstanding prepayment obligations of the participants. To pay debt service on the Bonds and to satisfy its other obligations related to the Bonds, BAWSCA imposes charges on prepayment participants in the form of surcharges on water sold by San Francisco to prepayment participants under the WSA. In fiscal year 2014, the City paid surcharges (proportional to the amount of water purchased) in the amount of \$1,539,528.

The City has certified that the payment of the surcharge constitutes an operation and maintenance expense of the City’s water enterprise payable from the revenues of the City’s water enterprise prior to the payment of obligations payable from the net revenues of the City’s water enterprise.

The City is committed to pay the BAWSCA bond surcharge through the term of the BAWSCA Revenue Bonds for Sunnyvale’s share under the Capital Cost Recovery Prepayment Program.

Outstanding Construction Commitments

At June 30, 2014, the City had outstanding construction commitments for the following projects:

Description	Contract	Remaining Commitment
Rehab Anaerobic Digester 1&2 Improve 3	\$ 5,788,970	\$ 4,512,246
Seven Seas Neighborhood Park	5,376,386	749,853
Hendy Avenue Complete Street Improvements	2,362,140	2,083,900
Air Flootation Tank Nos. 1 & 4 Improvements	2,116,477	1,266,318
Cathodic Protection System Upgrade Recycled Water Pipelines	792,210	792,210
Reconstruction of Curbs, Gutters, Sidewalks & Driveways 2014	645,209	645,209
	<u>\$ 17,081,392</u>	<u>\$ 10,049,737</u>

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2014

NOTE 15 – 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 an age according to a tiered structure as explained in the following paragraph. 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.

City employees who retire at or after age 55 (50 for safety employees) are entitled to an annual retirement benefit, payable monthly for life, in an amount equal to 2.7% for miscellaneous employees and 3% for safety employees of their highest annual salary for each year of service. The service retirement benefit for public safety is capped at 90% of final compensation. There is no cap on retirement benefits for miscellaneous employees. Effective July 1, 2011, the City implemented a second tier retirement plan for safety employees. Safety employees hired on or after July 1, 2011 receive the second tier retirement plan. Employees in the second tier who retire at or after age 55 are entitled to an annual retirement benefit in an amount equal to 3% for each year of service. Miscellaneous employees who were hired between December 23, 2012 and January 1, 2013, as well as certain employees who have previous employment in the California Public Employees Retirement System hired outside those dates receive the second tier retirement plan. Employees in the second tier retirement plan, who retire at or after age 60, are entitled to an annual retirement benefit in an amount equal to 2% for each year of service. Effective January 1, 2013 the City implemented a third tier retirement plan. Employees who were hired on or after January 1, 2013 and retire at or after age 62 (57 for safety employees), are entitled to an annual retirement benefit in an amount equal to 2% for miscellaneous employee and 2.7% for safety employees for each year of service.

Funding Policy

Miscellaneous employees were required to contribute a portion of annual covered salary as follows: 8% for the first tier, 7% for the second tier, and 6.25% for the third tier. Safety employees in the first tier and the second tier were required to contribute 11.25% of their annual covered salary. Third-tier safety employees are required to contribute 12.75% of annual covered salary. During this fiscal year, the City made contributions of 5% for miscellaneous employees and 6% for safety employees. The City also contributed an additional 2.25% to fund the cost of the "single highest year" retirement benefit for first-tier and second-tier safety employees. Total contributions made on behalf of the employees amounted to \$5,175,064 for the fiscal year ended June 30, 2014.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2014

NOTE 15 – RETIREMENT PLAN, Continued

The City is required to make actuarially determined employer contributions necessary to fund the benefits for its members. The contribution requirements of the plan members are established by State statute. The employer contribution rate or annual lump sum prepayment option is established annually and may be amended by PERS. For the fiscal year ending June 30, 2014, the City’s required contribution was 20.995% for miscellaneous employees and 33.258% (net rate after employee cost sharing of 2.25%) for safety employees. However, the City’s actual contribution was 23.7% for miscellaneous employees, 38.462% for safety employees in the first and second tiers, and 40.712% for third-tier safety employees.

Annual Pension Cost (APC) and Net Pension Obligation

The City’s annual pension cost and net pension obligation for the current year were as follows:

Annual Pension Cost and Net Pension Obligation (Asset)

	<u>Miscellaneous</u>	<u>Safety</u>	<u>Total</u>
Annual Required Contribution (ARC)	\$ 11,181,000	\$ 9,998,000	\$ 21,179,000
Interest on Net Pension Obligation (Asset)	(175,000)	(220,000)	(395,000)
Adjustment to ARC	135,000	170,000	305,000
Annual Pension Cost	<u>11,141,000</u>	<u>9,948,000</u>	<u>21,089,000</u>
Contributions Made	<u>(12,622,000)</u>	<u>(11,564,000)</u>	<u>(24,186,000)</u>
Increase (Decrease) in Net Pension Obligation	<u>(1,481,000)</u>	<u>(1,616,000)</u>	<u>(3,097,000)</u>
Net Pension Obligation (Asset)-Beginning of Year	<u>(2,336,000)</u>	<u>(2,926,000)</u>	<u>(5,262,000)</u>
Net Pension Obligation (Asset)-End of Year	<u><u>\$ (3,817,000)</u></u>	<u><u>\$ (4,542,000)</u></u>	<u><u>\$ (8,359,000)</u></u>

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2014

NOTE 15 – RETIREMENT PLAN, Continued

Actuarial Methods and Assumptions

The actuarial methods and significant assumptions used in the June 30, 2011 actuarial valuation for the City’s annual required contributions for the fiscal year ended June 30, 2014, as well as the actuarial methods and significant assumptions used in the June 30, 2013 actuarial valuation, the most recent actuarial valuation for the miscellaneous plan and safety plan is as follows:

Valuation Date	June 30, 2011	June 30, 2013
Actuarial Cost Method	Entry age normal cost	Entry age normal cost
Amortization Method	Level percent of payroll	Level percent of payroll
Average Remaining Amortization Period	21 years for miscellaneous and 32 years and for safety as of the valuation date. Closed for initial unfunded liabilities and subsequent plan amendments. Rolling for gains and losses.	Remaining amortization period not available. Closed for initial unfunded liabilities and subsequent plan amendments. Rolling for gains and losses.
Asset Valuation Method	15 year smoothed market	Market value
Discount Rate	7.50% (net of administrative expenses)	7.50% (net of administrative expenses)
Project Salary Increases	3.30% to 14.20% depending on age, service and type of employment	3.30% to 14.20% depending on age, service and type of employment
Inflation	2.75%	2.75%
Payroll Growth	3.00%	3.00%
Individual Salary Growth	A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 2.75% and an annual production growth of 0.25%	A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 2.75% and an annual production growth of 0.25%

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2014

NOTE 15 – RETIREMENT PLAN, Continued

Trend Information-Employer Contributions

Schedule of Employer Contributions				
Fiscal Year Ended	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation (Asset)	
<u>Miscellaneous Plan:</u>				
6/30/2012	\$ 10,818,000	103.6%	\$	(392,000)
6/30/2013	10,890,000	117.9%		(2,336,000)
6/30/2014	11,141,000	113.3%		(3,817,000)
<u>Safety Plan:</u>				
6/30/2012	9,819,000	110.2%		(1,001,000)
6/30/2013	9,414,000	120.4%		(2,926,000)
6/30/2014	9,948,000	116.2%		(4,542,000)

Trend Information-Funding Progress

The most recent PERS actuarial valuations available as of June 30, 2014 are presented below:

Valuation Date	Accrued Liability (a)	Actuarial Value of Assets (AVA) (b)	Unfunded Liability (UL) (a)-(b)	Funded Ratios (AVA) Market Value (b)/(a)		Annual Covered Payroll (c)	UL as a % of Payroll [(a)-(b)]/(c)
<u>Miscellaneous Plan</u>							
6/30/2011	\$ 408,576,988	\$ 323,671,882	\$ 84,905,106	79.2%	70.2%	\$ 55,423,392	153.2%
6/30/2012	432,433,698	340,128,507	92,305,191	78.7%	65.6%	53,965,962	171.0%
6/30/2013	452,399,574	316,008,127	136,391,447	69.9%	*	53,065,780	257.0%
<u>Safety Plan</u>							
6/30/2011	403,210,623	317,905,238	85,305,385	78.8%	70.0%	31,531,853	270.5%
6/30/2012	421,253,884	331,889,859	89,364,025	78.8%	65.7%	30,733,175	290.8%
6/30/2013	435,734,463	304,194,299	131,540,164	69.8%	*	30,556,974	430.5%

*Beginning with the 6/30/2013 valuation Actuarial Value of Assets equals Market Value of Assets per CalPERS Direct Rate Smoothing Policy.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2014

NOTE 16 – 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 (\$378 to \$688 per month at June 30, 2014). 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 741 retired plan participants at year end.

Funding Policy

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

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, the 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 2014, the estimated ARC was \$9,471,000. The City contributed \$4,873,000 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 \$4,127,000 as per the adopted financial plan to the Trust during fiscal year 2014. 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 the Finance Department, City of Sunnyvale, 650 West Olive Avenue, Sunnyvale, CA 94086.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2014

NOTE 16 – OTHER POSTEMPLOYMENT BENEFITS (OPEB), Continued

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 2014		\$	9,471,000
Interest on Net OPEB Obligation			(252,000)
Amortization of Net OPEB Obligation			240,000
Annual OPEB Cost			<u>9,459,000</u>
Contributions			
Trust Pre-Funding	\$	(4,127,000)	
Benefit Payments Outside of Trust		<u>(4,873,000)</u>	<u>(9,000,000)</u>
Increase (Decrease) in Net OPEB Obligation			459,000
Net OPEB Obligation (Asset)-Beginning of Year			(3,874,000)
Net OPEB Obligation (Asset)-End of Year			<u><u>\$ (3,415,000)</u></u>

The City’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2014 and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Annual OPEB Cost Contributed	Annual OPEB Cost Contributed	OPEB Obligation (Asset)
6/30/2012	\$ 9,002,000	\$ 8,620,000	95.8%	\$ (3,186,000)
6/30/2013	9,283,000	9,971,000	107.4%	(3,874,000)
6/30/2014	9,459,000	9,000,000	95.1%	(3,415,000)

Funded Status and Funding Progress

The results of the June 30, 2012 actuarial valuation were finalized on February 13, 2013, which is the most recent valuation date. The funded status of the plan is presented below:

	Actuarial Valuation 6/30/2012
Actuarial Accrued Liability (AAL)	\$ 115,859,000
Actuarial Value of Plan Assets	<u>(39,228,000)</u>
Unfunded Actuarial Accrued Liability (UAAL)	76,631,000
Funded Ratio (Actuarial Value of Plan Assets/AAL)	33.9%
Covered Payroll (Active Plan Participants)	\$ 79,265,000
UAAL as a Percentage of Covered Payroll	96.7%

The OPEB Trust has been funded since fiscal year 2011. The market value of the City’s OPEB Trust assets was \$56,737,630 as of June 30, 2014.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2014

NOTE 16 – OTHER POSTEMPLOYMENT BENEFITS (OPEB), Continued

Actuarial valuations of an ongoing plan involve estimates of the value of expected benefit payments and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The following Schedule of Funding Progress presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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
6/30/2008	\$ -	\$ 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%
6/30/2012	39,228,000	115,859,000	76,631,000	33.9%	79,265,000	96.7%

The 2008 valuation, dated August 27, 2009, used a lower discount rate of 4.75% because the OPEB trust had not been established. Both the 2010 and the 2012 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.

The required employer contribution was determined as part of the June 30, 2012 valuation using the entry age normal actuarial cost method. The actuarial assumptions included a 6.50% 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 8.5% for 2014, grading down to 5% for 2021 and thereafter. The post-Medicare medical cost increase rates were 8.9% for 2014, grading down to 5% for 2021 and thereafter. The initial (projected June 30, 2007 UAAL for 2007/08 ARC) UAAL was amortized as a level percentage of projected payroll over a fixed (closed) 30-year period. The amortization period decreases by one year each fiscal year, but not less than 15 years. When the amortization period reaches 15 years, experience gains and losses will be amortized over fixed (closed) 15-year periods and plan and assumption changes will be amortized over fixed (closed) 20 year periods. There were 23 years remaining for projected UAAL as of June 30, 2014.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2014

NOTE 17 – 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, (4) allocated share in Government Center debt service, and (5) employee retirement and OPEB benefits.

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

Below is a summary of interfund transfers.

Fund Financial Statements

<u>Fund Receiving Transfers</u>	<u>Fund Making Transfers</u>	<u>Amount Transferred</u>	<u>Funding Purpose</u>
General Fund	Housing	\$ 65,786	(3)
	Employment Development	326,080	(3)
	City Projects	12,853	(1)
	Nonmajor Governmental	177,625	(3)
	Internal Service - General Services	2,355,176	(3)
	Water Supply and Distribution	2,643,525	(3)
	Wastewater Management	3,687,611	(3)
	Solid Waste Management	3,029,937	(3)
	Golf and Tennis Operations	374,148	(3)
	Subtotal - General Fund	<u>12,672,741</u>	

(Continued)

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2014

NOTE 17 – TRANSFERS, Continued

<u>Fund Receiving Transfers</u>	<u>Fund Making Transfers</u>	<u>Amount Transferred</u>	<u>Funding Purpose</u>
City Projects	General Fund	\$ 67,199	(1)
	Nonmajor Governmental	5,558,723	(1)
	Wastewater Management	40,667	(1)
	Subtotal - City Projects	<u>5,666,589</u>	
Nonmajor Governmental	General Fund	5,225,251	(3)
	Nonmajor Governmental	6,128,891	(1)
	Internal Service - General Services	632,507	(4)
	Water Supply and Distribution	60,512	(4)
	Wastewater Management	40,207	(4)
	Solid Waste Management	53,999	(4)
	Subtotal - Nonmajor Governmental	<u>12,141,367</u>	
Internal Service - General Services	General Fund	390,007	(1)
	Nonmajor Governmental	945,089	(1)
	Water Supply and Distribution	393,296	(1)
	Wastewater Management	1,180,549	(1)
	Solid Waste Management	166,260	(1)
	Subtotal - Internal Service - General Services	<u>3,075,201</u>	
Internal Service - Employee Benefits	General Fund	305,864	(5)
	Water Supply and Distribution	33,790	(5)
	Wastewater Management	72,519	(5)
	Solid Waste Management	8,930	(5)
	Golf and Tennis	12,294	(5)
	Subtotal - Internal Service - Employee Benefits	<u>433,397</u>	
Water Supply and Distribution	Wastewater Management	<u>127,277</u>	(1)
Wastewater Management	Water Supply and Distribution	9,480	(1)
	Solid Waste Management	9,479	(1)
	Subtotal - Wastewater Management	<u>18,959</u>	
Solid Waste Management	Wastewater Management	<u>1,935</u>	(1)
SMaRT Station	Solid Waste Management	<u>1,602,580</u>	(2)
Total Interfund Transfers		<u>\$ 35,740,046</u>	

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2014

NOTE 18 – PLEDGED REVENUES

In addition to pledging revenues for the landfill postclosure care costs (Note 12), 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 fiscal year 2010 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 \$37,609,050 with annual requirements ranging from \$1,879,800 in fiscal year 2015 to \$1,368,250 in the final fiscal year 2040. Debt service principal and interest totaling \$1,879,250 was paid during the year. Net revenues of the Water System amounted to \$7,399,794. 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 fiscal year 2010 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 \$50,705,875 with annual requirements ranging from \$2,858,525 in fiscal year 2015 to \$1,436,663 in the final fiscal year 2040. Debt service principal and interest totaling \$2,858,725 was paid during the year. Net revenues of the Wastewater System amounted to \$10,945,353. 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 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.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2014

NOTE 18 – PLEDGED REVENUES, Continued

Total principal and interest remaining to be paid on the 2003 Bonds is \$7,773,925 with annual requirements ranging from \$1,944,763 in fiscal year 2015 to \$1,941,975 in the final fiscal year 2018. Total principal and interest remaining to be paid on the 2007 bond issues is \$6,074,410 with annual requirements ranging from \$757,568 in fiscal year 2015 to \$759,973 in the final fiscal year 2022.

For the current year, principal and interest payments made were \$1,945,700 for the 2003 Bonds and \$759,677 for the 2007 Bonds. Net revenues of the Solid Waste System amounted to \$4,570,108 for fiscal year 2013. Net revenues for calculating debt coverage include the following components: operating revenues, operating expenses (excluding depreciation), interest earnings, and net interfund operating transfers (excluding transfer of \$1,602,580 to the SMaRT Station Fund for Sunnyvale’s share of debt service).

The Solid Waste Fund made a debt service transfer of \$1,602,580 to the SMaRT Station Fund. The cities of Mountain View and Palo Alto paid \$447,353 and \$616,667 into the SMaRT Station Fund to cover their allocated share of debt service in this year.

NOTE 19 – CLASSIFICATION OF NET POSITION AND FUND BALANCES

Government-Wide Financial Statements and Proprietary Fund Financial Statements

Net position is classified in the following categories:

Net Investment In Capital Assets

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 position 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 position to report.

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

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2014

NOTE 19 – CLASSIFICATION OF NET POSITION AND FUND BALANCES, Continued

Unrestricted

This category is the “residual” component of net position. It consists of net position that does not meet the definition of either “restricted” or “net investment in capital assets.”

Governmental Fund Financial Statements

The following schedule presents details of fund balance components at June 30, 2014:

	<u>Major Funds</u>				
	<u>General Fund</u>	<u>Housing Special Revenue</u>	<u>Employment Development Special Revenue</u>	<u>City Projects</u>	<u>Nonmajor Governmental Funds</u>
Fund Balances:					
Nonspendable:					
Inventories and Prepaid Items	\$ 584,901	\$ -	\$ 4,604	\$ -	\$ -
Advances to Other Funds Net of Deferred Inflows of Resources	853,215	-	-	-	-
Long-term Receivables Net of Deferred Inflows of Resources	2,438,784	-	-	-	-
Assets Held for Resale	1,101,077	280,000	-	-	-
Permanent Fund Principal	-	-	-	-	1,600,451
Columbia Neighborhood Center Endowment	510,217	-	-	-	-
Subtotal	5,488,194	280,000	4,604	-	1,600,451
Restricted for:					
Donations and Contributions from External Sources	620,887	-	-	-	-
Hazardous Materials Program Enforcement Actions	472,258	-	-	-	-
Housing Mitigation	-	19,265,388	-	-	-
Housing - CDBG and HOME Grants	-	-	-	-	1,647,675
Low and Moderate Income Housing Assets	-	-	-	-	14,673,336
Park Dedication	-	-	-	-	22,012,675
Law Enforcement - Asset Forfeiture Funds	-	-	-	-	750,136
Police Services Augmentation	-	-	-	-	43,626
Workforce Training and Development	-	-	190,002	-	-
Downtown Parking Maintenance	-	-	-	-	535,572
Public Street and Highways	-	-	-	-	7,323,728
Debt Service Reserve	1,319,853	-	-	-	1,097,394
Capital Projects Funded by External Resources	-	-	-	25,597,706	-
Subtotal	2,412,998	19,265,388	190,002	25,597,706	48,084,142
Committed to:					
Contingency Reserve	20,250,118	-	-	-	-
Development Enterprise Reserve	8,337,346	-	-	-	-
Capital Improvement Projects (Downtown)	7,983,946	-	-	-	-
Current Capital and Special Projects Carryover	5,443,179	-	-	-	-
Subtotal	42,014,589	-	-	-	-
Assigned to:					
Infrastructure Renovation and Improvement Projects	-	-	-	-	12,266,584
Unassigned, Reported in General Fund	52,867,915	-	-	-	-
Total	\$ 102,783,696	\$ 19,545,388	\$ 194,606	\$ 25,597,706	\$ 61,951,177

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

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2014

NOTE 19 – CLASSIFICATION OF NET POSITION AND FUND BALANCES, Continued

Fund Balance Classifications:

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

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

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

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

The *committed* fund balance includes spendable net resources that can only be used for specific purposes pursuant to constraints imposed by formal action (Council-adopted), 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 is expressed by the City Council or its designees and may be changed at the discretion of the City Council or its designees. The City Council has not delegated the authority to make assignments of fund balance. 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 for the General Fund or negative fund balances for other governmental funds.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2014

NOTE 19 – CLASSIFICATION OF NET POSITION AND FUND BALANCES, Continued

Spending Prioritization in Using Available Resources:

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

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

Because the City is required to present balanced long-term financial plans for all funds, use of reserves is a critical component. As such, Council has several fiscal policies regarding reserves and reserve levels.

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

The General Fund Contingency Reserve was established by the City Council at 15% of General Fund operating expenditures as budgeted to provide funding for any significant unplanned event that may arise such as natural disasters or non-fiscal emergencies. The 15% threshold was established by Council action on August 9, 2011 (RTC 11-167). In the fiscal year 2014 adopted budget, the Contingency Reserve was identified and set aside for the designated purpose in the amount of \$20,250,118.

The Development Enterprise Reserve was established to account for unplanned development-related revenue. The amount of \$8,337,346 would be transferred to a new Development Enterprise Fund in fiscal year 2015 in order to better align development-related revenues and expenses.

The General Fund Reserve for Capital Improvement Projects primarily reflects the proceeds of \$8,818,130 received from Downtown land sales between fiscal year 2006 and fiscal year 2008. Such proceeds have been approved by the Council for specific capital improvement projects. The balance at year end was \$7,983,946, classified as committed resources of the fund balance. Future funds in this reserve are for one-time capital expenditures in adherence with Council fiscal policy.

The Current Capital and Special Projects Carryover represents the unspent amount of multiple-year project appropriations at the end of fiscal year 2014. The amount of \$5,443,179 remains committed until the completion of these Council-approved projects.

The Budget Stabilization Fund 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 2014, this Fund had a balance of \$52,867,915. This Fund is classified as unassigned resources.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2014

NOTE 19 – CLASSIFICATION OF NET POSITION AND FUND BALANCES, Continued

Explanation of Fund Balance Requirements Other than the General Fund:

For the Housing Special Revenue Fund, the restricted amount of \$19,265,388 is for the purposes of developing affordable housing by utilizing housing mitigation fees, and managing the City's below-market-rate housing as supported by below-market-rate housing fees and fines.

For the Employment Development Special Revenue Fund, the restricted amount of \$190,002 is for the purposes of work force training and development, as required by the terms of various federal and state grants.

For the City Projects Major Fund, total fund balance was \$25,597,706, which represents the restricted resources from grants and impact fees.

For the Nonmajor Governmental Funds, the amount of \$12,266,584 represents resources assigned to 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. Funding for those projects has been predominantly through transfers from the General Fund.

NOTE 20 – REDEVELOPMENT SUCCESSOR AGENCY TRUST

In an effort to balance its budget, the State of California adopted ABx1 26 (the Dissolution Act) on June 28, 2011, which suspended all new redevelopment activities except for limited specified activities as of that date and set October 1, 2011 as the effective date to dissolve all redevelopment agencies in existence. On December 29, 2011, the California Supreme Court validated the provisions of ABx1 26 and extended the date of dissolution to February 1, 2012. All redevelopment agencies in the State of California were dissolved and ceased to operate as a legal entity as of February 1, 2012.

On January 10, 2012, the City Council elected to become the Redevelopment Successor Agency (RSA) for the former Redevelopment Agency (RDA). The RSA plays a key day-to-day role in assuring that the existing debt service and other obligations of the former Redevelopment Agency (the "RDA") are properly paid from an Enforceable Obligation Payment Schedule, and that the former RDA's properties and other assets are disposed of in an appropriate manner. The City has also elected to retain the affordable housing assets and functions previously performed by the RDA as the Housing Successor.

The RSA is supervised by an Oversight Board consisting of seven members representing the City of Sunnyvale, the County of Santa Clara and local education and special districts of the Redevelopment Project Area. The Oversight Board has a fiduciary responsibility to holders of Enforceable Obligations and the taxing entities that benefit from distributions of property tax and other revenues. The actions of the Oversight Board are overseen by the State Department of Finance and may be subject to disapproval or modification.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2014

NOTE 20 – REDEVELOPMENT SUCCESSOR AGENCY TRUST, Continued

Commencing July 1, 2016, all Oversight Boards for the various former redevelopment agencies in the County of Santa Clara will be consolidated into a single county-wide Oversight Board.

The RSA is responsible for preparing a Recognized Obligation Payment Schedule (ROPS) prior to the start of each six-month period, subject to the approval of the Oversight Board and the State Department of Finance. Only those payments listed in the ROPS may be made by the RSA from the funding sources (primarily the RPTTF or the Redevelopment Property Tax Trust Fund) specified in the ROPS. The RSA also reports in the ROPS prior period adjustments (PPA) amounts, which are applied to the current RPTTF amount requested to offset the current period RPTTF distribution.

The activities of the Redevelopment Successor Agency are reported in a fiduciary fund (private-purpose trust fund) in the financial statements of the City.

The City has two private trust funds, which are presented in the basic financial statements in combined amounts. The remaining portion of Note 20 explains only the account balances related to the Redevelopment Successor Agency Trust Fund.

Notes to the RSA Private-Purpose Trust Fund Financial Statements for the Year Ended June 30, 2014:

A. Cash and Investments

At year end, the RSA’s cash and investments held by the City were for the following purposes:

Purposes	Amount
Non-RPTTF funds converted from unclaimed property	\$ 63,388
RPTTF received in June for July to December 2014 enforceable obligations	684,767
Prior period adjustment to deduct from RPTTF funding for January to June of 2015	76,115
	\$ 824,270

In June 2014 the County distributed the amount of \$624,413 (i.e., \$684,767 from its RPTTF distribution for the next six months, reduced by PPA of \$60,354) to the RSA based on the Certified Recognized Obligation Payment Schedule (ROPS) for the period from July to December of 2014. The payment will cover the estimated cash requirements for the next six months: \$520,055 for the Central Core Tax Allocation Bond debt service, \$4,100 for fiscal agent fees, \$84,000 for contractual obligations related to the *2010 Amended Disposition and Development and Owner Participation Agreement (ADDOPA)* and its management, \$15,000 for special projects, and \$125,000 as administrative cost allowance.

At year end cash and investments totaling \$616,989 were held by the fiscal agent as debt service reserve for the Central Core Redevelopment Project Tax Allocation Refunding Bonds, Series 2003.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2014

NOTE 20 – REDEVELOPMENT SUCCESSOR AGENCY TRUST, Continued

B. Receivables

At year end, the RSA’s receivables were as follows:

<u>To collect from</u>	<u>Amount</u>
City of Sunnyvale (pending appeal and final court decision)	\$ 14,037,223
RPTTF (Reimbursement Obligation to City-1998 Parking Facility COP-pending appeal and final court decision)	1,445,252
Interest Receivable	340
Total Receivables	<u>\$ 15,482,815</u>

Refer to Note 21 Subsequent Events. The City’s position on certain obligations of the former RDA is not a position of settled law and there is considerable legal uncertainty regarding the outcome. The Sacramento County Superior Court ruled to retroactively invalidated \$13.9 million in repayments legally made to the City. In addition, the Court declined to rule on the Amended and Restated Reimbursement Agreement for repayment of lease payments made by the City for the 1998 Parking Facility Certificates of Participation debt service. The Court’s decision on the RSA’s receivables is pending on appeal by the Successor Agency.

A loss contingency in the amount of \$14,037,223 has been accrued in the City’s General Fund. This amount reflects the combined amounts of \$13,819,358 in the final *Other Funds and Accounts Due Diligence Review* determination letter, dated September 8, 2014, from the State Department of Finance, plus the amount of \$217,865 as interest earned as of June 30, 2014 while the funds were held by the City.

Beginning with the third ROPS, which covered the period from January to June of 2013, the State Department of Finance denied the Sunnyvale RSA’s reimbursement obligation for the 1998 Parking Facility Refunding Certificates of Participation, on the basis that the 1977 Reimbursement Agreement was not an enforceable obligation. The amount of \$1,445,252 represents the unreimbursed debt service payments by the City’s General Fund as of the fiscal year end.

C. Capital Assets

The carrying value of the former RDA capital assets (land) was \$13,959,752. This amount was a combination of actual costs and estimates as determined by the generally accepted accounting principles for financial reporting purpose only and did not take into consideration any land use restrictions on the property.

D. Accounts Payable and Accrued Liabilities

The balance of \$14,041,712 included unpaid invoices totaling \$4,489 for professional services and the contingent amount of \$14,037,223 owed to the State or County as explained in Item B (Receivables) above.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2014

NOTE 20 – REDEVELOPMENT SUCCESSOR AGENCY TRUST, Continued

E. Accrued Interest Payable

As of June 30, 2014, interest expense of \$79,213 was accrued on the 2003 Tax Allocation Bonds.

F. Noncurrent Liabilities

Description	Balance, June 30, 2013	Additions	Reductions	Balance, June 30, 2014	Due Within One Year	Due In More Than One Year
Redevelopment Successor Agency Private-Purpose Trust Fund:						
Bonds Payable:						
Central Core Tax Allocation Bonds, Series 2003	\$ 4,890,000	\$ -	\$ (405,000)	\$ 4,485,000	\$ 425,000	\$ 4,060,000
Contractual Obligations Arising from the ADDOPA:						
Town Center Public Improvement Obligations to Developer	8,556,303	1,512,707	-	10,069,010	-	10,069,010
Town Center Pollution Remediation Obligations to Developer	1,344,165	-	(295,358)	1,048,807	100,000	948,807
Payable to the Low and Moderate Income Housing Asset Fund	14,673,336	-	-	14,673,336	-	14,673,336
Former RDA Obligations Due to the City	21,670,623	1,261,613	-	22,932,236	-	22,932,236
Total	\$ 51,134,427	\$ 2,774,320	\$ (700,358)	\$ 53,208,389	\$ 525,000	\$ 52,683,389

These noncurrent liabilities are explained in the following pages.

Bonds Payable

Below is the outstanding bonded debt obligation issued for the Town Center Redevelopment Project area established in the late 1970s:

Bonded Debt	Par Amount	Moody's	S&P
Central Core Tax Allocation Refunding Bonds, Series 2003	\$ 4,485,000	Baa3	A-

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 were made from incremental property taxes recorded in the Redevelopment Agency Special Revenue Fund before the Redevelopment Agency dissolved on January 31, 2012. On February 1, 2012, the remaining debt principal in the amount of \$5,285,000 was transferred to the Redevelopment Successor Agency Private Purpose Trust Fund, which is funded by the Redevelopment Property Tax Trust Fund (RPTTF) maintained by the County of Santa Clara.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2014

NOTE 20 – REDEVELOPMENT SUCCESSOR AGENCY TRUST, Continued

The debt service requirements for the bonds at June 30, 2014 were as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 425,000	\$ 181,876	\$ 606,876
2016	435,000	164,941	599,941
2017	460,000	147,041	607,041
2018	475,000	128,044	603,044
2019	495,000	107,729	602,729
2020-2023	2,195,000	201,520	2,396,520
Total	\$ 4,485,000	\$ 931,151	\$ 5,416,151

Contractual Obligations Arising from the 2010 Amended Disposition and Development and Owners Participation Agreement (ADDOPA)

On August 2, 2010, the Redevelopment Agency entered in the 2010 Amended Disposition and Development and Owner Participation Agreement with L. Gerald Hunt, as Court-Appointed Receiver (Developer) with respect to the Sunnyvale Town Center Project (ADDOPA). The 2010 ADDOPA is a legally binding and enforceable agreement with a private party entered into in full compliance with the Community Redevelopment Law as it existed on August 2, 2010, so it is not an agreement that is otherwise void as violating the debt limit or public policy and it was entered into prior to 2011, and thus is an enforceable obligation under Health and Safety Code Section 34171(d)(1)(E).

Town Center Public Improvement Obligations to Developer

As part of the ADDOPA on August 2, 2010, the Redevelopment Agency agreed to return to the developer up to \$4.5 million per year starting in fiscal year 2004 through fiscal year 2026 of tax increment equal to all of the new project-generated secured property tax plus 50% of any receipts above this amount, in return for construction by the developer of public streets and underground parking.

At year end, the calculated liability to the Developer was \$10,069,010; 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.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2014

NOTE 20 – REDEVELOPMENT SUCCESSOR AGENCY TRUST, Continued

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 former RDA and Downtown Sunnyvale Mixed Use, LLC (Developer) and successor in interest (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 former RDA 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 former RDA 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 former RDA's estimated, cumulative pollution remediation obligation was \$9,000,000, measured at the current value of expected, most likely outlays. This amount included the RDA's estimated share of total environmental costs with the Developer and the RDA'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.

The Dissolution Act recognizes obligations imposed by State law and contractual commitments to remediate contaminated properties as enforceable obligations. On February 1, 2012, the RSA recognized the estimated liability of \$1,865,440, which was the same amount as recognized by the former RDA under the accrual basis of accounting as of January 31, 2012 before its dissolution. Outlays totaling \$816,633 were incurred since the RDA dissolution, including \$295,358 incurred in this year. At year end the estimated remaining obligations was \$1,048,807.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2014

NOTE 20 – REDEVELOPMENT SUCCESSOR AGENCY TRUST, Continued

Payable to the Low and Moderate Income Housing Asset Fund (LMIHAF)

California Redevelopment law used to require that 20% of the tax increment generated from the redevelopment project area be used by the RDA to increase and improve affordable housing for persons of low and moderate income. Due to pre-existing debt obligations, the RDA had to defer payments into the Low and Moderate Income Housing Fund by accruing a liability (“Due to Other Funds”) in the (old) Redevelopment Special Revenue Fund. From fiscal year 1994 to fiscal year 2011 total liabilities accrued amounted to \$14,673,336. A corresponding, equal amount of receivable (“Due from Other Funds”) had been reported in the Redevelopment Low and Moderate Income Housing Fund. Both funds had been reported under nonmajor special revenue funds until fiscal year 2011 when the implementation of GASB Statement No. 54 caused the consolidation of the two funds as one nonmajor special revenue fund called the (new) Redevelopment Special Revenue Fund.

The Dissolution Act states that the City or County that authorized the creation of the RDA may elect to retain the affordable housing assets and functions previously performed by the RDA. On June 27, 2012, the State Legislature passed AB 1484, a budget “trailer bill” to the Dissolution Act. AB 1484 provides clarifications to the treatment of housing assets under the Dissolution Act. Deferred amounts owed to the former Low and Moderate Income Housing Fund is considered housing assets to be administered by the Housing Successor. The Housing Successor is not subject to the Oversight Board’s control but must keep the housing-related rights, powers, duties and obligations of the former RDA.

Pursuant to AB 1484 Section 34176(d), a new fund called “Low and Moderate Income Housing Asset Fund” was created in fiscal year 2012 to record the only housing asset (“Housing Deficits Receivable”). The LMIHAF is a nonmajor special revenue fund whose use must comply with the applicable housing-related provisions of the State’s Community Redevelopment Law.

Former Redevelopment Agency (RDA) Obligations Due to the City’s General Fund

Under the Dissolution Act, the repayment of many loans made in good faith by a Sponsoring Community to its now dissolved RDA became unenforceable as of February 1, 2012. Under AB 1484, upon application by the Successor Agency and approval by the Oversight Board (whose approval in turn creates the opportunity for the State Department of Finance review and disapproval), loan agreements between the Sponsoring Community and the Dissolved RDA that were previously deemed not to constitute enforceable obligations as of February 1, 2012, can once again be deemed to be enforceable obligations if the Oversight Board finds that the loan was for legitimate redevelopment purposes.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2014

NOTE 20 – REDEVELOPMENT SUCCESSOR AGENCY TRUST, Continued

AB 1484 places several conditions on the repayment by the Successor Agency to the Sponsoring Community of a loan that is reinstated. The accumulated interest on the loan must be recalculated from loan origination at the Local Agency Investment Fund (“LAIF”) interest rate; going forward, interest is also limited to the LAIF rate. Loan repayments cannot begin until fiscal year 2014 with the annual maximum being strictly limited by statutory formula.

The former RDA (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 as part of a financing mechanism for the start of the RDA project area development. 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 former RDA 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, equal to related debt service payments. According to the terms of the First Amended Repayment Contract, the former RDA made the commitment to repay the City for costs advanced (called the “1977 Loan”) on its behalf and base rentals plus 8% interest thereon. The “1977 Loan” met the definition of an enforceable obligation” under Health and Safety Code Section 34171(d)(2) and therefore the interest rate should not have been modified. However, under the current uncertain circumstances, the City applied conservatism and recalculated the loan balance using the LAIF rates.

The City and the former RDA also adopted a “2003 Loan and Repayment Agreement” on December 18, 2003. The RDA agreed to compensate the City for all administrative costs incurred for the RDA after 1985 and further capital expenditures that had been incurred since 1986 (called the “Administrative Loan” and the “Plaza Loan”) with original interest rates of 8% and 6%, respectively. Both loan balances have been recalculated using the LAIF rates.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2014

NOTE 20 – REDEVELOPMENT SUCCESSOR AGENCY TRUST, Continued

The following schedule shows the calculation of the balances of the City loans at year end:

Description	Amended and Restated Reimbursement Agreement for 1998 Certificates of Participation	1977 Loan Repayment Agreement or the Reimbursement Agreement	2003 Loan Repayment Agreement	2003 Loan Repayment Agreement	Total
	Post Dissolution	1977 Loan	Administrative Loan	Plaza Loan	
Loan Balance, July 1, 2013	\$ 239,745	\$ 708,312	\$ 18,772,140	\$ 1,950,426	\$ 21,670,623
Reclassification	(239,745)	239,745	-	-	-
City General Fund loan for 1998 Certificates debt service in FY 2014	-	1,205,689	-	-	1,205,689
Interest accrued at LAIF rates	-	4,324	46,743	4,857	55,924
Loan Balance, June 30, 2014	a -	2,158,070	18,818,883	1,955,283	22,932,236
If the City agrees to the court order and returns \$13.8 million, then such amount needs to be added back to the loan balance as follows:					
Loan repaid June 30, 2011	-	9,069,478	(238,527)	-	8,830,951
Loan repaid January 31, 2012	-	4,988,407	-	-	4,988,407
Interest adjustment due to reversing repayments	-	113,108	(2,243)	-	110,865
The City expects to add \$13.8 million back to the loan schedules after making the court-ordered payment	b -	14,170,993	(240,770)	-	13,930,223
Allowance granted since the reversal of loan repayments remains legally unsettled.	c -	(14,170,993)	240,770	-	(13,930,223)
Loan Balance, June 30, 2014 (a+b+c)	\$ -	\$ 2,158,070	\$ 18,818,883	\$ 1,955,283	\$ 22,932,236

Since repayment of the loans cannot be expected until the aforementioned due process is complete, the loan balance of \$22,932,236 was reported in the General Fund as a receivable “Advances to Redevelopment Successor Agency Trust Fund.” This receivable was offset by reporting an equal amount of “Deferred Inflows of Resources” (see Note 9), leaving no effect on the calculation of the General Fund’s fund balance.

As previously discussed in this Note about the amount of \$14,037,223 (Items B and D in this Note), the RSA reports both a receivable from the City and a payable to the State and County of the same amount, leaving no effect on the RSA’s net position.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2014

NOTE 21 – SUBSEQUENT EVENTS

Redevelopment Successor Agency

At the time of issuing this financial report, the determination on certain enforceable obligations was still pending. Items challenged by the State are whether the 1977 Loan Repayment Agreement and the repayment of the Certificates of Participation (COPs) qualify as enforceable obligations.

The 1977 Loan Repayment Agreement and the repayment of COPs meet the requirements of the Health and Safety Code Section 34171 (d)(2) and are enforceable obligations for the following reasons:

- The Repayment Contract is a written agreement entered into between the City and the Redevelopment Agency on May 1, 1977 (prior to December 31, 2010) at the time of issuance of the Lease Revenue Bonds (which have been refinanced as Certificates of Participation (COPs)) for the purpose of repaying the bonds/COPs, and is an enforceable obligation under Health and Safety Code Section 34171 (d) (2).
- The Redevelopment Agency's indebtedness obligations meet the definition of Section 34171 (e) allowing for bonds, notes, certificates of participation, or other evidence of indebtedness.
- The obligation was issued or delivered by the Redevelopment Agency to third-party investors and bondholders in order to finance and refinance the project (parking structure).
- The bonds were used for purposes of constructing a parking structure to serve the Town Center Project pursuant to the Disposition and Development Agreement in compliance with Community Redevelopment Law (Health and Safety Code Section 33445).

Additionally, the 1977 Loan Repayment Agreement was entered into for the sole purpose of securing or repaying the indebtedness obligation.

- The agreement repays the City for all contributions that secured the financial indebtedness obligations of the Redevelopment Agency under the Disposition and Development Agreement.
- The agreement secured the financing obligation of the Redevelopment Agency, which then allowed the Agency to issue the Lease Revenue Bonds and Certificates of Participation and undertake the project.
- The Agreement repays the City for all rental payments made that were secured under project leases and are equal to the debt service payments made by the Redevelopment Agency on the Lease Revenue Bonds and Certificates of participation.

After the dissolution of the Redevelopment Agency, the Oversight Board authorized the Successor Agency to execute an Amended and Restated Reimbursement Agreement, dated April 24, 2012, which specifically referred to the COPs, to restate and update the existing 1977 Repayment Agreement, as authorized by HSC Section 34178 (a).

***Notes to the Basic Financial Statements, Concluded
Fiscal Year Ended June 30, 2014***

NOTE 21 – SUBSEQUENT EVENTS, Continued

On May 23, 2013, the Successor Agency filed suit challenging the State Department of Finance's determination that the City is not entitled to reimbursement for all payments related to the financing of parking facilities for the Town Center project. In response to this petition, on September 4, 2013, Santa Clara County Counsel on behalf of two affected taxing entities (the County Office of Education and Fremont Union High School District) filed a counter lawsuit against the Successor Agency, the City and the State Department of Finance. Included in the lawsuit, County Counsel included a court order to invalidate a \$3.9 million approved payment made to the City on January 31, 2012, prior to the dissolution of the Redevelopment Agency. Both lawsuits share the same legal questions and facts, and a "Notice of Related Cases" was filed to coordinate the two Lawsuits and were heard in April 2014.

The Redevelopment Successor Agency received a demand letter on October 9, 2013 from the State Department of Finance ordering the Agency to remit \$10 million in past payments that were made to the City prior to the dissolution of the Redevelopment Agency. These payments are related to the lawsuit filed by the Redevelopment Successor Agency. Since the State Department of Finance's determination on past payments contradicts the findings of the Due Diligence Review and the State Controller's Asset Transfer Review, which both determined that all payments made by the Redevelopment Agency to the City during this period were allowable, the Agency/City has not remitted the funds.

On July 8, 2014, the Sacramento County Superior Court issued its ruling on the two related cases. In summary, the rulings:

1. Denied the City reimbursement of the 1977 Loan Repayment Agreement;
2. Declined ruling on the Amended and Restated Reimbursement Agreement; and
3. Retroactively invalidated \$13.9 million in repayments legally made to the City.

The Court's decision is pending on appeal by the Redevelopment Successor Agency.

On September 8, 2014, the State Department of Finance adjusted their demand letter to \$13.9 million to reflect the Court's decision.

Refinancing of Solid Waste Revenue Bonds, Series 2003 and 2007

On October 14, 2014, the City Council adopted a resolution approving the refinancing of the Solid Waste Revenue Bonds Series 2003 and 2007 in order to achieve significant interest savings in net present value.

On October 23, 2014, the City borrowed the amount of \$7,368,400 at the tax-exempt rate of 1.23% under a 2014 Loan Agreement dated October 1, 2014 between the City and DNT Asset Trust (a wholly-owned subsidiary of JPMorgan Chase Bank). The loan, secured by pledged revenues generated from the Solid Waste System, is the equivalent of a tax-exempt bond that is privately placed with a bank.

***Notes to the Basic Financial Statements, Concluded
Fiscal Year Ended June 30, 2014***

NOTE 21 – SUBSEQUENT EVENTS, Continued

The City also entered into an Escrow Deposit Agreement, dated October 1, 2014, with U.S. Bank as the Escrow Bank. An irrevocable Escrow Fund has been established for the purposes of providing for the prepayment and redemption of the 2003 and 2007 Solid Waste Revenue Bonds. The funding of this Escrow Fund came from the following sources:

1. from the proceeds of the 2014 Loan Agreement in the amount of \$7,264,052.
2. from amounts held in the Reserve Accounts (approximately \$2.8 million) by U.S. Bank, in its capacity as the Trustee for the 2003 and 2007 Bonds, as established under the 2003 and 2007 Indentures.

A Cost of Issuance Account has also been established by the Escrow Bank to disburse such costs upon a request from the City, using funds received from the Lender (JPMorgan).

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Required Supplementary Information

**Required Supplementary Information
Fiscal Year Ended June 30, 2014**

BUDGETARY POLICY AND CONTROL

The following are Budgetary Comparison Schedules for the General Fund and Major Special Revenue Funds:

**Budgetary Comparison Schedule - General Fund
Fiscal Year Ended June 30, 2014**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive(Negative)
	Original	Final		
Budgetary Fund Balance, July 1, 2013	\$ 88,201,346	\$ 100,053,086	\$ 100,053,086	\$ -
Resources (inflows):				
Property Taxes	49,025,162	49,778,401	50,293,385	514,984
Sales and Use Taxes	33,643,158	31,157,710	31,675,533	517,823
Other Taxes	19,801,521	22,335,653	24,013,373	1,677,720
Franchise Fees	6,559,287	6,652,483	6,694,336	41,853
Intergovernmental Revenues	1,277,713	2,380,236	1,821,164	(559,072)
Permits and Licenses	6,871,518	8,826,255	9,796,323	970,068
Fines and Forfeitures	1,115,936	832,699	1,175,046	342,347
Service Fees	7,904,183	8,826,499	10,405,558	1,579,059
Rents and Concessions	2,362,638	2,400,817	2,299,405	(101,412)
Investment Earnings	627,226	522,746	548,687	25,941
Interfund Revenues	5,657,787	5,657,787	5,657,787	-
Other Revenues	7,543,417	7,961,385	8,224,434	263,049
Transfers In	8,713,960	11,105,282	10,570,318	(534,964)
Total Resources	151,103,506	158,437,953	163,175,349	4,737,396
Charges to appropriations (outflows):				
Planning and Management	17,761,325	18,675,883	16,915,319	1,760,564
Public Safety	79,108,145	83,579,386	81,327,414	2,251,972
Community Development	16,569,113	17,191,487	17,297,826	(106,339)
Transportation	5,999,778	6,993,707	6,100,235	893,472
Socioeconomic	514,180	534,055	580,136	(46,081)
Cultural	16,315,401	16,576,794	15,168,929	1,407,865
Environmental Management	1,842,199	1,842,199	1,936,055	(93,856)
Capital Outlay	372,965	885,869	571,642	314,227
Debt Service	1,212,649	1,212,649	1,212,624	25
Transfers Out	6,952,872	9,690,464	7,241,080	2,449,384
Total charges to appropriations	146,648,627	157,182,493	148,351,260	8,831,233
Excess of resources over (under) charges to appropriations	4,454,879	1,255,460	14,824,089	13,568,629
Net amount of resources in nonspendable form converted to cash during the year (a)	-	-	1,184,518	1,184,518
Budgetary Fund Balance, June 30, 2014	\$ 92,656,225	\$ 101,308,546	\$ 116,061,693	\$ 14,753,147

(a) Nonspendable resources include inventory and prepayments, asset held for resale, and long-term loans to employees.

**Required Supplementary Information, Continued
Fiscal Year Ended June 30, 2014**

BUDGETARY POLICY AND CONTROL, Continued

**Budgetary Comparison Schedule - Housing Fund
Fiscal Year Ended June 30, 2014**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1, 2013	\$ 10,051,906	\$ 24,655,854	\$ 24,655,854	\$ -
Resources (inflows):				
Intergovernmental Revenues	-	-	1,000	1,000
Service Fees	2,025,000	4,631,565	4,889,041	257,476
Rents and Concessions	17,100	14,576	17,100	2,524
Interest Income	90,131	112,840	111,715	(1,125)
Other Revenues	1,621,456	1,670,171	1,007,014	(663,157)
Total Resources	3,753,687	6,429,152	6,025,870	(403,282)
Charges to appropriations (outflows):				
Community Development	1,601,191	15,721,569	11,350,548	4,371,021
Transfers Out	126,389	126,389	65,786	60,603
Total charges to appropriations	1,727,580	15,847,958	11,416,334	4,431,624
Excess of resources over (under) charges to appropriations	2,026,107	(9,418,806)	(5,390,464)	4,028,342
Budgetary Fund Balance, June 30, 2014	\$ 12,078,013	\$ 15,237,048	\$ 19,265,390	\$ 4,028,342

**Budgetary Comparison Schedule - Employment Development Fund
Fiscal Year Ended June 30, 2014**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1, 2013	\$ 123,676	\$ 153,033	\$ 153,033	\$ -
Resources (inflows):				
Intergovernmental Revenues	7,400,000	7,400,000	7,126,276	(273,724)
Service Fees	-	-	8,006	8,006
Rents and Concessions	-	-	14,775	14,775
Other Revenues	-	300,000	136,384	(163,616)
Total Resources	7,400,000	7,700,000	7,285,441	(414,559)
Charges to appropriations (outflows):				
Socioeconomic	7,029,031	7,347,157	6,917,787	429,370
Transfers Out	331,765	345,265	326,079	19,186
Total charges to appropriations	7,360,796	7,692,422	7,243,866	448,556
Excess of resources over (under) charges to appropriations	39,204	7,578	41,575	33,997
Budgetary Fund Balance, June 30, 2014	\$ 162,880	\$ 160,611	\$ 194,608	\$ 33,997

See Accompanying Notes to the Budgetary Comparison Schedules

**Required Supplementary Information, Continued
Fiscal Year Ended June 30, 2014**

BUDGETARY POLICY AND CONTROL, Continued

**Budgetary Comparison Schedule – Reconciliation Budget to GAAP
Fiscal Year Ended June 30, 2014**

The following schedule reconciles the differences of actual amounts presented using the budgetary basis vs. GAAP basis of accounting:

Sources/Inflow of Resources:	General Fund	Housing Fund	Employment Development Fund
Actual amounts (budgetary basis) of "total resources" from the budgetary comparison schedule	\$ 163,175,349	\$ 6,025,870	\$ 7,285,441
Differences - Budget to GAAP			
Interfund advances repayment is a budgetary resource but is not a revenue for financial reporting purposes	(4,529,081)	-	-
Timing difference for recognition of deferred interest on interfund advances	1,616,080	-	-
Interfund facility subsidy is a budgetary resource but is a transfer, not a revenue, for financial reporting purposes	(2,126,500)	-	-
Change in fair value of investments is not a budgetary resource	127,133	69,684	-
Private donations not budgeted in the General Fund	222,719	-	-
Youth and Neighborhood Services not budgeted in the General Fund	223,243	-	-
Multimodal Sinking Fund, not budgeted in the General Fund, was included in the General Fund for financial reporting purposes	(10,870)	-	-
General Fund costs reimbursed by Redevelopment Successor Agency, budgeted as transfers, is reported as a revenue for financial reporting purposes	24,077	-	-
Timing difference for recognition of revenue which has been deferred for financial reporting purposes	(7,362,054)	-	-
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes	(10,570,318)	-	-
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 140,789,778</u>	<u>\$ 6,095,554</u>	<u>\$ 7,285,441</u>
Uses/Outflows of Resources			
Actual amounts (budgetary basis) of "total charges to appropriations" from the budgetary comparison schedule	\$ 148,351,260	\$ 11,416,334	\$ 7,243,866
Differences - Budget to GAAP			
Private donations not budgeted in the General Fund	101,167	-	-
Youth and Neighborhood Services not budgeted in the General Fund	641,553	-	-
Multimodal Sinking Fund not budgeted in the General Fund	(10,870)	-	-
Property and liability insurance costs, budgeted as transfers, are treated as expenditures for financial reporting purposes	834,448	-	-
Loss contingency for interest accrued on disputed items with the State and County concerning the RDA dissolution is a reserve not an expenditure in the budget	71,381	-	-
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(7,241,080)	(65,786)	(326,079)
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 142,747,859</u>	<u>\$ 11,350,548</u>	<u>\$ 6,917,787</u>

See Accompanying Notes to the Budgetary Comparison Schedule

Required Supplementary Information, Continued
Fiscal Year Ended June 30, 2014

Notes to the Budgetary Comparison Schedules

1. Budgetary Information

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.
- 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 appropriated budget is prepared by fund. Budgets are legally adopted for all governmental funds except for the Low and Moderate Income Housing Asset Nonmajor Special Revenue Fund, which was established upon the dissolution of the former Redevelopment Agency and is not expected to have legally adopted budget until fiscal year 2015 or later.

Required Supplementary Information, Continued
Fiscal Year Ended June 30, 2014

Notes to the Budgetary Comparison Schedules, Continued

- Formal budgets are employed as a management control device for all funds in which a budget has been adopted. They serve as the primary means of spending control for the general fund, special revenue funds, debt service funds and capital project funds.
- Budgeted amounts reported are those as originally adopted June 25, 2013 plus all amendments approved during the year by the City Council. Individual amendments were not material in relation to the original amounts budgeted.

2. Budgetary Control

Legal Level of Budgetary Control

Expenditures for each department are legally limited to the amounts authorized by the City Council in the Budget Resolution, plus subsequent changes individually approved by the City Council through Budget Modifications. The City's budget appropriation control is by program (with adjustments between programs within the same fund allowed below specified thresholds) for operating programs in the General Fund and Special Revenue Funds. For Proprietary Funds, expenditures cannot exceed actual revenues plus the planned use of reserves.

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.

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

Excess of Expenditures Over Appropriations

Note 2 to the Basic Financial Statements presents information for users to assess compliance with legal provisions.

The budget is prepared separately for the General Fund and Youth and Neighborhood Services Fund. Under the socioeconomic function, the Youth and Family Services program budget is split between the General Fund and Youth and Neighborhood Services Fund. The Youth and Family Services program as a whole was within its budget in the fiscal year. Since the Youth and Neighborhood Fund's primary funding source is subsidy from the General Fund, the two funds are consolidated into one for financial reporting purposes.

Required Supplementary Information, Continued
Fiscal Year Ended June 30, 2014

Notes to the Budgetary Comparison Schedules, Continued

3. Budgetary Highlights

The General Fund

The General Fund appropriations budget (outflows) was updated during the fiscal year to incorporate carryover of unspent capital and special projects funds and unanticipated expenditures. Total budget modifications included project carryover appropriations of \$5,850,642, equipment carryover of \$257,745, and transfer carryover of \$3,590,751. Additionally, a total amount of \$2,353,923 was appropriated throughout the fiscal year for various unanticipated expenditures, including \$1,743,086 for projects, \$299,996 for operating, and \$310,841 for transfers to other funds. 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. Appropriations were reduced by \$1,519,195 for projects which were closed out.

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. Revenues and transfer carryovers for projects were \$3,122,130. Resources for projects, primarily from grants, other contributions, and transfers, in the amount of \$1,295,586 were 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. Other revenue adjustments increased anticipated resources by \$3,540,744, primarily for property taxes, other taxes, permits and licenses, and service fees, offset by a reduction in anticipated sale tax revenues.

The Housing Special Revenue Fund

The original budget of the City's Housing Fund was modified during the fiscal year to reflect project appropriation carryovers of \$14,143,540. Appropriations were reduced by \$23,162 due to higher formula allocations in the CDBG and HOME special revenue funds to cover operating program activities.

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. At the time the original budget was prepared the formula allocation had not yet been determined and conservative estimates were used. In addition, several other grants were awarded during the year.

Required Supplementary Information, Continued
Fiscal Year Ended June 30, 2014

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.

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

Required Supplementary Information, Concluded
Fiscal Year Ended June 30, 2014

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

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 2014 for fiscal year 2014. In that study, the City’s street system was rated at a PCI index of 78 on the average with the detail condition as follows:

<u>Condition</u>	<u>Rating</u>
Excellent	15.8%
Very Good	33.0%
Good	32.8%
Fair	12.3%
At Risk	3.6%
Poor	2.5%
Failed	0.0%

While the 2014 study results met the City policy, the most cost effective PCI is considered to be 80. The City budgeted additional funds beginning in fiscal year 2012 to return to a PCI of 80 within five years and maintain that level thereafter.

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 \$8,251,015 on street maintenance for the fiscal year ended June 30, 2014. These expenditures delayed deterioration, and maintained the conditions of the City streets. A schedule of estimated annual amount calculated to maintain and preserve its streets at the current level compared to actual expenditures for street maintenance for the last five years is presented below.

<u>Fiscal Year</u>	<u>Maintenance Estimate</u>	<u>Actual Expenditures</u>	<u>Average PCI Index</u>
2009-2010	\$ 4,301,000	\$ 3,255,000	76
2010-2011	4,616,000	3,122,000	77
2011-2012	4,567,000	2,893,000	79
2012-2013	10,095,000	6,126,000	79
2013-2014	10,172,000	8,251,000	78

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.

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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 from City property. Funds are used for programs or projects that increase affordable housing and benefit people with special needs such as senior and disabled 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 ***Low and Moderate Income Housing Asset Fund*** was created pursuant to Health & Safety Code Section 34176(d). This Fund is administered by the Housing Successor. The City elected to retain the affordable housing assets and functions previously performed by the RDA by serving as the Housing Successor.

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 ***VRF Local Road Improvement Program Fund*** accounts for the use of Measure B vehicle registration fees which are allocated on a population basis to cities in Santa Clara County for local transportation improvements.

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 nonmajor debt service fund in this report is listed below:

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.

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.

CITY OF SUNNYVALE

**Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2014**

	Special Revenue			
	Community Development Block Grant	HOME Grant	Low and Moderate Income Housing Asset	Park Dedication
Assets:				
Cash and Investments Held by City	\$ 879,946	\$ 755,296	\$ -	\$ 21,944,043
Cash and Investments Held by Fiscal Agent	-	-	-	-
Other Receivables, Net	-	2,463	-	71,635
Intergovernmental Receivables	239,993	77,943	-	-
Housing Deficits Receivable	-	-	14,673,336	-
Housing Loans Receivable	12,134,812	11,958,585	-	-
Total Assets	\$ 13,254,751	\$ 12,794,287	\$ 14,673,336	\$ 22,015,678
Liabilities:				
Accounts Payable and Accrued Liabilities	\$ 177,135	\$ 51,344	\$ -	\$ 1,253
Refundable Deposits	-	-	-	1,750
Due to Other Funds	79,487	-	-	-
Total Liabilities	256,622	51,344	-	3,003
Deferred Inflows of Resources	12,134,812	11,958,585	-	-
Fund Balances:				
Nonspendable	-	-	-	-
Restricted	863,317	784,358	14,673,336	22,012,675
Assigned	-	-	-	-
Total Fund Balances	863,317	784,358	14,673,336	22,012,675
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ 13,254,751	\$ 12,794,287	\$ 14,673,336	\$ 22,015,678

Continued

Special Revenue

Asset Forfeiture	Police Services Augmentation	Parking District	Gas Tax	Transportation Development Act
\$ 753,788	\$ -	\$ 544,316	\$ 6,823,112	\$ -
-	-	-	-	-
2,388	-	1,775	22,344	-
-	60,725	-	430,858	34,249
-	-	-	-	-
<u>\$ 756,176</u>	<u>\$ 60,725</u>	<u>\$ 546,091</u>	<u>\$ 7,276,314</u>	<u>\$ 34,249</u>
\$ 6,040	\$ -	\$ 10,519	\$ -	\$ -
-	-	-	-	-
-	17,099	-	-	34,249
<u>6,040</u>	<u>17,099</u>	<u>10,519</u>	<u>-</u>	<u>34,249</u>
-	-	-	-	-
-	-	-	-	-
750,136	43,626	535,572	7,276,314	-
-	-	-	-	-
<u>750,136</u>	<u>43,626</u>	<u>535,572</u>	<u>7,276,314</u>	<u>-</u>
<u>\$ 756,176</u>	<u>\$ 60,725</u>	<u>\$ 546,091</u>	<u>\$ 7,276,314</u>	<u>\$ 34,249</u>

Continued

CITY OF SUNNYVALE

**Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2014**

	<u>Special Revenue</u>	<u>Permanent</u>		<u>Debt Service</u>
	<u>VRF Local Road Improvement Program</u>	<u>Swirsky Youth Opportunity</u>	<u>Fremont Pool</u>	<u>Government Center Certificates of Participation</u>
Assets:				
Cash and Investments Held by City	\$ 47,260	\$ 550,222	\$ 1,045,027	\$ 33,586
Cash and Investments Held by Fiscal Agent	-	-	-	1,110,737
Receivables, Net	154	1,794	3,408	211
Intergovernmental Receivables	-	-	-	-
Housing Deficits Receivable	-	-	-	-
Housing Loans Receivable	-	-	-	-
Total Assets	<u>\$ 47,414</u>	<u>\$ 552,016</u>	<u>\$ 1,048,435</u>	<u>\$ 1,144,534</u>
Liabilities:				
Accounts Payable and Accrued Liabilities	\$ -	\$ -	\$ -	\$ 47,140
Refundable Deposits	-	-	-	-
Due to Other Funds	-	-	-	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>47,140</u>
Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:				
Nonspendable	-	552,016	1,048,435	-
Restricted	47,414	-	-	1,097,394
Assigned	-	-	-	-
Total Fund Balances	<u>47,414</u>	<u>552,016</u>	<u>1,048,435</u>	<u>1,097,394</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 47,414</u>	<u>\$ 552,016</u>	<u>\$ 1,048,435</u>	<u>\$ 1,144,534</u>

Continued



Capital Projects Infrastructure Renovation and Replacement	Total Nonmajor Governmental Funds
\$ 13,148,245	\$ 46,524,841
-	1,110,737
51,186	157,358
-	843,768
-	14,673,336
-	24,093,397
<u>\$ 13,199,431</u>	<u>\$ 87,403,437</u>
\$ 932,847	\$ 1,226,278
-	1,750
-	130,835
<u>932,847</u>	<u>1,358,863</u>
-	24,093,397
-	1,600,451
-	48,084,142
<u>12,266,584</u>	<u>12,266,584</u>
<u>12,266,584</u>	<u>61,951,177</u>
<u>\$ 13,199,431</u>	<u>\$ 87,403,437</u>

Concluded

CITY OF SUNNYVALE

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2014**

	Special Revenue			
	Community Development Block Grant	HOME Grant	Low and Moderate Income Housing Asset	Park Dedication
Revenues:				
Intergovernmental Revenues	\$ 1,029,719	\$ 548,513	\$ -	\$ -
Fines and Forfeitures	-	-	-	-
Service Fees	-	-	-	10,467,756
Rents and Concessions	-	-	-	46,250
Investment Earnings	-	4,649	-	161,030
Other Revenues	360,759	1,489,051	-	400
Total Revenues	1,390,478	2,042,213	-	10,675,436
Expenditures:				
Current:				
Planning and Management	-	-	-	-
Public Safety	-	-	-	-
Community Development	685,304	1,250,469	-	15,257
Transportation	-	-	-	-
Socioeconomic	262,284	-	-	-
Environmental Management	-	-	-	-
Capital Outlay	717,490	-	-	-
Debt Service:				
Principal Retirement	-	-	-	-
Interest	-	-	-	-
Fiscal Charges	-	-	-	-
Total Expenditures	1,665,078	1,250,469	-	15,257
Excess of Revenues Over (Under) Expenditures	(274,600)	791,744	-	10,660,179
Other Financing Sources (Uses):				
Proceeds from Sale of Capital Assets	-	-	-	870,000
Transfers In	290,951	-	-	-
Transfers Out	(29,905)	(7,386)	-	(8,862,998)
Total Other Financing Sources (Uses)	261,046	(7,386)	-	(7,992,998)
Net Change in Fund Balances	(13,554)	784,358	-	2,667,181
Fund Balances - Beginning of Year	876,871	-	14,673,336	19,345,494
Fund Balances - End of Year	\$ 863,317	\$ 784,358	\$ 14,673,336	\$ 22,012,675

Continued

Special Revenue

Asset Forfeiture	Police Services Augmentation	Parking District	Gas Tax	Transportation Development Act
\$ -	\$ 241,301	\$ -	\$ 4,568,727	\$ 63,501
16,696	-	-	-	-
-	-	179,601	-	-
-	-	-	-	-
6,258	384	5,994	47,322	-
-	-	-	-	-
<u>22,954</u>	<u>241,685</u>	<u>185,595</u>	<u>4,616,049</u>	<u>63,501</u>
-	-	135,550	-	-
5,814	227,139	-	-	-
-	-	105,308	-	-
-	-	-	1,990,545	-
-	-	-	-	-
-	-	12,392	-	-
38,570	-	-	1,500	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>44,384</u>	<u>227,139</u>	<u>253,250</u>	<u>1,992,045</u>	<u>-</u>
<u>(21,430)</u>	<u>14,546</u>	<u>(67,655)</u>	<u>2,624,004</u>	<u>63,501</u>
-	-	-	-	-
-	-	-	-	-
<u>(92,594)</u>	<u>-</u>	<u>(12,680)</u>	<u>(2,629,498)</u>	<u>(60,704)</u>
<u>(92,594)</u>	<u>-</u>	<u>(12,680)</u>	<u>(2,629,498)</u>	<u>(60,704)</u>
(114,024)	14,546	(80,335)	(5,494)	2,797
864,160	29,080	615,907	7,281,808	(2,797)
<u>\$ 750,136</u>	<u>\$ 43,626</u>	<u>\$ 535,572</u>	<u>\$ 7,276,314</u>	<u>\$ -</u>

Continued

CITY OF SUNNYVALE

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2014**

	Special Revenue	Permanent	
	VRF Local Road Improvement Program	Swirsky Youth Opportunity	Fremont Pool
Revenues:			
Intergovernmental Revenues	\$ 843,220	\$ -	\$ -
Fines and Forfeitures	-	-	-
Service Fees	-	-	-
Rents and Concessions	-	-	-
Investment Earnings	279	12,193	12,365
Other Revenues	-	-	-
Total Revenues	843,499	12,193	12,365
Expenditures:			
Current:			
Planning and Management	-	-	-
Public Safety	-	-	-
Community Development	-	-	-
Transportation	-	-	-
Socioeconomic	-	-	-
Environmental Management	-	-	-
Capital Outlay	-	-	-
Debt Service:			
Principal Retirement	-	-	-
Interest	-	-	-
Fiscal Charges	-	-	-
Total Expenditures	-	-	-
Excess of Revenues Over (Under) Expenditures	843,499	12,193	12,365
Other Financing Sources (Uses):			
Proceeds from Sale of Capital Assets	-	-	-
Transfers In	-	-	-
Transfers Out	(871,788)	(2,828)	(5,372)
Total Other Financing Sources (Uses)	(871,788)	(2,828)	(5,372)
Net Change in Fund Balances	(28,289)	9,365	6,993
Fund Balances - Beginning of Year	75,703	542,651	1,041,442
Fund Balances - End of Year	\$ 47,414	\$ 552,016	\$ 1,048,435

Continued



<u>Debt Service</u> <u>Government</u> <u>Center</u> <u>Certificates of</u> <u>Participation</u>	<u>Capital Projects</u> <u>Infrastructure</u> <u>Renovation</u> <u>and</u> <u>Replacement</u>	<u>Total</u> <u>Nonmajor</u> <u>Governmental</u> <u>Funds</u>
\$ -	\$ 8,938	\$ 7,303,919
-	-	16,696
-	-	10,647,357
-	-	46,250
6,433	77,185	334,092
-	-	1,850,210
<u>6,433</u>	<u>86,123</u>	<u>20,198,524</u>
-	-	135,550
-	-	232,953
-	33,621	2,089,959
-	5,670,282	7,660,827
-	-	262,284
-	-	12,392
-	4,105,404	4,862,964
535,000	-	535,000
7,429	-	7,429
<u>182,069</u>	<u>-</u>	<u>182,069</u>
<u>724,498</u>	<u>9,809,307</u>	<u>15,981,427</u>
<u>(718,065)</u>	<u>(9,723,184)</u>	<u>4,217,097</u>
-	-	870,000
718,065	11,132,351	12,141,367
-	(234,575)	(12,810,328)
<u>718,065</u>	<u>10,897,776</u>	<u>201,039</u>
-	1,174,592	4,418,136
<u>1,097,394</u>	<u>11,091,992</u>	<u>57,533,041</u>
<u>\$ 1,097,394</u>	<u>\$ 12,266,584</u>	<u>\$ 61,951,177</u>

Concluded

CITY OF SUNNYVALE

**City Capital Projects Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2014**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1, 2013	\$ 15,543,195	\$ 21,580,090	\$ 21,580,090	\$ -
Resources (Inflows):				
Intergovernmental Revenues	619,270	14,515,113	3,271,486	(11,243,627)
Service Fees	1,738,358	3,500,715	3,674,938	174,223
Interest Income	121,931	106,089	119,186	13,097
Other Revenues	250,000	193,378	526,721	333,343
Transfers In	2,407,500	14,100,278	6,306,259	(7,794,019)
Total Resources	5,137,059	32,415,573	13,898,590	(18,516,983)
Charges to Appropriations (Outflows):				
Transportation	-	7,913,742	1,027,331	6,886,411
Community Development	-	74,152	24,308	49,844
Capital Outlay	3,126,770	23,266,783	8,602,372	14,664,411
Transfers Out	12,853	3,396,152	652,523	2,743,629
Total Charges to Appropriations	3,139,623	34,650,829	10,306,534	24,344,295
Excess of Resources Over (Under) Charges to Appropriations	1,997,436	(2,235,256)	3,592,056	5,827,312
Budgetary Fund Balance, June 30, 2014	\$ 17,540,631	\$ 19,344,834	\$ 25,172,146	\$ 5,827,312

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"	\$ 13,898,590
Differences - Budget to GAAP	
Change in fair value of investments is not budgetary resource	42,590
Transfers from other funds or subfunds within this Fund are inflows of budgetary resources but are not revenues for financial reporting purposes	(6,306,259)
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 7,634,921</u>

Uses/Outflows of Resources

Actual amounts (budgetary basis) of "total charges to appropriations"	\$ 10,306,534
Differences - Budget to GAAP	
Prepaid expenditures for financial reporting purposes, outflows for budgetary purposes	150,000
Transfers to other funds or subfunds within this Fund are outflows of budgetary resources but are not expenditures for financial reporting purposes	(652,523)
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 9,804,011</u>

CITY OF SUNNYVALE

**Community Development Block Grant Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2014**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1, 2013	\$ 815,209	\$ 726,872	\$ 726,872	\$ -
Resources (Inflows):				
Intergovernmental Revenues	916,844	1,353,952	1,029,719	(324,233)
Other Revenues	250,000	308,778	360,759	51,981
Transfers In	200,000	291,000	290,951	(49)
Total Resources	1,366,844	1,953,730	1,681,429	(272,301)
Charges to Appropriations (Outflows):				
Community Development	808,385	1,084,945	685,304	399,641
Socioeconomic	220,000	283,800	262,284	21,516
Capital Outlay	343,155	741,297	717,490	23,807
Transfers Out	230,897	30,897	29,905	992
Total Charges to Appropriations	1,602,437	2,140,939	1,694,983	445,956
Excess of Resources Over (Under)				
Charges to Appropriations	(235,593)	(187,209)	(13,554)	173,655
Budgetary Fund Balance, June 30, 2014	\$ 579,616	\$ 539,663	\$ 713,318	\$ 173,655

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"	\$ 1,681,429
Differences - Budget to GAAP	
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes	(290,951)
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 1,390,478</u>

Uses/Outflows of Resources

Actual amounts (budgetary basis) of "total charges to appropriations"	\$ 1,694,983
Differences - Budget to GAAP	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(29,905)
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 1,665,078</u>

CITY OF SUNNYVALE

**HOME Grant Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2014**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1, 2013	\$ 926,742	\$ -	\$ -	\$ -
Resources (Inflows):				
Intergovernmental Revenues	295,000	1,875,960	548,513	(1,327,447)
Interest Income	-	3,461	4,649	1,188
Other Revenues	1,453,515	1,489,006	1,489,051	45
Total Resources	1,748,515	3,368,427	2,042,213	(1,326,214)
Charges to Appropriations (Outflows):				
Community Development	2,550,882	3,239,322	1,250,469	1,988,853
Transfers Out	7,659	7,659	7,386	273
Total Charges to Appropriations	2,558,541	3,246,981	1,257,855	1,989,126
Excess of Resources Over (Under) Charges to Appropriations	(810,026)	121,446	784,358	662,912
Budgetary Fund Balance, June 30, 2014	\$ 116,716	\$ 121,446	\$ 784,358	\$ 662,912

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

Sources/Inflow of Resources:

Actual amounts (budgetary basis) of "total resources"	\$ 2,042,213
Differences - Budget to GAAP	
None	-
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 2,042,213</u>

Uses/Outflows of Resources

Actual amounts (budgetary basis) of "total charges to appropriations"	\$ 1,257,855
Differences - Budget to GAAP	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(7,386)
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 1,250,469</u>

CITY OF SUNNYVALE

**Park Dedication Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2014**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1, 2013	\$ 9,042,062	\$ 19,405,476	\$ 19,405,476	\$ -
Resources (Inflows):				
Service Fees	4,018,248	5,878,594	10,467,756	4,589,162
Rents and Concessions	-	-	46,250	46,250
Interest Income	39,070	101,761	111,670	9,909
Other Revenues	440,000	870,000	870,400	400
Total Resources	4,497,318	6,850,355	11,496,076	4,645,721
Charges to Appropriations (Outflows):				
Capital Outlay	15,070	24,319	15,257	9,062
Transfers Out	7,903,866	18,760,309	8,862,998	9,897,311
Total Charges to Appropriations	7,918,936	18,784,628	8,878,255	9,906,373
Excess of Resources Over (Under) Charges to Appropriations	(3,421,618)	(11,934,273)	2,617,821	14,552,094
Budgetary Fund Balance, June 30, 2014	\$ 5,620,444	\$ 7,471,203	\$ 22,023,297	\$ 14,552,094

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"	\$ 11,496,076
Differences - Budget to GAAP	
Sale of land is other financing source not a revenue	(870,000)
Change in fair value of investments is not budgetary resource	49,360
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 10,675,436</u>

Uses/Outflows of Resources

Actual amounts (budgetary basis) of "total charges to appropriations"	\$ 8,878,255
Differences - Budget to GAAP	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(8,862,998)
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 15,257</u>

CITY OF SUNNYVALE

**Asset Forfeiture Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2014**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1, 2013	\$ 745,337	\$ 844,962	\$ 844,962	\$ -
Resources (Inflows):				
Fines and Forfeitures	400,000	200,000	16,696	(183,304)
Interest Income	6,969	3,981	4,090	109
Total Resources	406,969	203,981	20,786	(183,195)
Charges to Appropriations (Outflows):				
Public Safety	2,244	70,439	5,814	64,625
Capital Outlay	44,500	44,500	38,570	5,930
Transfers Out	103,029	103,029	92,594	10,435
Total Charges to Appropriations	149,773	217,968	136,978	80,990
Excess of Resources Over (Under) Charges to Appropriations	257,196	(13,987)	(116,192)	(102,205)
Budgetary Fund Balance, June 30, 2014	\$ 1,002,533	\$ 830,975	\$ 728,770	\$ (102,205)

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"	\$ 20,786
Differences - Budget to GAAP	
Change in fair value of investments is not budgetary resource	2,168
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 22,954</u>

Uses/Outflows of Resources

Actual amounts (budgetary basis) of "total charges to appropriations"	\$ 136,978
Differences - Budget to GAAP	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(92,594)
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 44,384</u>

CITY OF SUNNYVALE

**Police Services Augmentation Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2014**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1, 2013	\$ -	\$ 29,080	\$ 29,080	\$ -
Resources (Inflows):				
Intergovernmental Revenues	229,693	229,693	241,301	11,608
Interest Income	-	229	384	155
Total Resources	<u>229,693</u>	<u>229,922</u>	<u>241,685</u>	<u>11,763</u>
Charges to Appropriations (Outflows):				
Public Safety	229,693	274,596	227,139	47,457
Total Charges to Appropriations	<u>229,693</u>	<u>274,596</u>	<u>227,139</u>	<u>47,457</u>
Excess of Resources Over (Under) Charges to Appropriations	<u>-</u>	<u>(44,674)</u>	<u>14,546</u>	<u>59,220</u>
Budgetary Fund Balance, June 30, 2014	<u>\$ -</u>	<u>\$ (15,594)</u>	<u>\$ 43,626</u>	<u>\$ 59,220</u>

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

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

Sources/Inflow of Resources:

Actual amounts (budgetary basis) of "total resources"	\$ 241,685
Differences - Budget to GAAP	
None	-
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 241,685</u>

Uses/Outflows of Resources

Actual amounts (budgetary basis) of "total charges to appropriations"	\$ 227,139
Differences - Budget to GAAP	
None	-
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 227,139</u>

CITY OF SUNNYVALE

**Parking District Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2014**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1, 2013	\$ 433,802	\$ 618,960	\$ 618,960	\$ -
Resources (Inflows):				
Service Fees	164,764	180,307	179,601	(706)
Interest Income	2,665	2,905	2,941	36
Total Resources	167,429	183,212	182,542	(670)
Charges to Appropriations (Outflows):				
Planning and Management	51,376	202,026	135,550	66,476
Community Development	145,442	145,442	105,308	40,134
Environmental Management	10,068	10,068	12,392	(2,324)
Transfers Out	12,680	12,680	12,680	-
Total Charges to Appropriations	219,566	370,216	265,930	104,286
Excess of Resources Over (Under) Charges to Appropriations	(52,137)	(187,004)	(83,388)	103,616
Budgetary Fund Balance, June 30, 2014	\$ 381,665	\$ 431,956	\$ 535,572	\$ 103,616

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"	\$ 182,542
Differences - Budget to GAAP	
Change in fair value of investments is not budgetary resource	3,053
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 185,595</u>

Uses/Outflows of Resources

Actual amounts (budgetary basis) of "total charges to appropriations"	\$ 265,930
Differences - Budget to GAAP	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(12,680)
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 253,250</u>

CITY OF SUNNYVALE

**Gas Tax Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2014**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1, 2013	\$ 3,268,074	\$ 7,324,999	\$ 7,324,999	\$ -
Resources (Inflows):				
Intergovernmental Revenues	3,621,655	3,560,301	4,568,727	1,008,426
Interest Income	28,904	42,479	33,324	(9,155)
Transfers In	-	50,000	-	(50,000)
Total Resources	3,650,559	3,652,780	4,602,051	949,271
Charges to Appropriations (Outflows):				
Transportation	2,025,000	2,025,000	1,990,545	34,455
Capital Outlay	5,000	215,200	1,500	213,700
Transfers Out	1,456,283	5,362,407	2,629,498	2,732,909
Total Charges to Appropriations	3,486,283	7,602,607	4,621,543	2,981,064
Excess of Resources Over (Under) Charges to Appropriations	164,276	(3,949,827)	(19,492)	3,930,335
Budgetary Fund Balance, June 30, 2014	\$ 3,432,350	\$ 3,375,172	\$ 7,305,507	\$ 3,930,335

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"	\$ 4,602,051
Differences - Budget to GAAP	
Change in fair value of investments is not budgetary resource	13,998
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 4,616,049</u>

Uses/Outflows of Resources

Actual amounts (budgetary basis) of "total charges to appropriations"	\$ 4,621,543
Differences - Budget to GAAP	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(2,629,498)
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 1,992,045</u>

CITY OF SUNNYVALE

**Transportation Development Act Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2014**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1, 2013	\$ -	\$ (2,797)	\$ (2,797)	\$ -
Resources (Inflows):				
Intergovernmental Revenues	-	529,288	63,501	(465,787)
Total Resources	-	529,288	63,501	(465,787)
Charges to Appropriations (Outflows):				
Transfers Out	-	600,575	60,704	539,871
Total Charges to Appropriations	-	600,575	60,704	539,871
Excess of Resources Over (Under)				
Charges to Appropriations	-	(71,287)	2,797	74,084
Budgetary Fund Balance, June 30, 2014	\$ -	\$ (74,084)	\$ -	\$ 74,084

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

Sources/Inflow of Resources:

Actual amounts (budgetary basis) of "total resources"	\$ 63,501
Differences - Budget to GAAP	
None	-
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	\$ 63,501

Uses/Outflows of Resources

Actual amounts (budgetary basis) of "total charges to appropriations"	\$ 60,704
Differences - Budget to GAAP	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(60,704)
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	\$ -

CITY OF SUNNYVALE

**VRF Local Road Improvement Program Special Revenue Fund
 Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
 Year Ended June 30, 2014**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1, 2013	\$ 75,583	\$ 75,703	\$ 75,703	\$ -
Resources (Inflows):				
Intergovernmental Revenues	797,394	843,220	843,220	-
Interest Income	8	272	279	7
Total Resources	797,402	843,492	843,499	7
Charges to Appropriations (Outflows):				
Transfers Out	871,788	871,788	871,788	-
Total Charges to Appropriations	871,788	871,788	871,788	-
Excess of Resources Over (Under)				
Charges to Appropriations	(74,386)	(28,296)	(28,289)	7
Budgetary Fund Balance, June 30, 2014	\$ 1,197	\$ 47,407	\$ 47,414	\$ 7

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

Sources/Inflow of Resources:

Actual amounts (budgetary basis) of "total resources"	\$ 843,499
Differences - Budget to GAAP	
None	-
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 843,499</u>

Uses/Outflows of Resources

Actual amounts (budgetary basis) of "total charges to appropriations"	\$ 871,788
Differences - Budget to GAAP	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	<u>(871,788)</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ -</u>

CITY OF SUNNYVALE

**Youth and Neighborhood Services Special Revenue Fund
 Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
 Year Ended June 30, 2014**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1, 2013	\$ 510,217	\$ 510,217	\$ 510,217	\$ -
Resources (Inflows):				
Intergovernmental Revenues	188,285	188,285	134,926	(53,359)
Service Fees	38,679	39,899	45,666	5,767
Rents and Concessions	20,400	20,400	28,534	8,134
Interest Income	3,572	3,572	2,608	(964)
Other Revenues	-	11,509	11,509	-
Transfers In	488,578	488,578	418,310	(70,268)
Total Resources	739,514	752,243	641,553	(110,690)
Charges to Appropriations (Outflows):				
Socioeconomic	739,514	739,514	631,344	108,170
Cultural	-	11,510	10,209	1,301
Total Charges to Appropriations	739,514	751,024	641,553	109,471
Excess of Resources Over (Under) Charges to Appropriations	-	1,219	-	(1,219)
Budgetary Fund Balance, June 30, 2014	\$ 510,217	\$ 511,436	\$ 510,217	\$ (1,219)

The Youth and Neighborhood Services Fund is not a special revenue fund for GAAP reporting purposes and is consolidated with the General Fund in the fund financial statements.

CITY OF SUNNYVALE

**Swirsky Youth Opportunity Permanent Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2014**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1, 2013	\$ 552,000	\$ 552,016	\$ 552,016	\$ -
Resources (Inflows):				
Interest Income	3,864	2,714	2,828	114
Total Resources	3,864	2,714	2,828	114
Charges to Appropriations (Outflows):				
Transfers Out	3,864	3,864	2,828	1,036
Total Charges to Appropriations	3,864	3,864	2,828	1,036
Excess of Resources Over (Under) Charges to Appropriations	-	(1,150)	-	1,150
Budgetary Fund Balance, June 30, 2014	\$ 552,000	\$ 550,866	\$ 552,016	\$ 1,150

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"	\$ 2,828
Differences - Budget to GAAP	
Change in fair value of investments is not budgetary resource	9,365
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 12,193</u>

Uses/Outflows of Resources

Actual amounts (budgetary basis) of "total charges to appropriations"	\$ 2,828
Differences - Budget to GAAP	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(2,828)
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ -</u>

CITY OF SUNNYVALE

**Fremont Pool Permanent Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2014**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1, 2013	\$ 1,048,483	\$ 1,048,435	\$ 1,048,435	\$ -
Resources (Inflows):				
Interest Income	7,339	5,154	5,372	218
Total Resources	7,339	5,154	5,372	218
Charges to Appropriations (Outflows):				
Transfers Out	7,339	7,339	5,372	1,967
Total Charges to Appropriations	7,339	7,339	5,372	1,967
Excess of Resources Over (Under)				
Charges to Appropriations	-	(2,185)	-	2,185
Budgetary Fund Balance, June 30, 2014	\$ 1,048,483	\$ 1,046,250	\$ 1,048,435	\$ 2,185

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

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

Sources/Inflow of Resources:

Actual amounts (budgetary basis) of "total resources"	\$ 5,372
Differences - Budget to GAAP	
Change in fair value of investments is not budgetary resource	6,993
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 12,365</u>

Uses/Outflows of Resources

Actual amounts (budgetary basis) of "total charges to appropriations"	\$ 5,372
Differences - Budget to GAAP	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(5,372)
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ -</u>

CITY OF SUNNYVALE

**Government Center Certificates of Participation Debt Service Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2014**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1, 2013	\$ 1,097,394	\$ 1,097,394	\$ 1,097,394	\$ -
Resources (Inflows):				
Interest Income	-	-	6,433	6,433
Transfers In	1,067,369	1,067,369	718,065	(349,304)
Total Resources	1,067,369	1,067,369	724,498	(342,871)
Charges to Appropriations (Outflows):				
Principal Retirement	535,000	535,000	535,000	-
Interest	379,634	379,634	7,429	372,205
Fiscal Charges	152,735	152,735	182,069	(29,334)
Total Charges to Appropriations	1,067,369	1,067,369	724,498	342,871
Excess of Resources Over (Under) Charges to Appropriations	-	-	-	-
Budgetary Fund Balance, June 30, 2014	\$ 1,097,394	\$ 1,097,394	\$ 1,097,394	\$ -

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

Sources/Inflow of Resources:

Actual amounts (budgetary basis) of "total resources"	\$ 724,498
Differences - Budget to GAAP	
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes	(718,065)
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	\$ 6,433

Uses/Outflows of Resources

Actual amounts (budgetary basis) of "total charges to appropriations"	\$ 724,498
Differences - Budget to GAAP	
None	-
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	\$ 724,498

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, 2014**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1, 2013	\$ 10,402,425	\$ 11,130,934	\$ 11,130,934	\$ -
Resources (Inflows):				
Intergovernmental Revenues	125,000	125,000	8,938	(116,062)
Interest Income	105,290	53,308	58,479	5,171
Transfers In	12,516,306	22,354,736	11,132,351	(11,222,385)
Total Resources	12,746,596	22,533,044	11,199,768	(11,333,276)
Charges to Appropriations (Outflows):				
Community Development	3,220,000	7,357,202	5,312,776	2,044,426
Transportation	51,200	560,658	391,126	169,532
Cultural	270,000	274,138	44,293	229,845
Capital Outlay	8,258,424	14,056,118	4,061,112	9,995,006
Transfers Out	92,940	590,075	234,575	355,500
Total Charges to Appropriations	11,892,564	22,838,191	10,043,882	12,794,309
Excess of Resources Over (Under) Charges to Appropriations	854,032	(305,147)	1,155,886	1,461,033
Budgetary Fund Balance, June 30, 2014	\$ 11,256,457	\$ 10,825,787	\$ 12,286,820	\$ 1,461,033

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"	\$ 11,199,768
Differences - Budget to GAAP	
Change in fair value of investments is not budgetary resource	18,706
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes	(11,132,351)
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 86,123</u>

Uses/Outflows of Resources

Actual amounts (budgetary basis) of "total charges to appropriations"	\$ 10,043,882
Differences - Budget to GAAP	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(234,575)
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 9,809,307</u>

Internal Service Funds

The ***General Services Fund*** accounts for charges to City departments for use of fleet equipment, building space, office equipment, print shop services and computer services on a cost reimbursement basis.

The ***Employee Benefits Fund*** accounts for charges to City departments for leave time and employee benefits on a cost reimbursement basis.

The ***Risk Management Fund*** accounts for charges to City departments for property and liability insurance on a cost reimbursement basis.

**Combining Statement of Net Position
All Internal Service Funds
June 30, 2014**

	<u>General Services</u>	<u>Employee Benefits</u>	<u>Risk Management</u>	<u>Totals</u>
Assets:				
Current Assets				
Cash and Investments Held by City	\$ 23,024,406	\$ 28,601,910	\$ 333,832	\$ 51,960,148
Receivables, Net	157,910	139,644	1,089	298,643
Intergovernmental Receivables	1,490	-	-	1,490
Inventories and Prepayments	404,675	54,486	16,152	475,313
Total Current Assets	<u>23,588,481</u>	<u>28,796,040</u>	<u>351,073</u>	<u>52,735,594</u>
Noncurrent Assets				
Net Pension Asset	-	8,359,000	-	8,359,000
Net OPEB Asset	-	3,415,000	-	3,415,000
Capital Assets:				
Land & Nondepreciable Assets	711,278	-	-	711,278
Depreciable Buildings, Property, Equipment and Infrastructure, Net	12,101,167	-	-	12,101,167
Total Assets	<u>36,400,926</u>	<u>40,570,040</u>	<u>351,073</u>	<u>77,322,039</u>
Liabilities:				
Current Liabilities				
Wages Payable	-	2,163,031	-	2,163,031
Accounts Payable and Accrued Liabilities	390,069	2,094,580	84,596	2,569,245
Refundable Deposits	18,228	-	-	18,228
Claims and Judgments Payable - Due Within One Year	-	3,944,256	300,000	4,244,256
Compensated Absences Payable - Due Within One Year	-	7,948,656	-	7,948,656
Total Current Liabilities	<u>408,297</u>	<u>16,150,523</u>	<u>384,596</u>	<u>16,943,416</u>
Noncurrent Liabilities				
Claims and Judgments Payable- Due in More than One Year	-	9,557,744	1,317,000	10,874,744
Compensated Absences Payable - Due in More than One Year	-	1,476,231	-	1,476,231
Total Noncurrent Liabilities	<u>-</u>	<u>11,033,975</u>	<u>1,317,000</u>	<u>12,350,975</u>
Total Liabilities	<u>408,297</u>	<u>27,184,498</u>	<u>1,701,596</u>	<u>29,294,391</u>
Net Position:				
Net Investment in Capital Assets	12,812,445	-	-	12,812,445
Unrestricted	23,180,184	13,385,542	(1,350,523)	35,215,203
Net Position	<u>\$ 35,992,629</u>	<u>\$ 13,385,542</u>	<u>\$ (1,350,523)</u>	<u>\$ 48,027,648</u>

CITY OF SUNNYVALE**Combining Statement of Revenues, Expenses and Changes in Net Position
All Internal Service Funds
Year Ended June 30, 2014**

	<u>General Services</u>	<u>Employee Benefits</u>	<u>Risk Management</u>	<u>Totals</u>
Operating Revenues:				
Charges for Services	\$ 19,236,534	\$ 67,121,988	\$ 1,329,403	\$ 87,687,925
Operating Expenses:				
Personnel Services	9,472,908	15,442,622	115,329	25,030,859
Contractual Services	2,516,057	5,013	385,267	2,906,337
Material and Supplies	2,045,958	708	158	2,046,824
Utilities	1,634,800	-	-	1,634,800
Taxes and Licenses	4,881	-	-	4,881
Equipment and Building Rental	1,474,168	-	-	1,474,168
Insurance Premiums and Claims	-	23,301,442	1,363,464	24,664,906
Retirement Premiums	-	26,678,597	-	26,678,597
Other Operating Expenses	-	-	263	263
Depreciation	1,721,268	-	-	1,721,268
Total Operating Expenses	<u>18,870,040</u>	<u>65,428,382</u>	<u>1,864,481</u>	<u>86,162,903</u>
Operating Income (Loss)	<u>366,494</u>	<u>1,693,606</u>	<u>(535,078)</u>	<u>1,525,022</u>
Nonoperating Revenues:				
Investment Earnings	168,158	193,171	3,538	364,867
Total Nonoperating Revenues	<u>168,158</u>	<u>193,171</u>	<u>3,538</u>	<u>364,867</u>
Income (loss) before Transfers	<u>534,652</u>	<u>1,886,777</u>	<u>(531,540)</u>	<u>1,889,889</u>
Transfers In	3,075,201	433,397	-	3,508,598
Transfers Out	(2,987,683)	-	-	(2,987,683)
Change in Net Position	<u>622,170</u>	<u>2,320,174</u>	<u>(531,540)</u>	<u>2,410,804</u>
Net Position (Deficit) - Beginning of Year	<u>35,370,459</u>	<u>11,065,368</u>	<u>(818,983)</u>	<u>45,616,844</u>
Net Position (Deficit) - End of Year	<u>\$ 35,992,629</u>	<u>\$ 13,385,542</u>	<u>\$ (1,350,523)</u>	<u>\$ 48,027,648</u>

CITY OF SUNNYVALE**Combining Statement of Cash Flows
All Internal Service Funds
Year Ended June 30, 2014**

	General Services	Employee Benefits	Risk Management	Totals
Cash Flows from Operating Activities:				
Cash Received from Customers	\$ 18,490,476	\$ 66,853,190	\$ 1,328,249	\$ 86,671,915
Cash Payments to Suppliers of Goods and Services	(7,911,178)	(1,984,271)	(354,379)	(10,249,828)
Cash Payments for Employee Services	(9,400,963)	(43,397,006)	(115,329)	(52,913,298)
Insurance and Claims Paid	-	(20,664,950)	(1,312,998)	(21,977,948)
Other Receipts	911,454	295,345	1,153	1,207,952
Net Cash Provided by (Used for) Operating Activities	2,089,789	1,102,308	(453,304)	2,738,793
Cash Flows from Noncapital Financing Activities:				
Transfers In	3,075,201	433,397	-	3,508,598
Transfers Out	(2,987,683)	-	-	(2,987,683)
Repayment of Advance from Other Funds	-	-	-	-
Net Cash Provided by Noncapital Financing Activities	87,518	433,397	-	520,915
Cash Flows from Capital and Related Financing Activities:				
Acquisition and Construction of Capital Assets	(2,084,998)	-	-	(2,084,998)
Net Cash Used for Capital and Related Financing Activities	(2,084,998)	-	-	(2,084,998)
Cash Flows from Investing Activities:				
Interest on Investments	170,632	191,149	5,095	366,876
Net Cash Provided by Investing Activities	170,632	191,149	5,095	366,876
Net Increase (Decrease) in Cash and Cash Equivalents	262,941	1,726,854	(448,209)	1,541,586
Cash and Cash Equivalents - Beginning of Year	22,761,465	26,875,056	782,041	50,418,562
Cash and Cash Equivalents - End of Year	\$ 23,024,406	\$ 28,601,910	\$ 333,832	\$ 51,960,148

Continued

CITY OF SUNNYVALE**Combining Statement of Cash Flows
All Internal Service Funds
Year Ended June 30, 2014**

	<u>General Services</u>	<u>Employee Benefits</u>	<u>Risk Management</u>	<u>Totals</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating Income (Loss)	\$ 366,494	\$ 1,693,606	\$ (535,078)	\$ 1,525,022
Adjustment to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation	1,721,268	-	-	1,721,268
Changes in Assets and Liabilities:				
Receivables, Net	63,344	43,406	-	106,750
Intergovernmental Receivables	40,510	-	-	40,510
Inventories and Prepayments	(102,495)	84,249	(3,263)	(21,509)
Refundable Deposits	(45)	-	-	(45)
Accounts Payable and Accrued Liabilities	713	(6,323,264)	27,037	(6,295,514)
Claims and Judgments Payable	-	111,000	58,000	169,000
Compensated Absences Payable	-	8,131,311	-	8,131,311
Net Pension Asset	-	(3,097,000)	-	(3,097,000)
Net OPEB Asset	-	459,000	-	459,000
Net Cash Provided (Used) by Operating Activities	<u>\$ 2,089,789</u>	<u>\$ 1,102,308</u>	<u>\$ (453,304)</u>	<u>\$ 2,738,793</u>
Noncash Investing, Capital and Financing Activities:				
Change in the Fair Value of Investments	\$ 50,559	\$ 55,743	\$ (2,046)	\$ 104,256

Concluded

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Fiduciary Fund Financial Statements

Private Purpose Trust Funds:

Redevelopment Successor Agency Trust Fund is used to report resources held and administered under trust or similar arrangement for the benefits of individuals, private organizations or other governments. The City elected to serve as the Redevelopment Successor Agency (RSA) of the former Redevelopment Agency. The RSA is controlled by the Oversight Board whose members represent various taxing entities of the Town Center Redevelopment Project area.

CFD 3 Estates at Sunnyvale Trust Fund is used to report resources held and administered for the Community Facility District (CFD) No. 3 (Estates at Sunnyvale).

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.

**Combining Statement of Net Position
Fiduciary Funds - Private-Purpose Trust Funds
June 30, 2014**

	CFD No. 3 (Estates at Sunnyvale) Private-Purpose Trust Fund	Redevelopment Successor Agency Private-Purpose Trust Fund	Total Private-Purpose Trust Funds
Assets:			
Cash and Investments Held by City	\$ 32,411	\$ 824,270	\$ 856,681
Cash and Investments Held by Fiscal Agent	-	616,989	616,989
Receivables	106	15,482,815	15,482,921
Capital Assets:			
Land and Nondepreciable Assets	-	13,959,752	13,959,752
Total Assets	<u>32,517</u>	<u>30,883,826</u>	<u>30,916,343</u>
Liabilities:			
Accounts Payable and Accrued Liabilities	-	14,041,712	14,041,712
Accrued Interest Payable	-	79,213	79,213
Long-term Obligations :			
Due Within One Year	-	525,000	525,000
Due in More Than One Year	-	52,683,389	52,683,389
Total Liabilities	<u>-</u>	<u>67,329,314</u>	<u>67,329,314</u>
Net Position:			
Held in Trust for Private Purpose	<u>\$ 32,517</u>	<u>\$ (36,445,488)</u>	<u>\$ (36,412,971)</u>

**Combining Statement of Changes in Net Position
Fiduciary Funds - Private-Purpose Trust Funds
Year Ended June 30, 2014**

	CFD No. 3 (Estates at Sunnyvale) Private-Purpose Trust Fund	Redevelopment Successor Agency Private-Purpose Trust Fund	Total Private-Purpose Trust Funds
Additions:			
<i>Contributions from:</i>			
Property Owners	\$ 23,359	\$ -	\$ 23,359
City General Fund	-	19,780	19,780
County Redevelopment Property Tax Trust Fund	-	1,173,982	1,173,982
Unclaimed Property Revenue	-	63,388	63,388
Investment Income	115	1,488	1,603
Total Additions	<u>23,474</u>	<u>1,258,638</u>	<u>1,282,112</u>
Deductions:			
Infrastructure Projects Management	18,558	-	18,558
1977 Loan Interest Added to Loan Principal	-	4,324	4,324
City Administrative Loan Interest Added to Loan Principal	-	46,743	46,743
City Plaza Loan Interest Added to Loan Principal	-	4,857	4,857
Interest Payments on Central Core Bonds	-	191,333	191,333
Fiscal Agent Trustee Fees	-	4,025	4,025
Administrative Expenses	-	213,697	213,697
Tax Increment Financing Liability Increase	-	1,512,707	1,512,707
Total Deductions	<u>18,558</u>	<u>1,977,686</u>	<u>1,996,244</u>
Change in Net Position	4,916	(719,048)	(714,132)
Net Position, Beginning of Year	<u>27,601</u>	<u>(35,726,440)</u>	<u>(35,698,839)</u>
Net Position, End of Year	<u>\$ 32,517</u>	<u>\$ (36,445,488)</u>	<u>\$ (36,412,971)</u>

CITY OF SUNNYVALE

**Statement of Changes in Net Position
Fiduciary Funds - Agency Funds
Year Ended June 30, 2014**

Community Facilities District (CFD)

	<u>Beginning Balance July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance June 30, 2014</u>
Assets:				
Cash and Investments	\$ 1,964,384	\$ 1,629,457	\$ (1,614,444)	\$ 1,979,397
Cash and Investments Held by Fiscal Agent	1,800,674	1,606,626	(1,606,626)	1,800,674
Receivables	57,959	60,350	(60,099)	58,210
Total Assets	<u>\$ 3,823,017</u>	<u>\$ 3,296,433</u>	<u>\$ (3,281,169)</u>	<u>\$ 3,838,281</u>
Liabilities:				
Due to CFD Bondholders	\$ 3,823,017	\$ 1,621,890	\$ (1,606,626)	\$ 3,838,281
Total Liabilities	<u>\$ 3,823,017</u>	<u>\$ 1,621,890</u>	<u>\$ (1,606,626)</u>	<u>\$ 3,838,281</u>

Santa Clara Valley Urban Runoff Pollution Prevention Program

	<u>Beginning Balance July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance June 30, 2014</u>
Assets:				
Cash and Investments	\$ 1,974,545	\$ 4,279,730	\$ (3,930,779)	\$ 2,323,496
Total Assets	<u>\$ 1,974,545</u>	<u>\$ 4,279,730</u>	<u>\$ (3,930,779)</u>	<u>\$ 2,323,496</u>
Liabilities:				
Accounts Payable and Accrued Liabilities	\$ 1,974,545	\$ 4,279,730	\$ (3,930,779)	\$ 2,323,496
Total Liabilities	<u>\$ 1,974,545</u>	<u>\$ 4,279,730</u>	<u>\$ (3,930,779)</u>	<u>\$ 2,323,496</u>

Combined

	<u>Beginning Balance July 1, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance June 30, 2014</u>
Assets:				
Cash and Investments	\$ 3,938,929	\$ 5,909,187	\$ (5,545,223)	\$ 4,302,893
Cash and Investments Held by Fiscal Agent	1,800,674	1,606,626	(1,606,626)	1,800,674
Receivables	57,959	60,350	(60,099)	58,210
Total Assets	<u>\$ 5,797,562</u>	<u>\$ 7,576,163</u>	<u>\$ (7,211,948)</u>	<u>\$ 6,161,777</u>
Liabilities:				
Accounts Payable and Accrued Liabilities	\$ 1,974,545	\$ 4,279,730	\$ (3,930,779)	\$ 2,323,496
Due to CFD Bondholders	3,823,017	1,621,890	(1,606,626)	3,838,281
Total Liabilities	<u>\$ 5,797,562</u>	<u>\$ 5,901,620</u>	<u>\$ (5,537,405)</u>	<u>\$ 6,161,777</u>

Statistical Section

This portion of the City of Sunnyvale's comprehensive annual financial report presents detailed information as a context for understanding what information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial activities and performance.

Contents	Page
<i>Financial Trends</i> These schedules contain trend information to help the reader understand how the City's financial performance and fiscal well being have changed over time.	181-188
<i>Revenue Capacity</i> These schedules present information to assist the reader in assessing the City's most significant local revenue source, the property tax.	189-192
<i>Debt Capacity</i> These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	193-196
<i>Demographic and Economic Information</i> These schedules present demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.	197-198
<i>Operating Information</i> These schedules contain service and infrastructure data to assist the reader in understanding how the information in the City's financial report relates to the services the City provides and the activities it performs.	199-201

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CITY OF SUNNYVALE

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

	Fiscal Year									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Governmental Activities										
Net Investment in Capital Assets	\$ 426,044	\$ 420,326	\$ 402,857	\$ 388,753	\$ 378,990	\$ 371,980	\$ 361,946	\$ 358,287	\$ 359,656	\$ 358,104
Restricted	145,874	133,414	122,424	115,097	87,408	86,468	86,217	72,587	65,838	60,360
Unrestricted	204,836	195,897	205,327	155,432	174,362	179,360	194,198	195,942	169,481	168,381
Total Governmental Activities Net Position	\$ 776,754	\$ 749,637	\$ 730,608	\$ 659,282	\$ 640,760	\$ 637,808	\$ 642,361	\$ 626,816	\$ 594,975	\$ 586,845
Business-type activities										
Net Investment in Capital Assets	\$ 77,389	\$ 80,828	\$ 80,831	\$ 85,837	\$ 82,415	\$ 75,783	\$ 66,109	\$ 64,546	\$ 61,193	\$ 58,850
Restricted	-	-	-	-	-	-	12,673	6,886	9,119	15,039
Unrestricted	12,068	(3,449)	(12,005)	(23,312)	(21,066)	(13,983)	(11,949)	(11,569)	(12,335)	(11,891)
Total Business-Type Activities Net Position	\$ 89,457	\$ 77,379	\$ 68,826	\$ 62,525	\$ 61,349	\$ 61,800	\$ 66,833	\$ 59,863	\$ 57,977	\$ 61,998
Primary Government										
Net Investment in Capital Assets	\$ 503,433	\$ 501,154	\$ 483,688	\$ 474,590	\$ 461,404	\$ 447,763	\$ 428,055	\$ 422,833	\$ 420,849	\$ 416,954
Restricted	145,874	133,414	122,424	115,097	87,408	86,468	98,890	79,473	74,957	75,399
Unrestricted	216,904	192,448	193,323	132,120	153,296	165,377	182,249	184,373	157,146	156,490
Total Primary Government Net Position	\$ 866,211	\$ 827,016	\$ 799,435	\$ 721,807	\$ 702,108	\$ 699,608	\$ 709,194	\$ 686,679	\$ 652,952	\$ 648,843

Notes: The Redevelopment Agency, once a blended component unit of the City, was dissolved as of February 1, 2012. The Redevelopment Successor Agency financial transactions are reported in a separate trust fund.

Some reclassifications of line items within the same group of activities reported for prior years have been made to facilitate comparison with prior years. These reclassifications do not change total net position reported in those years.

CITY OF SUNNYVALE

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

	Fiscal Year									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Expenses:										
Governmental Activities:										
Planning and Management	\$ 18,678	\$ 17,859	\$ 18,538	\$ 18,671	\$ 20,533	\$ 21,405	\$ 20,624	\$ 18,957	\$ 16,170	\$ 15,247
Public Safety	80,022	78,670	74,077	75,988	73,903	74,876	72,918	65,768	62,682	58,718
Community Development	21,922	20,855	21,981	21,119	23,833	21,790	21,399	20,198	20,104	22,655
Transportation	18,822	14,292	10,810	11,845	11,081	11,831	11,182	11,832	9,886	8,841
Socioeconomic	8,874	9,141	12,813	14,329	12,932	10,533	9,178	10,833	12,791	12,909
Cultural	16,222	16,399	8,873	9,036	9,757	9,449	9,627	8,858	8,530	8,715
Environmental Management	1,993	2,279	2,920	3,609	1,445	2,167	14,280	2,027	1,596	2,077
Interest on Long-term Debt	648	781	419	1,078	1,003	1,730	1,638	1,727	1,680	1,624
Total Governmental Activities	167,181	160,276	150,431	155,675	154,487	153,781	160,846	140,200	133,439	130,786
Business-Type Activities:										
Water Supply and Distribution	31,732	31,790	27,254	24,667	23,065	21,939	20,685	19,410	18,010	17,751
Wastewater Management	22,101	21,753	20,597	18,680	17,249	17,376	16,728	16,782	17,109	16,387
Solid Waste Management	36,496	31,637	32,327	32,406	30,814	37,503	29,013	28,008	29,553	27,340
SMaRT Station	27,426	26,810	28,467	26,320	26,618	26,256	22,670	18,966	18,954	18,094
Golf and Tennis Operations or Community Recreation	3,621	3,728	11,454	11,802	11,834	11,687	11,166	10,761	10,476	9,676
Total Business-Type Activities	121,376	115,718	120,099	113,875	109,580	114,761	100,262	93,927	94,102	89,248
Total Primary Government Expenses	\$ 288,557	\$ 275,994	\$ 270,530	\$ 269,550	\$ 264,067	\$ 268,542	\$ 261,108	\$ 234,127	\$ 227,541	\$ 220,034
Program Revenues:										
Governmental Activities:										
Charges for Services										
Planning and Management	\$ 427	\$ 347	\$ 1,510	\$ 733	\$ 524	\$ 442	\$ 490	\$ 397	\$ 380	\$ 1,171
Public Safety	3,573	2,926	3,596	3,418	3,430	4,417	3,311	3,011	2,394	2,556
Community Development	30,322	28,060	21,553	13,842	10,818	8,998	22,250	20,177	11,065	10,054
Transportation	3,783	3,790	497	548	887	814	6,222	2,185	715	2,861
Socioeconomic	98	-	144	62	805	300	345	526	593	574
Cultural	4,446	4,387	270	253	233	205	223	332	585	600
Environmental Management	954	979	575	435	366	161	2,339	795	825	34
Operating Grants and Contributions	16,198	16,427	19,426	27,491	19,419	17,353	14,799	17,899	21,142	18,289
Capital Grants and Contributions	6,831	26,038	15,095	11,795	12,632	8,079	6,923	3,505	2,676	1,464
Total Governmental Activities Program Revenues	66,632	82,954	62,666	58,577	49,114	40,769	56,902	48,827	40,375	37,603

Business-Type Activities:

Charges for Services											
Water Supply and Distribution	39,066	36,071	32,630	27,687	24,773	25,022	24,007	23,244	19,953	19,263	
Wastewater Management	32,078	29,253	26,046	24,278	22,997	21,244	23,527	20,594	18,673	17,579	
Solid Waste Management	42,033	40,415	38,668	36,752	33,900	33,153	31,606	29,981	29,777	29,289	
SMaRT Station	25,749	25,265	26,210	24,537	23,826	22,699	24,373	19,187	19,077	17,431	
Golf and Tennis Operations or Community Recreation	3,572	3,491	7,452	7,110	7,361	7,663	7,764	7,548	7,540	7,373	
Capital Grants and Contributions	401	584	459	91	857	457	602	489	1,076	118	
Total Business-Type Activities Program Revenues	142,899	135,079	131,465	120,455	113,714	110,238	111,879	101,043	96,096	91,053	
Total Primary Government Program Revenues	\$ 209,531	\$ 218,033	\$ 194,131	\$ 179,032	\$ 162,828	\$ 151,007	\$ 168,781	\$ 149,870	\$ 136,471	\$ 128,656	

Net (Expense)/Revenue

Governmental Activities	\$ (100,549)	\$ (77,322)	\$ (87,765)	\$ (97,098)	\$ (105,373)	\$ (113,012)	\$ (103,944)	\$ (91,373)	\$ (93,064)	\$ (93,183)
Business-Type Activities	21,523	19,361	11,366	6,580	4,134	(4,523)	11,617	7,116	1,994	1,805
Total Primary Government Net Expense	\$ (79,026)	\$ (57,961)	\$ (76,399)	\$ (90,518)	\$ (101,239)	\$ (117,535)	\$ (92,327)	\$ (84,257)	\$ (91,070)	\$ (91,378)

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

Taxes										
Property Taxes	\$ 50,515	\$ 47,779	\$ 48,823	\$ 52,261	\$ 51,633	\$ 50,741	\$ 44,107	\$ 41,018	\$ 35,646	\$ 33,105
Sales and Use Taxes	30,195	29,909	30,345	29,228	25,432	25,072	29,705	30,852	28,422	24,917
Motor Vehicle License Fees	-	62	73	708	408	468	602	850	847	3,650
Franchise Fees, Unrestricted	6,694	6,462	6,373	6,247	5,979	6,127	5,855	5,714	5,531	5,395
Utilities Users Taxes	6,754	6,549	6,830	6,806	6,798	6,841	6,840	6,479	6,057	5,833
Transient Occupancy Taxes	10,859	9,016	7,777	6,589	5,578	5,686	7,350	6,480	5,633	5,074
Real Property Transfer Taxes	1,674	1,275	925	717	571	548	1,225	1,216	1,140	1,352
Construction Taxes	2,984	2,725	3,059	1,356	937	1,260	2,943	1,899	1,342	923
Business License Taxes	1,742	1,589	1,505	1,494	1,364	1,199	1,075	687	286	215
Investment Earnings	1,710	758	1,262	1,432	1,834	5,923	9,927	10,387	5,943	3,793
Interest Accrued from Advances to Business-Type Activities	2,922	3,068	3,044	2,901	2,801	2,928	3,033	2,961	2,844	2,794
Interest Accrued from Advances to Former RDA	56	66	39	-	-	-	-	-	-	-
Extraordinary Items	-	(13,966)	43,481	-	-	-	-	-	-	-
Gain (Loss) on Disposal of Assets	-	-	-	-	-	-	-	7,337	-	-
Miscellaneous	1,617	1,355	30	25	18	8	417	27	102	354
Transfers	9,943	9,123	5,524	5,857	4,970	1,658	6,410	7,308	7,512	(11,072)
Total Governmental Activities	127,665	105,770	159,090	115,621	108,323	108,459	119,489	123,215	101,305	76,333
Business-type activities										
Investment Earnings	499	331	460	453	386	1,148	1,764	2,077	1,496	1,219
Transfers	(9,943)	(9,123)	(5,524)	(5,857)	(4,970)	(1,658)	(6,410)	(7,308)	(7,511)	11,072
Total Business-Type Activities	(9,444)	(8,792)	(5,064)	(5,404)	(4,584)	(510)	(4,646)	(5,231)	(6,015)	12,291
Total Primary Government	\$ 118,221	\$ 96,978	\$ 154,026	\$ 110,217	\$ 103,739	\$ 107,949	\$ 114,843	\$ 117,984	\$ 95,290	\$ 88,624
Change in Net Position										
Governmental Activities	\$ 27,116	\$ 28,448	\$ 71,325	\$ 18,523	\$ 2,950	\$ (4,553)	\$ 15,545	\$ 31,842	\$ 8,241	\$ (16,850)
Business-Type Activities	12,079	10,569	6,302	1,176	(450)	(5,033)	6,971	1,885	(4,021)	14,096
Total Primary Government	\$ 39,195	\$ 39,017	\$ 77,627	\$ 19,699	\$ 2,500	\$ (9,586)	\$ 22,516	\$ 33,727	\$ 4,220	\$ (2,754)

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CITY OF SUNNYVALE

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

	Fiscal Year									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
General Fund										
Nonspendable	\$ 5,488	\$ 9,829	\$ 13,320	\$ 15,976	\$ 15,983	\$ 21,893	\$ 22,246	\$ 29,449	\$ 34,270	\$ 36,968
Restricted	2,413	2,288	5,196	5,078	3,807	1,821	1,147	357	-	-
Committed	42,015	33,454	34,014	32,963	35,418	35,724	41,927	27,334	22,284	21,575
Assigned	-	-	-	193	22	-	-	-	-	-
Unassigned	52,868	52,486	54,753	43,545	36,836	41,865	56,591	55,304	52,024	51,373
Total General Fund	<u>\$ 102,784</u>	<u>\$ 98,057</u>	<u>\$ 107,283</u>	<u>\$ 97,755</u>	<u>\$ 92,066</u>	<u>\$ 101,303</u>	<u>\$ 121,911</u>	<u>\$ 112,444</u>	<u>\$ 108,578</u>	<u>\$ 109,916</u>
All Other Governmental Funds										
Nonspendable	\$ 1,885	\$ 2,027	\$ 2,055	\$ 2,211	\$ 2,170	\$ 1,843	\$ 909	\$ 874	\$ 843	\$ 872
Restricted	93,137	91,549	75,296	67,810	63,527	64,772	65,125	51,490	43,457	43,453
Assigned	12,267	11,092	9,937	10,279	10,554	12,992	14,379	16,053	16,377	18,006
Unassigned	-	(3)	-	(80,670) ⁽¹⁾	(79,399) ⁽¹⁾	(71,928) ⁽¹⁾	(68,683) ⁽¹⁾	(64,991) ⁽¹⁾	(61,827) ⁽¹⁾	(57,599) ⁽¹⁾
Total All Other Governmental Funds	<u>\$ 107,289</u>	<u>\$ 104,665</u>	<u>\$ 87,288</u>	<u>\$ (370)</u>	<u>\$ (3,148)</u>	<u>\$ 7,679</u>	<u>\$ 11,730</u>	<u>\$ 3,426</u>	<u>\$ (1,150)</u>	<u>\$ 4,732</u>

- Notes:** 1 The Redevelopment Agency, once a blended component unit of the City, was dissolved as of February 1, 2012. The negative amounts shown above were related to the Redevelopment Agency's obligations to repay the City loans, to fund the Low and Moderate Income Housing Fund deficit, and to reimburse the developer under the 2010 Amended Disposition and Development and Owner Participation Agreement.
- 2 Since its inception on February 1, 2012, the Redevelopment Successor Agency's financial transactions have been reported in a separate trust fund.

CITY OF SUNNYVALE

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

	Fiscal Year									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Revenues										
Property Taxes	\$ 50,294	\$ 47,556	\$ 48,597	\$ 52,032	\$ 51,407	\$ 50,523	\$ 43,893	\$ 40,807	\$ 35,436	\$ 32,895
Sales and Use Taxes	31,672	31,412	31,623	30,327	26,590	26,201	30,915	32,053	29,617	26,070
Other Taxes	24,013	21,154	20,096	16,963	15,248	15,534	19,433	16,761	14,459	13,397
Franchise Fees	6,694	6,462	6,373	6,247	5,979	6,127	5,855	5,714	5,531	5,395
Intergovernmental Revenues	19,659	22,466	31,420	37,939	28,107	21,468	19,567	19,577	21,950	22,342
Permits and Licenses	9,796	9,734	9,568	5,972	4,766	5,435	9,265	7,042	5,780	4,996
Fines and Forfeitures	1,199	1,080	1,290	1,230	1,165	1,537	1,249	1,394	756	944
Special Assessments	26	38	13	21	21	17	71	66	63	71
Service Fees	30,250	27,397	13,629	9,769	6,809	5,416	21,725	15,621	7,500	7,713
Rents and Concessions	1,408	1,668	1,211	1,223	2,366	2,029	1,907	2,150	1,664	1,538
Deferred Interest Received from										
Interfund Advances	1,616	1,806	4,426	8,999	950	3,389	6,864	6,433	3,976	2,858
Investment Earnings	1,361	578	922	633	1,085	3,909	-	-	-	-
Other Revenues	4,016	4,551	6,042	1,320	1,674	1,075	1,824	1,442	1,555	2,991
Total Revenues	182,004	175,902	175,210	172,675	146,167	142,660	162,568	149,060	128,287	121,210
Expenditures										
Planning and Management	17,882	17,101	17,501	17,068	18,708	19,483	19,390	17,252	14,115	13,860
Public Safety	81,129	78,155	73,484	72,059	70,023	73,457	69,582	66,346	62,069	57,709
Community Development	30,898	21,269	22,210	24,876	26,333	21,034	20,816	22,245	20,638	20,093
Transportation	13,811	7,955	7,750	7,342	7,364	7,706	7,533	7,309	6,868	6,475
Socioeconomic	8,392	8,644	11,726	13,162	12,113	10,031	8,600	10,653	12,618	12,774
Cultural	15,209	15,587	7,804	7,667	7,931	7,871	7,545	7,824	7,493	7,331
Environmental Management	1,948	1,922	1,861	2,882	5,306	4,148	2,492	1,747	1,656	1,026
Capital Outlay	15,596	10,126	16,787	16,940	16,497	10,621	9,691	5,548	7,008	3,447
Debt Service:										
Principal Retirement	1,280	1,220	1,550	2,140	1,630	1,535	1,705	1,640	1,525	1,700
Interest	468	518	3,291	6,039	6,041	6,399	6,091	6,010	5,687	5,414
Fiscal Charges	189	131	181	189	48	551	104	66	125	67
Total Expenditures	186,802	162,628	164,145	170,364	171,994	162,836	153,549	146,640	139,802	129,896
Excess (Deficiency) of Revenues Over (Under) Expenditures	(4,798)	13,274	11,065	2,311	(25,827)	(20,176)	9,019	2,420	(11,515)	(8,686)

Other Financing Sources (Uses):

Transfers In	30,481	19,913	21,770	26,368	26,612	19,011	18,325	19,154	19,683	17,307
Transfers Out	(19,203)	(12,382)	(15,746)	(20,213)	(20,848)	(23,883)	(14,273)	(16,615)	(15,277)	(22,743)
Proceeds from Refunding Bonds	-	-	-	-	-	15,865	-	-	-	-
Payment to Refunded Bonds Escrow Agent	-	-	-	-	-	(15,475)	-	-	-	-
Proceeds from Sale of Capital Assets ¹	870	-	-	-	-	-	4,700	3,483	-	-
Total Other Financing Sources (Uses)	12,148	7,531	6,024	6,155	5,764	(4,482)	8,752	6,022	4,406	(5,436)

Extraordinary Items:

Net Assets Received or Removed upon Dissolution of Redevelopment Agency	-	(13,966)	80,098	-	-	-	-	-	-	-
Total Extraordinary Items	-	(13,966)	80,098	-						

Net Change in Fund Balances

\$ 7,350	\$ 6,839	\$ 97,187	\$ 8,466	\$ (20,063)	\$ (24,658)	\$ 17,771	\$ 8,442	\$ (7,109)	\$ (14,122)
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Capital Expenditures	\$ 12,077	\$ 5,992	\$ 14,207	\$ 13,690	\$ 13,791	\$ 8,458	\$ 8,583	\$ 3,211	\$ 6,245	\$ 3,554
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**Debt Service as a Percentage of
Noncapital Expenditures**

1.0%	1.1%	3.2%	5.2%	4.8%	5.1%	5.4%	5.3%	5.4%	5.6%
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- 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.
 - 2 Debt service for principal retirement was higher in fiscal year 2011 due to the early payoff of the ABAG Certificates of Participation.
 - 3 The City transferred its' recreation programs to the Governmental Funds (Cultural) in fiscal year 2013.

CITY OF SUNNYVALE**General Governmental Tax Revenues by Source
Last Ten Fiscal Years
(modified accrual basis of accounting)
(dollars in thousands)**

	Fiscal Year									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Property	\$ 50,294	\$ 47,556	\$ 48,597	\$ 52,032	\$ 51,407	\$ 50,523	\$ 43,905	\$ 40,808	\$ 35,436	\$ 32,895
Sales and Use	31,672	31,412	31,623	30,327	26,590	26,201	30,915	32,053	29,617	26,070
Transient Occupancy	10,859	9,016	7,778	6,589	5,578	5,686	7,350	6,480	5,633	5,074
Utility Users	6,754	6,549	6,830	6,806	6,798	6,841	6,840	6,479	6,057	5,833
Business Licenses	1,742	1,589	1,505	1,494	1,364	1,199	1,075	687	286	215
Real Property Transfer	1,674	1,275	925	718	571	548	1,225	1,216	1,140	1,352
Construction	2,984	2,725	3,059	1,356	937	1,260	2,943	1,899	1,342	923
Franchise	6,694	6,462	6,373	6,247	5,979	6,127	5,855	5,713	5,531	5,395
Total	<u>\$ 112,673</u>	<u>\$ 106,584</u>	<u>\$ 106,690</u>	<u>\$ 105,569</u>	<u>\$ 99,224</u>	<u>\$ 98,385</u>	<u>\$ 100,108</u>	<u>\$ 95,335</u>	<u>\$ 85,042</u>	<u>\$ 77,757</u>

CITY OF SUNNYVALE

**Assessed Value of Taxable Property
Last Ten Fiscal Years**

Fiscal Year Ended June 30	Residential Property	Commercial Property	Industrial Property	Other Property¹	Unsecured Property	Total Assessed Value²	Less: Exemptions	Total Taxable Assessed Value	Total Direct Tax Rate³
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	1.0%
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	1.0%
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	1.0%
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	1.0%
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	1.0%
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	1.0%
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	1.0%
2012	14,491,247,756	3,438,645,488	5,341,788,549	340,366,939	2,608,683,037	26,220,731,769	301,649,177	25,919,082,592	1.0%
2013	15,103,665,793	3,600,587,226	5,432,266,156	340,524,870	2,759,360,948	27,236,404,993	341,463,372	26,894,941,621	1.0%
2014	16,609,382,728	3,770,159,047	6,028,000,066	432,398,085	2,893,032,074	29,732,972,000	485,541,786	29,247,430,214	1.0%

Source: County of Santa Clara Assessor's Office

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

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

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

CITY OF SUNNYVALE

**Property Tax Rates
Last Ten Fiscal Years**

	Fiscal Year									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Direct Rates ¹										
County										
Maximum Tax Levy	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000
Overlapping Rates ²										
County										
County Retirement Levy	0.03880	0.03880	0.03880	0.03880	0.03880	0.03880	0.03880	0.03880	0.03880	0.03880
Special District										
Santa Clara Valley Water District	0.00700	0.00690	0.00642	0.00720	0.00740	0.00610	0.00710	0.00720	0.00780	0.00920
El Camino Hospital	0.01290	0.01290	0.01290	0.01290	0.01290	0.01290	0.01290	0.01290	-	-
School Districts										
Sunnyvale School District	0.03640	0.03690	0.03980	0.03900	0.02670	0.03390	0.03560	0.03440	0.03970	0.01880
Cupertino Elementary	0.05250	0.05980	0.02900	0.03080	0.03120	0.03060	0.03370	0.02890	0.26810	0.03600
Los Altos Elementary	0.05340	0.05790	0.05950	0.06000	0.05390	0.05260	0.05430	0.05510	0.04520	0.04870
Mountain View Elementary	0.05300	0.06020	0.03030	0.03220	0.02880	0.02940	0.03120	0.03400	0.03780	0.04230
Fremont High	0.04050	0.03900	0.04150	0.03650	0.03060	0.03390	0.02410	0.02430	0.02600	0.02680
Mountain View-Los Altos High	0.01210	0.01390	0.01470	0.01510	0.01470	0.01480	0.01590	0.01690	0.01790	0.01930
Santa Clara Unified	0.07070	0.08190	0.08360	0.05190	0.07010	0.07430	0.02710	0.07970	0.08610	0.03440
Foothills-De Anza College	0.02900	0.02870	0.02970	0.03260	0.03220	0.01230	0.01130	0.03460	0.01190	0.01290

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 percent of its assessed value unless an additional amount has been approved by voters. 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 percent 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.

CITY OF SUNNYVALE

**Principal Property Tax Payers
June 30, 2014**

Taxpayer	2014			2005		
	Taxable Assessed Value ¹	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Lockheed Martin Corporation	\$ 1,167,402,245	1	3.99%	\$ 823,940,808	1	4.60%
Network Appliance Inc	668,555,822	2	2.29%	191,046,301	5	1.07%
Menlo And Juniper Networks LLC	608,702,319	3	2.08%	105,001,000	9	0.59%
Applied Materials Inc	366,791,409	4	1.25%	481,567,969	2	2.69%
Yahoo Inc	364,778,252	5	1.25%	223,780,650	3	1.25%
Intuitive Surgical Inc	318,360,080	6	1.09%			
SPF Mathilda LLC	290,132,838	7	0.99%			
MT SPE LLC	275,204,090	8	0.94%			
MT LOT 3 EFG LLC	204,063,436	9	0.70%			
Redus Svte LLC	193,722,538	10	0.66%			
FASL LLC				212,306,645	4	1.18%
Bay Apartment Communities Inc				176,903,138	6	0.99%
Irvine Company				111,664,363	7	0.62%
Maxim Integrated Prods Inc				110,013,918	8	0.61%
Sun Microsystems Inc				95,070,759	10	0.53%
Total	\$ 4,457,713,029		15.24%	\$ 2,531,295,551		14.13%

Source: County of Santa Clara Assessor's Office

Note 1 City Total Taxable Assessed Value: \$29,247,430,214

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
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%
2012	41,316,631	38,541,761	93.3%	856,884	39,398,645	93.4%
2013	45,437,198	36,288,566	79.9%	666,048	36,954,614	80.2%
2014	46,423,661	38,568,672	83.1%	481,276	39,049,948	83.3%

Sources: City of Sunnyvale
County of Santa Clara Assessor's Office

- Notes**
- 1 Information required by GASB Statement 44 differs from information reported. Collections in subsequent years represent total delinquent amounts received during the fiscal year, regardless of the fiscal year of the tax levy. Data for delinquent tax collections by levy year is not available from the Santa Clara County Assessor's Office.
 - 2 Property tax levy and collections do not include the VLF (motor vehicle license fees) swap, which was made permanent starting fiscal year 2005.
 - 3 This schedule presents amounts levied and collected for the City's General Fund and the Redevelopment Agency (RDA). The decrease in property tax collection percentage starting in fiscal year 2011/12 is attributable to the dissolution of the RDA on February 1, 2012. The use of property tax revenue for payment of debt obligations of the former RDA is limited to specific recognized obligations outlined in the Dissolution Law.

CITY OF SUNNYVALE

**Ratios of Outstanding Debt by Type
Last Ten Fiscal Years
(dollars in thousands except Per Capita)**

	Fiscal Year									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Governmental Activities:										
Certificates of Participation	\$ 22,195	\$ 23,475	\$ 24,695	\$ 36,835	\$ 39,250	\$ 41,140	\$ 42,520	\$ 44,445	\$ 46,290	\$ 48,050
Special Assessment Bonds	-	-	-	-	-	-	-	-	-	-
Tax Allocation Bonds	-	-	-	5,629	5,996	6,352	6,703	7,050	7,386	7,667
Business-Type Activities:										
Water and Wastewater Revenue Bonds	55,573	57,775	58,677	60,555	62,889	23,004	24,426	25,783	27,089	28,346
Solid Waste Revenue Bonds	12,388	14,505	16,144	18,000	19,781	21,487	23,129	16,149	17,275	18,371
Total Primary Government	\$ 90,156	\$ 95,755	\$ 99,516	\$ 121,019	\$ 127,916	\$ 91,983	\$ 96,778	\$ 93,427	\$ 98,040	\$ 102,434
Percentage of Personal Income ¹	0.07%	0.08%	0.08%	0.10%	0.12%	0.09%	0.09%	0.09%	0.10%	0.12%
Per Capita ²	\$ 613	\$ 656	\$ 696	\$ 858	\$ 911	\$ 663	\$ 704	\$ 688	\$ 734	\$ 770

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

1 Personal income data are presented in the Schedule of Demographic and Economic Statistics on page 197. Personal income for fiscal year 2012 was used to calculate percentages for fiscal years 2013 and 2014 since data for fiscal years 2013 and 2014 are not currently available.

2 Population data are presented in the Schedule of Demographic and Economic Statistics on page 197.

CITY OF SUNNYVALE**Direct and Overlapping Governmental Activities Debt
As of June 30, 2014**

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	\$ 16,985,000	100.000 %	\$ 16,985,000
Cupertino Union School District & Certificates of Participation	261,223,462	14.399	37,613,566
El Camino Hospital District	140,010,000	35.384	49,541,138
Foothill Community College District Certificates of Participation	13,468,694	22.311	3,005,000
Foothill-De Anza Community College District	613,179,288	22.311	136,806,431
Fremont Union High School District	290,570,108	47.924	139,252,819
Midpeninsula Regional Open Space Park District Certificates of Participation	133,209,717	15.110	20,127,988
Mountain View School District	21,989,363	6.362	1,398,963
Mountain View-Whisman School District	46,000,000	3.880	1,784,800
Mountain View-Los Altos Union High School District & Certificates of Participation	69,606,599	2.060	1,433,896
Los Altos School District	76,158,560	0.183	139,370
Santa Clara County	804,700,000	8.744	70,362,968
Santa Clara County General Fund Obligations	757,814,320	8.744	66,263,284
Santa Clara County Board of Education Certificates of Participation	9,730,000	8.744	850,791
Santa Clara County Pension Obligations	375,419,144	8.744	32,826,650
Santa Clara County Vector Control Certificates of Participation	3,275,000	8.744	286,366
Santa Clara Unified School District Certificates of Participation	430,340,000	10.232	44,032,389
Santa Clara Valley Water District Benefit Assessment District	115,045,000	8.744	10,059,535
Sunnyvale School District	130,814,650	99.000	129,506,504
West Valley-Mission Community College District Certificates of Participation	359,417,663	4.183	15,034,441
Subtotal Overlapping Debt			777,311,899
Direct Debt ²			
City of Sunnyvale Government Center Certificates of Participation			13,350,000
City of Sunnyvale Parking Facility Certificates of Participation			8,845,000
Subtotal Direct Debt			22,195,000
Total Direct and Overlapping Debt ³			\$ 799,506,899

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 Successor 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									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Debt limit	\$ 4,459,946	\$ 4,085,461	\$ 3,933,110	\$ 3,888,601	\$ 3,929,447	\$ 3,745,825	\$ 3,434,657	\$ 3,138,125	\$ 2,913,929	\$ 2,714,589
Total net debt applicable to limit	22,195	23,475	29,943	31,490	32,971	35,252	36,394	38,094	39,731	41,251
Legal debt Margin	<u>\$ 4,437,751</u>	<u>\$ 4,061,986</u>	<u>\$ 3,903,167</u>	<u>\$ 3,857,111</u>	<u>\$ 3,896,476</u>	<u>\$ 3,710,573</u>	<u>\$ 3,398,263</u>	<u>\$ 3,100,031</u>	<u>\$ 2,874,198</u>	<u>\$ 2,673,338</u>
Total net debt applicable to the limit as a percentage of debt limit	0.50%	0.57%	0.76%	0.81%	0.84%	0.94%	1.06%	1.21%	1.36%	1.52%

Legal Debt Margin Calculation for Fiscal Year 2014

Assessed value	\$ 29,247,430
Add back: exempt real property	485,542
Total assessed value	<u>\$ 29,732,972</u>
Debt limit (15% of total assessed value)	\$ 4,459,946
Debt applicable to limit:	
Total bonded debt	90,157
Less:	
Water and Wastewater Revenue Bonds	(55,574)
Solid Waste Revenue Bonds	<u>(12,388)</u>
Total net debt applicable to limit	<u>22,195</u>
Legal debt margin	<u>\$ 4,437,751</u>

Note: Section 1308 of the City Charter of the City of Sunnyvale, California, states: "The bonded indebtedness of the City may not in the aggregate exceed the sum of fifteen (15%) percent of the total assessed valuation of property within the City, exclusive of any indebtedness that has been or may hereafter be incurred for the purposes of acquiring, constructing, extending or maintaining municipally owned utilities, for which purposes a further indebtedness may be incurred by the issuance of bonds, subject only to provisions of the State Constitution and of this Charter."

CITY OF SUNNYVALE

***Pledged-Revenue Coverage
Last Ten Fiscal Years
(dollars in thousands)***

	Fiscal Year									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Water and Wastewater Revenue Bonds										
Gross Revenues	\$ 71,567	\$ 65,621	\$ 59,071	\$ 52,303	\$ 48,000	\$ 47,060	\$ 48,250	\$ 45,287	\$ 39,641	\$ 37,671
Less: Operating Expenses ²	46,074	45,316	39,268	34,303	33,899	33,272	31,868	30,472	29,564	28,669
Net Available Revenue	\$ 25,493	\$ 20,305	\$ 19,803	\$ 18,000	\$ 14,101	\$ 13,788	\$ 16,382	\$ 14,815	\$ 10,077	\$ 9,002
Debt Service										
Principal	\$ 2,035	\$ 1,955	\$ 1,900	\$ 2,355	\$ 1,495	\$ 1,435	\$ 1,370	\$ 1,320	\$ 1,270	\$ 1,230
Interest	2,703	2,789	2,824	2,161	1,119	1,180	1,243	1,294	1,340	1,382
Coverage	5.4	4.3	4.2	4.0	5.4	5.3	6.3	5.7	3.9	3.4
Solid Waste Revenue Bonds										
Gross Revenues	\$ 67,956	\$ 65,808	\$ 65,033	\$ 61,398	\$ 57,874	\$ 56,147	\$ 56,998	\$ 49,766	\$ 49,297	\$ 47,083
Less: Operating Expenses ²	58,865	53,234	55,411	54,126	51,824	56,896	48,186	43,490	45,116	41,945
Net Available Revenue	\$ 9,091	\$ 12,574	\$ 9,622	\$ 7,272	\$ 6,050	\$ (749)	\$ 8,812	\$ 6,276	\$ 4,181	\$ 5,138
Debt Service										
Principal	\$ 2,060	\$ 1,960	\$ 1,865	\$ 1,790	\$ 1,715	\$ 1,645	\$ 1,165	\$ 1,135	\$ 1,105	\$ 1,065
Interest	645	746	834	916	990	1,056	898	810	841	882
Coverage ¹	3.4	4.6	3.6	2.7	2.2	-0.3	4.3	3.2	2.1	2.6

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 was anticipated to be funded by rate increases over the subsequent 15 years.
- 2 Excludes depreciation expense

CITY OF SUNNYVALE

**Demographic and Economic Statistics
Last Ten Fiscal Years**

Fiscal Year	Population	Personal Income (thousands of dollars)¹	Per Capita Personal Income¹	Median Age	School Enrollment	Civilian Labor Force	Unemployment Rate
2005	133,086	\$ 89,053,143	\$ 51,477	36	14,792	70,190	4.7%
2006	133,544	97,627,875	55,938	36	14,793	70,713	3.9%
2007	135,721	104,918,688	59,407	36	14,891	72,617	4.1%
2008	137,538	104,401,664	58,155	37	15,142	74,772	5.0%
2009	138,826	97,492,456	53,580	37	15,596	74,828	9.9%
2010	140,450	104,353,837	56,649	37	15,979	74,789	9.6%
2011	141,099	115,498,858	61,831	36	16,224	76,014	8.7%
2012	142,896	124,422,315	65,679	36	16,562	77,909	7.6%
2013	145,864	Not Available	Not Available	36	16,900	79,304	6.2%
2014	147,055	Not Available	Not Available	36	17,103	80,017	4.6%

Sources: California Department of Education
 State of California, Department of Finance
 U.S. Department of Commerce, Bureau of Economic Analysis
 U.S. Department of Labor, Bureau of Labor Statistics
 United States Census Bureau

Note: 1 San Jose-Sunnyvale-Santa Clara, CA

CITY OF SUNNYVALE

**Principal Employers
June 30, 2014**

Employer	2014			2005		
	Number of Employees	Rank	Percentage of Total Employment	Number of Employees	Rank	Percentage of Total Employment
Lockheed Martin Space Systems	6,070	1	7.59%			
Apple Inc	4,000	2	5.00%			
NetApp Inc	3,134	3	3.92%			
Yahoo! Inc	2,810	4	3.51%			
Juniper Networks Inc	2,502	5	3.13%			
Hewlett Packard	2,070	6	2.59%			
Applied Materials Inc	1,572	7	1.96%			
Northrup Gruman Marine Systems	1,274	8	1.59%			
Intuitive Surgical Operations Inc	1,203	9	1.50%			
Linkedin Corporation	1,039	10	1.30%			

Not available

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

CITY OF SUNNYVALE**Full-time Equivalent City Government Employees by Function
Last Ten Fiscal Years**

Function/Program	Full-time Equivalent Employees as of June 30									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Planning and Management	130	124	124	130	137	144	141	142	141	138
Public Safety ¹	319	311	308	321	328	340	335	325	308	309
Community Development	105	102	103	106	117	126	129	132	132	133
Transportation	34	33	33	35	35	36	35	35	37	35
Socioeconomic	50	55	69	91	89	66	65	79	96	102
Cultural ²	104	104	47	50	58	61	61	61	65	66
Environmental Management	25	24	22	21	20	21	21	19	18	17
Water Supply and Distribution	34	31	30	29	30	30	29	31	34	32
Wastewater Management	71	70	68	66	69	70	69	67	72	71
Solid Waste Management	10	10	11	10	11	10	10	10	9	9
SMaRT Station	1	1	1	1	1	1	1	1	1	2
Golf and Tennis Operations or Community Recreation ²	25	25	79	88	89	92	92	92	89	87
Total	908	890	895	948	984	997	988	994	1,002	1,001

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.

2 The City's recreation employees (other than Golf and Tennis) are included under Cultural beginning in fiscal year 2013.

CITY OF SUNNYVALE

**Operating Indicators by Function
Last Ten Fiscal Years**

Function	Fiscal Year									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Public Safety:										
Police										
Emergency Responses	38,133	40,680	41,060	41,840	37,721	38,676	41,062	47,184	47,464	46,132
Crime Investigations	3,249	5,131	2,347	3,068	Not Available	3,240	3,749	3,834	3,467	3,617
Traffic Events and Citations	11,894	14,460	17,514	17,237	17,208	20,258	19,657	16,753	22,716	24,188
Fire										
Emergency Responses	7,606	7,487	7,092	7,098	6,901	7,123	7,385	6,793	7,026	6,643
Fire Safety Inspections	7,163	6,842	6,495	5,883	Not Available	Not Available	4,666	5,934	6,080	5,489
Transportation:										
Streets Resurfacing (1,000 square feet)	1,565	1,493	572	237	152	Not Available	158	Not Available	179	179
Street Preventive Maintenance (1,000 sq feet)	3,323	3,624	4,272	3,084	4,481	3,553	4,056	3,882	8,159	5,709
Streetlight Lamps Replaced	925	1,032	1,486	1,247	1,011	954	682	1,092	846	674
Cultural:										
Library Visitors	707,922	743,311	743,363	732,631	796,329	871,128	798,194	768,983	723,731	737,506
Library Materials Circulated	2,711,856	2,748,170	2,705,192	2,524,293	2,379,284	2,481,633	2,329,375	2,247,777	1,891,080	1,818,370
Library Materials Turnover Rate (average use)	8.8	9.5	9.0	8.3	7.9	7.1	7.4	7.4	6.7	6.6
Recreation Programs Registration (hours)	850,978	837,899	801,792	703,355	717,931	710,537	745,720	708,158	Not Available	Not Available
Rental Use of Recreation Facilities ¹ (1,000 Participant Hours 2000-2006)	98,878	74,404	81,152	73,330	85,143	65,900	18,324	18,623	Not Available	Not Available
Water Supply and Distribution:										
Average Daily Demand (million gallons)	19.4	19.4	22.8	18.0	18.0	20.3	20.8	21.9	20.0	21.7
Peak Daily Use (million gallons)	29.1	29.1	34.2	40.3	40.3	41.3	42.4	44.0	40.0	43.0
Water Main Repairs	48	24	33	23	15	9	28	61	34	24
Wastewater Management:										
Average Daily Sewage Treatment (million gallons)	12.8	13.4	13.5	13.8	12.6	14.1	14.9	15.4	15.5	15.3
Solid Waste Management:										
Refuse collected (tons per day)	234.8	234.6	223.6	223.6	224.1	233.7	261.9	265.8	277.6	271.5
Recyclables collected (tons per day)	68.6	71.3	68.3	68.2	70.6	68.9	67.4	69.4	71.4	73.2
SMaRT Station:										
Refuse received (tons per day)	608.0	609.0	576.0	563.0	604.0	667.1	709.7	722.2	731.4	707.7
Golf and Tennis:										
Plays at Golf Courses	124,741	129,583	136,121	133,356	134,312	137,012	142,137	150,303	147,650	156,523

Source: City of Sunnyvale, various departments

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

CITY OF SUNNYVALE

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

Function/Program	Fiscal Year									
	2014	2013	2012	2011	2010	2009	2008	2007	2006	2005
Public Safety										
Police:										
Jail Facilities	1 (6 cells)									
Vehicular Patrol Units ¹	70	70	70	67	66	67	63	65	52	52
Fire Stations	6	6	6	6	6	6	6	6	6	6
Transportation										
Streets (miles)	300	300	300	300	300	300	300	300	300	300
Streetlights	9,316	9,328	9,357	9,542	9,542	9,242	8,928	8,928	8,919	8,919
Traffic Signals	129	129	130	128	128	128	129	129	129	129
Cultural²										
Park Acreage	329	324	323	323	323	323	323	323	322	322
Parks	21	20	19	19	19	19	19	19	19	19
Swimming Pools	4	5	5	6	6	6	6	6	6	6
Skate Parks	2	2	2	2	2	2	2	2	1	1
Recreation Centers	3	3	3	3	3	3	3	3	3	3
Water Supply and Distribution										
Water Mains (miles)	340	340	330	326	326	326	283	283	282	282
Fire Hydrants	3,362	3,360	3,424	3,390	3,390	3,390	3,381	3,381	3,400	3,385
Storage Capacity (million gallons)	27.5	27.5	27.5	27.5	27.5	27.5	28.0	28.0	28.0	28.0
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
Golf and Tennis										
Golf Courses	2	2	2	2	2	2	2	2	2	2
Tennis Courts	49	49	38	38	38	38	38	38	38	38

Source: City of Sunnyvale, various departments

Note:

- 1 Patrol motorcycles and SUVs were incorporated into the count in 2007.
- 2 No capital asset indicators are available for library function.