

COMPREHENSIVE
ANNUAL
FINANCIAL REPORT



For the fiscal year ended June 30, 2007

*City of Sunnyvale California
A Commitment to Excellence*

Comprehensive Annual Financial Report

For The Fiscal Year Ended

June 30, 2007



City of Sunnyvale

650 West Olive Avenue

Sunnyvale, California 94086

(408) 730-7380

Prepared by the Department of Finance

Mary J. Bradley, Director of Finance

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City of SUNNYVALE

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

November 16, 2007

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, 2007. 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 Caporicci & Larson, CPAs, 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, 2007, are free of material misstatements. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Based upon the audit, the independent auditors concluded that there was reasonable basis for rendering an unqualified opinion which states that the City's financial statements for the fiscal year ended June 30, 2007, 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, 2007

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

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

This report is divided into three sections:

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

PROFILE OF THE CITY

Basic Information

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

Chief Finance Officer's Letter of Transmittal, Continued
Fiscal Year Ended June 30, 2007

PROFILE OF THE CITY, Continued

Component Units

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

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

Types of Services

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

Boards and Commissions

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

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

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

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

Chief Finance Officer's Letter of Transmittal, Continued
Fiscal Year Ended June 30, 2007

PROFILE OF THE CITY, Continued

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

Budget

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

On November 6, 2007, Sunnyvale voters approved to amend Sections 1302 and Section 1305 of the City Charter. The amendment adds language that requires the annual submission of a ten-year balanced budget that includes level of service information, historical financial trend data, and charts for ease of understanding the budget and provides that approved appropriations for capital improvement 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, 2007***

LOCAL ECONOMY

The Silicon Valley region's economic bubble burst in 2001. According to the Association of Bay Area Governments (ABAG), over 200,000 jobs were lost in the Bay Area region between 2001 and 2004.

The steep economic downturn that so severely impacted the City's fiscal condition over those years has given way to a moderate recovery, led by gains in consumer spending, large increases in business investment, and an active housing market. Long-term financial projections have incorporated some expected tempering of certain revenues, as we have reached the peak of the current economic cycle. Future growth is expected to be much more moderate than it has been over the past three years, and there are several areas of vulnerability with respect to revenues, most notably, property tax and development-related revenues. The leading economic authorities, including the UCLA Anderson Forecast and the State Department of Finance, have stopped short of projecting a recession but are in agreement that the State is currently in an economic slowdown of uncertain proportions.

While a recession has not been projected, potential for one remains because of the overall economic uncertainty. Additionally, the recent turmoil in the financial industry and the troubles in the nation's housing market have not yet affected the region's overall economy, but there are signs of a slowdown in the residential housing market which will probably be felt starting next fiscal year. Although the local forecast looks promising, continued increases in energy costs, e.g., gasoline and petroleum-based products, may have a dampening effect on our economy growth.

In the past, Sunnyvale has experienced relatively high vacancy rates in commercial and industrial properties due to a lack of Class "A" office space, which is in abundance elsewhere in the region. In November 2006, the City Council approved plans submitted by the Jay Paul Company to build an ambitious 1.7 million-square-foot office development. This will be the future home of Moffett Towers, a unique, "green", transit-oriented Class A office project consisting of seven eight-story office towers, a 40,000 square-foot amenity building, and parking structures. When completed, the new development is expected to help attract new business into the City and strengthen the economic recovery.

LONG-TERM FINANCIAL PLANNING

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

Chief Finance Officer's Letter of Transmittal, Continued
Fiscal Year Ended June 30, 2007

LONG-TERM FINANCIAL PLANNING, Continued

As a result of these efforts and the improving economic climate, the adopted fiscal year 2008 Budget reflects a sustainable state in service delivery. While there is always more that is desired or can be done, staff is pleased that the important priority services are being delivered, and delivered well, to the community.

The adopted fiscal year 2008 Long-Term Financial Plan is balanced over the full twenty years in accordance with City Council Policy. The *Service Level Set-Aside* has been funded at approximately \$500,000 and the *Capital Improvement Project Reserve* has been increased substantially. Revitalization of the City's Downtown is underway, and the adopted fiscal year 2008 Budget includes \$6.9 million in capital projects to enhance and support this effort, with an additional \$8.2 million in fiscal year 2009.

In spite of this greatly improved economic picture, Sunnyvale does face a number of challenges to its long term financial stability in the upcoming years. These include: Library facilities and programming needs; the need for Civic Center replacement or renovation and other unfunded capital projects; a continued structural imbalance in the Community Recreation Fund; and rising employee costs and the need to invest in our workforce.

The Library of the Future study, completed this year, was an extensive study of Library needs over the next thirty years. The study indicated the need to replace our aging Library facility to more than double the existing space. A bond measure to fund the construction of a new Library was placed on the November 6, 2007 election ballot. While the measure did not receive the necessary two-thirds vote, it did receive 59% approval, indicating that Sunnyvale citizens are interested in an improved and expanded facility.

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

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

Chief Finance Officer's Letter of Transmittal, Continued
Fiscal Year Ended June 30, 2007

LONG-TERM FINANCIAL PLANNING, Continued

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

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

RELEVANT FINANCIAL POLICIES

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

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

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

Chief Finance Officer's Letter of Transmittal, Continued
Fiscal Year Ended June 30, 2007

RELEVANT FINANCIAL POLICIES, Continued

The function of the *20-Year RAP Reserve* and its strength was particularly apparent when the City struggled with the rapid economic downturn resulting from the dot-com bust that began in 2001. In prior years when the City was experiencing strong economic growth, the reserve was building up over time to the \$61 million level reached in fiscal year 2002. Then, as the effects of the economic downturn began to be fully felt, the reserve was drawn down to provide a “cushion” to maintain City services at desired levels. The adopted fiscal year 2008 Budget shows that the reserve will be drawn down through fiscal year 2010 and then begin increasing.

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

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

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

MAJOR INITIATIVES

Downtown Sunnyvale

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

Chief Finance Officer's Letter of Transmittal, Continued
Fiscal Year Ended June 30, 2007

MAJOR INITIATIVES, Continued

Downtown Sunnyvale, Continued

The next several years promise to be very busy and exciting in the redevelopment of Downtown. Major parts of the Town Center Project and the Town and Country Redevelopment will be opening by the summer of 2009. If the City can also complete the major Downtown infrastructure projects to which City Council has assigned high priority, including those supporting the anticipated private development, we can enjoy a totally rebuilt Downtown within two short years.

Economic Development

In the past year, construction activity in Sunnyvale has continued to be very strong. A total of 2,150 plan checks were completed, which is 117% of the average for the previous five years. Inspections were at a record high of almost 23,000, 125% of the previous five-year average. Construction permitting revenue was over \$10.2 million, with a valuation of \$386 million.

Major office development projects were the Jay Paul Moffett Towers with over one million square feet in construction or plan check, and a new building for Network Appliance totaling 190,000 square feet, as well as several other major office buildings that are in plan check. Approximately 350 residential units are under construction and plan checking is occurring on about 600 residential units.

Affordable Housing

City regulations require developers to make 12.5% of all new for-sale housing, and 10% of all new rental housing, affordable to low and moderate income households. Therefore, the boom in housing construction in recent years not only produced a large number of market-rate units, but also produced a record number of affordable housing units, commonly known as below market rate (BMR) units.

The BMR Homeownership Program Wait List was updated in February 2007 after an extensive outreach effort. A total of 40 escrows for BMR units were closed in fiscal year 2007, an increase from the prior year of 31 sold units.

Chief Finance Officer's Letter of Transmittal, Continued
Fiscal Year Ended June 30, 2007

MAJOR INITIATIVES, Continued

Affordable Housing, continued

A total of 44 housing improvement projects were completed, consisting of substantial rehabilitation, home access, paint loans, energy efficiency, and mobile home improvements. A major project currently under construction is the rehabilitation of Homestead Park, a 24-unit apartment building that received \$700,000 in City assistance.

Neighborhood Preservation

City staff closed a record breaking 3,052 cases, 22% more than planned and 16% more than last fiscal year. This was achieved as a result of proactive and aggressive enforcement when voluntary compliance was not met. City staff also investigated 95% of the cases within three business days of receiving the complaint. A total of 249 administrative citations were issued, resulting in \$64,800 in fines.

The fourth Neighborhood Enhancement Program was extremely successful, particularly considering that the 208 properties in the Lakewood Village area were more challenging than ever before, due to the nature and severity of code violations. City staff was able to achieve a 95% compliance rate, where the goal was 92%. City staff was also able to improve 25% of the properties, over and above correcting code violations, where the goal was 20.

Parks Improvements

During the past year, a number of projects were undertaken to improve the City's park and recreation facilities. Utilizing State Proposition 12 funds along with other project funds, the City added two new rest rooms and an air conditioning system to the main multipurpose building at Murphy Park.

Chief Finance Officer's Letter of Transmittal, Continued
Fiscal Year Ended June 30, 2007

MAJOR INITIATIVES, Continued

Community Engagement and Relationship Building

A special accomplishment which benefited local youth and the community at large was the initiation and implementation of the Art Apprenticeship Program for Columbia Middle School students. This successful collaboration among the school, administrative staff at Sunnyvale Elementary School District, Columbia Neighborhood Center, and the Sunnyvale Parks and Recreation Department resulted in an innovative six-week program that brought students together with a professional artist to create a public art piece for the Neighborhood Center's 10th Anniversary

The Sunnyvale Public Safety Department made significant inroads to neighborhoods through personal contacts and their associations. Among the positive changes made by Public Safety staff was the rebirth of the "Friends in Blue" Program, which brought new energy to the City's focus on youth. Programs ranging from "Movie Nights at the Fire Stations," which drew 75 participants on average, to youth mentoring and to the rebuilding of the ROPES Program through a City partnership with the Challenge Learning Center nonprofit organization - all are making a difference in the lives of Sunnyvale children and their families.

Workforce Development

The North Valley Job Training Consortium (NOVA) contracted with UCSC Extension to develop and offer a certificate program targeted at retraining dislocated software engineers to work in aerospace. NOVA recruited 15 individuals for the initial class, which began in April, and provided ongoing case management and job search support. All 15 clients completed the certificate, and to date, six have obtained employment. Intensive career advising assistance is continuing and all project partners will perform an evaluation to determine future.

NOVA was awarded Rapid Response Special Projects funding through a competitive process for the purpose of understanding the workforce and economic issues facing small businesses in Silicon Valley, allowing service providers and policymakers to more effectively meet their needs. The research study involved staff interviewing 93 companies in San Mateo and Santa Clara Counties with from 5 to 99 employees, focusing on the high-tech sector. The resulting report, "Silicon Valley: A Small Business Perspective," was released at a public forum held on December 7, 2006. The forum was attended by about 115 guests, 100% of whom rated the event as effective in presenting current workforce issues.

Chief Finance Officer's Letter of Transmittal, Continued
Fiscal Year Ended June 30, 2007

MAJOR INITIATIVES, Continued

Library's New Service

A new service called Link+ was introduced in the past year. This service facilitates online requests and onsite delivery of materials from other libraries. There were no statistics to gauge the potential use of Link+, which turned out to be highly popular with users. Computer systems for the public were updated, in part, in response to a study issue related to the availability of technology for patrons. The number of computers, types of software and a variety of self service options were provided for the greater convenience of the public.

Ongoing Major Projects

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

Mathilda Avenue Railroad Overpass Replacement and Reconfiguration

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

City staff has successfully secured federal funds with 11.47% local match for removing the deficiencies and improving traffic circulation on the bridge. The proposed bridge improvements include reconfiguring the off ramp to Evelyn Avenue to allow full access to Evelyn from southbound Mathilda Avenue. As an added benefit, this improvement can service the anticipated increase in traffic from southbound Mathilda Avenue to downtown Sunnyvale.

Borregas Avenue Bicycle Corridor

This project involves the design and construction of new bicycle and pedestrian bridges on Borregas Avenue over US 101 and State Route 237. The construction of overcrossings will eliminate approximately two miles of detours that currently exist for bicyclists and pedestrians who wish to cross over the freeways. The total project cost is \$8.4 million, funded by various grants from the Valley Transportation Authority (VTA) in the amount of \$5.7 million, a Transportation Development Act grant of \$400,000 and Traffic Mitigation Funds of \$2.3 million.

Chief Finance Officer's Letter of Transmittal, Continued
Fiscal Year Ended June 30, 2007

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, 2006. This was the twenty-first consecutive year that the City has achieved this prestigious award.

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

The City of Sunnyvale also received the Distinguished Budget Presentation Award from GFOA for the City's adopted budget for the fiscal year ended June 30, 2006. This was the eighteenth consecutive year that the City has received this award. In order to qualify for the award program, the City's budget document was judged to be proficient in four categories including policy document, financial plan, operations guide, and communications device. In addition to qualifying for the award this year, our budget received the "special performance measures" recognition because we were rated outstanding by all raters in the performance measures category.

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

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

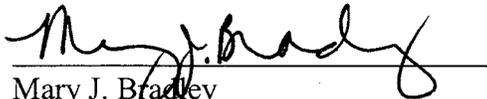
Chief Finance Officer's Letter of Transmittal, Concluded
Fiscal Year Ended June 30, 2007

Awards and Acknowledgements, Continued

I also wish to thank our auditors, Caporicci & Larson, CPAs, for their cooperation and assistance.

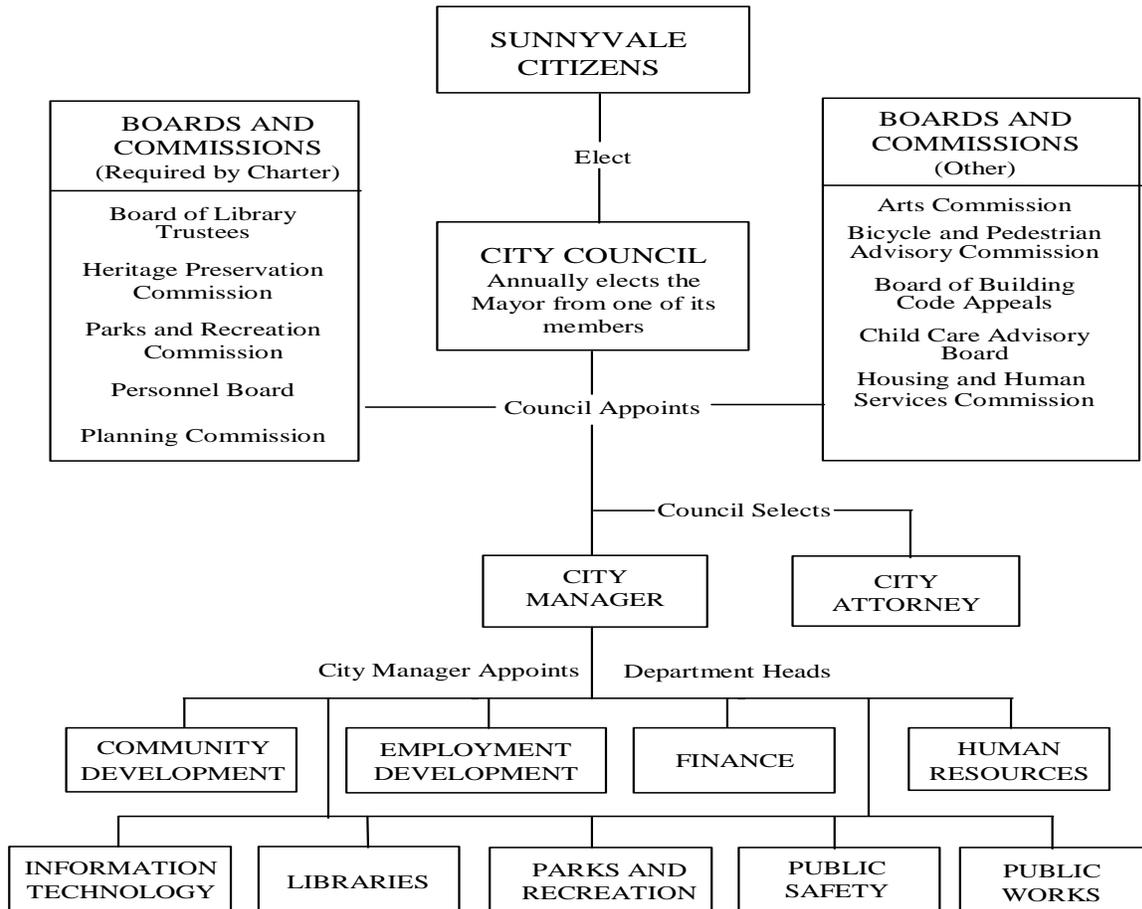
Sincere appreciation is also expressed to the City Manager and members of the City Council for their support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,



Mary J. Bradley
Director of Finance

Organization Chart



Directory of Officials
Fiscal Year Ended June 30, 2007

Otto O. Lee
Mayor

Anthony Spitaleri
Vice-Mayor

John N. Howe
Councilmember

Dean J. Chu
Councilmember

Ron Swegles
Councilmember

Melinda Hamilton
Councilmember

Christopher R. Moylan
Councilmember

Amy Chan
City Manager

Deborah Barrow
Director of Libraries

Cuong Nguyen
Director of Information Technology

Mary J. Bradley
Director of Finance

Robert Paternoster
Director of Community Development

Michael Curran
Director of Employment Development

Marvin Rose
Director of Public Works

Don Johnson
Director of Public Safety

Robert Walker
Asssitant City Manager

David Lewis
Director of Parks and Recreation

Erwin Young
Director of Human Resources

David Kahn
City Attorney

**Directory of Boards and Commissions
Fiscal Year Ended June 30, 2007**

Arts Commission

Carney, Dixie
Martin-Milius, Tara
Obrey, Robert

Bicycle and Pedestrian Advisory Committee

Durham, Ralph
Grant, Patrick
Jackson, Kevin
Manitakos, Jr., James
Mayer, Thomas
Stawitcke, Andrea
Warner, Richard

Board of Building Code Appeals

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

Board of Library Trustees

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

Child Care Advisory Board

Khazeni, Manijeh
Ozdemir, Hilal
Sell, Jacqueline
Shea, Maxine
Smith, Mary
Stewart, Kimberly
Taiz, Lisa

Heritage Preservation Commission

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

Housing and Human Services Commission

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

Parks and Recreation Commission

Chuck, Howard
Harms, Robert
Kinder, Robert
Lawson, Robert
Oliver, Richard

Personnel Board

Cole, Jennifer
Gans, Werner
Nickey, Judith
Saprai, Stephanie

Planning Commission

Babcock, Laura
Ghaffary, Darab
Hungerford, Charles
Klein, Larry
Rowe, Harriet
Simons, David
Sulser, Brandon

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Sunnyvale
California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2006

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



President

Executive Director



INDEPENDENT AUDITORS' REPORT

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

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, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in the United States 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our 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, 2007, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in conformity with generally accepted accounting principles in the United States.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 2, 2007 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 grants. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The accompanying Required Supplementary Information, such as Management's Discussion and Analysis, budgetary comparison information and other information, is not a required part of the basic financial statements but is supplementary information required by generally accepted accounting principles of the United States. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the Required Supplementary Information. However, we did not audit the information and express no opinion on it.

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Oakland

180 Grand Ave., Suite 1365
Oakland, California 94612

Orange County

9 Corporate Park, Suite 100
Irvine, California 92606

Sacramento

1 777 Campus Commons Rd., Suite 200
Sacramento, California 95825

San Diego

4858 Mercury, Suite 106
San Diego, California 92111

To the Honorable Mayor and Members of City Council
of the City of Sunnyvale
Sunnyvale, California
Page 2

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying Introductory Section, Supplementary Information, and Statistical Section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Supplementary Information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The Introductory and Statistical Sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Capricci & Carlson

Oakland, California
November 2, 2007

Management's Discussion and Analysis

***Management's Discussion and Analysis
Fiscal Year Ended June 30, 2007***

This portion of the City of Sunnyvale's annual financial report presents management's discussion and analysis of the City's financial activities and performance for the fiscal year ended June 30, 2007. The information presented here should be considered in conjunction with additional information we presented in our transmittal letter in the Introductory Section at the front of this report, and the City's financial statements, which follow.

This is the sixth year the City has prepared its annual financial report in accordance with Governmental Accounting Standards Board (GASB) Statement No. 34. As we fine-tune the implementation of those reporting requirements, we have made some reclassifications between the line items in the originally presented fiscal year 2006 information so that the comparative analysis will be more meaningful. These reclassifications did not change net assets reported in that year. In the condensed comparative statements, fiscal year 2006 numbers have been restated to reflect prior period adjustments as explained in the Notes to the Basic Financial Statements.

A. FINANCIAL HIGHLIGHTS

- At June 30, 2007, the City's net assets (excess of assets over liabilities) were \$686.7 million. Of this amount, \$184.4 million may be used to meet the City's ongoing operations.
- During the fiscal year the City's total net assets increased by \$33.7 million. The City's net expense of \$84.2 million was more than offset by general revenues, primarily taxes and investment earnings, of \$110.6 million and gain from land sale of \$7.3 million.
- At June 30, 2007, the City's governmental funds reported combined ending fund balance of \$115.9 million, an increase of \$8.4 million from the prior year. Approximately 48% of this total fund balance, \$55.3 million, all from the General Fund, was designated for the City's 20-Year Resource Allocation Plan, after all other reservations and designations of fund balances. Total General Fund balance was \$112.1 million, while total General Fund expenditures were \$113.4 million.
- The City's total liabilities decreased by \$4.6 million from the prior year. Principal repayment of bonded debt in both governmental and business-type activities amounted to \$4.2 million. The City also reported a net decrease of \$0.4 million in other long-term liabilities and refundable deposits.

B. OVERVIEW OF FINANCIAL STATEMENTS

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

Management's Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2007

B. OVERVIEW OF FINANCIAL STATEMENTS, Continued

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

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

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

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

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

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

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

Management's Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2007

B. OVERVIEW OF FINANCIAL STATEMENTS, Continued

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

Fund Financial Statements

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

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

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

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

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

The City maintains 21 individual governmental funds. Information is presented separately in the governmental fund financial statements for the following major governmental funds: General Fund, Employment Development Special Revenue Fund, Redevelopment Agency Debt Service Fund, and City Capital Projects Fund. All other funds are shown in the aggregate as other nonmajor funds.

Management's Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2007

B. OVERVIEW OF FINANCIAL STATEMENTS, Continued

Fund Financial Statements, Continued

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

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

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

Notes to the Basic Financial Statements

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

Required Supplementary Information

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

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

Management's Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2007

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Assets

Net assets may serve over time as a good indicator of the City's financial position. At the close of fiscal year 2007, assets exceeded liabilities by \$686.7 million. This is an increase of \$33.7 million from the prior year.

The following is the condensed statement of net assets for the fiscal years ended June 30, 2007 and 2006.

City of Sunnyvale
Condensed Comparative Statements of Net Assets
June 30, 2007 and 2006
(Amounts in Millions)

	Governmental Activities		Business-type Activities		Total		Total % Change
	2007	2006	2007	2006	2007	2006	
Assets:							
Current and Other Assets	\$ 302.0	\$ 269.7	\$ 6.5	\$ 8.0	\$ 308.5	\$ 277.7	11.1 %
Capital Assets, Net	395.1	397.8	106.5	105.6	501.6	503.4	(0.4)%
Total Assets	697.1	667.5	113.0	113.5	810.1	781.1	3.7 %
Liabilities:							
Noncurrent Liabilities	58.8	60.7	45.6	48.2	104.4	108.9	(4.2)%
Other Liabilities	11.5	9.1	7.5	7.3	19.0	19.1	(0.4)%
Total Liabilities	70.3	69.8	53.1	55.6	123.4	128.0	(3.6)%
Net Assets:							
Invested in Capital Assets, Net of Related Debt	358.3	359.7	64.5	61.2	422.8	420.9	0.4 %
Restricted	72.6	65.8	6.9	9.1	79.5	74.9	6.1 %
Unrestricted	195.9	169.5	(11.5)	(12.3)	184.4	157.2	17.3 %
Total Net Assets	\$ 626.8	\$ 595.0	\$ 59.9	\$ 58.0	\$ 686.7	\$ 653.0	5.2 %

Management's Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2007

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

Statement of Net Assets, Continued

At June 30, 2007, the largest portion of net assets (61%) consisted of the City's investment in capital assets net of related debt. This component portrays the total amount of funds required to acquire those assets less any related debt used for such acquisition that is still outstanding. This amount increased this year by \$1.9 million because asset additions exceeded depreciation expenses. The City uses these capital assets to provide services to citizens. The amount of net assets invested in capital assets, net of related debt, is reported as a distinct component of net assets because this amount is not available for future spending. In addition, although the City's investment in its capital assets is reported net of related debt, the resources needed to repay this debt must be provided from other sources because the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net assets (12%) represents resources that are subject to external restrictions on how they may be used. The increase in restricted net assets of \$6.8 million in governmental activities reflects the increase in operating grants and contributions while restricted net assets in business-type activities decreased by \$2.2 million due to the requisition of bond proceeds for wastewater projects.

The remaining balance of unrestricted net assets (27%) may be used to finance day-to-day-operations without constraints established by debt covenants or other legal requirements. As in the prior fiscal year, the City was able to report positive balances in all these categories for the City as a whole and for its governmental activities. The business-type activities reported deficit unrestricted net assets in both years, caused by advances from the General Fund to construct facilities and to stabilize utility rates in the long run.

Management's Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2007

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

Statement of Activities

The City's net assets increased by \$33.7 million (5.2%) from the prior year. The following is the condensed statement of activities and changes in net assets for the fiscal years ended June 30, 2007 and 2006.

City of Sunnyvale
Condensed Comparative Statements of Activities and Changes in Net Assets
June 30, 2007 and 2006
(Amounts in Millions)

	Governmental Activities		Business-Type Activities		Total		Total % Change
	2007	2006	2007	2006	2007	2006	
Revenues:							
Program Revenues:							
Charges for Services	\$ 27.4	\$ 16.6	\$ 100.6	\$ 95.0	\$ 128.0	\$ 111.6	14.7 %
Operating Grants and Contributions	17.9	21.1	-	-	17.9	21.1	(15.2)%
Capital Grants and Contributions	3.5	2.7	0.5	1.1	4.0	3.8	5.4 %
Total Program Revenues	48.8	40.4	101.1	96.1	149.9	136.5	9.8 %
General Revenues:							
Property Taxes	41.0	35.6	-	-	41.0	35.6	15.2 %
Sales and Use Taxes	30.9	28.4	-	-	30.9	28.4	8.6 %
Other Taxes	23.3	20.9	-	-	23.3	20.9	11.6 %
Investment Income	13.3	8.8	2.1	1.5	15.4	10.3	49.8 %
Other	0.0	0.1	-	-	0.0	0.1	(73.0)%
Total General Revenues	108.6	93.8	2.1	1.5	110.6	95.3	16.1 %
Total Revenues	157.4	134.2	103.2	97.6	260.6	231.8	12.4 %
Expenses							
Planning and Management	19.0	16.2	-	-	19.0	16.2	17.0 %
Public Safety	65.8	62.7	-	-	65.8	62.7	4.9 %
Community Development	20.2	20.0	-	-	20.2	20.0	1.0 %
Transportation	11.8	9.9	-	-	11.8	9.9	19.5 %
Socioeconomic	10.8	12.8	-	-	10.8	12.8	(15.4)%
Cultural	8.9	8.5	-	-	8.9	8.5	4.2 %
Environmental Management	2.0	1.6	-	-	2.0	1.6	26.7 %
Water Supply and Distribution	-	-	19.4	18.0	19.4	18.0	7.8 %
Wastewater Management	-	-	16.8	17.1	16.8	17.1	(1.8)%
Solid Waste Management	-	-	28.0	29.6	28.0	29.6	(5.4)%
SMaRT Station	-	-	19.0	19.0	19.0	19.0	-
Community Recreation	-	-	10.8	10.5	10.8	10.5	2.9 %
Interest on Long-term Debt	1.7	1.7	-	-	1.7	1.7	1.6 %
Total Expenses	140.2	133.4	94.0	94.2	234.2	227.6	2.9 %
Increase (decrease) in Net Assets							
before Transfers and Special Items	17.2	0.8	9.2	3.4	26.4	4.2	528.0 %
Transfers	7.3	7.5	(7.3)	(7.5)	-	-	-
Special Item	7.3	-	-	-	7.3	-	100.0 %
Increase (Decrease) in Net Assets	31.8	8.3	1.9	(4.1)	33.7	4.2	702.7 %
Net Assets - Beginning	595.0	586.7	58.0	62.1	653.0	648.8	0.6 %
Net Assets - Ending	\$ 626.8	\$ 595.0	\$ 59.9	\$ 58.0	\$ 686.7	\$ 653.0	5.2 %

**Management’s Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2007**

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

Governmental Activities

The City’s governmental activities increased net assets by \$31.8 million. Program revenues of \$48.8 million and general revenues of \$108.6 million were sufficient to fund total program expense and interest on long-term debt of \$140.2 million. Transfers from business-type to governmental activities amounted to \$7.3 million, primarily for services provided by the General Fund programs. The City also reported gain from sale of land for \$7.3 million to carry out the downtown redevelopment plan. Key elements of this change were as follows:

Revenue Highlights:

- Total revenues increased by \$23.2 million from the prior year.
- Property tax revenues increased by \$5.4 million or 15% in fiscal year 2007.
- Sales and use tax revenue increased by \$2.5 million or 8% from the prior year.
- Other tax revenues increased by \$2.4 million or 11% from the prior year.

	Total Other Tax Revenues		Total % Change
	2007	2006	2007-2006
Transient Occupancy Tax	\$ 6.5	\$ 5.6	15.7 %
Utility Users	6.5	6.1	6.2 %
Motor Vehicle License Fees	0.8	0.8	-
Construction & Real Property Transfer	3.1	2.6	19.8 %
Franchise Fees (based on gross receipts)	5.7	5.5	3.9 %
Business License Tax	0.7	0.3	133.3 %
Total	\$ 23.3	\$ 20.9	11.5 %

Like sales tax, transient occupancy tax experienced increases since both revenue sources are highly dependent on business related activity in the City and have shown indications of growth as economic conditions begin to improve. In addition the transit occupancy tax rate was increased as of January 1, 2007 from 8.5% to 9% as a result of voter approval in November 2005. Construction tax and real property transfer tax increased due to the increased level of residential housing activity in the City. Franchise fees slightly increased in fiscal year 2007. Business license tax revenue also increased significantly. In November 2005 Sunnyvale voters approved a gradual increase to the City’s business license tax rates to take place over a two-year period from fiscal year 2007 to fiscal year 2008.

- Charges for services increased by \$10.8 million or 65% from the previous year, due to revenue growth in permits, licenses, fines, forfeitures, service fees and development fees.
- Operating grants and contributions decreased by \$3.2 million or 15%. Intergovernmental reimbursements for WIA (Workforce Investment Act) grants, CDBG (Community Development Block Grant) and Home grants all contributed to this decline.
- Capital grants and contributions increased by \$0.8 million or 30%, primarily due to increased federal and state funding for street and park projects.

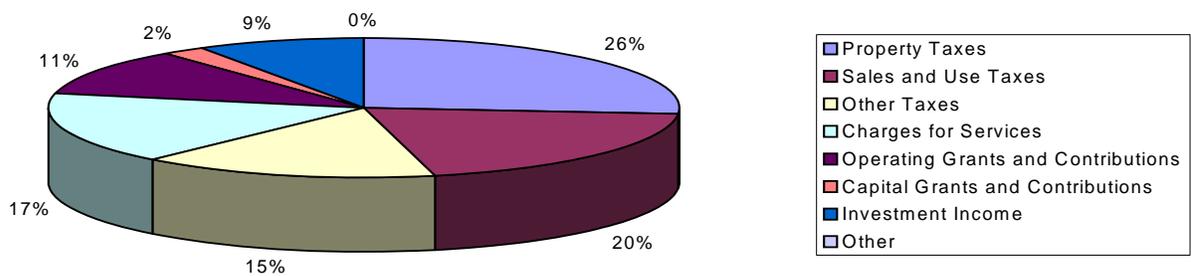
Management's Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2007

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

Governmental Activities, Continued

- GASB Statement No 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools," requires that investments be stated at fair value at the end of the fiscal year. A significant portion of the City's investment portfolio is in high-quality debt securities, sensitive to changes in interest rates. Investment earnings (a combination of interest income and change in fair value of investments) increased by \$4.5 million or 51% from the previous year. The change in fair value of investments at the end of fiscal year 2007 was an increase of \$2.9 million, compared with a negative amount of \$0.8 million at the end of fiscal year 2006. The changes in fair value of investments do not represent actual gains or losses since the City's policy is to buy and hold investments until their maturity dates. As to the realized investment income, governmental activities' share of interest earnings from the City's portfolio was \$7.2 million. This is \$0.4 million higher than the previous year, primarily due to cash inflows from revenues outpacing cash outflows for expenditures. In addition the overall rate of return on the City's portfolio was 5.067% (by using an equivalent of 365 days), an increase of 0.610% from last year.

Governmental Activities
Revenues by Source
June 30, 2007



Expense Highlights:

Total expenses for governmental activities were \$140.2 million. This was higher than last year by \$6.8 million. Expenses on planning and management, transportation, cultural programs, and environmental management increased by \$5.8 million, primarily due to the rising costs of labor and purchased goods and services. The increase of \$3.1 million in public safety programs was for police recruitment and training expenses. Expenses on socioeconomic programs decreased by \$2.1 million to match reduced funding sources.

Management's Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2007

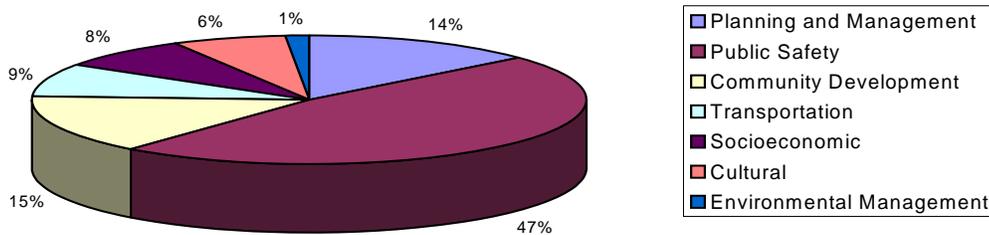
C. GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

Governmental Activities, Continued

Program revenues offset total expenses as follows:

- Those who directly benefited from programs contributed \$27.4 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 \$17.9 million.
- A total of \$3.5 million in capital projects was funded by outside agencies through capital grants and contributions.

Governmental Activities
Expenses by Function/Program
June 30, 2007



Functional expenses for the years ended June 30, 2007 and 2006 were as follows (amount in millions):

	Total Cost of Services		Percentage Change	Net Cost of Services		Percentage Change
	2007	2006	2006-2007	2007	2006	2006-2007
Planning and Management	\$ 19.0	\$ 16.2	17.2 %	\$ 18.3	\$ 15.6	17.3 %
Public Safety	65.8	62.7	4.9 %	60.1	58.6	2.5 %
Community Development	20.2	20.0	1.0 %	(1.5)	5.4	(126.8)%
Transportation	11.8	9.9	19.7 %	3.2	3.0	6.6 %
Socioeconomic	10.8	12.8	(15.6)%	(0.0)	0.1	(123.7)%
Cultural	8.9	8.5	4.3 %	8.3	7.8	6.4 %
Environmental Management	2.0	1.6	27.0 %	1.2	0.8	59.8 %
Total	\$ 138.5	\$ 131.7	5.2 %	\$ 89.7	\$ 91.4	(1.9)%

**Management’s Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2007**

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

Business Type Activities

The City’s business-type activities increased net assets by \$1.9 million. Key elements of this increase were as follows:

Revenue Highlights:

- Total revenues in business-type activities increased from last year by \$5.6 million, primarily in charges for services. Investment earnings (a combination of interest income and change in fair value of investments) increased by \$0.6 million. Infrastructure assets contributed by developers amounted to \$0.5 million, which was \$0.6 million less than last year.

Expense Highlights:

- Total expenses in business-type activities decreased from last fiscal year by \$0.2 million. Expenses in Solid Waste Management decreased by \$1.6 million and Wastewater Management decreased by \$0.3 million. Those decreases were offset by increased expenses of \$1.4 million in Water Supply and Distribution and of \$0.3 million in Community Recreation.

**Business-Type Activities
Program Revenues and Expenses
June 30, 2007**



Management's Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2007

D. FUND FINANCIAL STATEMENT ANALYSIS

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

Governmental Funds

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

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

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

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

At the end of fiscal year 2007, the City's governmental funds reported combined ending fund balances of \$115.9 million, an increase of \$8.4 million compared to fiscal year 2006. Of the ending fund balances, \$63 million is reserved to indicate that it is not available for appropriation because it has already been committed for various purposes (see Note 12 in the Basic Financial Statements). The remaining \$52.9 million constitutes unreserved fund balance, which is available for spending at the government's discretion. The City designates all its unreserved fund balance for future expenditures.

Management's Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2007

D. FUND FINANCIAL STATEMENT ANALYSIS, Continued

Governmental Funds, Continued

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

General Fund

The General Fund is the chief operating fund of the City. At the end of fiscal year 2007, total fund balance was \$112.1 million, of which \$79 million was unreserved. The unreserved fund balance has been designated as follows: \$0.4 million for the change in fair value of investments, \$22.1 million for contingencies, \$1.2 million for capital projects, and \$55.3 million for the 20-year Resource Allocation Plan to maintain and levelize services in the 20-year financial plan. Given the significant budget challenges that the City faces in the near future, it is expected that these 20-year Resource Allocation Plan funds will be drawn down to maintain existing City services in the next few years.

As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total expenditures. At June 30, 2007, unreserved fund balance was 70% of total General Fund expenditures while total fund balance was 99% of total expenditures.

The fund balance of the General Fund was \$3.5 million higher than last year. The major contributing factor was proceeds of \$3.5 million from sale of City land for downtown redevelopment. The proceeds have been reserved for capital improvement projects in the future. General Fund expenditures exceeded revenues by \$1.4 million. Transfers from other City funds exceeded transfers to other funds by \$1.4 million. Revenues of \$112 million were \$14.2 million higher and expenditures of \$113.4 million were \$9.3 million higher than those of the previous year.

Employment Development Special Revenue Fund

The Employment Development Special Revenue Fund showed no significant change in fund balance. Since this Fund is highly dependent on federal and state job training grants for revenues, expenditures were kept within the amount of expected revenues. During the year revenues decreased by \$1.7 million, which was matched with equally reduced expenditures and transfers out to other funds.

Redevelopment Agency Debt Service Fund

The Redevelopment Agency Debt Service Fund experienced a decrease in fund balance by \$1.7 million in this fiscal year. These decreases were primarily due to interest accrued on outstanding loans owed to the City General Fund.

City Projects Capital Project Fund

The City Projects Capital Project Fund showed an increase in fund balance by \$1.5 million, primarily due to increased revenue from transportation impact fees.

Management's Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2007

D. FUND FINANCIAL STATEMENT ANALYSIS, Continued

Proprietary Funds

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

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

Water Supply and Distribution Enterprise Fund

The Water Supply and Distribution Enterprise Fund's net assets showed an increase of \$1.7 million. The Fund's net income before contributions and transfers was \$4.3 million. Non-cash capital contributions were \$0.3 million. Approximately \$2.9 million was transferred out to other funds.

Wastewater Management Enterprise Fund

The Wastewater Management Enterprise Fund's net assets grew by \$0.6 million. The Fund's net income before contributions and transfers was \$4.8 million. Non-cash capital contributions were \$0.6 million. Approximately \$4.8 million was transferred out to other funds.

Solid Waste Management Enterprise Fund

The Solid Waste Management Enterprise Fund's net assets decreased by \$1.7 million. The Fund's net income before transfers was \$2.2 million. Approximately \$3.8 million was transferred out to other funds, primarily for General Fund in-lieu programs and for SMaRT Station Enterprise Fund's debt service. This Fund had deficit net assets of \$23.8 million, mainly caused by advances from the General Fund. At year end the balance of the General Fund advances was \$25 million. The deficit is expected to be funded by charges for services.

SMaRT Station Enterprise Fund

The SMaRT Station Enterprise Fund's net assets grew by \$1.6 million. The Fund's net income before transfers was \$0.6 million. Approximately \$1 million was transferred from the Solid Waste Management Enterprise Fund for debt service.

Community Recreation Enterprise Fund

The Community Recreation Enterprise Fund's net assets showed a decrease of \$0.3 million. The Fund's operating loss of \$3.2 million and transfers-out for in-lieu charges of \$1.3 million were not fully offset by subsidies of \$4.2 million from the General Fund and the Permanent Funds (nonmajor governmental funds).

Management's Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2007

E. GENERAL FUND BUDGETARY HIGHLIGHTS

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

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

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

Differences between the original and the final amended budget are due primarily to the reappropriation of funds for capital projects outstanding at June 30, 2006. Final appropriations for fiscal year 2007 were \$125.7 million, an increase of \$5.5 million from the original appropriations of \$120.2 million. Carryover appropriations of \$1.7 million and various new unanticipated expenditures of \$3.8 million were appropriated throughout the fiscal year. Funding sources included grant revenues and General Fund reserves.

Actual charges to appropriations (outflows) for the fiscal year were \$2.3 million over the original budget and \$3.1 million under the amended budget. Most of the unspent funds will be reappropriated in the carryover process for fiscal year 2008.

Resources (inflows) available for appropriations were \$16.1 million over the original budget and \$3.6 million over the final budgeted amounts. During the fiscal year 2007 budget process, revenues were analyzed and amended to more appropriately reflect the actual trends based upon year-to-date information.

Management's Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2007

F. CAPITAL ASSETS AND LONG-TERM OBLIGATIONS

Capital Assets Including Infrastructure

Capital assets including infrastructure assets of the City are those assets that are used in the performance of the City's functions. At June 30, 2007, net capital assets of the governmental activities totaled \$395.1 million and the net capital assets of the business-type activities totaled \$106.5 million, including depreciation on capital assets, which is recognized in the government-wide financial statements.

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

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

The City Policy is to achieve an average Pavement Condition Index (PCI) rating of 75 for all streets. This rating represents a "Very Good" condition based on a national measurement scale. The average rating for City's streets, based on the most recent study conducted in fiscal year 2007, was 76.

The City's streets are constantly deteriorating as a result of the following four factors: (1) traffic using the streets; (2) the sun's ultra-violet rays drying out and breaking down the top layer of pavement; (3) utility company/private development interests trenching operations; and (4) water damage from natural precipitation and other urban runoff. The City is continuously taking actions to arrest the deterioration through short-term maintenance activities such as pothole patching, street sweeping, and sidewalk repair. The City's budget for street maintenance for the fiscal year ended June 30, 2007 was \$2.9 million. Actual expenditures were \$2.7 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, 2007

F. CAPITAL ASSETS AND LONG-TERM OBLIGATIONS, Continued

Capital Assets including Infrastructure, Continued

The following is a summary of the City's capital assets as of June 30, 2007.

Description	Cost	Accumulated Depreciation	Carrying Value
Capital Assets - Governmental Activities:			
Land	\$ 104.0	\$ -	\$ 104.0
Buildings and Structures	88.9	35.9	53.1
Improvements Other than Buildings	58.0	21.6	36.5
Machinery and Equipment	33.8	21.0	12.8
Construction in Progress	4.3	-	4.3
Infrastructure:			
Nondepreciable	158.9	-	158.9
Depreciable	74.1	48.4	25.6
Total	\$ 521.9	\$ 126.8	\$ 395.1
Capital Assets - Business-Type Activities:			
Land	\$ 16.3	\$ -	\$ 16.3
Buildings and Structures	22.2	20.2	2.1
Improvements Other than Buildings	34.5	14.2	20.3
Machinery and Equipment	0.8	0.6	0.3
Construction in Progress	2.7	-	2.7
Infrastructure - Depreciable	113.8	49.0	64.9
Total	\$ 190.4	\$ 83.9	\$ 106.5

During this year, developers and other governmental agencies contributed capital assets (streets, traffic signals, and equipment) with fair market value of \$0.9 million to governmental activities. Developers also contributed infrastructure assets of \$0.3 million and \$0.2 million to the Water Supply and Distribution Fund and Wastewater Management Fund respectively. Additionally capital assets with carrying value of \$0.4 million were transferred from governmental activities to business-type activities.

Other additions and deletions of capital assets in both governmental and business-type activities were routine replacements of current capital assets. Major projects completed during the year included Refurbishment of Water Tanks at Wright Avenue, Library Heating Ventilating and Air Conditioning System Replacement, Payroll System Upgrade, Mary Avenue Rehabilitation, and Borregas Avenue Sewer Rehabilitation. Other major projects in process at year end included Replacement of Digester Lids at the Water Pollution Control Plant and Frances Street Corridor Improvements.

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

**Management’s Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2007**

F. CAPITAL ASSETS AND LONG-TERM OBLIGATIONS, Continued

Long-Term Obligations

As of June 30, 2007, the City had outstanding debt issues as listed below. Not included in the following table are the Community Facilities District No.1 Special Tax Bonds, which are backed by property tax levies against property owners, and the Housing Revenue Bonds, which are secured by a deed of trust on the property. The City is not obligated in any manner for these bonds. Each of the City’s other bonds are backed by certain specific revenues or General Fund lease payments. Most of the bonds are insured. The City’s long-term obligations for the fiscal years 2007 and 2006 were as follows:

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Tax Allocation Refunding Bonds	\$ 7.0	\$ 7.4	\$ -	\$ -	\$ 7.0	\$ 7.4
Certificates of Participation	31.0	32.3	-	-	31.0	32.3
Revenue Bonds	-	-	41.9	44.4	41.9	44.4
Total Bonded Debt	\$ 38.0	\$ 39.7	\$ 41.9	\$ 44.4	\$ 79.9	\$ 84.1

In fiscal year 2007, total bonded debt decreased by \$4.2 million through principal retirement.

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

G. ECONOMIC FACTORS AND NEXT YEAR’S BUDGET

After the significant downturn in the overall economy since fiscal year 2002, Sunnyvale’s economy continues to steadily recover. A declining unemployment rate, combined with an expanding labor force, indicate that the City’s economy continued to strengthen. In addition, the continued growth in the City’s housing market and increased business investment provided further evidence of economic growth. However, national economic factors are expected to slow the City’s economic growth rate. Record high fuel prices in the Bay Area and nationwide are expected to slow consumer spending as households adjust to the increases. In addition, recent changes in the mortgage market may affect consumers’ willingness to purchase “big ticket” items. Continued unrest in the world’s major oil markets and the sharp rise in energy prices will continue to negatively affect consumers’ purchasing power and raise business costs.

***Management's Discussion and Analysis, Concluded
Fiscal Year Ended June 30, 2007***

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

The City has returned to long term financial stability during this past year, due to a number of strategic actions taken over the last several years to manage our resources and the continued expansion of our economic base.

In addition to the cost saving strategies that were implemented beginning in fiscal year 2005 to address the structural gap that developed due to the economic downturn, Council successfully pursued two tax increases. In November 2005, Sunnyvale voters approved increases to the City's Transient Occupancy Tax and Business License Tax rates, which were lower than those of most of our surrounding communities. These two revenue increases provided additional resources to address our ongoing fiscal challenges.

As a result of these efforts and the improving economic climate, the fiscal year 2008 Budget reflects a sustainable state in service delivery. While there is always more that is desired or can be done, staff is pleased that the important priority services are being delivered, and delivered well, to the community.

The fiscal year 2008 Long Term Financial Plan is balanced over the full twenty years. The Service Level Set-Aside has been funded at approximately \$500,000 and the Capital Improvement Project Reserve has been increased substantially. Revitalization of the City's Downtown is underway, and the adopted fiscal year 2008 Budget includes \$6.5 million in capital projects to enhance and support this effort, with an additional \$7.6 million in fiscal year 2009.

In spite of this greatly improved economic picture, Sunnyvale does face a number of challenges to its long term financial stability in the upcoming years. These include: Library facilities and programming needs; the need for Civic Center replacement or renovation and other unfunded capital projects; a continued structural imbalance in the Community Recreation Fund; and rising employee costs and the need to invest in our workforce.

H. REQUEST FOR INFORMATION

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

Government-Wide Financial Statements



**Statement of Net Assets
June 30, 2007**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and Investments Held by City (Note 2)	\$ 160,661,287	\$ 31,296,576	\$ 191,957,863
Receivables, Net (Note 3)	12,611,403	10,988,208	23,599,611
Inventories and Prepayments	1,907,588	178,591	2,086,179
Assets Held for Resale	1,381,077	-	1,381,077
Other Long-term Receivables (Note 3)	2,510,617	-	2,510,617
Long-term Internal Balances	43,643,200	(43,643,200)	-
Deferred Charges (Note 7)	489,426	609,735	1,099,161
Restricted Assets:			
Cash and Investments Held by City (Note 2)	41,830,946	-	41,830,946
Cash and Investments Held by Fiscal Agent (Note 2)	3,682,824	6,682,674	10,365,498
Receivables, Net (Note 3)	5,569,825	8,623	5,578,448
Intergovernmental Receivables (Note 3)	2,886,501	424,908	3,311,409
Housing Loans Receivable, Net (Note 3)	24,842,369	-	24,842,369
Capital Assets (Note 6):			
Land and Nondepreciable Assets	267,153,728	19,001,526	286,155,254
Depreciable Assets, Net	127,953,017	87,475,893	215,428,910
Total Assets	697,123,808	113,023,534	810,147,342
Liabilities:			
Wages Payable	3,305,438	-	3,305,438
Accounts Payable and Accrued Liabilities	5,936,063	6,453,418	12,389,481
Refundable Deposits	1,313,404	500,830	1,814,234
Interest Payable	302,711	517,684	820,395
Unearned Revenues (Note 4)	688,220	-	688,220
Noncurrent Liabilities (Note 7):			
Due Within One Year	11,016,954	2,535,000	13,551,954
Due in More than One Year	47,744,781	43,154,302	90,899,083
Total Liabilities	70,307,571	53,161,234	123,468,805
Net Assets (Note 12):			
Invested in Capital Assets, Net of Related Debt	358,287,014	64,545,836	422,832,850
Restricted for:			
Capital Projects	12,312,773	2,327,709	14,640,482
Debt Service	3,646,848	4,557,904	8,204,752
Specific Projects and Programs:			
Nonexpendable	1,397,839	-	1,397,839
Expendable	55,229,480	-	55,229,480
Total Restricted Net Assets	72,586,940	6,885,613	79,472,553
Unrestricted Net Assets (Deficit)	195,942,283	(11,569,149)	184,373,134
Total Net Assets	\$ 626,816,237	\$ 59,862,300	\$ 686,678,537

See Accompanying Notes to Basic Financial Statements

**Statement of Activities and Changes in Net Assets
Year Ended June 30, 2007**

<u>Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary Government:				
Governmental Activities:				
Planning and Management	\$ 18,956,596	\$ 396,752	\$ 241,255	\$ -
Public Safety	65,767,604	3,011,034	2,307,441	398,309
Community Development	20,197,905	20,177,244	1,260,351	224,073
Transportation	11,832,286	2,184,672	3,525,653	2,882,744
Socioeconomic	10,833,295	526,442	10,330,350	-
Cultural	8,857,859	332,148	233,705	-
Environmental Management	2,026,887	794,498	-	-
Interest on Long-term Debt	1,726,988	-	-	-
Total Governmental Activities	140,199,420	27,422,790	17,898,755	3,505,126
Business-Type Activities:				
Water Supply and Distribution	19,410,367	23,244,261	-	301,500
Wastewater Management	16,781,535	20,594,174	-	187,300
Solid Waste Management	28,008,268	29,980,395	-	-
SMaRT Station	18,966,001	19,186,783	-	-
Community Recreation	10,761,247	7,548,244	-	-
Total Business-Type Activities	93,927,418	100,553,857	-	488,800
Total Primary Government	\$ 234,126,838	\$ 127,976,647	\$ 17,898,755	\$ 3,993,926

General Revenues:

Taxes:

- Property Taxes
- Sales and Use Taxes
- Motor Vehicle License Fees - Unrestricted
- Franchise Fees, Unrestricted
- Utilities Users Taxes
- Transient Occupancy Taxes
- Real Property Transfer Taxes
- Construction Taxes
- Business License Taxes

Total Taxes

Investment Earnings - Unrestricted (Note 2)

Miscellaneous

Special Item - Gain on Sale of Land (Note 6)

Transfers (Note 11)

Total General Revenues, Special Items, and Transfers

Change in Net Assets

Net Assets - Beginning of Year

Net Assets - End of Year

See Accompanying Notes to Basic Financial Statements



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

Total	Governmental Activities	Business-Type Activities	Total
\$ 638,007	\$ (18,318,589)	\$ -	\$ (18,318,589)
5,716,784	(60,050,820)	-	(60,050,820)
21,661,668	1,463,763	-	1,463,763
8,593,069	(3,239,217)	-	(3,239,217)
10,856,792	23,497	-	23,497
565,853	(8,292,006)	-	(8,292,006)
794,498	(1,232,389)	-	(1,232,389)
-	(1,726,988)	-	(1,726,988)
<u>48,826,671</u>	<u>(91,372,749)</u>	<u>-</u>	<u>(91,372,749)</u>
23,545,761	-	4,135,394	4,135,394
20,781,474	-	3,999,939	3,999,939
29,980,395	-	1,972,127	1,972,127
19,186,783	-	220,782	220,782
7,548,244	-	(3,213,003)	(3,213,003)
<u>101,042,657</u>	<u>-</u>	<u>7,115,239</u>	<u>7,115,239</u>
<u>\$ 149,869,328</u>	<u>(91,372,749)</u>	<u>7,115,239</u>	<u>(84,257,510)</u>
	41,017,611	-	41,017,611
	30,852,313	-	30,852,313
	849,537	-	849,537
	5,713,842	-	5,713,842
	6,479,038	-	6,479,038
	6,479,842	-	6,479,842
	1,216,368	-	1,216,368
	1,899,113	-	1,899,113
	686,604	-	686,604
	95,194,268	-	95,194,268
	13,348,330	2,077,422	15,425,752
	26,956	-	26,956
	7,337,360	-	7,337,360
	7,307,671	(7,307,671)	-
	<u>123,214,585</u>	<u>(5,230,249)</u>	<u>117,984,336</u>
	31,841,836	1,884,990	33,726,826
	594,974,401	57,977,310	652,951,711
	<u>\$ 626,816,237</u>	<u>\$ 59,862,300</u>	<u>\$ 686,678,537</u>



Governmental Fund Financial Statements

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

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

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

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

CITY OF SUNNYVALE

**Balance Sheet
Governmental Funds
June 30, 2007**

	Major Funds		
	General Fund	Employment Development	Redevelopment Debt Service
Assets:			
Cash and Investments Held by City (Note 2)	\$ 75,168,565	\$ 9,291	\$ -
Cash and Investments Held by Fiscal Agent (Note 2)	-	-	1,929,203
Receivables, Net (Note 3)	16,715,946	240,282	13,499
Intergovernmental Receivables (Note 3)	727,534	463,112	-
Due From Other Funds (Note 5)	98,076	-	-
Advances to Other Funds (Note 5)	102,963,971	-	-
Inventories and Prepayments	437,751	3,810	-
Other Long-term Receivables (Note 3)	3,431,337	-	-
Housing Loans Receivable (Note 3)	-	-	-
Assets Held for Resale	1,101,077	-	-
Total Assets	\$ 200,644,257	\$ 716,495	\$ 1,942,702
Liabilities and Fund Balances:			
Liabilities:			
Accounts Payable and Accrued Liabilities	2,508,769	421,490	-
Refundable Deposits	1,290,228	-	-
Due to Other Funds (Note 5)	-	-	-
Advances from Other Funds (Note 5)	-	-	56,567,030
Deferred Revenues (Note 4)	84,758,117	69,990	-
Total Liabilities	88,557,114	491,480	56,567,030
Fund Balances (Note 12):			
Reserved:			
Housing Mitigation	-	-	-
Housing Revolving Fund	-	-	-
Park Dedication	-	-	-
Public Safety	-	-	-
Low and Moderate Housing	-	-	-
Restricted Donations	-	221,205	-
Advances to Other Funds Net of Deferred Revenue	25,044,038	-	-
Long-term Receivables Net of Deferred Revenue	2,437,329	-	-
Inventories and Prepayments	437,751	3,810	-
Assets Held for Resale	1,101,077	-	-
Capital Improvement Projects	4,033,130	-	-
Debt Service	-	-	1,942,702
Total Reserved	33,053,325	225,015	1,942,702
Unreserved, Designated for, Reported in:			
Unrealized Gains	428,531	-	-
Contingencies	22,144,133	-	-
Current Capital and Special Projects	1,157,229	-	-
20-Year Resource Allocation Plan	55,303,925	-	-
Special Revenue Funds	-	-	-
Capital Projects Funds	-	-	-
Total Unreserved, Designated	79,033,818	-	-
Unreserved, Undesignated for, Reported in:			
Major Funds	-	-	(56,567,030)
Special Revenue Funds	-	-	-
Total Fund Balances	112,087,143	225,015	(54,624,328)
Total Liabilities and Fund Balances	\$ 200,644,257	\$ 716,495	\$ 1,942,702

See Accompanying Notes to Basic Financial Statements

Major Funds City Projects	Other Governmental Funds	Total Governmental Funds
\$ 10,655,002	\$ 45,617,690	\$ 131,450,548
-	1,753,621	3,682,824
92,498	430,305	17,492,530
757,233	938,622	2,886,501
108,301	8,000,176	8,206,553
-	-	102,963,971
-	-	441,561
-	-	3,431,337
-	25,355,390	25,355,390
-	280,000	1,381,077
<u>\$ 11,613,034</u>	<u>\$ 82,375,804</u>	<u>\$ 297,292,292</u>
344,033	1,403,239	4,677,531
-	3,450	1,293,678
-	8,108,477	8,108,477
-	-	56,567,030
443,382	25,504,318	110,775,807
<u>787,415</u>	<u>35,019,484</u>	<u>181,422,523</u>
-	8,793,454	8,793,454
-	1,202,791	1,202,791
-	5,373,716	5,373,716
-	1,343,462	1,343,462
-	8,000,176	8,000,176
-	1,397,839	1,619,044
-	-	25,044,038
-	-	2,437,329
-	-	441,561
-	-	1,101,077
-	-	4,033,130
-	1,704,147	3,646,849
<u>-</u>	<u>27,815,585</u>	<u>63,036,627</u>
348,088	-	776,619
-	-	22,144,133
10,477,531	-	11,634,760
-	-	55,303,925
-	11,655,712	11,655,712
-	15,890,719	15,890,719
<u>10,825,619</u>	<u>27,546,431</u>	<u>117,405,868</u>
-	-	(56,567,030)
-	(8,005,696)	(8,005,696)
<u>10,825,619</u>	<u>47,356,320</u>	<u>115,869,769</u>
<u>\$ 11,613,034</u>	<u>\$ 82,375,804</u>	<u>\$ 297,292,292</u>



CITY OF SUNNYVALE

**Reconciliation of the Governmental Funds Balance Sheet
to the Government-Wide Statement of Net Assets
June 30, 2007**

Total Fund Balances - Total Governmental Funds	\$ 115,869,769
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used to support governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet. Internal service funds report capital assets. This amount represents, at June 30, 2007, capital assets used by governmental activities excluding \$11,349,683 of capital assets used by internal service funds.	383,757,062
Notes receivable and accrued interest receivable from sale of City land.	4,921,111
Interest payable on long-term debt does not require current financial resources. Therefore, interest payable is not reported as a liability in governmental funds balance sheet.	(302,711)
Interest earned, not available, from interfund advances to business-type activities is reported as deferred revenues in the governmental funds statements. This amount represents cumulative interest accrued and deferred.	27,403,079
Interest earned, not available, from General Fund advances to Redevelopment Agency and Internal Service Funds is reported as deferred revenues in the General Fund and as interest charges in the borrower fund statements. These amounts are consolidated in the government-wide financial statements. This amount represents cumulative interest accrued and deferred.	50,516,854
Interest earned on employee loans, not available, is reported as deferred revenues in the fund statements. This amount increases the net assets in the governmental activities.	73,288
Eligible expenditures to be reimbursed by grants, not in time to become available for the reporting year, were reported as deferred revenues in the fund financial statements.	663,264
Receivables from long-term housing loans are offset by deferred revenues in the fund statements. That amount is adjusted by allowance for uncollectible accounts.	24,842,369
Miscellaneous reimbursements earned but not available are not current financial resources.	57,596
Long-term receivables from capital special assessments are not current financial resources and are offset by deferred revenues in the fund statements. In the government-wide statements, revenues are recognized when the capital improvement is completed.	176,287
Internal Service Funds are used by management to charge the costs of certain activities, such as insurance and fleet management, to individual funds. The assets and liabilities of the Internal Service Funds are included in governmental activities in the government-wide statement of net assets.	56,515,306
Long-term liabilities of governmental activities are not reported as fund liabilities. These liabilities are reported in the government-wide statement of net assets.	
Bonds payable, par	(38,150,000)
Unamortized discount on bonds	55,269
Deferred charges on bonds	489,426
Rebatable arbitrage does not require the use of current financial resources and is not reported as an expenditure in governmental funds until due and payable to the federal government. The liability is accrued in the government-wide statements as soon as rebatable arbitrage is incurred.	(71,732)
Net Assets of Governmental Activities	\$ 626,816,237

See Accompanying Notes to Basic Financial Statements

CITY OF SUNNYVALE

**Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2007**

	Major Funds		
	General Fund	Employment Development	Redevelopment Debt Service
Revenues:			
Property Taxes	\$ 35,815,933	\$ -	\$ -
Sales and Use Taxes	32,053,295	-	-
Other Taxes	16,760,965	-	-
Franchise Fees	5,713,842	-	-
Intergovernmental Revenues	2,513,070	9,961,237	-
Permits and Licenses	7,041,600	-	-
Fines and Forfeitures	1,369,748	-	-
Special Assessments	65,983	-	-
Service Fees	4,758,879	14,132	-
Rents and Concessions	1,987,953	40,651	-
Investment Earnings	3,644,479	-	106,746
Other Revenues	300,918	330,481	-
Total Revenues	112,026,665	10,346,501	106,746
Expenditures:			
Current:			
Planning and Management	16,905,866	-	-
Public Safety	65,944,975	-	-
Community Development	16,732,129	-	-
Transportation	3,991,367	-	-
Socioeconomic	320,184	9,682,164	-
Cultural	7,578,359	-	-
Environmental Management	1,747,197	-	-
Capital Outlay	186,671	-	-
Debt Service:			
Principal Retirement	-	-	885,000
Interest	-	-	5,342,374
Fiscal Charges	-	-	11,563
Total Expenditures	113,406,748	9,682,164	6,238,937
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,380,083)	664,337	(6,132,191)
Other Financing Sources (Uses):			
Transfers In (Note 11)	9,762,319	-	4,400,761
Transfers Out (Note 11)	(8,356,344)	(631,560)	-
Total Other Financing Sources (Uses)	1,405,975	(631,560)	4,400,761
Special Item			
Proceeds from Sale of Land (Note 6)	3,483,130	-	-
Net Change in Fund Balances	3,509,022	32,777	(1,731,430)
Fund Balances - Beginning of Year	108,578,121	192,238	(52,892,898)
Fund Balances - End of Year	\$ 112,087,143	\$ 225,015	\$ (54,624,328)

See Accompanying Notes to Basic Financial Statements

<u>Major Funds City Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ 4,991,612	\$ 40,807,545
-	-	32,053,295
-	-	16,760,965
-	-	5,713,842
1,618,966	5,484,002	19,577,275
-	-	7,041,600
-	24,491	1,394,239
-	-	65,983
2,044,863	8,802,808	15,620,682
-	121,098	2,149,702
526,599	2,155,323	6,433,147
92,852	717,418	1,441,669
<u>4,283,280</u>	<u>22,296,752</u>	<u>149,059,944</u>
-	346,174	17,252,040
-	401,218	66,346,193
-	5,512,506	22,244,635
78,135	3,239,776	7,309,278
-	650,371	10,652,719
-	245,708	7,824,067
-	-	1,747,197
3,434,416	1,927,008	5,548,095
-	755,000	1,640,000
-	667,836	6,010,210
-	54,109	65,672
<u>3,512,551</u>	<u>13,799,706</u>	<u>146,640,106</u>
770,729	8,497,046	2,419,838
1,008,695	3,982,245	19,154,020
<u>(298,509)</u>	<u>(7,328,607)</u>	<u>(16,615,020)</u>
<u>710,186</u>	<u>(3,346,362)</u>	<u>2,539,000</u>
-	-	3,483,130
1,480,915	5,150,684	8,441,968
<u>9,344,704</u>	<u>42,205,636</u>	<u>107,427,801</u>
<u>\$ 10,825,619</u>	<u>\$ 47,356,320</u>	<u>\$ 115,869,769</u>

CITY OF SUNNYVALE**Reconciliation of the Governmental Funds Statement of Revenues, Expenditures,
and Changes in Fund Balances to the Government-Wide Statement of Activities and Changes in Net Assets
Year Ended June 30, 2007**

Net Change in Fund Balances - Total Governmental Funds	\$ 8,441,968
Amounts reported for governmental activities in the statement of activities and changes in net assets are different because:	
Governmental funds report capital outlay as expenditures. In the statement of activities and changes in net assets, the cost of the assets is allocated over their estimated useful lives as depreciation expense.	
Capital asset additions recorded in the current period - governmental activities	3,210,564
Depreciation recorded in the current period - governmental activities	(6,275,452)
Private contributions of capital assets are not recorded in the governmental funds.	855,409
Capital assets transferred to business-type activities is not recorded in the governmental funds.	(446,249)
Net book value of capital assets deleted is not recorded in the government funds.	(243)
Revenue from sale of land is recognized to the extent of payments received in the governmental funds. This amount represents the remaining balance due as per the note receivable and accrued interest, reduced by original cost of land.	4,075,341
Timing difference in revenue recognition: Certain earned yet not available revenues are deferred in the fund financials but are recognized as revenues in the government-wide financial statements.	
Interfund interest revenues - advances to business-type activities	2,960,950
Interest accrued on long-term housing and directors' loan receivables	683,415
Reimbursable costs incurred on abandoned vehicles	52,564
Reimbursable costs incurred due to State mandates	(15,721)
Conway assessment installments received	(53,857)
Shimada use of City property	(10,385)
Housing loans disbursed are recorded as expenditures in the fund financial statements. They are reclassified as receivables in the government-wide financial statements. This number is adjusted by allowance for uncollectible accounts.	3,358,213
Housing loans repaid, recorded as revenues in the fund financial statements, are reclassified as receivables in the Government-Wide financial statements.	(395,415)
Interfund advances interest charged on the borrower governmental funds with deferred revenues recorded in the General Fund is consolidated in the government-wide statements.	4,621,342
Revenues recognized in the government-wide statement of activities and changes in net assets in prior fiscal years became available in current fiscal year.	(355,789)
Grant revenues earned but were not available.	663,264
Repayment of principal of long-term debt has no effect on the government-wide statement of activities and changes in net assets.	1,640,000
Governmental funds record the effect of issuance costs, premiums, discounts, and similar items when debt is first issued. These amounts are deferred and amortized in the government-wide statement of activities and changes in net assets.	(36,082)
Increase in rebatable arbitrage liability that does not require current financial resources is not reported as expenditures in the fund financial statements	(36,699)
This amount represents the change in accrued interest on bonds payable from prior year.	16,467
Internal Service Funds are used by management to charge the costs of certain activities, such as insurance and fleet management, to individual funds. The net revenue of the Internal Service Funds is reported with governmental activities.	8,888,231
Change in Net Assets of Governmental Activities	\$ 31,841,836

See Accompanying Notes to Basic Financial Statements

Proprietary Fund Financial Statements

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

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

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

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

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

CITY OF SUNNYVALE

**Statement of Net Assets
Proprietary Funds
June 30, 2007**

	Major Enterprise Funds		
	Water Supply and Distribution	Wastewater Management	Solid Waste Management
Assets:			
Current Assets			
Cash and Investments Held by City (Note 2)	\$ 6,769,953	\$ 14,093,254	\$ 1,547,321
Cash and Investments Held by Fiscal Agent (Note 2)	978,939	3,756,908	-
Receivables, Net (Note 3)	4,154,395	2,777,482	3,911,256
Intergovernmental Receivables (Note 3)	-	10,948	46,984
Inventories and Prepayments	-	4,980	-
Total Current Assets	<u>11,903,287</u>	<u>20,643,572</u>	<u>5,505,561</u>
Noncurrent Assets			
Deferred Charges (Note 7)	-	-	-
Capital Assets (Note 6):			
Land & Nondepreciable Assets	2,219,948	7,097,974	-
Depreciable Assets, Net	34,877,244	30,984,759	1,139,752
Total Noncurrent Assets	<u>37,097,192</u>	<u>38,082,733</u>	<u>1,139,752</u>
Total Assets	<u>49,000,479</u>	<u>58,726,305</u>	<u>6,645,313</u>
Liabilities:			
Current Liabilities			
Wages Payable	-	-	-
Accounts Payable and Accrued Liabilities	1,700,363	973,155	1,501,023
Due to Other Funds	-	-	-
Advances from Other Funds (Note 5)	351,700	311,345	750,000
Refundable Deposits	142,213	70,622	233,846
Interest Payable	134,396	183,990	-
Claims and Judgments Payable - Due Within One Year (Note 7)	-	-	-
Compensated Absences Payable - Due Within One Year (Note 7)	-	-	-
Long-term Debt - Due Within One Year (Note 7)	578,301	791,699	-
Total Current Liabilities	<u>2,906,973</u>	<u>2,330,811</u>	<u>2,484,869</u>
Noncurrent Liabilities			
Advances from Other Funds (Note 5)	1,832,284	16,174,388	24,223,483
Claims and Judgments Payable - Due in More than One Year (Note 7)	-	-	-
Compensated Absences Payable - Due in More than One Year (Note 7)	-	-	-
Landfill Closure and Postclosure Costs (Note 7)	-	-	3,757,719
Long-term Debt - Due in More than One Year (Note 7)	7,408,120	17,004,584	-
Total Noncurrent Liabilities	<u>9,240,404</u>	<u>33,178,972</u>	<u>27,981,202</u>
Total Liabilities	<u>12,147,377</u>	<u>35,509,783</u>	<u>30,466,071</u>
Net Assets (Note 12):			
Invested in Capital Assets, Net of Related Debt	29,110,771	20,286,450	1,139,752
Restricted for Debt Service	1,102,874	1,509,846	-
Restricted for Capital and Special Projects	-	2,327,709	-
Unrestricted	6,639,457	(907,483)	(24,960,510)
Total Net Assets	<u>\$ 36,853,102</u>	<u>\$ 23,216,522</u>	<u>\$ (23,820,758)</u>

See Accompanying Notes to Basic Financial Statements

Major Enterprise Funds		Total Enterprise Funds	Governmental
SMaRT Station	Community Recreation		Activities Internal Service Funds
\$ 8,013,716	\$ 872,332	\$ 31,296,576	\$ 71,041,683
1,946,827	-	6,682,674	-
70,296	83,402	10,996,831	688,698
366,976	-	424,908	-
110	173,501	178,591	1,466,027
<u>10,397,925</u>	<u>1,129,235</u>	<u>49,579,580</u>	<u>73,196,408</u>
609,735	-	609,735	-
-	9,683,604	19,001,526	-
<u>15,768,230</u>	<u>4,705,908</u>	<u>87,475,893</u>	<u>11,349,683</u>
<u>16,377,965</u>	<u>14,389,512</u>	<u>107,087,154</u>	<u>11,349,683</u>
<u>26,775,890</u>	<u>15,518,747</u>	<u>156,666,734</u>	<u>84,546,091</u>
-	-	-	3,305,438
1,954,420	324,457	6,453,418	1,258,532
-	-	-	98,076
-	-	1,413,045	575,000
-	54,149	500,830	19,726
199,298	-	517,684	-
-	-	-	2,433,332
-	-	-	6,831,847
<u>1,165,000</u>	-	<u>2,535,000</u>	-
<u>3,318,718</u>	<u>378,606</u>	<u>11,419,977</u>	<u>14,521,951</u>
-	-	42,230,155	2,178,741
-	-	-	9,948,668
-	-	-	1,381,425
-	-	3,757,719	-
<u>14,983,879</u>	-	<u>39,396,583</u>	-
<u>14,983,879</u>	-	<u>85,384,457</u>	<u>13,508,834</u>
<u>18,302,597</u>	<u>378,606</u>	<u>96,804,434</u>	<u>28,030,785</u>
(380,649)	14,389,512	64,545,836	11,349,683
1,945,184	-	4,557,904	-
-	-	2,327,709	-
<u>6,908,758</u>	<u>750,629</u>	<u>(11,569,149)</u>	<u>45,165,623</u>
<u>\$ 8,473,293</u>	<u>\$ 15,140,141</u>	<u>\$ 59,862,300</u>	<u>\$ 56,515,306</u>

CITY OF SUNNYVALE

**Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
Year Ended June 30, 2007**

	Major Enterprise Funds		
	Water Supply and Distribution	Wastewater Management	Solid Waste Management
Operating Revenues:			
Charges for Services	\$ 23,244,261	\$ 20,594,174	\$ 29,980,395
Total Operating Revenues	23,244,261	20,594,174	29,980,395
Operating Expenses:			
Personnel Services	2,985,729	7,391,190	1,017,656
Contractual	414,421	1,483,709	24,479,867
Materials and Supplies	988,543	2,827,300	74,537
Utilities	236,457	478,711	42,361
Taxes and Licenses	831,540	139,731	528,928
Equipment and Building Rental	433,699	608,534	78,255
Water Purchased for Resale	11,495,212	-	-
Insurance Premiums and Claims	-	-	-
Retirement Premiums	-	-	-
Other Operating Expenses	51,719	105,675	5,510
Depreciation	1,297,634	1,846,925	98,309
Total Operating Expenses	18,734,954	14,881,775	26,325,423
Operating Income (Loss)	4,509,307	5,712,399	3,654,972
Nonoperating Revenues (Expenses):			
Investment Earnings	460,477	988,737	246,435
Interest Expense	(675,413)	(1,899,760)	(1,682,845)
Total Nonoperating Revenues (Expenses)	(214,936)	(911,023)	(1,436,410)
Income (Loss) before Contributions and Transfers	4,294,371	4,801,376	2,218,562
Capital Contributions	301,500	633,549	-
Transfers In (Note 11)	-	-	-
Transfers Out (Note 11)	(2,914,536)	(4,810,444)	(3,880,871)
Change in Net Assets	1,681,335	624,481	(1,662,309)
Total Net Assets - Beginning of Year	35,171,767	22,592,041	(22,158,449)
Total Net Assets - End of Year	\$ 36,853,102	\$ 23,216,522	\$ (23,820,758)

See Accompanying Notes to Basic Financial Statements



Major Enterprise Funds		Total Enterprise Funds	Governmental
SMaRT Station	Community Recreation		Activities Internal Service Funds
\$ 19,186,783	\$ 7,548,244	\$ 100,553,857	\$ 68,913,025
19,186,783	7,548,244	100,553,857	68,913,025
271,202	6,491,918	18,157,695	21,682,960
6,350,065	1,190,401	33,918,463	2,516,339
317,652	635,961	4,843,993	2,068,379
-	326,857	1,084,386	1,602,535
10,320,861	-	11,821,060	11,141
2,559	1,732,425	2,855,472	1,057,216
-	-	11,495,212	-
-	-	-	15,583,416
-	-	-	22,217,472
-	107,131	270,035	106,192
834,154	276,554	4,353,576	1,908,665
18,096,493	10,761,247	88,799,892	68,754,315
1,090,290	(3,213,003)	11,753,965	158,710
353,334	28,439	2,077,422	3,730,735
(869,508)	-	(5,127,526)	(216,134)
(516,174)	28,439	(3,050,104)	3,514,601
574,116	(3,184,564)	8,703,861	3,673,311
-	-	935,049	-
1,027,416	4,172,527	5,199,943	6,844,926
(13,231)	(1,334,781)	(12,953,863)	(1,630,006)
1,588,301	(346,818)	1,884,990	8,888,231
6,884,992	15,486,959	57,977,310	47,627,075
\$ 8,473,293	\$ 15,140,141	\$ 59,862,300	\$ 56,515,306

CITY OF SUNNYVALE**Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2007**

	Major Enterprise Funds		
	Water Supply and Distribution	Wastewater Management	Solid Waste Management
Cash Flow from Operating Activities:			
Cash Received from Customers	\$ 22,556,091	\$ 20,363,137	\$ 29,453,435
Cash Payments to Suppliers of Goods and Services	(14,357,970)	(5,797,605)	(25,667,613)
Cash Payments to Employees for Services	(2,964,351)	(7,340,983)	(1,014,080)
Insurance and Claims Paid	-	-	-
Other Receipts (Payments)	-	-	1,820
Net Cash Provided by (Used for) Operating Activities	5,233,770	7,224,549	2,773,562
Cash Flows from Noncapital Financing Activities:			
Transfers Received	-	-	-
Transfers Paid	(2,914,536)	(4,810,444)	(3,880,871)
Repayment of Advance From/To Other Funds	-	(1,161,345)	(750,000)
Net Cash Provided by (Used for) Noncapital Financing Activities	(2,914,536)	(5,971,789)	(4,630,871)
Cash Flows from Capital and Related Financing Activities:			
Principal Paid on Long-term Debt	(557,195)	(762,805)	-
Interest Paid on Long-term Debt	(546,291)	(747,879)	-
Acquisition and Construction of Capital Assets	(1,489,964)	(2,259,413)	-
Net Cash Provided by (Used for) Capital and Related Financing Activities	(2,593,450)	(3,770,097)	-
Cash Flows from Investing Activities:			
Interest on Investments	422,073	923,355	237,171
Change in the Fair Value of Investments	42,295	78,127	26,107
Net Cash Provided by Investing Activities	464,368	1,001,482	263,278
Net Increase (Decrease) in Cash and Cash Equivalents	190,152	(1,515,855)	(1,594,031)
Cash and Investments - Beginning of Year	7,558,740	19,366,017	3,141,352
Cash and Investments - End of Year	\$ 7,748,892	\$ 17,850,162	\$ 1,547,321
Reconciliation to Statement of Net Assets:			
Cash and Investments Held by City	\$ 6,769,953	\$ 14,093,254	\$ 1,547,321
Cash and Investments Held by Fiscal Agent	978,939	3,756,908	-
Total Cash and Investments	\$ 7,748,892	\$ 17,850,162	\$ 1,547,321

See Accompanying Notes to Basic Financial Statements



<u>Major Enterprise Funds</u>		<u>Total Enterprise Funds</u>	<u>Governmental Activities</u>
<u>SMaRT Station</u>	<u>Community Recreation</u>		<u>Internal Service Funds</u>
\$ 20,824,953	\$ 7,241,556	\$ 100,439,172	\$ 68,769,130
(19,042,171)	(3,630,900)	(68,496,259)	(7,892,340)
(271,131)	(6,487,510)	(18,078,055)	(42,572,009)
-	-	-	(15,853,088)
-	-	1,820	170,144
<u>1,511,651</u>	<u>(2,876,854)</u>	<u>13,866,678</u>	<u>2,621,837</u>
1,027,416	4,172,527	5,199,943	7,705,690
(13,231)	(1,334,781)	(12,953,863)	(2,490,769)
-	-	(1,911,345)	(451,924)
<u>1,014,185</u>	<u>2,837,746</u>	<u>(9,665,265)</u>	<u>4,762,997</u>
(1,135,000)	-	(2,455,000)	-
(809,679)	-	(2,103,849)	-
-	-	(3,749,377)	(2,744,722)
<u>(1,944,679)</u>	<u>-</u>	<u>(8,308,226)</u>	<u>(2,744,722)</u>
323,163	26,282	1,932,044	3,316,023
27,858	3,013	177,400	395,242
<u>351,021</u>	<u>29,295</u>	<u>2,109,444</u>	<u>3,711,265</u>
932,178	(9,813)	(1,997,369)	8,351,377
<u>9,028,365</u>	<u>882,145</u>	<u>39,976,619</u>	<u>62,690,306</u>
<u>\$ 9,960,543</u>	<u>\$ 872,332</u>	<u>\$ 37,979,250</u>	<u>\$ 71,041,683</u>
\$ 8,013,716	\$ 872,332	\$ 31,296,576	\$ 71,041,683
1,946,827	-	6,682,674	-
<u>\$ 9,960,543</u>	<u>\$ 872,332</u>	<u>\$ 37,979,250</u>	<u>\$ 71,041,683</u>

Continued

CITY OF SUNNYVALE**Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2007**

	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)	\$ 4,509,307	\$ 5,712,399	\$ 3,654,972
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation	1,297,634	1,846,925	98,309
Changes in Assets and Liabilities:			
Receivables, Net	(946,882)	(2,619,890)	(3,890,333)
Due from Other Governments	-	(1,033)	4,350
Inventories and Prepayments	-	(4,980)	-
Accounts Payable and Accrued Liabilities	373,711	2,291,128	3,015,174
Landfill Postclosure Care	-	-	(108,910)
Claims and Judgments Payable	-	-	-
Compensated Absences Payable	-	-	-
Net Cash Provided by (Used for) Operating Activities	\$ 5,233,770	\$ 7,224,549	\$ 2,773,562
Noncash Investing, Capital and Financing Activities:			
Purchase of Capital Assets on Account	111,939	689,764	-
Non Cash Capital Contributions	301,500	633,549	-

See Accompanying Notes to Basic Financial Statements



<u>Major Enterprise Funds</u>		<u>Total Enterprise Funds</u>	<u>Governmental Activities Internal Service Funds</u>
<u>SMaRT Station</u>	<u>Community Recreation</u>		
\$ 1,090,290	\$ (3,213,003)	\$ 11,753,965	\$ 158,710
834,154	276,554	4,353,576	1,908,665
-	(25,056)	(7,482,161)	234,789
(262,526)	-	(259,209)	-
(110)	(25,595)	(30,685)	(408,984)
(150,157)	110,246	5,640,102	993,655
-	-	(108,910)	-
-	-	-	(661,000)
-	-	-	396,002
<u>\$ 1,511,651</u>	<u>\$ (2,876,854)</u>	<u>\$ 13,866,678</u>	<u>\$ 2,621,837</u>

-	-	801,703	369,435
-	-	935,049	-
			Concluded



Fiduciary Fund Financial Statements

Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. They are used to account for assets held in an agency capacity for others and therefore cannot be used to support the City's programs.

CITY OF SUNNYVALE

Statement of Fiduciary Net Assets
Agency Funds
June 30, 2007

	<u>Agency Funds</u>
Assets:	
Cash and Investments Held by City (Note 2)	\$ 1,551,142
Cash and Investments Held by Fiscal Agent (Note 2)	1,748,243
Receivables (Note 3)	<u>60,672</u>
Total Assets	<u>\$ 3,360,057</u>
Liabilities:	
Accounts Payable and Accrued Liabilities	\$ 1,299,942
Due to Bondholders	<u>2,060,115</u>
Total Liabilities	<u>\$ 3,360,057</u>

See Accompanying Notes to Basic Financial Statements

CITY OF SUNNYVALE

Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2007

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***Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2007***

1. SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

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

Redevelopment Agency of the City of Sunnyvale

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

Sunnyvale Financing Authority

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

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2007

1. SIGNIFICANT ACCOUNTING POLICIES, Continued

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

The Community Facilities District No. 1

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

B. Basis of Accounting and Measurement Focus

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for in a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. City resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

Government-Wide Financial Statements

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

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

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2007

1. SIGNIFICANT ACCOUNTING POLICIES, Continued

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

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

Fund Financial Statements

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

Governmental funds

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

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

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

- The Employment Development Fund accounts for Federal funds and private grants and donations used for workforce development activities conducted by the North Valley Job Training Consortium (NOVA).

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2007

1. SIGNIFICANT ACCOUNTING POLICIES, Continued

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

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

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

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

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

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2007

1. SIGNIFICANT ACCOUNTING POLICIES, Continued

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

Proprietary Funds

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

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

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

Additionally, the City reports the following fund types:

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

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2007

1. SIGNIFICANT ACCOUNTING POLICIES, Continued

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

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

Fiduciary Funds

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

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

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

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

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

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2007

1. SIGNIFICANT ACCOUNTING POLICIES, Continued

D. Cash, Cash Equivalents and Investments

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

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

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

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

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

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

E. Receivables

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

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2007

1. SIGNIFICANT ACCOUNTING POLICIES, Continued

F. Property Tax Revenue

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

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

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

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

G. Interfund Balances/Internal Balances

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

All other outstanding balances between funds are reported as due to and due from other funds. These are generally repaid within the following fiscal year.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2007

1. SIGNIFICANT ACCOUNTING POLICIES, Continued

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

H. Inventory and Prepaid Items

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

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

I. Assets Held for Resale

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

J. Capital Assets

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

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

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

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2007

1. SIGNIFICANT ACCOUNTING POLICIES, Continued

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

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

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

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

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

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2007

1. SIGNIFICANT ACCOUNTING POLICIES, Continued

The City's policy relative to maintaining the street assets is to achieve an average rating of 75 for all street segments, which is in the "very good" range. For detailed description of the modified approach, see the required supplementary information section of this report.

K. Compensated Absences

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

L. Unearned Revenue and Deferred Revenue

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

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

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2007

1. SIGNIFICANT ACCOUNTING POLICIES, Continued

M. Claims and Judgments

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

N. Long-term Debt

Government-Wide Financial Statements

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

Fund Financial Statements

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

O. Net Assets and Fund Equity

Government-Wide Financial Statements

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

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

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

Fund Financial Statements

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

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2007

1. SIGNIFICANT ACCOUNTING POLICIES, Continued

P. Use of Estimates

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

Q. Legal Level of Budgetary Control

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

2. CASH AND INVESTMENTS

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

A. Deposits

The carrying amounts of the City's cash deposits were \$2,398,048 at June 30, 2007. Bank balances before reconciling items (i.e., deposits in transit and outstanding checks) were \$6,127,173 at that date, the total amount of which was collateralized or insured with securities held by the pledging financial institutions in the City's name as discussed below. The City follows the practice of pooling cash and investments of all funds, except for funds required to be held by fiscal agents under the provisions of bond indentures. Interest income earned on pooled cash and investments is allocated on an accounting period basis to the various funds based on the period-end cash and investment balances. Interest income from cash and investments with fiscal agents is credited directly to the related fund.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2007

2. CASH AND INVESTMENTS, Continued

The California Government Code requires California banks and savings and loan associations 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 city deposits by pledging first trust deed mortgage notes having a value of 150% of the City’s total cash deposits. The City may waive collateral requirements for cash deposits, which are fully insured up to \$100,000 by the Federal Deposit Insurance Corporation. The City, however, has not waived the collateralization requirements.

B. Investments

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

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

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2007

2. CASH AND INVESTMENTS, Continued

B. Investments, Continued

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

	<u>Governmental Activities</u>			<u>Business-Type Activities</u>
	<u>Governmental Funds</u>	<u>Internal Service Funds</u>	<u>Total</u>	
Investment Income				
Interest	\$ 4,594,624	\$ 2,619,812	\$ 7,214,436	\$ 1,578,794
Net Changes in the fair value of investments	1,838,523	1,110,923	2,949,446	498,628
Investment Income - Fund Financial Statements	<u>\$ 6,433,147</u>	<u>\$ 3,730,735</u>	10,163,882	<u>\$ 2,077,422</u>
Reconciliation to Government-Wide Investment Earnings:				
Deferred (Earned) Interest - Interfund Advances to Business-Type			2,960,950	-
Deferred (Earned) Interest - Loans to City Employees			2,387	-
Interest accrued and recognized in prior year that became available in current year:				
Loans to City Employees			221,111	-
Investment Income - Government-Wide Financial Statements			<u>\$ 13,348,330</u>	<u>\$ 2,077,422</u>

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

C. Summary of Cash and Investments

The following is a summary of cash and investments at June 30, 2007:

	<u>Government-Wide Statement of Net Assets</u>			<u>Funds Financials Fiduciary Funds</u>	
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	<u>Statement of Net Assets</u>	<u>Total</u>
Cash and Investments	\$ 160,661,287	\$ 31,296,576	\$ 191,957,863	\$ -	\$ 191,957,863
Restricted Cash and Investments					
Held by the City	41,830,946	-	41,830,946	1,551,142	43,382,088
Held by the Fiscal Agent	3,682,824	6,682,674	10,365,498	1,748,243	12,113,741
Total	<u>\$ 206,175,057</u>	<u>\$ 37,979,250</u>	<u>\$ 244,154,307</u>	<u>\$ 3,299,385</u>	<u>\$ 247,453,692</u>

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2007

2. CASH AND INVESTMENTS, Continued

C. Summary of Cash and Investments, Continued

At June 30, 2007, the City had the following deposits and investments, including \$3,299,385 held in an agency capacity for others:

	Credit Quality Ratings	Fair Value
City Treasury Pooled Cash and Investments:		
Deposits and cash on hand	Not Rated	\$ 2,398,048
Investments:		
Corporate Notes	AAA, Aaa	19,474,310
Securities of U.S. Government Agencies:		
FHLB (2)	AAA, Aaa	42,648,013
FHLMC (2)	AAA, Aaa	49,062,892
FNMA (2)	AAA, Aaa	46,235,904
GNMA (1)	N/A	9,366
U.S. Treasury (1)	N/A	12,903,438
TVA	AAA	6,013,926
FFCB	AAA	15,313,209
		172,186,748
Local Agency Investment Funds	Not Rated	39,980,903
Total Investments		231,641,961
Total City Treasury Pooled Cash and Investments		234,040,009
Deposits not in City Treasury Pooled Cash and Investments		1,299,943
Cash and Investments with Fiscal Agents:		
Guaranteed Investment Contracts	Not Rated	9,454,146
Treasury Obligation Mutual Funds	Not Rated	2,659,594
Total Cash and Investments with Fiscal Agents		12,113,740
Total Cash and Investments		\$ 247,453,692

- (1) Explicitly guaranteed by the U.S. government or issuing agency.
- (2) Rated AAA by S&P and Aaa by Moody's.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2007

2. CASH AND INVESTMENTS, Continued

D. Risk Disclosures

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

Investments held in the City Treasury grouped by maturity date at June 30, 2007 are as follows:

Investment Type	Investment Maturity (in years)				Total Fair Value
	1 year or less	1 to 2 years	2 to 5 years	5 to 10 years	
Security of US Government Treasury Agencies					
FFCB	\$ 15,313,209	\$ -	\$ -	\$ -	\$ 15,313,209
FHLB	36,665,825	5,982,188	-	-	42,648,013
FHLMC	49,053,953	7,461	464	1,013	49,062,891
FNMA	46,235,904	-	-	-	46,235,904
GNMA	-	913	8,454	-	9,367
TVA	-	6,013,926	-	-	6,013,926
US Treasuries	-	10,939,688	1,963,750	-	12,903,438
Local Agency Investment Funds	39,980,903	-	-	-	39,980,903
Corporate Notes	-	8,738,262	10,736,048	-	19,474,310
Total	\$ 187,249,794	\$ 31,682,438	\$ 12,708,716	\$ 1,013	\$ 231,641,961

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 US Government, its agencies and instrumentalities, and LAIF. If a security is downgraded by either Moody's or 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 - This is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are held by the counterparty. 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.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2007

2. CASH AND INVESTMENTS, Continued

E. Investments in Local Agency Investment Fund

The Local Agency Investment Fund (LAIF) 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), a State of California investment pool, at June 30, 2007, included a portion of the pool funds invested in Structured Notes and Asset-Backed Securities. These investments included the following:

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

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

As of June 30, 2007, the City had \$39,980,903 invested in LAIF, which had invested 3.466% of the pool investment funds in Structured Notes and Asset-Backed Securities. The City valued its investments in LAIF as of June 30, 2007, by multiplying its account balance with LAIF by a fair value factor determined by LAIF. This fair value factor was determined by dividing all LAIF participants' total aggregate fair value by total aggregate amortized cost resulting in a factor of 0.999545022.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2007

3. RECEIVABLES

A. Current Receivables

Government Wide Financial Statements

At June 30, 2007, 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	\$ 171,885	\$ 10,670,697	\$ 10,842,582
Taxes	10,703,036	-	10,703,036
Interest	1,456,802	277,629	1,734,431
Other	279,680	39,882	319,562
Total Unrestricted	<u>12,611,403</u>	<u>10,988,208</u>	<u>23,599,611</u>
Restricted:			
Accounts	39,743	-	39,743
Taxes	19,791	-	19,791
Interest	568,009	8,623	576,632
Other	4,942,282	-	4,942,282
Total Restricted	<u>5,569,825</u>	<u>8,623</u>	<u>5,578,448</u>
Total Current Receivables	<u>\$ 18,181,228</u>	<u>\$ 10,996,831</u>	<u>29,178,059</u>

Under governmental activities, the restricted other receivables included a note receivable, due in September 2007, in the amount of \$4.7 million from sale of City land for downtown redevelopment.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2007

3. RECEIVABLES, Continued

A. Current Receivables, Continued

Fund Financial Statements

At June 30, 2007, 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	\$ 311,265	\$ 10,703,036	\$ 920,482	\$ 4,921,367	\$ (140,204)	\$ 16,715,946
Employment Development	-	-	-	240,282	-	240,282
Redevelopment Debt Service	-	-	13,499	-	-	13,499
City Projects	-	-	90,998	1,500	-	92,498
Nonmajor Funds	39,743	19,791	370,160	611	-	430,305
Total Governmental Funds	351,008	10,722,827	1,395,139	5,163,760	(140,204)	17,492,530
Proprietary Funds:						
Water Supply and Distribution	4,259,174	-	60,336	-	(165,115)	4,154,395
Wastewater Management	2,843,727	-	133,538	1,834	(201,617)	2,777,482
Solid Waste Management	4,262,352	-	14,012	29,207	(394,315)	3,911,256
SMART Station	-	-	70,296	-	-	70,296
Community Recreation	76,550	-	8,070	8,844	(10,062)	83,402
Internal Service Funds	72,744	-	629,672	58,202	(71,920)	688,698
Total Proprietary Funds	11,514,547	-	915,924	98,087	(843,029)	11,685,529
Total Governmental and Proprietary Funds	11,865,555	10,722,827	2,311,063	5,261,847	(983,233)	29,178,059
Agency Funds	-	-	52,532	8,140	-	60,672
Total	\$ 11,865,555	\$ 10,722,827	\$ 2,363,595	\$ 5,269,987	\$ (983,233)	\$ 29,238,731

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2007

3. RECEIVABLES, Continued

B. Intergovernmental Receivables

Intergovernmental receivables are incurred as a result of grants and other intergovernmental revenue the City has earned but not yet received. At June 30, 2007, the City had intergovernmental receivables in the following major funds and nonmajor funds in the aggregate:

Governmental Funds:	
General Fund	\$ 727,534
Employment Development Special Revenue Fund	463,112
City Projects Fund	757,233
Nonmajor Funds	<u>938,622</u>
Total Governmental Funds	<u>2,886,501</u>
Proprietary Funds:	
Wastewater Management Enterprise Fund	10,948
Solid Waste Management Enterprise Fund	46,984
SMaRT Station Fund	<u>366,976</u>
Total Proprietary Funds	<u>424,908</u>
Total	<u><u>\$ 3,311,409</u></u>

C. Other Long-term Receivables

At June 30, 2007, the City had the following long-term receivables in the governmental funds:

	<u>General Fund</u>
Sunnyvale School District	\$ 920,720
Loans to City Employees	<u>2,510,617</u>
Total	<u><u>\$ 3,431,337</u></u>

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2007

3. RECEIVABLES, Continued

C. Other Long-term Receivables, Continued

Sunnyvale School District

During fiscal year 1993, the City issued \$2,310,000 Certificates of Participation (ABAG 27 Series A) to acquire and install modular classroom buildings on sites owned by the Sunnyvale School District. During fiscal year 1998, the City issued \$1,935,000 Certificates of Participation (ABAG 39) to acquire relocatable classroom buildings on sites owned by the Sunnyvale School District. The above debt issuances were to provide childcare and preschool education services within the boundaries of the City for the benefit of the Sunnyvale School District (District). The District leases the modular classroom buildings from the City and pays semi-annual rent. The lease for ABAG 27 Series A Project expired in fiscal year 2007. The lease for ABAG 39 Project will expire in fiscal year 2013.

At June 30, 2007, receivables related to ABAG 39 Project amounted to \$920,720. Corresponding deferred revenue was recorded in the fund financial statements because this amount is not available to meet current liability requirements; in addition, future lease payments depend on continued use of the project. The receivable and deferred revenues were both eliminated in the government-wide financial statements.

Loans to City Employees

In 1981, the City Council established a mortgage loan program for Council-appointed officers and department heads. The program was designed to keep the cost of housing from limiting the number of qualified applicants for senior executive positions. All loans are secured by a deed of trust, carry interest at rates ranging from 2.118% to 3.879%, and have repayment terms of up to 45 years. As of June 30, 2007, the City had five loans outstanding to City employees totaling \$2,510,617 including accrued interest of \$73,288, which was also recorded as deferred revenue.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2007

3. RECEIVABLES, Continued

D. Housing Loans Receivable

<i>Governmental Activities:</i>	Community					
Year Ending June 30,	Development Block Grant	Housing Mitigation	Rental Rehabilitation	First Time Homebuyer	HOME Grant	Total
2008	\$ 317,627	\$ 475,624	\$ 52,828	\$ -	\$ -	\$ 846,079
2009	128,446	-	-	-	-	128,446
2010	234,594	-	-	-	26,447	261,041
2011	165,207	-	-	-	-	165,207
2012	213,626	2,128,307	-	-	-	2,341,933
2013-2017	634,926	301,332	-	-	-	936,258
2018-2022	452,006	-	31,637	-	-	483,643
2023-2027	1,084,901	-	-	-	1,705,331	2,790,232
2028-2032	1,074,425	822,766	-	-	2,510,223	4,407,414
2033-2037	1,102,290	1,112,109	-	919,648	1,130,687	4,264,734
2038-2042	4,268,447	1,572,915	-	-	917,579	6,758,941
2043-2047	376,735	-	-	-	870,028	1,246,763
2048-2052	-	-	-	-	-	-
2053-2057	119,660	-	-	-	-	119,660
2058-2062	51,619	-	-	-	-	51,619
Due Upon Sale or Transfer of Property	553,420	-	-	-	-	553,420
	<u>\$ 10,777,929</u>	<u>\$ 6,413,053</u>	<u>\$ 84,465</u>	<u>\$ 919,648</u>	<u>\$ 7,160,295</u>	<u>\$ 25,355,390</u>
Less: Allowance for Uncollectibles						(513,021)
Housing Loans Receivables, Net at June 30, 2007						<u>\$ 24,842,369</u>

In the governmental fund financial statements, the full amount of the receivable, \$25,355,390, was offset by recording an equal amount of deferred revenue.

Community Development Block Grant (CDBG) Loans

The City has made a number of loans totaling \$10,777,929 to qualified applicants using Community Development Block Grants. These loans can be used for the acquisition and development of new affordable housing units. Loans are also available to low-income households for the rehabilitation of single family and mobile homes.

Housing Mitigation Loans

The City has made housing mitigation loans totaling \$6,413,053. These loans are given to qualified applicants and can be used for acquisition, rehabilitation, new construction and predevelopment costs of affordable housing.

Rental Rehabilitation Loans

The City has made loans totaling \$84,465 for rehabilitation of rental property. The program is no longer active and any amounts outstanding are from old loans.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2007

3. RECEIVABLES, Continued

D. Housing Loans Receivable, Continued

First Time Homebuyer

The City has made loans totaling \$919,648 using housing mitigation funds to assist in the down payments of qualified first time homebuyers.

HOME Grant Loans

The City has made loans totaling \$7,160,295 using Federal HOME funds for the construction, rehabilitation, or acquisition of housing for low-income households.

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. In the fund financial statements, an offsetting amount is recorded as deferred revenue since repayment of these loans is not assured until cash is received and in some instances the loans are forgiven (e.g., mobile home loans due to depreciation.) In the government-wide financial statements, the housing loans receivable is reported net of allowances for uncollectible amounts as a restricted asset. The receivable balance is increased by the issuance of new loans and interest accrued on the loans and is decreased by loan repayments.

4. UNEARNED REVENUE AND DEFERRED REVENUE

Government-Wide Financial Statements

Unearned revenues in the government-wide financial statements represent amounts for which revenues have not been earned. At June 30, 2007, unearned revenues were as follows:

	Governmental Activities
Customer prepayments	\$ 608,258
Unearned grant revenues	79,962
Total	\$ 688,220

Customer prepayments consisted of \$516,188 for business license renewal and \$92,070 from the Sunnyvale School District for fiscal year 2008 lease payments. Beginning fiscal year 2005, renewal of business licenses has been changed from annually to bi-annually. The prorated portion belonging to fiscal year 2008 was reported as unearned revenue.

Unearned grant revenues in the amount of \$79,962 were funds received from other governmental agencies for which the City had not fulfilled grant requirements as of June 30, 2007.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2007

4. UNEARNED REVENUE AND DEFERRED REVENUE, Continued

Fund Financial Statements

At June 30, 2007, the following deferred revenues were recorded in the fund financial statements because either the revenues had not been earned or the funds were not available to finance expenditures of the current period:

	<u>General Fund</u>	<u>Employment Development</u>	<u>City Projects</u>	<u>Nonmajor</u>	<u>Total</u>
Deferred Interest on Interfund Advances	\$ 77,919,932	\$ -	\$ -	\$ -	\$ 77,919,932
Deferred Interest on Loans to City Employees	73,288	-	-	-	73,288
Capital Special Assessments	176,287	-	-	-	176,287
Sunnyvale School District	1,012,792	-	-	-	1,012,792
Customer Prepayments	516,188	-	-	-	516,188
Note Receivable and Accrued Interest					
from Land Sale	4,921,111	-	-	-	4,921,111
Mandatd Costs	5,029	-	-	-	5,029
Housing Loans	-	-	-	25,355,390	25,355,390
Unearned or unavailable grant revenues	80,926	69,990	443,382	148,928	743,226
Cost Reimbursement - Abandoned Vehicles	52,564	-	-	-	52,564
Total	<u>\$ 84,758,117</u>	<u>\$ 69,990</u>	<u>\$ 443,382</u>	<u>\$ 25,504,318</u>	<u>\$ 110,775,807</u>

5. INTERFUND RECEIVABLES/PAYABLES

A. Due to/from Other Funds

The composition of due to/from other funds as of June 30, 2007 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Internal Service Fund: Risk Management	\$ 98,076
City Projects Fund	Nonmajor Fund: Transportation Development Act	108,301
Nonmajor Fund: Low and Moderate Income Housing	Nonmajor Fund: Redevelopment Agency	8,000,176
Total		<u>\$ 8,206,553</u>

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2007

5. INTERFUND RECEIVABLES/PAYABLES, Continued

A. Due to/from Other Funds, Continued

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

The amounts due to the City Projects Fund from the Transportation Development Act (TDA) Fund, a non-major fund, will be repaid when grant reimbursement is received.

The amount of \$8,000,176 represents the 20% of redevelopment property tax increment revenues that are set aside for low and moderate income housing by State law. The Agency cannot provide funding due to pre-existing bonded debt and other obligations. The advance carries no interest and has no specific repayment terms.

B. Advances to/from Other Funds

The composition of advances to/from other funds as of June 30, 2007 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Redevelopment Agency Debt Service	\$ 56,567,030
	Water Supply and Distribution	2,183,984
	Wastewater Management	16,485,733
	Solid Waste Management	24,973,482
	Internal Service - General Services	2,753,742
Total		<u>\$ 102,963,971</u>

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2007**5. INTERFUND RECEIVABLES/PAYABLES, Continued**

The Redevelopment Agency (as lessor) entered into a lease agreement with the City (as lessee) on May 1, 1977, for a two-level parking structure at the Sunnyvale Town Center Mall. (In 2005, the two-level parking structure, to be demolished for redevelopment, was substituted by two surface parking lots with improvements as the leased assets for the 1998 Parking Facility Certificates of Participation.) The lease, as amended, requires the City to pay to the Agency base rental payments ranging from \$1,131,103 to \$1,281,250 on October 1 and April 1 of each year until October 1, 2022. During the fiscal year ended June 30, 2007, the City made \$1,212,920 in base rental payments to the Agency. According to the terms of the First Amended Repayment Contract, the Agency made the commitment to repay the City for costs advanced on its behalf and base rentals plus 8% interest thereon. During the fiscal year ended June 30, 2002, the General Funds advanced extra funds of \$1,500,000 to the Redevelopment Agency to fund downtown public improvements. This advance bears interest at 6% and repayment is deferred until all other City advances to the Agency are paid off. The funds needed to repay the City are generated from tax increment revenues. The remaining tax increment revenues determine each year's repayment to the General Fund after paying the Central Core bonded debt service. Repayments totaling \$4,382,366 were made during the fiscal year ended June 30, 2007. However, during the year, in addition to base rental payments, the General Fund also made additional advances of \$495,751 to cover the Agency's operating and project expenditures. At June 30, 2007, total loan balance was \$56,567,030.

During the fiscal year ended June 30, 2003, the City purchased property located at 239 Commercial Street to provide additional space for the Public Works Corporation Yard. The total purchase price of \$2,550,000 was funded by the City's Water Supply and Distribution and Wastewater Management Enterprise Funds based on the number of staff located at the corporation yard. Using this methodology, the Water Supply and Distribution Fund's share of the costs amounted to 64% or \$1,632,000, and the Wastewater Management Fund's share amounted to 36% or \$918,000. The Wastewater Management Fund had sufficient funds for the purchase. Since the Water Supply and Distribution Fund did not have sufficient funds, the General Fund agreed to loan the Water Supply and Distribution Fund the amount of \$1,632,000. The loan accrues interest of 6% starting in fiscal year 2003. Annual payments of \$351,700 are budgeted to begin in fiscal year 2008 through fiscal year 2015. At June 30, 2007, total loan balance was \$2,183,984.

During fiscal year ended June 30, 2000, the General Fund advanced \$2,000,000 to the General Services Internal Service Fund for cash flow purposes for the Technology Services Subfund. The advance bears interest at 7% and is payable in installments, including interest, of \$500,000 annually from fiscal year 2008 to fiscal year 2012 and \$189,789 in 2013. During fiscal year 2001, the General Fund advanced an additional \$450,000 to the General Services Public Safety Equipment Subfund for cash flow purposes. The advance bears interest at 7% and is payable in installments of \$75,000 in fiscal year 2008, \$100,000 annually from fiscal year 2009 to fiscal year 2010, \$50,000 in fiscal year 2011, \$68,000 annually from fiscal year 2014 to fiscal year 2015, \$110,604 annually from fiscal year 2016 to fiscal year 2019. At June 30, 2007, total loan balance was \$2,753,742.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2007

5. INTERFUND RECEIVABLES/PAYABLES, Continued

During the fiscal year ended June 30, 1981, the General Fund advanced to the Wastewater Management Fund \$10,700,000 for the purpose of remodeling the primary facilities of the wastewater treatment plant and expanding the plant capacity from 22.5 million gallons per day to 29.5 million gallons per day. Starting from fiscal year 1994-95, the interest charged to the Wastewater Management Fund has been reduced from 12% to 7%. Unpaid interest has increased the principal due to the General Fund. During the current fiscal year, repayment of \$850,000 was made to the General Fund. Annual installments ranging from \$1,200,000 to \$3,658,509, including interest, were budgeted beginning fiscal year 2011 through fiscal year 2020. During fiscal year 1996, the General Fund advanced an additional \$2,453,635 to the Wastewater Management Fund for cash flow purposes. The interest accrued on the unpaid principal increased the amount due to the General Fund. The advance bears interest at 7% and was budgeted to be paid in annual installments, including interest, of \$311,345 annually from fiscal year 2008 to fiscal year 2010, \$1,511,345 in fiscal year 2011, \$2,050,053 annually from fiscal year 2012 to fiscal year 2015, \$3,425,568 annually from fiscal year 2016 to fiscal year 2017, \$4,084,077 annually from fiscal year 2018 to fiscal year 2020, and finally \$425,568 in fiscal year 2021. At June 30, 2007, total loan balance was \$16,485,733.

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. Annual repayments are budgeted as follows: \$750,000 in fiscal 2008, \$976,440 in fiscal year 2009, \$1,367,016 in fiscal year 2010, \$3,124,259 annually from fiscal year 2011 to fiscal year 2014, \$4,603,652 annually from fiscal year 2015 to fiscal year 2020. At June 30, 2007, total loan balance was \$24,973,482.

6. CAPITAL ASSETS

On October 13, 2006, the City formally reached an agreement with the developer to sell 2.02 gross acres of land within the Downtown Parking District. The land parcels, with total historical cost of \$845,770, were sold for \$8,183,130 net of expenses. Net cash proceeds of \$3,483,130 were received during the year. The remaining balance was paid by a promissory note (dated December 12, 2006) in the principal amount of \$4.7 million, bearing interest at 8.51% per annum, due on September 12, 2007. Interest was calculated to be \$0.3 million.

During the previous fiscal year, the City paid \$800,000, its share of the demolition cost, to tear down the old downtown parking structure. That cost was capitalized as construction in progress last year, but has been reclassified to land this year.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2007

6. CAPITAL ASSETS, Continued

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

Government-Wide Financial Statements

At June 30, 2007, the City’s capital assets consisted of the following:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Totals</u>
Nondepreciable Assets:			
Land	\$ 103,986,792	\$ 16,269,169	\$ 120,255,961
Construction in Progress	4,281,754	2,732,357	7,014,111
Infrastructure - Streets	158,885,182	-	158,885,182
Total Nondepreciable Assets	<u>267,153,728</u>	<u>19,001,526</u>	<u>286,155,254</u>
Depreciable Assets:			
Buildings	88,914,284	22,248,674	111,162,958
Improvements	58,045,537	34,477,474	92,523,011
Equipment	33,750,683	845,503	34,596,186
Infrastructure:			
Sidewalks	33,752,199	-	33,752,199
Curbs and Gutters	30,820,257	-	30,820,257
Street Lights	3,004,664	-	3,004,664
Traffic Signals	6,474,787	-	6,474,787
Wastewater Treatment & Collection	-	56,063,993	56,063,993
Water Supply & Distribution	-	57,772,963	57,772,963
Total Depreciable Assets	<u>254,762,411</u>	<u>171,408,607</u>	<u>426,171,018</u>
Less Accumulated Depreciation	<u>(126,809,394)</u>	<u>(83,932,714)</u>	<u>(210,742,108)</u>
Total Depreciable Assets, Net	<u>127,953,017</u>	<u>87,475,893</u>	<u>215,428,910</u>
Total Capital Assets	<u>\$ 395,106,745</u>	<u>\$ 106,477,419</u>	<u>\$ 501,584,164</u>

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2007

6. CAPITAL ASSETS, Continued

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

	Balance July 1, 2006	Additions	Deletions	Balance June 30, 2007
Nondepreciable Assets:				
Land	\$ 104,032,562	\$ 800,000	\$ (845,770)	\$ 103,986,792
Construction in Progress	5,602,993	1,923,523	(3,244,762)	4,281,754
Infrastructure - Streets	158,435,883	449,299	-	158,885,182
Total Nondepreciable Assets	268,071,438	3,172,822	(4,090,532)	267,153,728
Depreciable Assets:				
Buildings and Structures	88,329,525	584,759	-	88,914,284
Improvements Other than Buildings	56,874,354	1,171,184	-	58,045,538
Machinery and Equipment	31,960,501	3,888,862	(2,098,681)	33,750,682
Infrastructure	73,004,271	1,047,636	-	74,051,907
Total Depreciable Assets	250,168,651	6,692,441	(2,098,681)	254,762,411
Accumulated Depreciation:				
Buildings and Structures	(33,395,569)	(2,455,632)	-	(35,851,201)
Improvements Other than Buildings	(19,850,532)	(1,741,806)	-	(21,592,338)
Machinery and Equipment	(20,731,052)	(2,051,830)	1,832,360	(20,950,522)
Infrastructure	(46,480,485)	(1,934,848)	-	(48,415,333)
Total Accumulated Depreciation	(120,457,638)	(8,184,116)	1,832,360	(126,809,394)
Depreciable Assets, Net	129,711,013	(1,491,675)	(266,321)	127,953,017
Total Governmental Activities Capital Assets, Net	\$ 397,782,451	\$ 1,681,147	\$ (4,356,853)	\$ 395,106,745

Governmental activities' depreciation expense for capital assets for the year ended June 30, 2007, are as follows:

Planning and Management	\$ 1,222,513
Public Safety	931,249
Community Development	1,458,952
Transportation	2,457,952
Socioeconomic	267,567
Cultural	1,343,833
Environmental Management	502,050
Total Depreciation Expense	\$ 8,184,116

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2007

6. CAPITAL ASSETS, Continued

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

	<u>Balance July 1, 2006</u>	<u>Reclass</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2007</u>
Nondepreciable Assets:					
Land	\$ 16,269,169	\$ -	\$ -	\$ -	\$ 16,269,169
Construction in Progress	535,408	-	2,796,103	(599,154)	2,732,357
Total Nondepreciable Assets	<u>22,678,930</u>	<u>-</u>	<u>2,796,103</u>	<u>(599,154)</u>	<u>19,001,526</u>
Depreciable Assets:					
Buildings and Structures	22,248,672	-	-	-	22,248,672
Improvements Other than Buildings	145,321,514	(110,844,040)	-	-	34,477,474
Machinery and Equipment	804,068	-	83,903	(42,468)	845,503
Infrastructure	-	110,844,040	2,992,918	-	113,836,958
Total Depreciable Assets	<u>158,375,923</u>	<u>-</u>	<u>3,076,821</u>	<u>(42,468)</u>	<u>171,408,607</u>
Accumulated Depreciation:					
Buildings and Structures	(19,642,966)	-	(549,158)	-	(20,192,124)
Improvements Other than Buildings	(59,425,149)	46,325,278	(1,096,185)	-	(14,196,056)
Machinery and Equipment	(553,490)	-	(48,488)	42,467	(559,511)
Infrastructure	-	(46,325,278)	(2,659,745)	-	(48,985,023)
Total Accumulated Depreciation	<u>(75,487,289)</u>	<u>-</u>	<u>(4,353,576)</u>	<u>42,467</u>	<u>(83,932,714)</u>
Depreciable Assets, Net	<u>82,888,634</u>	<u>-</u>	<u>(1,276,755)</u>	<u>(1)</u>	<u>87,475,893</u>
Total Business-Type Activities					
Capital Assets, Net	<u>\$ 105,567,564</u>	<u>\$ -</u>	<u>\$ 1,519,348</u>	<u>\$ (599,155)</u>	<u>\$ 106,477,419</u>

Business-type activities depreciation expenses for capital assets for the year ended June 30, 2007 are as follows:

Water Supply and Distribution	\$ 1,297,634
Wastewater Management	1,846,925
Solid Waste Management	98,309
SMaRT Station	834,154
Community Recreation	276,554
Total Depreciation Expense	<u>\$ 4,353,576</u>

Fund Financial Statements

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

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2007

7. LONG-TERM LIABILITIES

Following is a summary of changes in long-term liabilities during the fiscal year ended June 30, 2007:

Description	Beginning Balance July 1, 2006	Additions	Reductions	Bond Amortization	Ending Balance June 30, 2007	Amounts Due Within One Year	Amount Due in More than One Year
Governmental Activities:							
Bonds Payable:							
Certificates of Participation:							
1993 ABAG	\$ 430,000	-	\$ (210,000)	-	\$ 220,000	\$ 220,000	\$ -
1998 ABAG	1,175,000	-	(120,000)	-	1,055,000	125,000	930,000
1998 Parking Facility, Series A	13,945,000	-	(545,000)	-	13,400,000	570,000	12,830,000
2001 Government Center	16,795,000	-	(425,000)	-	16,370,000	440,000	15,930,000
Tax Allocation Bonds							
Central Core, Series 2003	7,386,070	-	(340,000)	3,661	7,049,731	350,000	6,699,731
Rebatable Arbitrage	35,033	36,699	-	-	71,732	46,775	24,957
Self Insurance							
and Contingent Liability	13,043,000	2,171,000	(2,832,000)	-	12,382,000	2,433,332	9,948,668
Compensated Absences	7,901,898	7,143,221	(6,831,847)	-	8,213,272	6,831,847	1,381,425
Total Governmental Activities	\$ 60,711,001	\$ 9,350,920	\$ (11,303,847)	\$ 3,661	\$ 58,761,735	\$ 11,016,954	\$ 47,744,781
Business-Type Activities:							
Bonds Payable:							
Revenue Bonds:							
Water and Wastewater, Series 2001	27,089,493	-	(1,320,000)	13,211	25,782,704	1,370,000	24,412,704
Solid Waste, Series 2003	17,274,792	-	(1,135,000)	9,087	16,148,879	1,165,000	14,983,879
Landfill Postclosure Care Costs	3,866,629	-	(108,910)	-	3,757,719	-	3,757,719
Total Business-Type Activities	\$ 48,230,914	\$ -	\$ (2,563,910)	\$ 22,298	\$ 45,689,302	\$ 2,535,000	\$ 43,154,302

A. Bonds Payable

Most of the City's bonded debt issues are insured and that is reflected in the reported ratings for the bonds. In March 2007 Standard & Poor's Rating Services affirmed its "AA+" issuer credit long-term rating on the City and its "AA" underlying rating (SPUR) on the City's outstanding Certificates of Participation.

Moody's ratings for the City's outstanding bonds are as follows:

	<u>Outstanding Par Amount</u>	<u>Moody's Investors Service</u>
Central Core Tax Allocation Refunding Bonds, Series 2003	\$ 7,105,000	Aaa
1998 Parking Facility, Series A Certificates of Participation	13,400,000	Aaa
1993 ABAG Certificates of Participation	220,000	N/A
1998 ABAG Certificates of Participation	1,055,000	N/A
2001 Government Center Certificates of Participation	16,370,000	Aaa
Water and Wastewater Revenue Bonds, Series 2001	25,955,000	Aaa
Solid Waste Revenue Bonds, Series 2003	16,245,000	Aaa

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2007

7. LONG-TERM LIABILITIES, Continued

A. Bonds Payable, Continued

Certificates of Participation

\$2,310,000 1993 ABAG Certificates of Participation

Due in annual installments of \$110,000-\$220,000 through February 1, 2008, interest at 3.50%-6.25%, repayments made from lease revenues from the Sunnyvale School District recorded in the ABAG COP Debt Service Fund. The last debt service payment will be paid for by the reserve account held by the fiscal agent.

The debt service requirements for the Certificates of Participation at June 30, 2007 were as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 220,000	\$ 13,750	\$ 233,750
Total	\$ 220,000	\$ 13,750	\$ 233,750

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

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

The debt service requirements for the Certificates of Participation at June 30, 2007 were as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 125,000	\$ 50,219	\$ 175,219
2009	135,000	44,010	179,010
2010	140,000	37,270	177,270
2011	145,000	30,145	175,145
2012	155,000	22,490	177,490
2013-2014	355,000	19,110	374,110
Total	\$ 1,055,000	\$ 203,244	\$ 1,258,244

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

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

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2007

7. LONG-TERM LIABILITIES, Continued

A. Bonds Payable, Continued

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

The debt service requirements for the Certificates of Participation at June 30, 2007 were as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 570,000	\$ 643,805	\$ 1,213,805
2009	590,000	618,280	1,208,280
2010	620,000	590,893	1,210,893
2011	645,000	561,475	1,206,475
2012	675,000	530,118	1,205,118
2013-2017	3,915,000	2,103,461	6,018,461
2018-2022	5,135,000	986,125	6,121,125
2023	1,250,000	31,250	1,281,250
Total	\$ 13,400,000	\$ 6,065,407	\$ 19,465,407

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

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

Annual debt service requirements for the Government Center Certificates of Participation are based on a variable interest rate that is determined by the remarketing agent as the rate that would be necessary to enable the remarketing of the COPs at 100% of the principal amount. At June 30, 2007, the interest rate was 3.65%, which was the rate used to project the interest portion of the debt service payments for future years. This rate will change with market fluctuations.

The debt service requirements for the Certificates of Participation at June 30, 2007 were as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 440,000	\$ 363,414	\$ 803,414
2009	455,000	353,646	808,646
2010	475,000	343,545	818,545
2011	490,000	333,000	823,000
2012	505,000	322,122	827,122
2013-2017	2,825,000	1,433,565	4,258,565
2018-2022	3,375,000	1,096,680	4,471,680
2023-2027	4,030,000	693,861	4,723,861
2028-2031	3,775,000	213,231	3,988,231
Total	\$ 16,370,000	\$ 5,153,064	\$ 21,523,064

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2007

7. LONG-TERM LIABILITIES, Continued

A. Bonds Payable, Continued

Tax Allocation Bonds

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

Due in annual installments of \$230,000-\$585,000 through August 1, 2022, interest at 2.00-4.50%, repayments made from incremental property taxes recorded in the Redevelopment Agency Special Revenue Fund. The bonds are presented net of unamortized discount of \$55,269. The bonds also had deferred charges of \$606,763, which were recorded as an asset and amortized over the life of the bond on a straight-line basis. The balance of the deferred charges at June 30, 2007 was \$489,426.

The debt service requirements for the bonds at June 30, 2007 were as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 350,000	\$ 262,346	\$ 612,346
2009	355,000	254,941	609,941
2010	360,000	246,536	606,536
2011	370,000	236,486	606,486
2012	385,000	224,776	609,776
2013-2017	2,120,000	903,013	3,023,013
2018-2022	2,580,000	424,131	3,004,131
2023	585,000	13,163	598,163
	<u>7,105,000</u>	<u>2,565,392</u>	<u>9,670,392</u>
Less Unamortized Discount	<u>(55,269)</u>	<u>-</u>	<u>(55,269)</u>
Total	<u><u>\$ 7,049,731</u></u>	<u><u>\$ 2,565,392</u></u>	<u><u>\$ 9,615,123</u></u>

Revenue Bonds

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

Due in annual installments of \$1,150,000 - \$2,215,000 through October 1, 2026, interest at 2.5% - 5.17%, repayments made from net revenues of the Water Supply and Distribution and Wastewater Management Enterprise Funds. The bonds are presented net of unamortized discount of \$172,296.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2007

7. LONG-TERM LIABILITIES, Continued

A. Bonds Payable, Continued

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

The debt service requirements for the bonds at June 30, 2007 were as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 1,370,000	\$ 1,242,720	\$ 2,612,720
2009	1,435,000	1,179,608	2,614,608
2010	1,495,000	1,118,915	2,613,915
2011	1,555,000	1,059,410	2,614,410
2012	1,610,000	991,030	2,601,030
2013-2017	9,485,000	3,575,819	13,060,819
2018-2022	4,860,000	1,499,019	6,359,019
2023-2027	4,145,000	538,875	4,683,875
	<u>25,955,000</u>	<u>11,205,396</u>	<u>37,160,396</u>
Less Unamortized Discount	(172,296)	-	(172,296)
Total	\$ 25,782,704	\$ 11,205,396	\$ 36,988,100

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

Due in annual installments of \$1,025,000 - \$1,890,000 through October 1, 2017, interest at 2.0% - 5.5%, repayments made from net revenues of the Solid Waste Enterprise Fund and monies received by the City from the cities of Mountain View and Palo Alto under the Memorandum of Understanding in connection with the City's Solid Waste Material Recovery and Transfer Station. The bonds are presented net of unamortized discount of \$96,121. The bonds also had deferred charges of \$854,769, which were recorded as an asset and amortized over the life of the bond on a straight line basis. The balance of the deferred charges at June 30, 2007 was \$609,735.

The debt service requirements for the bonds at June 30, 2007 were as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 1,165,000	\$ 780,184	\$ 1,945,184
2009	1,205,000	737,600	1,942,600
2010	1,255,000	690,063	1,945,063
2011	1,310,000	635,350	1,945,350
2012	1,370,000	572,850	1,942,850
2013-2017	8,050,000	1,672,950	9,722,950
2018	1,890,000	51,975	1,941,975
	<u>16,245,000</u>	<u>5,140,972</u>	<u>21,385,972</u>
Less Unamortized Discount	(96,121)	-	(96,121)
Total	\$ 16,148,879	\$ 5,140,972	\$ 21,289,851

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2007

7. LONG-TERM LIABILITIES, Continued

B. Self-Insurance and Contingent Liabilities

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

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

The City has \$40,000,000 in excess general liability coverage, subject to \$500,000 self-insured retention (SIR) for each occurrence, through California Joint Powers Risk Management Authority (CJPRMA), a risk-sharing pool. The City's excess workers' compensation coverage is provided through the California State Association of Counties Excess Insurance Authority (CSAC-EIA); the coverage provides \$45,000,000 in excess workers' compensation, subject to \$500,000 SIR for each occurrence. Unemployment claims paid by the City are reimbursed dollar-for-dollar by the State.

The California Joint Powers Risk Management Authority is a joint powers authority created by certain California cities and other joint powers authorities to provide a pooled approach for liability coverage. The CJPRMA is governed by a board of directors comprised of officials appointed by each member agency. The activities of the CJPRMA include setting and collecting premiums, administering and paying claims and related expenses and investing assets. Each member is assessed a contribution based on actuarially determined rates, which is intended to cover the CJPRMA's claims, operating costs and claim settlement expenses. Additional cash contributions may be assessed on the basis of adverse loss experiences. The CJPRMA maintains members' equity accounts for each pool member. Losses and expenses are paid from these pools up to the limit of coverage subject to the self-insured retention. Financial statements for CJPRMA for the fiscal year ended June 30, 2007 may be obtained from CJPRMA at 2333 San Ramon Valley Blvd. Suite 250, San Ramon, CA 94583-4456.

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, 2007, may be obtained from CSAC Excess Insurance Authority at 3017 Gold Canal Drive, Rancho Cordova, CA 95670.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2007

7. LONG-TERM LIABILITIES, Continued

B. Self-Insurance and Contingent 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.

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

	<u>2007</u>	<u>2006</u>	<u>2005</u>
General:			
Liability at beginning of fiscal year	\$ 1,252,000	\$ 1,300,000	\$ 959,000
Claims paid	(675,000)	(344,000)	(92,000)
Current fiscal year claims and changes in estimated liability	<u>202,000</u>	<u>296,000</u>	<u>433,000</u>
Liability at end of fiscal year	<u><u>\$ 779,000</u></u>	<u><u>\$ 1,252,000</u></u>	<u><u>\$ 1,300,000</u></u>
Workers' Compensation:			
Liability at beginning of fiscal year	\$ 11,791,000	\$ 10,899,000	\$ 11,368,000
Claims paid	(2,157,000)	(2,008,300)	(2,248,000)
Current fiscal year claims and changes in estimated liability	<u>1,969,000</u>	<u>2,900,300</u>	<u>1,779,000</u>
Liability at end of fiscal year	<u><u>\$ 11,603,000</u></u>	<u><u>\$ 11,791,000</u></u>	<u><u>\$ 10,899,000</u></u>
Total estimated claims payable	<u><u>\$ 12,382,000</u></u>	<u><u>\$ 13,043,000</u></u>	<u><u>\$ 12,199,000</u></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 5%, on the carrying amount of estimated general liability of \$849,000 and estimated workers’ compensation liability of \$15,128,000 at the 70% confidence level.

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

C. Compensated Absences

The City’s compensated absences consist of accrued vacation pay, floating holiday pay for all regular employees and paid time off and floating holiday pay for management employees. Some employees also accrue compensatory time. The total amount of the accrued liability is recorded in the Employee Benefits Internal Service Fund and is reported under governmental activities in the government-wide financial statements. The total amount of the liability at June 30, 2007 was \$8,213,272.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2007

7. LONG-TERM LIABILITIES, Continued

D. Landfill Postclosure Care Costs

On September 30, 1993, the City used up all of its landfill's remaining capacity. In accordance with state and federal laws and regulations, the City placed a final cover on its landfill and is required to perform certain maintenance and monitoring functions at the landfill site for thirty years after closure. At June 30, 2007 a liability in the amount of \$3,757,719 has been recognized based on the estimated remaining postclosure care costs that will be incurred over the next 17 years to meet the regulatory requirements. Postclosure care costs exceeding those required to meet regulatory requirements are incurred each year to meet local community standards. The estimated liability is based on the amount that would be paid if all equipment, facilities, and services required to monitor and maintain the landfill were acquired as of June 30, 2007. However, the actual cost of postclosure care may be higher or lower due to inflation, changes in technology, or changes in landfill laws and regulations. These landfill closure and postclosure care costs will be financed by a combination of the Solid Waste Management Fund's existing cash and investments and future refuse collection charges.

E. Non City Obligations

Community Facilities District

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

The bond documents for the CFD No. 1 bonds stipulated that in the event the Initial Release Test was not satisfied, the bonds would be redeemed in part. In order to satisfy the Initial Release Test, the Director of Finance of the City of Sunnyvale had to determine, at the time of the initial disbursement from the Escrow Fund, that several conditions had been met. Prior to the initial disbursement from the Escrow Fund, the Director of Finance determined that the Initial Release Test had not been satisfied. Therefore, bonds in the amount of \$16,010,000 were redeemed in September 2002. The principal balance of currently outstanding bonds was \$19,180,000 at June 30, 2007. 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.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2007

7. LONG-TERM LIABILITIES, Continued

E. Non City Obligations, Continued

Community Facilities District, Continued

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

On October 2, 2006, Fourth Quarter Properties requested permission from the Redevelopment Agency (the Agency) to transfer the project to RREEF America III (RREEF), a large real estate investment trust, which would develop the property in joint venture with Sand Hill Properties, a local developer. After due diligence review, on December 12, 2006 the Agency gave preliminary approval to transfer the project to RREEF and Sand Hill Properties. On February 6, 2007, the Agency approved the Amended and Restated Disposition, Development and Owner Participation Agreement (ARDDOPA) with Downtown Sunnyvale Mixed Use LLC, a joint venture of RREEF and Sand Hill Properties Company. The ARDDOPA includes an important new provision that will impose on the developer substantial penalties for missed milestones during construction. The milestones are keyed to the start of demolition through delivery of space to retailers who will open stores. Delivery of space to retailers is expected to be completed by March 2009.

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

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2007

7. LONG-TERM LIABILITIES, Continued

E. Non City Obligations, Continued

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

8. COMMITMENTS

At June 30, 2007, the City had outstanding construction commitments for the following projects:

<u>Project</u>	<u>Contract</u>	<u>Outstanding</u>
Digester Lid & Drain Line Rehabilitation	\$ 2,815,100	\$ 1,223,019
Baylands Storm Water Pump Station #1	743,369	743,369
Evelyn Avenue Lane Reduction	530,000	477,000
Water Main Replacement@Colusa&San Simeon	325,000	325,000
Reconstruction of Curbs, Gutters, Sidewalks	388,525	304,902
Renovation of Serra and Westmoor Water Wells	273,000	273,000
Improvements to Frances Street Transit Corridor	1,356,898	219,689
Repair Air Flotation Thickener #4 at Water Pollution Control Plant	212,131	212,131
Total Commitments	\$ 6,644,023	\$ 3,778,110

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2007

9. RETIREMENT PLAN

Plan Description

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

Funding Policy

Miscellaneous participants were required to contribute 7% of annual covered salary, and safety participants were required to contribute 11.25% of their annual covered salary. The City made the contributions required of City employees on their behalf and for their account, which amounted to \$7,119,353 for the fiscal year ended June 30, 2007. The City is required to make actuarially determined employer contributions necessary to fund the benefits for its members. For the fiscal year ending June 30, 2007, the City contribution was 11.397% for miscellaneous employees and 28.562% for safety employees. The contribution requirements of the plan members are established by State statute and the employer contribution rate is established annually and may be amended by PERS.

Annual Pension Cost (APC)

For fiscal year 2007 the City's annual pension cost of \$14,629,218 was equal to the City's required and actual contributions. Originally the required employer contribution was determined as part of the June 30, 2004, actuarial valuation using the entry age normal actuarial cost method. The required employer contribution rates for this year were later amended at the City's request to avoid negative amortization of the unfunded actuarial accrued liability. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses), (b) projected salary increases ranging from 3.25% to 14.45% for miscellaneous employees and from 3.25% to 13.15% for safety employees depending on age, service, and type of employment, and (c) 2% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 3%. The actuarial value of PERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a three-year period. PERS unfunded actuarial accrued liability (or surplus) is being amortized as a level percentage of projected payroll on a closed basis. The average remaining amortization period at June 30, 2004, was 26 years for miscellaneous and 32 years for safety employees for prior and current service unfunded liability.

In June 2007 the City Council approved an amendment to the contract between PERS and the City. Refer to the Required Supplementary Information Section for funding progress and estimated fiscal impact of this contract amendment.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2007

9. RETIREMENT PLAN, Continued

Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)		Total APC	Percentage of APC Contributed	Net Pension Obligation
	Miscellaneous Plan	Safety Plan			
06/30/05	\$3,486,109	\$ 7,965,737	\$ 11,451,846	100%	\$ -
06/30/06	5,977,597	8,774,922	14,752,519	100%	-
06/30/07	6,436,205	8,193,013	14,629,218	100%	-

10. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

By City Council resolution, the City provides medical health care benefits for retirees who elect the option under the Public Employees Medical and Hospital Care Act. The medical coverage and City contribution remain the same as at the time of retirement. Employees who have worked with an agency participating in PERS a minimum of five years and who retire from the City of Sunnyvale are eligible. Plan participants as of June 30, 2007 totaled 547.

The cost of retiree health care is expensed as premiums are paid. City costs in this fiscal year amounted to \$3,253,937. Benefits are accounted for in the Employee Benefits Internal Service Fund. The City plans to transfer \$17,215,785 in fiscal year 2008 to an OPEB trust to fund future medical obligations.

11. INTERFUND TRANSFERS

Fund Financial Statements

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

<u>Fund Making Transfers</u>	<u>Amount Transferred</u>	<u>Funding Purpose</u>
Employment Development	\$ 123,807	(3)
City Projects	12,724	(1)
Nonmajor Governmental	251,771	(3)
Internal Service - General Services	376,783	(3)
Water Supply and Distribution	2,309,244	(3)
Wastewater Management	3,086,392	(3)
Solid Waste Management	2,605,763	(3)
Community Recreation	995,835	(3)
Subtotal - General Fund	9,762,319	

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2007

11. INTERFUND TRANSFERS, Continued

<u>Fund Receiving Transfers</u>	<u>Fund Making Transfers</u>	<u>Amount Transferred</u>	<u>Funding Purpose</u>
Redevelopment Debt Service	Nonmajor Governmental	\$ 4,400,761	(2)
	Subtotal - Redevelopment Service	<u>4,400,761</u>	
City Projects	General Fund	369,739	(1)
	Nonmajor Governmental	638,956	(1)
	Subtotal - City Projects	<u>1,008,695</u>	
Nonmajor Governmental	General Fund	1,402,932	(3)
	City Projects	11,098	(1)
	Nonmajor Governmental	1,540,047	(1)
	Internal Service - General Services	805,010	(4)
	Water Supply and Distribution	89,985	(4)
	Wastewater Management	57,346	(4)
	Solid Waste Management	75,827	(4)
Subtotal - Nonmajor Governmental	<u>3,982,245</u>		
Internal Service - General Services	General Fund	153,850	(1)
	City Projects	274,687	(1)
	Nonmajor Governmental	365,207	(1)
	Water Supply and Distribution	350,698	(1)
	Wastewater Management	1,217,803	(1)
	Solid Waste Management	113,044	(1)
Subtotal - Internal Service - General Services	<u>2,475,289</u>		
Internal Service - Employee Benefit	General Fund	2,325,964	(5)
	Employment Development	507,753	(5)
	Nonmajor Governmental	63,198	(5)
	Internal Service - General Services	435,040	(5)
	Internal Service - Risk Management	13,173	(5)
	Water Supply and Distribution	164,609	(5)
	Wastewater Management	448,903	(5)
	Solid Waste Management	58,821	(5)
	SMaRT Station	13,231	(5)
	Community Recreation	338,946	(5)
Subtotal - Internal Service - Employee Benefits	<u>4,369,638</u>		
SMaRT Station	Solid Waste Management	1,027,416	(2)
	Subtotal - SMaRT Station	<u>1,027,416</u>	
Community Recreation	General Fund	4,103,858	(3)
	Nonmajor Governmental	68,669	(3)
	Subtotal - Community Recreation	<u>4,172,527</u>	
Total Interfund Transfers		<u>\$ 31,198,890</u>	

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2007

11. INTERFUND TRANSFERS, Continued

Government-Wide Financial Statements

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

During the fiscal year, construction in progress with cost of \$446,249 was transferred from governmental to business-type activities. This amount was included in the \$7,307,671 transfers between the two activities. In the fund financial statements, the Wastewater Management Enterprise Fund reported this transfer as capital contribution.

12. CLASSIFICATION OF NET ASSETS

Government-Wide Financial Statements

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

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

Restricted – This category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation. Additionally, City Council places restrictions on Capital Projects, Debt Service, and Specific Projects and Programs. Specific Restricted Projects and Programs include permanent fund net assets, which are all nonexpendable principal.

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

Fund Financial Statements

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

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2007

12. CLASSIFICATION OF NET ASSETS, Continued

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

	General Fund	Employment Development	Redevelopment Debt Service	Nonmajor Governmental Funds
Housing Mitigation	\$ -	\$ -	\$ -	\$ 8,793,454
Housing Revolving Fund	-	-	-	1,202,791
Park Dedication	-	-	-	5,373,716
Public Safety	-	-	-	1,343,462
Low and Moderate Income Housing	-	-	-	8,000,176
Restricted Donations	-	221,205	-	1,397,839
Advances to Other Funds Net of Deferred Revenue	25,044,038	-	-	-
Long-term Receivables Net of Deferred Revenue	2,437,329	-	-	-
Inventories and Prepayments	437,751	3,810	-	-
Assets Held for Resale	1,101,077	-	-	-
Capital Improvement Projects	4,033,130	-	-	-
Debt Service	-	-	1,942,702	1,704,147
Total	<u>\$ 33,053,325</u>	<u>\$ 225,015</u>	<u>\$ 1,942,702</u>	<u>\$ 27,815,585</u>

Fund reservations are described as follows:

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

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

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

Reserved for Low and Moderate Income Housing represents the portion of the Redevelopment Agency’s property tax increment revenues which are required by State law to be spent on housing for low and moderate income households.

Reserved for Restricted Donations represents contributions from other agencies and citizens that are legally restricted by the donors.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2007

12. CLASSIFICATION OF NET ASSETS, Continued

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

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

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

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

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

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

	Major Funds			Nonmajor Funds	
	General Fund	Redevelopment Debt Service	City Projects	Special Revenue Funds	Capital Projects Funds
Unrealized Gains	\$ 428,531	\$ -	\$ 348,088	\$ 15,350	\$ -
Contingencies	22,144,133	-	-	-	-
Current Capital Projects	1,157,229	-	10,477,531	3,395,572	3,244,312
20-Year Resource Allocation Plan	55,303,925	-	-	8,244,790	12,646,407
Total Unreserved, Designated	79,033,818	-	10,825,619	11,655,712	15,890,719
Unreserved and Undesignated	-	(56,567,030)	-	(8,005,696)	-
Total Unreserved	\$ 79,033,818	\$ (56,567,030)	\$ 10,825,619	\$ 3,650,016	\$ 15,890,719

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

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

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

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2007

12. CLASSIFICATION OF NET ASSETS, Continued

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

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

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

	<u>Water Supply and Distribution</u>	<u>Wastewater Management</u>	<u>Solid Waste Management</u>	<u>SMaRT Station</u>	<u>Community Recreation</u>	<u>Internal Service Funds</u>
Contingencies	\$ 4,397,278	\$ 2,984,682	\$ 2,617,932	\$ -	\$ -	\$ -
Government Center Project	70,970	72,121	48,720	-	-	-
Capital Projects	2,316,342	4,370,323	89,497	8,763,655	21,174	-
Rate Stabilization	3,356,447	8,676,299	1,998,518	-	-	-
Other Postemployment Benefits	-	-	-	-	-	17,215,785
Equipment Replacement	-	-	-	-	-	5,882,347
Capital Replacement Sinking Fund	-	-	-	869,952	-	-
20-Year Resource Allocation Plan	-	-	-	-	729,455	22,067,491
Funded by Rates	(3,501,580)	(17,010,908)	(29,715,177)	(2,724,849)	-	-
Total	<u>\$ 6,639,457</u>	<u>\$ (907,483)</u>	<u>\$ (24,960,510)</u>	<u>\$ 6,908,758</u>	<u>\$ 750,629</u>	<u>\$ 45,165,623</u>

Contingencies are established by City Council to provide funding for any significant unplanned event that may arise such as a natural disaster, a one-time loss of revenues, or to provide a buffer period in the event of a major ongoing revenue loss.

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

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

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

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2007

12. CLASSIFICATION OF NET ASSETS, Continued

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

Equipment Replacement represents amounts in the General Services Internal Service Fund that are being accumulated for the replacement of old equipment.

Capital Replacement Sinking Fund represents amounts in the SMaRT Station Fund set aside for future capital asset needs.

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

13. DEFICIT NET ASSETS AND FUND EQUITY

Government-Wide Financial Statements

The business-type activities in the government-wide financial statements had deficit unrestricted net assets of \$(11,569,149). This net total deficit is composed of positive net unrestricted assets in all business type activities except for deficits in the following:

Wastewater Management	\$ (907,483)
Solid Waste Management	(24,960,510)

These deficit unrestricted net assets in Wastewater and Solid Waste Management were due to liabilities incurred by these activities from advances made by the General Fund. These advances were used to either acquire or improve capital assets or to keep rates stable for citizens affected by these activities. The deficit net assets will be eliminated as repayments are scheduled to be made to the General Fund from rates charged to customers.

Fund Financial Statements

The following funds had deficit fund balance or net assets as of June 30, 2007:

Major Funds:	
Redevelopment Agency Debt Service Fund	\$ (54,624,328)
Solid Waste Management Enterprise Fund	(23,820,758)
Non-Major Funds:	
Transportation Development Act (TDA) Special Revenue Fund	(60,778)
Redevelopment Agency Special Revenue Fund	(8,005,696)
Internal Service Funds:	
Risk Management Fund	(862,350)

Notes to the Basic Financial Statements, Concluded
Fiscal Year Ended June 30, 2007

13. DEFICIT NET ASSETS AND FUND EQUITY, Continued

The long-term advances from the General Fund to the Redevelopment Agency caused the deficit fund equity in the Redevelopment Agency Debt Service Fund. As of June 30, 2007, total advances amounted to \$56,567,030 that includes accrued unpaid interest. The deficit is expected to be funded by transfers from the Redevelopment Agency Special Revenue Fund as tax increment revenues are collected in that fund.

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

The deficit fund balance in the Transportation Development Act (TDA) Fund was caused by the deferral of grant revenues for reimbursable costs. The deficit will be eliminated when the grantor agency remits the billed amounts.

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

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

The deficit net assets in the Risk Management Internal Service Fund was caused by inadequate internal service charges to user programs in other City funds. The deficit is expected to be funded by increasing future charges to other City funds.

Required Supplementary Information

**Required Supplementary Information
Fiscal Year Ended June 30, 2007**

BUDGETARY POLICY AND CONTROL

**Budgetary Comparison Schedule - General Fund
Fiscal Year Ended June 30, 2007**

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget Positive(Negative)
Budgetary Fund Balance, July 1, 2006	\$ 71,387,253	\$ 74,766,171	\$ 74,766,171	\$ -
Resources (inflows):				
Property Taxes	34,150,296	35,824,860	35,815,933	(8,927)
Sales and Use Taxes	29,702,270	31,725,824	32,053,295	327,471
Other Taxes	14,861,904	15,994,045	16,760,965	766,920
Franchise Fees	5,688,840	5,793,539	5,713,842	(79,697)
Intergovernmental Revenues	1,377,123	2,687,665	2,513,070	(174,595)
Permits and Licenses	5,725,619	6,952,226	7,041,600	89,374
Fines and Forfeitures	971,959	962,886	1,336,628	373,743
Special Assessments	63,783	63,783	65,983	2,200
Service Fees	3,299,250	3,872,807	4,674,981	802,174
Rents and Concessions	1,978,851	1,922,486	1,987,952	65,466
Investment Earnings	3,065,652	2,803,731	3,248,956	445,225
Repayment of Interfund Advances	4,170,780	5,369,527	6,347,959	978,432
Other Revenues	72,622	3,535,180	3,661,661	126,481
Transfers In	9,710,745	9,835,142	9,762,318	(72,824)
Total Resources	114,839,694	127,343,700	130,985,144	3,641,444
Charges to appropriations (outflows):				
Planning and Management	18,337,685	19,467,565	18,107,879	1,359,686
Public Safety	63,815,347	66,342,700	65,922,498	420,202
Community Development	16,539,542	16,869,206	16,765,219	103,986
Transportation	4,299,151	4,350,487	3,991,367	359,120
Socioeconomic	302,423	344,005	320,184	23,821
Cultural	7,220,043	7,721,788	7,511,105	210,684
Environmental Management	1,782,059	1,804,859	1,747,197	57,662
Capital Outlay	62,500	399,390	164,238	235,152
Transfers Out	7,833,815	8,364,728	8,356,343	8,385
Total charges to appropriations	120,192,564	125,664,728	122,886,030	2,778,698
Excess of resources over (under) charges to appropriations	(5,352,871)	1,678,972	8,099,114	6,420,141
Budgetary Fund Balance, June 30, 2007	\$ 66,034,382	\$ 76,445,143	\$ 82,865,285	\$ 6,420,141

Required Supplementary Information, Continued
Fiscal Year Ended June 30, 2007

BUDGETARY POLICY AND CONTROL, Continued

Budgetary Comparison Schedule - Employment Development Fund
Fiscal Year Ended June 30, 2007

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1, 2006	\$ 236,773	\$ 192,238	\$ 192,238	\$ -
Resources (inflows):				
Intergovernmental Revenues	11,000,480	10,280,367	9,961,237	(319,130)
Service Fees	-	-	14,132	14,132
Rents and Concessions	-	-	40,651	40,651
Other Revenues	274,495	274,495	330,481	55,986
Total Resources	<u>11,274,975</u>	<u>10,554,862</u>	<u>10,346,501</u>	<u>(208,361)</u>
Charges to appropriations (outflows):				
Socioeconomic	10,767,222	10,047,107	9,805,971	241,136
Transfers Out	507,753	507,753	507,753	-
Total charges to appropriations	<u>11,274,975</u>	<u>10,554,860</u>	<u>10,313,724</u>	<u>241,136</u>
Excess of resources over (under) charges to appropriations	-	2	32,777	32,775
Budgetary Fund Balance, June 30, 2007	<u>\$ 236,773</u>	<u>\$ 192,240</u>	<u>\$ 225,015</u>	<u>\$ 32,775</u>

Required Supplementary Information, Continued
Fiscal Year Ended June 30, 2007

BUDGETARY POLICY AND CONTROL, Continued

Note to Required Supplementary Information

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

	General Fund	Employment Development Fund
Sources/Inflow of Resources:		
Actual amounts (budgetary basis) of "total resources" from the budgetary comparison schedule	\$ 130,985,144	\$ 10,346,501
Differences - Budget to GAAP		
Interfund advances repayment is a budgetary resource but is not a revenue for financial reporting purposes	(6,347,959)	-
Change in fair value of investments is not budgetary resource	377,129	-
Sale of Land is a special item for financial reporting purposes	(3,483,130)	-
Resources funded by private citizens not in budget	257,800	-
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes	(9,762,319)	-
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	\$ 112,026,665	\$ 10,346,501
Uses/Outflows of Resources		
Actual amounts (budgetary basis) of "total charges to appropriations" from the budgetary comparison schedule	\$ 122,886,030	\$ 10,313,724
Differences - Budget to GAAP		
Interfund advances is a budgetary expenditure but is not an expenditure for financial reporting purposes	(1,212,920)	-
Uses of resources from private citizens that are not budgeted	89,982	-
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(8,356,344)	(631,560)
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	\$ 113,406,748	\$ 9,682,164

Required Supplementary Information, Continued
Fiscal Year Ended June 30, 2007

BUDGETARY INFORMATION

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

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

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

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

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

Required Supplementary Information, Continued
Fiscal Year Ended June 30, 2007

BUDGETARY INFORMATION, Continued

- Prior to June 30 of each year, the budget as modified by the City Council is legally enacted by adoption of a budget resolution. The legal level of budgetary control is placed by the City Council at the program level, with adjustments between programs within funds allowed below specified thresholds. A separate Budgetary Year-End Financial Report is prepared in December of each year, which presents details to demonstrate compliance at the legal level of control for the previous fiscal year. Appropriations lapse at year-end to the extent they have not been expended.
- Budgets are legally adopted for all governmental funds.
- Formal budgets are employed as a management control device for all funds in which a budget has been adopted. They serve as the primary means of spending control for the general fund, special revenue funds, debt service funds and capital project funds.
- Budgeted amounts reported are those as originally adopted June 20, 2006 plus all amendments approved during the year by the City Council. Individual amendments were not material in relation to the original amounts budgeted. The City's policy is to reappropriate uncompleted capital projects into the next fiscal year.

BUDGETARY HIGHLIGHTS

The General Fund appropriations budget (outflows) was amended during the fiscal year to reflect carryover of unspent capital and special projects funds and unanticipated expenditures. Total budget modifications included project carryover appropriations of \$1,027,527 and operating carryover of \$633,850. Additionally, a total amount of \$3,279,874 was appropriated throughout the fiscal year for various unanticipated expenditures, including \$989,710 for projects and \$2,290,164 for operating expenditures. Funding sources for these amendments included grant revenues, General Fund savings due to other funding sources and General Fund reserves. Budget modifications also included a total amount of \$530,913 in transfers to other City funds, primarily due to administrative budget adjustment and for funding street rehabilitation projects.

Resources (inflows) of the General Fund were also amended during the fiscal year due to unanticipated receipt of grant funds and mid-year budgetary adjustments. Grant funding for projects in the amount of \$1,018,385 was secured during the fiscal year. The mid-year budget revenue adjustments were part of the budget development process to more appropriately reflect the actual trends based upon year-to-date information. Revenue adjustments other than grants for projects totaled \$11,374,282, including \$3,483,130 from sale of City land for downtown redevelopment. Budget modification also included transfers from other funds in the amount of \$111,340 to pay for projects.

The Employment Development Special Revenue Fund budgeted expenditures was reduced by \$720,115. This amendment was required to align the appropriations budget with Federal grant funds from the State. During the fiscal year, the federal funds allocated to the State for dislocated worker programs declined by 11%, resulting in significant loss of grant funds for the City.

Required Supplementary Information, Continued
Fiscal Year Ended June 30, 2007

MODIFIED APPROACH FOR CITY STREETS INFRASTRUCTURE CAPITAL ASSETS

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

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

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

The following conditions were defined:

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

Required Supplementary Information, Continued
Fiscal Year Ended June 30, 2007

MODIFIED APPROACH FOR CITY STREETS INFRASTRUCTURE CAPITAL ASSETS, Continued

The City Policy is to achieve an average rating of 75 for all streets, which is a “very good” rating. The last study report was issued in June 2007. In that study, the City’s street system was rated at a PCI index of 76 on the average with the detail condition as follows:

<u>Condition</u>	<u>Rating</u>
Excellent	17.8%
Very Good	57.5%
Good	18.6%
Fair	4.5%
Poor	1.2%
Very Poor	0.3%
Substandard	0.1%

The City’s streets are constantly deteriorating resulting from the following four factors: (1) traffic using the streets; (2) the sun’s ultra-violet rays drying out and breaking down the top layer of pavement; (3) utility company/private development interests trenching operations; and (4) water damage from natural precipitation and other urban runoff. The City is continuously taking actions to arrest the deterioration through short-term maintenance activities such as pothole patching, street sweeping, and sidewalk repair. The City expended \$2,720,134 on street maintenance for the fiscal year ended June 30, 2007. 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>
2002-2003	\$ 2,528,000	\$ 2,350,000	82
2003-2004	2,503,000	2,436,000	84
2004-2005	2,648,000	2,383,000	86
2005-2006	2,732,000	2,543,000	N/A
2006-2007	2,945,314	2,720,134	76

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

**Required Supplementary Information, Concluded
Fiscal Year Ended June 30, 2007**

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

MISCELLANEOUS PLAN

Retirement Program:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
6/30/2004	\$ 187,986,826	\$ 215,704,958	\$ 27,718,132	87.2%	\$ 53,384,441	51.9%
6/30/2005	204,593,980	233,122,429	28,528,449	87.8%	52,934,271	53.9%
6/30/2006	224,784,269	272,674,993	47,890,724	82.4%	54,985,789	87.1%

SAFETY PLAN

Retirement Program:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
6/30/2004	\$ 203,549,462	\$ 254,791,912	\$ 51,242,450	79.9%	\$ 26,422,874	193.9%
6/30/2005	219,877,751	272,415,582	52,537,831	80.7%	26,752,644	196.4%
6/30/2006	238,474,105	291,108,117	52,634,012	81.9%	26,128,909	201.4%

Amendment to the Contract between PERS and the City

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

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

PERS calculated the increase in past service cost to be \$18,924,876. This unfunded liability will be amortized over 20 years from the effective date of the amendment. This will increase the City's employer rate by 3.336% for 20 years. The City's normal cost, the future annual premiums, is calculated as a percentage of payroll based on current members and current actuarial assumptions. This percentage will change each year based on actual results and adjustments to actuarial assumptions. Under current assumptions, the normal cost will be increased by 2.143% for fiscal year 2008. In addition, the employee contribution rate will increase by 1%, paid by employees on a pre-tax basis.



Supplementary Information



Nonmajor Governmental Funds

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

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

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

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

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

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

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

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

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

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

Nonmajor Governmental Funds

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

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

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

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

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

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

The ***ABAG Certificates of Participation Fund*** is used to accumulate funds for the payment of the 1993 and 1998 Certificates of Participation. Debt service is financed with transfers from the General Fund, which receives lease revenues from the Sunnyvale School District.

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

Nonmajor Governmental Funds

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

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

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

CITY OF SUNNYVALE

**Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2007**

	Special Revenue			
	Community Development Block Grant	Housing	Park Dedication	Asset Forfeiture
Assets:				
Cash and Investments Held by City	\$ 2,236,439	\$ 11,536,331	\$ 6,692,641	\$ 1,428,400
Cash and Investments Held by Fiscal Agent	-	-	-	-
Other Receivables, Net	500	97,353	59,329	12,455
Intergovernmental Receivables	316,681	70,340	-	-
Due from Other Funds	-	-	-	-
Inventories and Prepayments	-	-	-	-
Housing Loans Receivable	10,777,929	14,577,461	-	-
Assets Held for Resale	-	280,000	-	-
Total Assets	\$ 13,331,549	\$ 26,561,485	\$ 6,751,970	\$ 1,440,855
Liabilities and Fund Balances:				
Liabilities:				
Accounts Payable and Accrued Liabilities	368,216	150,479	19,956	8,431
Refundable Deposits	-	-	3,450	-
Due to Other Funds	-	-	-	-
Deferred Revenues	10,777,929	14,577,461	-	-
Total Liabilities	11,146,145	14,727,940	23,406	8,431
Fund Balances:				
Reserved :				
Housing Mitigation	-	8,793,454	-	-
Housing Revolving Fund	1,202,791	-	-	-
Park Dedication	-	-	5,373,716	-
Public Safety	-	-	-	1,341,927
Low and Moderate Income Housing	-	-	-	-
Restricted Donations	-	-	-	-
Inventories and Prepayments	-	-	-	-
Debt Service	-	-	-	-
Total Reserved	1,202,791	8,793,454	5,373,716	1,341,927
Unreserved, Designated:				
Unrealized Gains	-	-	-	15,040
Current Capital and Special Projects	982,613	1,803,943	452,937	75,457
20-Year Resource Allocation Plan	-	1,236,148	901,911	-
Total Unreserved, Designated	982,613	3,040,091	1,354,848	90,497
Unreserved and Undesignated	-	-	-	-
Total Fund Balances (Deficit)	2,185,404	11,833,545	6,728,564	1,432,424
Total Liabilities and Fund Balances	\$ 13,331,549	\$ 26,561,485	\$ 6,751,970	\$ 1,440,855

Special Revenue

<u>Police Services Augmentation</u>	<u>Parking District</u>	<u>Gas Tax</u>	<u>Transportation Development Act</u>	<u>Youth and Neighborhood Services</u>	<u>Redevelopment Agency</u>
\$ 1,832	\$ 564,707	\$ 5,188,253	\$ -	\$ 624,661	\$ -
-	-	-	-	-	-
13	4,997	49,116	-	45,298	19,791
-	249	326,060	121,015	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 1,845</u>	<u>\$ 569,953</u>	<u>\$ 5,563,429</u>	<u>\$ 121,015</u>	<u>\$ 669,959</u>	<u>\$ 19,791</u>
-	157,974	307,756	12,714	1,330	25,311
-	-	-	-	-	-
-	-	-	108,301	-	8,000,176
-	-	88,150	60,778	-	-
<u>-</u>	<u>157,974</u>	<u>395,906</u>	<u>181,793</u>	<u>1,330</u>	<u>8,025,487</u>
-	-	-	-	-	-
-	-	-	-	-	-
1,535	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>1,535</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
310	-	-	-	-	-
-	4,345	76,277	-	-	-
-	407,634	5,091,246	(60,778)	668,629	-
<u>310</u>	<u>411,979</u>	<u>5,167,523</u>	<u>(60,778)</u>	<u>668,629</u>	<u>-</u>
-	-	-	-	-	(8,005,696)
<u>1,845</u>	<u>411,979</u>	<u>5,167,523</u>	<u>(60,778)</u>	<u>668,629</u>	<u>(8,005,696)</u>
<u>\$ 1,845</u>	<u>\$ 569,953</u>	<u>\$ 5,563,429</u>	<u>\$ 121,015</u>	<u>\$ 669,959</u>	<u>\$ 19,791</u>

Continued

CITY OF SUNNYVALE

**Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2007**

	Special Revenue		Permanent	
	Low and Moderate Income Housing	Total	Swirsky Youth Opportunity	Fremont Pool
Assets:				
Cash and Investments Held by City	\$ -	\$ 28,273,264	\$ 530,191	\$ 855,114
Cash and Investments Held by Fiscal Agent	-	-	-	-
Receivables, Net	-	288,852	4,821	7,713
Intergovernmental Receivables	-	834,345	-	-
Due from Other Funds	8,000,176	8,000,176	-	-
Inventories and Prepayments	-	-	-	-
Housing Loans Receivable	-	25,355,390	-	-
Assets Held for Resale	-	280,000	-	-
Total Assets	\$ 8,000,176	\$ 63,032,027	\$ 535,012	\$ 862,827
Liabilities and Fund Balances:				
Liabilities:				
Accounts Payable and Accrued Liabilities	-	1,052,167	-	-
Refundable Deposits	-	3,450	-	-
Due to Other Funds	-	8,108,477	-	-
Deferred Revenues	-	25,504,318	-	-
Total Liabilities	-	34,668,412	-	-
Fund Balances:				
Reserved :				
Housing Mitigation	-	8,793,454	-	-
Housing Revolving Fund	-	1,202,791	-	-
Park Dedication	-	5,373,716	-	-
Public Safety	-	1,343,462	-	-
Low and Moderate Income Housing	8,000,176	8,000,176	-	-
Restricted Donations	-	-	535,012	862,827
Inventories and Prepayments	-	-	-	-
Debt Service	-	-	-	-
Total Reserved	8,000,176	24,713,599	535,012	862,827
Unreserved, Designated:				
Unrealized Gains	-	15,350	-	-
Current Capital and Special Projects	-	3,395,572	-	-
20-Year Resource Allocation Plan	-	8,244,790	-	-
Total Unreserved, Designated	-	11,655,712	-	-
Unreserved	-	(8,005,696)	-	-
Total Fund Balances (Deficit)	8,000,176	28,363,615	535,012	862,827
Total Liabilities and Fund Balances	\$ 8,000,176	\$ 63,032,027	\$ 535,012	\$ 862,827



	Debt Service Government Center		
Total	ABAG Certificates of Participation	Certificates of Participation	Total
\$ 1,385,305	\$ -	\$ 20,931	\$ 20,931
-	441,117	1,312,504	1,753,621
12,534	917	132	1,049
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
<u>\$ 1,397,839</u>	<u>\$ 442,034</u>	<u>\$ 1,333,567</u>	<u>\$ 1,775,601</u>
-	-	71,454	71,454
-	-	-	-
-	-	-	-
-	-	-	-
<u>-</u>	<u>-</u>	<u>71,454</u>	<u>71,454</u>
-	-	-	-
-	-	-	-
-	-	-	-
1,397,839	-	-	-
-	-	-	-
<u>-</u>	<u>442,034</u>	<u>1,262,113</u>	<u>1,704,147</u>
<u>1,397,839</u>	<u>442,034</u>	<u>1,262,113</u>	<u>1,704,147</u>
-	-	-	-
-	-	-	-
-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>1,397,839</u>	<u>442,034</u>	<u>1,262,113</u>	<u>1,704,147</u>
<u>\$ 1,397,839</u>	<u>\$ 442,034</u>	<u>\$ 1,333,567</u>	<u>\$ 1,775,601</u>

Continued

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2007

	Capital Projects			Total Nonmajor Governmental Funds
	Infrastructure Renovation and Replacement	Redevelopment Agency Projects	Total	
Assets:				
Cash and Investments Held by City	\$ 14,451,037	\$ 1,487,153	\$ 15,938,190	\$ 45,617,690
Cash and Investments Held by Fiscal Agent	-	-	-	1,753,621
Receivables, Net	127,870	-	127,870	430,305
Intergovernmental Receivables	104,277	-	104,277	938,622
Due from Other Funds	-	-	-	8,000,176
Inventories and Prepayments	-	-	-	-
Housing Loans Receivable	-	-	-	25,355,390
Assets Held for Resale	-	-	-	280,000
Total Assets	\$ 14,683,184	\$ 1,487,153	\$ 16,170,337	\$ 82,375,804
Liabilities and Fund Balances:				
Liabilities:				
Accounts Payable and Accrued Liabilities	279,618	-	279,618	1,403,239
Refundable Deposits	-	-	-	3,450
Due to Other Funds	-	-	-	8,108,477
Deferred Revenues	-	-	-	25,504,318
Total Liabilities	279,618	-	279,618	35,019,484
Fund Balances:				
Reserved :				
Housing Mitigation	-	-	-	8,793,454
Housing Revolving Fund	-	-	-	1,202,791
Park Dedication	-	-	-	5,373,716
Public Safety	-	-	-	1,343,462
Low and Moderate Income Housing	-	-	-	8,000,176
Restricted Donations	-	-	-	1,397,839
Inventories and Prepayments	-	-	-	-
Debt Service	-	-	-	1,704,147
Total Reserved	-	-	-	27,815,585
Unreserved, Designated:				
Unrealized Gains (Losses)	-	-	-	15,350
Current Capital and Special Projects	2,995,402	248,910	3,244,312	6,639,884
20-Year Resource Allocation Plan	11,408,164	1,238,243	12,646,407	20,891,197
Total Unreserved, Designated	14,403,566	1,487,153	15,890,719	27,546,431
Unreserved	-	-	-	(8,005,696)
Total Fund Balances (Deficit)	14,403,566	1,487,153	15,890,719	47,356,320
Total Liabilities and Fund Balances	\$ 14,683,184	\$ 1,487,153	\$ 16,170,337	\$ 82,375,804

Concluded



CITY OF SUNNYVALE

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2007**

	Special Revenue			
	Community Development Block Grant	Housing	Park Dedication	Asset Forfeiture
Revenues:				
Property Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental Revenues	1,140,985	70,340	-	-
Fines and Forfeitures	-	-	-	24,491
Service Fees	-	2,750,556	5,861,202	-
Rents and Concessions	-	13,338	98,030	-
Investment Earnings	-	488,818	287,034	80,848
Other Revenues	386,407	281,076	-	-
Total Revenues	<u>1,527,392</u>	<u>3,604,128</u>	<u>6,246,266</u>	<u>105,339</u>
Expenditures:				
Current:				
Planning and Management	-	-	-	-
Public Safety	-	-	-	134,667
Community Development	1,423,944	3,686,958	-	-
Transportation	-	-	-	-
Socioeconomic	174,737	-	-	-
Cultural	-	-	-	-
Environmental Management	-	-	-	-
Capital Outlay	100,000	18,447	43,777	20,789
Debt Service:				
Principal Retirement	-	-	-	-
Interest	-	-	-	-
Fiscal Charges	-	-	-	-
Total Expenditures	<u>1,698,681</u>	<u>3,705,405</u>	<u>43,777</u>	<u>155,456</u>
Excess of Revenues Over (Under) Expenditures	(171,289)	(101,277)	6,202,489	(50,117)
Other Financing Sources (Uses):				
Transfers In	9,425	5,703	-	-
Transfers Out	(80,695)	(29,492)	(458,444)	(98,453)
Total Other Financing Sources (Uses)	<u>(71,270)</u>	<u>(23,789)</u>	<u>(458,444)</u>	<u>(98,453)</u>
Net Change in Fund Balances	(242,559)	(125,066)	5,744,045	(148,570)
Fund Balances - Beginning of Year	2,427,963	11,958,611	984,519	1,580,994
Fund Balances - End of Year	<u>\$ 2,185,404</u>	<u>\$ 11,833,545</u>	<u>\$ 6,728,564</u>	<u>\$ 1,432,424</u>

Special Revenue

Police Services Augmentation	Parking District	Gas Tax	Transportation Development Act	Youth and Neighborhood Services	Redevelopment Agency
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,991,612
270,733	-	3,444,821	238,058	101,130	-
-	-	-	-	-	-
-	165,859	-	-	25,191	-
-	-	-	-	9,730	-
2,928	26,972	296,485	-	26,789	-
-	-	-	-	-	-
<u>273,661</u>	<u>192,831</u>	<u>3,741,306</u>	<u>238,058</u>	<u>162,840</u>	<u>4,991,612</u>
-	2,683	-	-	-	260,044
266,551	-	-	-	-	-
-	132,346	-	-	-	229,732
-	-	2,932,284	-	-	-
-	-	-	-	475,634	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	271,307	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>266,551</u>	<u>135,029</u>	<u>3,203,591</u>	<u>-</u>	<u>475,634</u>	<u>489,776</u>
7,110	57,802	537,715	238,058	(312,794)	4,501,836
-	-	86,362	-	332,362	-
-	(22,784)	(411,848)	(298,836)	(13,813)	(5,521,481)
-	(22,784)	(325,486)	(298,836)	318,549	(5,521,481)
7,110	35,018	212,229	(60,778)	5,755	(1,019,645)
(5,265)	376,961	4,955,294	-	662,874	(6,986,051)
<u>\$ 1,845</u>	<u>\$ 411,979</u>	<u>\$ 5,167,523</u>	<u>\$ (60,778)</u>	<u>\$ 668,629</u>	<u>\$ (8,005,696)</u>

Continued

CITY OF SUNNYVALE

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2007**

	Special Revenue		Permanent	
	Low and Moderate Income Housing	Total	Swirsky Youth Opportunity	Fremont Pool
Revenues:				
Property Taxes	\$ -	\$ 4,991,612	\$ -	\$ -
Intergovernmental Revenues	-	5,266,067	-	-
Fines and Forfeitures	-	24,491	-	-
Service Fees	-	8,802,808	-	-
Rents and Concessions	-	121,098	-	-
Investment Earnings	-	1,209,874	29,818	45,948
Other Revenues	-	667,483	-	49,935
Total Revenues	-	21,083,433	29,818	95,883
Expenditures:				
Current:				
Planning and Management	-	262,727	-	-
Public Safety	-	401,218	-	-
Community Development	-	5,472,980	-	-
Transportation	-	2,932,284	-	-
Socioeconomic	-	650,371	-	-
Cultural	-	-	-	-
Environmental Management	-	-	-	-
Capital Outlay	-	454,320	-	-
Debt Service:				
Principal Retirement	-	-	-	-
Interest	-	-	-	-
Fiscal Charges	-	-	-	-
Total Expenditures	-	10,173,900	-	-
Excess of Revenues Over (Under) Expenditures	-	10,909,533	29,818	95,883
Other Financing Sources (Uses):				
Transfers In	1,008,185	1,442,037	-	-
Transfers Out	-	(6,935,846)	(26,659)	(41,080)
Total Other Financing Sources (Uses)	1,008,185	(5,493,809)	(26,659)	(41,080)
Net Change in Fund Balances	1,008,185	5,415,724	3,159	54,803
Fund Balances - Beginning of Year	6,991,991	22,947,891	531,853	808,024
Fund Balances - End of Year	\$ 8,000,176	\$ 28,363,615	\$ 535,012	\$ 862,827



Debt Service			
Government			
Center			
Total	ABAG Certificates of Participation	Certificates of Participation	Total
\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	-	-	-
-	-	-	-
75,766	22,769	63,137	85,906
49,935	-	-	-
<u>125,701</u>	<u>22,769</u>	<u>63,137</u>	<u>85,906</u>
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	330,000	425,000	755,000
-	82,778	585,058	667,836
-	-	54,109	54,109
<u>-</u>	<u>412,778</u>	<u>1,064,167</u>	<u>1,476,945</u>
125,701	(390,009)	(1,001,030)	(1,391,039)
-	390,643	1,005,118	1,395,761
(67,739)	-	-	-
<u>(67,739)</u>	<u>390,643</u>	<u>1,005,118</u>	<u>1,395,761</u>
57,962	634	4,088	4,722
1,339,877	441,400	1,258,025	1,699,425
<u>\$ 1,397,839</u>	<u>\$ 442,034</u>	<u>\$ 1,262,113</u>	<u>\$ 1,704,147</u>

Continued

CITY OF SUNNYVALE

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2007**

	Capital Projects			Total Nonmajor Governmental Funds
	Infrastructure Renovation and Replacement	Redevelopment Agency Projects	Total	
Revenues:				
Property Taxes	\$ -	\$ -	\$ -	\$ 4,991,612
Intergovernmental Revenues	217,935	-	217,935	5,484,002
Fines and Forfeitures	-	-	-	24,491
Service Fees	-	-	-	8,802,808
Rents and Concessions	-	-	-	121,098
Investment Earnings	783,777	-	783,777	2,155,323
Other Revenues	-	-	-	717,418
Total Revenues	1,001,712	-	1,001,712	22,296,752
Expenditures:				
Current:				
Planning and Management	83,447	-	83,447	346,174
Public Safety	-	-	-	401,218
Community Development	39,506	20	39,526	5,512,506
Transportation	307,492	-	307,492	3,239,776
Socioeconomic	-	-	-	650,371
Cultural	245,708	-	245,708	245,708
Environmental Management	-	-	-	-
Capital Outlay	1,472,688	-	1,472,688	1,927,008
Debt Service:				
Principal Retirement	-	-	-	755,000
Interest	-	-	-	667,836
Fiscal Charges	-	-	-	54,109
Total Expenditures	2,148,841	20	2,148,861	13,799,706
Excess of Revenues Over (Under) Expenditures	(1,147,129)	(20)	(1,147,149)	8,497,046
Other Financing Sources (Uses):				
Transfers In	1,144,447	-	1,144,447	3,982,245
Transfers Out	(281,665)	(43,357)	(325,022)	(7,328,607)
Total Other Financing Sources (Uses)	862,782	(43,357)	819,425	(3,346,362)
Net Change in Fund Balances	(284,347)	(43,377)	(327,724)	5,150,684
Fund Balances - Beginning of Year	14,687,913	1,530,530	16,218,443	42,205,636
Fund Balances - End of Year	\$ 14,403,566	\$ 1,487,153	\$ 15,890,719	\$ 47,356,320

Concluded

CITY OF SUNNYVALE**Redevelopment Debt Service Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2007**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1, 2006	\$ 1,942,619	\$ 1,942,619	\$ 1,942,619	\$ -
Resources (Inflows):				
Lease Payment from City General Fund	1,212,920	1,212,920	1,212,920	-
Interest Income	-	-	106,746	106,746
Transfers In	609,246	609,246	586,016	(23,230)
Total Resources	<u>1,822,166</u>	<u>1,822,166</u>	<u>1,905,682</u>	<u>83,516</u>
Charges to Appropriations (Outflows):				
Debt Service:				
Principal Retirement	885,000	885,000	885,000	-
Interest	937,166	937,166	937,166	-
Fiscal Charges	8,475	8,475	11,563	(3,088)
Total Charges to Appropriations	<u>1,830,641</u>	<u>1,830,641</u>	<u>1,833,729</u>	<u>(3,088)</u>
Excess of Resources Over (Under) Charges to Appropriations	<u>(8,475)</u>	<u>(8,475)</u>	<u>71,953</u>	<u>80,428</u>
Budgetary Fund Balance, June 30, 2007	<u>\$ 1,934,144</u>	<u>\$ 1,934,144</u>	<u>\$ 2,014,572</u>	<u>\$ 80,428</u>

CITY OF SUNNYVALE**City Capital Projects Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2007**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1, 2006	\$ 5,198,439	\$ 9,052,405	\$ 9,052,405	\$ -
Resources (Inflows):				
Intergovernmental Revenues	1,035,183	20,951,735	1,618,966	(19,332,769)
Service Fees	772,111	772,111	2,044,863	1,272,752
Interest Income	283,221	283,221	470,810	187,589
Other Revenues	-	1,072,598	92,852	(979,746)
Transfers In	312,970	6,834,231	1,230,289	(5,603,942)
Total Resources	2,403,485	29,913,896	5,457,780	(24,456,116)
Charges to Appropriations (Outflows):				
Transportation	-	158,617	78,135	80,482
Capital Outlay	1,522,645	19,286,060	3,434,415	15,851,645
Transfers Out	329,767	1,637,112	520,104	1,117,008
Total Charges to Appropriations	1,852,412	21,081,789	4,032,654	17,049,135
Excess of Resources Over (Under) Charges to Appropriations	551,073	8,832,107	1,425,126	(7,406,981)
Budgetary Fund Balance, June 30, 2007	\$ 5,749,512	\$ 17,884,512	\$ 10,477,531	(7,406,981)

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, 2007**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1, 2006	\$ 2,201,317	\$ 2,427,963	\$ 2,427,963	\$ -
Resources (Inflows):				
Intergovernmental Revenues	1,271,752	1,825,534	1,140,985	(684,549)
Other Revenues	609,386	609,386	386,406	(222,980)
Transfers In	9,936	9,936	9,425	(511)
Total Resources	1,891,074	2,444,856	1,536,816	(908,040)
Charges to Appropriations (Outflows):				
Community Development	2,456,415	3,383,259	1,423,944	1,959,315
Socioeconomic	663,570	663,570	174,737	488,833
Environmental Management	-	80,741	-	80,741
Capital Outlay	100,000	100,000	100,000	-
Transfers Out	30,414	65,611	80,695	(15,084)
Total Charges to Appropriations	3,250,399	4,293,181	1,779,376	2,513,805
Excess of Resources Over (Under) Charges to Appropriations	(1,359,325)	(1,848,325)	(242,560)	1,605,765
Budgetary Fund Balance, June 30, 2007	\$ 841,992	\$ 579,638	\$ 2,185,403	\$ 1,605,765

CITY OF SUNNYVALE**Housing Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2007**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1, 2006	\$ 10,285,367	\$ 11,821,141	\$ 11,821,141	\$ -
Resources (Inflows):				
Intergovernmental Revenues	703,400	2,583,506	70,340	(2,513,166)
Service Fees	70,000	70,000	2,750,556	2,680,556
Rents and Concessions	16,686	16,686	13,338	(3,348)
Interest Income	433,892	433,892	437,032	3,140
Other Revenues	95,211	95,211	281,076	185,865
Transfers In	6,295	6,295	5,704	(591)
Total Resources	1,325,484	3,205,590	3,558,046	352,456
Charges to Appropriations (Outflows):				
Planning and Management	6,761	6,761	-	6,761
Community Development	2,457,797	6,843,288	3,686,958	3,156,330
Capital Outlay	20,360	20,360	18,447	1,913
Transfers Out	7,918	7,918	29,492	(21,574)
Total Charges to Appropriations	2,492,836	6,878,327	3,734,897	3,143,430
Excess of Resources Over (Under) Charges to Appropriations	(1,167,352)	(3,672,737)	(176,851)	3,495,886
Budgetary Fund Balance, June 30, 2007	\$ 9,118,015	\$ 8,148,404	\$ 11,644,290	\$ 3,495,886

CITY OF SUNNYVALE**Park Dedication Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2007**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1, 2006	\$ 2,097,856	\$ 3,793,903	\$ 3,793,903	\$ -
Resources (Inflows):				
Service Fees	-	2,659,744	3,099,660	439,916
Rents and Concessions	96,330	96,330	98,030	1,700
Interest Income	275,104	213,353	256,625	43,272
Total Resources	<u>371,434</u>	<u>2,969,427</u>	<u>3,454,315</u>	<u>484,888</u>
Charges to Appropriations (Outflows):				
Capital Outlay	496,980	511,129	43,777	467,352
Transfers Out	500,920	1,794,429	458,444	1,335,985
Total Charges to Appropriations	<u>997,900</u>	<u>2,305,558</u>	<u>502,221</u>	<u>1,803,337</u>
Excess of Resources Over (Under) Charges to Appropriations	<u>(626,466)</u>	<u>663,869</u>	<u>2,952,094</u>	<u>2,288,225</u>
Budgetary Fund Balance, June 30, 2007	<u>\$ 1,471,390</u>	<u>\$ 4,457,772</u>	<u>\$ 6,745,997</u>	<u>\$ 2,288,225</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, 2007**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1, 2006	\$ 1,257,389	\$ 1,574,520	\$ 1,574,520	\$ -
Resources (Inflows):				
Fines and Forfeitures	-	-	24,491	24,491
Interest Income	54,219	54,219	72,282	18,063
Total Resources	<u>54,219</u>	<u>54,219</u>	<u>96,773</u>	<u>42,554</u>
Charges to Appropriations (Outflows):				
Public Safety	85,197	207,145	134,667	72,478
Capital Outlay	-	32,692	20,789	11,903
Transfers Out	87,803	157,755	98,453	59,302
Total Charges to Appropriations	<u>173,000</u>	<u>397,592</u>	<u>253,909</u>	<u>143,683</u>
Excess of Resources Over (Under) Charges to Appropriations	<u>(118,781)</u>	<u>(343,373)</u>	<u>(157,136)</u>	<u>186,237</u>
Budgetary Fund Balance, June 30, 2007	<u>\$ 1,138,608</u>	<u>\$ 1,231,147</u>	<u>\$ 1,417,384</u>	<u>\$ 186,237</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, 2007**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1, 2006	\$ 13,317	\$ (5,265)	\$ (5,265)	\$ -
Resources (Inflows):				
Intergovernmental Revenues	202,834	270,733	270,733	-
Interest Income	-	-	2,618	2,618
Transfers In	-	-	10,807	10,807
Total Resources	202,834	270,733	284,158	13,425
Charges to Appropriations (Outflows):				
Public Safety	214,481	262,732	266,551	(3,819)
Transfers Out	-	-	10,807	(10,807)
Total Charges to Appropriations	214,481	262,732	277,358	(14,626)
Excess of Resources Over (Under) Charges to Appropriations	(11,647)	8,001	6,800	(1,201)
Budgetary Fund Balance, June 30, 2007	\$ 1,670	\$ 2,736	\$ 1,535	\$ (1,201)

CITY OF SUNNYVALE**Parking District Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2007**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1, 2006	\$ 311,559	\$ 382,180	\$ 382,180	\$ -
Resources (Inflows):				
Service Fees	167,057	167,057	165,859	(1,198)
Interest Income	13,200	13,200	24,114	10,914
Total Resources	<u>180,257</u>	<u>180,257</u>	<u>189,973</u>	<u>9,716</u>
Charges to Appropriations (Outflows):				
Planning and Management	3,500	7,028	2,683	4,345
Community Development	170,122	170,122	132,346	37,776
Transfers Out	22,784	22,784	22,784	-
Total Charges to Appropriations	<u>196,406</u>	<u>199,934</u>	<u>157,813</u>	<u>42,121</u>
Excess of Resources Over (Under) Charges to Appropriations	<u>(16,149)</u>	<u>(19,677)</u>	<u>32,160</u>	<u>51,837</u>
Budgetary Fund Balance, June 30, 2007	<u>\$ 295,410</u>	<u>\$ 362,503</u>	<u>\$ 414,340</u>	<u>\$ 51,837</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, 2007**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1, 2006	\$ 127,195	\$ 4,999,103	\$ 4,999,103	\$ -
Resources (Inflows):				
Intergovernmental Revenues	3,013,764	3,128,352	3,444,821	316,469
Interest Income	63,828	63,828	265,075	201,247
Transfers In	62,148	144,985	86,362	(58,623)
Total Resources	3,139,740	3,337,165	3,796,258	459,093
Charges to Appropriations (Outflows):				
Transportation	2,760,569	2,821,494	2,932,284	(110,790)
Capital Outlay	82,148	365,341	271,307	94,034
Transfers Out	325,510	4,599,893	411,848	4,188,045
Total Charges to Appropriations	3,168,227	7,786,728	3,615,439	4,171,289
Excess of Resources Over (Under)				
Charges to Appropriations	(28,487)	(4,449,563)	180,819	4,630,382
Budgetary Fund Balance, June 30, 2007	\$ 98,708	\$ 549,540	\$ 5,179,922	\$ 4,630,382

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, 2007**

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Budgetary Fund Balance, July 1, 2006	\$ 6,118	\$ -	\$ -	\$ -
Resources (Inflows):				
Intergovernmental Revenues	80,000	736,909	238,058	(498,851)
Total Resources	<u>80,000</u>	<u>736,909</u>	<u>238,058</u>	<u>(498,851)</u>
Charges to Appropriations (Outflows):				
Transfers Out	62,148	736,909	298,836	438,073
Total Charges to Appropriations	<u>62,148</u>	<u>736,909</u>	<u>298,836</u>	<u>438,073</u>
Excess of Resources Over (Under) Charges to Appropriations	<u>17,852</u>	<u>-</u>	<u>(60,778)</u>	<u>(60,778)</u>
Budgetary Fund Balance, June 30, 2007	<u>\$ 23,970</u>	<u>\$ -</u>	<u>\$ (60,778)</u>	<u>\$ (60,778)</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, 2007**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1, 2006	\$ 665,445	\$ 671,394	\$ 671,394	\$ -
Resources (Inflows):				
Intergovernmental Revenues	113,261	113,261	101,130	(12,131)
Service Fees	23,800	23,800	25,191	1,391
Rents and Concessions	10,098	10,098	9,730	(368)
Interest Income	25,333	25,333	23,951	(1,382)
Transfers In	332,363	332,363	332,363	-
Total Resources	504,855	504,855	492,365	(12,490)
Charges to Appropriations (Outflows):				
Socioeconomic	649,829	666,485	475,634	190,851
Transfers Out	13,813	13,813	13,813	-
Total Charges to Appropriations	663,642	680,298	489,447	190,851
Excess of Resources Over (Under) Charges to Appropriations	(158,787)	(175,443)	2,918	178,361
Budgetary Fund Balance, June 30, 2007	\$ 506,658	\$ 495,951	\$ 674,312	\$ 178,361

CITY OF SUNNYVALE**Redevelopment Agency Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2007**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1, 2006	\$ (6,986,051)	\$ (6,986,051)	\$ (6,986,051)	\$ -
Resources (Inflows):				
Property Taxes	3,797,082	3,797,082	4,991,612	1,194,530
Total Resources	<u>3,797,082</u>	<u>3,797,082</u>	<u>4,991,612</u>	<u>1,194,530</u>
Charges to Appropriations (Outflows):				
Planning and Management	38,032	171,172	260,044	(88,872)
Community Development	192,444	345,447	229,732	115,715
Transfers Out	2,461,581	2,464,326	4,585,165	(2,120,839)
Total Charges to Appropriations	<u>2,692,057</u>	<u>2,980,945</u>	<u>5,074,941</u>	<u>(2,093,996)</u>
Excess of Resources Over (Under) Charges to Appropriations	<u>1,105,025</u>	<u>816,137</u>	<u>(83,329)</u>	<u>(899,466)</u>
Budgetary Fund Balance, June 30, 2007	<u>\$ (5,881,026)</u>	<u>\$ (6,169,914)</u>	<u>\$ (7,069,380)</u>	<u>\$ (899,466)</u>

CITY OF SUNNYVALE

**Low and Moderate Income Housing Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2007**

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Budgetary Fund Balance, July 1, 2006	\$ 6,991,991	\$ 6,991,991	\$ 6,991,991	\$ -
Resources (Inflows):				
Transfers In	759,416	759,416	1,008,185	248,769
Amount Available for Appropriation	<u>759,416</u>	<u>759,416</u>	<u>1,008,185</u>	<u>248,769</u>
Budgetary Fund Balance, June 30, 2007	<u>\$ 7,751,407</u>	<u>\$ 7,751,407</u>	<u>\$ 8,000,176</u>	<u>\$ 248,769</u>

CITY OF SUNNYVALE**Swirsky Youth Opportunity Permanent Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2007**

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Budgetary Fund Balance, July 1, 2006	\$ 553,620	\$ 551,911	\$ 551,911	\$ -
Resources (Inflows):				
Interest Income	26,330	26,330	26,659	329
Total Resources	<u>26,330</u>	<u>26,330</u>	<u>26,659</u>	<u>329</u>
Charges to Appropriations (Outflows):				
Transfers Out	27,025	27,025	26,659	366
Total Charges to Appropriations	<u>27,025</u>	<u>27,025</u>	<u>26,659</u>	<u>366</u>
Excess of Resources Over (Under) Charges to Appropriations	<u>(695)</u>	<u>(695)</u>	<u>-</u>	<u>695</u>
Budgetary Fund Balance, June 30, 2007	<u>\$ 552,925</u>	<u>\$ 551,216</u>	<u>\$ 551,911</u>	<u>\$ 695</u>

CITY OF SUNNYVALE**Fremont Pool Permanent Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2007**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1, 2006	\$ 831,178	\$ 833,002	\$ 833,002	\$ -
Resources (Inflows):				
Interest Income	41,559	41,559	41,080	(479)
Other Revenues	-	-	49,935	49,935
Total Resources	<u>41,559</u>	<u>41,559</u>	<u>91,015</u>	<u>49,456</u>
Charges to Appropriations (Outflows):				
Transfers Out	41,559	41,559	41,080	479
Total Charges to Appropriations	<u>41,559</u>	<u>41,559</u>	<u>41,080</u>	<u>479</u>
Excess of Resources Over (Under) Charges to Appropriations	<u>-</u>	<u>-</u>	<u>49,935</u>	<u>49,935</u>
Budgetary Fund Balance, June 30, 2007	<u>\$ 831,178</u>	<u>\$ 833,002</u>	<u>\$ 882,937</u>	<u>\$ 49,935</u>

CITY OF SUNNYVALE**ABAG Certificates of Participation Debt Service Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2007**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1, 2006	\$ 441,400	\$ 441,400	\$ 441,400	\$ -
Resources (Inflows):				
Interest Income	-	-	22,769	22,769
Transfers In	412,778	412,778	390,643	(22,135)
Total Resources	<u>412,778</u>	<u>412,778</u>	<u>413,412</u>	<u>634</u>
Charges to Appropriations (Outflows):				
Principal Retirement	330,000	330,000	330,000	-
Interest	82,778	82,778	82,778	-
Total Charges to Appropriations	<u>412,778</u>	<u>412,778</u>	<u>412,778</u>	<u>-</u>
Excess of Resources Over (Under) Charges to Appropriations	<u>-</u>	<u>-</u>	<u>634</u>	<u>634</u>
Budgetary Fund Balance, June 30, 2007	<u>\$ 441,400</u>	<u>\$ 441,400</u>	<u>\$ 442,034</u>	<u>\$ 634</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, 2007**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1, 2006	\$ 1,258,025	\$ 1,258,025	\$ 1,258,025	\$ -
Resources (Inflows):				
Interest Income	-	-	63,137	63,137
Transfers In	1,173,175	1,173,175	1,005,118	(168,057)
Total Resources	<u>1,173,175</u>	<u>1,173,175</u>	<u>1,068,255</u>	<u>(104,920)</u>
Charges to Appropriations (Outflows):				
Principal Retirement	425,000	425,000	425,000	-
Interest	700,401	700,401	585,058	115,343
Fiscal Charges	47,777	47,777	54,110	(6,333)
Total Charges to Appropriations	<u>1,173,178</u>	<u>1,173,178</u>	<u>1,064,168</u>	<u>109,010</u>
Excess of Resources Over (Under) Charges to Appropriations	<u>(3)</u>	<u>(3)</u>	<u>4,087</u>	<u>4,090</u>
Budgetary Fund Balance, June 30, 2007	<u>\$ 1,258,022</u>	<u>\$ 1,258,022</u>	<u>\$ 1,262,112</u>	<u>\$ 4,090</u>

CITY OF SUNNYVALE

**Infrastructure Renovation and Replacement Capital Projects Fund
 Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
 Year Ended June 30, 2007**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1, 2006	\$ 11,144,695	\$ 14,839,744	\$ 14,839,744	\$ -
Resources (Inflows):				
Intergovernmental Revenues	95,000	305,661	217,935	(87,726)
Interest Income	641,408	641,408	700,742	59,334
Other Revenues	-	31,840	-	(31,840)
Transfers In	1,312,483	2,520,663	1,262,026	(1,258,637)
Total Resources	2,048,891	3,499,572	2,180,703	(1,318,869)
Charges to Appropriations (Outflows):				
Planning and Management	-	700,493	83,455	617,038
Community Development	50,000	171,029	39,506	131,523
Transportation	478,406	478,406	307,492	170,914
Cultural	35,000	272,883	245,708	27,175
Environmental Management	-	-	(8)	8
Capital Outlay	1,789,529	5,232,531	1,472,688	3,759,843
Transfers Out	371,075	409,556	399,244	10,312
Total Charges to Appropriations	2,724,010	7,264,898	2,548,085	4,716,813
Excess of Resources Over (Under) Charges to Appropriations	(675,119)	(3,765,326)	(367,382)	3,397,944
Budgetary Fund Balance, June 30, 2007	\$ 10,469,576	\$ 11,074,418	\$ 14,472,362	\$ 3,397,944

CITY OF SUNNYVALE**Redevelopment Agency Capital Projects Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2007**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1, 2006	\$ 1,530,530	\$ 1,530,530	\$ 1,530,530	\$ -
Resources (Inflows):				
Transfers In	-	-	-	-
Total Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Charges to Appropriations (Outflows):				
Capital Outlay	1,205,000	1,367,335	20	1,367,315
Transfers Out	-	47,050	43,358	3,692
Total Charges to Appropriations	<u>1,205,000</u>	<u>1,414,385</u>	<u>43,378</u>	<u>1,371,007</u>
Excess of Resources Over (Under)				
Charges to Appropriations	<u>(1,205,000)</u>	<u>(1,414,385)</u>	<u>(43,378)</u>	<u>(1,371,007)</u>
Budgetary Fund Balance, June 30, 2007	<u>\$ 325,530</u>	<u>\$ 116,145</u>	<u>\$ 1,487,152</u>	<u>\$ (1,371,007)</u>



Internal Service Funds

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

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

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

CITY OF SUNNYVALE**Combining Statement of Net Assets
All Internal Service Funds
June 30, 2007**

	<u>General Services</u>	<u>Employee Benefits</u>	<u>Risk Management</u>	<u>Totals</u>
Assets:				
Current Assets				
Cash and Investments Held by City	\$ 25,228,562	\$ 45,813,121	\$ -	\$ 71,041,683
Receivables, Net	227,586	461,112	-	688,698
Inventories and Prepayments	412,194	1,020,203	33,630	1,466,027
Total Current Assets	<u>25,868,342</u>	<u>47,294,436</u>	<u>33,630</u>	<u>73,196,408</u>
Capital Assets:				
Land & Nondepreciable Assets	-	-	-	-
Depreciable Buildings, Property, Equipment and Infrastructure, Net	11,349,683	-	-	11,349,683
Total Assets	<u>37,218,025</u>	<u>47,294,436</u>	<u>33,630</u>	<u>84,546,091</u>
Liabilities:				
Current Liabilities				
Wages Payable	-	3,305,438	-	3,305,438
Accounts Payable and Accrued Liabilities	300,222	939,406	18,904	1,258,532
Due to Other Funds	-	-	98,076	98,076
Advances from Other Funds	575,000	-	-	575,000
Refundable Deposits	19,726	-	-	19,726
Claims and Judgments Payable - Due Within One Year	-	2,128,828	304,504	2,433,332
Compensated Absences Payable - Due Within One Year	-	6,831,847	-	6,831,847
Total Current Liabilities	<u>894,948</u>	<u>13,205,519</u>	<u>421,484</u>	<u>14,521,951</u>
Noncurrent Liabilities				
Advances from Other Funds	2,178,741	-	-	2,178,741
Claims and Judgments Payable- Due in More than One Year	-	9,474,172	474,496	9,948,668
Compensated Absences Payable - Due in More than One Year	-	1,381,425	-	1,381,425
Total Noncurrent Liabilities	<u>2,178,741</u>	<u>10,855,597</u>	<u>474,496</u>	<u>13,508,834</u>
Total Liabilities	<u>3,073,689</u>	<u>24,061,116</u>	<u>895,980</u>	<u>28,030,785</u>
Net Assets:				
Invested in Capital Assets, Net of Related Debt	11,349,683	-	-	11,349,683
Unrestricted	22,794,653	23,233,320	(862,350)	45,165,623
Total Net Assets	<u>\$ 34,144,336</u>	<u>\$ 23,233,320</u>	<u>\$ (862,350)</u>	<u>\$ 56,515,306</u>

CITY OF SUNNYVALE**Combining Statement of Revenues, Expenses and Changes in Net Assets
All Internal Service Funds
Year Ended June 30, 2007**

	<u>General Services</u>	<u>Employee Benefits</u>	<u>Risk Management</u>	<u>Totals</u>
Operating Revenues:				
Charges for Services	\$ 15,204,773	\$ 52,308,251	\$ 1,400,001	\$ 68,913,025
Total Operating Revenues	<u>15,204,773</u>	<u>52,308,251</u>	<u>1,400,001</u>	<u>68,913,025</u>
Operating Expenses:				
Personnel Services	7,541,611	14,069,196	72,153	21,682,960
Contractual	2,476,044	-	40,295	2,516,339
Material and Supplies	2,068,379	-	-	2,068,379
Utilities	1,602,535	-	-	1,602,535
Taxes and Licenses	11,141	-	-	11,141
Equipment and Building Rental	1,056,732	-	484	1,057,216
Insurance Premiums and Claims	-	14,504,914	1,078,502	15,583,416
Retirement Premiums	-	22,217,472	-	22,217,472
Other Operating Expenses	106,192	-	-	106,192
Depreciation	1,908,665	-	-	1,908,665
Total Operating Expenses	<u>16,771,299</u>	<u>50,791,582</u>	<u>1,191,434</u>	<u>68,754,315</u>
Operating Income (Loss)	(1,566,526)	1,516,669	208,567	158,710
Nonoperating Revenues (Expenses):				
Investment Earnings	1,429,185	2,283,173	18,377	3,730,735
Interest Expense	(216,134)	-	-	(216,134)
Total Nonoperating Revenues (Expenses)	<u>1,213,051</u>	<u>2,283,173</u>	<u>18,377</u>	<u>3,514,601</u>
Income (loss) before Transfers	(353,475)	3,799,842	226,944	3,673,311
Transfers In	2,475,288	4,369,638	-	6,844,926
Transfers Out	(1,616,833)	-	(13,173)	(1,630,006)
Change in Net Assets	504,980	8,169,480	213,771	8,888,231
Net Assets - Beginning of Year	<u>33,639,356</u>	<u>15,063,840</u>	<u>(1,076,121)</u>	<u>47,627,075</u>
Net Assets - End of Year	<u>\$ 34,144,336</u>	<u>\$ 23,233,320</u>	<u>\$ (862,350)</u>	<u>\$ 56,515,306</u>

CITY OF SUNNYVALE**Combining Statement of Cash Flows
All Internal Service Funds
Year Ended June 30, 2007**

	General Services	Employee Benefits	Risk Management	Totals
Cash Flows from Operating Activities:				
Cash Received from Customers	\$ 15,244,087	\$ 52,125,042	\$ 1,400,001	\$ 68,769,130
Cash Payments to Suppliers of Goods and Services	(7,795,404)	(65,248)	(31,688)	(7,892,340)
Cash Payments to Employees for Services	(7,569,809)	(34,930,156)	(72,044)	(42,572,009)
Insurance and Claims Paid	-	(14,295,525)	(1,557,563)	(15,853,088)
Other Receipts (Payments)	170,144	-	-	170,144
Net Cash Provided by (Used for) Operating Activities	49,018	2,834,113	(261,294)	2,621,837
Cash Flows from Noncapital Financing Activities:				
Transfers Received	2,571,876	5,133,814	-	7,705,690
Transfers Paid	(1,713,420)	(764,176)	(13,173)	(2,490,769)
Repayment of Advance From/To Other Funds	(550,000)	-	98,076	(451,924)
Net Cash Provided by (Used for) Noncapital Financing Activities	308,456	4,369,638	84,903	4,762,997
Cash Flows from Capital and Related Financing Activities:				
Acquisition and Construction of Capital Assets	(2,744,722)	-	-	(2,744,722)
Net Cash Provided by (Used for) Capital and Related Financing Activities	(2,744,722)	-	-	(2,744,722)
Cash Flows from Investing Activities:				
Interest on Investments	1,308,533	1,991,060	16,430	3,316,023
Change in the Fair Value of Investments	151,411	241,884	1,947	395,242
Net Cash Provided by Investing Activities	1,459,944	2,232,944	18,377	3,711,265
Net Increase (Decrease) in Cash and Cash Equivalents	(927,304)	9,436,695	(158,014)	8,351,377
Cash and Cash Equivalents - Beginning of Year	26,155,866	36,376,426	158,014	62,690,306
Cash and Cash Equivalents - End of Year	\$ 25,228,562	\$ 45,813,121	\$ -	\$ 71,041,683

Continued

CITY OF SUNNYVALE**Combining Statement of Cash Flows
All Internal Service Funds
Year Ended June 30, 2007**

	<u>General Services</u>	<u>Employee Benefits</u>	<u>Risk Management</u>	<u>Totals</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:				
Operating Income (Loss)	\$ (1,566,526)	\$ 1,516,669	\$ 208,567	\$ 158,710
Adjustment to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:				
Depreciation	1,908,665	-	-	1,908,665
Changes in Assets and Liabilities:				
Receivables, Net	26,779	208,010	-	234,789
Due from Other Governments	-	-	-	-
Inventories and Prepayments	(316,379)	(82,546)	(10,059)	(408,984)
Accounts Payable and Accrued Liabilities	(3,521)	983,978	13,198	993,655
Claims and Judgments Payable	-	(188,000)	(473,000)	(661,000)
Compensated Absences Payable	-	396,002	-	396,002
Net Cash Provided (Used) by Operating Activities	<u>\$ 49,018</u>	<u>\$ 2,834,113</u>	<u>\$ (261,294)</u>	<u>\$ 2,621,837</u>
Noncash Investing, Capital and Financing Activities:				
Purchase of Capital Assets on Account	369,435	-	-	369,435

Concluded



Fiduciary Fund Financial Statements

Agency Funds:

The ***Community Facilities District (CFD) Agency Fund*** accounts for the collection of property taxes and the payments to bondholders of Community Facilities District Special Tax Bonds.

The ***Santa Clara Valley Urban Runoff Pollution Prevention Program (SCVURPPP) Fund*** accounts for the collection of annual member assessments and payments to cover the cost of programmatic activities related to implementing the National Pollution Discharge Elimination System (NPDES) permit. SCVURPPP was formed to implement the NPDES Permit issued to the cities in Santa Clara County and the Santa Clara Valley Water District that discharge storm water to the San Francisco Bay.

CITY OF SUNNYVALE**Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
Year Ended June 30, 2007****Community Facilities District**

	<u>Beginning Balance July 1, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance June 30, 2007</u>
Assets:				
Cash and Investments	\$ 1,882,396	\$ 2,000	\$ (1,633,196)	\$ 251,200
Cash and Investments Held by Fiscal Agent	1,748,146	1,718,779	(1,718,682)	1,748,243
Receivables	58,672	2,000	-	60,672
Total Assets	\$ 3,689,214	\$ 1,722,779	\$ (3,351,878)	\$ 2,060,115
Liabilities:				
Due to Bondholders	3,689,214	1,722,779	(3,351,878)	2,060,115
Total Liabilities	\$ 3,689,214	\$ 1,722,779	\$ (3,351,878)	\$ 2,060,115

Santa Clara Valley Urban Runoff Pollution Prevention Program

	<u>Beginning Balance July 1, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance June 30, 2007</u>
Assets:				
Cash and Investments	\$ 1,224,431	\$ 6,938,612	\$ (6,863,101)	\$ 1,299,942
Total Assets	\$ 1,224,431	\$ 6,938,612	\$ (6,863,101)	\$ 1,299,942
Liabilities:				
Accounts Payable and Accrued Liabilities	1,224,431	6,938,612	(6,863,101)	1,299,942
Total Liabilities	\$ 1,224,431	\$ 6,938,612	\$ (6,863,101)	\$ 1,299,942

Combined

	<u>Beginning Balance July 1, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance June 30, 2007</u>
Assets:				
Cash and Investments	\$ 3,106,827	\$ 6,940,612	\$ (8,496,297)	\$ 1,551,142
Cash and Investments Held by Fiscal Agent	1,748,146	1,718,779	(1,718,682)	1,748,243
Receivables	58,672	2,000	-	60,672
Total Assets	\$ 4,913,645	\$ 8,661,391	\$ (10,214,979)	\$ 3,360,057
Liabilities:				
Accounts Payable and Accrued Liabilities	1,224,431	6,938,612	(6,863,101)	1,299,942
Due to Bondholders	3,689,214	1,722,779	(3,351,878)	2,060,115
Total Liabilities	\$ 4,913,645	\$ 8,661,391	\$ (10,214,979)	\$ 3,360,057

Capital Assets Used in the Operation of Governmental Funds



CITY OF SUNNYVALE**Capital Assets Used in the Operation of Governmental Funds
Comparative Schedules by Source
June 30, 2007 and 2006**

	<u>2007</u>	<u>2006</u>
Governmental Funds Capital Assets:		
Land	\$ 103,986,792	\$ 104,032,562
Buildings	88,914,284	88,329,525
Improvements Other Than Buildings	56,943,781	55,772,597
Machinery and Equipment	3,719,382	3,400,654
Construction In Progress	4,281,753	5,228,306
Infrastructure:		
Nondepreciable	158,885,183	158,435,883
Depreciable	74,051,907	73,004,271
Total Governmental Funds Capital Assets	<u>\$ 490,783,082</u>	<u>\$ 488,203,798</u>
 Investment In Governmental Funds Capital Assets by Source:		
General Fund	\$ 323,665,584	\$ 324,214,383
Special Revenue Funds	51,103,808	51,209,117
Capital Projects Funds	72,753,997	70,376,014
Contributions From Developers and Donations	43,259,693	42,404,284
Total Investment In Governmental Funds Capital Assets	<u>\$ 490,783,082</u>	<u>\$ 488,203,798</u>

This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

CITY OF SUNNYVALE**Capital Assets Used in the Operation of Governmental Funds
Schedule by Function and Activity
Year Ended June 30, 2007**

Function and Activity	Land	Buildings	Improvements Other Than Buildings	Machinery and Equipment
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Planning and Management	\$ 20,681,843	\$ 14,101,437	\$ 3,053,416	\$ 719,577
Public Safety	1,252,625	2,343,961	4,690,634	920,306
Community Development	39,967,465	25,178,108	24,260,369	88,056
Transportation	18,274,326	6,598,462	4,596,919	155,187
Socioeconomic	-	1,944,176	7,576,079	251,371
Cultural	6,352,073	36,540,634	6,882,317	392,172
Environmental Management	17,458,460	2,207,506	5,884,047	1,192,713
Total Governmental Funds Capital Assets	<u>\$ 103,986,792</u>	<u>\$ 88,914,284</u>	<u>\$ 56,943,781</u>	<u>\$ 3,719,382</u>

This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.



Construction in Progress	Infrastructure		Total
	Nondepreciable	Depreciable	
\$ 244,256	\$ -	\$ -	\$ 38,800,529
-	-	-	9,207,526
28,853	-	-	89,522,851
3,823,970	158,885,183	74,051,907	266,385,954
-	-	-	9,771,626
184,674	-	-	50,351,870
-	-	-	26,742,726
<u>\$ 4,281,753</u>	<u>\$ 158,885,183</u>	<u>\$ 74,051,907</u>	<u>\$ 490,783,082</u>

CITY OF SUNNYVALE**Capital Assets Used in the Operation of Governmental Funds
Schedule of Changes by Function and Activity
Year Ended June 30, 2007**

Function and Activity	Governmental Funds Capital Assets			Governmental Funds Capital Assets
	July 1, 2006	Additions	Deletions	June 30, 2007
Planning and Management	\$ 38,537,499	\$ 287,233	\$ (24,203)	\$ 38,800,529
Public Safety	8,888,605	508,255	(189,334)	9,207,526
Community Development	90,431,835	48,240	(957,224)	89,522,851
Transportation	263,454,430	3,922,669	(991,145)	266,385,954
Socioeconomic	9,771,626	-	-	9,771,626
Cultural	49,930,828	421,042	-	50,351,870
Environmental Management	27,188,975	-	(446,249)	26,742,726
Total Governmental Funds Capital Assets	\$ 488,203,798	\$ 5,187,439	\$ (2,608,155)	\$ 490,783,082

This schedule presents only the capital asset balances related to governmental funds. Accordingly, the capital assets reported in internal service funds are excluded from the above amounts. Generally, the capital assets of internal service funds are included as governmental activities in the statement of net assets.

Statistical Section

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

Contents	Page
<i>Financial Trends</i> These schedules contain trend information to help the reader understand how the City's financial performance and fiscal well being have changed over time.	163-170
<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.	171-174
<i>Debt Capacity</i> These schedules presents information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	175-178
<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.	179-180
<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.	181-183



CITY OF SUNNYVALE**Net Assets by Component
Last Six Fiscal Years
(accrual basis of accounting)
(dollars in thousands)**

	Fiscal Year					
	2007	2006	2005	2004	2003	2002
Governmental Activities						
Invested in Capital Assets, Net of Related Debt	\$ 358,287	\$ 359,656	\$ 358,104	\$ 367,258	\$ 362,069	\$ 356,181
Restricted	72,587	65,838	60,360	58,670	69,542	87,661
Unrestricted	195,942	169,481	168,381	177,767	177,615	154,245
Total Governmental Activities Net Assets	\$ 626,816	\$ 594,975	\$ 586,845	\$ 603,695	\$ 609,226	\$ 598,087
Business-type activities						
Invested in Capital Assets, Net of Related Debt	\$ 64,546	\$ 61,193	\$ 58,850	\$ 49,830	\$ 50,614	\$ 52,309
Restricted	6,886	9,119	15,039	15,244	17,380	15,205
Unrestricted	(11,569)	(12,335)	(11,891)	(17,172)	(15,062)	(14,971)
Total Business-Type Activities Net assets	\$ 59,863	\$ 57,977	\$ 61,998	\$ 47,902	\$ 52,932	\$ 52,543
Primary Government						
Invested in Capital Assets, Net of Related Debt	\$ 422,833	\$ 420,849	\$ 416,954	\$ 417,088	\$ 412,683	\$ 408,490
Restricted	79,473	74,957	75,399	73,914	86,922	102,866
Unrestricted	184,373	157,146	156,490	160,595	162,553	139,274
Total Primary Government Net Assets	\$ 686,679	\$ 652,952	\$ 648,843	\$ 651,597	\$ 662,158	\$ 650,630

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

CITY OF SUNNYVALE

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

	Fiscal Year					
	2007	2006	2005	2004	2003	2002
Expenses:						
Governmental Activities:						
Planning and Management	\$ 18,957	\$ 16,170	\$ 15,247	\$ 14,053	\$ 15,004	\$ 13,525
Public Safety	65,768	62,682	58,718	55,360	54,004	46,523
Community Development	20,198	20,104	22,655	18,815	21,068	19,915
Transportation	11,832	9,886	8,841	13,492	11,820	13,599
Socioeconomic	10,833	12,791	12,909	13,857	14,803	13,049
Cultural	8,858	8,530	8,715	8,438	8,812	9,160
Environmental Management	2,027	1,596	2,077	2,346	1,684	2,463
Interest on Long-term Debt	1,727	1,680	1,624	1,479	1,743	2,253
Total Governmental Activities	140,200	133,439	130,786	127,840	128,938	120,487
Business-Type Activities:						
Water Supply and Distribution	19,410	18,010	17,751	17,232	16,144	15,106
Wastewater Management	16,782	17,109	16,387	14,971	15,007	15,472
Solid Waste Management	28,008	29,553	27,340	27,610	26,567	26,641
SMaRT Station	18,966	18,954	18,094	18,327	18,408	19,566
Community Recreation	10,761	10,476	9,676	9,428	9,472	9,008
Patent Library	-	-	-	-	-	669
Information Technology	-	-	-	-	13	5
Total Business-Type Activities	93,927	94,102	89,248	87,568	85,611	86,467
Total Primary Government Expenses	\$ 234,127	\$ 227,541	\$ 220,034	\$ 215,408	\$ 214,549	\$ 206,954
Program Revenues:						
Governmental Activities:						
Charges for Services						
Planning and Management	\$ 397	\$ 380	\$ 1,171	\$ 303	\$ 162	\$ 101
Public Safety	3,011	2,394	2,556	2,191	2,106	2,259
Community Development	20,177	11,065	10,054	9,175	7,233	9,463
Transportation	2,185	715	2,861	611	338	621
Socioeconomic	526	593	574	548	601	598
Cultural	332	585	600	501	471	168
Environmental Management	795	825	34	200	31	659
Operating Grants and Contributions	17,899	21,142	18,289	17,716	20,542	19,541
Capital Grants and Contributions	3,505	2,676	1,464	5,211	9,589	6,722
Total Governmental Activities Program Revenues	48,827	40,375	37,603	36,456	41,073	40,132

Business-Type Activities:

Charges for Services						
Water Supply and Distribution	23,244	19,953	19,263	19,365	18,525	16,854
Wastewater Management	20,594	18,673	17,579	16,428	16,159	14,544
Solid Waste Management	29,981	29,777	29,289	27,219	28,527	26,396
SMaRT Station	19,187	19,077	17,431	17,494	17,901	18,616
Community Recreation	7,548	7,540	7,373	7,537	7,567	7,974
Patent Library	-	-	-	-	-	355
Information Technology	-	-	-	-	16	9
Operating Grants and Contributions	-	-	-	-	-	-
Capital Grants and Contributions	489	1,076	118	290	1,423	200
Total Business-Type Activities Program Revenues	<u>101,043</u>	<u>96,096</u>	<u>91,053</u>	<u>88,333</u>	<u>90,118</u>	<u>84,948</u>
Total Primary Government Program Revenues	<u>\$ 149,870</u>	<u>\$ 136,471</u>	<u>\$ 128,656</u>	<u>\$ 124,789</u>	<u>\$ 131,191</u>	<u>\$ 125,080</u>
Net (Expense)/Revenue						
Governmental Activities	\$ (91,373)	\$ (93,064)	\$ (93,183)	\$ (91,384)	\$ (87,865)	\$ (80,355)
Business-Type Activities	<u>7,116</u>	<u>1,994</u>	<u>1,805</u>	<u>765</u>	<u>4,507</u>	<u>(1,519)</u>
Total Primary Government Net Expense	<u>\$ (84,257)</u>	<u>\$ (91,070)</u>	<u>\$ (91,378)</u>	<u>\$ (90,619)</u>	<u>\$ (83,358)</u>	<u>\$ (81,874)</u>

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

Taxes						
Property Taxes	\$ 41,018	\$ 35,646	\$ 33,105	\$ 27,588	\$ 26,858	\$ 25,824
Sales and Use Taxes	30,852	28,422	24,917	23,452	25,753	25,787
Motor Vehicle License	850	847	3,650	5,970	7,926	7,393
Franchise Fees, Unrestricted	5,714	5,531	5,395	5,521	5,226	5,494
Utilities Users Taxes	6,479	6,057	5,833	5,877	5,652	5,688
Transient Occupancy Taxes	6,480	5,633	5,074	4,752	5,094	6,320
Real Property Transfer Taxes	1,216	1,140	1,352	765	580	534
Construction Taxes	1,899	1,342	923	860	672	1,222
Business License Taxes	687	286	215	244	269	250
Unrestricted Grants and Contributions	-	-	-	821	678	144
Investment Earnings	13,348	8,787	6,587	3,829	13,710	16,511
Gain (Loss) on Disposal of Assets	7,337	-	-	(55)	33	122
Miscellaneous	27	102	354	(3)	710	63
Transfers	<u>7,308</u>	<u>7,512</u>	<u>(11,072)</u>	<u>6,232</u>	<u>5,843</u>	<u>9,259</u>
Total Governmental Activities	<u>123,215</u>	<u>101,305</u>	<u>76,333</u>	<u>85,853</u>	<u>99,004</u>	<u>104,611</u>
Business-type activities						
Investment Earnings	2,077	1,496	1,219	395	1,689	2,204
Gain (Loss) on Disposal of Assets	-	-	-	42	31	-
Miscellaneous	-	-	-	-	4	-
Transfers	<u>(7,308)</u>	<u>(7,511)</u>	<u>11,072</u>	<u>(6,232)</u>	<u>(5,842)</u>	<u>(9,259)</u>
Total Business-Type Activities	<u>(5,231)</u>	<u>(6,015)</u>	<u>12,291</u>	<u>(5,795)</u>	<u>(4,118)</u>	<u>(7,055)</u>
Total Primary Government	<u>\$ 117,984</u>	<u>\$ 95,290</u>	<u>\$ 88,624</u>	<u>\$ 80,058</u>	<u>\$ 94,886</u>	<u>\$ 97,556</u>
Change in Net Assets						
Governmental Activities	\$ 31,842	\$ 8,241	\$ (16,850)	\$ (5,531)	\$ 11,139	\$ 24,256
Business-Type Activities	<u>1,885</u>	<u>(4,021)</u>	<u>14,096</u>	<u>(5,030)</u>	<u>389</u>	<u>(8,574)</u>
Total Primary Government	<u>\$ 33,727</u>	<u>\$ 4,220</u>	<u>\$ (2,754)</u>	<u>\$ (10,561)</u>	<u>\$ 11,528</u>	<u>\$ 15,682</u>



CITY OF SUNNYVALE

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

	Fiscal Year									
	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
General Fund										
Reserved	\$ 33,053	\$ 34,765	\$ 37,074	\$ 45,677	\$ 47,139	\$ 44,908	\$ 45,182	\$ 43,004	\$ 30,275	\$ 30,184
Unreserved	79,034	73,813	72,842	68,959	76,541	90,361	85,345	64,752	58,890	49,342
Total General Fund	<u>\$ 112,087</u>	<u>\$ 108,578</u>	<u>\$ 109,916</u>	<u>\$ 114,636</u>	<u>\$ 123,680</u>	<u>\$ 135,269</u>	<u>\$ 130,527</u>	<u>\$ 107,756</u>	<u>\$ 89,165</u>	<u>\$ 79,526</u>
All Other Governmental Funds										
Reserved	\$ 29,983	\$ 23,895	\$ 22,098	\$ 18,050	\$ 15,573	\$ 29,307	\$ 30,381	\$ 40,795	\$ 11,479	\$ 10,138
Unreserved reported in:										
Special Revenue Funds	3,650	4,228	5,888	10,038	13,610 ²	2,975	10,851	6,246 ¹	7,896	7,553
Debt Service Funds	(56,567)	(54,836)	(51,180)	(48,708)	(45,889)	(42,496)	(36,697)	(34,706)	(30,461)	-
Capital Projects Funds	26,717	25,563	27,926	34,754	40,757	51,060	39,187	17,497	12,530	48
Permanent Funds	-	-	-	-	(52)	13	-	-	-	-
Total All Other Governmental Funds	<u>\$ 3,783</u>	<u>\$ (1,150)</u>	<u>\$ 4,732</u>	<u>\$ 14,134</u>	<u>\$ 23,999</u>	<u>\$ 40,859</u>	<u>\$ 43,722</u>	<u>\$ 29,832</u>	<u>\$ 1,444</u>	<u>\$ 17,739</u>

Notes: 1 Starting fiscal year 2000, Swirsky Youth Opportunity Fund was reclassified from Fiduciary Fund to Governmental Fund.

2 Starting fiscal year 2003, Patent Library Fund was reclassified from Proprietary Fund to Governmental Fund .

CITY OF SUNNYVALE

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

	Fiscal Year									
	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Revenues										
Property Taxes	\$ 40,807	\$ 35,436	\$ 32,895	\$ 27,367	\$ 26,632	\$ 25,595	\$ 22,836	\$ 21,098	\$ 19,583	\$ 17,424
Sales and Use Taxes	32,053	29,617	26,070	24,599	27,015	27,270	37,620	31,253	26,242	27,855
Other Taxes	16,761	14,459	13,397	12,498	12,268	14,013	20,156	16,854	13,929	13,598
Franchise Fees	5,714	5,531	5,395	5,521	5,226	5,494	4,918	4,452	4,271	4,227
Intergovernmental Revenues	19,577	21,950	22,342	27,459	36,500	31,409	24,765	29,282	23,661	21,174
Permits and Licenses	7,042	5,780	4,996	4,252	3,133	4,392	6,415	5,379	3,140	2,555
Fines and Forfeitures	1,394	756	944	774	782	1,647	804	1,332	780	426
Special Assessments	66	63	71	136	300	297	718	297	313	290
Service Fees	15,621	7,500	7,713	5,495	3,123	3,493	5,088	4,010	2,298	1,569
Rents and Concessions	2,150	1,664	1,538	1,518	1,758	2,585	2,064	1,442	2,571	2,175
Investment Earnings	6,433	3,976	2,858	971	7,865	12,058	13,916	4,698	2,899	4,763
Other Revenues	1,442	1,555	2,991	1,584	3,339	2,660	11,112	1,110	1,232	1,947
Total Revenues	149,060	128,287	121,210	112,174	127,941	130,913	150,412	121,207	100,919	98,003
Expenditures										
Planning and Management	17,252	14,115	13,860	13,096	14,200	11,810	10,177	10,960	9,354	8,941
Public Safety	66,346	62,069	57,709	53,847	52,764	44,514	41,212	40,491	38,952	36,592
Community Development	22,245	20,638	20,093	16,928	19,521	18,150	18,906	20,577	18,147	17,048
Transportation	7,309	6,868	6,475	7,694	9,402	8,929	7,344	9,042	8,200	7,131
Socioeconomic	10,653	12,618	12,774	13,406	14,430	12,592	10,197	13,792	13,715	10,143
Cultural	7,824	7,493	7,331	7,056	7,541	6,398	5,962	5,409	7,427	5,211
Environmental Management	1,747	1,656	1,026	1,622	1,304	1,581	733	1,062	1,502	1,542
Capital Outlay	5,548	7,008	3,447	14,379	25,883	25,633	31,419	3,929	970	973
Debt Service:										
Principal Retirement	1,640	1,525	1,700	1,675	1,595	1,535	13,558	1,065	885	2,813
Interest	6,010	5,687	5,414	5,097	5,074	4,962	6,113	4,109	1,648	1,841
Fiscal Charges	66	125	67	677	110	62	474	466	15	501
Total Expenditures	146,640	139,802	129,896	135,477	151,824	136,166	146,095	110,902	100,815	92,736
Excess (Deficiency) of Revenues Over (Under) Expenditures	2,420	(11,515)	(8,686)	(23,303)	(23,883)	(5,253)	4,317	10,305	104	5,267

Other Financing Sources (Uses):										
Transfers In	19,154	19,683	17,307	20,376	23,880	24,180	42,717	21,679	31,195	12,699
Transfers Out	(16,615)	(15,277)	(22,743)	(16,628)	(29,113)	(17,048)	(38,117)	(13,712)	(37,955)	(11,966)
Proceeds from Refunding Bonds	-	-	-	7,960	-	-	-	-	-	20,500
Proceeds from Issuing Bonds	-	-	-	-	-	-	18,710	25,000	-	-
Issuance Discount on Refunding Bonds	-	-	-	(69)	-	-	-	-	-	-
Payment to Refunded Bonds Escrow Agent	-	-	-	(7,245)	-	-	-	-	-	(16,837)
Proceeds from Sale of Capital Assets	3,483	-	-	-	498	-	9,034	3,805	-	-
Total Other Financing Sources (Uses)	6,022	4,406	(5,436)	4,394	(4,735)	7,132	32,344	36,772	(6,760)	4,396
Net Change in Fund Balances	\$ 8,442	\$ (7,109)	\$ (14,122)	\$ (18,909)	\$ (28,618)	\$ 1,879	\$ 36,661	\$ 47,077	\$ (6,656)	\$ 9,663
Capital Expenditures	3,211	6,245	3,554	10,937	25,396	21,967	29,360	13,801	22,651	3,949
Debt Service as a Percentage of Noncapital Expenditures	5.6%	5.7%	6.0%	6.0%	5.6%	6.2%	20.8%	5.1%	2.6%	5.4%

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

	Fiscal Year									
	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Property	\$ 40,808	\$ 35,436	\$ 32,895	\$ 27,367	\$ 26,632	\$ 25,595	\$ 22,836	\$ 21,098	\$ 19,583	\$ 17,424
Sales and Use	32,053	29,617	26,070	24,599	27,015	27,270	37,620	31,253	26,242	27,855
Transient Occupancy	6,480	5,633	5,074	4,752	5,095	6,320	10,735	9,775	7,566	7,273
Utility Users	6,479	6,057	5,833	5,877	5,652	5,688	5,859	4,395	4,139	4,393
Business Licenses	687	286	215	244	269	250	287	263	266	271
Real Property Transfer	1,216	1,140	1,352	765	580	534	856	641	742	672
Construction	1,899	1,342	923	860	672	1,221	2,419	1,780	1,216	989
Franchise	5,713	5,531	5,395	5,521	5,226	5,494	4,690	4,452	4,271	4,227
Total	<u>\$ 95,335</u>	<u>\$ 85,042</u>	<u>\$ 77,757</u>	<u>\$ 69,985</u>	<u>\$ 71,141</u>	<u>\$ 72,372</u>	<u>\$ 85,302</u>	<u>\$ 73,657</u>	<u>\$ 64,025</u>	<u>\$ 63,104</u>

CITY OF SUNNYVALE**Assessed Value of Taxable Property
Last Ten Fiscal Years**

Fiscal Year Ended June 30	Residential Property	Commercial Property	Industrial Property	Other Property¹	Unsecured Property	Total Assessed Value²	Less: Exemptions	Total Taxable Assessed Value	Total Direct Tax rate
1998	5,875,141,985	946,237,629	2,924,735,302	212,696,046	1,610,083,612	11,568,894,574	81,634,275	11,487,260,299	0.152%
1999	6,407,953,086	1,065,425,005	3,418,662,398	252,527,729	2,191,466,165	13,336,034,383	80,242,259	13,255,792,124	0.148%
2000	6,908,364,842	1,146,130,575	3,415,417,568	595,712,119	1,918,246,282	13,983,871,386	83,009,774	13,900,861,612	0.152%
2001	7,458,380,111	1,264,733,239	3,737,520,807	533,742,584	1,939,609,113	14,933,985,854	89,166,475	14,844,819,379	0.154%
2002	8,209,857,729	1,484,441,624	4,301,444,243	572,760,665	2,535,111,340	17,103,615,601	117,271,451	16,986,344,150	0.151%
2003	8,718,777,077	1,580,029,083	4,267,941,289	565,472,712	2,986,380,377	18,118,600,538	124,172,255	17,994,428,283	0.148%
2004	9,337,009,241	1,779,321,058	4,345,984,376	424,172,231	2,647,745,844	18,534,232,750	126,967,347	18,407,265,403	0.149%
2005	9,829,408,454	1,689,619,669	3,978,983,532	502,956,838	2,096,290,114	18,097,258,607	176,856,725	17,920,401,882	0.184%
2006	10,915,550,621	1,751,820,673	3,549,056,669	458,368,221	2,751,400,421	19,426,196,605	198,943,408	19,227,253,197	0.184%
2007	11,986,705,089	1,972,723,950	4,360,713,609	464,268,466	2,136,425,257	20,920,836,371	208,373,332	20,712,463,039	0.197%

Source: County of Santa Clara Assessor's Office

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

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

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

CITY OF SUNNYVALE

**Property Tax Rates
Last Ten Fiscal Years**

	Fiscal Year									
	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Direct Rates ¹										
County	1.03880	1.03880	1.03880	1.03880	1.03880	1.03640	1.03560	1.03190	1.03880	1.03880
Special District										
Santa Clara Valley Water District	0.00720	0.00780	0.00920	0.00870	0.00720	0.00620	0.00750	0.00850	0.00820	0.00980
Overlapping Rates ²										
School Districts ³							0.05350	0.03840	0.03920	0.01400
Sunnyvale School District	0.01510	0.01630	0.01880	0.01570	0.01580	0.01640	-	-	-	-
Cupertino Elementary	0.02890	0.26810	0.03600	0.03570	0.03290	0.04570	-	-	-	-
Los Altos Elementary	0.05510	0.04520	0.04870	0.04830	0.03980	0.04370	-	-	-	-
Mountain View Elementary	0.03400	0.03780	0.04230	0.03880	0.03700	0.02950	-	-	-	-
Fremont High	0.02430	0.02600	0.02680	0.02490	0.02460	0.02040	-	-	-	-
Mountain View-Los Altos High	0.01690	0.01790	0.01930	0.01830	0.01880	0.01750	-	-	-	-
Santa Clara Unified	0.07970	0.08610	0.03440	0.02630	0.02520	0.03660	-	-	-	-
Foothills-De Anza College	0.01100	0.01190	0.01290	0.01100	0.01080	0.01150	-	-	-	-
Special District										
Parking District	- ⁴	- ⁴	- ⁴	- ⁴	0.05216	0.05400	0.05200	0.05900	0.06190	0.25320

Source: County of Santa Clara Assessor's Office

Note 1 California State Constitution Article XIII A limits the property tax rate on any given property not to exceed one per cent of its assessed value unless an additional amount has been approved by votes. The County of Santa Clara assesses properties and collects property taxes for the City. The California Legislature determines the method of distribution of receipts from the one per cent tax levy among the counties, cities, school and other districts.

2 Overlapping rates are those of local and county governments that apply to property owners within the City of Sunnyvale. Not all overlapping rates apply to all Sunnyvale property owners. Although the county and water district property tax rates apply to all City property owners, the school and parking district rates apply only to those City property owners whose property is located within that district geographic boundaries.

3 Information required by GASB Statement 44 differs from information reported for fiscal years 1996 through 2001. Property tax rates of school districts for fiscal years 1996 through 2001 were not available. Tax rates reported for 1996 through 2001 were those that apply to the tax area with the highest assessed valuation within the City of Sunnyvale.

4 Parking district retired its debt on July 1, 2003.

CITY OF SUNNYVALE

**Principal Property Tax Payers
June 30, 2007**

Taxpayer	2007			1998		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Lockheed Martin Corporation	\$ 794,838,550	1	3.80%	\$ 411,088,769	2	3.55%
Applied Materials Inc	484,595,848	2	2.32%			
Yahoo Inc	350,457,806	3	1.68%			
Network Appliance Inc	280,555,169	4	1.34%			
Spansion LLC	237,799,845	5	1.14%			
Mt Spe LLC	204,465,460	6	0.98%			
Bay Apartment Communities Inc	190,609,070	7	0.91%	69,952,280	7	0.60%
Juniper Networks Inc	172,480,634	8	0.82%			
Moffett Park Dr LLC	136,359,471	9	0.65%			
AMB Institutional Alliance Fnd II LP	120,130,000	10	0.57%			
Santa Clara County Transit District				577,382,861	1	4.99%
AMD Properties				353,171,476	3	3.05%
Amdahl Corporation				94,714,869	4	0.82%
AETNA Life Insurance Company				80,999,260	5	0.70%
Philips Semiconductor				70,182,015	6	0.61%
Hewlett Packard Company				64,142,123	8	0.55%
Argosystems Inc				61,948,541	9	0.54%
Northrup Grumman Corporation				61,581,960	10	0.54%
Total	\$ 2,972,291,853		14.21%	\$ 1,845,164,154		15.95%

Source: County of Santa Clara Assessor's Office

CITY OF SUNNYVALE

**Property Tax Levies and Collections
Last Ten Fiscal Years**

Fiscal Year Ended June 30	Total Tax Levy for Fiscal Year ²	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years ¹	Total Collections to date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
1998	16,307,175	16,828,602	103.2%	594,948	17,423,550	106.8%
1999	19,404,406	18,877,897	97.3%	704,941	19,582,838	100.9%
2000	20,357,281	20,314,902	99.8%	783,000	21,097,902	103.6%
2001	22,239,752	22,028,206	99.0%	807,879	22,836,085	102.7%
2002	23,550,640	22,349,137	94.9%	542,847	22,891,984	97.2%
2003	27,334,218	25,962,607	95.0%	669,322	26,631,929	97.4%
2004	27,561,419	26,755,807	97.1%	611,235	27,367,042	99.3%
2005	27,845,911	24,628,122	88.4%	734,809	25,362,931	91.1%
2006	28,812,518	26,489,526	91.9%	783,888	27,273,414	94.7%
2007	31,790,994	31,125,424	97.9%	888,602	32,014,027	100.7%

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

Notes 1 Information required by GASB Statement 44 differs from information reported. Collections in subsequent years represent total delinquent amounts received during the fiscal year, regardless of the fiscal year of the tax levy. Data for delinquent tax collections by levy year is not available from the Santa Clara County Assessor's Office.

2 Property tax levy and collections do not include the VLF (motor vehicle license fees) swap, which was made permanent starting fiscal year 2005.

CITY OF SUNNYVALE

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

	Fiscal Year									
	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Governmental Activities:										
Parking District Bonds	\$ -	\$ -	\$ -	\$ -	\$ 75	\$ 145	\$ 215	\$ 280	\$ 345	\$ 405
Special Assessment Bonds	-	-	-	280	540	780	1,005	1,215	1,415	1,600
Tax Allocation Bonds	7,050	7,386	7,667	7,894	7,440	7,625	7,800	7,965	8,120	8,265
Parking Lease Revenue Bonds	-	-	-	-	-	-	-	-	-	-
Certificates of Participation	31,045	32,345	33,585	34,775	35,920	37,020	38,085	20,050	20,695	21,190
Promissory Note	-	-	-	-	-	-	-	-	-	-
Business-Type Activities:										
Water and Wastewater										
Revenue Bonds	25,783	27,089	28,346	29,563	30,740	31,877	18,970	19,591	20,177	20,732
Solid Waste Revenue Bonds	16,149	17,275	18,371	19,426	20,442	18,296	18,955	19,575	20,165	20,725
Golf Revenue Bonds	-	-	-	-	-	-	-	-	-	185
Total Primary Government	\$ 80,027	\$ 84,095	\$ 87,969	\$ 91,938	\$ 95,157	\$ 95,743	\$ 85,030	\$ 68,676	\$ 70,917	\$ 73,102
Percentage of Personal Income ¹	0.17%	0.18%	0.19%	0.20%	0.20%	0.21%	0.18%	0.14%	0.13%	0.17%
Per Capita ²	\$ 590	\$ 630	\$ 661	\$ 694	\$ 718	\$ 721	\$ 432	\$ 516	\$ 533	\$ 557

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

1 Personal income data are presented in the Schedule of Demographic and Economic Statistics on page 181. Personal income for fiscal year 2003 was used to calculate percentages for fiscal years 2004, 2005 and 2006 since data for fiscal years 2004, 2005 and 2006 are not currently available.

2 Population data are presented in the Schedule of Demographic and Economic Statistics on page 181.

CITY OF SUNNYVALE**Direct and Overlapping Governmental Activities Debt
As of June 30, 2007**

Governmental Unit	Debt Outstanding	Percentage Applicable	Share of Overlapping Debt
Debt Repaid with Property Taxes: County			
City of Sunnyvale Community Facilities District No. 1 Special Tax Bonds	\$ 19,180,000	100.000 %	\$ 19,180,000
Cupertino Union School District & Certificates of Participation	125,092,086	14.936	18,683,754
El Camino Hospital District	148,000,000	36.248	53,647,040
Foothill Community College District Certificates of Participation	29,700,000	22.679	6,735,663
Foothill-De Anza Community College District	486,686,935	22.679	110,375,730
Fremont Union High School District	135,495,000	47.822	64,796,419
Midpeninsula Regional Open Space Park District Certificates of Participation	108,465,190	15.197	16,483,455
Mountain View School District & Certificates of Participation	32,924,698	3.150	1,037,128
Mountain View-Los Altos Union High School District & Certificates of Participation	48,761,320	1.091	531,986
Los Altos School District	99,819,136	0.162	161,707
Santa Clara County General Fund Obligations	826,480,000	8.615	71,201,252
Santa Clara County Board of Education Certificates of Participation	16,325,003	8.615	1,406,399
Santa Clara County Vector Control Certificates of Participation	4,420,000	8.615	380,783
Santa Clara Unified School District Certificates of Participation	196,834,996	13.833	27,228,185
Santa Clara Valley Water District Benefit Assessment District	173,070,006	8.615	14,909,981
Sunnyvale School District	92,607,098	99.287	91,946,809
West Valley-Mission Community College District Certificates of Participation	125,504,995	4.645	5,829,707
Subtotal Overlapping Debt			504,535,998
Direct Debt ¹			
City of Sunnyvale Certificates of Participation			17,645,000
City of Sunnyvale Parking Facility Certificates of Participation			13,400,000
Subtotal Direct Debt			31,045,000
Total Direct and Overlapping Debt ²			\$ 535,580,998

Sources: California Municipal Statistics, Inc.
City of Sunnyvale

Notes:

¹ Direct debt excludes revenue bonds reported in the enterprise funds and Redevelopment Agency Central Core Tax Allocation Bonds.

² Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

CITY OF SUNNYVALE

**Legal Debt Margin Information
Last Ten Fiscal Years
(dollars in thousands)**

	Fiscal Year									
	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Debt limit	\$ 3,138,125	\$ 2,913,929	\$ 2,714,589	\$ 2,761,090	\$ 2,699,169	\$ 2,547,946	\$ 2,226,723	\$ 2,085,130	\$ 1,988,281	\$ 1,723,089
Total net debt applicable to limit	38,094	39,731	41,251	42,949	43,975	45,570	47,105	29,510	30,575	31,645
Legal debt Margin	<u>\$ 3,100,031</u>	<u>\$ 2,874,198</u>	<u>\$ 2,673,338</u>	<u>\$ 2,718,141</u>	<u>\$ 2,655,194</u>	<u>\$ 2,502,376</u>	<u>\$ 2,179,618</u>	<u>\$ 2,055,620</u>	<u>\$ 1,957,706</u>	<u>\$ 1,691,444</u>
Total net debt applicable to the limit as a percentage of debt limit	1.21%	1.36%	1.52%	1.56%	1.63%	1.79%	2.12%	1.42%	1.54%	1.84%

Legal Debt Margin Calculation for Fiscal Year 2007

Assessed value	\$ 20,712,463
Add back: exempt real property	208,373
Total assessed value	<u>\$ 20,920,836</u>
Debt limit (15% of total assessed value)	3,138,125
Debt applicable to limit:	
Total bonded debt	80,026
Less:	
Water and Wastewater Revenue Bonds	(25,783)
Solid Waste Revenue Bonds	<u>(16,149)</u>
Total net debt applicable to limit	<u>38,094</u>
Legal debt margin	<u>\$ 3,100,031</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									
	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Water and Wastewater Revenue Bonds										
Gross Revenues	\$ 45,287	\$ 39,641	\$ 37,671	\$ 36,092	\$ 35,800	\$ 32,498	\$ 32,561	\$ 31,242	\$ 27,879	\$ 27,293
Less: Operating Expenses	30,472	29,564	28,669	26,984	25,989	25,444	24,576	23,670	21,139	20,163
Net Available Revenue	\$ 14,815	\$ 10,077	\$ 9,002	\$ 9,108	\$ 9,811	\$ 7,054	\$ 7,985	\$ 7,572	\$ 6,740	\$ 7,130
Debt Service										
Principal	\$ 1,320	\$ 1,270	\$ 1,230	\$ 1,190	\$ 1,150	\$ 670	\$ 635	\$ 600	\$ 570	\$ 540
Interest	1,294	1,340	1,382	1,423	1,461	1,164	1,200	1,234	1,266	1,297
Coverage	5.7	3.9	3.4	3.5	3.8	3.8	4.4	4.1	3.7	3.9
Solid Waste Revenue Bonds										
Gross Revenues	\$ 49,766	\$ 49,297	\$ 47,083	\$ 44,909	\$ 48,365	\$ 46,222	\$ 52,428	\$ 50,858	\$ 46,520	\$ 45,855
Less: Operating Expenses	43,490	45,116	41,945	42,532	41,931	42,803	45,993	46,260	42,951	42,367
Net Available Revenue	\$ 6,276	\$ 4,181	\$ 5,138	\$ 2,377	\$ 6,434	\$ 3,419	\$ 6,435	\$ 4,598	\$ 3,569	\$ 3,488
Debt Service										
Principal	\$ 1,135	\$ 1,105	\$ 1,065	\$ 1,025	\$ 745	\$ 705	\$ 665	\$ 635	\$ 605	\$ 575
Interest	810	841	882	918	691	1,154	1,192	1,227	1,259	1,288
Coverage	3.2	2.1	2.6	1.2	4.5	1.8	3.5	2.5	1.9	1.9

CITY OF SUNNYVALE**Demographic and Economic Statistics
Last Ten Fiscal Years**

<u>Fiscal Year</u>	<u>Population</u>	<u>Personal Income (in millions)¹</u>	<u>Per Capita Personal Income¹</u>	<u>Median Age</u>	<u>School Enrollment</u>	<u>Civilian Labor Force</u>	<u>Unemployment Rate</u>
1998	131,127	64,850.1	39,091	Not Available	22,545	81,489	2.70%
1999	132,940	73,045.8	43,701	Not Available	30,133	81,517	2.80%
2000	133,215	91,386.2	54,188	34	30,453	81,134	2.90%
2001	196,603	83,978.7	49,624	34	30,285	81,370	4.20%
2002	132,825	77,997.9	46,499	33	13,329	76,342	7.30%
2003	132,500	78,165.2	46,640	33	15,365	73,109	7.80%
2004	132,422	Not Available	Not Available	34	14,338	71,360	5.70%
2005	133,086	Not Available	Not Available	36	14,792	70,886	4.70%
2006	133,544	Not Available	Not Available	36	14,793	71,640	4.00%
2007	135,721	Not Available	Not Available	36	14,891	73,196	4.00%

Sources: State of California, Department of Finance
U.S. Department of Commerce, Bureau of Economic Analysis
Cupertino Union School District, Fremont Union High School District, Santa Clara Unified
School District, and Sunnyvale School District
U.S. Department of Labor, Bureau of Labor Statistics

Note: 1 Santa Clara County

CITY OF SUNNYVALE**Principal Employers
June 30, 2007**

Employer	2007			1998		
	Number of Employees	Rank	Percentage of Total Employment	Number of Employees	Rank	Percentage of Total Employment
Lockheed Martin Corporation	7,375	1	10.08%	Not Available	1	Not Available
Yahoo! Inc.	4,906	2	6.70%	Not Available	2	Not Available
Network Appliance Inc.	2,133	3	2.91%	Not Available	3	Not Available
Maxim Integrated Products	1,800	4	2.46%	Not Available	4	Not Available
Northrup Gruman Marine Systems	1,200	5	1.64%	Not Available	5	Not Available
Palm Inc.	858	6	1.17%	Not Available	6	Not Available
Fujitsu Computer Systems	802	7	1.10%	Not Available	7	Not Available
Spansion LLC	726	8	0.99%	Not Available	8	Not Available
Synopsys Inc.	714	9	0.98%	Not Available	9	Not Available
Applied Signal Tech	679	10	0.93%	Not Available	10	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									
	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Planning and Management	142	141	138	145	150	140	133	138	139	146
Public Safety ¹	325	308	309	333	358	337	322	327	333	323
Community Development	132	132	133	131	142	130	127	132	131	130
Transportation	35	37	35	42	46	47	47	46	43	44
Socioeconomic	79	96	102	108	106	74	62	73	73	76
Cultural	61	65	66	67	73	71	71	69	66	73
Environmental Management	19	18	17	14	17	18	20	18	17	8
Water Supply and Distribution	31	34	32	29	32	21	22	26	22	24
Wastewater Management	67	72	71	69	75	68	67	68	63	65
Solid Waste Management	10	9	9	9	9	8	8	9	8	8
SMaRT Station	1	1	2	2	2	1	1	1	1	1
Community Recreation	92	89	87	95	104	44	37	37	36	35
Total	994	1,002	1,001	1,044	1,114	959	917	944	932	933

Source: City of Sunnyvale, Department of Finance

Note: 1 The City's Department of Public Safety is a fully integrated Police/Fire agency. All officers are certified in both disciplines.

CITY OF SUNNYVALE

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

Function	Fiscal Year									
	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Public Safety:										
Police										
Emergency Responses	47,173	47,460	46,132	52,017	48,613	47,645	52,486	62,281	48,512	61,870
Crime Investigations	3,834	3,467	3,617	4,268	4,268	4,288	3,909	3,899	2,328	2,701
Traffic Events and Citations	16,753	22,716	24,188	20,213	16,114	12,284	26,433	30,997	34,721	37,310
Fire										
Emergency Responses	6,793	7,026	6,643	6,646	7,421	6,662	6,674	6,480	6,621	6,661
Fire Safety Inspections	5,934	6,080	5,489	5,189	6,606	7,314	13,939	7,001	6,529	14,469
Transportation:										
Streets Resurfacing (1,000 square feet)	42	179	179	156	307	-	-	347	31	356
Street Preventive Maintenance (1,000 square feet)	3,882	8,159	5,709	5,767	4,648	7,619	7,436	7,384	6,701	7,996
Streetlights Lamps Replaced	1,092	846	674	752	922	901	717	950	1,146	1,232
Library:										
Library Visitors	758,986	723,731	737,506	861,591	877,135	819,664	736,103	735,140	514,081	725,787
Library Materials Circulated	2,235,292	1,891,080	1,818,370	2,130,978	1,996,562	1,709,468	1,363,068	1,358,078	1,071,879	1,333,656
Library Materials Turnover Rate (average use)	7.0	6.7	6.6	7.6	7.0	6.0	6.0	5.1	3.2	4.1
Water Supply and Distribution:										
Average Daily Demand (million gallons)	21.9	20.0	21.7	22.8	21.4	23.2	23.3	22.5	23.4	23.0
Peak Daily Use (million gallons)	44.0	40.0	43.0	46.0	46.0	46.0	46.0	46.0	46.0	46.0
Water Main Repairs	61	34	24	13	35	31	13	31	24	51
Wastewater Management:										
Average Daily Sewage Treatment (million gallons)	15.4	15.5	15.3	14.9	15.3	16.6	16.9	16.6	17.3	17.0
Solid Waste Management:										
Refuse collected (tons per day)	265.8	277.6	271.5	278.6	284.6	298.1	337.7	323.5	309.8	293.6
Recyclables collected (tons per day)	69.4	71.4	73.2	74.2	73.8	70.4	69.1	69.6	66.6	76.4
SMaRT Station										
Refuse received (tons per day)	722.2	731.4	707.7	721.6	733.0	746.4	777.0	781.8	746.9	745.0
Community Recreation:										
Recreation Programs Registration (hours)	708,158	1,552,262	1,524,493	585,023	511,257	Not Available				
Rental Use of Recreation Facilities (1,000 Participant Hours 1998-2006)	18,623	545	450	482	484	609	554	742	1,173	1,290
Plays at Golf Courses	150,303	147,650	156,523	150,944	182,855	185,255	190,757	191,692	196,422	180,118

Source: City of Sunnyvale, various departments

CITY OF SUNNYVALE

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

Function/Program	Fiscal Year									
	2007	2006	2005	2004	2003	2002	2001	2000	1999	1998
Public Safety										
Police:										
Jail Facilities	1 (6 cells)	1 (8 cells)	1 (8 cells)	1 (8 cells)						
Vehicular Patrol Units	65	52	52	52	51	52	52	54	48	41
Fire Stations	6	6	6	6	6	6	6	6	6	6
Transportation										
Streets (miles)	300	300	300	300	300	300	300	300	300	300
Streetlights	8,928	8,919	8,919	8,909	8,904	8,867	8,779	8,769	8,764	8,759
Traffic Signals	129	129	129	129	129	126	126	122	121	119
Water Supply and Distribution										
Water Mains (miles)	283	282	282	282	282	282	282	282	282	282
Fire Hydrants	3,381	3,400	3,385	3,385	3,385	3,351	3,351	3,351	3,350	3,349
Storage Capacity (million gallons)	28.0	28.0	28.0	28.0	27.5	27.5	27.5	27.5	27.5	27.5
Wastewater Management										
Sanitary Sewer (miles)	283	283	283	283	283	283	283	283	283	283
Treatment Plant Capacity (million gallons)	29.5	29.5	29.5	29.5	29.5	29.5	29.5	29.5	29.5	29.5
SMaRT Station										
Refuse transfer and recovery station capacity (ton per day)	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500
Community Recreation										
Park Acreage	323	322	322	322	322	322	322	322	321	321
Parks	22	22	22	22	22	18	18	18	18	18
Golf Courses	2	2	2	2	2	2	2	2	2	2
Swimming Pools	6	6	6	6	6	5	5	5	5	5
Tennis Courts	51	39	39	39	38	16	16	13	13	13
Skate Park	2	1	1	1	1	-	-	-	-	-
Recreation Centers	3	3	3	3	3	2	2	2	2	2

Source: City of Sunnyvale, various departments

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