

COMPREHENSIVE ANNUAL FINANCIAL REPORT



For the fiscal year ended June 30, 2009

*City of Sunnyvale California
A Commitment to Excellence*

Comprehensive Annual Financial Report

For The Fiscal Year Ended

June 30, 2009



City of Sunnyvale

650 West Olive Avenue

Sunnyvale, California 94086

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Prepared by the Department of Finance

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City of SUNNYVALE

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650 West Olive Avenue
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November 25, 2009

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, 2009. The City Charter (Section 1318) requires that a licensed certified public accountant conduct an annual audit at the end of each fiscal year and issue a complete set of financial statements to be submitted to City Council. The financial statements are presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards.

Responsibility for the accuracy of the data and the fairness of presentation, including all footnotes and disclosures, rests with the City. We believe the data presented in this report is accurate in all material respects and all statements and disclosures necessary for the reader to obtain a thorough understanding of the City's financial activities have been included. Management of the City has established a comprehensive internal control framework that is designed both to protect the City's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the City's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatements.

While traditionally addressed to the governing body of the City, this report is also intended to provide relevant financial information to the citizens of the City of Sunnyvale, City staff, creditors, investors and other concerned readers. We encourage all readers to contact the Department of Finance with any questions or comments concerning this report.

The City's financial statements have been audited by Maze and Associates, a firm of certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended June 30, 2009, 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, 2009, 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, 2009

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, 2009

PROFILE OF THE CITY, Continued

Component Units

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

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

Types of Services

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

Boards and Commissions

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

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

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

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

Chief Finance Officer's Letter of Transmittal, Continued
Fiscal Year Ended June 30, 2009

PROFILE OF THE CITY, Continued

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

Budget

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

On November 6, 2007, Sunnyvale voters approved to amend Sections 1302 and Section 1305 of the City Charter. The amendment adds language that requires the annual submission of a ten-year balanced budget that includes level of service information, historical financial trend data, and charts for ease of understanding the budget and provides that approved appropriations for capital projects will not lapse at the end of the fiscal year, unless completed, closed out or Council takes action to modify. The long-term nature of the City's financial planning system allows decision makers to better understand the effect of policy decisions to prevent wild swings in service levels during the upturns and downturns of economic cycles.

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

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

Chief Finance Officer's Letter of Transmittal, Continued
Fiscal Year Ended June 30, 2009

LOCAL ECONOMY

Since the global financial and credit market meltdown in October 2008, the Silicon Valley region has continued to feel negative effects of the economic slowdown. As the housing and mortgage financing problems spread to the rest of the economy, nonresidential construction has declined sharply; retail sales, especially at the auto dealers, have also deteriorated substantially. The impact of reduced consumer spending, lower industrial production, and higher unemployment is being felt across the region. Sunnyvale's sales tax, transient occupancy tax, and construction-related taxes and fees all dropped significantly below the original budget projections. Given the current state of the market, it is a little encouraging that property tax, the General Fund's largest source of revenue, has remained steady.

The weak economic factors have caused the State to act on huge budget shortfalls. The State budget solutions have included budgetary cuts, borrowing from local agencies, and payment delays, all of which have imposed additional challenges on local government finances. It is obvious that budgets for governments at all levels will be under pressure for years to come.

Meanwhile, Sunnyvale is maximizing the benefits available through the federal stimulus program, also called the American Recovery and Reinvestment Act (ARRA) of 2009. In April 2009 Sunnyvale launched its own local stimulus program, called *Sunnyvale Works!* This program was planned to complete in excess of \$60 million in already funded capital improvement projects on a highly accelerated schedule and was expected to create as many as 600 private sector jobs. The accelerated turnaround schedule was achieved through inter-departmental staff coordination to streamline existing processes and eliminate others. Six months later, the scope of work has climbed to more than \$90 million based on three additional funding sources: federal ARRA (Stimulus Funding) grants, other grants, and perhaps most significantly, dramatically lower bids from contractors. The City has already realized nearly \$6 million in cost savings and the funds have been used to leverage even more projects.

The construction of the Sunnyvale Town Center redevelopment project had been well underway before the unprecedented economic condition suddenly took its toll; construction was halted in February 2009 for lack of funding. In early November of 2009 the nearby streets and parking structure were opened to coincide with the opening of a new Target store. At more than 180,000 square feet, the new store provides more retail space than the store it replaced, and is expected to become a major draw to Sunnyvale's downtown. Over the past several months, City staff worked with Target and site developers to bring \$8 million in street paving, sidewalk, gutter and landscaping work to completion in time for the Target opening.

Chief Finance Officer's Letter of Transmittal, Continued
Fiscal Year Ended June 30, 2009

LONG-TERM FINANCIAL PLANNING

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

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

Annual budget review and approval is a sound business practice and is required by the City Charter. However, an understanding of the City's long-term financial picture is more important to the process than just looking at a one-year or two-year snapshot. City fiscal policy requires City staff to analyze past and present fiscal health, and project its future fiscal condition. One of the most powerful aspects of multi-year financial planning is its capability to recognize trends over time and begin at an early point to consider the necessary steps to alter the long-term forecasted position of a particular fund should that appear necessary.

Before the current recession, the City had made considerable progress toward its goal of long term financial stability. City staff has been continuing 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 provide additional resources to address our ongoing fiscal challenges.

City staff has also undertaken a thorough User Fee and Cost of Service Study for all services related to development. The project included identification of all direct and indirect costs, recommendation of a new fee structure or validation of the existing structure, and clear identification of the revenue impacts of any proposed fee changes on end users.

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

Chief Finance Officer's Letter of Transmittal, Continued
Fiscal Year Ended June 30, 2009

LONG-TERM FINANCIAL PLANNING, Continued

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

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

One significant recent development identified through our long-term planning is the substantial increase in the City's contribution rates for employee pensions through California Public Employees' Retirement System (PERS). Because of recent large investment losses, rates are projected to rise dramatically beginning in fiscal year 2012. To mitigate the impact on contracting agencies, PERS has proposed to modify their smoothing methodology so that the current significant losses are added to employer retirement contribution rates over three years (fiscal year 2012 through fiscal year 2014) rather than fiscal year 2012. In the short term, this will have a positive cash flow impact for the City. However, over the long term there will be a negative fiscal impact since delaying increases in contribution rates only means that more money will have to be collected in the future. These projected rate increases have been included in the City's balanced Long-Term Financial Plan as adopted in June 2009.

By far the largest of the unfunded projects are those that involve aging City buildings. Redevelopment of the library facility and general administrative buildings, including the City Hall complex, the Corporation Yard, and the Public Safety Headquarters, were estimated for a total preliminary cost of \$259 million. In addition, there are 13 unfunded projects related to the rehabilitation of the existing City facilities. A strategic decision as to whether ongoing major maintenance and repair is continued or replacement and remodeling of facilities is funded will have to be made for the sake of cost efficiency according to the City's Capital Improvement Policy.

Chief Finance Officer's Letter of Transmittal, Continued
Fiscal Year Ended June 30, 2009

RELEVANT FINANCIAL POLICIES

According to the Fiscal Sub-Element of the General Plan, long-term financial planning should enable the current service level provided to be sustained over time through the strategic use of reserves. The reserves contained in the General Fund's Long-Term Financial Plan play a pivotal role in the City's multi-year planning strategy. The General Fund currently has three major reserves.

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

A second reserve in the General Fund is entitled the *Budget Stabilization Fund*. Up to the end of fiscal year 2009, it was called the *20-Year Resource Allocation Plan (RAP) Reserve*. This reserve functions to level economic cycles from year to year. By letting this reserve vary each year, the fund can absorb the cyclical effects of the economy. In essence, this reserve grows during periods of economic growth and is drawn down during the low points of economic cycles to maintain stable service levels. Strict policy adherence to the premise of the *Budget Stabilization Fund* prevents us from adding services at the top of economic cycle that cannot be sustained while allowing us to maintain Council-approved service levels during economic downturns.

The function of the *Budget Stabilization Fund* and its strength was particularly apparent when the City struggled with the rapid economic downturn resulting from the dot-com bust that began in 2001. The reserve was building up in prior years while the City experienced strong economic growth. Then, as the effects of the economic downturn began to be fully felt, the reserve was drawn down to provide a "cushion" to maintain City services at desired levels and allow time to develop a measured approach to the new fiscal reality. With the current economic downturn, the *Budget Stabilization Fund* has again proven its value and is a key part of the strategy to bring the General Fund into balance over the twenty-year planning period.

In the fiscal year 2010 Budget, the City has planned on judiciously drawing down the *Budget Stabilization Fund* over the next six years to partially address the structural imbalance between revenues and expenditures which has been identified in the General Fund. It was originally estimated that the *Budget Stabilization Fund* would end fiscal year 2009 with a balance of about \$36 million. From fiscal year 2010 through fiscal year 2012 the *Budget Stabilization Fund* will be drawn down a total of \$11 million. The rate of drawdown will then slow significantly as the effects of the City's other budget balancing strategies take hold and the economy recovers to our new base. Following fiscal year 2015, the *Budget Stabilization Fund* grows and varies from \$8 to \$17 million over the remainder of the planning period.

Chief Finance Officer's Letter of Transmittal, Continued
Fiscal Year Ended June 30, 2009

RELEVANT FINANCIAL POLICIES, Continued

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

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

Chief Finance Officer's Letter of Transmittal, Continued
Fiscal Year Ended June 30, 2009

MAJOR INITIATIVES

Federal Stimulus and *Sunnyvale Works!*

Since February 2009, Sunnyvale has been working to identify funding opportunities available through the American Recovery and Reinvestment Act (ARRA) of 2009. The City has applied for more than \$20 million, and the Department of Employment Development (NOVA) has received approximately \$4.7 million in funding. The City has also been approved for funding of approximately \$2.7 million to pay for improvements to the Wolfe Road Caltrain Crossing, Homestead Road and other road rehabilitation projects, one of the first stimulus funded transportation projects in Northern California.

As to housing, Sunnyvale has been awarded two new ARRA grants: a grant of \$508,000 for a Homeless Prevention and Rapid Re-Housing Program, and a grant of \$332,000 in stimulus Community Development Block Grant (CDBG) funds. The funds will be available in fiscal year 2010 for eligible activities subject to approval by the U.S. Department of Housing and Urban Development (HUD).

Sunnyvale Works! is Sunnyvale's own local stimulus program which has been briefly mentioned earlier. Federal stimulus dollars will be used to augment Sunnyvale's dedicated capital improvement project funds. *Sunnyvale Works!* is the best demonstration that economic recovery does not rest solely on Washington, but can be fueled by local government as well. *Sunnyvale Works!* is not only putting people to work, but will also allow Sunnyvale residents to enjoy the completion of the capital projects months and years ahead of their original schedule.

Economic Development

During fiscal year 2009, the Economic Development Division was moved from Department of Community Development to the Office of City Manager to enhance its visibility and underscore the importance of the City's relationship with the business community.

Affordable Housing

The Fair Oaks Senior Housing Project was approved after 20 years of planning. A ground lease was negotiated and signed with the County of Santa Clara, Project Section 8 housing vouchers were awarded by the Santa Clara Housing Authority, City financing with Housing Mitigation and HOME funds was committed, a state infill grant totaling \$6.6 million was awarded, and competitive tax credit financing was obtained. The project, developed by Mid-Peninsula Housing Coalition, has begun construction, including a new County parking garage to free up space for the senior housing project.

Chief Finance Officer's Letter of Transmittal, Continued
Fiscal Year Ended June 30, 2009

MAJOR INITIATIVES, Continued

Green Building Requirements

In March 2009, Sunnyvale City Council adopted new green building requirements for new or remodeled homes and businesses in the City. The new requirements will take effect January 1, 2010, and have various levels of requirements based on the size and scope of the improvements being done.

Neighborhood Preservation (NP) Code Enforcement

As a result of the City Council's request for more aggressive code enforcement, more administrative citations than ever before were issued in cases of non-compliance. NP staff began issuing citations earlier in the compliance process and proactively enforced first priority violations throughout the City for junk and debris, overgrown vegetation, weeds, vehicles on unpaved surfaces, and major auto repairs. In fiscal year 2009 the number of citations issued was 399, resulting in fine amounts of \$136,950.

Department of Community Services

During fiscal year 2009, Sunnyvale changed the name of its Parks and Recreation Department to the Department of Community Services. The name change reflects the evolving role of traditional parks and recreation departments into broader community service organizations. In addition to operating parks and golf courses, the department is also responsible for the maintenance of all City facilities and rentals in park buildings to individuals and groups.

The wide range of community support activities that the department has provided also include: after-school diversion programs for at-risk youth, the Fun on the Run program that brings activities to neighborhoods with less access to parks and other facilities, Senior Center trips and some limited health screening services for seniors.

During the fiscal year the department completed the Parks of the Future project. This project was nearly two years in the making and cost nearly \$200,000. It produced a watershed document (acted on by Council in early July 2009) which enabled the City to enact/update policies in the areas of park design guidelines, acreage to population goals, developer park dedication requirements and parkland acquisition.

Chief Finance Officer's Letter of Transmittal, Continued
Fiscal Year Ended June 30, 2009

MAJOR INITIATIVES, Continued

Community Engagement and Relationship Building

The Challenge Team is a collaborative effort that brings community members, school administrators, non-profits, interested individuals, and Public Safety staff together once each month to focus on issues that affect our youth. The Challenge Team just completed its second year as an organization. The accomplishments include the presentation of parenting classes for “at-risk families;” the establishment of a formal mentoring process for Sunnyvale youth; collaboration between City departments, non-profits, and Sunnyvale School District; a soccer camp that focused not only on soccer, but on education, and personal growth as well; and a joint venture with the cities of Mountain View and Los Altos to sponsor a 25-mile bicycle ride to encourage fitness and family bonding.

The Challenge team has been very successful and holds promise in coordinating a variety of resources for children for greater effect.

Workforce Development

The unemployment rate in Santa Clara County skyrocketed upwards during the year. The rate jumped 97 percent from 6 percent in June 2008 all the way up to 11.8 percent in June of 2009. The North Valley Job Training Consortium (NOVA) has experienced a dramatic increase in demand for services with the downturn in the economy.

NOVA is funded primarily through the Workforce Investment Act (WIA). Funding for the WIA has been on a downward trajectory for many years. The American Recovery and Reinvestment Act (ARRA) provided NOVA with \$4.7 million in additional, somewhat unexpected, resources. The ARRA funds came with three basic tenets: spend them quickly, focus on training where appropriate, and maintain heightened transparency. These funds were distributed to NOVA through existing WIA channels and came with all the rules and requirements associated with those funds.

The additional funds allowed NOVA to provide skills training to over 500 adults to enhance their current skill-sets or facilitate their transition to a new career. A significant change in service delivery was the shift from the traditional one-on-one case management model to providing services in a group setting, allowing customers more timely access to skill development activities. This approach expanded the ability to serve the volume of customers with reduced workforce. Stimulus funding was received in April 2009 and was two-thirds spent by the end of June.

Chief Finance Officer's Letter of Transmittal, Continued
Fiscal Year Ended June 30, 2009

MAJOR INITIATIVES, Continued

Library's New Material Handling System

The City Council allocated funds to purchase and install an automated materials handling system for returned library materials. This is expected to cut the time in half to return high-demand materials and other items back to the shelves, speed up the process of checking in materials, provide member assurance that records are cleared immediately, optimize existing space, and alleviate overcrowding conditions in the Circulation backroom.

Zero Waste

On December 9, 2008, Sunnyvale City Council endorsed a Sunnyvale Zero Waste Policy. Zero Waste is broadly defined as a philosophy and design principal that goes beyond recycling and takes a far-reaching systems approach to the flow of resources and waste through society. The focus of Zero Waste is to reduce excess consumption, minimize unnecessary waste, encourage recycling to the maximum extent possible and ensure products are designed to be reused, repaired or recycled. Adoption of the policy was followed by Council approval of fiscal year 2010 project funding for a waste characterization study and development of a Zero Waste implementation plan.

MRF Replacement

The materials recovery facility (MRF) processing equipment is integral to the Sunnyvale Materials Recovery and Transfer (SMaRT ®) Station. After 15 years of heavy usage the equipment was showing excessive wear and downtime. Construction on the \$14.8 million project, partially funded by revenue bonds, continued in fiscal year 2009 and testing of the new equipment was underway at year end. The new equipment will increase diversion of recyclables from garbage and improve worker safety and ergonomics. According to City staff's analysis the replacement project will result in a net benefit of \$18.5 million over 15 years including reduced operating costs, reduced landfill costs and increased recycling revenues to be shared among the partner cities of Sunnyvale, Mountain View and Palo Alto.

Chief Finance Officer's Letter of Transmittal, Continued
Fiscal Year Ended June 30, 2009

MAJOR INITIATIVES, Continued

Ongoing Projects

The City's Capital Improvement Program has a number of significant projects currently underway that will continue into fiscal year 2010 and beyond.

Downtown Sunnyvale Enhancement Projects

In addition to the private development taking place downtown, the City is constructing or participating in seven important capital projects which will significantly enhance the downtown environment. The following projects were funded in the fiscal year 2009 Budget and will be completed in the next two years or in coordination with the Town Center development.

- *Murphy Avenue Streetscape Revitalization* (\$4.7 million)
- *Murphy/Evelyn Sewer Improvements* (\$1.2 million)
- *Sunnyvale Avenue Median* (City share \$750,000)
- *Traffic Signal Modification* (City share \$745,000)
- *Washington/Mathilda Intersection Improvements* (City share \$336,826)
- *Downtown Wayfinding and Gateways* (\$850,000)
- *Hazardous Materials Remediation in Town Center* (Estimated total at \$9 million)

Replacement of Water Pollution Control Plant

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

To provide funding for the types of recommendations anticipated from the SIP, a project is being submitted as a "placeholder" to provide up to full replacement of the plant. More details on specific plant areas for rehabilitation and/or replacement, and a more detailed planning level estimate will be provided by the SIP, which will be completed at the end of calendar year 2009.

Chief Finance Officer's Letter of Transmittal, Continued
Fiscal Year Ended June 30, 2009

MAJOR INITIATIVES, Continued

Ongoing Projects, Continued

Ongoing Water Pollution Control Plant Infrastructure

The fiscal year 2010 Budget includes other infrastructure projects which have been previously identified as being required in the short-term to address the most advanced areas of deterioration of the plant that are in increasing danger of failure. They are also the areas in which technology has not changed significantly since they were originally built and would be unlikely to be replaced with alternative technology in the construction of a new plant. These areas of infrastructure include Rehabilitation of Digesters and Replacement of Digester Lids, renovation of the Primary Sedimentation Basins, and Air Floatation Tank Rehabilitation.

Water Utility Infrastructure

Over the past few years, Sunnyvale staff has been working to identify and scope projects to improve the City's water supply and distribution system. \$26.5 million in capital, special and infrastructure projects are included in the first ten years of the fiscal year 2010 Long-Term Financial Plan, and an additional \$17.7 million in fully-identified water infrastructure and capital projects are included in the second ten years of the plan.

These projects address the three primary areas of the City's distribution system: storage, pipes, and wells. Due to the age of the system, the projects are front loaded in the Long-Term Financial Plan. The largest are \$3.7 million for improvements to the Wright Ave Water Tanks, \$3.8 million for water line replacements, \$3.4 million for interior coating of water tanks, \$2.5 million for exterior painting of water tanks, \$1.8 million for rehabilitation of the Central Water Plant Building and \$1.3 million to connect the city's two largest wells directly to a nearby transmission main. In order to supplement funding for these projects and spread their costs over their useful life for rate-setting purposes, City staff is recommending that Water Revenue Bonds be issued in mid fiscal year 2010.

Chief Finance Officer's Letter of Transmittal, Continued
Fiscal Year Ended June 30, 2009

MAJOR INITIATIVES, Continued

Mathilda Avenue Railroad Overpass Replacement and Reconfiguration

The State of California Department of Transportation (CalTrans) inspects bridges throughout the state every other year for structural adequacy and functional operation. The CalTrans inspection found that the Mathilda Avenue Railroad Overpass Bridge is “functionally obsolete,” not meeting several standards for bridge pier clearance, deceleration lane, shoulder width, and bridge railing, and pedestrian access.

This project was previously budgeted at \$17.5 million with a \$10 million funding limit from federal funds and a significant anticipated shortfall. In the 2008 State Budget, CalTrans had budgeted \$ 32.9 million for funding purposes. The requirement of 11.47% local match translates to a maximum federal share of \$29.13 million with the City’s share of \$3.77 million. This reflects a substantial improvement in funding for this project from prior years.

The project design and all other documents needed for funding have been completed for submittal to CalTrans. Subject to CalTrans issuing an approval of their portion of the grant funding, the entire project is anticipated to be bid in 2009 and completed by summer 2011.

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, 2008. This was the twenty-third consecutive year that the City has achieved this prestigious award.

Chief Finance Officer's Letter of Transmittal, Continued
Fiscal Year Ended June 30, 2009

AWARDS AND ACKNOWLEDGEMENTS, Continued

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, 2009. This was the twentieth consecutive year that the City has received this award. In order to qualify for the award program, the City's budget document was judged to be proficient in four categories including policy document, financial plan, operations guide, and communications device.

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

The City has received the Annual Achievement of Excellence in Procurement Awards from the National Purchasing Institute (NPI) for the past nine years since 2000. NPI is the public sector purchasing affiliate of the Institute for Supply Management (ISM). The mission of NPI is to facilitate the educational and professional development of its members.

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

Chief Finance Officer's Letter of Transmittal, Concluded
Fiscal Year Ended June 30, 2009

Awards and Acknowledgements, Continued

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

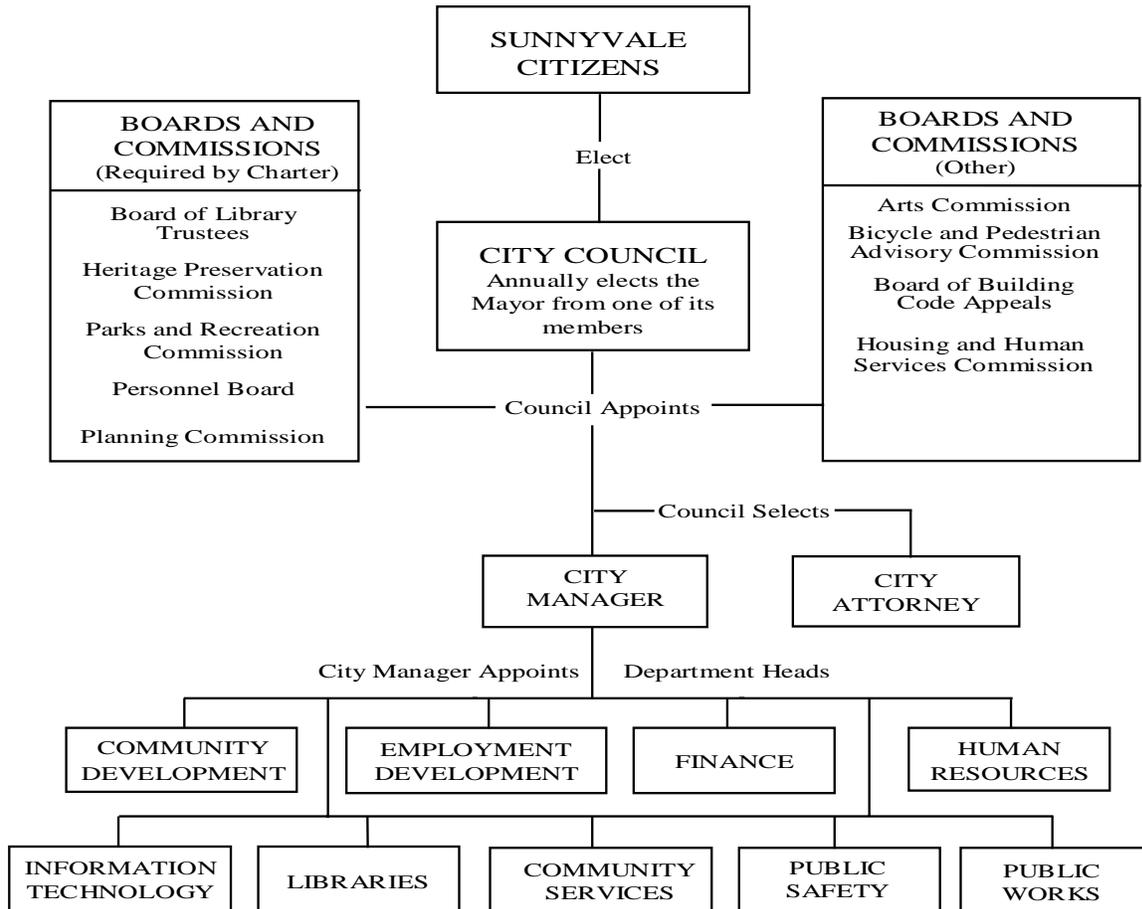
Sincere appreciation is also expressed to the City Manager and members of the City Council for their support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,



Mary J. Bradley
Director of Finance

Organization Chart



Anthony Spitaleri
Mayor

Christopher R. Moylan
Vice-Mayor

John N. Howe
Councilmember

Ron Swegles
Councilmember

Dean J. Chu / (Otto O. Lee)
Councilmember

Melinda Hamilton
Councilmember

David Whittum
Councilmember

Gary Luebbers
City Manager

Mary J. Bradley
Director of Finance

Marvin Rose
Director of Public Works

Hanson Hom
Director of Community Development

Lisa Rosenblum
Director of Libraries

Don Johnson
Director of Public Safety

Kris Stadelman
Director of Employment Development

David Lewis
Director of Community Services

Robert Walker
Asssitant City Manager

Cuong Nguyen
Director of Information Technology

Erwin Young
Director of Human Resources

David Kahn
City Attorney

Directory of Boards and Commissions
Fiscal Year Ended June 30, 2009

Arts Commission

Carney, Dixie
Martin-Milius, Tara
Obrey, Robert
Shinseki, Dennis

Bicycle and Pedestrian Advisory Commission

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

Board of Building Code Appeals

Kim, James
Pal, Nick

Board of Library Trustees

Griffith, James
Lilly, John
Miller, Judi
Pathak, Narendra
Su, "Ray" Zahn

Heritage Preservation Commission

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

Housing and Human Services Commission

Andersen, Ann
Falk, Micki
Hubble, Jeremy
Keeler, Charles
Meyering, Patrick

Parks and Recreation Commission

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

Personnel Board

Fryer, Branden
Gans, Werner
Hendricks, Glenn
Nickey, Judith
Saprai, Stephanie

Planning Commission

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

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, 2008

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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Sunnyvale, California as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in the United States of America and the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement. An audit includes examining on a test basis evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly in all material respects the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Sunnyvale, California as of June 30, 2009 and the respective changes in the financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2009 on our consideration of the City of Sunnyvale's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis and the budgetary comparison information are not required parts of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The supplemental section listed in the Table of Contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. This information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Mare & Associates

November 13, 2009

Management's Discussion and Analysis

***Management's Discussion and Analysis
Fiscal Year Ended June 30, 2009***

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, 2009. 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 eighth 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 2008 information so that the comparative analysis will be more meaningful. These reclassifications did not change net assets reported in that year.

A. FINANCIAL HIGHLIGHTS

- At June 30, 2009, the City's net assets (excess of assets over liabilities) were \$699.6 million. Of this amount, \$160.2 million may be used to meet the City's ongoing operations.
- During the fiscal year the City's total net assets decreased by \$9.6 million. Expenses of \$268.6 million exceeded revenues of \$259 million by that amount.
- At June 30, 2009, the City's governmental funds reported a combined ending fund balance of \$109 million, a decrease of \$24.6 million from the prior year. Approximately 38% of this total fund balance, \$41.8 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 were made. Total General Fund balance was \$100 million, while total General Fund expenditures were \$125.3 million.
- The City's total liabilities increased by \$6.1 million from the prior year. The City had a debt refunding transaction which caused no significant change in the amount of debt outstanding. Other than the refunding, the City retired \$4.1 million of bonded debt. The City paid \$2.4 million to reduce the Town Center pollution remediation obligations recognized in the prior year. An additional amount of \$6.4 million was added to the Other Postemployment Benefits (OPEB) obligations. A change in accounting estimate in response to revised environmental regulations resulted in a net increase of \$7 million in landfill postclosure care liability. Actuarially determined self insurance and contingent liabilities decreased by \$0.9 million. Other liabilities increased by a net amount of \$0.1 million.

B. OVERVIEW OF FINANCIAL STATEMENTS

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

Management's Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2009

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 impact cash flows in future fiscal periods.

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

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

Management's Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2009

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 the aforementioned three categories of activities. The governmental funds are prepared using the current financial resources measurement focus and modified accrual basis of accounting. The proprietary funds are prepared using the economic resources measurement focus and the accrual basis of accounting. The fiduciary funds are agency funds which only report assets and liabilities and do not have a measurement focus.

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

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

The City maintains 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, 2009

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

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

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

Notes to the Basic Financial Statements

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

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information. This information includes budgetary comparison schedules, 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, 2009

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 2009, assets exceeded liabilities by \$699.6 million. This is a decrease of \$9.5 million from the prior year.

The following is the condensed statement of net assets for the fiscal years ended June 30, 2009 and 2008.

City of Sunnyvale
Condensed Comparative Statements of Net Assets
June 30, 2009 and 2008
(Amounts in Millions)

	Governmental Activities		Business-type Activities		Total		Total % Change
	2009	2008	2009	2008	2009	2008	
Assets:							
Current and Other Assets	\$ 324.4	\$ 331.2	\$ 8.7	\$ 12.9	\$ 333.1	\$ 344.1	(3.2)%
Capital Assets, Net	403.4	397.4	115.4	113.7	518.8	511.1	1.5 %
Total Assets	727.8	728.6	124.1	126.6	851.9	855.2	(0.4)%
Liabilities:							
Noncurrent Liabilities	73.3	70.5	55.2	51.2	128.5	121.7	5.6 %
Other Liabilities	16.7	15.8	7.1	8.6	23.8	24.4	(2.5)%
Total Liabilities	90.0	86.3	62.3	59.8	152.3	146.1	4.2 %
Net Assets:							
Invested in Capital Assets, Net of Related Debt	372.0	365.4	75.8	74.4	447.8	439.8	1.8 %
Restricted	86.5	82.7	-	-	86.5	82.7	4.6 %
Unrestricted	179.3	194.2	(14.0)	(7.6)	165.3	186.6	(11.4)%
Total Net Assets	\$ 637.8	\$ 642.3	\$ 61.8	\$ 66.8	\$ 699.6	\$ 709.1	(1.3)%

Management's Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2009

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

Statement of Net Assets, Continued

At June 30, 2009, the largest portion of net assets (64% of total net assets) consisted of the City's investment in capital assets net of related debt. This component portrays the total amount of funds required to acquire those assets less any related debt used for such acquisition that is still outstanding. This amount increased this year by \$8.0 million because of asset additions exceeding depreciation expenses and principal retirement of related debt. The City uses these capital assets to provide services to citizens. The amount of net assets invested in capital assets, net of related debt, is reported as a distinct component of net assets because this amount is not available for future spending. In addition, although the City's investment in its capital assets is reported net of related debt, the resources needed to repay this debt must be provided from other sources because the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net assets (12% of total net assets) represents resources that are subject to external restrictions on how they may be used. The increase in restricted net assets of \$3.8 million in governmental activities reflects the significant increase in Redevelopment Agency Tax increment revenues due to recent redevelopment of the Town Center.

The unrestricted net assets (24% of total net assets) may be used to finance day-to-day-operations without constraints established by debt covenants or other legal requirements. Total unrestricted net assets decreased by \$21.3 million, primarily due to revenue reductions caused by the weak economy. As in the prior fiscal year, the City was able to report positive balances in all these categories for the City as a whole and for its governmental activities. The business-type activities reported deficit unrestricted net assets in both years, which was caused by the recognition of significant liabilities. These liabilities include landfill postclosure care liability and advances from the General Fund to construct facilities and to stabilize utility rates over the long term.

Management's Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2009

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

Statement of Activities

The following is the condensed statement of activities and changes in net assets for the fiscal years ended June 30, 2009 and 2008.

City of Sunnyvale
Condensed Comparative Statements of Activities and Changes in Net Assets
June 30, 2009 and 2008
(Amounts in Millions)

	Governmental Activities		Business-Type Activities		Total		Total % Change
	2009	2008	2009	2008	2009	2008	
Revenues:							
Program Revenues:							
Charges for Services	\$ 15.3	\$ 35.2	\$ 109.8	\$ 111.3	\$ 125.1	\$ 146.5	(14.6)%
Operating Grants and Contributions	17.4	14.8	-	-	17.4	14.8	17.6 %
Capital Grants and Contributions	8.1	6.9	0.4	0.6	8.5	7.5	13.3 %
Total Program Revenues	40.8	56.9	110.2	111.9	151.0	168.8	(10.5)%
General Revenues:							
Property Taxes	50.7	44.1	-	-	50.7	44.1	15.0 %
Sales and Use Taxes	25.1	29.7	-	-	25.1	29.7	(15.5)%
Other Taxes	22.1	25.9	-	-	22.1	25.9	(14.7)%
Investment Income	8.9	13.0	1.2	1.7	10.1	14.7	(31.3)%
Other	-	0.3	-	-	-	0.3	(100.0)%
Total General Revenues	106.8	113.0	1.2	1.7	108.0	114.7	(5.8)%
Total Revenues	147.6	169.9	111.4	113.6	259.0	283.5	(8.6)%
Expenses							
Planning and Management	21.4	20.6	-	-	21.4	20.6	3.9 %
Public Safety	74.9	72.9	-	-	74.9	72.9	2.7 %
Community Development	21.8	21.4	-	-	21.8	21.4	1.9 %
Transportation	11.8	11.2	-	-	11.8	11.2	5.4 %
Socioeconomic	10.5	9.2	-	-	10.5	9.2	14.1 %
Cultural	9.5	9.6	-	-	9.5	9.6	(1.0)%
Environmental Management	2.2	14.3	-	-	2.2	14.3	(84.6)%
Water Supply and Distribution	-	-	21.9	20.7	21.9	20.7	5.8 %
Wastewater Management	-	-	17.4	16.7	17.4	16.7	4.2 %
Solid Waste Management	-	-	37.5	29.0	37.5	29.0	29.3 %
SMaRT Station	-	-	26.3	22.7	26.3	22.7	15.9 %
Community Recreation	-	-	11.7	11.2	11.7	11.2	4.5 %
Interest on Long-term Debt	1.7	1.6	-	-	1.7	1.6	6.2 %
Total Expenses	153.8	160.8	114.8	100.3	268.6	261.1	2.9 %
Increase (decrease) in Net Assets							
before Transfers and Special Items	(6.2)	9.1	(3.4)	13.3	(9.6)	22.4	(142.9)%
Transfers	1.7	6.4	(1.6)	(6.4)	0.1	-	-
Increase (Decrease) in Net Assets	(4.5)	15.5	(5.0)	6.9	(9.5)	22.4	(142.4)%
Net Assets - Beginning	642.3	626.8	66.8	59.9	709.1	686.7	3.3 %
Net Assets - Ending	\$ 637.8	\$ 642.3	\$ 61.8	\$ 66.8	\$ 699.6	\$ 709.1	(1.3)%

**Management’s Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2009**

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

Governmental Activities

The City’s governmental activities decreased net assets by \$4.5 million. Program revenues of \$40.8 million and general revenues of \$106.8 million were insufficient to fund total program expense and interest on long-term debt of \$153.8 million. Transfers from business-type to governmental activities amounted to \$1.7 million, primarily for services provided by the General Fund programs. Key elements of this change were as follows:

Revenue Highlights:

- Total revenues excluding transfers were \$147.6 million, a decrease of \$22.4 million from the prior year.
- Property tax revenues increased by \$6.6 million or 15% from the prior year.
- Sales and use tax revenue decreased by \$4.6 million or 16% from the prior year.
- Other tax revenues decreased by \$3.8 million or 15% from the prior year.

	Total Other Tax Revenues		Total % Change
	2009	2008	2009-2008
Transient Occupancy Tax (TOT)	\$ 5.7	\$ 7.3	(21.9)%
Utility Users Tax	6.8	6.8	-
Motor Vehicle License Fees	0.5	0.6	(16.7)%
Construction & Real Property Transfer	1.8	4.2	(57.1)%
Franchise Fees (based on gross receipts)	6.1	5.9	3.4 %
Business License Tax	1.2	1.1	9.1 %
Total	\$ 22.1	\$ 25.9	(14.6)%

The revenue decline in transient occupancy tax was due to the slowdown in business-related travel, in spite of the increase in TOT rate in January 2009 from 9% to 9.5%. The decrease in construction tax and real property transfer tax reflected the downturn of development-related activity caused by the current economic crisis. Utility users tax and franchise fees increased slightly in fiscal year 2009. Business license tax revenue increased 9%. In November 2005 Sunnyvale voters approved a gradual increase to the City’s business license tax rates to take place over a three-year period from fiscal year 2007 to fiscal year 2009.

- Charges for services decreased by \$19.9 million or 57% from the previous year, primarily due to revenue declines in permits, licenses, fines, forfeitures, service fees and development fees.
- Operating grants and contributions increased by \$2.6 million or 18%. Major contributors included increased funding from the Proposition 42 traffic congestion relief program and the WIA (Workforce Investment Act) grants. Part of the WIA grant funds received were attributed to the Federal stimulus money from the American Recovery and Reinvestment Act of 2009.
- Capital grants and contributions increased by \$1.2 million or 17% from the prior year. The donation of the Heritage Park Museum, with fair market value of \$2.5 million, offset the decline of \$1.3 million in grant funding, mainly for transportation projects.

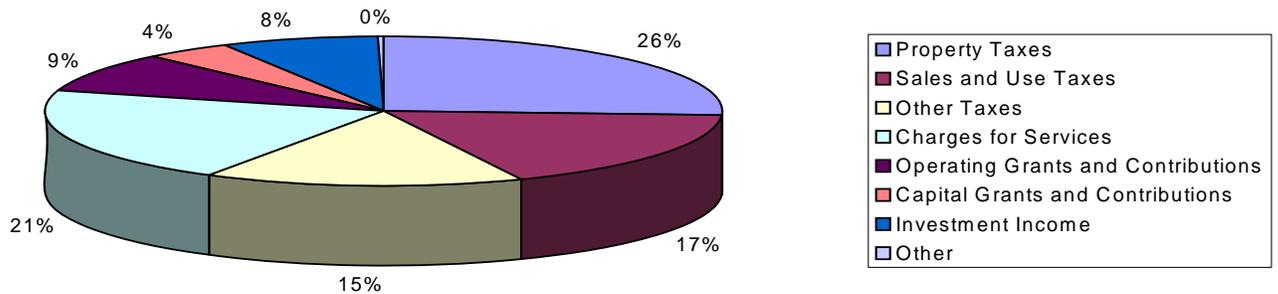
Management's Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2009

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, which are sensitive to changes in interest rates. Investment earnings (a combination of interest income and change in fair value of investments) decreased by \$4.0 million or 32% from the previous year. The decline was primarily due to the reduced investment portfolio caused by the economic downturn and the low yield on U.S. Treasury and other highly safe similar instruments. The change in fair value of investments at the end of fiscal year 2009 was a negative amount of \$1.2 million, which does not represent actual gains or losses since the City's policy is to buy and hold investments until their maturity dates. However, the average rate of return on the City's portfolio was 2.58%, compared to 4.48% of last year.

Governmental Activities
Revenues by Source
June 30, 2009



Management's Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2009

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

Governmental Activities, Continued

Expense Highlights:

Total expenses for governmental activities were \$153.8 million, lower than last year by \$7 million. What caused this expense reduction is summarized below:

- Chargebacks allocated to various governmental programs, due to Internal Service Fund operating losses, were \$4.8 million less than the previous year. The chargeback amounts were \$8.3 million in fiscal year 2008 and \$3.5 million in fiscal year 2009.
- Depreciation expenses for the general fixed assets decreased by \$0.4 million due to some aged fixed assets.
- Expenses of \$8.4 million were accrued in the previous year for pollution remediation obligations.
- Excluding Internal Service Fund chargebacks and depreciation, other direct charges to all governmental programs actually increased by \$6.6 million; Public Safety programs increased by \$4.9 million and Socioeconomic increased by \$1.5 million. Other programs had insignificant amounts of changes.

In fiscal year 2009, the Internal Service Fund operating losses were primarily due to the increase in actuarially determined liability for postemployment benefits other than pensions. Although the chargeback is reflected as additional expenses, it is important to note that the City anticipated much of the increases and planned for the use of interfund transfers, investment earnings, and drawdown of reserves to mitigate these increases. During fiscal year 2009, the net investment earnings of \$2 million and net interfund transfers of \$6.5 million offset the operating loss, resulting in an increase of net assets of \$4 million in the Internal Service Funds, most of which was anticipated.

In August 2008 the City Council approved the City's participation in the California Employers' Retiree Benefit Trust Fund (CERBT) to pre-fund the retiree medical liability. Council has also authorized City staff to enter into the trust at the appropriate time dependent on market conditions. Had the City deposited the earmarked funds into the OPEB trust, the City would not have accrued any OPEB liability. In order to comply with Governmental Accounting Standards Board (GASB) Statement No. 45, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, the City recognized an additional net OPEB obligation of \$6.4 million; the difference between the annual OPEB cost of \$10.4 million and contributions of \$4 million made on a pay-as-you-go basis in this reporting year.

In the adopted budget for fiscal year 2009, \$28.1 million was set aside in the Employee Benefits Internal Service Fund for the initial investment into the OPEB trust. Given CalPERS recent investment losses, these funds are retained in and earning interest in the City's own investment portfolio and have increased to \$28.9 million by the end of fiscal year 2009. The City's Policy is to transfer any differences between the annual required contribution and pay-as-you-go contribution into the trust until the OPEB liability for retiree medical is fully satisfied.

Management's Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2009

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

Governmental Activities, Continued

Expense Highlights, Continued

Compared with fiscal year 2008, the Environmental Management program had a notable decline of \$12.1 million in expenses. There were three contributing factors for this decrease: First, estimated expenses of \$8.4 million were accrued in fiscal year 2008 for the Town Center pollution investigation and remediation project; second, the Internal Service Fund chargeback to this program was \$3 million less than in the previous year; third, expenses other than the Town Center pollution remediation project declined by \$0.7 million.

Compared with fiscal year 2008, the Public Safety program spending increased by \$2 million. The Internal Service Fund chargeback was \$1.1 million, which was \$1.9 million less than the previous year. Primarily due to the rising cost of labor, spending actually increased by \$3.9 million.

The increase in the Socioeconomic program expense corresponded to some additional grant funding from the American Recovery and Reinvestment Act of 2009 for the North Valley (NOVA) Job Training Program. Other governmental programs had less significant amounts of changes in expenses.

Management's Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2009

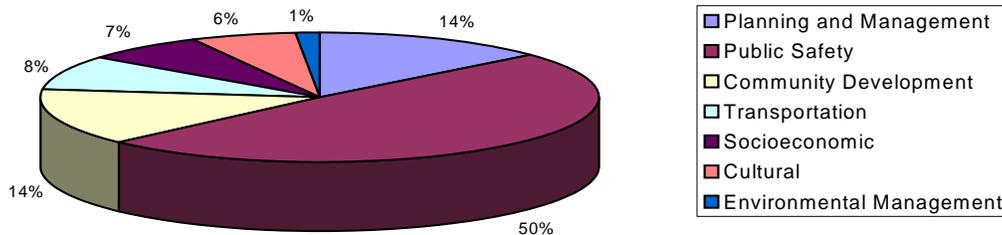
C. GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

Governmental Activities, Continued

Program revenues offset total expenses as follows:

- Those who directly benefited from programs contributed \$15.3 million in charges for services.
- The City was able to fund some of its programs through operating grants and contributions from outside sources or other governments for a total amount of \$17.4 million.
- A total of \$8.1 million in capital projects was funded by outside agencies through capital grants and contributions.

**Governmental Activities
 Expenses by Function/Program
 June 30, 2009**



Functional expenses for the years ended June 30, 2009 and 2008 were as follows (amount in millions):

	Total Cost of Services		Percentage Change	Net Cost of Services		Percentage Change
	2009	2008	2008-2009	2009	2008	2008-2009
Planning and Management	\$ 21.4	\$ 20.6	3.9 %	\$ 20.4	\$ 19.5	4.6 %
Public Safety	74.9	72.9	2.7 %	68.9	67.3	2.4 %
Community Development	21.8	21.4	1.9 %	10.5	(3.0)	(450.0)%
Transportation	11.8	11.2	5.4 %	2.1	(3.9)	(153.8)%
Socioeconomic	10.5	9.2	14.1 %	0.9	1.2	(25.0)%
Cultural	9.5	9.6	(1.0)%	6.5	9.2	(29.3)%
Environmental Management	2.2	14.3	(84.6)%	2.0	11.9	(83.2)%
Total	\$ 152.1	\$ 159.2	(4.5)%	\$ 111.3	\$ 102.2	8.9 %

**Management’s Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2009**

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

Business Type Activities

The City’s business-type activities decreased net assets by \$5.0 million. Key elements of this decrease were as follows:

	Program Revenues		Percentage Change	Program Expenses		Percentage Change
	2009	2008	2008-2009	2009	2008	2008-2009
Business-Type Activities:						
Water Supply & Distribution	\$ 25.1	\$ 24.4	2.9 %	\$ 21.9	\$ 20.7	5.8 %
Wastewater Management	21.6	23.2	(6.9)%	17.4	16.7	4.2 %
Solid Waste Management	33.1	32.1	3.1 %	37.5	29.0	29.3 %
SMaRT Station	22.7	24.4	(7.0)%	26.3	22.7	15.9 %
Community Recreation	7.7	7.8	(1.3)%	11.7	11.2	4.5 %
Total	\$ 110.2	\$ 111.9	(1.5)%	\$ 114.8	\$ 100.3	14.5 %

Revenue Highlights:

- Total program revenues in business-type activities decreased from last year by \$1.7 million, primarily in charges for services. Although the utility rates were increased, total revenue was lower due to the slowdown of business activity. The rate increase for water utility services was 10%, compared with 8.5% for wastewater services. The rate increase of 5.5% for solid waste services was delayed until November 2008 as the City implemented a new volume-based rate structure. These rate increases were needed to cover the increased costs of operations and maintenance of facilities. The decrease in the SMaRT Station revenues was due to the one-time revenue of cost reimbursement for the replacement of the materials recovery facility equipment in fiscal year 2008. Included in the above numbers are capital contributions (infrastructure assets contributed by developers), which amounted to \$0.5 million, or \$0.1 million less than last year. For general revenues (not in the above table), investment earnings (a combination of interest income and change in fair value of investments) totaled \$1.1 million, about \$0.6 million less than last year.

Expense Highlights:

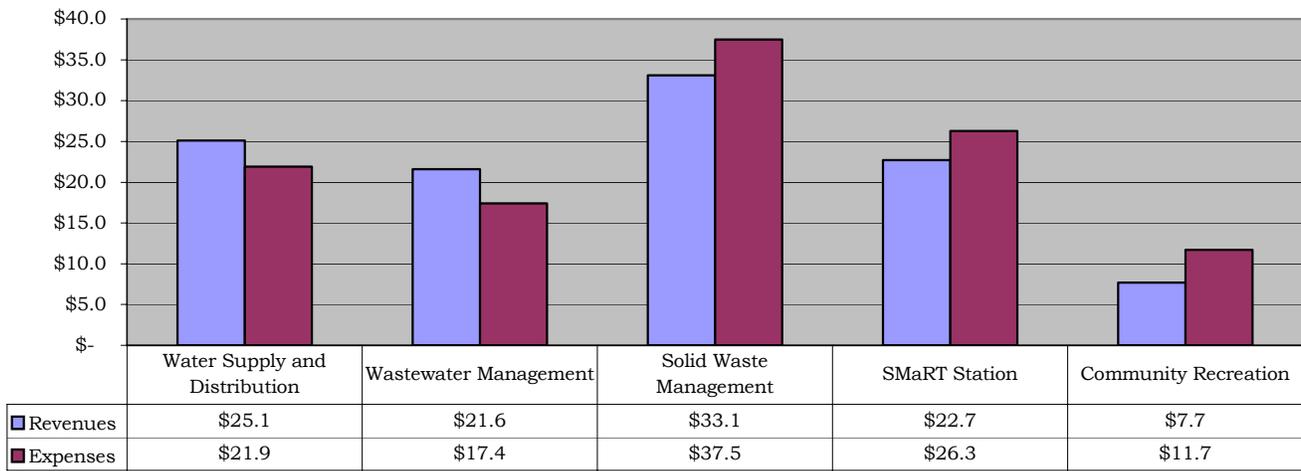
- Total expenses in business-type activities increased from last fiscal year by \$14.5 million. Solid Waste Management activity increased by \$8.5 million; mainly due to the City’s allocated share of the SMaRT Station operations. Expenses of the SMaRT Station increased by \$3.6 million, primarily due to the recording of a higher depreciation expense (accelerated depreciation of the replaced materials recovery facility). Water Supply and Distribution activity increased by \$1.2 million, primarily due to the increasing cost of water purchased for resale and personnel costs. Expenses increased by \$0.7 million in the Wastewater Management activity, primarily due to increased personnel costs and utilities. The \$0.5 million increase in Community Recreation expenses were due to rising cost of labor, contractual services, utilities and recreation software support.

Management’s Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2009

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

Business Type Activities, Continued

Business-Type Activities
Program Revenues and Expenses
June 30, 2009



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

Management's Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2009

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, since property tax is remitted twice a year while sales tax is remitted monthly; a reduction in overall interest earnings and a potential cash flow impact.

During fiscal year 2005 the State also permanently reduced the Motor Vehicle License Fee (VLF) from 2% to 0.67%. For fiscal year 2005, the amount that the City would have gotten from VLF at the 2% rate was calculated and this amount was added to the property tax base through transfer from the County ERAF. Beginning fiscal year 2006, the City received its portion of VLF at the now-permanent low rate with the increased property tax base changing 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 2009, the City's governmental funds reported combined ending fund balances of \$109.0 million, a decrease of \$24.6 million from \$133.6 million of fiscal year 2008. Of the ending fund balances, \$71.3 million is reserved to indicate that it is not available for appropriation because it has already been committed for various purposes (see Note 13 in the Basic Financial Statements). The remaining \$37.7 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, 2009

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 2009, total fund balance was \$100.0 million, of which \$69.7 million was unreserved. The unreserved fund balance has been designated as follows: \$0.9 million for the change in fair value of investments, \$23.8 million for contingencies, \$3.1 million for capital projects, and \$41.9 million for the 20-Year Resource Allocation Plan. The contingencies reserve is set by fiscal policy to equal 20% of the operating budget each year to cover emergency or disaster. It is not intended for normal unanticipated expenditures. With a distinctly different purpose, the 20-Year Resource Allocation Plan, also set by fiscal policy, is designed to levelize economic cycles from year to year. By letting these funds vary each year, the General Fund can absorb the cyclical effects of the economy. The function and strength of the 20-Year Resource Allocation Plan was particularly apparent when the City struggled with the rapid economic downturn resulting from the technology bust. In prior years when the City was experiencing the height of the economic cycle, the City was prudently adding to the reserve, which was built up over time. Then, as the effects of the economic downturn began to be fully felt, the funds were available to provide a "cushion" to maintain City services while dealing in a systematic way with the City's new fiscal reality. Funds in the 20-Year Resource Allocation Plan are anticipated to be drawn down over the next few years to partially address the structural imbalance between revenues and expenditures.

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, 2009, unreserved fund balance was 56% of total General Fund expenditures while total fund balance was 80% of total expenditures.

The fund balance of the General Fund was \$21.2 million lower than last year. General Fund expenditures exceeded revenues by \$15.4 million. The General Fund also transferred out a net amount of \$5.8 million to other funds. Revenues of \$109.9 million were \$11.5 million lower and expenditures of \$125.3 million were \$5 million higher than those of the previous year.

Management's Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2009

D. FUND FINANCIAL STATEMENT ANALYSIS, Continued

Governmental Funds, Continued

General Fund, Continued

Transfers from other City funds of \$10.3 million were primarily in-lieu payments for General Fund administrative costs, including \$8.5 million from the Enterprise Funds. Transfers to other funds totaled \$16.1 million. Operating subsidies in the amount of \$4.5 million were made to the Communities Recreation Enterprise Fund and the amount of \$0.4 million to the Youth and Neighborhood Services Fund (a nonmajor fund). The General Fund also transferred \$10 million to the Employee Benefits Internal Service Fund to fund the OPEB (postemployment benefits other than pensions) obligations. The remaining \$1.2 million was transferred out to reimburse other City Funds for project administration, special project costs and debt service costs.

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 to fund its programs, the expenditures were kept within the amount of expected revenues. During the year revenues increased by \$1.6 million, which was matched with equally increased expenditures and transfers out to other funds.

Redevelopment Agency Debt Service Fund

The Redevelopment Agency Debt Service Fund experienced a decrease in fund balance by \$5.4 million in this fiscal year. The decrease was primarily due to interest accrued on outstanding loans owed to the City General Fund. The Agency's tax increment revenues have not been sufficient to repay City General Fund loans after paying some pre-existing debt obligations. During the current year, the Agency also borrowed additional funds from the City General Fund to pay for infrastructure improvements and pollution remediation obligations.

City Projects Capital Project Fund

The City Projects Capital Project Fund showed an increase in fund balance by \$0.2 million. Transportation impact fee revenues decreased by \$5.2 million and intergovernmental revenues increased by \$0.2 million from the previous year. The Fund received \$1.6 million from other City funds to reimburse partial project costs.

Management's Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2009

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 \$0.9 million. The Fund's net income before contributions and transfers was \$3.6 million. Non-cash capital contributions were \$0.1 million. Approximately \$2.8 million was transferred out to other funds for administrative and project support.

Wastewater Management Enterprise Fund

The Wastewater Management Enterprise Fund's net assets grew by \$5.3 million. The Fund's net income before contributions and transfers was \$4.8 million. Non-cash capital contributions were \$0.3 million. Approximately \$3.5 million was transferred out to reimburse other funds for administrative and project support. Due to the aging and deteriorating condition of the Water Pollution Control Plant, infrastructure maintenance and replacement remain the largest issue for this Fund. During the year, the General Services Internal Service Funds transferred \$3.2 million in cash and \$0.4 million of capital assets net of depreciation to this Fund.

Solid Waste Management Enterprise Fund

The Solid Waste Management Enterprise Fund's net assets declined by \$8.5 million. The Fund's net loss before transfers was \$4.2 million. That loss was caused by a change in accounting estimate that resulted in recognizing additional liability of \$7 million in landfill postclosure care costs for the next 15 years. Approximately \$2.7 million was transferred out to other funds for administrative and project support and \$1.6 million for SMaRT Station Enterprise Fund's debt service. This Fund had deficit net assets of \$32.7 million, mainly caused by having incurred two liabilities-advances from the General Fund and the landfill postclosure care liability. At year end the balance of the General Fund advances was approximately \$26.8 million. The deficit is expected to be funded by charges for services in future years.

Management's Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2009

D. FUND FINANCIAL STATEMENT ANALYSIS, Continued

Proprietary Funds, Continued

SMaRT Station Enterprise Fund

The SMaRT Station Enterprise Fund's net assets decreased by \$1.8 million. The Fund's net loss before transfers was approximately \$3.4 million, mainly caused by accelerated depreciation expense of \$3.5 million for the old materials recovery facility (MRF)-built in the early 1990s and replaced in the current year. Construction for the new MRF was near completion at year end. The amount of \$1.6 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 decreased by \$0.2 million. The Fund's operating loss of \$3.9 million and transfers-out of \$1.1 million (for in-lieu charges to the General Fund) were offset by subsidies of \$4.5 million from the General Fund and the Permanent Funds (nonmajor governmental funds). During the year, the General Services Internal Service Funds also transferred \$0.2 million in cash and equipment to this Fund.

Management's Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2009

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.

Final appropriations, including transfers to other funds, for fiscal year 2009 were \$154.2 million, an increase of \$6.9 million from the original appropriations of \$147.3 million. Carryover appropriations of \$7.1 million and various new unanticipated expenditures of \$1.1 million were appropriated throughout the fiscal year. Funding sources included grant revenues and the 20-Year Resource Allocation Plan (RAP) Reserve. Project appropriations of \$1.3 million were defunded during the year.

Actual charges to appropriations (outflows) for the fiscal year were \$4.8 million under the original budget and \$11.7 million under the amended budget. Most of the unspent funds for project appropriations will not lapse for fiscal year 2010. On November 6, 2007 Sunnyvale voters amended the City Charter so that approved appropriations for capital improvement projects will not lapse at the end of the fiscal year, unless completed, closed out, or modified by the City Council.

Resources (inflows) available for appropriations were \$11.7 million under the original budget and \$0.8 million under the final budgeted amounts. During the fiscal year 2009 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, 2009

F. CAPITAL ASSETS AND LONG-TERM OBLIGATIONS

Capital Assets Including Infrastructure

Capital assets including infrastructure are those assets that are used in the performance of the City's functions. At June 30, 2009, net capital assets of the governmental activities totaled \$403.4 million and the net capital assets of the business-type activities totaled \$115.4 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 a Pavement Condition Index (PCI) rating of 70 or over for all streets. This rating represents a "Good" or better condition based on a national measurement scale. The average rating for City's streets, based on the most recent study conducted in fiscal year 2009, was 76.

The City's streets are constantly deteriorating as a result of the following four factors: (1) traffic using the streets; (2) the sun's ultra-violet rays drying out and breaking down the top layer of pavement; (3) utility company/private development interests trenching operations; and (4) water damage from natural precipitation and other urban runoff. The City is continuously taking actions to arrest the deterioration through short-term maintenance activities such as pothole patching, street sweeping, and sidewalk repair. The City's budget for street maintenance (pavement preventive maintenance and corrective repairs) for the fiscal year ended June 30, 2009 was \$2.6 million. Actual expenditures were \$2.6 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, 2009

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, 2009.

Description	Cost	Accumulated Depreciation	Carrying Value
Capital Assets - Governmental Activities:			
Land	\$ 104.0	\$ -	\$ 104.0
Buildings and Structures	91.5	39.9	51.6
Improvements Other than Buildings	60.2	25.2	35.0
Machinery and Equipment	30.5	17.3	13.2
Construction in Progress	16.4	-	16.4
Infrastructure:			
Nondepreciable	159.9	-	159.9
Depreciable	75.7	52.4	23.3
Total	\$ 538.2	\$ 134.8	\$ 403.4
Capital Assets - Business-Type Activities:			
Land	\$ 16.3	\$ -	\$ 16.3
Buildings and Structures	22.2	20.7	1.5
Improvements Other than Buildings	28.2	13.4	14.8
Machinery and Equipment	5.2	4.6	0.6
Construction in Progress	15.6	-	15.6
Infrastructure - Depreciable	121.2	54.6	66.6
Total	\$ 208.7	\$ 93.3	\$ 115.4

During the year, the City recorded some capital contributions from external sources. The Sunnyvale Historical Society donated to the City the completed Heritage Park Museum with fair value of \$2.5 million and developers contributed capital assets (streets, traffic signals, and lights) with fair market value of \$3.2 million to governmental activities. Developers also contributed infrastructure assets of \$0.1 million and \$0.3 million to the water supply and distribution system and wastewater management system respectively.

A major project completed during the year is Rehabilitation of Digesters and Replacement of Digester Lids at the Water Pollution Control Plant, moving a total \$3.9 million from construction in progress to improvements. Many capital projects were still in progress at year end. Amounts capitalized for major capital projects in progress included \$6.6 million for SMaRT Station equipment replacement, \$3.5 million for Borregas Avenue Bicycle Corridor, \$0.6 million for Downtown Murphy Avenue Streetscape and Utility Replacement, and \$0.6 million for Mathilda Avenue Railroad Overpass 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, 2009

F. CAPITAL ASSETS AND LONG-TERM OBLIGATIONS, Continued

Long-Term Obligations

As of June 30, 2009, the City had outstanding bonded obligations as listed below. Not included in the following table are the Community Facilities District No.1 Special Tax Bonds, which are backed by property tax levies against property owners, and the Housing Revenue Bonds, which are secured by a deed of trust on the property. The City is not obligated in any manner for these bonds. Each of the City's other bonds are backed by certain specific revenues or General Fund lease payments. Most of the bonds are insured. The current upheaval in the national capital markets has had a significant impact on bond insurers and therefore the bond ratings (see Note 7).

The City's long-term obligations for the fiscal years 2009 and 2008 were as follows:

	Governmental Activities		Business-type Activities		Total	
	2009	2008	2009	2008	2009	2008
Tax Allocation Refunding Bonds	\$ 6.4	\$ 6.7	\$ -	\$ -	\$ 6.4	\$ 6.7
Certificates of Participation	28.9	29.7	-	-	28.9	29.7
Revenue Bonds	-	-	44.5	47.5	44.5	47.5
Total Bonded Debt	\$ 35.3	\$ 36.4	\$ 44.5	\$ 47.5	\$ 79.8	\$ 83.9

In June 2009 the City issued refunding certificates of participation (COPs) in the amount of \$15.9 million to defease and refund on a current basis the 2001 Government Center COPs with then outstanding amount of \$15.9 million. The 2008 downgrades of the bond insurers had caused significantly higher interest rates on the 2001 COPs. The 2009 COPs are backed by a letter of credit and liquidity facility from Union Bank and are enjoying very favorable interest rates. Other than this refunding transaction, principal retired amounted to \$4.1 million.

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

Management's Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2009

G. ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The City Budget for fiscal year 2009, adopted on June 10, 2008, anticipated slower growth or contraction over the next several years. The national and state economies have since turned out to be much worse than originally anticipated, straining many governments' ability to meet their financial needs.

Subsequent to the dramatic economic events of the financial and credit market collapse and the repeated government bailouts, City staff revised the short-term and long-term revenue assumptions and reconsidered spending priorities. Four of the City's major revenue sources-sales tax, transient occupancy tax, development-related revenues, and interest earnings-suffered a double-digit percentage decline from the previous year. With job losses, weakened taxable sales, and a tight credit market, it is clear that the City's revenue base has eroded.

In addition to the revenue shortfall, personnel costs are expected to increase significantly in the coming years. The substantial investment loss incurred by the California Public Employees Retirement System will cause the employer contribution rates to increase significantly beginning in fiscal year 2012. The additional cost is estimated to be \$8.5 million a year for the City.

It is imperative for the City to develop a plan that allows the City to live within its means and balance the needs of all stakeholders in the City, including citizens, businesses, and employees. One of the most powerful aspects of the City's multi-year financial planning is its capability to recognize trends over time and begin at an early point to consider the necessary steps to adjust the long-term position of a particular fund as needed. The primary focus is on the General Fund, where the major revenues and largest portion of the City's personnel costs are located. In the fiscal year 2010 Budget, the City renamed the *20-Year Resource Allocation Plan Reserve* as the *Budget Stabilization Fund* in order to more accurately reflect its intended purpose.

The fiscal year 2010 Budget adopted three strategies for bringing the General Fund Long-Term Financial Plan back into balance and sustaining long-term financial stability:

- Increasing operational efficiencies by saving expenditures without significantly impacting services.
- Containing personnel costs, which include health, retirement, leave benefits, and salaries.
- Drawing down judiciously the Budget Stabilization Fund in the next six years as the City adjusts to its new fiscal reality.

A recent review by Standard & Poor's upgraded the City's overall credit worthiness, called "Issuer Credit Rating," from AA+ to AAA. This illustrates Sunnyvale's commitment to long-term financial planning and its past ability to adhere to the Long-Term Financial Plan to weather difficult financial times.

*Management's Discussion and Analysis, Concluded
Fiscal Year Ended June 30, 2009*

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, 2009**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and Investments Held by City (Note 2)	\$ 171,505,516	\$ 32,489,968	\$ 203,995,484
Receivables, Net (Note 3)	7,805,475	10,696,301	18,501,776
Inventories and Prepayments	2,450,388	232,832	2,683,220
Assets Held for Resale	1,381,077	-	1,381,077
Other Long-term Receivables (Note 3)	3,875,363	-	3,875,363
Internal Balances (Note 5)	41,142,674	(41,142,674)	-
Deferred Charges (Note 7)	927,266	577,730	1,504,996
Restricted Assets:			
Cash and Investments Held by City (Note 2)	60,031,496	-	60,031,496
Cash and Investments Held by Fiscal Agent (Note 2)	3,252,677	4,900,366	8,153,043
Receivables, Net (Note 3)	482,355	-	482,355
Intergovernmental Receivables (Note 3)	3,153,156	948,273	4,101,429
Housing Loans Receivable, Net (Note 3)	28,369,605	-	28,369,605
Capital Assets (Note 6):			
Land and Nondepreciable Assets	280,212,384	31,891,467	312,103,851
Depreciable Assets, Net	123,178,939	83,481,991	206,660,930
Total Assets	727,768,371	124,076,254	851,844,625
Liabilities:			
Wages Payable	4,190,377	-	4,190,377
Accounts Payable and Accrued Liabilities	9,045,667	6,054,563	15,100,230
Refundable Deposits	685,613	501,031	1,186,644
Interest Payable	272,874	542,115	814,989
Unearned Revenues (Note 4)	2,435,822	-	2,435,822
Noncurrent Liabilities (Note 7):			
Due Within One Year	27,704,419	3,831,212	31,535,631
Due in More than One Year	45,624,827	51,347,676	96,972,503
Total Liabilities	89,959,599	62,276,597	152,236,196
Net Assets (Note 13):			
Invested in Capital Assets, Net of Related Debt	371,979,765	75,782,645	447,762,410
Restricted for:			
Capital Projects	16,298,441	-	16,298,441
Specific Projects and Programs:			
Nonexpendable	1,430,684	-	1,430,684
Expendable	68,739,135	-	68,739,135
Total Restricted Net Assets	86,468,260	-	86,468,260
Unrestricted Net Assets (Deficit)	179,360,747	(13,982,988)	165,377,759
Total Net Assets	\$ 637,808,772	\$ 61,799,657	\$ 699,608,429

**Statement of Activities and Changes in Net Assets
Year Ended June 30, 2009**

Programs	Expenses	Program Revenues			Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government:					
Governmental Activities:					
Planning and Management	\$ 21,404,654	\$ 441,966	\$ 534,971	\$ -	\$ 976,937
Public Safety	74,875,925	4,416,729	1,576,632	28,225	6,021,586
Community Development	21,789,965	8,998,053	2,324,874	18,561	11,341,488
Transportation	11,831,062	813,895	3,418,119	5,481,975	9,713,989
Socioeconomic	10,532,590	299,861	9,353,750	-	9,653,611
Cultural	9,449,272	205,335	144,825	2,550,232	2,900,392
Environmental Management	2,167,212	161,432	-	-	161,432
Interest on Long-term Debt	1,730,306	-	-	-	-
Total Governmental Activities	153,780,986	15,337,271	17,353,171	8,078,993	40,769,435
Business-Type Activities:					
Water Supply and Distribution	21,939,171	25,021,543	-	136,600	25,158,143
Wastewater Management	17,376,262	21,243,938	-	319,900	21,563,838
Solid Waste Management	37,503,288	33,153,216	-	-	33,153,216
SMaRT Station	26,256,199	22,698,997	-	-	22,698,997
Community Recreation	11,686,390	7,663,168	-	-	7,663,168
Total Business-Type Activities	114,761,309	109,780,862	-	456,500	110,237,362
Total Primary Government	\$ 268,542,295	\$ 125,118,133	\$ 17,353,171	\$ 8,535,493	\$ 151,006,797

General Revenues:

Taxes:

Property Taxes and Homeowners' Property Tax Relief

Sales and Use Taxes

Motor Vehicle License Fees - Unrestricted

Franchise Fees, Unrestricted

Utilities Users Taxes

Transient Occupancy Taxes

Real Property Transfer Taxes

Construction Taxes

Business License Taxes

Total Taxes

Investment Earnings - Unrestricted (Note 2)

Miscellaneous

Transfers (Note 11)

Total General Revenues and Transfers

Change in Net Assets

Net Assets - Beginning of Year

Net Assets - End of Year



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

Governmental Activities	Business-Type Activities	Total
\$ (20,427,717)	\$ -	\$ (20,427,717)
(68,854,339)	-	(68,854,339)
(10,448,477)	-	(10,448,477)
(2,117,073)	-	(2,117,073)
(878,979)	-	(878,979)
(6,548,880)	-	(6,548,880)
(2,005,780)	-	(2,005,780)
(1,730,306)	-	(1,730,306)
<u>(113,011,551)</u>	<u>-</u>	<u>(113,011,551)</u>
-	3,218,972	3,218,972
-	4,187,576	4,187,576
-	(4,350,072)	(4,350,072)
-	(3,557,202)	(3,557,202)
-	(4,023,222)	(4,023,222)
-	(4,523,947)	(4,523,947)
<u>(113,011,551)</u>	<u>(4,523,947)</u>	<u>(117,535,498)</u>
50,741,352	-	50,741,352
25,071,916	-	25,071,916
468,356	-	468,356
6,127,050	-	6,127,050
6,841,270	-	6,841,270
5,686,217	-	5,686,217
547,856	-	547,856
1,259,444	-	1,259,444
1,199,364	-	1,199,364
97,942,825	-	97,942,825
8,851,434	1,147,878	9,999,312
7,677	-	7,677
1,657,486	(1,657,486)	-
<u>108,459,422</u>	<u>(509,608)</u>	<u>107,949,814</u>
(4,552,129)	(5,033,555)	(9,585,684)
<u>642,360,901</u>	<u>66,833,212</u>	<u>709,194,113</u>
<u>\$ 637,808,772</u>	<u>\$ 61,799,657</u>	<u>\$ 699,608,429</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, 2009**

	Major Funds		
	General Fund	Employment Development	Redevelopment Debt Service
Assets:			
Cash and Investments Held by City (Note 2)	\$ 75,871,594	\$ -	\$ -
Cash and Investments Held by Fiscal Agent (Note 2)	-	-	1,929,618
Receivables, Net (Note 3)	6,919,874	4,825	-
Intergovernmental Receivables (Note 3)	713,157	981,280	-
Due From Other Funds (Note 5)	235,306	-	-
Advances to Other Funds (Note 5)	105,704,307	-	-
Inventories and Prepayments	464,361	7,160	-
Other Long-term Receivables (Note 3)	4,519,867	-	-
Housing Loans Receivable (Note 3)	-	-	-
Assets Held for Resale	1,101,077	-	-
Total Assets	\$ 195,529,543	\$ 993,265	\$ 1,929,618
Liabilities and Fund Balances:			
Liabilities:			
Accounts Payable and Accrued Liabilities	\$ 2,915,131	\$ 572,521	\$ -
Refundable Deposits	660,530	-	-
Due to Other Funds (Note 5)	-	235,306	-
Advances from Other Funds (Note 5)	-	-	63,989,598
Deferred Revenues (Note 4)	91,935,860	6,713	-
Total Liabilities	95,511,521	814,540	63,989,598
Fund Balances (Note 13):			
Reserved:			
Housing Mitigation	-	-	-
Housing Revolving Fund	-	-	-
Park Dedication	-	-	-
Public Safety	-	-	-
Low and Moderate Housing	-	-	-
Restricted Donations and Contributions	536,625	171,565	-
Advances to Other Funds Net of Deferred Revenue	15,609,791	-	-
Long-term Receivables Net of Deferred Revenue	3,809,993	-	-
Inventories and Prepayments	464,361	7,160	-
Assets Held for Resale	1,101,077	-	-
Capital Improvement Projects	8,756,797	-	-
Debt Service	-	-	1,929,618
Total Reserved	30,278,644	178,725	1,929,618
Unreserved, Designated for, Reported in:			
Unrealized Gains	907,711	-	-
Contingencies	23,862,684	-	-
Current Capital and Special Projects	3,103,881	-	-
20-Year Resource Allocation Plan	41,865,102	-	-
Special Revenue Funds	-	-	-
Capital Projects Funds	-	-	-
Total Unreserved, Designated	69,739,378	-	-
Unreserved, Undesignated for, Reported in:			
Major Funds	-	-	(63,989,598)
Special Revenue Funds	-	-	-
Total Fund Balances	100,018,022	178,725	(62,059,980)
Total Liabilities and Fund Balances	\$ 195,529,543	\$ 993,265	\$ 1,929,618

Major Funds City Projects	Other Governmental Funds	Total Governmental Funds
\$ 16,766,506	\$ 55,669,485	\$ 148,307,585
-	1,323,059	3,252,677
130,567	454,906	7,510,172
781,459	677,260	3,153,156
-	10,792,250	11,027,556
-	-	105,704,307
550,000	-	1,021,521
-	-	4,519,867
-	28,369,605	28,369,605
-	280,000	1,381,077
<u>\$ 18,228,532</u>	<u>\$ 97,566,565</u>	<u>\$ 314,247,523</u>
\$ 679,363	\$ 3,182,611	\$ 7,349,626
-	4,350	664,880
-	10,792,250	11,027,556
-	-	63,989,598
1,921,650	28,369,605	122,233,828
<u>2,601,013</u>	<u>42,348,816</u>	<u>205,265,488</u>
-	15,637,191	15,637,191
-	1,869,633	1,869,633
-	5,750,401	5,750,401
-	1,392,276	1,392,276
-	10,667,213	10,667,213
-	1,430,684	2,138,874
-	-	15,609,791
-	-	3,809,993
550,000	-	1,021,521
-	280,000	1,381,077
-	-	8,756,797
-	1,318,553	3,248,171
<u>550,000</u>	<u>38,345,951</u>	<u>71,282,938</u>
437,834	-	1,345,545
-	-	23,862,684
14,639,685	-	17,743,566
-	-	41,865,102
-	10,532,649	10,532,649
-	12,991,875	12,991,875
<u>15,077,519</u>	<u>23,524,524</u>	<u>108,341,421</u>
-	-	(63,989,598)
-	(6,652,726)	(6,652,726)
<u>15,627,519</u>	<u>55,217,749</u>	<u>108,982,035</u>
<u>\$ 18,228,532</u>	<u>\$ 97,566,565</u>	<u>\$ 314,247,523</u>

CITY OF SUNNYVALE

**Reconciliation of the Governmental Funds Balance Sheet
to the Government-Wide Statement of Net Assets
June 30, 2009**

Total Fund Balances - Total Governmental Funds	\$ 108,982,035
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used to support governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet. This amount represents, at June 30, 2009, capital assets used by governmental activities excluding \$11,651,855 of capital assets used by Internal Service Funds.	391,739,468
Town Center Pollution Remediation Obligations are not recognized in the fund financials on a modified accrual basis.	(6,023,053)
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.	(272,874)
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.	30,274,638
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.	59,819,878
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.	65,370
Customers payment arrangements are reported as deferred revenues in the fund financial statements.	6,660
Eligible expenditures, yet to be reimbursed by grants, are reported as deferred revenues in the fund financial statements.	177,543
Receivables from long-term housing loans are offset by deferred revenues in the fund statements.	28,369,605
State and County cost reimbursements earned but not available are not current financial resources.	322,686
Long-term receivables from capital special assessments are not current financial resources and are offset by deferred revenues in the fund statements. In the government-wide statements, revenues have been recognized when the capital improvement is completed.	117,122
Internal Service Funds are primarily to serve governmental activities. The assets and liabilities of the Internal Service Funds are included in governmental activities in the government-wide statement of net assets. This amount represents Internal Service Funds' net assets at year end.	57,669,580
This amount represents Internal Service Funds' chargeback from Business-Type Activities.	884,911
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	(35,300,000)
Unamortized discount on bonds	47,937
Deferred charges on bonds	927,266
Net Assets of Governmental Activities	\$ 637,808,772

CITY OF SUNNYVALE

**Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2009**

	Major Funds		
	General Fund	Employment Development	Redevelopment Debt Service
Revenues:			
Property Taxes	\$ 42,259,090	\$ -	\$ -
Sales and Use Taxes	26,201,085	-	-
Other Taxes	15,534,152	-	-
Franchise Fees	6,127,050	-	-
Intergovernmental Revenues	1,616,566	9,179,487	-
Permits and Licenses	5,434,527	-	-
Fines and Forfeitures	1,258,558	-	-
Special Assessments	16,791	-	-
Service Fees	3,667,359	15,940	-
Rents and Concessions	1,884,624	2,952	-
Investment Earnings	5,542,417	-	11,424
Other Revenues	326,978	97,392	-
Total Revenues	109,869,197	9,295,771	11,424
Expenditures:			
Current:			
Planning and Management	18,794,474	-	-
Public Safety	73,238,514	-	-
Community Development	17,553,584	-	-
Transportation	5,627,409	-	-
Socioeconomic	255,823	8,967,988	-
Cultural	7,806,611	-	-
Environmental Management	1,770,850	-	-
Capital Outlay	224,312	-	-
Debt Service:			
Principal Retirement	-	-	945,000
Interest	-	-	5,576,139
Fiscal Charges	-	-	9,685
Total Expenditures	125,271,577	8,967,988	6,530,824
Excess (Deficiency) of Revenues Over (Under) Expenditures	(15,402,380)	327,783	(6,519,400)
Other Financing Sources (Uses):			
Proceeds from Refunding Bonds (Note 7)	-	-	-
Payment to Refunded Bond Escrow Agent (Note 7)	-	-	-
Transfers In (Note 11)	10,338,690	-	1,108,973
Transfers Out (Note 11)	(16,095,923)	(314,750)	-
Total Other Financing Sources (Uses)	(5,757,233)	(314,750)	1,108,973
Net Change in Fund Balances	(21,159,613)	13,033	(5,410,427)
Fund Balances - Beginning of Year	121,177,635	165,692	(56,649,553)
Fund Balances - End of Year	\$ 100,018,022	\$ 178,725	\$ (62,059,980)



<u>Major Funds</u> <u>City</u> <u>Projects</u>	<u>Other</u> <u>Governmental</u> <u>Funds</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
\$ -	\$ 8,264,077	\$ 50,523,167
-	-	26,201,085
-	-	15,534,152
-	-	6,127,050
5,280,074	5,392,011	21,468,138
-	-	5,434,527
-	278,299	1,536,857
-	-	16,791
614,981	1,117,376	5,415,656
-	141,463	2,029,039
457,058	1,287,560	7,298,459
750	649,791	1,074,911
<u>6,352,863</u>	<u>17,130,577</u>	<u>142,659,832</u>
-	688,520	19,482,994
-	218,054	73,456,568
46,227	3,434,160	21,033,971
-	2,078,713	7,706,122
-	806,798	10,030,609
-	64,866	7,871,477
-	2,376,947	4,147,797
7,687,739	2,709,495	10,621,546
-	590,000	1,535,000
-	822,799	6,398,938
-	541,381	551,066
<u>7,733,966</u>	<u>14,331,733</u>	<u>162,836,088</u>
(1,381,103)	2,798,844	(20,176,256)
-	15,865,000	15,865,000
-	(15,475,000)	(15,475,000)
1,551,531	6,011,684	19,010,878
(19,286)	(7,453,498)	(23,883,457)
<u>1,532,245</u>	<u>(1,051,814)</u>	<u>(4,482,579)</u>
151,142	1,747,030	(24,658,835)
<u>15,476,377</u>	<u>53,470,719</u>	<u>133,640,870</u>
<u>\$ 15,627,519</u>	<u>\$ 55,217,749</u>	<u>\$ 108,982,035</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, 2009**

Net Change in Fund Balances - Total Governmental Funds	\$(24,658,835)
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 and deletions recorded in the current period - governmental activities	8,458,202
Depreciation recorded in the current period - governmental activities	(6,465,369)
Private contributions of capital assets are not recorded in the governmental funds.	3,199,632
This amount represents Town Center pollution remediation obligations that were expended in the current year fund financial statements but had already been recognized in prior year government-wide financial statements.	2,376,947
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	2,928,492
Interest accrued on long-term housing loan receivables	756,312
Interest accrued on employees' loan receivables	17,364
Customer late payment arrangements	6,660
Reimbursable costs incurred for abandoned vehicles and State mandates	307,086
Grant revenues earned but not available for the current year	177,542
Housing loans disbursed are recorded as expenditures in the fund financial statements. They are reclassified as increases in receivables in the government-wide financial statements. This number is adjusted by allowance for uncollectible accounts.	1,410,743
Housing loans repaid, recorded as revenues in the fund financial statements, are reclassified as reductions in receivables in the Government-Wide financial statements.	(282,068)
Interfund advances interest charged on the borrower governmental funds with deferred revenues recorded in the General Fund is consolidated in the government-wide statements.	4,867,174
Interfund interest revenue previously deferred in governmental funds was received in current year.	(3,388,930)
Revenues recognized in the government-wide statement of activities and changes in net assets in prior fiscal years became available in current fiscal year:	
Reimbursable costs incurred on State mandate and abandoned vehicles	(114,670)
Conway assessment installments received	1,020
Grant revenues earned but were not available in prior years	(692,951)
Repayment of principal or issuance of refunding debt should have no effect on the government-wide statement of activities and changes in net assets.	1,145,000
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.	466,689
Reduction in rebatable arbitrage liability that does not require current financial resources is not reported as expenditures in the fund financial statements.	37,572
This amount represents the change in accrued interest on bonds payable from prior year.	12,518
Internal Service Funds are primarily to serve governmental activities. The change in net assets of the Internal Service Funds is reported with governmental activities.	3,996,830
This amount represents Internal Service Fund chargeback from Business-Type Activities.	884,911
Change in Net Assets of Governmental Activities	<u>\$ (4,552,129)</u>

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, 2009**

	Major Enterprise Funds		
	Water Supply and Distribution	Wastewater Management	Solid Waste Management
Assets:			
Current Assets			
Cash and Investments Held by City (Note 2)	\$ 8,100,066	\$ 17,641,313	\$ 1,720,527
Cash and Investments Held by Fiscal Agent (Note 2)	888,076	1,304,620	-
Receivables, Net (Note 3)	3,767,513	2,878,144	3,910,238
Intergovernmental Receivables (Note 3)	-	13,518	79,492
Inventories and Prepayments	113	10,530	608
Total Current Assets	<u>12,755,768</u>	<u>21,848,125</u>	<u>5,710,865</u>
Noncurrent Assets			
Deferred Charges (Note 7)	-	-	-
Capital Assets (Note 6):			
Land & Nondepreciable Assets	2,737,036	5,134,421	-
Depreciable Assets, Net	34,062,209	33,544,111	1,025,183
Total Noncurrent Assets	<u>36,799,245</u>	<u>38,678,532</u>	<u>1,025,183</u>
Total Assets	<u>49,555,013</u>	<u>60,526,657</u>	<u>6,736,048</u>
Liabilities:			
Current Liabilities			
Wages Payable	-	-	-
Accounts Payable and Accrued Liabilities	1,596,364	927,536	1,638,940
Advances from Other Funds (Note 5)	351,700	3,458,637	1,367,016
Refundable Deposits	119,504	78,363	254,261
Interest Payable	121,076	165,754	-
Net Other Postemployment Benefits Obligation (Note 7)	-	-	-
Claims and Judgments Payable - Due Within One Year (Note 7)	-	-	-
Compensated Absences Payable - Due Within One Year (Note 7)	-	-	-
Landfill Closure and Postclosure Costs (Note 7)	-	-	621,212
Long-term Debt - Due Within One Year (Note 7)	631,065	863,935	-
Total Current Liabilities	<u>2,819,709</u>	<u>5,494,225</u>	<u>3,881,429</u>
Noncurrent Liabilities			
Advances from Other Funds (Note 5)	1,377,722	8,256,501	25,446,187
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)	-	-	10,066,497
Long-term Debt - Due in More than One Year (Note 7)	6,191,023	15,318,103	-
Total Noncurrent Liabilities	<u>7,568,745</u>	<u>23,574,604</u>	<u>35,512,684</u>
Total Liabilities	<u>10,388,454</u>	<u>29,068,829</u>	<u>39,394,113</u>
Net Assets (Note 13):			
Invested in Capital Assets, Net of Related Debt	30,865,233	23,801,114	1,025,183
Unrestricted	8,301,326	7,656,714	(33,683,248)
Total Net Assets	<u>\$ 39,166,559</u>	<u>\$ 31,457,828</u>	<u>\$ (32,658,065)</u>

See Accompanying Notes to Basic Financial Statements

Major Enterprise Funds		Total Enterprise Funds	Governmental
SMaRT Station	Community Recreation		Activities Internal Service Funds
\$ 3,994,904	\$ 1,033,158	\$ 32,489,968	\$ 83,229,427
2,707,670	-	4,900,366	-
18,836	121,570	10,696,301	777,658
855,263	-	948,273	-
-	221,581	232,832	1,428,867
<u>7,576,673</u>	<u>1,376,309</u>	<u>49,267,740</u>	<u>85,435,952</u>
577,730	-	577,730	-
14,336,406	9,683,604	31,891,467	-
10,637,022	4,213,466	83,481,991	11,651,855
<u>25,551,158</u>	<u>13,897,070</u>	<u>115,951,188</u>	<u>11,651,855</u>
<u>33,127,831</u>	<u>15,273,379</u>	<u>165,218,928</u>	<u>97,087,807</u>
-	-	-	4,190,377
1,614,394	277,329	6,054,563	1,696,041
-	-	5,177,353	500,000
-	48,903	501,031	20,733
255,285	-	542,115	-
-	-	-	10,333,500
-	-	-	3,035,981
-	-	-	8,060,857
-	-	621,212	-
1,715,000	-	3,210,000	-
<u>3,584,679</u>	<u>326,232</u>	<u>16,106,274</u>	<u>27,837,489</u>
-	-	35,080,410	956,946
-	-	-	9,735,019
-	-	-	888,773
-	-	10,066,497	-
19,772,053	-	41,281,179	-
<u>19,772,053</u>	<u>-</u>	<u>86,428,086</u>	<u>11,580,738</u>
<u>23,356,732</u>	<u>326,232</u>	<u>102,534,360</u>	<u>39,418,227</u>
6,194,045	13,897,070	75,782,645	11,651,855
<u>3,577,054</u>	<u>1,050,077</u>	<u>(13,098,077)</u>	<u>46,017,725</u>
<u>\$ 9,771,099</u>	<u>\$ 14,947,147</u>	<u>\$ 62,684,568</u>	<u>\$ 57,669,580</u>

CITY OF SUNNYVALE

***Reconciliation of the Enterprise Funds Statement of Net Assets
to the Government-Wide Statement of Net Assets
June 30, 2009***

Total Net Assets - Total Enterprise Funds	\$ 62,684,568
Chargeback by Internal Service Funds and Payable to Governmental Activities	<u>(884,911)</u>
Net Assets of Business-Type Activities	<u><u>\$ 61,799,657</u></u>

CITY OF SUNNYVALE**Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
Year Ended June 30, 2009**

	Major Enterprise Funds		
	Water Supply and Distribution	Wastewater Management	Solid Waste Management
Operating Revenues:			
Charges for Services	\$ 25,021,543	\$ 21,243,938	\$ 33,153,216
Total Operating Revenues	25,021,543	21,243,938	33,153,216
Operating Expenses:			
Personnel Services	3,283,670	7,830,217	1,015,228
Contractual Services	609,472	2,245,109	33,849,230
Materials and Supplies	1,185,580	2,034,333	103,024
Utilities	235,015	624,560	56,080
Taxes and Licenses	479,660	108,167	483,407
Equipment and Building Rental	401,220	641,308	87,080
Water Purchased for Resale	13,417,486	-	-
Insurance Premiums and Claims	-	-	-
Retirement Premiums	-	-	-
Other Operating Expenses	54,088	122,021	7,852
Depreciation	1,360,692	1,680,272	43,611
Total Operating Expenses	21,026,883	15,285,987	35,645,512
Operating Income (Loss)	3,994,660	5,957,951	(2,492,296)
Nonoperating Revenues (Expenses):			
Investment Earnings	267,559	527,158	120,618
Interest Expense	(618,770)	(1,668,382)	(1,818,016)
Total Nonoperating Revenues (Expenses)	(351,211)	(1,141,224)	(1,697,398)
Income (Loss) before Contributions and Transfers	3,643,449	4,816,727	(4,189,694)
Capital Contributions	136,600	319,900	-
Transfers In (Note 11)	-	3,682,930	-
Transfers Out (Note 11)	(2,833,786)	(3,490,477)	(4,271,284)
Change in Net Assets	946,263	5,329,080	(8,460,978)
Total Net Assets (Deficit) - Beginning of Year	38,220,296	26,128,748	(24,197,087)
Total Net Assets (Deficit) - End of Year	\$ 39,166,559	\$ 31,457,828	\$ (32,658,065)

See Accompanying Notes to Basic Financial Statements

Major Enterprise Funds		Total Enterprise Funds	Governmental
SMaRT Station	Community Recreation		Activities Internal Service Funds
\$ 22,698,997	\$ 7,663,168	\$ 109,780,862	\$ 75,612,371
<u>22,698,997</u>	<u>7,663,168</u>	<u>109,780,862</u>	<u>75,612,371</u>
234,104	6,943,907	19,307,126	23,816,028
10,017,332	1,361,689	48,082,832	2,708,155
173,207	666,231	4,162,375	2,206,333
-	318,940	1,234,595	1,497,475
10,862,108	560	11,933,902	13,911
7,643	1,940,601	3,077,852	1,076,901
-	-	13,417,486	-
-	-	-	21,356,707
-	-	-	25,367,309
-	56,585	240,546	166,283
<u>4,297,754</u>	<u>278,473</u>	<u>7,660,802</u>	<u>1,768,298</u>
<u>25,592,148</u>	<u>11,566,986</u>	<u>109,117,516</u>	<u>79,977,400</u>
<u>(2,893,151)</u>	<u>(3,903,818)</u>	<u>663,346</u>	<u>(4,365,029)</u>
173,979	58,564	1,147,878	1,996,049
<u>(653,714)</u>	<u>-</u>	<u>(4,758,882)</u>	<u>(164,255)</u>
<u>(479,735)</u>	<u>58,564</u>	<u>(3,611,004)</u>	<u>1,831,794</u>
<u>(3,372,886)</u>	<u>(3,845,254)</u>	<u>(2,947,658)</u>	<u>(2,533,235)</u>
-	-	456,500	-
1,569,334	4,742,278	9,994,542	11,885,698
<u>-</u>	<u>(1,056,481)</u>	<u>(11,652,028)</u>	<u>(5,355,633)</u>
<u>(1,803,552)</u>	<u>(159,457)</u>	<u>(4,148,644)</u>	<u>3,996,830</u>
<u>11,574,651</u>	<u>15,106,604</u>	<u>66,833,212</u>	<u>53,672,750</u>
<u>\$ 9,771,099</u>	<u>\$ 14,947,147</u>	<u>\$ 62,684,568</u>	<u>\$ 57,669,580</u>

CITY OF SUNNYVALE

**Reconciliation of the Enterprise Funds Statement of Revenues, Expenses,
and Changes in Fund Net Assets to the Government-Wide Statement of Activities and Changes in Net Assets
Year Ended June 30, 2009**

Net Change in Net Assets - Total Enterprise Funds	\$ (4,148,644)
Chargeback by Internal Service Funds	<u>(884,911)</u>
Change in Net Assets of Business-Type Activities	<u><u>\$ (5,033,555)</u></u>

CITY OF SUNNYVALE**Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2009**

	Major Enterprise Funds		
	Water Supply and Distribution	Wastewater Management	Solid Waste Management
Cash Flow from Operating Activities:			
Cash Received from Customers	\$ 25,038,546	\$ 21,143,620	\$ 33,092,836
Cash Payments to Suppliers of Goods and Services	(16,530,020)	(5,608,698)	(27,383,990)
Cash Payments for Employee Services	(3,297,281)	(7,820,960)	(1,015,293)
Insurance and Claims Paid	(50,139)	(115,108)	(3,169)
Other Receipts (Payments)	21,150	(56)	124,548
Net Cash Provided by (Used for) Operating Activities	5,182,256	7,598,798	4,814,932
Cash Flows from Noncapital Financing Activities:			
Transfers Received	-	3,291,855	-
Transfers Paid	(2,833,786)	(3,490,476)	(4,271,284)
Repayment of Advance From/To Other Funds	(351,700)	(3,458,637)	(976,440)
Net Cash Provided by (Used for) Noncapital Financing Activities	(3,185,486)	(3,657,258)	(5,247,724)
Cash Flows from Capital and Related Financing Activities:			
Principal Paid on Long-term Debt	(605,738)	(829,262)	-
Interest Paid on Long-term Debt	(497,933)	(681,675)	-
Acquisition and Construction of Capital Assets	(711,023)	(756,161)	-
Net Cash Provided by (Used for) Capital and Related Financing Activities	(1,814,694)	(2,267,098)	-
Cash Flows from Investing Activities:			
Interest on Investments	243,865	465,519	128,913
Change in the Fair Value of Investments	27,360	59,587	5,812
Net Cash Provided by Investing Activities	271,225	525,106	134,725
Net Increase (Decrease) in Cash and Cash Equivalents	453,301	2,199,548	(298,067)
Cash and Investments - Beginning of Year	8,534,841	16,746,385	2,018,594
Cash and Investments - End of Year	\$ 8,988,142	\$ 18,945,933	\$ 1,720,527
Reconciliation to Statement of Net Assets:			
Cash and Investments Held by City	\$ 8,100,066	\$ 17,641,313	\$ 1,720,527
Cash and Investments Held by Fiscal Agent	888,076	1,304,620	-
Total Cash and Investments	\$ 8,988,142	\$ 18,945,933	\$ 1,720,527

See Accompanying Notes to Basic Financial Statements



<u>Major Enterprise Funds</u>		<u>Total Enterprise Funds</u>	<u>Governmental</u>
<u>SMaRT Station</u>	<u>Community Recreation</u>		<u>Activities Internal Service Funds</u>
\$ 25,285,590	\$ 7,681,746	\$ 112,242,338	\$ 74,829,804
(25,613,539)	(4,291,384)	(79,427,631)	(8,272,983)
(292,792)	(6,946,128)	(19,372,454)	(46,541,086)
-	-	(168,416)	(16,395,645)
-	1,188	146,830	314,151
<u>(620,741)</u>	<u>(3,554,578)</u>	<u>13,420,667</u>	<u>3,934,241</u>
1,569,334	4,706,080	9,567,269	11,885,698
-	(1,056,481)	(11,652,027)	(4,928,360)
-	-	(4,786,777)	(1,053,812)
<u>1,569,334</u>	<u>3,649,599</u>	<u>(6,871,535)</u>	<u>5,903,526</u>
(1,645,000)	-	(3,080,000)	-
(1,055,558)	-	(2,235,166)	-
<u>(6,595,050)</u>	<u>-</u>	<u>(8,062,234)</u>	<u>(2,984,761)</u>
<u>(9,295,608)</u>	<u>-</u>	<u>(13,377,400)</u>	<u>(2,984,761)</u>
198,040	54,834	1,091,171	1,320,216
13,493	3,479	109,731	683,121
<u>211,533</u>	<u>58,313</u>	<u>1,200,902</u>	<u>2,003,337</u>
(8,135,482)	153,334	(5,627,366)	8,856,343
<u>14,838,056</u>	<u>879,824</u>	<u>43,017,700</u>	<u>74,373,084</u>
<u>\$ 6,702,574</u>	<u>\$ 1,033,158</u>	<u>\$ 37,390,334</u>	<u>\$ 83,229,427</u>
\$ 3,994,904	\$ 1,033,158	\$ 32,489,968	\$ 83,229,427
2,707,670	-	4,900,366	-
<u>\$ 6,702,574</u>	<u>\$ 1,033,158</u>	<u>\$ 37,390,334</u>	<u>\$ 83,229,427</u>

Continued

CITY OF SUNNYVALE**Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2009**

	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)	\$ 3,994,660	\$ 5,957,951	\$ (2,492,296)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:			
Depreciation	1,360,692	1,680,272	43,611
Changes in Assets and Liabilities:			
Receivables, Net	68,506	(88,273)	32,806
Due from Other Governments	-	(4,974)	5,323
Inventories and Prepayments	-	(1,016)	-
Customer Deposits	-	-	-
Accounts Payable and Accrued Liabilities	(241,602)	54,838	169,946
Landfill Postclosure Care	-	-	7,055,542
Claims and Judgments Payable	-	-	-
Compensated Absences Payable	-	-	-
Other Postemployment Benefits Obligation	-	-	-
Net Cash Provided by (Used for) Operating Activities	\$ 5,182,256	\$ 7,598,798	\$ 4,814,932
Noncash Investing, Capital and Financing Activities:			
Purchase of Capital Assets on Account	81,195	106,836	-
Non Cash Capital Contributions	136,600	319,900	-

See Accompanying Notes to Basic Financial Statements



<u>Major Enterprise Funds</u>		<u>Total Enterprise Funds</u>	<u>Governmental</u>
<u>SMaRT Station</u>	<u>Community Recreation</u>		<u>Activities Internal Service Funds</u>
\$ (2,893,151)	\$ (3,903,818)	\$ 663,346	\$ (4,365,029)
4,297,754	278,473	7,660,802	1,768,298
5,476	15,122	33,637	60,332
(550,661)	-	(550,312)	-
-	181,182	180,166	103,421
-	19,127	19,127	-
(1,480,159)	(144,664)	(1,641,641)	918,219
-	-	7,055,542	-
-	-	-	(946,000)
-	-	-	-
-	-	-	6,395,000
<u>\$ (620,741)</u>	<u>\$ (3,554,578)</u>	<u>\$ 13,420,667</u>	<u>\$ 3,934,241</u>
128,836	-	316,867	47,049
-	-	456,500	-
			Concluded

Fiduciary Fund Financial Statements

Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. They are used to account for assets held in an agency capacity for others and therefore cannot be used to support the City's programs. The City's Agency Funds account for financial transactions for the Community Facilities District (CFD) and the Santa Clara Valley Urban Runoff Pollution Prevention Program (SCVURPPP).

CITY OF SUNNYVALE

Statement of Fiduciary Net Assets
Agency Funds
June 30, 2009

	<u>Agency Funds</u>
Assets:	
Cash and Investments Held by City (Note 2)	\$ 3,297,345
Cash and Investments Held by Fiscal Agent (Note 2)	1,748,139
Receivables (Note 3)	<u>61,721</u>
Total Assets	<u><u>\$ 5,107,205</u></u>
Liabilities:	
Accounts Payable and Accrued Liabilities	\$ 1,387,424
Due to Bondholders	<u>3,719,781</u>
Total Liabilities	<u><u>\$ 5,107,205</u></u>

CITY OF SUNNYVALE

Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2009

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CITY OF SUNNYVALE

Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2009

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***Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2009***

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, 2009

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, 2009

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) on behalf of the cities of Sunnyvale, Mountain View, Cupertino, Los Altos, Palo Alto, Milpitas, and Santa Clara.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2009

1. SIGNIFICANT ACCOUNTING POLICIES, Continued

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

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

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

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

The City considers revenues to be available if they are collected within 60 days of the current fiscal year end for property tax and non-grant revenues, 90 days for grant revenues, with the exception of the County back-fill (for the loss of sales tax 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, 2009

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

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2009

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.H 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, 2009

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, 2009

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

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

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

G. Interfund Balances/Internal Balances

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

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

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2009

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. 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, 2009

1. SIGNIFICANT ACCOUNTING POLICIES, Continued

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

- Buildings 10 - 50 years
- Sidewalks, Curbs, Gutters, Street Lights, and Traffic Signals 10 - 40 years
- Water Supply and Distribution System 10 - 80 years
- Wastewater Treatment and Collection system 10 - 80 years
- Other land improvements 7 - 80 years
- Equipment 2 - 30 years

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, 2009

1. SIGNIFICANT ACCOUNTING POLICIES, Continued

The City's policy relative to maintaining the street assets is to achieve a PCI rating of 70 or over for all street segments, which is in the “good” range or better. For detailed description of the modified approach, see the required supplementary information section of this report.

K. Compensated Absences

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

L. Unearned Revenue and Deferred Revenue

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

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

M. Claims and Judgments

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

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2009

1. SIGNIFICANT ACCOUNTING POLICIES, Continued

N. Long-term Debt

Government-Wide Financial Statements

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

Fund Financial Statements

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

O. Net Assets and Fund 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, 2009

1. SIGNIFICANT ACCOUNTING POLICIES, Continued

P. Use of Estimates

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

Q. Legal Level of Budgetary Control

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

R. Implementation of New GASB Pronouncements

In this fiscal year, the City adopted the following new accounting standard in order to conform to the Government Accounting Standards Board Statements:

- GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. Refer to Note 7.G for details.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2009

2. CASH AND INVESTMENTS

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

A. Deposits

The carrying amounts of the City’s cash deposits were \$3,878,874 at June 30, 2009. Bank balances before reconciling items (i.e., deposits in transit and outstanding checks) were \$6,843,165 at that date, the total amount of which was insured or collateralized with securities held by the pledging financial institutions in the City’s name as discussed below. The City follows the practice of pooling cash and investments of all funds, except for funds required to be held by fiscal agents under the provisions of bond indentures. Interest income earned on pooled cash and investments is allocated on an accounting period basis to the various funds based on the period-end cash and investment balances. Interest income from cash and investments with fiscal agents is credited directly to the related fund.

B. Investments

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

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

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2009

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	\$ 8,039,894	\$ 2,406,133	\$ 10,446,027	\$ 1,308,263
Net changes in the fair value of investments	(741,435)	(410,084)	(1,151,519)	(160,385)
Investment Income - Fund Financial Statements	<u>\$ 7,298,459</u>	<u>\$ 1,996,049</u>	<u>9,294,508</u>	<u>1,147,878</u>
Reconciliation to Government-Wide Investment Earnings:				
Earned interest on interfund advances to business-type activities. This amount is not available.			2,928,492	-
Interest recognized in prior year government-wide financial statements that became available in current year:			(3,388,930)	
Deferred recognition of earned, unavailable interest - loans to employees			17,364	-
Investment Income - Government-Wide Financial Statements			<u>\$ 8,851,434</u>	<u>\$ 1,147,878</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

	<u>Government-Wide Statement of Net Assets</u>			<u>Fund Financials</u>	
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	<u>Fiduciary Funds Statement of Net Assets</u>	<u>Total</u>
Cash and Investments	\$ 171,505,516	\$ 32,489,968	\$ 203,995,484	\$ -	\$ 203,995,484
Restricted Cash and Investments					
Held by the City	60,031,496	-	60,031,496	3,297,345	63,328,841
Held by the Fiscal Agent	3,252,677	4,900,366	8,153,043	1,748,139	9,901,182
Total	<u>\$ 234,789,689</u>	<u>\$ 37,390,334</u>	<u>\$ 272,180,023</u>	<u>\$ 5,045,484</u>	<u>\$ 277,225,507</u>

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2009

2. CASH AND INVESTMENTS, Continued

C. Summary of Cash and Investments, Continued

At June 30, 2009, the City had the following deposits and investments:

	S&P/ Moody's	Details	Total Fair Value
City Treasury Pooled Cash and Investments:			
Deposits and Cash on Hand	Not Rated	\$ 23,751,156	
Investments:			
Corporate Notes	AA+/Aa2	3,016,602	
Securities of U.S. Government Agencies/Government Sponsored Enterprises:			
Federal Home Loan Bank (2)	AAA/ Aaa	33,390,972	
Freddie Mac (2)	AAA/ Aaa	25,770,031	
Fannie Mae (2)	AAA/ Aaa	29,424,069	
U.S. Treasury (1)	N/A	54,605,631	
Tennessee Valley Authority (1)	AAA/ Aaa	23,222,342	
Federal Farm Credit Bank (2)	AAA/ Aaa	20,791,609	
Total Securities of U.S. Government Agencies		<u>187,204,654</u>	
Local Agency Investment Funds	Not Rated	40,054,568	
California Municipal Bonds	Aa3/AA+	6,000,000	
California Municipal Bonds	Aa3/AAA	4,000,000	
Total City Treasury Pooled Cash and Investments			\$ 264,026,980
City Cash and Investments with Fiscal Agents:			
Guaranteed Investment Contracts	Not Rated	2,140,064	
Treasury Obligation Mutual Funds	AAA/ Aaa	6,012,979	
Total City Cash and Investments with Fiscal Agents			<u>8,153,043</u>
Total City Cash and Investments			<u>\$ 272,180,023</u>
Fiduciary Fund Deposits Held by the City	Not Rated		\$ 3,297,345
Fiduciary Fund Cash and Investments with Fiscal Agents:			
Guaranteed Investment Contracts	Not Rated		1,748,139
Total Fiduciary Fund Cash and Investments			<u>\$ 5,045,484</u>

- (1) Explicitly guaranteed by the U.S. government or issuing agency.
- (2) Government sponsored enterprises.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2009

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, 2009 are as follows:

	Maturity (in years)				Total Fair Value
	1 year or less	1 to 2 years	2 to 5 years	5 to 10 years	
City Treasury Pooled Cash and Investments:					
Cash and Deposits	\$ 23,751,156	\$ -	\$ -	\$ -	\$ 23,751,156
Investments:					
Federal Farm Credit Bank	15,521,921	5,269,688	-	-	20,791,609
Federal Home Loan Bank	8,031,252	20,359,720	5,000,000	-	33,390,972
Freddie Mac	12,287,268	9,485,340	3,996,876	547	25,770,031
Fannie Mae	21,415,789	8,008,280	-	-	29,424,069
Tennessee Valley Authority	-	19,691,330	3,531,012	-	23,222,342
U. S. Treasuries	46,473,131	8,132,500	-	-	54,605,631
Local Agency Investment Funds	40,054,568	-	-	-	40,054,568
Corporate Notes	3,016,602	-	-	-	3,016,602
Municipal Bonds	10,000,000	-	-	-	10,000,000
Total	\$ 180,551,687	\$ 70,946,858	\$ 12,527,888	\$ 547	\$ 264,026,980

	Maturity (in years)				Total Fair Value
	1 year or less	1 to 10 years	10 to 20 years	20 to 30 years	
City Cash and Investments with Fiscal Agents:					
Guaranteed Investment Contracts	\$ -	\$ 193,500	\$ 1,946,564	\$ -	\$ 2,140,064
Treasury Obligation Mutual Funds	6,012,979	-	-	-	6,012,979
Total	\$ 6,012,979	\$ 193,500	\$ 1,946,564	\$ -	\$ 8,153,043
Fiduciary Fund Cash and Investment:					
Guaranteed Investment Contracts	\$ -	\$ -	\$ -	\$ 1,748,139	\$ 1,748,139
Cash and Deposits	3,297,345	-	-	-	3,297,345
Total	\$ 3,297,345	\$ -	\$ -	\$ 1,748,139	\$ 5,045,484

Credit Risk – This is risk that a security or a portfolio will lose some or all of its value due to a real or perceived change in the ability of the issuer to repay its debt. The City's investment policy is that no more than 5% of the total portfolio may be invested in securities of any single issuer, other than the U. S. Government, its agencies and instrumentalities, and LAIF. Additionally, no more than 10% may be invested in short-term repurchase agreements or money market mutual funds. If a security is downgraded by either Moody's or Standard & Poor's (S&P) to a level below the minimum quality required by the City, it shall be the City's policy to sell that security as soon as practicable.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2009**2. CASH AND INVESTMENTS, Continued****D. Risk Disclosures, Continued**

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

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

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

At June 30, 2009, the City's investments in the following issuers represented 5 percent or more of total City portfolio. The City's Investment Policy allows up to 100% of total City portfolio to be invested in federal agencies or government sponsored enterprise securities maturing within seven years or less.

<u>Issuer</u>	<u>Amount</u>
Federal Farm Credit Bank	\$ 20,791,609
Federal Home Loan Bank	33,390,972
Freddie Mac	25,770,031
Fannie Mae	29,424,069
Tennessee Valley Authority	23,222,342
Total	<u>\$ 132,599,023</u>

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2009

2. CASH AND INVESTMENTS, Continued

E. Investments in Local Agency Investment Fund

The Local Agency Investment Fund (LAIF) is a State of California investment pool which offers local agencies within California the opportunity to participate in a major portfolio using the expertise of the State Treasurer's Office investment staff at no additional cost to taxpayers. Oversight of LAIF is provided by the Pooled Money Investment Board and the Local Agency Investment Advisory Board. These boards review LAIF investment policies annually. In addition, the Bureau of State Audits has a continuing audit process throughout the year.

The City's investments with the Local Agency Investment Fund (LAIF), at June 30, 2009, 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, 2009, the City had \$40,054,568 at fair value invested in LAIF, which had invested 14.71% of the pool investment funds in medium-term and short-term structured notes and asset-backed securities. The City valued its investments in LAIF as of June 30, 2009, by multiplying its account balance with LAIF by a fair value factor determined by LAIF. This fair value factor was determined by dividing all LAIF participants' total aggregate fair value by total aggregate amortized cost resulting in a factor of 1.001364207.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2009

3. RECEIVABLES

A. Current Receivables

Government Wide Financial Statements

At June 30, 2009, 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	\$ 398,619	\$ 10,389,136	\$ 10,787,755
Taxes	5,239,579	-	5,239,579
Interest	1,389,113	248,687	1,637,800
Other	778,164	58,478	836,642
Total Unrestricted	<u>7,805,475</u>	<u>10,696,301</u>	<u>18,501,776</u>
Restricted:			
Accounts	58,066	-	58,066
Taxes	19,362	-	19,362
Interest	389,739	-	389,739
Other	15,188	-	15,188
Total Restricted	<u>482,355</u>	<u>-</u>	<u>482,355</u>
Total Current Receivables, Net	<u>\$ 8,287,830</u>	<u>\$ 10,696,301</u>	<u>\$ 18,984,131</u>

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2009

3. RECEIVABLES, Continued

A. Current Receivables, Continued

Fund Financial Statements

At June 30, 2009, 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	\$ 496,353	\$ 5,239,579	\$ 658,297	\$ 713,283	\$ (187,638)	\$ 6,919,874
Employment Development	-	-	-	4,825	-	4,825
Redevelopment Debt Service	-	-	-	-	-	-
City Projects	-	-	123,867	6,700	-	130,567
Nonmajor Funds	71,167	19,362	360,603	3,774	-	454,906
Total Governmental Funds	<u>567,520</u>	<u>5,258,941</u>	<u>1,142,767</u>	<u>728,582</u>	<u>(187,638)</u>	<u>7,510,172</u>
Proprietary Funds:						
Water Supply and Distribution	3,958,812	-	62,188	-	(253,487)	3,767,513
Wastewater Management	2,962,218	-	134,812	15,457	(234,343)	2,878,144
Solid Waste Management	4,344,399	-	24,655	21,948	(480,764)	3,910,238
SMART Station	-	-	18,836	-	-	18,836
Community Recreation	92,301	-	8,196	21,073	-	121,570
Internal Service Funds	76,805	-	636,086	64,767	-	777,658
Total Proprietary Funds	<u>11,434,535</u>	<u>-</u>	<u>884,773</u>	<u>123,245</u>	<u>(968,594)</u>	<u>11,473,959</u>
Total Governmental and Proprietary Funds	<u>12,002,055</u>	<u>5,258,941</u>	<u>2,027,540</u>	<u>851,827</u>	<u>(1,156,232)</u>	<u>18,984,131</u>
Agency Funds	<u>-</u>	<u>-</u>	<u>52,823</u>	<u>8,898</u>	<u>-</u>	<u>61,721</u>
Total	<u>\$ 12,002,055</u>	<u>\$ 5,258,941</u>	<u>\$ 2,080,363</u>	<u>\$ 860,725</u>	<u>\$ (1,156,232)</u>	<u>\$ 19,045,852</u>

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2009

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, 2009, the City had intergovernmental receivables in the following major funds and nonmajor funds in the aggregate:

<i>Governmental Funds:</i>	
General Fund	\$ 713,157
Employment Development Special Revenue Fund	981,280
City Projects Fund	781,459
Nonmajor Funds	<u>677,260</u>
Total Governmental Funds	<u>3,153,156</u>
 <i>Proprietary Funds:</i>	
Wastewater Management Enterprise Fund	13,518
Solid Waste Management Enterprise Fund	79,492
SMaRT Station Fund	<u>855,263</u>
Total Proprietary Funds	<u>948,273</u>
Total	<u><u>\$ 4,101,429</u></u>

C. Other Long-term Receivables

At June 30, 2009, the City had the following long-term receivables in the governmental funds:

	<u>General Fund</u>
Sunnyvale School District	\$ 644,504
Loans to City Employees	<u>3,875,363</u>
Total	<u><u>\$ 4,519,867</u></u>

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2009

3. RECEIVABLES, Continued

C. Other Long-term Receivables, Continued

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 purpose was 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 39 Project will expire in fiscal year 2014.

At June 30, 2009, receivables related to ABAG 39 Project amounted to \$644,504. The 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 revenue 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 0% to 3.879%, and have repayment terms of up to 45 years. As of June 30, 2009, the City had six loans outstanding to City employees totaling \$3,809,993 and accrued interest of \$65,370, which was also recorded as deferred revenue.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2009

3. RECEIVABLES, Continued

D. Housing Loans Receivable

Governmental Activities:

Maturity Date Year Ending June 30,	Community					HOME Grant	Total
	Development Block Grant	Housing Mitigation	Rental Rehabilitation	First Time Homebuyer			
2010	\$ 478,755	\$ 494,631	\$ 46,031	\$ -	\$ 27,912	\$ 1,047,329	
2011	162,775	-	-	-	-	162,775	
2012	194,772	2,296,537	-	-	-	2,491,309	
2013	138,986	-	-	-	-	138,986	
2014	105,927	-	-	-	-	105,927	
2015-2019	718,894	251,189	-	-	-	970,083	
2020-2024	662,286	-	31,327	-	1,778,631	2,472,244	
2025-2029	1,171,125	-	-	-	102,006	1,273,131	
2030-2034	1,063,498	1,672,331	-	-	2,777,779	5,513,608	
2035-2039	1,959,493	393,508	-	1,510,995	1,697,729	5,561,725	
2040-2044	3,848,412	1,570,266	-	-	964,443	6,383,121	
2045-2049	7,500	-	-	-	830,609	838,109	
2050-2054	-	-	-	-	-	-	
2055-2059	125,668	-	-	-	-	125,668	
2060-2064	54,623	-	-	-	818,742	873,365	
Due Upon Sale or Transfer of Property	991,196	-	-	-	-	991,196	
	<u>\$ 11,683,910</u>	<u>\$ 6,678,462</u>	<u>\$ 77,358</u>	<u>\$ 1,510,995</u>	<u>\$ 8,997,851</u>	<u>\$ 28,948,576</u>	
Less: Allowance for Uncollectibles	<u>(233,678)</u>	<u>(133,569)</u>	<u>(1,547)</u>	<u>(30,220)</u>	<u>(179,957)</u>	<u>(578,971)</u>	
Housing Loans Receivables, Net at June 30, 2009	<u><u>\$ 11,450,232</u></u>	<u><u>\$ 6,544,893</u></u>	<u><u>\$ 75,811</u></u>	<u><u>\$ 1,480,775</u></u>	<u><u>\$ 8,817,894</u></u>	<u><u>\$ 28,369,605</u></u>	

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

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2009

3. RECEIVABLES, Continued

D. Housing Loans Receivable, Continued

Community Development Block Grant (CDBG) Loans

The City has made a number of loans totaling \$11,683,910 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 \$6,678,462. 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 \$77,358 for rehabilitation of rental property. The program is no longer active and any amounts outstanding are from old loans.

First Time Homebuyer Loans

The City has made loans totaling \$1,510,995 using Below Market Rates (BMR) funds to assist in the down payments of qualified first time homebuyers.

HOME Grant Loans

The City has made loans totaling \$8,997,851 using Federal HOME funds for the construction, rehabilitation, or acquisition of housing for low-income households.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2009

4. UNEARNED REVENUE AND DEFERRED REVENUE

Government-Wide Financial Statements

Unearned revenues in the government-wide financial statements represent revenues received in advance of expenses. At June 30, 2009, unearned revenues were as follows:

	Governmental Activities
Customer prepayments	\$ 635,062
Unearned grant and contributions	1,800,760
Total	\$ 2,435,822

Customer prepayments consisted of \$635,062 for business license renewal. Beginning fiscal year 2005, renewal of business licenses has been changed from annually to bi-annually. The prorated portion belonging to fiscal year 2010 was reported as unearned revenue.

Unearned grant revenues in the amount of \$1,800,760 were funds received from other governmental agencies or private sources for which the City had not fulfilled grant or contribution requirements as of June 30, 2009.

Fund Financial Statements

At June 30, 2009, the following deferred revenues were recorded in the fund financial statements because either the revenues had not been earned or the funds were not available to finance expenditures of the current period:

	General Fund	Employment Development	City Projects	Nonmajor	Total
Deferred Interest on Interfund Advances	\$ 90,094,516	\$ -	\$ -	\$ -	\$ 90,094,516
Deferred Interest on Loans to City Employees	65,370	-	-	-	65,370
Capital Special Assessments	117,122	-	-	-	117,122
Sunnyvale School District	644,504	-	-	-	644,504
Customer Prepayments	641,722	-	-	-	641,722
Mandated Costs	264,058	-	-	-	264,058
Housing Loans	-	-	-	28,369,605	28,369,605
Unearned or unavailable grant revenues	49,940	6,713	1,921,650	-	1,978,303
Cost Reimbursement - Abandoned Vehicles	58,628	-	-	-	58,628
Total	\$ 91,935,860	\$ 6,713	\$ 1,921,650	\$ 28,369,605	\$ 122,233,828

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2009

5. INTERNAL BALANCES, INTERFUND RECEIVABLES/PAYABLES

Government-Wide Financial Statements

Internal balances are made up of the following items:

<u>Internal Balances</u>	<u>Amount</u>
Outstanding Advances from Governmental to Business-Type Activities	\$ 40,257,763
Internal Service Fund Chargeback Adjustment:	
Owed by Business-Type to Governmental Activities	884,911
	<u>\$ 41,142,674</u>

Fund Financial Statements

A. Due to/from Other Funds

The composition of due to/from other funds as of June 30, 2009 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Employment Development Fund	\$ 235,306
Nonmajor Fund:	Nonmajor Fund:	
Housing	Community Development Block Grant	105,166
Housing	HOME Grant	19,871
Low and Moderate Income Housing	Redevelopment Agency	10,667,213
Total		<u>\$ 11,027,556</u>

The amounts due to the General Fund from the Employment Development 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 amount of \$10,667,213 represents 20% of redevelopment property tax increment revenues required to be set aside for low and moderate income housing by State law. The Redevelopment Agency cannot provide funding due to pre-existing bonded debt and other obligations. The funding deficit carries no interest and has no specific repayment terms until the aforementioned debt obligations are repaid.

B. Advances to/from Other Funds

The composition of advances to/from other funds as of June 30, 2009 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Redevelopment Agency Debt Service	\$ 63,989,598
	Internal Service - General Services	1,456,946
	Enterprise Funds:	
	Water Supply and Distribution	\$ 1,729,422
	Wastewater Management	11,715,138
	Solid Waste Management	26,813,203
	Subtotal - Enterprise Funds	<u>40,257,763</u>
Total		<u>\$ 105,704,307</u>

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2009**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 leased asset, a two-level parking structure, was demolished and two surface parking lots with improvements were substituted as the leased assets for the 1998 Parking Facility Certificates of Participation). The lease, as amended, requires the City to pay to the Agency base rental payments ranging from \$1,131,103 to \$1,281,250 on October 1 and April 1 of each year until October 1, 2022. During the fiscal year ended June 30, 2009, the City made \$1,208,280 in base rental payments to the Agency. According to the terms of the First Amended Repayment Contract, the Agency made the commitment to repay the City for costs advanced on its behalf and base rentals plus 8% interest thereon. During the fiscal year ended June 30, 2002, the General Fund advanced extra funds of \$1,500,000 to the Redevelopment Agency to fund downtown public improvements. This advance bears interest at 6%. The funds needed to repay the City are generated from tax increment revenues. The remaining tax increment revenues determine each year's repayment to the General Fund after paying the Central Core bonded debt service. Repayments totaling \$7,654,135 were made during the fiscal year ended June 30, 2009. However, during the year, in addition to base rental payments, the General Fund also made additional advances of \$7,122,935 to cover the Agency's operating and anticipated project expenditures. At June 30, 2009, outstanding project loan balance under the 1977 Repayment Agreement was \$37,644,230; outstanding administrative loan balance was \$23,954,596; outstanding loan balance for downtown public improvements was \$2,390,772. The total loan balance was \$63,989,598.

During the fiscal year ended June 30, 2003, the City purchased property located at 239 Commercial Street to provide additional space for the Public Works Corporation Yard. The total purchase price of \$2,550,000 was funded by the City's Water Supply and Distribution and Wastewater Management Enterprise Funds based on the number of staff located at the corporation yard. Using this methodology, the Water Supply and Distribution Fund's share of the costs amounted to 64% or \$1,632,000, and the Wastewater Management Fund's share amounted to 36% or \$918,000. The Wastewater Management Fund had sufficient funds for the purchase. Since the Water Supply and Distribution Fund did not have sufficient funds, the General Fund agreed to loan the Water Supply and Distribution Fund the amount of \$1,632,000. The loan accrues interest of 6% starting in fiscal year 2003. Repayment in the amount of \$351,700 was made in this year; an equal amount is budgeted to be repaid annually from fiscal year 2010 through fiscal year 2015. At June 30, 2009, total loan balance was \$1,729,422.

During fiscal year ended June 30, 2000, the General Fund advanced \$2,000,000 to the General Services Internal Service Fund for cash flow purposes for the Technology Services Subfund. Repayment in the amount of \$50,000 was made in this year. The advance bears interest at 7% and is payable in installments, including interest, of \$500,000 annually from fiscal year 2010 to fiscal year 2012 and \$189,789 in 2013. At June 30, 2009, the loan balance was \$1,456,946.

During fiscal year 2001, the General Fund advanced an additional \$450,000 to the General Services Public Safety Equipment Subfund for cash flow purposes. Loan payoff in the amount of \$553,813 was made in this year.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2009

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 1995, the interest charged to the Wastewater Management Fund has been reduced from 12% to 7%. Unpaid interest has increased the principal due to the General Fund. During the current fiscal year, repayment of \$2,820,914 was made to the General Fund. Annual installments of \$2,820,914, including interest, were budgeted through fiscal year 2013. During fiscal year 1996, the General Fund advanced an additional \$2,453,635 to the Wastewater Management Fund for cash flow purposes. The advance bears interest at 7%. During the current fiscal year, repayment of \$637,723 was made to the General Fund. Annual installments of \$637,723, including interest, were budgeted through fiscal year 2013 to pay off the remaining balance. At June 30, 2009, total loan balance was \$11,715,138.

During fiscal years ended June 30, 1985, 1988 and 1989, the General Fund advanced to the Solid Waste Management Fund a total of \$3,680,000 to construct and operate a system to convert methane gas to a marketable form of energy. Between fiscal years 1995 and 1999, the General Fund advanced a total of \$10,505,152 to the Solid Waste Management Fund for the purpose of stabilizing the rates charged to utility customers in the long run. The advances bear interest at 7%. Unpaid interest increases the principal balance. Repayment of \$976,440 was made to the General Fund during this fiscal year. Annual repayments were budgeted as follows: \$1,367,016 in fiscal year 2010, \$3,124,259 annually from fiscal year 2011 to fiscal year 2014, and \$4,603,652 annually from fiscal year 2015 to fiscal year 2020. At June 30, 2009, total loan balance was \$26,813,203.

6. CAPITAL ASSETS

Modified Approach for Street Pavement System

Refer to Note 1. J. The City elected to use the modified approach as defined by GASB Statement No. 34 for infrastructure reporting for its street pavement system. As a result, no accumulated depreciation or depreciation expense has been recorded for this system. A more detailed discussion of this approach is presented in the required supplementary information section of this report. All other capital assets were reported using the basic approach whereby accumulated depreciation and depreciation expense have been recorded. The following table presents summary information on capital assets.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2009

6. CAPITAL ASSETS, Continued

Government-Wide Financial Statements

At June 30, 2009, the City's capital assets consisted of the following:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Totals</u>
Nondepreciable Assets:			
Land	\$ 103,992,293	\$ 16,269,169	\$ 120,261,462
Construction in Progress	16,355,908	15,622,298	31,978,206
Infrastructure - Streets	159,864,183	-	159,864,183
Total Nondepreciable Assets	<u>280,212,384</u>	<u>31,891,467</u>	<u>312,103,851</u>
Depreciable Assets:			
Buildings	91,507,503	22,248,672	113,756,175
Improvements	60,222,752	28,177,474	88,400,226
Equipment	30,547,561	5,169,204	35,716,765
Infrastructure:			
Sidewalks	34,181,741	-	34,181,741
Curbs and Gutters	31,261,012	-	31,261,012
Street Lights	3,208,564	-	3,208,564
Traffic Signals	7,082,633	-	7,082,633
Wastewater Treatment & Collection	-	61,519,052	61,519,052
Water Supply & Distribution	-	59,652,309	59,652,309
Total Depreciable Assets	<u>258,011,766</u>	<u>176,766,711</u>	<u>434,778,477</u>
Less Accumulated Depreciation	<u>(134,832,827)</u>	<u>(93,284,720)</u>	<u>(228,117,547)</u>
Total Depreciable Assets, Net	<u>123,178,939</u>	<u>83,481,991</u>	<u>206,660,930</u>
Total Capital Assets	<u>\$ 403,391,323</u>	<u>\$ 115,373,458</u>	<u>\$ 518,764,781</u>

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2009

6. CAPITAL ASSETS, Continued

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

	Balance July 1, 2008	Transfer to Business-Type Activities	Additions	Deletions	Balance June 30, 2009
Nondepreciable Assets:					
Land	\$ 103,992,293	\$ -	\$ -	\$ -	\$ 103,992,293
Construction in Progress	8,962,560	-	7,977,916	(584,568)	16,355,908
Infrastructure - Streets	159,527,783	-	336,400	-	159,864,183
Total Nondepreciable Assets	272,482,636	-	8,314,316	(584,568)	280,212,384
Depreciable Assets:					
Buildings and Structures	88,086,501	-	3,421,002	-	91,507,503
Improvements Other than Buildings	60,108,072	-	114,680	-	60,222,752
Machinery and Equipment	33,503,356	(4,231,326)	3,309,150	(2,033,619)	30,547,561
Infrastructure	75,407,850	-	326,100	-	75,733,950
Total Depreciable Assets	257,105,779	(4,231,326)	7,170,932	(2,033,619)	258,011,766
Accumulated Depreciation:					
Buildings and Structures	(37,449,754)	-	(2,444,260)	-	(39,894,014)
Improvements Other than Buildings	(23,377,159)	-	(1,839,595)	-	(25,216,754)
Machinery and Equipment	(20,976,404)	3,804,054	(1,963,962)	1,772,495	(17,363,817)
Infrastructure	(50,375,431)	-	(1,982,811)	-	(52,358,242)
Total Accumulated Depreciation	(132,178,748)	3,804,054	(8,230,628)	1,772,495	(134,832,827)
Depreciable Assets, Net	124,927,031	(427,272)	(1,059,696)	(261,124)	123,178,939
Total Governmental Activities Capital Assets, Net	\$ 397,409,667	\$ (427,272)	\$ 7,254,620	\$ (845,692)	\$ 403,391,323

Governmental activities' depreciation expense for capital assets for the year ended June 30, 2009, are as follows:

Planning and Management	\$ 1,090,322
Public Safety	1,094,941
Community Development	1,492,304
Transportation	2,538,529
Socioeconomic	266,194
Cultural	1,379,603
Environmental Management	368,735
Total Depreciation Expense	\$ 8,230,628

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2009

6. CAPITAL ASSETS, Continued

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

	<u>Balance July 1, 2008</u>	<u>Transfer from Governmental Activities</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2009</u>
Nondepreciable Assets:					
Land	\$ 16,269,169	\$ -	\$ -	\$ -	\$ 16,269,169
Construction in Progress	12,335,488	-	8,034,073	(4,747,263)	15,622,298
Total Nondepreciable Assets	<u>28,604,657</u>	<u>-</u>	<u>8,034,073</u>	<u>(4,747,263)</u>	<u>31,891,467</u>
Depreciable Assets:					
Buildings and Structures	22,248,672	-	-	-	22,248,672
Improvements Other than Buildings	34,477,474	-	-	(6,300,000)	28,177,474
Machinery and Equipment	889,905	4,231,326	47,973	-	5,169,204
Infrastructure	115,556,905	-	5,614,456	-	121,171,361
Total Depreciable Assets	<u>173,172,956</u>	<u>4,231,326</u>	<u>5,662,429</u>	<u>(6,300,000)</u>	<u>176,766,711</u>
Accumulated Depreciation:					
Buildings and Structures	(20,542,889)	-	(146,893)	-	(20,689,782)
Improvements Other than Buildings	(15,265,693)	-	(4,502,616)	6,300,000	(13,468,309)
Machinery and Equipment	(595,354)	(3,804,054)	(160,218)	-	(4,559,626)
Infrastructure	(51,715,928)	-	(2,851,075)	-	(54,567,003)
Total Accumulated Depreciation	<u>(88,119,864)</u>	<u>(3,804,054)</u>	<u>(7,660,802)</u>	<u>6,300,000</u>	<u>(93,284,720)</u>
Depreciable Assets, Net	<u>85,053,092</u>	<u>427,272</u>	<u>(1,998,373)</u>	<u>-</u>	<u>83,481,991</u>
Total Business-Type Activities Capital Assets, Net	<u>\$ 113,657,749</u>	<u>\$ 427,272</u>	<u>\$ 6,035,700</u>	<u>\$ (4,747,263)</u>	<u>\$ 115,373,458</u>

Business-type activities depreciation expenses for capital assets for the year ended June 30, 2009 are as follows:

Water Supply and Distribution	\$ 1,360,692
Wastewater Management	1,680,272
Solid Waste Management	43,611
SMaRT Station	4,297,754
Community Recreation	278,473
Total Depreciation Expense	<u>\$ 7,660,802</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, 2009

7. LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities during the fiscal year ended June 30, 2009:

Description	Beginning			Bond Amortization	Ending		
	Balance July 1, 2008	Additions	Reductions		Balance June 30, 2009	Amounts Due Within One Year	Amount Due in More than One Year
Governmental Activities:							
Bonds Payable: (Note 7.A.)							
Certificates of Participation:							
1998 ABAG	\$ 930,000	\$ -	\$ (135,000)	\$ -	\$ 795,000	\$ 140,000	\$ 655,000
1998 Parking Facility Series A	12,830,000	-	(590,000)	-	12,240,000	620,000	11,620,000
2001 Government Center	15,930,000	-	(15,930,000)	-	-	-	-
2009 Government Center	-	15,865,000	-	-	15,865,000	510,000	15,355,000
Tax Allocation Bonds							
Central Core Series 2003	6,703,402	-	(355,000)	3,661	6,352,063	360,000	5,992,063
Rebatable Arbitrage (Note 7.B.)	37,572	-	(37,572)	-	-	-	-
Net OPEB Obligations (Note 7.C.)	3,938,500	6,395,000	-	-	10,333,500	10,333,500	-
Self Insurance and							
Contingent Liability (Note 7.D.)	13,717,000	962,200	(1,908,200)	-	12,771,000	3,035,981	9,735,019
Compensated Absences (Note 7.E.)	8,040,406	8,417,645	(7,508,421)	-	8,949,630	8,060,857	888,773
Town Center Pollution Remediation							
Obligations (Note 7.G.)	8,400,000	-	(2,376,947)	-	6,023,053	4,644,081	1,378,972
Total Governmental Activities	\$ 70,526,880	\$ 31,639,845	\$ (28,841,140)	\$ 3,661	\$ 73,329,246	\$ 27,704,419	\$ 45,624,827
Business-Type Activities:							
Bonds Payable: (Note 7.A.)							
Revenue Bonds:							
Water and Wastewater Series 2001	\$ 24,425,915	\$ -	\$ (1,435,000)	\$ 13,211	\$ 23,004,126	\$ 1,495,000	\$ 21,509,126
Solid Waste Series 2003	14,992,966	-	(1,205,000)	9,087	13,797,053	1,255,000	12,542,053
Solid Waste Series 2007	8,130,000	-	(440,000)	-	7,690,000	460,000	7,230,000
Landfill Postclosure							
Care Costs (Note 7.F.)	3,632,167	7,055,542	-	-	10,687,709	621,212	10,066,497
Total Business-Type Activities	\$ 51,181,048	\$ 7,055,542	\$ (3,080,000)	\$ 22,298	\$ 55,178,888	\$ 3,831,212	\$ 51,347,676

There have been no defaults on any debt service payments to the bondholders as of June 30, 2009. The City has complied with all significant bond covenants. Refer to Note 7.H for debt for which the City is not obligated in any manner.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2009

7. LONG-TERM LIABILITIES, Continued

A. Bonds Payable

Most of the City's bonded debt issues are insured and that is reflected in the reported ratings for the bonds. In May 2009 Standard & Poor's (S&P) Rating Services increased the City's issuer credit rating (ICR) from AA+ to AAA, affording the City the highest possible underlying rating from S&P.

Ratings for the City's outstanding bonds as of June 30, 2009 are as follows:

Bonded Debt	Outstanding Par Amount	Moody's	S&P	Underlying Rating	
				Moody's	S&P
Central Core Tax Allocation Refunding Bonds, Series 2003	\$ 6,400,000	Aa3	AA	A3	A-
1998 Parking Facility, Series A Certificates of Participation	12,240,000	Aaa	AAA	A1	N/A
1998 ABAG Certificates of Participation	795,000	N/A	N/A	Aa2	N/A
2009 Government Center Certificates of Participation	15,865,000	Aaa	AAA	N/A	AA+
Water and Wastewater Revenue Bonds, Series 2001	23,150,000	Aa3	AA	A1	AA
Solid Waste Revenue Bonds, Series 2003	13,875,000	Aa3	AA	A1	A+
Solid Waste Revenue Bonds, Series 2007	7,690,000	N/A	N/A	N/A	N/A

Certificates of Participation

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

Due in original annual installments of \$110,000-\$220,000 through July 15, 2013, interest at 4.40-5.20%, repayments made from 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, 2009 were as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 140,000	\$ 37,270	\$ 177,270
2011	145,000	30,145	175,145
2012	155,000	22,490	177,490
2013	165,000	14,170	179,170
2014	190,000	4,940	194,940
Total	\$ 795,000	\$ 109,015	\$ 904,015

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2009

7. LONG-TERM LIABILITIES, Continued

A. Bonds Payable, Continued

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

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

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 620,000	\$ 590,892	\$ 1,210,892
2011	645,000	561,475	1,206,475
2012	675,000	530,118	1,205,118
2013	710,000	496,523	1,206,523
2014	745,000	460,689	1,205,689
2015-2019	4,315,000	1,693,125	6,008,125
2020-2023	4,530,000	470,500	5,000,500
Total	\$ 12,240,000	\$ 4,803,322	\$ 17,043,322

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

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

Annual debt service requirements for the Government Center Certificates of Participation are based on a variable interest rate that is determined by the remarketing agent as the rate that would be necessary to enable the remarketing of the COPs at 100% of the principal amount. At June 30, 2009, the interest rate was 1.800%, which was the rate used to project the interest portion of the debt service payments for future years. This rate will change with market fluctuations. The 2009 Certificates had deferred charges of \$504,650, which was recorded as an asset in the government-wide financial statements and amortized over the life of the Certificates. The balance of the deferred charges at June 30, 2009 was \$502,771.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2009

7. LONG-TERM LIABILITIES, Continued

A. Bonds Payable, Continued

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

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 510,000	\$ 285,570	\$ 795,570
2011	470,000	276,390	746,390
2012	490,000	267,930	757,930
2013	510,000	259,110	769,110
2014	535,000	249,930	784,930
2015-2019	3,020,000	1,097,370	4,117,370
2020-2024	3,700,000	801,900	4,501,900
2025-2029	4,540,000	440,010	4,980,010
2030-2031	2,090,000	56,790	2,146,790
Total	\$ 15,865,000	\$ 3,735,000	\$ 19,600,000

Tax Allocation Bonds

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

Due in original annual installments of \$230,000-\$585,000 through August 1, 2022, interest at 2.00-4.50%, repayments made from incremental property taxes recorded in the Redevelopment Agency Special Revenue Fund. The bonds are presented net of unamortized discount of \$47,937. 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, 2009 was \$424,495.

The debt service requirements for the bonds at June 30, 2009 were as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 360,000	\$ 246,536	\$ 606,536
2011	370,000	236,486	606,486
2012	385,000	224,776	609,776
2013	395,000	211,704	606,704
2014	405,000	197,451	602,451
2015-2019	2,290,000	729,634	3,019,634
2020-2023	2,195,000	201,523	2,396,523
	6,400,000	2,048,110	8,448,110
Less Unamortized Discount	(47,937)	-	(47,937)
Total	\$ 6,352,063	\$ 2,048,110	\$ 8,400,173

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2009

7. LONG-TERM LIABILITIES, Continued

A. Bonds Payable, Continued

Revenue Bonds

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

Due in original annual installments of \$1,150,000 - \$2,215,000 from October 1, 2002 to October 1, 2017, and annual installments of \$615,000 - \$915,000 from October 1, 2018 through October 1, 2026, interest at 2.5% - 5.17%, with repayments made from net revenues of the Water Supply and Distribution and the Wastewater Management Enterprise Funds up to fiscal year 2018. Thereafter, repayments will be made solely from the Wastewater Management Enterprise Fund. The bonds are presented net of unamortized discount of \$145,874.

The debt service requirements for the bonds at June 30, 2009 were as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	1,705,000	908,994	2,613,994
2014	1,795,000	817,119	2,612,119
2015-2019	8,815,000	2,571,477	11,386,477
2020-2024	3,565,000	1,115,875	4,680,875
2025-2027	2,610,000	200,250	2,810,250
	<u>23,150,000</u>	<u>8,783,070</u>	<u>31,933,070</u>
Less Unamortized Discount	(145,874)	-	(145,874)
Total	<u>\$ 23,004,126</u>	<u>\$ 8,783,070</u>	<u>\$ 31,787,196</u>

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

Due in original annual installments of \$1,025,000 - \$1,890,000 through October 1, 2017, interest at 2.0% - 5.5%, repayments made from net revenues of the Solid Waste Enterprise Fund and monies received by the City from the cities of Mountain View and Palo Alto under the Memorandum of Understanding in connection with the City's Solid Waste Material Recovery and Transfer Station. The bonds are presented net of unamortized discount of \$77,947. 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, 2009 was \$495,766.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2009

7. LONG-TERM LIABILITIES, Continued

A. Bonds Payable, Continued

The debt service requirements for the 2003 Solid Waste Revenue Bonds at June 30, 2009 were as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	1,440,000	505,300	1,945,300
2014	1,520,000	425,700	1,945,700
2015-2018	6,980,000	793,926	7,773,926
	<u>13,875,000</u>	<u>3,623,189</u>	<u>17,498,189</u>
Less Unamortized Discount	(77,947)	-	(77,947)
Total	<u><u>\$ 13,797,053</u></u>	<u><u>\$ 3,623,189</u></u>	<u><u>\$ 17,420,242</u></u>

\$8,130,000 Solid Waste Revenue Bonds, Series 2007

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

Due in original annual installments of \$440,000 - \$745,000 through October 1, 2021, interest at 4.0197%, repayments made from net revenues of the Solid Waste Enterprise Fund, and monies received from the City of Palo Alto under the Memorandum of Understanding in connection with the City's Solid Waste Material Recovery and Transfer Station. The bonds had deferred charges of \$94,574, which were recorded as an asset and amortized over the life of the bond on a straight line basis. The balance of the deferred charges at June 30, 2009 was \$81,964.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2009**7. LONG-TERM LIABILITIES, Continued****A. Bonds Payable, Continued****\$8,130,000 Solid Waste Revenue Bonds, Series 2007, Continued**

The debt service requirements for the bonds at June 30, 2009 were as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 460,000	\$ 299,869	\$ 759,869
2011	480,000	280,977	760,977
2012	495,000	261,381	756,381
2013	520,000	240,981	760,981
2014	540,000	219,677	759,677
2015-2019	3,050,000	747,665	3,797,665
2020-2022	2,145,000	131,745	2,276,745
Total	\$ 7,690,000	\$ 2,182,295	\$ 9,872,295

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2009

7. LONG-TERM LIABILITIES, Continued

A. Bonds Payable, Continued

Debt Refunding

From issuance through December 2007, the interest rates on the City's 2001 Government Center Variable Rate Demand Certificates of Participation (2001 COPs) ranged from less than 1% to just over 3%. These rates were among the lowest available in the municipal bond market. In January 2008, the rating agencies began to downgrade the major bond insurers, primarily due to those insurers' exposure to exotic securities such as collateralized debt obligations. The downgrades caused the interest rates on all insured variable rate demand obligations (VRDOs) to increase significantly compared with VRDOs secured by letters of credit from a strong bank.

In October 2008, the City Council amended the City's Investment Policy to allow investments in municipal bonds, including the City's own 2001 COPs. By November 2008, rates on the 2001 COPs reached 8%. Following the City's purchase of a major portion of the 2001 COPs, the rate declined to 3.50%. By comparison, interest rates on California VRDOs backed by bank letters of credit were then traded in the 0.20% to 0.50% range. At the same time the City began the process of procuring a bank letter of credit needed to implement a refunding.

On June 2, 2009, the Sunnyvale Financing Authority issued \$15,865,000 of Government Center Variable Rate Demand Refunding Certificates of Participation, Series 2009A (2009 COPs) to defease and refund on a current basis the then outstanding Government Center Variable Rate Demand Certificates of Participation, Series 2001A (2001 COPs).

The 2009 COPs are backed by an irrevocable direct draw letter of credit from Union Bank. These debt obligations were initially sold to the remarketing agent on a negotiated basis. The remarketing agent resets the interest rates each week. At year end, the annualized rate on the 2009 COPs was at 1.80%., with more recent rates in the range of 0.25%. Over the past 15 years, rates on VRDOs have averaged approximately 2.82%, compared with an estimated rate of 5.50% in the current market for a fixed rate tax-exempt borrowing.

The purpose of this refunding was to issue uninsured weekly variable rate demand obligations and terminate the interest rate penalties being assessed by bond investors. There was no cash flow savings or economic gain or loss associated with this refunding.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2009

7. LONG-TERM LIABILITIES, Continued

A. Bonds Payable, Continued

Debt Refunding, Continued

The following schedule presents a summary of the refunding transactions:

Sources	
Principal Amount of 2009 Certificates	\$ 15,865,000
2001 Certificates Reserve Fund	1,230,536
Total Sources	<u>\$ 17,095,536</u>
Uses	
Escrow Fund to defease 2001 Certificates	\$ 15,475,000
2009 Certificates Reserve Fund	1,097,394
Amount Deposited into Costs of Issuance Account	248,279
Letter of Credit Upfront Payment and Origination Fee	179,673
Underwriter's Discount	95,190
Total Sources	<u>\$ 17,095,536</u>

At June 30, 2009, the Cost of Issuance account had a balance of \$18,491.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2009

7. LONG-TERM LIABILITIES, Continued

A. Bonds Payable, Continued

Annual Debt Service Requirements to Maturity-All Bonded Debt

The annual requirements to amortize long-term bonded debt outstanding as of June 30, 2009 by activity are listed below:

	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2010	\$ 1,630,000	\$ 1,160,268	\$ 3,210,000	\$ 2,108,847
2011	1,630,000	1,104,496	3,345,000	1,975,737
2012	1,705,000	1,045,314	3,475,000	1,825,261
2013	1,780,000	981,507	3,665,000	1,655,275
2014	1,875,000	913,010	3,855,000	1,462,496
2015-2019	9,625,000	3,520,129	18,845,000	4,113,068
2020-2024	10,425,000	1,473,923	5,710,000	1,247,620
2025-2029	4,540,000	440,010	2,610,000	200,250
2030-2031	2,090,000	56,790	-	-
	<u>35,300,000</u>	<u>10,695,447</u>	<u>44,715,000</u>	<u>14,588,554</u>
Less Unamortized Discount	(47,937)	-	(223,821)	-
Total	\$ 35,252,063	\$ 10,695,447	\$ 44,491,179	\$ 14,588,554

B. Rebtable Arbitrage

There was no rebatable arbitrage liability as of June 30, 2009. The originally estimated liability of \$37,572 at June 30, 2008, which was with regard to the 2001 Government Center Variable Rate Demand Certificates of Participation, was reversed in fiscal year 2009. The financial meltdown in the bond insurance market caused a significant increase in the interest paid by the City to investors of these certificates. The final arbitrage analysis performed for this refunded debt has confirmed that no payment is due to the United States.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2009

7. LONG-TERM LIABILITIES, Continued

C. Other Postemployment Benefits (OPEB)

Plan Description

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

The City provides a retiree healthcare stipend equal to the lesser of the medical premium or a dollar limit that varies by employee group (\$300 to \$545 per month for 2009). The City pays 100% of the medical premium for management employees who retired on or before December 31, 2007 and 100% of the medical premium up to a dollar cap for management employees who retire after December 31, 2007. Management employees appointed on or after July 1, 2007 are subject to a vesting schedule ranging from 50% after 5 years of management service to 100% after 15 years of management service. There were 624 retired plan participants at year end.

Funding Policy

The contribution requirements of the Plan participants and the City are established by and may be amended by the City.

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

For 2009, the ARC was \$10,507,000. The City contributed \$3,995,000 on a pay-as-you-go basis for current benefit payments. During the current fiscal year, the General Fund made a transfer of \$10 million to the Employee Benefits Internal Service Fund, adding additional amounts to existing resources earmarked for future deposit into the OPEB trust.

Since 2007, the City has set aside funds in the Employee Benefits Internal Service Fund for future OPEB obligations. In August 2008, City Council approved a resolution for the City to participate in the California Employers' Retiree Benefit Trust (CERBT), a tax-qualified irrevocable trust administered by the California Public Employees' Retirement System (CalPERS) and organized under Internal Revenue Code Section 115 to pre-fund retiree healthcare benefits. In the fiscal year 2009 adopted budget, the City budgeted \$28.1 million for its initial investment into the CERBT. As of June 30, 2009, no funds have been deposited into the CERBT. City staff has been authorized to transfer the available balance to the CERBT when necessary and prudent.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2009

7. LONG-TERM LIABILITIES, Continued

C. Other Postemployment Benefits (OPEB), Continued

Annual OPEB Cost and Net OPEB Obligation

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

Annual Required Contribution, FY 08/09	\$	10,507,000
Interest on net OPEB obligation		187,000
Adjustment to annual required contribution		(304,000)
Annual OPEB Cost		<u>10,390,000</u>
Contributions made to irrevocable trust		-
Benefit payments made outside of trust		(3,995,000)
Increase in net OPEB obligation		<u>6,395,000</u>
Net OPEB obligation-beginning of year		3,938,500
Net OPEB Obligation-end of year	\$	<u><u>10,333,500</u></u>

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

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2007	N/A	N/A	N/A
6/30/2008	\$ 7,633,000	48.4%	\$ 3,938,500
6/30/2009	10,390,000	38.5%	10,333,500

Funded Status and Funding Progress

The funded status of the plan as of June 30, 2008, the plan's most recent actuarial valuation date, was as follows:

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

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2009

7. LONG-TERM LIABILITIES, Continued

C. Other Postemployment Benefits (OPEB), Continued

Funded Status and Funding Progress, Continued

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

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

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

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan participants to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

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

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2009

7. LONG-TERM LIABILITIES, Continued

D. Self-Insurance and Contingent Liabilities

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

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

The City has \$40,000,000 in excess general liability coverage, subject to \$500,000 self-insured retention (SIR) for each occurrence, through California Joint Powers Risk Management Authority (CJPRMA), a risk-sharing pool. CJPRMA is a joint powers authority created by certain California cities and other joint powers authorities to provide a pooled approach for liability coverage. The CJPRMA is governed by a board of directors comprised of officials appointed by each member agency. The activities of the CJPRMA include setting and collecting premiums, administering and paying claims and related expenses and investing assets. Each member is assessed a contribution based on actuarially determined rates, which is intended to cover the CJPRMA's claims, operating costs and claim settlement expenses. Additional cash contributions may be assessed on the basis of adverse loss experiences. The CJPRMA maintains members' equity accounts for each pool member. Losses and expenses are paid from these pools up to the limit of coverage subject to the self-insured retention. Financial statements for CJPRMA for the fiscal year ended June 30, 2009 may be obtained from CJPRMA at 2333 San Ramon Valley Blvd. Suite 250, San Ramon, CA 94583-4456.

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

\$500,000 - \$1,000,000. Coverage provided by CSAC-EIA (30% quota share) and American Safety Casualty Insurance Company (70% quota share)

\$1,000,001 - \$5,000,000. Coverage provided by CSAC-EIA.

\$5,000,001 - \$50,000,000. Coverage provided by ACE American Insurance Company

\$50,000,001 - Statutory. Coverage provided by National Union Fire Insurance Co. of Pittsburgh, PA (AIG)

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2009

7. LONG-TERM LIABILITIES, Continued

D. Self-Insurance and Contingent Liabilities, Continued

The California State Association of Counties (CSAC) Excess Insurance Authority (EIA) is a member-directed joint powers insurance authority, operating since 1979. The EIA has been providing California’s counties, and more recently other public entities, including cities, schools and special districts, with stable cost-effective insurance alternatives and quality risk management services. The City is currently a member of the EIA Excess Workers Compensation Insurance Program. The EIA is governed by a board of directors composed of officials appointed by member agencies. Each participating member is required to share all costs of that program, including development charges, premiums, premium surcharge, and administrative costs. Losses and expenses are paid from these pools up to the limit of coverage subject to the self-insured retention. Financial statements for the CSAC - EIA for the fiscal year ended June 30, 2009, may be obtained from CSAC Excess Insurance Authority at 3017 Gold Canal Drive, Rancho Cordova, CA 95670.

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

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

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

	<u>2009</u>	<u>2008</u>	<u>2007</u>
General:			
Liability at beginning of fiscal year	\$ 1,279,000	\$ 779,000	\$ 1,252,000
Claims paid	(351,600)	(186,500)	(675,000)
Current fiscal year claims and changes in estimated liability	334,600	686,500	202,000
Liability at end of fiscal year	<u>\$ 1,262,000</u>	<u>\$ 1,279,000</u>	<u>\$ 779,000</u>
Workers' Compensation:			
Liability at beginning of fiscal year	\$ 12,438,000	\$ 11,603,000	\$ 11,791,000
Claims paid	(1,556,600)	(1,842,300)	(2,157,000)
Current fiscal year claims and changes in estimated liability	627,600	2,677,300	1,969,000
Liability at end of fiscal year	<u>\$ 11,509,000</u>	<u>\$ 12,438,000</u>	<u>\$ 11,603,000</u>
Total estimated claims payable	<u>\$ 12,771,000</u>	<u>\$ 13,717,000</u>	<u>\$ 12,382,000</u>

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2009

7. LONG-TERM LIABILITIES, Continued

D. Self-Insurance and Contingent Liabilities, Continued

Since the loss and the loss adjustment expense payments associated with the claims liabilities will be spread over several years, the liabilities are discounted to reflect anticipated investment on assets set aside to pay these costs. The claims liabilities are reported at present value, which have been computed using a discount rate of 5%, on the carrying amount of estimated general liability of \$1,383,000 and estimated workers' compensation liability of \$15,208,000 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.

E. 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, 2009 was \$8,949,630.

F. Landfill Postclosure Care Costs

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

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

At June 30, 2009 a liability in the amount of \$10,687,709 was reported based on the estimated remaining postclosure care costs that will be incurred over the next 15 years to meet the regulatory requirements. The estimated liability is based on the amount that would be paid if all equipment, facilities, and services required to monitor and maintain the landfill were acquired as of June 30, 2009. However, the actual cost of postclosure care may be higher or lower due to inflation, changes in technology, or changes in landfill laws and regulations. These landfill closure and postclosure care costs will be financed by a combination of the Solid Waste Management Fund's existing cash and investments and future refuse collection charges.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2009

7. LONG-TERM LIABILITIES, Continued

G. Town Center Pollution Remediation Obligations

Pursuant to the Amended and Restated Disposition and Development and Owner Participation Agreement (ARDDOPA), the Redevelopment Agency (Agency) and Downtown Sunnyvale Mixed Use, LLC (Developer) agreed to cooperate and share the costs in the investigation of, and response to, environmental conditions associated with the Town Center Project (Project) under the oversight of an appropriate regulatory agency. The Agency and the Developer also agreed to cooperate in any efforts by either party to seek and obtain suitable liability protection, immunities and/or other assurances from the oversight agency regarding those environmental conditions pursuant to the Polanco Redevelopment Act, enacted by the State to encourage redevelopment of sites impacted by the presence of hazardous substances and to provide incentives in the form of state immunities if completed.

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

On July 17, 2007, the Agency adopted a resolution approving and authorizing an agreement with the San Francisco Bay Regional Water Quality Control Board as the oversight agency to facilitate investigation of, and response to, environmental conditions associated with the Project.

The ARDDOPA provides tiered cost sharing with the Developer; the Agency must pay 50% of the first \$2 million, 65% of the next \$1 million, 75% of the next \$1 million and 85% of cost above \$4 million. The Agency's original estimate was that, by fiscal year 2010 at the completion of the Project, Agency's share of the pollution remediation outlays might reach \$9 million in total. These costs would include expenses incurred for legal and environmental consulting, reimbursements to the oversight agency, and costs related to remediation implementation and post-remediation monitoring.

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

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

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2009

7. LONG-TERM LIABILITIES, Continued

G. Town Center Pollution Remediation Obligations, Continued

On July 17, 2009, the Agency's obligations to the Developer with respect to the aforementioned disputed amount were discharged and replaced by a new *Infrastructure Improvement Agreement*. The Agency wired \$1,107,118 immediately to reimburse the Developer for prior environmental costs; that amount was accrued to fiscal year 2009 in the fund financial statements. The Agency also committed \$3,729,726 for Site Improvement Funds, which represent the Agency's share to reimburse the Developer for installing the street infrastructure improvement for the new Target store.

In the previous fiscal year, the Agency's Special Revenue Fund reported expenditures of \$0.6 million for environmental costs. Estimated additional expenses of \$8.4 million and the corresponding pollution remediation obligations were reported under governmental activities, in the government-wide financial statements, based on the guidelines provided by GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*.

During fiscal year 2009, the Agency's Special Revenue Fund reported environmental expenditures of \$2,376,947, which was a portion of the originally estimated obligations of \$8.4 million as reported in the previous year. Although a great deal of work has already been accomplished to characterize the extent of the pollutants, the work is subject to the approval by the Regional Water Quality Board, and subsequent proof of effective remediation. The Agency's share of future environmental outlays is estimated to be \$6,023,053, considered to be a better estimate than any other amounts.

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

The remediation project is budgeted under the Redevelopment Agency Special Revenue Fund (Nonmajor Fund). The City General Fund may need to advance additional funds to the Agency since the Agency has committed tax increments to preexisting obligations and will need the City General Fund resources to fund the remediation project.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2009

7. LONG-TERM LIABILITIES, Continued

H. Non City Obligations

Community Facilities District

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

The bond documents for the CFD No. 1 bonds stipulated that in the event the Initial Release Test was not satisfied, the bonds would be redeemed in part. In order to satisfy the Initial Release Test, the Director of Finance of the City of Sunnyvale had to determine, at the time of the initial disbursement from the Escrow Fund, that several conditions had been met. Prior to the initial disbursement from the Escrow Fund, the Director of Finance determined that the Initial Release Test had not been satisfied. Therefore, bonds in the amount of \$16,010,000 were redeemed in September 2002. The principal balance of currently outstanding bonds was \$18,660,000 at June 30, 2009. These funds were used to finance one of the two proposed new parking garages. This garage, which contains 958 parking spaces, opened on October 2001.

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

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2009

7. LONG-TERM LIABILITIES, Continued

H. Non City Obligations, Continued

Community Facilities District, Continued

On October 2, 2006, Fourth Quarter Properties requested permission from the Redevelopment Agency (the Agency) to transfer the project to RREEF America III (RREEF), a large real estate investment trust, which would develop the property in joint venture with Sand Hill Properties, a local developer. After due diligence review, on December 12, 2006 the Agency gave preliminary approval to transfer the project to RREEF and Sand Hill Properties. On February 6, 2007, the Agency approved the Amended and Restated Disposition, Development and Owner Participation Agreement (ARDDOPA) with Downtown Sunnyvale Mixed Use LLC (the Developer), a joint venture of RREEF and Sand Hill Properties Company.

The ARDDOPA 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 was originally expected to be completed by March 2010. Due to the 2008 credit market meltdown and the severe recession, the Developer halted construction in February 2009 for lack of further funding. The Town Center development project was about 40% completed at the time.

Refer to Note 15 for events occurring subsequent to June 30, 2009.

2002 Housing Revenue Bonds, Series A

On December 26, 2002, the City issued \$2,600,000 of 2002 Housing Revenue Bonds, Series A on behalf of the EHC Life Builders, formerly Emergency Housing Consortium, a nonprofit corporation. The bonds bear interest at 7.5% to 9.0% and mature December 1, 2032. The bonds were used to partially finance the acquisition of a 24-unit apartment complex located at 183 Acalanes Drive to increase the number of affordable rental housing units in the City. The bonds are secured by a deed of trust on the property. Neither the City's General Fund nor the full faith and credit of the City is pledged for the payment of principal or interest on the Housing Revenue Bonds. Since the bonds do not constitute a debt of the City, they are not reported in the accompanying financial statements.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2009

8. OPERATING LEASES

The City leases from NASA a portion of certain land located at Moffett Field under a noncancellable operating lease. The leased property is used solely for the maintenance and operation of a public golf course. Future minimum payments under this lease at June 30, 2009 are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2010	\$ 52,747
2011	52,747
2012	52,747
2013	52,747
2014	52,747
2015-2019	263,735
2020-2021	105,494
Total	\$ 632,964

9. COMMITMENTS

At June 30, 2009, the City had outstanding construction commitments for the following projects:

<u>Description</u>	<u>Contract</u>	<u>Unpaid</u>
Murphy Avenue Streetscape & Utilities	\$ 3,642,050	\$ 3,642,050
Pavement Rehabilitation of Various Streets Phase II	1,412,176	1,412,176
Tasman Fair Oaks Pedestrian & Bicycle Improvements	1,491,598	1,161,323
Exterior Painting of Water Tank	866,173	866,173
Traffic Signal Reconstruction at N Sunnyvale & Arques Avenues	341,220	341,220
Tertiary Plant Tank Drainage Systems Modifications	285,200	285,200
SMaRT Station Processing Equipment Replacement	13,062,517	282,684
Traffic Signal Reconstruction at Mary and Fremont Avenue	419,142	257,492
Citywide School Pedestrian Safety	247,078	247,078
	<u>\$ 21,767,154</u>	<u>\$ 8,495,396</u>

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2009

10. RETIREMENT PLAN

Plan Description

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

Funding Policy

Miscellaneous participants were required to contribute 8% of annual covered salary, and safety participants were required to contribute 11.25% of their annual covered salary. The City made the contributions required of City employees on their behalf and for their account for 7% of annual salary for miscellaneous participants and the full contribution for safety participants, which amounted to \$7,385,731 for the fiscal year ended June 30, 2009. 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, 2009, the City opted for an annual lump sum prepayment to PERS; the contribution was \$9,339,925 for miscellaneous employees and \$8,372,838 for safety employees. The contribution requirements of the plan members are established by State statute and the employer contribution rate or annual lump sum prepayment option is established annually and may be amended by PERS.

Annual Pension Cost (APC)

For fiscal year 2009 the City's annual pension cost of \$17,712,763 was equal to the City's required and actual contributions. Originally the required employer contribution was determined as part of the June 30, 2006, actuarial valuation using the entry age normal actuarial cost method. The required employer contribution using a lump sum prepayment option 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 fifteen-year period. The PERS unfunded actuarial accrued liability (or surplus) is being amortized as a level percentage of projected payroll. The average remaining amortization period at June 30, 2006, was 22 years for miscellaneous and 32 years for safety employees on a closed basis.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2009

10. RETIREMENT PLAN, Continued

Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)		Total APC	Percentage of APC Contributed	Net Pension Obligation
	Miscellaneous Plan	Safety Plan			
06/30/07	\$ 6,436,205	\$ 8,193,013	\$ 14,629,218	100%	\$ -
06/30/08	8,827,288	8,447,097	17,274,385	100%	-
06/30/09	9,339,925	8,372,838	17,712,763	100%	-

11. INTERFUND TRANSFERS

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

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

Below is a summary of interfund transfers.

Fund Financial Statements

<u>Fund Receiving Transfers</u>	<u>Fund Making Transfers</u>	<u>Amount Transferred</u>	<u>Funding Purpose</u>	
General Fund	Employment Development	\$ 314,750	(3)	
	City Projects	11,280	(1)	
	Nonmajor Governmental	242,381	(3)	
	Internal Service - General Services	432,819	(3)	
	Water Supply and Distribution	2,465,352	(3)	
	Wastewater Management	3,202,958	(3)	
	Solid Waste Management	2,612,669	(3)	
	Community Recreation	1,056,481	(3)	
	Subtotal - General Fund		<u>10,338,690</u>	

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2009

11. INTERFUND TRANSFERS, Continued

Fund Financial Statements, Continued

<u>Fund Receiving Transfers</u>	<u>Fund Making Transfers</u>	<u>Amount Transferred</u>	<u>Funding Purpose</u>
Redevelopment Debt Service	Nonmajor Governmental	\$ 1,108,973	(2)
	Subtotal - Redevelopment Debt Service	<u>1,108,973</u>	
City Projects	General Fund	318,238	(1)
	Nonmajor Governmental	1,233,293	(1)
	Subtotal - City Projects	<u>1,551,531</u>	
Nonmajor Governmental	General Fund	857,647	(3)
	Nonmajor Governmental	3,851,090	(1)
	Internal Service - General Services	1,016,391	(4)
	Water Supply and Distribution	110,328	(4)
	Wastewater Management	88,136	(4)
	Solid Waste Management	88,092	(4)
Subtotal - Nonmajor Governmental	<u>6,011,684</u>		
Internal Service - General Services	General Fund	436,335	(1)
	City Projects	8,006	(1)
	Nonmajor Governmental	982,679	(1)
	Water Supply and Distribution	258,106	(1)
	Wastewater Management	199,383	(1)
	Solid Waste Management	1,189	(1)
	Subtotal - Internal Service - General Services	<u>1,885,698</u>	
Internal Service - Employee Benefits	General Fund	10,000,000	(5)
	Subtotal - Internal Service - Employee Benefits	<u>10,000,000</u>	
Wastewater Management	Internal Service - General Services	3,682,930	(1)
	Subtotal - Wastewater Management	<u>3,682,930</u>	
SMaRT Station	Solid Waste Management	1,569,334	(2)
	Subtotal - SMaRT Station	<u>1,569,334</u>	
Community Recreation	General Fund	4,483,703	(3)
	Internal Service - General Services	223,493	(1)
	Nonmajor Governmental	35,082	(3)
	Subtotal - Community Recreation	<u>4,742,278</u>	
Total Interfund Transfers		<u>\$ 40,891,118</u>	

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2009

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 in net amounts between governmental and business-type activities are shown on the statement of activities and changes in net assets and eliminated in the total column.

During the fiscal year, capital assets with net book value of \$427,272 were transferred from governmental (Internal Service) to business-type activities (Wastewater and Community Recreation). This amount was included in the transfers of \$1,657,486 between the two activities.

12. PLEDGED REVENUES

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

Utility Revenues Pledged in Connection with Water and Wastewater Revenue Bonds, Series 2001

The City has pledged, as security for bonds issued by the Sunnyvale Financing Authority (a blended component unit), net revenues of its Water System and Wastewater System. The bonds were issued by the Authority in 2001 in the amount of \$32,115,000 to pay off the Utilities Revenue Bonds, 1992 Series A and to provide financing for additions and improvements to the Wastewater System. The Authority has pledged, as the sole security for the bonds, amounts to be paid by the City to the Authority, pursuant to an Installment Sale Agreement. Net revenues available from each System are limited to each System's allocable share of payments under the Installment Sale Agreement, which is approximately 42% for the Water System and approximately 58% for the Wastewater System through October 1, 2017; after that date, the Bonds will be payable solely from net revenues of the Wastewater System.

Total principal and interest remaining on the debt is \$31,933,070 with annual requirements ranging from \$2,613,915 in fiscal year 2010 to \$937,875 in final fiscal year 2027. For the current year, principal and interest paid by the Authority was \$2,614,608. Combined net revenues of the Water System and Wastewater System recognized by the City were \$11,146,959. Net revenues for calculating debt coverage include the following components: operating revenues, operating expenses (excluding depreciation), interest income, and net interfund transfers.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2009

12. PLEDGED REVENUES, Continued

Utility Revenues Pledged in Connection with Solid Waste Revenue Refunding Bonds, Series 2003 and Series 2007

The City has pledged, as security for the Bonds issued, net revenues of its Solid Waste System and all moneys received from the cities of Mountain View and Palo Alto designated as debt service payments under the Memorandum of Understanding entered into for the City's Solid Waste Materials Recovery and Transfer Station (the SMaRT[®] Station Fund). The bonds issued in 2003 by the City in the amount of \$20,575,000 were used to defease and refund the Sunnyvale Financing Authority Utilities Revenue Bonds, 1992 Series B. Debt service requirements for the 2003 Bonds are shared by the cities of Sunnyvale, Mountain View, and Palo Alto at 55.28%, 23.45%, and 21.27 % respectively. The Bonds issued in 2007 by the Sunnyvale Financing Authority in the amount of \$8,130,000 were to provide additional funds for replacing materials recovery facility equipment. Debt service requirements for the 2007 Bonds are shared by the cities of Sunnyvale and Palo Alto at 72.21% and 27.79 % respectively.

Total principal and interest remaining to be paid on the 2003 Bonds is \$17,498,189 with annual requirements ranging from \$1,945,063 in fiscal year 2010 to \$1,941,975 in the final fiscal year 2018. Total principal and interest remaining to be paid on the 2007 bond issues is \$9,872,295 with annual requirements ranging from \$759,869 in fiscal year 2010 to \$759,973 in the final fiscal year 2022.

For the current year, principal and interest payments were \$1,942,601 for the 2003 Bonds and \$757,958 for the 2007 Bonds. Net revenues of the Solid Waste System were a negative amount of \$5,030,017 for fiscal year 2009. The negative amount was caused by a \$7 million increase in accounting estimate of landfill postclosure liability, which will be funded by future rate increases in the next 15 years. Net revenues for calculating debt coverage include the following components: operating revenues, operating expenses (excluding depreciation), interest income, and net interfund transfers (excluding transfer of \$1,569,334 to the SMaRT Station Fund for Sunnyvale's share of debt service). The cities of Mountain View and Palo Alto paid \$435,020 and \$603,874 into the SMaRT Station Fund to cover their allocated share of debt service in this year.

Tax Increment Revenues Pledged

Tax increment revenues of \$8,264,077, net of administrative fees, for this year were reported in the Redevelopment Agency Special Revenue Fund-Nonmajor Governmental Funds. All future tax increment revenues are pledged for purposes stated below.

Under California law, the Redevelopment Agency has the power to utilize tax increment financing to borrow funds for land acquisition and public infrastructure improvements in the redevelopment project area. In 1977 the Redevelopment Agency issued \$16,800,000 of tax allocation bonds for the above purposes. Those bonds were twice refinanced. The current outstanding issue, Central Core Redevelopment Project Tax Allocation Refunding Bonds, Series 2003, has remaining principal and interest of \$8,448,110. The annual debt service, ranging from \$606,536 in fiscal year 2010 to \$598,163 in the final fiscal year 2023, is fully covered by current tax increment.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2009

12. PLEDGED REVENUES, Continued

Tax Increment Revenues Pledged, continued

Also in 1977, the Agency sold lease revenue bonds totaling \$22,300,000 to construct a parking structure in the project area. Those bonds were twice refinanced. The current outstanding issue, Parking Facility Certificates of Participation, 1998 Series A, has remaining principal and interest of \$17,043,322. The annual debt service, ranging from \$1,210,892 in fiscal year 2010 to \$1,281,250 in the final fiscal year 2023, is fully covered by advances from the City General Fund in the form of base rental payments. Under the 1977 First Amended Repayment Contract, the Agency is to repay the City General Fund for these advances (the "1977 Loan") after paying for debt service of the Tax Allocation Bonds. Since 1986, the City General Fund has also provided additional loans (the "1986 Loan") to the Agency's for certain administrative costs and project expenditures. The Agency has not been able to produce sufficient tax increment revenues to significantly reduce the balance of General Fund advances. Refer to Note 5.B Interfund Receivables/Payables for more details.

In 1986, the State Legislature imposed a new statutory obligation on the Agency to set aside an amount equal to 20% of the gross tax increment revenues generated each year in the project area. Due to preexisting debt obligations, the Agency has to adopt, on a yearly basis, a Housing Fund Deficit Reduction Plan, to defer payments into the Agency's Low and Moderate Income Housing Fund until future years after the final maturity of pre-existing obligations giving rise to such deficit. State law allows the Agency to continue collecting tax increment after the redevelopment project time and tax increment limits are reached so that the housing deficit can be eliminated. Refer to Note 5.A Interfund Receivables/Payables for more details.

Since the inception of the Redevelopment Project, the State has enacted several laws that placed revenue restrictions on redevelopment agencies. These include capping the time period for collection of tax increment for the redevelopment project area. For Sunnyvale's project area, the termination date was extended to November 2028 two years ago.

More important was the establishment of revenue limits for redevelopment agencies. The revenue limit/increment cap for the Sunnyvale Redevelopment Agency as originally established was \$118 million. In fiscal year 2006 the Agency amended its Redevelopment Plan to increase the tax increment cap to \$600 million.

It should be noted that when tax increment received by the Agency reaches the original \$118 million cap, certain pass through payments to other taxing agencies will be required. At June 30, 2009, cumulative tax increment received, adjusted by approximately \$1 million for which valuation is currently under appeal, amounted to \$75,883,003.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2009

12. PLEDGED REVENUES, Continued

Tax Increment Revenues Pledged, continued

Refer to Note 7.H and Note 15. As part of the Amended and Restated Disposition, Development, and Owner Participation Agreement (ARDDOPA) signed with the Developer in February 2007, the Agency has agreed to return to the Developer up to \$4.5 million per year of tax increment plus 50% of any receipts above this amount, in return for construction by the developer of public streets and underground parking. The mechanism for making the payments will be repayment of the General Fund loan by the Agency. In the City General Fund Long Term Financial Plan, the Agency loan repayment revenue is shown as revenue with a corresponding expense item shown as *Payment to Town Center Developer*. The tax increment agreement was originally scheduled to end in fiscal year 2026. The outcome remains uncertain pending bank foreclosure proceedings on the Developer.

13. 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.

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, 2009

13. 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	City Projects	Nonmajor Governmental Funds
Housing Mitigation	\$ -	\$ -	\$ -	\$ -	\$ 15,637,191
Housing Revolving Fund	-	-	-	-	1,869,633
Park Dedication	-	-	-	-	5,750,401
Public Safety	-	-	-	-	1,392,276
Low and Moderate Income Housing	-	-	-	-	10,667,213
Restricted Donations and Contributions	536,625	171,565	-	-	1,430,684
Advances to Other Funds Net of Deferred Revenue	15,609,791	-	-	-	-
Long-term Receivables Net of Deferred Revenue	3,809,993	-	-	-	-
Inventories and Prepayments	464,361	7,160	-	550,000	-
Assets Held for Resale	1,101,077	-	-	-	280,000
Capital Improvement Projects	8,756,797	-	-	-	-
Debt Service	-	-	1,929,618	-	1,318,553
Total	\$ 30,278,644	\$ 178,725	\$ 1,929,618	\$ 550,000	\$ 38,345,951

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 Park Dedication represents unspent park dedication fee revenues restricted for future park projects.

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. The Agency cannot provide funding due to pre-existing bonded debt and other obligations.

Reserved for Restricted Donations and Contributions represents contributions from other agencies and donations from citizens to support unbudgeted activities.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2009

13. 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	\$ 907,711	\$ -	\$ 437,834	\$ 63,197	\$ -
Contingencies	23,862,684	-	-	-	-
Current Capital and Special Projects	3,103,881	-	14,639,685	250,000	5,015,248
20-Year Resource Allocation Plan	41,865,102	-	-	10,219,452	7,976,627
Total Unreserved, Designated	69,739,378	-	15,077,519	10,532,649	12,991,875
Unreserved and Undesignated	-	(63,989,598)	-	(6,652,726)	-
Total Unreserved	\$ 69,739,378	\$ (63,989,598)	\$ 15,077,519	\$ 3,879,923	\$ 12,991,875

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 as 20% of General Fund operating budget to provide funding for any significant unplanned event that may arise such as natural disasters or emergencies.

Designated for Current Capital and Special Projects reflects the amount needed 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, 2009

13. 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 Long-Term 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. In the fiscal year 2010 Budget, the City renamed the *20-Year Resource Allocation Plan Reserve* as the *Budget Stabilization Fund* in order to more accurately reflect its intended 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. The deficit in the Redevelopment Agency Special Revenue Fund (nonmajor fund) was caused by the State mandated 20% of tax increment revenues set aside for low and moderate income housing. The Agency has not been able to make deposits into the housing fund due to pre-existing debt obligations.

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:

	Water Supply and Distribution	Wastewater Management	Solid Waste Management	SMaRT Station	Community Recreation	Internal Service Funds
Contingencies	\$ 4,767,526	\$ 3,372,995	\$ 2,862,904	\$ -	\$ -	\$ -
Government Center	67,918	54,486	80,657	-	-	11,107,173
Capital Projects	6,266,937	8,286,400	227,170	-	20,206	-
Rate Stabilization	3,348,882	9,547,031	-	-	-	-
Other Postemployment Benefits	-	-	-	-	-	18,520,535
Enhanced Retirement	-	-	-	-	-	1,925,359
PERS Rate Uncertainty	-	-	-	-	-	2,832,494
Workers' Compensation	-	-	-	-	-	565,717
Equipment Replacement	-	-	-	3,577,054	-	6,373,263
20-Year Resource Allocation Plan	-	-	-	-	1,029,871	4,693,183
Funded by Rates	(6,149,937)	(13,604,198)	(36,853,979)	-	-	-
Total	\$ 8,301,326	\$ 7,656,714	\$ (33,683,248)	\$ 3,577,054	\$ 1,050,077	\$ 46,017,725

Contingencies are established by City Council to provide funding for any significant unplanned event that may arise such as a natural disaster or emergencies. The Fiscal Sub-Element of the City’s General Plan requires the following percentages of operations to be maintained as a contingency reserve: 25% for Water Supply and Distribution, 25% for Wastewater Management, and 10% for Solid Waste Management due to less risk for damage or disaster.

Government Center represents the portion of unrestricted net assets accumulated to pay for debt service and also partially fund facility management costs.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2009

13. CLASSIFICATION OF NET ASSETS, Continued

Capital Projects reflects the amounts needed to re-appropriate to uncompleted capital 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.

Other Postemployment Benefits (OPEB) represents the portion of net assets in the Employee Benefits Internal Service Fund set aside for future medical premiums for retired employees pursuant to GASB Statement No. 45. This set-aside is in addition to the recognized OPEB liability of \$10,333,500. The City will deposit these funds into the California Employers' Retiree Benefit Trust (CERBT) when the market condition is appropriate.

Enhanced Retirement represents past salary savings that will be drawn down in future years to levelize the impact of the increased retirement contribution requirement.

PERS Rate Uncertainty was created to provide a modest amount to deal with some of the volatility of PERS rates in order to avoid negative amortization of the unfunded actuarial liability.

Workers' Compensation is to set aside additional resources after recognizing the actuarial liability for workers' compensation costs.

Equipment Replacement represents amounts in the General Services Internal Service Fund that are being earmarked for the replacement of old equipment. In the SMART Station Fund, it represents the portion of net assets from sources other than bonded obligations.

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.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2009

14. 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 (\$13,098,077). This amount was composed of positive net unrestricted assets in all business type activities except for deficits in the following:

Solid Waste Management Unrestricted Net Assets	\$ (33,683,248)
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The deficit unrestricted net assets in Solid Waste Management are primarily due to the recognition of the landfill postclosure liability, Sunnyvale’s share in the SMaRT Station debt service, and interest charges from General Fund advances. The General Fund advances were used to acquire and improve capital assets while keeping rates stable for customers. The deficit net assets will be funded by future rates charged to customers.

Fund Financial Statements

The following funds had deficit fund balance or net assets as of June 30, 2009:

Major Funds Deficit Fund Balance:	
Redevelopment Agency Debt Service Fund	\$ (62,059,980)
Solid Waste Management Enterprise Fund	(32,658,065)
Non-Major Fund Deficit Fund Balance:	
Redevelopment Agency Special Revenue Fund	(6,652,726)
Internal Service Fund Deficit Net Assets:	
Risk Management Fund	(252,302)

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2009

14. DEFICIT NET ASSETS AND FUND EQUITY, Continued

The long-term advances from the General Fund to the Redevelopment Agency Debt Service Fund caused the deficit fund equity in the Redevelopment Agency Debt Service Fund. As of June 30, 2009, total advances amounted to \$63,989,598 that includes accrued unpaid interest. The deficit is expected to be funded by transfers from the Redevelopment Agency Special Revenue Fund as tax increment revenues are collected.

The deficit in the Solid Waste Management Fund was due to several transactions. The General Fund has made several advances to the Solid Waste Management Fund for construction of new facilities and for cash flow purposes. Interest has been accrued annually on the outstanding loan balances. The deficit is also 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 interfund transfers, this Fund pays Sunnyvale's share of debt service to the SMaRT Station Fund. The Fund also pays the General Fund for general government support services. The deficit is expected to be funded by charges for services.

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

The deficit net assets in the Risk Management Internal Service Fund was caused by two main factors: higher claims than budgeted and actuarial liability adjustments. The deficit is expected to be funded by increasing future charges to other City funds.

15. SUBSEQUENT EVENTS

Refer to Note 7.H on the Community Facilities District.

Downtown Sunnyvale Mixed Use LLC (the Developer of the Town Center Project) stopped all construction work in February 2009 when additional financing for the Town Center Project could not be secured to complete the Project. Since July 2009, liens totaling more than \$17 million have been filed against the Developer by the general contractor and subcontractors for missed payments on work completed. In August 2009 Devcon Construction, the general contractor, filed a multimillion-dollar lawsuit against various parties including the Developer, the Agency, and the lender Wachovia Bank (part of Wells Fargo Bank), seeking foreclosure of the property.

Notes to the Basic Financial Statements, Concluded
Fiscal Year Ended June 30, 2009

15. SUBSEQUENT EVENTS, Continued

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

The lender Wachovia/Wells Fargo Bank began foreclosure proceedings on the Project in September 2009 after the Developer's default on a \$108 million loan in June 2009. The foreclosure process is expected to take at least 120 days. In an October 5 court action, the Santa Clara County Superior Court appointed Jerry Hunt and Quattro Realty Group as the receiver of the Project. The receiver's responsibilities include devising a plan to protect and preserve the value of the Project site. During this time, Wachovia/Wells Fargo Bank has the power to authorize funds for improvements needed to secure the site.

The State of California adopted ABX426 in July 2009 which directs a portion of the incremental property taxes received by redevelopment agencies be paid to the County Supplemental Educational Revenue Augmentation Fund (ERAF) in fiscal years 2010 and 2011. The State Department of Finance will determine each agency's ERAF payment by November 15 of each year, and payments are due by May 10 of the applicable year. Based on the calculations in ABX426, the Agency's payments are estimated to be \$2,024,110 in fiscal year 2010 and \$416,322 in fiscal year 2011. Although the Agency can use any legally available funds to make the ERAF payments, its cash balance at year end has been committed to future infrastructure projects. Since the Agency must use tax increment to meet pre-existing debt obligations, new City General Fund advances to the Agency will be incurred to make these ERAF payments.

Required Supplementary Information

**Required Supplementary Information
Fiscal Year Ended June 30, 2009**

BUDGETARY POLICY AND CONTROL

**Budgetary Comparison Schedule - General Fund
Fiscal Year Ended June 30, 2009**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive(Negative)
	Original	Final		
Budgetary Fund Balance, July 1, 2008	\$ 88,105,746	\$ 98,385,089	\$ 98,385,089	\$ -
Resources (inflows):				
Property Taxes	40,022,456	41,262,440	42,259,090	996,650
Sales and Use Taxes	32,930,690	27,100,000	26,201,085	(898,915)
Other Taxes	18,903,225	15,693,796	15,534,152	(159,644)
Franchise Fees	6,086,169	6,177,593	6,127,050	(50,543)
Intergovernmental Revenues	1,255,640	1,957,224	1,616,566	(340,659)
Permits and Licenses	7,032,776	5,263,566	5,434,527	170,961
Fines and Forfeitures	1,142,916	1,138,636	1,234,808	96,172
Service Fees	4,804,543	3,676,607	3,684,987	8,380
Rents and Concessions	2,453,281	2,381,925	2,366,161	(15,764)
Investment Earnings	3,303,965	2,066,000	1,862,894	(203,106)
Interfund Revenues	8,166,796	8,293,803	7,765,075	(528,728)
Other Revenues	230,672	397,959	438,418	40,459
Transfers In	8,149,248	8,225,176	8,279,723	54,547
Total Resources	<u>134,482,377</u>	<u>123,634,725</u>	<u>122,804,536</u>	<u>(830,190)</u>
Charges to appropriations (outflows):				
Planning and Management	20,857,290	21,996,476	20,019,816	1,976,660
Public Safety	72,837,501	73,409,139	73,134,943	274,197
Community Development	17,988,881	18,507,051	17,572,097	934,954
Transportation	5,870,481	5,925,666	5,636,813	288,853
Socioeconomic	207,880	207,549	193,724	13,825
Cultural	7,792,003	8,022,341	7,780,650	241,690
Environmental Management	1,944,172	1,944,172	1,770,850	173,322
Capital Outlay	1,001,769	1,544,620	248,767	1,295,853
Debt Service	179,010	179,010	179,010	-
Transfers Out	18,646,337	22,487,099	16,009,630	6,477,469
Total charges to appropriations	<u>147,325,323</u>	<u>154,223,123</u>	<u>142,546,301</u>	<u>11,676,822</u>
Excess of resources over (under) charges to appropriations	<u>(12,842,946)</u>	<u>(30,588,398)</u>	<u>(19,741,765)</u>	<u>10,846,633</u>
Budgetary Fund Balance, June 30, 2009	\$ <u>75,262,800</u>	\$ <u>67,796,691</u>	\$ <u>78,643,324</u>	\$ <u>10,846,633</u>

Required Supplementary Information, Continued
Fiscal Year Ended June 30, 2009

BUDGETARY POLICY AND CONTROL, Continued

Budgetary Comparison Schedule - Employment Development Fund
Fiscal Year Ended June 30, 2009

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1, 2008	\$ 265,015	\$ 165,693	\$ 165,693	\$ -
Resources (inflows):				
Intergovernmental Revenues	6,215,000	12,978,524	9,179,487	(3,799,037)
Service Fees	-	-	15,940	15,940
Rents and Concessions	-	-	2,952	2,952
Other Revenues	882,380	-	97,392	97,392
Total Resources	7,097,380	12,978,524	9,295,771	(3,682,753)
Charges to appropriations (outflows):				
Socioeconomic	6,939,588	9,451,614	9,282,738	168,876
Transfers Out	-	-	-	-
Total charges to appropriations	6,939,588	9,451,614	9,282,738	168,876
Excess of resources over (under) charges to appropriations	157,792	3,526,910	13,033	(3,513,877)
Budgetary Fund Balance, June 30, 2009	\$ 422,807	\$ 3,692,603	\$ 178,726	\$ (3,513,877)

Required Supplementary Information, Continued
Fiscal Year Ended June 30, 2009

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	\$ 122,804,536	\$ 9,295,771
Differences - Budget to GAAP		
Interfund advances repayment is a budgetary resource but is not a revenue for financial reporting purposes	(2,982,859)	-
Interfund rent is a budgetary resource but is a transfer, not a revenue, for financial reporting purposes	(665,681)	-
Interfund revenues are a budgetary resource but are transfers, not revenues, for financial reporting purposes	(1,393,285)	-
Change in fair value of investments is not budgetary resource	291,587	-
ABAG Debt Service Fund included in budgetary fund structure	(10,748)	-
Private donations are not in budget	116,240	-
Contribution to Multimodal Sinking Fund	(10,870)	-
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes	(8,279,723)	-
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	\$ 109,869,197	\$ 9,295,771
Uses/Outflows of Resources		
Actual amounts (budgetary basis) of "total charges to appropriations" from the budgetary comparison schedule	\$ 142,546,301	\$ 9,282,738
Differences - Budget to GAAP		
Interfund advances is a budgetary expenditure but is not an expenditure for financial reporting purposes	(1,208,280)	-
ABAG Debt Service Fund included in budgetary fund structure	(10,717)	-
Private donations are not in budget	51,066	-
Contribution to Multimodal Sinking Fund	(10,870)	-
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(16,095,923)	(314,750)
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	\$ 125,271,577	\$ 8,967,988

Required Supplementary Information, Continued
Fiscal Year Ended June 30, 2009

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, 2009

BUDGETARY INFORMATION, Continued

- Prior to June 30 of each year, the budget as modified by the City Council is legally enacted by adoption of a budget resolution. The legal level of budgetary control is placed by the City Council at the program level, with adjustments between programs within funds allowed below specified thresholds. A separate Budgetary Year-End Financial Report is prepared in December of each year, which presents details to demonstrate compliance at the legal level of control for the previous fiscal year. Appropriations for operations lapse at year-end to the extent they have not been expended. On November 6, 2007 Sunnyvale voters amended the City Charter so that appropriations for capital improvement projects will not lapse at year-end unless completed, closed out, or modified by the City Council.
- Budgets are legally adopted for all governmental funds.
- Formal budgets are employed as a management control device for all funds in which a budget has been adopted. They serve as the primary means of spending control for the general fund, special revenue funds, debt service funds and capital project funds.
- Budgeted amounts reported are those as originally adopted June 10, 2008 plus all amendments approved during the year by the City Council. Individual amendments were not material in relation to the original amounts budgeted.

BUDGETARY HIGHLIGHTS

The General Fund

The General Fund appropriations budget (outflows) was 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 \$2,015,170, equipment carryover of \$166,885, and transfer carryover of \$4,959,834. Additionally, a total amount of \$1,075,868 was appropriated throughout the fiscal year for various unanticipated expenditures, including \$946,948 for projects and \$128,920 for operating expenditures. Funding sources for these amendments included grant revenues, General Fund savings due to other funding sources, General Fund reserves, and savings from projects and transfers which did not require their full appropriation. Appropriations were reduced by \$1,319,957 for projects defunded in response to the economic crisis and for projects and transfers which will not carry forward. These reductions included \$200,885 for projects and \$1,119,072 for transfers. An administrative budget adjustment reallocated \$223,220 amongst operating programs with no change to total appropriations.

Required Supplementary Information, Continued
Fiscal Year Ended June 30, 2009

BUDGETARY INFORMATION, Continued

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 \$712,157 was secured during the fiscal year. The mid-year budget revenue adjustments were part of the budget development process to more appropriately reflect the actual trends based upon year-to-date information. Revenue adjustments other than new grants for projects reduced the by \$11,635,737. Budget modification also included transfers from other funds in the amount of \$75,928 (including carryover of \$12,000) to pay for projects.

The Employment Development Special Revenue Fund

The budget of the City's Department of Employment Development (DED) is periodically modified to reflect the changes in its actual versus planned funding levels. The original budget was a conservative estimate in line with the significant reductions in funding of the prior fiscal year. During the fiscal year, federal Workforce Investment Act (WIA) grant fund allocations were higher than anticipated due to the service area's increasing unemployment rate and Federal stimulus money from the American Recovery and Reinvestment Act of 2009. Budgeted resources and appropriations were adjusted to reflect the increase.

Required Supplementary Information, Continued
Fiscal Year Ended June 30, 2009

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, 2009

MODIFIED APPROACH FOR CITY STREETS INFRASTRUCTURE CAPITAL ASSETS, Continued

The City Policy is to achieve a rating of 70 or over for all streets, which is a “good” or better rating based on Metropolitan Traffic commission (MTC) Regional standards. The last study report was issued in July 2009 for fiscal year 2009. 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	18.7%
Very Good	60.2%
Good	15.3%
Fair	3.8%
Poor	1.4%
Very Poor	0.5%
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 \$2,710,000 on street maintenance for the fiscal year ended June 30, 2009. 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>
2004-2005	\$ 2,648,000	\$ 2,383,000	86
2005-2006	2,732,000	2,543,000	N/A
2006-2007	2,945,000	2,720,000	76
2007-2008	2,611,000	2,556,000	76
2008-2009	3,157,000	2,710,000	76

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

Required Supplementary Information, Concluded
Fiscal Year Ended June 30, 2009

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%
6/30/2007	249,902,644	291,615,588	41,712,944	85.7%	54,173,556	77.0%
6/30/2008	272,822,360	321,873,624	49,051,264	84.8%	52,930,362	92.7%

SAFETY PLAN

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%
6/30/2007	258,148,912	314,253,296	56,104,384	82.1%	28,140,257	199.4%
6/30/2008	276,074,688	334,085,457	58,010,769	82.6%	29,840,404	194.4%

Supplementary Information

Nonmajor Governmental Funds

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

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

The ***HOME Grant Fund*** accounts for HOME investment partnership grant funds received from the federal government. Other revenues in this fund include repayments of loans. Funds are used to provide affordable housing for low- and very low-income households.

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

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

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

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

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

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

The ***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 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, 2009**

	Special Revenue			
	Community Development Block Grant	HOME Grant	Housing	Park Dedication
Assets:				
Cash and Investments Held by City	\$ 1,867,543	\$ -	\$ 17,228,276	\$ 7,862,776
Cash and Investments Held by Fiscal Agent	-	-	-	-
Other Receivables, Net	2,100	-	134,011	59,912
Intergovernmental Receivables	199,663	20,345	-	-
Due from Other Funds	-	-	125,037	-
Inventories and Prepayments	-	-	-	-
Housing Loans Receivable	11,450,232	8,817,894	8,101,479	-
Assets Held for Resale	-	-	280,000	-
Total Assets	\$ 13,519,538	\$ 8,838,239	\$ 25,868,803	\$ 7,922,688
Liabilities and Fund Balances:				
Liabilities:				
Accounts Payable and Accrued Liabilities	\$ 94,507	\$ 474	\$ 62,035	\$ 61,026
Refundable Deposits	-	-	1,000	3,350
Due to Other Funds	105,166	19,871	-	-
Deferred Revenues	11,450,232	8,817,894	8,101,479	-
Total Liabilities	11,649,905	8,838,239	8,164,514	64,376
Fund Balances:				
Reserved:				
Housing Mitigation	-	-	15,637,191	-
Housing Revolving Fund	1,869,633	-	-	-
Park Dedication	-	-	-	5,750,401
Public Safety	-	-	-	-
Low and Moderate Housing	-	-	-	-
Restricted Donations and Contributions	-	-	-	-
Assets Held for Resale	-	-	280,000	-
Debt Service	-	-	-	-
Total Reserved	1,869,633	-	15,917,191	5,750,401
Unreserved, Designated for, Reported in:				
Unrealized Gains	-	-	16	25,795
Current Capital and Special Projects	-	-	-	-
20-Year Resource Allocation Plan	-	-	1,787,082	2,082,116
Total Unreserved, Designated	-	-	1,787,098	2,107,911
Unreserved and Undesignated	-	-	-	-
Total Fund Balances (Deficit)	1,869,633	-	17,704,289	7,858,312
Total Liabilities and Fund Balances	\$ 13,519,538	\$ 8,838,239	\$ 25,868,803	\$ 7,922,688

Special Revenue

<u>Asset Forfeiture</u>	<u>Police Services Augmentation</u>	<u>Parking District</u>	<u>Gas Tax</u>	<u>Youth and Neighborhood Services</u>	<u>Redevelopment Agency</u>
\$ 1,412,463	\$ 43,524	\$ 571,556	\$ 5,047,409	\$ 451,631	\$ 6,142,797
-	-	-	-	-	-
10,628	-	4,364	39,703	61,647	19,362
-	-	33	457,219	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 1,423,091</u>	<u>\$ 43,524</u>	<u>\$ 575,953</u>	<u>\$ 5,544,331</u>	<u>\$ 513,278</u>	<u>\$ 6,162,159</u>
\$ 16,543	\$ 35,013	\$ 10,365	\$ -	\$ 8,340	\$ 2,147,672
-	-	-	-	-	-
-	-	-	-	-	10,667,213
-	-	-	-	-	-
<u>16,543</u>	<u>35,013</u>	<u>10,365</u>	<u>-</u>	<u>8,340</u>	<u>12,814,885</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
1,384,243	8,033	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>1,384,243</u>	<u>8,033</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
22,305	478	722	13,881	-	-
-	-	-	250,000	-	-
-	-	564,866	5,280,450	504,938	-
<u>22,305</u>	<u>478</u>	<u>565,588</u>	<u>5,544,331</u>	<u>504,938</u>	<u>-</u>
-	-	-	-	-	(6,652,726)
<u>1,406,548</u>	<u>8,511</u>	<u>565,588</u>	<u>5,544,331</u>	<u>504,938</u>	<u>(6,652,726)</u>
<u>\$ 1,423,091</u>	<u>\$ 43,524</u>	<u>\$ 575,953</u>	<u>\$ 5,544,331</u>	<u>\$ 513,278</u>	<u>\$ 6,162,159</u>

Continued

CITY OF SUNNYVALE

**Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2009**

	Special Revenue		Permanent		Permanent
	Low and Moderate Income Housing	Total	Swirsky Youth Opportunity	Fremont Pool	Total
Assets:					
Cash and Investments Held by City	\$ -	\$ 40,627,975	\$ 533,699	\$ 885,918	\$ 1,419,617
Cash and Investments Held by Fiscal Agent	-	-	-	-	-
Receivables, Net	-	331,727	4,183	6,884	11,067
Intergovernmental Receivables	-	677,260	-	-	-
Due from Other Funds	10,667,213	10,792,250	-	-	-
Inventories and Prepayments	-	-	-	-	-
Housing Loans Receivable	-	28,369,605	-	-	-
Assets Held for Resale	-	280,000	-	-	-
Total Assets	\$ 10,667,213	\$ 81,078,817	\$ 537,882	\$ 892,802	\$ 1,430,684
Liabilities and Fund Balances:					
Liabilities:					
Accounts Payable and Accrued Liabilities	\$ -	\$ 2,435,975	\$ -	\$ -	\$ -
Refundable Deposits	-	4,350	-	-	-
Due to Other Funds	-	10,792,250	-	-	-
Deferred Revenues	-	28,369,605	-	-	-
Total Liabilities	-	41,602,180	-	-	-
Fund Balances:					
Reserved:					
Housing Mitigation	-	15,637,191	-	-	-
Housing Revolving Fund	-	1,869,633	-	-	-
Park Dedication	-	5,750,401	-	-	-
Public Safety	-	1,392,276	-	-	-
Low and Moderate Housing	10,667,213	10,667,213	-	-	-
Restricted Donations and Contributions	-	-	537,882	892,802	1,430,684
Assets Held for Resale	-	280,000	-	-	-
Debt Service	-	-	-	-	-
Total Reserved	10,667,213	35,596,714	537,882	892,802	1,430,684
Unreserved, Designated for, Reported in:					
Unrealized Gains	-	63,197	-	-	-
Current Capital and Special Projects	-	250,000	-	-	-
20-Year Resource Allocation Plan	-	10,219,452	-	-	-
Total Unreserved, Designated	-	10,532,649	-	-	-
Unreserved and Undesignated	-	(6,652,726)	-	-	-
Total Fund Balances (Deficit)	10,667,213	39,476,637	537,882	892,802	1,430,684
Total Liabilities and Fund Balances	\$ 10,667,213	\$ 81,078,817	\$ 537,882	\$ 892,802	\$ 1,430,684



Debt Service		
ABAG Certificates of Participation	Government Center Certificates of Participation	Total
\$ -	\$ 3,684	\$ 3,684
207,172	1,115,887	1,323,059
-	214	214
-	-	-
-	-	-
-	-	-
-	-	-
<u>207,172</u>	<u>1,119,785</u>	<u>1,326,957</u>
\$ -	\$ 8,404	\$ 8,404
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
207,172	1,111,381	1,318,553
<u>207,172</u>	<u>1,111,381</u>	<u>1,318,553</u>
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
207,172	1,111,381	1,318,553
<u>\$ 207,172</u>	<u>\$ 1,119,785</u>	<u>\$ 1,326,957</u>

Continued

CITY OF SUNNYVALE

**Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2009**

	Capital Projects			Total Nonmajor Governmental Funds
	Infrastructure Renovation and Replacement	Redevelopment Agency Projects	Total	
Assets:				
Cash and Investments Held by City	\$ 12,947,287	\$ 670,922	\$ 13,618,209	\$ 55,669,485
Cash and Investments Held by Fiscal Agent	-	-	-	1,323,059
Receivables, Net	111,898	-	111,898	454,906
Intergovernmental Receivables	-	-	-	677,260
Due from Other Funds	-	-	-	10,792,250
Inventories and Prepayments	-	-	-	-
Housing Loans Receivable	-	-	-	28,369,605
Assets Held for Resale	-	-	-	280,000
Total Assets	\$ 13,059,185	\$ 670,922	\$ 13,730,107	\$ 97,566,565
Liabilities and Fund Balances:				
Liabilities:				
Accounts Payable and Accrued Liabilities	\$ 738,232	\$ -	\$ 738,232	\$ 3,182,611
Refundable Deposits	-	-	-	4,350
Due to Other Funds	-	-	-	10,792,250
Deferred Revenues	-	-	-	28,369,605
Total Liabilities	738,232	-	738,232	42,348,816
Fund Balances:				
Reserved:				
Housing Mitigation	-	-	-	15,637,191
Housing Revolving Fund	-	-	-	1,869,633
Park Dedication	-	-	-	5,750,401
Public Safety	-	-	-	1,392,276
Low and Moderate Housing	-	-	-	10,667,213
Restricted Donations and Contributions	-	-	-	1,430,684
Assets Held for Resale	-	-	-	280,000
Debt Service	-	-	-	1,318,553
Total Reserved	-	-	-	38,345,951
Unreserved, Designated for, Reported in:				
Unrealized Gains	-	-	-	63,197
Current Capital and Special Projects	4,344,326	670,922	5,015,248	5,265,248
20-Year Resource Allocation Plan	7,976,627	-	7,976,627	18,196,079
Total Unreserved, Designated	12,320,953	670,922	12,991,875	23,524,524
Unreserved and Undesignated	-	-	-	(6,652,726)
Total Fund Balances (Deficit)	12,320,953	670,922	12,991,875	55,217,749
Total Liabilities and Fund Balances	\$ 13,059,185	\$ 670,922	\$ 13,730,107	\$ 97,566,565

Concluded

CITY OF SUNNYVALE**Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2009**

	Special Revenue			
	Community Development Block Grant	HOME Grant	Housing	Park Dedication
Revenues:				
Property Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental Revenues	914,854	831,830	-	-
Fines and Forfeitures	-	-	-	-
Service Fees	-	-	386,338	560,846
Rents and Concessions	-	-	16,452	104,204
Investment Earnings	-	-	422,679	233,895
Other Revenues	232,787	-	415,944	-
Total Revenues	1,147,641	831,830	1,241,413	898,945
Expenditures:				
Current:				
Planning and Management	-	-	-	-
Public Safety	-	-	-	-
Community Development	1,037,161	889,785	1,084,404	-
Transportation	-	-	-	-
Socioeconomic	137,848	-	-	-
Cultural	-	-	-	-
Environmental Management	-	-	-	-
Capital Outlay	144,407	-	-	47,277
Debt Service:				
Principal Retirement	-	-	-	-
Interest	-	-	-	-
Fiscal Charges	-	-	-	-
Total Expenditures	1,319,416	889,785	1,084,404	47,277
Excess of Revenues Over (Under) Expenditures	(171,775)	(57,955)	157,009	851,668
Other Financing Sources (Uses):				
Proceeds from Refunding Bonds	-	-	-	-
Payment to Refunded Bond Escrow Agent	-	-	-	-
Transfers In	-	-	-	-
Transfers Out	(37,433)	(3,884)	(42,160)	(1,715,328)
Total Other Financing Sources (Uses)	(37,433)	(3,884)	(42,160)	(1,715,328)
Net Change in Fund Balances	(209,208)	(61,839)	114,849	(863,660)
Fund Balances - Beginning of Year	2,078,841	61,839	17,589,440	8,721,972
Fund Balances - End of Year	\$ 1,869,633	\$ -	\$ 17,704,289	\$ 7,858,312

Special Revenue

Asset Forfeiture	Police Services Augmentation	Parking District	Gas Tax	Youth and Neighborhood Services	Redevelopment Agency
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,264,077
-	100,000	-	3,385,818	146,409	-
278,299	-	-	-	-	-
-	-	142,236	-	27,956	-
-	-	-	-	20,807	-
37,487	147	15,174	127,871	13,563	-
-	-	-	-	-	-
<u>315,786</u>	<u>100,147</u>	<u>157,410</u>	<u>3,513,689</u>	<u>208,735</u>	<u>8,264,077</u>
-	-	21,315	-	-	118,981
81,226	136,828	-	-	-	-
-	-	155,787	-	-	248,205
-	-	-	2,078,713	-	-
-	-	-	-	668,950	-
-	-	-	-	-	-
-	-	-	-	-	2,376,947
-	-	-	1,840	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>81,226</u>	<u>136,828</u>	<u>177,102</u>	<u>2,080,553</u>	<u>668,950</u>	<u>2,744,133</u>
234,560	(36,681)	(19,692)	1,433,136	(460,215)	5,519,944
-	-	-	-	-	-
-	-	-	-	-	-
-	34,205	-	-	422,936	-
<u>(118,589)</u>	<u>-</u>	<u>(12,936)</u>	<u>(1,506,142)</u>	<u>-</u>	<u>(2,833,921)</u>
<u>(118,589)</u>	<u>34,205</u>	<u>(12,936)</u>	<u>(1,506,142)</u>	<u>422,936</u>	<u>(2,833,921)</u>
115,971	(2,476)	(32,628)	(73,006)	(37,279)	2,686,023
1,290,577	10,987	598,216	5,617,337	542,217	(9,338,749)
<u>\$ 1,406,548</u>	<u>\$ 8,511</u>	<u>\$ 565,588</u>	<u>\$ 5,544,331</u>	<u>\$ 504,938</u>	<u>\$ (6,652,726)</u>

Continued

CITY OF SUNNYVALE

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2009**

	Special Revenue		Permanent		
	Low and Moderate Income Housing	Total	Swirsky Youth Opportunity	Fremont Pool	Total
Revenues:					
Property Taxes	\$ -	\$ 8,264,077	\$ -	\$ -	\$ -
Intergovernmental Revenues	-	5,378,911	-	-	-
Fines and Forfeitures	-	278,299	-	-	-
Service Fees	-	1,117,376	-	-	-
Rents and Concessions	-	141,463	-	-	-
Investment Earnings	-	850,816	15,070	24,801	39,871
Other Revenues	-	648,731	60	1,000	1,060
Total Revenues	-	16,679,673	15,130	25,801	40,931
Expenditures:					
Current:					
Planning and Management	-	140,296	-	-	-
Public Safety	-	218,054	-	-	-
Community Development	-	3,415,342	-	-	-
Transportation	-	2,078,713	-	-	-
Socioeconomic	-	806,798	-	-	-
Cultural	-	-	-	-	-
Environmental Management	-	2,376,947	-	-	-
Capital Outlay	-	193,524	-	-	-
Debt Service:					
Principal Retirement	-	-	-	-	-
Interest	-	-	-	-	-
Fiscal Charges	-	-	-	-	-
Total Expenditures	-	9,229,674	-	-	-
Excess of Revenues Over (Under) Expenditures	-	7,449,999	15,130	25,801	40,931
Other Financing Sources (Uses):					
Proceeds from Refunding Bonds	-	-	-	-	-
Payment to Refunded Bond Escrow Agent	-	-	-	-	-
Transfers In	1,667,960	2,125,101	-	-	-
Transfers Out	-	(6,270,393)	(13,270)	(21,811)	(35,081)
Total Other Financing Sources (Uses)	1,667,960	(4,145,292)	(13,270)	(21,811)	(35,081)
Net Change in Fund Balances	1,667,960	3,304,707	1,860	3,990	5,850
Fund Balances - Beginning of Year	8,999,253	36,171,930	536,022	888,812	1,424,834
Fund Balances - End of Year	\$ 10,667,213	\$ 39,476,637	\$ 537,882	\$ 892,802	\$ 1,430,684



Debt Service		
ABAG Certificates of Participation	Government Center Certificates of Participation	Total
\$ -	\$ -	\$ -
-	-	-
-	-	-
-	-	-
10,749	43,562	54,311
-	-	-
<u>10,749</u>	<u>43,562</u>	<u>54,311</u>
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
135,000	455,000	590,000
44,010	778,789	822,799
-	541,381	541,381
<u>179,010</u>	<u>1,775,170</u>	<u>1,954,180</u>
(168,261)	(1,731,608)	(1,899,869)
-	15,865,000	15,865,000
-	(15,475,000)	(15,475,000)
168,293	1,130,232	1,298,525
-	-	-
<u>168,293</u>	<u>1,520,232</u>	<u>1,688,525</u>
32	(211,376)	(211,344)
<u>207,140</u>	<u>1,322,757</u>	<u>1,529,897</u>
<u>\$ 207,172</u>	<u>\$ 1,111,381</u>	<u>\$ 1,318,553</u>

Continued

CITY OF SUNNYVALE

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2009**

	Capital Projects			Total Nonmajor Governmental Funds
	Infrastructure Renovation and Replacement	Redevelopment Agency Projects	Total	
Revenues:				
Property Taxes	\$ -	\$ -	\$ -	\$ 8,264,077
Intergovernmental Revenues	13,100	-	13,100	5,392,011
Fines and Forfeitures	-	-	-	278,299
Service Fees	-	-	-	1,117,376
Rents and Concessions	-	-	-	141,463
Investment Earnings	342,562	-	342,562	1,287,560
Other Revenues	-	-	-	649,791
Total Revenues	355,662	-	355,662	17,130,577
Expenditures:				
Current:				
Planning and Management	548,224	-	548,224	688,520
Public Safety	-	-	-	218,054
Community Development	18,818	-	18,818	3,434,160
Transportation	-	-	-	2,078,713
Socioeconomic	-	-	-	806,798
Cultural	64,866	-	64,866	64,866
Environmental Management	-	-	-	2,376,947
Capital Outlay	2,515,971	-	2,515,971	2,709,495
Debt Service:				
Principal Retirement	-	-	-	590,000
Interest	-	-	-	822,799
Fiscal Charges	-	-	-	541,381
Total Expenditures	3,147,879	-	3,147,879	14,331,733
Excess of Revenues Over (Under) Expenditures	(2,792,217)	-	(2,792,217)	2,798,844
Other Financing Sources (Uses):				
Proceeds from Refunding Bonds	-	-	-	15,865,000
Payment to Refunded Bond Escrow Agent	-	-	-	(15,475,000)
Transfers In	2,588,058	-	2,588,058	6,011,684
Transfers Out	(331,793)	(816,231)	(1,148,024)	(7,453,498)
Total Other Financing Sources (Uses)	2,256,265	(816,231)	1,440,034	(1,051,814)
Net Change in Fund Balances	(535,952)	(816,231)	(1,352,183)	1,747,030
Fund Balances - Beginning of Year	12,856,905	1,487,153	14,344,058	53,470,719
Fund Balances - End of Year	\$ 12,320,953	\$ 670,922	\$ 12,991,875	\$ 55,217,749

Concluded

CITY OF SUNNYVALE

**Redevelopment Debt Service Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2009**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1, 2008	\$ 1,960,047	\$ 1,960,047	\$ 1,960,047	\$ -
Resources (Inflows):				
Lease Payment from City General Fund	1,208,280	1,208,280	1,208,280	-
Interest Income	-	-	11,424	11,424
Transfers In	609,941	609,941	1,108,973	499,032
Total Resources	<u>1,818,221</u>	<u>1,818,221</u>	<u>2,328,677</u>	<u>510,456</u>
Charges to Appropriations (Outflows):				
Debt Service:				
Principal Retirement	945,000	945,000	945,000	-
Interest	873,221	873,221	873,221	-
Fiscal Charges	8,475	8,475	9,685	(1,210)
Loan Repayment -City General Fund	-	-	531,200	(531,200)
Total Charges to Appropriations	<u>1,826,696</u>	<u>1,826,696</u>	<u>2,359,106</u>	<u>(532,410)</u>
Excess of Resources Over (Under) Charges to Appropriations	<u>(8,475)</u>	<u>(8,475)</u>	<u>(30,429)</u>	<u>(21,954)</u>
Budgetary Fund Balance, June 30, 2009	<u>\$ 1,951,572</u>	<u>\$ 1,951,572</u>	<u>\$ 1,929,618</u>	<u>\$ (21,954)</u>

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

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

Sources/Inflow of Resources:

Actual amounts (budgetary basis) of "total resources"	\$ 2,328,677
Differences - Budget to GAAP	
Interfund advances are a budgetary resource but are not revenues for financial reporting purposes	(1,208,280)
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes	<u>(1,108,973)</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 11,424</u>

Uses/Outflows of Resources

Actual amounts (budgetary basis) of "total charges to appropriations"	\$ 2,359,106
Differences - Budget to GAAP	
Accrued interest on interfund advances is not a budgetary outflow but is an expense for financial reporting purposes	4,702,918
Interfund loan repayments are outflows of budgetary resources but are balance sheet items for financial reporting purposes	<u>(531,200)</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 6,530,824</u>

CITY OF SUNNYVALE

**City Capital Projects Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2009**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1, 2008	\$ 26,561,012	\$ 14,445,201	\$ 14,445,201	\$ -
Resources (Inflows):				
Intergovernmental Revenues	16,827,549	38,831,077	5,280,074	(33,551,003)
Service Fees	2,753,130	604,967	614,981	10,014
Interest Income	589,213	464,662	400,400	(64,262)
Other Revenues	3,248,225	93,400	750	(92,650)
Transfers In	4,892,636	11,068,188	2,363,024	(8,705,164)
Total Resources	28,310,753	51,062,294	8,659,229	(42,403,065)
Charges to Appropriations (Outflows):				
Transportation	940,000	3,009,911	385,886	2,624,025
Community Development	120,000	86,307	46,226	40,081
Capital Outlay	38,468,773	47,660,688	7,201,854	40,458,834
Transfers Out	23,436	1,081,907	830,779	251,128
Total Charges to Appropriations	39,552,209	51,838,813	8,464,745	43,374,068
Excess of Resources Over (Under) Charges to Appropriations	(11,241,456)	(776,519)	194,484	971,003
Budgetary Fund Balance, June 30, 2009	\$ 15,319,556	\$ 13,668,682	\$ 14,639,685	971,003

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

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

Sources/Inflow of Resources:

Actual amounts (budgetary basis) of "total resources"	\$ 8,659,229
Differences - Budget to GAAP	
Change in fair value of investments is not budgetary resource	56,658
Transfers from other funds or subfunds within this Fund are inflows of budgetary resources but are not revenues for financial reporting purposes	(2,363,024)
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 6,352,863</u>

Uses/Outflows of Resources

Actual amounts (budgetary basis) of "total charges to appropriations"	\$ 8,464,745
Differences - Budget to GAAP	
Prepaid expense for financial reporting purposes, outflow for budgetary purposes	100,000
Transfers to other funds or subfunds within this Fund are outflows of budgetary resources but are not expenditures for financial reporting purposes	(830,779)
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 7,733,966</u>

CITY OF SUNNYVALE

**Community Development Block Grant Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2009**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1, 2008	\$ 1,286,047	\$ 2,078,841	\$ 2,078,841	\$ -
Resources (Inflows):				
Intergovernmental Revenues	1,223,626	2,238,518	914,854	(1,323,664)
Other Revenues	150,000	150,000	232,787	82,787
Transfers In	19,120	19,120	-	(19,120)
Total Resources	<u>1,392,746</u>	<u>2,407,638</u>	<u>1,147,641</u>	<u>(1,259,997)</u>
Charges to Appropriations (Outflows):				
Community Development	1,413,731	1,458,747	1,062,594	396,153
Socioeconomic	138,508	137,848	137,848	-
Capital Outlay	410,268	1,168,957	144,407	1,024,550
Transfers Out	-	12,000	12,000	-
Total Charges to Appropriations	<u>1,962,507</u>	<u>2,777,552</u>	<u>1,356,849</u>	<u>1,420,703</u>
Excess of Resources Over (Under) Charges to Appropriations	<u>(569,761)</u>	<u>(369,914)</u>	<u>(209,208)</u>	<u>160,706</u>
Budgetary Fund Balance, June 30, 2009	<u>\$ 716,286</u>	<u>\$ 1,708,927</u>	<u>\$ 1,869,633</u>	<u>\$ 160,706</u>

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

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

Sources/Inflow of Resources:

Actual amounts (budgetary basis) of "total resources"	\$ 1,147,641
Differences - Budget to GAAP	
None	<u>-</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 1,147,641</u>

Uses/Outflows of Resources

Actual amounts (budgetary basis) of "total charges to appropriations"	\$ 1,356,849
Differences - Budget to GAAP	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	<u>(37,433)</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 1,319,416</u>

CITY OF SUNNYVALE

**HOME Grant Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2009**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1, 2008	\$ -	\$ 61,839	\$ 61,839	\$ -
Resources (Inflows):				
Intergovernmental Revenues	679,168	3,107,586	831,830	(2,275,756)
Other Revenues	-	-	-	-
Total Resources	<u>679,168</u>	<u>3,107,586</u>	<u>831,830</u>	<u>(2,275,756)</u>
Charges to Appropriations (Outflows):				
Community Development	1,226,326	1,267,916	889,785	378,131
Transfers Out	-	-	3,884	(3,884)
Total Charges to Appropriations	<u>1,226,326</u>	<u>1,267,916</u>	<u>893,669</u>	<u>374,247</u>
Excess of Resources Over (Under)				
Charges to Appropriations	<u>(547,158)</u>	<u>1,839,671</u>	<u>(61,839)</u>	<u>(1,901,510)</u>
Budgetary Fund Balance, June 30, 2009	<u>\$ (547,158)</u>	<u>\$ 1,901,510</u>	<u>\$ -</u>	<u>\$ (1,901,510)</u>

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

Sources/Inflow of Resources:

Actual amounts (budgetary basis) of "total resources"	\$ 831,830
Differences - Budget to GAAP	
None	-
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 831,830</u>

Uses/Outflows of Resources

Actual amounts (budgetary basis) of "total charges to appropriations"	\$ 893,669
Differences - Budget to GAAP	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	<u>(3,884)</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 889,785</u>

CITY OF SUNNYVALE

**Housing Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2009**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1, 2008	\$ 17,143,931	\$ 17,367,972	\$ 17,367,972	\$ -
Resources (Inflows):				
Service Fees	1,336,700	378,700	386,338	7,638
Rents and Concessions	17,702	16,000	16,452	452
Interest Income	610,842	416,305	364,131	(52,174)
Other Revenues	721,748	406,209	415,945	9,736
Total Resources	<u>2,686,992</u>	<u>1,217,214</u>	<u>1,182,866</u>	<u>(34,348)</u>
Charges to Appropriations (Outflows):				
Community Development	6,839,755	5,993,605	1,118,903	4,874,702
Transfers Out	-	7,661	7,661	-
Total Charges to Appropriations	<u>6,839,755</u>	<u>6,001,266</u>	<u>1,126,564</u>	<u>4,874,702</u>
Excess of Resources Over (Under) Charges to Appropriations	<u>(4,152,763)</u>	<u>(4,784,052)</u>	<u>56,302</u>	<u>4,840,354</u>
Budgetary Fund Balance, June 30, 2009	<u>\$ 12,991,168</u>	<u>\$ 12,583,920</u>	<u>\$ 17,424,274</u>	<u>\$ 4,840,354</u>

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

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

Sources/Inflow of Resources:

Actual amounts (budgetary basis) of "total resources"	\$ 1,182,866
Differences - Budget to GAAP	
Change in fair value of investments is not budgetary resource	<u>58,547</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 1,241,413</u>

Uses/Outflows of Resources

Actual amounts (budgetary basis) of "total charges to appropriations"	\$ 1,126,564
Differences - Budget to GAAP	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	<u>(42,160)</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 1,084,404</u>

CITY OF SUNNYVALE

**Park Dedication Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2009**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1, 2008	\$ 4,097,610	\$ 8,722,735	\$ 8,722,735	\$ -
Resources (Inflows):				
Service Fees	4,285,190	560,846	560,846	-
Rents and Concessions	101,460	101,460	104,204	2,744
Interest Income	160,276	228,612	207,337	(21,275)
Total Resources	4,546,926	890,918	872,387	(18,531)
Charges to Appropriations (Outflows):				
Capital Outlay	4,015,000	45,726	47,277	(1,551)
Transfers Out	718,754	3,241,228	1,715,328	1,525,900
Total Charges to Appropriations	4,733,754	3,286,954	1,762,605	1,524,349
Excess of Resources Over (Under) Charges to Appropriations	(186,828)	(2,396,036)	(890,218)	1,505,818
Budgetary Fund Balance, June 30, 2009	\$ 3,910,782	\$ 6,326,699	\$ 7,832,517	\$ 1,505,818

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

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

Sources/Inflow of Resources:

Actual amounts (budgetary basis) of "total resources"	\$ 872,387
Differences - Budget to GAAP	
Change in fair value of investments is not budgetary resource	26,558
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 898,945</u>

Uses/Outflows of Resources

Actual amounts (budgetary basis) of "total charges to appropriations"	\$ 1,762,605
Differences - Budget to GAAP	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(1,715,328)
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 47,277</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, 2009**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1, 2008	\$ 1,307,859	\$ 1,273,043	\$ 1,273,043	\$ -
Resources (Inflows):				
Fines and Forfeitures	-	278,299	278,299	-
Interest Income	47,505	40,852	32,716	(8,136)
Total Resources	<u>47,505</u>	<u>319,151</u>	<u>311,015</u>	<u>(8,136)</u>
Charges to Appropriations (Outflows):				
Public Safety	50,000	81,225	81,226	(1)
Transfers Out	92,182	121,792	118,589	3,203
Total Charges to Appropriations	<u>142,182</u>	<u>203,017</u>	<u>199,815</u>	<u>3,202</u>
Excess of Resources Over (Under)				
Charges to Appropriations	<u>(94,677)</u>	<u>116,134</u>	<u>111,200</u>	<u>(4,934)</u>
Budgetary Fund Balance, June 30, 2009	<u>\$ 1,213,182</u>	<u>\$ 1,389,177</u>	<u>\$ 1,384,243</u>	<u>\$ (4,934)</u>

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

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

Sources/Inflow of Resources:

Actual amounts (budgetary basis) of "total resources"	\$ 311,015
Differences - Budget to GAAP	
Change in fair value of investments is not budgetary resource	<u>4,771</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 315,786</u>

Uses/Outflows of Resources

Actual amounts (budgetary basis) of "total charges to appropriations"	\$ 199,815
Differences - Budget to GAAP	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	<u>(118,589)</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 81,226</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, 2009**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1, 2008	\$ 10,375	\$ 10,656	\$ 10,656	\$ -
Resources (Inflows):				
Intergovernmental Revenues	245,688	219,304	100,000	(119,304)
Transfers In	34,205	34,205	34,205	-
Total Resources	<u>279,893</u>	<u>253,509</u>	<u>134,205</u>	<u>(119,304)</u>
Charges to Appropriations (Outflows):				
Public Safety	290,268	290,268	136,828	153,440
Total Charges to Appropriations	<u>290,268</u>	<u>290,268</u>	<u>136,828</u>	<u>153,440</u>
Excess of Resources Over (Under) Charges to Appropriations	<u>(10,375)</u>	<u>(36,759)</u>	<u>(2,623)</u>	<u>34,136</u>
Budgetary Fund Balance, June 30, 2009	<u>\$ 0</u>	<u>\$ (26,103)</u>	<u>\$ 8,033</u>	<u>\$ 34,136</u>

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

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

Sources/Inflow of Resources:

Actual amounts (budgetary basis) of "total resources"	\$ 134,205
Differences - Budget to GAAP	
Change in fair value of investments is not budgetary resource	147
Transfers between subfunds within the fund are inflows of budgetary resources but are not revenues for financial reporting purposes	<u>(34,205)</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 100,147</u>

Uses/Outflows of Resources

Actual amounts (budgetary basis) of "total charges to appropriations"	\$ 136,828
Differences - Budget to GAAP	
None	<u>-</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 136,828</u>

CITY OF SUNNYVALE

**Parking District Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2009**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1, 2008	\$ 447,731	\$ 599,425	\$ 599,425	\$ -
Resources (Inflows):				
Service Fees	167,063	160,954	142,236	(18,718)
Interest Income	17,812	15,485	13,244	(2,241)
Total Resources	<u>184,875</u>	<u>176,439</u>	<u>155,480</u>	<u>(20,959)</u>
Charges to Appropriations (Outflows):				
Planning and Management	15,500	21,315	21,315	0
Community Development	141,139	141,139	155,787	(14,648)
Transfers Out	12,936	12,936	12,936	-
Total Charges to Appropriations	<u>169,575</u>	<u>175,390</u>	<u>190,038</u>	<u>(14,648)</u>
Excess of Resources Over (Under) Charges to Appropriations	<u>15,300</u>	<u>1,049</u>	<u>(34,558)</u>	<u>(35,607)</u>
Budgetary Fund Balance, June 30, 2009	<u>\$ 463,031</u>	<u>\$ 600,474</u>	<u>\$ 564,867</u>	<u>\$ (35,607)</u>

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

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

Sources/Inflow of Resources:

Actual amounts (budgetary basis) of "total resources"	\$ 155,480
Differences - Budget to GAAP	
Change in fair value of investments is not budgetary resource	<u>1,930</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 157,410</u>

Uses/Outflows of Resources

Actual amounts (budgetary basis) of "total charges to appropriations"	\$ 190,038
Differences - Budget to GAAP	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	<u>(12,936)</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 177,102</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, 2009**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1, 2008	\$ 1,057,909	\$ 5,620,608	\$ 5,620,608	\$ -
Resources (Inflows):				
Intergovernmental Revenues	3,736,267	3,516,097	3,385,818	(130,279)
Interest Income	62,489	143,467	110,719	(32,748)
Transfers In	50,000	50,000	-	(50,000)
Total Resources	3,848,756	3,709,564	3,496,537	(213,027)
Charges to Appropriations (Outflows):				
Transportation	2,356,530	2,358,308	2,078,713	279,595
Capital Outlay	215,000	201,840	1,840	200,000
Transfers Out	1,536,946	5,930,863	1,506,142	4,424,721
Total Charges to Appropriations	4,108,476	8,491,011	3,586,695	4,904,316
Excess of Resources Over (Under) Charges to Appropriations	(259,720)	(4,781,447)	(90,158)	4,691,289
Budgetary Fund Balance, June 30, 2009	\$ 798,189	\$ 839,161	\$ 5,530,450	\$ 4,691,289

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

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

Sources/Inflow of Resources:

Actual amounts (budgetary basis) of "total resources"	\$ 3,496,537
Differences - Budget to GAAP	
Change in fair value of investments is not budgetary resource	17,152
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 3,513,689</u>

Uses/Outflows of Resources

Actual amounts (budgetary basis) of "total charges to appropriations"	\$ 3,586,695
Differences - Budget to GAAP	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(1,506,142)
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 2,080,553</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, 2009**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1, 2008	\$ 607,807	\$ 546,933	\$ 546,933	\$ -
Resources (Inflows):				
Intergovernmental Revenues	130,786	130,786	146,409	15,623
Service Fees	26,058	25,336	27,956	2,620
Rents and Concessions	16,200	23,055	20,807	(2,248)
Interest Income	20,266	20,266	12,040	(8,226)
Transfers In	422,936	422,936	422,936	-
Total Resources	616,246	622,379	630,148	7,769
Charges to Appropriations (Outflows):				
Socioeconomic	717,395	717,395	668,950	48,445
Total Charges to Appropriations	717,395	717,395	668,950	48,445
Excess of Resources Over (Under) Charges to Appropriations	(101,149)	(95,016)	(38,802)	56,214
Budgetary Fund Balance, June 30, 2009	\$ 506,658	\$ 451,917	\$ 508,131	\$ 56,214

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

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

Sources/Inflow of Resources:

Actual amounts (budgetary basis) of "total resources"	\$ 630,148
Differences - Budget to GAAP	
Change in fair value of investments is not budgetary resource	1,523
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes	(422,936)
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 208,735</u>

Uses/Outflows of Resources

Actual amounts (budgetary basis) of "total charges to appropriations"	\$ 668,950
Differences - Budget to GAAP	
None	-
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 668,950</u>

CITY OF SUNNYVALE

**Redevelopment Agency Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2009**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1, 2008	\$ (9,338,747)	\$ (9,338,747)	\$ (9,338,747)	\$ -
Resources (Inflows):				
Property Taxes	6,395,478	6,949,996	8,264,077	1,314,081
Total Resources	<u>6,395,478</u>	<u>6,949,996</u>	<u>8,264,077</u>	<u>1,314,081</u>
Charges to Appropriations (Outflows):				
Planning and Management	236,317	236,317	118,981	117,336
Community Development	195,357	195,357	248,205	(52,848)
Environmental Management	3,900,000	3,900,000	2,376,947	1,523,053
Transfers Out	3,645,439	3,645,439	1,982,191	1,663,248
Total Charges to Appropriations	<u>7,977,113</u>	<u>7,977,113</u>	<u>4,726,324</u>	<u>3,250,789</u>
Excess of Resources Over (Under) Charges to Appropriations	<u>(1,581,635)</u>	<u>(1,027,117)</u>	<u>3,537,753</u>	<u>4,564,870</u>
Budgetary Fund Balance, June 30, 2009	<u>\$ (10,920,382)</u>	<u>\$ (10,365,864)</u>	<u>\$ (5,800,994)</u>	<u>\$ 4,564,870</u>

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

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

Sources/Inflow of Resources:

Actual amounts (budgetary basis) of "total resources"	\$ 8,264,077
Differences - Budget to GAAP	
None	<u>-</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 8,264,077</u>

Uses/Outflows of Resources

Actual amounts (budgetary basis) of "total charges to appropriations"	\$ 4,726,324
Differences - Budget to GAAP	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	<u>(1,982,191)</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 2,744,133</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, 2009**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1, 2008	\$ 8,999,253	\$ 8,999,253	\$ 8,999,253	\$ -
Resources (Inflows):				
Transfers In	1,279,096	1,389,999	1,667,960	277,961
Amount Available for Appropriation	<u>1,279,096</u>	<u>1,389,999</u>	<u>1,667,960</u>	<u>277,961</u>
Budgetary Fund Balance, June 30, 2009	<u>\$ 10,278,349</u>	<u>\$ 10,389,252</u>	<u>\$ 10,667,213</u>	<u>\$ 277,961</u>

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

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

Sources/Inflow of Resources:

Actual amounts (budgetary basis) of "total resources"	\$ 1,667,960
Differences - Budget to GAAP	
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes	<u>(1,667,960)</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ -</u>

Uses/Outflows of Resources

Actual amounts (budgetary basis) of "total charges to appropriations"	
Differences - Budget to GAAP	\$ -
None	<u>-</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ -</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, 2009**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1, 2008	\$ 551,910	\$ 551,911	\$ 551,911	\$ -
Resources (Inflows):				
Other Revenues	-	-	60	60
Interest Income	22,076	15,426	13,270	(2,156)
Total Resources	22,076	15,426	13,330	(2,096)
Charges to Appropriations (Outflows):				
Transfers Out	22,076	22,076	13,270	8,806
Total Charges to Appropriations	22,076	22,076	13,270	8,806
Excess of Resources Over (Under) Charges to Appropriations	-	(6,650)	60	6,710
Budgetary Fund Balance, June 30, 2009	\$ 551,910	\$ 545,261	\$ 551,971	\$ 6,710

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

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

Sources/Inflow of Resources:

Actual amounts (budgetary basis) of "total resources"	\$ 13,330
Differences - Budget to GAAP	
Change in fair value of investments is not budgetary resource	1,800
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 15,130</u>

Uses/Outflows of Resources

Actual amounts (budgetary basis) of "total charges to appropriations"	\$ 13,270
Differences - Budget to GAAP	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(13,270)
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ -</u>

CITY OF SUNNYVALE

**Fremont Pool Permanent Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2009**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1, 2008	\$ 895,047	\$ 907,249	\$ 907,249	\$ -
Resources (Inflows):				
Interest Income	35,802	25,356	21,812	(3,544)
Other Revenues	-	-	1,000	1,000
Total Resources	35,802	25,356	22,812	(2,544)
Charges to Appropriations (Outflows):				
Transfers Out	35,802	35,802	21,812	13,990
Total Charges to Appropriations	35,802	35,802	21,812	13,990
Excess of Resources Over (Under) Charges to Appropriations	-	(10,446)	1,000	11,446
Budgetary Fund Balance, June 30, 2009	\$ 895,047	\$ 896,803	\$ 908,249	\$ 11,446

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

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

Sources/Inflow of Resources:

Actual amounts (budgetary basis) of "total resources"	\$ 22,812
Differences - Budget to GAAP	
Change in fair value of investments is not budgetary resource	2,989
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 25,801</u>

Uses/Outflows of Resources

Actual amounts (budgetary basis) of "total charges to appropriations"	\$ 21,812
Differences - Budget to GAAP	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(21,812)
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ -</u>

CITY OF SUNNYVALE

**ABAG Certificates of Participation Debt Service Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2009**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1, 2008	\$ 207,140	\$ 207,140	\$ 207,140	\$ -
Resources (Inflows):				
Interest Income	-	-	10,749	10,749
Transfers In	179,010	179,010	168,293	(10,717)
Total Resources	<u>179,010</u>	<u>179,010</u>	<u>179,042</u>	<u>32</u>
Charges to Appropriations (Outflows):				
Principal Retirement	135,000	135,000	135,000	-
Interest	44,010	44,010	44,010	-
Total Charges to Appropriations	<u>179,010</u>	<u>179,010</u>	<u>179,010</u>	<u>-</u>
Excess of Resources Over (Under) Charges to Appropriations	<u>-</u>	<u>-</u>	<u>32</u>	<u>32</u>
Budgetary Fund Balance, June 30, 2009	<u>\$ 207,140</u>	<u>\$ 207,140</u>	<u>\$ 207,172</u>	<u>\$ 32</u>

In the budgetary fund structure, this Fund is included in the General Fund.

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

Sources/Inflow of Resources:

Actual amounts (budgetary basis) of "total resources"	\$ 179,042
Differences - Budget to GAAP	
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes	(168,293)
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 10,749</u>

Uses/Outflows of Resources

Actual amounts (budgetary basis) of "total charges to appropriations"	\$ 179,010
Differences - Budget to GAAP	
None	-
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 179,010</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, 2009**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1, 2008	\$ 1,322,757	\$ 1,322,757	\$ 1,322,757	\$ -
Resources (Inflows):				
Interest Income	-	-	43,562	43,562
Transfers In	1,098,356	1,098,356	1,130,232	31,876
Total Resources	<u>1,098,356</u>	<u>1,098,356</u>	<u>1,173,794</u>	<u>75,438</u>
Charges to Appropriations (Outflows):				
Principal Retirement	455,000	455,000	455,000	-
Interest	716,850	716,850	778,789	(61,939)
Fiscal Charges	45,600	45,600	541,381	(495,781)
Total Charges to Appropriations	<u>1,217,450</u>	<u>1,217,450</u>	<u>1,775,170</u>	<u>(557,720)</u>
Excess of Resources Over (Under) Charges to Appropriations	<u>(119,094)</u>	<u>(119,094)</u>	<u>(601,376)</u>	<u>(482,282)</u>
Budgetary Fund Balance, June 30, 2009	<u>\$ 1,203,663</u>	<u>\$ 1,203,663</u>	<u>\$ 721,381</u>	<u>\$ (482,282)</u>

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

Sources/Inflow of Resources:

Actual amounts (budgetary basis) of "total resources"	\$ 1,173,794
Differences - Budget to GAAP	
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes	(1,130,232)
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 43,562</u>

Uses/Outflows of Resources

Actual amounts (budgetary basis) of "total charges to appropriations"	\$ 1,775,170
Differences - Budget to GAAP	
None	-
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 1,775,170</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, 2009**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1, 2008	\$ 12,440,428	\$ 12,900,571	\$ 12,900,571	\$ -
Resources (Inflows):				
Intergovernmental Revenues	250,000	67,182	13,100	(54,082)
Interest Income	629,121	349,389	298,958	(50,431)
Other Revenues	-	-	25,538	25,538
Transfers In	1,453,083	7,007,997	2,588,058	(4,419,939)
Total Resources	2,332,204	7,424,568	2,925,654	(4,498,914)
Charges to Appropriations (Outflows):				
Planning and Management	-	1,172,484	602,541	569,943
Community Development	315,000	536,534	18,818	517,716
Transportation	-	90,000	-	90,000
Cultural	58,400	101,569	64,866	36,703
Capital Outlay	1,094,113	6,108,116	2,515,971	3,592,145
Transfers Out	508,675	508,675	331,793	176,882
Total Charges to Appropriations	1,976,188	8,517,378	3,533,989	4,983,389
Excess of Resources Over (Under)				
Charges to Appropriations	356,016	(1,092,810)	(608,335)	484,475
Budgetary Fund Balance, June 30, 2009	\$ 12,796,444	\$ 11,807,761	\$ 12,292,236	\$ 484,475

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

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

Sources/Inflow of Resources:

Actual amounts (budgetary basis) of "total resources"	\$ 2,925,654
Differences - Budget to GAAP	
Change in fair value of investments is not budgetary resource	43,603
Insurance recoveries are inflows of budgetary resources but are not revenues for financial reporting purposes	(25,538)
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes	(2,588,058)
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 355,661</u>

Uses/Outflows of Resources

Actual amounts (budgetary basis) of "total charges to appropriations"	\$ 3,533,989
Differences - Budget to GAAP	
Insurance recoveries are inflows of budgetary resources but are net against expenditures for financial reporting purposes	(54,317)
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(331,793)
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 3,147,879</u>

CITY OF SUNNYVALE

**Redevelopment Agency Capital Projects Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2009**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1, 2008	\$ 1,487,153	\$ 1,487,153	\$ 1,487,153	\$ -
Resources (Inflows):				
Transfers In	-	-	-	-
Total Resources	<u>1,487,153</u>	<u>1,487,153</u>	<u>-</u>	<u>-</u>
Charges to Appropriations (Outflows):				
Capital Outlay	-	-	-	-
Transfers Out	1,472,658	1,472,658	816,230	656,428
Total Charges to Appropriations	<u>1,487,153</u>	<u>1,472,658</u>	<u>816,230</u>	<u>656,428</u>
Excess of Resources Over (Under)				
Charges to Appropriations	<u>-</u>	<u>14,495</u>	<u>(816,230)</u>	<u>(656,428)</u>
Budgetary Fund Balance, June 30, 2009	<u>\$ 1,487,153</u>	<u>\$ 1,501,648</u>	<u>\$ 670,923</u>	<u>\$ (656,428)</u>

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

Sources/Inflow of Resources:

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

Uses/Outflows of Resources

Actual amounts (budgetary basis) of "total charges to appropriations"	\$ 816,230
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	<u>(816,230)</u>
and changes in fund balances - governmental funds	<u>\$ -</u>

Internal Service Funds

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

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

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

CITY OF SUNNYVALE

**Combining Statement of Net Assets
All Internal Service Funds
June 30, 2009**

	<u>General Services</u>	<u>Employee Benefits</u>	<u>Risk Management</u>	<u>Totals</u>
Assets:				
Current Assets				
Cash and Investments Held by City	\$ 20,250,056	\$ 61,959,241	\$ 1,020,130	\$ 83,229,427
Receivables, Net	299,134	470,704	7,820	777,658
Inventories and Prepayments	260,794	1,147,342	20,731	1,428,867
Total Current Assets	<u>20,809,984</u>	<u>63,577,287</u>	<u>1,048,681</u>	<u>85,435,952</u>
Capital Assets:				
Land & Nondepreciable Assets	-	-	-	-
Depreciable Buildings, Property, Equipment and Infrastructure, Net	11,651,855	-	-	11,651,855
Total Assets	<u>32,461,839</u>	<u>63,577,287</u>	<u>1,048,681</u>	<u>97,087,807</u>
Liabilities:				
Current Liabilities				
Wages Payable	-	4,190,377	-	4,190,377
Accounts Payable and Accrued Liabilities	190,597	1,466,461	38,983	1,696,041
Due to Other Funds	-	-	-	-
Advances from Other Funds	500,000	-	-	500,000
Refundable Deposits	20,733	-	-	20,733
Net Other Postemployment Benefits Obligation	-	10,333,500	-	10,333,500
Claims and Judgments Payable - Due Within One Year	-	2,731,481	304,500	3,035,981
Compensated Absences Payable - Due Within One Year	-	8,060,857	-	8,060,857
Total Current Liabilities	<u>711,330</u>	<u>26,782,676</u>	<u>343,483</u>	<u>27,837,489</u>
Noncurrent Liabilities				
Advances from Other Funds	956,946	-	-	956,946
Claims and Judgments Payable- Due in More than One Year	-	8,777,519	957,500	9,735,019
Compensated Absences Payable - Due in More than One Year	-	888,773	-	888,773
Total Noncurrent Liabilities	<u>956,946</u>	<u>9,666,292</u>	<u>957,500</u>	<u>11,580,738</u>
Total Liabilities	<u>1,668,276</u>	<u>36,448,968</u>	<u>1,300,983</u>	<u>39,418,227</u>
Net Assets:				
Invested in Capital Assets, Net of Related Debt	11,651,855	-	-	11,651,855
Unrestricted	19,141,708	27,128,319	(252,302)	46,017,725
Total Net Assets	<u>\$ 30,793,563</u>	<u>\$ 27,128,319</u>	<u>\$ (252,302)</u>	<u>\$ 57,669,580</u>

CITY OF SUNNYVALE**Combining Statement of Revenues, Expenses and Changes in Net Assets
All Internal Service Funds
Year Ended June 30, 2009**

	<u>General Services</u>	<u>Employee Benefits</u>	<u>Risk Management</u>	<u>Totals</u>
Operating Revenues:				
Charges for Services	\$ 16,505,840	\$ 57,414,109	\$ 1,692,422	\$ 75,612,371
Total Operating Revenues	<u>16,505,840</u>	<u>57,414,109</u>	<u>1,692,422</u>	<u>75,612,371</u>
Operating Expenses:				
Personnel Services	8,144,071	15,556,309	115,648	23,816,028
Contractual Services	2,663,840	-	44,315	2,708,155
Material and Supplies	2,204,787	-	1,546	2,206,333
Utilities	1,496,719	-	756	1,497,475
Taxes and Licenses	13,911	-	-	13,911
Equipment and Building Rental	1,038,378	-	38,523	1,076,901
Insurance Premiums and Claims	-	20,559,537	797,170	21,356,707
Retirement Premiums	-	25,367,309	-	25,367,309
Other Operating Expenses	166,283	-	-	166,283
Depreciation	1,768,298	-	-	1,768,298
Total Operating Expenses	<u>17,496,287</u>	<u>61,483,155</u>	<u>997,958</u>	<u>79,977,400</u>
Operating Income (Loss)	(990,447)	(4,069,046)	694,464	(4,365,029)
Nonoperating Revenues (Expenses):				
Investment Earnings	608,133	1,357,483	30,433	1,996,049
Interest Expense	(164,255)	-	-	(164,255)
Total Nonoperating Revenues (Expenses)	<u>443,878</u>	<u>1,357,483</u>	<u>30,433</u>	<u>1,831,794</u>
Income (loss) before Transfers	(546,569)	(2,711,563)	724,897	(2,533,235)
Transfers In	1,885,698	10,000,000	-	11,885,698
Transfers Out	(5,355,633)	-	-	(5,355,633)
Change in Net Assets	(4,016,504)	7,288,437	724,897	3,996,830
Net Assets (Deficit) - Beginning of Year	<u>34,810,067</u>	<u>19,839,882</u>	<u>(977,199)</u>	<u>53,672,750</u>
Net Assets (Deficit) - End of Year	<u>\$ 30,793,563</u>	<u>\$ 27,128,319</u>	<u>\$ (252,302)</u>	<u>\$ 57,669,580</u>

CITY OF SUNNYVALE

**Combining Statement of Cash Flows
All Internal Service Funds
Year Ended June 30, 2009**

	<u>General Services</u>	<u>Employee Benefits</u>	<u>Risk Management</u>	<u>Totals</u>
Cash Flows from Operating Activities:				
Cash Received from Customers	\$ 16,299,023	\$ 56,838,359	\$ 1,692,422	\$ 74,829,804
Cash Payments to Suppliers of Goods and Services	(8,181,155)	-	(91,828)	(8,272,983)
Cash Payments for Employee Services	(8,149,900)	(38,248,422)	(142,764)	(46,541,086)
Insurance and Claims Paid	-	(15,604,729)	(790,916)	(16,395,645)
Other Receipts (Payments)	287,048	(14)	27,117	314,151
Net Cash Provided by (Used for) Operating Activities	<u>255,016</u>	<u>2,985,194</u>	<u>694,031</u>	<u>3,934,241</u>
Cash Flows from Noncapital Financing Activities:				
Transfers Received	1,885,698	10,000,000	-	11,885,698
Transfers Paid	(4,928,360)	-	-	(4,928,360)
Repayment of Advance From/To Other Funds	(1,053,812)	-	-	(1,053,812)
Net Cash Provided by (Used for) Noncapital Financing Activities	<u>(4,096,474)</u>	<u>10,000,000</u>	<u>-</u>	<u>5,903,526</u>
Cash Flows from Capital and Related Financing Activities:				
Acquisition and Construction of Capital Assets	(2,984,761)	-	-	(2,984,761)
Net Cash Provided by (Used for) Capital and Related Financing Activities	<u>(2,984,761)</u>	<u>-</u>	<u>-</u>	<u>(2,984,761)</u>
Cash Flows from Investing Activities:				
Interest on Investments	613,327	685,073	21,816	1,320,216
Change in the Fair Value of Investments	68,399	611,277	3,445	683,121
Net Cash Provided by Investing Activities	<u>681,726</u>	<u>1,296,350</u>	<u>25,261</u>	<u>2,003,337</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(6,144,493)	14,281,544	719,292	8,856,343
Cash and Cash Equivalents - Beginning of Year	<u>26,394,549</u>	<u>47,677,697</u>	<u>300,838</u>	<u>74,373,084</u>
Cash and Cash Equivalents - End of Year	<u>\$ 20,250,056</u>	<u>\$ 61,959,241</u>	<u>\$ 1,020,130</u>	<u>\$ 83,229,427</u>
Reconciliation to Statement of Net Assets:				
Cash and Investments Held by City	\$ 20,250,056	\$ 61,959,241	\$ 1,020,130	\$ 83,229,427

Continued

CITY OF SUNNYVALE**Combining Statement of Cash Flows
All Internal Service Funds
Year Ended June 30, 2009**

	<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)	\$ (990,447)	\$ (4,069,046)	\$ 694,464	\$ (4,365,029)
Adjustment to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:				
Depreciation	1,768,298	-	-	1,768,298
Changes in Assets and Liabilities:				
Receivables, Net	(98,228)	158,560	-	60,332
Due from Other Governments	-	-	-	-
Inventories and Prepayments	152,113	(58,190)	9,498	103,421
Accounts Payable and Accrued Liabilities	(576,720)	1,487,870	7,069	918,219
Claims and Judgments Payable	-	(929,000)	(17,000)	(946,000)
Compensated Absences Payable	-	-	-	-
Other Postemployment Benefit Obligation	-	6,395,000	-	6,395,000
Net Cash Provided (Used) by Operating Activities	<u>\$ 255,016</u>	<u>\$ 2,985,194</u>	<u>\$ 694,031</u>	<u>\$ 3,934,241</u>

Noncash Investing, Capital and Financing Activities:

Purchase of Capital Assets on Account	47,049	-	-	47,049
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Concluded

Fiduciary Fund Financial Statements

Agency Funds:

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

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

CITY OF SUNNYVALE**Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
Year Ended June 30, 2009****Community Facilities District**

	<u>Beginning Balance July 1, 2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance June 30, 2009</u>
Assets:				
Cash and Investments	\$ 1,909,954	\$ 1,667,525	\$ (1,667,558)	\$ 1,909,921
Cash and Investments Held by Fiscal Agent	1,748,413	1,720,159	(1,720,433)	1,748,139
Receivables	54,532	7,189	-	61,721
Total Assets	<u>\$ 3,712,899</u>	<u>\$ 3,394,873</u>	<u>\$ (3,387,991)</u>	<u>\$ 3,719,781</u>
Liabilities:				
Due to Bondholders	3,712,899	3,394,873	(3,387,991)	3,719,781
Total Liabilities	<u>\$ 3,712,899</u>	<u>\$ 3,394,873</u>	<u>\$ (3,387,991)</u>	<u>\$ 3,719,781</u>

Santa Clara Valley Urban Runoff Pollution Prevention Program

	<u>Beginning Balance July 1, 2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance June 30, 2009</u>
Assets:				
Cash and Investments	\$ 1,166,141	\$ 6,812,050	\$ (6,590,766)	\$ 1,387,424
Total Assets	<u>\$ 1,166,141</u>	<u>\$ 6,812,050</u>	<u>\$ (6,590,766)</u>	<u>\$ 1,387,424</u>
Liabilities:				
Accounts Payable and Accrued Liabilities	1,166,141	6,812,050	(6,590,766)	1,387,424
Total Liabilities	<u>\$ 1,166,141</u>	<u>\$ 6,812,050</u>	<u>\$ (6,590,766)</u>	<u>\$ 1,387,424</u>

Combined

	<u>Beginning Balance July 1, 2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance June 30, 2009</u>
Assets:				
Cash and Investments	\$ 3,076,095	\$ 8,479,575	\$ (8,258,324)	\$ 3,297,345
Cash and Investments Held by Fiscal Agent	1,748,413	1,720,159	(1,720,433)	1,748,139
Receivables	54,532	7,189	-	61,721
Total Assets	<u>\$ 4,879,040</u>	<u>\$ 10,206,923</u>	<u>\$ (9,978,757)</u>	<u>\$ 5,107,205</u>
Liabilities:				
Accounts Payable and Accrued Liabilities	1,166,141	6,812,050	(6,590,766)	1,387,424
Due to Bondholders	3,712,899	3,394,873	(3,387,991)	3,719,781
Total Liabilities	<u>\$ 4,879,040</u>	<u>\$ 10,206,923</u>	<u>\$ (9,978,757)</u>	<u>\$ 5,107,205</u>

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, 2009 and 2008**

	<u>2009</u>	<u>2008</u>
Governmental Funds Capital Assets:		
Land	\$ 103,992,293	\$ 103,992,293
Buildings	91,507,504	88,086,502
Improvements Other Than Buildings	59,120,996	59,006,315
Machinery and Equipment	4,036,034	3,990,049
Construction In Progress	16,355,908	8,962,560
Infrastructure:		
Nondepreciable	159,864,183	159,527,783
Depreciable	75,733,949	75,407,849
Total Governmental Funds Capital Assets	<u>\$ 510,610,867</u>	<u>\$ 498,973,351</u>
 Investment In Governmental Funds Capital Assets by Source:		
General Fund	\$ 323,601,025	\$ 323,053,560
Special Revenue Funds	51,494,559	51,609,231
Capital Projects Funds	87,962,993	79,957,902
Contributions From Developers and Donations	47,552,290	44,352,658
Total Investment In Governmental Funds Capital Assets	<u>\$ 510,610,867</u>	<u>\$ 498,973,351</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, 2009**

Function and Activity	Land	Buildings	Improvements Other Than Buildings	Machinery and Equipment
Planning and Management	\$ 20,681,843	\$ 14,596,831	\$ 3,062,646	\$ 706,011
Public Safety	1,252,625	2,343,961	4,690,634	1,217,351
Community Development	39,972,966	25,496,234	24,332,503	81,174
Transportation	18,274,326	6,598,462	6,090,645	171,060
Socioeconomic	-	1,944,176	7,576,079	246,212
Cultural	6,352,073	38,320,334	7,484,442	434,952
Environmental Management	17,458,460	2,207,506	5,884,047	1,179,274
Total Governmental Funds Capital Assets	\$ 103,992,293	\$ 91,507,504	\$ 59,120,996	\$ 4,036,034

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	
\$ 1,796,315	\$ -	\$ -	\$ 40,843,646
-	-	-	9,504,571
354,076	-	-	90,236,953
14,062,163	159,864,183	75,733,949	280,794,788
-	-	-	9,766,467
143,354	-	-	52,735,155
-	-	-	26,729,287
<u>\$ 16,355,908</u>	<u>\$ 159,864,183</u>	<u>\$ 75,733,949</u>	<u>\$ 510,610,867</u>

CITY OF SUNNYVALE**Capital Assets Used in the Operation of Governmental Funds
Schedule of Changes by Function and Activity
Year Ended June 30, 2009**

Function and Activity	Governmental Funds Capital Assets			Governmental Funds Capital Assets
	July 1, 2008	Additions	Deletions	June 30, 2009
Planning and Management	\$ 39,053,175	\$ 1,790,471	\$ -	\$ 40,843,646
Public Safety	9,487,466	17,105	-	9,504,571
Community Development	90,011,126	354,076	(128,249)	90,236,953
Transportation	274,060,287	6,734,501	-	280,794,788
Socioeconomic	9,766,467	-	-	9,766,467
Cultural	49,852,104	2,883,051	-	52,735,155
Environmental Management	26,742,726	-	(13,439)	26,729,287
Total Governmental Funds Capital Assets	\$ 498,973,351	\$ 11,779,204	\$ (141,688)	\$ 510,610,867

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.	178-184
<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.	185-188
<i>Debt Capacity</i> These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future.	189-192
<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.	193-194
<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.	195-197

CITY OF SUNNYVALE

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

	Fiscal Year							
	2009	2008	2007	2006	2005	2004	2003	2002
Governmental Activities								
Invested in Capital Assets, Net of Related Debt	\$ 371,980	\$ 361,946	\$ 358,287	\$ 359,656	\$ 358,104	\$ 367,258	\$ 362,069	\$ 356,181
Restricted	86,468	86,217	72,587	65,838	60,360	58,670	69,542	87,661
Unrestricted	179,360	194,198	195,942	169,481	168,381	177,767	177,615	154,245
Total Governmental Activities Net Assets	\$ 637,808	\$ 642,361	\$ 626,816	\$ 594,975	\$ 586,845	\$ 603,695	\$ 609,226	\$ 598,087
Business-type activities								
Invested in Capital Assets, Net of Related Debt	\$ 75,783	\$ 66,109	\$ 64,546	\$ 61,193	\$ 58,850	\$ 49,830	\$ 50,614	\$ 52,309
Restricted	-	12,673	6,886	9,119	15,039	15,244	17,380	15,205
Unrestricted	(13,983)	(11,949)	(11,569)	(12,335)	(11,891)	(17,172)	(15,062)	(14,971)
Total Business-Type Activities Net assets	\$ 61,800	\$ 66,833	\$ 59,863	\$ 57,977	\$ 61,998	\$ 47,902	\$ 52,932	\$ 52,543
Primary Government								
Invested in Capital Assets, Net of Related Debt	\$ 447,763	\$ 428,055	\$ 422,833	\$ 420,849	\$ 416,954	\$ 417,088	\$ 412,683	\$ 408,490
Restricted	86,468	98,890	79,473	74,957	75,399	73,914	86,922	102,866
Unrestricted	165,377	182,249	184,373	157,146	156,490	160,595	162,553	139,274
Total Primary Government Net Assets	\$ 699,608	\$ 709,194	\$ 686,679	\$ 652,952	\$ 648,843	\$ 651,597	\$ 662,158	\$ 650,630

Notes: 1 The City implemented GASB Statement No. 34 in fiscal year 2002

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

Changes in Net Assets
Last Eight Fiscal Years ¹
(accrual basis of accounting)
(dollars in thousands)

	Fiscal Year							
	2009	2008	2007	2006	2005	2004	2003	2002
Expenses:								
Governmental Activities:								
Planning and Management	\$ 21,405	\$ 20,624	\$ 18,957	\$ 16,170	\$ 15,247	\$ 14,053	\$ 15,004	\$ 13,525
Public Safety	74,876	72,918	65,768	62,682	58,718	55,360	54,004	46,523
Community Development	21,790	21,399	20,198	20,104	22,655	18,815	21,068	19,915
Transportation	11,831	11,182	11,832	9,886	8,841	13,492	11,820	13,599
Socioeconomic	10,533	9,178	10,833	12,791	12,909	13,857	14,803	13,049
Cultural	9,449	9,627	8,858	8,530	8,715	8,438	8,812	9,160
Environmental Management	2,167	14,280	2,027	1,596	2,077	2,346	1,684	2,463
Interest on Long-term Debt	1,730	1,638	1,727	1,680	1,624	1,479	1,743	2,253
Total Governmental Activities	<u>153,781</u>	<u>160,846</u>	<u>140,200</u>	<u>133,439</u>	<u>130,786</u>	<u>127,840</u>	<u>128,938</u>	<u>120,487</u>
Business-Type Activities:								
Water Supply and Distribution	21,939	20,685	19,410	18,010	17,751	17,232	16,144	15,106
Wastewater Management	17,376	16,728	16,782	17,109	16,387	14,971	15,007	15,472
Solid Waste Management	37,503	29,013	28,008	29,553	27,340	27,610	26,567	26,641
SMaRT Station	26,256	22,670	18,966	18,954	18,094	18,327	18,408	19,566
Community Recreation	11,687	11,166	10,761	10,476	9,676	9,428	9,472	9,008
Patent Library	-	-	-	-	-	-	-	669
Information Technology	-	-	-	-	-	-	13	5
Total Business-Type Activities	<u>114,761</u>	<u>100,262</u>	<u>93,927</u>	<u>94,102</u>	<u>89,248</u>	<u>87,568</u>	<u>85,611</u>	<u>86,467</u>
Total Primary Government Expenses	<u>\$ 268,542</u>	<u>\$ 261,108</u>	<u>\$ 234,127</u>	<u>\$ 227,541</u>	<u>\$ 220,034</u>	<u>\$ 215,408</u>	<u>\$ 214,549</u>	<u>\$ 206,954</u>
Program Revenues:								
Governmental Activities:								
Charges for Services								
Planning and Management	\$ 442	\$ 490	\$ 397	\$ 380	\$ 1,171	\$ 303	\$ 162	\$ 101
Public Safety	4,417	3,311	3,011	2,394	2,556	2,191	2,106	2,259
Community Development	8,998	22,250	20,177	11,065	10,054	9,175	7,233	9,463
Transportation	814	6,222	2,185	715	2,861	611	338	621
Socioeconomic	300	345	526	593	574	548	601	598
Cultural	205	223	332	585	600	501	471	168
Environmental Management	161	2,339	795	825	34	200	31	659
Operating Grants and Contributions	17,353	14,799	17,899	21,142	18,289	17,716	20,542	19,541
Capital Grants and Contributions	8,079	6,923	3,505	2,676	1,464	5,211	9,589	6,722
Total Governmental Activities Program Revenues	<u>40,769</u>	<u>56,902</u>	<u>48,827</u>	<u>40,375</u>	<u>37,603</u>	<u>36,456</u>	<u>41,073</u>	<u>40,132</u>

Business-Type Activities:

Charges for Services									
Water Supply and Distribution	25,022	24,007	23,244	19,953	19,263	19,365	18,525	16,854	
Wastewater Management	21,244	23,527	20,594	18,673	17,579	16,428	16,159	14,544	
Solid Waste Management	33,153	31,606	29,981	29,777	29,289	27,219	28,527	26,396	
SMaRT Station	22,699	24,373	19,187	19,077	17,431	17,494	17,901	18,616	
Community Recreation	7,663	7,764	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	457	602	489	1,076	118	290	1,423	200	
Total Business-Type Activities Program Revenues	<u>110,238</u>	<u>111,879</u>	<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>\$ 151,007</u>	<u>\$ 168,781</u>	<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	\$ (113,012)	\$ (103,944)	\$ (91,373)	\$ (93,064)	\$ (93,183)	\$ (91,384)	\$ (87,865)	\$ (80,355)
Business-Type Activities	(4,523)	11,617	7,116	1,994	1,805	765	4,507	(1,519)
Total Primary Government Net Expense	<u>\$ (117,535)</u>	<u>\$ (92,327)</u>	<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	\$ 50,741	\$ 44,107	\$ 41,018	\$ 35,646	\$ 33,105	\$ 27,588	\$ 26,858	\$ 25,824	
Sales and Use Taxes	25,072	29,705	30,852	28,422	24,917	23,452	25,753	25,787	
Motor Vehicle License	468	602	850	847	3,650	5,970	7,926	7,393	
Franchise Fees, Unrestricted	6,127	5,855	5,714	5,531	5,395	5,521	5,226	5,494	
Utilities Users Taxes	6,841	6,840	6,479	6,057	5,833	5,877	5,652	5,688	
Transient Occupancy Taxes	5,686	7,350	6,480	5,633	5,074	4,752	5,094	6,320	
Real Property Transfer Taxes	548	1,225	1,216	1,140	1,352	765	580	534	
Construction Taxes	1,260	2,943	1,899	1,342	923	860	672	1,222	
Business License Taxes	1,199	1,075	687	286	215	244	269	250	
Unrestricted Grants and Contributions	-	-	-	-	-	821	678	144	
Investment Earnings	8,851	12,960	13,348	8,787	6,587	3,829	13,710	16,511	
Gain (Loss) on Disposal of Assets	-	-	7,337	-	-	(55)	33	122	
Miscellaneous	8	417	27	102	354	(3)	710	63	
Transfers	1,658	6,410	7,308	7,512	(11,072)	6,232	5,843	9,259	
Total Governmental Activities	<u>108,459</u>	<u>119,489</u>	<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	1,148	1,764	2,077	1,496	1,219	395	1,689	2,204	
Gain (Loss) on Disposal of Assets	-	-	-	-	-	42	31	-	
Miscellaneous	-	-	-	-	-	-	4	-	
Transfers	(1,658)	(6,410)	(7,308)	(7,511)	11,072	(6,232)	(5,842)	(9,259)	
Total Business-Type Activities	<u>(510)</u>	<u>(4,646)</u>	<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>\$ 107,949</u>	<u>\$ 114,843</u>	<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	\$ (4,553)	\$ 15,545	\$ 31,842	\$ 8,241	\$ (16,850)	\$ (5,531)	\$ 11,139	\$ 24,256	
Business-Type Activities	(5,033)	6,971	1,885	(4,021)	14,096	(5,030)	389	(8,574)	
Total Primary Government	<u>\$ (9,586)</u>	<u>\$ 22,516</u>	<u>\$ 33,727</u>	<u>\$ 4,220</u>	<u>\$ (2,754)</u>	<u>\$ (10,561)</u>	<u>\$ 11,528</u>	<u>\$ 15,682</u>	

Notes: 1 The City implemented GASB Statement No. 34 in fiscal year 2002

CITY OF SUNNYVALE

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

	Fiscal Year									
	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
General Fund										
Reserved	\$ 30,279	\$ 30,850	\$ 33,053	\$ 34,765	\$ 37,074	\$ 45,677	\$ 47,139	\$ 44,908	\$ 45,182	\$ 43,004
Unreserved	69,739	90,328	79,034	73,813	72,842	68,959	76,541	90,361	85,345	64,752
Total General Fund	<u>\$ 100,018</u>	<u>\$ 121,178</u>	<u>\$ 112,087</u>	<u>\$ 108,578</u>	<u>\$ 109,916</u>	<u>\$ 114,636</u>	<u>\$ 123,680</u>	<u>\$ 135,269</u>	<u>\$ 130,527</u>	<u>\$ 107,756</u>
All Other Governmental Funds										
Reserved	\$ 41,005	\$ 37,324	\$ 29,983	\$ 23,895	\$ 22,098	\$ 18,050	\$ 15,573	\$ 29,307	\$ 30,381	\$ 40,795
Unreserved reported in:										
Special Revenue Funds	3,880	3,931	3,650	4,228	5,888	10,038	13,610 ²	2,975	10,851	6,246
Debt Service Funds	(63,990)	(58,612)	(56,567)	(54,836)	(51,180)	(48,708)	(45,889)	(42,496)	(36,697)	(34,706)
Capital Projects Funds	28,069	29,821	26,717	25,563	27,926	34,754	40,757	51,060	39,187	17,497
Permanent Funds	-	-	-	-	-	-	(52)	13	-	-
Total All Other Governmental Funds	<u>\$ 8,964</u>	<u>\$ 12,464</u>	<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>

Notes: 1 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									
	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
Revenues										
Property Taxes	\$ 50,523	\$ 43,893	\$ 40,807	\$ 35,436	\$ 32,895	\$ 27,367	\$ 26,632	\$ 25,595	\$ 22,836	\$ 21,098
Sales and Use Taxes	26,201	30,915	32,053	29,617	26,070	24,599	27,015	27,270	37,620	31,253
Other Taxes	15,534	19,433	16,761	14,459	13,397	12,498	12,268	14,013	20,156	16,854
Franchise Fees	6,127	5,855	5,714	5,531	5,395	5,521	5,226	5,494	4,918	4,452
Intergovernmental Revenues	21,468	19,567	19,577	21,950	22,342	27,459	36,500	31,409	24,765	29,282
Permits and Licenses	5,435	9,265	7,042	5,780	4,996	4,252	3,133	4,392	6,415	5,379
Fines and Forfeitures	1,537	1,249	1,394	756	944	774	782	1,647	804	1,332
Special Assessments	17	71	66	63	71	136	300	297	718	297
Service Fees	5,416	21,725	15,621	7,500	7,713	5,495	3,123	3,493	5,088	4,010
Rents and Concessions	2,029	1,907	2,150	1,664	1,538	1,518	1,758	2,585	2,064	1,442
Investment Earnings	7,298	6,864	6,433	3,976	2,858	971	7,865	12,058	13,916	4,698
Other Revenues	1,075	1,824	1,442	1,555	2,991	1,584	3,339	2,660	11,112	1,110
Total Revenues	142,660	162,568	149,060	128,287	121,210	112,174	127,941	130,913	150,412	121,207
Expenditures										
Planning and Management	19,483	19,390	17,252	14,115	13,860	13,096	14,200	11,810	10,177	10,960
Public Safety	73,457	69,582	66,346	62,069	57,709	53,847	52,764	44,514	41,212	40,491
Community Development	21,034	20,816	22,245	20,638	20,093	16,928	19,521	18,150	18,906	20,577
Transportation	7,706	7,533	7,309	6,868	6,475	7,694	9,402	8,929	7,344	9,042
Socioeconomic	10,031	8,600	10,653	12,618	12,774	13,406	14,430	12,592	10,197	13,792
Cultural	7,871	7,545	7,824	7,493	7,331	7,056	7,541	6,398	5,962	5,409
Environmental Management	4,148	2,492	1,747	1,656	1,026	1,622	1,304	1,581	733	1,062
Capital Outlay	10,621	9,691	5,548	7,008	3,447	14,379	25,883	25,633	31,419	3,929
Debt Service:										
Principal Retirement	1,535	1,705	1,640	1,525	1,700	1,675	1,595	1,535	13,558	1,065
Interest	6,399	6,091	6,010	5,687	5,414	5,097	5,074	4,962	6,113	4,109
Fiscal Charges	551	104	66	125	67	677	110	62	474	466
Total Expenditures	162,836	153,549	146,640	139,802	129,896	135,477	151,824	136,166	146,095	110,902
Excess (Deficiency) of Revenues Over (Under) Expenditures	(20,176)	9,019	2,420	(11,515)	(8,686)	(23,303)	(23,883)	(5,253)	4,317	10,305

Other Financing Sources (Uses):

Transfers In	19,011	18,325	19,154	19,683	17,307	20,376	23,880	24,180	42,717	21,679
Transfers Out	(23,883)	(14,273)	(16,615)	(15,277)	(22,743)	(16,628)	(29,113)	(17,048)	(38,117)	(13,712)
Proceeds from Refunding Bonds	15,865	-	-	-	-	7,960	-	-	-	-
Proceeds from Issuing Bonds	-	-	-	-	-	-	-	-	18,710	25,000
Issuance Discount on Refunding Bonds	-	-	-	-	-	(69)	-	-	-	-
Payment to Refunded Bonds Escrow Agent	(15,475)	-	-	-	-	(7,245)	-	-	-	-
Proceeds from Sale of Capital Assets ¹	-	4,700	3,483	-	-	-	498	-	9,034	3,805
Total Other Financing Sources (Uses)	(4,482)	8,752	6,022	4,406	(5,436)	4,394	(4,735)	7,132	32,344	36,772
Net Change in Fund Balances	\$ (24,658)	\$ 17,771	\$ 8,442	\$ (7,109)	\$ (14,122)	\$ (18,909)	\$ (28,618)	\$ 1,879	\$ 36,661	\$ 47,077
Capital Expenditures	8,458	8,583	3,211	6,245	3,554	10,937	25,396	21,967	29,360	13,801
Debt Service as a Percentage of Noncapital Expenditures	5.5%	5.4%	5.4%	5.5%	5.7%	6.0%	5.4%	5.7%	17.3%	5.8%

Notes: 1 Proceeds from sale of capital assets are normally reported as other financing sources. The amounts were significant enough in fiscal years 2008 and 2007 to be reported as special items in the basic financial statements according to GASB Statement No. 34 guidance, which the City implemented in fiscal year 2002.

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

	Fiscal Year									
	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
Property	\$ 50,523	\$ 43,893	\$ 40,808	\$ 35,436	\$ 32,895	\$ 27,367	\$ 26,632	\$ 25,595	\$ 22,836	\$ 21,098
Sales and Use	26,201	30,915	32,053	29,617	26,070	24,599	27,015	27,270	37,620	31,253
Transient Occupancy	5,686	7,350	6,480	5,633	5,074	4,752	5,095	6,320	10,735	9,775
Utility Users	6,841	6,840	6,479	6,057	5,833	5,877	5,652	5,688	5,859	4,395
Business Licenses	1,200	1,075	687	286	215	244	269	250	287	263
Real Property Transfer	548	1,225	1,216	1,140	1,352	765	580	534	856	641
Construction	1,260	2,943	1,899	1,342	923	860	672	1,221	2,419	1,780
Franchise	6,127	5,855	5,713	5,531	5,395	5,521	5,226	5,494	4,690	4,452
Total	<u>\$ 98,386</u>	<u>\$ 100,096</u>	<u>\$ 95,335</u>	<u>\$ 85,042</u>	<u>\$ 77,757</u>	<u>\$ 69,985</u>	<u>\$ 71,141</u>	<u>\$ 72,372</u>	<u>\$ 85,302</u>	<u>\$ 73,657</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
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%
2008	12,899,641,149	2,249,318,824	4,864,685,262	680,647,211	2,203,422,900	22,897,715,346	230,239,556	22,667,475,790	0.194%
2009	13,884,261,832	2,769,989,883	5,384,520,573	577,941,420	2,355,453,585	24,972,167,293	246,909,926	24,725,257,367	0.204%

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									
	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
Direct Rates ¹										
County	1.03880	1.03880	1.03880	1.03880	1.03880	1.03880	1.03880	1.03640	1.03560	1.03190
Special District										
Santa Clara Valley Water District	0.00610	0.00710	0.00720	0.00780	0.00920	0.00870	0.00720	0.00620	0.00750	0.00850
El Camino Hospital	0.01290	0.01290	0.01290	-	-	-	-	-	-	-
Overlapping Rates ²										
School Districts ³									0.05350	0.03840
Sunnyvale School District	0.03390	0.03560	0.03440	0.03970	0.01880	0.01570	0.01580	0.01640	-	-
Cupertino Elementary	0.03060	0.03370	0.02890	0.26810	0.03600	0.03570	0.03290	0.04570	-	-
Los Altos Elementary	0.05260	0.05430	0.05510	0.04520	0.04870	0.04830	0.03980	0.04370	-	-
Mountain View Elementary	0.02940	0.03120	0.03400	0.03780	0.04230	0.03880	0.03700	0.02950	-	-
Fremont High	0.03390	0.02410	0.02430	0.02600	0.02680	0.02490	0.02460	0.02040	-	-
Mountain View-Los Altos High	0.01480	0.01590	0.01690	0.01790	0.01930	0.01830	0.01880	0.01750	-	-
Santa Clara Unified	0.07430	0.02710	0.07970	0.08610	0.03440	0.02630	0.02520	0.03660	-	-
Foothills-De Anza College	0.01230	0.01130	0.03460	0.01190	0.01290	0.01100	0.01080	0.01150	-	-
Special District										
Parking District	- ⁴	0.05216	0.05400	0.05200	0.05900					

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, 2009**

Taxpayer	2009			2000		
	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Lockheed Missles & Space Company Inc	\$ 1,050,255,248	1	4.25%	\$ 110,018,689	7	0.79%
Yahoo Inc	493,003,784	2	1.99%			
Applied Materials Inc	479,410,577	3	1.94%			
Network Appliance Inc	427,713,080	4	1.73%			
Spansion LLC	340,358,811	5	1.38%			
SPF Mathilda LLC	272,000,000	6	1.10%			
Arden Realty LP	213,940,681	7	0.87%			
Juniper Networks Inc	209,993,054	8	0.85%			
Moffett Park Drive LLC	183,076,389	9	0.74%	784,688,060	1	5.61%
Silicon Valley Financing LLC	166,601,090	10	0.67%			
Advanced Micro Devices Inc				392,681,748	2	2.81%
Bay Apartment Communities Inc				186,694,521	3	1.34%
Sunnyvale Mathilda Land LLC				143,141,843	4	1.02%
AETNA Life Insurance Company				121,588,951	5	0.87%
AMB Property Limited Partnership				112,741,082	6	0.81%
Irvine Company				105,784,519	8	0.76%
Sunnyvale Partners Limited Partnership				91,638,625	9	0.66%
Delaware Chip LLC				91,000,000	10	0.65%
Total	\$ 3,836,352,714		15.52%	\$ 2,139,978,038		15.32%

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
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%
2008	34,017,054	33,208,221	97.6%	1,072,976	34,281,197	100.8%
2009	40,322,813	38,415,190	95.3%	1,610,512	40,025,702	99.3%

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

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

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

CITY OF SUNNYVALE

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

	Fiscal Year									
	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
Governmental Activities:										
Parking District Bonds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 75	\$ 145	\$ 215	\$ 280
Special Assessment Bonds	-	-	-	-	-	280	540	780	1,005	1,215
Tax Allocation Bonds	6,352	6,703	7,050	7,386	7,667	7,894	7,440	7,625	7,800	7,965
Certificates of Participation	28,900	29,690	31,045	32,345	33,585	34,775	35,920	37,020	38,085	20,050
Business-Type Activities:										
Water and Wastewater										
Revenue Bonds	23,004	24,426	25,783	27,089	28,346	29,563	30,740	31,877	18,970	19,591
Solid Waste Revenue Bonds	21,487	23,129	16,149	17,275	18,371	19,426	20,442	18,296	18,955	19,575
Total Primary Government	\$ 79,743	\$ 83,948	\$ 80,027	\$ 84,095	\$ 87,969	\$ 91,938	\$ 95,157	\$ 95,743	\$ 85,030	\$ 68,676
Percentage of Personal Income ¹	0.08%	0.08%	0.08%	0.09%	0.10%	0.11%	0.12%	0.12%	0.10%	0.08%
Per Capita ²	\$ 574	\$ 610	\$ 590	\$ 630	\$ 661	\$ 694	\$ 718	\$ 721	\$ 432	\$ 516

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 2007 was used to calculate percentages for fiscal years 2008 and 2009 since data for fiscal years 2008 and 2009 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, 2009**

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	\$ 18,660,000	100.000 %	\$ 18,660,000
Cupertino Union School District & Certificates of Participation	125,374,020	14.646	18,362,279
El Camino Hospital District	145,820,000	36.770	53,657,385
Foothill Community College District Certificates of Participation	25,605,000	22.709	5,814,639
Foothill-De Anza Community College District	482,349,288	22.709	109,536,700
Fremont Union High School District	208,080,000	48.116	100,119,773
Midpeninsula Regional Open Space Park District Certificates of Participation	116,673,031	15.406	17,974,647
Mountain View School District & Certificates of Participation	29,484,685	2.036	600,309
Mountain View-Los Altos Union High School District & Certificates of Participation	42,518,260	0.802	340,997
Los Altos School District	94,359,000	0.268	252,882
Santa Clara County	350,000,000	8.853	30,985,500
Santa Clara County General Fund Obligations	862,655,000	8.853	76,370,847
Santa Clara County Board of Education Certificates of Participation	14,530,000	8.853	1,286,341
Santa Clara County Pension Obligations	389,174,822	8.853	34,453,647
Santa Clara County Vector Control Certificates of Participation	4,125,000	8.853	365,186
Santa Clara Unified School District Certificates of Participation	295,085,000	14.021	41,373,868
Santa Clara Valley Water District Benefit Assessment District	161,485,000	8.853	14,296,267
Santa Clara Valley Water District Zone W-1	1,390,000	10.853	150,857
Sunnyvale School District	86,964,645	99.059	86,146,308
West Valley-Mission Community College District Certificates of Participation	215,334,692	4.823	10,385,592
Subtotal Overlapping Debt			621,134,024
Direct Debt ¹			
City of Sunnyvale Certificates of Participation			13,035,000
City of Sunnyvale Parking Facility Certificates of Participation			15,865,000
Subtotal Direct Debt			28,900,000
Total Direct and Overlapping Debt ²			\$ 650,034,024

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									
	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
Debt limit	\$ 3,745,825	\$ 3,434,657	\$ 3,138,125	\$ 2,913,929	\$ 2,714,589	\$ 2,761,090	\$ 2,699,169	\$ 2,547,946	\$ 2,226,723	\$ 2,085,130
Total net debt applicable to limit	35,252	36,394	38,094	39,731	41,251	42,949	43,975	45,570	47,105	29,510
Legal debt Margin	<u>\$ 3,710,573</u>	<u>\$ 3,398,263</u>	<u>\$ 3,100,031</u>	<u>\$ 2,874,198</u>	<u>\$ 2,673,338</u>	<u>\$ 2,718,141</u>	<u>\$ 2,655,194</u>	<u>\$ 2,502,376</u>	<u>\$ 2,179,618</u>	<u>\$ 2,055,620</u>
Total net debt applicable to the limit as a percentage of debt limit	0.94%	1.06%	1.21%	1.36%	1.52%	1.56%	1.63%	1.79%	2.12%	1.42%

Legal Debt Margin Calculation for Fiscal Year 2009

Assessed value	\$ 24,725,257
Add back: exempt real property	<u>246,910</u>
Total assessed value	\$ 24,972,167
Debt limit (15% of total assessed value)	3,745,825
Debt applicable to limit:	
Total bonded debt	79,743
Less:	
Water and Wastewater Revenue Bonds	(23,004)
Solid Waste Revenue Bonds	<u>(21,487)</u>
Total net debt applicable to limit	<u>35,252</u>
Legal debt margin	<u>\$ 3,710,573</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									
	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
Water and Wastewater Revenue Bonds										
Gross Revenues	\$ 47,060	\$ 48,250	\$ 45,287	\$ 39,641	\$ 37,671	\$ 36,092	\$ 35,800	\$ 32,498	\$ 32,561	\$ 31,242
Less: Operating Expenses	33,272	31,868	30,472	29,564	28,669	26,984	25,989	25,444	24,576	23,670
Net Available Revenue	\$ 13,788	\$ 16,382	\$ 14,815	\$ 10,077	\$ 9,002	\$ 9,108	\$ 9,811	\$ 7,054	\$ 7,985	\$ 7,572
Debt Service										
Principal	\$ 1,435	\$ 1,370	\$ 1,320	\$ 1,270	\$ 1,230	\$ 1,190	\$ 1,150	\$ 670	\$ 635	\$ 600
Interest	1,180	1,243	1,294	1,340	1,382	1,423	1,461	1,164	1,200	1,234
Coverage	5.3	6.3	5.7	3.9	3.4	3.5	3.8	3.8	4.4	4.1
Solid Waste Revenue Bonds										
Gross Revenues	\$ 56,147	\$ 56,998	\$ 49,766	\$ 49,297	\$ 47,083	\$ 44,909	\$ 48,365	\$ 46,222	\$ 52,428	\$ 50,858
Less: Operating Expenses	56,896	48,186	43,490	45,116	41,945	42,532	41,931	42,803	45,993	46,260
Net Available Revenue	\$ (749)	\$ 8,812	\$ 6,276	\$ 4,181	\$ 5,138	\$ 2,377	\$ 6,434	\$ 3,419	\$ 6,435	\$ 4,598
Debt Service										
Principal	\$ 1,645	\$ 1,165	\$ 1,135	\$ 1,105	\$ 1,065	\$ 1,025	\$ 745	\$ 705	\$ 665	\$ 635
Interest	1,056	898	810	841	882	918	691	1,154	1,192	1,227
Coverage ¹	-0.3	4.3	3.2	2.1	2.6	1.2	4.5	1.8	3.5	2.5

Notes:

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

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

Fiscal Year	Population	Personal Income (in millions)¹	Per Capita Personal Income¹	Median Age	School Enrollment	Civilian Labor Force	Unemployment Rate
2000	133,215	91,386	54,188	34	30,453	81,134	2.90%
2001	196,603	83,979	49,624	34	30,285	81,370	4.20%
2002	132,825	77,998	46,499	33	13,329	76,342	7.30%
2003	132,500	78,165	46,640	33	15,365	73,034	7.80%
2004	132,422	81,921	48,689	34	14,338	70,992	5.70%
2005	133,086	87,910	52,081	36	14,792	70,445	4.70%
2006	133,544	96,443	56,472	36	14,793	71,233	4.00%
2007	135,721	104,102	60,107	36	14,891	73,232	4.10%
2008	137,538	Not Available	Not Available	37	15,142	75,411	5.00%
2009	138,826	Not Available	Not Available	37	15,596	76,112	10.20%

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, 2008**

Employer	2009			2000		
	Number of Employees	Rank	Percentage of Total Employment	Number of Employees	Rank	Percentage of Total Employment
Lockheed Martin Corporation	7,296	1	9.59%	<i>Not available</i>		
Yahoo! Inc	4,906	2	6.45%			
Network Appliance Inc	2,620	3	3.44%			
Juniper Networks Inc	2,187	4	2.87%			
Spansion LLC	1,256	5	1.65%			
Northrup Gruman Marine Systems	1,200	6	1.58%			
Applied Materials Inc	1,140	7	1.50%			
West Valley Eng Inc	1,088	8	1.43%			
Maxim Integrated Products	946	9	1.24%			
Palm Inc	849	10	1.12%			

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									
	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
Planning and Management	144	141	142	141	138	145	150	140	133	138
Public Safety ¹	340	335	325	308	309	333	358	337	322	327
Community Development	126	129	132	132	133	131	142	130	127	132
Transportation	36	35	35	37	35	42	46	47	47	46
Socioeconomic	66	65	79	96	102	108	106	74	62	73
Cultural	61	61	61	65	66	67	73	71	71	69
Environmental Management	21	21	19	18	17	14	17	18	20	18
Water Supply and Distribution	30	29	31	34	32	29	32	21	22	26
Wastewater Management	70	69	67	72	71	69	75	68	67	68
Solid Waste Management	10	10	10	9	9	9	9	8	8	9
SMaRT Station	1	1	1	1	2	2	2	1	1	1
Community Recreation	92	92	92	89	87	95	104	44	37	37
Total	997	988	994	1,002	1,001	1,044	1,114	959	917	944

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									
	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
Public Safety:										
Police										
Emergency Responses	38,676	41,062	47,184	47,464	46,132	52,017	48,613	47,645	52,486	Not Available
Crime Investigations	3,240	3,749	3,834	3,467	3,617	4,268	4,268	4,288	3,909	3,899
Traffic Events and Citations	20,258	19,657	16,753	22,716	24,188	20,213	16,114	12,284	26,433	Not Available
Fire										
Emergency Responses	7,123	7,385	6,793	7,026	6,643	6,646	7,421	6,662	6,674	6,480
Fire Safety Inspections	3,377	4,666	5,934	6,080	5,489	5,189	6,606	7,314	13,939	7,001
Transportation:										
Streets Resurfacing (1,000 square feet)	42	42	42	179	179	156	307	-	-	347
feet)	3,553	4,056	3,882	8,159	5,709	5,767	4,648	7,619	7,436	7,384
Streetlight Lamps Replaced	954	682	1,092	846	674	752	922	901	717	950
Library:										
Library Visitors	871,128	798,194	768,983	723,731	737,506	861,591	877,135	819,664	736,103	735,140
Library Materials Circulated	2,481,633	2,329,375	2,247,777	1,891,080	1,818,370	2,130,978	1,996,562	1,709,468	1,363,068	1,358,078
Library Materials Turnover Rate (average use)	7.1	7.4	7.4	6.7	6.6	7.6	7.0	6.0	6.0	5.1
Water Supply and Distribution:										
Average Daily Demand (million gallons)	20.3	20.8	21.9	20.0	21.7	22.8	21.4	23.2	23.3	22.5
Peak Daily Use (million gallons)	41.3	42.4	44.0	40.0	43.0	46.0	46.0	46.0	46.0	46.0
Water Main Repairs	9	28	61	34	24	13	35	31	13	31
Wastewater Management:										
Average Daily Sewage Treatment (million gallons)	14.1	14.9	15.4	15.5	15.3	14.9	15.3	16.6	16.9	16.6
Solid Waste Management:										
Refuse collected (tons per day)	233.7	261.9	265.8	277.6	271.5	278.6	284.6	298.1	337.7	323.5
Recyclables collected (tons per day)	68.9	67.4	69.4	71.4	73.2	74.2	73.8	70.4	69.1	69.6
SMaRT Station										
Refuse received (tons per day)	667.1	709.7	722.2	731.4	707.7	721.6	733.0	746.4	777.0	781.8
Community Recreation:										
Recreation Programs Registration (hours)	710,537	745,720	708,158	1,552,262	1,524,493	585,023	511,257	Not Available	Not Available	Not Available
Rental Use of Recreation Facilities ¹ (1,000 Participant Hours 2000-2006)	65,900	18,324	18,623	545	450	482	484	609	554	742
Plays at Golf Courses	137,012	142,137	150,303	147,650	156,523	150,944	182,855	185,255	190,757	191,692

Source: City of Sunnyvale, various departments

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

CITY OF SUNNYVALE

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

Function/Program	Fiscal Year									
	2009	2008	2007	2006	2005	2004	2003	2002	2001	2000
Public Safety										
Police:										
Jail Facilities	1 (6 cells)									
Vehicular Patrol Units	67	63	65	52	52	52	51	52	52	54
Fire Stations	6	6	6	6	6	6	6	6	6	6
Transportation										
Streets (miles)	300	300	300	300	300	300	300	300	300	300
Streetlights	9,242	8,928	8,928	8,919	8,919	8,909	8,904	8,867	8,779	8,769
Traffic Signals	128	129	129	129	129	129	129	126	126	122
Water Supply and Distribution										
Water Mains (miles)	326	283	283	282	282	282	282	282	282	282
Fire Hydrants	3,390	3,381	3,381	3,400	3,385	3,385	3,385	3,351	3,351	3,351
Storage Capacity (million gallons)	27.5	28.0	28.0	28.0	28.0	28.0	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	323	323	322	322	322	322	322	322	322
Parks	19	19	19	19	19	19	19	18	18	18
Golf Courses	2	2	2	2	2	2	2	2	2	2
Swimming Pools	6	6	6	6	6	6	6	5	5	5
Tennis Courts	38	38	38	38	38	38	38	38	38	35
Skate Parks	2	2	2	1	1	1	1	-	-	-
Recreation Centers	3	3	3	3	3	3	3	2	2	2

Source: City of Sunnyvale, various departments

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