



COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2013



CITY OF SUNNYVALE

C A L I F O R N I A

A Commitment to Excellence

Comprehensive Annual Financial Report

For The Fiscal Year Ended
June 30, 2013



City of Sunnyvale

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

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

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City of SUNNYVALE

Department of Finance

650 West Olive Avenue

Sunnyvale, California 94086

408-730-7380

December 3, 2013

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, 2013. The City Charter (Section 1318) requires that a licensed certified public accountant conduct an annual audit at the end of each fiscal year and issue a complete set of financial statements to be submitted to City Council. The financial statements are presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards.

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

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

The City's financial statements have been audited by Macias Gini & O'Connell LLP (MGO), a firm of certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended June 30, 2013, are free from material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Based upon the audit, the independent auditors concluded that there was reasonable basis for rendering an unmodified opinion which states that the City's financial statements for the fiscal year ended June 30, 2013, 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, 2013

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

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

This report is divided into three sections:

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

PROFILE OF THE CITY

Basic Information

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

Chief Finance Officer's Letter of Transmittal, Continued
Fiscal Year Ended June 30, 2013

PROFILE OF THE CITY, Continued

Component Units

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

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

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

Types of Services

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

Boards and Commissions

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

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

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

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

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.

Chief Finance Officer's Letter of Transmittal, Continued
Fiscal Year Ended June 30, 2013

PROFILE OF THE CITY, Continued

Budget

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

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

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

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

LOCAL ECONOMY

The local economy continued its recovery from the global recession throughout fiscal year 2013. This recovery, which began late in fiscal year 2010, has been driven by the technology sector, whose expansion has fueled development activity and increased sales tax revenue. Development activity was very robust in fiscal year 2013 and development-related revenues, property tax, and transient occupancy tax all exceeded expectations. Based on the development activity currently underway, revenues are poised for growth going forward due to the residual effect that commercial development has on the General Fund's other sources of revenue. A continuing concern and vulnerability, however, is the high volatility levels for sales tax and development related revenues. Over time, these revenue sources have experienced significant year-to-year variances, which have made long-term revenue projections challenging. The fiscal year 2014 budget reflects the anticipated activity and resulting revenue growth over the next several years. Beyond the next several years, growth projections have been moderated to reflect the inevitable volatility of several of the City's revenues.

Chief Finance Officer's Letter of Transmittal, Continued
Fiscal Year Ended June 30, 2013

LOCAL ECONOMY, Continued

Despite an accelerated recovery for several major revenue sources, the City's fiscal situation still remains uncertain. While the economy appears to be on relatively solid ground, several factors, including financial market volatility and actions by the federal government, continue to cause concern about the sustainability of a healthy economy. Further, the City of Sunnyvale, along with governments at all levels, will remain under pressure to contain operating expenditures, particularly personnel-related costs, to ensure that they don't grow at a rate that exceeds revenue growth. A balanced budget in the short- and long-term can quickly become unbalanced if these costs are not managed closely. To that end, the City, beginning in fiscal year 2011, *budgeted* more sustainable personnel costs, including concessions from its bargaining units, into its long-term plan, and since then has been working with its bargaining units to achieve the results required to maintain a balanced budget. To date, salary adjustments and increases in employee contributions to their pensions have met budgetary assumptions. The next several years will now be crucial in determining if the desired results can continue to be achieved so that revenues and expenditures remain in alignment.

LONG-TERM FINANCIAL PLANNING

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

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

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

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

Chief Finance Officer's Letter of Transmittal, Continued
Fiscal Year Ended June 30, 2013

LONG-TERM FINANCIAL PLANNING, Continued

One significant issue identified through our long-term planning process is the impact of unfunded liabilities related to employee pension and retiree medical benefits. There has been a substantial increase in the City's contribution rates for employee pensions through the California Public Employees' Retirement System (PERS) due to a number of factors, including large investment losses in fiscal year 2009. As a result, the City's employer contribution rates have increased dramatically, starting in fiscal year 2012, and are expected to continue to increase into the foreseeable future. While PERS has utilized a smoothing methodology that phases in the rate increases to mitigate the impact on contracting agencies, it comes at a cost since agencies must pay more over the long term to make up for the fact that the necessary contributions were not made up front. Further, this plan leaves agencies more vulnerable to volatile rates in the future when investment returns do not hit their target. Because of the City's long-term financial planning process that carefully considers the long-term implications of decisions such as this, the City has opted to pay more than the required PERS employer contribution to ensure our retirement plans are prudently funded and to minimize rate volatility. This decision required the City to work with its consulting actuary to develop alternate rates to those provided by PERS and has incorporated these rates into the City's long-term financial plan since fiscal year 2012. The City will continue to address pension funding with a long-term perspective.

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

RELEVANT FINANCIAL POLICIES

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

The first is the Contingencies Reserve. This reserve equals 15% of operating expenditures in the first year of the long-term plan, with annual increases based on projected increases in the Consumer Price Index (CPI). This reserve is only utilized for non-fiscal emergencies or disasters as determined by Council. Increasing future years by CPI ensures that this reserve is sufficient for its intended usage but does not set aside more funds than necessary.

Chief Finance Officer's Letter of Transmittal, Continued
Fiscal Year Ended June 30, 2013

RELEVANT FINANCIAL POLICIES, Continued

A second reserve in the General Fund is entitled the Budget Stabilization Fund. This reserve functions to level economic cycles from year to year. By letting this reserve vary each year, the fund can absorb the cyclical effects of the economy. In essence, this reserve grows during periods of economic growth and is drawn down during the low points of economic cycles to maintain stable service levels. Strict policy adherence to the premise of the Budget Stabilization Fund prevents the City from adding services at the top of economic cycle that cannot be sustained, while allowing it to maintain Council-approved service levels during economic downturns.

The function of the Budget Stabilization Fund and its strength has been evident throughout its existence. It has prevented the City from spending beyond its sustainable means during periods of economic growth, while also providing the City a mechanism to maintain services at desired levels during economic downturns. The value of the Budget Stabilization Fund is especially evident during economic downturns, as not only is it available to be drawn upon to assist in maintaining service levels, it also allows time to develop a measured and reasoned approach to addressing fiscal crises. This was evident during the most recent recession, as the Budget Stabilization Fund was utilized to subsidize service levels when revenues dropped, which allowed the City time to assess the magnitude of the issue and address it strategically. The result was ongoing operating expenditure reductions that were primarily generated through operational efficiencies such as departmental reorganizations, as opposed to through material reductions in service levels.

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

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

Chief Finance Officer's Letter of Transmittal, Continued
Fiscal Year Ended June 30, 2013

MAJOR INITIATIVES

Development Activity

For the second year in a row, the economic recovery was evident in Sunnyvale in terms of the amount of development activity, which reached near record levels during fiscal year 2012 and fell just short of that same level of activity in fiscal year 2013. Development activity was diverse and covered almost all sectors including office, research and development, industrial, and residential. With improvements in the financing market, as well as escalating home prices, fiscal year 2013 development activity included a substantial uptick in single family additions and remodeling. While the economic recovery and resulting increase in development permitting activity were positive news for Sunnyvale and the region as a whole, it stretched the capabilities of the Community Development Department's building, planning and housing staffs that were involved in the development review process and staffing at the One Stop Permit Center. These challenges also extended to other key divisions that were integrally involved in development review such as the engineering division (Public Works) and the fire prevention division (Public Safety). A few of the significant projects that were in some phase of the development approval process in fiscal year 2013 and are currently under construction include a new high-rise office building and parking structure at Moffett Towers; a new 124,000 square foot post office building and parking structure, the new 120,000 square foot Palo Alto Medical Foundation, the new 154,000 square foot LinkedIn Campus, multiple tenant improvements by Apple, Inc in 30 buildings throughout the City, the Solstice apartment buildings in the Sunnyvale downtown consisting of 280 units and 34,000 square feet of retail, and many other residential and commercial developments.

Onizuka Air Force Station Base Realignment and Closure Completed

After a seven-year planning effort that has involved consideration of various reuse options and extensive consultation and negotiations with multiple government agencies, the Base Realignment and Closure (BRAC) planning process for the former Onizuka Air Force Station was concluded. With approval from the Department of Housing and Urban Development in December 2012 of the Amended Redevelopment Plan, which the City Council adopted in December 2011, designated parcels were conveyed from the Air Force to the City, Foothill-De Anza Community College District and the Department of Veteran Affairs. The City received three parcels: one for expansion of a Fire Station and the other two for homeless housing. The homeless housing obligation was transferred and will result in 117 units of permanent supportive housing ("homeless housing") with \$10.35 million in City/HOME financing.

Community Service Officer Program Implemented

In an effort to continue to improve the provision of public safety services to the community and provide those services in a cost effective manner, the Department of Public Safety completed the implementation of the Community Service Officer (CSO) Program. The CSO Program was designed to replace ten sworn officers, through normal attrition, with civilian professionals. The CSO Program was developed through a department wide committee that included a cross-section of department personnel. The committee researched outside agency programs and developed a comprehensive program that would be most beneficial to the community. Currently five CSOs have been fully trained and assigned to patrol squads. CSOs are now deployed seven days a week from early morning hours to evening hours responding to calls for service and supporting Public Safety Officers in their duties.

Chief Finance Officer's Letter of Transmittal, Continued
Fiscal Year Ended June 30, 2013

MAJOR INITIATIVES, Continued

Public Safety Department Addresses Crime Rate

Calendar year 2012 crime statistics showed a significant increase in property crimes in Sunnyvale with the most problematic increase involving residential burglaries. Although overall, the total crime rate was consistent with the ten year average, a significant effort was made to address the spike in residential burglaries. The response involved community outreach and proactive enforcement efforts by the Department of Public Safety. Proactive enforcement efforts included the deployment of a temporary Burglary Suppression Team, directed patrols and expansion of crime analyst information. The Burglary Suppression Team made 14 arrests and contacted 182 individuals in 15 days of work. The City is currently planning to activate the Burglary Suppression Team again.

Request for Proposals for New SMaRT Station[®] Operator

Sunnyvale owns and is responsible for the operation the Sunnyvale Materials Recovery and Transfer Station (SMaRT Station), a solid waste transfer facility that serves the communities of Sunnyvale, Mountain View and Palo Alto. The operation of the facility is contracted to a private operator, currently Bay Counties Waste Services. The current agreement for operation of the SMaRT Station expires on December 31, 2014. The City is engaged in a request for proposals process for a new operator that will award a new multi-year agreement that will run through 2021. The agreement is complex and is made up of several components including cost and revenue sharing provisions as well as recycling performance incentives. The current contract for operation costs the three cities over \$12 million per year. The process for selection is lengthy as is the lead time that a new operator needs to order and purchase equipment and hire staff. It is anticipated that the City Council will be evaluating the award of a new contract in March of 2014.

Lakewood Branch Library Facility

The City has included a budgeted project to construct a new branch library facility in the Lakewood Neighborhood. This will increase access to library services for residents living in north Sunnyvale by making it more convenient for those residents to access City library facilities. The project is to be funded by proceeds from the sale of the Raynor Activity Center, with the final sale amount driving the cost and therefore size of the branch library. Sale of the Raynor Activity Center is currently being evaluated by the City Council.

Ongoing Projects

The City's Capital Improvement Program has a number of significant projects currently underway that will continue into fiscal year 2014 and beyond.

Chief Finance Officer's Letter of Transmittal, Continued
Fiscal Year Ended June 30, 2013

MAJOR INITIATIVES, Continued

Development of Seven Seas Park

Work continues on the construction of Seven Seas Park. This neighborhood park is being constructed on land previously leased for private industrial use. Completion will improve service to residents by providing 5.3 acres of park land and play areas. Park design has been completed as have demolition and soil remediation. Construction is commencing and is anticipated to be completed by early 2014. One percent of the park construction costs are dedicated to public art. An artist has been selected and the artwork will be installed as part of park construction.

Water and Wastewater Infrastructure

The City continued its efforts in fiscal year 2013 to address its aging water and wastewater utility infrastructure. In the water utility, the highest priority has been placed on water and sewer pipe replacements. Over \$8 million in funds were expended in 2013 for accelerated work to improve both aging systems, with another \$6 million planned for the current fiscal year. In the wastewater utility, a significant project to renovate the City's Water Pollution Control Plant (WPCP) is underway. The City recently awarded a contract for master planning and the design for the primary treatment facilities. Requests for Proposals for program management services have also been received and are currently under review.

Fair Oaks Overhead Bridge Improvements

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

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

City Infrastructure

A continuing challenge the City faces is the maintenance of its infrastructure. By far the largest of the unfunded projects are those that involve aging City buildings. Redevelopment of the library facility and general administrative buildings, including the City Hall complex, the Corporation Yard, and Public Safety Headquarters, are estimated at a total preliminary cost of nearly \$250 million. A strategic decision as to whether ongoing major maintenance and repair is continued or replacement and remodeling of facilities is undertaken is forthcoming.

Chief Finance Officer's Letter of Transmittal, Continued
Fiscal Year Ended June 30, 2013

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, 2012. This was the twenty-seventh consecutive year that the City has achieved this prestigious award.

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

The City of Sunnyvale received the Distinguished Budget Presentation Award from GFOA for the City's adopted budget for the fiscal year ended June 30, 2013. This was the twenty-fourth consecutive year that the City has received this award. In order to qualify for the award program, the City's budget document must be judged to be proficient in four categories including policy document, financial plan, operations guide, and communications device.

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

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

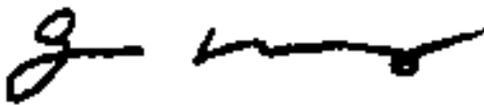
The preparation of this Comprehensive Annual Financial Report could not have been accomplished without the professional, efficient, and dedicated service of the staff of the Department of Finance. In particular, I would like to express my appreciation to the following members of the Finance Department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

*Chief Finance Officer's Letter of Transmittal, Concluded
Fiscal Year Ended June 30, 2013*

Awards and Acknowledgements, Continued

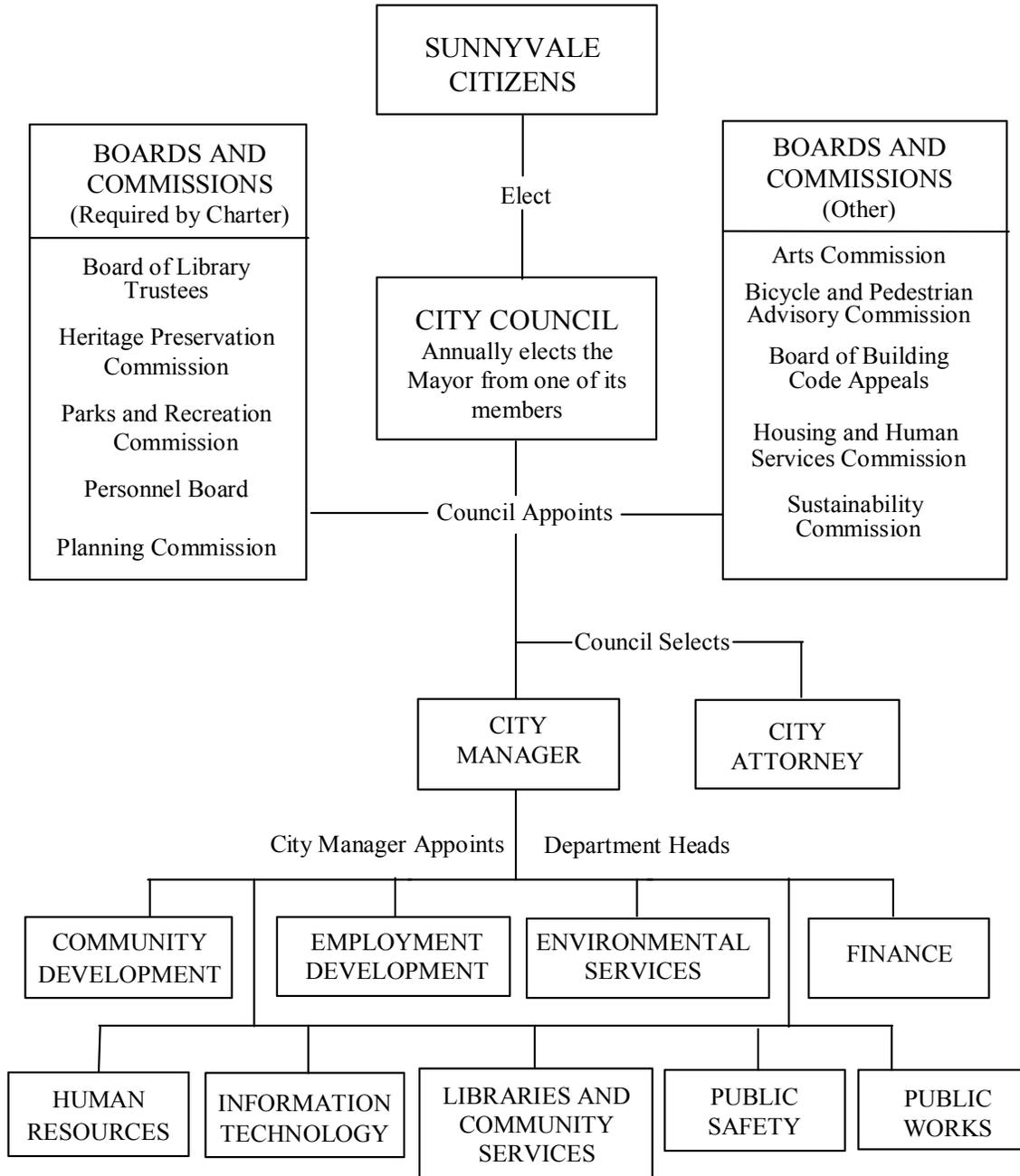
Sincere appreciation is also expressed to the City Manager and members of the City Council for their support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,



Grace K. Leung
Director of Finance

Organization Chart



Anthony Spitaleri
Mayor

James Griffith
Vice-Mayor

Christopher R. Moylan
Councilmember

David Whittum
Councilmember

Pat Meyering
Councilmember

Tara Martin-Milius
Councilmember

Jim Davis
Councilmember

Gary Luebbers
City Manager

Joan Borger
City Attorney

Lisa Rosenblum
Director of Libraries and
Community Services

Frank Grgurina
Director of Public Safety

Teri Silva
Director of Human Resources

Hanson Hom
Director of Community Development

Kris Stadelman
Director of Employment Development

David Jensen
Director of Information Technology

Kent Steffens
Director of Public Works

Grace Leung
Director of Finance

John Stufflebean
Director of Environmental Services

Robert Walker
Assistant City Manager

Directory of Boards and Commissions
Fiscal Year Ended June 30, 2013

Arts Commission

Karun, Vinita
Park, Misuk
Santos, Shawnte
Seto, Tracy
Sumner, Robert

Bicycle and Pedestrian Advisory Commission

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

Board of Building Code Appeals

Michitaka, Sachihiko (Mike)

Board of Library Trustees

Bremond, Daniel
Flaherty, Thomas
Pathak, Narendra
Shanmugasundaram, Jill
Su, "Ray" Zahn

Heritage Preservation Commission

Johnson, Mark
Michitaka, Sachihiko (Mike)
Mouritsen, Dale
Squellati, David
Stanek, Jeanine
Vaidyanathan, Nirmala
Verma, Amrit

Housing and Human Services Commission

Anderson, Eric
Chiu, Dennis
Dietrich, Hannalore
Evans, Patti
Gilbert, Diana
Jeong, Younil
Schmidt, Barbara

Parks and Recreation Commission

Alexander III, Henry
Harms, Robert
Kinder, Bob
Pasqua, Craig
Pochowski, Robert

Personnel Board

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

Planning Commission

Chang, Bo
Dohadwala, Maria
Hendricks, Glenn
Kolchak, Arcadi
Larsson, Gustav
Melton, Russell W.
Olevson, Ken

Sustainability Commission

Frazer, Andy
Fukumoto, Barbara
Glaser, Gerald
Green-Heffern, Joe
Hafeman, Dan
Harrison, Sue
Srivastava, Amit



Government Finance Officers Association

**Certificate of
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Presented to

**City of Sunnyvale
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2012

Executive Director/CEO

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Sunnyvale, California (City), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Change in Accounting Principles

As discussed in Note 1 to the financial statements, as of July 1, 2012, the City adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*; GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*;

GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30 1989 FASB and AICPA Pronouncements*; GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*; and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

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

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 3, 2013 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Walnut Creek, California
December 3, 2013

Management's Discussion and Analysis

**Management's Discussion and Analysis
Fiscal Year Ended June 30, 2013**

As management of the City of Sunnyvale, we offer readers of the City of Sunnyvale's financial statements this narrative overview and analysis of the financial activities of the City of Sunnyvale for the fiscal year ended June 30, 2013. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found in the Introductory Section of this report.

A. FINANCIAL HIGHLIGHTS

- At June 30, 2013, the City's net position (assets and deferred outflows of resources exceeding liabilities and deferred inflows of resources) was \$827 million. Of this amount, \$192.5 million represents unrestricted net position, which may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$39 million. Significant contributing factors include capital contributions, contributions to an established other postemployment benefits (OPEB) plan, and charges for services.
- At June 30, 2013, the City's governmental funds reported a combined fund balance of \$202.7 million, an increase of \$6.8 million from the prior year's restated fund balance of \$195.9 million. Approximately \$52.5 million, or 25.9% of the total fund balance, is available for spending at the City's discretion (unassigned fund balance).
- At the close of the current fiscal year, the General Fund's fund balance was \$98.1 million, decreased by \$10.5 million from last year's restated balance of \$108.6 million. The decrease was due to the recognition of a loss contingency of \$14 million related to the dissolution of the former Redevelopment Agency.
- At the end of the current fiscal year, unrestricted fund balance (the total of the committed, assigned, and unassigned components of fund balance) of the General Fund was \$86 million, or approximately 57.1% of total General Fund expenditures.
- A prior period adjustment was made to move the 1998 Parking Certificates of Participation debt obligation of \$10.3 million as of June 30, 2012 from the Redevelopment Successor Agency to the City. During the current year, the City's total outstanding long-term debt decreased by a net amount of \$5.3 million, mainly as a result of debt principal repayment, landfill postclosure liability reduction and estimated increase in workers' compensation liability.

B. OVERVIEW OF FINANCIAL STATEMENTS

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

Management's Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2013

B. OVERVIEW OF FINANCIAL STATEMENTS, Continued

Government-wide Financial Statements

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

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

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

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

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

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Management's Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2013

B. OVERVIEW OF FINANCIAL STATEMENTS, Continued

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.

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

The City maintains 18 individual governmental funds. Information is presented separately in the governmental fund financial statements for the following major governmental funds: General Fund, Housing Special Revenue Fund, Employment Development Special Revenue Fund, and City Capital Projects Fund. Data from the other 14 nonmajor governmental funds are combined into a single aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements in the combining and individual fund statements and schedules section of this report.

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

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

Management's Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2013

B. OVERVIEW OF FINANCIAL STATEMENTS, Continued

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

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

Notes to the Basic Financial Statements

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

Other Information

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

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

Management's Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2013

C. GOVERNMENT-WIDE OVERALL FINANCIAL ANALYSIS

Statement of Net Position

Net position over time may serve as a useful indicator of the City's financial position. At the close of fiscal year 2013, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$827 million. This is an increase of \$39 million from the prior year's restated net position. Note 20 to the basic financial statements provides detail about the prior period adjustments.

Some reclassifications between the line items in the originally presented fiscal year 2012 net asset information have been made so that the comparative analysis will be more meaningful. The following is the condensed statement of net position as of June 30, 2013 and 2012.

	Net Position					
	June 30, 2013 and 2012					
	(Amounts in Millions)					
	Governmental Activities		Business-type Activities		Total	
	2013	2012 Restated	2013	2012 Restated	2013	2012 Restated
Assets:						
Current and Other Assets	\$ 386.8	\$ 361.8	\$ 43.9	\$ 43.8	\$ 430.7	\$ 405.6
Capital Assets, Net	433.1	416.1	125.5	118.7	558.6	534.8
Total Assets	819.9	777.9	169.4	162.5	989.3	940.4
Deferred Outflows of Resources						
	-	-	1.3	1.6	1.3	1.6
Liabilities:						
Noncurrent Liabilities	46.9	46.2	78.9	85.1	125.8	131.3
Other Liabilities	23.4	10.5	13.7	12.2	37.1	22.7
Total Liabilities	70.3	56.7	92.6	97.3	162.9	154.0
Deferred Inflows of Resources						
	-	-	0.7	-	0.7	-
Net Position:						
Net Investments in						
Capital Assets	420.3	402.9	80.8	80.8	501.1	483.7
Restricted	133.4	122.4	-	-	133.4	122.4
Unrestricted	195.9	195.9	(3.4)	(14.0)	192.5	181.9
Total Net Position	\$ 749.6	\$ 721.2	\$ 77.4	\$ 66.8	\$ 827.0	\$ 788.0

Management's Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2013

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

At June 30, 2013, the largest portion of the City's net position (60.6% or \$501.1 million) reflects the City's net investment in capital assets. This component consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of borrowings attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources attributable to the addition of those assets or related debt are also included. The City uses these capital assets (land, buildings, equipment, vehicles, and infrastructure) to provide services to citizens. The amount of net investment in capital assets, is reported as a distinct component of net position because this amount is not available for future spending. In addition, although the City's investment in its capital assets is reported net of related debt, the resources needed to repay this debt must be provided from other sources because the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City's net position (16.1% or \$133.4 million) represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$192.5 million or 23.3% of total net position is unrestricted and may be used to meet the City's ongoing obligations to its citizens and creditors.

As in the prior fiscal year, the City was able to report positive balances in all of these categories for the City as a whole and for its governmental activities. The business-type activities reported deficit unrestricted net position in both years.

The City's overall net position increased \$39 million from the prior fiscal year. The reasons for this overall increase are discussed in the following sections for governmental activities and business-type activities.

Management's Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2013

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

Statement of Activities

Changes in Net Position
June 30, 2013 and 2012
(Amounts in Millions)

	Governmental Activities		Business-Type Activities		Total		Total % Change
	2012	2012	2012	2012	2012	2012	
	2013	Restated	2013	Restated	2013	Restated	
Revenues:							
Program Revenues:							
Charges for Services	\$ 40.5	\$ 28.2	\$ 134.5	\$ 131.0	\$ 175.0	\$ 159.2	9.9 %
Operating Grants and Contributions	16.4	19.4	-	-	16.4	19.4	(15.5)%
Capital Grants and Contributions	26.0	15.1	0.6	0.5	26.6	15.6	70.5 %
Total Program Revenues	82.9	62.7	135.1	131.5	218.0	194.2	12.3 %
General Revenues:							
Property Taxes	47.8	48.8	-	-	47.8	48.8	(2.0)%
Sales and Use Taxes	30.0	30.3	-	-	30.0	30.3	(1.0)%
Other Taxes	27.6	26.6	-	-	27.6	26.6	3.8 %
Investment Income	0.8	1.3	0.3	0.5	1.1	1.8	(38.9)%
Interest Accrued from Advances to Business-Type Activities	3.0	3.0	-	-	3.0	3.0	-
Miscellaneous	1.3	0.1	-	-	1.3	0.1	100.0 %
Total General Revenues	110.5	110.1	0.3	0.5	110.8	110.6	0.2 %
Total Revenues	193.4	172.8	135.4	132.0	328.8	304.8	7.9 %
Expenses:							
Planning and Management	17.8	18.5	-	-	17.8	18.5	(3.8)%
Public Safety	78.7	74.1	-	-	78.7	74.1	6.2 %
Community Development	21.6	22.0	-	-	21.6	22.0	(1.8)%
Transportation	13.5	10.8	-	-	13.5	10.8	25.0 %
Socioeconomic	9.1	12.8	-	-	9.1	12.8	(28.9)%
Cultural	16.4	8.9	-	-	16.4	8.9	84.3 %
Environmental Management	2.3	2.9	-	-	2.3	2.9	(20.7)%
Water Supply and Distribution	-	-	31.8	28.4	31.8	28.4	12.0 %
Wastewater Management	-	-	21.8	20.6	21.8	20.6	5.8 %
Solid Waste Management	-	-	31.6	32.3	31.6	32.3	(2.2)%
SMaRT Station	-	-	26.8	28.4	26.8	28.4	(5.6)%
Golf and Tennis Operations or Community Recreation	-	-	3.7	11.5	3.7	11.5	(67.8)%
Interest on Long-term Debt	0.7	0.4	-	-	0.7	0.4	75.0 %
Total Expenses	160.1	150.4	115.7	121.2	275.8	271.6	1.5 %
Increase (Decrease) in Net Position before							
Transfers and Extraordinary Items	33.3	22.4	19.7	10.8	53.0	33.2	59.6 %
Extraordinary Items	(14.0)	43.5	-	-	(14.0)	43.5	100.0 %
Transfers	9.1	5.5	(9.1)	(5.5)	-	-	-
Increase (Decrease) in Net Position	28.4	71.4	10.6	5.3	39.0	76.7	(49.2)%
Net Position - Beginning, Restated	721.2	649.8	66.8	61.5	788.0	711.3	10.8 %
Net Position - Ending	\$ 749.6	\$ 721.2	\$ 77.4	\$ 66.8	\$ 827.0	\$ 788.0	4.9 %

**Management’s Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2013**

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

Governmental Activities

The City’s governmental activities increased net position by \$28.4 million from the prior year. Key elements of this change were as follows:

Revenue Highlights:

- Total revenues before transfers were \$193.4 million, which was \$20.6 million higher than the prior year, due to the increase in charges for services and capital asset contribution.
- Total property tax revenues decreased by \$1 million from the prior year. Due to the dissolution of the former Redevelopment Agency, no property tax increment revenue was received after January 31, 2012.
- Sales and use tax revenue decreased by \$0.3 million.
- Other tax revenues increased by \$1 million or 3.8% from the prior year.

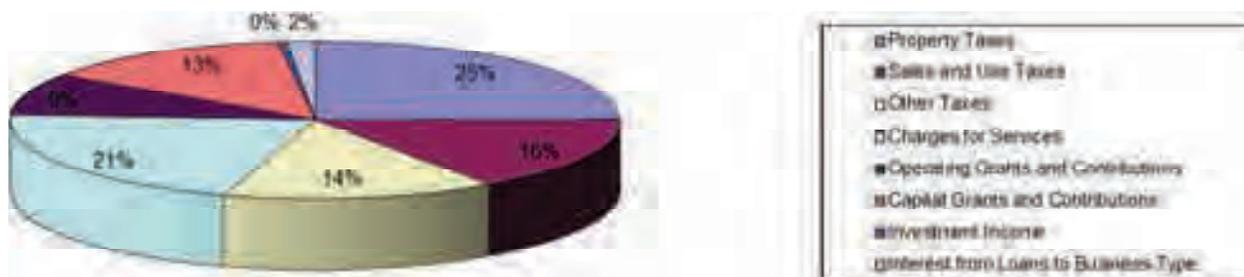
	Total Other Tax Revenues		Total % Change
	(Amounts in Millions)		
	2013	2012	
Transient Occupancy Tax (TOT)	\$ 9.0	\$ 7.8	15.4 %
Utility Users Tax	6.5	6.8	(4.4)%
Motor Vehicle License Fees	-	0.1	(100.0)%
Construction & Real Property Transfer	4.0	4.0	-
Franchise Fees (based on gross receipts)	6.5	6.4	1.6 %
Business License Tax	1.6	1.5	6.7 %
Total	\$ 27.6	\$ 26.6	3.8 %

- Transient occupancy tax increased as business-related travel recovered, as evidenced by increases in both room rates and occupancy levels. The continued high level in construction tax and real property transfer tax was due to a number of major developments getting underway in the City. The decrease in motor vehicle license fees reflected the elimination of this as a source of revenue for the City by the State. Franchise fees experienced moderate growth.
- Charges for services increased by \$12.3 million or 43.6% from the previous year. Major contributors include development-related fees such as park dedication, housing mitigation, and transportation impact fees. Additionally, recreation programs other than golf and tennis were restructured at the beginning of this year; the related fee revenues that used to be reported under business-type activities have since been accounted for under governmental activities.
- Operating grants and contributions decreased by \$3 million or 15.5%, primarily due to decreased funding from the Department of Housing and Community Development, and Workforce Investment Act (WIA) grants.
- Capital grants and contributions increased by \$10.9 million or 72.2% from the prior year. The City accepted donated assets with fair value totaling \$17.5 million, which offset significant decrease in transportation grant revenues.

Management’s Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2013

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

Governmental Activities
Revenues by Source
June 30, 2013



Expense Highlights-Governmental Activities:

Total expenses for governmental activities were \$160.1 million, higher than last year by \$9.7 million. Major reasons for the increase are explained below:

- The increase in Public Safety expenses was primarily due to the recruitment and training for sworn officers and a new project (Silicon Valley Regional Communication System) whose primary funding source came from the Department of Homeland Security grant funds.
- The increase in Transportation expenses was due to the City’s ongoing effort to accelerate street repairs to bring the PCI to a level of 80.
- The decrease in Socioeconomic expenses was caused by reduced grant funding.
- The increase in Cultural expenses was due to the transfer of the City’s recreation programs other than golf and tennis from business-type to governmental activities at the beginning of the fiscal year.

Program revenues that offset related expenses are explained as follows:

- Those who directly benefited from the governmental programs contributed \$40.5 million in charges for services.
- The City was able to fund some of its programs through operating grants and contributions from outside sources or other governments for a total amount of \$16.4 million.
- A total of \$8.5 million in capital projects was funded by outside agencies through capital grants and contributions. In addition, the City accepted donated capital assets of \$17.5 million in fair value that would require resources to meet the needs in the areas of transportation, public safety and affordable housing.

Management’s Discussion and Analysis, Continued
 Fiscal Year Ended June 30, 2013

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

Governmental Activities
 Expenses by Function/Program
 June 30, 2013



Functional expenses for the years ended June 30, 2013 and 2012 were as follows (amount in millions):

	Total Cost of Services		Percentage Change	Net Cost of Services		Percentage Change
	2013	2012	2013-2012	2013	2012	2013-2012
Planning and Management	\$ 17.8	\$ 18.5	(3.8)%	\$ 16.4	\$ 16.8	(2.4)%
Public Safety	78.7	74.1	6.2 %	66.5	68.1	(2.3)%
Community Development	21.6	22.0	(1.8)%	(15.0)	(3.7)	305.4 %
Transportation	13.5	10.8	25.0 %	(5.9)	(5.5)	7.3 %
Socioeconomic	9.1	12.8	(28.9)%	1.4	1.8	(22.2)%
Cultural	16.4	8.9	84.3 %	11.8	8.4	40.5 %
Environmental Management	2.3	2.9	(20.7)%	1.3	1.4	(7.1)%
Total	<u>\$ 159.4</u>	<u>\$ 150.0</u>	6.3 %	<u>\$ 76.5</u>	<u>\$ 87.3</u>	(12.4)%

Management’s Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2013

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

Business Type Activities

	Program Revenues (Amounts in Millions)			Percentage Change 2012-2013	Program Expenses (Amounts in Millions)		Percentage Change 2012-2013
	2013	2012			2013	2012	
						Restated	
Business-Type Activities:							
Water Supply & Distribution	\$ 36.2	\$ 32.8	10.4 %	\$ 31.8	\$ 28.4	12.0 %	
Wastewater Management	29.7	26.3	12.9 %	21.8	20.6	5.8 %	
Solid Waste Management	40.4	38.7	4.4 %	31.6	32.3	(2.2)%	
SMaRT Station	25.3	26.2	(3.4)%	26.8	28.5	(6.0)%	
Golf and Tennis Operations	3.5	7.5	(53.3)%	3.7	11.5	(67.8)%	
Total	\$ 135.1	\$ 131.5	2.7 %	\$ 115.7	\$ 121.3	(4.6)%	

Revenue Highlights:

- Total program revenues in business-type activities increased \$3.6 million or 2.7% from last year, primarily due to charges for utility services. The rate increase was 7% for water, 4% for solid waste services, and 5.5% for wastewater services. These rate increases were needed to cover increased costs of operations and maintenance and rehabilitation of infrastructure. The decrease in the SMaRT Station revenues, which reflected reimbursements from participating cities based on lower expenses incurred, was because the City exercised its option to decrease the required tonnage due to the landfill operator on the 20th anniversary of the contract agreement. The decrease in Golf and Tennis Operations (in the year 2012 part of Community Recreation activity) revenues was caused by the transfer of certain recreation programs to governmental activities.

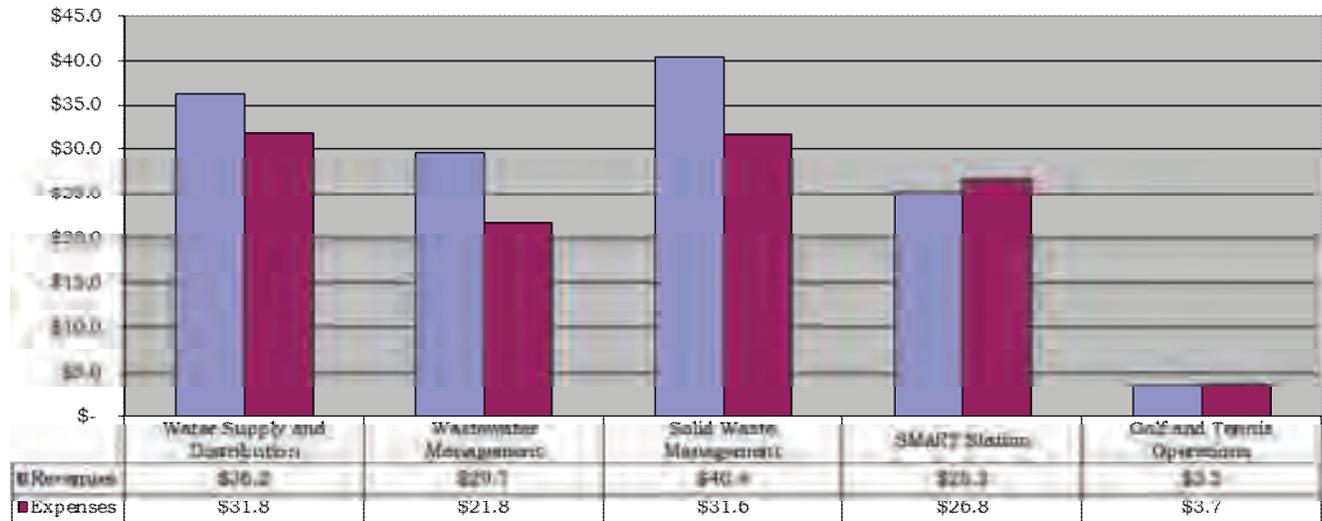
Expense Highlights:

- Total expenses in business-type activities decreased \$5.6 million from last fiscal year.
- The Water Supply and Distribution activity had an increase in expense of \$3.4 million, primarily due to the rising cost of water purchased for resale.
- The Wastewater Management activity incurred \$1.2 million more in expenses than last year.
- The Solid Waste Management activity incurred \$0.7 million less in expenses than last year. The operating cost increase was offset by the reduction of \$2.9 million in landfill postclosure liability, which was significantly reduced due to recent changes in State law.
- The SMaRT Station activity decreased expenses by \$1.7 million as less material was delivered to the Kirby Canyon landfill.
- The Golf and Tennis Operations activity incurred \$7.7 million less in expenses than last year, due to the transfer of certain recreation programs to governmental activities.

Management’s Discussion and Analysis, Continued
 Fiscal Year Ended June 30, 2013

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

Business-Type Activities
 Program Revenues and Expenses
 June 30, 2013



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

D. FUND FINANCIAL STATEMENT ANALYSIS

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

Governmental Funds

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

At June 30, 2013, the City’s governmental funds reported combined fund balances of \$202.7 million, an increase of \$6.8 million from the prior year. Approximately \$52.5 million or 25.9% of the combined fund balance constitutes unassigned fund balance, which is available for spending at the City’s discretion. The remainder of the fund balance is either nonspendable, restricted, committed, or assigned to indicate that it is 1) not in spendable form (\$9.8 million), 2) legally required to be maintained intact (\$2.1 million), 3) restricted for particular purposes (\$93.8 million), 4) committed for particular purposes (\$33.5 million) or 5) assigned for particular purposes (\$11.1 million).

Management's Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2013

D. FUND FINANCIAL STATEMENT ANALYSIS, Continued

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

General Fund

The General Fund is the chief operating fund of the City. At the end of fiscal year 2013, total fund balance decreased to \$98.1 million from the prior year's restated balance of \$108.6 million. The decrease was primarily due to the recognition of an extraordinary loss contingency approximating \$14 million related to the dissolution of the former Redevelopment Agency, as explained in Notes 21 and 22 to the Basic Financial Statements.

At year end unassigned fund balance of the General Fund was \$52.5 million. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures plus extraordinary items of \$150.6 million. Unassigned fund balance represents approximately 35% of total General Fund expenditures, while total fund balance represents approximately 65% of that same amount.

The General Fund's fund balance decreased by \$10.5 million during the year. Deficiency of revenues over expenditures was \$1.6 million. Transfers from other funds (mostly to cover the General Fund's administrative costs for certain operating programs) exceeded transfers to other funds (mostly the General Fund's subsidy to other funds) by \$5 million.

Total revenue was \$135 million, an increase of \$8.5 million from last year, primarily due to increased tax revenues, permits, and service fees as discussed earlier in connection with governmental activities. Total expenditures were \$136.6 million, which was \$13.4 million more than last year, primarily due to increased spending in Public Safety programs and the inclusion of certain recreation programs which used to be reported under the former Community Recreation Enterprise Fund.

The dissolution of the City's former Redevelopment Agency (RDA) on February 1, 2012 has had a significant impact on the General Fund's future financial position, which can be seen by analyzing its balance sheet. One of the assets called "Advances to the Former Redevelopment Agency" had a balance of \$21.7 million, which was offset completely by a corresponding amount of deferred inflows of resources, leaving no effect on the fund balance at June 30, 2013. When the General Fund can collect repayments of its prior advances to the RDA remain uncertain.

Management's Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2013

D. FUND FINANCIAL STATEMENT ANALYSIS, Continued

Housing Special Revenue Fund

The Housing Special Revenue Fund is used to account for housing mitigation fees and Below-Market-Rate Housing (BMR) fees and fines. In recent years it has also been used to account for the State's Infill Infrastructure Grant. Expenditures are for operating activities related to developing affordable housing and managing the City's below-market-rate housing program, and for capital and special projects that produce new and affordable housing.

The Housing Special Revenue Fund had an excess of revenues over expenditures by \$7.5 million. Total revenue was \$8.7 million, an increase of \$1.6 million over last year. Housing mitigation fee revenues increased by \$5.4 million, which was offset by lower grant revenue and loan repayments. Total expenditures were \$1.1 million, a decrease of \$1.7 million from the prior year, primarily due to reductions in housing loans disbursed.

Employment Development Special Revenue Fund

The City of Sunnyvale, as administrative entity for the North Valley (NOVA) Job Training Consortium, is required by legislation and regulations to account for the use of various federal and state funds and program revenues for the workforce development activities that are conducted for the North Valley Job Training Consortium (NOVA). The City has established the Employment Development Fund to fulfill this obligation.

The Employment Development Special Revenue Fund showed no significant change in fund balance. Since this Fund is entirely dependent on federal and state job training grants to fund its programs, the expenditures were kept within the amount of expected revenues. During the year, revenues decreased by \$3.1 million, which was matched with reduced expenditures and transfers out to other funds.

City Projects Capital Projects Fund

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

The City Projects Capital Project Fund showed an increase in fund balance of \$5.4 million. Total Revenue exceeded expenditures by \$4.6 million due to the combination of increased transportation impact fee revenue, decreased grant revenue and decreased capital outlay. This Fund received net transfers-in of \$0.8 million from other City funds to reimburse a portion of project costs.

Management's Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2013

D. FUND FINANCIAL STATEMENT ANALYSIS, Continued

Proprietary Funds

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

Water Supply and Distribution Enterprise Fund

The Water Supply and Distribution Enterprise Fund's net position had an increase of \$2.1 million. The 7% rate increase was sufficient to cover the increase in cost of water purchased for resale. The Fund's net income before contributions and transfers was \$5.0 million. Non-cash capital contributions were \$0.2 million. This Fund also transferred a net amount of \$3.1 million to other funds for administrative and project support.

Wastewater Management Enterprise Fund

The Wastewater Management Enterprise Fund's net position grew by \$4.3 million supported by the 5.5% rate increase. The Fund's net income before contributions and transfers was \$8.3 million. Approximately \$4.3 million was transferred out to reimburse other funds for administrative and project support. Capital improvements to the City's aging wastewater treatment plant and collection system are funded by rate revenue and bonded debt.

Solid Waste Management Enterprise Fund

The Solid Waste Management Enterprise Fund's net position increased \$4.2 million from last year. The Fund's net income before transfers was \$8.7 million. Approximately \$2.9 million was transferred out to reimburse other funds for administrative and project support and \$1.6 million was transferred for the SMaRT Station Enterprise Fund's debt service. This Fund had a deficit net position of \$28.8 million, mainly due to liabilities incurred for landfill postclosure care and for advances from the General Fund and Wastewater Management Fund. At year end the balance of the advances was approximately \$31.8 million and landfill liability was \$5.8 million. The deficit is expected to be funded by charges for services in future years.

SMaRT Station Enterprise Fund

The SMaRT Station Enterprise Fund's net position increased \$0.1 million from the prior year. The Fund had an operating loss of \$0.8 million. The Fund's net loss before transfers was \$1.4 million. The amount of \$1.6 million was transferred from the Solid Waste Management activity for the City's share of debt service.

Golf and Tennis Operations Enterprise Fund

Recreation programs other than golf and tennis were transferred to the General Fund at the beginning of the fiscal year. The Golf and Tennis Enterprise Fund's net position decreased by \$0.3 million from last year. The Fund's operating loss of \$0.2 million and transfers-out of \$0.3 million (for in-lieu charges to the General Fund) were offset by a year-end subsidy of \$0.3 million from the General Fund.

***Management's Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2013***

E. GENERAL FUND BUDGETARY HIGHLIGHTS

The budgetary comparison schedule for the General Fund is presented as the Required Supplementary Information following the Notes to the Basic Financial Statements.

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

- Amendments to existing appropriations to reflect Council-approved changes to operating programs or capital projects.
- New appropriations approved by City Council.

Final appropriations, including transfers to other funds, for fiscal year 2013 were \$153.2 million, an increase of \$10.5 million from the original appropriations of \$142.7 million. The increase reflected net carryover appropriations of \$3.5 million and new appropriations of \$7.0 million.

Actual charges to appropriations (outflows) for the fiscal year were \$1.6 million under the original budget and \$12.2 million under the amended budget. Variations between the original and final amended appropriations are explained in the Required Supplementary Information. Actual cost savings in operating programs and non-departmental expenditures approximated \$6.1 million, primarily due to project transfer appropriations which will not lapse for fiscal year 2013 and focused efforts to reduce costs through operational efficiencies. Project and equipment appropriations which will not lapse for fiscal year 2013 account for the remaining \$6.1 million. On November 6, 2007 Sunnyvale voters amended the City Charter so that approved appropriations for capital improvement projects will not lapse at the end of the fiscal year, unless completed, closed out, or modified by the City Council.

Resources (inflows) available for appropriations were \$5.6 million over the original budget and \$13.2 million under the final budgeted amounts. During the fiscal year 2013 budget process, revenues were analyzed and amended to reflect the actual trends based upon mid-year review of revenues, State remittances, and information from consultants. Actual revenues were under the final budget as a result of the delayed sale of the Raynor Activity Center property.

Management's Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2013

F. CAPITAL ASSETS AND LONG-TERM OBLIGATIONS

Capital Assets

Capital assets including infrastructure are those assets that are used in the performance of the City's functions. At June 30, 2013, the City reported capital assets with carrying value of \$433.1 million under governmental activities and \$125.5 million under business-type activities.

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

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

The City policy is to achieve a Pavement Condition Index (PCI) rating of 75 or over for all streets. This rating represents a "Good" or better condition based on a regional measurement scale. While City policy is to achieve a PCI of at least 75, funding for rehabilitation and maintenance of City streets was increased starting fiscal year 2012 in an effort to achieve a PCI of 80 or above within the next five years which is considered the most cost effective PCI to maintain. The average rating for City's streets, based on the most recent study conducted in fiscal year 2013, was 79.

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, 2013 was \$10.1 million. Actual expenditures were \$6.1 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, 2013**

F. CAPITAL ASSETS AND LONG-TERM OBLIGATIONS, Continued

The following is a summary of the City’s capital assets as of June 30, 2013 (amounts in millions).

<u>Description</u>	<u>Cost</u>	<u>Accumulated Depreciation</u>	<u>Carrying Value</u>
Capital Assets - Governmental Activities:			
Land	\$ 110.4	\$ -	\$ 110.4
Buildings and Structures	95.3	49.7	45.6
Improvements Other than Buildings	107.3	34.7	72.6
Machinery and Equipment	35.9	21.4	14.5
Construction in Progress	6.4	-	6.4
Infrastructure:			
Nondepreciable	160.8	-	160.8
Depreciable	80.7	57.9	22.8
Total	<u>\$ 596.8</u>	<u>\$ 163.7</u>	<u>\$ 433.1</u>
Capital Assets - Business-Type Activities:			
Land	\$ 16.5	\$ -	\$ 16.5
Buildings and Structures	23.4	21.4	2.0
Improvements Other than Buildings	43.1	22.9	20.2
Machinery and Equipment	5.5	4.9	0.6
Construction in Progress	12.2	-	12.2
Infrastructure - Depreciable	142.0	68.0	74.0
Total	<u>\$ 242.7</u>	<u>\$ 117.2</u>	<u>\$ 125.5</u>

During the year, the City recorded some capital contributions from external sources. The Federal government contributed approximately 6 acres of land at the former Onizuka Air Force Base with a fair value of \$12.2 million. Developers contributed capital assets (park land, streets, traffic signals, lights, and equipment) with fair market value of \$5.3 million to governmental activities. Developers also contributed infrastructure assets of a combined \$0.6 million to the water supply and distribution system and wastewater management system.

A major project completed during the year was Mathilda Avenue Overpass Improvements, moving a total of \$25.5 million from construction in progress to improvements. Another major project to rehabilitate air floatation tanks, was capitalized in the amount of \$2.3 million. There were a number of capital projects which were still in progress at year end. Amounts capitalized for major capital projects in progress included an additional \$5.8 million for citywide water line improvements, \$2.3 million for replacement and rehabilitation of sewer pipes, and \$1.3 million for preliminary work on the new Seven Seas Park.

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

Management’s Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2013

F. CAPITAL ASSETS AND LONG-TERM OBLIGATIONS, Continued

Long-Term Obligations

As of June 30, 2013, the City had outstanding bonded obligations as listed below. Not included in the following table are the Community Facilities District No.1 Special Tax Bonds, which are backed by property tax levies against property owners, and the Housing Revenue Bonds, which are secured by a deed of trust on the property. The City is not obligated in any manner for those bonds. Each of the City’s other bonds are backed by specific revenue sources. Refer to Note 12 to the Basic Financial Statements for more details.

The City’s outstanding bonded debt obligations at the end of fiscal years 2013 and 2012 were as follows (amounts in millions):

	Governmental Activities		Business-type Activities		Total	
	2013	2012	2013	2012	2013	2012
		Restated		Restated		Restated
Certificates of Participation	\$ 23.5	\$ 24.7	\$ -	\$ -	\$ 23.5	\$ 24.7
Revenue Bonds	-	-	72.3	76.4	72.3	76.4
Total Bonded Debt	\$ 23.5	\$ 24.7	\$ 72.3	\$ 76.4	\$ 95.8	\$ 101.1

The outstanding debt as of June 30, 2012 has been restated to include the 1998 Parking Certificates of Participation, which was originally reported as a noncurrent debt obligation in the Redevelopment Successor Agency Private-Purpose Trust Fund in fiscal year 2012.

G. ECONOMIC FACTORS AND NEXT YEAR’S BUDGET

The budget for fiscal year 2014, adopted in June of 2013, reflected a budget balanced in both the short- and long-term. This was the culmination of a five-year effort that saw the organization go through a significant restructure to emerge from the global recession in a much better position to provide services efficiently and effectively. There are five key factors driving the City’s strong fiscal position. These include tightly managing personnel costs, managing and funding long term retirement costs, optimizing service levels through strategic review and analysis, establishing long term infrastructure funding, and finally, committing to stay the course

The City was also able to restore some service levels in critical, core areas as part of the fiscal year 2014 budget. This encompassed adding seven new positions across four departments. The positions include two new public safety officers, one crime analyst, a human resources analyst, two technology coordinators, and one civil engineer. While the ability to restore some of these services came in large part to the actions described above, the economic recovery also played a major role.

*Management's Discussion and Analysis, Concluded
Fiscal Year Ended June 30, 2013*

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

Even with the economy recovering, the City must continue its work to maintain the strong financial foundation and balanced budget. There are many vulnerabilities with which the City must contend, not the least of which is the volatility of some of its major revenue sources. Sales tax, transient occupancy tax, and development-related taxes and fees are predominantly driven by business activity. As the technology industry has led the economic recovery, Sunnyvale has benefitted over the last several years from increases to its revenues that have exceeded expectations. However, reliance on business activity can have a downside, as slowdowns in the economy can have a significant effect on the City's revenues. Due to the City's reliance on business activity, Sales Tax remains very volatile, with fiscal year 2013 revenues coming in slightly less than in fiscal year 2012 results. While revenue projections incorporated into the fiscal year 2014 budget reflect modest increases to reflect the impact of economic cycles, the overall volatility of our revenues to shifts in economic conditions is an area of underlying concern that requires ongoing monitoring and analysis.

On the expenditure side, while the City has made strong progress towards containing its personnel costs, including making higher contributions to PERS than required, but there are still areas where more can be done. The area of greatest concern is with the City's pension costs, as uncertainty in pension costs continue to rise. The fiscal year 2014 makes assumptions about contributions by employees for pensions that must hold in order to continue to control pension costs. This will help to mitigate some of the potential changes PERS may make to pension funding in the coming years that will affect the City's costs for pensions.

In summary, the City enters fiscal year 2014 in a solid position financially, with resources added in strategic areas. All of this is a result of the efforts made to restructure the organization to operate more efficiently and better contain its costs. The overall economic outlook for the State and local region is good. The City has and will continue to benefit from the economic recovery. While vulnerabilities exist, some within the City's control and some not, the City believes it has taken, and will continue to take, the actions necessary to maintain its solid financial foundation.

H. REQUEST FOR INFORMATION

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

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Government-Wide Financial Statements

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**Statement of Net Position
June 30, 2013**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and Investments Held by City (Note 3)	\$ 155,427,737	\$ 44,735,728	\$ 200,163,465
Receivables, Current (Note 4)	10,552,450	14,305,331	24,857,781
Inventories and Prepaid Items (Note 1)	972,610	262,839	1,235,449
Assets Held for Resale (Note 1)	1,770,244	-	1,770,244
Long-term Receivables from Employees (Note 6)	3,428,168	-	3,428,168
Service Concession Arrangement Receivable (Note 1)	-	1,644,721	1,644,721
Internal Balances (Note 10)	43,787,424	(43,787,424)	-
City Advances to the Former RDA (Note 21)	21,670,623	-	21,670,623
Net Pension Asset (Note 15)	5,262,000	-	5,262,000
Net OPEB Asset (Note 16)	3,874,000	-	3,874,000
Restricted Assets:			
Cash and Investments Held by City (Note 3)	76,147,796	-	76,147,796
Cash and Investments Held by Fiscal Agent (Note 3)	2,420,182	26,233,529	28,653,711
Receivables, Current (Note 4)	299,376	-	299,376
Intergovernmental Receivables (Note 5)	5,699,202	573,368	6,272,570
Housing Deficits Receivable (Note 21)	14,673,336	-	14,673,336
Housing Loans Receivable, Net (Note 7)	40,765,682	-	40,765,682
Capital Assets (Note 11):			
Land and Nondepreciable Assets	277,792,461	28,691,709	306,484,170
Depreciable Assets, Net	155,320,722	96,839,629	252,160,351
Total Assets	<u>819,864,013</u>	<u>169,499,430</u>	<u>989,363,443</u>
Deferred Outflows of Resources			
Loss on Refunding (Note 1)	-	1,343,451	1,343,451
Liabilities:			
Wages Payable	1,812,081	-	1,812,081
Accounts Payable and Accrued Liabilities	6,068,957	12,134,507	18,203,464
Payable to Redevelopment Successor Agency (Note 21)	13,965,842	-	13,965,842
Refundable Deposits	433,007	752,242	1,185,249
Interest Payable	119,782	850,251	970,033
Unearned Revenues (Note 8)	879,012	8,750	887,762
Noncurrent Liabilities (Note 12):			
Due Within One Year	12,327,400	4,799,700	17,127,100
Due in More than One Year	34,620,866	74,185,782	108,806,648
Total Liabilities	<u>70,226,947</u>	<u>92,731,232</u>	<u>162,958,179</u>
Deferred Inflows of Resources			
Service Concession Arrangement (Note 1)	-	732,601	732,601
Net Position (Note 19):			
Net Investment in Capital Assets	420,325,577	80,827,798	501,153,375
Restricted for:			
Capital Projects	22,113,060	-	22,113,060
Housing	79,728,600	-	79,728,600
Park Dedication	19,345,494	-	19,345,494
Public Streets and Highways	7,468,781	-	7,468,781
Public Safety	909,796	-	909,796
Other City Programs	1,754,208	-	1,754,208
Nonexpendable Permanent Funds Principal and Endowment	2,094,310	-	2,094,310
Total Restricted Net Position	<u>133,414,249</u>	<u>-</u>	<u>133,414,249</u>
Unrestricted Net Position (Deficit)	195,897,240	(3,448,750)	192,448,490
Total Net Position	<u>\$ 749,637,066</u>	<u>\$ 77,379,048</u>	<u>\$ 827,016,114</u>

See Accompanying Notes to the Basic Financial Statements

Statement of Activities
Year Ended June 30, 2013

Programs	Expenses	Program Revenues			Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government:					
Governmental Activities:					
Planning and Management	\$ 17,858,476	\$ 346,476	\$ 1,076,416	\$ -	\$ 1,422,892
Public Safety	78,670,027	2,926,146	2,410,806	6,816,145	12,153,097
Community Development	21,598,137	28,060,011	1,612,770	6,899,117	36,571,898
Transportation	13,549,400	3,790,254	3,382,369	12,316,640	19,489,263
Socioeconomic	9,140,784	-	7,710,984	-	7,710,984
Cultural	16,398,886	4,386,674	232,950	6,298	4,625,922
Environmental Management	2,279,314	979,290	425	-	979,715
Interest on Long-term Debt	652,669	-	-	-	-
Total Governmental Activities	160,147,693	40,488,851	16,426,720	26,038,200	82,953,771
Business-Type Activities:					
Water Supply and Distribution	31,790,225	36,071,065	-	174,000	36,245,065
Wastewater Management	21,752,857	29,252,937	-	410,000	29,662,937
Solid Waste Management	31,636,696	40,415,507	-	-	40,415,507
SMaRT Station	26,810,427	25,265,018	-	-	25,265,018
Golf and Tennis Operations	3,727,811	3,491,295	-	-	3,491,295
Total Business-Type Activities	115,718,016	134,495,822	-	584,000	135,079,822
Total Primary Government	\$ 275,865,709	\$ 174,984,673	\$ 16,426,720	\$ 26,622,200	\$ 218,033,593

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 3)

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

Interest Accrued from Advances to Former RDA - Unrestricted (Note 21)

Miscellaneous

Extraordinary Items (Note 21)

Transfers (Note 17)

Total General Revenues, Extraordinary Items, and Transfers

Change in Net Position

Net Position

Beginning of Year, as Previously Reported

Prior Period Adjustment (Note 20)

Beginning of Year, as Restated

Net Position - End of Year

Net (Expense) Revenue and Changes in Net Position		
Governmental Activities	Business-Type Activities	Total
\$ (16,435,584)	\$ -	\$ (16,435,584)
(66,516,930)	-	(66,516,930)
14,973,761	-	14,973,761
5,939,863	-	5,939,863
(1,429,800)	-	(1,429,800)
(11,772,964)	-	(11,772,964)
(1,299,599)	-	(1,299,599)
(652,669)	-	(652,669)
<u>(77,193,922)</u>	<u>-</u>	<u>(77,193,922)</u>
-	4,454,840	4,454,840
-	7,910,080	7,910,080
-	8,778,811	8,778,811
-	(1,545,409)	(1,545,409)
-	(236,516)	(236,516)
<u>-</u>	<u>19,361,806</u>	<u>19,361,806</u>
<u>(77,193,922)</u>	<u>19,361,806</u>	<u>(57,832,116)</u>
47,779,461	-	47,779,461
29,908,852	-	29,908,852
61,929	-	61,929
6,461,568	-	6,461,568
6,549,144	-	6,549,144
9,016,052	-	9,016,052
1,275,159	-	1,275,159
2,724,864	-	2,724,864
1,588,796	-	1,588,796
<u>105,365,825</u>	<u>-</u>	<u>105,365,825</u>
758,431	330,569	1,089,000
3,068,199	-	3,068,199
65,773	-	65,773
1,226,295	-	1,226,295
(13,965,842)	-	(13,965,842)
9,122,971	(9,122,971)	-
<u>105,641,652</u>	<u>(8,792,402)</u>	<u>96,849,250</u>
<u>28,447,730</u>	<u>10,569,404</u>	<u>39,017,134</u>
730,608,522	68,826,203	799,434,725
(9,419,186)	(2,016,559)	(11,435,745)
<u>721,189,336</u>	<u>66,809,644</u>	<u>787,998,980</u>
<u>\$ 749,637,066</u>	<u>\$ 77,379,048</u>	<u>\$ 827,016,114</u>

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Governmental Fund Financial Statements

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

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

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

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

CITY OF SUNNYVALE**Balance Sheet
Governmental Funds
June 30, 2013**

	Major Funds		
	General Fund	Housing Special Revenue	Employment Development Special Revenue
Assets:			
Cash and Investments Held by City (Note 3)	\$ 95,089,305	\$ 24,181,453	\$ 42,958
Cash and Investments Held by Fiscal Agent (Note 3)	1,315,552	-	-
Receivables, Current (Note 4)	10,196,011	82,248	1,094
Intergovernmental Receivables (Note 5)	1,653,239	-	303,148
Due From Other Funds (Note 10)	51,767	335,422	-
Advances to Other Funds (Note 10)	41,839,737	-	-
Advances to Redevelopment Successor Agency Trust Fund (Note 21)	21,670,623	-	-
Inventories and Prepaid Items (Note 1)	544,573	-	12,639
Long-term Receivables from Employees (Note 6)	3,428,168	-	-
Housing Deficits Receivable (Note 21)	-	-	-
Housing Loans Receivable (Note 7)	-	16,347,619	-
Assets Held for Resale (Note 1)	1,490,244	280,000	-
Total Assets	<u>\$ 177,279,219</u>	<u>\$ 41,226,742</u>	<u>\$ 359,839</u>
Liabilities:			
Accounts Payable and Accrued Liabilities	\$ 2,540,864	\$ 11,330	\$ 189,176
Payable to Redevelopment Successor Agency Trust Fund (Note 21)	13,965,842	-	-
Refundable Deposits	405,624	1,625	-
Due to Other Funds (Note 10)	-	-	-
Unearned Revenue (Note 8)	861,380	-	17,632
Total Liabilities	<u>17,773,710</u>	<u>12,955</u>	<u>206,808</u>
Deferred Inflows of Resources	<u>61,448,151</u>	<u>16,347,619</u>	<u>-</u>
Fund Balances (Note 19):			
Nonspendable	9,828,502	280,000	12,639
Restricted	2,288,333	24,586,168	140,392
Committed	33,454,173	-	-
Assigned	-	-	-
Unassigned, Reported in			
Major Funds	52,486,350	-	-
Special Revenue Funds	-	-	-
Total Fund Balances	<u>98,057,358</u>	<u>24,866,168</u>	<u>153,031</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 177,279,219</u>	<u>\$ 41,226,742</u>	<u>\$ 359,839</u>

See Accompanying Notes to the Basic Financial Statements

<u>Major Funds</u>	<u>Nonmajor Other Governmental Funds</u>	<u>Total Governmental Funds</u>
City Projects		
\$ 20,159,540	\$ 41,683,715	\$ 181,156,971
-	1,104,630	2,420,182
73,303	144,414	10,497,070
2,815,808	885,007	5,657,202
-	-	387,189
-	-	41,839,737
-	-	21,670,623
150,000	-	707,212
-	-	3,428,168
-	14,673,336	14,673,336
-	24,418,063	40,765,682
-	-	1,770,244
<u>\$ 23,198,651</u>	<u>\$ 82,909,165</u>	<u>\$ 324,973,616</u>
\$ 974,320	\$ 562,675	\$ 4,278,365
-	-	13,965,842
-	5,400	412,649
-	387,189	387,189
-	-	879,012
<u>974,320</u>	<u>955,264</u>	<u>19,923,057</u>
<u>111,271</u>	<u>24,420,860</u>	<u>102,327,901</u>
150,000	1,584,093	11,855,234
21,963,060	44,859,753	93,837,706
-	-	33,454,173
-	11,091,992	11,091,992
-	-	52,486,350
-	(2,797)	(2,797)
<u>22,113,060</u>	<u>57,533,041</u>	<u>202,722,658</u>
<u>\$ 23,198,651</u>	<u>\$ 82,909,165</u>	<u>\$ 324,973,616</u>

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CITY OF SUNNYVALE**Reconciliation of the Governmental Funds Balance Sheet
to the Government-Wide Statement of Net Position****June 30, 2013**

Total Fund Balances - Total Governmental Funds	\$ 202,722,658
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, 2013, capital assets used by governmental activities excluding \$12,496,425 of capital assets used by Internal Service Funds.	420,616,758
Interest earned, not available, from interfund advances to business-type activities is reported as deferred inflows of resources in the governmental funds statement. This amount represents cumulative interest accrued and deferred.	38,073,509
Redevelopment Successor Agency reimbursement agreement is reported as deferred inflows of resources in the governmental funds statement.	239,565
Interest earned on employee loans, not available, is reported as deferred inflows of resources in the governmental funds statement. This amount increases the net assets in the governmental activities.	150,490
Eligible expenditures, yet to be reimbursed by grants, are reported as deferred inflows of resources in the governmental funds statement.	143,123
City advances to former RDA are offset by deferred inflows of resources in the governmental funds statement.	21,431,059
Receivables from long-term housing loans are offset by deferred inflows of resources in the governmental funds statement.	40,765,683
State allocation of vehicle license fee collection in excess earned but not available.	61,929
Unpaid administrative citations placed on tax roll earned but not available.	29,300
State and County cost reimbursements earned but not available are not current financial resources.	1,219,366
Proposition 172 revenue recognized but not available.	119,215
Other public safety reimbursement earned but not available	33,324
Long-term receivables from capital special assessments are not current financial resources and are offset by deferred inflows of resources in the governmental funds statements. In the government-wide statements, revenues have been recognized when the capital improvement is completed.	61,338
Internal Service Funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of certain internal service funds are included in governmental activities in the statement of net position, which equals to the sum of net position of the internal service funds of \$45,616,844 and cumulative look back adjustments to the business-type activities of \$1,947,687.	47,564,531
Long-term liabilities of governmental activities are not reported as fund liabilities. These liabilities are reported in the government-wide statement of net position.	
Bonds payable, par	(23,475,000)
Interest payable on long-term debt does not require current financial resources.	(119,782)
Net Position of Governmental Activities	<u>\$ 749,637,066</u>

See Accompanying Notes to the Basic Financial Statements

CITY OF SUNNYVALE

**Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2013**

	Major Funds		
	General Fund	Housing Special Revenue	Employment Development Special Revenue
Revenues:			
Property Taxes	\$ 47,555,857	\$ -	\$ -
Sales and Use Taxes	31,412,155	-	-
Other Taxes	21,154,014	-	-
Franchise Fees	6,461,568	-	-
Intergovernmental Revenues	2,898,409	-	7,573,431
Permits and Licenses	9,734,385	-	-
Fines and Forfeitures	1,062,227	-	-
Special Assessments	37,940	-	-
Service Fees	8,602,101	7,167,365	9,803
Rents and Concessions	1,573,479	17,100	-
Deferred Interest Received from Interfund Advances	1,805,873	-	-
Investment Earnings	306,167	61,008	-
Other Revenues	2,414,289	1,409,382	24,617
Total Revenues	135,018,464	8,654,855	7,607,851
Expenditures:			
Current:			
Planning and Management	17,065,826	-	-
Public Safety	77,647,534	-	-
Community Development	16,251,038	1,149,086	-
Transportation	5,642,859	-	-
Socioeconomic	1,070,795	-	7,210,861
Cultural	15,513,699	-	-
Environmental Management	1,920,086	-	-
Capital Outlay	263,476	-	-
Debt Service:			
Principal Retirement	710,000	-	-
Interest	496,523	-	-
Fiscal Charges	5,880	-	-
Total Expenditures	136,587,716	1,149,086	7,210,861
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1,569,252)	7,505,769	396,990
Other Financing Sources (Uses):			
Transfers In (Note 17)	10,570,152	-	-
Transfers Out (Note 17)	(5,573,586)	(72,808)	(314,416)
Total Other Financing Sources (Uses)	4,996,566	(72,808)	(314,416)
Change in Fund Balances before Extraordinary Items	3,427,314	7,432,961	82,574
Extraordinary Items:			
Loss from the Redevelopment Agency Dissolution (Note 21)	(13,965,842)	-	-
Net Change in Fund Balances	(10,538,528)	7,432,961	82,574
Fund Balances			
Beginning of Year, as Previously Reported	107,283,310	17,433,207	70,457
Prior Period Adjustment (Note 20)	1,312,576	-	-
Beginning of Year, as Restated	108,595,886	17,433,207	70,457
Fund Balances - End of Year	\$ 98,057,358	\$ 24,866,168	\$ 153,031

See Accompanying Notes to the Basic Financial Statements

<u>Major Funds</u>	<u>Nonmajor Other Governmental Funds</u>	<u>Total Governmental Funds</u>
City Projects		
\$ -	\$ -	\$ 47,555,857
-	-	31,412,155
-	-	21,154,014
-	-	6,461,568
6,286,982	5,706,609	22,465,431
-	-	9,734,385
-	17,509	1,079,736
-	-	37,940
4,056,090	7,561,637	27,396,996
-	77,835	1,668,414
-	-	1,805,873
62,078	149,008	578,261
260,095	442,896	4,551,279
<u>10,665,245</u>	<u>13,955,494</u>	<u>175,901,909</u>
-	34,632	17,100,458
-	507,338	78,154,872
149,972	3,719,378	21,269,474
153,558	2,158,955	7,955,372
-	362,533	8,644,189
-	73,005	15,586,704
-	1,923	1,922,009
5,793,651	4,068,936	10,126,063
-	510,000	1,220,000
-	20,980	517,503
-	125,567	131,447
<u>6,097,181</u>	<u>11,583,247</u>	<u>162,628,091</u>
4,568,064	2,372,247	13,273,818
2,424,474	6,918,377	19,913,003
<u>(1,607,778)</u>	<u>(4,813,843)</u>	<u>(12,382,431)</u>
<u>816,696</u>	<u>2,104,534</u>	<u>7,530,572</u>
5,384,760	4,476,781	20,804,390
-	-	(13,965,842)
<u>5,384,760</u>	<u>4,476,781</u>	<u>6,838,548</u>
16,728,300	53,056,260	194,571,534
-	-	1,312,576
<u>16,728,300</u>	<u>53,056,260</u>	<u>195,884,110</u>
<u>\$ 22,113,060</u>	<u>\$ 57,533,041</u>	<u>\$ 202,722,658</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
Year Ended June 30, 2013**

Net Change in Fund Balances - Total Governmental Funds	\$ 6,838,548
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlay as expenditures. In the government-wide financials, the cost of the assets is allocated over their estimated useful lives as depreciation expense.	
Capital asset regular additions and deletions recorded in the current period - governmental activities	5,992,028
Depreciation and net losses in disposal recorded in the current period - governmental activities	(6,844,030)
Contributions of capital assets are not recorded in the governmental funds.	17,486,000
City advance for Parking COP debt service to be collected according to Reimbursement Agreement from Redevelopment Successor Agency	239,565
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	3,121,556
Interest accrued on long-term housing loan receivables and allowance for uncollectible accounts	923,279
Interest accrued on employees' loan receivables	14,179
Conway assessment installments received	(28,823)
Miscellaneous public safety cost reimbursements recognized as deferred inflows	33,324
State vehicle license fee collection in excess recognized as deferred revenue	(11,322)
Administrative citation placed on tax roll was recognized as deferred revenue	7,094
Reimbursable costs incurred for abandoned vehicles and State mandates	(472,239)
Current grant revenues earned but not available	(283,583)
Current Proposition 172 revenue recognized as deferred inflows of resources	9,267
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.	2,019,444
Housing loans repaid, recorded as revenues in the fund financial statements, are reclassified as reductions in receivables in the government-wide financial statements. This number is adjusted by allowance for uncollectible accounts.	(2,215,994)
Interfund interest revenue previously deferred in governmental funds was received in current year.	(1,793,457)
Repayment of principal or issuance of refunding debt should have no effect on the government-wide statement of activities and changes in net position.	1,220,000
This amount represents the change in accrued interest on bonds payable from prior year.	(119,782)
Internal Service Funds are primarily to serve governmental activities. The change in net position of the Internal Service Funds is reported with governmental activities.	2,395,481
This amount represents Internal Service Fund look-back adjustments from Business-Type Activities.	(82,805)
Change in Net Position of Governmental Activities	\$ 28,447,730

See Accompanying Notes to the Basic Financial Statements

Proprietary Fund Financial Statements

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

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

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

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

The ***Golf and Tennis Operations Fund*** accounts for revenues and expenses related to the golf course and tennis center operations. Other recreation operations were moved into the General Fund and presented in the fiscal year 2013 Budget.

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

CITY OF SUNNYVALE

**Statement of Net Position
Proprietary Funds
June 30, 2013**

	Business-Type Activities		
	Major Enterprise Funds		
	Water Supply and Distribution	Wastewater Management	Solid Waste Management
Assets:			
Current Assets			
Cash and Investments Held by City (Note 3)	\$ 8,983,404	\$ 25,515,467	\$ 5,714,909
Cash and Investments Held by Fiscal Agent (Note 3)	11,400,996	12,124,458	-
Receivables, Net (Note 4)	5,483,696	3,349,060	4,857,196
Intergovernmental Receivables (Note 5)	5,000	2,645	151,413
Inventories and Prepaid Items (Note 1)	1,699	36,182	1,000
Total Current Assets	<u>25,874,795</u>	<u>41,027,812</u>	<u>10,724,518</u>
Noncurrent Assets			
Net Pension Asset (Note 15)	-	-	-
Net OPEB Asset (Note 16)	-	-	-
Advances to Other Funds (Note 10)	-	2,184,050	-
Service Concession Arrangement Receivable	-	-	-
Capital Assets (Note 11):			
Land & Nondepreciable Assets	11,007,187	7,892,096	108,822
Depreciable Assets, Net	36,395,341	39,436,041	855,861
Total Noncurrent Assets	<u>47,402,528</u>	<u>49,512,187</u>	<u>964,683</u>
Total Assets	<u>73,277,323</u>	<u>90,539,999</u>	<u>11,689,201</u>
Deferred Outflows of Resources (Note 1)	<u>897,844</u>	<u>133,878</u>	<u>-</u>
Liabilities:			
Current Liabilities			
Wages Payable	-	-	-
Accounts Payable and Accrued Liabilities	5,563,494	1,317,541	2,367,936
Advances from Other Funds (Note 10)	351,700	1,264,380	3,388,304
Refundable Deposits	182,946	117,276	452,020
Interest Payable	274,813	400,931	-
Unearned Revenues (Note 8)	-	-	-
Service Concession Arrangement Maintenance Liability (Note 1)	-	-	-
Claims and Judgments Payable - Due Within One Year (Note 12)	-	-	-
Compensated Absences Payable - Due Within One Year (Note 12)	-	-	-
Landfill Closure and Postclosure Costs (Note 12)	-	-	627,342
Bonds Payable - Due Within One Year (Note 12)	780,000	1,255,000	-
Total Current Liabilities	<u>7,152,953</u>	<u>4,355,128</u>	<u>6,835,602</u>
Noncurrent Liabilities			
Advances from Other Funds (Note 10)	293,103	10,298,238	28,428,062
Service Concession Arrangement Maintenance Liability	-	-	-
Claims and Judgments Payable - Due in More than One Year (Note 12)	-	-	-
Compensated Absences Payable - Due in More than One Year (Note 12)	-	-	-
Landfill Closure and Postclosure Costs (Note 12)	-	-	5,165,500
Bonds Payable - Due in More than One Year (Note 12)	22,799,894	32,940,496	-
Total Noncurrent Liabilities	<u>23,092,997</u>	<u>43,238,734</u>	<u>33,593,562</u>
Total Liabilities	<u>30,245,950</u>	<u>47,593,862</u>	<u>40,429,164</u>
Deferred Inflows of Resources			
Service Concession Arrangement (Note 1)	-	-	-
Net Position (Note 19)			
Net Investment in Capital Assets	36,121,474	25,390,977	964,683
Unrestricted	7,807,743	17,689,038	(29,704,646)
Net Position	<u>\$ 43,929,217</u>	<u>\$ 43,080,015</u>	<u>(28,739,963)</u>

See Accompanying Notes to the Basic Financial Statements

Business-Type Activities			Governmental
Major Enterprise Funds			Activities
SMaRT Station®	Golf and Tennis Operations	Total Enterprise Funds	Internal Service Funds
\$ 4,366,054	\$ 155,894	\$ 44,735,728	\$ 50,418,562
2,708,075	-	26,233,529	-
615,343	36	14,305,331	354,756
414,310	-	573,368	42,000
72,780	151,178	262,839	265,398
8,176,562	307,108	86,110,795	51,080,716
-	-	-	5,262,000
-	-	-	3,874,000
-	-	2,184,050	-
-	1,644,721	1,644,721	-
-	9,683,604	28,691,709	657,595
17,015,897	3,136,489	96,839,629	11,838,830
17,015,897	14,464,814	129,360,109	21,632,425
25,192,459	14,771,922	215,470,904	72,713,141
311,729	-	1,343,451	-
-	-	-	1,812,081
2,833,653	51,883	12,134,507	1,790,592
-	-	5,004,384	-
-	-	752,242	20,358
174,507	-	850,251	-
-	8,750	8,750	-
-	77,358	77,358	-
-	-	-	4,018,244
-	-	-	7,029,156
-	-	627,342	-
2,060,000	-	4,095,000	-
5,068,160	137,991	23,549,834	14,670,431
-	-	39,019,403	-
-	834,762	834,762	-
-	-	-	10,931,756
-	-	-	1,494,110
-	-	5,165,500	-
12,445,130	-	68,185,520	-
12,445,130	834,762	113,205,185	12,425,866
17,513,290	972,753	136,755,019	27,096,297
-	732,601	732,601	-
5,218,842	12,820,093	80,827,798	12,496,425
2,772,056	246,475	(1,501,063)	33,120,419
\$ 7,990,898	\$ 13,066,568	\$ 79,326,735	\$ 45,616,844

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CITY OF SUNNYVALE

**Reconciliation of the Enterprise Funds Statement of Net Position
to the Government-Wide Statement of Net Position
June 30, 2013**

Total Net Position - Total Enterprise Funds	\$ 79,326,735
Prior-year cumulative Internal Service Funds' look-back adjustments, payable to governmental activities	(2,030,492)
Current-year Internal Service Funds' look-back adjustments, payable to governmental activities	<u>82,805</u>
Net Position of Business-Type Activities	<u><u>\$ 77,379,048</u></u>

See Accompanying Notes to the Basic Financial Statements

CITY OF SUNNYVALE**Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
Year Ended June 30, 2013**

	Major Enterprise Funds		
	Water Supply and Distribution	Wastewater Management	Solid Waste Management
Operating Revenues:			
Charges for Services	\$ 36,071,065	\$ 29,252,937	\$ 40,415,507
Operating Expenses:			
Personnel Services	3,740,693	9,577,616	1,223,513
Contractual Services	617,497	3,543,399	27,476,031
Materials and Supplies	1,381,438	2,220,601	40,206
Utilities	202,994	533,653	55,809
Taxes and Licenses	74,458	181,852	471,351
Equipment and Building Rental	505,977	710,847	147,282
Water Purchased for Resale	21,562,176	-	-
Insurance Premiums and Claims	-	-	-
Retirement Premiums	-	-	-
Other Operating Expenses	135,096	327,691	8,125
Depreciation (Note 11)	1,819,302	2,123,087	41,887
Total Operating Expenses	30,039,631	19,218,746	29,464,204
Operating Income (Loss)	6,031,434	10,034,191	10,951,303
Nonoperating Revenues (Expenses):			
Investment Earnings	79,869	217,130	28,083
Interest Expense	(1,092,762)	(1,991,360)	(2,254,277)
Loss on Disposal of Capital Assets	-	-	-
Total Nonoperating Revenues (Expenses)	(1,012,893)	(1,774,230)	(2,226,194)
Income (Loss) before Capital Contributions and Transfers	5,018,541	8,259,961	8,725,109
Capital Contributions	174,000	410,000	-
Transfers In (Note 17)	116,568	-	2,533
Transfers Out (Note 17)	(3,255,462)	(4,322,882)	(4,491,529)
Change in Net Position	2,053,647	4,347,079	4,236,113
Net Position			
Beginning of Year, as Previously Reported	43,252,270	39,073,200	(32,976,076)
Prior Period Adjustment (Note 20)	(1,376,700)	(340,264)	-
Beginning of Year, as Restated	41,875,570	38,732,936	(32,976,076)
Total Net Position - End of Year	\$ 43,929,217	\$ 43,080,015	\$ (28,739,963)

See Accompanying Notes to the Basic Financial Statements

Major Enterprise Funds		Total Enterprise Funds	Governmental Activities Internal Service Funds
SMaRT Station®	Golf and Tennis Operations		
\$ 25,265,018	\$ 3,491,295	\$ 134,495,822	\$ 84,271,941
383,925	2,216,641	17,142,388	23,152,649
12,822,406	76,416	44,535,749	3,053,441
525,719	303,456	4,471,420	2,816,036
535	375,880	1,168,871	1,553,138
10,060,113	-	10,787,774	15,858
3,764	459,214	1,827,084	1,471,346
-	-	21,562,176	-
15,485	-	15,485	24,499,074
-	-	-	26,670,557
-	16,500	487,412	2,228
2,269,691	261,632	6,515,599	1,686,736
26,081,638	3,709,739	108,513,958	84,921,063
(816,620)	(218,444)	25,981,864	(649,122)
99,057	480	424,619	165,992
(731,243)	-	(6,069,642)	(12,416)
-	(12,643)	(12,643)	-
(632,186)	(12,163)	(5,657,666)	153,576
(1,448,806)	(230,607)	20,324,198	(495,546)
-	-	584,000	-
1,577,952	300,000	1,997,053	4,152,128
-	(348,779)	(12,418,652)	(1,261,101)
129,146	(279,386)	10,486,599	2,395,481
8,161,347	13,345,954	70,856,695	43,221,363
(299,595)	-	(2,016,559)	-
7,861,752	13,345,954	68,840,136	43,221,363
\$ 7,990,898	\$ 13,066,568	\$ 79,326,735	\$ 45,616,844

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CITY OF SUNNYVALE

**Reconciliation of the Enterprise Funds Statement of Revenues, Expenses,
and Changes in Net Position to the Government-Wide Statement of Activities
Year Ended June 30, 2013**

Change in Net Position - Total Enterprise Funds	\$	10,486,599
Internal Service Funds' look-back adjustments for the year		82,805
Change in Net Position of Business-Type Activities	\$	<u>10,569,404</u>

See Accompanying Notes to the Basic Financial Statements

CITY OF SUNNYVALE**Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2013**

	Major Enterprise Funds		
	Water Supply and Distribution	Wastewater Management	Solid Waste Management
Cash Flow from Operating Activities:			
Cash Received from Customers	\$ 35,383,451	\$ 28,960,616	\$ 39,522,067
Cash Payments to Suppliers of Goods and Services	(24,473,096)	(7,695,677)	(30,117,142)
Cash Payments for Employee Services	(3,742,260)	(9,609,538)	(1,223,710)
Insurance and Claims Paid	-	-	-
Other Receipts (Payments)	41,630	8,985	147,304
Net Cash Provided by (Used for) Operating Activities	7,209,725	11,664,386	8,328,519
Cash Flows from Noncapital Financing Activities:			
Transfers from Other Funds	116,568	-	2,533
Transfers to Other Funds	(3,255,462)	(4,322,881)	(4,491,529)
Transfer residual cash to General Fund	-	-	-
Short-term Loan Received from or Payments to Other Funds	-	-	(511,588)
Repayment of Advance from Other Funds	(351,700)	(1,264,381)	(3,388,304)
Net Cash Provided by (Used for) Noncapital Financing Activities	(3,490,594)	(5,587,262)	(8,388,888)
Cash Flows from Capital and Related Financing Activities:			
Principal Paid on Long-term Debt	(745,000)	(1,210,000)	-
Interest Paid on Long-term Debt	(1,136,500)	(1,652,125)	-
Acquisition and Construction of Capital Assets	(5,798,628)	(4,994,793)	(61,262)
Net Cash Provided by (Used for) Capital and Related Financing Activities	(7,680,128)	(7,856,918)	(61,262)
Cash Flows from Investing Activities:			
Interest on Investments	94,242	129,554	28,115
Net Cash Provided by Investing Activities	94,242	129,554	28,115
Net Increase (Decrease) in Cash and Cash Equivalents	(3,866,755)	(1,650,240)	(93,516)
Cash and Cash Equivalents - Beginning of Year	24,251,155	39,290,165	5,808,425
Cash and Cash Equivalents - End of Year	\$ 20,384,400	\$ 37,639,925	\$ 5,714,909
Reconciliation to Statement of Net Position:			
Cash and Investments Held by City	\$ 8,983,404	\$ 25,515,467	\$ 5,714,909
Cash and Investments Held by Fiscal Agent	11,400,996	12,124,458	-
Total Cash and Investments	\$ 20,384,400	\$ 37,639,925	\$ 5,714,909

See Accompanying Notes to the Basic Financial Statements

Major Enterprise Funds			Total Enterprise Funds	Governmental Activities Internal Service Funds
SMaRT Station	Golf and Tennis			
\$ 27,214,393	\$ 3,509,115	\$	134,589,642	\$ 83,895,793
(26,037,636)	(1,205,311)		(89,528,862)	(9,103,366)
(383,912)	(2,216,641)		(17,176,061)	(53,272,542)
-	-		-	(23,123,596)
-	-		197,919	395,469
792,845	87,163		28,082,638	(1,208,242)
1,577,952	300,000		1,997,053	4,152,128
-	(384,560)		(12,454,432)	(1,261,101)
-	(207,150)		(207,150)	-
511,588	-		-	-
-	-		(5,004,385)	(189,789)
2,089,540	(291,710)		(15,668,914)	2,701,238
(1,960,000)	-		(3,915,000)	-
(746,281)	-		(3,534,906)	-
-	-		(10,854,683)	(2,376,696)
(2,706,281)	-		(18,304,589)	(2,376,696)
101,539	480		353,930	207,824
101,539	480		353,930	207,824
277,643	(204,067)		(5,536,935)	(675,876)
6,796,486	359,961		76,506,192	51,094,438
\$ 7,074,129	\$ 155,894	\$	70,969,257	\$ 50,418,562
\$ 4,366,054	\$ 155,894	\$	44,735,728	\$ 50,418,562
2,708,075	-		26,233,529	-
\$ 7,074,129	\$ 155,894	\$	70,969,257	\$ 50,418,562

Continued

CITY OF SUNNYVALE**Statement of Cash Flows (Continued)
Proprietary Funds
Year Ended June 30, 2013**

	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)	\$ 6,031,434	\$ 10,034,191	\$ 10,951,303
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Depreciation	1,819,302	2,123,087	41,887
Changes in Assets and Liabilities:			
Receivables, Net	(636,300)	(257,038)	(632,595)
Due from Other Governments	(5,000)	1,190	(84,319)
Inventories and Prepayments	2,285	(14,873)	-
Customer Deposits	28,526	(27,488)	(8,292)
Accounts Payable and Accrued Liabilities	(30,522)	(194,683)	942,090
Landfill Postclosure Care	-	-	(2,881,555)
Claims and Judgments Payable	-	-	-
Compensated Absences Payable	-	-	-
Net Pension Asset	-	-	-
Net OPEB Asset	-	-	-
Net Cash Provided by (Used for) Operating Activities	\$ 7,209,725	\$ 11,664,386	\$ 8,328,519
Noncash Investing, Capital and Financing Activities:			
Change in the Fair Value of Investments	\$ (26,032)	\$ (50,404)	\$ (18,984)
Purchase of Capital Assets on Account	1,946,454	(597,137)	3,066
Non Cash Capital Contributions	174,000	410,000	-
Capitalized Interest Expenses	207,257	393,101	-

See Accompanying Notes to the Basic Financial Statements



Major Enterprise Funds			Governmental Activities Internal Service Funds
SMaRT Station	Golf and Tennis Operations	Total Enterprise Funds	
\$ (816,620)	\$ (218,444)	\$ 25,981,864	\$ (649,122)
2,269,691	261,632	6,515,599	1,686,736
(582,588)	17,530	(2,090,991)	(76,582)
128,813	-	40,684	(42,000)
15,485	181,686	184,583	190,755
-	-	(7,254)	1,099
(221,936)	(155,241)	339,708	255,340
-	-	(2,881,555)	-
-	-	-	1,913,000
-	-	-	69,532
-	-	-	(3,869,000)
-	-	-	(688,000)
<u>\$ 792,845</u>	<u>\$ 87,163</u>	<u>\$ 28,082,638</u>	<u>\$ (1,208,242)</u>
\$ (5,065)	\$ -	\$ (100,484)	\$ (112,626)
-	-	1,352,383	-
-	-	584,000	-
-	-	600,358	-
			Concluded

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Fiduciary Fund Financial Statements

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

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

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

CITY OF SUNNYVALE**Statement of Net Position
Fiduciary Funds
June 30, 2013**

	<u>Private-Purpose Trust Funds</u>	<u>Agency Funds</u>
Assets:		
Cash and Investments Held by City (Note 3 and 21)	\$ 822,358	\$ 3,938,929
Cash and Investments Held by Fiscal Agent (Note 3)	617,171	1,800,674
Receivables (Note 4)	14,205,874	57,959
Capital Assets (Note 21):		
Land and Nondepreciable Assets	13,959,752	-
Total Assets	<u>29,605,155</u>	<u>5,797,562</u>
Liabilities:		
Accounts Payable and Accrued Liabilities (Note 21)	14,084,237	1,974,545
Accrued Interest Payable (Note 21)	85,330	-
Due to CFD Bondholders	-	3,823,017
Long-term Obligations (Note 21):		
Due Within One Year	795,420	-
Due in More Than One Year	50,339,007	-
Total Liabilities	<u>65,303,994</u>	<u>5,797,562</u>
Net Position:		
Held in Trust for Private Purpose	<u>\$ (35,698,839)</u>	<u>\$ -</u>

See Accompanying Notes to the Basic Financial Statements

CITY OF SUNNYVALE**Statement of Changes in Net Position
Fiduciary Funds
For the Year Ended June 30, 2013**

	Private-Purpose Trust Funds
Additions:	
<i>Contributions:</i>	
Property Owners	\$ 49,445
City General Fund	9,941
County Redevelopment Property Tax Trust Fund	817,393
Investment Income from Fiscal Agent	1,920
Total Additions	878,699
Deductions:	
Infrastructure Projects	21,907
1977 Loan Interest Added to Loan Principal	2,350
City Administrative Loan Interest Added to Loan Principal	57,454
City Plaza Loan Interest Added to Loan Principal	5,969
Interest Payments on Central Core Bonds	205,944
Fiscal Agent Trustee Fees	1,975
COP Reimbursement to City	843,210
Administrative Expenses	318,574
Tax Increment Financing Liability Increase	2,047,984
Total Deductions	3,505,367
Change in Net Position	(2,626,668)
Net Position, Beginning of Year, as Previously Reported	(42,059,595)
Prior Period Adjustment (Note 20)	8,987,424
Net Position, Beginning of Year, as Restated	(33,072,171)
Net Position, End of Year	\$ (35,698,839)

See Accompanying Notes to the Basic Financial Statements

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Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2013

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CITY OF SUNNYVALE

Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2013

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***Notes to the Basic Financial Statements
Fiscal Year Ended June 30, 2013***

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

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

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

Sunnyvale Financing Authority

The Sunnyvale Financing Authority (Authority) was formed on September 22, 1992 by the Joint Exercise of Powers Agreement between the City and the former Redevelopment Agency (RDA) of the City of Sunnyvale. The RDA was established under the provisions of the community redevelopment laws of the State of California by a resolution of the City Council adopted on November 19, 1957. The RDA was dissolved on February 1, 2012 pursuant to ABx1 26 (the "Dissolution Act").

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

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

Redevelopment Successor Agency (RSA)

Pursuant to ABx1 26 (the "Dissolution Act"), on January 10, 2012, the City Council adopted a resolution electing to serve as the Redevelopment Successor Agency (RSA) of the former Redevelopment Agency of the City of Sunnyvale (RDA).

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2013

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES, Continued

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

The Community Facilities District No. 1

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

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

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

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

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2013

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES, Continued

Basis of Presentation

Government-wide Financial Statements

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

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments in lieu of taxes or other interfund charges where the amounts are reasonably equivalent in value to the services provided. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned. The types of transactions reported as program revenues for the City are reported in three categories: 1) charges for services, 2) operating grants and contributions, and 3) capital grants and contributions.

Fund Financial Statements

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

The City reports the following major governmental funds:

- The *General Fund* is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in any other fund.
- The *Housing Special Revenue Fund* accounts for financial resources primarily from housing mitigation fees from high-density industrial developers. Expenditures are incurred to support the provision of affordable housing within the City.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2013

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES, Continued

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

- The *Employment Development Special Revenue Fund* accounts for Federal funds and private grants and donations used for workforce development activities conducted by the North Valley Job Training Consortium (NOVA) on behalf of the cities of Sunnyvale, Mountain View, Cupertino, Los Altos, Palo Alto, Milpitas, and Santa Clara.
- The *City Projects Fund* accounts for financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by proprietary funds.

The City reports the following major enterprise funds:

- The *Water Supply and Distribution Fund* accounts for the activities of the City-operated water utility.
- The *Wastewater Management Fund* accounts for the activities related to the City-operated sewer collection and water pollution control systems.
- The *Solid Waste Management Fund* accounts for the activities of the City's refuse collection and solid waste disposal services.
- The *SMaRT Station Fund* accounts for the activities related to the operations of the Sunnyvale Materials and Recovery Transfer Station.
- The *Golf and Tennis Operations Fund* accounts for the activities related to the City's golf course and tennis center operations.

Additionally, the City reports the following fund types:

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

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2013

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES, Continued

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

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

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

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

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

Measurement Focus and Basis of Accounting

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

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

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2013

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES, Continued

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

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

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

Cash, Cash Equivalents and Investments

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

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

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

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

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2013

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES, Continued

In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, highly liquid market investments with maturities of one year or less at time of purchase and guaranteed investment contracts are stated at the amortized cost. All other investments are stated at fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. Market value is used as fair value for those securities where market quotations are readily available.

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

Receivables

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

Interfund Balances/Internal Balances

Advances to and advances from other funds are presented in the fund financial statements. The borrower is charged interest annually based on the initially stipulated rate and the repayment amount often varies with the borrower's cash flow needs. Any unpaid interest due to the borrower's lack of funds increases the principal owed, with the lender (General Fund) recognizing a corresponding amount of deferred interfund interest revenue. Since the late 1970s, General Fund has made numerous advances to other City funds (see Note 10) and thus accumulated significant amounts of deferred interfund interest revenue. When the cumulative amounts of repayment in advances by the borrower exceed the original principal, the lender (General Fund) recognizes the excess portion of current repayment as interfund interest revenue and reduces the deferred revenue balance.

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

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

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

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

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2013

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES, Continued

Inventory and Prepaid Items

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

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

Assets Held for Resale

Assets held for resale are carried at the lower of cost or net realizable value. In fiscal years 1999 and 2000, the City General Fund acquired certain residential properties (currently earning rental income), which cost \$1,381,077 at the time, with the intention to assemble with other parcels for the Downtown redevelopment project. In fiscal year 2006, one such property with allocated original cost of \$280,000 was transferred to the Housing Special Revenue Fund with consideration.

At the beginning of fiscal year 2011, the City entered into an agreement with a soon-to- retire City official, who executed a deed in lieu of foreclosure so that the City became the owner of the property that he purchased in 2005 with a mortgage loan from the City as part of his employment package. The outstanding loan balance was \$389,167, much higher than the net realizable value due to the depressed housing market when the City took ownership of this property. At year end this property has been restored to the original cost to reflect the strong housing market recovery in Sunnyvale.

Capital Assets

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

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

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2013

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES, Continued

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

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

- Buildings 10 - 50 years
- Sidewalks, Curbs, Gutters, Street Lights, and Traffic Signals 10 - 40 years
- Water Supply and Distribution System 10 - 80 years
- Wastewater Treatment and Collection system 10 - 80 years
- Other land improvements 7 - 80 years
- Equipment 2 - 30 years
- Computer Software 3 - 15 years

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

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

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

The City's policy relative to maintaining the street assets is to achieve a PCI rating of 75 or over for all street segments, which is in the “good” range or better. For detailed description of the modified approach, see the required supplementary information section of this report.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2013

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES, Continued

Deferred Outflows/Inflows of Resources

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

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

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

Service Concession Arrangement

In April 2012 the City entered into an arrangement with Lifetime Tennis, Inc.(Lifetime), in which Lifetime has agreed to operate, manage, and collect the related fees from the Sunnyvale Tennis Center for a term of 15 years. The City has agreed to maintain the grounds surrounding the courts and buildings at the Tennis Center, as well as the ancillary tennis courts. At June 30, 2013, the present value of the City's maintenance obligation is estimated to be \$912,120, which is recognized as a liability. Initial improvements made to the tennis center building infrastructure by Lifetime were maintenance and repairs and therefore not capitalized. Lifetime has agreed to pay the City installment payments over the course of the arrangement; the present value of these installment payments is estimated to be \$1,644,721 at year end, reported as a receivable. The difference between the present value of the installments receivable and maintenance obligations was \$732,601, which was reported as deferred inflows of resources, all in the Golf and Tennis Operations Enterprise Fund.

Unearned Revenue

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

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2013

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES, Continued

Noncurrent Liabilities

Government-Wide Financial Statements

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

Fund Financial Statements

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

Net Position Flow Assumptions

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

Fund Balance Flow Assumptions

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

Fund Balance Policies

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

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2013

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES, Continued

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

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

Use of Estimates

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

Program Revenues

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

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.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2013

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES, Continued

Santa Clara County assesses properties and bills and collects property taxes for the City. Secured and unsecured taxes are levied on the preceding January 1. Secured tax is due in two installments on November 1 and February 1. If unpaid, such taxes become delinquent after December 10 and April 10, respectively, and a 10% penalty attaches to any delinquent payments. If delinquent taxes are paid prior to June 30, the County receives the 10% penalty. For delinquencies paid after June 30, the City receives the penalty revenue. Unsecured tax becomes delinquent if unpaid on August 31. A 10% penalty attaches to delinquent unsecured tax. If unsecured tax remains unpaid on October 31, an additional 1.5% attaches to it on the first day of each month until paid. The term "unsecured" refers to taxes on property not secured by liens on real property. The City has elected not to participate in the "Teeter Plan" offered by the County, thereby retaining the right to any interest and penalties collected on the related delinquent taxes.

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

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

Compensated Absences

The City's compensated absences consist of accrued vacation pay for all regular employees and paid time off for management and confidential employees. Some employees also accrue compensatory time. The total amount of the accrued liability is recorded in the Employee Benefits Internal Service Fund and is reported under governmental activities in the government-wide financial statements. The total amount of the liability at June 30, 2013 was \$8,523,266.

Proprietary Funds Operating and Nonoperating Revenues and Expenses

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

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2013

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES, Continued

Effects of New Pronouncements

The City implemented the following GASB Statements during the year:

GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements* addresses the accounting and reporting for service concession arrangements (SCAs), a type of public-private or public-public partnership that state and local governments are increasingly entering into. Common examples of SCAs include long-term arrangements in which a government (“transferor”) engages a company or another government (“operator”) to operate a major capital asset in return for the right to collect fees from users of the capital asset. As of July 1, 2012, the City adopted this statement and reported the service concession arrangement for the Sunnyvale Tennis Center.

GASB Statement No. 61, *The Financial Reporting Entity: Omnibus – An Amendment of GASB Statements No. 14 and 34* is designed to improve financial reporting for governmental entities by amending the requirements of GASB Statement No. 14, *The Financial Reporting Entity*, and GASB Statement No. 34, *Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments*, to better meet the needs of users and address reporting entity issues that have come to light since these statements were issued in 1991 and 1999, respectively. This statement improves the information presented about the financial reporting entity, which is comprised of a primary government and related entities (component units) and amends the criteria for blending - reporting component units as if they were part of the primary government - in certain circumstances. As of July 1, 2012, the City adopted this statement which did not have a significant impact to its financial statements.

In December 2010, the GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements* to incorporate into the GASB’s authoritative literature certain accounting and financial reporting guidance that is included in the pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements. This statement also supersedes Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*. As of July 1, 2012, the City adopted this statement which did not have a significant impact to its financial statements.

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. This statement also amends the net asset reporting requirements in Statement No. 34, *Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. As of July 1, 2012, the City adopted this statement which did not have a significant impact to its financial statements.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2013

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES, Continued

In March 2012, the GASB issued Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which is intended to clarify the appropriate reporting of deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. The statement also recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. Application of this statement is required for the City's fiscal year ending June 30, 2014. The City early implemented this statement in the current fiscal year. Refer to Note 20 Prior Period Adjustment for this statement's impact to the City's financial statements.

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

In March 2012, the GASB issued Statement No. 66, *Technical Corrections – 2012 - An Amendment of GASB Statements No. 10 and No. 62*, to resolve conflicting accounting and financial reporting guidance that could diminish the consistency of financial reporting. This statement amends Statement No. 10, *Codification of Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, by removing the provision that limits fund-based reporting of a state or local government's risk financing activities to the general fund and the internal service fund type. This statement also amends Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, by modifying the specific guidance on accounting for (1) operating lease payments that vary from a straight-line basis, (2) the difference between the initial investment (purchase price) and the principal amount of a purchased loan or group of loans, and (3) servicing fees related to mortgage loans that are sold when the stated service fee rate differs significantly from a current servicing fee rate. Application of this statement is effective for the City's fiscal year ending June 30, 2014.

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

Key changes include the following:

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

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2013

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES, Continued

- Adopting a single actuarial cost allocation method – entry age normal – rather than the current choice among six actuarial cost methods.
- Requiring more extensive note disclosures and required supplementary information.

The statements relate to accounting and financial reporting and do not apply to a government's approach the funding of its pension plan. At present, there generally is a close connection between the ways many governments fund pensions and how they account for and report information about them in financial statements. The statements would separate how the accounting and financial reporting is determined from how pensions are funded. Application of Statement No. 67 is effective for financial statements for the City's fiscal year ending June 30, 2014. Application of Statement No. 68 is effective for the City's fiscal year ending June 30, 2015.

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

In April 2013, the GASB issued Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*. This statement is intended to improve accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. This statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. This statement also requires a government that has issued an obligation guaranteed in a nonexchange transaction to recognize revenue to the extent of the reduction in its guaranteed liabilities and requires a government that is required to repay a guarantor for making a payment on a guaranteed obligation or legally assuming the guaranteed obligation to continue to recognize a liability until legally released as an obligor. This statement also provides additional guidance for intra-entity nonexchange financial guarantees involving blended component units. Application of this statement is effective for the City's fiscal year ending June 30, 2014.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2013

NOTE 1 – SIGNIFICANT ACCOUNTING POLICIES, Continued

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

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Basis of Accounting

The appropriated budget is prepared by fund. Annual budgets are adopted, on a basis consistent with generally accepted accounting principles, for all governmental funds except for the Low and Moderate Income Housing Asset (non-major) Special Revenue Fund. This Fund was established upon the dissolution of the former Redevelopment Agency and is not expected to have legally adopted budget until fiscal year 2016.

Legal Level of Budgetary Control

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

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

Excess of Expenditures Over Appropriations

For the year ended June 30, 2013, expenditures exceeded appropriations within the environmental function of the General Fund by approximately \$100,000 because of higher land development activity in this year.

During the budget year, for governmental funds, the City Manager is authorized to reappropriate budgeted amounts between programs that are financed by the same fund and within the same department. In this case, these activities were within the Public Works Department, whose annual maximum reappropriation threshold is \$250,000.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2013

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY, Continued

Deficit Net Position and Fund Balances

The deficit net position, \$28,739,963, in the Solid Waste Management Fund was due to several transactions. The General Fund has made several advances to the Solid Waste Management Fund for construction of new facilities and for cash flow purposes. Interest has been accrued annually on the outstanding loan balances. The deficit is also explained by the Governmental Accounting Standards Board Statement No. 18 (Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Costs), which requires the City to recognize, at the time a landfill is closed, all estimated total future costs related to closure and postclosure care. The deficit is expected to be funded by charges for services.

One of the nonmajor special revenue funds, the Transportation Development Act Fund, had a deficit fund balance of \$2,797. The deficit is due to unpaid construction contract retention for a TDA funded project. A transfer has been made from the TDA Fund to the Capital Projects Fund to cover the expenditure. Grant reimbursement will be requested upon project completion and payout of the retention to the contractor.

Although the combined net position for all internal service funds was \$45,616,844, one of the internal service funds, the Risk Management Fund, had a deficit net position of \$818,983 at year end. The deficit was caused by the actuarial adjustments for the general liability. The deficit is expected to be funded by future internal service charges to other City funds.

NOTE 3 – CASH AND INVESTMENTS

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

Deposits and Cash on Hand

The carrying amount of the City's cash deposits totaled \$14,505,760 at June 30, 2013, including \$8,445 kept by designated employees as change funds at various City facilities. Bank balances before reconciling items (i.e., deposits in transit and outstanding checks) were \$12,020,137; 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.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2013

NOTE 3 – CASH AND INVESTMENTS, Continued

Investments

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

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

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

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

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

	<u>Governmental Activities</u>			<u>Business-Type Activities</u>
	<u>Governmental Funds</u>	<u>Internal Service Funds</u>	<u>Total</u>	
<u>Investment Income</u>				
Interest	\$ 2,482,878	\$ 765,707	\$ 3,248,585	\$ 865,829
Interfund Interest	-	-	-	94,050
Net Changes in the Fair Value of Investments	(1,904,617)	(599,715)	(2,504,332)	(535,260)
Total - Fund Financial Statements	<u>578,261</u>	<u>165,992</u>	<u>744,253</u>	<u>424,619</u>
Interfund Interest Elimination	-	-	-	(94,050)
Timing difference-Interest from loans to City Employees	14,179	-	14,179	-
Total - Government-Wide Financial Statements	<u>\$ 592,440</u>	<u>\$ 165,992</u>	<u>\$ 758,432</u>	<u>\$ 330,569</u>

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2013

NOTE 3 – CASH AND INVESTMENTS, Continued

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

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

Summary of Cash and Investments

	<u>Government-Wide Statement of Net Position</u>			<u>Fund Financials</u>	
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>	<u>Fiduciary Funds Statement of Net Position</u>	<u>Total</u>
Cash and Investments, Unrestricted	\$ 155,427,737	\$ 44,735,728	\$ 200,163,465	\$ -	\$ 200,163,465
Restricted Cash and Investments					
Held by the City	76,147,796	-	76,147,796	4,761,287	80,909,083
Held by the Fiscal Agent	2,420,182	26,233,529	28,653,711	2,417,845	31,071,556
Total	\$ 233,995,715	\$ 70,969,257	\$ 304,964,972	\$ 7,179,132	\$ 312,144,104

The fiduciary funds had \$2,786,742 included in the City pool of cash and investments at year end. The remaining amounts were held in a separate public funds account.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2013

NOTE 3 – CASH AND INVESTMENTS, Continued

At June 30, 2013, the City had the following deposits and investments:

	Credit Ratings S&P/ Moody's	Details	Total Fair Value
City Treasury Pooled Cash and Investments:			
Deposits and Cash on Hand	Not Rated		\$ 14,505,758
Investments:			
Corporate Notes:			
General Electric	AA+/A1	\$ 10,041,010	
IBM	AA-/Aa3	3,075,036	
Johnson & Johnson	AAA/ Aaa	5,037,950	
Google	AA/Aa2	4,133,752	
Microsoft	AAA/ Aaa	11,311,225	
Toyota	AA-/Aa3	4,026,296	
Total Corporate Notes			37,625,269
Securities of U.S. Government Agencies/Government Sponsored Enterprises:			
Federal Home Loan Bank (2)	AA+/Aaa	\$ 35,625,084	
Freddie Mac (2)	AA+/Aaa	21,119,717	
Fannie Mae (2)	AA+/Aaa	31,445,423	
U.S. Treasury (1)	AA+/Aaa	48,560,039	
Tennessee Valley Authority (2)	AA+/Aaa	8,028,936	
Federal Farm Credit Bank (2)	AA+/Aaa	32,234,023	
Municipal Bonds	A/A1	4,121,160	
Total Securities of U.S. Government Agencies			181,134,382
Local Agency Investment Funds	Not Rated		45,832,594
City Pooled Cash and Investments (including \$2,786,742 from Fiduciary Funds)			<u>\$ 279,098,003</u>
City Cash and Investments with Fiscal Agents:			
Guaranteed Investment Contracts	Not Rated	\$ 3,145,564	
Local Agency Investment Funds	Not Rated	24,655,325	
Treasury Obligation Mutual Funds	AAA/ Aaa	852,822	
Total City Cash and Investments with Fiscal Agents			<u>\$ 28,653,711</u>
Fiduciary Funds Cash and Investments Not in the City Treasury Pool			
Fiduciary Fund Deposits Held by the City, Separate Bank Deposit Account	Not Rated		\$ 1,974,545
Fiduciary Fund Cash and Investments with Fiscal Agents:			
Treasury Obligation Mutual Funds	Not Rated		53,705
Local Agency Investment Funds	Not Rated		616,000
Guaranteed Investment Contracts	Not Rated		1,748,140
Total Fiduciary Fund Cash and Investments not in the City Treasury Pool			<u>\$ 4,392,390</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, 2013

NOTE 3 – CASH AND INVESTMENTS, Continued

Risk Disclosures

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

Investments held in the City Treasury grouped by maturity date at June 30, 2013 are as follows:

	Maturity (in years)				Total Fair Value
	1 year or less	1 to 2 years	2 to 5 years	5 to 10 years	
City Treasury Pooled Cash and Investments, including portion of Fiduciary Funds:					
Cash and Deposits	\$ 14,505,758	\$ -	\$ -	\$ -	\$ 14,505,758
Investments:					
Corporate Notes:					
General Electric	3,026,214	7,014,796	-	-	10,041,010
IBM	-	-	3,075,036	-	3,075,036
Johnson & Johnson	5,037,950	-	-	-	5,037,950
Google	-	-	4,133,752	-	4,133,752
Microsoft	4,096,660	-	7,214,565	-	11,311,225
Toyota	-	4,026,296	-	-	4,026,296
Federal Farm Credit Bank	17,140,583	11,117,852	3,975,588	-	32,234,023
Federal Home Loan Bank	19,226,746	9,413,728	6,984,610	-	35,625,084
Freddie Mac	7,032,494	14,087,105	118	-	21,119,717
Fannie Mae	12,188,828	11,069,139	8,187,456	-	31,445,423
Tennessee Valley Authority	8,028,936	-	-	-	8,028,936
U. S. Treasuries	7,002,464	8,007,812	33,549,763	-	48,560,039
Municipal Bonds	-	4,121,160	-	-	4,121,160
Local Agency Investment Funds	45,832,594	-	-	-	45,832,594
Total	<u>\$ 143,119,227</u>	<u>\$ 68,857,888</u>	<u>\$ 67,120,888</u>	<u>\$ -</u>	<u>\$ 279,098,003</u>
City Cash and Investments with Fiscal Agents (trustees):					
Guaranteed Investment Contracts	\$ -	\$ 479,000	\$ 2,666,564	\$ -	\$ 3,145,564
Local Agency Investment Funds	24,655,325	-	-	-	24,655,325
Treasury Obligation Mutual Funds	852,822	-	-	-	852,822
Total	<u>\$ 25,508,147</u>	<u>\$ 479,000</u>	<u>\$ 2,666,564</u>	<u>\$ -</u>	<u>\$ 28,653,711</u>
Fiduciary Fund Cash and Investments not in the City Treasury Pool:					
Guaranteed Investment Contracts	\$ -	\$ -	\$ -	\$ 1,748,140	\$ 1,748,140
Local Agency Investment Funds	616,000	-	-	-	616,000
Treasury Obligation Mutual Funds	53,705	-	-	-	53,705
Deposits Accounts	1,974,545	-	-	-	1,974,545
Total	<u>\$ 2,644,250</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,748,140</u>	<u>\$ 4,392,390</u>

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2013

NOTE 3 – CASH AND INVESTMENTS, Continued

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

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

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

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

At June 30, 2013, 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	\$ 32,234,023
Federal Home Loan Bank	35,625,084
Freddie Mac (FHLMC)	21,119,717
Fannie Mae (FNMA)	31,445,423
Total	<u>\$ 120,424,247</u>

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2013

NOTE 3 – CASH AND INVESTMENTS, Continued

Investments in Local Agency Investment Fund

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

The City's investments with the Local Agency Investment Fund (LAIF), at June 30, 2013, included a portion of the pool funds invested in structured notes and asset-backed securities. These investments included the following:

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

Asset-backed securities entitle the purchaser to receive a share of the cash flows from a pool of assets such as principal and interest repayments from a pool of mortgages (such as collateralized mortgage obligations), small business loans, or credit card receivables.

As of June 30, 2013, the City had \$71,103,919 at fair value invested in LAIF, which had invested 1.96% 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, 2013, 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 1.000273207.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2013**NOTE 4 – RECEIVABLES, CURRENT****Government Wide Financial Statements**

At June 30, 2013, 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	\$ 849,062	\$ 14,459,339	\$ 15,308,401
Taxes	8,614,441	-	8,614,441
Interest	541,250	166,763	708,013
Other	796,093	757,046	1,553,139
Allowance	(248,396)	(1,077,817)	(1,326,213)
Total Unrestricted	<u>10,552,450</u>	<u>14,305,331</u>	<u>24,857,781</u>
Restricted:			
Accounts	38,471	-	38,471
Interest	254,490	-	254,490
Other	6,415	-	6,415
Total Restricted	<u>299,376</u>	<u>-</u>	<u>299,376</u>
Total Current Receivables, Net	<u>\$ 10,851,826</u>	<u>\$ 14,305,331</u>	<u>\$ 25,157,157</u>

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2013

NOTE 4 – RECEIVABLES, CURRENT, Continued

Fund Financial Statements

At June 30, 2013, 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	\$ 880,590	\$ 8,614,441	\$ 336,135	\$ 613,241	\$ (248,396)	\$ 10,196,011
Housing Fund	-	-	82,248	-	-	82,248
Employment Development	-	-	-	1,094	-	1,094
City Projects	2,155	-	65,948	5,200	-	73,303
Nonmajor Funds	4,293	-	140,121	-	-	144,414
Total Governmental Funds	<u>\$ 887,038</u>	<u>\$ 8,614,441</u>	<u>\$ 624,452</u>	<u>\$ 619,535</u>	<u>\$ (248,396)</u>	<u>\$ 10,497,070</u>
Proprietary Funds:						
Water Supply and Distribution	\$ 5,774,266	\$ -	\$ 37,667	\$ -	\$ (328,237)	\$ 5,483,696
Wastewater Management	3,529,982	-	94,370	11,917	(287,209)	3,349,060
Solid Waste Management	5,155,090	-	19,384	145,093	(462,371)	4,857,196
SMART Station	-	-	15,343	600,000	-	615,343
Golf and Tennis Operations	-	-	-	36	-	36
Internal Service Funds	495	-	171,289	182,972	-	354,756
Total Proprietary Funds	<u>\$ 14,459,833</u>	<u>\$ -</u>	<u>\$ 338,053</u>	<u>\$ 940,018</u>	<u>\$ (1,077,817)</u>	<u>\$ 14,660,087</u>
Fiduciary Funds:						
Private-Purpose Trust Funds	\$ -	\$ -	\$ 469	\$ 14,205,405	\$ -	\$ 14,205,874
Agency Funds	-	-	52,532	5,427	-	57,959
Total Fiduciary Funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 53,001</u>	<u>\$ 14,210,832</u>	<u>\$ -</u>	<u>\$ 14,263,833</u>

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2013

NOTE 5 – INTERGOVERNMENTAL RECEIVABLES

Intergovernmental receivables are incurred as a result of grants and other intergovernmental revenue the City has earned but not yet received. At June 30, 2013, the City had intergovernmental receivables in the following major funds and nonmajor funds in the aggregate:

Governmental Activities:	
<i>Governmental Funds:</i>	
General Fund	\$ 1,653,239
Employment Development Special Revenue Fund	303,148
City Projects Fund	2,815,808
Nonmajor Funds	<u>885,007</u>
Total Governmental Funds	5,657,202
Internal Service Funds	<u>42,000</u>
Total Governmental Activities	<u>\$ 5,699,202</u>
Business-Type Activities:	
Water Supply and Distribution Enterprise Fund	\$ 5,000
Wastewater Management Enterprise Fund	2,645
Solid Waste Management Enterprise Fund	151,413
SMaRT Station Enterprise Fund	<u>414,310</u>
Total Business-Type Activities	<u>\$ 573,368</u>

NOTE 6 – LONG-TERM RECEIVABLES FROM EMPLOYEES

At June 30, 2013, the City had long-term receivables in the amount of \$3,428,168, reported under the General Fund.

In 1981, the City Council established a mortgage loan program for Council-appointed officers and department heads. The program was designed to keep the cost of housing from limiting the number of qualified applicants for senior executive positions. All loans are secured by a deed of trust, carry interest at rates ranging from 0% to 3.879%, and have repayment terms ranging from 30 to 45 years. At year end, the City had five loans outstanding to City employees totaling \$3,428,168, including accrued interest of \$150,490.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2013

NOTE 7 – HOUSING LOANS RECEIVABLE

Governmental Activities:

Maturity Date Year Ending June 30,	Community Development Block Grant	HOME Grant	Housing Mitigation	Other Housing	Total
2014	\$ 281,241	\$ -	\$ 528,359	\$ -	\$ 809,600
2015	13,041	-	-	-	13,041
2016	116,118	-	158,432	-	274,550
2017	210,837	-	-	-	210,837
2018	85,873	-	-	-	85,873
2019-2023	633,761	-	-	-	633,761
2024-2028	936,812	2,036,144	52,786	-	3,025,743
2029-2033	1,568,675	3,053,918	1,822,817	-	6,445,410
2034-2038	2,155,359	1,061,132	395,298	1,084,926	4,696,715
2039-2043	5,019,974	2,423,807	2,090,150	187,355	9,721,286
2044-2048	142,886	2,325,190	-	-	2,468,076
2049-2053	-	-	-	-	-
2054-2058	137,677	-	-	-	137,677
2059-2063	60,627	-	-	-	60,627
2064-2068	107,405	225,759	1,131,310	6,600,000	8,064,475
2069-2073	-	1,382,191	2,629,810	-	4,012,001
Due Upon Sale or Transfer of Property	937,962	-	-	-	937,962
	<u>12,408,250</u>	<u>12,508,141</u>	<u>8,808,964</u>	<u>7,872,280</u>	<u>41,597,635</u>
Less: Allowance for Uncollectibles	<u>(248,165)</u>	<u>(250,163)</u>	<u>(176,179)</u>	<u>(157,446)</u>	<u>(831,953)</u>
Housing Loans Receivables, Net at June 30, 2013	<u>\$ 12,160,085</u>	<u>\$ 12,257,978</u>	<u>\$ 8,632,785</u>	<u>\$ 7,714,834</u>	<u>\$ 40,765,682</u>

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

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2013

NOTE 7 – HOUSING LOANS RECEIVABLE, Continued

Community Development Block Grant (CDBG) Loans

The City has made a number of loans totaling \$12,408,250 to qualified applicants using Community Development Block Grants. These loans can be used for the acquisition and development of new affordable housing units. Loans are also available to low-income households for the rehabilitation of single family and mobile homes.

HOME Grant Loans

The City has made loans totaling \$12,508,141 using Federal HOME funds for the construction, rehabilitation, or acquisition of housing for low-income households, and for First Time Homebuyer Loans.

Housing Mitigation Loans

The City has made housing mitigation loans totaling \$8,808,964. These loans are given to qualified applicants and can be used for acquisition, rehabilitation, new construction and predevelopment costs of affordable housing.

Other Housing Loans

The City has made loans totaling \$7,872,280 using Below Market Rates (BMR) and State Housing funds for down payments of qualified first time homebuyers and construction of senior housing, respectively.

NOTE 8 – UNEARNED REVENUES

Unearned revenues represent revenues received in advance of expenses. At June 30, 2013, unearned revenues were as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Customer prepayments	\$ 855,152	\$ 8,750	\$ 863,902
Unearned grant and contributions	23,860	-	23,860
Total	<u>\$ 879,012</u>	<u>\$ 8,750</u>	<u>\$ 887,762</u>

Customer prepayments consisted of \$847,796 for business license renewal and \$16,106 for use of City property. Business licenses are renewed bi-annually. The prorated portion belonging to fiscal year 2013 was reported as unearned revenue.

Unearned grants and contributions were funds received from other governmental agencies or private sources for which the City had not fulfilled grant or contribution requirements as of June 30, 2013.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2013

NOTE 9 – DEFERRED INFLOWS OF RESOURCES

Fund Financial Statements

At June 30, 2013, the following items were recorded in the fund financial statements as deferred inflows of resources because the funds were not available to finance expenditures of the current period:

	General Fund	Housing Special Revenue	City Projects Capital Projects	Nonmajor	Total
Reimbursement Agreement with RSA	\$ 239,564	\$ -	\$ -	\$ -	\$ 239,564
Deferred Interest - Advances to Former RDA	21,431,058	-	-	-	21,431,058
Deferred Interest on Interfund Advances	38,073,511	-	-	-	38,073,511
Deferred Interest on Loans to City Employees	150,490	-	-	-	150,490
Capital Special Assessments	61,338	-	-	-	61,338
Administrative Citations on Tax Roll	29,300	-	-	-	29,300
Proposition 172 Sales Tax	119,215	-	-	-	119,215
Vehicle License Fees	61,929	-	-	-	61,929
State Mandated Costs	1,170,445	-	-	-	1,170,445
Housing Loans	-	16,347,619	-	24,418,063	40,765,682
Unavailable grant revenues	29,056	-	111,271	2,797	143,124
Incentive payment - EMS	18,526	-	-	-	18,526
Cost Reimbursement - DEA Task Force	14,798	-	-	-	14,798
Cost Reimbursement - Abandoned Vehicles	48,921	-	-	-	48,921
Total	\$ 61,448,151	\$ 16,347,619	\$ 111,271	\$ 24,420,860	\$ 102,327,901

NOTE 10 – INTERNAL BALANCES/INTERFUND BALANCES

Government-Wide Financial Statements

Internal Balances consist of the following items:

Internal Balances	Amount
Outstanding Long-Term Advances from Governmental to Business-Type Activities	\$ 41,839,737
Internal Service Fund Lookback Adjustment:	
Owed by Business-Type to Governmental Activities	1,947,687
Total Internal Balances	\$ 43,787,424

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2013

NOTE 10 – INTERNAL BALANCES/INTERFUND BALANCES, Continued

Fund Financial Statements

Due to/from Other Funds

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

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Nonmajor Special Revenue Fund:	
	Police Services Augmentation	\$ 38,767
	Transportation Development Act	13,000
Housing Special Revenue Fund	Nonmajor Special Revenue Fund:	
	Community Development Block Grant	268,079
	HOME Grant	67,343
Total		<u><u>\$ 387,189</u></u>

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

Advances to/from Other Funds

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

<u>Lender Fund</u>	<u>Borrower Fund</u>	<u>Amount</u>
General Fund	Enterprise Funds:	
	Water Supply and Distribution	\$ 644,803
	Wastewater Management	11,562,618
	Solid Waste Management	29,632,316
	Total General Fund Advances	<u><u>\$ 41,839,737</u></u>
Wastewater Management Enterprise Fund	Solid Waste Management Enterprise Fund	\$ 2,184,050

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

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. A final installment payment was made in the amount of \$189,789 this year and the ending advance balance is \$0.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2013**NOTE 10 – INTERNAL BALANCES/INTERFUND BALANCES, Continued**

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 in fiscal years 2014 and 2015. At June 30, 2013 total loan balance was \$644,803.

During the fiscal year ended June 30, 1981, the General Fund advanced to the Wastewater Management Fund \$10,700,000 for the purpose of remodeling the primary facilities of the wastewater treatment plant and expanding the plant capacity from 22.5 million gallons per day to 29.5 million gallons per day. Starting from fiscal year 1995, the interest charged to the Wastewater Management Fund has been reduced from 12% to 7%. Unpaid interest has increased the principal due to the General Fund. During fiscal year 1996, the General Fund advanced an additional \$2,453,635 to the Wastewater Management Fund for cash flow purposes. The advance bears interest at 7%. During the fiscal year, repayment of \$1,264,381 was made to the General Fund. Annual repayments were budgeted as follows: \$1,264,381 annually from fiscal year 2014 to fiscal year 2019, and \$850,216 annually thereafter to pay off the remaining balance. At June 30, 2013, total loan balance was \$11,562,618.

During fiscal years ended June 30, 1985, 1988 and 1989, the General Fund advanced to the Solid Waste Management Fund a total of \$3,680,000 to construct and operate a system to convert methane gas to a marketable form of energy. Between fiscal years 1995 and 1999, the General Fund advanced a total of \$10,505,152 to the Solid Waste Management Fund for the purpose of stabilizing the rates charged to utility customers in the long run. The advances bear interest at 7%. Unpaid interest increases the principal balance. During the fiscal year, repayment of \$1,300,000 was made to the General Fund. Annual repayments were budgeted as follows: \$3,388,304 in fiscal year 2014, and \$4,742,396, annually from fiscal year 2015 to fiscal year 2022. At June 30, 2013, total loan balance was \$29,632,316.

During the fiscal year ended June 30, 2012, the Wastewater Management Fund advanced to the Solid Waste Management Fund \$2,000,000 for the purpose of alleviating cash flow issues. The advance bears interest at 4.5% with repayments budgeted as \$462,407 annually from fiscal year 2016 to fiscal year 2021. At June 30, 2013, total loan balance was \$2,184,050.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2013

NOTE 11 – CAPITAL ASSETS

Modified Approach for Street Pavement System

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

Intangible Assets

The City's intangible assets include easements and computer software. Easements, mostly contributed by developers, are considered to have indefinite useful lives. The City's policy is not to retroactively report intangible assets considered to have indefinite useful lives as of the effective date of Governmental Accounting Standards Board Statement 51.

During this year, donated easements with fair value of \$2,409,824 were accepted by the City and reported under the land category of general capital assets. At year end, total easements approximated \$6.5 million, predominantly under governmental activities.

At June 30, 2013, capitalized computer software (reported under the equipment category of capital assets) approximated \$3.4 million, mostly accounted for in the General Services Internal Service Fund, which maintains replacement schedules for various assets used in operations.

Donated Capital Assets

During this fiscal year, the City accepted developers' capital asset contribution with fair value approximating \$5.3 million for governmental activities and \$0.6 million for business-type activities.

In recent years, the City has been working with the Federal government on a reuse plan for the former Onizuka Air Force Station. Late this fiscal year, the City formally received title to a 1-acre parcel with estimated fair value of \$5.3 million for expansion of a fire station. Two other parcels totaling 5 acres with fair value estimated at \$6.9 million were also formally received for the purposes of providing homeless housing.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2013

NOTE 11 – CAPITAL ASSETS, Continued

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

	Balance July 1, 2012	Additions	Retirements	Transfers	Balance June 30, 2013
Nondepreciable Assets:					
Land	\$ 93,673,402	\$ 16,720,000	\$ -	\$ -	\$ 110,393,402
Construction in Progress	30,168,641	3,930,635	-	(27,508,800)	6,590,476
Infrastructure - Streets	160,375,583	433,000	-	-	160,808,583
Total Nondepreciable Assets	284,217,626	21,083,635	-	(27,508,800)	277,792,461
Depreciable Assets:					
Buildings and Structures	95,294,697	-	-	-	95,294,697
Improvements Other than Buildings	78,988,225	1,778,313	-	26,498,339	107,264,877
Machinery and Equipment	34,802,865	2,402,067	(1,322,650)	17,500	35,899,782
Infrastructure	79,249,073	362,713	-	992,961	80,604,747
Total Depreciable Assets	288,334,860	4,543,093	(1,322,650)	27,508,800	319,064,103
Accumulated Depreciation:					
Buildings and Structures	(47,118,627)	(2,567,488)	-	-	(49,686,115)
Improvements Other than Buildings	(32,221,487)	(2,527,770)	-	-	(34,749,257)
Machinery and Equipment	(20,443,727)	(2,155,651)	1,185,877	-	(21,413,501)
Infrastructure	(56,614,650)	(1,279,858)	-	-	(57,894,508)
Total Accumulated Depreciation	(156,398,491)	(8,530,767)	1,185,877	-	(163,743,381)
Depreciable Assets, Net	131,936,369	(3,987,674)	(136,773)	27,508,800	155,320,722
Total Governmental Activities Capital Assets, Net	\$ 416,153,995	\$ 17,095,961	\$ (136,773)	\$ -	\$ 433,113,183

Governmental activities' depreciation expense for capital assets for the year ended June 30, 2013, are as follows:

Planning and Management	\$ 1,262,289
Public Safety	1,148,840
Community Development	1,473,193
Transportation	2,467,936
Socioeconomic	272,454
Cultural	1,517,620
Environmental Management	388,433
Total Depreciation Expense	\$ 8,530,767

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2013

NOTE 11 – CAPITAL ASSETS, Continued

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

	Balance July 1, 2012	Additions	Retirements	Transfers	Balance June 30, 2013
Nondepreciable Assets:					
Land	\$ 16,469,169	\$ -	\$ -	\$ -	\$ 16,469,169
Construction in Progress	3,049,193	11,419,359	-	(2,246,012)	12,222,540
Total Nondepreciable Assets	19,518,362	11,419,359	-	(2,246,012)	28,691,709
Depreciable Assets:					
Buildings and Structures	23,437,545	-	-	-	23,437,545
Improvements Other than Buildings	43,104,315	-	-	-	43,104,315
Machinery and Equipment	5,491,744	132,668	(88,523)	-	5,535,889
Infrastructure	137,854,506	1,839,397	-	2,246,012	141,939,915
Total Depreciable Assets	209,888,110	1,972,065	(88,523)	2,246,012	214,017,664
Accumulated Depreciation:					
Buildings and Structures	(21,193,995)	(199,888)	-	-	(21,393,883)
Improvements Other than Buildings	(20,419,835)	(2,464,986)	-	-	(22,884,821)
Machinery and Equipment	(4,870,520)	(108,803)	75,879	-	(4,903,444)
Infrastructure	(64,253,965)	(3,741,922)	-	-	(67,995,887)
Total Accumulated Depreciation	(110,738,315)	(6,515,599)	75,879	-	(117,178,035)
Depreciable Assets, Net	99,149,795	(4,543,534)	(12,644)	2,246,012	96,839,629
Total Business-Type Activities Capital Assets, Net	\$ 118,668,157	\$ 6,875,825	\$ (12,644)	\$ -	\$ 125,531,338

Business-type activities depreciation expenses for capital assets for the year ended June 30, 2013 are as follows:

Water Supply and Distribution	\$ 1,819,302
Wastewater Management	2,123,087
Solid Waste Management	41,887
SMaRT Station	2,269,691
Golf and Tennis Operations	261,632
Total Depreciation Expense	\$ 6,515,599

Fund Financial Statements

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

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2013

NOTE 12 – LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities during the fiscal year ended June 30, 2013:

Description	Restated Balance, July 1, 2012	Additions	Reductions	Bond Amortization	Balance, June 30, 2013	Due Within One Year	Due in More than One Year
Governmental Activities:							
Bonded Debt:							
Certificates of Participation:							
1998 Parking Facility Series A	\$ 10,300,000	\$ -	\$ (710,000)	\$ -	\$ 9,590,000	\$ 745,000	\$ 8,845,000
2009 Government Center	14,395,000	-	(510,000)	-	13,885,000	535,000	13,350,000
Risk Management: Self Insurance and							
Contingent Liability	13,037,000	3,595,900	(1,682,900)	-	14,950,000	4,018,244	10,931,756
Compensated Absences	8,453,734	6,919,116	(6,849,584)	-	8,523,266	7,029,156	1,494,110
Total Governmental Activities	\$ 46,185,734	\$ 10,515,016	\$ (9,752,484)	\$ -	\$ 46,948,266	\$ 12,327,400	\$ 34,620,866
Business-Type Activities:							
Bonds Payable:							
Revenue Bonds:							
Water Revenue Series 2010	\$ 24,388,038	\$ -	\$ (745,000)	\$ (63,144)	\$ 23,579,894	\$ 780,000	\$ 22,799,894
Wastewater Revenue Series 2010	35,509,773	-	(1,210,000)	(104,277)	34,195,496	1,255,000	32,940,496
Solid Waste Series 2003	10,267,605	-	(1,440,000)	(57,475)	8,770,130	1,520,000	7,250,130
Solid Waste Series 2007	6,255,000	-	(520,000)	-	5,735,000	540,000	5,195,000
Service Concession Arrangement							
Maintenance Liability	-	978,456	(66,336)	-	912,120	77,358	834,762
Landfill Postclosure							
Care Costs	8,674,397	-	(2,881,555)	-	5,792,842	627,342	5,165,500
Total Business-Type Activities	\$ 85,094,813	\$ 978,456	\$ (6,862,891)	\$ (224,896)	\$ 78,985,482	\$ 4,799,700	\$ 74,185,782

Refer to Note 20 Prior Period Adjustments for the restated beginning balances at July 1, 2012.

Bonded Debt

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

Ratings for the City's outstanding bonds as of June 30, 2013 are as follows:

Bonded Debt	Par Amount	Moody's	S&P
1998 Parking Facility, Series A Certificates of Participation	\$ 9,590,000	Aa2	AA+
2009 Government Center Certificates of Participation	13,885,000	Aa1	AAA
Water Revenue Bonds, Series 2010	21,875,000	Aa1	AA+
Wastewater Revenue Bonds, Series 2010	31,380,000	Aa2	AAA
Solid Waste Revenue Bonds, Series 2003	8,500,000	A1	AA
Solid Waste Revenue Bonds, Series 2007	5,735,000	N/A	N/A

There have been no defaults on any debt service payments to the bondholders as of June 30, 2013. The City has complied with all significant bond covenants.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2013

NOTE 12 – LONG-TERM LIABILITIES, Continued

Certificates of Participation

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

Due in original annual installments of \$315,000-\$1,250,000 through October 1, 2022, interest at 3.65%-5.00%, repayments had been made from advances from the General Fund in the form of base rental payments (according to the 1977 Loan Repayment Agreement) and reimbursed by tax increment revenue from the redevelopment project area. After the former Redevelopment Agency’s dissolution, the City and Redevelopment Successor Agency (RSA) reentered into a reimbursement agreement on April 24, 2012, effective retroactively to February 1, 2012. The funding source of the RSA reimbursement is the Redevelopment Property Tax Trust Fund (RPTTF) maintained by the County of Santa Clara. The State Department of Finance determined that the 1977 Loan Repayment Agreement and the repayment of the 1998 COPs do not qualify as enforceable obligations of the RSA and, accordingly, no reimbursement agreement receivable and payable is recorded by the City and the RSA.

The debt service requirements for the 1998 Parking Certificates of Participation at June 30, 2013 were as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 745,000	\$ 460,689	\$ 1,205,689
2015	780,000	422,750	1,202,750
2016	820,000	382,750	1,202,750
2017	860,000	340,750	1,200,750
2018	905,000	296,625	1,201,625
2019-2023	5,480,000	720,750	6,200,750
Total	<u>\$ 9,590,000</u>	<u>\$ 2,624,314</u>	<u>\$ 12,214,314</u>

Certificates of Participation

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

Due in original annual installments of \$470,000-\$1,065,000 through April 1, 2031, initially bearing interest at a weekly interest rate as determined by the remarketing agent (based on an examination of tax-exempt obligations comparable to the Certificates under then-prevailing market conditions). Repayments are made from lease payments from the Internal Service Funds and the Enterprise Funds based on a predetermined pro-rata share of each activity’s use of the civic center premises.

In connection with the issuance of the 2009 Government Center COPs, the City obtained an irrevocable letter of credit as a credit facility with Union Bank, NA for the COPs. The City’s repayment of unreimbursed draws made on the credit facilities bears interest at rates as defined in the reimbursement agreement of 12% per annum. The City is required to pay an annual facility fee of 0.90%, payable quarterly in arrears, based on the available amount in effect, from the date of issuance of the letter of credit until the stated termination date, as defined in the amended reimbursement agreement supported by the credit facility. For the year ended June 30, 2013, the City paid an annual facility fee in the amount of \$99,066, which was in addition to \$26,500 in fees for rating services and remarketing agent. On May 8, 2012, the City extended the letter of credit with Union Bank, NA and the expiration date is June 1, 2015. Any outstanding draws are due at the expiration of the letter of credit.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2013

NOTE 12 – LONG-TERM LIABILITIES, Continued

At June 30, 2013, the annualized interest rate was 0.06%, which was the rate used to project the interest portion of the debt service payments for future years. This rate will change with market fluctuations.

The debt service requirements for the 2009 Government Center Variable Rate Demand Refunding Certificates of Participation at June 30, 2013 were as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 535,000	\$ 8,331	\$ 543,331
2015	555,000	8,010	563,010
2016	575,000	7,677	582,677
2017	605,000	7,332	612,332
2018	630,000	6,969	636,969
2019-2023	3,555,000	28,863	3,583,863
2024-2028	4,355,000	17,280	4,372,280
2029-2031	3,075,000	3,738	3,078,738
Total	\$ 13,885,000	\$ 88,200	\$ 13,973,200

Revenue Bonds

\$24,085,000 Water Revenue Bonds, Series 2010

Due in original annual installments \$455,000 - \$1,300,000 from April 1, 2011 to April 1, 2040, interest at 0.34 - 5.25%, with repayments made from net revenues of the Water Supply and Distribution Enterprise Fund.

The debt service requirements for the bonds at June 30, 2013 were as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 780,000	\$ 1,099,250	\$ 1,879,250
2015	810,000	1,069,800	1,879,800
2016	845,000	1,033,300	1,878,300
2017	890,000	991,050	1,881,050
2018	925,000	951,550	1,876,550
2019-2023	2,485,000	4,353,950	6,838,950
2024-2028	3,190,000	3,656,363	6,846,363
2029-2033	4,110,000	2,727,375	6,837,375
2034-2038	5,305,000	1,529,325	6,834,325
2039-2040	2,535,000	201,337	2,736,337
	21,875,000	17,613,300	39,488,300
Add Net Unamortized Premium	1,704,894	-	1,704,894
Total	\$ 23,579,894	\$ 17,613,300	\$ 41,193,194

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2013

NOTE 12 – LONG-TERM LIABILITIES, Continued

\$35,380,000 Wastewater Revenue Bonds, Series 2010

Due in original annual installments \$740,000 - \$1,600,000 from April 1, 2011 to April 1, 2040, interest at 0.34 - 5.25%, with repayments made from net revenues of the Wastewater Management Enterprise Fund.

The debt service requirements for the bonds at June 30, 2013 were as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 1,255,000	\$ 1,603,725	\$ 2,858,725
2015	1,305,000	1,553,525	2,858,525
2016	1,375,000	1,488,275	2,863,275
2017	1,440,000	1,419,525	2,859,525
2018	1,515,000	1,347,525	2,862,525
2019-2023	5,580,000	5,828,125	11,408,125
2024-2028	6,325,000	4,250,138	10,575,138
2029-2033	4,330,000	2,872,012	7,202,012
2034-2038	5,590,000	1,610,175	7,200,175
2039-2040	2,665,000	211,575	2,876,575
	<u>31,380,000</u>	<u>22,184,600</u>	<u>53,564,600</u>
Add Net Unamortized Premium	2,815,496	-	2,815,496
Total	\$ 34,195,496	\$ 22,184,600	\$ 56,380,096

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

Due in original annual installments of \$1,025,000 - \$1,890,000 through October 1, 2017, interest at 2.0% - 5.5%, repayments made from net revenues of the Solid Waste Enterprise Fund and monies received by the City from the cities of Mountain View and Palo Alto under the Memorandum of Understanding in connection with the City’s Solid Waste Material Recovery and Transfer Station.

The debt service requirements for the 2003 Solid Waste Revenue Bonds at June 30, 2013 were as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 1,520,000	\$ 425,700	\$ 1,945,700
2015	1,605,000	339,763	1,944,763
2016	1,695,000	249,012	1,944,012
2017	1,790,000	153,175	1,943,175
2018	1,890,000	51,975	1,941,975
	<u>8,500,000</u>	<u>1,219,625</u>	<u>9,719,625</u>
Add Unamortized Premium	270,130	-	270,130
Total	\$ 8,770,130	\$ 1,219,625	\$ 9,989,755

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2013

NOTE 12 – LONG-TERM LIABILITIES, Continued

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

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

Due in original annual installments of \$440,000 - \$745,000 through October 1, 2021, interest at 4.0197%, repayments made from net revenues of the Solid Waste Enterprise Fund, and monies received from the City of Palo Alto under the Memorandum of Understanding in connection with the City’s Solid Waste Material Recovery and Transfer Station.

The debt service requirements for the 2007 Solid Waste Revenue Bonds at June 30, 2013 were as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 540,000	\$ 219,677	\$ 759,677
2015	560,000	197,568	757,568
2016	585,000	174,555	759,555
2017	610,000	150,538	760,538
2018	635,000	125,515	760,515
2019-2022	2,805,000	231,233	3,036,233
Total	\$ 5,735,000	\$ 1,099,086	\$ 6,834,086

Annual Debt Service Requirements to Maturity-All Bonded Debt

The annual requirements to amortize long-term bonded debt outstanding as of June 30, 2013 by activity are listed below:

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>		<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2014	\$ 1,280,000	\$ 469,020	\$ 4,095,000	\$ 3,348,352
2015	1,335,000	430,760	4,280,000	3,160,656
2016	1,395,000	390,427	4,500,000	2,945,142
2017	1,465,000	348,082	4,730,000	2,714,288
2018	1,535,000	303,594	4,965,000	2,476,565
2019-2023	9,035,000	749,613	10,870,000	10,413,308
2024-2028	4,355,000	17,280	9,515,000	7,906,501
2029-2033	3,075,000	3,738	8,440,000	5,599,387
2034-2038	-	-	10,895,000	3,139,500
2039-2040	-	-	5,200,000	412,912
Subtotal	23,475,000	2,712,514	67,490,000	42,116,611
Add Unamortized Premium	-	-	4,790,520	-
Total	\$ 23,475,000	\$ 2,712,514	\$ 72,280,520	\$ 42,116,611

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2013

NOTE 12 – LONG-TERM LIABILITIES, Continued

Risk Management

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

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

The City has \$40,000,000 in excess general liability coverage, subject to \$500,000 self-insured retention (SIR) for each occurrence, through the California Joint Powers Risk Management Authority (CJPRMA), a risk-sharing pool. CJPRMA is a joint powers authority created by certain California cities and other joint powers authorities to provide a pooled approach for liability coverage. The CJPRMA is governed by a board of directors comprised of officials appointed by each member agency. The activities of the CJPRMA include setting and collecting premiums, administering and paying claims and related expenses and investing assets. Each member is assessed a contribution based on actuarially determined rates, which is intended to cover the CJPRMA's claims, operating costs and claim settlement expenses. Additional cash contributions may be assessed on the basis of adverse loss experiences. The CJPRMA maintains members' equity accounts for each pool member. Losses and expenses are paid from these pools up to the limit of coverage subject to the self-insured retention. Financial statements for CJPRMA for the fiscal year ended June 30, 2013 may be obtained from CJPRMA at 3201 Doolan Road, Suite 285, Livermore, CA 94551.

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

- \$500,001 - \$50,000,000. Coverage provided by CSAC-EIA
- \$50,000,001 - Statutory. Coverage provided by National Union Fire Insurance Co. of Pittsburgh, PA

The California State Association of Counties (CSAC) Excess Insurance Authority (EIA) is a member-directed joint powers insurance authority, operating since 1979. The EIA has been providing California's counties, and more recently other public entities, including cities, schools and special districts, with stable cost-effective insurance alternatives and quality risk management services. The City is currently a member of the EIA Excess Workers Compensation Insurance Program. The EIA is governed by a board of directors composed of officials appointed by member agencies. Each participating member is required to share all costs of that program, including development charges, premiums, premium surcharge, and administrative costs. Losses and expenses are paid from these pools up to the limit of coverage subject to the self-insured retention. Financial statements for the CSAC - EIA for the fiscal year ended June 30, 2013, may be obtained from CSAC Excess Insurance Authority at 75 Iron Point Circle, Suite 200, Folsom, CA 95630.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2013

NOTE 12 – LONG-TERM LIABILITIES, Continued

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

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

	<u>2013</u>	<u>2012</u>	<u>2011</u>
General:			
Liability at beginning of fiscal year	\$ 1,545,000	\$ 1,626,000	\$ 1,500,000
Claims paid	(140,800)	(666,300)	(558,084)
Current fiscal year claims and changes in estimated liability	<u>154,800</u>	<u>585,300</u>	<u>684,084</u>
Liability at end of fiscal year	<u><u>\$ 1,559,000</u></u>	<u><u>\$ 1,545,000</u></u>	<u><u>\$ 1,626,000</u></u>
Workers' Compensation:			
Liability at beginning of fiscal year	\$ 11,492,000	\$ 11,468,000	\$ 11,204,000
Claims paid	(1,542,100)	(1,713,100)	(1,496,431)
Current fiscal year claims and changes in estimated liability	<u>3,441,100</u>	<u>1,737,100</u>	<u>1,760,431</u>
Liability at end of fiscal year	<u><u>\$ 13,391,000</u></u>	<u><u>\$ 11,492,000</u></u>	<u><u>\$ 11,468,000</u></u>
Total estimated claims payable	<u><u>\$ 14,950,000</u></u>	<u><u>\$ 13,037,000</u></u>	<u><u>\$ 13,094,000</u></u>

Since the loss and the loss adjustment expense payments associated with the claims liabilities will be spread over several years, the liabilities are discounted to reflect anticipated investment on assets set aside to pay these costs. The claims liabilities are reported at present value, which have been computed using a discount rate of 0.7% for fiscal year 2014, 2% for fiscal year 2015, 3% for 2016, 4% for fiscal years 2017 to 2022, and 5% for fiscal year 2023 and beyond, on the carrying amount of estimated general liability of \$1,615,000 and estimated workers’ compensation liability of \$16,649,000 at the 70% confidence level.

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

Compensated Absences

Accrued vacation pay for regular employees and paid time off for management and confidential employees are recorded in the Employee Benefits Internal Service Fund. Some employees also accrue compensatory time. Sick leave for employees does not vest. The total amount of the liability at June 30, 2013 was \$8,523,266.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2013

NOTE 12 – LONG-TERM LIABILITIES, Continued

Landfill Postclosure Care Costs

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

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

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

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

At June 30, 2013, a liability in the amount of \$5,792,842 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, 2013. However, the actual cost of postclosure care and corrective action may be higher or lower due to inflation, changes in technology, or changes in landfill laws and regulations.

Non City Obligations

Community Facilities District

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

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2013

NOTE 12 – LONG-TERM LIABILITIES, Continued

The bond documents for the CFD No. 1 bonds stipulated that in the event the Initial Release Test was not satisfied, the bonds would be redeemed in part. In order to satisfy the Initial Release Test, the Director of Finance of the City of Sunnyvale had to determine, at the time of the initial disbursement from the Escrow Fund, that several conditions had been met. Prior to the initial disbursement from the Escrow Fund, the Director of Finance determined that the Initial Release Test had not been satisfied. Therefore, bonds in the amount of \$16,010,000 were redeemed in September 2002. The principal balance of currently outstanding bonds was \$17,370,000 at June 30, 2013. These funds were used to finance one of the two proposed new parking garages. This garage, which contains 958 parking spaces, opened on October 2001.

2002 Housing Revenue Bonds, Series A

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

NOTE 13 – OPERATING LEASES

The City leases a portion of certain land located at Moffett Field from NASA for the operation of the Sunnyvale Municipal Golf Course. Future minimum payments under this lease at June 30, 2013 are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2014	\$ 58,595
2015	58,595
2016	58,595
2017	58,595
2018	58,595
2019-2021	175,785
Total	<u><u>\$ 468,760</u></u>

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2013**NOTE 14 – CONSTRUCTION COMMITMENTS**

At June 30, 2013, the City had outstanding construction commitments for the following projects:

Description	Contract	Remaining Commitment
Wright Avenue Water Plan Reconstruction	\$ 1,241,454	\$ 335,362
Water Line Replacement Phase I	5,391,200	808,626
Water Line Replacement Phase II	1,752,300	1,752,300
Sanitary Sewer Pipe Replacement 2013 Phase I	2,945,800	994,139
Sanitary Sewer Pipe Replacement 2013 Phase II	1,128,072	1,128,072
Theater Lighting Replacement	300,267	300,267
Sunnyvale Ave @ Old San Francisco Road Intersection	630,585	388,014
Sunnyvale Downtown Streetscape Phase II	712,213	712,213
Flare Station Equipment Replacement	713,642	607,075
Reconstruction of Curbs, Gutters, Sidewalks & Driveways 2012	920,139	324,594
Reconstruction of Curbs, Gutters, Sidewalks & Driveways 2013	710,922	710,922
	<u>\$ 16,446,594</u>	<u>\$ 8,061,584</u>

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2013

NOTE 15 – RETIREMENT PLAN

Plan Description

All permanent City of Sunnyvale employees participate in the California Public Employees' Retirement System (PERS) per the City's charter. PERS is an agent multiple-employer defined benefit pension plan that acts as a common investment and administrative agent for participating public entities within the State of California. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Employees vest after five years of service and are eligible to receive benefits at 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.

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

Funding Policy

Miscellaneous participants were required to contribute 8% of annual covered salary, and safety participants were required to contribute 11.25% of their annual covered salary. During the fiscal year, the City made contributions ranging from 5% to 7% for miscellaneous employees and from 8.25% to 9.25% for safety employees. Total contributions made on behalf of the employees amounted to \$6,045,806 for the fiscal year ended June 30, 2013.

The City is required to make actuarially determined employer contributions necessary to fund the benefits for its members. The contribution requirements of the plan members are established by State statute. The employer contribution rate or annual lump sum prepayment option is established annually and may be amended by PERS. For the fiscal year ending June 30, 2013, the City's required contribution was 20.091% for miscellaneous employees and 31.378% for safety employees. However, the City's actual contribution was 23.7% for miscellaneous employees and 37.7% for safety employees.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2013

NOTE 15 – RETIREMENT PLAN, Continued

Annual Pension Cost (APC) and Net Pension Obligation

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

	<u>Miscellaneous</u>	<u>Safety</u>	<u>Total</u>
Annual Required Contribution (ARC)	\$ 10,897,000	\$ 9,434,000	\$ 20,331,000
Interest on Net Pension Obligation (Asset)	(30,000)	(78,000)	(108,000)
Adjustment to ARC	23,000	58,000	81,000
Annual Pension Cost	<u>10,890,000</u>	<u>9,414,000</u>	<u>20,304,000</u>
Contributions Made	<u>(12,838,000)</u>	<u>(11,335,000)</u>	<u>(24,173,000)</u>
Increase (Decrease) in Net Pension Obligation	(1,948,000)	(1,921,000)	(3,869,000)
Net Pension Obligation (Asset)-Beginning of Year	(388,000)	(1,005,000)	(1,393,000)
Net Pension Obligation (Asset)-End of Year	<u>\$ (2,336,000)</u>	<u>\$ (2,926,000)</u>	<u>\$ (5,262,000)</u>

The required employer contribution was determined as part of the June 30, 2010 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.75% investment rate of return (net of administrative expenses), (b) projected salary increases ranging from 3.55% to 14.45% for miscellaneous employees and from 3.55% to 13.15% for safety employees depending on age, service, and type of employment, and (c) 3.25% per year cost-of-living adjustments.

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. For fiscal year 2013 contribution rates, PERS amortized the unfunded liability over different periods based on cause. For the City’s Miscellaneous Plan this resulted in an average amortization period of approximately 18 years and for the City’s Safety Plan a period of approximately 28 years. PERS amortizes gains and loss over a 30 year rolling period. It is important to note that this rolling amortization method will be changed to fixed amortization periods beginning with fiscal year 2016 rates. The City paid in excess of the required employer contribution rates for both the Miscellaneous and Safety Plans to reduce the amortization periods.

Trend Information

Fiscal Year Ended	<u>Annual Pension Cost (APC)</u>		Total APC	Percentage of APC Contributed	Net Pension Obligation (Asset)
	<u>Miscellaneous Plan</u>	<u>Safety Plan</u>			
6/30/2011	\$ 9,179,000	\$ 9,528,000	\$ 18,707,000	100%	\$ -
6/30/2012	10,818,000	9,819,000	20,637,000	107%	(1,393,000)
6/30/2013	10,890,000	9,414,000	20,304,000	119%	(5,262,000)

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2013

NOTE 15 – RETIREMENT PLAN, Continued

Funding Progress

The most recent funding progress was determined as part of the June 30, 2011 actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.50% investment rate of return (net of administrative expenses), (b) projected salary increases ranging from 3.30% to 14.20% depending on age, service, and type of employment, and (c) 3.00% per year cost-of-living adjustments. The average remaining amortization period for the Miscellaneous and Safety Plans were approximately 21 years and 32 years, respectively. .

The most recent PERS actuarial valuations as of June 30, 2013 are presented below:

Miscellaneous Plan

Valuation Date	Accrued Liability	Actuarial Value of Assets (AVA)	Unfunded Liability (UL)	Funded Ratios		Annual Covered Payroll	UL as a % of Payroll
				(AVA) (b)/(a)	Market Value		
	(a)	(b)	(a)-(b)			(c)	[(a)-(b)]/(c)
6/30/2009	\$ 362,079,446	\$ 289,158,200	\$ 72,921,246	79.9%	57.9%	\$ 57,068,680	127.8%
6/30/2010	379,468,535	305,016,513	74,452,022	80.4%	62.7%	55,327,086	134.6%
6/30/2011	408,576,988	323,671,882	84,905,106	79.2%	70.2%	55,423,392	153.2%

Safety Plan

Valuation Date	Accrued Liability	Actuarial Value of Assets (AVA)	Unfunded Liability (UL)	Funded Ratios		Annual Covered Payroll	UL as a % of Payroll
				(AVA) (b)/(a)	Market Value		
	(a)	(b)	(a)-(b)			(c)	[(a)-(b)]/(c)
6/30/2009	\$ 362,842,286	\$ 287,338,615	\$ 75,503,671	79.2%	57.5%	\$ 31,418,480	240.3%
6/30/2010	376,787,588	301,952,765	74,834,823	80.1%	62.6%	31,025,541	241.2%
6/30/2011	403,210,623	317,905,238	85,305,385	78.8%	70.0%	31,531,853	270.5%

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2013

NOTE 16 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description

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

The City provides a retiree healthcare stipend equal to the lesser of the medical premium or a dollar limit that varies by employee group (\$360 to \$669 per month at June 30, 2013). 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 722 retired plan participants at year end.

Funding Policy

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

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

For fiscal year 2013, the estimated ARC was \$9,298,000. The City contributed \$4,872,000 on a pay-as-you-go basis for current benefit payments. Additionally, based on PFM's analysis of the City's overall OPEB liability and consideration of mitigating funding risk from market fluctuations, the City contributed a total of \$5,099,000 as per the adopted financial plan to the Trust during fiscal year 2013. The Employee Benefits Internal Service Fund had accumulated such resources in past years through internal service charges and transfers from the General Fund. Additional resources will be added on an ongoing basis until the Trust is fully funded. This retiree medical trust is not considered a component unit of the City and is excluded from the City's financial statements. A separate OPEB plan report can be obtained by contacting the Finance Department, City of Sunnyvale, 650 West Olive Avenue, Sunnyvale, CA 94086.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2013

NOTE 16 – OTHER POSTEMPLOYMENT BENEFITS (OPEB), Continued

Annual OPEB Cost and Net OPEB Assets

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

Annual Required Contribution, Fiscal Year 2013		\$	9,298,000
Interest on Net OPEB Obligation			(207,000)
Amortization of Net OPEB Obligation			192,000
Annual OPEB Cost			<u>9,283,000</u>
Contributions			
Trust Pre-Funding	\$	(5,099,000)	
Benefit Payments Outside of Trust		(4,872,000)	(9,971,000)
Increase (Decrease) in Net OPEB Obligation			<u>(688,000)</u>
Net OPEB Obligation-Beginning of Year			(3,186,000)
Net OPEB Obligation (Asset)-End of Year			<u><u>\$ (3,874,000)</u></u>

The City’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2012 and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Annual OPEB Cost Contributed	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation (Asset)
6/30/2011	\$ 13,426,000	\$ 36,742,000	273.7%	\$ (3,568,000)
6/30/2012	9,002,000	8,620,000	95.8%	(3,186,000)
6/30/2013	9,283,000	9,971,000	107.4%	(3,874,000)

Funded Status and Funding Progress

The report of the June 30, 2012 Actuarial Valuation was dated February 7, 2013. The funded status of the plan is presented below:

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

The OPEB Trust has been funded since fiscal year 2011. The market value of the City’s OPEB Trust assets was \$47,292,792 as of June 30, 2013.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2013

NOTE 16 – OTHER POSTEMPLOYMENT BENEFITS (OPEB), Continued

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

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
6/30/2008	\$ -	\$ 131,489,000	\$ 131,489,000	0%	\$ 79,269,000	165.9%
6/30/2010	-	105,560,000	105,560,000	0%	79,075,000	133.5%
6/30/2012	39,228,000	115,859,000	76,631,000	33.9%	79,265,000	96.7%

The 2008 valuation, dated 8/27/2009, used a lower discount rate of 4.75% because the OPEB trust had not been established. Both the 2010 and the 2012 valuation used a discount rate of 6.50% with ARC pre-funded.

Actuarial Methods and Assumptions

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

The required employer contribution was determined as part of the June 30, 2012 valuation using the entry age normal actuarial cost method. The actuarial assumptions included a 6.50 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 8.5% for 2014, grading down to 5% for 2021 and thereafter. The post-Medicare medical cost increase rates were 8.9% for 2014, grading down to 5% for 2021 and thereafter. The initial (projected 6/30//2007 UAAL for 2007/08 ARC) UAAL was amortized as a level percentage of projected payroll over a fixed (closed) 30-year period. The amortization period decreases by one year each fiscal year, but not less than 15 years. When the amortization period reaches 15 years, experience gains and losses will be amortized over fixed (closed) 15-year periods and plan and assumption changes will be amortized over fixed (closed) 20 year periods. There were 24 years remaining for projected UAAL as of June 30, 2013.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2013

NOTE 17 – TRANSFERS

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

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

Below is a summary of interfund transfers.

Fund Financial Statements

<u>Fund Receiving Transfers</u>	<u>Fund Making Transfers</u>	<u>Amount Transferred</u>	<u>Funding Purpose</u>
General Fund	Housing	\$ 72,808	(3)
	Employment Development	314,416	(3)
	City Projects	11,975	(1)
	Nonmajor Governmental	242,470	(3)
	Internal Service - General Services	666,184	(3)
	Water Supply and Distribution	2,531,146	(3)
	Wastewater Management	3,548,965	(3)
	Solid Waste Management	2,833,409	(3)
	Golf and Tennis Operations	348,779	(3)
	Subtotal - General Fund	<u>10,570,152</u>	

(Continued)

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2013

NOTE 17 – TRANSFERS, Continued

Fund Receiving Transfers	Fund Making Transfers	Amount Transferred	Funding Purpose
City Projects	General Fund	\$ 803,407	(1)
	Nonmajor Governmental	1,602,210	(1)
	Wastewater Management	18,857	(1)
	Subtotal - City Projects	<u>2,424,474</u>	
Nonmajor Governmental	General Fund	2,405,963	(3)
	City Projects	1,585,493	(1)
	Nonmajor Governmental	2,190,190	(1)
	Internal Service - General Services	594,917	(4)
	Water Supply and Distribution	56,254	(4)
	Wastewater Management	36,548	(4)
	Solid Waste Management	49,012	(4)
	Subtotal - Nonmajor Governmental	<u>6,918,377</u>	
Internal Service - General Services	General Fund	514,216	(1)
	City Projects	10,310	(1)
	Nonmajor Governmental	778,974	(1)
	Water Supply and Distribution	668,062	(1)
	Wastewater Management	599,411	(1)
	Solid Waste Management	31,155	(1)
	Subtotal - Internal Service - General Services	<u>2,602,128</u>	
Internal Service - Employee Benefits	General Fund	1,550,000	(5)
	Subtotal - Internal Service - Employee Benefits	<u>1,550,000</u>	
Water Supply and Distribution	Wastewater Management	116,568	(1)
	Subtotal - Water Supply and Distribution	<u>116,568</u>	
Solid Waste Management	Wastewater Management	2,533	(1)
	Subtotal - Wastewater Management	<u>2,533</u>	
SMaRT Station	Solid Waste Management	1,577,952	(2)
	Subtotal - SMaRT Station	<u>1,577,952</u>	
Golf and Tennis Operations	General Fund	300,000	(3)
	Subtotal - Golf and Tennis Operations	<u>300,000</u>	
Total Interfund Transfers		<u>\$ 26,062,184</u>	

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2013

NOTE 18 – PLEDGED REVENUES

In addition to pledging revenues for the landfill postclosure care costs (Note 12), the following disclosures pertain to future revenues that have been pledged and will be unavailable for other purposes.

Utility Revenues Pledged in Connection with Water Revenue Bonds, Series 2010

The City has pledged, as security for the 2010 Water Revenue Bonds, net revenues of its Water System. The 2010 Bonds were issued at the end of fiscal year 2010 in the amount of \$24,085,000 to pay off the Water Fund's share of the 2001 Water and Wastewater Revenue Bonds, and to provide financing for additions and improvements to the Water System.

Total principal and interest remaining on the debt is \$39,488,300 with annual requirements ranging from \$1,879,250 in fiscal year 2014 to \$1,368,250 in the final fiscal year 2040. Debt service principal and interest totaling \$1,881,500 was paid during the year. Net revenues of the Water System amounted to \$4,791,711. Net revenues for calculating debt coverage include the following components: operating revenues, operating expenses (excluding depreciation), interest earnings, and net interfund operating transfers.

Utility Revenues Pledged in Connection with Wastewater Revenue Bonds, Series 2010

The City has pledged, as security for the 2010 Wastewater Revenue Bonds, net revenues of its Wastewater System. The 2010 Bonds were issued at the end of fiscal year 2010 in the amount of \$35,380,000 to pay off the Wastewater Fund's share of the 2001 Water and Wastewater Revenue Bonds, and to provide financing for additions and improvements to the Wastewater System.

Total principal and interest remaining on the debt is \$53,564,600 with annual requirements ranging from \$2,858,725 in fiscal year 2014 to \$1,436,663 in the final fiscal year 2040. Debt service principal and interest totaling \$2,862,125 was paid during the year. Net revenues of the Wastewater System amounted to \$8,051,526. Net revenues for calculating debt coverage include the following components: operating revenues, operating expenses (excluding depreciation), interest earnings, and net interfund operating transfers.

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

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

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2013

NOTE 18 – PLEDGED REVENUES, Continued

Total principal and interest remaining to be paid on the 2003 Bonds is \$9,719,625 with annual requirements ranging from \$1,945,700 in fiscal year 2014 to \$1,941,975 in the final fiscal year 2018. Total principal and interest remaining to be paid on the 2007 bond issues is \$6,834,086 with annual requirements ranging from \$759,677 in fiscal year 2014 to \$759,973 in the final fiscal year 2022.

For the current year, principal and interest payments made were \$1,945,300 for the 2003 Bonds and \$760,981 for the 2007 Bonds. Net revenues of the Solid Waste System amounted to \$8,110,229 for fiscal year 2013. Net revenues for calculating debt coverage include the following components: operating revenues, operating expenses (excluding depreciation), interest earnings, and net interfund operating transfers (excluding transfer of \$1,577,952 to the SMaRT Station Fund for Sunnyvale’s share of debt service).

The Solid Waste Fund made a debt service transfer of \$1,577,952 to the SMaRT Station Fund. The cities of Mountain View and Palo Alto paid \$435,818 and \$607,191 into the SMaRT Station Fund to cover their allocated share of debt service in this year.

NOTE 19 – CLASSIFICATION OF NET POSITION AND FUND BALANCES

Government-Wide Financial Statements and Proprietary Fund Financial Statements

Net position is classified in the following categories:

Net Investment In Capital Assets

This category represents the net carrying value of all capital assets, reduced by the outstanding balances of long-term debt that are attributable to the acquisition, construction or improvement of these assets.

Restricted

The restricted component of net position represents restricted assets reduced by liabilities related to those assets. For governmental activities, this category presents external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

For the City’s business-type activities or enterprise funds, the restricted assets are bond proceeds used for constructing capital improvements and for establishing the debt service reserve. Since the related bonds payable is greater than the bond proceeds held by the trustee under each fund or activity, there is no restricted net position to report.

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

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2013

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

Unrestricted

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

Governmental Fund Financial Statements

The following schedule presents details of fund balance components at June 30, 2013:

	Major Funds				Nonmajor Governmental Funds
	General Fund	Housing Special Revenue	Employment Development Special Revenue	City Projects	
Fund Balances:					
Nonspendable:					
Inventories and Prepaid Items	\$ 544,573	\$ -	\$ 12,639	\$ 150,000	\$ -
Advances to Other Funds Net of Deferred Inflows of Resources	4,005,790	-	-	-	-
Long-term Receivables Net of Deferred Inflows of Resources	3,277,678	-	-	-	-
Assets Held for Resale	1,490,244	280,000	-	-	-
Permanent Fund Principal	-	-	-	-	1,584,093
Colu mbia Neighborhood Center Endowment	510,217	-	-	-	-
Subtotal	9,828,502	280,000	12,639	150,000	1,584,093
Restricted for:					
Donations and Contributions from External Sources	510,139	-	-	-	-
Hazardous Materials Program Enforcement Actions	462,631	-	-	-	-
Housing Mitigation	-	24,586,168	-	-	-
Housing - CDBG and HOME Grants	-	-	-	-	876,871
Low and Moderate Income Housing Assets	-	-	-	-	14,673,336
Park Dedication	-	-	-	-	19,345,494
Law Enforcement - Asset Forfeiture Funds	-	-	-	-	864,160
Police Services Augmentation	-	-	-	-	29,080
Workforce Training and Development	-	-	140,392	-	-
Downtown Parking Maintenance	-	-	-	-	615,907
Public Street and Highways	-	-	-	-	7,357,511
Debt Service Reserve	1,315,563	-	-	-	1,097,394
Capital Projects Funded by External Resources	-	-	-	21,963,060	-
Subtotal	2,288,333	24,586,168	140,392	21,963,060	44,859,753
Committed to:					
Contingency Reserve	19,703,336	-	-	-	-
Capital Improvement Projects (Downtown)	7,945,351	-	-	-	-
Current Capital and Special Projects Carryover	5,805,486	-	-	-	-
Subtotal	33,454,173	-	-	-	-
Assigned to:					
Infrastructure Renovation and Improvement Projects	-	-	-	-	11,091,992
Unassigned, Reported in					
Major Funds	52,486,350	-	-	-	-
Special Revenue Funds	-	-	-	-	(2,797)
Total	\$ 98,057,358	\$ 24,866,168	\$ 153,031	\$ 22,113,060	\$ 57,533,041

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

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2013

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

Fund Balance Classifications:

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

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

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

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

The *committed* fund balance includes spendable net resources that can only be used for specific purposes pursuant to constraints imposed by formal action (Council-adopted), no later than the close of the fiscal year. Those constraints remain binding unless removed or changed in the same manner employed to previously commit those resources.

The *assigned* fund balance includes amounts that are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. Such intent is expressed by the City Council or its designees and may be changed at the discretion of the City Council or its designees. The City Council has not delegated the authority to make assignments of fund balance. Amounts in excess of nonspendable, restricted, and committed fund balances in funds other than the General Fund are reported as assigned fund balance.

The *unassigned* fund balance represents spendable net resources that have not been restricted, committed, or assigned to specific purposes for the General Fund or negative fund balances for other governmental funds.

Spending Prioritization in Using Available Resources:

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

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

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2013

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

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

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

The General Fund Contingency Reserve is established by the City Council at 15% of General Fund operating expenditures as budgeted to provide funding for any significant unplanned event that may arise such as natural disasters or non-fiscal emergencies. The 15% threshold was established by Council action on August 9, 2011 (RTC 11-167). In the fiscal year 2013 adopted budget, the Contingency Reserve was identified and set aside for the designated purpose in the amount of \$19,703,336.

The General Fund Reserve for Capital Improvement Projects reflects the proceeds of \$8,818,130 received from Downtown land sales between fiscal year 2006 and fiscal year 2008. Such proceeds have been approved by the Council for specific capital improvement projects. The balance at year end was \$7,945,351, classified as committed resources of the fund balance. Future funds in this reserve are for one-time capital expenditures in adherence with Council fiscal policy.

The Current Capital and Special Projects Carryover represent the unspent amount of multiple-year project appropriations at the end of fiscal year 2013. The amount of \$5,805,486 remains committed until the completion of these Council-approved projects.

The Budget Stabilization Fund functions to levelize economic cycles from year to year. After identifying nonspendable, restricted, committed, and assigned fund balances, the remaining balances become the Budget Stabilization Fund. This Fund is expected to increase during periods of economic growth and is to be drawn down during the low points of economic cycles to maintain stable service levels over the long term. At the end of fiscal year 2013, this Fund had a balance of \$52,486,350. This Fund is classified as unassigned resources.

Explanation of Fund Balance Requirements Other than the General Fund:

For the City Projects Major Fund, total fund balance was \$22,113,060. After having identified the unspendable amount of \$150,000 (prepayments), the remaining balance represents the restricted amount of \$21,963,060 (resources from grants and impact fees).

For the Nonmajor Governmental Funds, the amount of \$11,091,992 represents resources assigned to uncompleted projects accounted for in the Infrastructure Renovation and Improvement Nonmajor Fund. Appropriations for multiple-year projects were approved by the Council in prior and current fiscal years. Funding for those projects has been predominantly through transfers from the General Fund.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2013

NOTE 20 – PRIOR PERIOD ADJUSTMENTS

The following schedules explain prior period adjustments to the beginning net position or fund balance:

Government-Wide Financial Statements

Net Position	Governmental Activities	Business-Type Activities	Total
Beginning of year, as previously reported	\$ 730,608,522	\$ 68,826,203	\$ 799,434,725
Prior period adjustment items:			
1. 1998 Parking COP should have been accounted for as City debt. This amount represented principal outstanding as of 6/30/2012.	(10,300,000)	-	(10,300,000)
2. 1998 Parking COP related fiscal agent accounts and interest receivable at 6/30/2012.	1,312,576	-	1,312,576
3. 1998 Parking COP accrued interest payable	(128,479)	-	(128,479)
4. Receivable from Redevelopment Successor Agency to reimburse debt service by the City	128,479	-	128,479
5. GASB 65 implementation: debt issuance costs (excluding prepaid insurance) used to be reported as deferred charge has been reclassified as an expense in the period incurred.	(431,762)	(906,053)	(1,337,815)
6. Santa Clara Valley Water District billing dispute settlement	-	(1,110,506)	(1,110,506)
Total Prior Period Adjustment	(9,419,186)	(2,016,559)	(11,435,745)
Beginning of year, as restated	\$ 721,189,336	\$ 66,809,644	\$ 787,998,980

Fund Financial Statements

Fund Balance	Water Supply and Distribution		Wastewater Management	SMaRT Station
	General Fund	Enterprise Fund	Enterprise Fund	Enterprise Fund
Beginning of year, as previously reported	\$ 107,283,310	\$ 43,252,270	\$ 39,073,200	\$ 8,161,347
Prior period adjustment items:				
1. RDA Parking COP fiscal agent accounts and interest receivable moved to City with related debt.	1,312,576	-	-	-
2. GASB 65 Implementation: debt issuance costs (excluding prepaid insurance) used to be reported as deferred charge has been reclassified as an expense in the period incurred.	-	(266,194)	(340,264)	(299,595)
3. Santa Clara Valley Water District billing dispute settlement	-	(1,110,506)	-	-
Total Prior Period Adjustment	1,312,576	(1,376,700)	(340,264)	(299,595)
Beginning of year, as restated	\$ 108,595,886	\$ 41,875,570	\$ 38,732,936	\$ 7,861,752

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2013

NOTE 20 – PRIOR PERIOD ADJUSTMENTS, Continued

Fiduciary Fund Financial Statements

Private-Purpose Trust Funds

Net Position	Private-Purpose Trust Funds
Beginning of year, as previously reported	\$ (42,059,595)
Prior period adjustment items:	
1. 1998 Parking COP should have been accounted for as City debt. This amount represented principal outstanding as of 6/30/2012.	10,300,000
2. 1998 Parking COP related fiscal agent accounts and interest receivable at 6/30/2012	(1,312,576)
3. Reversal of 1998 Parking COP accrued interest payable recorded last year	128,479
4. Payable to City General Fund to reimburse debt service	(128,479)
Total Prior Period Adjustment	<u>8,987,424</u>
Beginning of year, as restated	<u>\$ (33,072,171)</u>

NOTE 21 – REDEVELOPMENT SUCCESSOR AGENCY TRUST

In an effort to balance its budget, the State of California adopted ABx1 26 (“the Bill”) on June 28, 2011, which suspended all new redevelopment activities except for limited specified activities as of that date and set October 1, 2011 as the effective date to dissolve all redevelopment agencies in existence.

On December 29, 2011, the California Supreme Court validated the provisions of ABx1 26 and extended the date of dissolution to February 1, 2012. All redevelopment agencies in the State of California were dissolved and ceased to operate as a legal entity as of February 1, 2012. This action impacted the reporting entity of the City of Sunnyvale that previously had reported its redevelopment agency within the reporting entity of the City as a blended component unit.

The Bill provides that upon dissolution of a redevelopment agency, either the city or another unit of local government will agree to serve as the “successor agency” to hold the assets until they are distributed to other units of state and local government. Subject to the control of a newly established oversight board, remaining assets of the former redevelopment agency can only be used to pay enforceable obligations in existence at the date of dissolution (including the completion of any unfinished projects that were subject to legally enforceable contractual commitments).

In future fiscal years, successor agencies will only be allocated revenue in the amount that is necessary to pay the estimated annual installment payments on enforceable obligations of the former redevelopment agency until all enforceable obligations of the prior redevelopment agency have been paid in full and all assets have been liquidated.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2013

NOTE 21 – REDEVELOPMENT SUCCESSOR AGENCY TRUST, Continued

On January 10, 2012, the City Council elected to become the Redevelopment Successor Agency (RSA) for the former Redevelopment Agency (RDA). The City also elected to retain the affordable housing assets and functions previously performed by the RDA as the Housing Successor.

The Oversight Board consists of seven representatives that supervise the Successor Agency. The Board is made up of members from the City of Sunnyvale, the County of Santa Clara and local education and special districts of the Redevelopment Project Area. The Oversight Board has a fiduciary responsibility to holders of enforceable obligations and the taxing entities that benefit from distributions of property tax and other revenues. The actions of the Oversight Board are overseen by the State Department of Finance and may be subject to disapproval or modification.

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

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

Notes to the RSA Private-Purpose Trust Fund Financial Statements for the Year Ended June 30, 2013:

A. Cash and Investments

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

Purposes	Amount
Unclaimed property held for bondholders	\$ 63,387
RPTTF received in June for July to December 2013 enforceable obligations	711,190
Prior period adjustment to deduct from RPTTF funding for January to June of 2014	20,006
	\$ 794,583

In June 2013 the County distributed the amount of \$533,758 (i.e., \$711,190 from its RPTTF distribution for the next six months, reduced by PPA of \$177,432) to the RSA based on the Certified Recognized Obligation Payment Schedule (ROPS) for the period from July to December of 2013. The payment covers the estimated cash requirements of the same period: \$509,496 for the Central Core Tax Allocation Bond debt service and related fiscal agent fees, \$61,694 for contractual obligations related to the *2010 Amended Disposition and Development and Owner Participation Agreement (ADDOPA)* and its management, \$15,000 for special projects, and \$125,000 as administrative cost allowance.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2013

NOTE 21 – REDEVELOPMENT SUCCESSOR AGENCY TRUST, Continued

At year end the fiscal agent held cash and investments totaling \$617,171 as debt service reserve for the Central Core Redevelopment Project Tax Allocation Refunding Bonds, Series 2003.

B. Receivables

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

<u>to collect from</u>	<u>Amount</u>
City of Sunnyvale (due to the State and County's actions)	\$ 13,965,842
RPTTF ("Reimbursement Agreement")	239,564
Interest Receivable	374
Total Receivables	<u>\$ 14,205,780</u>

Refer to Note 22 Subsequent Events. The City’s position on certain obligations of the former RDA is not a position of settled law and there is considerable legal uncertainty regarding the outcome. It is probable that a legal determination may be made at a later date by an appropriate judicial authority that would resolve this issue unfavorably for the City.

A loss contingency in the amount of \$13,965,842 has been accrued and reported as an extraordinary item in the City’s General Fund. This amount reflects the combined amounts of \$13,819,358 in the final *Other Funds and Accounts Due Diligence Review* determination letter from the State Department of Finance and in a separate suit filed by the Santa Clara County Counsel. plus the amount of \$146,484 as interest earned while the funds were held by the City.

Beginning with the third ROPS, which covered the period from January to June of 2013, the State Department of Finance denied the Sunnyvale RSA’s reimbursement obligation for the 1998 Parking Facility Refunding Certificates of Participation, on the basis that the 1977 Reimbursement Agreement was not an enforceable obligation. The amount of \$239,564 represents the interest due in that period. The City’s General Fund had made the payment before the due date and expects to be reimbursed by the RSA, as explained in the following paragraph.

On April 9, 2012, the Oversight Board authorized the Sunnyvale RSA to enter or reenter into an existing reimbursement agreement with the City for the 1998 Certificates. This is in accordance with Health and Safety Code Section 34178(a), which authorizes a successor agency to enter or reenter a reimbursement agreement with the city that formed the redevelopment agency upon obtaining the approval of its oversight board. On April 24, 2012, the Sunnyvale City Council and Sunnyvale Successor Agency Board approved resolutions authorizing the Amended and Restated Reimbursement Agreement for 1998 Certificates of Participation (the “Reimbursement Agreement”) effective retroactively to February 1, 2012.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2013

NOTE 21 – REDEVELOPMENT SUCCESSOR AGENCY TRUST, Continued

C. Capital Assets

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

D. Accounts Payable and Accrued Liabilities

The balance of \$14,083,969 included unpaid invoices totaling \$54,739, unclaimed debt service payments for bondholders totaling \$63,388, and the contingent amount of \$13,965,842 owed to the State or County as explained in the Receivables above.

E. Accrued Interest Payable

As of June 30, 2013, interest expense of \$85,330 was accrued on the 2003 Tax Allocation Bonds.

F. Noncurrent Liabilities

Description	Restated Balance, July 1, 2012	Additions	Reductions	Balance, June 30, 2013	Due Within One Year	Due In More Than One Year
Redevelopment Successor Agency Private-Purpose Trust Fund:						
Bonds Payable:						
Central Core Tax Allocation Bonds, Series 2003	\$ 5,285,000	\$ -	\$ (395,000)	\$ 4,890,000	\$ 405,000	\$ 4,485,000
Contractual Obligations Arising from the ADDOPA:						
Town Center Public Improvement Obligations to Developer	6,508,319	2,047,984	-	8,556,303	-	8,556,303
Town Center Pollution Remediation Obligations to Developer	1,782,039	-	(437,874)	1,344,165	390,420	953,745
Payable to the Low and Moderate Income Housing Asset Fund	14,673,336	-	-	14,673,336	-	14,673,336
Former RDA Obligations Due to the City's General Fund	21,365,286	305,336	-	21,670,623	-	21,670,623
Total Governmental Activities	\$ 49,613,980	\$ 2,353,320	\$ (832,874)	\$ 51,134,427	\$ 795,420	\$ 50,339,007

The June 30, 2012 balance of Noncurrent Liabilities as originally reported was \$59,913,980, which had been overstated by \$10,300,000, the outstanding principal of the 1998 Parking Facility Refunding Certificates of Participation. This debt obligation is now reported under the City's governmental activities.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2013

NOTE 21 – REDEVELOPMENT SUCCESSOR AGENCY TRUST, Continued

Bonds Payable

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

Bonded Debt	Par Amount	Moody's	S&P
Central Core Tax Allocation Refunding Bonds, Series 2003	\$ 5,285,000	Ba1	A-

(The rating by Moody's was upgraded to Baa3 on August 15, 2013.)

Tax Allocation Bonds

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

Due in original annual installments of \$230,000-\$585,000 through August 1, 2022, interest at 2.00-4.50%, repayments were made from incremental property taxes recorded in the Redevelopment Agency Special Revenue Fund before the Redevelopment Agency dissolved on January 31, 2012. On February 1, 2012, the remaining debt principal in the amount of \$5,285,000 was transferred to the Redevelopment Successor Agency Private Purpose Trust Fund, which is funded by the Redevelopment Property Tax Trust Fund (RPTTF) maintained by the County of Santa Clara.

The debt service requirements for the bonds at June 30, 2013 were as follows:

Year Ending June 30,	Principal	Interest	Total
2014	\$ 405,000	\$ 197,451	\$ 602,451
2015	425,000	181,876	606,876
2016	435,000	164,941	599,941
2017	460,000	147,041	607,041
2018	475,000	128,044	603,044
2019-2023	2,690,000	309,249	2,999,249
Total	\$ 4,890,000	\$ 1,128,602	\$ 6,018,602

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

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

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2013

NOTE 21 – REDEVELOPMENT SUCCESSOR AGENCY TRUST, Continued

Town Center Public Improvement Obligations to Developer

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

At year end, the calculated liability to the Developer was \$8,556,303; however, no payment is due since the Minimum Project TIF (tax increment financing) Date has not been achieved. Minimum Project TIF Date means the date on which the following have occurred: (1) Completion of no less than 150,000 square feet of the retail portion of the Project, as evidenced by final City building permit and inspection, and evidence of execution of leases with retail tenants for said 150,000 square providing for tenant's construction of tenant improvements and (2) completion of the Redwood Plaza Area.

Town Center Pollution Remediation Obligations

Pursuant to the Amended and Restated Disposition and Development and Owner Participation Agreement (ARDDOPA) and the successor 2010 Amended Disposition and Development and Owner Participation Agreement (ADDOPA), the former RDA and Downtown Sunnyvale Mixed Use, LLC (Developer) and successor in interest (the Receiver) agreed to cooperate and share the costs in the investigation of, and response to, environmental conditions associated with the Town Center Project (Project) under the oversight of an appropriate regulatory agency. The former RDA and the Developer also agreed to cooperate in any efforts by either party to seek and obtain suitable liability protection, immunities and/or other assurances from the oversight agency regarding those environmental conditions pursuant to the Polanco Redevelopment Act, enacted by the State to encourage redevelopment of sites impacted by the presence of hazardous substances and to provide incentives in the form of state immunities, if completed.

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

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

The former RDA's estimated, cumulative pollution remediation obligation was \$9,000,000, measured at the current value of expected, most likely outlays. This amount includes the Agency's estimated share of total environmental costs with the Developer and the Agency's own personnel and legal costs. The shared environmental costs include commercially reasonable costs incurred by the Developer and the Agency, including oversight fees charged by the environmental oversight agency, hazardous waste generator fees or taxes imposed by statute, hazardous waste transportation and disposal costs, related environmental fees charged by attorneys and consultants, costs to install, operate, and maintain soil, soil vapor and groundwater remedial systems, and costs related to the closure of remedial facilities.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2013

NOTE 21 – REDEVELOPMENT SUCCESSOR AGENCY TRUST, Continued

ABx1 26 recognizes obligations imposed by State law and contractual commitments to remediate contaminated properties as enforceable obligations. On February 1, 2012, the RSA recognized the estimated liability of \$1,865,440, which was the same amount as recognized by the former RDA under the accrual basis of accounting as of January 31, 2012 before its dissolution. Outlays totaling \$521,275 were incurred since the RDA dissolution, including \$437,874 incurred in this year. At year end the estimated remaining obligations was \$1,344,165.

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

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

ABx1 26 states that the City or County that authorized the creation of the RDA may elect to retain the affordable housing assets and functions previously performed by the RDA. On June 27, 2012, the State Legislature passed AB 1484, a budget “trailer bill” to ABx1 26. AB 1484 provides clarifications to the treatment of housing assets under ABx1 26. Deferred amounts owed to the old Low and Moderate Income Housing Fund is considered housing assets to be administered by the Housing Successor. The Housing Successor is not subject to the Oversight Board’s control but must keep the housing-related rights, powers, duties and obligations of the former RDA.

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

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

Under ABx1 26, the repayment of many loans made in good faith by a Sponsoring Community to its now dissolved RDA became unenforceable as of February 1, 2012. Under AB 1484, upon application by the Successor Agency and approval by the Oversight Board (whose approval in turn creates the opportunity for the State Department of Finance review and disapproval), loan agreements between the Sponsoring Community and the Dissolved RDA that were previously deemed not to constitute enforceable obligations as of February 1, 2012, can once again be deemed to be enforceable obligations if the Oversight Board finds that the loan was for legitimate redevelopment purposes.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2013

NOTE 21 – REDEVELOPMENT SUCCESSOR AGENCY TRUST, Continued

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

The former RDA (as lessor) entered into a lease agreement with the City (as lessee) on May 1, 1977, for a two-level parking structure at the Sunnyvale Town Center Mall as part of a financing mechanism for the start of the RDA project area development (In 2005, the leased asset, a two-level parking structure, was demolished and two surface parking lots with improvements were substituted as the leased assets for the 1998 Parking Facility Certificates of Participation). The lease, as amended, requires the City to pay to the former RDA base rental payments ranging from \$1,131,103 to \$1,281,250 annually, payable on October 1 and April 1 of each year until October 1, 2022, equal to related debt service payments. According to the terms of the First Amended Repayment Contract, the former RDA made the commitment to repay the City for costs advanced (called the “1977 Loan”) on its behalf and base rentals plus 8% interest thereon. The “1977 Loan” meets the definition of an enforceable obligation” under Health and Safety Code Section 34171(d)(2) and therefore the interest rate should not have been modified. However, under the current uncertain circumstances, the City applied conservatism and recalculated the loan balance using the LAIF rates.

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

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2013

NOTE 21 – REDEVELOPMENT SUCCESSOR AGENCY TRUST, Continued

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

Description		Amended and Restated Reimbursement Agreement for 1998 Certificates of Participation	1977 Loan Repayment Agreement	2003 Loan Repayment Agreement	2003 Loan Repayment Agreement	Total
		Post Dissolution	1977 Loan	Administrative Loan	Plaza Loan	
Loan Balance, July 1, 2012	a	\$ -	\$ 706,144	\$ 18,714,686	\$ 1,944,456	\$ 21,365,286
City General Fund loan for 1998 Certificates debt service March 2013	b	239,564	-	-	-	239,564
Interest accrued at LAIF rates	c	181	2,168	57,454	5,970	65,773
If the State and County prevail in the upcoming court decision, the following loan repayment amounts prior to the RDA dissolution should be added back to the loan balances:						
Loan repaid June 30, 2011		-	9,069,478	(238,527)	-	8,830,951
Loan repaid January 31, 2012		-	4,988,407	-	-	4,988,407
Interest adjustment due to the reversal of repayments		-	77,910	(1,645)	-	76,265
Adjustments pending court decision	d	-	14,135,795	(240,172)	-	13,895,623
Allowance granted since the reversal of loan repayments remains legally unsettled.	e	-	(14,135,795)	240,172	-	(13,895,623)
Loan Balance, June 30, 2013 (a+b+c+d+e)		\$ 239,745	\$ 708,312	\$ 18,772,140	\$ 1,950,426	\$ 21,670,623

Since no repayment of the loans can be expected until the aforementioned due process is complete, the loan balance of \$21,670,623 was reported in the General Fund as a receivable called “Advances to the Former Redevelopment Agency.” This receivable was offset by reporting an equal amount of “Deferred Inflows of Resources” (see Note 9), leaving no effect on the calculation of the General Fund’s fund balance.

As previously discussed in this Note about the amount of \$13,965,842 (the City’s extraordinary loss), the RSA reports both a receivable from the City and a payable to the State and County of the same amount, leaving no effect on the RSA’s net position.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2013

NOTE 22 – SUBSEQUENT EVENTS

At the time of issuing this financial report, City staff is still in discussions with the State Department of Finance regarding the determination of certain enforceable obligations.

Items challenged by the State are whether the 1977 Loan Repayment Agreement and the repayment of the Certificates of Participation (COPs) qualify as enforceable obligations.

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

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

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

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

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

*Notes to the Basic Financial Statements, Concluded
Fiscal Year Ended June 30, 2013*

NOTE 22 – SUBSEQUENT EVENTS, Continued

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

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

Required Supplementary Information

**Required Supplementary Information
Fiscal Year Ended June 30, 2013**

BUDGETARY POLICY AND CONTROL

**Budgetary Comparison Schedule - General Fund
Fiscal Year Ended June 30, 2013**

	Budgeted Amounts		Actual Amounts	Variance with
	Original	Final	(Budgetary Basis)	Final Budget Positive(Negative)
Budgetary Fund Balance, July 1, 2012	\$ 78,467,191	\$ 88,422,337	\$ 88,422,337	\$ -
Resources (inflows):				
Property Taxes	44,600,118	49,362,825	47,555,857	(1,806,968)
Sales and Use Taxes	32,779,843	32,393,684	31,421,424	(972,260)
Other Taxes	18,764,604	20,761,725	21,154,014	392,289
Franchise Fees	6,521,751	6,402,284	6,461,568	59,284
Intergovernmental Revenues	1,347,491	3,241,078	2,778,025	(463,053)
Permits and Licenses	6,497,076	9,765,597	9,478,659	(286,939)
Fines and Forfeitures	1,204,581	1,093,439	1,039,076	(54,363)
Service Fees	7,981,342	8,975,204	8,551,705	(423,499)
Rents and Concessions	2,527,309	2,538,768	2,530,141	(8,627)
Investment Earnings	519,887	512,887	507,798	(5,089)
Interfund Revenues	7,509,754	10,814,026	10,814,027	1
Other Revenues	9,141,958	9,620,315	1,387,690	(8,232,625)
Transfers In	8,202,315	10,895,200	9,512,490	(1,382,710)
Total Resources	147,598,029	166,377,031	153,192,473	(13,184,558)
Charges to appropriations (outflows):				
Planning and Management	16,797,002	17,495,623	16,220,891	1,274,732
Public Safety	77,466,117	80,845,818	77,647,535	3,198,284
Community Development	15,819,546	16,779,988	16,252,905	527,083
Transportation	5,787,678	6,757,804	5,642,859	1,114,945
Socioeconomic ^(a)	489,928	471,363	475,287	(3,925)
Cultural	16,149,553	16,485,406	15,465,375	1,020,031
Environmental Management ^(a)	1,833,128	1,833,128	1,936,904	(103,775)
Capital Outlay	1,023,337	724,782	271,878	452,904
Debt Service	1,206,523	1,206,523	239,564	966,959
Transfers Out	6,090,812	10,600,392	6,867,183	3,733,209
Total charges to appropriations	142,663,624	153,200,826	141,020,381	12,180,445
Excess of resources over (under) charges to appropriations	4,934,404	13,176,205	12,172,092	(1,004,113)
Budgetary Fund Balance, June 30, 2013 (b)	\$ 83,401,595	\$ 101,598,542	\$ 100,594,429	\$ (1,004,113)

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

(b) Final Actual Budgetary Fund Balance will be adjusted for non-spendable balance sheet amounts

Required Supplementary Information, Continued
Fiscal Year Ended June 30, 2013

BUDGETARY POLICY AND CONTROL, Continued

Budgetary Comparison Schedule - Housing Fund
Fiscal Year Ended June 30, 2013

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1, 2012	\$ 17,414,399	\$ 17,178,890	\$ 17,178,890	\$ -
Resources (inflows):				
Service Fees	2,129,500	7,075,757	7,167,365	91,608
Rents and Concessions	17,100	17,100	17,100	-
Interest Income	49,107	108,059	105,009	(3,050)
Other Revenues	663,410	1,113,410	1,409,381	295,971
Total Resources	2,859,117	8,314,326	8,698,855	384,529
Charges to appropriations (outflows):				
Community Development	14,095,991	15,381,175	1,149,086	14,232,089
Transfers Out	55,905	72,808	72,808	-
Total charges to appropriations	14,151,896	15,453,983	1,221,894	14,232,089
Excess of resources over (under) charges to appropriations	(11,292,779)	(7,139,657)	7,476,962	14,616,618
Budgetary Fund Balance, June 30, 2013	\$ 6,121,620	\$ 10,039,233	\$ 24,655,852	\$ 14,616,618

Budgetary Comparison Schedule - Employment Development Fund
Fiscal Year Ended June 30, 2013

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1, 2012	\$ 1,463,899	\$ 70,458	\$ 70,458	\$ -
Resources (inflows):				
Intergovernmental Revenues	6,472,500	7,792,703	7,573,431	(219,272)
Service Fees	-	4,501	9,803	5,302
Other Revenues	-	40,372	24,617	(15,755)
Total Resources	6,472,500	7,837,576	7,607,851	(229,725)
Charges to appropriations (outflows):				
Socioeconomic	7,634,501	7,634,501	7,210,861	423,641
Transfers Out	301,898	301,898	314,416	(12,518)
Total charges to appropriations	7,936,399	7,936,399	7,525,277	411,122
Excess of resources over (under) charges to appropriations	(1,463,899)	(98,823)	82,574	181,398
Budgetary Fund Balance, June 30, 2013	\$ (0)	\$ (28,365)	\$ 153,032	\$ 181,398

Required Supplementary Information, Continued
Fiscal Year Ended June 30, 2013

BUDGETARY POLICY AND CONTROL, Continued

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

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

	General Fund	Housing Fund	Employment Development Fund
Sources/Inflow of Resources:			
Actual amounts (budgetary basis) of "total resources" from the budgetary comparison schedule	\$ 153,192,473	\$ 8,698,855	\$ 7,607,851
Differences - Budget to GAAP			
Interfund advances repayment is a budgetary resource but is not a revenue for financial reporting purposes	(5,181,758)	-	-
Timing difference for recognition of deferred interest on interfund advances	1,793,457	-	-
Interfund rent is a budgetary resource but is a transfer, not a revenue, for financial reporting purposes	(978,230)	-	-
Interfund revenues are a budgetary resource but are transfers, not revenues, for financial reporting purposes	(1,109,059)	-	-
Change in fair value of investments is not budgetary resource	(208,201)	(44,000)	-
Private donations are not in budget	371,308	-	-
Youth and Neighborhood Services are not in budget	188,050	-	-
Contribution to Multimodal Sinking Fund	(10,870)	-	-
Removal of budgetary resource restriction for easement agreement	(4,510,794)	-	-
Reimbursement of debt service and fees from RSA are net against expenditures in the budget	972,839	-	-
Reimbursement for General Fund admin costs from RSA are not in the budget	21,007	-	-
Timing difference for recognition of revenue which has been deferred for financial reporting purposes	(9,268)	-	-
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes	(9,512,490)	-	-
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 135,018,464</u>	<u>\$ 8,654,855</u>	<u>\$ 7,607,851</u>
Uses/Outflows of Resources			
Actual amounts (budgetary basis) of "total charges to appropriations" from the budgetary comparison schedule	\$ 141,020,381	\$ 1,221,894	\$ 7,525,277
Differences - Budget to GAAP			
Valuation adjustments are not budgetary expenditures	(75,694)	-	-
Private donations are not in budget	66,597	-	-
Youth and Neighborhood Services are not in budget	572,841	-	-
Contribution to Multimodal Sinking Fund	(10,870)	-	-
Reimbursement of debt service and fees from RSA are net against expenditures in the budget	972,839	-	-
Property and liability insurance and legal costs are treated as expenditures for financial reporting purposes	908,806	-	-
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(6,867,183)	(72,808)	(314,416)
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 136,587,716</u>	<u>\$ 1,149,086</u>	<u>\$ 7,210,861</u>

Required Supplementary Information, Continued
Fiscal Year Ended June 30, 2013

BUDGETARY INFORMATION

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

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

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

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

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

Required Supplementary Information, Continued
Fiscal Year Ended June 30, 2013

BUDGETARY INFORMATION, Continued

- Budgets are legally adopted for all governmental funds except for the Low and Moderate Income Housing Asset non-major special revenue fund.
- 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 19, 2012 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 updated during the fiscal year to incorporate carryover of unspent capital and special projects funds and unanticipated expenditures. Total budget modifications included project carryover appropriations of \$1,798,320, equipment carryover of \$240,824, and transfer carryover of \$5,076,817. Additionally, a total amount of \$7,044,239 was appropriated throughout the fiscal year for various unanticipated expenditures, including \$6,232,552 for projects and \$1,850,000 for transfers to other funds, which was offset by a \$1,038,313 reduction in operating budget staff costs based on a salary survey MOU clause. The unanticipated transfers provided for an additional \$1,000,000 into the OPEB trust and \$300,000 into the newly established Golf and Tennis Enterprise fund. Funding sources for these amendments included grant revenues, General Fund savings due to other funding sources, General Fund reserves, and savings from projects and transfers which did not require their full appropriation. Administrative budget adjustments decreased appropriations by \$3,290,319, primarily to push funding for downtown projects to future years and to move appropriation of County Vehicle Registration Fee revenues to a new fund. Appropriations were reduced by \$332,679 for projects and equipment which will not carry forward.

Resources (inflows) of the General Fund were also amended during the fiscal year due to unanticipated receipt of grant funds and mid-year budgetary adjustments. Revenues and transfer carryovers for projects were \$889,574. Resources for projects, primarily from grants, other contributions, and transfers, in the amount of \$4,759,982 were secured during the fiscal year. The mid-year budget revenue adjustments were part of the budget development process to more appropriately reflect the actual trends based upon year-to-date information. Other revenue adjustments increased anticipated resources by \$13,129,447, primarily to for property taxes and permits and licenses.

The Housing Special Revenue Fund

The original budget of the City's Housing Fund was modified during the fiscal year to reflect project net appropriation carryovers of \$206,462. An additional \$1,095,625 was appropriated during the year for new unanticipated projects.

***Required Supplementary Information, Continued
Fiscal Year Ended June 30, 2013***

BUDGETARY HIGHLIGHTS, Continued

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. No modifications to the appropriations were made during this particular fiscal year.

MODIFIED APPROACH FOR CITY STREETS INFRASTRUCTURE CAPITAL ASSETS

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

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

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

The following conditions were defined:

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

***Required Supplementary Information, Concluded
Fiscal Year Ended June 30, 2013***

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

The City policy is to achieve a rating of 75 or over for all streets, which is a “good” or better rating based on Metropolitan Traffic Commission (MTC) Regional standards. The last study report was issued in June 2013 for fiscal year 2013. In that study, the City’s street system was rated at a PCI index of 79 on the average with the detail condition as follows:

<u>Condition</u>	<u>Rating</u>
Excellent	17.2%
Very Good	38.8%
Good	29.0%
Fair	10.1%
At Risk	3.2%
Poor	1.6%
Failed	0.1%

While the 2013 study results met the City policy, the most cost effective PCI is considered to be 80. The City budgeted additional funds beginning in fiscal year 2012 to return to a PCI of 80 within five years and maintain that level thereafter.

The City’s streets are constantly deteriorating resulting from the following four factors: (1) traffic using the streets; (2) the sun’s ultra-violet rays drying out and breaking down the top layer of pavement; (3) utility company/private development interests trenching operations; and (4) water damage from natural precipitation and other urban runoff. The City is continuously taking actions to arrest the deterioration through short-term maintenance activities such as pothole patching, street sweeping, and sidewalk repair. The City expended \$6,125,590 on street maintenance for the fiscal year ended June 30, 2013. 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>
2008-2009	\$ 3,592,000	\$ 2,712,000	76
2009-2010	4,301,000	3,255,000	76
2010-2011	4,616,000	3,122,000	77
2011-2012	4,567,000	2,893,000	79
2012-2013	10,095,000	6,126,000	79

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

Supplementary Information

Nonmajor Governmental Funds

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

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

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

The *Low and Moderate Income Housing Asset Fund* was created pursuant to Health & Safety Code Section 34176(d). This Fund is administered by the Housing Successor. The City elected to retain the affordable housing assets and functions previously performed by the RDA by serving as the Housing Successor.

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

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

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

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

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

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

Nonmajor Governmental Funds

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

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

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

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

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

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

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

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

CITY OF SUNNYVALE**Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2013**

	Special Revenue			
	Community Development Block Grant	HOME Grant	Low and Moderate Income Housing Asset	Park Dedication
Assets:				
Cash and Investments Held by City	\$ 879,293	\$ -	\$ -	\$ 19,285,131
Cash and Investments Held by Fiscal Agent	-	-	-	-
Other Receivables, Net	-	-	-	66,172
Intergovernmental Receivables	401,891	117,148	-	-
Housing Deficits Receivable	-	-	14,673,336	-
Housing Loans Receivable	12,160,085	12,257,978	-	-
Total Assets	\$ 13,441,269	\$ 12,375,126	\$ 14,673,336	\$ 19,351,303
Liabilities and Fund Balances:				
Liabilities:				
Accounts Payable and Accrued Liabilities	\$ 136,234	\$ 49,805	\$ -	\$ 409
Refundable Deposits	-	-	-	5,400
Due to Other Funds	268,079	67,343	-	-
Total Liabilities	404,313	117,148	-	5,809
Deferred Inflows of Resources	12,160,085	12,257,978	-	-
Fund Balances:				
Nonspendable	-	-	-	-
Restricted	876,871	-	14,673,336	19,345,494
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total Fund Balances	876,871	-	14,673,336	19,345,494
Total Liabilities and Fund Balances	\$ 13,441,269	\$ 12,375,126	\$ 14,673,336	\$ 19,351,303

Continued

Special Revenue

<u>Asset Forfeiture</u>	<u>Police Services Augmentation</u>	<u>Parking District</u>	<u>Gas Tax</u>	<u>Transportation Development Act</u>
\$ 866,165	\$ -	\$ 632,689	\$ 6,980,324	\$ -
-	-	-	-	-
2,872	51	2,156	24,264	-
-	75,748	-	277,220	13,000
-	-	-	-	-
-	-	-	-	-
<u>\$ 869,037</u>	<u>\$ 75,799</u>	<u>\$ 634,845</u>	<u>\$ 7,281,808</u>	<u>\$ 13,000</u>
\$ 4,877	\$ 7,952	\$ 18,938	\$ -	\$ -
-	-	-	-	-
-	38,767	-	-	13,000
<u>4,877</u>	<u>46,719</u>	<u>18,938</u>	<u>-</u>	<u>13,000</u>
-	-	-	-	2,797
-	-	-	-	-
864,160	29,080	615,907	7,281,808	-
-	-	-	-	-
-	-	-	-	(2,797)
<u>864,160</u>	<u>29,080</u>	<u>615,907</u>	<u>7,281,808</u>	<u>(2,797)</u>
<u>\$ 869,037</u>	<u>\$ 75,799</u>	<u>\$ 634,845</u>	<u>\$ 7,281,808</u>	<u>\$ 13,000</u>

Continued

CITY OF SUNNYVALE**Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2013**

	<u>Special Revenue</u>	<u>Permanent</u>		<u>Debt Service</u>
	<u>VRF Local Road Improvement Program</u>	<u>Swirsky Youth Opportunity</u>	<u>Fremont Pool</u>	<u>Government Center Certificates of Participation</u>
Assets:				
Cash and Investments Held by City	\$ 75,447	\$ 540,785	\$ 1,037,898	\$ 7,294
Cash and Investments Held by Fiscal Agent	-	-	-	1,104,630
Receivables, Net	256	1,866	3,544	231
Intergovernmental Receivables	-	-	-	-
Housing Deficits Receivable	-	-	-	-
Housing Loans Receivable	-	-	-	-
Total Assets	\$ 75,703	\$ 542,651	\$ 1,041,442	\$ 1,112,155
Liabilities and Fund Balances:				
Liabilities:				
Accounts Payable and Accrued Liabilities	\$ -	\$ -	\$ -	\$ 14,761
Refundable Deposits	-	-	-	-
Due to Other Funds	-	-	-	-
Total Liabilities	-	-	-	14,761
Fund Balances:				
Nonspendable	-	542,651	1,041,442	-
Restricted	75,703	-	-	1,097,394
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total Fund Balances	75,703	542,651	1,041,442	1,097,394
Total Liabilities and Fund Balances	\$ 75,703	\$ 542,651	\$ 1,041,442	\$ 1,112,155

Continued



<u>Capital Projects Infrastructure Renovation and Replacement</u>	<u>Total Nonmajor Governmental Funds</u>
\$ 11,378,689	\$ 41,683,715
-	1,104,630
43,002	144,414
-	885,007
-	14,673,336
-	24,418,063
<u>\$ 11,421,691</u>	<u>\$ 82,909,165</u>
\$ 329,699	\$ 562,675
-	5,400
-	387,189
<u>329,699</u>	<u>955,264</u>
-	24,420,860
-	1,584,093
-	44,859,753
11,091,992	11,091,992
-	(2,797)
<u>11,091,992</u>	<u>57,533,041</u>
<u>\$ 11,421,691</u>	<u>\$ 82,909,165</u>

Concluded

CITY OF SUNNYVALE

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2013**

	Special Revenue			
	Community Development Block Grant	HOME Grant	Low and Moderate Income Housing Asset	Park Dedication
Revenues:				
Intergovernmental Revenues	\$ 878,985	\$ 480,443	\$ -	\$ -
Fines and Forfeitures	-	-	-	-
Service Fees	-	-	-	7,398,812
Rents and Concessions	-	-	-	77,835
Investment Earnings	-	3,642	-	53,768
Other Revenues	338,548	-	-	-
Total Revenues	1,217,533	484,085	-	7,530,415
Expenditures:				
Current:				
Planning and Management	-	-	-	-
Public Safety	-	-	-	-
Community Development	680,585	1,968,612	-	-
Transportation	-	-	-	-
Socioeconomic	362,533	-	-	-
Cultural	-	-	-	16,251
Environmental Management	-	-	-	-
Capital Outlay	268,843	-	-	-
Debt Service:				
Principal Retirement	-	-	-	-
Interest	-	-	-	-
Fiscal Charges	-	-	-	-
Total Expenditures	1,311,961	1,968,612	-	16,251
Excess of Revenues Over (Under) Expenditures	(94,428)	(1,484,527)	-	7,514,164
Other Financing Sources (Uses):				
Transfers In	-	53,000	-	-
Transfers Out	(79,826)	(7,269)	-	(2,762,976)
Total Other Financing Sources (Uses)	(79,826)	45,731	-	(2,762,976)
Net Change in Fund Balances	(174,254)	(1,438,796)	-	4,751,188
Fund Balances - Beginning of Year	1,051,125	1,438,796	14,673,336	14,594,306
Fund Balances - End of Year	\$ 876,871	\$ -	\$ 14,673,336	\$ 19,345,494

Continued

Special Revenue

Asset Forfeiture	Police Services Augmentation	Parking District	Gas Tax	Transportation Development Act
\$ -	\$ 243,126	\$ -	\$ 3,246,768	\$ 55,600
17,509	-	-	-	-
-	-	162,825	-	-
-	-	-	-	-
3,076	20	1,973	22,087	-
-	-	-	-	-
<u>20,585</u>	<u>243,146</u>	<u>164,798</u>	<u>3,268,855</u>	<u>55,600</u>
-	-	20,310	-	-
19,786	487,552	-	-	-
-	-	122,632	-	-
-	-	-	1,921,736	-
-	-	-	-	-
-	-	1,923	-	-
44,830	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>64,616</u>	<u>487,552</u>	<u>144,865</u>	<u>1,921,736</u>	<u>-</u>
(44,031)	(244,406)	19,933	1,347,119	55,600
-	-	-	-	-
<u>(88,692)</u>	<u>-</u>	<u>(12,768)</u>	<u>(954,410)</u>	<u>(58,397)</u>
(88,692)	-	(12,768)	(954,410)	(58,397)
(132,723)	(244,406)	7,165	392,709	(2,797)
996,883	273,486	608,742	6,889,099	-
<u>\$ 864,160</u>	<u>\$ 29,080</u>	<u>\$ 615,907</u>	<u>\$ 7,281,808</u>	<u>\$ (2,797)</u>

Continued

CITY OF SUNNYVALE**Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2013**

	Special Revenue	Permanent	
	VRF Local Road Improvement Program	Swirsky Youth Opportunity	Fremont Pool
Revenues:			
Intergovernmental Revenues	\$ 797,394	-	-
Fines and Forfeitures	-	-	-
Service Fees	-	-	-
Rents and Concessions	-	-	-
Investment Earnings	1,309	8,524	15,551
Other Revenues	-	-	73,348
Total Revenues	798,703	8,524	88,899
Expenditures:			
Current:			
Planning and Management	-	-	-
Public Safety	-	-	-
Community Development	-	-	-
Transportation	-	-	-
Socioeconomic	-	-	-
Cultural	-	-	-
Environmental Management	-	-	-
Capital Outlay	-	-	-
Debt Service:			
Principal Retirement	-	-	-
Interest	-	-	-
Fiscal Charges	-	-	-
Total Expenditures	-	-	-
Excess of Revenues Over (Under) Expenditures	798,703	8,524	88,899
Other Financing Sources (Uses):			
Transfers In	-	-	-
Transfers Out	(723,000)	(3,079)	(5,696)
Total Other Financing Sources (Uses)	(723,000)	(3,079)	(5,696)
Net Change in Fund Balances	75,703	5,445	83,203
Fund Balances - Beginning of Year	-	537,206	958,239
Fund Balances - End of Year	\$ 75,703	\$ 542,651	\$ 1,041,442

Continued



Debt Service Government Center Certificates of Participation	Capital Projects Infrastructure Renovation and Replacement	Total Nonmajor Governmental Funds
-	\$ 4,293	\$ 5,706,609
-	-	17,509
-	-	7,561,637
-	-	77,835
4,789	34,269	149,008
-	31,000	442,896
4,789	69,562	13,955,494
-	14,322	34,632
-	-	507,338
-	947,549	3,719,378
-	237,219	2,158,955
-	-	362,533
-	56,754	73,005
-	-	1,923
-	3,755,263	4,068,936
510,000	-	510,000
20,980	-	20,980
125,567	-	125,567
656,547	5,011,107	11,583,247
(651,758)	(4,941,545)	2,372,247
651,758	6,213,619	6,918,377
-	(117,730)	(4,813,843)
651,758	6,095,889	2,104,534
-	1,154,344	4,476,781
1,097,394	9,937,648	53,056,260
\$ 1,097,394	\$ 11,091,992	\$ 57,533,041

Concluded

CITY OF SUNNYVALE

**City Capital Projects Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2013**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1, 2012	\$ 13,236,681	\$ 16,053,197	\$ 16,053,200	\$ 3
Resources (Inflows):				
Intergovernmental Revenues	2,701,637	20,536,021	6,286,982	(14,249,039)
Service Fees	2,850,000	3,642,601	4,056,090	413,489
Interest Income	112,408	104,366	104,212	(154)
Other Revenues	-	259,425	260,095	670
Transfers In	4,537,198	15,179,810	2,648,449	(12,531,361)
Total Resources	10,201,243	39,722,223	13,355,828	(26,366,395)
Charges to Appropriations (Outflows):				
Transportation	2,976,912	8,615,176	729,256	7,885,920
Community Development	-	224,123	335,707	(111,583)
Capital Outlay	4,261,923	25,898,987	4,932,218	20,966,769
Transfers Out	28,433	4,981,572	2,017,487	2,964,085
Total Charges to Appropriations	7,267,268	39,719,858	8,014,668	31,705,190
Excess of Resources Over (Under) Charges to Appropriations	2,933,975	2,365	5,341,160	5,338,795
Budgetary Fund Balance, June 30, 2013	\$ 16,170,656	\$ 16,055,562	\$ 21,394,360	\$ 5,338,798

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"	\$ 13,355,828
Differences - Budget to GAAP	
Change in fair value of investments is not budgetary resource	(42,134)
Transfers from other funds or subfunds within this Fund are inflows of budgetary resources but are not revenues for financial reporting purposes	(2,648,449)
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 10,665,245</u>

Uses/Outflows of Resources

Actual amounts (budgetary basis) of "total charges to appropriations"	\$ 8,014,668
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	(2,017,487)
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 6,097,181</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, 2013**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1, 2012	\$ 1,025,815	\$ 1,051,125	\$ 1,051,124	\$ (1)
Resources (Inflows):				
Intergovernmental Revenues	996,570	1,169,484	878,985	(290,499)
Other Revenues	206,881	245,000	338,548	93,548
Transfers In	150,000	150,000	-	(150,000)
Total Resources	1,353,451	1,564,484	1,217,533	(346,951)
Charges to Appropriations (Outflows):				
Community Development	791,485	956,898	680,585	276,313
Socioeconomic	362,566	362,533	362,533	-
Capital Outlay	342,402	242,402	268,843	(26,441)
Transfers Out	485,463	238,463	79,826	158,637
Total Charges to Appropriations	1,981,916	1,800,296	1,391,786	408,510
Excess of Resources Over (Under) Charges to Appropriations	(628,465)	(235,811)	(174,253)	61,559
Budgetary Fund Balance, June 30, 2013	\$ 397,350	\$ 815,314	\$ 876,871	\$ 61,558

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"	\$ 1,217,533
Differences - Budget to GAAP	
None	-
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 1,217,533</u>

Uses/Outflows of Resources

Actual amounts (budgetary basis) of "total charges to appropriations"	\$ 1,391,786
Differences - Budget to GAAP	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	<u>(79,826)</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 1,311,961</u>

CITY OF SUNNYVALE

**HOME Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2013**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1, 2012	\$ 1,445,468	\$ 1,438,795	\$ 1,438,796	\$ 1
Resources (Inflows):				
Intergovernmental Revenues	320,568	2,040,992	480,443	(1,560,549)
Interest Income	-	5,426	3,642	(1,784)
Other Revenues	1,564,337	35,000	-	(35,000)
Transfers In	-	53,000	53,000	-
Total Resources	1,884,905	2,134,418	537,085	(1,597,333)
Charges to Appropriations (Outflows):				
Community Development	1,903,213	2,639,027	1,968,612	670,415
Transfers Out	7,341	7,341	7,269	72
Total Charges to Appropriations	1,910,554	2,646,368	1,975,881	670,487
Excess of Resources Over (Under) Charges to Appropriations	(25,649)	(511,950)	(1,438,796)	(926,846)
Budgetary Fund Balance, June 30, 2013	\$ 1,419,819	\$ 926,845	\$ 0	\$ (926,845)

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

Sources/Inflow of Resources:

Actual amounts (budgetary basis) of "total resources"	\$ 537,085
Differences - Budget to GAAP	
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes	(53,000)
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 484,085</u>

Uses/Outflows of Resources

Actual amounts (budgetary basis) of "total charges to appropriations"	\$ 1,975,881
Differences - Budget to GAAP	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(7,269)
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 1,968,612</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, 2013**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1, 2012	\$ 6,296,881	\$ 14,617,771	\$ 14,617,771	\$ -
Resources (Inflows):				
Service Fees	4,524,841	7,088,652	7,398,812	310,160
Rents and Concessions	57,000	77,605	77,835	230
Interest Income	39,113	39,113	90,286	51,173
Other Revenues	-	870,000	-	(870,000)
Total Resources	4,620,954	8,075,370	7,566,933	(508,437)
Charges to Appropriations (Outflows):				
Capital Outlay	25,500	25,500	16,251	9,249
Transfers Out	6,801,923	13,193,526	2,762,976	10,430,550
Total Charges to Appropriations	6,827,423	13,219,026	2,779,227	10,439,798
Excess of Resources Over (Under) Charges to Appropriations	(2,206,469)	(5,143,656)	4,787,705	9,931,361
Budgetary Fund Balance, June 30, 2013	\$ 4,090,412	\$ 9,474,115	\$ 19,405,476	\$ 9,931,361

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"	\$ 7,566,933
Differences - Budget to GAAP	
Change in fair value of investments is not budgetary resource	(36,518)
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 7,530,415</u>

Uses/Outflows of Resources

Actual amounts (budgetary basis) of "total charges to appropriations"	\$ 2,779,227
Differences - Budget to GAAP	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(2,762,976)
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 16,251</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, 2013**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1, 2012	\$ 873,114	\$ 975,600	\$ 975,600	\$ -
Resources (Inflows):				
Fines and Forfeitures	-	-	17,509	17,509
Interest Income	5,220	5,220	5,161	(59)
Total Resources	<u>5,220</u>	<u>5,220</u>	<u>22,669</u>	<u>17,449</u>
Charges to Appropriations (Outflows):				
Public Safety	2,200	88,401	19,786	68,615
Capital Outlay	48,960	44,830	44,830	(0)
Transfers Out	98,123	98,123	88,692	9,431
Total Charges to Appropriations	<u>149,283</u>	<u>231,353</u>	<u>153,308</u>	<u>78,045</u>
Excess of Resources Over (Under) Charges to Appropriations	<u>(144,063)</u>	<u>(226,133)</u>	<u>(130,639)</u>	<u>95,494</u>
Budgetary Fund Balance, June 30, 2013	<u>\$ 729,052</u>	<u>\$ 749,467</u>	<u>\$ 844,961</u>	<u>\$ 95,494</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"	\$ 22,669
Differences - Budget to GAAP	
Change in fair value of investments is not budgetary resource	<u>(2,085)</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 20,585</u>

Uses/Outflows of Resources

Actual amounts (budgetary basis) of "total charges to appropriations"	\$ 153,308
Differences - Budget to GAAP	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	<u>(88,692)</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 64,616</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, 2013**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1, 2012	\$ -	\$ 272,582	\$ 272,583	\$ 1
Resources (Inflows):				
Intergovernmental Revenues	281,106	258,375	243,127	(15,248)
Interest Income	-	1,497	922	(575)
Total Resources	281,106	259,872	244,049	(15,823)
Charges to Appropriations (Outflows):				
Public Safety	281,106	532,454	487,552	44,902
Total Charges to Appropriations	281,106	532,454	487,552	44,902
Excess of Resources Over (Under) Charges to Appropriations	-	(272,582)	(243,503)	29,079
Budgetary Fund Balance, June 30, 2013	\$ -	\$ -	\$ 29,080	\$ 29,080

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"	\$ 244,049
Differences - Budget to GAAP	
Change in fair value of investments is not budgetary resource	(903)
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 243,146</u>

Uses/Outflows of Resources

Actual amounts (budgetary basis) of "total charges to appropriations"	\$ 487,552
Differences - Budget to GAAP	-
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 487,552</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, 2013**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1, 2012	\$ 454,026	\$ 610,457	\$ 610,457	\$ -
Resources (Inflows):				
Service Fees	162,451	163,784	162,825	(959)
Interest Income	3,107	3,107	3,311	204
Total Resources	165,558	166,891	166,137	(754)
Charges to Appropriations (Outflows):				
Planning and Management	6,120	170,960	20,310	150,650
Community Development	151,307	151,307	122,632	28,675
Environmental Management	4,091	4,091	1,923	2,168
Transfers Out	12,768	12,768	12,768	0
Total Charges to Appropriations	174,286	339,126	157,633	181,493
Excess of Resources Over (Under) Charges to Appropriations	(8,728)	(172,235)	8,504	180,738
Budgetary Fund Balance, June 30, 2013	\$ 445,298	\$ 438,222	\$ 618,961	\$ 180,738

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"	\$ 166,137
Differences - Budget to GAAP	
Change in fair value of investments is not budgetary resource	(1,339)
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 164,798</u>

Uses/Outflows of Resources

Actual amounts (budgetary basis) of "total charges to appropriations"	\$ 157,633
Differences - Budget to GAAP	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(12,768)
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 144,865</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, 2013**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1, 2012	\$ 3,324,024	\$ 6,917,309	\$ 6,917,309	\$ -
Resources (Inflows):				
Intergovernmental Revenues	3,646,501	3,430,831	3,246,768	(184,063)
Interest Income	27,748	36,159	37,068	909
Transfers In	50,000	50,000	-	(50,000)
Total Resources	3,724,249	3,516,990	3,283,837	(233,153)
Charges to Appropriations (Outflows):				
Transportation	2,025,000	2,040,600	1,921,736	118,864
Capital Outlay	220,400	210,200	-	210,200
Transfers Out	1,742,661	4,884,700	954,410	3,930,290
Total Charges to Appropriations	3,988,061	7,135,500	2,876,146	4,259,354
Excess of Resources Over (Under) Charges to Appropriations	(263,812)	(3,618,510)	407,691	4,026,201
Budgetary Fund Balance, June 30, 2013	\$ 3,060,213	\$ 3,298,799	\$ 7,325,000	\$ 4,026,201

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"	\$ 3,283,837
Differences - Budget to GAAP	
Change in fair value of investments is not budgetary resource	(14,981)
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 3,268,855</u>

Uses/Outflows of Resources

Actual amounts (budgetary basis) of "total charges to appropriations"	\$ 2,876,146
Differences - Budget to GAAP	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(954,410)
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 1,921,736</u>

CITY OF SUNNYVALE

**Transportation Development Act Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2013**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1, 2012	\$ -	\$ -	\$ -	\$ -
Resources (Inflows):				
Intergovernmental Revenues	94,203	285,183	55,600	(229,583)
Total Resources	94,203	285,183	55,600	(229,583)
Charges to Appropriations (Outflows):				
Transfers Out	94,203	285,182	58,397	226,785
Total Charges to Appropriations	94,203	285,182	58,397	226,785
Excess of Resources Over (Under)				
Charges to Appropriations	-	1	(2,797)	(2,798)
Budgetary Fund Balance, June 30, 2013	\$ -	\$ 1	\$ (2,797)	\$ (2,798)

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

Sources/Inflow of Resources:

Actual amounts (budgetary basis) of "total resources"	\$ 55,600
Differences - Budget to GAAP	
None	-
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 55,600</u>

Uses/Outflows of Resources

Actual amounts (budgetary basis) of "total charges to appropriations"	\$ 58,397
Differences - Budget to GAAP	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(58,397)
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 0</u>

CITY OF SUNNYVALE

**VRF Local Road Improvement Program Special Revenue Fund
 Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
 Year Ended June 30, 2013**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1, 2012	\$ -	\$ -	\$ -	\$ -
Resources (Inflows):				
Intergovernmental Revenues	-	797,394	797,394	-
Interest Income	-	1,189	1,309	120
Total Resources	-	798,583	798,703	120
Charges to Appropriations (Outflows):				
Transfers Out	-	723,000	723,000	-
Total Charges to Appropriations	-	723,000	723,000	-
Excess of Resources Over (Under)				
Charges to Appropriations	-	75,583	75,703	120
Budgetary Fund Balance, June 30, 2013	\$ -	\$ 75,583	\$ 75,703	\$ 120

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

Sources/Inflow of Resources:

Actual amounts (budgetary basis) of "total resources"	\$ 798,703
Differences - Budget to GAAP	
None	-
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	\$ 798,703

Uses/Outflows of Resources

Actual amounts (budgetary basis) of "total charges to appropriations"	\$ 723,000
Differences - Budget to GAAP	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(723,000)
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	\$ -

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, 2013**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1, 2012	\$ 510,217	\$ 510,217	\$ 510,217	\$ -
Resources (Inflows):				
Intergovernmental Revenues	181,134	120,398	120,385	(13)
Service Fees	32,217	38,034	43,120	5,086
Rents and Concessions	15,160	20,000	21,568	1,568
Interest Income	3,572	3,572	2,851	(721)
Other Revenues	-	227	128	(99)
Transfers In	514,476	514,476	384,791	(129,685)
Total Resources	746,559	696,707	572,841	(123,866)
Charges to Appropriations (Outflows):				
Socioeconomic	746,557	746,557	572,841	173,716
Total Charges to Appropriations	746,557	746,557	572,841	173,716
Excess of Resources Over (Under) Charges to Appropriations	2	(49,850)	-	49,850
Budgetary Fund Balance, June 30, 2013	\$ 510,219	\$ 460,367	\$ 510,217	\$ 49,850

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

CITY OF SUNNYVALE

**Swirsky Youth Opportunity Permanent Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2013**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1, 2012	\$ 551,971	\$ 552,000	\$ 552,000	\$ -
Resources (Inflows):				
Interest Income	3,864	3,864	3,096	(768)
Total Resources	3,864	3,864	3,096	(768)
Charges to Appropriations (Outflows):				
Transfers Out	3,864	3,864	3,079	785
Total Charges to Appropriations	3,864	3,864	3,079	785
Excess of Resources Over (Under)				
Charges to Appropriations	0	0	17	17
Budgetary Fund Balance, June 30, 2013	\$ 551,971	\$ 552,000	\$ 552,017	\$ 17

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"	\$ 3,096
Differences - Budget to GAAP	
Change in fair value of investments is not budgetary resource	5,428
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 8,524</u>

Uses/Outflows of Resources

Actual amounts (budgetary basis) of "total charges to appropriations"	\$ 3,079
Differences - Budget to GAAP	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(3,079)
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, 2013**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1, 2012	\$ 915,087	\$ 975,135	\$ 975,135	\$ -
Resources (Inflows):				
Interest Income	6,406	6,406	5,648	(758)
Other Revenues	-	73,348	73,348	-
Total Resources	6,406	79,754	78,996	(758)
Charges to Appropriations (Outflows):				
Transfers Out	6,406	6,406	5,696	709
Total Charges to Appropriations	6,406	6,406	5,696	709
Excess of Resources Over (Under)				
Charges to Appropriations	0	73,348	73,300	(49)
Budgetary Fund Balance, June 30, 2013	\$ 915,087	\$ 1,048,483	\$ 1,048,435	\$ (49)

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"	\$ 78,996
Differences - Budget to GAAP	
Change in fair value of investments is not budgetary resource	9,903
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 88,899</u>

Uses/Outflows of Resources

Actual amounts (budgetary basis) of "total charges to appropriations"	\$ 5,696
Differences - Budget to GAAP	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(5,696)
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ -</u>

CITY OF SUNNYVALE

**Government Center Certificates of Participation Debt Service Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2013**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1, 2012	\$ 1,097,394	\$ 1,097,394	\$ 1,097,394	\$ -
Resources (Inflows):				
Interest Income	-	-	4,789	4,789
Transfers In	1,060,927	1,060,927	651,758	(409,169)
Total Resources	1,060,927	1,060,927	656,547	(404,380)
Charges to Appropriations (Outflows):				
Principal Retirement	510,000	510,000	510,000	-
Interest	394,934	394,934	20,980	373,954
Fiscal Charges	158,345	158,345	125,567	32,778
Total Charges to Appropriations	1,063,279	1,063,279	656,547	406,732
Excess of Resources Over (Under) Charges to Appropriations	(2,352)	(2,352)	-	2,352
Budgetary Fund Balance, June 30, 2013	\$ 1,095,042	\$ 1,095,042	\$ 1,097,394	\$ 2,352

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

Sources/Inflow of Resources:

Actual amounts (budgetary basis) of "total resources"	\$ 656,547
Differences - Budget to GAAP	
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes	(651,758)
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	\$ 4,789

Uses/Outflows of Resources

Actual amounts (budgetary basis) of "total charges to appropriations"	\$ 656,547
Differences - Budget to GAAP	
None	-
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	\$ 656,547

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, 2013**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1, 2012	\$ 9,015,312	\$ 9,953,356	\$ 9,953,357	\$ 1
Resources (Inflows):				
Intergovernmental Revenues	3,919	3,919	4,293	374
Interest Income	84,513	84,513	57,503	(27,010)
Other Revenues	-	-	31,000	31,000
Transfers In	7,727,483	15,437,049	6,213,619	(9,223,430)
Total Resources	7,815,915	15,525,481	6,306,415	(9,219,066)
Charges to Appropriations (Outflows):				
Planning and Management	356,000	356,000	14,322	341,678
Community Development	1,041,924	5,084,751	947,549	4,137,202
Transportation	52,224	631,676	237,219	394,457
Cultural	60,890	60,890	56,754	4,136
Capital Outlay	5,213,402	8,266,071	3,755,263	4,510,808
Transfers Out	274,266	626,880	117,730	509,150
Total Charges to Appropriations	6,998,706	15,026,267	5,128,837	9,897,430
Excess of Resources Over (Under) Charges to Appropriations	817,209	499,214	1,177,578	678,364
Budgetary Fund Balance, June 30, 2013	\$ 9,832,521	\$ 10,452,570	\$ 11,130,935	\$ 678,365

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

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

Sources/Inflow of Resources:	
Actual amounts (budgetary basis) of "total resources"	\$ 6,306,415
Differences - Budget to GAAP	
Change in fair value of investments is not budgetary resource	(23,234)
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes	(6,213,619)
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 69,562</u>
Uses/Outflows of Resources	
Actual amounts (budgetary basis) of "total charges to appropriations"	\$ 5,128,837
Differences - Budget to GAAP	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(117,730)
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 5,011,107</u>

Internal Service Funds

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

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

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

**Combining Statement of Net Position
All Internal Service Funds
June 30, 2013**

	<u>General Services</u>	<u>Employee Benefits</u>	<u>Risk Management</u>	<u>Totals</u>
Assets:				
Current Assets				
Cash and Investments Held by City	\$ 22,761,465	\$ 26,875,056	\$ 782,041	\$ 50,418,562
Receivables, Net	223,728	128,383	2,645	354,756
Intergovernmental Receivables	42,000	-	-	42,000
Inventories and Prepayments	201,960	52,299	11,139	265,398
Total Current Assets	<u>23,229,153</u>	<u>27,055,738</u>	<u>795,825</u>	<u>51,080,716</u>
Noncurrent Assets				
Net Pension Asset	-	5,262,000	-	5,262,000
Net OPEB Asset	-	3,874,000	-	3,874,000
Capital Assets:				
Land & Nondepreciable Assets	657,595	-	-	657,595
Depreciable Buildings, Property, Equipment and Infrastructure, Net	11,838,830	-	-	11,838,830
Total Assets	<u>35,725,578</u>	<u>36,191,738</u>	<u>795,825</u>	<u>72,713,141</u>
Liabilities:				
Current Liabilities				
Wages Payable	-	1,812,081	-	1,812,081
Accounts Payable and Accrued Liabilities	334,761	1,400,023	55,808	1,790,592
Advances from Other Funds	-	-	-	-
Refundable Deposits	20,358	-	-	20,358
Claims and Judgments Payable - Due Within One Year	-	3,701,442	316,802	4,018,244
Compensated Absences Payable - Due Within One Year	-	7,029,156	-	7,029,156
Total Current Liabilities	<u>355,119</u>	<u>13,942,702</u>	<u>372,610</u>	<u>14,670,431</u>
Noncurrent Liabilities				
Claims and Judgments Payable- Due in More than One Year	-	9,689,558	1,242,198	10,931,756
Compensated Absences Payable - Due in More than One Year	-	1,494,110	-	1,494,110
Total Noncurrent Liabilities	<u>-</u>	<u>11,183,668</u>	<u>1,242,198</u>	<u>12,425,866</u>
Total Liabilities	<u>355,119</u>	<u>25,126,370</u>	<u>1,614,808</u>	<u>27,096,297</u>
Net Position:				
Net Investment in Capital Assets	12,496,425	-	-	12,496,425
Unrestricted	22,874,034	11,065,368	(818,983)	33,120,419
Net Position	<u>\$ 35,370,459</u>	<u>\$ 11,065,368</u>	<u>\$ (818,983)</u>	<u>\$ 45,616,844</u>

**Combining Statement of Revenues, Expenses and Changes in Net Position
All Internal Service Funds
Year Ended June 30, 2013**

	General Services	Employee Benefits	Risk Management	Totals
Operating Revenues:				
Charges for Services	\$ 18,222,003	\$ 64,692,438	\$ 1,357,500	\$ 84,271,941
Operating Expenses:				
Personnel Services	8,744,438	14,292,477	115,734	23,152,649
Contractual Services	2,586,397	771	466,273	3,053,441
Material and Supplies	2,730,197	-	85,839	2,816,036
Utilities	1,553,138	-	-	1,553,138
Taxes and Licenses	15,858	-	-	15,858
Equipment and Building Rental	1,471,346	-	-	1,471,346
Insurance Premiums and Claims	-	23,995,117	503,957	24,499,074
Retirement Premiums	-	26,670,557	-	26,670,557
Other Operating Expenses	2,228	-	-	2,228
Depreciation	1,686,736	-	-	1,686,736
Total Operating Expenses	18,790,338	64,958,922	1,171,803	84,921,063
Operating Income (Loss)	(568,335)	(266,484)	185,697	(649,122)
Nonoperating Revenues (Expenses):				
Investment Earnings	80,044	82,639	3,309	165,992
Interest Expense	(12,416)	-	-	(12,416)
Total Nonoperating Revenues (Expenses)	67,628	82,639	3,309	153,576
Income (loss) before Transfers	(500,707)	(183,845)	189,006	(495,546)
Transfers In	2,602,128	1,550,000	-	4,152,128
Transfers Out	(1,261,101)	-	-	(1,261,101)
Change in Net Position	840,320	1,366,155	189,006	2,395,481
Net Position (Deficit) - Beginning of Year	34,530,139	9,699,213	(1,007,989)	43,221,363
Net Position (Deficit) - End of Year	\$ 35,370,459	\$ 11,065,368	\$ (818,983)	\$ 45,616,844

CITY OF SUNNYVALE**Combining Statement of Cash Flows
All Internal Service Funds
Year Ended June 30, 2013**

	General Services	Employee Benefits	Risk Management	Totals
Cash Flows from Operating Activities:				
Cash Received from Customers	\$ 17,972,121	\$ 64,566,172	\$ 1,357,500	\$ 83,895,793
Cash Payments to Suppliers of Goods and Services	(8,319,622)	(245,246)	(538,498)	(9,103,366)
Cash Payments for Employee Services	(8,698,622)	(44,457,631)	(116,289)	(53,272,542)
Insurance and Claims Paid	-	(22,640,644)	(482,952)	(23,123,596)
Other Receipts (Payments)	269,358	126,111	-	395,469
Net Cash Provided by (Used for) Operating Activities	<u>1,223,235</u>	<u>(2,651,238)</u>	<u>219,761</u>	<u>(1,208,242)</u>
Cash Flows from Noncapital Financing Activities:				
Transfers Received	2,602,128	1,550,000	-	4,152,128
Transfers Paid	(1,261,101)	-	-	(1,261,101)
Repayment of Advance from Other Funds	(189,789)	-	-	(189,789)
Net Cash Provided by (Used for) Noncapital Financing Activities	<u>1,151,238</u>	<u>1,550,000</u>	<u>-</u>	<u>2,701,238</u>
Cash Flows from Capital and Related Financing Activities:				
Acquisition and Construction of Capital Assets	(2,376,696)	-	-	(2,376,696)
Net Cash Provided by (Used for) Capital and Related Financing Activities	<u>(2,376,696)</u>	<u>-</u>	<u>-</u>	<u>(2,376,696)</u>
Cash Flows from Investing Activities:				
Interest on Investments	97,513	107,329	2,982	207,824
Net Cash Provided by Investing Activities	<u>97,513</u>	<u>107,329</u>	<u>2,982</u>	<u>207,824</u>
Net Increase (Decrease) in Cash and Cash Equivalents	95,290	(993,909)	222,743	(675,876)
Cash and Cash Equivalents - Beginning of Year	<u>22,666,175</u>	<u>27,868,965</u>	<u>559,298</u>	<u>51,094,438</u>
Cash and Cash Equivalents - End of Year	<u>\$ 22,761,465</u>	<u>\$ 26,875,056</u>	<u>\$ 782,041</u>	<u>\$ 50,418,562</u>
Reconciliation to Statement of Net Position:				
Cash and Investments Held by City	\$ 22,761,465	\$ 26,875,056	\$ 782,041	\$ 50,418,562

Continued

CITY OF SUNNYVALE**Combining Statement of Cash Flows
All Internal Service Funds
Year Ended June 30, 2013**

	<u>General Services</u>	<u>Employee Benefits</u>	<u>Risk Management</u>	<u>Totals</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Operating Income (Loss)	\$ (568,335)	\$ (266,484)	\$ 185,697	\$ (649,122)
Adjustment to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:				
Depreciation	1,686,736	-	-	1,686,736
Changes in Assets and Liabilities:				
Receivables, Net	(85,927)	9,345	-	(76,582)
Due from Other Governments	(42,000)	-	-	(42,000)
Inventories and Prepayments	177,029	4,948	8,778	190,755
Customer Deposits	1,099	-	-	1,099
Accounts Payable and Accrued Liabilities	54,633	189,421	11,286	255,340
Claims and Judgments Payable	-	1,899,000	14,000	1,913,000
Compensated Absences Payable	-	69,532	-	69,532
Net Pension Asset	-	(3,869,000)	-	(3,869,000)
Net OPEB Asset	-	(688,000)	-	(688,000)
Net Cash Provided (Used) by Operating Activities	<u>\$ 1,223,235</u>	<u>\$ (2,651,238)</u>	<u>\$ 219,761</u>	<u>\$ (1,208,242)</u>
Noncash Investing, Capital and Financing Activities:				
Change in the Fair Value of Investments	(54,280)	(56,103)	(2,243)	(112,626)

Concluded

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Fiduciary Fund Financial Statements

Private Purpose Trust Funds:

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

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

Agency Funds:

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

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

**Combining Statement of Net Position
Fiduciary Funds - Private-Purpose Funds
Year Ended June 30, 2013**

	CFD No. 3 (Estates at Sunnyvale) Private-Purpose Trust Fund	Redevelopment Successor Agency Private-Purpose Trust Fund	Total Private-Purpose Trust Funds
Assets:			
Cash and Investments Held by City	\$ 27,775	\$ 794,583	\$ 822,358
Cash and Investments Held by Fiscal Agent	-	617,171	617,171
Receivables	94	14,205,780	14,205,874
Capital Assets			
Land and Nondepreciable Assets	-	13,959,752	13,959,752
Total Assets	<u>27,869</u>	<u>29,577,286</u>	<u>29,605,155</u>
Liabilities:			
Accounts Payable and Accrued Liabilities	268	14,083,969	14,084,237
Accrued Interest Payable	-	85,330	85,330
Long-term Obligations			
Due Within One Year	-	795,420	795,420
Due in More Than One Year	-	50,339,007	50,339,007
Total Liabilities	<u>268</u>	<u>65,303,726</u>	<u>65,303,994</u>
Net Position:			
Held in Trust for Private Purpose	<u>\$ 27,601</u>	<u>\$ (35,726,440)</u>	<u>\$ (35,698,839)</u>

**Combining Statement of Changes in Net Position
Fiduciary Funds - Private-Purpose Funds
Year Ended June 30, 2013**

	CFD No. 3 (Estates at Sunnyvale) Private-Purpose Trust Fund	Redevelopment Successor Agency Private-Purpose Trust Fund	Total Private-Purpose Trust Funds
Additions:			
<i>Contributions from:</i>			
Property Owners	\$ 49,445	\$ -	\$ 49,445
City General Fund	-	9,941	9,941
County Redevelopment Property Tax Trust Fund	-	817,393	817,393
Investment Income	63	1,857	1,920
Total Additions	<u>49,508</u>	<u>829,191</u>	<u>878,699</u>
Deductions:			
Infrastructure Projects	21,907	-	21,907
1977 Loan Interest Added to Loan Principal	-	2,350	2,350
City Administrative Loan Interest Added to Loan Principal	-	57,454	57,454
City Plaza Loan Interest Added to Loan Principal	-	5,969	5,969
Interest Payments on Central Core Bonds	-	205,944	205,944
Fiscal Agent Trustee Fees	-	1,975	1,975
COP Reimbursement to City	-	843,210	843,210
Administrative Expenses	-	318,574	318,574
Tax Increment Financing Liability Increase	-	2,047,984	2,047,984
Total Deductions	<u>21,907</u>	<u>3,483,460</u>	<u>3,505,367</u>
Change in Net Position	27,601	(2,654,269)	(2,626,668)
Net Position			
Beginning of Year, as Previously Reported	-	(42,059,595)	(42,059,595)
Prior Period Adjustment	-	8,987,424	8,987,424
Beginning of Year, as Restated	<u>-</u>	<u>(33,072,171)</u>	<u>(33,072,171)</u>
Net Position, End of Year	<u>\$ 27,601</u>	<u>\$ (35,726,440)</u>	<u>\$ (35,698,839)</u>

CITY OF SUNNYVALE**Statement of Changes in Net Position
Fiduciary Funds - Agency Funds
Year Ended June 30, 2013****Community Facilities District (CFD)**

	<u>Beginning Balance July 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance June 30, 2013</u>
Assets:				
Cash and Investments	\$ 1,952,726	\$ 1,628,754	\$ (1,617,096)	\$ 1,964,384
Cash and Investments Held by Fiscal Agent	1,801,258	1,714,606	(1,715,190)	1,800,674
Receivables	57,746	63,099	(62,886)	57,959
Total Assets	<u>\$ 3,811,730</u>	<u>\$ 3,406,459</u>	<u>\$ (3,395,172)</u>	<u>\$ 3,823,017</u>
Liabilities:				
Due to CFD Bondholders	\$ 3,811,730	\$ 3,406,459	\$ (3,395,172)	\$ 3,823,017
Total Liabilities	<u>\$ 3,811,730</u>	<u>\$ 3,406,459</u>	<u>\$ (3,395,172)</u>	<u>\$ 3,823,017</u>

Santa Clara Valley Urban Runoff Pollution Prevention Program

	<u>Beginning Balance July 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance June 30, 2013</u>
Assets:				
Cash and Investments	\$ 1,455,208	\$ 7,139,744	\$ (6,620,407)	\$ 1,974,545
Total Assets	<u>\$ 1,455,208</u>	<u>\$ 7,139,744</u>	<u>\$ (6,620,407)</u>	<u>\$ 1,974,545</u>
Liabilities:				
Accounts Payable and Accrued Liabilities	\$ 1,455,208	\$ 7,139,744	\$ (6,620,407)	\$ 1,974,545
Total Liabilities	<u>\$ 1,455,208</u>	<u>\$ 7,139,744</u>	<u>\$ (6,620,407)</u>	<u>\$ 1,974,545</u>

Combined

	<u>Beginning Balance July 1, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance June 30, 2013</u>
Assets:				
Cash and Investments	\$ 3,407,934	\$ 8,768,498	\$ (8,237,503)	\$ 3,938,929
Cash and Investments Held by Fiscal Agent	1,801,258	1,714,606	(1,715,190)	1,800,674
Receivables	57,746	63,099	(62,886)	57,959
Total Assets	<u>\$ 5,266,938</u>	<u>\$ 10,546,203</u>	<u>\$ (10,015,579)</u>	<u>\$ 5,797,562</u>
Liabilities:				
Accounts Payable and Accrued Liabilities	\$ 1,455,208	\$ 7,139,744	\$ (6,620,407)	\$ 1,974,545
Due to CFD Bondholders	3,811,730	3,406,459	(3,395,172)	3,823,017
Total Liabilities	<u>\$ 5,266,938</u>	<u>\$ 10,546,203</u>	<u>\$ (10,015,579)</u>	<u>\$ 5,797,562</u>

Statistical Section

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

Contents	Page
<i>Financial Trends</i> These schedules contain trend information to help the reader understand how the City's financial performance and fiscal well being have changed over time.	175 - 182
<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.	183 - 186
<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.	187 - 190
<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.	191 - 192
<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.	193 - 195

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CITY OF SUNNYVALE

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

	Fiscal Year									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Governmental Activities										
Net Investment in Capital Assets	\$ 420,326	\$ 402,857	\$ 388,753	\$ 378,990	\$ 371,980	\$ 361,946	\$ 358,287	\$ 359,656	\$ 358,104	\$ 367,258
Restricted	133,414	122,424	115,097	87,408	86,468	86,217	72,587	65,838	60,360	58,670
Unrestricted	195,897	195,908	155,432	174,362	179,360	194,198	195,942	169,481	168,381	177,767
Total Governmental Activities Net Position	\$ 749,637	\$ 721,189	\$ 659,282	\$ 640,760	\$ 637,808	\$ 642,361	\$ 626,816	\$ 594,975	\$ 586,845	\$ 603,695
Business-type activities										
Net Investment in Capital Assets	\$ 80,828	\$ 80,831	\$ 85,837	\$ 82,415	\$ 75,783	\$ 66,109	\$ 64,546	\$ 61,193	\$ 58,850	\$ 49,830
Restricted	-	-	-	-	-	12,673	6,886	9,119	15,039	15,244
Unrestricted	(3,449)	(14,021)	(23,312)	(21,066)	(13,983)	(11,949)	(11,569)	(12,335)	(11,891)	(17,172)
Total Business-Type Activities Net Position	\$ 77,379	\$ 66,810	\$ 62,525	\$ 61,349	\$ 61,800	\$ 66,833	\$ 59,863	\$ 57,977	\$ 61,998	\$ 47,902
Primary Government										
Net Investment in Capital Assets	\$ 501,154	\$ 483,688	\$ 474,590	\$ 461,404	\$ 447,763	\$ 428,055	\$ 422,833	\$ 420,849	\$ 416,954	\$ 417,088
Restricted	133,414	122,424	115,097	87,408	86,468	98,890	79,473	74,957	75,399	73,914
Unrestricted	192,448	181,887	132,120	153,296	165,377	182,249	184,373	157,146	156,490	160,595
Total Primary Government Net Position	\$ 827,016	\$ 787,999	\$ 721,807	\$ 702,108	\$ 699,608	\$ 709,194	\$ 686,679	\$ 652,952	\$ 648,843	\$ 651,597

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

Some reclassifications of line items within the same group of activities reported for prior years have been made to facilitate comparison with prior years due to the implementation of Governmental Accounting Standards Board new pronouncements or prior period adjustments.

CITY OF SUNNYVALE

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

	Fiscal Year									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Expenses:										
Governmental Activities:										
Planning and Management	\$ 17,859	\$ 18,538	\$ 18,671	\$ 20,533	\$ 21,405	\$ 20,624	\$ 18,957	\$ 16,170	\$ 15,247	\$ 14,053
Public Safety	78,670	74,077	75,988	73,903	74,876	72,918	65,768	62,682	58,718	55,360
Community Development	21,598	21,981	21,119	23,833	21,790	21,399	20,198	20,104	22,655	18,815
Transportation	13,549	10,810	11,845	11,081	11,831	11,182	11,832	9,886	8,841	13,492
Socioeconomic	9,141	12,813	14,329	12,932	10,533	9,178	10,833	12,791	12,909	13,857
Cultural	16,399	8,873	9,036	9,757	9,449	9,627	8,858	8,530	8,715	8,438
Environmental Management	2,279	2,920	3,609	1,445	2,167	14,280	2,027	1,596	2,077	2,346
Interest on Long-term Debt	653	396	1,078	1,003	1,730	1,638	1,727	1,680	1,624	1,479
Total Governmental Activities	160,148	150,408	155,675	154,487	153,781	160,846	140,200	133,439	130,786	127,840
Business-Type Activities:										
Water Supply and Distribution	31,790	28,355	24,667	23,065	21,939	20,685	19,410	18,010	17,751	17,232
Wastewater Management	21,753	20,585	18,680	17,249	17,376	16,728	16,782	17,109	16,387	14,971
Solid Waste Management	31,637	32,327	32,406	30,814	37,503	29,013	28,008	29,553	27,340	27,610
SMaRT Station	26,810	28,419	26,320	26,618	26,256	22,670	18,966	18,954	18,094	18,327
Golf and Tennis Operations or Community Recreation	3,728	11,454	11,802	11,834	11,687	11,166	10,761	10,476	9,676	9,428
Total Business-Type Activities	115,718	121,140	113,875	109,580	114,761	100,262	93,927	94,102	89,248	87,568
Total Primary Government Expenses	\$ 275,866	\$ 271,548	\$ 269,550	\$ 264,067	\$ 268,542	\$ 261,108	\$ 234,127	\$ 227,541	\$ 220,034	\$ 215,408
Program Revenues:										
Governmental Activities:										
Charges for Services										
Planning and Management	\$ 347	\$ 1,510	\$ 733	\$ 524	\$ 442	\$ 490	\$ 397	\$ 380	\$ 1,171	\$ 303
Public Safety	2,926	3,596	3,418	3,430	4,417	3,311	3,011	2,394	2,556	2,191
Community Development	28,060	21,553	13,842	10,818	8,998	22,250	20,177	11,065	10,054	9,175
Transportation	3,790	497	548	887	814	6,222	2,185	715	2,861	611
Socioeconomic	-	144	62	805	300	345	526	593	574	548
Cultural	4,387	270	253	233	205	223	332	585	600	501
Environmental Management	979	575	435	366	161	2,339	795	825	34	200
Operating Grants and Contributions	16,427	19,426	27,491	19,419	17,353	14,799	17,899	21,142	18,289	17,716
Capital Grants and Contributions	26,038	15,095	11,795	12,632	8,079	6,923	3,505	2,676	1,464	5,211
Total Governmental Activities Program Revenues	82,954	62,666	58,577	49,114	40,769	56,902	48,827	40,375	37,603	36,456

Business-Type Activities:

Charges for Services										
Water Supply and Distribution	36,071	32,630	27,687	24,773	25,022	24,007	23,244	19,953	19,263	19,365
Wastewater Management	29,253	26,046	24,278	22,997	21,244	23,527	20,594	18,673	17,579	16,428
Solid Waste Management	40,415	38,668	36,752	33,900	33,153	31,606	29,981	29,777	29,289	27,219
SMaRT Station	25,265	26,210	24,537	23,826	22,699	24,373	19,187	19,077	17,431	17,494
Golf and Tennis Operations	3,491	7,452	7,110	7,361	7,663	7,764	7,548	7,540	7,373	7,537
Capital Grants and Contributions	584	459	91	857	457	602	489	1,076	118	290
Total Business-Type Activities Program Revenues	<u>135,079</u>	<u>131,465</u>	<u>120,455</u>	<u>113,714</u>	<u>110,238</u>	<u>111,879</u>	<u>101,043</u>	<u>96,096</u>	<u>91,053</u>	<u>88,333</u>
Total Primary Government Program Revenues	<u>\$ 218,033</u>	<u>\$ 194,131</u>	<u>\$ 179,032</u>	<u>\$ 162,828</u>	<u>\$ 151,007</u>	<u>\$ 168,781</u>	<u>\$ 149,870</u>	<u>\$ 136,471</u>	<u>\$ 128,656</u>	<u>\$ 124,789</u>

Net (Expense)/Revenue

Governmental Activities	\$ (77,194)	\$ (87,742)	\$ (97,098)	\$ (105,373)	\$ (113,012)	\$ (103,944)	\$ (91,373)	\$ (93,064)	\$ (93,183)	\$ (91,384)
Business-Type Activities	19,361	10,325	6,580	4,134	(4,523)	11,617	7,116	1,994	1,805	765
Total Primary Government Net Expense	<u>\$ (57,833)</u>	<u>\$ (77,417)</u>	<u>\$ (90,518)</u>	<u>\$ (101,239)</u>	<u>\$ (117,535)</u>	<u>\$ (92,327)</u>	<u>\$ (84,257)</u>	<u>\$ (91,070)</u>	<u>\$ (91,378)</u>	<u>\$ (90,619)</u>

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

Taxes										
Property Taxes	\$ 47,779	\$ 48,823	\$ 52,261	\$ 51,633	\$ 50,741	\$ 44,107	\$ 41,018	\$ 35,646	\$ 33,105	\$ 27,588
Sales and Use Taxes	29,909	30,345	29,228	25,432	25,072	29,705	30,852	28,422	24,917	23,452
Motor Vehicle License Fees	62	73	708	408	468	602	850	847	3,650	5,970
Franchise Fees, Unrestricted	6,462	6,373	6,247	5,979	6,127	5,855	5,714	5,531	5,395	5,521
Utilities Users Taxes	6,549	6,830	6,806	6,798	6,841	6,840	6,479	6,057	5,833	5,877
Transient Occupancy Taxes	9,016	7,777	6,589	5,578	5,686	7,350	6,480	5,633	5,074	4,752
Real Property Transfer Taxes	1,275	925	717	571	548	1,225	1,216	1,140	1,352	765
Construction Taxes	2,725	3,059	1,356	937	1,260	2,943	1,899	1,342	923	860
Business License Taxes	1,589	1,505	1,494	1,364	1,199	1,075	687	286	215	244
Unrestricted Grants and Contributions	-	-	-	-	-	-	-	-	-	821
Investment Earnings	759	1,262	1,432	1,834	5,923	9,927	10,387	5,943	3,793	1,217
Interest Accrued from Advances to Business-Type Activities	3,068	3,044	2,901	2,801	2,928	3,033	2,961	2,844	2,794	2,612
Interest Accrued from Advances to Former RDA	66	39	-	-	-	-	-	-	-	-
Extraordinary Items	(13,966)	43,481	-	-	-	-	-	-	-	-
Gain (Loss) on Disposal of Assets	-	-	-	-	-	-	7,337	-	-	(55)
Miscellaneous	1,226	30	25	18	8	417	27	102	354	(3)
Transfers	9,123	5,524	5,857	4,970	1,658	6,410	7,308	7,512	(11,072)	6,232
Total Governmental Activities	<u>105,642</u>	<u>159,090</u>	<u>115,621</u>	<u>108,323</u>	<u>108,459</u>	<u>119,489</u>	<u>123,215</u>	<u>101,305</u>	<u>76,333</u>	<u>85,853</u>
Business-type activities										
Investment Earnings	331	460	453	386	1,148	1,764	2,077	1,496	1,219	395
Gain (Loss) on Disposal of Assets	-	-	-	-	-	-	-	-	-	42
Transfers	(9,123)	(5,524)	(5,857)	(4,970)	(1,658)	(6,410)	(7,308)	(7,511)	11,072	(6,232)
Total Business-Type Activities	<u>(8,792)</u>	<u>(5,064)</u>	<u>(5,404)</u>	<u>(4,584)</u>	<u>(510)</u>	<u>(4,646)</u>	<u>(5,231)</u>	<u>(6,015)</u>	<u>12,291</u>	<u>(5,795)</u>
Total Primary Government	<u>\$ 96,850</u>	<u>\$ 154,026</u>	<u>\$ 110,217</u>	<u>\$ 103,739</u>	<u>\$ 107,949</u>	<u>\$ 114,843</u>	<u>\$ 117,984</u>	<u>\$ 95,290</u>	<u>\$ 88,624</u>	<u>\$ 80,058</u>
Change in Net Position										
Governmental Activities	\$ 28,448	\$ 71,348	\$ 18,523	\$ 2,950	\$ (4,553)	\$ 15,545	\$ 31,842	\$ 8,241	\$ (16,850)	\$ (5,531)
Business-Type Activities	10,569	5,261	1,176	(450)	(5,033)	6,971	1,885	(4,021)	14,096	(5,030)
Total Primary Government	<u>\$ 39,017</u>	<u>\$ 76,609</u>	<u>\$ 19,699</u>	<u>\$ 2,500</u>	<u>\$ (9,586)</u>	<u>\$ 22,516</u>	<u>\$ 33,727</u>	<u>\$ 4,220</u>	<u>\$ (2,754)</u>	<u>\$ (10,561)</u>

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CITY OF SUNNYVALE

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

	Fiscal Year									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
General Fund										
Nonspendable	\$ 9,829	\$ 13,320	\$ 15,976	\$ 15,983	\$ 21,893	\$ 22,246	\$ 29,449	\$ 34,270	\$ 36,968	\$ 42,676
Restricted	2,288	6,509	5,078	3,807	1,821	1,147	357	-	-	-
Committed	33,454	34,014	32,963	35,418	35,724	41,927	27,334	22,284	21,575	23,313
Assigned	-	-	193	22	-	-	-	-	-	-
Unassigned	52,486	54,753	43,545	36,836	41,865	56,591	55,304	52,024	51,373	48,647
Total General Fund	<u>\$ 98,057</u>	<u>\$ 108,596</u>	<u>\$ 97,755</u>	<u>\$ 92,066</u>	<u>\$ 101,303</u>	<u>\$ 121,911</u>	<u>\$ 112,444</u>	<u>\$ 108,578</u>	<u>\$ 109,916</u>	<u>\$ 114,636</u>
All Other Governmental Funds										
Nonspendable	\$ 2,027	\$ 2,055	\$ 2,211	\$ 2,170	\$ 1,843	\$ 909	\$ 874	\$ 843	\$ 872	\$ 646
Restricted	91,549	75,296	67,810	63,527	64,772	65,125	51,490	43,457	43,453	43,899
Assigned	11,092	9,937	10,279	10,554	12,992	14,379	16,053	16,377	18,006	23,790
Unassigned	(3)	-	(80,670)	(79,399)	(71,928)	(68,683)	(64,991)	(61,827)	(57,599)	(54,201)
Total All Other Governmental Funds	<u>\$ 104,665</u>	<u>\$ 87,288</u>	<u>\$ (370)</u>	<u>\$ (3,148)</u>	<u>\$ 7,679</u>	<u>\$ 11,730</u>	<u>\$ 3,426</u>	<u>\$ (1,150)</u>	<u>\$ 4,732</u>	<u>\$ 14,134</u>

Notes: 1 The Redevelopment Agency, once a blended component unit of the City, was dissolved as of February 1, 2012.

The negative amounts shown above were related to the Redevelopment Agency's obligations to repay the City loans, to fund the Low and Moderate Income Housing Fund deficit, and to reimburse the developer under the ADDOPA.

2 Since its inception on February 1, 2012, the Redevelopment Successor Agency's financial transactions have been reported in a separate trust fund.

CITY OF SUNNYVALE

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

	Fiscal Year									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Revenues										
Property Taxes	\$ 47,556	\$ 48,597	\$ 52,032	\$ 51,407	\$ 50,523	\$ 43,893	\$ 40,807	\$ 35,436	\$ 32,895	\$ 27,367
Sales and Use Taxes	31,412	31,623	30,327	26,590	26,201	30,915	32,053	29,617	26,070	24,599
Other Taxes	21,154	20,096	16,963	15,248	15,534	19,433	16,761	14,459	13,397	12,498
Franchise Fees	6,462	6,373	6,247	5,979	6,127	5,855	5,714	5,531	5,395	5,521
Intergovernmental Revenues	22,466	31,420	37,939	28,107	21,468	19,567	19,577	21,950	22,342	27,459
Permits and Licenses	9,734	9,568	5,972	4,766	5,435	9,265	7,042	5,780	4,996	4,252
Fines and Forfeitures	1,080	1,290	1,230	1,165	1,537	1,249	1,394	756	944	774
Special Assessments	38	13	21	21	17	71	66	63	71	136
Service Fees	27,397	13,629	9,769	6,809	5,416	21,725	15,621	7,500	7,713	5,495
Rents and Concessions	1,668	1,211	1,223	2,366	2,029	1,907	2,150	1,664	1,538	1,518
Deferred Interest Received from Interfund										
Advances	1,806	4,426	8,999	950	3,389	6,864	6,433	3,976	2,858	971
Investment Earnings	578	922	633	1,085	3,909	-	-	-	-	-
Other Revenues	4,551	6,042	1,320	1,674	1,075	1,824	1,442	1,555	2,991	1,584
Total Revenues	175,902	175,210	172,675	146,167	142,660	162,568	149,060	128,287	121,210	112,174
Expenditures										
Planning and Management	17,101	17,501	17,068	18,708	19,483	19,390	17,252	14,115	13,860	13,096
Public Safety	78,155	73,484	72,059	70,023	73,457	69,582	66,346	62,069	57,709	53,847
Community Development	21,269	22,210	24,876	26,333	21,034	20,816	22,245	20,638	20,093	16,928
Transportation	7,955	7,750	7,342	7,364	7,706	7,533	7,309	6,868	6,475	7,694
Socioeconomic	8,644	11,726	13,162	12,113	10,031	8,600	10,653	12,618	12,774	13,406
Cultural	15,587	7,804	7,667	7,931	7,871	7,545	7,824	7,493	7,331	7,056
Environmental Management	1,922	1,861	2,882	5,306	4,148	2,492	1,747	1,656	1,026	1,622
Capital Outlay	10,126	16,787	16,940	16,497	10,621	9,691	5,548	7,008	3,447	14,379
Debt Service:										
Principal Retirement	1,220	1,550	2,140	1,630	1,535	1,705	1,640	1,525	1,700	1,675
Interest	518	3,291	6,039	6,041	6,399	6,091	6,010	5,687	5,414	5,097
Fiscal Charges	131	181	189	48	551	104	66	125	67	677
Total Expenditures	162,628	164,145	170,364	171,994	162,836	153,549	146,640	139,802	129,896	135,477

Excess (Deficiency) of Revenues										
Over (Under) Expenditures	13,274	11,065	2,311	(25,827)	(20,176)	9,019	2,420	(11,515)	(8,686)	(23,303)
Other Financing Sources (Uses):										
Transfers In	19,913	21,770	26,368	26,612	19,011	18,325	19,154	19,683	17,307	20,376
Transfers Out	(12,382)	(15,746)	(20,213)	(20,848)	(23,883)	(14,273)	(16,615)	(15,277)	(22,743)	(16,628)
Proceeds from Refunding Bonds	-	-	-	-	15,865	-	-	-	-	7,960
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	-	-	-
Total Other Financing Sources (Uses)	7,531	6,024	6,155	5,764	(4,482)	8,752	6,022	4,406	(5,436)	4,394
Extraordinary Items:										
Net Asset Received or Removed upon Dissolution of Redevelopment Agency	(13,966)	80,098	-	-	-	-	-	-	-	-
Total Extraordinary Items	(13,966)	80,098	-	-	-	-	-	-	-	-
Net Change in Fund Balances	\$ 6,839	\$ 97,187	\$ 8,466	\$ (20,063)	\$ (24,658)	\$ 17,771	\$ 8,442	\$ (7,109)	\$ (14,122)	\$ (18,909)
Capital Expenditures	5,992	14,207	13,690	13,791	8,458	8,583	3,211	6,245	3,554	10,937
Debt Service as a Percentage of Noncapital Expenditures	1.1%	3.2%	5.2%	4.8%	5.1%	5.4%	5.3%	5.4%	5.6%	5.4%

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

2 Debt service for principal retirement was higher in fiscal year 2011 due to the early payoff of the ABAG Certificates of Participation.

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

	Fiscal Year									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Property	\$ 47,556	\$ 48,597	\$ 52,032	\$ 51,407	\$ 50,523	\$ 43,905	\$ 40,808	\$ 35,436	\$ 32,895	\$ 27,367
Sales and Use	31,412	31,623	30,327	26,590	26,201	30,915	32,053	29,617	26,070	24,599
Transient Occupancy	9,016	7,778	6,589	5,578	5,686	7,350	6,480	5,633	5,074	4,752
Utility Users	6,549	6,830	6,806	6,798	6,841	6,840	6,479	6,057	5,833	5,877
Business Licenses	1,589	1,505	1,494	1,364	1,199	1,075	687	286	215	244
Real Property Transfer	1,275	925	718	571	548	1,225	1,216	1,140	1,352	765
Construction	2,725	3,059	1,356	937	1,260	2,943	1,899	1,342	923	860
Franchise	6,462	6,373	6,247	5,979	6,127	5,855	5,713	5,531	5,395	5,521
Total	<u>\$ 106,584</u>	<u>\$ 106,690</u>	<u>\$ 105,569</u>	<u>\$ 99,224</u>	<u>\$ 98,385</u>	<u>\$ 100,108</u>	<u>\$ 95,335</u>	<u>\$ 85,042</u>	<u>\$ 77,757</u>	<u>\$ 69,985</u>

CITY OF SUNNYVALE

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

Fiscal Year Ended June 30	Residential Property	Commercial Property	Industrial Property	Other Property¹	Unsecured Property	Total Assessed Value²	Less: Exemptions	Total Taxable Assessed Value	Total Direct Tax Rate³
2004	9,337,009,241	1,779,321,058	4,345,984,376	424,172,231	2,647,745,844	18,534,232,750	126,967,347	18,407,265,403	0.149%
2005	9,829,408,454	1,689,619,669	3,978,983,532	502,956,838	2,096,290,114	18,097,258,607	176,856,725	17,920,401,882	0.184%
2006	10,915,550,621	1,751,820,673	3,549,056,669	458,368,221	2,751,400,421	19,426,196,605	198,943,408	19,227,253,197	0.184%
2007	11,986,705,089	1,972,723,950	4,360,713,609	464,268,466	2,136,425,257	20,920,836,371	208,373,332	20,712,463,039	0.197%
2008	12,899,641,149	2,249,318,824	4,864,685,262	680,647,211	2,203,422,900	22,897,715,346	230,239,556	22,667,475,790	0.194%
2009	13,884,261,832	2,769,989,883	5,384,520,573	577,941,420	2,355,453,585	24,972,167,293	246,909,926	24,725,257,367	0.204%
2010	14,129,616,998	2,848,229,899	5,641,227,308	952,386,638	2,624,851,504	26,196,312,347	296,867,486	25,899,444,861	0.198%
2011	14,187,052,958	3,593,110,296	5,306,337,209	387,154,668	2,450,352,066	25,924,007,197	303,969,181	25,620,038,016	0.203%
2012	14,491,247,756	3,438,645,488	5,341,788,549	340,366,939	2,608,683,037	26,220,731,769	301,649,177	25,919,082,592	0.192%
2013	15,103,665,793	3,600,587,226	5,432,266,156	340,524,870	2,759,360,948	27,236,404,993	341,463,372	26,894,941,621	0.180%

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 184 for information on direct tax rate.

CITY OF SUNNYVALE

**Property Tax Rates
Last Ten Fiscal Years**

	Fiscal Year									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Direct Rates ¹										
County	1.03880	1.03880	1.03880	1.03880	1.03880	1.03880	1.03880	1.03880	1.03880	1.03880
Special District										
Santa Clara Valley Water District	0.00690	0.00642	0.00720	0.00740	0.00610	0.00710	0.00720	0.00780	0.00920	0.00870
El Camino Hospital	0.01290	0.01290	0.01290	0.01290	0.01290	0.01290	0.01290	-	-	-
Overlapping Rates ²										
School Districts ³										
Sunnyvale School District	0.03690	0.03980	0.03900	0.02670	0.03390	0.03560	0.03440	0.03970	0.01880	0.01570
Cupertino Elementary	0.05980	0.02900	0.03080	0.03120	0.03060	0.03370	0.02890	0.26810	0.03600	0.03570
Los Altos Elementary	0.05790	0.05950	0.06000	0.05390	0.05260	0.05430	0.05510	0.04520	0.04870	0.04830
Mountain View Elementary	0.06020	0.03030	0.03220	0.02880	0.02940	0.03120	0.03400	0.03780	0.04230	0.03880
Fremont High	0.03900	0.04150	0.03650	0.03060	0.03390	0.02410	0.02430	0.02600	0.02680	0.02490
Mountain View-Los Altos High	0.01390	0.01470	0.01510	0.01470	0.01480	0.01590	0.01690	0.01790	0.01930	0.01830
Santa Clara Unified	0.08190	0.08360	0.05190	0.07010	0.07430	0.02710	0.07970	0.08610	0.03440	0.02630
Foothills-De Anza College	0.02870	0.02970	0.03260	0.03220	0.01230	0.01130	0.03460	0.01190	0.01290	0.01100

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.

CITY OF SUNNYVALE

**Principal Property Tax Payers
June 30, 2013**

Taxpayer	2013			2004		
	Taxable Assessed Value ¹	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Lockheed Martin Corporation	\$ 1,193,669,254	1	4.44%	\$ 190,276,166	6	1.03%
Network Appliance Inc	552,509,964	2	2.05%	184,189,695	7	1.00%
Menlo And Juniper Networks LLC	460,274,451	3	1.71%	138,295,000	9	0.75%
Yahoo Inc	391,814,336	4	1.46%	246,254,748	4	1.34%
Applied Materials Inc	324,264,285	5	1.21%	473,984,817	2	2.57%
SPF Mathilda LLC	284,443,963	6	1.06%			
MT SPE LLC	269,807,935	7	1.00%			
Irvine Company	239,886,701	8	0.89%	115,899,017	10	0.63%
Intuitive Surgical Inc	233,640,510	9	0.87%			
Redus Svte LLC	188,428,194	10	0.70%			
Advanced Micro Devices Inc				274,850,859	3	1.49%
Bay Apartment Communities Inc				192,783,534	5	1.05%
Lockheed Missles and Space Company Inc				689,995,652	1	3.75%
AMB Property LP				151,281,585	8	0.82%
Total	\$ 4,138,739,593		15.39%	\$ 2,657,811,073		14.43%

Source: County of Santa Clara Assessor's Office

Note ¹ City Total Taxable Assessed Value: \$26,894,941,621

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
2004	27,561,419	26,755,807	97.1%	611,235	27,367,042	97.1%
2005	27,845,911	24,628,122	88.4%	734,809	25,362,931	88.7%
2006	28,812,518	26,489,526	91.9%	783,888	27,273,414	92.2%
2007	31,790,994	31,125,424	97.9%	888,602	32,014,027	98.0%
2008	34,017,054	33,208,221	97.6%	1,072,976	34,281,197	97.7%
2009	40,322,813	38,415,190	95.3%	1,610,512	40,025,702	95.5%
2010	42,336,677	38,838,499	91.7%	1,572,241	40,410,740	92.0%
2011	41,889,029	40,216,471	96.0%	938,236	41,154,707	96.1%
2012	41,316,631	38,541,761	93.3%	856,884	39,398,645	93.4%
2013	45,437,198	36,288,566	79.9%	666,048	36,954,614	80.2%

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

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

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

CITY OF SUNNYVALE

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

	Fiscal Year									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Governmental Activities:										
Certificates of Participation	\$ 23,475	\$ 24,695	\$ 36,835	\$ 39,250	\$ 41,140	\$ 42,520	\$ 44,445	\$ 46,290	\$ 48,050	\$ 49,740
Special Assessment Bonds	-	-	-	-	-	-	-	-	-	280
Tax Allocation Bonds	-	-	5,629	5,996	6,352	6,703	7,050	7,386	7,667	7,894
Business-Type Activities:										
Water and Wastewater Revenue Bonds	57,773	58,677	60,555	62,889	23,004	24,426	25,783	27,089	28,346	29,563
Solid Waste Revenue Bonds	14,505	16,144	18,000	19,781	21,487	23,129	16,149	17,275	18,371	19,426
Total Primary Government	\$ 95,753	\$ 99,516	\$ 121,019	\$ 127,916	\$ 91,983	\$ 96,778	\$ 93,427	\$ 98,040	\$ 102,434	\$ 106,903
Percentage of Personal Income ¹	0.08%	0.09%	0.11%	0.12%	0.09%	0.09%	0.09%	0.10%	0.11%	0.13%
Per Capita ²	\$ 656	\$ 696	\$ 858	\$ 911	\$ 663	\$ 704	\$ 688	\$ 734	\$ 770	\$ 807

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 191. Personal income for fiscal year 2011 was used to calculate percentages for fiscal years 2012 and 2013 since data for fiscal years 2012 and 2013 are not currently available.

2 Population data are presented in the Schedule of Demographic and Economic Statistics on page 191.

3 In prior years the 1998 Parking Certificates of Participation were reported as the Redevelopment Agency's debt obligation. A prior adjustment was made at the beginning of Fiscal Year 2013 to report this debt as the City of Sunnyvale's debt obligation resulting in the restated numbers for Certificates of Participation.

CITY OF SUNNYVALE**Direct and Overlapping Governmental Activities Debt
As of June 30, 2013**

Governmental Unit	Debt Outstanding	Percentage Applicable ¹	Share of Overlapping Debt
Debt Repaid with Property Taxes: County			
City of Sunnyvale Community Facilities District No. 1 Special Tax Bonds	\$ 17,370,000	100.000 %	\$ 17,370,000
Cupertino Union School District & Certificates of Participation	164,416,973	14.667	24,115,037
El Camino Hospital District	141,310,000	35.448	50,091,569
Foothill Community College District Certificates of Participation	17,225,000	22.375	3,854,094
Foothill-De Anza Community College District	621,564,288	22.375	139,075,009
Fremont Union High School District	251,550,108	48.293	121,481,094
Midpeninsula Regional Open Space Park District Certificates of Participation	135,649,717	15.025	20,381,370
Mountain View School District	23,412,297	6.357	1,488,320
Mountain View-Whisman School District	50,000,000	3.799	1,899,500
Mountain View-Los Altos Union High School District & Certificates of Participation	73,127,058	2.020	1,477,167
Los Altos School District	78,515,560	0.165	129,551
Santa Clara County	805,800,000	8.715	70,225,470
Santa Clara County General Fund Obligations	819,956,840	8.715	71,459,239
Santa Clara County Board of Education Certificates of Participation	10,400,000	8.715	906,360
Santa Clara County Pension Obligations	378,994,822	8.715	33,029,399
Santa Clara County Vector Control Certificates of Participation	3,455,000	8.715	301,103
Santa Clara Unified School District Certificates of Participation	442,140,000	9.999	44,209,579
Santa Clara Valley Water District Benefit Assessment District	123,100,000	8.715	10,728,165
Sunnyvale School District	132,701,263	98.993	131,364,961
West Valley-Mission Community College District Certificates of Participation	373,968,073	4.058	15,175,624
Subtotal Overlapping Debt			758,762,611
Direct Debt ²			
City of Sunnyvale Certificates of Participation			13,885,000
City of Sunnyvale Parking Facility Certificates of Participation			9,590,000
Subtotal Direct Debt			23,475,000
Total Direct and Overlapping Debt ³			\$ 782,237,611

Sources: California Municipal Statistics Inc
City of Sunnyvale

Notes:

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

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

³ Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

CITY OF SUNNYVALE

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

	Fiscal Year									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Debt limit	\$ 4,085,461	\$ 3,933,110	\$ 3,888,601	\$ 3,929,447	\$ 3,745,825	\$ 3,434,657	\$ 3,138,125	\$ 2,913,929	\$ 2,714,589	\$ 2,761,090
Total net debt applicable to limit	23,475	29,943	31,490	32,971	35,252	36,394	38,094	39,731	41,251	42,949
Legal debt Margin	<u>\$ 4,061,986</u>	<u>\$ 3,903,167</u>	<u>\$ 3,857,111</u>	<u>\$ 3,896,476</u>	<u>\$ 3,710,573</u>	<u>\$ 3,398,263</u>	<u>\$ 3,100,031</u>	<u>\$ 2,874,198</u>	<u>\$ 2,673,338</u>	<u>\$ 2,718,141</u>
Total net debt applicable to the limit as a percentage of debt limit	0.57%	0.76%	0.81%	0.84%	0.94%	1.06%	1.21%	1.36%	1.52%	1.56%

Legal Debt Margin Calculation for Fiscal Year 2013

Assessed value	\$ 26,894,942
Add back: exempt real property	341,463
Total assessed value	\$ 27,236,405
Debt limit (15% of total assessed value)	4,085,461
Debt applicable to limit:	
Total bonded debt	95,756
Less:	
Water and Wastewater Revenue Bonds	(57,776)
Solid Waste Revenue Bonds	(14,505)
Total net debt applicable to limit	23,475
Legal debt margin	\$ 4,061,986

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									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Water and Wastewater Revenue Bonds										
Gross Revenues	\$ 65,621	\$ 59,071	\$ 52,303	\$ 48,000	\$ 47,060	\$ 48,250	\$ 45,287	\$ 39,641	\$ 37,671	\$ 36,092
Less: Operating Expenses	45,316	39,268	34,303	33,899	33,272	31,868	30,472	29,564	28,669	26,984
Net Available Revenue	\$ 20,305	\$ 19,803	\$ 18,000	\$ 14,101	\$ 13,788	\$ 16,382	\$ 14,815	\$ 10,077	\$ 9,002	\$ 9,108
Debt Service										
Principal	\$ 1,955	\$ 1,900	\$ 2,355	\$ 1,495	\$ 1,435	\$ 1,370	\$ 1,320	\$ 1,270	\$ 1,230	\$ 1,190
Interest	2,789	2,824	2,161	1,119	1,180	1,243	1,294	1,340	1,382	1,423
Coverage	4.3	4.2	4.0	5.4	5.3	6.3	5.7	3.9	3.4	3.5
Solid Waste Revenue Bonds										
Gross Revenues	\$ 65,808	\$ 65,033	\$ 61,398	\$ 57,874	\$ 56,147	\$ 56,998	\$ 49,766	\$ 49,297	\$ 47,083	\$ 44,909
Less: Operating Expenses	53,234	55,411	54,126	51,824	56,896	48,186	43,490	45,116	41,945	42,532
Net Available Revenue	\$ 12,574	\$ 9,622	\$ 7,272	\$ 6,050	\$ (749)	\$ 8,812	\$ 6,276	\$ 4,181	\$ 5,138	\$ 2,377
Debt Service										
Principal	\$ 1,960	\$ 1,865	\$ 1,790	\$ 1,715	\$ 1,645	\$ 1,165	\$ 1,135	\$ 1,105	\$ 1,065	\$ 1,025
Interest	746	834	916	990	1,056	898	810	841	882	918
Coverage ¹	4.6	3.6	2.7	2.2	-0.3	4.3	3.2	2.1	2.6	1.2

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 (thousands of dollars)¹	Per Capita Personal Income¹	Median Age	School Enrollment	Civilian Labor Force	Unemployment Rate
2004	132,422	84,180,357	48,999	34	14,338	70,992	5.7%
2005	133,086	89,629,169	51,810	36	14,792	70,190	4.7%
2006	133,544	97,952,294	56,124	36	14,793	70,713	3.9%
2007	135,721	105,471,632	59,720	36	14,891	72,637	4.0%
2008	137,538	106,290,593	59,207	37	15,142	74,714	5.0%
2009	138,826	97,327,271	53,489	37	15,596	74,804	9.9%
2010	140,450	104,472,224	56,723	37	15,979	74,343	9.6%
2011	141,099	113,844,287	61,028	36	16,224	74,850	8.8%
2012	142,896	Not Available	Not Available	36	16,562	78,525	7.5%
2013	145,973	Not Available	Not Available	36	16,900	79,777	5.8%

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

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

CITY OF SUNNYVALE

***Principal Employers
June 30, 2013***

Employer	2013			2004		
	Number of Employees	Rank	Percentage of Total Employment	Number of Employees	Rank	Percentage of Total Employment
Lockheed Martin Space Systems	6,070	1	7.61%	Not available		
Apple Inc	4,000	2	5.01%			
NetApp Inc	3,134	3	3.93%			
Juniper Networks Inc	3,073	4	3.85%			
Yahoo! Inc	2,810	5	3.52%			
Hewlett Packard	1,743	6	2.18%			
Applied Materials Inc	1,306	7	1.64%			
Northrup Gruman Marine Systems	1,274	8	1.60%			
Synopsys Inc	999	9	1.25%			
Advanced Micro Devices Inc	823	10	1.03%			

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									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Planning and Management	124	124	130	137	144	141	142	141	138	145
Public Safety ¹	311	308	321	328	340	335	325	308	309	333
Community Development	102	103	106	117	126	129	132	132	133	131
Transportation	33	33	35	35	36	35	35	37	35	42
Socioeconomic	55	69	91	89	66	65	79	96	102	108
Cultural	48	47	50	58	61	61	61	65	66	67
Environmental Management	24	22	21	20	21	21	19	18	17	14
Water Supply and Distribution	31	30	29	30	30	29	31	34	32	29
Wastewater Management	70	68	66	69	70	69	67	72	71	69
Solid Waste Management	10	11	10	11	10	10	10	9	9	9
SMaRT Station	1	1	1	1	1	1	1	1	2	2
Community Recreation	81	79	88	89	92	92	92	89	87	95
Total	890	895	948	984	997	988	994	1,002	1,001	1,044

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									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Public Safety:										
Police										
Emergency Responses	40,680	41,060	41,840	37,721	38,676	41,062	47,184	47,464	46,132	52,017
Crime Investigations	5,131	2,347	3,068	Not Available	3,240	3,749	3,834	3,467	3,617	4,268
Traffic Events and Citations	14,460	17,514	17,237	17,208	20,258	19,657	16,753	22,716	24,188	20,213
Fire										
Emergency Responses	7,487	7,092	7,098	6,901	7,123	7,385	6,793	7,026	6,643	6,646
Fire Safety Inspections	4,244	3,754	4,017	Not Available	3,422	4,666	5,934	6,080	5,489	5,189
Transportation:										
Streets Resurfacing (1,000 square feet)	1,493	572	237	152	Not Available	158	Not Available	179	179	156
Street Preventive Maintenance (1,000 sq feet)	3,624	4,272	3,084	4,481	3,553	4,056	3,882	8,159	5,709	5,767
Streetlight Lamps Replaced	1,032	1,486	1,247	1,011	954	682	1,092	846	674	752
Library:										
Library Visitors	743,311	743,363	732,631	796,329	871,128	798,194	768,983	723,731	737,506	861,591
Library Materials Circulated	2,748,170	2,705,192	2,524,293	2,379,284	2,481,633	2,329,375	2,247,777	1,891,080	1,818,370	2,130,978
Library Materials Turnover Rate (average use)	9.5	9.0	8.3	7.9	7.1	7.4	7.4	6.7	6.6	7.6
Water Supply and Distribution:										
Average Daily Demand (million gallons)	19.4	22.8	18.0	18.0	20.3	20.8	21.9	20.0	21.7	22.8
Peak Daily Use (million gallons)	29.1	34.2	40.3	40.3	41.3	42.4	44.0	40.0	43.0	46.0
Water Main Repairs	24	33	23	15	9	28	61	34	24	13
Wastewater Management:										
Average Daily Sewage Treatment (million gallons)	13.4	13.5	13.8	12.6	14.1	14.9	15.4	15.5	15.3	14.9
Solid Waste Management:										
Refuse collected (tons per day)	234.6	223.6	223.6	224.1	233.7	261.9	265.8	277.6	271.5	278.6
Recyclables collected (tons per day)	71.3	68.3	68.2	70.6	68.9	67.4	69.4	71.4	73.2	74.2
SMaRT Station										
Refuse received (tons per day)	609.0	576.0	563.0	604.0	667.1	709.7	722.2	731.4	707.7	721.6
Community Recreation:										
Recreation Programs Registration (hours)	837,899	801,792	703,355	717,931	710,537	745,720	708,158	Not Available	Not Available	585,023
Rental Use of Recreation Facilities ¹ (1,000 Participant Hours 2000-2006)	74,404	81,152	73,330	85,143	65,900	18,324	18,623	Not Available	Not Available	Not Available
Plays at Golf Courses	129,583	136,121	133,356	134,312	137,012	142,137	150,303	147,650	156,523	150,944

Source: City of Sunnyvale, various departments

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

CITY OF SUNNYVALE

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

Function/Program	Fiscal Year									
	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Public Safety										
Police:										
Jail Facilities	1 (6 cells)									
Vehicular Patrol Units ¹	70	70	67	66	67	63	65	52	52	52
Fire Stations	6	6	6	6	6	6	6	6	6	6
Transportation										
Streets (miles)	300	300	300	300	300	300	300	300	300	300
Streetlights	9,328	9,357	9,542	9,542	9,242	8,928	8,928	8,919	8,919	8,909
Traffic Signals	129	130	128	128	128	129	129	129	129	129
Water Supply and Distribution										
Water Mains (miles)	340	330	326	326	326	283	283	282	282	282
Fire Hydrants	3,360	3,424	3,390	3,390	3,390	3,381	3,381	3,400	3,385	3,385
Storage Capacity (million gallons)	27.5	27.5	27.5	27.5	27.5	28.0	28.0	28.0	28.0	28.0
Wastewater Management										
Sanitary Sewer (miles)	283	283	283	283	283	283	283	283	283	283
Treatment Plant Capacity (million gallons)	29.5	29.5	29.5	29.5	29.5	29.5	29.5	29.5	29.5	29.5
SMaRT Station										
Refuse transfer and recovery station capacity (ton per day)	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500
Community Recreation										
Park Acreage	324	323	323	323	323	323	323	322	322	322
Parks	20	19	19	19	19	19	19	19	19	19
Golf Courses	2	2	2	2	2	2	2	2	2	2
Swimming Pools	5	5	6	6	6	6	6	6	6	6
Tennis Courts	49	38	38	38	38	38	38	38	38	38
Skate Parks	2	2	2	2	2	2	2	1	1	1
Recreation Centers	3	3	3	3	3	3	3	3	3	3

Source: City of Sunnyvale, various departments

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

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