



COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2012



City of Sunnyvale California
A Commitment to Excellence

Comprehensive Annual Financial Report

For The Fiscal Year Ended
June 30, 2012



City of Sunnyvale
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Prepared by the Department of Finance
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City of SUNNYVALE

Department of Finance
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December 1, 2012

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, 2012. The City Charter (Section 1318) requires that a licensed certified public accountant conduct an annual audit at the end of each fiscal year and issue a complete set of financial statements to be submitted to City Council. The financial statements are presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards.

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

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

The City's financial statements have been audited by Maze and Associates, a firm of certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City for the fiscal year ended June 30, 2012, are free of material misstatements. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Based upon the audit, the independent auditors concluded that there was reasonable basis for rendering an unqualified opinion which states that the City's financial statements for the fiscal year ended June 30, 2012, 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, 2012

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

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

This report is divided into three sections:

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

PROFILE OF THE CITY

Basic Information

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

Chief Finance Officer's Letter of Transmittal, Continued
Fiscal Year Ended June 30, 2012

PROFILE OF THE CITY, Continued

Component Units

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

The RDA was dissolved on February 1, 2012, and was replaced by the Redevelopment Successor Agency (RSA). The RSA is not a component unit of the City and is instead a separate legal entity overseen by the Oversight Board and the State Department of Finance. The City's role in the RSA is fiduciary in nature. The RSA is reported under the private-public trust fund, a fiduciary fund type. Additional information about the dissolution of the RDA is included in the notes to the financial statements.

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

Types of Services

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

Boards and Commissions

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

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

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

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

Chief Finance Officer's Letter of Transmittal, Continued
Fiscal Year Ended June 30, 2012

PROFILE OF THE CITY, Continued

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

Budget

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

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

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

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

LOCAL ECONOMY

The local economy continued its recovery from the global recession throughout fiscal year 2012. 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. In fact, development activity was so robust in fiscal year 2012 that development-related revenues were near record levels, almost doubling fiscal year 2011 revenues. Property tax, sales tax, and transient occupancy tax all exceeded expectations, and, based on the development activity currently underway, 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 2013 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, 2012

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 high unemployment and financial market volatility, 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. The next several years will be crucial in determining if the desired results can be achieved so that revenues and expenditures can 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, 2012

LONG-TERM FINANCIAL PLANNING, Continued

One significant development identified through our long-term planning process is impact of the 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, a change to the assumed rate of return on CalPERS investments, and adjustments to actuarial assumptions due to actual experience, 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. To mitigate the impact on contracting agencies, PERS has adjusted its smoothing methodology to phase in the significant rate increases over several years as opposed to incorporating the entire impact at one time. While this phased approach eases the impact of the significant increases, it does come at a cost. Agencies end up paying more in the long term, as rates will have to stay high and continue to increase incrementally for the foreseeable future to make up for the fact that the necessary contributions were not made up front. Further, this plan leaves agencies more vulnerable to volatile rates in the future 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 to incorporate these rates into the City's long-term financial plans as adopted in June 2011 and June 2012.

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

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

Chief Finance Officer's Letter of Transmittal, Continued
Fiscal Year Ended June 30, 2012

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.

MAJOR INITIATIVES

Development Activity

The economic recovery was evident in Sunnyvale in terms of the amount of development activity, which reached near record levels during fiscal year 2012. Development activity was diverse and covered almost all sectors including office, research and development, industrial, and residential.

Chief Finance Officer's Letter of Transmittal, Continued
Fiscal Year Ended June 30, 2012

MAJOR INITIATIVES, Continued

Only retail development continued to lag, but recovery in this sector is expected to begin in 2013. 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). The increased demand was so great that a mid-fiscal year budget modification was required to maintain service levels for turnaround time on development review, and the demand is expected to continue to exceed average levels throughout the 2013 fiscal year. A few of the significant projects that were in some phase of the development approval process in fiscal year 2012 and are currently under construction include a new high-rise office building and parking structure at Moffett Towers; tenant improvements at buildings occupied by Apple, Motorola, LinkedIn, and Microsoft; two new high-rise office buildings and one parking structure for Juniper Networks; and over 1,100 residential units.

Redevelopment Agency Dissolution

The Redevelopment Dissolution Act, enacted as part of the fiscal year 2012 California state budget and upheld by the California Supreme Court, dissolved redevelopment agencies on February 1, 2012. As a result, the City formed a Successor Agency and Housing Successor Agency to the former Redevelopment Agency (RDA) in order to unwind the affairs of the RDA by paying off existing obligations and disposing of properties and assets. The unwinding process is overseen by a seven member oversight board consisting largely of appointed education and county interests and includes two City appointments. The dissolution effort has required a significant amount of time from City staff in order to learn and implement the significant and complex rules and adhere to the tight compliance deadlines. The elimination of the RDA has had a significant fiscal impact because the legislation does not fully recognize the debt owed to the City's General Fund. While the presumed worst case scenario was incorporated into the fiscal year 2013 Adopted Budget, staff continues to work to ensure the City's interests are represented. It is anticipated that the bulk of the redevelopment dissolution process will continue into fiscal year 2013.

Completion of Columbia Neighborhood Center Expansion Project

The Columbia Neighborhood expansion project, which added 3,500 square feet to the existing 19,600 square foot building, was completed in April 2012. The completion was celebrated with a grand re-opening event held in May, with over 200 individuals touring the new building and approximately 2,000 individuals participating in the annual Fit and Fun Fair. The project, which was a joint effort between the City and the Sunnyvale School District, provides additional capacity at the Columbia Neighborhood Center, which will allow other partner agencies to expand their service offerings. This includes expanded counseling services provided by Catholic Charities and the YWCA. Funding for the City's portion of the project costs was provided by Community Development Block Grant funds.

Chief Finance Officer's Letter of Transmittal, Continued
Fiscal Year Ended June 30, 2012

MAJOR INITIATIVES, Continued

Implementation of the Civilian Staffing Model in the Department of Public Safety

In response to the City's budget situation, as well as in an effort to provide services to the community in the most efficient and effective manner, the Department of Public Safety continued the implementation of its initiative to replace ten sworn officers, through normal attrition, with civilian professionals. Significant progress was made in the reorganization of the sworn staffing model to best utilize the 195 authorized positions while also ensuring the recruitment process was ramped up to accommodate the lag time associated with hiring and training public safety officers. The department also made significant progress in the implementation of the civilianization program. The duties and specific assignments for the new civilian professional positions have been largely identified, with a number of the new civilian positions being assigned to field operations in the police bureau. These civilian professionals are assigned to day and swing shift squads to provide field response to lower level calls for services such as property crimes, missing persons, traffic accidents, and other incidents not involving violence. Civilian professionals will also be utilized in the fire services area, with two new fire prevention specialists taking on the duties previously conducted by sworn personnel. Full implementation of the civilian professionals model is expected by the end of the 2013 fiscal year.

Phasing out Gaseous Chemical Usage

Prior to fiscal year 2012, wastewater produced at the City's Water Pollution Control Plant (WPCP) was first disinfected with gaseous chlorine and then de-chlorinated using sulfur dioxide to remove the chlorine residual, which is toxic to aquatic life. These gaseous chemicals presented an acutely hazardous working condition for the employees and surrounding communities and also created a significant regulatory burden on the WPCP. Conversion to a much safer alternative of liquid bisulfite, instead of gaseous sulfur dioxide, was completed in fiscal year 2012. Plans are now being developed to replace gaseous chlorine with a much safer liquid chlorine disinfection system.

Cable Channel Broadcast Control Room Rebuild

In fiscal year 2012, the City redesigned and constructed a new digital broadcast control room for its government and public access cable channels 15 (KSUN-15) and 26 (KSUN2) using Public, Education, and Government access (PEG) funds. This project replaced outdated broadcast equipment, cameras, microphones, and televisions to significantly improve broadcast and production capabilities and viewing quality. The KSUN-15 operations are running well and the City has received many positive comments about the new, larger video monitor screens and upgraded presentation functionality in the Council Chambers. Currently, the City is simulcasting programming on both KSUN-15 and KSUN2, and will be restoring and expanding public access programming on KSUN2 in fiscal year 2013.

Chief Finance Officer's Letter of Transmittal, Continued
Fiscal Year Ended June 30, 2012

MAJOR INITIATIVES, Continued

Completion of the Initial Project to Install New LED Streetlights

The City completed the initial project to install street lights utilizing light emitting diodes (LEDs) in fiscal year 2012. This project, which began in 2010 with initial funding of \$1.14 million from the Energy Efficiency Community Block Grant, included replacement of most of the 200-watt streetlights in the City. This project replaced the entire streetlamp head with a new sleek head, specially designed to cool the LED circuitry. The new lamps provide a better lighting distribution and color rendition, as well as save energy and reduce energy costs. The City estimates cost savings will be over \$100,000 annually. The new LED lamps are also expected to last at least three times longer than the existing High Pressure Sodium lamps, thereby reducing lamp replacement costs as well. In total, over 1,100 lights were replaced throughout the City, primarily on the City's arterial roadways.

Contract Extensions Negotiated and Approved with Two Bargaining Units

Contracts for the Service Employees International Union (SEIU) and the Communications Officers' Association (COA) were extended in fiscal year 2012, and the terms of the extension agreements contained the compensation concessions that had already been incorporated into the City's budget. These concessions included no salary increases for the duration of the contract, an additional 2% of pay contribution by the employees towards the pension cost, and a "me-too" clause for when all miscellaneous employees move to a two-tier retirement plan.

Ongoing Projects

The City's Capital Improvement Program has a number of significant projects currently underway that will continue into fiscal year 2013 and beyond.

Downtown Sunnyvale Enhancement Projects:

In addition to the private development taking place downtown, the City is constructing or participating in four important capital projects that will significantly enhance the downtown environment. The following projects were funded in the fiscal year 2012 Budget and will be completed in the next two years or in coordination with the Town Center development.

- *Sunnyvale Avenue Median* (City share \$750,000)
- *Traffic Signal Modification* (City share \$745,000)
- *Washington/Mathilda Intersection Improvements* (City share \$337,000)
- *Downtown Wayfinding and Gateways* (\$850,000)

Chief Finance Officer's Letter of Transmittal, Continued
Fiscal Year Ended June 30, 2012

MAJOR INITIATIVES, Continued

Development of Seven Seas Park

A number of important milestones were completed towards development of the new Seven Seas Park, which is at the site of the former Fair Oaks Industrial Complex. Because of the previous industrial usage at the site, one of the major tasks in the overall park development process has been environmental remediation. During fiscal year 2012, the lead State environmental oversight agency, the Department of Toxic Substance Control, certified their Negative Declaration and, along with the City, approved the Removal Action Workplan. Hazardous materials were removed from the industrial buildings and the buildings were demolished. Additionally, the plans for the soil removal were completed and have been bid. The park plans will be ready for bidding once the site is clean. Next steps are completion of soil removal and testing to clear the site for unrestricted use. Once this is finished, the site will be ready for park construction.

Water and Wastewater Infrastructure

The City continued its efforts in fiscal year 2012 to address its aging water and wastewater utility infrastructure. In the water utility, the highest priority has been placed on water pipe replacements, and with 350 miles of water lines, many in need of replacement, the most pressing needs were identified in 2012. \$4.8 million in replacement funds have been budgeted for accelerated work that will take place over the next two fiscal years. In the wastewater utility, the massive project to renovate the City's Water Pollution Control Plant (WPCP) is in the early stages, with the Strategic Infrastructure Plan recently completed and the design for the primary treatment facilities and environmental work underway. In addition, and similar to the water utility, sewer pipe replacements are also a priority, with \$3.4 million in accelerated replacement funding over the next two fiscal years prioritized for the most pressing needs.

Mathilda Avenue Railroad Overpass 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 Mathilda Avenue Railroad Overpass Bridge revealed that it was "functionally obsolete," not meeting several standards for bridge pier clearance, deceleration lanes, shoulder width, bridge railing, and pedestrian access.

To address the necessary improvements on this bridge, the City secured federal funds to cover nearly 90% of the cost of this project, with the City's local share funded by Measure A funds, Traffic Mitigation fees, and Gas Tax funds. The total cost of the project is currently estimated to be between \$25 million and \$26 million. The bridge improvements, which were nearly complete as of the end of fiscal year 2012, include a reconfigured off ramp to Evelyn Avenue to provide better access (opened for traffic in April 2012), new pedestrian ramps, bridge widening, streetlights, landscaping, and a modified, signalized intersection at California and Mathilda Avenues. This project is expected to be completely closed out during fiscal year 2013.

Chief Finance Officer's Letter of Transmittal, Continued
Fiscal Year Ended June 30, 2012

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Sunnyvale for its comprehensive annual financial report for the fiscal year ended June 30, 2011. This was the twenty-sixth 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, 2012. This was the twenty-third 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 thirteen 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 Drew Corbett, Assistant Director of Finance.

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

***Chief Finance Officer's Letter of Transmittal, Concluded
Fiscal Year Ended June 30, 2012***

AWARDS AND ACKNOWLEDGEMENTS, Continued

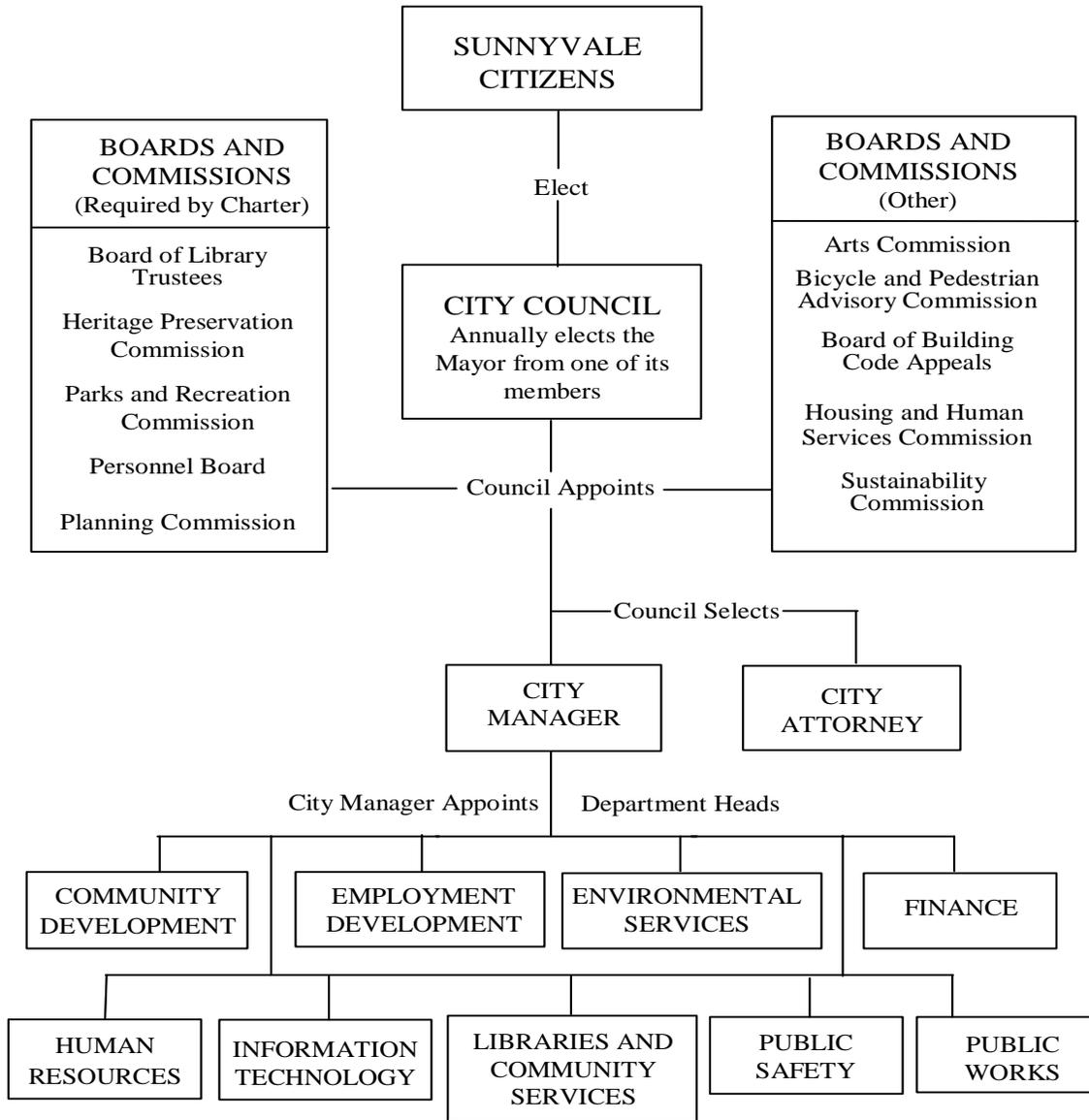
Sincere appreciation is also expressed to the City Manager and members of the City Council for their support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,



Grace K. Leung
Director of Finance

Organization Chart



Anthony Spitaleri
Mayor

David Whittum
Vice-Mayor

Christopher R. Moylan
Councilmember

James Griffith
Councilmember

Pat Meyering
Councilmember

Tara Martin-Milius
Councilmember

Jim Davis
Councilmember

Gary Luebbers
City Manager

Frank Grgurina
Director of Public Safety

Lisa Rosenblum
Director of Libraries and
Community Services

Hanson Hom
Director of Community Development

Teri Silva
Director of Human Resources

David Jensen
Interim Director of Information Technology

Kris Stadelman
Director of Employment Development

Grace Leung
Director of Finance

Kent Steffens
Director of Public Works

Michael Martello
Interim City Attorney

John Stufflebean
Director of Environmental Services

Robert Walker
Assistant City Manager

*Directory of Boards and Commissions
Fiscal Year Ended June 30, 2012*

Arts Commission

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

Bicycle and Pedestrian Advisory Commission

Durham, Ralph
Gandrud, David
Manitakos, Jr., James
Rausch, Angela
Stawitcke, Andrea
Switzer, Cathy

Board of Building Code Appeals

Baltar, Pedro
Ludlow, Roger
Musgrave, David

Board of Library Trustees

Flaherty, Thomas
Miller, Judi
Pathak, Narendra
Shanmugasundaram, Jill
Su, "Ray" Zahn

Heritage Preservation Commission

Johnson, Mark
Mouritsen, Dale
Squellati, David
Stanek, Jeanine
Vaidyanathan, Nirmala
Verma, Amrit

Housing and Human Services Commission

Anderson, Eric
Dietrich, Hannalore
Evans, Patti
Jeong, Younil
Pham, Mathieu

Parks and Recreation Commission

Chuck, Howard
Harms, Robert
Kinder, Bob
Pasqua, Craig
Pochowski, Robert

Personnel Board

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

Planning Commission

Chang, Bo
Dohadwala, Maria
Hendricks, Glenn
Kolchak, Arcadi
Larsson, Gustav
Sulser, Brandon
Travis, Nick

Sustainability Commission

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

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Sunnyvale
California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2011

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



Linda C. Davison

President

Jeffrey R. Emer

Executive Director

INDEPENDENT AUDITORS' REPORT

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Sunnyvale, California as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

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

In our opinion, the basic financial statements referred to above present fairly in all material respects the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Sunnyvale, California as of June 30, 2012 and the respective changes in the financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 16, pursuant to ABx1 26 adopted by the State of California which was validated by the California Supreme Court on December 28, 2011, the Redevelopment Agency of the City of Sunnyvale has been dissolved and its assets turned over to and liabilities assumed by Successor Agencies effective February 1, 2012. Certain transactions undertaken by the former Redevelopment Agency of the City of Sunnyvale prior to the date of dissolution may be subject to review by the State as discussed in Note 16, but the effect of that review can not be determined as of June 30, 2012.

In accordance with Government Auditing Standards, we have also issued our report dated November 21, 2012 on our consideration of the City of Sunnyvale's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to this information in accordance with generally accepted auditing standards 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.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that comprise the City of Sunnyvale's financial statements as a whole. The Introductory Section, Supplemental Information, and Statistical Section are presented for purposes of additional analysis and are not a required part of the financial statements. The Supplemental Information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with generally accepted auditing standards in the United States of America. In our opinion, the Supplemental Information is 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.

Maze & Associates

November 21, 2012

Management's Discussion and Analysis

***Management's Discussion and Analysis
Fiscal Year Ended June 30, 2012***

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, 2012. 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, 2012, the City's net assets (excess of assets over liabilities on the full accrual basis) were \$799.4 million. Of this amount, \$193.3 million represents unrestricted net assets, which may be used to meet the City's ongoing obligations to citizens and creditors.
- The City's general revenues and extraordinary items totaling \$154.1 million exceeded net expenses (after deducting program income) of \$76.5 million, resulting in an increase of \$77.6 million in net assets. Of this increase, \$43.5 million represents extraordinary items from the dissolution of the former Redevelopment Agency (RDA-a blended component unit of the City of Sunnyvale).
- At June 30, 2012, the City's governmental funds reported a combined fund balance of \$194.6 million, an increase of \$97.2 million (including \$80.1 million of extraordinary items from the RDA dissolution) from the prior year. The General Fund balance was \$107.3 million, an increase of \$9.5 million from the prior year's balance of \$97.8 million.
- The financial transactions of the Redevelopment Successor Agency (RSA-designated successor entity to the former RDA) are reported under the Private-Purpose Trust Fund. Successor agencies are required to perform enforceable obligations of the former RDA as defined in ABx1 26 and AB 1484, subject to the approval of the Oversight Board and the State Department of Finance.
- At June 30, 2012, the City listed \$21.4 million of "Former Redevelopment Agency Obligations Due to the City" as one of the liabilities of the RSA, based on the City's interpretation of ABx1 26 and AB 1484. It remains uncertain about the timing and the amount of the repayment from the RSA, the City's government-wide financial statements reported the same amount as "City Advances to Former RDA." This receivable amount will be adjusted after the RSA resolves enforceable obligations with the State Department of Finance.

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, 2012

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. These statements present governmental activities and business-type activities separately and include all assets of the City (including infrastructure) as well as all liabilities (including long-term debt). Additionally, certain interfund receivables, payables, and other interfund activity have been eliminated as prescribed by GASB Statement No. 34.

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

The statement of activities and changes in net assets presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets 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 Community Recreation.

The government-wide financial statements include the City (primary government) and all legally separate entities (component units) for which the City is financially accountable. For the fiscal year ended June 30, 2012, the City's component units include the former Redevelopment Agency, which was dissolved on February 1, 2002, and the Sunnyvale Financing Authority. These component units were, for practical purposes, departments or programs of the City and, therefore, were 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, 2012

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 19 individual governmental funds. Information is presented separately in the governmental fund financial statements for the following major governmental funds: General Fund, Housing Special Revenue Fund, Employment Development Special Revenue Fund, Redevelopment Agency Debt Service Fund, and City Capital Projects Fund. 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 Community Recreation operations. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its General Services, Employee Benefits, and Risk Management operations. Because these 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, 2012

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 resources held exclusively for the wind-down of the former Redevelopment Agency that was dissolved on February 1, 2012. 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, 2012

C. GOVERNMENT-WIDE OVERALL FINANCIAL ANALYSIS

Statement of Net Assets

Net assets over time may serve as a useful indicator of the City's financial position. At the close of fiscal year 2012, assets exceeded liabilities by \$799.4 million. This is an increase of \$77.6 million from the prior year.

As we fine-tune the implementation of Governmental Accounting Standards Board (GASB) Statement 34, we have made some reclassifications between the line items in the originally presented fiscal year 2011 net asset information so that the comparative analysis will be more meaningful. These reclassifications do not change net assets reported in that year. The following is the condensed statement of net assets for the fiscal years ended June 30, 2012 and 2011.

City of Sunnyvale							
Condensed Comparative Statements of Net Assets							
June 30, 2012 and 2011							
(Amounts in Millions)							
	Governmental Activities		Business-type Activities		Total		
	2012	2011	2012	2011	2012	2011	Total % Change
Assets:							
Current and Other Assets	\$ 360.9	\$ 314.6	\$ 44.7	\$ 40.7	\$ 405.6	\$ 355.3	14.2 %
Capital Assets, Net	416.1	420.2	118.7	120.4	534.8	540.6	(1.1)%
Total Assets	777.0	734.8	163.4	161.1	940.4	895.9	5.0 %
Liabilities:							
Noncurrent Liabilities	35.9	55.1	83.5	88.0	119.4	143.1	(16.6)%
Other Liabilities	10.5	20.4	11.0	10.5	21.5	30.9	(30.4)%
Total Liabilities	46.4	75.5	94.5	98.5	140.9	174.0	(19.0)%
Net Assets:							
Invested in Capital Assets, Net of Related Debt	402.9	388.8	80.8	85.8	483.7	474.6	1.9 %
Restricted	122.4	115.1	-	-	122.4	115.1	6.3 %
Unrestricted	205.3	155.4	(12.0)	(23.3)	193.3	132.1	46.3 %
Total Net Assets	\$ 730.6	\$ 659.3	\$ 68.8	\$ 62.5	\$ 799.4	\$ 721.8	10.8 %

Management's Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2012

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

At June 30, 2012, the largest portion, \$483.7 million or 60.5%, of the City's net assets reflects the City's investment in capital assets net of related debt. This component portrays the total amount of funds required to acquire those assets less any related debt used for such acquisition that is still outstanding. This amount increased this year by \$9.1 million as a result of asset additions exceeding depreciation expenses and principal retirement of related debt. The City uses these capital assets to provide services to citizens. The amount of net assets invested in capital assets, net of related debt, is reported as a distinct component of net assets because this amount is not available for future spending. In addition, although the City's investment in its capital assets is reported net of related debt, the resources needed to repay this debt must be provided from other sources because the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion, \$122.4 million or 15.3%, of the City's net assets represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$193.3 million or 24.2% of total net assets is unrestricted and may be used to meet the City's obligations to its citizens and creditors.

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

The City's overall net assets increased \$77.6 million from the prior fiscal year. The reasons for this overall decrease are discussed in the following sections for governmental activities and business-type activities.

Management's Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2012

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

Statement of Activities

City of Sunnyvale
Condensed Comparative Statements of Activities and Changes in Net Assets
June 30, 2012 and 2011
(Amounts in Millions)

	Governmental Activities		Business-Type Activities		Total		Total % Change
	2012	2011	2012	2011	2012	2011	
Revenues:							
Program Revenues:							
Charges for Services	\$ 28.1	\$ 19.3	\$ 131.0	\$ 120.4	\$ 159.1	\$ 139.7	13.9 %
Operating Grants and Contributions	19.4	27.5	-	-	19.4	27.5	(29.5)%
Capital Grants and Contributions	15.1	11.8	0.5	0.1	15.6	11.9	31.2 %
Total Program Revenues	62.6	58.6	131.5	120.5	194.1	179.1	8.4 %
General Revenues:							
Property Taxes	48.8	52.3	-	-	48.8	52.3	(6.7)%
Sales and Use Taxes	30.3	29.2	-	-	30.3	29.2	3.8 %
Other Taxes	26.6	23.9	-	-	26.6	23.9	11.3 %
Investment Income	1.3	1.4	0.5	0.5	1.8	1.9	(5.3)%
Interest Accrued from Advances to Business-Type Activities	3.0	2.9	-	-	3.0	2.9	3.4 %
Miscellaneous	0.1	-	-	-	0.1	-	100.0 %
Total General Revenues	110.1	109.7	0.5	0.5	110.6	110.2	0.4 %
Total Revenues	172.7	168.3	132.0	121.0	304.7	289.3	5.3 %
Expenses:							
Planning and Management	18.5	18.7	-	-	18.5	18.7	(1.1)%
Public Safety	74.1	76.0	-	-	74.1	76.0	(2.5)%
Community Development	22.0	21.1	-	-	22.0	21.1	4.3 %
Transportation	10.8	11.9	-	-	10.8	11.9	(9.2)%
Socioeconomic	12.8	14.3	-	-	12.8	14.3	(10.5)%
Cultural	8.9	9.0	-	-	8.9	9.0	(1.1)%
Environmental Management	2.9	3.6	-	-	2.9	3.6	(19.4)%
Water Supply and Distribution	-	-	27.3	24.7	27.3	24.7	10.5 %
Wastewater Management	-	-	20.6	18.7	20.6	18.7	10.2 %
Solid Waste Management	-	-	32.3	32.4	32.3	32.4	(0.3)%
SMaRT Station	-	-	28.5	26.3	28.5	26.3	8.4 %
Community Recreation	-	-	11.5	11.8	11.5	11.8	(2.5)%
Interest on Long-term Debt	0.4	1.1	-	-	0.4	1.1	(63.6)%
Total Expenses	150.4	155.7	120.2	113.9	270.6	269.6	0.4 %
Increase (decrease) in Net Assets before							
Transfers and Extraordinary Items	22.3	12.6	11.8	7.1	34.1	19.7	73.2 %
Extraordinary Items	43.5	-	-	-	43.5	-	100.0 %
Transfers	5.5	5.9	(5.5)	(5.9)	-	-	-
Increase (Decrease) in Net Assets	71.3	18.5	6.3	1.2	77.6	19.7	294.1 %
Net Assets - Beginning	659.3	640.8	62.5	61.3	721.8	702.1	2.8 %
Net Assets - Ending	\$ 730.6	\$ 659.3	\$ 68.8	\$ 62.5	\$ 799.4	\$ 721.8	10.8 %

Management’s Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2012

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

Governmental Activities

The City’s governmental activities increased net assets by \$71.3 million. Extraordinary items of \$43.5 million accounted for the largest portion of this increase. Program revenues of \$62.6 million and general revenues of \$110.1 million exceeded total program expense and interest on long-term debt of \$150.4 million by \$22.3 million. Net transfers from business-type to governmental activities amounted to \$5.5 million, primarily for services provided by the General Fund programs. Key elements of this change were as follows:

Revenue Highlights:

- Total revenues before extraordinary items and transfers were \$172.7 million, which was \$4.4 million higher than the prior year.
- Total property tax revenues decreased \$3.5 million or 6.7% from the prior year. Due to the dissolution of the former Redevelopment Agency, no property tax increment revenue was received after January 31, 2012. Tax increment revenue was \$4.5 million less than the prior year. Other property tax revenues increased \$1 million from the prior year.
- Sales and use tax revenue increased \$1.1 million or 3.8% from the prior year due to continued economic recovery.
- Other tax revenues increased by \$2.7 million or 11.3% from the prior year.

	<u>Total Other Tax Revenues</u>		<u>Total % Change</u>
	<u>2012</u>	<u>2011</u>	<u>2012-2011</u>
Transient Occupancy Tax (TOT)	\$ 7.8	\$ 6.6	18.2 %
Utility Users Tax	6.8	6.8	-
Motor Vehicle License Fees	0.1	0.7	(85.7)%
Construction & Real Property Transfer	4.0	2.1	90.5 %
Franchise Fees (based on gross receipts)	6.4	6.2	3.2 %
Business License Tax	1.5	1.5	-
Total	<u>\$ 26.6</u>	<u>\$ 23.9</u>	<u>11.3 %</u>

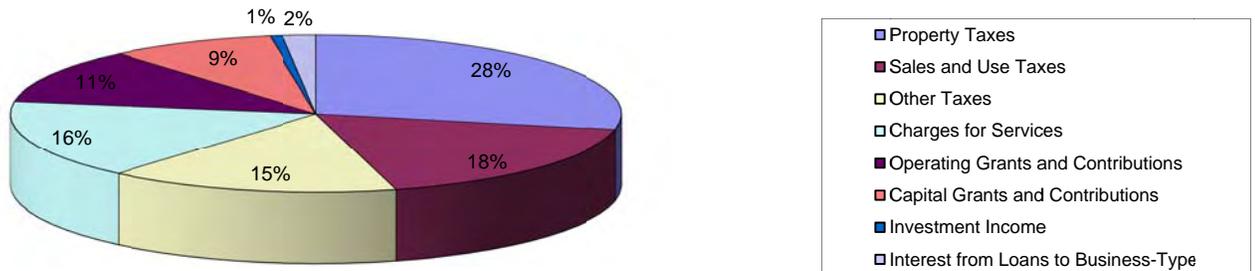
- Transient occupancy tax increased as business-related travel recovered, as evidenced by increases in both room rates and occupancy levels. The increase in construction tax and real property transfer tax was due to a number of major developments getting underway in the City. The decrease in motor vehicle 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 \$8.8 million or 46% from the previous year. Major contributors include: revenues from permits and licenses increased \$3.6 million; service fees, park dedication fees, and housing mitigation fees increased approximately \$3.9 million from last year.

Management’s Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2012

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

- Operating grants and contributions decreased by \$8.1 million or 29%, primarily due to decreased funding from the State Department of Housing and Community Development (Infill Infrastructure Grant), and Federal grants such as HOME and Workforce Investment Act (WIA) grants.
- Capital grants and contributions increased by \$3.3 million or 28% from the prior year. The City accepted \$2.1 million more in developer donated assets than in prior year. In addition, there was \$0.5 million more funding for the Mathilda Bridge project.
- GASB Statement No 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, requires that investments be stated at fair value at the end of the fiscal year. A significant portion of the City’s investment portfolio is in high-quality debt securities, which are sensitive to changes in interest rates. Investment earnings (a combination of interest income and change in fair value of investments) decreased by \$0.1 million or 7% from the previous year. The decline was primarily due to the low yield on U.S. Treasury and other highly safe similar instruments. Most of the investments were acquired at a premium for better yields. No actual gains or losses were incurred since the City’s policy is to buy and hold investments until their maturity dates. Excluding the change in fair value, the average rate of return on the City’s portfolio was 0.70%, down from 0.73% of last year.

Governmental Activities
Revenues by Source
June 30, 2012



Management's Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2012

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

Expense Highlights:

Total expenses for governmental activities were \$150.4 million, lower than last year by \$5.3 million. Interest expense was \$0.7 million lower, primarily due to the transfer of the former RDA bonded debt obligations to the Successor Agency Trust Fund. Major reasons for the remaining decrease of \$4.6 million in total expenses are explained as summarized in the table below:

- Direct charges to governmental programs were \$2.7 million less than last year.
- Through higher reimbursement rates charged to user programs and cost savings, the City's Internal Service Funds were able to reduce operating loss from -\$8 million in the prior year to -\$2 million this year. That resulted in a significant reduction of \$5.1 million from the year before in look-back adjustments made to governmental programs.
- The net impact (net increase) on program expenses from capital asset transactions (additions, deletions and depreciation) was about \$0.2 million less than last year.
- Grant-funded housing loans disbursed was \$3.6 million less than the year before. Such loans were recorded as expenditures for budgetary purposes but converted to receivables in the government-wide financial statements.

Increase (Decreases) from the Prior Year in the Expenses of Governmental Activities, Attributable to Changes in						
	Direct Charges	Internal Service Look-Back Adjustments	Capital Asset- Related	Housing Loan Adjustments	Estimated Liability	Total
Expenses:						
Planning and Management	\$ 0.4	\$ (0.7)	\$ 0.1	\$ -	\$ -	\$ (0.2)
Public Safety	1.4	(3.0)	(0.3)	-	-	(1.9)
Community Development	(2.6)	(0.6)	0.5	3.6	-	0.9
Transportation	0.4	-	(1.5)	-	-	(1.1)
Socioeconomic	(1.4)	(0.3)	0.2	-	-	(1.5)
Cultural	0.1	(0.3)	0.1	-	-	(0.1)
Environmental Management	(1.0)	(0.2)	0.7	-	(0.2)	(0.7)
	<u>\$ (2.7)</u>	<u>\$ (5.1)</u>	<u>\$ (0.2)</u>	<u>\$ 3.6</u>	<u>\$ (0.2)</u>	<u>\$ (4.6)</u>

The \$0.4 million increase in direct charges to Planning and Management was primarily due to the increase in the City's retirement costs. The \$1.4 million increase in direct charges to Public Safety was mainly caused by the cost increase in workers' compensation claims and retirement. The \$2.6 million decrease in direct charges to Community Development was primarily due to the reduction in affordable housing loans disbursed to qualified residents and offset somewhat by the increasing retirement costs. The \$0.4 million increase in direct charges to Transportation reflected the cost increase in utilities and materials for pavement, street lighting, and traffic services. The increase of \$0.1 million in direct charges to the Cultural program reflected higher spending in library materials and retirement costs. The decrease of \$1 million in direct charges to Environmental Management was primarily due to the winding down of the Town Center Pollution Remediation project, in which the major spending occurred in prior years.

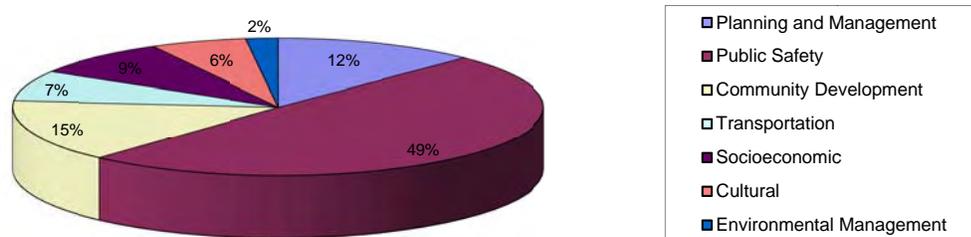
Management’s Discussion and Analysis, Continued
 Fiscal Year Ended June 30, 2012

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

Program revenues offset total expenses as follows:

- Those who directly benefited from the governmental programs contributed \$28.1 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 \$19.4 million.
- A total of \$15.1 million in capital projects was funded by outside agencies through capital grants and contributions.

**Governmental Activities
 Expenses by Function/Program
 June 30, 2012**



Functional expenses for the years ended June 30, 2012 and 2011 were as follows (amount in millions):

	Total Cost of Services		Percentage Change	Net Cost of Services		Percentage Change
	2012	2011	2011-2012	2012	2011	2011-2012
Planning and Management	\$ 18.5	\$ 18.7	(1.1)%	\$ 16.8	\$ 17.1	(1.8)%
Public Safety	74.1	76.0	(2.5)%	68.1	71.0	(4.1)%
Community Development	22.0	21.1	4.3 %	(3.7)	(1.4)	164.3 %
Transportation	10.8	11.9	(9.2)%	(5.5)	(4.0)	37.5 %
Socioeconomic	12.8	14.3	(10.5)%	1.8	1.8	-
Cultural	8.9	9.0	(1.1)%	8.4	8.6	(2.3)%
Environmental Management	2.9	3.6	(19.4)%	1.4	2.9	(51.7)%
Total	\$ 150.0	\$ 154.6	(3.0)%	\$ 87.3	\$ 96.0	(9.1)%

Management’s Discussion and Analysis, Continued
 Fiscal Year Ended June 30, 2012

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

Business Type Activities

	Program Revenues		Percentage Change	Program Expenses		Percentage Change
	2012	2011	2011-2012	2012	2011	2011-2012
Business-Type Activities:						
Water Supply & Distribution	\$ 32.8	\$ 27.7	18.4 %	\$ 27.3	\$ 24.7	10.5 %
Wastewater Management	26.3	24.3	8.2 %	20.6	18.7	10.2 %
Solid Waste Management	38.7	36.8	5.2 %	32.3	32.4	(0.3)%
SMaRT Station	26.2	24.5	6.9 %	28.5	26.3	8.4 %
Community Recreation	7.5	7.2	4.2 %	11.5	11.8	(2.5)%
Total	\$ 131.5	\$ 120.5	9.1 %	\$ 120.2	\$ 113.9	5.5 %

Revenue Highlights:

- Total program revenues in business-type activities increased \$11.0 million from last year. Revenue from charges for services increased \$10.6 million. The rate increase was 18% for water, 6% for solid waste services, and 5.5% for wastewater services. These rate increases were needed to cover fixed costs as the economic downturn reduced demand, as well as increased costs of operations and maintenance and rehabilitation of infrastructure. The increase in the SMaRT Station revenues was attributable to higher operating costs. The increase in Community Recreation revenues was caused by higher golf fee revenues. Capital contributions from developers increased \$0.4 million. For general revenues (not shown in the table above), investment earnings (a combination of interest income and change in fair value of investments) totaled \$0.5 million, about the same as last year.

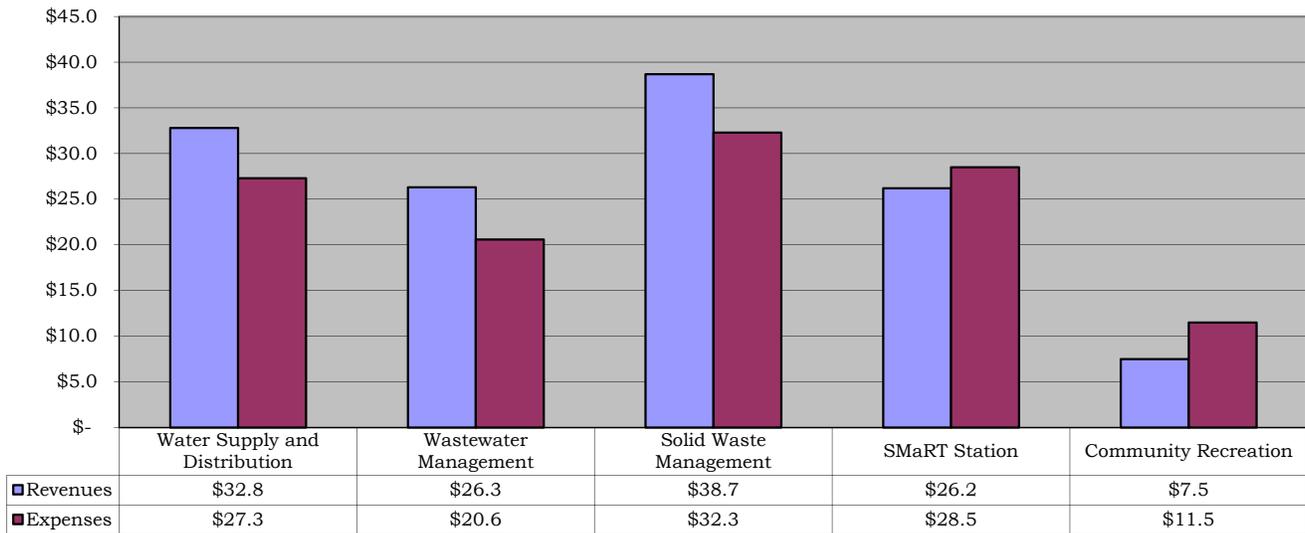
Expense Highlights:

- Total expenses in business-type activities increased \$6.3 million from last fiscal year. The Water Supply and Distribution activity had an increase in expense of \$2.6 million, the Wastewater Management activity increased by \$1.9 million, the Solid Waste Management activity decreased by \$0.1 million, the SMaRT Station activity increased by \$2.2 million, and the Community Recreation activity decreased by \$0.3 million.
- Internal Service Funds’ look-back loss adjustment to business-type activities amounted to \$1.3 million in this year. The look-back loss adjustment was \$2.2 million last year. The Water, Wastewater Management, and Recreation activities were all charged \$0.3 million less than last year while other activities did not have significant changes from last year.

Management’s Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2012

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS, Continued

Business-Type Activities
Program Revenues and Expenses
June 30, 2012



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.

Management's Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2012

D. FUND FINANCIAL STATEMENT ANALYSIS, Continued

At June 30, 2012, the City's governmental funds reported combined fund balances of \$194.6 million, an increase of \$97.2 million from the prior year. Approximately \$61.6 million or 31.7% 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 (\$13.4 million), 2) legally required to be maintained intact (\$2 million), 3) restricted for particular purposes (\$80.5 million), 4) committed for particular purposes (\$27.1 million) or 5) assigned for particular purposes (\$9.9 million).

The following are the major funds that the City considers important to financial statement users, even though only the General Fund and the Housing Special Revenue Fund qualify 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 2012, unassigned fund balance of the General Fund was \$61.6 million, while total fund balance increased to \$107.3 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 of \$123.2 million. Unassigned fund balance represents approximately 50% of total General Fund expenditures, while total fund balance represents approximately 87.1% of that same amount.

The General Fund's fund balance increased by \$9.5 million during the year. Excess of revenues over expenditures was \$3.4 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 \$6.1 million.

Total revenue was \$126.5 million, an increase of \$6.2 million from last year, primarily due to increasing tax revenues, permits, and service fees as discussed earlier in connection with governmental activities. Total expenditures were \$123.2 million, an increase of \$2.9 million from last year, primarily due to the rising costs of funding for employee retirements and for workers compensation claims.

The dissolution of the City's former Redevelopment Agency (RDA) on February 1, 2012 has 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 \$21.4 million, which was offset completely by a corresponding amount of deferred revenue, leaving no effect on the fund balance at June 30, 2012. Interest accrued from prior advances had been recorded in the deferred revenue account since it remained unavailable.

The Oversight Board of the Redevelopment Successor Agency and State Department of Finance disagree on whether a portion of the General Fund's advances to the former RDA meets the definition of an "enforceable obligation" under ABx1 26. The State Department of Finance has not made a final decision on this issue. Whether the City's General Fund can collect repayments of prior advances to the RDA at the amount recorded and thus convert deferred revenue to revenue in the future remain uncertain.

Management's Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2012

D. FUND FINANCIAL STATEMENT ANALYSIS, Continued

Housing Special Revenue Fund

The Housing Special Revenue Fund is primarily 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 \$4.2 million. Total revenue was \$7 million, an increase of \$0.5 million over last year, which mainly resulted from a net reduction of \$2.9 million in grant reimbursements and an increase of \$3.4 in loan repayments and fee revenues. Total expenditures were \$2.8 million, a decrease of \$2.4 million from the prior year, primarily due to reductions in housing loans.

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 \$1.7 million, which was matched with reduced expenditures and transfers out to other funds.

(Former) Redevelopment Agency Debt Service Fund

The Redevelopment Agency (RDA) was dissolved on February 1, 2012. Prior to that date, the Redevelopment Agency Debt Service Fund had been used to account for financial resources (tax increment revenue) restricted to repay the principal and interest of the bonded debt obligations and other legally mandated debt (advances from the City General Fund) incurred for the redevelopment project area.

The 1977 First Amended Repayment Contract and the 2003 Loan Repayment Agreement between the City and the Agency were executed in accordance with California Redevelopment Law to provide tax increment financing for capital improvements in the project area. The RDA agreed to reimburse the City for land, capital improvements, and certain other costs that had been provided for initially by the City's General Fund.

Whether loans made by the City's General Fund under the 1977 First Amended Repayment Contract qualify as an enforceable obligation as defined by ABx1 26 remains unsettled, pending the State Department of Finance's review results. The City's position is that these loans meet the definition of an "enforceable obligation" under Section 34171(d)(2).

Management's Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2012

D. FUND FINANCIAL STATEMENT ANALYSIS, Continued

AB 1484 offers potential benefits to a successor agency and its sponsoring community once the successor has attained a finding of completion from the State. Under AB 1484, loan agreements between the sponsoring community and the dissolved RDA that were previously deemed to be unenforceable obligations as of February 1, 2012, can once again be deemed enforceable with the approval of the Oversight Board and the State Department of Finance. The reinstated loans are subject to conditions such as 1) recalculating loan balances from loan origination at the LAIF rate and also using the LAIF rate going forward, 2) loan repayments cannot begin until fiscal year 2014, 3) repayments received must first be applied to retire amounts previously owed to the Low and Moderate Income Housing Fund, and 4) 20% of any remaining repayments received must be placed in the Housing Asset Fund maintained by the Housing Successor.

On February 1, 2012, the Redevelopment Agency Debt Service Fund was closed, with resources and obligations (including *Former Redevelopment Agency Obligations Due to the City*) transferred to the Redevelopment Successor Agency Private-Purpose Trust Fund.

City Projects Capital Projects Fund

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

The City Projects Capital Project Fund showed an insignificant increase in fund balance of \$0.7 million. Intergovernmental grant revenues decreased by \$0.8 million with a similar reduction in capital outlay expenditures. Total expenditures exceeded revenue by \$1.3 million. This Fund received net transfers-in of \$2 million from other City funds to reimburse a portion of project costs.

Proprietary Funds

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

Water Supply and Distribution Enterprise Fund

The Water Supply and Distribution Enterprise Fund's net assets had an increase of \$3.0 million. The 18% 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 \$5.9 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 assets grew by \$2.2 million due to the 5.5% rate increase. The Fund's net income before contributions and transfers was \$6.6 million. Approximately \$4.7 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.

Management's Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2012

D. FUND FINANCIAL STATEMENT ANALYSIS, Continued

Solid Waste Management Enterprise Fund

The Solid Waste Management Enterprise Fund's net assets increased \$1.5 million from last year. The Fund's net income before transfers was \$6.4 million. Approximately \$3.2 million was transferred out to other funds for administrative and project support and \$1.6 million was transferred for the SMaRT Station Enterprise Fund's debt service. This Fund had deficit net assets of \$33.0 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 \$33.0 million and landfill liability \$8.7 million. The deficit is expected to be funded by charges for services in future years.

SMaRT Station Enterprise Fund

The SMaRT Station Enterprise Fund's net assets decreased \$0.6 million from the prior year. The Fund had an operating loss of \$1.4 million. The Fund's net loss before transfers was \$2.1 million. The amount of \$1.6 million was transferred from the Solid Waste Management activity for the City's share of debt service.

The new materials recovery facility (MRF) operation began on September 1, 2009. Total operating expenses were \$2.2 million higher than last year as more material was delivered to the Kirby Canyon landfill. In prior fiscal year the City of Palo Alto had redirected material to their own landfill, resulting in lower taxes and licenses. Depreciation expense was higher than last year when half-year depreciation was applied to the replaced MRF.

Community Recreation Enterprise Fund

The Community Recreation Enterprise Fund's net assets increased by \$0.2 million. The Fund's operating loss of \$4.1 million and transfers-out of \$0.3 million (for in-lieu charges to the General Fund) were offset by subsidies of \$4.6 million from the General Fund and the Permanent Funds (nonmajor governmental funds).

E. GENERAL FUND BUDGETARY HIGHLIGHTS

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

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

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

Final appropriations, including transfers to other funds, for fiscal year 2012 were \$140.8 million, an increase of \$6.5 million from the original appropriations of \$134.3 million. The increase reflected net carryover appropriations of \$5.2 million and new appropriations of \$1.3 million.

Management's Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2012

E. GENERAL FUND BUDGETARY HIGHLIGHTS, Continued

Actual charges to appropriations (outflows) for the fiscal year were \$5.5 million under the original budget and \$12.0 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 \$9.9 million, primarily due to project transfer appropriations which will not lapse for fiscal year 2012 and focused efforts to reduce costs through operational efficiencies. Project and equipment appropriations which will not lapse for fiscal year 2012 account for the remaining \$2.1 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 \$10.8 million over the original budget and \$1.7 million over the final budgeted amounts. During the fiscal year 2012 budget process, revenues were analyzed and amended to reflect the actual trends based upon mid-year review of revenues, State remittances, and information from consultants. Actual revenues exceeded final budget as a result of significantly higher than planned development-related permits and licenses.

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, 2012, the City reported capital assets with carrying value of \$416.2 million under governmental activities and \$118.7 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 in 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 2012, was 79.

Management's Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2012

F. CAPITAL ASSETS AND LONG-TERM OBLIGATIONS, Continued

The City's streets are constantly deteriorating as a result of the following four factors: (1) traffic using the streets; (2) the sun's ultra-violet rays drying out and breaking down the top layer of pavement; (3) utility company/private development interests trenching operations; and (4) water damage from natural precipitation and other urban runoff. The City is continuously taking actions to arrest the deterioration through short-term maintenance activities such as pothole patching, street sweeping, and sidewalk repair. The City's budget for street maintenance (pavement preventive maintenance and corrective repairs) for the fiscal year ended June 30, 2012 was \$4.6 million. Actual expenditures were \$2.9 million. These expenditures delayed deterioration and helped maintain the overall condition of the streets at a PCI level meeting the City's goal.

The following is a summary of the City's capital assets as of June 30, 2012.

Description	Cost	Accumulated Depreciation	Carrying Value
Capital Assets - Governmental Activities:			
Land	\$ 93.7	\$ -	\$ 93.7
Buildings and Structures	95.3	47.1	48.2
Improvements Other than Buildings	79.0	32.2	46.8
Machinery and Equipment	34.8	20.5	14.3
Construction in Progress	30.2	-	30.2
Infrastructure:			
Nondepreciable	160.4	-	160.4
Depreciable	79.2	56.6	22.6
Total	\$ 572.6	\$ 156.4	\$ 416.2
Capital Assets - Business-Type Activities:			
Land	\$ 16.5	\$ -	\$ 16.5
Buildings and Structures	23.4	21.2	2.2
Improvements Other than Buildings	43.1	20.4	22.7
Machinery and Equipment	5.5	4.9	0.6
Construction in Progress	3.0	-	3.0
Infrastructure - Depreciable	137.9	64.2	73.7
Total	\$ 229.4	\$ 110.7	\$ 118.7

During the year, the City recorded some capital contributions from external sources. Developers contributed capital assets (streets, traffic signals, lights, and equipment) with fair market value of \$2.3 million to governmental activities. Developers also contributed infrastructure assets of a combined \$0.5 million to the water supply and distribution system and wastewater management system.

Management’s Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2012

F. CAPITAL ASSETS AND LONG-TERM OBLIGATIONS, Continued

The City’s land reported under governmental activities was reduced by \$13.9 million, which was the carrying amount of the land at the dissolution of the former Redevelopment Agency. The land is now reported under the Redevelopment Successor Agency Trust Fund.

A major project completed during the year was replacement of digester lids at the Water Pollution Control Plant, moving a total \$3.2 million from construction in progress to improvements. Another major project to replace and rehabilitate sewer pipes, was capitalized in the amount of \$2.8 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 \$8.7 million for Mathilda Avenue Railroad Overpass Improvements, \$1.6 million for a second phase of work to revitalize the downtown streetscape, and \$0.9 million for preliminary work on the new Seven Seas Park.

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

Long-Term Obligations

As of June 30, 2012, 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. Most of the bonds are insured. Refer to Note 7 to the Basic Financial Statements for more details.

The City’s long-term obligations for the fiscal years 2012 and 2011 were as follows:

	Governmental		Business-type		Total	
	Activities		Activities			
	2012	2011	2012	2011	2012	2011
Tax Allocation Refunding Bonds	\$ -	\$ 5.6	\$ -	\$ -	\$ -	\$ 5.6
Certificates of Participation	14.4	25.9	-	-	14.4	25.9
Revenue Bonds	-	-	74.8	78.6	74.8	78.6
Total Bonded Debt	\$ 14.4	\$ 31.5	\$ 74.8	\$ 78.6	\$ 89.2	\$ 110.1

At the dissolution of the former Redevelopment Agency, outstanding bonded debt obligations totaling \$15.6 million were transferred to the Redevelopment Successor Agency, whose financial transactions are reported by the City in the Private-Purpose Trust Fund.

Management's Discussion and Analysis, Continued
Fiscal Year Ended June 30, 2012

G. ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The budget for fiscal year 2013, adopted on June 19, 2012, reflected a significant accomplishment for the City in that it was balanced in both the short- and long-term. This was the culmination of a four-year effort that saw the organization go through a significant restructure to emerge from the recession in a much better position to provide services efficiently and effectively. There were a number of contributing factors to getting to a balanced state for the fiscal year 2013 budget. Some of these factors included employee deferrals of contractual salary increases, aggressive personnel cost containment assumptions for future years, and some strategic service level reductions.

In addition to presenting a balanced short- and long-term budget, the City was also able to restore some service levels in critical, core areas in the fiscal year 2013 budget. This included putting more funding into street tree trimming, sidewalk repair, enhanced library services, and a set-aside for future infrastructure renovation. While the ability to restore some of these services came in large part to the actions described in the preceding paragraph, greater than anticipated revenues in a number of areas, including sales tax, transient occupancy tax, and development-related taxes and fees, also played a major role.

Despite the significant accomplishment achieved in the fiscal year 2013 budget, the City must continue its work to maintain its strong financial foundation to ensure that its balanced budget remains that way. 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 from increases to its revenues that have exceeded expectations. History has demonstrated, however, that the reliance on business activity can have a downside, as slowdowns in the economy can have a significant effect on the City's revenues. While revenue projections incorporated into the fiscal year 2013 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 the City must remain cognizant of going forward.

On the expenditure side, the City has made some strong progress towards containing its personnel costs, but there are still areas where more can be done. The area of greatest concern is with the City's pension costs, as recent increases to the City's contribution rates to CalPERS, as well as expected future increases, continue to put pressure on the City's ability to maintain service levels. The City does, however, have the opportunity to mitigate some of these increases by continuing to negotiate with its bargaining units to increase the amount they pay towards the employee share of the pension expense until the maximum amount is reached, which will continue to be a focus until it is achieved.

In summary, the City enters fiscal year 2013 in a solid position financially based on the efforts that it has made to restructure itself to operate more efficiently and better contain its costs. It has also benefitted from an accelerated economic recovery that drove revenues higher than expected. While vulnerabilities exist, some within the City's control and some not, the City believes it has taken, and will continue to take, the actions necessary to maintain its solid financial foundation.

Management's Discussion and Analysis, Concluded
Fiscal Year Ended June 30, 2012

H. REQUEST FOR INFORMATION

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



Government-Wide Financial Statements

**Statement of Net Assets
June 30, 2012**

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
Assets:			
Cash and Investments Held by City (Note 2)	\$ 141,020,062	\$ 39,522,325	\$ 180,542,387
Receivables, Net (Note 3)	10,570,771	12,206,327	22,777,098
Inventories and Prepayments	1,294,333	201,584	1,495,917
Assets Held for Resale (Note 1)	1,667,077	-	1,667,077
Long-term Receivables from Employees (Note 3)	3,752,174	-	3,752,174
Internal Balances (Note 5)	45,818,831	(45,818,831)	-
City Advances to the Former RDA (Note 16)	21,365,286	-	21,365,286
Deferred Charges (Note 7)	431,762	994,319	1,426,081
Restricted Assets:			
Cash and Investments Held by City (Note 2)	65,606,709	-	65,606,709
Cash and Investments Held by Fiscal Agent (Note 2)	1,098,033	36,983,867	38,081,900
Receivables, Net (Note 3)	392,266	-	392,266
Intergovernmental Receivables (Note 3)	8,546,121	614,052	9,160,173
Housing Deficits Receivable (Note 16)	14,673,336	-	14,673,336
Housing Loans Receivable, Net (Note 3)	40,038,954	-	40,038,954
Net Pension Asset (Note 10)	1,393,000	-	1,393,000
Net OPEB Asset (Note 11)	3,186,000	-	3,186,000
Capital Assets (Note 6):			
Land and Nondepreciable Assets	284,217,626	19,518,362	303,735,988
Depreciable Assets, Net	131,936,369	99,149,795	231,086,164
Total Assets	777,008,710	163,371,800	940,380,510
Liabilities:			
Wages Payable	1,740,907	-	1,740,907
Accounts Payable and Accrued Liabilities	5,840,501	9,282,728	15,123,229
Refundable Deposits	636,736	871,410	1,508,146
Interest Payable	-	895,789	895,789
Unearned Revenues (Note 4)	2,296,310	-	2,296,310
Noncurrent Liabilities (Note 7):			
Due Within One Year	11,185,026	4,536,144	15,721,170
Due in More than One Year	24,700,708	78,959,526	103,660,234
Total Liabilities	46,400,188	94,545,597	140,945,785
Net Assets (Note 14):			
Invested in Capital Assets, Net of Related Debt	402,857,028	80,830,751	483,687,779
Restricted for:			
Capital Projects	16,728,300	-	16,728,300
Housing	74,635,419	-	74,635,419
Park Dedication	14,594,306	-	14,594,306
Public Streets and Highways	7,046,113	-	7,046,113
Easement Agreement for Public Improvements	4,510,795	-	4,510,795
Public Safety	1,345,643	-	1,345,643
Other City Programs	1,558,173	-	1,558,173
Nonexpendable Permanent Funds Principal and Endowment	2,005,662	-	2,005,662
Total Restricted Net Assets	122,424,411	-	122,424,411
Unrestricted Net Assets (Deficit) (Note 15)	205,327,083	(12,004,548)	193,322,535
Total Net Assets	\$ 730,608,522	\$ 68,826,203	\$ 799,434,725

See Accompanying Notes to Basic Financial Statements

**Statement of Activities and Changes in Net Assets
Year Ended June 30, 2012**

Programs	Expenses	Program Revenues			Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government:					
Governmental Activities:					
Planning and Management	\$ 18,538,024	\$ 1,509,749	\$ 166,605	\$ -	\$ 1,676,354
Public Safety	74,077,268	3,595,815	2,016,398	335,714	5,947,927
Community Development	21,981,245	21,553,433	2,773,687	1,410,768	25,737,888
Transportation	10,809,912	497,517	3,471,505	12,374,525	16,343,547
Socioeconomic	12,812,838	143,684	10,823,274	-	10,966,958
Cultural	8,872,349	270,517	161,842	26,600	458,959
Environmental Management	2,920,436	574,635	13,184	947,000	1,534,819
Interest on Long-term Debt	419,295	-	-	-	-
Total Governmental Activities	150,431,367	28,145,350	19,426,495	15,094,607	62,666,452
Business-Type Activities:					
Water Supply and Distribution	27,254,147	32,629,978	-	192,000	32,821,978
Wastewater Management	20,597,057	26,046,444	-	266,900	26,313,344
Solid Waste Management	32,326,942	38,667,776	-	-	38,667,776
SMaRT Station	28,467,108	26,210,371	-	-	26,210,371
Community Recreation	11,454,350	7,452,023	-	-	7,452,023
Total Business-Type Activities	120,099,605	131,006,592	-	458,900	131,465,492
Total Primary Government	\$ 270,530,972	\$ 159,151,942	\$ 19,426,495	\$ 15,553,507	\$ 194,131,944

General Revenues:

Taxes:

Property Taxes and Homeowners' Property Tax Relief

Sales and Use Taxes

Motor Vehicle License Fees - Unrestricted

Franchise Fees - Unrestricted

Utilities Users Taxes

Transient Occupancy Taxes

Real Property Transfer Taxes

Construction Taxes

Business License Taxes

Total Taxes

Investment Earnings - Unrestricted (Note 2)

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

Interest Accrued from Advances to Former RDA - Unrestricted (Note 16)

Miscellaneous

Extraordinary Items (Note 16)

Transfers (Note 12)

Total General Revenues, Extraordinary Items and Transfers

Change in Net Assets

Net Assets - Beginning of Year

Net Assets - End of Year

See Accompanying Notes to Basic Financial Statements

Net (Expense) Revenue and Changes in Net Assets		
Governmental Activities	Business-Type Activities	Total
\$ (16,861,670)	\$ -	\$ (16,861,670)
(68,129,341)	-	(68,129,341)
3,756,643	-	3,756,643
5,533,635	-	5,533,635
(1,845,880)	-	(1,845,880)
(8,413,390)	-	(8,413,390)
(1,385,617)	-	(1,385,617)
(419,295)	-	(419,295)
<u>(87,764,915)</u>	<u>-</u>	<u>(87,764,915)</u>
-	5,567,831	5,567,831
-	5,716,287	5,716,287
-	6,340,834	6,340,834
-	(2,256,737)	(2,256,737)
-	(4,002,327)	(4,002,327)
<u>-</u>	<u>11,365,887</u>	<u>11,365,887</u>
<u>(87,764,915)</u>	<u>11,365,887</u>	<u>(76,399,028)</u>
48,823,072	-	48,823,072
30,345,514	-	30,345,514
73,251	-	73,251
6,372,876	-	6,372,876
6,830,496	-	6,830,496
7,777,583	-	7,777,583
924,868	-	924,868
3,058,607	-	3,058,607
1,504,737	-	1,504,737
<u>105,711,004</u>	<u>-</u>	<u>105,711,004</u>
1,261,666	459,566	1,721,232
3,043,752	-	3,043,752
39,420	-	39,420
30,220	-	30,220
43,480,830	-	43,480,830
5,523,886	(5,523,886)	-
<u>159,090,778</u>	<u>(5,064,320)</u>	<u>154,026,458</u>
71,325,863	6,301,567	77,627,430
<u>659,282,659</u>	<u>62,524,636</u>	<u>721,807,295</u>
<u>\$ 730,608,522</u>	<u>\$ 68,826,203</u>	<u>\$ 799,434,725</u>

Governmental Fund Financial Statements

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

The ***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 ***(Former) Redevelopment Agency Debt Service Fund*** had been used to accumulate funds for payment of the Central Core Tax Allocation Refunding Bonds, Series 2003, the 1998 Parking Lease Certificates of Participation, and advances from the City General Fund. Debt service used to be financed with incremental property tax revenues and the City's General Fund loan in the form of parking lease payments. The Redevelopment Agency was dissolved on February 1, 2012.

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, 2012**

	Major Funds		
	General Fund	Housing Special Revenue	Employment Development Special Revenue
Assets:			
Cash and Investments Held by City (Note 2)	\$ 87,047,406	\$ 16,555,369	\$ 159,427
Cash and Investments Held by Fiscal Agent (Note 2)	-	-	-
Receivables, Net (Note 3)	10,287,852	134,145	60
Intergovernmental Receivables (Note 3)	2,034,973	-	267,407
Due From Other Funds (Note 5)	20,883	513,735	-
Advances to Other Funds (Note 5)	43,965,712	-	-
Advances to the Former Redevelopment Agency (Note 16)	21,365,286	-	-
Inventories and Prepayments	652,063	-	16,899
Long-term Receivables from Employees (Note 3)	3,752,174	-	-
Housing Deficits Receivable (Note 16)	-	-	-
Housing Loans Receivable (Note 3)	-	17,245,241	-
Assets Held for Resale (Note 1)	1,387,077	280,000	-
Total Assets	\$ 170,513,426	\$ 34,728,490	\$ 443,793
Liabilities and Fund Balances:			
Liabilities:			
Accounts Payable and Accrued Liabilities	1,477,080	48,417	273,400
Refundable Deposits	605,402	1,625	-
Due to Other Funds (Note 5)	-	-	-
Deferred Revenues (Note 4)	61,147,634	17,245,241	99,936
Total Liabilities	63,230,116	17,295,283	373,336
Fund Balances (Note 14):			
Nonspendable	13,319,747	280,000	16,899
Restricted	5,195,990	17,153,207	53,558
Committed	27,122,918	-	-
Assigned	-	-	-
Unassigned, Reported in Major Funds	61,644,655	-	-
Total Fund Balances	107,283,310	17,433,207	70,457
Total Liabilities and Fund Balances	\$ 170,513,426	\$ 34,728,490	\$ 443,793

See Accompanying Notes to Basic Financial Statements

Major Funds		Nonmajor	Total
(Former)	City	Other	Governmental
Redevelopment	Projects	Governmental	Funds
Agency Debt Service		Funds	
\$ -	\$ 14,371,837	\$ 37,398,294	\$ 155,532,333
-	-	1,098,033	1,098,033
-	78,104	142,870	10,643,031
-	4,831,755	1,411,986	8,546,121
-	-	-	534,618
-	-	-	43,965,712
-	-	-	21,365,286
-	250,000	12,500	931,462
-	-	-	3,752,174
-	-	14,673,336	14,673,336
-	-	22,793,713	40,038,954
-	-	-	1,667,077
\$ -	\$ 19,531,696	\$ 77,530,732	\$ 302,748,137
-	1,091,850	1,074,865	3,965,612
-	-	7,425	614,452
-	-	534,618	534,618
-	1,711,546	22,857,564	103,061,921
-	2,803,396	24,474,472	108,176,603
-	250,000	1,507,945	15,374,591
-	16,478,300	41,610,667	80,491,722
-	-	-	27,122,918
-	-	9,937,648	9,937,648
-	-	-	61,644,655
-	16,728,300	53,056,260	194,571,534
\$ -	\$ 19,531,696	\$ 77,530,732	\$ 302,748,137

**Reconciliation of the Governmental Funds Balance Sheet
to the Government-Wide Statement of Net Assets
June 30, 2012**

Total Fund Balances - Total Governmental Funds	\$ 194,571,534
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, 2012, capital assets used by governmental activities excluding \$12,171,235 of capital assets used by Internal Service Funds. Land in the amount of \$13,959,752 was moved to the Successor Agency Trust on 2/1/2012.	403,982,760
Interest earned, not available, from interfund advances to business-type activities is reported as deferred revenues in the governmental funds statements. This amount represents cumulative interest accrued and deferred.	36,633,810
Interest earned, not available, from General Fund advances to Internal Service Funds is reported as deferred revenues in the General Fund and as interest charges in the borrower fund statements. These amounts are consolidated in the government-wide financial statements. This amount represents cumulative interest accrued and deferred.	177,373
Interest earned on employee loans, not available, is reported as deferred revenues in the fund statements. This amount increases the net assets in the governmental activities.	136,311
Eligible expenditures, yet to be reimbursed by grants, are reported as deferred revenues in the fund financial statements.	426,706
City advances to former RDA are offset by deferred revenue in the fund financial statements.	21,365,286
Receivables from long-term housing loans are offset by deferred revenue in the fund statements.	40,038,954
State allocation of vehicle license fee collection in excess earned but not available	73,251
Unpaid administrative citations placed on tax roll earned but not available	22,206
State and County cost reimbursements earned but not available are not current financial resources.	1,691,606
Proposition 172 revenue recognized but not available.	109,947
Long-term receivables from capital special assessments are not current financial resources and are offset by deferred revenues in the fund statements. In the government-wide statements, revenues have been recognized when the capital improvement is completed.	90,161
Internal Service Funds are primarily to serve governmental activities. The assets and liabilities of the Internal Service Funds are included in governmental activities in the government-wide statement of net assets. This amount represents Internal Service Funds' net assets at year end.	43,221,363
This amount represents Internal Service Funds' chargeback and subsequent transfers from Business-Type Activities.	2,030,492
Long-term liabilities of governmental activities are not reported as fund liabilities. These liabilities are reported in the government-wide statement of net assets.	
Bonds payable, par	(14,395,000)
Unamortized discount on bonds	36,943
Deferred charges on bonds	431,762
Unamortized discount on bonds payable was removed due to the RDA dissolution	(36,943)
Net Assets of Governmental Activities	\$ 730,608,522

See Accompanying Notes to Basic Financial Statements

CITY OF SUNNYVALE

**Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2012**

	Major Funds		
	General Fund	Housing Special Revenue	Employment Development Special Revenue
Revenues:			
Property Taxes	\$ 43,407,026	\$ -	\$ -
Sales and Use Taxes	31,623,449	-	-
Other Taxes	20,096,291	-	-
Franchise Fees	6,372,876	-	-
Intergovernmental Revenues	1,492,117	1,672,204	10,637,476
Permits and Licenses	9,567,824	-	-
Fines and Forfeitures	1,252,882	-	-
Special Assessments	13,164	-	-
Service Fees	6,245,310	1,741,876	6,658
Rents and Concessions	1,096,166	17,100	-
Deferred Interest Received from Interfund Advances	4,425,507	-	-
Investment Earnings	514,487	94,989	-
Other Revenues	439,959	3,480,644	21,256
Total Revenues	126,547,058	7,006,813	10,665,390
Expenditures:			
Current:			
Planning and Management	17,328,137	-	-
Public Safety	73,437,683	-	-
Community Development	15,691,342	2,812,534	-
Transportation	5,804,117	-	-
Socioeconomic	1,142,573	-	10,373,638
Cultural	7,546,228	-	-
Environmental Management	1,818,145	-	-
Capital Outlay	404,684	-	-
Debt Service:			
Principal Retirement	-	-	-
Interest	-	-	-
Fiscal Charges	-	-	-
Total Expenditures	123,172,909	2,812,534	10,373,638
Excess (Deficiency) of Revenues Over (Under) Expenditures	3,374,149	4,194,279	291,752
Other Financing Sources (Uses):			
Transfers In (Note 12)	11,496,054	-	-
Transfers Out (Note 12)	(5,342,111)	(75,661)	(376,978)
Total Other Financing Sources (Uses)	6,153,943	(75,661)	(376,978)
Change in Fund Balances before Extraordinary Items	9,528,092	4,118,618	(85,226)
Extraordinary Items:			
Net Asset Received or Removed upon Dissolution of Redevelopment Agency (Note 16)	-	-	-
Net Change in Fund Balances	9,528,092	4,118,618	(85,226)
Fund Balances - Beginning of Year	97,755,218	13,314,589	155,683
Fund Balances - End of Year	\$ 107,283,310	\$ 17,433,207	\$ 70,457

See Accompanying Notes to Basic Financial Statements

Major Funds		Nonmajor	Total
(Former)		Other	Governmental
Redevelopment	City	Governmental	Governmental
Agency Debt Service	Projects	Funds	Funds
\$ -	\$ -	\$ 5,189,756	\$ 48,596,782
-	-	-	31,623,449
-	-	-	20,096,291
-	-	-	6,372,876
-	11,032,624	6,585,391	31,419,812
-	-	-	9,567,824
-	-	36,895	1,289,777
-	-	-	13,164
-	669,907	4,965,063	13,628,814
-	-	98,095	1,211,361
-	-	-	4,425,507
1,183	107,831	203,790	922,280
-	-	2,100,522	6,042,381
1,183	11,810,362	19,179,512	175,210,318
-	-	173,562	17,501,699
-	-	46,535	73,484,218
-	6,285	3,699,558	22,209,719
-	25,207	1,920,622	7,749,946
-	-	209,904	11,726,115
-	-	257,711	7,803,939
-	-	42,936	1,861,081
-	13,135,063	3,247,074	16,786,821
1,060,000	-	490,000	1,550,000
3,268,570	-	22,626	3,291,196
2,095	-	178,857	180,952
4,330,665	13,166,555	10,289,385	164,145,686
(4,329,482)	(1,356,193)	8,890,127	11,064,632
5,597,824	2,168,850	2,507,698	21,770,426
-	(153,762)	(9,798,091)	(15,746,603)
5,597,824	2,015,088	(7,290,393)	6,023,823
1,268,342	658,895	1,599,734	17,088,455
59,030,825	-	21,067,353	80,098,178
60,299,167	658,895	22,667,087	97,186,633
(60,299,167)	16,069,405	30,389,173	97,384,901
\$ -	\$ 16,728,300	\$ 53,056,260	\$ 194,571,534

**Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes
in Fund Balances to the Government-Wide Statement of Activities and Changes in Net Assets
Year Ended June 30, 2012**

Net Change in Fund Balances - Total Governmental Funds	\$ 97,186,633
Amounts reported for governmental activities in the statement of activities and changes in net assets are different because:	
Governmental funds report capital outlay as expenditures. In the government-wide financials, the cost of the assets is allocated over their estimated useful lives as depreciation expense.	
Capital assets transferred to the Redevelopment Successor Agency	(13,959,752)
Capital asset regular additions and deletions recorded in the current period - governmental activities	14,206,516
Depreciation and net losses in disposal recorded in the current period - governmental activities	(7,038,721)
Private contributions of capital assets are not recorded in the governmental funds.	2,288,900
This amount represents Town Center pollution remediation cost incurred in the fund statement but had been recognized in prior year government-wide statements.	37,661
Former RDA pollution remediation obligation moved to the Redevelopment Successor Agency	1,865,440
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	3,083,172
Interest accrued on long-term housing loan receivables	1,106,785
Interest accrued on employees' loan receivables	818
Customer late payment arrangements	(91,673)
State vehicle license fee collection in excess recognized as deferred revenue	73,251
Administrative citation placed on tax roll was recognized as deferred revenue	22,206
Reimbursable costs incurred for abandoned vehicles and State mandates	893,729
Current grant revenues earned but not available	426,706
Current Proposition 172 revenue recognized but not available	109,947
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.	2,581,114
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.	(5,333,985)
Interfund advances interest charged on the borrower governmental funds with deferred revenues recorded in the General Fund is consolidated in the government-wide statements.	2,924,258
Interfund interest revenue previously deferred in governmental funds was received in current year.	(4,425,507)
Interfund interest deferred was written down due to RDA dissolution	(39,743,950)
Revenues recognized in the government-wide statement of activities and changes in net assets in prior fiscal years became available in current fiscal year:	
Reimbursable costs incurred on State mandate and abandoned vehicles	(69,760)
Conway assessment installments received	(6,969)
Prior grant revenues earned but were not available until current year	(840,399)
Bonded debt transferred to the Redevelopment Successor Agency Trust Fund	15,585,000
Unamortized discount on bonds payable was removed due to the RDA dissolution	(36,943)
Unamortized deferred charge of the Central Core Tax Allocation Bonds was removed due to the RDA dissolution	(327,143)

(Continued on next page)

CITY OF SUNNYVALE

**Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes
in Fund Balances to the Government-Wide Statement of Activities and Changes in Net Assets, Concluded
Year Ended June 30, 2012**

Repayment of principal or issuance of refunding debt should have no effect on the government-wide statement of activities and changes in net assets.	1,550,000
Governmental funds record the effect of issuance costs, premiums, discounts, and similar items when debt is first issued. These amounts are deferred and amortized in the government-wide statement of	(59,894)
This amount represents the change in accrued interest on bonds payable from prior year.	232,803
Internal Service Funds are primarily to serve governmental activities. The change in net assets of the Internal Service Funds is reported with governmental activities.	(1,017,155)
This amount represents Internal Service Fund look-back adjustments from Business-Type Activities.	<u>102,775</u>
Change in Net Assets of Governmental Activities	<u><u>\$ 71,325,863</u></u>

See Accompanying Notes to Basic Financial Statements

Proprietary Fund Financial Statements

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

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

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

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

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

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 Fund Net Assets
Proprietary Funds
June 30, 2012**

	Major Enterprise Funds		
	Water Supply and Distribution	Wastewater Management	Solid Waste Management
Assets:			
Current Assets			
Cash and Investments Held by City (Note 2)	\$ 9,280,260	\$ 19,985,933	\$ 5,808,425
Cash and Investments Held by Fiscal Agent (Note 2)	14,970,895	19,304,232	-
Receivables, Net (Note 3)	4,827,048	3,098,496	4,224,634
Intergovernmental Receivables (Note 3)	-	3,835	67,094
Due from Other Funds (Note 5)	-	-	-
Inventories and Prepayments	3,984	19,309	-
Total Current Assets	<u>29,082,187</u>	<u>42,411,805</u>	<u>10,100,153</u>
Noncurrent Assets			
Net Pension Assets (Note 10)	-	-	-
Net OPEB Assets (Note 11)	-	-	-
Advances to Other Funds (Note 5)	-	2,090,000	-
Deferred Charges (Note 7)	266,194	340,264	-
Capital Assets (Note 6):			
Land & Nondepreciable Assets	3,102,711	6,687,554	44,493
Depreciable Assets, Net	37,992,781	37,562,914	897,748
Total Noncurrent Assets	<u>41,361,686</u>	<u>46,680,732</u>	<u>942,241</u>
Total Assets	<u>70,443,873</u>	<u>89,092,537</u>	<u>11,042,394</u>
Liabilities:			
Current Liabilities			
Wages Payable	-	-	-
Accounts Payable and Accrued Liabilities	2,441,297	2,107,360	1,421,779
Due to Other Funds (Note 5)	-	-	511,588
Advances from Other Funds (Note 5)	351,700	1,264,381	3,388,304
Refundable Deposits	215,458	144,764	460,313
Interest Payable	284,125	413,031	-
Claims and Judgments Payable - Due Within One Year (Note 7)	-	-	-
Compensated Absences Payable - Due Within One Year (Note 7)	-	-	-
Landfill Closure and Postclosure Costs (Note 7)	-	-	621,144
Long-term Debt - Due Within One Year (Note 7)	745,000	1,210,000	-
Total Current Liabilities	<u>4,037,580</u>	<u>5,139,536</u>	<u>6,403,128</u>
Noncurrent Liabilities			
Advances from Other Funds (Note 5)	588,397	10,723,468	29,562,089
Claims and Judgments Payable - Due in More than One Year (Note 7)	-	-	-
Compensated Absences Payable - Due in More than One Year (Note 7)	-	-	-
Landfill Closure and Postclosure Costs (Note 7)	-	-	8,053,253
Long-term Debt - Due in More than One Year (Note 7)	22,565,626	34,156,333	-
Total Noncurrent Liabilities	<u>23,154,023</u>	<u>44,879,801</u>	<u>37,615,342</u>
Total Liabilities	<u>27,191,603</u>	<u>50,019,337</u>	<u>44,018,470</u>
Net Assets (Deficit) (Note 14 and Note 15):			
Invested in Capital Assets, Net of Related Debt	32,755,761	28,188,367	942,241
Unrestricted	10,496,509	10,884,833	(33,918,317)
Total Net Assets (Deficits)	<u>\$ 43,252,270</u>	<u>\$ 39,073,200</u>	<u>\$ (32,976,076)</u>

See Accompanying Notes to Basic Financial Statements

Major Enterprise Funds		Total Enterprise Funds	Governmental Activities Internal Service Funds
SMaRT Station®	Community Recreation		
\$ 4,087,746	\$ 359,961	\$ 39,522,325	\$ 51,094,438
2,708,740	-	36,983,867	-
35,236	20,913	12,206,327	320,006
543,123	-	614,052	-
511,588	-	511,588	-
-	178,291	201,584	362,871
<u>7,886,433</u>	<u>559,165</u>	<u>90,039,743</u>	<u>51,777,315</u>
-	-	-	1,393,000
-	-	-	3,186,000
-	-	2,090,000	-
387,861	-	994,319	-
-	9,683,604	19,518,362	557,428
19,285,588	3,410,764	99,149,795	11,613,807
<u>19,673,449</u>	<u>13,094,368</u>	<u>121,752,476</u>	<u>16,750,235</u>
<u>27,559,882</u>	<u>13,653,533</u>	<u>211,792,219</u>	<u>68,527,550</u>
-	-	-	1,740,907
3,055,588	256,704	9,282,728	1,874,889
-	-	511,588	-
-	-	5,004,385	177,373
-	50,875	871,410	22,284
198,633	-	895,789	-
-	-	-	3,684,843
-	-	-	6,990,183
-	-	621,144	-
1,960,000	-	3,915,000	-
<u>5,214,221</u>	<u>307,579</u>	<u>21,102,044</u>	<u>14,490,479</u>
-	-	40,873,954	-
-	-	-	9,352,157
-	-	-	1,463,551
-	-	8,053,253	-
14,184,314	-	70,906,273	-
<u>14,184,314</u>	<u>-</u>	<u>119,833,480</u>	<u>10,815,708</u>
<u>19,398,535</u>	<u>307,579</u>	<u>140,935,524</u>	<u>25,306,187</u>
5,850,014	13,094,368	80,830,751	12,171,235
2,311,333	251,586	(9,974,056)	31,050,128
<u>\$ 8,161,347</u>	<u>\$ 13,345,954</u>	<u>\$ 70,856,695</u>	<u>\$ 43,221,363</u>

CITY OF SUNNYVALE

**Reconciliation of the Enterprise Funds Statement of Net Assets
to the Government-Wide Statement of Net Assets
June 30, 2012**

Total Net Assets - Total Enterprise Funds	\$ 70,856,695
Prior-year cumulative Internal Service Funds' look-back adjustments, payable to governmental activities	(1,927,717)
Current-year Internal Service Funds' look-back adjustments, payable to governmental activities	(1,284,889)
Current-year payment transfers to Governmental Activities for look-back adjustments	<u>1,182,114</u>
Net Assets of Business-Type Activities	<u><u>\$ 68,826,203</u></u>

See Accompanying Notes to Basic Financial Statements

CITY OF SUNNYVALE**Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
Year Ended June 30, 2012**

	Major Enterprise Funds		
	Water Supply and Distribution	Wastewater Management	Solid Waste Management
Operating Revenues:			
Charges for Services	\$ 32,629,978	\$ 26,046,444	\$ 38,667,776
Total Operating Revenues	32,629,978	26,046,444	38,667,776
Operating Expenses:			
Personnel Services	3,485,817	8,785,717	1,257,571
Contractual Services	445,866	2,718,537	28,219,449
Materials and Supplies	927,991	2,279,304	27,763
Utilities	420,272	502,011	51,978
Taxes and Licenses	127,867	165,425	442,561
Equipment and Building Rental	480,213	745,486	100,946
Water Purchased for Resale	17,781,891	-	-
Insurance Premiums and Claims	-	-	-
Retirement Premiums	-	-	-
Other Operating Expenses	117,562	284,291	9,292
Depreciation (Note 6)	1,774,891	1,958,057	42,251
Total Operating Expenses	25,562,370	17,438,828	30,151,811
Operating Income (Loss)	7,067,608	8,607,616	8,515,965
Nonoperating Revenues (Expenses):			
Investment Earnings	108,925	286,143	48,797
Interest Expense	(1,265,253)	(2,263,728)	(2,193,953)
Total Nonoperating Revenues (Expenses)	(1,156,328)	(1,977,585)	(2,145,156)
Income (Loss) before Contributions and Transfers	5,911,280	6,630,031	6,370,809
Capital Contributions	192,000	266,900	-
Transfers In (Note 12)	33,744	-	30,042
Transfers Out (Note 12)	(3,103,603)	(4,708,379)	(4,854,509)
Change in Net Assets	3,033,421	2,188,552	1,546,342
Total Net Assets (Deficit) - Beginning of Year	40,218,849	36,884,648	(34,522,418)
Total Net Assets (Deficit) - End of Year	\$ 43,252,270	\$ 39,073,200	\$ (32,976,076)

See Accompanying Notes to Basic Financial Statements

Major Enterprise Funds		Total Enterprise Funds	Governmental Activities
SMaRT Station®	Community Recreation		Internal Service Funds
\$ 26,210,371	\$ 7,452,023	\$ 131,006,592	\$ 80,319,731
26,210,371	7,452,023	131,006,592	80,319,731
366,789	6,859,228	20,755,122	22,969,532
14,700,503	1,367,648	47,452,003	2,721,225
440,031	533,946	4,209,035	1,643,064
-	388,486	1,362,747	1,691,681
9,782,399	-	10,518,252	8,064
12,083	2,104,160	3,442,888	1,343,081
-	-	17,781,891	-
-	-	-	22,393,359
-	-	-	27,846,206
-	49,572	460,717	24,393
2,269,691	267,479	6,312,369	1,672,712
27,571,496	11,570,519	112,295,024	82,313,317
(1,361,125)	(4,118,496)	18,711,568	(1,993,586)
105,685	16	549,566	338,568
(886,758)	-	(6,609,692)	(44,314)
(781,073)	16	(6,060,126)	294,254
(2,142,198)	(4,118,480)	12,651,442	(1,699,332)
-	-	458,900	-
1,572,497	4,593,357	6,229,640	2,155,206
-	(269,149)	(12,935,640)	(1,473,029)
(569,701)	205,728	6,404,342	(1,017,155)
8,731,048	13,140,226	64,452,353	44,238,518
\$ 8,161,347	\$ 13,345,954	\$ 70,856,695	\$ 43,221,363

CITY OF SUNNYVALE

**Reconciliation of the Enterprise Funds Statement of Revenues, Expenses,
and Changes in Fund Net Assets to the Government-Wide Statement of Activities and Changes in Net Assets
Year Ended June 30, 2012**

Net Change in Net Assets - Total Enterprise Funds	\$ 6,404,342
Internal Service Funds' look-back adjustments	(1,284,889)
Payment transfers to governmental activities	<u>1,182,114</u>
Change in Net Assets of Business-Type Activities	<u><u>\$ 6,301,567</u></u>

See Accompanying Notes to Basic Financial Statements

CITY OF SUNNYVALE**Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2012**

	Major Enterprise Funds		
	Water Supply and Distribution	Wastewater Management	Solid Waste Management
Cash Flow from Operating Activities:			
Cash Received from Customers	\$ 32,258,047	\$ 26,127,289	\$ 38,770,916
Cash Payments to Suppliers of Goods and Services	(20,653,574)	(6,177,313)	(29,916,222)
Cash Payments for Employee Services	(3,461,183)	(8,696,239)	(1,257,571)
Insurance and Claims Paid	-	-	-
Other Receipts (Payments)	19,589	2,720	57,794
Net Cash Provided by (Used for) Operating Activities	8,162,879	11,256,457	7,654,917
Cash Flows from Noncapital Financing Activities:			
Transfers Received	33,744	-	30,042
Transfers Paid	(3,103,603)	(4,708,379)	(4,854,509)
Interfund Loan Paid/Received	-	(2,000,000)	2,000,000
Short-term Loan from Other Funds	-	-	511,588
Repayment of Advance From/To Other Funds	(351,700)	(1,259,994)	(1,300,000)
Net Cash Provided by (Used for) Noncapital Financing Activities	(3,421,559)	(7,968,373)	(3,612,879)
Cash Flows from Capital and Related Financing Activities:			
Principal Paid on Long-term Debt	(710,000)	(1,190,000)	-
Interest Paid on Long-term Debt	(1,164,900)	(1,659,503)	-
Acquisition and Construction of Capital Assets	(1,117,469)	(2,250,172)	(44,493)
Net Cash Provided by (Used for) Capital and Related Financing Activities	(2,992,369)	(5,099,675)	(44,493)
Cash Flows from Investing Activities:			
Interest on Investments	102,088	218,480	38,877
Net Cash Provided by Investing Activities	102,088	218,480	38,877
Net Increase (Decrease) in Cash and Cash Equivalents	1,851,039	(1,593,111)	4,036,422
Cash and Investments - Beginning of Year	22,400,116	40,883,276	1,772,003
Cash and Investments - End of Year	\$ 24,251,155	\$ 39,290,165	\$ 5,808,425
Reconciliation to Statement of Net Assets:			
Cash and Investments Held by City	\$ 9,280,260	\$ 19,985,933	\$ 5,808,425
Cash and Investments Held by Fiscal Agent	14,970,895	19,304,232	-
Total Cash and Investments	\$ 24,251,155	\$ 39,290,165	\$ 5,808,425

See Accompanying Notes to Basic Financial Statements



Major Enterprise Funds			Total Enterprise Funds	Governmental Activities Internal Service Funds
SMaRT Station	Community Recreation			
\$ 29,570,256	\$ 7,607,137	\$	134,333,645	\$ 79,981,328
(28,668,391)	(4,666,900)		(90,082,400)	(7,547,172)
(366,703)	(6,686,556)		(20,468,252)	(52,751,676)
-	-		-	(21,679,811)
-	13,313		93,416	258,223
<u>535,162</u>	<u>(3,733,006)</u>		<u>23,876,409</u>	<u>(1,739,108)</u>
1,572,497	4,593,357		6,229,640	2,155,206
-	(269,149)		(12,935,640)	(1,473,029)
-	-		-	-
(511,588)	(235,927)		(235,927)	-
-	-		(2,911,694)	(500,000)
<u>1,060,909</u>	<u>4,088,281</u>		<u>(9,853,621)</u>	<u>182,177</u>
(1,865,000)	-		(3,765,000)	-
(834,231)	-		(3,658,634)	-
(1,876)	-		(3,414,010)	(2,181,126)
<u>(2,701,107)</u>	<u>-</u>		<u>(10,837,644)</u>	<u>(2,181,126)</u>
<u>116,329</u>	<u>16</u>		<u>475,790</u>	<u>419,028</u>
<u>116,329</u>	<u>16</u>		<u>475,790</u>	<u>419,028</u>
(988,707)	355,291		3,660,934	(3,319,029)
<u>7,785,193</u>	<u>4,670</u>		<u>72,845,258</u>	<u>54,413,467</u>
<u>\$ 6,796,486</u>	<u>\$ 359,961</u>	<u>\$</u>	<u>76,506,192</u>	<u>\$ 51,094,438</u>
\$ 4,087,746	\$ 359,961	\$	39,522,325	\$ 51,094,438
2,708,740	-		36,983,867	-
<u>\$ 6,796,486</u>	<u>\$ 359,961</u>	<u>\$</u>	<u>76,506,192</u>	<u>\$ 51,094,438</u>

Continued

CITY OF SUNNYVALE**Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2012**

	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)	\$ 7,067,608	\$ 8,607,616	\$ 8,515,965
Adjustments to Reconcile Operating Income to Net Cash			
Provided (Used) by Operating Activities:			
Depreciation	1,774,891	1,958,057	42,251
Changes in Assets and Liabilities:			
Receivables, Net	(430,772)	39,058	58,283
Due from Other Governments	-	1,728	5,277
Inventories and Prepayments	(3,984)	278,786	-
Customer Deposits	155,186	43,390	96,479
Accounts Payable and Accrued Liabilities	(400,050)	327,822	(270,164)
Unearned Revenue	-	-	-
Landfill Postclosure Care	-	-	(793,174)
Claims and Judgments Payable	-	-	-
Compensated Absences Payable	-	-	-
Pension Obligation	-	-	-
Other Postemployment Benefits Obligation	-	-	-
Net Cash Provided by (Used for) Operating Activities	\$ 8,162,879	\$ 11,256,457	\$ 7,654,917
Noncash Investing, Capital and Financing Activities:			
Change in the Fair Value of Investments	(1,644)	(3,827)	(1,506)
Purchase of Capital Assets on Account	242,976	1,270,484	-
Non Cash Capital Contributions	192,000	266,900	-

See Accompanying Notes to Basic Financial Statements



<u>Major Enterprise Funds</u>		<u>Total Enterprise Funds</u>	<u>Governmental Activities Internal Service Funds</u>
<u>SMaRT Station</u>	<u>Community Recreation</u>		
\$ (1,361,125)	\$ (4,118,496)	\$ 18,711,568	\$ (1,993,586)
2,269,691	267,479	6,312,369	1,672,712
(6,070)	103,036	(236,465)	137,337
(543,123)	-	(536,118)	-
-	198,116	472,918	61,402
-	60,718	355,773	2,111
175,789	(238,124)	(404,727)	(7,219,473)
-	(5,735)	(5,735)	-
-	-	(793,174)	-
-	-	-	(57,000)
-	-	-	6,668,389
-	-	-	(1,393,000)
-	-	-	382,000
<u>\$ 535,162</u>	<u>\$ (3,733,006)</u>	<u>\$ 23,876,409</u>	<u>\$ (1,739,108)</u>

(422)	-	(7,399)	(10,561)
-	-	1,513,460	229,469
-	-	458,900	-
			Concluded

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. 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.

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

CITY OF SUNNYVALE**Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2012**

	Redevelopment Successor Agency Private-Purpose Trust Fund	Agency Funds
Assets:		
Cash and Investments Held by City (Note 2 and 16)	\$ 2,275,767	\$ 3,407,934
Cash and Investments Held by Fiscal Agent (Note 2)	1,930,322	1,801,258
Receivables (Note 3)	566	57,746
Capital Assets (Note 16)		
Land and Nondepreciable Assets	13,959,752	-
Total Assets	<u>18,166,407</u>	<u>5,266,938</u>
Liabilities:		
Accounts Payable and Accrued Liabilities (Note 16)	92,453	1,455,208
Accrued Interest Payable (Note 16)	219,569	-
Due to CFD Bondholders	-	3,811,730
Long-term Obligations (Note 16):		
Due Within One Year	1,502,572	-
Due in More Than One Year	58,411,408	-
Total Liabilities	<u>60,226,002</u>	<u>\$ 5,266,938</u>
Net Assets:		
Held in Trust for Private Purpose	<u>\$ (42,059,595)</u>	

See Accompanying Notes to Basic Financial Statements

CITY OF SUNNYVALE**Statement of Changes in Fiduciary Net Assets
Private-Purpose Trust Fund
For the Period February 1, 2012 to June 30, 2012**

	Redevelopment Successor Agency Private-Purpose Trust Fund
Additions:	
<i>Contributions:</i>	
City General Fund	\$ 256,959
County Redevelopment Property Tax Trust Fund	1,810,332
Investment Income from Fiscal Agent	1,205
Total Additions	<u>2,068,496</u>
Deductions:	
1977 Loan Interest Added to Loan Principal (2/1/12-6/30/12)	7,448
City Administrative Loan Interest Added to Loan Principal (2/1/12-6/30/12)	28,963
City Plaza Loan Interest Added to Loan Principal (2/1/12-6/30/12)	3,009
Interest Payments Due to Bondholders	219,569
Fiscal Agent Trustee Fees	2,730
Administrative Expenses	179,142
Total Deductions	<u>440,861</u>
Change in Net Assets before Extraordinary Item	1,627,635
Extraordinary Loss (Net Assets Received upon Dissolution of the Former Redevelopment Agency, 2/1/2012)	(43,687,230)
Change in Net Assets	(42,059,595)
Net Assets, Beginning of Year	<u>-</u>
Net Assets, End of Year	<u><u>\$ (42,059,595)</u></u>

See Accompanying Notes to Basic Financial Statements

Notes to Basic Financial Statements
Fiscal Year Ended June 30, 2012

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Fiscal Year Ended June 30, 2012

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Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2012

1. SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

As required by GAAP, these basic financial statements present the City and its component units, entities that are fiscally and financially dependent on the City. Blended component units, although legally separate entities, are, in substance, part of the City's operations and data from these units are combined with data of the City. Discretely presented component units, on the other hand, are reported in a separate column in the combined basic financial statements to emphasize their legal separateness from the City. Each blended component unit has a June 30 year-end. The City has no discretely presented component units. The former Redevelopment Agency up to its dissolution on February 1, 2012 and the Sunnyvale Financing Authority are reported as blended component units.

The Dissolution of the Redevelopment Agency of the City of Sunnyvale (RDA)

The Redevelopment Agency of the City of Sunnyvale (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. In this resolution, the City Council declared itself to be the governing members of the Agency.

The RDA's assets, liabilities, revenues and expenditures as of January 31, 2012 were blended into the City's financial statements before its dissolution on February 1, 2012, 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 RDA.

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 members from the City of Sunnyvale, the County of Santa Clara, and 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.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2012

1. SIGNIFICANT ACCOUNTING POLICIES, Continued

ABx1 26 states that the City or County that authorized creation of the RDA may elect to retain the affordable housing assets and functions previously performed by the RDA. On January 10, 2012, the City also elected to retain the housing assets and functions performed by the RDA by serving as the Housing Successor. Unlike the RSA, the Housing Successor is not subject to the control of the Oversight Board. The Housing Successor will act in its own capacity relative to the former housing functions of the RDA. The financial transactions of the Housing Successor were blended into the City's financial statements.

Note 16 provides more explanation about the accounting for the RDA's dissolution.

Sunnyvale Financing Authority

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

The Financing Authority's assets, liabilities, revenues and expenditures 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.

The Community Facilities District No. 1

The Community Facilities District No. 1 (the District) was created by resolutions of the City Council on February 23, 1999. The purpose is to provide financing for the construction of parking facilities required by the redevelopment of the Sunnyvale Town Center. The District's governing board has the same members as those on the City Council and Redevelopment Agency. The City is not obligated in any manner for the debt of the District. Property tax collections related to the repayment of the District's bonded debt are accounted for in a fiduciary (agency) fund, pending their remittance to bondholders. The District is a component unit of the City's financial reporting entity. All financial transactions of the District are reported in the fiduciary fund financial statements. Refer to Note 7F for more information about the District.

B. Basis of Accounting and Measurement Focus

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

Government-Wide Financial Statements

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

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2012

1. SIGNIFICANT ACCOUNTING POLICIES, Continued

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

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

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

Fund Financial Statements

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

Governmental funds

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

- The General Fund is the City’s primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in any other fund.

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

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2012

1. SIGNIFICANT ACCOUNTING POLICIES, Continued

The following three 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 Redevelopment Agency Debt Service Fund was closed on February 1, 2012 due to the dissolution of the former Redevelopment Agency (RDA). Before the RDA dissolution, this Fund had been used to accumulate funds to service the RDA's bonded debt and long-term obligations due to the City.
- The City Projects Fund accounts for financial resources to be used for the acquisition or construction of major capital facilities.

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

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

During fiscal year 2005 the State also permanently reduced the Motor Vehicle License Fee (VLF) from 2% to 0.67%. For fiscal year 2005, the amount that the City would have gotten from VLF at the 2% rate was calculated and this amount was added to the property tax base through transfer from the County ERAF. Up until fiscal year 2012, the City received its portion of VLF at the 0.67% rate with the increased property tax base growing according to economic conditions. In fiscal year 2012, the State discontinued remitting VLF revenues to cities; however, there was no impact of this action on the transfer from the County ERAF.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2012

1. SIGNIFICANT ACCOUNTING POLICIES, Continued

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

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

Proprietary Funds

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

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

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

Additionally, the City reports the following proprietary funds:

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

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2012

1. SIGNIFICANT ACCOUNTING POLICIES, Continued

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

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

Fiduciary Funds

Fiduciary funds are not included in the government-wide financial statements of the City. Fiduciary fund financial statements include a statement of net assets and a statement of changes in fiduciary net assets.

The City's fiduciary funds used to include agency funds only. A new fiduciary fund type, the private-purpose trust fund, was added during this year to account for the post-dissolution financial transactions under the Redevelopment Successor Agency (RSA).

Upon the date of dissolution (February 1, 2012) of the former Redevelopment Agency (RDA), significant matters formerly controlled by the City Council that created the RDA are now subject to the control of a seven-member Oversight Board. The City controls the appointment of only two representatives. The RSA serves in a fiduciary capacity by holding and administering the assets and liabilities of the dissolved RDA for individuals, private organizations, or other governments. The economic resources measurement focus and the accrual basis of accounting are used for trust funds.

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

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2012

1. SIGNIFICANT ACCOUNTING POLICIES, Continued

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

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

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

D. Cash, Cash Equivalents and Investments

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

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

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

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

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

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

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2012

1. SIGNIFICANT ACCOUNTING POLICIES, Continued

E. Receivables

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

F. Property Tax Revenue

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

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

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

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

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2012

1. SIGNIFICANT ACCOUNTING POLICIES, Continued

G. Interfund Balances/Internal Balances

Advances to and advances from other funds are presented in the fund financial statements. The borrower is charged interest annually based on the initially stipulated rate and the 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 5B**) 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."

H. Inventory and Prepaid Items

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

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

I. Assets Held for Resale

Assets held for resale are carried at the lower of cost or 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.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2012

1. SIGNIFICANT ACCOUNTING POLICIES, Continued

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 when the City took ownership of this property; at year end the net realizable value was estimated to be \$286,000, reported under the General Fund. This property currently generates rental income and the City intends to sell the property when the real estate market improves in the future.

J. Capital Assets

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

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

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

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

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2012

1. SIGNIFICANT ACCOUNTING POLICIES, Continued

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.

The City had been capitalizing computer software (reported under equipment) before GASB Statement 51 become effective. Easements purchased or donated are capitalized, assigned an indefinite life, and reported under the land category of capital assets. The City policy is not to retroactively report intangible assets considered to have indefinite useful lives as of the effective date of GASB Statement 51.

K. Compensated Absences

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

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2012

1. SIGNIFICANT ACCOUNTING POLICIES, Continued

L. Unearned Revenue and Deferred Revenue

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

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

M. Claims and Judgments

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

N. Long-term Debt

Government-Wide Financial Statements

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

Fund Financial Statements

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

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2012

1. SIGNIFICANT ACCOUNTING POLICIES, Continued

O. Net Assets and Fund Balances

Government-Wide and Proprietary Fund Financial Statements

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

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

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

Fund Financial Statements

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

P. Use of Estimates

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

Q. Legal Level of Budgetary Control

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

2. CASH AND INVESTMENTS

The City maintains a cash and investment pool, which includes cash balances and authorized investments of all funds. This pooled cash is invested by the City Treasurer to 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.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2012

2. CASH AND INVESTMENTS, Continued

A. Deposits and Cash on Hand

The carrying amount of the City’s cash deposits totaled \$5,504,615 at June 30, 2012, including \$8,370 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 \$7,450,562; the total amount of which was insured or collateralized with securities held by the pledging financial institutions in the City’s name as discussed below. The City follows the practice of pooling cash and investments of all funds, except for funds required to be held by fiscal agents under the provisions of bond indentures. Interest income earned on pooled cash and investments is allocated on an accounting period basis to the various funds based on the period-end cash and investment balances. Interest income from cash and investments with fiscal agents is credited directly to the related fund.

B. Investments

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

<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%

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:

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2012

2. CASH AND INVESTMENTS, Continued

Investment Income	Governmental Activities			Business-Type Activities
	Governmental Funds	Internal Service Funds	Total	
Interest	\$ 2,517,654	\$ 969,537	\$ 3,487,191	\$ 897,817
Interfund Interest				90,000
Net Changes in the Fair Value of Investments	(1,595,374)	(630,969)	(2,226,343)	(438,251)
Total - Fund Financial Statements	922,280	338,568	1,260,848	549,566
Interfund Interest Elimination	-	-	-	(90,000)
Timing difference-Interest from loans to City Employees	818	-	818	-
Total - Government-Wide Financial Statements	\$ 923,098	\$ 338,568	\$ 1,261,666	\$ 459,566

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).

C. Summary of Cash and Investments

	Government-Wide Statement of Net Assets			Fund Financials Fiduciary Funds	
	Governmental Activities	Business-Type Activities	Total	Statement of Net Assets	Total
Cash and Investments, Unrestricted	\$ 141,020,062	\$ 39,522,325	\$ 180,542,387	\$ -	\$ 180,542,387
Restricted Cash and Investments					
Held by the City	65,606,709	-	65,606,709	5,683,701	71,290,410
Held by the Fiscal Agent	1,098,033	36,983,867	38,081,900	3,731,580	41,813,480
Total	\$ 207,724,804	\$ 76,506,192	\$ 284,230,996	\$ 9,415,281	\$ 293,646,277

The fiduciary funds had \$4,228,493 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, 2012

2. CASH AND INVESTMENTS, Continued

At June 30, 2012, the City had the following deposits and investments:

	S&P/ Moody's	Details	Total Fair Value
City Treasury Pooled Cash and Investments:			
Deposits and Cash on Hand	Not Rated		\$ 5,504,615
Investments:			
Corporate Notes:			
General Electric	AA+/A1	10,025,981	
Johnson & Johnson	AAA/ Aaa	5,067,920	
Mass Mutual	AA+/Aa2	1,564,610	
Microsoft	AAA/ Aaa	11,495,764	
Toyota	AA-/Aa3	4,004,736	
Total Corporate Notes			32,159,011
Securities of U.S. Government Agencies/Government Sponsored Enterprises:			
Federal Home Loan Bank (2)	AA+/Aaa	28,051,278	
Freddie Mac (2)	AA+/Aaa	25,393,293	
Fannie Mae (2)	AA+/Aaa	23,498,310	
U.S. Treasury (1)	AA+/Aaa	38,167,226	
Tennessee Valley Authority (2)	AA+/Aaa	12,549,840	
Federal Farm Credit Bank (2)	AAA/Aaa	33,687,376	
Municipal Bonds	A-/A1	4,136,320	
Total Securities of U.S. Government Agencies			165,483,643
Local Agency Investment Funds	Not Rated		47,230,320
City Pooled Cash and Investments (including \$4,228,493 from Fiduciary Funds)			<u>\$ 250,377,589</u>
City Cash and Investments with Fiscal Agents:			
Guaranteed Investment Contracts	Not Rated	1,946,564	
Local Agency Investment Funds	Not Rated	36,130,898	
Treasury Obligation Mutual Funds	AAA/ Aaa	4,438	
Total City Cash and Investments with Fiscal Agents			<u>\$ 38,081,900</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		\$ 1,455,208
Fiduciary Fund Cash and Investments with Fiscal Agents:			
Treasury Obligation Mutual Funds	Not Rated		1,367,440
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>\$ 5,186,788</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, 2012

2. CASH AND INVESTMENTS, Continued

D. Risk Disclosures

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

Investments held in the City Treasury grouped by maturity date at June 30, 2012 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	\$ 5,504,615	\$ -	\$ -	\$ -	\$ 5,504,615
Investments:					
Corporate Notes:					
General Electric	-	3,046,659	6,979,322	-	10,025,981
Johnson & Johnson	-	5,067,920	-	-	5,067,920
Mass Mutual	-	1,564,610	-	-	1,564,610
Microsoft	-	4,181,248	7,314,516	-	11,495,764
Toyota	-	-	4,004,736	-	4,004,736
Federal Farm Credit Bank	12,033,532	17,421,828	4,232,016	-	33,687,376
Federal Home Loan Bank	4,122,032	19,683,394	4,245,852	-	28,051,278
Freddie Mac	4,140,852	7,145,352	14,107,089	-	25,393,293
Fannie Mae	4,003,032	12,394,292	7,100,986	-	23,498,310
Tennessee Valley Authority	4,162,256	8,387,584	-	-	12,549,840
U. S. Treasuries	31,113,907	7,053,319	-	-	38,167,226
Municipal Bonds	-	-	4,136,320	-	4,136,320
Local Agency Investment Funds	47,230,320	-	-	-	47,230,320
Total	\$ 112,310,546	\$ 85,946,206	\$ 52,120,837	\$ -	\$ 250,377,589
City Cash and Investments with Fiscal Agents (trustees):					
Guaranteed Investment Contracts	\$ -	\$ -	\$ 1,946,564	\$ -	\$ 1,946,564
Local Agency Investment Funds	36,130,898	-	-	-	36,130,898
Treasury Obligation Mutual Funds	4,438	-	-	-	4,438
Total	\$ 36,135,336	\$ -	\$ 1,946,564	\$ -	\$ 38,081,900
Fiduciary Fund Cash and Investment not in the City Treasury Pool:					
Guaranteed Investment Contracts	\$ -	\$ -	\$ -	\$ 1,748,140	\$ 1,748,140
Treasury Obligation Mutual Funds	1,367,440	-	-	-	1,367,440
Local Agency Investment Funds	616,000	-	-	-	616,000
Deposits Accounts	1,455,208	-	-	-	1,455,208
Total	\$ 3,438,648	\$ -	\$ -	\$ 1,748,140	\$ 5,186,788

The fiduciary funds had \$4,228,493 included in the City pool of cash and investments at year end.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2012

2. 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, 2012, 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>
<i>Government Sponsored Enterprises:</i>	
Federal Farm Credit Bank	\$ 33,687,376
Federal Home Loan Bank	28,051,278
Freddie Mac (FHLMC)	25,393,293
Fannie Mae (FNMA)	23,498,310
Tennessee Valley Authority	12,549,840
Total	<u>\$ 123,180,097</u>

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2012

2. CASH AND INVESTMENTS, Continued

E. Investments in Local Agency Investment Fund

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

The City's investments with the Local Agency Investment Fund (LAIF), at June 30, 2012, 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, 2012, the City had \$47,230,320 at fair value invested in LAIF, which had invested 3.47% 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, 2012, 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 1.001219643.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2012

3. RECEIVABLES

A. Current Receivables

Government Wide Financial Statements

At June 30, 2012, 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	\$ 549,977	\$ 11,978,442	\$ 12,528,419
Taxes	8,781,393	-	8,781,393
Interest	639,949	190,124	830,073
Other	599,452	37,761	637,213
Total Unrestricted	<u>10,570,771</u>	<u>12,206,327</u>	<u>22,777,098</u>
Restricted:			
Accounts	85,109	-	85,109
Interest	242,402	-	242,402
Other	64,755	-	64,755
Total Restricted	<u>392,266</u>	<u>-</u>	<u>392,266</u>
Total Current Receivables, Net	<u>\$ 10,963,037</u>	<u>\$ 12,206,327</u>	<u>\$ 23,169,364</u>

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2012

3. RECEIVABLES, Continued

Fund Financial Statements

At June 30, 2012, 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>
<i>Governmental Funds:</i>						
General	\$ 859,180	\$ 8,781,393	\$ 387,462	\$ 492,831	\$ (233,014)	\$ 10,287,852
Housing Fund	-	-	75,360	58,785	-	134,145
Employment Development	-	-	-	60	-	60
City Projects	-	-	72,904	5,200	-	78,104
Nonmajor Funds	8,554	-	133,505	811	-	142,870
Total Governmental Funds	\$ 867,734	\$ 8,781,393	\$ 669,231	\$ 557,687	\$ (233,014)	\$ 10,643,031
<i>Proprietary Funds:</i>						
Water Supply and Distribution	\$ 5,072,226	\$ -	\$ 52,039	\$ -	\$ (297,217)	\$ 4,827,048
Wastewater Management	3,271,019	-	100,844	1,204	(274,571)	3,098,496
Solid Waste Management	4,638,626	-	19,417	3,798	(437,207)	4,224,634
SMART Station	-	-	17,824	17,412	-	35,236
Community Recreation	5,566	-	-	15,347	-	20,913
Internal Service Funds	366	-	213,120	106,520	-	320,006
Total Proprietary Funds	\$ 12,987,803	\$ -	\$ 403,244	\$ 144,281	\$ (1,008,995)	\$ 12,526,333
<i>Fiduciary Funds:</i>						
Private-Purpose Trust Funds	\$ -	\$ -	\$ 566	\$ -	\$ -	\$ 566
Agency Funds	-	-	52,532	5,214	-	57,746
Total Fiduciary Funds	\$ -	\$ -	\$ 53,098	\$ 5,214	\$ -	\$ 58,312

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2012

3. RECEIVABLES, Continued

B. Intergovernmental Receivables

Intergovernmental receivables are incurred as a result of grants and other intergovernmental revenue the City has earned but not yet received. At June 30, 2012, the City had intergovernmental receivables in the following major funds and nonmajor funds in the aggregate:

<i>Governmental Funds:</i>	
General Fund	\$ 2,034,973
Employment Development Special Revenue Fund	267,407
City Projects Fund	4,831,755
Nonmajor Funds	<u>1,411,986</u>
Total Governmental Funds	<u>8,546,121</u>
<i>Proprietary Funds:</i>	
Water Supply and Distribution Enterprise Fund	-
Wastewater Management Enterprise Fund	3,835
Solid Waste Management Enterprise Fund	67,094
SMaRT Station Enterprise Fund	<u>543,123</u>
Total Proprietary Funds	<u>614,052</u>
Total	<u><u>\$ 9,160,173</u></u>

C. Other Long-term Receivables

At June 30, 2012, the City had long-term receivables in the amount of \$3,752,174, 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 \$3,752,174, including accrued interest of \$136,311.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2012

3. RECEIVABLES, Continued

D. Housing Loans Receivable

Governmental Activities:

Maturity Date Year Ending June 30,	Community				Total
	Development Block Grant	HOME Grant	Housing Mitigation	Other Housing	
2013	\$ 417,228	\$ -	\$ 3,076,958	\$ -	\$ 3,494,186
2014	63,561	-	-	-	63,561
2015	26,367	-	-	-	26,367
2016	94,534	-	186,994	-	281,528
2017	207,928	-	-	-	207,928
2018-2022	478,602	-	-	-	478,602
2023-2027	1,325,293	1,888,532	51,286	-	3,265,111
2028-2032	1,840,963	2,820,501	920,088	-	5,581,552
2033-2037	1,589,501	1,308,125	1,243,456	770,988	4,912,070
2038-2042	5,211,886	2,297,780	1,897,041	508,311	9,915,018
2043-2047	23,790	2,262,190	-	-	2,285,980
2048-2052	-	-	-	-	-
2053-2057	134,677	-	-	-	134,677
2058-2062	59,127	-	-	-	59,127
2063-2067	104,405	219,759	2,342,063	6,600,000	9,266,227
Due Upon Sale or Transfer of Property	884,142	-	-	-	884,142
	12,462,004	10,796,887	9,717,886	7,879,299	40,856,076
Less: Allowance for Uncollectibles	(249,240)	(215,938)	(194,358)	(157,586)	(817,122)
Housing Loans Receivables, Net at June 30, 2012	<u>\$ 12,212,764</u>	<u>\$ 10,580,949</u>	<u>\$ 9,523,528</u>	<u>\$ 7,721,713</u>	<u>\$ 40,038,954</u>

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

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2012

3. RECEIVABLES, Continued

Community Development Block Grant (CDBG) Loans

The City has made a number of loans totaling \$12,462,004 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 \$10,796,887 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 \$9,717,886. 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 \$7,879,299 using Below Market Rates (BMR) and State Housing funds for down payments of qualified first time homebuyers and construction of senior housing, respectively.

4. UNEARNED REVENUE AND DEFERRED REVENUE

Government-Wide Financial Statements

Unearned revenues in the government-wide financial statements represent revenues received in advance of expenses. At June 30, 2012, unearned revenues were as follows:

	<u>Governmental Activities</u>
Customer prepayments	\$ 760,008
Unearned grant and contributions	<u>1,536,302</u>
Total	<u><u>\$ 2,296,310</u></u>

Customer prepayments consisted of \$740,999 for business license renewal and \$19,009 for use of City property. Beginning fiscal year 2005, renewal of business licenses changed from annually to 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, 2012.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2012

4. UNEARNED REVENUE AND DEFERRED REVENUE, Continued

Fund Financial Statements

At June 30, 2012, the following deferred revenues were recorded in the fund financial statements because either the revenues had not been earned or the funds were not available to finance expenditures of the current period:

	General Fund	Housing Special Revenue	Employment Development Special Revenue	City Projects Capital Projects	Nonmajor	Total
Deferred Revenue - Advances to Former RDA	\$ 21,365,286	\$ -	\$ -	\$ -	\$ -	\$ 21,365,286
Deferred Interest on Interfund Advances	36,811,185	-	-	-	-	36,811,185
Deferred Interest on Loans to City Employees	136,311	-	-	-	-	136,311
Capital Special Assessments	90,161	-	-	-	-	90,161
Administrative Citations on Tax Roll	22,206	-	-	-	-	22,206
Proposition 172 Sales Tax	109,947	-	-	-	-	109,947
Vehicle License Fees	73,251	-	-	-	-	73,251
Customer Prepayments	760,008	-	-	-	-	760,008
State Mandated Costs	1,653,178	-	-	-	-	1,653,178
Housing Loans	-	17,245,241	-	-	22,793,713	40,038,954
Unearned or unavailable grant revenues	87,674	-	99,936	1,711,546	63,851	1,963,007
Cost Reimbursement - Abandoned Vehicles	38,427	-	-	-	-	38,427
Total	\$ 61,147,634	\$ 17,245,241	\$ 99,936	\$ 1,711,546	\$ 22,857,564	\$ 103,061,921

5. INTERNAL BALANCES, INTERFUND RECEIVABLES/PAYABLES

Government-Wide Financial Statements

Internal Balances consist of the following items:

<u>Internal Balances</u>	<u>Amount</u>
Outstanding Long-Term Advances from Governmental to Business-Type Activities	\$ 43,788,339
Internal Service Fund Lookback Adjustment:	
Owed by Business-Type to Governmental Activities	2,030,492
Total Internal Balances	<u>\$ 45,818,831</u>

For long-term advances, interest earned by governmental activities, or interest charged to business-type activities, was \$3,043,752 in fiscal year 2012.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2012

5. INTERNAL BALANCES, INTERFUND RECEIVABLES/PAYABLES, Continued

Fund Financial Statements

A. Due to/from Other Funds

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

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Nonmajor Special Revenue Fund: Transportation Development Act	\$ 20,883
SMaRT Station Enterprise Fund	Enterprise Fund: Solid Waste Management Enterprise Fund	511,588
Housing Special Revenue Fund	Nonmajor Special Revenue Fund: Community Development Block Grant	513,735
Total		<u>\$ 1,046,206</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 becomes available to the borrower funds.

The amount due to the SMaRT Station Enterprise Fund from the Solid Waste Management Enterprise Fund represents an amount not settled in cash for an estimated liability.

B. 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	Internal Service - General Services	\$ 177,373
	Enterprise Funds:	
	Water Supply and Distribution	940,097
	Wastewater Management	11,987,849
	Solid Waste Management	30,860,393
	Total General Fund Advances	<u>\$ 43,965,712</u>
Wastewater Management Enterprise Fund	Solid Waste Management Enterprise Fund	\$ 2,090,000

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

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2012

5. INTERNAL BALANCES, INTERFUND RECEIVABLES/PAYABLES, Continued

During fiscal year ended June 30, 2000, the General Fund advanced \$2,000,000 to the General Services Internal Service Fund for cash flow purposes for the Technology Services Subfund. Repayment in the amount of \$500,000 was made in this year. The advance bears interest at 7% with the final installment, including interest, of \$189,789 budgeted to be repaid in 2013. At June 30, 2012, the loan balance was \$177,373.

During the fiscal year ended June 30, 2003, the City purchased property located at 239 Commercial Street to provide additional space for the Public Works Corporation Yard. The total purchase price of \$2,550,000 was funded by the City's Water Supply and Distribution and Wastewater Management Enterprise Funds based on the number of staff located at the corporation yard. Using this methodology, the Water Supply and Distribution Fund's share of the costs amounted to 64% or \$1,632,000, and the Wastewater Management Fund's share amounted to 36% or \$918,000. The Wastewater Management Fund had sufficient funds for the purchase. Since the Water Supply and Distribution Fund did not have sufficient funds, the General Fund agreed to loan the Water Supply and Distribution Fund the amount of \$1,632,000. The loan accrues interest of 6% starting in fiscal year 2003. Repayment in the amount of \$351,700 was made in this year; an equal amount is budgeted to be repaid annually from fiscal year 2013 through fiscal year 2015. At June 30, 2012 total loan balance was \$940,097.

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 \$1,259,994 was made to the General Fund. Annual repayments were budgeted as follows: \$1,264,381 annually from fiscal year 2013 to fiscal year 2019, and \$850,216 annually thereafter to pay off the remaining balance. At June 30, 2012, total loan balance was \$11,987,849.

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 annually from fiscal year 2013 to fiscal year 2014, and \$4,742,396, annually from fiscal year 2015 to fiscal year 2022. At June 30, 2012, total loan balance was \$30,860,393.

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, 2012, total loan balance was \$2,090,000.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2012

6. CAPITAL ASSETS

Modified Approach for Street Pavement System

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

Intangible Assets

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

During this year, donated easements with fair value of \$2,125,600 were accepted by the City and reported under the land category of general capital assets. At year end, total easements approximated \$4.1 million, predominantly under governmental activities.

At June 30, 2012, capitalized computer software (reported under the equipment category of capital assets) approximated \$3.1 million, mostly accounted for in the General Services Internal Service Fund, which maintains replacement schedules for various assets used in operations.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2012

6. CAPITAL ASSETS, Continued

Government-Wide Financial Statements

At June 30, 2012, the City's capital assets consisted of the following:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Totals</u>
Nondepreciable Assets:			
Land	\$ 93,673,402	\$ 16,469,169	\$ 110,142,571
Construction in Progress	30,168,641	3,049,193	33,217,834
Infrastructure - Streets	160,375,583	-	160,375,583
Total Nondepreciable Assets	284,217,626	19,518,362	303,735,988
Depreciable Assets:			
Buildings	95,294,697	23,437,545	118,732,242
Improvements	78,988,225	43,104,315	122,092,540
Equipment	34,802,865	5,491,744	40,294,609
Infrastructure:			
Sidewalks	34,824,509	-	34,824,509
Curbs and Gutters	33,032,230	-	33,032,230
Street Lights	3,300,564	-	3,300,564
Traffic Signals	8,091,770	-	8,091,770
Wastewater Treatment & Collection	-	69,550,995	69,550,995
Water Supply & Distribution	-	68,303,511	68,303,511
Total Depreciable Assets	288,334,860	209,888,110	498,222,970
Less Accumulated Depreciation	(156,398,491)	(110,738,315)	(267,136,806)
Total Depreciable Assets, Net	131,936,369	99,149,795	231,086,164
Total Capital Assets	\$ 416,153,995	\$ 118,668,157	\$ 534,822,152

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2012

6. CAPITAL ASSETS, Continued

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

	Balance July 1, 2011	Additions	Deletions	Balance June 30, 2012
Nondepreciable Assets:				
Land	\$ 105,507,554	\$ 2,125,600	\$ (13,959,752)	\$ 93,673,402
Construction in Progress	20,069,075	13,389,707	(3,290,141)	30,168,641
Infrastructure - Streets	160,242,283	133,300	-	160,375,583
Total Nondepreciable Assets	285,818,912	15,648,607	(17,249,893)	284,217,626
Depreciable Assets:				
Buildings and Structures	92,139,913	3,577,193	(422,409)	95,294,697
Improvements Other than Buildings	78,988,225	-	-	78,988,225
Machinery and Equipment	33,156,287	2,383,598	(737,020)	34,802,865
Infrastructure	78,940,454	308,619	-	79,249,073
Total Depreciable Assets	283,224,879	6,269,410	(1,159,429)	288,334,860
Accumulated Depreciation:				
Buildings and Structures	(44,794,600)	(2,464,830)	140,803	(47,118,627)
Improvements Other than Buildings	(29,674,226)	(2,547,261)	-	(32,221,487)
Machinery and Equipment	(19,011,051)	(2,125,000)	692,324	(20,443,727)
Infrastructure	(55,321,915)	(1,292,735)	-	(56,614,650)
Total Accumulated Depreciation	(148,801,792)	(8,429,826)	833,127	(156,398,491)
Depreciable Assets, Net	134,423,087	(2,160,416)	(326,302)	131,936,369
Total Governmental Activities Capital Assets, Net	\$ 420,241,999	\$ 13,488,191	\$ (17,576,195)	\$ 416,153,995

Governmental activities' depreciation expense for capital assets for the year ended June 30, 2012, are as follows:

Planning and Management	\$ 1,111,817
Public Safety	1,124,911
Community Development	1,499,070
Transportation	2,488,954
Socioeconomic	272,648
Cultural	1,542,477
Environmental Management	389,949
Total Depreciation Expense	\$ 8,429,826

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2012

6. CAPITAL ASSETS, Continued

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

	Balance July 1, 2011	Additions	Deletions	Balance June 30, 2012
Nondepreciable Assets:				
Land	\$ 16,469,169	\$ -	\$ -	\$ 16,469,169
Construction in Progress	8,022,421	1,432,259	(6,405,487)	3,049,193
Total Nondepreciable Assets	24,491,590	1,432,259	(6,405,487)	19,518,362
Depreciable Assets:				
Buildings and Structures	23,253,657	183,888	-	23,437,545
Improvements Other than Buildings	43,104,315	-	-	43,104,315
Machinery and Equipment	5,435,093	56,651	-	5,491,744
Infrastructure	128,577,182	9,277,324	-	137,854,506
Total Depreciable Assets	200,370,247	9,517,863	-	209,888,110
Accumulated Depreciation:				
Buildings and Structures	(20,997,559)	(196,436)	-	(21,193,995)
Improvements Other than Buildings	(17,954,192)	(2,465,643)	-	(20,419,835)
Machinery and Equipment	(4,753,113)	(117,407)	-	(4,870,520)
Infrastructure	(60,721,082)	(3,532,883)	-	(64,253,965)
Total Accumulated Depreciation	(104,425,946)	(6,312,369)	-	(110,738,315)
Depreciable Assets, Net	95,944,301	3,205,494	-	99,149,795
Total Business-Type Activities Capital Assets, Net	\$ 120,435,891	\$ 4,637,753	\$ (6,405,487)	\$ 118,668,157

Business-type activities depreciation expenses for capital assets for the year ended June 30, 2012 are as follows:

Water Supply and Distribution	\$ 1,774,891
Wastewater Management	1,958,057
Solid Waste Management	42,251
SMaRT Station	2,269,691
Community Recreation	267,479
Total Depreciation Expense	\$ 6,312,369

Fund Financial Statements

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

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2012

7. LONG-TERM LIABILITIES

The following is a summary of changes in long-term liabilities during the fiscal year ended June 30, 2012:

Description	Balance, July 1, 2011	Additions	Reductions	Bond Amortization	Balance, June 30, 2012	Due Within One Year	Due in More than One Year
Governmental Activities:							
Bonds Payable: (Note 7A)							
Certificates of Participation:							
1998 Parking Facility Series A	\$ 10,975,000	\$ -	\$ (10,975,000)	\$ -	\$ -	\$ -	\$ -
2009 Government Center	14,885,000	-	(490,000)	-	14,395,000	510,000	13,885,000
Tax Allocation Bonds							
Central Core Series 2003	5,629,385	-	(5,633,056)	3,671	-	-	-
Self Insurance and							
Contingent Liability (Note 7B)	13,094,000	2,322,400	(2,379,400)	-	13,037,000	3,684,843	9,352,157
Compensated Absences (Note 7C)	8,621,941	7,034,418	(7,202,625)	-	8,453,734	6,990,183	1,463,551
Town Center Pollution Remediation							
Obligations (Note 7E)	1,903,101	-	(1,903,101)	-	-	-	-
Total Governmental Activities	\$ 55,108,427	\$ 9,356,818	\$ (28,583,182)	\$ 3,671	\$ 35,885,734	\$ 11,185,026	\$ 24,700,708
Business-Type Activities:							
Bonds Payable: (Note 7A)							
Revenue Bonds:							
Water Revenue Series 2010	\$ 23,904,201	\$ -	\$ (710,000)	\$ 116,425	\$ 23,310,626	\$ 745,000	\$ 22,565,626
Wastewater Revenue Series 2010	36,651,048	-	(1,190,000)	(94,715)	35,366,333	1,210,000	34,156,333
Solid Waste Series 2003	11,250,227	-	(1,370,000)	9,087	9,889,314	1,440,000	8,449,314
Solid Waste Series 2007	6,750,000	-	(495,000)	-	6,255,000	520,000	5,735,000
Landfill Postclosure							
Care Costs (Note 7D)	9,467,571	-	(793,174)	-	8,674,397	621,144	8,053,253
Total Business-Type Activities	\$ 88,023,047	\$ -	\$ (4,558,174)	\$ 30,797	\$ 83,495,670	\$ 4,536,144	\$ 78,959,526

A. Bonds Payable

Bonded Debt Transferred to the Redevelopment Successor Agency Private-Purpose Trust Fund:

As explained in **Note 16**, the following two bonded debt obligations, issued for the Town Center Redevelopment Project area, have been transferred to the Redevelopment Successor Agency.

\$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 (nonmajor) Fund before the Redevelopment Agency dissolved on January 31, 2012 pursuant to ABx1 26. Upon dissolution of the Redevelopment Agency, the remaining unamortized bond discount of \$36,943 and unamortized deferred charge of \$327,142 were eliminated from the government-wide financial statements.

*Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2012*

7. LONG-TERM LIABILITIES, Continued

ABx1 26 specifically states that revenue pledges for debt services are to be honored. 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.

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

Due in original annual installments of \$315,000-\$1,250,000 through October 1, 2022, interest at 3.65%-5.00%. Repayments had been made from advances from the City General Fund in the form of base rental payments to the Redevelopment Agency (RDA). The RDA then used available tax increment revenue to repay the City in accordance with the terms of the First Amended Repayment Contract dated as of May 1977. The RDA was dissolved on January 31, 2012 pursuant to ABx1 26.

ABx1 26 specifically states that revenue pledges for debt services are to be honored. On February 1, the remaining debt principal of \$10,300,000 was transferred to the Redevelopment Successor Agency Private Purpose Trust Fund.

Refer to Note 16 for more information on the Redevelopment Successor Agency Private Purpose Trust Fund.

Bond Ratings of the City’s Outstanding Bonds:

Most of the City’s bonded debt issues are insured. In May 2009 Standard & Poor’s (S&P) Rating Services increased the City’s issuer credit rating (ICR) from AA+ to AAA, affording the City the highest possible rating. The AAA rating was affirmed in April 2012. The ICR from Moody’s is Aaa, also the highest possible rating.

Ratings for the City’s outstanding bonds as of June 30, 2012 are as follows:

Bonded Debt	Par Amount	Moody’s	S&P
2009 Government Center Certificates of Participation	\$ 14,395,000	Aa1	AAA
Water Revenue Bonds, Series 2010	22,620,000	Aa1	AAA
Wastewater Revenue Bonds, Series 2010	32,590,000	Aa2	AAA
Solid Waste Revenue Bonds, Series 2003	9,940,000	A1	AA
Solid Waste Revenue Bonds, Series 2007	6,255,000	N/A	N/A

There have been no defaults on any debt service payments to the bondholders as of June 30, 2012. The City has complied with all significant bond covenants. Refer to Note 7F for debt for which the City is not obligated in any manner.

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.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2012

7. LONG-TERM LIABILITIES, Continued

The Government Center Certificates of Participation are backed by an irrevocable direct draw letter of credit from Union Bank. During this fiscal year, the City incurred \$178,857 in fees such as the letter of credit and remarketing agent fees.

At June 30, 2012, the annualized interest rate was 0.17%, which was the rate used to project the interest portion of the debt service payments for future years. This rate will change with market fluctuations. The 2009 Certificates had original deferred charges of \$504,650, which was recorded as an asset in the government-wide financial statements and amortized over the life of the Certificates. The balance of the deferred charges at June 30, 2012 was \$431,762.

The debt service requirements for the 2009 Government Center Variable Rate Demand Refunding Certificates of Participation at June 30, 2012 were as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 510,000	\$ 24,472	\$ 534,472
2014	535,000	23,605	558,605
2015	555,000	22,695	577,695
2016	575,000	21,752	596,752
2017	605,000	20,774	625,774
2018-2022	3,415,000	87,584	3,502,584
2023-2027	4,180,000	56,066	4,236,066
2028-2031	4,020,000	17,425	4,037,425
Total	\$ 14,395,000	\$ 274,373	\$ 14,669,373

Revenue Bonds

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

Due in original annual installments \$455,000 - \$1,300,000 from April 1, 2011 to April 1, 2040, interest at 0.34 - 5.25%, with repayments made from net revenues of the Water Supply and Distribution Enterprise Fund. The bonds are presented net of an unamortized premium of \$690,626. The Bond also had deferred charges of \$266,194 which were recorded as an asset and amortized over the life of the bonds on a straight-line basis.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2012

7. LONG-TERM LIABILITIES, Continued

The debt service requirements for the bonds at June 30, 2012 were as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 745,000	\$ 1,136,500	\$ 1,881,500
2014	780,000	1,099,250	1,879,250
2015	810,000	1,069,800	1,879,800
2016	845,000	1,033,300	1,878,300
2017	890,000	991,050	1,881,050
2018-2022	2,865,000	4,483,400	7,348,400
2023-2027	3,030,000	3,814,075	6,844,075
2028-2032	3,905,000	2,932,387	6,837,387
2033-2037	5,045,000	1,794,188	6,839,188
2038-2040	3,705,000	395,850	4,100,850
	<u>22,620,000</u>	<u>18,749,800</u>	<u>41,369,800</u>
Add Net Unamortized Premium	690,626	-	690,626
Total	<u>\$ 23,310,626</u>	<u>\$ 18,749,800</u>	<u>\$ 42,060,426</u>

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

Due in original annual installments \$740,000 - \$1,600,000 from April 1, 2011 to April 1, 2040, interest at 0.34 - 5.25%, with repayments made from net revenues of the Wastewater Management Enterprise Fund. The bonds are presented net of an unamortized premium of \$2,776,333. The Bond also had deferred charges of \$340,264, which were recorded as an asset and amortized over the life of the bonds on a straight-line basis.

The debt service requirements for the bonds at June 30, 2012 were as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 1,210,000	\$ 1,652,125	\$ 2,862,125
2014	1,255,000	1,603,725	2,858,725
2015	1,305,000	1,553,525	2,858,525
2016	1,375,000	1,488,275	2,863,275
2017	1,440,000	1,419,525	2,859,525
2018-2022	5,865,000	6,121,375	11,986,375
2023-2027	6,815,000	4,604,850	11,419,850
2028-2032	4,115,000	3,088,050	7,203,050
2033-2037	5,310,000	1,888,950	7,198,950
2038-2040	3,900,000	416,325	4,316,325
	<u>32,590,000</u>	<u>23,836,725</u>	<u>56,426,725</u>
Add Net Unamortized Premium	2,776,333	-	2,776,333
Total	<u>\$ 35,366,333</u>	<u>\$ 23,836,725</u>	<u>\$ 59,203,058</u>

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2012

7. LONG-TERM LIABILITIES, Continued

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

Due in original annual installments of \$1,025,000 - \$1,890,000 through October 1, 2017, interest at 2.0% - 5.5%, repayments made from net revenues of the Solid Waste Enterprise Fund and monies received by the City from the cities of Mountain View and Palo Alto under the Memorandum of Understanding in connection with the City’s Solid Waste Material Recovery and Transfer Station. The bonds are presented net of an unamortized discount of \$50,686. The bonds also had original deferred charges of \$854,769, which were recorded as an asset and amortized over the life of the bond on a straight-line basis. The balance of the deferred charges at June 30, 2012 was \$324,812.

The debt service requirements for the 2003 Solid Waste Revenue Bonds at June 30, 2012 were as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 1,440,000	\$ 505,300	\$ 1,945,300
2014	1,520,000	425,700	1,945,700
2015	1,605,000	339,763	1,944,763
2016	1,695,000	249,012	1,944,012
2017	1,790,000	153,175	1,943,175
2018	1,890,000	51,975	1,941,975
	<u>9,940,000</u>	<u>1,724,925</u>	<u>11,664,925</u>
Less Unamortized Discount	<u>(50,686)</u>	<u>-</u>	<u>(50,686)</u>
Total	<u><u>\$ 9,889,314</u></u>	<u><u>\$ 1,724,925</u></u>	<u><u>\$ 11,614,239</u></u>

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

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

Due in original annual installments of \$440,000 - \$745,000 through October 1, 2021, interest at 4.0197%, repayments made from net revenues of the Solid Waste Enterprise Fund, and monies received from the City of Palo Alto under the Memorandum of Understanding in connection with the City’s Solid Waste Material Recovery and Transfer Station. The bonds had original deferred charges of \$94,574, which were recorded as an asset and amortized over the life of the bond on a straight-line basis. The balance of the deferred charges at June 30, 2012 was \$63,049.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2012

7. LONG-TERM LIABILITIES, Continued

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 520,000	\$ 240,981	\$ 760,981
2014	540,000	219,677	759,677
2015	560,000	197,568	757,568
2016	585,000	174,555	759,555
2017	610,000	150,538	760,538
2018-2022	3,440,000	356,748	3,796,748
Total	\$ 6,255,000	\$ 1,340,067	\$ 7,595,067

Annual Debt Service Requirements to Maturity-All Bonded Debt

The annual requirements to amortize long-term bonded debt outstanding as of June 30, 2012 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>
2013	\$ 510,000	\$ 24,472	\$ 3,915,000	\$ 3,534,906
2014	535,000	23,605	4,095,000	3,348,352
2015	555,000	22,695	4,280,000	3,160,656
2016	575,000	21,752	4,500,000	2,945,142
2017	605,000	20,774	4,730,000	2,714,288
2018-2022	3,415,000	87,584	14,060,000	11,013,498
2023-2027	4,180,000	56,066	9,845,000	8,418,925
2028-2032	4,020,000	17,425	8,020,000	6,020,437
2033-2037	-	-	10,355,000	3,683,138
2038-2040	-	-	7,605,000	812,175
Subtotal	14,395,000	274,373	71,405,000	45,651,517
Add Unamortized Premium		-	3,466,959	-
Less Unamortized Discount		-	(50,686)	-
Total	\$ 14,395,000	\$ 274,373	\$ 74,821,273	\$ 45,651,517

B. Self-Insurance and Contingent Liabilities

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

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

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2012

7. LONG-TERM LIABILITIES, Continued

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, 2012 may be obtained from CJPRMA at 3252 Constitution Drive, Livermore, CA 94551.

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

- \$500,000 - \$1,000,000. Coverage provided by CSAC-EIA (20% quota share) and CastlePoint National Insurance Company (80% quota share)
- \$1,000,001 - \$5,000,000. Coverage provided by CSAC-EIA.
- \$5,000,001 - \$50,000,000. Coverage provided by ACE American Insurance Company
- \$50,000,001 - Statutory. Coverage provided by National Union Fire Insurance Co. of Pittsburgh, PA (Chartis)

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, 2012, may be obtained from CSAC Excess Insurance Authority at 75 Iron Point Circle, Suite 200, Folsom, CA 95630.

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

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2012

7. LONG-TERM LIABILITIES, Continued

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>2012</u>	<u>2011</u>	<u>2010</u>
General:			
Liability at beginning of fiscal year	\$ 1,626,000	\$ 1,500,000	\$ 1,262,000
Claims paid	(666,300)	(558,084)	(710,765)
Current fiscal year claims and changes in estimated liability	<u>585,300</u>	<u>684,084</u>	<u>948,765</u>
Liability at end of fiscal year	<u><u>\$ 1,545,000</u></u>	<u><u>\$ 1,626,000</u></u>	<u><u>\$ 1,500,000</u></u>
Workers' Compensation:			
Liability at beginning of fiscal year	\$ 11,468,000	\$ 11,204,000	\$ 11,509,000
Claims paid	(1,713,100)	(1,496,431)	(1,607,992)
Current fiscal year claims and changes in estimated liability	<u>1,737,100</u>	<u>1,760,431</u>	<u>1,302,992</u>
Liability at end of fiscal year	<u><u>\$ 11,492,000</u></u>	<u><u>\$ 11,468,000</u></u>	<u><u>\$ 11,204,000</u></u>
Total estimated claims payable	<u><u>\$ 13,037,000</u></u>	<u><u>\$ 13,094,000</u></u>	<u><u>\$ 12,704,000</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 2% for fiscal year 2013, 4% for fiscal years 2014 to 2021, and 5% for fiscal year 2022 and beyond, on the carrying amount of estimated general liability of \$1,626,000 and estimated workers' compensation liability of \$14,805,000 at the 70% confidence level.

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

C. Compensated Absences

The City's compensated absences consist of accrued vacation pay, floating holiday pay for all regular employees and paid time off and floating holiday pay for management and confidential employees. Some employees also accrue compensatory time. The total amount of the accrued liability is recorded in the Employee Benefits Internal Service Fund and is reported under governmental activities in the government-wide financial statements. The total amount of the liability at June 30, 2012 was \$8,453,734.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2012

7. LONG-TERM LIABILITIES, Continued

D. Landfill Postclosure Care Costs

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

In 2008, the California Department of Resources Recycling and Recovery (CalRecycle – formerly the California Integrated Waste Management Board) amended regulations on landfill closure, postclosure maintenance, and corrective action cost estimates. The City revised prior estimates accordingly; the resulting change in accounting estimate (a net increase of \$7 million in liability from the previous year) was fully recognized in fiscal year 2009.

At June 30, 2012, a liability in the amount of \$8,674,397 was reported based on the estimated remaining postclosure care costs that will be incurred over the next 12 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, 2012. 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. Sunnyvale's landfill postclosure care and corrective action costs will be financed by the Solid Waste Management Fund's existing resources and future rate setting on user charges.

E. Pollution Remediation Obligations

Town Center Pollution Remediation Obligations

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

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

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

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2012

7. LONG-TERM LIABILITIES, Continued

The Agency'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.

At the end of last fiscal year, the estimated future environmental outlay was \$1,903,101. During fiscal year 2012 before the dissolution of the Redevelopment Agency on February 1, 2012, the Redevelopment Special Revenue Fund (a nonmajor fund) incurred environmental expenditures of \$37,661. Under the accrual basis of accounting, the remaining estimated obligation was \$1,865,440, which was transferred to the Redevelopment Successor Agency Private-Purpose Trust Fund on February 1, 2012. Refer to Note 16 for additional information.

Morse Park Pollution Remediation Obligations

The Morse Avenue Neighborhood Park Development Project has been in the City's long-term capital improvement plans since the City purchased the future park site property in 1990. Due to funding issues and the lack of residential development in the area, the property had been leased to tenants for private industrial use until the City Council appropriated \$4.2 million in the prior fiscal year, which was based on the 2009 Parks of the Future Study.

On May 25, 2010, the City Council was notified of the preliminary findings from the environmental analysis conducted on the future neighborhood park site. The findings showed lead and arsenic in shallow soil on the site at concentrations above regulatory screening criteria, most likely from applications of lead-arsenate as a pesticide when the site was previously used as an orchard.

On June 29, 2010, the City Council approved additional consulting and testing services from the environmental consultant for the project site to better determine the extent of the soil contamination and remediation options.

During July, 2010, the environmental consultant took samples from various locations throughout the future park site, including the collection of soil samples from various depths beneath the existing building floor slabs. In August, 2010, the consultant submitted a report for the City to use to develop its action plan to abate the hazards to residential standards. City engineering staff submitted a definitive plan of action which was approved by the State's Department of Toxic Substances Control in January 2012.

On June 19, 2012, the City Council awarded a contract for remedial soil excavation and work began in October 2012.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2012

7. LONG-TERM LIABILITIES, Continued

The current estimate for soil remediation and for other associated costs is \$1.9 million. Total costs will be funded by transfers from the Park Dedication Special Revenue (Nonmajor) Fund to the City Projects (Major) Fund. As of June 30, 2012, the City incurred cost of \$435,000 for environmental consulting work. Since all outlays to prepare this future park site for its intended use are capitalized as incurred, the City does not record a pollution liability or expense in the government-wide financial statements.

F. Non City Obligations

Community Facilities District

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

The bond documents for the CFD No. 1 bonds stipulated that in the event the Initial Release Test was not satisfied, the bonds would be redeemed in part. In order to satisfy the Initial Release Test, the Director of Finance of the City of Sunnyvale had to determine, at the time of the initial disbursement from the Escrow Fund, that several conditions had been met. Prior to the initial disbursement from the Escrow Fund, the Director of Finance determined that the Initial Release Test had not been satisfied. Therefore, bonds in the amount of \$16,010,000 were redeemed in September 2002. The principal balance of currently outstanding bonds was \$17,730,000 at June 30, 2012. These funds were used to finance one of the two proposed new parking garages. This garage, which contains 958 parking spaces, opened on October 2001.

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

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2012

7. LONG-TERM LIABILITIES, Continued

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

The ARDDOPA included an important new provision that imposed on the developer substantial penalties for missed milestones during construction. The milestones were keyed to the start of demolition through delivery of space to retailers who would open stores. Delivery of space to retailers was originally expected to be completed by March 2010. Due to the 2008 credit market meltdown and the severe recession, the Developer halted construction in February 2009 for lack of further funding. The Town Center development project was about 40% completed at the time.

Since July 2009, liens totaling more than \$17 million have been filed against the property by the general contractor and subcontractors for missed payments on work completed. In August 2009 Devcon Construction, the general contractor, filed a multimillion-dollar lawsuit against various parties including the Developer, the RDA, and the lender Wachovia Bank (part of Wells Fargo Bank), seeking foreclosure of the property.

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

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

The RDA and the Receiver had been negotiating certain modifications to the ARDDOPA until reaching the 2010 Modification Agreement in May 2010. On August 2, 2010, the RDA and the Receiver entered into the 2010 Amended Disposition and Development and Ownership Agreement (ADDOPA) in order to document the changes agreed to in the 2010 Modification Agreement. The 2010 ADDOPA is effective as of May 14, 2010.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2012

7. LONG-TERM LIABILITIES, Continued

The ADDOPA reflects the principle that construction will commence and thereafter be diligently completed as soon as commercially reasonable financing and leasing commitments have been obtained, rather than an absolute date with a firm construction schedule when construction will commence. There is a one-time penalty of \$5 million for failure to meet the construction schedule. The transfer provisions permit the lender to foreclose on its security interest and to transfer the Project to a developer that meets criteria for experience, financial capability and reputation. These modifications represent compromises by both the Receiver and the RDA, and provide the basis for investment and restarting the Project as soon as possible.

2002 Housing Revenue Bonds, Series A

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

8. OPERATING LEASES

The City leases from NASA a portion of certain land located at Moffett Field under a noncancellable operating lease. The leased property is used solely for the maintenance and operation of a public golf course. On the equipment side, the City leases copiers for city-wide use. The current lease is set to expire in fiscal year 2013 and bids are currently under review. Future minimum payments under these leases at June 30, 2012 are as follows:

<u>Year Ending June 30,</u>	<u>Land</u>	<u>Equipment</u>	<u>Total</u>
2013	\$ 58,595	\$ 34,783	\$ 93,378
2014	58,595	-	58,595
2015	58,595	-	58,595
2016	58,595	-	58,595
2017	58,595	-	58,595
2018-2021	234,380	-	234,380
Total	<u>\$ 527,355</u>	<u>\$ 34,783</u>	<u>\$ 562,138</u>

**Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2012****9. COMMITMENTS**

At June 30, 2012, the City had outstanding construction commitments for the following projects:

<u>Description</u>	<u>Contract</u>	<u>Unpaid</u>
Mathilda Avenue Overhead Bridge	\$ 18,000,158	\$ 954,503
Air Flotation Tank Improvements Project	1,853,800	961,271
Pavement Rehab/Resurface of Remington Drive	475,951	475,951
	<u>\$ 20,329,909</u>	<u>\$ 2,391,725</u>

10. RETIREMENT PLAN**Plan Description**

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

Funding Policy

Miscellaneous participants were required to contribute 8% of annual covered salary, and safety participants were required to contribute 11.25% of their annual covered salary. The City made the contributions required of City employees on their behalf, which account for 7% of annual salary for miscellaneous participants and between 8.25% and 10.25% for safety participants. This amounted to \$6,923,448 for the fiscal year ended June 30, 2012. 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 and 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, 2012, the City's required contribution was 19.496% for miscellaneous employees and 31.492% for safety employees. However, the City's actual contribution was 20.2% for miscellaneous employees and 34.7% for safety employees.

Annual Pension Cost (APC)

For fiscal year 2012 the City's annual required contribution (ARC) was \$20,637,051. The City made actual contributions of \$22,030,051, which resulted in a negative net pension obligation or net pension asset in the amount of \$1,393,000. The required employer contribution was determined as part of the June 30, 2009, 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) 2% per year cost-of-living adjustments.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2012

10. RETIREMENT PLAN, Continued

Both (a) and (b) included an inflation component of 3%. The actuarial value of PERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a fifteen-year period. The PERS unfunded actuarial accrued liability (or surplus) is being amortized as a level percentage of projected payroll. The average remaining amortization period at June 30, 2009, was 20 years for miscellaneous employees on an open basis. For the safety plan, the City also opts to pay for a higher employer contribution rate that amortizes over 20 years on an open basis.

Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)		Total APC	Percentage of APC Contributed	Net Pension Obligation (Asset)
	Miscellaneous Plan	Safety Plan			
06/30/10	\$ 8,500,662	\$ 9,392,027	\$ 17,892,689	100%	-
06/30/11	9,178,879	9,527,576	18,706,455	100%	-
06/30/12	11,210,545	10,819,506	22,030,051	107%	(1,393,000)

Funding Progress

The most recent PERS actuarial valuations as of June 30, 2012 are presented below:

Miscellaneous Plan

Valuation Date	Accrued Liability (a)	Actuarial Value of Assets (AVA) (b)	Unfunded Liability (UL) (a)-(b)	Funded Ratios		Annual Covered Payroll (c)	UL as a % of Payroll [(a)-(b)]/(c)
				(AVA) (b)/(a)	Market Value		
6/30/2008	\$ 321,873,624	\$ 272,822,360	\$ 49,051,264	84.8%	86.0%	\$ 52,930,362	92.7%
6/30/2009	362,079,446	289,158,200	72,921,246	79.9%	57.9%	57,068,680	127.8%
6/30/2010	379,468,535	305,016,513	74,452,022	80.4%	62.7%	55,327,086	134.6%

Safety Plan

Valuation Date	Accrued Liability (a)	Actuarial Value of Assets (AVA) (b)	Unfunded Liability (UL) (a)-(b)	Funded Ratios		Annual Covered Payroll (c)	UL as a % of Payroll [(a)-(b)]/(c)
				(AVA) (b)/(a)	Market Value		
6/30/2008	\$ 334,085,457	\$ 276,074,688	\$ 58,010,769	82.6%	84.6%	\$ 29,840,404	194.4%
6/30/2009	362,842,286	287,338,615	75,503,671	79.2%	57.5%	31,418,480	240.3%
6/30/2010	376,787,588	301,952,765	74,834,823	80.1%	62.6%	31,025,541	241.2%

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2012

11. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description

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

The City provides a retiree healthcare stipend equal to the lesser of the medical premium or a dollar limit that varies by employee group (\$343 to \$624 per month for 2012). 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 696 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 2012, the estimated ARC was \$9,024,000. The City contributed \$4,724,000 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 \$3,896,000 as per the adopted financial plan to the Trust during fiscal year 2012. 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, 2012

11. 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 2012		\$	9,024,000
Interest on Net OPEB Obligation			(232,000)
Amortization of Net OPEB Obligation			210,000
Annual OPEB Cost			<u>9,002,000</u>
Contributions			
Trust Pre-Funding	\$	(3,896,000)	
Benefit Payments Outside of Trust		(4,724,000)	<u>(8,620,000)</u>
Increase (Decrease) in Net OPEB Obligation			382,000
Net OPEB Obligation-Beginning of Year			(3,568,000)
Net OPEB Obligation (Asset)-End of Year			<u><u>\$ (3,186,000)</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	Annual OPEB Cost Contributed	OPEB Obligation (Asset)
6/30/2010	\$ 13,357,000	\$ 3,942,500	29.5%	\$ 19,748,000
6/30/2011	13,426,000	36,742,000	273.7%	(3,568,000)
6/30/2012	9,002,000	8,620,000	95.8%	(3,186,000)

Funded Status and Funding Progress

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

	Actuarial Valuation 6/30/2010
Actuarial Accrued Liability (AAL)	\$ 105,560,000
Actuarial Value of Plan Assets	-
Unfunded Actuarial Accrued Liability (UAAL)	105,560,000
Funded Ratio (Actuarial Value of Plan Assets/AAL)	0%
Covered Payroll (Active Plan Participants)	\$ 79,075,000
UAAL as a Percentage of Covered Payroll	133.5%

The OPEB Trust was funded after June 30, 2010, in fiscal year 2011. The market value of the City's OPEB Trust assets was \$37,855,997 as of June 30, 2012.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2012

11. 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
6/30/2006	\$ -	\$ 80,094,000	\$ 80,094,000	0%	\$ 76,210,000	105.1%
6/30/2008	-	131,489,000	131,489,000	0%	79,269,000	165.9%
6/30/2010	-	105,560,000	105,560,000	0%	79,075,000	133.5%

The 6/30/2006 Actuarial Accrued Liability was calculated using a discount rate of 7.75%, compared with 4.75% used in the 6/30/2008 liability calculation. The 2008 valuation, dated 8/27/2009, used a lower discount rate because the OPEB trust had not been established. The 2010 valuation used a discount rate of 6.50% with ARC pre-funded.

Actuarial Methods and Assumptions

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

For the June 30, 2010, actuarial valuation, the entry age normal actuarial cost method was used. The actuarial assumptions included a 6.50 percent investment rate of return (net of administrative expenses) and a 3% general inflation assumption. Premiums were assumed to increase with a pre-Medicare medical cost increase rate of 9.5% for 2012, grading down to 5% for 2021 and thereafter. The post-Medicare medical cost increase rates were 10% for 2012, grading down to 5% for 2021 and thereafter. The initial UAAL was amortized as a level percentage of projected payroll over a fixed (closed) 30-year period. The amortization period decreases by one year each fiscal year, but not less than 15 years. When the amortization period reaches 15 years, new gains and losses will be amortized over a rolling 15-year period. There were 25 years remaining for projected UAAL as of June 30, 2012.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2012

12. TRANSFERS

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

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

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	\$ 75,661	(3)
	Employment Development	376,978	(3)
	City Projects	21,416	(1)
	Nonmajor Governmental	155,748	(3)
	Internal Service - General Services	966,517	(3)
	Water Supply and Distribution	2,726,651	(3)
	Wastewater Management	3,703,811	(3)
	Solid Waste Management	3,200,123	(3)
	Community Recreation	269,149	(3)
	Subtotal - General Fund	<u>11,496,054</u>	

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2012

12. TRANSFERS, Continued

Fund Receiving Transfers	Fund Making Transfers	Amount Transferred	Funding Purpose
Redevelopment Debt Service	Nonmajor Governmental	\$ 5,597,824	(2)
	Subtotal - Redevelopment Debt Service	<u>5,597,824</u>	
City Projects	General Fund	32,672	(1)
	Nonmajor Governmental	2,026,745	(1)
	Wastewater Management	109,433	(1)
	Subtotal - City Projects	<u>2,168,850</u>	
Nonmajor Governmental	General Fund	570,950	(3)
	City Projects	123,006	(1)
	Nonmajor Governmental	1,260,689	(1)
	Internal Service - General Services	444,977	(4)
	Water Supply and Distribution	39,988	(4)
	Wastewater Management	27,451	(4)
	Solid Waste Management	40,637	(4)
	Subtotal - Nonmajor Governmental	<u>2,507,698</u>	
Internal Service - General Services	General Fund	216,018	(1)
	City Projects	9,340	(1)
	Nonmajor Governmental	747,734	(1)
	Water Supply and Distribution	336,964	(1)
	Wastewater Management	803,898	(1)
	Solid Waste Management	41,252	(1)
	Subtotal - Internal Service - General Services	<u>2,155,206</u>	
Water Supply and Distribution	Wastewater Management	33,744	(1)
	Subtotal - Water Supply and Distribution	<u>33,744</u>	
Solid Waste Management	Wastewater Management	30,042	(1)
	Subtotal - Wastewater Management	<u>30,042</u>	
SMaRT Station	Solid Waste Management	1,572,497	(2)
	Subtotal - SMaRT Station	<u>1,572,497</u>	
Community Recreation	General Fund	4,522,471	(3)
	Internal Service - General Services	61,536	(1)
	Nonmajor Governmental	9,350	(3)
	Subtotal - Community Recreation	<u>4,593,357</u>	
Total Interfund Transfers		<u>\$ 30,155,272</u>	

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2012

13. PLEDGED REVENUES

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

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

The City has pledged, as security for the 2010 Water Revenue Bonds, net revenues of its Water System. The 2010 Bonds were issued at the end of 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 \$41,369,800 with annual requirements ranging from \$1,881,500 in fiscal year 2013 to \$1,368,250 in the final fiscal year 2040. Debt service principal and interest totaling \$1,874,900 was paid during the year. Net revenues of the Water System amounted to \$5,847,821. 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 \$56,426,725 with annual requirements ranging from \$2,862,125 in fiscal year 2013 to \$1,436,663 in the final fiscal year 2040. Debt service principal and interest totaling \$2,849,503 was paid during the year. Net revenues of the Wastewater System amounted to \$6,079,651. 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, 2012

13. PLEDGED REVENUES, Continued

Total principal and interest remaining to be paid on the 2003 Bonds is \$11,664,925 with annual requirements ranging from \$1,945,300 in fiscal year 2013 to \$1,941,975 in the final fiscal year 2018. Total principal and interest remaining to be paid on the 2007 bond issues is \$7,595,067 with annual requirements ranging from \$760,981 in fiscal year 2013 to \$759,973 in the final fiscal year 2022.

For the current year, principal and interest payments made were \$1,942,850 for the 2003 Bonds and \$756,381 for the 2007 Bonds. Net revenues of the Solid Waste System amounted to \$3,752,504 for fiscal year 2012. Net revenues for calculating debt coverage include the following components: operating revenues, operating expenses (excluding depreciation), interest earnings, and net interfund operating transfers.

The Solid Waste Fund made a debt service transfer of \$1,572,497 to the SMaRT Station Fund. The cities of Mountain View and Palo Alto paid \$435,708 and \$605,091 into the SMaRT Station Fund to cover their allocated share of debt service in this year.

14. CLASSIFICATION OF NET ASSETS AND FUND BALANCES

Government-Wide Financial Statements and Proprietary Fund Financial Statements

Net assets are classified in the following categories:

Invested In Capital Assets, Net of Related Debt

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

Restricted

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

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

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

Unrestricted

This category is the "residual" component of net assets. It consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2012

14. CLASSIFICATION OF NET ASSETS AND FUND BALANCES, Continued

Governmental Fund Financial Statements

The following schedule presents details of fund balance components at June 30, 2012:

	Major Funds					Nonmajor Governmental Funds
	General Fund	Housing Special Revenue	Employment Development Special Revenue	(Former) Redevelopment Debt Service	City Projects	
Fund Balances:						
Nonspendable:						
Inventories and Prepayments	\$ 652,063	\$ -	\$ 16,899	\$ -	\$ 250,000	\$ 12,500
Advances to Other Funds Net of Deferred Revenue	7,154,527	-	-	-	-	-
Long-term Receivables Net of Deferred Revenue	3,615,863	-	-	-	-	-
Assets Held for Resale	1,387,077	280,000	-	-	-	-
Permanent Fund Principal	-	-	-	-	-	1,495,445
Columbia Neighborhood Center Endowment	510,217	-	-	-	-	-
Subtotal	13,319,747	280,000	16,899	-	250,000	1,507,945
Restricted for:						
Donations and Contributions from External Sources	502,466	-	-	-	-	-
Hazardous Materials Program Enforcement Actions	182,729	-	-	-	-	-
Housing Mitigation	-	17,153,207	-	-	-	-
Housing - CDBG and HOME Grants	-	-	-	-	-	2,489,921
Low and Moderate Income Housing Assets	-	-	-	-	-	14,673,336
Park Dedication	-	-	-	-	-	14,594,306
Law Enforcement - Asset Forfeiture Funds	-	-	-	-	-	996,883
Police Services Augmentation	-	-	-	-	-	260,986
Workforce Training and Development	-	-	53,558	-	-	-
Downtown Parking Maintenance	-	-	-	-	-	608,742
Public Street and Highways	-	-	-	-	-	6,889,099
Easement Agreement for Public Improvements	4,510,795	-	-	-	-	-
Debt Service Reserve	-	-	-	-	-	1,097,394
Capital Projects Funded by External Resources	-	-	-	-	16,478,300	-
Subtotal	5,195,990	17,153,207	53,558	-	16,478,300	41,610,667
Committed to:						
Contingency Reserve	18,041,799	-	-	-	-	-
Capital Improvement Projects (Downtown)	7,945,351	-	-	-	-	-
Current Capital and Special Projects Carryover	1,135,768	-	-	-	-	-
Subtotal	27,122,918	-	-	-	-	-
Assigned to:						
Infrastructure Renovation and Improvement Projects	-	-	-	-	-	9,937,648
Unassigned, Reported in						
Major Funds	61,644,655	-	-	-	-	-
Total	\$ 107,283,310	\$ 17,433,207	\$ 70,457	\$ -	\$ 16,728,300	\$ 53,056,260

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

Fund Balance Classifications:

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

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

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2012

14. CLASSIFICATION OF NET ASSETS AND FUND BALANCES, Continued

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

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

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

The *assigned* fund balance includes amounts that are constrained by the City's intent to be used for specific purposes, but are neither restricted nor committed. Such intent 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.

Spending Prioritization in Using Available Resources:

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

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

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

The General Fund Contingency Reserve is established by the City Council at 15% of General Fund operating expenditures as budgeted to provide funding for any significant unplanned event that may arise such as natural disasters or emergencies. The 15% threshold was established by Council action on August 9, 2011 (RTC 11-167). Prior to this action, the Contingency Reserve was set at 20% of operating expenditures. This reserve is not intended for normal unanticipated expenditures. In the fiscal year 2012 adopted budget, which preceded the policy change described above, the Contingency Reserve was identified and set aside for the designated purpose in the amount of \$24,933,171. As of June 30, 2012, the reserve balance was \$18,041,799, which reflects 15% of final operating expenditures for fiscal year 2012.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2012

14. CLASSIFICATION OF NET ASSETS AND FUND BALANCES, Continued

The General Fund Reserve for Capital Improvement Projects reflects the proceeds of \$8,818,130 received from Downtown land sale between fiscal year 2006 and fiscal year 2008. Such proceeds have been approved by the Council for specific Downtown improvement projects. The balance at year end was \$7,945,351, classified as committed resources of the fund balance.

The Current Capital and Special Projects represent the unspent amount of project appropriations at the end of fiscal year 2012. The amount of \$1,135,768 remains committed until the completion of 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 2012, this Fund had a balance of \$61,644,655. This Fund is classified as unassigned resources.

Explanation of Fund Balance Requirements Other than the General Fund:

Additional explanations are provided below to supplement the schedule presented on page 116.

For the City Projects Major Fund, total fund balance was \$16,728,300. After having identified the unspendable amount of \$250,000 (prepayments), the remaining balance represents the restricted amount of \$16,478,300 (resources from grants and impact fees).

For the Nonmajor Governmental Funds, the amount of \$9,937,648 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 have been predominantly through transfers from the General Fund.

15. DEFICIT NET ASSETS AND FUND BALANCES

Government-Wide Financial Statements

The business-type activities in the government-wide financial statements had deficit unrestricted net assets of (\$12,004,548). This amount was composed of positive net unrestricted assets in all enterprise funds except for deficits in the Solid Waste Management Fund.

Total Unrestricted Net Assets in Enterprise Funds	\$ (9,974,056)
Cumulative Internal Service Funds' Look-back Adjustments	(2,030,492)
Deficit Unrestricted Net Assets in Business-Type Activities	<u>\$ (12,004,548)</u>

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

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2012

15. DEFICIT NET ASSETS AND FUND BALANCES, Continued

Fund Financial Statements

The following funds had deficit fund balance or net assets as of June 30, 2012:

Major Funds Deficit Fund Balance:	
Solid Waste Management Enterprise Fund	\$ (32,976,076)

The deficit in the Solid Waste Management Fund was due to several transactions. The General Fund has made several advances to the Solid Waste Management Fund for construction of new facilities and for cash flow purposes. Interest has been accrued annually on the outstanding loan balances. The deficit is also explained by the Governmental Accounting Standards Board Statement No. 18 (Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Costs), which requires the City to recognize, at the time a landfill is closed, all estimated total future costs related to closure and postclosure care. Net assets of \$2.5 million were transferred to the SMaRT Station Fund when it was created in fiscal year 1997. Annually, through interfund transfers, this Fund pays Sunnyvale's share of debt service to the SMaRT Station Fund. The Fund also pays the General Fund for general government support services. The deficit is expected to be funded by charges for services.

Although the combined net assets for all internal service funds were \$43,221,363, one of the internal service funds, the Risk Management Fund, had a deficit net asset of \$1,007,989 at year end. The deficit net assets in the Risk Management Internal Service Fund was caused by two main factors: higher claims than budgeted and actuarial liability adjustments. The deficit is expected to be funded by future internal service charges to other City funds.

16. REDEVELOPMENT SUCCESSOR AGENCY TRUST FOR ASSETS AND LIABILITIES OF THE FORMER REDEVELOPMENT AGENCY

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. 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. On January 10, 2011, 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.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2012

16. REDEVELOPMENT SUCCESSOR AGENCY TRUST FOR ASSETS AND LIABILITIES OF THE FORMER REDEVELOPMENT AGENCY, Continued

After enactment of the law, on June 28, 2011, redevelopment agencies in the State of California cannot enter into new projects, obligations or commitments. Subject to the control of a newly established oversight board, remaining assets 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.

The Bill directs the State Controller of the State of California to review the propriety of any transfers of assets between redevelopment agencies and other public bodies that occurred after January 1, 2011. If the public body that received such transfers is not contractually committed to a third party for the expenditure or encumbrance of those assets, the State Controller is required to order the available assets to be transferred to the public body designated as the successor agency by the Bill.

Management believes, in consultation with legal counsel, that the obligations of the former redevelopment agency due to the City are valid enforceable obligations payable by the successor agency trust under the requirements of the Bill. The City's position on some of the obligations is not a position of settled law and there is considerable legal uncertainty regarding this issue. It is reasonably possible that a legal determination may be made at a later date by an appropriate judicial authority that would resolve this issue unfavorable for the City.

In accordance with the timeline set forth in the Bill (as modified by the California Supreme Court on December 29, 2011) all redevelopment agencies in the State of California were dissolved and ceased to operate as a legal entity as of February 1, 2012.

Prior to that date, the final seven months of the activity of the redevelopment agency continued to be reported in the governmental funds of the City. After the date of dissolution, the assets and activities of the dissolved redevelopment agency are reported in a fiduciary fund (private-purpose trust fund) in the financial statements of the City.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2012

16. REDEVELOPMENT SUCCESSOR AGENCY TRUST FOR ASSETS AND LIABILITIES OF THE FORMER REDEVELOPMENT AGENCY, Continued

The following schedules present a summary of financial information, on the modified accrual basis, at January 31, 2012, immediately before the dissolution of the Redevelopment Agency:

Schedule of Assets, Liabilities, and Fund Balances as of January 31, 2012:

	<u>Major Fund</u>	<u>Nonmajor Fund</u>		<u>Total</u>
	<u>Redevelopment Agency Debt Service</u>	<u>See Note A below</u>		
		<u>Low and Moderate Income Housing</u>	<u>Redevelopment Agency Special Revenue</u>	<u>Redevelopment Agency Funds</u>
Assets:				
Cash and Investments Held by Agency	\$ -	\$ -	\$ 701,643	\$ 701,643
Cash and Investments Held by Fiscal Agent	2,038,991	-	-	2,038,991
Receivables	-	-	-	-
Due from Other Funds	-	14,673,336	-	14,673,336
Total Assets	2,038,991	\$ 14,673,336	\$ 701,643	\$ 17,413,970
Liabilities and Fund Balances:				
Liabilities:				
Accounts Payable and Accrued Liabilities	\$ -	\$ -	\$ 587,341	\$ 587,341
Town Center Public Improvement Obligations	-	-	6,508,319	6,508,319
Due to Other Funds	-	-	14,673,336	14,673,336
Advances from Other City Funds	61,069,816	-	-	61,069,816
Total Liabilities	61,069,816	-	21,768,996	82,838,812
Fund Balances:				
Restricted	2,038,991	14,673,336	-	16,712,327
Unassigned	(61,069,816)	-	(21,067,353)	(82,137,169)
Total Fund Balances	(59,030,825)	14,673,336	(21,067,353)	(65,424,842)
Total Liabilities and Fund Balances	\$ 2,038,991	\$ 14,673,336	\$ 701,643	\$ 17,413,970

Note A: The Low and Moderate Income Housing Fund (LMIHF) by itself did not have specific revenue sources except for transfers from the (old) Redevelopment Agency Special Revenue Fund. In the fiscal year 2011 CAFR reporting, these two funds were consolidated into one, still called the (new) Redevelopment Agency Special Revenue Fund to comply with GASB Statement No. 54. The LMIHF was created pursuant to the California Redevelopment Law. The purpose of separately presenting the LMIHF and the (old) Redevelopment Agency Special Revenue Fund in this schedule is to facilitate the explanation of the RDA dissolution transactions. Before the RDA dissolution, the amount of \$14,673,336 had been accounted for as "due to" and "due from" between these two funds and eliminated by the consolidation with no impact on the overall fund balances of the City. After the RDA dissolution, the City as "Housing Successor" reports the receivable. The Redevelopment Successor Agency Private-Purpose Trust Fund (not a component unit of the City) reports a liability of the same amount.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2012

16. REDEVELOPMENT SUCCESSOR AGENCY TRUST FOR ASSETS AND LIABILITIES OF THE FORMER REDEVELOPMENT AGENCY, Continued

Schedule of Revenues, Expenditures, and Changes in Fund Balances for the Period Ended January 31, 2012:

	Major Fund	Nonmajor Fund		Total Redevelopment Agency Funds
	Redevelopment Agency Debt Service	See Note B below Low and Moderate Income Housing	Redevelopment Agency Special Revenue	
Revenues:				
Property Taxes	\$ -	\$ -	\$ 5,189,756	\$ 5,189,756
Investment Earnings	1,183	-	-	1,183
Total Revenues	1,183	-	5,189,756	5,190,939
Expenditures:				
Current:				
Planning and Management	-	-	183,881	183,881
Community Development	-	-	1,997,524	1,997,524
Environmental Management	-	-	37,661	37,661
Debt Service:				
Principal Retirement	1,060,000	-	-	1,060,000
Interest	3,268,570	-	-	3,268,570
Fiscal Charges	2,095	-	-	2,095
Total Expenditures	4,330,665	-	2,219,066	6,365,850
Over (Under) Expenditures	(4,329,482)	-	2,970,690	(1,174,911)
Other Financing Sources (Uses):				
Transfers In	5,597,824	-	-	5,597,824
Transfers Out	-	-	(5,597,824)	(5,597,824)
Total Other Financing Sources (Uses)	5,597,824	-	(5,597,824)	-
Net Change in Fund Balances	1,268,342	-	(2,627,134)	(1,174,911)
Fund Balances (Deficits) - Beginning of Year	(60,299,167)	14,673,336	(18,440,219)	(64,066,050)
Fund Balances (Deficits) - January 31, 2012	\$ (59,030,825)	\$ 14,673,336	\$ (21,067,353)	\$ (65,424,842)

Note B: Refer to Note A to the previous schedule.

At January 31, 2012, immediately before its dissolution, the RDA had a deficit fund balance of \$65,424,842. At June 30, 2012, the governmental funds reported extraordinary items totaling \$80,098,178 from the RDA dissolution. The difference between these two amounts is \$14,673,336. Before the RDA dissolution, it was expected to be funded by future tax increment revenue. After the dissolution, it will be funded by the County's Redevelopment Property Tax Trust Fund distribution to the Redevelopment Successor Agency Private-Purpose Trust Fund.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2012

16. REDEVELOPMENT SUCCESSOR AGENCY TRUST FOR ASSETS AND LIABILITIES OF THE FORMER REDEVELOPMENT AGENCY, Continued

The transfer of the assets and liabilities of the former redevelopment agency as of February 1, 2012 (effectively the same date as January 31, 2012) from governmental funds of the City to fiduciary funds was reported in the governmental funds as an extraordinary gain in the governmental fund financial statements. The receipt of these assets and liabilities as of February 1, 2012 was reported in the private-purpose trust fund as an extraordinary loss.

Schedule of Net Assets of the Redevelopment Successor Agency Private-Purpose Trust Fund
Accrual Basis
February 1, 2012

Assets:	
Cash and Investments Held by City	\$ 701,643
Cash and Investments Held by Fiscal Agent	2,038,991
Capital Assets	
Land and Nondepreciable Assets	<u>13,959,752</u>
Total Assets	<u><u>16,700,386</u></u>
Liabilities:	
Unclaimed Property Payable	63,388
Interest Payable on Bonded Debt	366,267
Noncurrent Liabilities:	
Bonds Payable	15,585,000
Contractual Obligations Arising from the ADDOPA:	
Town Center Public Improvement Obligations	6,508,319
Town Center Pollution Remediation Obligations	1,865,440
Payable to the Low and Moderate Income Housing Fund	14,673,336
Former Redevelopment Agency Obligations Due to the City	<u>21,325,866</u>
Total Liabilities	<u><u>60,387,616</u></u>
Net Assets:	
Held in Trust for Private Purpose	<u><u>\$ (43,687,230)</u></u>

Because of the difference between the measurement focus of financial statements for the governmental funds (current financial resources measurement focus) and the measurement focus of financial statements for the government-wide and the trust funds (economic resources measurement focus), the extraordinary gain recognized in the governmental funds was not the same amount as the extraordinary gain or loss that was recognized in the government-wide and the trust fund financial statements.

The differences between the extraordinary gain recognized in the fund financial statements and the extraordinary gain or loss recognized in the government-wide and the trust fund financial statements are reconciled separately as shown in the two schedules below:

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2012

16. REDEVELOPMENT SUCCESSOR AGENCY TRUST FOR ASSETS AND LIABILITIES OF THE FORMER REDEVELOPMENT AGENCY, Continued

**Reconciliation of Extraordinary Items from Governmental Fund
to Private-Purpose Trust Financial Statements**

Total extraordinary gain reported in governmental funds - decrease to net assets of the Successor Agency Trust Fund	\$	(80,098,178)
Capital assets recorded in the government-wide financial statements - increase to net assets of the Successor Agency Trust Fund		13,959,752
Accrued bond interest reported in the government-wide financial statements - decrease to net assets of the Successor Agency Trust Fund		(366,267)
Long-term bonded debt reported in the government-wide financial statements - decrease to net assets of the Successor Agency Trust Fund		(15,585,000)
Town Center pollution remediation liability reported in the government-wide financial statements - decrease to net assets of the Successor Agency Trust Fund		(1,865,440)
Former Redevelopment Agency obligations to the City General Fund reduced by applying the lower LAIF interest rates.		39,743,950
Prior-year tax roll adjustment not carried forward to the Successor Agency Trust Fund		523,953
Net decrease to net assets of the Successor Agency Trust Fund (extraordinary loss) as a result of initial transfers on February 1, 2012	\$	(43,687,230.00)

**Reconciliation of Extraordinary Items from Governmental Fund
to Government-Wide Financial Statements**

Total extraordinary gain reported in governmental funds	\$	80,098,178.00
Capital assets removed from the government-wide financial statements are not reported in the governmental fund financial statements.		(13,959,752)
Long-term debt removed from the government-wide financial statements is not reported in the governmental fund financial statements.		15,585,000
Unamortized bond discount removed at RDA dissolution		(36,943)
Unamortized deferred charge removed at RDA dissolution		(327,143)
Town Center pollution remediation liability reported in the government-wide financial statements is a contingent liability not reported in the fund financial statements.		1,865,440
Former Redevelopment Agency obligations to the City General Fund reduced by applying the lower LAIF interest rates.		(39,743,950)
Total extraordinary gain reported in the government-wide financial statements		43,480,830
Unamortized bond discount not carried forward to the Trust Fund		36,943
Unamortized bond deferred charge not carried forward to the Trust Fund		327,143
Prior-year tax roll adjustment not carried forward to the Trust Fund		(523,953)
Accrued bond interest due and payable after January 31 but before June 30, 2012 is a liability of the trust		366,267
Reconciled to the extraordinary loss reported by the Successor Agency Trust Fund	\$	43,687,230

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2012

16. REDEVELOPMENT SUCCESSOR AGENCY TRUST FOR ASSETS AND LIABILITIES OF THE FORMER REDEVELOPMENT AGENCY, Continued

The Redevelopment Successor Agency (RSA) is responsible for overseeing the wind-down of the Redevelopment Agency after January 31, 2012. The RSA plays a key day-to-day role in assuring that the existing debt service and other obligations of the former Redevelopment Agency are properly paid from an Enforceable Obligation Payment Schedule, and that the former Redevelopment Agency's properties and other assets are disposed of in an appropriate manner.

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.

Notes to the RSA Private-Purpose Trust Fund Financial Statements for the Year Ended June 30, 2012:

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	\$ 63,388
RPTTF received for July to December 2012 enforceable obligations	1,685,332
RPTTF received for July to December 2012 RSA administrative costs	125,000
Approved estimated enforceable obligations for Jan to Jun 2012 not disbursed as of June 30, 2012:	
Fiscal agent trustee fees	2,025
Town Center pollution remediation project costs	397,572
RSA administrative costs	2,450
	\$ 2,275,767

In June 2012 the County distributed a total of \$1,810,332 from its Redevelopment Property Tax Trust Fund (RPTTF) to the RSA based on the Certified Recognized Obligation Payment Schedule (ROPS) for the period from July to December of 2012. The payment covers the estimated cash requirements of the same period: \$1,473,292 for bonded debt service and related fiscal agent fees, \$212,040 for contractual obligations related to the *2010 Amended Disposition and Development and Owner Participation Agreement (ADDOPA)*, and \$125,000 as administrative cost allowance.

At year end the fiscal agent held cash and investments totaling \$1,930,332 as debt service reserve for the bonded debt issued by the RDA in prior years.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2012

16. REDEVELOPMENT SUCCESSOR AGENCY TRUST FOR ASSETS AND LIABILITIES OF THE FORMER REDEVELOPMENT AGENCY, Continued

B. 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.

C. Accounts Payable and Accrued Liabilities

The balance of \$92,453 included unpaid invoices totaling \$29,065 and unclaimed debt service payments totaling \$63,388.

D. Accrued Interest Payable

As of June 30, 2012, interest expense of \$91,090 was accrued on the 2003 Tax Allocation Bonds and \$128,479 was accrued on the 1998 Certificates of Participation.

E. Noncurrent Liabilities

Description	Balance, February 1, 2012	Additions	Reductions	Balance, June 30, 2012	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	\$ -	\$ -	\$ 5,285,000	\$ 395,000	\$ 4,890,000
1998 Parking Facility Certificates of Participation, Series A	10,300,000	-	-	10,300,000	710,000	9,590,000
Contractual Obligations Arising from the ADDOPA:						
Town Center Public Improvement Obligations to Developer	6,508,319	-	-	6,508,319	-	6,508,319
Town Center Pollution Remediation Obligations to Developer	1,865,440	-	(83,401)	1,782,039	397,572	1,384,467
Payable to the Low and Moderate Income Housing Asset Fund	14,673,336	-	-	14,673,336	-	14,673,336
Former RDA Obligations Due to the City	21,325,866	39,420	-	21,365,286	-	21,365,286
Total Governmental Activities	\$ 59,957,961	\$ 39,420	\$ (83,401)	\$ 59,913,980	\$ 1,502,572	\$ 58,411,408

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2012

16. REDEVELOPMENT SUCCESSOR AGENCY TRUST FOR ASSETS AND LIABILITIES OF THE FORMER REDEVELOPMENT AGENCY, Continued

Bonds Payable

Explained below are two outstanding bonded debt obligations issued for the Town Center Redevelopment Project area established in the late 1970s:

<u>Bonded Debt</u>	<u>Par Amount</u>	<u>Moody's</u>	<u>S&P</u>
Central Core Tax Allocation Refunding Bonds, Series 2003	\$ 5,285,000	Ba1	A-
1998 Parking Facility Refunding Certificates of Participation, Series A	10,300,000	Aa1	AA+
Total	<u>\$ 15,585,000</u>		

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, 2012 were as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 395,000	\$ 211,704	\$ 606,704
2014	405,000	197,451	602,451
2015	425,000	181,876	606,876
2016	435,000	164,941	599,941
2017	460,000	147,041	607,041
2018-2022	2,580,000	424,131	3,004,131
2023	585,000	13,162	598,162
Total	<u>\$ 5,285,000</u>	<u>\$ 1,340,306</u>	<u>\$ 6,625,306</u>

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 City General Fund in the form of base rental payments before the Redevelopment Agency was dissolved on January 31, 2012. On February 1, the remaining debt principal of \$10,300,000 was transferred to the Redevelopment Successor Agency Private Purpose Trust Fund, which is funded by the Redevelopment Property Tax Trust Fund (RPTTF) maintained by the County of Santa Clara.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2012

16. REDEVELOPMENT SUCCESSOR AGENCY TRUST FOR ASSETS AND LIABILITIES OF THE FORMER REDEVELOPMENT AGENCY, Continued

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 710,000	\$ 496,522	\$ 1,206,522
2014	745,000	460,689	1,205,689
2015	780,000	422,750	1,202,750
2016	820,000	382,750	1,202,750
2017	860,000	340,750	1,200,750
2018-2022	5,135,000	986,125	6,121,125
2023	1,250,000	31,250	1,281,250
Total	\$ 10,300,000	\$ 3,120,836	\$ 13,420,836

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

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

Town Center Public Improvement Obligations to Developer

Refer to Note 7F. 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 \$6,508,319; 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

Refer to Note 7E that explains the Town Center Pollution Remediation Obligations. 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 recognized by the RDA under the accrual basis of accounting as of January 31, 2012. Expenses totaling \$83,401 were incurred since then. At year end the estimated remaining obligations was \$1,782,039.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2012

16. REDEVELOPMENT SUCCESSOR AGENCY TRUST FOR ASSETS AND LIABILITIES OF THE FORMER REDEVELOPMENT AGENCY, Continued

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. Deferrals owed to the old Low and Moderate Income Housing Fund are 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” has been created 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

The former Redevelopment Agency (as lessor) entered into a lease agreement with the City (as lessee) on May 1, 1977, for a two-level parking structure at the Sunnyvale Town Center Mall 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 Agency base rental payments ranging from \$1,131,103 to \$1,281,250 annually, payable on October 1 and April 1 of each year until October 1, 2022, equal to related debt service payments. According to the terms of the First Amended Repayment Contract, the Agency made the commitment to repay the City for costs advanced (called the “1977 Loan”) on its behalf and base rentals plus 8% interest thereon. Before the dissolution of the RDA, for this fiscal year, the City made \$948,159 in base rental payments to RDA and the RDA repaid the City \$4,988,407. The balance of the “1977 Loan” as of January 31, 2012 was \$27,176,673.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2012

16. REDEVELOPMENT SUCCESSOR AGENCY TRUST FOR ASSETS AND LIABILITIES OF THE FORMER REDEVELOPMENT AGENCY, Continued

The City and 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 interest rates of 8% and 6% respectively). The “Administrative Loan” balance was \$31,113,071 and the “Plaza Loan” balance was \$2,780,072 as of January 31, 2012.

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.

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

Description	1977 Loan Repayment Agreement	2003 Loan Repayment Agreement	2003 Loan Repayment Agreement	Total
	1977 Loan	Administrative Loan	Plaza Loan	
Loan Balance, 1/31/2012	\$ 27,176,673	\$ 31,113,071	\$ 2,780,072	\$ 61,069,816
Since 2/1/2012:				
Written down to LAIF rates	(26,477,977)	(12,427,348)	(838,625)	(39,743,950)
Interest accrued, February to June 2012:				-
Using LAIF rates	7,448	28,963	3,009	39,420
Loan Balance, 6/30/2012	<u>\$ 706,144</u>	<u>\$ 18,714,686</u>	<u>\$ 1,944,456</u>	<u>\$ 21,365,286</u>

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 balances using the LAIF rates.

Notes to the Basic Financial Statements, Continued
Fiscal Year Ended June 30, 2012

16. REDEVELOPMENT SUCCESSOR AGENCY TRUST FOR ASSETS AND LIABILITIES OF THE FORMER REDEVELOPMENT AGENCY, Continued

Since no repayment of the loans can be expected until the aforementioned due process is complete, the loan balance of \$21,365,286 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 Revenue” (see Note 5), leaving no effect on the calculation of the General Fund’s fund balance.

17. 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).

Notes to the Basic Financial Statements, Concluded
Fiscal Year Ended June 30, 2012

17. SUBSEQUENT EVENTS, Continued

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.

Final determination of this matter is expected by the end of calendar year 2012.

Required Supplementary Information

**Required Supplementary Information
Fiscal Year Ended June 30, 2012**

BUDGETARY POLICY AND CONTROL

**Budgetary Comparison Schedule - General Fund
Fiscal Year Ended June 30, 2012**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive(Negative)
	Original	Final		
Budgetary Fund Balance, July 1, 2011	\$ 64,069,023	\$ 76,124,667	\$ 76,124,667	\$ -
Resources (inflows):				
Property Taxes	42,033,968	43,077,019	43,407,026	330,007
Sales and Use Taxes	29,345,375	31,208,010	31,641,723	433,713
Other Taxes	17,171,958	19,190,213	20,096,291	906,078
Franchise Fees	6,398,220	6,344,385	6,372,876	28,491
Intergovernmental Revenues	964,448	2,078,856	1,323,143	(755,713)
Permits and Licenses	5,643,631	8,476,696	9,567,824	1,091,128
Fines and Forfeitures	1,183,458	1,229,308	1,194,633	(34,675)
Service Fees	3,686,847	5,845,233	6,204,307	359,074
Rents and Concessions	1,936,764	1,981,722	2,039,815	58,093
Investment Earnings	640,690	500,000	522,241	22,241
Interfund Revenues	12,297,794	10,130,635	9,492,381	(638,254)
Other Revenues	140,349	225,726	331,444	105,718
Transfers In	9,394,923	9,629,390	9,428,294	(201,096)
Total Resources	130,838,425	139,917,193	141,621,998	1,704,805
Charges to appropriations (outflows):				
Planning and Management	17,376,988	17,681,975	16,981,101	700,874
Public Safety	73,172,216	74,156,380	73,423,338	733,042
Community Development	15,538,383	16,549,356	15,714,633	834,723
Transportation	9,080,295	9,364,798	7,009,235	2,355,563
Socioeconomic*	363,222	331,055	346,485	(15,430)
Cultural	8,003,636	8,326,456	7,481,165	845,291
Environmental Management	1,934,312	1,942,071	1,818,145	123,926
Capital Outlay	310,379	622,458	392,480	229,978
Transfers Out	8,557,929	11,851,588	5,706,400	6,145,188
Total charges to appropriations	134,337,360	140,826,137	128,872,982	11,953,155
Excess of resources over (under) charges to appropriations	(3,498,935)	(908,944)	12,749,016	13,657,960
Budgetary Fund Balance, June 30, 2012**	\$ 60,570,088	\$ 75,215,723	\$ 88,873,683	\$ 13,657,960

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

**Final Actual Budgetary Fund Balance will be adjusted for non-spendable balance sheet amounts

Required Supplementary Information, Continued
Fiscal Year Ended June 30, 2012

BUDGETARY POLICY AND CONTROL, Continued

Budgetary Comparison Schedule – Housing Special Revenue Fund
Fiscal Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1, 2011	\$ 11,344,671	\$ 13,057,267	\$ 13,057,267	\$ -
Resources (inflows):				
Intergovernmental Revenues	-	1,671,204	1,672,204	1,000
Service Fees	1,674,800	1,951,842	1,741,876	(209,965)
Rents and Concessions	18,231	19,774	17,100	(2,674)
Interest Income	143,931	80,256	97,994	17,738
Other Revenues	1,638,218	3,810,675	3,480,644	(330,031)
Total Resources	3,475,180	7,533,751	7,009,818	(523,932)
Charges to appropriations (outflows):				
Community Development	1,130,450	3,018,819	2,812,534	206,285
Transfers Out	51,939	76,939	75,661	1,278
Total charges to appropriations	1,182,389	3,095,758	2,888,195	207,563
Excess of resources over (under) charges to appropriations	2,292,791	4,437,992	4,121,623	(316,369)
Budgetary Fund Balance, June 30, 2012	\$ 13,637,462	\$ 17,495,259	\$ 17,178,890	\$ (316,369)

Budgetary Comparison Schedule - Employment Development Special Revenue Fund
Fiscal Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1, 2011	\$ 7,452,849	\$ 155,683	\$ 155,683	\$ -
Resources (inflows):				
Intergovernmental Revenues	3,285,402	13,271,461	10,637,476	(2,633,985)
Service Fees	-	-	6,658	6,658
Other Revenues	-	-	21,256	21,256
Total Resources	3,285,402	13,271,461	10,665,390	(2,606,071)
Charges to appropriations (outflows):				
Socioeconomic	9,658,805	10,447,689	10,373,638	74,051
Transfers Out	373,702	380,494	376,978	3,516
Total charges to appropriations	10,032,507	10,828,183	10,750,616	77,567
Excess of resources over (under) charges to appropriations	(6,747,105)	2,443,278	(85,226)	(2,528,504)
Budgetary Fund Balance, June 30, 2012	\$ 705,744	\$ 2,598,961	\$ 70,457	\$ (2,528,504)

Required Supplementary Information, Continued
Fiscal Year Ended June 30, 2012

BUDGETARY POLICY AND CONTROL, Continued

Note to Required Supplementary Information

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

	General Fund	Housing Fund	Employment Development Fund
Sources/Inflow of Resources:			
Actual amounts (budgetary basis) of "total resources" from the budgetary comparison schedule	\$ 141,621,997	\$ 7,009,818	\$ 10,665,390
Differences - Budget to GAAP			
Interfund advances repayment is a budgetary resource but is not a revenue for financial reporting purposes	(8,400,101)	-	-
Timing difference for recognition of deferred interest on interfund advances	4,425,507	-	-
Interfund rent is a budgetary resource but is a transfer, not a revenue, for financial reporting purposes	(959,049)	-	-
Interfund revenues are a budgetary resource but are transfers, not revenues, for financial reporting purposes	(1,092,280)	-	-
Change in fair value of investments is not budgetary resource	(14,577)	(3,005)	-
Private donations are not in budget	200,465	-	-
Youth and Neighborhood Services are not in budget	222,751	-	-
Contribution to Multimodal Sinking Fund	(11,087)	-	-
Timing difference for recognition of revenue which has been deferred for financial reporting purposes	(18,274)	-	-
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes	(9,428,294)	-	-
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 126,547,058</u>	<u>\$ 7,006,813</u>	<u>\$ 10,665,390</u>
Uses/Outflows of Resources			
Actual amounts (budgetary basis) of "total charges to appropriations" from the budgetary comparison schedule	\$ 128,872,982	\$ 2,888,195	\$ 10,750,616
Differences - Budget to GAAP			
Interfund advance to RDA for easement is a budgetary expenditure but is not an expenditure for financial reporting purposes	(948,159)	-	-
Valuation adjustments are not budgetary expenditures	84,221	-	-
Private donations are not in budget	85,264	-	-
Youth and Neighborhood Services are not in budget	796,088	-	-
Contribution to Multimodal Sinking Fund	(11,087)	-	-
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(5,706,400)	(75,661)	(376,978)
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 123,172,909</u>	<u>\$ 2,812,534</u>	<u>\$ 10,373,638</u>

Required Supplementary Information, Continued
Fiscal Year Ended June 30, 2012

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.

Required Supplementary Information, Continued
Fiscal Year Ended June 30, 2012

BUDGETARY INFORMATION, Continued

- Prior to June 30 of each year, the budget as modified by the City Council is legally enacted by adoption of a budget resolution. The legal level of budgetary control is placed by the City Council at the program level, with adjustments between programs within funds allowed below specified thresholds. A separate Budgetary Year-End Financial Report is prepared in December of each year, which presents details to demonstrate compliance at the legal level of control for the previous fiscal year. Appropriations for operations lapse at year-end to the extent they have not been expended. On November 6, 2007 Sunnyvale voters amended the City Charter so that appropriations for capital improvement projects will not lapse at year-end unless completed, closed out, or modified by the City Council.
- Budgets are legally adopted for all governmental funds 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 28, 2011 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 \$1,887,029, equipment carryover of \$221,235, and transfer carryover of \$3,293,659. Additionally, a total amount of \$1,279,311 was appropriated throughout the fiscal year for various unanticipated expenditures, including \$1,124,545 for projects and \$154,766 for operating expenditures. Funding sources for these amendments included grant revenues, General Fund savings due to other funding sources, General Fund reserves, and savings from projects and transfers which did not require their full appropriation. Administrative budget adjustments increased appropriations by \$6,275 for several small grants. Appropriations were reduced by \$198,730 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 \$746,202. Resources for projects and in lieu, primarily from grant sources, in the amount of \$1,094,259 was secured during the fiscal year. The mid-year budget revenue adjustments were part of the budget development process to more appropriately reflect the actual trends based upon year-to-date information. Other revenue adjustments increased anticipated resources by \$7,239,309.

Required Supplementary Information, Continued
Fiscal Year Ended June 30, 2012

BUDGETARY HIGHLIGHTS, Continued

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 \$1,790,230. An additional \$123,140 was appropriated during the year for new unanticipated projects.

The Employment Development Special Revenue Fund

The budget of the City’s Department of Employment Development (DED) is periodically modified to reflect the changes in its actual versus planned funding levels. At the time the original budget was prepared the formula allocation had not yet been determined and conservative estimates were used.

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, 2012

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 May 2012 for fiscal year 2012. 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	11.6%
Very Good	31.0%
Good	43.0%
Fair	9.8%
At Risk	2.8%
Poor	1.6%
Failed	0.2%

While the 2012 study results met the City policy, the most cost effective PCI is considered to be 80. The City has budgeted additional funds beginning in fiscal year 2012 to return to a PCI of 80 within the next 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 \$2,893,481 on street maintenance for the fiscal year ended June 30, 2012. 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>
2007-2008	\$ 2,611,000	\$ 2,556,000	76
2008-2009	3,592,000	2,712,000	76
2009-2010	4,301,000	3,255,000	76
2010-2011	4,616,000	3,122,000	77
2011-2012	4,567,000	2,893,000	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 *(Former) Redevelopment Agency Fund had been used to* account for the activities of the RDA, which was created by the City Council to prepare and carry out redevelopment plans for the Town Center Redevelopment Project Area. The RDA was dissolved on February 1, 2012.

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, 2012**

	Special Revenue			
	Community Development Block Grant	HOME Grant	Low and Moderate Income Housing Asset	Park Dedication
Assets:				
Cash and Investments Held by City	\$ 1,117,218	\$ 1,456,102	\$ -	\$ 14,541,001
Cash and Investments Held by Fiscal Agent	-	-	-	-
Other Receivables, Net	700	-	-	60,730
Intergovernmental Receivables	864,413	21,053	-	-
Inventories and Prepayments	-	-	-	-
Housing Deficits Receivable	-	-	14,673,336	-
Housing Loans Receivable	12,212,764	10,580,949	-	-
Total Assets	\$ 14,195,095	\$ 12,058,104	\$ 14,673,336	\$ 14,601,731
Liabilities and Fund Balances:				
Liabilities:				
Accounts Payable and Accrued Liabilities	\$ 353,620	\$ 38,359	\$ -	\$ -
Refundable Deposits	-	-	-	7,425
Due to Other Funds	513,735	-	-	-
Deferred Revenues	12,276,615	10,580,949	-	-
Total Liabilities	13,143,970	10,619,308	-	7,425
Fund Balances:				
Nonspendable	-	-	-	-
Restricted	1,051,125	1,438,796	14,673,336	14,594,306
Committed	-	-	-	-
Assigned	-	-	-	-
Total Fund Balances	1,051,125	1,438,796	14,673,336	14,594,306
Total Liabilities and Fund Balances	\$ 14,195,095	\$ 12,058,104	\$ 14,673,336	\$ 14,601,731

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>
\$ 997,570	\$ 184,785	\$ 611,112	\$ 6,477,914	\$ -
-	-	-	-	-
4,078	-	2,560	14,732	-
-	109,184	-	396,453	20,883
-	12,500	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>\$ 1,001,648</u>	<u>\$ 306,469</u>	<u>\$ 613,672</u>	<u>\$ 6,889,099</u>	<u>\$ 20,883</u>
\$ 4,765	\$ 32,983	\$ 4,930	\$ -	\$ -
-	-	-	-	-
-	-	-	-	20,883
-	-	-	-	-
<u>4,765</u>	<u>32,983</u>	<u>4,930</u>	<u>-</u>	<u>20,883</u>
-	12,500	-	-	-
996,883	260,986	608,742	6,889,099	-
-	-	-	-	-
-	-	-	-	-
<u>996,883</u>	<u>273,486</u>	<u>608,742</u>	<u>6,889,099</u>	<u>-</u>
<u>\$ 1,001,648</u>	<u>\$ 306,469</u>	<u>\$ 613,672</u>	<u>\$ 6,889,099</u>	<u>\$ 20,883</u>

Continued

CITY OF SUNNYVALE

**Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2012**

	<u>Special Revenue</u>	<u>Permanent</u>		<u>Debt Service Government Center Certificates of Participation</u>
	<u>(Former) Redevelopment Agency</u>	<u>Swirsky Youth Opportunity</u>	<u>Fremont Pool</u>	
Assets:				
Cash and Investments Held by City	\$ -	\$ 534,910	\$ 954,182	\$ 14,912
Cash and Investments Held by Fiscal Agent	-	-	-	1,098,033
Receivables, Net	-	2,296	4,057	975
Intergovernmental Receivables	-	-	-	-
Inventories and Prepayments	-	-	-	-
Housing Deficits Receivable	-	-	-	-
Housing Loans Receivable	-	-	-	-
Total Assets	<u>\$ -</u>	<u>\$ 537,206</u>	<u>\$ 958,239</u>	<u>\$ 1,113,920</u>
Liabilities and Fund Balances:				
Liabilities:				
Accounts Payable and Accrued Liabilities	\$ -	\$ -	\$ -	\$ 16,526
Refundable Deposits	-	-	-	-
Due to Other Funds	-	-	-	-
Deferred Revenues	-	-	-	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,526</u>
Fund Balances:				
Nonspendable	-	537,206	958,239	-
Restricted	-	-	-	1,097,394
Committed	-	-	-	-
Assigned	-	-	-	-
Total Fund Balances	<u>-</u>	<u>537,206</u>	<u>958,239</u>	<u>1,097,394</u>
Total Liabilities and Fund Balances	<u>\$ -</u>	<u>\$ 537,206</u>	<u>\$ 958,239</u>	<u>\$ 1,113,920</u>

Continued

<u>Capital Projects</u> <u>Infrastructure</u> <u>Renovation</u> <u>and</u> <u>Replacement</u>	<u>Total</u> <u>Nonmajor</u> <u>Governmental</u> <u>Funds</u>
\$ 10,508,588	\$ 37,398,294
-	1,098,033
52,742	142,870
-	1,411,986
-	12,500
-	14,673,336
-	22,793,713
<u>\$ 10,561,330</u>	<u>\$ 77,530,732</u>
\$ 623,682	\$ 1,074,865
-	7,425
-	534,618
-	22,857,564
<u>623,682</u>	<u>24,474,472</u>
-	1,507,945
-	41,610,667
-	-
<u>9,937,648</u>	<u>9,937,648</u>
<u>9,937,648</u>	<u>53,056,260</u>
<u>\$ 10,561,330</u>	<u>\$ 77,530,732</u>

Concluded

CITY OF SUNNYVALE

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2012**

	Special Revenue			
	Community Development Block Grant	HOME Grant	Low and Moderate Income Housing Asset	Park Dedication
Revenues:				
Property Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental Revenues	2,083,433	248,285	-	-
Fines and Forfeitures	-	-	-	-
Service Fees	-	-	-	4,812,142
Rents and Concessions	-	-	-	98,095
Investment Earnings	-	1,325	-	84,137
Other Revenues	494,241	1,530,142	-	-
Total Revenues	2,577,674	1,779,752	-	4,994,374
Expenditures:				
Current:				
Planning and Management	-	-	-	-
Public Safety	-	-	-	-
Community Development	1,076,829	335,207	-	-
Transportation	-	-	-	-
Socioeconomic	209,904	-	-	-
Cultural	-	-	-	-
Environmental Management	-	-	-	-
Capital Outlay	1,404,572	-	-	23,452
Debt Service:				
Principal Retirement	-	-	-	-
Interest	-	-	-	-
Fiscal Charges	-	-	-	-
Total Expenditures	2,691,305	335,207	-	23,452
Excess of Revenues Over (Under) Expenditures	(113,631)	1,444,545	-	4,970,922
Other Financing Sources (Uses):				
Transfers In	-	-	-	-
Transfers Out	(31,373)	(5,749)	-	(2,061,279)
Total Other Financing Sources (Uses)	(31,373)	(5,749)	-	(2,061,279)
Net Change in Fund Balances before Extraordinary Items	(145,004)	1,438,796	-	2,909,643
Extraordinary Items:				
Net Asset Received or Removed upon Dissolution of Redevelopment Agency	-	-	14,673,336	-
Net Change in Fund Balances	(145,004)	1,438,796	14,673,336	2,909,643
Fund Balances - Beginning of Year	1,196,129	-	-	11,684,663
Fund Balances - End of Year	\$ 1,051,125	\$ 1,438,796	\$ 14,673,336	\$ 14,594,306

Continued

Special Revenue

Asset Forfeiture	Police Services Augmentation	Parking District	Gas Tax	Transportation Development Act
\$ -	\$ -	\$ -	\$ -	\$ -
-	230,021	-	3,940,054	75,043
36,895	-	-	-	-
-	-	152,921	-	-
-	-	-	-	-
6,456	732	3,588	29,440	-
-	-	-	-	-
<u>43,351</u>	<u>230,753</u>	<u>156,509</u>	<u>3,969,494</u>	<u>75,043</u>
-	-	5,530	-	-
25,683	20,852	-	-	-
-	-	134,805	-	-
-	-	-	1,898,474	-
-	-	-	-	-
-	-	-	-	-
-	-	5,275	-	-
38,900	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>64,583</u>	<u>20,852</u>	<u>145,610</u>	<u>1,898,474</u>	<u>-</u>
(21,232)	209,901	10,899	2,071,020	75,043
-	-	-	-	-
<u>(90,244)</u>	<u>-</u>	<u>(12,533)</u>	<u>(1,716,109)</u>	<u>(75,043)</u>
(90,244)	-	(12,533)	(1,716,109)	(75,043)
<u>(111,476)</u>	<u>209,901</u>	<u>(1,634)</u>	<u>354,911</u>	<u>-</u>
-	-	-	-	-
<u>(111,476)</u>	<u>209,901</u>	<u>(1,634)</u>	<u>354,911</u>	<u>-</u>
1,108,359	63,585	610,376	6,534,188	-
<u>\$ 996,883</u>	<u>\$ 273,486</u>	<u>\$ 608,742</u>	<u>\$ 6,889,099</u>	<u>\$ -</u>

Continued

CITY OF SUNNYVALE

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
Year Ended June 30, 2012**

	Special Revenue	Permanent	Permanent
	(Former) Redevelopment Agency	Swirsky Youth Opportunity	Fremont Pool
Revenues:			
Property Taxes	\$ 5,189,756	\$ -	\$ -
Intergovernmental Revenues	-	-	-
Fines and Forfeitures	-	-	-
Service Fees	-	-	-
Rents and Concessions	-	-	-
Investment Earnings	-	3,486	5,864
Other Revenues	-	-	60,000
Total Revenues	5,189,756	3,486	65,864
Expenditures:			
Current:			
Planning and Management	168,032	-	-
Public Safety	-	-	-
Community Development	1,997,524	-	-
Transportation	-	-	-
Socioeconomic	-	-	-
Cultural	-	-	-
Environmental Management	37,661	-	-
Capital Outlay	-	-	-
Debt Service:			
Principal Retirement	-	-	-
Interest	-	-	-
Fiscal Charges	-	-	-
Total Expenditures	2,203,217	-	-
Excess of Revenues Over (Under) Expenditures	2,986,539	3,486	65,864
Other Financing Sources (Uses):			
Transfers In	-	-	-
Transfers Out	(5,613,673)	(3,486)	(5,864)
Total Other Financing Sources (Uses)	(5,613,673)	(3,486)	(5,864)
Net Change in Fund Balances before Extraordinary Items	(2,627,134)	-	60,000
Extraordinary Items:			
Net Asset Received or Removed upon Dissolution of Redevelopment Agency	6,394,017	-	-
Net Change in Fund Balances	3,766,883	-	60,000
Fund Balances - Beginning of Year	(3,766,883)	537,206	898,239
Fund Balances - End of Year	\$ -	\$ 537,206	\$ 958,239

Continued

<u>Debt Service</u> <u>Government</u> <u>Center</u> <u>Certificates of</u> <u>Participation</u>	<u>Capital Projects</u> <u>Infrastructure</u> <u>Renovation</u> <u>and</u> <u>Replacement</u>	<u>Total</u> <u>Nonmajor</u> <u>Governmental</u> <u>Funds</u>
\$ -	\$ -	\$ 5,189,756
-	8,555	6,585,391
-	-	36,895
-	-	4,965,063
-	-	98,095
4,122	64,640	203,790
-	16,139	2,100,522
4,122	89,334	19,179,512
-	-	173,562
-	-	46,535
-	155,193	3,699,558
-	22,148	1,920,622
-	-	209,904
-	257,711	257,711
-	-	42,936
-	1,780,150	3,247,074
-	-	-
490,000	-	490,000
22,626	-	22,626
178,857	-	178,857
691,483	2,215,202	10,289,385
(687,361)	(2,125,868)	8,890,127
540,380	1,967,318	2,507,698
-	(182,738)	(9,798,091)
540,380	1,784,580	(7,290,393)
(146,981)	(341,288)	1,599,734
-	-	21,067,353
(146,981)	(341,288)	22,667,087
1,244,375	10,278,936	30,389,173
\$ 1,097,394	\$ 9,937,648	\$ 53,056,260

Concluded

CITY OF SUNNYVALE

**(Former) Redevelopment Agency Debt Service Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Period July 1, 2011 to January 31, 2012**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1, 2011	\$ 1,930,955	\$ 1,930,955	\$ 1,930,955	\$ -
Resources (Inflows):				
Lease Payment from City General Fund	1,205,118	948,159	948,159	-
Interest Income	100,000	100,000	1,183	(98,817)
Transfers In	6,398,952	6,398,952	5,597,824	(801,128)
Total Resources	7,704,070	7,447,111	6,547,166	(899,945)
Charges to Appropriations (Outflows):				
Debt Service:				
Principal Retirement	1,060,000	1,060,000	1,060,000	-
Interest	761,853	761,853	388,627	373,226
Fiscal Charges	2,950	2,950	2,095	855
Loan Repayment -City General Fund	5,789,176	5,789,176	4,988,407	800,769
Total Charges to Appropriations	7,613,979	7,613,979	6,439,129	1,174,850
Excess of Resources Over (Under) Charges to Appropriations	90,091	(166,868)	108,037	274,905
Budgetary Fund Balance, January 31, 2012		1,764,087	2,038,992	274,905
Resources Transferred to Redevelopment Successor Agency on February 1, 2012	-	(1,764,087)	(2,038,992)	(274,905)
Budgetary Fund Balance, February 1, 2012	\$ 2,021,046	\$ -	\$ -	\$ -

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

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

Sources/Inflow of Resources:	
Actual amounts (budgetary basis) of "total resources"	\$ 6,547,166
Differences - Budget to GAAP	
Interfund advances are a budgetary resource but are not revenues for financial reporting purposes	(948,159)
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes	(5,597,824)
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 1,183</u>
Uses/Outflows of Resources	
Actual amounts (budgetary basis) of "total charges to appropriations"	\$ 6,439,129
Differences - Budget to GAAP	
Accrued interest on interfund advances is not a budgetary outflow but is an expense for financial reporting purposes	2,879,943
Interfund loan repayments are outflows of budgetary resources but are balance sheet items for financial reporting purposes	(4,988,407)
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 4,330,665</u>

CITY OF SUNNYVALE

**City Capital Projects Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2012**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1, 2011	\$ 12,828,868	\$ 15,290,920	\$ 15,290,920	\$ -
Resources (Inflows):				
Intergovernmental Revenues	957,009	33,763,422	11,032,624	(22,730,798)
Service Fees	1,011,098	302,481	446,068	143,587
Interest Income	139,446	112,364	111,214	(1,150)
Other Revenues	130,662	153,869	223,839	69,970
Transfers In	4,424,976	12,957,976	2,625,676	(10,332,300)
Total Resources	6,663,191	47,290,112	14,439,421	(32,850,691)
Charges to Appropriations (Outflows):				
Transportation	1,081,000	5,612,171	25,207	5,586,964
Community Development	64,780	105,408	6,285	99,123
Capital Outlay	4,241,833	39,751,968	13,035,063	26,716,905
Transfers Out	26,003	3,140,695	610,588	2,530,107
Total Charges to Appropriations	5,413,616	48,610,242	13,677,143	34,933,099
Excess of Resources Over (Under)				
Charges to Appropriations	1,249,575	(1,320,130)	762,278	2,082,408
Budgetary Fund Balance, June 30, 2012	\$ 14,078,443	\$ 13,970,790	\$ 16,053,198	\$ 2,082,408

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"	\$ 14,439,421
Differences - Budget to GAAP	
Change in fair value of investments is not budgetary resource	(3,383)
Transfers from other funds or subfunds within this Fund are inflows of budgetary resources but are not revenues for financial reporting purposes	(2,625,676)
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 11,810,362</u>
Uses/Outflows of Resources	
Actual amounts (budgetary basis) of "total charges to appropriations"	\$ 13,677,143
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	(610,588)
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 13,166,555</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, 2012**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1, 2011	\$ 1,129,441	\$ 1,196,126	\$ 1,196,126	\$ -
Resources (Inflows):				
Intergovernmental Revenues	1,118,139	2,256,348	2,083,433	(172,915)
Other Revenues	150,000	150,000	494,241	344,241
Total Resources	1,268,139	2,406,348	2,577,674	171,326
Charges to Appropriations (Outflows):				
Community Development	867,639	1,246,286	1,076,829	169,457
Socioeconomic	129,861	209,905	209,904	1
Capital Outlay	837,667	1,404,573	1,404,572	1
Transfers Out	83,369	83,369	31,373	51,996
Total Charges to Appropriations	1,918,536	2,944,132	2,722,678	221,454
Excess of Resources Over (Under)				
Charges to Appropriations	(650,397)	(537,784)	(145,004)	392,780
Budgetary Fund Balance, June 30, 2012	\$ 479,044	\$ 658,342	\$ 1,051,122	\$ 392,780

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

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

Sources/Inflow of Resources:	
Actual amounts (budgetary basis) of "total resources"	\$ 2,577,674
Differences - Budget to GAAP	
None	-
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 2,577,674</u>
Uses/Outflows of Resources	
Actual amounts (budgetary basis) of "total charges to appropriations"	\$ 2,722,678
Differences - Budget to GAAP	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(31,373)
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 2,691,305</u>

CITY OF SUNNYVALE

**HOME Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2012**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1, 2011	\$ 792,530	\$ -	\$ -	\$ -
Resources (Inflows):				
Intergovernmental Revenues	670,399	1,968,709	248,285	(1,720,424)
Interest Income	-	-	1,325	1,325
Other Revenues	-	-	1,530,142	1,530,142
Transfers In	53,000	53,000	-	(53,000)
Total Resources	723,399	2,021,709	1,779,752	(241,957)
Charges to Appropriations (Outflows):				
Community Development	698,902	1,070,132	335,207	734,925
Transfers Out	4,556	4,556	5,749	(1,193)
Total Charges to Appropriations	703,458	1,074,688	340,956	733,732
Excess of Resources Over (Under)				
Charges to Appropriations	19,941	947,021	1,438,796	491,775
Budgetary Fund Balance, June 30, 2012	\$ 812,471	\$ 947,021	\$ 1,438,796	\$ 491,775

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

Sources/Inflow of Resources:		
Actual amounts (budgetary basis) of "total resources"		\$ 1,779,752
Differences - Budget to GAAP		
None		-
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds		<u>\$ 1,779,752</u>
Uses/Outflows of Resources		
Actual amounts (budgetary basis) of "total charges to appropriations"		\$ 340,956
Differences - Budget to GAAP		
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes		(5,749)
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds		<u>\$ 335,207</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, 2012**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1, 2011	\$ 8,011,637	\$ 11,705,454	\$ 11,705,454	\$ -
Resources (Inflows):				
Service Fees	2,646,270	5,800,000	4,812,142	(987,858)
Rents and Concessions	106,590	93,162	98,095	4,933
Interest Income	21,205	81,000	86,809	5,809
Total Resources	2,774,065	5,974,162	4,997,046	(977,116)
Charges to Appropriations (Outflows):				
Capital Outlay	15,000	15,793	23,452	(7,659)
Transfers Out	8,640,780	11,366,942	2,061,279	9,305,663
Total Charges to Appropriations	8,655,780	11,382,736	2,084,731	9,298,005
Excess of Resources Over (Under)				
Charges to Appropriations	(5,881,715)	(5,408,574)	2,912,315	8,320,889
Budgetary Fund Balance, June 30, 2012	\$ 2,129,922	\$ 6,296,880	\$ 14,617,769	\$ 8,320,889

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

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

Sources/Inflow of Resources:		
Actual amounts (budgetary basis) of "total resources"		\$ 4,997,046
Differences - Budget to GAAP		
Change in fair value of investments is not budgetary resource		(2,672)
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds		\$ 4,994,374
Uses/Outflows of Resources		
Actual amounts (budgetary basis) of "total charges to appropriations"		\$ 2,084,731
Differences - Budget to GAAP		
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes		(2,061,279)
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds		\$ 23,452

CITY OF SUNNYVALE

**Asset Forfeiture Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2012**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1, 2011	\$ 1,060,778	\$ 1,086,875	\$ 1,086,875	\$ -
Resources (Inflows):				
Fines and Forfeitures	-	33,652	36,895	3,243
Interest Income	8,496	6,687	6,658	(29)
Total Resources	<u>8,496</u>	<u>40,339</u>	<u>43,553</u>	<u>3,214</u>
Charges to Appropriations (Outflows):				
Public Safety	91,120	112,120	25,683	86,437
Capital Outlay	48,529	38,900	38,900	-
Transfers Out	93,450	93,450	90,244	3,206
Total Charges to Appropriations	<u>233,099</u>	<u>244,470</u>	<u>154,827</u>	<u>89,643</u>
Excess of Resources Over (Under)				
Charges to Appropriations	<u>(224,603)</u>	<u>(204,131)</u>	<u>(111,274)</u>	<u>92,857</u>
Budgetary Fund Balance, June 30, 2012	<u>\$ 836,175</u>	<u>\$ 882,744</u>	<u>\$ 975,601</u>	<u>\$ 92,857</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"	\$ 43,553
Differences - Budget to GAAP	
Change in fair value of investments is not budgetary resource	(202)
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 43,351</u>
Uses/Outflows of Resources	
Actual amounts (budgetary basis) of "total charges to appropriations"	\$ 154,827
Differences - Budget to GAAP	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(90,244)
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 64,583</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, 2012**

	<u>Budgeted Amounts</u>		<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Budgetary Fund Balance, July 1, 2011	\$ -	\$ 62,657	\$ 62,657	\$ -
Resources (Inflows):				
Intergovernmental Revenues	11,000	283,114	230,022	(53,092)
Interest Income	-	-	756	756
Total Resources	11,000	283,114	230,778	(52,336)
Charges to Appropriations (Outflows):				
Public Safety	11,000	345,770	20,852	324,918
Total Charges to Appropriations	11,000	345,770	20,852	324,918
Excess of Resources Over (Under) Charges to Appropriations	-	(62,656)	209,926	272,582
Budgetary Fund Balance, June 30, 2012	\$ -	\$ 1	\$ 272,583	\$ 272,582

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"	\$ 230,778
Differences - Budget to GAAP	
Change in fair value of investments is not budgetary resource	(25)
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 230,753</u>

Uses/Outflows of Resources

Actual amounts (budgetary basis) of "total charges to appropriations"	\$ 20,852
Differences - Budget to GAAP	-
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 20,852</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, 2012**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1, 2011	\$ 583,325	\$ 611,977	\$ 611,977	\$ -
Resources (Inflows):				
Service Fees	153,411	157,720	152,921	(4,799)
Interest Income	4,010	3,628	3,701	73
Total Resources	<u>157,421</u>	<u>161,348</u>	<u>156,622</u>	<u>(4,726)</u>
Charges to Appropriations (Outflows):				
Planning and Management	174,790	174,790	5,530	169,260
Community Development	145,950	145,950	134,805	11,145
Environmental Management	4,027	4,027	5,275	(1,249)
Transfers Out	12,533	12,533	12,533	-
Total Charges to Appropriations	<u>337,299</u>	<u>337,299</u>	<u>158,143</u>	<u>179,156</u>
Excess of Resources Over (Under)				
Charges to Appropriations	<u>(179,878)</u>	<u>(175,951)</u>	<u>(1,521)</u>	<u>174,430</u>
Budgetary Fund Balance, June 30, 2012	<u>\$ 403,447</u>	<u>\$ 436,026</u>	<u>\$ 610,456</u>	<u>\$ 174,430</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"	\$ 156,622
Differences - Budget to GAAP	
Change in fair value of investments is not budgetary resource	(113)
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 156,509</u>
Uses/Outflows of Resources	
Actual amounts (budgetary basis) of "total charges to appropriations"	\$ 158,143
Differences - Budget to GAAP	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(12,533)
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 145,610</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, 2012**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1, 2011	\$ 2,596,430	\$ 6,561,467	\$ 6,561,467	\$ -
Resources (Inflows):				
Intergovernmental Revenues	3,671,761	3,614,615	3,940,053	325,438
Interest Income	35,337	31,753	30,373	(1,380)
Total Resources	3,707,098	3,646,368	3,970,426	324,058
Charges to Appropriations (Outflows):				
Transportation	2,050,000	2,050,000	1,898,474	151,526
Capital Outlay	10,000	-	-	-
Transfers Out	1,359,077	4,807,991	1,716,109	3,091,882
Total Charges to Appropriations	3,419,077	6,857,991	3,614,583	3,243,408
Excess of Resources Over (Under)				
Charges to Appropriations	288,021	(3,211,623)	355,843	3,567,466
Budgetary Fund Balance, June 30, 2012	\$ 2,884,451	\$ 3,349,844	\$ 6,917,310	\$ 3,567,466

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"	\$ 3,970,426
Differences - Budget to GAAP	
Change in fair value of investments is not budgetary resource	(932)
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	\$ 3,969,494
Uses/Outflows of Resources	
Actual amounts (budgetary basis) of "total charges to appropriations"	\$ 3,614,583
Differences - Budget to GAAP	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(1,716,109)
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	\$ 1,898,474

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, 2012**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1, 2011	\$ -	\$ -	\$ -	\$ -
Resources (Inflows):				
Intergovernmental Revenues	67,205	333,406	75,043	(258,363)
Total Resources	67,205	333,406	75,043	(258,363)
Charges to Appropriations (Outflows):				
Transfers Out	67,205	333,405	75,043	258,362
Total Charges to Appropriations	67,205	333,405	75,043	258,362
Excess of Resources Over (Under)				
Charges to Appropriations	-	2	-	(2)
Budgetary Fund Balance, June 30, 2012	\$ -	\$ 2	\$ -	\$ (2)

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

Sources/Inflow of Resources:		
Actual amounts (budgetary basis) of "total resources"		\$ 75,043
Differences - Budget to GAAP		
None		-
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds		<u>\$ 75,043</u>
Uses/Outflows of Resources		
Actual amounts (budgetary basis) of "total charges to appropriations"		\$ 75,043
Differences - Budget to GAAP		
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes		<u>(75,043)</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds		<u>\$ -</u>

CITY OF SUNNYVALE

**(Former) Redevelopment Agency Special Revenue Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Period July 1, 2011 to January 31, 2012**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1, 2011	\$ 743,914	\$ 743,914	\$ 743,914	\$ -
Resources (Inflows):				
Property Taxes	9,097,199	4,690,549	5,189,756	499,207
Easement from General Fund	2,004,644	2,004,644	-	(2,004,644)
Total Resources	<u>11,101,843</u>	<u>6,695,193</u>	<u>5,189,756</u>	<u>(1,505,437)</u>
Charges to Appropriations (Outflows):				
Planning and Management	537,848	537,848	168,032	369,816
Community Development	230,000	230,000	-	230,000
Transportation	-	-	1,997,524	(1,997,524)
Environmental Management	1,500,000	1,500,000	37,661	1,462,339
Transfers Out to Other City Funds	6,424,707	6,424,707	5,613,673	811,034
Total Charges to Appropriations	<u>8,692,555</u>	<u>8,692,555</u>	<u>7,816,890</u>	<u>875,665</u>
Excess of Resources Over (Under) Charges to Appropriations	<u>2,409,288</u>	<u>(1,997,362)</u>	<u>(2,627,134)</u>	<u>(629,772)</u>
Budgetary Fund Balance, January 31, 2012	3,153,202	(1,253,448)	(1,883,220)	629,772
Net Obligations Transferred to Redevelopment Successor Agency on February 1, 2012	-	1,253,448	1,883,220	(629,772)
Budgetary Fund Balance, February 1, 2012	<u>\$ 3,153,202</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

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

Sources/Inflow of Resources:	
Actual amounts (budgetary basis) of "total resources"	\$ 5,189,756
Differences - Budget to GAAP	-
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 5,189,756</u>
Uses/Outflows of Resources	
Actual amounts (budgetary basis) of "total charges to appropriations"	\$ 7,816,890
Differences - Budget to GAAP	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	<u>(5,613,673)</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 2,203,217</u>

CITY OF SUNNYVALE

**Swirsky Youth Opportunity Permanent Fund
Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
Year Ended June 30, 2012**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1, 2011	\$ 551,971	\$ 551,971	\$ -	\$ (551,971)
Resources (Inflows):				
Interest Income	5,520	3,466	3,515	49
Total Resources	5,520	3,466	3,515	49
Charges to Appropriations (Outflows):				
Transfers Out	5,520	5,520	3,486	2,034
Total Charges to Appropriations	5,520	5,520	3,486	2,034
Excess of Resources Over (Under)				
Charges to Appropriations	-	(2,054)	29	2,083
Budgetary Fund Balance, June 30, 2012	\$ 551,971	\$ 549,917	\$ 29	\$ (549,888)

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"	\$ 3,515
Differences - Budget to GAAP	
Change in fair value of investments is not budgetary resource	(29)
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 3,486</u>
Uses/Outflows of Resources	
Actual amounts (budgetary basis) of "total charges to appropriations"	\$ 3,486
Differences - Budget to GAAP	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(3,486)
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, 2012**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1, 2011	\$ 915,087	\$ 915,087	\$ 915,087	\$ -
Resources (Inflows):				
Interest Income	9,151	5,746	5,912	166
Other Revenues	-	-	60,000	60,000
Total Resources	9,151	5,746	65,912	60,166
Charges to Appropriations (Outflows):				
Transfers Out	9,151	9,151	5,864	3,287
Total Charges to Appropriations	9,151	9,151	5,864	3,287
Excess of Resources Over (Under) Charges to Appropriations	-	(3,405)	60,048	63,453
Budgetary Fund Balance, June 30, 2012	\$ 915,087	\$ 911,682	\$ 975,135	\$ 63,453

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"	\$ 65,912
Differences - Budget to GAAP	
Change in fair value of investments is not budgetary resource	(48)
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 65,864</u>
Uses/Outflows of Resources	
Actual amounts (budgetary basis) of "total charges to appropriations"	\$ 5,864
Differences - Budget to GAAP	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(5,864)
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, 2012**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1, 2011	\$ 1,244,375	\$ 1,244,375	\$ 1,244,375	\$ -
Resources (Inflows):				
Interest Income	-	-	4,122	4,122
Transfers In	1,047,110	1,047,110	540,380	(506,730)
Total Resources	1,047,110	1,047,110	544,502	(502,608)
Charges to Appropriations (Outflows):				
Principal Retirement	490,000	490,000	490,000	-
Interest	409,634	409,634	22,626	387,008
Fiscal Charges	163,735	163,735	178,857	(15,122)
Total Charges to Appropriations	1,063,369	1,063,369	691,483	371,886
Excess of Resources Over (Under)				
Charges to Appropriations	(16,259)	(16,259)	(146,981)	(130,722)
Budgetary Fund Balance, June 30, 2012	\$ 1,228,116	\$ 1,228,116	\$ 1,097,394	\$ (130,722)

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

Sources/Inflow of Resources:	
Actual amounts (budgetary basis) of "total resources"	\$ 544,502
Differences - Budget to GAAP	
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes	(540,380)
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	\$ 4,122
Uses/Outflows of Resources	
Actual amounts (budgetary basis) of "total charges to appropriations"	\$ 691,483
Differences - Budget to GAAP	
None	-
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	\$ 691,483

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, 2012**

	Budgeted Amounts		Actual Amounts (Budgetary Basis)	Variance with Final Budget- Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1, 2011	\$ 8,511,407	\$ 10,292,616	\$ -	\$ (10,292,616)
Resources (Inflows):				
Intergovernmental Revenues	-	445	8,555	8,110
Interest Income	103,988	67,704	66,669	(1,035)
Other Revenues	-	-	16,139	16,139
Transfers In	8,071,466	9,505,463	1,967,318	(7,538,145)
Total Resources	8,175,454	9,573,612	2,058,681	(7,514,931)
Charges to Appropriations (Outflows):				
Planning and Management	-	200,000	(6,225)	206,225
Community Development	651,310	1,708,854	155,193	1,553,661
Transportation	126,600	126,600	22,148	104,452
Cultural	193,570	263,936	263,936	-
Capital Outlay	7,368,286	7,481,337	1,780,150	5,701,187
Transfers Out	297,394	528,456	182,738	345,718
Total Charges to Appropriations	8,637,160	10,309,182	2,397,940	7,911,242
Excess of Resources Over (Under) Charges to Appropriations	(461,706)	(735,570)	(339,259)	396,311
Budgetary Fund Balance, June 30, 2012	\$ 8,049,701	\$ 9,557,046	\$ (339,259)	\$ (9,896,305)

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

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

Sources/Inflow of Resources:

Actual amounts (budgetary basis) of "total resources"	\$ 2,058,681
Differences - Budget to GAAP	
Change in fair value of investments is not budgetary resource	(2,029)
Transfers from other funds are inflows of budgetary resources but are not revenues for financial reporting purposes	(1,967,318)
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 89,334</u>

Uses/Outflows of Resources

Actual amounts (budgetary basis) of "total charges to appropriations"	\$ 2,397,940
Differences - Budget to GAAP	
Transfers to other funds are outflows of budgetary resources but are not expenditures for financial reporting purposes	(182,738)
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances - governmental funds	<u>\$ 2,215,202</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 Assets
All Internal Service Funds
June 30, 2012**

	<u>General Services</u>	<u>Employee Benefits</u>	<u>Risk Management</u>	<u>Totals</u>
Assets:				
Current Assets				
Cash and Investments Held by City	\$ 22,666,175	\$ 27,868,965	\$ 559,298	\$ 51,094,438
Receivables, Net	155,270	162,418	2,318	320,006
Inventories and Prepayments	287,456	57,247	18,168	362,871
Total Current Assets	<u>23,108,901</u>	<u>28,088,630</u>	<u>579,784</u>	<u>51,777,315</u>
Noncurrent Assets				
Net Pension Assets	-	1,393,000	-	1,393,000
Net OPEB Assets	-	3,186,000	-	3,186,000
Capital Assets:				
Land & Nondepreciable Assets	557,428	-	-	557,428
Depreciable Buildings, Property, Equipment and Infrastructure, Net	11,613,807	-	-	11,613,807
Total Assets	<u>35,280,136</u>	<u>32,667,630</u>	<u>579,784</u>	<u>68,527,550</u>
Liabilities:				
Current Liabilities				
Wages Payable	-	1,740,907	-	1,740,907
Accounts Payable and Accrued Liabilities	550,340	1,281,776	42,773	1,874,889
Advances from Other Funds	177,373	-	-	177,373
Refundable Deposits	22,284	-	-	22,284
Claims and Judgments Payable - Due Within One Year	-	3,374,253	310,590	3,684,843
Compensated Absences Payable - Due Within One Year	-	6,990,183	-	6,990,183
Total Current Liabilities	<u>749,997</u>	<u>13,387,119</u>	<u>353,363</u>	<u>14,490,479</u>
Noncurrent Liabilities				
Claims and Judgments Payable- Due in More than One Year	-	8,117,747	1,234,410	9,352,157
Compensated Absences Payable - Due in More than One Year	-	1,463,551	-	1,463,551
Total Noncurrent Liabilities	<u>-</u>	<u>9,581,298</u>	<u>1,234,410</u>	<u>10,815,708</u>
Total Liabilities	<u>749,997</u>	<u>22,968,417</u>	<u>1,587,773</u>	<u>25,306,187</u>
Net Assets (Deficit):				
Invested in Capital Assets, Net of Related Debt	12,171,235	-	-	12,171,235
Unrestricted	22,358,904	9,699,213	(1,007,989)	31,050,128
Total Net Assets (Deficit)	<u>\$ 34,530,139</u>	<u>\$ 9,699,213</u>	<u>\$ (1,007,989)</u>	<u>\$ 43,221,363</u>

CITY OF SUNNYVALE**Combining Statement of Revenues, Expenses and Changes in Net Assets
All Internal Service Funds
Year Ended June 30, 2012**

	General Services	Employee Benefits	Risk Management	Totals
Operating Revenues:				
Charges for Services	\$ 17,643,124	\$ 61,626,607	\$ 1,050,000	\$ 80,319,731
Total Operating Revenues	17,643,124	61,626,607	1,050,000	80,319,731
Operating Expenses:				
Personnel Services	8,092,972	14,769,809	106,751	22,969,532
Contractual Services	2,473,992	3,050	244,183	2,721,225
Material and Supplies	1,641,793	188	1,083	1,643,064
Utilities	1,691,681	-	-	1,691,681
Taxes and Licenses	8,064	-	-	8,064
Equipment and Building Rental	1,343,081	-	-	1,343,081
Insurance Premiums and Claims	-	21,457,474	935,885	22,393,359
Retirement Premiums	-	27,846,206	-	27,846,206
Other Operating Expenses	24,302	-	91	24,393
Depreciation	1,672,712	-	-	1,672,712
Total Operating Expenses	16,948,597	64,076,727	1,287,993	82,313,317
Operating Income (Loss)	694,527	(2,450,120)	(237,993)	(1,993,586)
Nonoperating Revenues (Expenses):				
Investment Earnings	144,147	187,827	6,594	338,568
Interest Expense	(44,314)	-	-	(44,314)
Total Nonoperating Revenues (Expenses)	99,833	187,827	6,594	294,254
Income (loss) before Transfers	794,360	(2,262,293)	(231,399)	(1,699,332)
Transfers In	2,155,206	-	-	2,155,206
Transfers Out	(1,473,029)	-	-	(1,473,029)
Change in Net Assets	1,476,537	(2,262,293)	(231,399)	(1,017,155)
Net Assets (Deficit) - Beginning of Year	33,053,602	11,961,506	(776,590)	44,238,518
Net Assets (Deficit) - End of Year	\$ 34,530,139	\$ 9,699,213	\$ (1,007,989)	\$ 43,221,363

CITY OF SUNNYVALE**Combining Statement of Cash Flows
All Internal Service Funds
Year Ended June 30, 2012**

	<u>General Services</u>	<u>Employee Benefits</u>	<u>Risk Management</u>	<u>Totals</u>
Cash Flows from Operating Activities:				
Cash Received from Customers	\$ 17,639,545	\$ 61,291,783	\$ 1,050,000	\$ 79,981,328
Cash Payments to Suppliers of Goods and Services	(7,279,935)	(9,745)	(257,492)	(7,547,172)
Cash Payments for Employee Services	(8,033,981)	(44,610,944)	(106,751)	(52,751,676)
Insurance and Claims Paid	-	(20,665,962)	(1,013,849)	(21,679,811)
Other Receipts (Payments)	112,075	146,148	-	258,223
Net Cash Provided by (Used for) Operating Activities	<u>2,437,704</u>	<u>(3,848,720)</u>	<u>(328,092)</u>	<u>(1,739,108)</u>
Cash Flows from Noncapital Financing Activities:				
Transfers Received	2,155,206	-	-	2,155,206
Transfers Paid	(1,473,029)	-	-	(1,473,029)
Repayment of Advance From/To Other Funds	(500,000)	-	-	(500,000)
Net Cash Provided by (Used for) Noncapital Financing Activities	<u>182,177</u>	<u>-</u>	<u>-</u>	<u>182,177</u>
Cash Flows from Capital and Related Financing Activities:				
Acquisition and Construction of Capital Assets	(2,181,126)	-	-	(2,181,126)
Net Cash Provided by (Used for) Capital and Related Financing Activities	<u>(2,181,126)</u>	<u>-</u>	<u>-</u>	<u>(2,181,126)</u>
Cash Flows from Investing Activities:				
Interest on Investments	168,932	241,092	9,004	419,028
Net Cash Provided by Investing Activities	<u>168,932</u>	<u>241,092</u>	<u>9,004</u>	<u>419,028</u>
Net Increase (Decrease) in Cash and Cash Equivalents	607,687	(3,607,628)	(319,088)	(3,319,029)
Cash and Cash Equivalents - Beginning of Year	<u>22,058,488</u>	<u>31,476,593</u>	<u>878,386</u>	<u>54,413,467</u>
Cash and Cash Equivalents - End of Year	<u>\$ 22,666,175</u>	<u>\$ 27,868,965</u>	<u>\$ 559,298</u>	<u>\$ 51,094,438</u>
Reconciliation to Statement of Net Assets:				
Cash and Investments Held by City	\$ 22,666,175	\$ 27,868,965	\$ 559,298	\$ 51,094,438

Continued

CITY OF SUNNYVALE**Combining Statement of Cash Flows
All Internal Service Funds
Year Ended June 30, 2012**

	<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)	\$ 694,527	\$ (2,450,120)	\$ (237,993)	\$ (1,993,586)
Adjustment to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:				
Depreciation	1,672,712	-	-	1,672,712
Changes in Assets and Liabilities:				
Receivables, Net	72,109	65,228	-	137,337
Due from Other Governments	-	-	-	-
Inventories and Prepayments	(2,295)	56,527	7,170	61,402
Customer Deposits	2,111	-	-	2,111
Accounts Payable and Accrued Liabilities	(1,460)	(7,201,744)	(16,269)	(7,219,473)
Claims and Judgments Payable	-	24,000	(81,000)	(57,000)
Compensated Absences Payable	-	6,668,389	-	6,668,389
Pension Obligation	-	(1,393,000)	-	(1,393,000)
Other Postemployment Benefit Obligation	-	382,000	-	382,000
Net Cash Provided (Used) by Operating Activities	<u>\$ 2,437,704</u>	<u>\$ (3,848,720)</u>	<u>\$ (328,092)</u>	<u>\$ (1,739,108)</u>
Noncash Investing, Capital and Financing Activities:				
Change in the Fair Value of Investments	(4,552)	(5,794)	(215)	(10,561)
Purchase of Capital Assets on Account	229,469	-	-	229,469

Concluded

Fiduciary Fund Financial Statements

Agency Funds:

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

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

CITY OF SUNNYVALE**Statement of Changes in Fiduciary Net Assets
Fiduciary Funds - Agency Funds
Year Ended June 30, 2012****Community Facilities District (CFD)**

	<u>Beginning Balance July 1, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance June 30, 2012</u>
Assets:				
Cash and Investments	\$ 1,937,436	\$ 1,629,495	\$ (1,614,205)	\$ 1,952,726
Cash and Investments Held by Fiscal Agent	1,800,969	1,711,871	(1,711,582)	1,801,258
Receivables	55,948	59,936	(58,138)	57,746
Total Assets	<u>\$ 3,794,353</u>	<u>\$ 3,401,302</u>	<u>\$ (3,383,925)</u>	<u>\$ 3,811,730</u>
Liabilities:				
Due to CFD Bondholders	\$ 3,794,353	\$ 3,401,302	\$ (3,383,925)	\$ 3,811,730
Total Liabilities	<u>\$ 3,794,353</u>	<u>\$ 3,401,302</u>	<u>\$ (3,383,925)</u>	<u>\$ 3,811,730</u>

Santa Clara Valley Urban Runoff Pollution Prevention Program

	<u>Beginning Balance July 1, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance June 30, 2012</u>
Assets:				
Cash and Investments	\$ 1,343,096	\$ 11,427,973	\$ (11,315,861)	\$ 1,455,208
Total Assets	<u>\$ 1,343,096</u>	<u>\$ 11,427,973</u>	<u>\$ (11,315,861)</u>	<u>\$ 1,455,208</u>
Liabilities:				
Accounts Payable and Accrued Liabilities	\$ 1,343,096	\$ 11,427,973	\$ (11,315,861)	\$ 1,455,208
Total Liabilities	<u>\$ 1,343,096</u>	<u>\$ 11,427,973</u>	<u>\$ (11,315,861)</u>	<u>\$ 1,455,208</u>

Combined

	<u>Beginning Balance July 1, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance June 30, 2012</u>
Assets:				
Cash and Investments	\$ 3,280,532	\$ 13,057,468	\$ (12,930,066)	\$ 3,407,934
Cash and Investments Held by Fiscal Agent	1,800,969	1,711,871	(1,711,582)	1,801,258
Receivables	55,948	59,936	(58,138)	57,746
Total Assets	<u>\$ 5,137,449</u>	<u>\$ 14,829,275</u>	<u>\$ (14,699,786)</u>	<u>\$ 5,266,938</u>
Liabilities:				
Accounts Payable and Accrued Liabilities	\$ 1,343,096	\$ 11,427,973	\$ (11,315,861)	\$ 1,455,208
Due to CFD Bondholders	3,794,353	3,401,302	(3,383,925)	3,811,730
Total Liabilities	<u>\$ 5,137,449</u>	<u>\$ 14,829,275</u>	<u>\$ (14,699,786)</u>	<u>\$ 5,266,938</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.	167-173
<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.	174-177
<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.	178-181
<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.	182-183
<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.	184-186

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

	Fiscal Year									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Governmental Activities										
Invested in Capital Assets, Net of Related Debt	\$ 402,857	\$ 388,753	\$ 378,990	\$ 371,980	\$ 361,946	\$ 358,287	\$ 359,656	\$ 358,104	\$ 367,258	\$ 362,069
Restricted	122,424	115,097	87,408	86,468	86,217	72,587	65,838	60,360	58,670	69,542
Unrestricted	205,327	155,432	174,362	179,360	194,198	195,942	169,481	168,381	177,767	177,615
Total Governmental Activities Net Assets	\$ 730,608	\$ 659,282	\$ 640,760	\$ 637,808	\$ 642,361	\$ 626,816	\$ 594,975	\$ 586,845	\$ 603,695	\$ 609,226
Business-type activities										
Invested in Capital Assets, Net of Related Debt	\$ 80,831	\$ 85,837	\$ 82,415	\$ 75,783	\$ 66,109	\$ 64,546	\$ 61,193	\$ 58,850	\$ 49,830	\$ 50,614
Restricted	-	-	-	-	12,673	6,886	9,119	15,039	15,244	17,380
Unrestricted	(12,005)	(23,312)	(21,066)	(13,983)	(11,949)	(11,569)	(12,335)	(11,891)	(17,172)	(15,062)
Total Business-Type Activities Net assets	\$ 68,826	\$ 62,525	\$ 61,349	\$ 61,800	\$ 66,833	\$ 59,863	\$ 57,977	\$ 61,998	\$ 47,902	\$ 52,932
Primary Government										
Invested in Capital Assets, Net of Related Debt	\$ 483,688	\$ 474,590	\$ 461,404	\$ 447,763	\$ 428,055	\$ 422,833	\$ 420,849	\$ 416,954	\$ 417,088	\$ 412,683
Restricted	122,424	115,097	87,408	86,468	98,890	79,473	74,957	75,399	73,914	86,922
Unrestricted	193,323	132,120	153,296	165,377	182,249	184,373	157,146	156,490	160,595	162,553
Total Primary Government Net Assets	\$ 799,435	\$ 721,807	\$ 702,108	\$ 699,608	\$ 709,194	\$ 686,679	\$ 652,952	\$ 648,843	\$ 651,597	\$ 662,158

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, as City staff fine-tune the implementation of Governmental Accounting Standards Board Statement No. 34. These reclassifications do not change total net assets reported in those years.

CITY OF SUNNYVALE

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

	Fiscal Year									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Expenses:										
Governmental Activities:										
Planning and Management	\$ 18,532	\$ 18,671	\$ 20,533	\$ 21,405	\$ 20,624	\$ 18,957	\$ 16,170	\$ 15,247	\$ 14,053	\$ 15,004
Public Safety	74,077	75,988	73,903	74,876	72,918	65,768	62,682	58,718	55,360	54,004
Community Development	21,981	21,119	23,833	21,790	21,399	20,198	20,104	22,655	18,815	21,068
Transportation	10,810	11,845	11,081	11,831	11,182	11,832	9,886	8,841	13,492	11,820
Socioeconomic	12,813	14,329	12,932	10,533	9,178	10,833	12,791	12,909	13,857	14,803
Cultural	8,879	9,036	9,757	9,449	9,627	8,858	8,530	8,715	8,438	8,812
Environmental Management	2,920	3,609	1,445	2,167	14,280	2,027	1,596	2,077	2,346	1,684
Interest on Long-term Debt	419	1,078	1,003	1,730	1,638	1,727	1,680	1,624	1,479	1,743
Total Governmental Activities	150,431	155,675	154,487	153,781	160,846	140,200	133,439	130,786	127,840	128,938
Business-Type Activities:										
Water Supply and Distribution	27,254	24,667	23,065	21,939	20,685	19,410	18,010	17,751	17,232	16,144
Wastewater Management	20,597	18,680	17,249	17,376	16,728	16,782	17,109	16,387	14,971	15,007
Solid Waste Management	32,327	32,406	30,814	37,503	29,013	28,008	29,553	27,340	27,610	26,567
SMaRT Station	28,467	26,320	26,618	26,256	22,670	18,966	18,954	18,094	18,327	18,408
Community Recreation	11,454	11,802	11,834	11,687	11,166	10,761	10,476	9,676	9,428	9,472
Information Technology	-	-	-	-	-	-	-	-	-	13
Total Business-Type Activities	120,099	113,875	109,580	114,761	100,262	93,927	94,102	89,248	87,568	85,611
Total Primary Government Expenses	\$ 270,530	\$ 269,550	\$ 264,067	\$ 268,542	\$ 261,108	\$ 234,127	\$ 227,541	\$ 220,034	\$ 215,408	\$ 214,549
Program Revenues:										
Governmental Activities:										
Charges for Services										
Planning and Management	\$ 1,510	\$ 733	\$ 524	\$ 442	\$ 490	\$ 397	\$ 380	\$ 1,171	\$ 303	\$ 162
Public Safety	3,596	3,418	3,430	4,417	3,311	3,011	2,394	2,556	2,191	2,106
Community Development	21,553	13,842	10,818	8,998	22,250	20,177	11,065	10,054	9,175	7,233
Transportation	497	548	887	814	6,222	2,185	715	2,861	611	338
Socioeconomic	144	62	805	300	345	526	593	574	548	601
Cultural	270	253	233	205	223	332	585	600	501	471
Environmental Management	575	435	366	161	2,339	795	825	34	200	31
Operating Grants and Contributions	19,426	27,491	19,419	17,353	14,799	17,899	21,142	18,289	17,716	20,542
Capital Grants and Contributions	15,095	11,795	12,632	8,079	6,923	3,505	2,676	1,464	5,211	9,589
Total Governmental Activities Program Revenues	62,666	58,577	49,114	40,769	56,902	48,827	40,375	37,603	36,456	41,073

Business-Type Activities:

Charges for Services											
Water Supply and Distribution	32,630	27,687	24,773	25,022	24,007	23,244	19,953	19,263	19,365	18,525	
Wastewater Management	26,046	24,278	22,997	21,244	23,527	20,594	18,673	17,579	16,428	16,159	
Solid Waste Management	38,668	36,752	33,900	33,153	31,606	29,981	29,777	29,289	27,219	28,527	
SMaRT Station	26,210	24,537	23,826	22,699	24,373	19,187	19,077	17,431	17,494	17,901	
Community Recreation	7,452	7,110	7,361	7,663	7,764	7,548	7,540	7,373	7,537	7,567	
Information Technology	-	-	-	-	-	-	-	-	-	16	
Capital Grants and Contributions	459	91	857	457	602	489	1,076	118	290	1,423	
Total Business-Type Activities Program Revenues	131,465	120,455	113,714	110,238	111,879	101,043	96,096	91,053	88,333	90,118	
Total Primary Government Program Revenues	\$ 194,131	\$ 179,032	\$ 162,828	\$ 151,007	\$ 168,781	\$ 149,870	\$ 136,471	\$ 128,656	\$ 124,789	\$ 131,191	
Net (Expense)/Revenue											
Governmental Activities	\$ (87,765)	\$ (97,098)	\$ (105,373)	\$ (113,012)	\$ (103,944)	\$ (91,373)	\$ (93,064)	\$ (93,183)	\$ (91,384)	\$ (87,865)	
Business-Type Activities	11,366	6,580	4,134	(4,523)	11,617	7,116	1,994	1,805	765	4,507	
Total Primary Government Net Expense	\$ (76,399)	\$ (90,518)	\$ (101,239)	\$ (117,535)	\$ (92,327)	\$ (84,257)	\$ (91,070)	\$ (91,378)	\$ (90,619)	\$ (83,358)	

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

Taxes										
Property Taxes	\$ 48,823	\$ 52,261	\$ 51,633	\$ 50,741	\$ 44,107	\$ 41,018	\$ 35,646	\$ 33,105	\$ 27,588	\$ 26,858
Sales and Use Taxes	30,345	29,228	25,432	25,072	29,705	30,852	28,422	24,917	23,452	25,753
Motor Vehicle License Fees	73	708	408	468	602	850	847	3,650	5,970	7,926
Franchise Fees, Unrestricted	6,373	6,247	5,979	6,127	5,855	5,714	5,531	5,395	5,521	5,226
Utilities Users Taxes	6,830	6,806	6,798	6,841	6,840	6,479	6,057	5,833	5,877	5,652
Transient Occupancy Taxes	7,777	6,589	5,578	5,686	7,350	6,480	5,633	5,074	4,752	5,094
Real Property Transfer Taxes	925	717	571	548	1,225	1,216	1,140	1,352	765	580
Construction Taxes	3,059	1,356	937	1,260	2,943	1,899	1,342	923	860	672
Business License Taxes	1,505	1,494	1,364	1,199	1,075	687	286	215	244	269
Unrestricted Grants and Contributions	-	-	-	-	-	-	-	-	821	678
Investment Earnings	1,262	1,432	1,834	5,923	9,927	10,387	5,943	3,793	1,217	11,268
Interest Accrued from Advances to Business-Type Activities	3,044	2,901	2,801	2,928	3,033	2,961	2,844	2,794	2,612	2,442
Interest Accrued from Advances to Former RDA	39	-	-	-	-	-	-	-	-	-
Extraordinary Items	43,481	-	-	-	-	-	-	-	-	-
Gain (Loss) on Disposal of Assets	-	-	-	-	-	7,337	-	-	(55)	33
Miscellaneous	30	25	18	8	417	27	102	354	(3)	710
Transfers	5,524	5,857	4,970	1,658	6,410	7,308	7,512	(11,072)	6,232	5,843
Total Governmental Activities	159,090	115,621	108,323	108,459	119,489	123,215	101,305	76,333	85,853	99,004
Business-type activities										
Investment Earnings	460	453	386	1,148	1,764	2,077	1,496	1,219	395	1,689
Gain (Loss) on Disposal of Assets	-	-	-	-	-	-	-	-	42	31
Miscellaneous	-	-	-	-	-	-	-	-	-	4
Transfers	(5,524)	(5,857)	(4,970)	(1,658)	(6,410)	(7,308)	(7,511)	11,072	(6,232)	(5,842)
Total Business-Type Activities	(5,064)	(5,404)	(4,584)	(510)	(4,646)	(5,231)	(6,015)	12,291	(5,795)	(4,118)
Total Primary Government	\$ 154,026	\$ 110,217	\$ 103,739	\$ 107,949	\$ 114,843	\$ 117,984	\$ 95,290	\$ 88,624	\$ 80,058	\$ 94,886
Change in Net Assets										
Governmental Activities	\$ 71,325	\$ 18,523	\$ 2,950	\$ (4,553)	\$ 15,545	\$ 31,842	\$ 8,241	\$ (16,850)	\$ (5,531)	\$ 11,139
Business-Type Activities	6,302	1,176	(450)	(5,033)	6,971	1,885	(4,021)	14,096	(5,030)	389
Total Primary Government	\$ 77,627	\$ 19,699	\$ 2,500	\$ (9,586)	\$ 22,516	\$ 33,727	\$ 4,220	\$ (2,754)	\$ (10,561)	\$ 11,528

CITY OF SUNNYVALE

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

	Fiscal Year									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
General Fund										
Nonspendable	\$ 13,320	\$ 15,976	\$ 15,983	\$ 21,893	\$ 22,246	\$ 29,449	\$ 34,270	\$ 36,968	\$ 42,676	\$ 46,323
Restricted	5,196	5,078	3,807	1,821	1,147	357	-	-	-	-
Committed	34,014	32,963	35,418	35,724	41,927	27,334	22,284	21,575	23,313	25,205
Assigned	-	193	22	-	-	-	-	-	-	-
Unassigned	54,753	43,545	36,836	41,865	56,591	55,304	52,024	51,373	48,647	49,166
Total General Fund	<u>\$ 107,283</u>	<u>\$ 97,755</u>	<u>\$ 92,066</u>	<u>\$ 101,303</u>	<u>\$ 121,911</u>	<u>\$ 112,444</u>	<u>\$ 108,578</u>	<u>\$ 109,916</u>	<u>\$ 114,636</u>	<u>\$ 120,694</u>
All Other Governmental Funds										
Nonspendable	\$ 2,055	\$ 2,211	\$ 2,170	\$ 1,843	\$ 909	\$ 874	\$ 843	\$ 872	\$ 646	\$ 2,821
Restricted	75,296	67,810	63,527	64,772	65,125	51,490	43,457	43,453	43,899	48,673
Assigned	9,937	10,279	10,554	12,992	14,379	16,053	16,377	18,006	23,790	22,842
Unassigned	-	(80,670)	(79,399)	(71,928)	(68,683)	(64,991)	(61,827)	(57,599)	(54,201)	(50,337)
Total All Other Governmental Funds	<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>	<u>\$ 23,999</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									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Revenues										
Property Taxes	\$ 48,597	\$ 52,032	\$ 51,407	\$ 50,523	\$ 43,893	\$ 40,807	\$ 35,436	\$ 32,895	\$ 27,367	\$ 26,632
Sales and Use Taxes	31,623	30,327	26,590	26,201	30,915	32,053	29,617	26,070	24,599	27,015
Other Taxes	20,096	16,963	15,248	15,534	19,433	16,761	14,459	13,397	12,498	12,268
Franchise Fees	6,373	6,247	5,979	6,127	5,855	5,714	5,531	5,395	5,521	5,226
Intergovernmental Revenues	31,420	37,939	28,107	21,468	19,567	19,577	21,950	22,342	27,459	36,500
Permits and Licenses	9,568	5,972	4,766	5,435	9,265	7,042	5,780	4,996	4,252	3,133
Fines and Forfeitures	1,290	1,230	1,165	1,537	1,249	1,394	756	944	774	782
Special Assessments	13	21	21	17	71	66	63	71	136	300
Service Fees	13,629	9,769	6,809	5,416	21,725	15,621	7,500	7,713	5,495	3,123
Rents and Concessions	1,211	1,223	2,366	2,029	1,907	2,150	1,664	1,538	1,518	1,758
Deferred Interest Received from Interfund										
Advances	4,426	8,999	950	3,389	6,864	6,433	3,976	2,858	971	7,865
Investment Earnings	922	633	1,085	3,909	-	-	-	-	-	-
Other Revenues	6,042	1,320	1,674	1,075	1,824	1,442	1,555	2,991	1,584	3,339
Total Revenues	175,210	172,675	146,167	142,660	162,568	149,060	128,287	121,210	112,174	127,941
Expenditures										
Planning and Management	17,495	17,068	18,708	19,483	19,390	17,252	14,115	13,860	13,096	14,200
Public Safety	73,484	72,059	70,023	73,457	69,582	66,346	62,069	57,709	53,847	52,764
Community Development	22,210	24,876	26,333	21,034	20,816	22,245	20,638	20,093	16,928	19,521
Transportation	7,750	7,342	7,364	7,706	7,533	7,309	6,868	6,475	7,694	9,402
Socioeconomic	11,726	13,162	12,113	10,031	8,600	10,653	12,618	12,774	13,406	14,430
Cultural	7,810	7,667	7,931	7,871	7,545	7,824	7,493	7,331	7,056	7,541
Environmental Management	1,861	2,882	5,306	4,148	2,492	1,747	1,656	1,026	1,622	1,304
Capital Outlay	16,787	16,940	16,497	10,621	9,691	5,548	7,008	3,447	14,379	25,883
Debt Service:										
Principal Retirement	1,550	2,140	1,630	1,535	1,705	1,640	1,525	1,700	1,675	1,595
Interest	3,291	6,039	6,041	6,399	6,091	6,010	5,687	5,414	5,097	5,074
Fiscal Charges	181	189	48	551	104	66	125	67	677	110
Total Expenditures	164,145	170,364	171,994	162,836	153,549	146,640	139,802	129,896	135,477	151,824
Excess (Deficiency) of Revenues										
Over (Under) Expenditures	11,065	2,311	(25,827)	(20,176)	9,019	2,420	(11,515)	(8,686)	(23,303)	(23,883)

Other Financing Sources (Uses):

Transfers In	21,770	26,368	26,612	19,011	18,325	19,154	19,683	17,307	20,376	23,880
Transfers Out	(15,746)	(20,213)	(20,848)	(23,883)	(14,273)	(16,615)	(15,277)	(22,743)	(16,628)	(29,113)
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	-	-	-	498
Total Other Financing Sources (Uses)	6,024	6,155	5,764	(4,482)	8,752	6,022	4,406	(5,436)	4,394	(4,735)

Extraordinary Items:

Net Asset Received or Removed upon Dissolution of Redevelopment Agency	80,098	-	-	-	-	-	-	-	-	-
Total Extraordinary Items	80,098	-								

Net Change in Fund Balances	\$ 97,187	\$ 8,466	\$ (20,063)	\$ (24,658)	\$ 17,771	\$ 8,442	\$ (7,109)	\$ (14,122)	\$ (18,909)	\$ (28,618)
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Capital Expenditures	14,207	13,690	13,791	8,458	8,583	3,211	6,245	3,554	10,937	25,396
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Debt Service as a Percentage of

Noncapital Expenditures	3.2%	5.2%	4.8%	5.1%	5.4%	5.3%	5.4%	5.6%	5.4%	5.3%
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Notes: 1 Proceeds from sale of capital assets are normally reported as other financing sources. The amounts were significant enough in fiscal years 2008 and 2007 to be reported as special items in the basic financial statements according to GASB Statement No. 34 guidance, which the City implemented in fiscal year 2002.

Notes: 2 Debt service for principal retirement was higher in fiscal year 2011 due to the early payoff of the ABAG Certificates of Participation. Starting February 1, 2012, debt service for the former Redevelopment Agency bonded debt obligations have been accounted for in a separate trust fund.

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

	Fiscal Year									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Property	\$ 48,597	\$ 52,032	\$ 51,407	\$ 50,523	\$ 43,905	\$ 40,808	\$ 35,436	\$ 32,895	\$ 27,367	\$ 26,632
Sales and Use	31,623	30,327	26,590	26,201	30,915	32,053	29,617	26,070	24,599	27,015
Transient Occupancy	7,778	6,589	5,578	5,686	7,350	6,480	5,633	5,074	4,752	5,095
Utility Users	6,830	6,806	6,798	6,841	6,840	6,479	6,057	5,833	5,877	5,652
Business Licenses	1,505	1,494	1,364	1,199	1,075	687	286	215	244	269
Real Property Transfer	925	718	571	548	1,225	1,216	1,140	1,352	765	580
Construction	3,059	1,356	937	1,260	2,943	1,899	1,342	923	860	672
Franchise	6,373	6,247	5,979	6,127	5,855	5,713	5,531	5,395	5,521	5,226
Total	<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>	<u>\$ 71,141</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
2003	8,718,777,077	1,580,029,083	4,267,941,289	565,472,712	2,986,380,377	18,118,600,538	124,172,255	17,994,428,283	0.148%
2004	9,337,009,241	1,779,321,058	4,345,984,376	424,172,231	2,647,745,844	18,534,232,750	126,967,347	18,407,265,403	0.149%
2005	9,829,408,454	1,689,619,669	3,978,983,532	502,956,838	2,096,290,114	18,097,258,607	176,856,725	17,920,401,882	0.184%
2006	10,915,550,621	1,751,820,673	3,549,056,669	458,368,221	2,751,400,421	19,426,196,605	198,943,408	19,227,253,197	0.184%
2007	11,986,705,089	1,972,723,950	4,360,713,609	464,268,466	2,136,425,257	20,920,836,371	208,373,332	20,712,463,039	0.197%
2008	12,899,641,149	2,249,318,824	4,864,685,262	680,647,211	2,203,422,900	22,897,715,346	230,239,556	22,667,475,790	0.194%
2009	13,884,261,832	2,769,989,883	5,384,520,573	577,941,420	2,355,453,585	24,972,167,293	246,909,926	24,725,257,367	0.204%
2010	14,129,616,998	2,848,229,899	5,641,227,308	952,386,638	2,624,851,504	26,196,312,347	296,867,486	25,899,444,861	0.198%
2011	14,187,052,958	3,593,110,296	5,306,337,209	387,154,668	2,450,352,066	25,924,007,197	303,969,181	25,620,038,016	0.203%
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%

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 175 for information on direct tax rate.

CITY OF SUNNYVALE

**Property Tax Rates
Last Ten Fiscal Years**

	Fiscal Year									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
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	0.00642	0.00720	0.00740	0.00610	0.00710	0.00720	0.00780	0.00920	0.00870	0.00720
El Camino Hospital	0.01290	0.01290	0.01290	0.01290	0.01290	0.01290	-	-	-	-
Overlapping Rates ²										
School Districts ³										
Sunnyvale School District	0.03980	0.03900	0.02670	0.03390	0.03560	0.03440	0.03970	0.01880	0.01570	0.01580
Cupertino Elementary	0.02900	0.03080	0.03120	0.03060	0.03370	0.02890	0.26810	0.03600	0.03570	0.03290
Los Altos Elementary	0.05950	0.06000	0.05390	0.05260	0.05430	0.05510	0.04520	0.04870	0.04830	0.03980
Mountain View Elementary	0.03030	0.03220	0.02880	0.02940	0.03120	0.03400	0.03780	0.04230	0.03880	0.03700
Fremont High	0.04150	0.03650	0.03060	0.03390	0.02410	0.02430	0.02600	0.02680	0.02490	0.02460
Mountain View-Los Altos High	0.01470	0.01510	0.01470	0.01480	0.01590	0.01690	0.01790	0.01930	0.01830	0.01880
Santa Clara Unified	0.08360	0.05190	0.07010	0.07430	0.02710	0.07970	0.08610	0.03440	0.02630	0.02520
Foothills-De Anza College	0.02970	0.03260	0.03220	0.01230	0.01130	0.03460	0.01190	0.01290	0.01100	0.01080
Special District										
Parking District	- ⁴	0.05216								

Source: County of Santa Clara Assessor's Office

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

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

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

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

CITY OF SUNNYVALE

**Principal Property Tax Payers
June 30, 2012**

Taxpayer	2012			2003		
	Taxable Assessed Value ¹	Rank	Percentage of Total Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total Taxable Assessed Value
Lockheed Martin Corporation	\$ 1,201,780,031	1	4.64%	\$ 924,377,244	1	5.10%
Network Appliance Inc	537,134,556	2	2.07%	227,939,239	4	1.26%
Yahoo Inc	413,196,431	3	1.59%			
Applied Materials Inc	378,795,981	4	1.46%	428,242,634	2	2.36%
Menlo And Juniper Networks LLC	368,629,179	5	1.42%	138,295,000	7	0.76%
SPF Mathilda LLC	278,866,634	6	1.08%			
MT SPE LLC	264,517,587	7	1.02%			
Intuitive Surgical Inc	224,628,525	8	0.87%			
Moffett Towers Lot 3 LLC	206,972,462	9	0.80%			
Silicon Valley Financing LLC	170,558,583	10	0.66%			
AMD Properties Inc				308,642,063	3	1.70%
Bay Apartment Communities Inc				189,170,712	5	1.04%
Lease Plan North America Inc				153,000,000	6	0.84%
Maxim Integrated Products Inc				129,788,210	8	0.72%
Sunnyvale LLC				30,323,300	9	0.17%
MF Downtown Sunnyvale LLC				21,282,540	10	0.12%
Total	\$ 4,045,079,969		15.61%	\$ 2,551,060,942		14.07%

Source: County of Santa Clara Assessor's Office

Note 1 City Total Taxable Assessed Value: \$25,919,082,592

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
2003	27,334,218	25,962,607	95.0%	669,322	26,631,929	95.1%
2004	27,561,419	26,755,807	97.1%	611,235	27,367,042	97.1%
2005	27,845,911	24,628,122	88.4%	734,809	25,362,931	88.7%
2006	28,812,518	26,489,526	91.9%	783,888	27,273,414	92.2%
2007	31,790,994	31,125,424	97.9%	888,602	32,014,027	98.0%
2008	34,017,054	33,208,221	97.6%	1,072,976	34,281,197	97.7%
2009	40,322,813	38,415,190	95.3%	1,610,512	40,025,702	95.5%
2010	42,336,677	38,838,499	91.7%	1,572,241	40,410,740	92.0%
2011	41,889,029	40,216,471	96.0%	938,236	41,154,707	96.1%
2012	41,316,631	38,541,761	93.3%	856,884	39,398,645	93.4%

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									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Governmental Activities:										
Parking District Bonds	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 75
Special Assessment Bonds	-	-	-	-	-	-	-	-	280	540
Tax Allocation Bonds	-	5,629	5,996	6,352	6,703	7,050	7,386	7,667	7,894	7,440
Certificates of Participation	14,395	25,860	27,630	28,900	29,690	31,045	32,345	33,585	34,775	35,920
Business-Type Activities:										
Water and Wastewater										
Revenue Bonds	58,677	60,555	62,889	23,004	24,426	25,783	27,089	28,346	29,563	30,740
Solid Waste Revenue Bonds	16,144	18,000	19,781	21,487	23,129	16,149	17,275	18,371	19,426	20,442
Total Primary Government	\$ 89,216	\$ 110,044	\$ 116,296	\$ 79,743	\$ 83,948	\$ 80,027	\$ 84,095	\$ 87,969	\$ 91,938	\$ 95,157
Percentage of Personal Income ¹	0.08%	0.10%	0.11%	0.08%	0.08%	0.08%	0.09%	0.10%	0.11%	0.12%
Per Capita ²	\$ 624	\$ 780	\$ 828	\$ 574	\$ 610	\$ 590	\$ 630	\$ 661	\$ 694	\$ 718

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 182. Personal income for fiscal year 2010 was used to calculate percentages for fiscal years 2011 and 2012 since data for fiscal years 2011 and 2012 are not currently available.

2 Population data are presented in the Schedule of Demographic and Economic Statistics on page 182.

CITY OF SUNNYVALE**Direct and Overlapping Governmental Activities Debt
As of June 30, 2012**

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	\$ 17,730,000	100.000 %	\$ 17,730,000
Cupertino Union School District & Certificates of Participation	120,672,535	14.858	17,929,525
El Camino Hospital District	142,280,000	36.850	52,430,180
Foothill Community College District Certificates of Participation	18,890,000	22.597	4,268,573
Foothill-De Anza Community College District	628,424,288	22.597	142,005,036
Fremont Union High School District	260,605,108	47.529	123,863,002
Midpeninsula Regional Open Space Park District Certificates of Participation	138,474,717	15.375	21,290,488
Mountain View School District & Certificates of Participation	24,662,490	6.851	1,689,627
Mountain View-Los Altos Union High School District & Certificates of Participation	53,681,646	2.321	1,245,951
Los Altos School District	83,603,480	0.165	137,946
Santa Clara County	316,800,000	9.296	29,449,728
Santa Clara County General Fund Obligations	770,947,000	9.296	71,667,233
Santa Clara County Board of Education Certificates of Participation	11,540,000	9.296	1,072,758
Santa Clara County Pension Obligations	383,034,822	9.296	35,606,917
Santa Clara County Vector Control Certificates of Participation	3,630,000	9.296	337,445
Santa Clara Unified School District Certificates of Participation	454,075,000	14.202	64,487,732
Santa Clara Valley Water District Benefit Assessment District	133,440,000	9.296	12,404,582
Sunnyvale School District	134,680,247	98.866	133,152,973
West Valley-Mission Community College District Certificates of Participation	276,676,930	4.786	13,241,758
Subtotal Overlapping Debt			744,011,454
Direct Debt ²			
City of Sunnyvale Certificates of Participation			14,395,000
City of Sunnyvale Parking Facility Certificates of Participation			10,300,000
Subtotal Direct Debt			24,695,000
Total Direct and Overlapping Debt ³			\$ 768,706,454

Sources: California Municipal Statistics Inc
City of Sunnyvale

Notes:

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

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

³ Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

CITY OF SUNNYVALE

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

	Fiscal Year									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Debt limit	\$ 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	\$ 2,699,169
Total net debt applicable to limit	29,943	31,490	32,971	35,252	36,394	38,094	39,731	41,251	42,949	43,975
Legal debt Margin	<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>	<u>\$ 2,655,194</u>
Total net debt applicable to the limit as a percentage of debt limit	0.76%	0.81%	0.84%	0.94%	1.06%	1.21%	1.36%	1.52%	1.56%	1.63%

Legal Debt Margin Calculation for Fiscal Year 2012

Assessed value	\$ 25,919,083
Add back: exempt real property	<u>301,649</u>
Total assessed value	\$ 26,220,732
Debt limit (15% of total assessed value)	3,933,110
Debt applicable to limit:	
Total bonded debt	104,764
Less:	
Water and Wastewater Revenue Bonds	(58,677)
Solid Waste Revenue Bonds	<u>(16,144)</u>
Total net debt applicable to limit	<u>29,943</u>
Legal debt margin	<u>\$ 3,903,167</u>

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

CITY OF SUNNYVALE

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

	Fiscal Year									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Water and Wastewater Revenue Bonds										
Gross Revenues	\$ 59,071	\$ 52,303	\$ 48,000	\$ 47,060	\$ 48,250	\$ 45,287	\$ 39,641	\$ 37,671	\$ 36,092	\$ 35,800
Less: Operating Expenses	39,268	34,303	33,899	33,272	31,868	30,472	29,564	28,669	26,984	25,989
Net Available Revenue	\$ 19,803	\$ 18,000	\$ 14,101	\$ 13,788	\$ 16,382	\$ 14,815	\$ 10,077	\$ 9,002	\$ 9,108	\$ 9,811
Debt Service										
Principal	\$ 1,900	\$ 2,355	\$ 1,495	\$ 1,435	\$ 1,370	\$ 1,320	\$ 1,270	\$ 1,230	\$ 1,190	\$ 1,150
Interest	2,824	2,161	1,119	1,180	1,243	1,294	1,340	1,382	1,423	1,461
Coverage	4.2	4.0	5.4	5.3	6.3	5.7	3.9	3.4	3.5	3.8
Solid Waste Revenue Bonds										
Gross Revenues	\$ 65,033	\$ 61,398	\$ 57,874	\$ 56,147	\$ 56,998	\$ 49,766	\$ 49,297	\$ 47,083	\$ 44,909	\$ 48,365
Less: Operating Expenses	55,411	54,126	51,824	56,896	48,186	43,490	45,116	41,945	42,532	41,931
Net Available Revenue	\$ 9,622	\$ 7,272	\$ 6,050	\$ (749)	\$ 8,812	\$ 6,276	\$ 4,181	\$ 5,138	\$ 2,377	\$ 6,434
Debt Service										
Principal	\$ 1,865	\$ 1,790	\$ 1,715	\$ 1,645	\$ 1,165	\$ 1,135	\$ 1,105	\$ 1,065	\$ 1,025	\$ 745
Interest	834	916	990	1,056	898	810	841	882	918	691
Coverage ¹	3.6	2.7	2.2	-0.3	4.3	3.2	2.1	2.6	1.2	4.5

Notes:

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

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

Fiscal Year	Population	Personal Income (thousands of dollars)¹	Per Capita Personal Income¹	Median Age	School Enrollment	Civilian Labor Force	Unemployment Rate
2003	132,500	79,855,313	46,460	33	15,365	73,034	7.8%
2004	132,422	84,180,357	48,999	34	14,338	70,992	5.7%
2005	133,086	89,629,169	51,810	36	14,792	70,190	4.7%
2006	133,544	97,952,294	56,124	36	14,793	70,713	3.9%
2007	135,721	105,471,632	59,720	36	14,891	72,637	4.0%
2008	137,538	106,290,593	59,207	37	15,142	74,714	5.0%
2009	138,826	98,182,268	53,959	37	15,596	74,804	9.9%
2010	140,450	105,604,616	57,338	37	15,979	74,343	9.6%
2011	141,099	Not Available	Not Available	36	16,224	74,850	8.8%
2012	142,896	Not Available	Not Available	36	16,562	78,525	7.5%

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

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

CITY OF SUNNYVALE

**Principal Employers
June 30, 2012**

Employer	2012			2003		
	Number of Employees	Rank	Percentage of Total Employment	Number of Employees	Rank	Percentage of Total Employment
Lockheed Martin Space Systems	7,034	1	8.96%	Not available		
Yahoo! Inc	4,905	2	6.25%			
Apple Inc	4,000	3	5.09%			
NetApp Inc	2,785	4	3.55%			
Juniper Networks Inc	2,400	5	3.06%			
West Valley Engineering Inc	1,600	6	2.04%			
Applied Materials Inc	1,306	7	1.66%			
Northrup Gruman Marine Systems	1,240	8	1.58%			
Palm Inc	1,102	9	1.40%			
Synopsys Inc	917	10	1.17%			

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									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Planning and Management	124	130	137	144	141	142	141	138	145	150
Public Safety ¹	308	321	328	340	335	325	308	309	333	358
Community Development	103	106	117	126	129	132	132	133	131	142
Transportation	33	35	35	36	35	35	37	35	42	46
Socioeconomic	69	91	89	66	65	79	96	102	108	106
Cultural	47	50	58	61	61	61	65	66	67	73
Environmental Management	22	21	20	21	21	19	18	17	14	17
Water Supply and Distribution	30	29	30	30	29	31	34	32	29	32
Wastewater Management	68	66	69	70	69	67	72	71	69	75
Solid Waste Management	11	10	11	10	10	10	9	9	9	9
SMaRT Station	1	1	1	1	1	1	1	2	2	2
Community Recreation	79	88	89	92	92	92	89	87	95	104
Total	895	948	984	997	988	994	1,002	1,001	1,044	1,114

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									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Public Safety:										
Police										
Emergency Responses	41,060	41,840	37,721	38,676	41,062	47,184	47,464	46,132	52,017	48,613
Crime Investigations	2,347	3,068	Not Available	3,240	3,749	3,834	3,467	3,617	4,268	4,268
Traffic Events and Citations	17,514	17,237	17,208	20,258	19,657	16,753	22,716	24,188	20,213	16,114
Fire										
Emergency Responses	7,092	7,098	6,901	7,123	7,385	6,793	7,026	6,643	6,646	7,421
Fire Safety Inspections	3,754	4,017	Not Available	3,422	4,666	5,934	6,080	5,489	5,189	6,606
Transportation:										
Streets Resurfacing (1,000 square feet)	572	237	152	Not Available	158	Not Available	179	179	156	307
Street Preventive Maintenance (1,000 sq feet)	4,272	3,084	4,481	3,553	4,056	3,882	8,159	5,709	5,767	4,648
Streetlight Lamps Replaced	1,486	1,247	1,011	954	682	1,092	846	674	752	922
Library:										
Library Visitors	743,363	732,631	796,329	871,128	798,194	768,983	723,731	737,506	861,591	877,135
Library Materials Circulated	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	1,996,562
Library Materials Turnover Rate (average use)	9.0	8.3	7.9	7.1	7.4	7.4	6.7	6.6	7.6	7.0
Water Supply and Distribution:										
Average Daily Demand (million gallons)	22.8	18.0	18.0	20.3	20.8	21.9	20.0	21.7	22.8	21.4
Peak Daily Use (million gallons)	34.2	40.3	40.3	41.3	42.4	44.0	40.0	43.0	46.0	46.0
Water Main Repairs	33	23	15	9	28	61	34	24	13	35
Wastewater Management:										
Average Daily Sewage Treatment (million gallons)	13.5	13.8	12.6	14.1	14.9	15.4	15.5	15.3	14.9	15.3
Solid Waste Management:										
Refuse collected (tons per day)	223.6	223.6	224.1	233.7	261.9	265.8	277.6	271.5	278.6	284.6
Recyclables collected (tons per day)	68.3	68.2	70.6	68.9	67.4	69.4	71.4	73.2	74.2	73.8
SMaRT Station										
Refuse received (tons per day)	576.0	563.0	604.0	667.1	709.7	722.2	731.4	707.7	721.6	733.0
Community Recreation:										
Recreation Programs Registration (hours)	801,792	703,355	717,931	710,537	745,720	708,158	Not Available	Not Available	585,023	511,257
Rental Use of Recreation Facilities ¹ (1,000 Participant Hours 2000-2006)	81,152	73,330	85,143	65,900	18,324	18,623	Not Available	Not Available	Not Available	Not Available
Plays at Golf Courses	136,121	133,356	134,312	137,012	142,137	150,303	147,650	156,523	150,944	182,855

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									
	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Public Safety										
Police:										
Jail Facilities	1 (6 cells)									
Vehicular Patrol Units ¹	70	67	66	67	63	65	52	52	52	51
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	9,357	9,542	9,542	9,242	8,928	8,928	8,919	8,919	8,909	8,904
Traffic Signals	130	128	128	128	129	129	129	129	129	129
Water Supply and Distribution										
Water Mains (miles)	330	326	326	326	283	283	282	282	282	282
Fire Hydrants	3,424	3,390	3,390	3,390	3,381	3,381	3,400	3,385	3,385	3,385
Storage Capacity (million gallons)	27.5	27.5	27.5	27.5	28.0	28.0	28.0	28.0	28.0	27.5
Wastewater Management										
Sanitary Sewer (miles)	283	283	283	283	283	283	283	283	283	283
Treatment Plant Capacity (million gallons)	29.5	29.5	29.5	29.5	29.5	29.5	29.5	29.5	29.5	29.5
SMaRT Station										
Refuse transfer and recovery station capacity (ton per day)	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500
Community Recreation										
Park Acreage	323	323	323	323	323	323	322	322	322	322
Parks	19	19	19	19	19	19	19	19	19	19
Golf Courses	2	2	2	2	2	2	2	2	2	2
Swimming Pools	5	6	6	6	6	6	6	6	6	6
Tennis Courts	38	38	38	38	38	38	38	38	38	38
Skate Parks	2	2	2	2	2	2	1	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.