City of Cupertino

Cupertino, California

Single Audit and Independent Auditor's Reports

For the Year Ended June 30, 2025

THE PUN GROUP
ACCOUNTANTS & ADVISORS

City of Cupertino
Single Audit and Independent Auditor's Reports
For the Year Ended June 30, 2025

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THE PUN GROUP
ACCOUNTANTS & ADVISORS

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Independent Auditor's Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States *("Government Auditing Standards")*, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Cupertino, California (the "City"), as of and for the year ended June 30, 2025, and the related notes to the financial statements which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 3, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting ("internal control") as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's basic financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

The Pun Group, LLP

Santa Ana, California
December 3, 2025

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REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

Independent Auditor's Report

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the City of Cupertino, California's (the "City") compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2025. The City's major federal program is identified in the summary of the auditor's results section of the accompanying Schedule of Findings and Questioned Costs.

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2025.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America ("GAAS"); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States ("*Government Auditing Standards*"), and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of City's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the City's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

- exercise professional judgment and maintain professional skepticism throughout the audit.

- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- obtain an understanding of City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A *deficiency in internal control over* compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control* over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

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, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise City's basic financial statements. We issued our report thereon dated December 3, 2025, which contained unmodified opinions on those financial statements. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

The Pun Group, LLP

Santa Ana, California
March 19, 2026, except for the Schedule of Expenditures of Federal Awards, which is as of December 3, 2025

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City of Cupertino
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2025

Federal Grantor/Pass - Through Grantor/Program Title	Assistance Listing Number	Grant Identification Number	Federal Expenditures	Expenditures to Subrecipients
U.S. Department of Housing and Urban Development				
Direct Program:				
Community Development Block Grant Cluster Entitlement/Special Purpose Grants:				
Community Development Block Grants/Entitlement Grants	14.218	B24MC060057	$ 96,667	$ 27,781
Community Development Block Grants/Entitlement Grants	14.218	B23MC060057	27,158	27,158
Community Development Block Grants/Entitlement Grants	14.218	B22MC060057	32,533	68,358
Community Development Block Grants/Entitlement Grants	14.218	B21MC060057	35,440	-
Community Development Block Grants/Entitlement Grants	14.218	Program Income	7,942	-
Total Community Development Block Grant Cluster Entitlement/Special Purpose Grants			199,740	123,297
Total U.S. Department of Housing and Urban Development			199,740	123,297
U.S. Department of Transportation				
Passed through State of California Department of Transportation:				
Highway Planning and Construction (Federal-Aid Highway Program)	20.205	BPMP-5318(029)	1,444,881	-
Highway Planning and Construction (Federal-Aid Highway Program)	20.205	CML-5318 (033)	43,995	-
Highway Planning and Construction (Federal-Aid Highway Program)	20.205	BRLS-5318 (037)	16,464	-
Highway Planning and Construction (Federal-Aid Highway Program)	20.205	CML-5318 (036)	7,072	-
Total Highway Planning and Construction			1,512,412	-
Total U.S. Department of Transportation			1,512,412	-
U.S. Department of Energy				
Direct Program:				
Energy Efficiency and Conservation Block Grant Program (EECBG)	81.128	IA-0000000811	123,899	-
Total U.S. Department of Energy			123,899	-
U.S. Department of Health and Human Services				
Passed through National Association of County and City Health Officials:				
Medical Reserve Corps Small Grant Program	93.008	MRC RISE 22-0039	1,176	-
Total U.S. Department of Health and Human Services			1,176	-
Total Expenditures of Federal Awards			$ 1,837,227	$ 123,297

See accompanying Notes to the Schedule of Expenditures of Federal Awards.

City of Cupertino
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2025

Note 1 – Reporting Entity

The financial reporting entity, as defined by the Governmental Accounting Standard Board (“GASB”), consists of the primary government, which is the City of Cupertino, California (the “City”), organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete.

The City Council acts as the governing body and is able to impose its will on the following organization, establishing financial accountability: *The Cupertino Public Facilities Corporation.*

Note 2 – Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of the City under programs of the federal government for the year ended June 30, 2025. Federal financial assistance received directly from federal agencies, as well as federal financial assistance passed through the State of California Department of Transportation, and National Association of County and City Health Officials, are included in the Schedule. The information in this Schedule is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the “Uniform Guidance”). Because the Schedule presents only a selected portion of the operations of City, it is not intended to and does not present the financial position of the City.

Note 3 – Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

Note 4 – Indirect Cost Rate

The City has not elected to use the de minimis indirect rate as allowed under the Uniform Guidance (10 percent of modified total direct costs for awards issued prior to October 1, 2024 and 15 percent for awards issued or amended on or after October 1, 2024).

Note 5 – Subrecipients

During the year ended June 30, 2025, the City provided federal funds to the following subrecipients:

Assistance Listing Number	Program Name / Subrecipient Name	Amount Provided to Subrecipients
14.218	Community Development Block Grant Cluster Entitlement/Special Purpose Grants:	
	Rebuilding Together Silicon Valley	$ 96,238
	West Valley Community Services	17,774
	Live Oak Adult Day Services	9,285
		$ 123,297

City of Cupertino
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2025

Section I – Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified?	None reported
Type of auditor's report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No

Identification of major programs:

Assistance Listing Number(s)	Name of Federal Program or Cluster	Expenditures
20.205	Highway Planning and Construction	$ 1,512,412
	Total Expenditures of All Major Federal Programs	$ 1,512,412
	Total Expenditures of Federal Awards	$ 1,837,227
	Percentage of Total Expenditures of Federal Awards	82.32%

Dollar threshold used to distinguish between type A and type B programs	$750,000
Auditee qualified as low-risk auditee in accordance with 2 CFR 200.520?	No

Section II – Financial Statement Findings

A. Current Year Findings – Financial Statement Audit

No current year financial statement findings were noted.

B. Prior Year Findings – Financial Statement Audit

No prior year financial statement findings were noted.

Section III – Federal Award Findings

A. Current Year Findings and Questioned Costs – Major Federal Award Program Audit

No current year federal award findings were noted.

B. Prior Year Findings and Questioned Costs – Major Federal Award Program Audit

2024-001 – Procurement, Suspension, and Debarment – Internal Control over Procurement and Verification Against the System for Award Management ("SAM") (Significant Deficiency)

Identification of the Federal Program:

Assistance Listing Number:	20.205
Assistance Listing Title:	Highway Planning and Construction
Federal Agency:	Department of Transportation
Pass-Through Entity:	State of California Department of Transportation
Federal Award Number and Award Year:	CML-5318(033)

Condition:

During our audit, we noted that the City did not have documentation on verifying the vendors against the SAM to ensure that they were not suspended or debarred from federally funded purchases.

Recommendation:

We recommended that the City to establish internal control procedures to monitor compliance requirements to ensure vendors are not suspended or debarred from federally-funded purchases.

Status:

This finding was resolved during the year ended June 30, 2025.

Section III – Federal Award Findings (Continued)

B. Prior Year Findings and Questioned Costs – Major Federal Award Program Audit (Continued)

2024-002 – Special Tests and Provisions – Internal Control over Quality Assurance Program (Significant Deficiency)

Identification of the Federal Program:

Assistance Listing Number:	20.205
Assistance Listing Title:	Highway Planning and Construction
Federal Agency:	Department of Transportation
Pass-Through Entity:	State of California Department of Transportation
Federal Award Number and Award Year:	CML-5318(033)

Condition:

Quality Assurance Tests were performed during the fiscal year for the federal project; however, we found that the corresponding monitoring forms and checklists were not completed in a timely manner in accordance with the adopted QAP Manual. The Appendices K, E, and L checklists were all accomplished after the project completion which deviates from the intended purpose of the QAP.

Recommendation:

We recommended that the City to adhere with the QAP manual on the timely accomplishment of the above mentioned forms and checklists in line with the federal project timeline.

Status:

This finding was resolved during the year ended June 30, 2025.