



FISCAL YEAR 2023-2024

Annual Comprehensive Financial Report



CITY OF CUPERTINO, CALIFORNIA

**ANNUAL COMPREHENSIVE
FINANCIAL REPORT**

**WITH REPORTS ON AUDIT
BY INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS**

**FOR THE YEAR ENDED
JUNE 30, 2024**

Prepared by:
The City of Cupertino Administrative Services Department
Finance Division

City of Cupertino
Annual Comprehensive Financial Report
For the Year Ended June 30, 2024

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CITY OF CUPERTINO

CITY HALL
10300 TORRE AVENUE • CUPERTINO, CA 95014-3202
(408) 777-CITY • WWW.CUPERTINO.ORG

November 25, 2024

To the Citizens of Cupertino, Honorable Mayor,
Members of the City Council, and City Manager:

It is our pleasure to submit the Annual Comprehensive Financial Report (ACFR) for the City of Cupertino (the City), California for the fiscal year ended June 30, 2024. The report is prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) set by the Governmental Accounting Standards Board (GASB). The report presents City information on an entity-wide basis and a more detailed fund-level basis. The fund-level reports emphasize the City's major funds. A Management Discussion and Analysis (MD&A) presents a comparative analysis of current and prior year results, changes in financial position, a comparison of actual versus budget, financial highlights, trends, and disclosure of any known significant events or decisions that affect the financial condition of the City. This transmittal letter is designed to complement the MD&A and should, therefore, be read in conjunction with it. The MD&A is required supplementary information and is found in the Financial Section of the ACFR.

The accuracy of the data presented and the completeness and fairness of the presentations, including all disclosures, are the responsibility of the management of the City. To provide a reasonable basis for making these representations, management has established a comprehensive internal control framework that is designed to protect the City's assets and provide sufficient, reliable information for the proper preparation of these financial statements. We believe the data is accurate in all material respects and is presented in a manner that fairly sets forth the City's financial position. Furthermore, we believe that all disclosures necessary to enable the reader to gain an understanding of the City's financial activity have been included.

REPORTING ENTITY

This ACFR includes all component units and funds of the City. It reports all activities for which the City is considered to be financially accountable. The general governmental funds support a full range of services, including law enforcement, community development, recreation, public works, public and environmental affairs, and general administration. Enterprise funds account for recreation and solid waste operations supported by user fees. This financial report incorporates data for the City of Cupertino and its component unit, the Cupertino Public Facilities Corporation.

The City operates under a Council-City Manager form of government. There are five council members, including the Mayor, who serve staggered four-year terms. The City Council appoints the City Manager who is responsible for the daily administration of City affairs. The City Council also appoints the City Attorney. The Director of Administrative Services shall also be appointed Treasurer per the Cupertino Municipal Code 2.48.020. All other employees are appointed by the City Manager.

ECONOMIC CONDITIONS

The City of Cupertino is located in Santa Clara County at the southern end of the San Francisco Bay Peninsula. The City is comprised of 13-square miles and is bordered by the cities of San Jose, Saratoga, Sunnyvale, Santa Clara, and Los Altos. It has a residential population of 59,471 (California Department of Finance, January 2024).

Situated at the west end of Silicon Valley, Cupertino has earned the reputation of a balanced community with a healthy climate for business and well-maintained residential neighborhoods, community parks and public facilities. The excellent reputation of Cupertino's schools is a major attraction for families wishing to settle in close proximity to high-wage jobs in Silicon Valley. The City recognizes the importance of quality school facilities and programs to all Cupertino residents and works in partnership with the schools in many programs affecting education and youth. National surveys rank the city high in education levels, average household incomes, and registered patent numbers, as well as one of the best cities in which to live and raise a family.

Because Cupertino is a mostly built-out city, the City of Cupertino focuses on business retention and revitalization. Cupertino is world renowned as the home of high-tech giants, such as Apple, Inc., and Amazon, and as a community with stellar public schools. De Anza College, one of the largest single-campus community colleges in the country, is another major employer and a magnet for attracting local and international students. The City's proactive economic development efforts have resulted in an innovative environment for start-ups and growing companies to thrive. The City strives to retain and attract local companies through active outreach and a responsive and customer-oriented entitlement process.

The City is excited to have a number of new mixed-use development projects offering more retail and dining options, as well as providing additional housing opportunities to meet the needs of the growing community.

The Main Street and Nineteen800 mixed-use developments continue to offer a vibrant downtown area for Cupertino, with a large selection of restaurants and retailers, including Alexander's Steakhouse, Eureka!, Oren's Hummus, Lazy Dog, Ippudo, HaiDiLao Hotpot Restaurant, Pressed Juicery, Orangetheory Fitness, 85 Degree Bakery, Somi Somi, Sul & Beans, Kura Sushi, Vitality Bowls, Holder's Country Inn, Koja Kitchen, Bishops Cuts/Color, Capezio, Howard's Shoes, Tan Cha, Meet Fresh, Pineapple Thai, Koi Palace Contempo, Myungrang Hotdog, Pacific Catch, Philz Coffee, Pelicana Chicken, Golden Vision Optical, Meri West Bank, AT&T Store, The Original Facial Bar, Pizza My Heart, Charles Schwab (formerly TD Ameritrade), and Bon Mot Restaurant. Housing, office, and a Residence Inn by Marriott and Main Street Cupertino Lofts are available to support the thriving area. Benihana, Bowlmor, and Cupertino Ice Center also serve as long-time anchors.

The limited construction of new retail and commercial development results in strengthening existing popular venues in Cupertino, including The Marketplace. The Marketplace has a variety of stores and restaurants popular with students, families, and working professionals. They include Sanrio (Hello Kitty), Kiddleton, Galpao Gaucho (Brazilian Steakhouse), Daiso, Marukai Groceries, Harumi Sushi, La Patisserie Bakery, Beard Papa's, Legend's Pizza, Icicles, Kong's Tofu & BBQ, and One Pot Shabu Shabu.

Shopping center improvements to Cupertino Village reflect building upgrades and renovations, newly constructed buildings, parking, and open space. The shopping center is home to 99 Ranch Market, Duke of Edinburgh Pub & Restaurant, Ume Tea, Tofu Plus, Kira Kira Beauty, Ten Ren Tea, Fantasia Coffee & Tea, Happy Lemon, Shanghai Family Restaurant, and many other Asian restaurants, bakeries, and shops.

Cupertino features many other retail opportunities, including TJ Maxx and Home Goods, Whole Foods, Target, Party City, and over 180 restaurants to serve residents and the local workforce. There are seven hotels providing over 1,000 rooms, to serve the area: The Aloft Cupertino, Cupertino Hotel, Hilton Garden Inn, Juniper Hotel operated by Curio, Marriott Courtyard, the Residence Inn by Marriott, and Hyatt House.

The Homestead Square Shopping Center, located at Homestead Road and De Anza Boulevard, includes a Safeway, PGA Tour Superstore, Starbucks, Ulta Beauty, Ross, Pet Club, Michaels, FedEx, and numerous restaurants, such as Fish's Wild, Pho Hoa Noodle Soup, Yayoi Teishoku Japanese Restaurant, and Chipotle.

Apple completed construction of its new corporate campus, Apple Park, which includes approximately 2.8 million square feet of office and R&D space north of Highway 280 between Wolfe Road and Tantau Avenue. A state-of-the-art Visitors Center, Observation Deck, flagship retail store and café offer the public a place to learn, explore, and shop.

Property Tax

According to the 2023-2024 Assessor's Annual Report for Santa Clara County, Cupertino's net assessment roll growth increased by nearly \$1,411 million, or 4.6%, from the prior year. Residential use values increased 6.8% a total of \$1,281 million and represented 90.8% of net positive growth experienced in the City. Commercial properties posted a decrease of \$91.5 million, or -1%, due to the movement of assets from the secured to the unsecured roll. The industrial properties reported growth of \$99.1 million, or 7.0%, on the strength of parcels adding improvement values between tax years or tenants at these sites adding fixtures and business assets. Unsecured assets in Cupertino increased by \$75.7 million, or 7.1% due to the movement of assets from the secured to the unsecured roll, which contributed to the large growth in unsecured seen in the commercial use category.

Sales Tax

The City has experienced significant fluctuations in sales tax revenues over the past several fiscal years. Sales tax revenue peaked at \$42.6 million in FY 2020-21, driven by pandemic-related growth in two major industry groups: Business and Industry, and State & County Pools. These sectors saw substantial gains due to increased demand for technology and online purchases. However, as in-person purchases resumed, revenues decreased to \$34.8 million in FY 2022-23, and further declined to \$31.0 million in FY 2023-24, returning to pre-pandemic levels.

The increase in sales tax revenue during FY 2020-21 and FY 2021-22 can be attributed to strong growth in two major industry groups: Business and Industry, and State & County Pools. These groups experienced the greatest growth during the pandemic. However, during FY 2022-23, these groups have returned to FY 2019-20 levels, with other industry groups have shown modest but constant growth over the years, contributing to the City's diversified economic base. In FY 2023-24, the Business and Industry group experienced the largest decrease, which in turn negatively affected the State and County Pools.

Sales taxes are comprised of eight major industry groups: Business and Industry and State & County Pools (86.1%), Restaurants and Hotels (6.8%), General Consumer Goods (3.3%), Fuel and Service Stations (1.8%), Food and Drugs (1.1%), Building and Construction (0.7%), and Autos and Transportation (0.2%) in FY 2023-24. Due to confidentiality requirements, the percentage for State & County Pools has been included within the Business and Industry category. These figures underscore the City's reliance on technology-driven sectors while highlighting emerging contributions from hospitality and retail industries.

Pension and Other Post-Employment Benefits (OPEB)

The City remains committed to responsibly managing its long-term pension and retiree medical obligations. As of June 30, 2024, Cupertino's CalPERS actuarial valuation (measured as of June 30, 2023) reported an unfunded accrued liability of approximately \$58.0 million, with a funded status of 68.2%. Adjustments to

the CalPERS discount rate from 7.0% to 6.9% in FY 2022-23 increased liabilities for all agencies, including Cupertino. Despite these challenges, the City continues to address its obligations proactively through long-term planning and prudent fiscal management.

To mitigate rising costs, the City implemented measures such as reducing pension benefits for new hires under state law and increasing employee contributions. Additionally, the City continues to leverage its Section 115 Pension Trust, established as part of a pension rate stabilization program. Since its inception in 2017-18, the City has contributed \$16 million, and the trust remains a critical tool for managing pension cost volatility.

As of June 30, 2024, the City's Net OPEB Liability stands at approximately \$2.4 million. While the City has traditionally contributed annually to its retiree health plan trust, the City paused its contributions in FY 2022-23 and FY 2023-24 to help balance potential General Fund deficits resulting from the CDTFA audit. This decision underscores Cupertino's flexibility in addressing short-term fiscal challenges while remaining committed to the long-term sustainability of its OPEB obligations.

The City benefits from its contracted approach to public safety services, outsourcing police operations to the County Sheriff and fire protection to a special district. This structure avoids the significant pension and capital costs associated with operating its own public safety departments. Additionally, prudent financial practices, including maintaining robust reserves and implementing cost-saving measures, position Cupertino to navigate economic uncertainties effectively.

California Department of Tax and Fee Administration (CDTFA)

The City of Cupertino continues to navigate a dynamic economic environment shaped by its strong property tax base, diversified sales tax revenue sources, and ongoing fiscal challenges. Recently, the City achieved a favorable resolution to a California Department of Tax and Fee Administration (CDTFA) audit involving a major sales taxpayer.

To prepare for a potential adverse outcome, the City established a Sales Tax Repayment Reserve totaling \$74.5 million to cover disputed revenues. However, following the settlement reached in October 2024, the reserve was deemed unnecessary, and the funds were transferred back to the General Fund's unassigned balance. This resolution underscores the City's proactive financial management and strengthens its ability to address future economic uncertainties.

ECONOMIC INITIATIVES

The City of Cupertino remains committed to fostering economic diversity and maintaining long-term fiscal sustainability. While Cupertino benefits from a thriving high-tech economy, led by major employers like Apple Inc., the City is focused on broadening its revenue base to enhance stability and growth.

This includes supporting the development of emerging industries, promoting local entrepreneurship, and investing in innovative infrastructure that attracts diverse businesses. By fostering a vibrant mix of industry sectors, from technology to retail and services, the City aims to create a resilient economy that can adapt to changing market conditions, ensuring sustained prosperity for the community and future generations.

ACCOUNTING AND BUDGETARY CONTROL

In developing and evaluating the City's accounting system, consideration is given to the adequacy of internal accounting controls. The City's controls are designed to provide reasonable, but not absolute, assurance regarding the safeguarding of assets against losses from unauthorized use or disposition and the reliability of financial records for preparing financial statements and maintaining accountability of assets.

The concept of reasonable assurance recognizes that the costs of a control should not exceed the benefits likely to be derived and that the evaluation of costs and benefits requires estimates and judgments by management.

The City's budget is a detailed operating plan that identifies estimated costs and results in relation to estimated revenues. The budget includes 1) the programs, projects, services and activities to be provided during the fiscal year; 2) estimated revenue and fund balance available to finance the operating plan; and 3) the estimated spending requirements of the operating plan. The budget represents a process through which policy decisions are made, implemented and controlled.

INDEPENDENT AUDIT

City ordinance requires an annual audit of the financial records by an independent certified public accounting firm selected by the City Council and its audit committee. The Pun Group LLP audited the City's Basic Financial Statements, and their opinion thereon is included in the Financial Section of this report.

FRAUD INVESTIGATION UPDATE

The City of Cupertino remains committed to financial integrity and accountability. Following the 2018 discovery of embezzlement by a former employee, Jennifer "Yuen-Cheng" Chang, the City has pursued both criminal and civil remedies to recover the stolen funds. In December 2021, Ms. Chang pleaded no contest to three felony charges and paid the City \$612,000 in restitution as a condition of her criminal judgment. The City also pursued a civil case, which concluded on May 5, 2024, when the court found Ms. Chang liable for conversion and awarded the City over \$800,000 in damages, including the remaining principal and accrued interest. Through a subsequent settlement agreement, Ms. Chang agreed to pay the full damages awarded by the court. Between the criminal judgment and the civil settlement, the City has successfully recovered the entire loss resulting from the embezzlement.

To safeguard against future incidents, the City has strengthened internal controls, hired additional accounting staff to enhance segregation of duties, and established an internal audit function in FY 2019-20. The City also engaged Moss Adams, LLP as its internal auditor, reinforcing the City's commitment to robust financial oversight and operational transparency.

CERTIFICATE OF ACHIEVEMENT

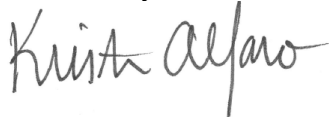
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Cupertino for its ACFR for the year ended June 30, 2022. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized ACFR. This report must satisfy both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. Due to the timing of the completion of last year's ACFR and the earlier completion date of this report, the City has not yet received notification regarding the award for the fiscal year ended June 30, 2023. However, we believe that the current report continues to meet the Certificate of Achievement Program's requirements.

ACKNOWLEDGMENTS

I would like to express my appreciation to City employees, department heads, the City Manager, members of the Audit Committee, and members of City Council for their interest in conducting the financial operations of the City in a responsible manner. Special thanks go to, Jonathan Orozco, Zeng Wang, Min Zhao, Jumaini Judoprasetyo, Vi Tran, and Amber Chang of the Finance staff for their continued support and dedication. Special recognition to Beth Viajar, Richard Wong, Giang Dinh, and Janet Liang for their efforts in the preparation and production of this report.

Reviewed by,

A handwritten signature in cursive script that reads "Kristina Alfaro".

Kristina Alfaro
Director of Administrative Services

Directory of City Officials

City Council



Sheila Mohan
Mayor



J.R. Fruen
Vice Mayor



Liang Chao
Council Member



Kitty Moore
Council Member

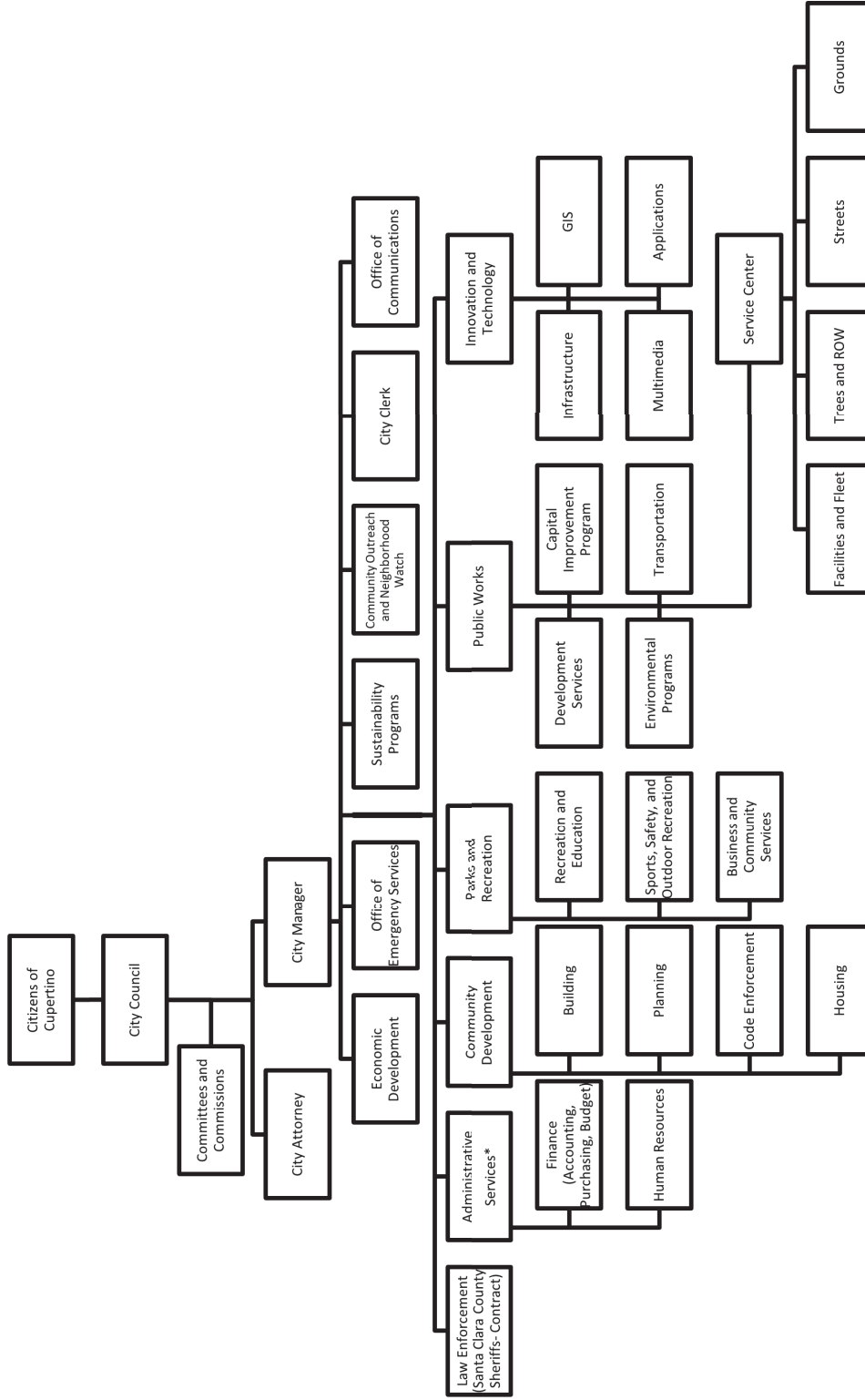


Hung Wei
Council Member

Directory of City Officials

- Pamela Wu – City Manager
- Matt Morley – Assistant City Manager
- Christopher Jensen – City Attorney
- Tina Kapoor – Deputy City Manager
- Kristina Alfaro – Director of Administrative Services
- Ben Fu – Director of Community Development
- Chad Mosley – Director of Public Works
- Rachelle Sander – Director of Parks and Recreation
- Teri Gerhardt – Chief Technology Officer

City Organizational Chart



*The City Treasurer is the Director of Administrative Services

Commissions and Committees

ARTS AND CULTURE COMMISSION

Carol Maa
Dana Ford
David Wang
Kiran Varsshneya Rohra
Rani Agrawal

AUDIT COMMITTEE

Angela Chen
Eno Schmidt
Hanyan Wu
Hung Wei
Sheila Mohan

BICYCLE PEDESTRIAN COMMISSION

Herve Marcy
Grace John
Joel Wolf
John Zhao
Ilango Ganga

HOUSING COMMISSION

Angan Das
Connie Cunningham
Govind Tatachari
Ryan Golze
Yuyi He

LIBRARY COMMISSION

Archana Panda
Janki Chokshi
Liyan Zhao
Sheela Sreekanth
Qin Pan

PARKS AND RECREATION COMMISSION

Carol Stanek
Claudio Bono
Hemant Buch
Jennifer Shearin
Seema Swamy

PLANNING COMMISSION

David Fung
Muni Madhhipatla
Seema Lindskog
Steven Scharf
Tejesh Mistry

PUBLIC SAFETY COMMISSION

Bobby Toda
Neal Evans
Nirmalendu Das
Rohan Pandit
Sidarth Rajaram

SUSTAINABILITY COMMISSION

Alexander Fung
Conny Yang
Steve Poon
Susan Hansen
Sonali Padgaonkar

TEEN COMMISSION

Anika Mukherjee
Joyce Cheung
Peter Chen
Pranav Gupta
Rayna Shah
Rohin Garg
Rory Hu
Shivika Biswari
Sudisha Kumar

TECHNOLOGY, INFORMATION & COMMUNICATIONS COMMISSION

Balaram Donthi
Emma Shearin
Mukesh Garg
Prabir Mohanty
Sudeep Kumar



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Cupertino
California**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2022

Christopher P. Morrill

Executive Director/CEO



INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Cupertino, California (the "City") as of and for the year ended June 30, 2024, and the related notes to the basic financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2024, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the 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 audit opinions.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors’ Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors’ report that includes our opinions. 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 auditing standards generally accepted in the United States of America and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, 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 the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City’s internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City’s ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management’s Discussion and Analysis, the Budgetary Comparison Schedules – General Fund and Major Special Revenue Funds, the Schedule of Changes in Net Pension Liability and Related Ratios, the Schedule of Contributions – Pensions, the Schedules of Changes in Net Other Postemployment Benefits Liability and Related Ratios, and the Schedule of Contributions – Other Postemployment Benefits as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are 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 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the Introductory Section and the Statistical Section are presented for purposes of additional analysis and are not a required part of the basic financial statements. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 25, 2024, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "The PwC Group, LLP". The signature is written in a cursive, flowing style.

Santa Ana, California
November 25, 2024

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CITY OF CUPERTINO
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2024

As management of the City of Cupertino, California (City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2024 (FY 2023-24). Readers are encouraged to consider the following information in conjunction with the accompanying Transmittal Letter and Basic Financial Statements.

FINANCIAL HIGHLIGHTS

The comparisons provided in this discussion and analysis are between FY 2022-23 and FY 2023-24. All increases and decreases are expressed relative to FY 2022-2023 amounts. Financial highlights for FY 2023-24 are summarized below. Details related to these highlights are found in the remaining sections of this analysis.

Citywide

- The City's total net position, the amount by which total assets and deferred outflows of resources exceed total liabilities and deferred inflows of resources, equaled \$398.5 million in FY 2022-23 and equals \$424.4 million in FY 2023-24.
- Of this amount, \$145.9 million is unrestricted and may be used to meet the City's ongoing obligations to residents and creditors. The remaining net position is classified as net investment in capital assets of \$205.0 million and restricted of \$73.5 million.
- The City's total net position increased by \$25.8 million over FY 2022-23, and is largely attributed to revenues exceeding expenditures as reported in the statement of activities. The remainder of this report will provide a more detailed analysis of the City's net position and operating activities that contributed to this increase.
- In December 2021, the California Department of Tax and Fee Administration (CDTFA) initiated an audit of one of the City's major sales taxpayers, creating uncertainty about the potential fiscal impact. In March 2023, the CDTFA preliminarily determined that sales tax revenues had been misallocated to Cupertino, and the City received the formal audit results in October 2023 and subsequently appealed the results. This prompted the City to take proactive steps to mitigate potential impacts, including adjustments in its FY 2023-24 and FY 2024-25 Adopted Budgets.
- During the fiscal year, the Federal Reserve continued its efforts to combat inflation by implementing further interest rate increases. The City's investment portfolio reached 98.1% of its book value as of June 30, 2024, an increase to last year's 95%, resulting in a positive \$4.4 million adjustment compared to the prior fiscal year.

Fund Level

- As of June 30, 2024, governmental funds report a combined fund balance of \$246.1 million, an increase of \$25.7 million from the prior year. Of this amount, \$26.0 million is available for spending at the City's discretion (unassigned fund balance).
- As of June 30, 2024, the General Fund reports an ending fund balance of \$166.1 million. Of this amount, \$26.0 million is available for spending at the City's discretion (unassigned fund balance). Cash and investments of the General Fund total \$149.0 million, which represents 89.7% of the General Fund's total \$166.1 million fund balance.
- To address the anticipated CDTFA audit outcome, City Council established a committed Sales Tax Repayment Reserve in October 2023, initially funded at \$56.5 million and later increased to \$74.5 million to account for disputed revenues and accrued interest. As of June 30, 2024, this \$74.5 million is reflected as committed fund balance in the financial statements.

CITY OF CUPERTINO
Management's Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2024

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis are intended to serve as an introduction to the City's Basic Financial Statements. The Basic Financial Statements are comprised of the City-wide Financial Statements, the Fund Financial Statements, and the notes to the Basic Financial Statements. These two sets of financial statements provide two different views of the City's financial activities and positions.

The City-Wide Financial Statements provide a long-term view of the City's activities as a whole and comprise the Statement of Net Position and the Statement of Activities. These statements are prepared on an accrual basis, which means they measure the flow of all economic resources of the City as a whole. The accrual basis of accounting is similar to the accounting used by most private sector companies. The Statement of Net Position provides information about the financial position of the City as a whole, including all its capital assets and long-term liabilities. The Statement of Activities provides information about all the City's revenues and expenses, with the emphasis on measuring net revenues and expenses for each of the City's programs. The Statement of Activities explains in detail the change in net position for the year. Over time, increases or decreases in net position can be indicators of whether the financial condition of the City is improving or deteriorating.

All of the City's activities are grouped into Governmental activities and Business-type activities, as explained below. The Statement of Net Position and the Statement of Activities provide a summary of these two types of activities for the City as a whole.

- ***Governmental activities***—Most of the City's basic services are considered to be governmental activities, including public works, law enforcement, community development, recreation, public & environmental affairs, and general administration. These services are supported by general City revenues such as property, sales and other taxes, and by specific program revenues such as developer fees and grants.

The City's governmental activities include the activities of a separate legal entity, the Cupertino Public Facilities Corporation (the "Corporation"), because the City is considered to be financially accountable for the Corporation. The City leases its major facilities from the Corporation, which then uses the lease payments to pay principal and interest on the Corporation's long-term debt.

- ***Business-type activities***—All of the City's enterprises are reported here, including solid waste management and most of the City's recreational operations. Unlike governmental services, these services are supported by charges paid by users based on the amount of services used.

The Fund Financial Statements report the City's operations in more detail than the City-wide Financial Statements and focus primarily on the short-term activities of the City's General Fund and other major funds. The Fund Financial Statements measure only current revenues, expenditures, assets, liabilities, and deferred inflows and outflows of resources; they exclude long-term assets and liabilities. Because these statements focus on the near-term inflows and outflows of spendable resources, such information may be useful in evaluating near-term financing requirements.

The Fund Financial Statements provide detailed information about each of the City's most significant funds, called *major funds*. Cupertino's Fund Financial Statements include governmental, enterprise and internal service funds as discussed below. Each major fund is presented individually, with all non-major funds summarized and presented only in a single column. Subordinate schedules, which follow the Notes to Basic Financial Statements, present the details of these non-major funds. Major funds present the significant activities of the City for the year and may change from year to year as a result of changes in the pattern of the City's activities and public interest. For example, the Capital Improvement Projects Fund may or may not appear as a major fund depending on the volume of construction activity in a certain year.

CITY OF CUPERTINO
Management's Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2024

Governmental Fund financial statements are prepared on a modified accrual basis, which means they measure only current financial resources and uses. They present essentially the same functions reported as governmental activities in the city-wide financial statements. However, capital assets and other long-lived assets, along with long-term liabilities, are not presented in the Governmental Fund financial statements. Reconciliations are provided to facilitate a comparison between governmental funds and governmental activity statements to allow a better understanding of the long-term impact of the government's near-term financial decisions.

Comparisons of budget and actual financial information are included in the Basic Financial Statements for the General Fund and other major Special Revenue Funds. For other nonmajor funds, budgetary comparison schedules for these funds are included in this document as supplemental information only.

Enterprise and Internal Service Fund financial statements are prepared on a full accrual basis and include current and long-term assets and liabilities and deferred outflows and inflows of resources. Enterprise funds are used to report the same functions presented as business-type activities in the City-wide Financial Statements, and in more detail in the Fund Financial Statements.

Since the City's Internal Service funds provide goods and services only to the City's governmental and business-type activities, their activities are reported only in total at the fund level. Internal Service funds may not be major funds because their revenues are derived from other City funds. These revenues are eliminated in the City-wide financial statements and any related profits or losses are returned to the activities which created them, along with any residual net position of the Internal Service funds. For this City, internal service activities predominantly benefit governmental rather than business-type functions, and are therefore included within governmental activities in the City-wide Financial Statements.

The Notes to Basic Financial Statements provide important additional detail that is essential to a full understanding of the data reported in the City-wide and Fund Financial Statements.

CITY-WIDE FINANCIAL ACTIVITIES

This analysis focuses on the net position and changes in net position of the City's Governmental Activities (Tables 1 and 2) and Business-Type Activities (Tables 3 and 4) as presented in the City-wide Statement of Net Position and the Statement of Activities.

CITY OF CUPERTINO
Management's Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2024

Table 1
Condensed Statement of Net Position at June 30
(in thousands)

	Governmental Activities	
	2024	2023
Assets:		
Cash and investments	\$ 241,393	\$ 205,572
Restricted cash and investments	21,664	19,089
Other assets	25,113	25,222
Capital assets	220,484	219,168
Total assets	508,654	469,051
Deferred Outflows of Resources:		
Loss on refunding	120	159
Related to Pension	16,410	17,294
Related to OPEB	5,693	5,859
Total deferred outflows of resources	22,223	23,312
Liabilities:		
Long term debt	16,417	18,850
Other liabilities	95,682	80,725
Total liabilities	112,099	99,575
Deferred Inflows of Resources:		
Leases Receivable	2,321	2,379
Related to Pension	82	131
Related to OPEB	1,857	2,169
Total deferred inflows of resources	4,260	4,679
Net Position:		
Net Investment in capital assets	202,961	198,451
Restricted	73,407	69,129
Unrestricted	138,150	120,529
Total net position	\$ 414,518	\$ 388,109

CITY OF CUPERTINO
Management's Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2024

Governmental Activities

The City's change in net position from governmental activities was \$26.4 million. The following significant changes within assets, liability, and net position categories occurred:

- As part of the City's budget-balancing efforts, the City did not make an additional contribution to its Section 115 Pension Trust during the fiscal year. In accordance with guidance under GASB 67/68, the assets in the Section 115 Trust are reported as restricted cash and investments in the City's General Fund. While the Section 115 Trust qualifies as a "trust," the assets in the Section 115 Trust are not used to directly pay benefits to beneficiaries; rather, they are used to pay CalPERS via the CERBT Trust, and as a result, the activities are not required to be reported in a fiduciary fund.
- The City utilized the Section 115 OPEB Trust to pay for the direct benefit costs instead of relying on the General Fund to subsidize the expense. Additionally, the change in demographic assumptions and investment performance, the Net OPEB Liability grew to \$2.4 million, an increase of \$1.8 million from the previous year's Net OPEB Liability of \$.6 million.
- Capital assets increased approximately \$1.3 million. This consisted of continued significant capital investment into capital projects dedicated to street and transportation improvements, storm drain improvements, and maintenance of and improvements to City facilities that were offset with current year depreciation expense.
- Long-term debt decreased by \$2.4 million or 12.9% over the previous year and resulted from the regular debt service payments made and the annual amortization on the issuance premium during the year.
- Other liabilities increased by approximately \$15.0 million or 18.5%, primarily due to an increase in the City's Net Pension and OPEB Liabilities.
- Deferred Outflows Related to Pension and OPEB decreased \$1.1 million, while Deferred Inflows of Resources Related to Pension and OPEB increased approximately \$.4 million primarily due to actuarial changes of assumptions.

CITY OF CUPERTINO
Management's Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2024

The Statement of Activities presents program revenues, expenses, general revenues, and the resulting change in net position as summarized in the next table.

Table 2
Condensed Statement of Activities for the Year Ended June 30
(in thousands)

Expenses	Governmental Activities	
	2024	2023
Administration	\$ 9,069	\$ 8,830
Law enforcement	16,682	15,716
Innovation and technology	3,127	1,951
Administrative services	8,166	6,363
Parks and recreation	7,195	6,021
Community development	13,696	12,463
Public works	36,547	38,696
Interest on long-term debt	305	370
Total expenses	94,787	90,410
Revenues		
Program revenues:		
Charges for services	18,622	18,405
Operating grants and contributions	4,685	10,881
Capital grants and contributions	3,666	1,594
Total program revenues	26,973	30,881
General revenues:		
Taxes:		
Property tax	22,494	21,808
Property tax in-lieu of motor vehicle fee	10,543	10,082
Sales tax	30,961	34,819
Transient occupancy tax	6,907	7,062
Utility user tax	3,936	4,104
Franchise tax	4,314	3,995
Other taxes	1,971	2,873
Intergovernmental, unrestricted:		
Motor vehicle license fee	75	62
Investment earnings	11,563	2,802
Gain on sale of capital assets	-	-
Miscellaneous	1,442	444
Total general revenues	94,204	88,051
Total revenues	121,177	118,932
Excess of revenues over expenses,		
before transfers	26,390	28,521
Transfers	20	(296)
Change in net position	26,410	28,225
Beginning net position	388,109	359,884
Ending net position	\$ 414,518	\$ 388,109

CITY OF CUPERTINO
Management's Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2024

City-wide Governmental Activities Revenues

Table 2 shows that revenues from governmental activities increased \$2.2 million or 1.9% from last year, finishing at \$121.2 million. The modest increase is largely due to increases in the temporary market adjustment to investment earnings and settlement agreement (included in Miscellaneous Revenue) offset by decreases in Operating Grants and sales taxes.

Property taxes increased general revenues by \$.7 million over the prior year. According to the 2023/24 City of Cupertino Property Tax Review from HDL (Assessor's Annual Report for Santa Clara County) the net assessment roll growth increased \$1.4 billion, or 4.6%, from the prior year.

The City experienced a sales tax decrease of \$3.9million in the fiscal year, decreasing by 11.1% over the previous fiscal year. As consumers continue to transition back to in store shopping from online, sales tax revenue continue to decrease with the business and industry and the City's county pool allocation experienced the greatest decline.

Transient occupancy tax revenue decreased by \$0.2 million, or 2.2%, compared to the prior year. While the City continues to see gradual recovery in this revenue source, the pace is slower than other areas due to the lasting impact of employers' long-term and permanent telework policies, which significantly affect travel and lodging demand.

Investment earnings increased by \$8.7 million over the prior year. This is primarily due to an unrealized investment gain of \$4.4 million compared to the previous year. Albeit, the City's investment portfolio continues to have a market value below cost.

Program revenues experienced a decrease of \$3.9 million or 13%, and is primarily attributable to the revenue recognition of the remaining SLFRF funds in the previous year.

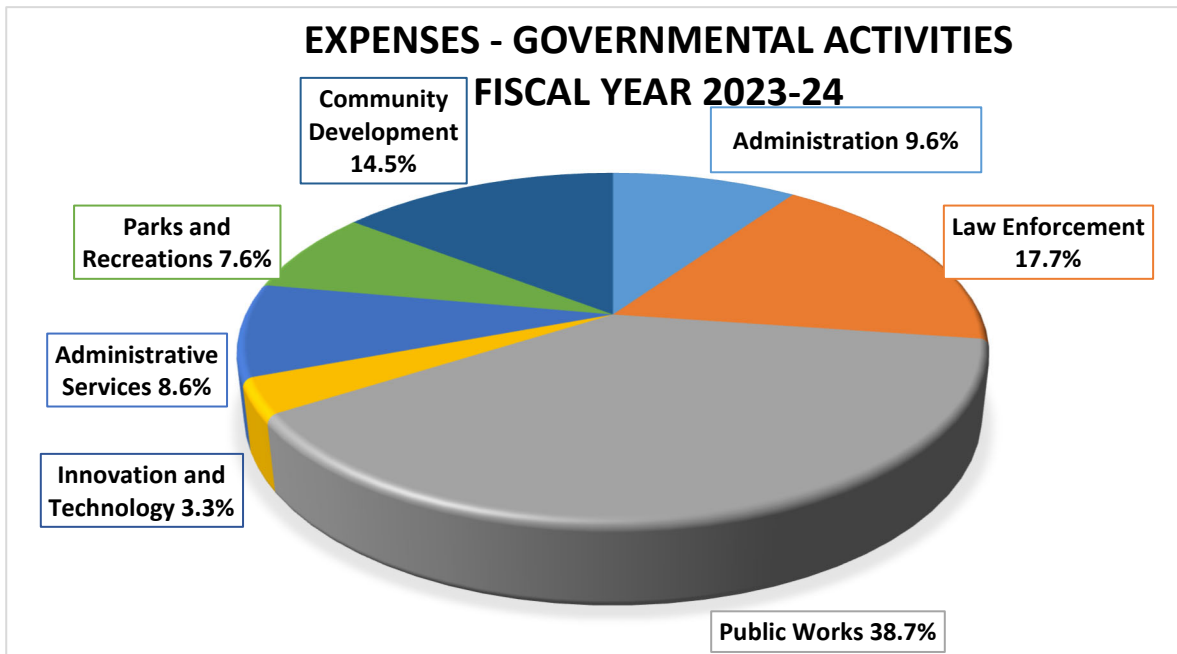
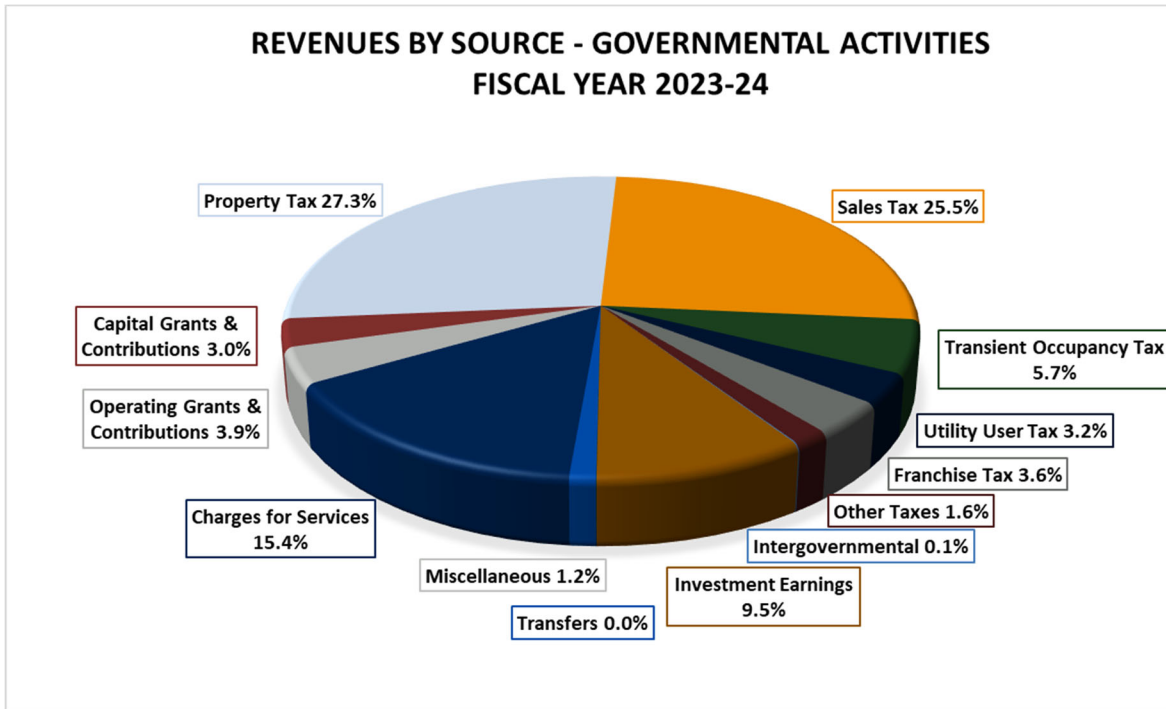
City-wide Governmental Activities Expenses

City-wide governmental activities expenses increased by \$4.4 million, or 4.8%. This was primarily driven by increases across all programs with the exception of Public Works.

Change in Net Position

The City-wide governmental activities net position increased by \$26.4 million, closely aligning with the prior year's \$28.2 million increase. This growth is attributed to budget reduction strategies, including decreased utility expenses, reduced capital outlay, renegotiated contract services, and savings from staff vacancies.

CITY OF CUPERTINO
Management's Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2024



Business Type Activities

Business-type activities in the City-wide Financial Statements include the City's four enterprise funds. Enterprise funds are used to account for recreational and solid waste management operations that are financed and operated in a manner similar to private business enterprises where the intent is that costs of providing services and facilities to the general public on a continuing basis be financed or recovered primarily through user fees. The major proprietary funds section of this report provides more information on business-type results.

CITY OF CUPERTINO
Management's Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2024

As provided in Table 3 and Table 4, the business-type net position totaled \$9.9 million at June 30, 2024, decreasing by \$.6 million or 5.4%, largely due to operating costs exceeding revenues. Business-type activities revenues increased by \$.5 million, or 6.2%, to \$7.9 million, investment earnings increased by \$.4 million and operating expenses increased by \$.5 million to \$8.4 million. The operating losses were attributed to Cupertino Sports Center, Recreation Programs, and Blackberry Farm.

Table 3
Condensed Statement of Net Position at June 30
(in thousands)

	Business Type Activities	
	2024	2023
Assets:		
Cash and investments	\$ 10,410	\$ 11,373
Other assets	956	307
Capital assets	2,009	2,109
Total assets	13,375	13,789
Deferred Outflows of Resources:		
Related to pension	872	832
Related to OPEB	378	311
Total deferred outflows of resources	1,250	1,143
Other Liabilities:		
	4,639	4,386
Total liabilities	4,639	4,386
Deferred Inflows of Resources:		
Related to pension	4	6
Related to OPEB	123	115
Total deferred inflows of resources	127	121
Net Position:		
Net Investment in capital assets	2,010	2,110
Restricted	107	167
Unrestricted	7,742	8,148
Total net position	\$ 9,859	\$ 10,425

CITY OF CUPERTINO
Management's Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2024

Table 4
Condensed Statement of Activities for the Year Ended June 30
(in thousands)

Expenses	Business Type Activities	
	2024	2023
Resource recovery	\$ 2,228	\$ 2,038
Cupertino sports center	3,113	3,457
Recreation programs	2,394	1,662
Blackberry Farm	674	799
Total expenses	8,409	7,956
Revenues		
Program revenues:		
Charges for services	7,429	7,249
General revenues:		
Investment earnings	434	156
Total revenues	7,863	7,405
Excess of revenues over expenses,		
before transfers	(546)	(551)
Transfers	(20)	296
Change in net position	(566)	(255)
Beginning net position	10,425	10,679
Ending net position	\$ 9,859	\$ 10,425

MAJOR GOVERNMENTAL FUNDS

General Fund

General Fund Revenues

The General Fund's fund balance increased by \$27.5 million in FY 2023-24. This increase resulted from revenues and transfers-in totaling \$110.2 and \$.1 million, respectively, exceeding expenditures totaling \$76.2 million and transfers out totaling \$6.6 million.

General Fund revenue decreased by \$.8 million compared to FY 2022-23. This net decrease is mainly explained by an increase of \$1.1 million in property taxes and \$6.1 million use of money and property, which includes realized and unrealized investment income, offset by a decrease of \$3.9 million in sales tax and \$6.4 million in intergovernmental revenue, which included ARPA revenue recognition in the previous year.

CITY OF CUPERTINO
Management's Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2024

Fiscal 2023-24 overall expenditures, at \$76.2 million, were \$3.6 million, or 5.0%, higher than last year. This result came in \$10 million, or 11.6%, under the final budget. Year-over-year and budget-versus-actual results for General Fund programs are described below

Transportation

The Transportation Special Revenue Fund carried a June 30, 2024, ending fund balance of \$13.6 million, increasing by 28.8%, or \$3.0 million from the beginning of the fiscal year. In recent years this fund has accumulated fund balance year over year. The current year's increase is primarily attributed to additional transfers in to support scheduled projects that remain in progress.

Housing Development

The Housing Development Special Revenue Fund carried a June 30, 2024, ending fund balance of \$11.1 million, down 3.4%, or \$0.4 million, from the beginning of the fiscal year.

Public Facilities Corporation

On September 29th, 2020, the City of Cupertino 2020A Certificates of Participation (2020 COPs) were successfully sold at very attractive interest rates in order to refund the City's 2012 Certificates of Participation for debt service savings. The 2020 COPs were very well received by investors due in large part to the well-regarded Cupertino name, the top-notch AA+ rating, the sizable annual principal amounts and short maturity, and favorable supply and demand dynamics in the California municipal market.

At the end of the order period, there were nearly eight times as many orders as there were bonds for sale. This strong investor demand enabled the underwriter to further lower yields. The refunding ultimately generated net present value savings of approximately \$3.14 million, or 11.61% of refunded par (compared to \$2.26 million, or 8.36% of refunded par, when presented to Council on September 1st) and a True Interest Cost of 0.72%. Savings to the City's General Fund amounts to approximately \$494,000 per year for the next 10 years, or almost \$5 million in total savings. Fund balance as of June 30, 2024, was \$250 which was \$1,500 lower than the previous year, which will remain at this approximate fund balance in future fiscal years.

Capital Improvement Projects

The Capital Improvement Projects Capital Projects Fund had an ending fund balance of \$32.0 million as of June 30, 2024, reflecting a decrease of \$2.8 million from the prior fiscal year. This decrease is primarily attributed to an increase in expenditures for ongoing capital projects.

MAJOR PROPRIETARY FUNDS

Resource Recovery

The City has a solid waste franchise agreement with Recology that shares collection, landfill disposal, and recycling revenues and costs. This fund receives revenues from Recology with the funds going toward landfill costs, regulatory fees, and staffing costs that the City incurs to manage its solid waste, recycling, and household hazardous waste programs. Total operating revenue and expenses is at \$2.4 million and \$2.2 million, respectively. Considering net non-operating revenues of \$0.2 million, net position increased by \$0.3 to an ending fund balance of \$5.1 million.

CITY OF CUPERTINO
Management's Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2024

Recreation Programs

This enterprise operates the Quinlan Community Center, Monta Vista Recreation Center, McClellan Ranch, Creekside Park building, eight school sites, and various parks. These programs generated approximately \$2 million in revenues and program expenses of approximately \$2.4 million. Considering net non-operating revenues of \$0.1 million, the program experienced a net operating loss of \$0.2 million. The fund ended the year with a net position of \$2.8 million.

Cupertino Sports Center

The Sport Center generated operating revenue decreased by \$0.4 million or 15.4%, while the expenses also decreased by \$0.3 million, resulting in a net operating loss of \$0.8 million. Considering net non-operating revenues of \$0.1 million, this fund's net position was \$1.2 million as of June 30, 2024.

NONMAJOR PROPRIETARY FUNDS

Blackberry Farm

City employees, with a teaching professional contractor, staff the City-owned Blackberry Farm golf course and pro shop. This fund generated a positive net position increase of \$22.8 thousand to \$757.2 thousand as a result of \$663.3 thousand in operating revenues, \$673.4 thousand in operation expenses, and a positive nonoperating revenue of \$32.9 thousand.

GENERAL FUND BUDGETARY HIGHLIGHTS

For the fiscal year ended June 30, 2024, the General Fund's original expenditure budget of \$79.6 million increased by \$6.5 million, resulting in a final amended budget of \$86.1 million. Actual expenditures for the fiscal year totaled \$76.2 million, coming in \$10.0 million under budget. The majority of the budget increase occurred in Public Works, driven by an additional \$2.9 million for contract services, primarily for a community shuttle program, and \$1.5 million for special projects carried over from the prior fiscal year.

CAPITAL ASSETS

At June 30, 2024, the City had \$222.5 million, net of depreciation and amortization, invested in a broad range of capital assets used in governmental and business-type activities, as shown in Note 6 to the Basic Financial Statements. This reflects the City's continued investment into capital projects dedicated to street and transportation improvements, storm drain improvements, and maintenance of and improvements to City facilities, resulting in an increase in net capital assets of \$1.2 million, after depreciation and amortization.

CITY OF CUPERTINO
Management's Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2024

Table 5
Capital Assets, Net of Depreciation and Amortization, at June 30
(in thousands)

	<u>2024</u>	<u>2023</u>
Governmental Activities:		
Land	\$ 64,787	\$ 64,787
Easements	19,615	19,615
Construction in progress	27,161	28,594
Buildings	11,967	12,504
Improvements other than buildings	15,431	13,373
Machinery and equipment	3,567	3,640
Roads, curbs, gutters, sidewalks, medians and bridges	69,403	69,369
Streetlights	1,361	1,241
Storm drain structures and mains	5,551	3,541
Traffic signals	355	420
Right-to-use assets	1,287	2,083
Total Governmental Activities	<u>220,484</u>	<u>219,167</u>
Business-Type Activities		
Construction in progress	3	358
Buildings	1,540	1,419
Improvements other than buildings	419	262
Machinery and equipment	47	70
Total Business-Type Activities	<u>2,009</u>	<u>2,109</u>
Total City	<u>\$ 222,494</u>	<u>\$ 221,276</u>

DEBT ADMINISTRATION

On September 29, 2020, the City of Cupertino's 2020A Certificates of Participation (2020 COPs) were successfully sold in order to refund the City's 2012 Certificates of Participation for debt service savings. The 2020 COPs were very well received by investors due in large part to the well-regarded Cupertino name, the top-notch AA+ rating, the sizable annual principal amounts and short maturity, and favorable supply and demand dynamics in the California municipal market. The refunding generated net present value savings of approximately \$3.14 million, 11.61% of refunded par and a True Interest Cost of 0.72%. Savings to the City's General Fund amounts to approximately \$494,000 per year for the next 10 years, or almost \$5 million in total savings.

The June 30, 2024, outstanding principal of \$14,030,000 is due to be paid off by June 1, 2030. More information can be found in Note 7 to the Basic Financial Statements and in the Public Facilities Corporation discussion earlier in this analysis.

CITY OF CUPERTINO
Management's Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2024

CURRENTLY KNOWN FACTS AND CONDITIONS

The City of Cupertino is in a strong financial position, supported by a solid property tax base and diversified sales tax revenues. Following the resolution of a significant California Department of Tax and Fee Administration (CDTFA) audit, previously committed funds were transferred back to the General Fund's unassigned balance.

The City is now focusing on strategies to allocate these uncommitted funds toward community priorities, infrastructure investments, and long-term fiscal sustainability. At this time, the City is not aware of any other facts, conditions, or decisions expected to significantly affect its net position or results of operations.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This Annual Comprehensive Financial Report is intended to provide a general overview of the City's finances. Further information can be provided by the City of Cupertino Finance Department, 10300 Torre Avenue, Cupertino CA 95014, phone (408) 777-3280, or by the City website at www.cupertino.gov.

BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

City of Cupertino
Statement of Net Position
June 30, 2024

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets:			
Cash and investments (Note 2)	\$ 241,393,169	\$ 10,409,609	\$ 251,802,778
Receivables:			
Accounts	14,414,306	891,221	15,305,527
Interest	3,565,996	64,656	3,630,652
Leases, due within one year (Note 4)	245,873	-	245,873
Inventories	21,383	-	21,383
Prepaid items	4,680	-	4,680
Other assets	3,884	-	3,884
Total current assets	259,649,291	11,365,486	271,014,777
Noncurrent assets:			
Restricted cash and investments (Note 2)	21,663,664	-	21,663,664
Lease receivable, due in more than one year (Note 4)	2,239,890	-	2,239,890
Loans receivable, net (Note 3)	4,617,269	-	4,617,269
Capital assets: (Note 6)			
Capital assets, not being depreciated	111,562,428	3,337	111,565,765
Capital assets, being depreciated and amortized	108,921,607	2,006,083	110,927,690
Total noncurrent assets	249,004,858	2,009,420	251,014,278
Total assets	508,654,149	13,374,906	522,029,055
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charges on refunding	119,609	-	119,609
Related to pensions (Note 8)	16,409,725	872,310	17,282,035
Related to other postemployment benefit (Note 9)	5,693,398	377,739	6,071,137
Total deferred outflows of resources	22,222,732	1,250,049	23,472,781

City of Cupertino
Statement of Net Position (Continued)
June 30, 2024

	Governmental Activities	Business-Type Activities	Total
LIABILITIES			
Current liabilities:			
Accounts payable and accruals	16,864,439	430,327	17,294,766
Accrued payroll and benefits	627,895	289	628,184
Deposits payable	7,623,932	-	7,623,932
Interest payable	46,767	-	46,767
Unearned revenues	5,224,783	896,268	6,121,051
Compensated absences, due within one year (Note 7)	453,951	19,979	473,930
Claims payable, due within one year (Note 10)	322,000	-	322,000
Lease liabilities, due within one year (Note 7)	6,808	-	6,808
Subscription liabilities, due within one year (Note 7)	597,895	-	597,895
Long-term debt, due within one year (Note 7)	2,115,000	-	2,115,000
Total current liabilities	33,883,470	1,346,863	35,230,333
Noncurrent liabilities:			
Compensated absences, due in more than one year (Note 7)	4,606,986	214,720	4,821,706
Claims payable, due in more than one year (Note 10)	1,349,587	-	1,349,587
Lease liabilities, due in more than one year (Note 7)	8,561	-	8,561
Subscription liabilities, due more than one year (Note 7)	612,379	-	612,379
Long-term debt, due in more than one year (Note 7)	14,301,895	-	14,301,895
Aggregate net pension liabilities (Note 8)	55,107,440	2,929,405	58,036,845
Net other postemployment benefit liabilities (Note 9)	2,228,086	147,825	2,375,911
Total noncurrent liabilities	78,214,934	3,291,950	81,506,884
Total liabilities	112,098,404	4,638,813	116,737,217
DEFERRED INFLOWS OF RESOURCES			
Leases (Note 4)	2,321,090	-	2,321,090
Related to pensions (Note 8)	82,126	4,367	86,493
Related to other postemployment benefit (Note 9)	1,856,867	123,196	1,980,063
Total deferred inflows of resources	4,260,083	127,563	4,387,646
NET POSITION			
Net investment in capital assets (Note 11)	202,961,106	2,009,420	204,970,526
Restricted for:			
Public works	37,384,845	-	37,384,845
Affordable housing	11,103,256	-	11,103,256
Pension trust	21,663,664	-	21,663,664
Other postemployment benefit	1,608,445	106,718	1,715,163
Other purposes	1,647,071	-	1,647,071
Debt service	250	-	250
Total restricted	73,407,531	106,718	73,514,249
Unrestricted	138,149,757	7,742,441	145,892,198
Total net position	\$ 414,518,394	\$ 9,858,579	\$ 424,376,973

City of Cupertino
Statement of Activities
For the Year Ended June 30, 2024

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Administration	\$ 9,069,311	\$ 1,370,548	\$ -	\$ -
Law enforcement	16,682,075	739,408	567,591	-
Innovation and technology	3,127,436	-	-	-
Administrative services	8,165,843	6,642,671	-	-
Recreation services	7,194,533	811,979	-	-
Community development	13,696,180	5,549,943	250,129	-
Public works	36,547,118	3,507,250	3,867,433	3,665,581
Interest and fiscal charges	304,972	-	-	-
Total Governmental Activities	94,787,468	18,621,799	4,685,153	3,665,581
Business-Type Activities:				
Resource recovery	2,227,782	2,363,496	-	-
Cupertino sports center	3,113,577	2,362,677	-	-
Recreation programs	2,393,886	2,039,338	-	-
Blackberry farm	673,788	663,274	-	-
Total Business-Type Activities	8,409,033	7,428,785	-	-
Total Primary Government	\$ 103,196,501	\$ 26,050,584	\$ 4,685,153	\$ 3,665,581

City of Cupertino
Statement of Activities (Continued)
For the Year Ended June 30, 2024

	Net (Expense) Revenue and Changes in Net Position		
	Governmental Activities	Business-Type Activities	Total
Functions/Programs			
Governmental Activities:			
Administration	\$ (7,698,763)	\$ -	\$ (7,698,763)
Law enforcement	(15,375,076)	-	(15,375,076)
Innovation and technology	(3,127,436)	-	(3,127,436)
Administrative services	(1,523,172)	-	(1,523,172)
Recreation services	(6,382,554)	-	(6,382,554)
Community development	(7,896,108)	-	(7,896,108)
Public works	(25,506,854)	-	(25,506,854)
Interest and fiscal charges	(304,972)	-	(304,972)
Total Governmental Activities	(67,814,935)	-	(67,814,935)
Business-Type Activities:			
Resource recovery	-	135,714	135,714
Cupertino sports center	-	(750,900)	(750,900)
Recreation programs	-	(354,548)	(354,548)
Blackberry farm	-	(10,514)	(10,514)
Total Business-Type Activities	-	(980,248)	(980,248)
Total Primary Government	(67,814,935)	(980,248)	(68,795,183)
General Revenues:			
Taxes:			
Property taxes	22,494,293	-	22,494,293
Property tax in lieu of motor vehicle fee	10,542,559	-	10,542,559
Sales taxes	30,961,166	-	30,961,166
Transient occupancy tax (TOT)	6,906,722	-	6,906,722
Utility user tax (UUT)	3,935,917	-	3,935,917
Franchise tax	4,313,669	-	4,313,669
Other taxes	1,970,611	-	1,970,611
Motor vehicle license fee	74,801	-	74,801
Investment earnings	11,562,914	434,290	11,997,204
Miscellaneous	1,441,717	-	1,441,717
Total General Revenues	94,204,369	434,290	94,638,659
Transfers	20,000	(20,000)	-
Changes in Net Position	26,409,434	(565,958)	25,843,476
Net Position - Beginning	388,108,960	10,424,537	398,533,497
Net Position - Ending	\$ 414,518,394	\$ 9,858,579	\$ 424,376,973

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GOVERNMENTAL FUND FINANCIAL STATEMENTS

In the Fund Financial Statements only individual major funds are presented, while nonmajor funds are combined in a single column. Major funds are defined generally as having significant activities or balances in the current year.

The funds described below were determined to be Major Funds by the City. Individual nonmajor funds can be found in the Supplementary Section.

General Fund - This fund is the general operating fund of the City and is used to pay for core services such as public safety, parks and recreation, community development, public works, and a host of other vital services. The revenue used to pay for these services comes primarily from local taxes such as sales tax, property tax, franchise fees, charges for services, and a variety of other discretionary sources. It also accounts for activities related to the City's investment portfolio. It is used to account for all financial resources except those that are required to be accounted for in another fund.

Transportation Special Revenue Fund - This fund accounts for the City's gas tax, vehicle registration fees, and grant revenues and expenditures related to the maintenance and construction of City streets. All revenue in this fund is restricted exclusively for street and road purposes, including related engineering and administrative expenditures.

Housing Development Special Revenue Fund - This fund accounts for the Federal Housing and Community development Grant Program activities administered through the County, including rehabilitation loans. Monies collected from developers that mitigate the impact of housing needs are also included. Monies in this fund are governed by the program's rules.

Public Facilities Corporation Debt Service Fund - This fund accounts for the payments of principal and interest on certificates of participation issued to provide for the financing of the Civic Center, Library, Wilson Park, Memorial Park, and other City facilities.

Capital Improvement Projects Capital Projects Fund - This fund accounts for activities related to the acquisition or construction of major capital facilities.

**City of Cupertino
Balance Sheet
Governmental Funds
June 30, 2024**

	Special Revenue Funds		
	General	Transportation	Housing Development
ASSETS			
Cash and investments (Note 2)	\$ 148,965,885	\$ 14,239,100	\$ 5,390,909
Restricted cash and investments (Note 2)	21,663,664	-	-
Receivables:			
Accounts	11,816,460	1,067,114	124,524
Interest	1,749,186	88,918	1,528,490
Loans, net (Note 3)	428,431	-	4,188,838
Leases (Note 4)	2,485,763	-	-
Due from other funds (Note 5)	1,401,947	-	-
Advances to other funds (Note 5)	3,000,000	-	-
Inventories	21,383	-	-
Other assets	3,884	-	-
Total assets	<u>191,536,603</u>	<u>15,395,132</u>	<u>11,232,761</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities:			
Accounts payable and accruals	14,048,092	1,107,833	129,505
Accrued payroll and benefits	627,823	-	-
Advances from other funds (Note 5)	-	-	-
Deposits	7,623,932	-	-
Unearned revenue	224,783	-	-
Total liabilities	<u>22,524,630</u>	<u>1,107,833</u>	<u>129,505</u>
Deferred inflows of resources:			
Lease related (Note 4)	2,321,090	-	-
Unavailable revenue	595,564	651,941	-
Total deferred inflows of resources	<u>2,916,654</u>	<u>651,941</u>	<u>-</u>
Fund balances: (Note 11)			
Nonspendable	3,449,814	-	-
Restricted	23,310,735	13,635,358	11,103,256
Committed	108,627,891	-	-
Assigned	4,741,474	-	-
Unassigned	25,965,405	-	-
Total fund balances	<u>166,095,319</u>	<u>13,635,358</u>	<u>11,103,256</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 191,536,603</u>	<u>\$ 15,395,132</u>	<u>\$ 11,232,761</u>

(Continued)

**City of Cupertino
Balance Sheet (Continued)
Governmental Funds
June 30, 2024**

	Public Facilities Corporation Debt Service Fund	Capital Improvement Projects Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and investments (Note 2)	\$ 250	\$ 41,255,897	\$ 23,211,490	\$ 233,063,531
Restricted cash and investments (Note 2)	-	-	-	21,663,664
Receivables:				
Accounts	-	-	18,249	13,026,347
Interest	-	-	143,492	3,510,086
Loans, net (Note 3)	-	-	-	4,617,269
Leases (Note 4)	-	-	-	2,485,763
Due from other funds (Note 5)	-	-	-	1,401,947
Advances to other funds (Note 5)	-	-	-	3,000,000
Inventories	-	-	-	21,383
Other assets	-	-	-	3,884
Total assets	250	41,255,897	23,373,231	282,793,874
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities:				
Accounts payable and accruals	-	1,284,794	121,137	16,691,361
Accrued payroll and benefits	-	-	-	627,823
Advances from other funds (Note 5)	-	3,000,000	-	3,000,000
Deposits	-	-	-	7,623,932
Unearned revenue	-	5,000,000	-	5,224,783
Total liabilities	-	9,284,794	121,137	33,167,899
Deferred inflows of resources:				
Lease related (Note 4)	-	-	-	2,321,090
Unavailable revenue	-	-	-	1,247,505
Total deferred inflows of resources	-	-	-	3,568,595
Fund balances: (Note 11)				
Nonspendable	-	-	-	3,449,814
Restricted	250	-	23,097,546	71,147,145
Committed	-	-	-	108,627,891
Assigned	-	31,971,103	154,548	36,867,125
Unassigned	-	-	-	25,965,405
Total fund balances	250	31,971,103	23,252,094	246,057,380
Total liabilities, deferred inflows of resources, and fund balances	\$ 250	\$ 41,255,897	\$ 23,373,231	\$ 282,793,874

(Concluded)

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City of Cupertino
Reconciliation of the Governmental Funds Balance Sheet to the
Government-Wide Statement of Net Position
June 30, 2024

Total Fund Balances - Total Governmental Funds	\$	246,057,380
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Amounts reported for governmental activities in the Statement of Net Position were reported differently because:

Capital assets used in governmental activities were not current financial resources. Therefore, they were not reported in the Governmental Funds Balance Sheet.

Nondepreciable, net of \$192,925 reported in the Internal Service Fund	\$	111,369,503	
Depreciable and amortizable, net of \$2,567,288 reported in the Internal Service Fund		106,354,319	217,723,822

Long-term liabilities are not due and payable in the current period and accordingly are not reported as fund liabilities. All liabilities, both current and long-term, are reported in the Statement of Net Position:

Bonds payable	(14,030,000)	
Premium on bonds payable	(2,386,895)	
Deferred charges on refunding	119,609	
Subscription liabilities, net of \$97,221 reported in the Internal Service Funds	(1,113,053)	
Interest payable	(46,767)	
Compensated absences, net of \$424,990 reported in the Internal Service Funds	(4,635,947)	
Claims liability, net of \$1,273,000 reported in the Internal Service Funds	(398,587)	(22,491,640)

Net pension liabilities and the related deferred outflows of resources and deferred inflows of resources are not due and payable in the current period or not available for current expenditures and are not reported in the governmental fund financial statements:

Pension related deferred outflows of resources, net of \$1,155,833 reported in the Internal Service Funds	\$	15,253,892	
Aggregate net pension liability, net of \$3,881,541 reported in the Internal Service Funds		(51,225,899)	
Pension related deferred inflows of resources, net of \$5,785 reported in the Internal Service Funds		(76,341)	(36,048,348)

Net other postemployment benefit liability and the related deferred outflows of resources and deferred inflows of resources are not due and payable in the current period or not available for current expenditures and are not reported in the governmental fund financial statements:

Other postemployment benefits related deferred outflows of resources, net of \$381,051 reported in the Internal Service Funds	\$	5,312,347	
Net Other postemployment benefits liability, , net of \$149,122 reported in the Internal Service Funds		(2,078,964)	
Other postemployment benefits related deferred inflows of resources, net of \$124,277 reported in the Internal Service Funds		(1,732,590)	1,500,793

Revenue reported as unavailable revenue in the governmental funds when it is not received soon enough after year-end to be considered available. The availability criteria does not apply to the Government-Wide Financial Statements and, therefore, the revenue is recognized when eligibility requirements are met and earned. 1,247,505

Internal Service Funds were used by management to charge the costs of certain activities, such as insurance and equipment replacement to individual funds. The assets and liabilities of the Internal Service Funds were included in the governmental activities in the Government-Wide Statement of Net Position. 6,528,882

Net Position of Governmental Activities	\$	414,518,394
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City of Cupertino
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2024

	Special Revenue Funds		
	General	Transportation	Housing Development
Revenues:			
Taxes	\$ 80,355,732	\$ -	\$ -
Use of money and property	9,098,441	438,177	524,394
Intergovernmental	1,404,322	4,840,805	243,777
Licenses and permits	4,412,057	-	-
Charges for services	12,308,496	2,223	-
Fines and forfeitures	416,402	-	-
Other revenue	2,199,861	4,798	50,000
Total revenues	110,195,311	5,286,003	818,171
Expenditures:			
Current:			
Administration	7,381,733	-	-
Law enforcement	16,204,350	-	-
Innovation and technology	2,284,198	-	-
Administrative services	6,716,341	-	-
Recreation services	5,517,003	-	-
Community development	10,659,154	-	839,571
Public works	25,060,745	3,250,708	-
Capital outlay	1,773,434	2,435,630	-
Debt service:			
Principal	552,091	-	-
Interest and fiscal charges	22,997	-	-
Total expenditures	76,172,046	5,686,338	839,571
Excess (deficiency) of revenues over expenditures	34,023,265	(400,335)	(21,400)
Other financing sources (uses):			
Transfers in (Note 5)	111,000	3,449,019	-
Transfers out (Note 5)	(6,595,284)	-	(367,951)
Total other financing sources (uses)	(6,484,284)	3,449,019	(367,951)
Net Change in Fund Balances	27,538,981	3,048,684	(389,351)
Fund balances:			
Beginning of year	138,556,338	10,586,674	11,492,607
End of year	<u>\$ 166,095,319</u>	<u>\$ 13,635,358</u>	<u>\$ 11,103,256</u>

(Continued)

City of Cupertino
Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)
Governmental Funds
For the Year Ended June 30, 2024

	Public Facilities Corporation Debt Service Fund	Capital Improvement Projects Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ -	\$ -	\$ 349,283	\$ 80,705,015
Use of money and property	-	790,983	950,318	11,802,313
Intergovernmental	-	352,570	-	6,841,474
Licenses and permits	-	-	-	4,412,057
Charges for services	-	-	1,522,315	13,833,034
Fines and forfeitures	-	-	2,746	419,148
Other revenue	-	161,337	2,784	2,418,780
Total revenues	-	1,304,890	2,827,446	120,431,821
Expenditures:				
Current:				
Administration	1,500	-	-	7,383,233
Law enforcement	-	-	-	16,204,350
Innovation and technology	-	-	-	2,284,198
Administrative services	-	-	-	6,716,341
Recreation services	-	-	-	5,517,003
Community development	-	-	-	11,498,725
Public works	-	49,785	1,670,649	30,031,887
Capital outlay	-	4,270,128	1,994,691	10,473,883
Debt service:				
Principal	2,035,000	-	-	2,587,091
Interest and fiscal charges	642,600	-	-	665,597
Total expenditures	2,679,100	4,319,913	3,665,340	93,362,308
Excess (deficiency) of revenues over expenditures	(2,679,100)	(3,015,023)	(837,894)	27,069,513
Other financing sources (uses):				
Transfers in (Note 5)	2,677,600	4,552,250	-	10,789,869
Transfers out (Note 5)	-	(4,333,318)	(815,000)	(12,111,553)
Total other financing sources (uses)	2,677,600	218,932	(815,000)	(1,321,684)
Net Change in Fund Balances	(1,500)	(2,796,091)	(1,652,894)	25,747,829
Fund balances:				
Beginning of year	1,750	34,767,194	24,904,988	220,309,551
End of year	<u>\$ 250</u>	<u>\$ 31,971,103</u>	<u>\$ 23,252,094</u>	<u>\$ 246,057,380</u>

(Concluded)

City of Cupertino
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes
in Fund Balances to the Government-Wide Statement of Activities
For the Year Ended June 30, 2024

Net Change in Fund Balances - Total Governmental Funds	\$	25,747,829
Governmental activities in the Statement of Activities were reported differently because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds.		
Capital outlay, net of \$432,767 reported in Internal Service Fund	\$	10,357,167
Depreciation and amortization, net of \$650,668 reported in Internal Service Funds		(8,726,719)
Net effect on disposal of capital assets		<u>(165,206)</u>
		1,465,242
Net change in revenues that was considered unavailable in the governmental funds. These items have been reported as revenue in the Statement of Activities.		
		374,513
Principal repayment on long-term debt is not an expense in the Statement of Activities, but is considered an expenditure in governmental funds.		
Bonds payable	\$	2,035,000
Subscription liabilities, net of \$135,606 reported in the Internal Service Funds		<u>552,091</u>
		2,587,091
Interest accrued on long-term debt is reported in the Statement of Activities, but does not require the use of current financial resources. Therefore, accrued interest is not reported as an expenditure in governmental funds. This amount represents the change in accrued interest from the prior year.		
		6,783
Amortization of bond premium and deferred charges were recognized in interest expense on the Government-Wide Statement of Activities, but did not require the use of current financial resources. Therefore amortization of bond discount was not reported as an expenditure in the governmental funds.		
		357,947
Inception of subscription liability, net of \$51,199 reported in the Internal Service Funds.		
		-
Termination of subscription liability, net of \$16,866 reported in the Internal Service Funds.		
		163,652
Compensated absences were reported in the Government-Wide Statement of Activities, but they did not require the use of current financial resources. Therefore, compensated absences were not reported as expenditures in the governmental funds. Compensated absences is net of \$36,100 reported in the Internal Service Funds.		
		56,723
Certain claims expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds net of \$381,000 reported in Internal Service Funds.		
		170,199
Certain pension expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds, net of \$199,180 reported in Internal Service Funds.		
		(2,465,861)
Certain OPEB expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds net of \$112,245 reported in Internal Service Funds.		
		(1,416,621)
Internal Service Funds are used by management to charge the costs of certain activities, such as insurance and equipment replacement, to individual funds. The net revenue of the Internal Service Funds is reported in governmental activities.		
		<u>(638,063)</u>
Change in Net Position of Governmental Activities	\$	<u>26,409,434</u>

PROPRIETARY FUND FINANCIAL STATEMENTS

Proprietary funds account for City operations financed and operated a in manner similar to a private business enterprise. The intent of the City is that the cost of providing goods and services be financed primarily through user charges.

The City has identified the funds below as major proprietary funds for fiscal year 2023-2024.

Resources Recovery Fund - This fund accounts for activity related to the collection, disposal, and recycling of solid waste. A private company has been issued an exclusive franchise to perform these services.

Recreation Programs Fund - This fund accounts for activities of the City's community centers and park facilities.

Cupertino Sports Center Fund - This fund accounts for the operation and maintenance of the Cupertino Sports Center.

City of Cupertino
Statement of Net Position
Proprietary Funds
June 30, 2024

	Business-Type Activities - Enterprise Funds		
	Resources	Recreation	Cupertino
	Recovery	Programs	Sports Center
ASSETS			
Current assets:			
Cash and investments (Note 2)	\$ 5,210,390	\$ 3,417,275	\$ 847,694
Accounts receivable	783,446	63,941	41,300
Interest receivable	32,331	21,516	4,999
Prepaid expense	-	-	-
Total current assets	6,026,167	3,502,732	893,993
Noncurrent assets:			
Capital assets: (Note 6)			
Nondepreciable	-	3,337	-
Depreciable and amortizable, net	-	649,276	1,217,153
Total noncurrent assets	-	652,613	1,217,153
Total assets	6,026,167	4,155,345	2,111,146
DEFERRED OUTFLOWS OF RESOURCES			
Related to pensions (Note 8)	311,740	272,823	215,079
Related to other postemployment benefit (Note 9)	105,874	139,198	106,490
Total deferred outflows of resources	417,614	412,021	321,569

City of Cupertino
Statement of Net Position (Continued)
Proprietary Funds
June 30, 2024

	Business-Type Activities Enterprise Funds		Governmental Activities
	Nonmajor Enterprise Fund	Total	Internal Service Funds
	Fund	Total	Funds
ASSETS			
Current assets:			
Cash and investments (Note 2)	\$ 934,250	\$ 10,409,609	\$ 8,329,638
Accounts receivable	2,534	891,221	1,387,959
Interest receivable	5,810	64,656	55,910
Prepaid expense	-	-	4,680
Total current assets	942,594	11,365,486	9,778,187
Noncurrent assets:			
Capital assets: (Note 6)			
Nondepreciable	-	3,337	192,925
Depreciable and amortizable, net	139,654	2,006,083	2,567,288
Total noncurrent assets	139,654	2,009,420	2,760,213
Total assets	1,082,248	13,374,906	12,538,400
DEFERRED OUTFLOWS OF RESOURCES			
Related to pensions (Note 8)	72,668	872,310	1,155,833
Related to other postemployment benefit (Note 9)	26,177	377,739	381,051
Total deferred outflows of resources	98,845	1,250,049	1,536,884

City of Cupertino
Statement of Net Position (Continued)
Proprietary Funds
June 30, 2024

	Business-Type Activities - Enterprise Funds		
	Resources	Recreation	Cupertino
	Recovery	Programs	Sports Center
LIABILITIES			
Current liabilities:			
Accounts payable and accruals	80,585	277,919	32,501
Accrued payroll and benefits	289	-	-
Due to other funds	-	-	-
Compensated absences, due within one year (Note 7)	9,865	4,554	4,760
Claims payable, due within one year (Note 10)	-	-	-
Unearned revenue	-	465,161	319,070
Lease liabilities, due within one year (Note 7)	-	-	-
Subscription liabilities, due within one year (Note 7)	-	-	-
Total current liabilities	90,739	747,634	356,331
Noncurrent liabilities:			
Compensated absences, due more than one year (Note 7)	106,022	48,942	51,156
Claims payable, due more than one year (Note 10)	-	-	-
Lease liabilities, due more than one year (Note 7)	-	-	-
Subscription liabilities, due more than one year (Note 7)	-	-	-
Net pension liabilities (Note 8)	1,046,892	916,197	722,282
Net other postemployment benefit liabilities (Note 7)	41,433	54,474	41,674
Total noncurrent liabilities	1,194,347	1,019,613	815,112
Total liabilities	1,285,086	1,767,247	1,171,443
DEFERRED INFLOWS OF RESOURCES			
Related to pensions (Note 8)	1,560	1,366	1,077
Related to other postemployment benefit (Note 9)	34,530	45,398	34,731
Total deferred inflows of resources	36,090	46,764	35,808
NET POSITION			
Net investment in capital assets (Note 11)	-	652,613	1,217,153
Restricted	29,911	39,326	30,085
Unrestricted (deficit)	5,092,694	2,061,416	(21,774)
Total net position	\$ 5,122,605	\$ 2,753,355	\$ 1,225,464

(Continued)

City of Cupertino
Statement of Net Position (Continued)
Proprietary Funds
June 30, 2024

	Business-Type Activities Enterprise Funds		Governmental Activities
	Nonmajor Enterprise Fund	Total	Internal Service Funds
LIABILITIES			
Current liabilities:			
Accounts payable and accruals	39,322	430,327	173,078
Accrued payroll and benefits	-	289	72
Due to other funds	-	-	1,401,947
Compensated absences, due within one year (Note 7)	800	19,979	38,121
Claims payable, due within one year (Note 10)	-	-	232,000
Unearned revenue	112,037	896,268	-
Lease liabilities, due within one year (Note 7)	-	-	6,808
Subscription liabilities, due within one year (Note 7)	-	-	68,110
Total current liabilities	152,159	1,346,863	1,920,136
Noncurrent liabilities:			
Compensated absences, due more than one year (Note 7)	8,600	214,720	386,869
Claims payable, due more than one year (Note 10)	-	-	1,041,000
Lease liabilities, due more than one year (Note 7)	-	-	8,561
Subscription liabilities, due more than one year (Note 7)	-	-	29,111
Net pension liabilities (Note 8)	244,034	2,929,405	3,881,541
Net other postemployment benefit liabilities (Note 7)	10,244	147,825	149,122
Total noncurrent liabilities	262,878	3,291,950	5,496,204
Total liabilities	415,037	4,638,813	7,416,340
DEFERRED INFLOWS OF RESOURCES			
Related to pensions (Note 8)	364	4,367	5,785
Related to other postemployment benefit (Note 9)	8,537	123,196	124,277
Total deferred inflows of resources	8,901	127,563	130,062
NET POSITION			
Net investment in capital assets (Note 11)	139,654	2,009,420	2,647,623
Restricted	7,396	106,718	381,051
Unrestricted (deficit)	610,105	7,742,441	3,500,208
Total net position	\$ 757,155	\$ 9,858,579	\$ 6,528,882

(Concluded)

City of Cupertino
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2024

	Business-Type Activities - Enterprise Funds		
	Resources Recovery	Recreation Programs	Cupertino Sports Center
OPERATING REVENUES:			
Charges for services	\$ 1,563,696	\$ 1,907,013	\$ 1,998,806
Other	799,800	132,325	363,871
TOTAL OPERATING REVENUES	2,363,496	2,039,338	2,362,677
OPERATING EXPENSES:			
Salaries and benefits	826,953	928,461	847,882
Materials and supplies	273,638	338,361	465,848
Contractual services	1,127,191	1,066,640	1,689,674
Insurance and claims and premium	-	-	-
Depreciation	-	60,424	110,173
TOTAL OPERATING EXPENSES	2,227,782	2,393,886	3,113,577
OPERATING INCOME (LOSS)	135,714	(354,548)	(750,900)
NONOPERATING REVENUES (EXPENSES):			
Investment income	203,021	132,200	65,800
Gain (loss) on sale of capital assets	-	-	-
Interest expense	-	-	-
Total Nonoperating Income (Expenses)	203,021	132,200	65,800
NET INCOME (LOSS) BEFORE TRANSFERS	338,735	(222,348)	(685,100)
TRANSFERS:			
Transfers in (Note 5)	-	-	-
Transfers out (Note 5)	(20,000)	-	-
TOTAL TRANSFERS	(20,000)	-	-
CHANGES IN NET POSITION	318,735	(222,348)	(685,100)
NET POSITION:			
Beginning of year	4,803,870	2,975,703	1,910,564
End of year	<u>\$ 5,122,605</u>	<u>\$ 2,753,355</u>	<u>\$ 1,225,464</u>

(Continued)

City of Cupertino
Statement of Revenues, Expenses, and Changes in Net Position (Continued)
Proprietary Funds
For the Year Ended June 30, 2024

	Enterprise Funds		Activities
	Nonmajor Enterprise Fund	Total	Internal Service Funds
OPERATING REVENUES:			
Charges for services	\$ 611,331	\$ 6,080,846	\$ 4,171,856
Other	51,943	1,347,939	1,431,954
TOTAL OPERATING REVENUES	663,274	7,428,785	5,603,810
OPERATING EXPENSES:			
Salaries and benefits	159,565	2,762,861	4,399,972
Materials and supplies	225,497	1,303,344	1,631,687
Contractual services	272,995	4,156,500	504,673
Insurance and claims and premium	-	-	764,574
Depreciation	15,390	185,987	650,668
TOTAL OPERATING EXPENSES	673,447	8,408,692	7,951,574
OPERATING INCOME (LOSS)	(10,173)	(979,907)	(2,347,764)
NONOPERATING REVENUES (EXPENSES):			
Investment income	33,269	434,290	341,083
Gain on sale of capital assets	(341)	(341)	31,039
Interest expense	-	-	(4,105)
Total Nonoperating Income (Expenses)	32,928	433,949	368,017
NET INCOME (LOSS) BEFORE TRANSFERS	22,755	(545,958)	(1,979,747)
TRANSFERS:			
Transfers in (Note 5)	-	-	1,417,684
Transfers out (Note 5)	-	(20,000)	(76,000)
TOTAL TRANSFERS	-	(20,000)	1,341,684
CHANGES IN NET POSITION	22,755	(565,958)	(638,063)
NET POSITION:			
Beginning of year	734,400	10,424,537	7,166,945
End of year	<u>\$ 757,155</u>	<u>\$ 9,858,579</u>	<u>\$ 6,528,882</u>

(Concluded)

City of Cupertino
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2024

	Business-Type Activities - Enterprise Funds		
	Resources Recovery	Recreation Programs	Cupertino Sports Center
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers and users	\$ 1,802,376	\$ 1,994,364	\$ 2,123,966
Cash paid to suppliers for goods and services	(1,419,006)	(1,371,793)	(2,236,005)
Cash paid to employees for services	(693,741)	(812,792)	(660,331)
Cash paid to insurance claims	-	-	-
Net Cash Provided by (Used in) Operating Activities	(310,371)	(190,221)	(772,370)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Cash received from (paid to) other funds	(20,000)	-	-
Net Cash Provided by (Used in) Noncapital Financing Activities	(20,000)	-	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition of capital assets	-	-	(86,156)
Principal paid	-	-	-
Interest paid	-	-	-
Proceed from sale of capital assets	-	-	-
Net Cash Provided by (Used in) Capital and Related Financing Activities	-	-	(86,156)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Investment income	189,445	122,894	66,533
Net Cash Provided by Investing Activities	189,445	122,894	66,533
Net Change In Cash and Cash Equivalents	(140,926)	(67,327)	(791,993)
CASH AND CASH EQUIVALENTS:			
Beginning of year	5,351,316	3,484,602	1,639,687
End of year	<u>\$ 5,210,390</u>	<u>\$ 3,417,275</u>	<u>\$ 847,694</u>
CASH AND CASH EQUIVALENTS:			
Cash and investments	\$ 5,210,390	\$ 3,417,275	\$ 847,694
Total cash and cash equivalents	<u>\$ 5,210,390</u>	<u>\$ 3,417,275</u>	<u>\$ 847,694</u>

(Continued)

City of Cupertino
Statement of Cash Flows (Continued)
Proprietary Funds
For the Year Ended June 30, 2024

	Business-Type Activities Enterprise Funds		Governmental Activities
	Nonmajor Enterprise Fund	Total	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers and users	\$ 682,383	\$ 6,603,089	\$ 5,601,610
Cash paid to suppliers for goods and services	(478,146)	(5,504,950)	(2,883,013)
Cash paid to employees for services	(197,523)	(2,364,387)	(4,052,447)
Cash paid to insurance claims	-	-	(381,000)
Net Cash Provided by (Used in) Operating Activities	<u>6,714</u>	<u>(1,266,248)</u>	<u>(1,714,850)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Cash received from (paid to) other funds	-	(20,000)	1,347,974
Net Cash Provided by (Used in) Noncapital Financing Activities	<u>-</u>	<u>(20,000)</u>	<u>1,347,974</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition of capital assets	-	(86,156)	(432,767)
Principal paid	-	-	(154,345)
Interest paid	-	-	(4,105)
Proceed from sale of capital assets	-	-	30,750
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>-</u>	<u>(86,156)</u>	<u>(560,467)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Investment income	30,595	409,467	317,967
Net Cash Provided by Investing Activities	<u>30,595</u>	<u>409,467</u>	<u>317,967</u>
Net Change In Cash and Cash Equivalents	37,309	(962,937)	(609,376)
CASH AND CASH EQUIVALENTS:			
Beginning of year	896,941	11,372,546	8,939,014
End of year	<u>\$ 934,250</u>	<u>\$ 10,409,609</u>	<u>\$ 8,329,638</u>
CASH AND CASH EQUIVALENTS:			
Cash and investments	\$ 934,250	\$ 10,409,609	\$ 8,329,638
Total cash and cash equivalents	<u>\$ 934,250</u>	<u>\$ 10,409,609</u>	<u>\$ 8,329,638</u>

(Concluded)

City of Cupertino
Statement of Cash Flows (Continued)
Proprietary Funds
For the Year Ended June 30, 2024

	Business-Type Activities - Enterprise Funds		
	Resources Recovery	Recreation Programs	Cupertino Sports Center
Reconciliation of Operating Income (Loss) to			
Net Cash Provided by (Used in) Operating Activities:			
Operating income (loss)	\$ 135,714	\$ (354,548)	\$ (750,900)
Adjustments to reconcile to net cash provided by			
Operating activities:			
Depreciation and amortization	-	60,424	110,173
Changes in assets and liabilities:			
(Increase)/decrease in accounts receivables	(561,120)	(21,960)	(40,300)
(Increase)/decrease in prepaid expense	-	-	-
(Increase)/decrease in deferred outflows of resources related to pensions	14,529	(31,746)	(51,945)
(Increase)/decrease in deferred outflows of resources related to other postemployment benefit	(1,035)	(32,321)	(25,403)
Increase/(decrease) in accounts payable	(18,177)	33,208	(80,483)
Increase/(decrease) in unearned revenue	-	(23,014)	(198,411)
Increase/(decrease) in compensated absences	51,610	(43,543)	6,605
Increase/(decrease) in claims payable	-	-	-
Increase/(decrease) in net pension liabilities	41,756	173,513	219,714
Increase/(decrease) in other postemployment benefit liabilities	31,544	44,393	34,025
Increase/(decrease) in deferred inflows of resources related to pensions	(913)	(461)	(159)
Increase/(decrease) in deferred inflows of resources related to other postemployment benefit	(4,279)	5,834	4,714
Net Cash Provided by (Used in) Operating Activities	\$ (310,371)	\$ (190,221)	\$ (772,370)
NONCASH ITEMS:			
Acquisition of right to use intangible assets	\$ -	\$ -	\$ -
Issuance of lease and subscription liabilities	\$ -	\$ -	\$ -
Termination of subscription liabilities	\$ -	\$ -	\$ -
Gain (loss) of sale of capital assets	\$ -	\$ -	\$ -

(Continued)

City of Cupertino
Statement of Cash Flows (Continued)
Proprietary Funds
For the Year Ended June 30, 2024

	Business-Type Activities Enterprise Funds		Governmental Activities
	Nonmajor Enterprise Fund	Total	Internal Service Funds
Reconciliation of Operating Income (Loss) to			
Net Cash Provided by (Used in) Operating Activities:			
Operating income (loss)	\$ (10,173)	\$ (979,907)	\$ (2,347,764)
Adjustments to reconcile to net cash provided by			
Operating activities:			
Depreciation and amortization	15,390	185,987	650,668
Changes in assets and liabilities:			
(Increase)/decrease in accounts receivables	(705)	(624,085)	(2,200)
(Increase)/decrease in prepaid expense	-	-	(4,680)
(Increase)/decrease in deferred outflows of resources related to pensions	28,838	(40,324)	56,800
(Increase)/decrease in deferred outflows of resources related to other postemployment benefit	(7,698)	(66,457)	29,593
Increase/(decrease) in accounts payable	20,346	(45,106)	22,601
Increase/(decrease) in unearned revenue	19,814	(201,611)	
Increase/(decrease) in compensated absences	(215)	14,457	36,100
Increase/(decrease) in claims payable	-	-	(381,000)
Increase/(decrease) in net pension liabilities	(68,675)	366,308	145,785
Increase/(decrease) in other postemployment benefit liabilities	8,501	118,463	110,387
Increase/(decrease) in deferred inflows of resources related to pensions	(405)	(1,938)	(3,405)
Increase/(decrease) in deferred inflows of resources related to other postemployment benefit	1,696	7,965	(27,735)
Net Cash Provided by (Used in) Operating Activities	\$ 6,714	\$ (1,266,248)	\$ (1,714,850)
NONCASH ITEMS:			
Acquisition of right to use intangible assets	\$ -	\$ -	\$ 85,307
Issuance of lease and subscription liabilities	\$ -	\$ -	\$ 85,307
Termination of subscription liabilities	\$ -	\$ -	\$ 16,866
Gain (loss) of sale of capital assets	\$ (341)	\$ (341)	\$ -
			(Concluded)

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NOTES TO THE BASIC FINANCIAL STATEMENTS

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City of Cupertino
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For the Year Ended June 30, 2024

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City of Cupertino
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City of Cupertino
Notes to the Basic Financial Statements
For the Year Ended June 30, 2024

Note 1 – Summary of Significant Accounting Policies

A. Financial Reporting Entity

The City of Cupertino, California (the “City”) was incorporated on October 3, 1955, under the laws of the State of California. The City operates under a Council - City Manager form of government and provides services through the following departments: Administrative Services, Community Development, City Manager, Parks and Recreation, Public and Environmental Affairs, and Public Works. Fire services are provided by the Santa Clara County Fire District, and the City contracts with the Santa Clara County Sheriff’s Department for police services, and with Recology for garbage and recycling services.

The accompanying basic financial statements include all funds and boards and commissions that are controlled by the City Council. The basic financial statements include the City's blended component unit entity for which the City is considered to be financially accountable. A blended component unit, although a legally separate entity, is in substance, part of the City's operations and so data from this unit is combined with the City.

Blended Component Unit

In evaluating how to define the City for financial reporting purposes, management has considered all potential component units. The primary criteria for including a potential component unit within the reporting entity are the governing body’s financial accountability and a financial benefit or burden relationship and whether it is misleading to exclude. A primary government is financially accountable and shares a financial benefit or burden relationship, if it appoints a voting majority of an organization’s governing body and it is able to impose its will on the organization, or if there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the primary government. A primary government may also be financially accountable if an organization is fiscally dependent on the primary government regardless of whether the organization has a separately elected governing board, a governing board appointed by a higher level of government, or a jointly appointed board, and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the primary government.

Management determined that the following component unit should be blended based on the criteria above:

Although the following is legally separate from the City, it has been “blended” as though it is part of the City because the component unit’s governing body is substantially the same as the City’s and there is a financial benefit or burden relationship between the City and the component unit; management of the City has operational responsibilities for the component unit; and/or the component unit provides services entirely, or almost entirely, to the City or otherwise exclusively, or almost exclusively, benefits the City, even though it does not provide services directly to it.

The Cupertino Public Facilities Corporation (the “Corporation”) – The Corporation was incorporated in May 1986, under the Nonprofit Public Benefit Corporation Law of the State of California. The Corporation was organized as a nonprofit corporation solely for the purpose of assisting the City in the acquisition, construction, and financing of public improvements which are of public benefit to the City. The Corporation, after acquiring certain properties from the City, leases these back to the City. The lease money provides the funds for the debt service for the Certificates of Participation issued by the Corporation to acquire the properties. The Corporation does not issue separate financial statements, since it is reported separately in the City's basic financial statements.

The City had no discretely presented component units.

City of Cupertino
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2024

Note 1 – Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation

Financial statement presentation follows the recommendations promulgated by the Governmental Accounting Standards Board (“GASB”) commonly referred to as accounting principles generally accepted in the United States of America (“U.S. GAAP”). GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting standards.

C. Measurement Focus, Basis of Accounting and Financial Statements Presentation

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 by providing a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained in accordance with legal and managerial requirements.

Government-Wide Statements

The City’s Government-Wide Financial Statements include a Statement of Net Position and a Statement of Activities. 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.

These financial statements are presented on an “*economic resources*” measurement focus and the accrual basis of accounting. Accordingly, all of the City’s assets, deferred outflows of resources, liabilities, and deferred inflows of resources, including capital assets, as well as infrastructure assets, and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. 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.

Certain types of transactions are reported as program revenues for the City in three categories:

- Charges for services
- Operating grants and contributions
- Capital grants and contributions

Certain eliminations have been made in regards to interfund activities, payables and receivables. All internal balances in the Statement of Net Position 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 and Changes in Net Position, internal service fund transactions have been eliminated; however, those transactions between governmental and business-type activities have not been eliminated. The following interfund activities have been eliminated:

- Due to/from other funds
- Transfers in/out

City of Cupertino
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2024

Note 1 – Summary of Significant Accounting Policies (Continued)

C. Measurement Focus, Basis of Accounting and Financial Statements Presentation (Continued)

Governmental Fund Financial Statements

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. An accompanying schedule is presented to reconcile and explain the differences in net position as presented in these statements to the net position presented in the Government-Wide Financial Statements. The City has presented all major funds that met the applicable criteria.

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 Sheet. 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 in the accounting period in which they become both "measurable" and "available" to finance expenditures of the current period.

Revenues are recognized as soon as they are both "measurable" and "available". Revenues are considered to be available when they are collectible within the current period as soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The primary revenue sources, which have been treated as susceptible to accrual by the City, are property taxes, sales tax, intergovernmental revenues and other taxes. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

The Reconciliation of the Fund Financial Statements to the Government-Wide Financial Statements is provided to explain the differences.

The City reports the following major Governmental Funds:

- General Fund - The General Fund is the general operating fund of the City. It is used to account for all financial resources except those that are required to be accounted for in another fund.
- Transportation Special Revenue Fund - The Transportation Special Revenue Fund accounts for the City's gas tax, vehicle registration fees and grant revenues and expenditures related to the maintenance and construction of City streets. All revenue in this fund is restricted exclusively for street and road purposes including related engineering and administrative expenses. Management considers this fund qualitatively major and has elected to present this fund as such, even if mathematically it does not qualify per applicable GASB requirements.
- Housing Development Special Revenue Fund - The Housing Development Special Revenue Fund accounts for the Federal Housing and Community Development Grant Program activities administered through the County. Monies collected from developers that mitigate the impact of housing needs are also included. Monies in this fund are governed by the program's rules. Management considers this fund qualitatively major and has elected to present this fund as such, even if mathematically it does not qualify per applicable GASB requirements.
- Public Facilities Corporation Debt Service Fund - The Public Facilities Corporation Debt Service Fund accounts for the payments of principal and interest on certificates of participation issued to provide for the financing of City Hall, Library, Wilson Park, Memorial Park, and other City facilities. Management considers this fund qualitatively major and has elected to present this fund as such, even if mathematically it does not qualify per applicable GASB requirements.

City of Cupertino
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2024

Note 1 – Summary of Significant Accounting Policies (Continued)

C. Measurement Focus, Basis of Accounting and Financial Statements Presentation (Continued)

Governmental Fund Financial Statements (Continued)

- Capital Improvement Projects Capital Projects Fund - The Capital Improvement Projects Capital Projects Fund Accounts for activities related to the acquisition or construction of major capital facilities.

Proprietary Fund Financial Statements

Proprietary Fund Financial Statements include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position, and a Statement of Cash Flows for each major Proprietary Fund.

A separate column representing internal service funds is also presented in these statements. However, internal service balances and activities have been combined with the governmental activities in the Government-Wide Financial Statements. The City's internal service funds include two individual funds which provide services directly to other City funds. These areas of service include Central Garage and Print Shop.

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 Position. The Statement of Revenues, Expenses and Changes in Fund Net Position presents increases (revenues) and decreases (expenses) in total net position. 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. All other revenues are reported as nonoperating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as nonoperating expenses.

The City reports the following major proprietary funds:

- Resources Recovery Enterprise Fund - The Resources Recovery Enterprise Fund accounts for activity related to the collection, disposal, and recycling of solid waste. A private company has been issued an exclusive franchise to perform these services.
- Recreation Programs Enterprise Fund - The Recreation Programs Enterprise Fund accounts for activities of the City's community centers and park facilities.
- Cupertino Sports Center Enterprise Fund - The Cupertino Sports Center Enterprise Fund accounts for activities of the City's sports center facility.

The City also reports the following fund as proprietary fund type:

- Internal Service Funds - These funds account for management information systems maintenance and replacement, workers' compensation, equipment maintenance and replacement, accrued leave payouts, and long-term disability, retiree health costs, coverage which are provided to other departments on a cost-reimbursement basis.

City of Cupertino
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2024

Note 1 – Summary of Significant Accounting Policies (Continued)

C. Measurement Focus, Basis of Accounting and Financial Statements Presentation (Continued)

Basis of Accounting

The government-wide and proprietary financial statements are reported using the economic resources measurement focus and the full accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt which are recognized as expenditures to the extent the City has provided financial resources to a debt service fund for payment of these liabilities that mature early in the following year. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds from long-term debt and acquisitions under capital leases are reported as other financing sources.

Unearned revenues are considered on both the full accrual basis and the modified accrual basis, while unavailable revenues are based on the modified accrual measure.

Property taxes, transient occupancy taxes, utility taxes, franchise taxes, interest and special assessments are susceptible to accrual. Other receipts and taxes are recognized as revenue when the cash is received. Sales taxes collected and held by the state at year end on behalf of the City are also recognized as revenue. Sales tax consultant payments which are contingent on revenues collected are netted against the related revenues.

Under the terms of grant agreements, the City may fund certain programs with a combination of cost reimbursement grants, categorical block grants, and general revenue. The City's policy is to first apply restricted grant resources to such programs, followed by general revenues if necessary. Grant revenues are recognized after eligibility and billing occurs, but may be a deferred inflow if not received within sixty days of year-end. Because of the cost-reimbursement and recognition nature of some grants, certain capital project funds may carry deficit fund balances until billing and receipt of grants. The City may also front the capital outlays with cash advances from other funds.

Non-exchange transactions, in which the City gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied or assessed. Revenue from grants is recognized as described above. Entitlement and donation revenues are recognized when cash is received.

D. Cash, Cash Equivalents, and Investments

The City pools its cash resources, consisting of cash and investments, of all funds for investment except for restricted funds generally held by an outside fiscal agent. Cash amounts are reported net of outstanding warrants. Investments are stated at fair value, except for money market mutual funds which are reported at amortized cost. Adjustments to fair value, as well as dividend and interest income received is recorded by the City in its governmental funds in the Use of money and property caption while proprietary funds report these items as Investment income.

The statement of cash flows requires presentation of “cash and cash equivalents”. For the purposes of the statement of cash flows, the City considers all proprietary fund pooled cash and investments as “cash and cash equivalents”, as such funds are available to the various funds as needed.

City of Cupertino
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2024

Note 1 – Summary of Significant Accounting Policies (Continued)

D. Cash, Cash Equivalents, and Investments (Continued)

Certain disclosure requirements, if applicable, for Deposits and Investment Risks in the following areas:

- Interest Rate Risk
- Credit Risk
 - Overall
 - Custodial Credit Risk
 - Concentration of Credit Risk
- Foreign Currency Risk

In addition, other disclosures are specified including use of certain methods to present deposits and investments, highly sensitive investments, credit quality at year-end and other disclosures.

E. Fair Value Measurements

U.S. GAAP defines fair value, establishes a framework for measuring fair value and establishes disclosures about fair value measurement. Investments, unless otherwise specified, recorded at fair value in the financial statements, are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Levels of inputs are as follows:

The three levels of the fair value measurement hierarchy are described below:

- Level 1 – Inputs are unadjusted, quoted prices for identical assets or liabilities in active markets at the measurement date.
- Level 2 – Inputs, other than quoted prices included in Level 1, that are observable for the assets or liabilities through corroboration with market data at the measurement date.
- Level 3 – Unobservable inputs that reflect management’s best estimate of what market participants would use in pricing the assets or liabilities at the measurement date.

If the fair value of an asset or liability is measured using inputs from more than one level of the fair value hierarchy, the measurement is considered to be based on the lowest priority level input that is significant to the entire measurement.

F. Receivables

Receivables include such items as taxes, intergovernmental revenues, charges for services, miscellaneous accounts receivable, and interest receivable. No allowance for doubtful accounts has been established, as the City believes all amounts are considered to be collectible in the normal course of business.

City of Cupertino
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2024

Note 1 – Summary of Significant Accounting Policies (Continued)

G. Lease Receivable

The City is a lessor for leases of buildings and land and recognizes leases receivable and deferred inflows of resources in the financial statements. Variable payments based on future performance or usage of the underlying asset are not included in the measurement of the lease receivable.

At the commencement of a lease, the lease receivable is measured at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflows of resources are initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflows of resources are recognized as revenue over the life of the lease term in a systematic and rational method.

Key estimates and judgments include how the City determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The City uses the incremental borrowing rate (IBR) provided by the City’s financial institution for existing leases or the current rate at the time a new lease is executed.
- The lease term includes the noncancelable period of the lease plus any option periods that are likely to be exercised.
- Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The City monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

H. Inventories

Inventories consist of fuel.

I. Prepaid Items

Prepaid items are reported under the consumption method, which recognizes the expenditures/expense in the period associated with the service rendered or goods consumed.

J. Interfund Transactions

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either “due to/from other funds” or “advances to/from other funds” (i.e., the current portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the Government-Wide Financial Statements as “internal balances”.

City of Cupertino
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2024

Note 1 – Summary of Significant Accounting Policies (Continued)

K. Capital Assets

Capital assets are recorded at cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at their estimated acquisition value on the date donated. Public domain (infrastructure) capital assets consisting of roads, bridges, curbs, gutters, medians, sidewalks, drainage and lighting systems have been capitalized and depreciated. Capital assets are defined as assets with an initial individual cost of more than \$5,000 for general capital assets and \$100,000 for intangible assets.

Depreciation is recorded using the straight-line method over the following useful lives:

Buildings	15 – 25 years
Improvements	10 – 15 years
Vehicles	4 – 10 years
Street equipment	3 – 20 years
Water equipment	3 – 50 years
Office equipment	3 – 5 years
Road, curbs, gutters, sidewalks, medians and bridges	30 – 40 years
Streetlights	20 years
Storm drain structure and mains	40 years
Traffic signals	20 years

Major outlays for capital assets and improvements are capitalized as projects are constructed. For enterprise funds, interest incurred during the construction phase is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period. Some capital assets may be acquired using federal and state grant funds, or they may be contributed by developers or other governments. These contributions are accounted for as revenues at the time the capital assets are contributed.

Right-of-Use Lease Assets

Lease assets are recorded at the amount of the initial measurement of the lease liabilities and adjusted by any lease payments made to the lessor at or before the commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease term along with any initial direct costs that are ancillary charges necessary to place the lease assets into service. Lease assets are amortized using the straight-line method over the shorter of the lease term or the useful life of the underlying asset, unless the lease contains a purchase option that the City has determined is reasonably certain of being exercised. In this case, the lease asset is amortized over the useful life of the underlying asset.

Right-of-Use Subscription Assets

Subscription assets are recorded at the amount of the initial measurement of the SBITA liabilities (“subscription liabilities”) and adjusted by any subscription payments to the SBITA vendor at or before the commencement of the subscription term, less any incentives received from the SBITA vendor at or before the commencement of the subscription term along with subscription implementation costs. Subscription assets are amortized over the shorter of the subscription term or the useful life of the underlying information technology assets.

City of Cupertino
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2024

Note 1 – Summary of Significant Accounting Policies (Continued)

L. Deferred Outflows of Resources and Deferred Inflows of Resources

The Statement and Net Position and the Balance Sheet report separate sections for deferred outflows of resources, and deferred inflows of resources, when applicable.

Deferred Outflows of Resources represent a consumption of net assets that applies to future periods.

Deferred Inflows of Resources represent an acquisition of net assets that applies to future periods.

M. Interest Payable

In the government-wide financial statements, interest payable on long-term debt is recognized as the liability is incurred for governmental activities and business-type activities.

N. Unearned Revenue

Unearned revenue is reported for transactions for which revenue has not yet been earned. Typical transactions recorded as unearned revenues are prepaid charges for services.

O. Compensated Absences

Compensated absences comprise vested accumulated vacation and sick leave. The City's liability for compensated absences is recorded in governmental or business-type activities as appropriate. The liability for compensated absences is determined annually. For all governmental funds, amounts expected to be "permanently liquidated," such as what is due to be paid because of a realized employment action, are recorded as fund liabilities; the long-term portion is recorded in the Statement of Net Position.

Compensated absences are liquidated by the fund that has recorded the liability. The long-term portion of governmental activities compensated absences are liquidated primarily by the General Fund, using the Compensated Absences and Long-Term Disability internal service fund to account for termination payouts.

P. Claims and Judgement Payable

Claims and judgments payable are accrued when the liability is incurred and the amount can be reasonably estimated. Claims and judgments payable are recorded in an internal service fund for workers' compensation and long-term disability, and other claims and judgments are recorded in the General Fund or enterprise funds, as appropriate.

Q. Lease Liabilities

The City has a policy to recognize a lease liability and a right-to-use asset (lease asset) in the financial statements with an initial, individual value of \$5,000 or more with a lease term greater than one year. Variable payments based on future performance or usage of the underlying assets are not included in the measurement of the lease liability.

At the commencement of a lease, the lease liability is measured at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made.

City of Cupertino
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2024

Note 1 – Summary of Significant Accounting Policies (Continued)

Q. Lease Liabilities (Continued)

Lease assets are recorded at the amount of the initial measurement of the lease liabilities and modified by any lease payments made to the lessor at or before the commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease term along with any initial direct costs that are ancillary charges necessary to place the lease assets into service. Lease assets are amortized using the straight-line method over the shorter of the lease term or the useful life of the underlying asset, unless the lease e State has determined it is reasonably certain of being exercised. In this case, the lease asset is amortized over the useful life of the underlying asset.

Key estimates and judgments related to leases include how the City determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The City uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancelable period of the lease, plus any option periods that are reasonably certain to be exercised.
- Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the City is reasonably certain to exercise. The City monitors changes in circumstances that would require a remeasurement of a lease and will remeasure any lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported as right-to-use along with other capital assets and lease liabilities are reported as long term liabilities on the statement of net position.

The City monitors changes in circumstances that would require a remeasurement of its lease and will remeasure any lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

R. Subscription Liabilities

The City recognizes subscription liabilities with an initial, individual value of \$5,000 or more with a subscription term greater than one year in the government-wide and proprietary fund financial statements. Variable payments based on future performance of the City, usage of the underlying information technology assets, or number of user seats are not included in the measurement of the subscription liability.

At the commencement of a subscription, the City initially measures the subscription liability at the present value of payments expected to be made during the subscription term. Subsequently, the subscription liability is reduced by the principal portion of subscription payments made.

Key estimates and judgments related to subscription liabilities include how the City determines (1) the discount rate it uses to discount the expected subscription payments to present value, (2) subscription term, and (3) subscription payments.

- The City uses incremental borrowing rate provided by the financial institution at July 1, 2022 for existing subscription or the current rate at the time a new subscription is executed.
- The subscription term includes the noncancellable period of the SBITA. Subscription payments included in the measurement of the subscription liability are composed of fixed payments.

City of Cupertino
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2024

Note 1 – Summary of Significant Accounting Policies (Continued)

R. Subscription Liabilities (Continued)

The City monitors changes in circumstances that would require a remeasurement of its SBITA and will remeasure any subscription asset and liability if certain changes occur that are expected to significantly affect the amount of the subscription liability.

S. Long-Term Debt

Government-Wide Financial Statements

Long-term debt and other financial obligations are reported as liabilities in the statement of net position.

Bond premiums and discounts, as well as gains and losses on refunding, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable premium or discount. Issuance costs are expensed in the year of issuance.

Fund Financial Statements

The fund financial statements do not present long-term debt but are shown in the Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Position.

T. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the plans and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by the plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

The following timeframes are used for pension reporting:

Valuation Date	June 30, 2022
Measurement Date	June 30, 2023
Measurement Period	July 1, 2022 to June 30, 2023

Gains and losses related to changes in total pension liability and fiduciary net position are recognized in pension expense systematically over time. The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to pensions and are to be recognized in future pension expense. The amortization period differs depending on the source of the gain or loss. The difference between projected and actual earnings is amortized straight-line over 5 years. All other amounts are amortized straight-line over the average expected remaining service lives of all members that are provided with benefits (active, inactive, and retired) as of the beginning of the measurement period.

General Fund is typically used to liquidate pension liabilities to governmental funds.

City of Cupertino
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2024

Note 1 – Summary of Significant Accounting Policies (Continued)

U. Other Postemployment Benefits (“OPEB”) Plan

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the City’s OPEB Plan and additions to/deductions from the OPEB Plans’ fiduciary net position have been determined on the same basis as they are reported by the plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

The following timeframes are used for OPEB reporting:

Valuation Date	July 1, 2023
Measurement Date	June 30, 2024
Measurement Period	July 1, 2023 to June 30, 2024

Gains and losses related to changes in total OPEB liability and fiduciary net position are recognized in OPEB expense systematically over time. The first amortized amounts are recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense. The amortization period differs depending on the source of the gain or loss. The difference between projected and actual earnings is amortized straight-line over 5 years. All other amounts are amortized straight-line over the average expected remaining service lives of all members that are provided with benefits (active, inactive, and retired) as of the beginning of the measurement period.

General Fund is typically used to liquidate OPEB liabilities to governmental funds.

V. Net Position

In governmental-wide and proprietary fund financial statements, net positions are categorized as follows:

Net Investment in Capital Assets – This category consists of capital assets, net of accumulated depreciation/amortization, reduced by the outstanding balances of debt that are attributable to the acquisition, construction, or improvement of those assets and retention payable.

Restricted – This category represents net position that has external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted – This category represents net position of the City that do not meet the definition of "net investment in capital assets" or "restricted."

When expenses are incurred for purposes for which both restricted and unrestricted net position are available, the City’s policy is to apply restricted net position first, then unrestricted net position as they are needed.

W. Fund Balances

As prescribed by GASB Statement No. 54, governmental funds report fund balance in classifications based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. Fund balances for governmental funds are made up of the followings:

City of Cupertino
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2024

Note 1 – Summary of Significant Accounting Policies (Continued)

W. Fund Balances (Continued)

Nonspendable Fund Balance - includes amounts that are (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, for example: prepaid items, property held for resale and long term notes receivable.

Restricted Fund Balance - includes amounts that can be spent only for the specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted only with the consent of resource providers.

Committed Fund Balance - includes amounts that can only be used for the specific purposes determined by a formal action of the City's highest level of decision-making authority, the City Council. Commitments may be changed or lifted only by the City taking the same formal action (resolution) that imposed the constraint originally.

Assigned Fund Balance - comprises amounts intended to be used by the City for specific purposes that are neither restricted nor committed. Intent is expressed by the City Council or official to which the City Council has delegated the authority to assign amounts to be used for specific purposes. Through the adopted budget, the City Council establishes assigned fund balance policy levels and also sets the means and priority for the City Manager to fund these levels.

Unassigned Fund Balance - is the residual classification for the General Fund and includes all amounts not contained in the other classifications. Unassigned amounts are technically available for any purpose. Only the General Fund reports unassigned positive fund balance. A governmental fund other than the General Fund may report a negative unassigned fund balance if expenditures incurred for a specific purpose exceed the amounts that are restricted, committed or assigned to those purposes.

In circumstances when an expenditure may be made for which amounts are available in multiple fund balance classifications, the fund balance in General Fund will generally be used in the order of restricted, unassigned, and then assigned reserves. In other governmental funds, the order will generally be restricted and then assigned.

X. Property Taxes

Property Tax Calendar - All property taxes are levied and collected by the County of Santa Clara. Secured taxes are levied on July 1, are due in two installments on November 1 and February 1 and become delinquent after December 10 and April 10. Unsecured taxes are levied on July 1 and become delinquent on August 31. The lien date for secured and unsecured property taxes is January 1.

The City, in fiscal year 1993-94, adopted an alternative method of property tax distribution (the "Teeter Plan"). Under this method, the City receives 100 percent of its secured property tax levied in exchange for foregoing any interest and penalties collected on delinquent taxes. The City receives remittances as a series of advances made by the County during the year.

Y. Use of Estimates

The preparation of the basic financial statements in accordance with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

City of Cupertino
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2024

Note 1 – Summary of Significant Accounting Policies (Continued)

Z. Implementation of New GASB Pronouncements

GASB Statement No. 100 – In June 2022, GASB issued Statement No. 100, *Accounting Changes and Error Corrections* – an Amendment of GASB Statement No. 62. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. Implementation of this Statement did not have a significant effect on the City’s financial statements for the fiscal year ended June 30, 2024.

AA. Upcoming New GASB Pronouncements

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

GASB Statement No. 101 – In June 2022, GASB issued Statement No. 101, *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. Application of this statement is effective for the City’s fiscal year ending June 30, 2025.

GASB Statement No. 102 – In December 2023, GASB issued Statement No. 102, *Certain Risk Disclosures*. This Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. Application of this statement is effective for the City’s fiscal year ending June 30, 2025.

GASB Statement No. 103 – In April 2024, GASB issued Statement No. 103, *Financial Reporting Model Improvements*. The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government’s accountability. Application of this statement is effective for the City’s fiscal year ending June 30, 2026.

Note 2 – Cash and Investments

The City had the following cash and investments at June 30, 2024:

	Government-Wide Statement of Net Position		
	Governmental Activities	Business-Type Activities	Total
Cash and investments	\$ 241,393,169	\$ 10,409,609	\$ 251,802,778
Restricted cash and investments:			
Held by fiscal agent for pension	21,663,664	-	21,663,664
Total cash and investments	\$ 263,056,833	\$ 10,409,609	\$ 273,466,442

City of Cupertino
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2024

Note 2 – Cash and Investments (Continued)

The City’s cash and investments at June 30, 2024, in more detail:

Cash on hand	\$	1,850
Deposits with financial institutions		22,862,770
Total cash		<u>22,864,620</u>
Investments		228,938,158
Investments with PARS		21,663,664
Total investments		<u>250,601,822</u>
Total cash and investments	\$	<u><u>273,466,442</u></u>

A. Deposits

The carrying amounts of the City’s demand deposits were \$22,862,770 at June 30, 2024. Bank balances at that date were \$23,586,439 the total amount of which was collateralized or insured with accounts held by the pledging financial institutions in the City’s name as discussed below.

Cash and Investments with PARS were related to the City’s Pension Trust.

The California Government Code requires California banks and savings and loan associations to secure the City’s cash deposits by pledging securities as collateral. This Code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus, collateral for cash deposits is considered to be held in the City’s name.

The market value of pledged securities must equal at least 110% of the City’s cash deposits. California law also allows institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the City’s total cash deposits. The City may waive collateral requirements for cash deposits, deposits, which are fully insured up to \$250,000 by the Federal Deposit Insurance Corporation (“FDIC”). The City did not waive the collateral requirement for deposits insured by FDIC.

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.

City of Cupertino
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2024

Note 2 – Cash and Investments (Continued)

B. Investments Authorized by the California Government Code and the City’s Investment Policy

The following table identifies the investment types that are authorized for the City by the California Government Code (or the City’s investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the City’s investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustees that are governed by the provisions of debt agreements of the City, rather than the general provisions of the California Government Code or the City’s investment policy: This does not include the City's investments of debt proceeds held by fiscal agents that are governed by the provisions of debt agreements of the City.

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
U.S. Treasury Obligations	5 years	N/A	None	None
U.S. Agency Securities*	5 years	N/A	None	None
California Local Agency Investment Fund (LAIF)	N/A	N/A	Up to \$65 million	None
Non-negotiable Certificates of Deposits (time deposits)	5 years	N/A	30%***	10% of portfolio; 5% of issuer's net worth **
State of California registered state warrants, treasury notes, or bonds	5 years	N/A	None	None
California local agency bonds, notes, warrants, or other obligations	5 years	N/A	None	None
Bond issued by the local agency	5 years	N/A	None	None
Bankers' Acceptances	180 days 270 days	N/A A-1+P-1	40% 25%	None 10% of portfolio; 5% of issuer's net worth; 10% of outstanding paper of Issuer. **
Commercial Paper				10% of portfolio; 5% of issuer's net worth. **
Negotiable Certificates of Deposit	5 years	N/A	30%	10% of portfolio; 5% of issuer's net worth. **
Repurchase Agreements	1 year	N/A	None	10% of portfolio; 5% of issuer's net worth. **
Medium Term Corporate Notes	5 years	A or better	25%	10% of portfolio; 5% of issuer's net worth. **
Money market mutual funds investing in U.S. Treasury, Government Agency securities or repurchase agreements collateralized by U.S. Treasury or Government Agency securities	5 years	Aaa/AAA	20%	None
Supernationals	5 years	AA or better	30%	10% of portfolio

*Securities issued by agencies of the federal government such as the Government National Mortgage Association (GNMA),

** Represents restriction in which the City's investment policy is more restrictive than the California Government Code.

*** 30% maximum percent of portfolio if using a private sector entity to assist in the placement of the time deposits. No maximum

City of Cupertino
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2024

Note 2 – Cash and Investments (Continued)

C. Investments Authorized by Debt Agreements

The City must maintain required amounts of cash and investments with trustees or fiscal agents under the terms of certain debt issues. These funds are unexpended bond proceeds or are pledged reserves to be used if the City fails to meet its obligations under these debt issues. The California Government Code requires these funds to be invested in accordance with City ordinances, bond indentures or State statutes. The City's Investment Policy allows investments of bond proceeds to be governed by provisions of the related bond indentures. The following identifies the investment types that are authorized for investments held by fiscal agents under the terms of the bond indentures of the related debt issue:

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality	Maximum Percentage of Portfolio
Cash or obligations of the U.S. including U.S. Treasury obligations	N/A	N/A	None
Federal agencies obligations which represent full faith and credit of the U.S.	N/A	N/A	None
Direct federal agencies obligations which are not fully guaranteed by the full faith and credit of the U.S.	N/A	N/A	None
U.S. dollar denominated deposit accounts, federal funds and bankers' acceptances with domestic commercial banks	360 days	P-1, A-1+, A-1	None
Commercial Paper	270 days	P-1, A-1	None
Money market funds	N/A	Aaam or AAAM-G	None
Pre-refunded municipal obligations that are not callable prior to maturity or as to which irrevocable instructions have been given to call on the date specified in the notice	N/A	Highest Rating Category	None
Municipal obligations or General obligations of states	N/A	Aaa, AAA, A2, A	None
California Local Agency Investment Fund (LAIF)	N/A	N/A	Up to \$65 million
Shares in a California common law trust established pursuant to Title 1, Division 7, Chapter 5 of the California Government Code which invests exclusively in investments permitted by Section 53635 of Title 5, Division 2, Chapter of the California Government Code, as it may be amended.	N/A	N/A	None

D. Risk Disclosures

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the City manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

City of Cupertino
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2024

Note 2 – Cash and Investments (Continued)

D. Risk Disclosures (Continued)

Disclosures Relating to Interest Rate Risk (Continued)

Information about the sensitivity of the fair values of the City's investments (including investments held by bond trustee) to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity:

Investment Type	Remaining Maturity (In Months)			Total
	12 Months of less	13 to 24 Months	More than 24 Months	
U.S. Treasury Securities	\$ 8,951,031	\$ 12,755,976	\$ 34,158,951	\$ 55,865,958
Corporate Notes	9,920,496	11,372,012	21,688,001	42,980,509
U.S. Agency Notes:				
Federal Home Loan Mortgage Corporation	2,310,585	3,553,731	-	5,864,316
Federal National Mortgage Association	7,410,588	4,725,871	-	12,136,459
Federal Home loan Banks	-	-	1,880,320	1,880,320
FarmCredit System	-	-	5,209,380	5,209,380
Municipal Bonds	748,923	-	-	748,923
Asset-Backed Securities	2,859,880	1,483,330	13,578,990	17,922,200
Supranationals	-	6,933,063	-	6,933,063
Collateralized Mortgage Obligations	1,220,868	2,884,099	1,571,735	5,676,702
Local Agency Investment Fund	64,760,594	-	-	64,760,594
Money Market Mutual Funds	8,959,734	-	-	8,959,734
Restricted investment with PARS	21,663,664	-	-	21,663,664
Total investments	\$ 128,806,363	\$ 43,708,082	\$ 78,087,377	250,601,822
Cash in banks and on hand				22,864,620
Total Cash and Investments				\$ 273,466,442

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the City's investment policy, or debt agreements, and the actual rating, by Standard and Poor's or Moody's, as of June 30, 2024 for each investment type:

City of Cupertino
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2024

Note 2 – Cash and Investments (Continued)

D. Risk Disclosures (Continued)

Disclosures Relating to Credit Risk (Continued)

Investment Type	Total	AAA	AA	A	Not Required
U.S. Treasury Securities	\$ 55,865,958	\$ 55,865,958	\$ -	\$ -	\$ -
Corporate Notes	42,980,509	-	15,864,172	27,116,337	-
U.S. Agency Notes					
Federal Home Loan Mortgage Corporation	5,864,316	5,864,316	-	-	-
Federal National Mortgage Association	12,136,459	12,136,459	-	-	-
Federal Home Loan Banks	1,880,320	1,880,320	-	-	-
FarmCredit System	5,209,380	5,209,380			
Municipal Bonds	748,923	-	748,923	-	-
Asset-Backed Securities	17,922,200	17,922,200	-	-	-
Supranationals	6,933,063	6,933,063	-	-	-
Collateralized Mortgage Obligations	5,676,702	5,676,702	-	-	-
Local Agency Investment Fund	64,760,594	-	-	-	64,760,594
Money Market Mutual Funds	8,959,734	8,959,734	-	-	-
Restricted investment with PARS	21,663,664	-	-	-	21,663,664
Total Investments	\$ 250,601,822	\$ 120,448,132	\$ 16,613,095	\$ 27,116,337	\$ 86,424,258

Disclosures Relating to Concentration of Credit Risk

The investment policy of the City contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. At June 30, 2024, the following investment represent 5% or more of total City investments:

Issuer	Investment Type	Amount	Percentage
Federal National Mortgage Association (FNMA)	U.S. Agency Notes	\$ 12,136,459	5%

Disclosures Relating to Custodial Credit Risk

Custodial credit risk is the risk that, in the event of the failure of the counter party, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. All securities, with the exception of LAIF and other pooled investments, are held by a third-party custodian.

City of Cupertino
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2024

Note 2 – Cash and Investments (Continued)

E. Fair Value Measurement Disclosure

The investments are reported at fair value. The following table presents the fair value measurement of investments on a recurring basis and the levels within GASB 72 fair value hierarchy in which the fair value measurements fall at June 30, 2024:

Investments by Fair Value Level	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Total
U.S. Treasury Securities	\$ 55,865,958	\$ -	\$ 55,865,958
Corporate Notes	-	42,980,509	42,980,509
U.S. Agency Notes			
Federal Home Loan Mortgage Corporation	-	5,864,316	5,864,316
Federal National Mortgage Association	-	12,136,459	12,136,459
Federal Home Loan Banks	-	1,880,320	1,880,320
FarmCredit System	-	5,209,380	5,209,380
Asset-Backed Securities	-	17,922,200	17,922,200
Collateralized Mortgage Obligations	-	5,676,702	5,676,702
Supranationals	-	6,933,063	6,933,063
Municipal Bonds	-	748,923	748,923
Total Investments	<u>\$ 55,865,958</u>	<u>\$ 99,351,872</u>	155,217,830
Investments Measured at Amortized Cost:			
Money Market Mutual Funds - Restricted for Pension (PARS)			21,663,664
Money Market Mutual Funds			8,959,734
Investments Exempt from Fair Value Hierarchy:			
Local Agency Investment Fund			64,760,594
Cash in banks and on hand			22,864,620
Total Cash and Investments			<u>\$ 273,466,442</u>

F. Investment in Local Agency Investment Fund (LAIF)

The City is a participant in LAIF which is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The City's investments in LAIF at June 30, 2024 included a portion of pool funds invested in Structure Notes and Asset-Backed Securities:

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 indices and/or that have embedded forwards or options.

Asset-Backed Securities, the bulk of which are mortgage-backed securities, entitle their purchasers to receive a share of the cash flows from pool of assets such as principal and interest repayments from a pool of mortgages (such as Collateralized Mortgage Obligations) or credit card receivables.

City of Cupertino
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2024

Note 2 – Cash and Investments (Continued)

F. Investment in Local Agency Investment Fund (LAIF) (Continued)

As of June 30, 2024, the City had \$64,760,594 invested in LAIF, which had invested 3.00% of the pool investment funds in Structured Notes and Asset-Back Securities. LAIF determines fair value on its investment portfolio based on market quotations for those securities where market quotations are readily available and based on amortized cost or best estimate for those securities where market value is not readily available. LAIF is reported at amortized cost, which approximates fair value.

Note 3 – Loans Receivable

Housing Program Loans

On June 30, 1995, the City loaned \$821,000 to Community Housing Developers, a California nonprofit public benefit corporation. The note bears interest at three percent per annum, compounded annually, payable to the extent of surplus cash, and all unpaid principal and interest due June 30, 2035. As of June 30, 2024, the balance remaining on the loan was \$1,934,740 including principal and interest in the amounts of \$821,000 and \$1,113,740, respectively. The loan was issued using resources in the amount of \$417,000 and \$404,000 in the General Fund and the Housing Development Special Revenue Fund, respectively and is considered governmental activities.

On June 6, 1996, the City loaned \$320,000 to Cupertino Community Services, a California nonprofit public benefit corporation. The note bears interest at three percent per annum and due on July 14, 2026. As of June 30, 2024, the balance on the loan was \$124,269. The loan was issued using resources in the Housing Development Special Revenue Fund and is considered governmental activities.

On September 11, 2017 the City loaned \$3,672,000 to Stevens Creek, L.P., a California limited partnership. The note bears interest at three percent per annum for 55 years. After the completion of construction of the development, no later than April 30th of each calendar year, the Developer shall make repayments of the loan in an amount equal to the City loan percentage of the lenders' share of residual receipts. The payments shall be credited first against accrued interest and then against outstanding principal of the loan, and shall be accompanied by the developer's report of residual receipts. As of June 30, 2024, the balance remaining on the loan was \$4,489,789 including principal and interest in the amounts of \$3,672,000 and \$817,789, respectively in the Housing Development Special Revenue Fund and is considered as governmental activities.

Note 4 – Leases Receivable and Lease-Related Deferred Inflows of Resources

The City leases various City assets to other entities via contractual arrangements under the provisions of GASB Statement No. 87, *Leases*. The leases include land leases utilized for cell phone towers as well as property leases of the McClellan Ranch House and the Cupertino Public Library. The City receives fixed payments from the lessees, with a total of \$263,427 recognized as rental revenue and \$29,203 recognized as interest revenue on the lease for the year ended June 30, 2024 and a receivable for the remaining payments under the leases of \$2,485,763.

A summary of changes in lease receivable for the year ended June 30, 2024 is as follows:

Balance July 1, 2023	Additions	Retirements	Balance June 30, 2024	Current Portion	Long-term Portion
\$ 2,493,039	\$ 221,447	\$ (228,723)	\$ 2,485,763	\$ 245,873	\$ 2,239,890

City of Cupertino
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2024

Note 4 – Leases Receivable and Lease-Related Deferred Inflows of Resources (Continued)

At June 30, 2024, the required payments for these leases, including interest, are:

Year Ending June 30,	NPV Leases Receivable	Interest	Total Lease Payment
2025	\$ 245,873	\$ 31,656	\$ 277,529
2026	265,353	28,432	293,785
2027	277,565	24,914	302,479
2028	289,843	21,252	311,095
2029	240,456	17,489	257,945
2030 - 2034	856,588	48,459	905,047
2035 - 2039	254,353	13,496	267,849
2040 - 2041	55,732	484	56,216
Total	<u>\$ 2,485,763</u>	<u>\$ 186,182</u>	<u>\$ 2,671,945</u>

At June 30, 2024, the amounts reported as deferred inflows of resources related to leases will be recognized as lease revenue as follows:

Year Ending June 30,	Amount
2025	\$ 292,705
2026	280,343
2027	280,343
2028	280,343
2029	227,941
2030 - 2034	722,216
2035 - 2039	195,140
2040 - 2041	42,059
Total	<u>\$ 2,321,090</u>

Note 5 – Interfund Transactions

A. Advances

Interfund advances are balances between funds that are not expected to be repaid within the current fiscal year. As of June 30, 2024, the General Fund advanced \$3,000,000 to the Capital Improvement Projects Capital Projects Fund for advance funding of planned projects that will be repaid in subsequent years.

City of Cupertino
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2024

Note 5 – Interfund Transactions (Continued)

B. Due from and to other Funds

At June 30, 2024, the City has the following due from and to other funds:

		Due to Other Funds	
		Internal Service Funds	Total
Due From Other Funds			
Governmental Funds:			
General Fund		\$ 1,401,947	\$ 1,401,947
		\$ 1,401,947	\$ 1,401,947

These interfund balances represent routine short-term cash flow assistance.

C. Transfers In and Out

Transfers between funds during the fiscal year ended June 30, 2024 were as follows:

		Transfers In					
		Governmental Funds			Proprietary Funds		
			Capital Improvement Projects	Public Facilities Corporation Debt	Capital Project	Internal Service Funds	
Transfers Out	General Fund	Transportation Special Revenue Fund	Service Fund	Fund	Fund	Funds	Total
Governmental Funds:							
General Fund	\$ -	\$ 2,500,000	\$ 2,677,600	\$ -	\$ -	\$ 1,417,684	\$ 6,595,284
Housing Development Special Revenue Fund	-	-	-	367,951	-	-	367,951
Capital Improvement Projects Capital Projects Fund	-	949,019	-	3,384,299	-	-	4,333,318
Nonmajor Governmental Funds	15,000	-	-	800,000	-	-	815,000
Proprietary Funds:							
Resource Recovery Enterprise Fund	20,000	-	-	-	-	-	20,000
Internal Service Funds	76,000	-	-	-	-	-	76,000
	\$ 111,000	\$ 3,449,019	\$ 2,677,600	\$ 4,552,250	\$ -	\$ 1,417,684	\$ 12,207,553

Transfers provided funding for operating subsidies, capital projects, capital acquisitions, internal service funds personnel costs associated with staff special project, compensated absences and retiree health, and debt service.

City of Cupertino
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2024

Note 6 – Capital Assets

A. Governmental Activities

A summary of changes in capital assets of the governmental activities for the year ended June 30, 2024 is as follows:

<i>Governmental Activities:</i>	Balance July 1, 2023	Additions	Deletions	Transfers	Balance June 30, 2024
General Government Capital Asset:					
Capital assets not being depreciated:					
Land	\$ 64,786,669	\$ -	\$ -	\$ -	\$ 64,786,669
Easements	19,615,039	-	-	-	19,615,039
Construction in progress	28,475,393	10,357,167	(2,136)	(11,862,629)	26,967,795
Total general government capital assets not being depreciated	112,877,101	10,357,167	(2,136)	(11,862,629)	111,369,503
Capital assets being depreciated:					
Buildings	47,763,913	-	-	1,122,392	48,886,305
Improvements other than buildings	61,623,361	-	-	4,545,738	66,169,099
Machinery and equipment	4,575,626	-	-	311,918	4,887,544
Roads, curbs, gutters, sidewalks, medians and bridges	187,809,815	-	-	3,009,061	190,818,876
Streetlights	9,704,680	-	-	282,038	9,986,718
Storm drain structure and mains	37,373,158	-	-	2,546,177	39,919,335
Traffic signals	6,440,061	-	-	45,305	6,485,366
Total capital assets being depreciated	355,290,614	-	-	11,862,629	367,153,243
Less accumulated depreciation for:					
Buildings	(35,258,927)	(1,660,807)	-	-	(36,919,734)
Improvements other than buildings	(48,249,869)	(2,488,375)	-	-	(50,738,244)
Machinery and equipment	(3,524,357)	(196,590)	-	-	(3,720,947)
Roads, curbs, gutters, sidewalks, medians and bridges	(118,441,355)	(2,974,308)	-	-	(121,415,663)
Streetlights	(8,463,672)	(162,016)	-	-	(8,625,688)
Storm drain structure and mains	(33,832,000)	(536,305)	-	-	(34,368,305)
Traffic signals	(6,019,643)	(111,072)	-	-	(6,130,715)
Total accumulated depreciation	(253,789,823)	(8,129,473)	-	-	(261,919,296)
Total capital assets being depreciated, net	101,500,791	(8,129,473)	-	11,862,629	105,233,947
Intangible assets, being amortized					
Right-to-use subscription assets	2,454,977	-	(219,832)	-	2,235,145
Total intangible assets, being amortized	2,454,977	-	(219,832)	-	2,235,145
Less accumulated amortization for:					
Right-to-use subscription assets	(574,289)	(597,246)	56,762	-	(1,114,773)
Total accumulated amortization	(574,289)	(597,246)	56,762	-	(1,114,773)
Total intangible assets, being amortized, net	1,880,688	(597,246)	(163,070)	-	1,120,372
Total general government capital asset, net	216,258,580	1,630,448	(165,206)	-	217,723,822
Internal Service Fund Capital Assets:					
Capital assets not being depreciated:					
Construction in progress	119,408	432,767	-	(359,250)	192,925
Total internal fund capital assets not being depreciated	119,408	432,767	-	(359,250)	192,925
Capital assets being depreciated:					
Machinery and equipment	13,067,171	-	(126,904)	359,250	13,299,517
Less accumulated depreciation	(10,479,018)	(546,697)	126,904	-	(10,898,811)
Total internal fund capital assets being depreciated, net	2,588,153	(546,697)	-	359,250	2,400,706
Intangible assets, being amortized					
Right-to-use lease assets	-	34,108	-	-	34,108
Right-to-use subscription assets	307,834	51,199	(24,866)	-	334,167
Total intangible assets, being amortized	307,834	85,307	(24,866)	-	368,275
Less accumulated amortization for:					
Right-to-use lease assets	-	(18,844)	-	-	(18,844)
Right-to-use subscription assets	(106,011)	(85,127)	8,289	-	(182,849)
Total accumulated amortization	(106,011)	(103,971)	8,289	-	(201,693)
Total intangible assets, being amortized, net	201,823	(18,664)	(16,577)	-	166,582
Total internal service fund capital assets, net	2,909,384	(132,594)	(16,577)	-	2,760,213
Governmental activities capital assets, net	\$ 219,167,964	\$ 1,497,854	\$ (181,783)	\$ -	\$ 220,484,035

City of Cupertino
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2024

Note 6 – Capital Assets (Continued)

A. Governmental Activities (Continued)

Depreciation and amortization expenses were charged to functions and programs based on their usage of the related assets. Depreciation and amortization expenses were charged to governmental activities as follows:

Governmental Activities	<u>Depreciation</u>	<u>Amortization</u>
Administration	\$ 1,016,184	\$ 46,585
Innovation and technology	618,653	
Administrative Services	795,062	37,626
Parks and Recreation	1,148,695	27,533
Community development	1,016,184	160,540
Public Works	3,534,695	324,962
Subtotal	<u>8,129,473</u>	<u>597,246</u>
Internal Service Allocation		
Administration	1,235	8,110
Innovation and technology	101,415	-
Administrative Services	967	6,550
Parks and Recreation	4,726	4,793
Community development	1,235	27,947
Public Works	437,119	56,571
Subtotal	<u>546,697</u>	<u>103,971</u>
Total - Governmental Activities	<u>\$ 8,676,170</u>	<u>\$ 701,217</u>

B. Business-Type Activities

A summary of changes in capital assets of the business-type activities for the year ended June 30, 2024 is as follows:

	<u>Balance</u>				<u>Balance</u>
	July 1, 2023	Additions	Deletions	Transfers	June 30, 2024
Business-type activities:					
Capital assets not being depreciated:					
Construction in progress	\$ 358,231	\$ 86,156	\$ (341)	\$ (440,709)	\$ 3,337
Total capital assets not being depreciated	<u>358,231</u>	<u>86,156</u>	<u>(341)</u>	<u>(440,709)</u>	<u>3,337</u>
Capital assets being depreciated:					
Buildings	2,073,689	-	-	217,551	2,291,240
Improvements other than buildings	2,175,914	-	-	223,158	2,399,072
Machinery and equipment	751,752	-	-		751,752
Total capital assets being depreciated	<u>5,001,355</u>	<u>-</u>	<u>-</u>	<u>440,709</u>	<u>5,442,064</u>
Less accumulated depreciation for:					
Buildings	(655,019)	(95,786)	-	-	(750,805)
Improvements other than buildings	(1,912,652)	(67,240)	-	-	(1,979,892)
Machinery and equipment	(682,323)	(22,961)	-	-	(705,284)
Total accumulated depreciation	<u>(3,249,994)</u>	<u>(185,987)</u>	<u>-</u>	<u>-</u>	<u>(3,435,981)</u>
Total capital assets being depreciated, net	<u>1,751,361</u>	<u>(185,987)</u>	<u>-</u>	<u>440,709</u>	<u>2,006,083</u>
Business-type activity capital assets, net	<u>\$ 2,109,592</u>	<u>\$ (99,831)</u>	<u>\$ (341)</u>	<u>\$ -</u>	<u>\$ 2,009,420</u>

City of Cupertino
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2024

Note 6 – Capital Assets (Continued)

B. Business-Type Activities (Continued)

Depreciation expense was charged to the business-type activities as follows:

Business-Type Activities	Depreciation
Cupertino Sports Center	\$ 110,173
Recreation Program	60,424
Blackberry Farm	15,390
Total	\$ 185,987

Note 7 – Long-Term Liabilities

A. Governmental Activities

A summary of changes in long-term liabilities for governmental activities for the year ended June 30, 2024 is as follows:

	Balance July 1, 2023	Additions/ Adjustment	Retirements	Balance June 30, 2024	Current Portion	Long-term Portion
2020A Certificates of Participation	\$ 16,065,000	\$ -	\$ (2,035,000)	\$ 14,030,000	\$ 2,115,000	\$ 11,915,000
Issuance Premium	2,784,711	-	(397,816)	2,386,895	-	2,386,895
Lease liabilities	-	34,108	(18,739)	15,369	6,808	8,561
Subscription liabilities	2,027,290	51,199	(868,215)	1,210,274	597,895	612,379
Claims payable	2,222,786	(268,925)	(282,274)	1,671,587	322,000	1,349,587
Compensated absences	5,081,560	376,814	(397,437)	5,060,937	453,951	4,606,986
Total long-term liabilities	\$ 28,181,347	\$ 193,196	\$ (3,999,481)	\$ 24,375,062	\$ 3,495,654	\$ 20,879,408

2020 A Certificates of Participation

The Cupertino Public Facilities Corporation issued Certificates of Participation to provide financing for the construction of the Community Center, improvements of the City Hall and the Library in July 1986; purchase of Wilson Park in 1989; finance the Memorial Park Expansion in 1990; and purchase the Blackberry Farm and Fremont Older site in 1991. The Cupertino Public Facilities Corporation, as lessor, leased real property to the City (under the Lease Agreement with the lessee) and assigned the base rental payments to the trustee for the benefit of the owners of the certificates of participation. The rental payments which represent the pledged revenues are scheduled to be sufficient in both time and amount, when the principal and interest of the certificates are due, which was the case for the year ended June 30, 2024.

On May 9, 2012, \$43,940,000 principal amount of 2012 Refinancing Certificates of Participation (2012 COPs) were issued to refund the 2002 COPs, to fund a reserve fund for the 2012 COPs, and pay costs incurred in connection with issuance.

On September 29, 2020, \$22,040,000 principal amount of 2020A Certificates of Participation (2020 COPs) were issued to refund the 2012 COPs and pay costs incurred in connection with issuance. The proceeds were placed into an escrow account, along with funds from the City's 2012 COPs Reserve and on October 30, 2020, the 2012 COPs were prepaid, resulting no amounts outstanding as of June 30, 2024 for the 2012 COPs. The result of the transaction was an economic gain of \$3,133,819.

City of Cupertino
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2024

Note 7 – Long-Term Liabilities (Continued)

A. Governmental Activities (Continued)

2020 A Certificates of Participation (Continued)

The 2020A COPs are payable by a pledge of revenues from the lease payments payable by the City pursuant to the Lease Agreement between the Cupertino Public Facilities Corporation and the City for the use and possession of the Site and Facility as described in the Lease Agreement. The City also covenanted in the Lease Agreement to include all lease payments in its annual budget. Total debt service payments remaining on the 2020 COPs is \$16,058,600 payable through June 1, 2030. During the year ended June 30, 2024, the bonds had \$2,035,000 of principal and \$642,600 interest due and paid. The annual debt service requirements on these certificates are as follows:

Year Ending June 30,	Principal	Interest	Total
2025	\$ 2,115,000	\$ 561,200	\$ 2,676,200
2026	2,200,000	476,600	2,676,600
2027	2,285,000	388,600	2,673,600
2028	2,380,000	297,200	2,677,200
2029	2,475,000	202,000	2,677,000
2030	2,575,000	103,000	2,678,000
Total	<u>\$ 14,030,000</u>	<u>\$ 2,028,600</u>	<u>\$ 16,058,600</u>

Lease Liabilities

The City has entered into a lease for vehicle uses. The terms of the agreements are 36 months with an implicit rate 0.5273%. Principal and interest to maturity are as follows:

Year Ending June 30,	Principal	Interest	Total
2025	\$ 6,808	\$ 65	\$ 6,873
2026	6,844	29	6,873
2027	1,717	2	1,719
Total	<u>\$ 15,369</u>	<u>\$ 96</u>	<u>\$ 15,465</u>

Subscription Liabilities

The City has entered into subscriptions for information technology arrangements. The terms of the arrangements range from 12 to 48 months with implicit rates used between 1.710% to of 3.331%. Principal and interest to maturity are as follows:

Year Ending June 30,	Principal	Interest	Total
2025	\$ 597,895	\$ 24,988	\$ 622,883
2026	382,583	12,130	394,713
2027	224,956	4,342	229,298
2028	4,840	160	5,000
Total	<u>\$ 1,210,274</u>	<u>\$ 41,620</u>	<u>\$ 1,251,894</u>

Claims Payable

Refer to Note 10 for more details.

City of Cupertino
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2024

Note 7 – Long-Term Liabilities (Continued)

A. Governmental Activities (Continued)

Compensated Absences

The long-term portion of compensated absences payable has been accrued for the Governmental Activities on the Government-Wide Financial Statements. In prior years, the General Fund has typically been used to liquidate the liability. The balance outstanding at June 30, 2024 was \$5,060,937.

B. Business-Type Activities

The following is a summary of changes in long-term liabilities for business-type activities for the year ended June 30, 2024:

	Balance July 1, 2023	Additions	Retirements	Balance June 30, 2024	Current Portion	Long-term Portion
Compensated absences	\$ 220,241	\$ 23,731	\$ (9,273)	\$ 234,699	\$ 19,979	\$ 214,720
Total long-term liabilities	<u>\$ 220,241</u>	<u>\$ 23,731</u>	<u>\$ (9,273)</u>	<u>\$ 234,699</u>	<u>\$ 19,979</u>	<u>\$ 214,720</u>

Compensated Absences

All vested vacation and compensatory leave time is recognized as an expense and as a liability in the business-type funds at the time the liability vests. All of the enterprise funds of the City have been used to liquidate the liability. The balance outstanding at June 30, 2024 was \$234,699.

Note 8 – Defined Benefit Pension Plan

A. General Information about the Pension Plan

Plan Description

The City contributes to the California Public Employees’ Retirement System (“CalPERS”), an agent multiple-employer public employee defined benefit pension plan. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute and City ordinance. A full description of the pension plan regarding number of employees covered, benefit provisions, assumptions (for funding, but not accounting purposes), and membership information are listed in the Annual Actuarial Valuation Report. This report and CalPERS’ audited financial statements are publicly available reports that can be obtained at CalPERS’ website at www.calpers.ca.gov under Forms and Publications.

Benefit Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

City of Cupertino
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2024

Note 8 – Defined Benefit Pension Plan (Continued)

A. General Information about the Pension Plan (Continued)

Benefit Provided (Continued)

The Pension Reform Act of 2013 (PEPRA), Assembly Bill 340, is applicable to employees new to CalPERS and hired after December 31, 2012. The Plans' provisions and benefits in effect at June 30, 2024, are summarized as follows:.

	Hire date	
	Prior to January 1 , 2013	On or after January 1, 2013
Benefit formula	2.7%@55	2.0%@62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Minimum retirement age	50	52
Monthly benefits, as a% of eligible compensation	2% to 2.7%	1% to 2%
Required employee contribution rates	8.00%	7.00%
Required employer contribution rates	10.71%	10.71%

Participant is eligible for non-industrial disability retirement if becomes disabled and has at least 5 years of credited service. There is no special age requirement. The standard non-industrial disability retirement benefit is a monthly allowance equal to 1.8 percent of final compensation, multiplied by service. Industrial disability benefits are not offered.

An employee's beneficiary may receive the basic death benefit if the employee dies while actively employed. The employee must be actively employed with the City to be eligible for this benefit. An employee's survivor who is eligible for any other pre-retirement death benefit may choose to receive that death benefit instead of this basic death benefit. The basic death benefit is a lump sum in the amount of the employee's accumulated contributions, where interest is currently credited at 6 percent per year, plus a lump sum in the amount of one-month salary for each completed year of current service, up to a maximum of six-months salary. For purposes of this benefit, one month's salary is defined as the member's average monthly full-time rate of compensation during the 12 months preceding death.

Upon the death of a retiree, a one-time lump sum payment of \$500 will be made to the retiree's designated survivor(s), or to the retiree's estate.

Benefit terms provide for annual cost-of-living adjustments to each employee's retirement allowance. Beginning the second calendar year after the year of retirement, retirement and survivor allowances will be annually adjusted on a compound basis by 2 percent.

Employees Covered by Benefit Terms

As of the June 30, 2022, the valuation date, the following employees were covered by the benefit terms of the Plan:

Active employees	205
Transferred and terminated employees	169
Retired Employees and Beneficiaries	273
Total	<u>647</u>

City of Cupertino
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2024

Note 8 – Defined Benefit Pension Plan (Continued)

A. General Information about the Pension Plan (Continued)

Contributions

Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for both Plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

B. Net Pension Liability

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

The June 30, 2022 valuation was rolled forward to determine the June 30, 2023 total pension liability, based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal in accordance with the requirement of GASB Statement No. 68
Actuarial Assumptions:	
Discount Rate	6.90%
Inflation	2.30%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table ¹	Derived using CalPERS' Membership Data for all Funds.
Post Retirement Benefit Increase	The lesser of contract COLA or 2.30% until Purchasing Power Protection Allowance floor on purchasing power applies, 2.30% thereafter

¹The mortality table used was developed based on CalPERS-specific data. The probabilities of mortality are based on the 2021 CalPERS Experience Study and Review of Actuarial Assumptions. Mortality rates incorporate full generational mortality improvement using 80% of Scale MP-2020 published by the Society of Actuaries. For more details on this table, please refer to the 2021 experience study report from November 2021 that can be found on the CalPERS website.

Change of Assumptions

There were no changes of assumptions in 2023.

Long-term Expected Rate of Return

The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

City of Cupertino
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2024

Note 8 – Defined Benefit Pension Plan (Continued)

B. Net Pension Liability (Continued)

Long-term Expected Rate of Return (Continued)

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations. Using historical returns of all of the funds' asset classes, expected compound (geometric) returns were calculated over the next 20 years using a building-block approach. The expected rate of return was then adjusted to account for assumed administrative expenses of 10 Basis points. The expected real rates of return by asset class are as follows:

Asset Class ¹	Assumed Asset Allocation	Real Return ^{1,2}
Global Equity - Cap-weighted	30.00%	4.54%
Global Equity - Non-Cap-weighted	12.00%	3.84%
Private Equity	13.00%	7.28%
Treasury	5.00%	0.27%
Mortgage-backed Securities	5.00%	0.50%
Investment Grade Corporates	10.00%	1.56%
High Yield	5.00%	2.27%
Emerging Market Debt	5.00%	2.48%
Private Debt	5.00%	3.57%
Real Assets	15.00%	3.21%
Leverage	-5.00%	-0.59%
	<u>100.00%</u>	

¹An expected inflation of 2.30% used for this period.

²Figures are based on the 2021 Asset Liability Management study.

Discount Rate

The discount rate used to measure the total pension liability was 6.90%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

City of Cupertino
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2024

Note 8 – Defined Benefit Pension Plan (Continued)

C. Changes in the Net Pension Liability

The following table shows the changes in net pension liability for the City’s Miscellaneous Plan recognized over the measurement period.

	Miscellaneous Plan		
	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (c) = (a) - (b)
Balance at June 30, 2022 (Valuation Date)	\$ 172,848,302	\$ 117,007,404	\$ 55,840,898
Changes in the year:			
Service cost	4,097,215	-	4,097,215
Interest on the total pension liability	11,919,333	-	11,919,333
Change of Benefit Terms	201,460	-	201,460
Change of Assumptions	-	-	-
Differences between actual and expected experience	2,085,468	-	2,085,468
Contribution - employer	-	7,183,364	(7,183,364)
Contribution - employee	-	1,825,602	(1,825,602)
Net investment income	-	7,184,605	(7,184,605)
Administrative expenses	-	(86,042)	86,042
Other miscellaneous income/(expenses)	-	-	-
Benefit payments, including refunds of employee contributions	(8,879,755)	(8,879,755)	-
Net Changes during July 1, 2022 to June 30, 2023	9,423,721	7,227,774	2,195,947
Balance at June 30, 2023 (Measurement Date)	<u>\$ 182,272,023</u>	<u>\$ 124,235,178</u>	<u>\$ 58,036,845</u>

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the plans as of the measurement date, calculated using the discount rate of 6.90%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (5.90%) or 1 percentage-point higher (7.90%) than the current rate:

	Plan's Net Pension Liability/(Asset)		
	Discount Rate	Current Discount	Discount Rate
	- 1% (5.90%)	Rate (6.90%)	+ 1% (7.90%)
Miscellaneous Plan	<u>\$ 82,467,218</u>	<u>\$ 58,036,845</u>	<u>\$ 37,947,324</u>

Pension Plan Fiduciary Net Position

Detailed information about the plan’s fiduciary net position is available in the separately issued CalPERS financial report.

City of Cupertino
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2024

Note 8 – Defined Benefit Pension Plan (Continued)

C. Changes in the Net Pension Liability (Continued)

Pension Expense (Credit) and Deferred Outflows and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2024, the City recognized pension expense of \$10,219,721. As of June 30, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Miscellaneous Plan	
	Deferred outflows of Resources	Deferred inflows of Resources
Pension contribution made after measurement date	\$ 7,230,634	\$ -
Changes of assumptions	2,472,297	-
Difference between expected and actual experience	1,890,633	(86,493)
Net difference between projected and actual earning on pension plan investments	5,688,471	-
Total	\$ 17,282,035	\$ (86,493)

The amounts above are net of outflows and inflows recognized in the 2022-23 measurement period expense.

The expected average remaining service lifetime (“EARSL”) is calculated by dividing the total future service years by the total number of plan participants (active, inactive, and retired). The EARSL for the Plan for the measurement period ending June 30, 2023 is 3.7 years, which was obtained by dividing the total service years of 2,413 (the sum of remaining service lifetimes of the active employees) by 647 (the total number of participants: active, inactive, and retired). Inactive employees and retirees have remaining service lifetimes equal to 0. Total future service is based on the members’ probability of decrementing due to an event other than receiving a cash refund.

The \$7,230,634 of contributions for the fiscal year ended June 30, 2024 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2025.

Other amounts reported as deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Measurement Period Ending June 30	Deferred Outflows/(Inflows)
2024	\$ 3,377,930
2025	2,166,910
2026	4,243,185
2027	176,883
2028	-
Thereafter	-
Total	\$ 9,964,908

City of Cupertino
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2024

Note 9 – Other Post Employment Benefits (OPEB)

A. General Information about the OPEB Plan

Plan Description

Permanent employees who retire under the City's CalPERS retirement plan are, pursuant to their respective collective bargaining agreements, eligible to have their medical insurance premiums paid by the City. Retirees receive the amount necessary to pay the cost of his/her enrollment, including the enrollment of his/her family members, in a health benefit plan provided by CalPERS up to the maximum received by active employees in their respective bargaining unit.

The City contracts with CalPERS for this insured-benefit plan established under the state Public Employees' Medical and Hospital Care Act (PEMHCA). The plan offers employees and retirees three CalPERS' self-funded options, setup as insurance risk pools, or offers various third-party insured health plans. The plan's medical benefits and premium rates are established by CalPERS and the insurance providers. The City contribution is established by City resolution. Retirees and active employees pay the difference between the premium rate and the City's contribution. Premiums and City contributions are based on the plan and coverage selected by actives and retirees, with the City's potential contribution ranging from zero to \$1,605 per month per employee or retiree. The responsibility for benefit payments has transferred to the insurers and the City does not guarantee the benefits in the event of default by the insurers. A comprehensive annual financial report of CalPERS, inclusive of their benefit plans, is available at www.calpers.ca.gov.

The City participates in the Public Agency Retirement System (PARS) Public Agencies Post Retirement Health Care Plan Trust Program (PARS Trust), an agent-multiple employer irrevocable trust established to fund other postemployment benefits. The City Council adopted the PARS Public Agencies Post-Retirement Health Care Plan Trust, including the PARS Public Agencies Post-Retirement Health Care Plan, to fund medical insurance costs for its retired employees, effective February 17, 2010. The City Council appointed the City Treasurer, or his/her successor or his/her designee as the City's plan administrator. The plan administrator is authorized to execute the PARS legal documents on behalf of the City and to take whatever additional actions necessary to maintain the City's participation in the Program and to maintain compliance of any relevant regulation issued or as may be issued; therefore, authorizing him/her to take whatever additional actions are required to administer the City's PARS Plan. The PARS Trust is approved by the Internal Revenue Code Section 115 and invests funds in equity, bond, and money market mutual funds. Copies of PARS Trust annual financial report is available at the City's Finance Department.

An employee is eligible for lifetime medical benefits under the OPEB Plan, along with his/her spouse or declared domestic partner at the time of retirement, if all criteria listed below are met:

- The employee was hired or the City Council member was elected prior to August 1, 2004, and the employee has five or more full-time years of service and the City Council member has five or more years of elected service with the City of Cupertino; or
- The employee was hired or the City Council member was elected on or after August 1, 2004, and the employee has ten or more full-time and/or elected years of CalPERS service, five years of which must be from the City of Cupertino; and
- The employee is eligible for retirement as defined under the CalPERS retirement system; and the employee retires from the City of Cupertino.

City of Cupertino
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2024

Note 9 – Other Post Employment Benefits (OPEB) (Continued)

A. General Information about the OPEB Plan (Continued)

Plan Description (Continued)

In addition, the eligible employee's dependent children at the time of retirement who are under 23 years old are eligible for medical benefits. In addition to extending the eligibility of dependents from age 23 to age 26 in accordance with the recent healthcare reform act, effective July 1, 2010, employees that retire or resign from service with the City of Cupertino and who are not eligible for retiree medical benefits can continue on the City's medical and dental plans provided that they pay the premiums in full.

Plan Members Covered by Benefit Terms

At July 1, 2023, the valuation date, the Plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefit payments	156
Inactive plan members entitled to but not yet receiving benefit payments	0
Active plan members	171
	327

Contributions

OPEB Plan contributions are set by the adopted budget. The cost of the benefits provided by the OPEB Plan is currently being paid by the City on a fully pre-funded basis. Based on the actuarial valuation date of July 1, 2023, the annual required contribution rate is 7.3 percent of annual covered payroll. For the year ended June 30, 2024, the City paid \$722,863 in healthcare premium payments including implied subsidy. Plan members are not required to contribute to the plan.

B. Net OPEB Liability

The City's net OPEB liability was measured as of June 30, 2024 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2023. Standard actuarial update procedures were used to project/discount from valuation to measurement dates.

Investment Rate of Return

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the target asset allocation as of June 30, 2024 (see the discussion of the Plan's investment policy) are summarized in the following table:

City of Cupertino
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2024

Note 9 – Other Post Employment Benefits (OPEB) (Continued)

B. Net OPEB Liability (Continued)

Investment Rate of Return (Continued)

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed income - core	6.20%
Fixed income - high yield	6.80%
Equities - domestic	7.50%
Equities - developed foreign	7.10%
Equities - emerging foreign	7.40%
Real estate	7.00%
Cash	2.70%

Investment Policy

The Plan’s policy in regard to the allocation of invested assets is established and may be amended by the Plan’s Board by a majority vote of its members. It is the policy of the Plan Board to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The Plan’s investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. The following was the Board’s adopted asset allocation policy as of June 30, 2024:

<u>Asset Class</u>	<u>Target Allocation</u>
Fixed income	29.00%
Equities	62.00%
Real estate	6.00%
Commodities	2.00%
Cash	1.00%
Total	<u>100.00%</u>

Concentrations

The Plan did not have investments outside of mutual funds that comprise five percent or more of the Plan’s total fiduciary net position.

Rate of Return

For the year ended June 30, 2024, the annual money-weighted rate of return on investments, net of investment expense, was 13.65 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

City of Cupertino
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2024

Note 9 – Other Post Employment Benefits (OPEB) (Continued)

B. Net OPEB Liability (Continued)

Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of July 1, 2023, using the previously listed actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified. Mortality rates were based on the CalPERS mortality assumptions.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the 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 members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with long-term perspective of the calculations.

The other significant actuarial assumptions used to prepare the City's July 1, 2023 actuarial valuation include the following:

Valuation date:	July 1, 2023
Measurement date:	June 30, 2024
Actuarial Cost Method:	Entry Age Normal
Amortization Method:	Level percent of pay closed, 7.5 years as of July 1, 2023
Amortization Period:	10 year
Asset Valuation Method:	Market value of Assets
Actuarial Assumptions:	
Discount Rate	6.50%
Amortization growth rate	2.75%
Ultimate Rate of Medical Inflation	4.25%
Salary increases	2.75% plus merit component based on years of service
Mortality	CalPERS mortality assumptions

Discount Rate

The discount rate used to measure the total OPEB liability was 6.5 percent. The projection of cash flows used to determine the discount rate assumed that City contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Change of Assumptions

Demographic changes refer to the changes in status, as well as changes in member and beneficiary data and coverage elections from January 1, 2021 to July 1, 2023. In aggregate, the changes in demographics over the two-and-a-half-year period were close to those expected, though there were some gains. Health cost gain/loss refers to the changes in healthcare claims, trends, and expense costs. Overall health care claims were higher than expected since the prior valuation. Other assumptions include updating the following actuarial assumptions to reflect those adopted by the CalPERS Board in November 2021 including rates of mortality, rates of retirement, rates of termination, rates of disability, and salary increases.

City of Cupertino
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2024

Note 9 – Other Post Employment Benefits (OPEB) (Continued)

C. Change in Net OPEB Liability

Changes in the Net OPEB Liability: The changes in the City’s net OPEB liability are:

	Net Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (c) = (a) - (b)
Balance at June 30, 2023	\$ 35,290,000	\$ 34,708,000	\$ 582,000
Changes in the year			
Service cost	1,312,300	-	1,312,300
Interest on the total OPEB liability	2,311,698	-	2,311,698
Change of assumptions	3,583,364	-	3,583,364
Contribution - employer	-	722,863	(722,863)
Contribution - employee	-	-	-
Net investment income	-	4,814,071	(4,814,071)
Administrative expenses	-	(123,483)	123,483
Benefit payments, including refunds of Employee contributions	(2,108,622)	(2,108,622)	-
Net Changes during July 1, 2023 to June 30, 2024	5,098,740	3,304,829	1,793,911
Balance at June 30, 2024 (Measurement Date)	<u>\$ 40,388,740</u>	<u>\$ 38,012,829</u>	<u>\$ 2,375,911</u>

Sensitivity of the net OPEB Liability (Asset) to Changes in the Discount Rate

The following presents the net OPEB asset of the City, as well as what the City’s net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (5.5 percent) or one-percentage-point higher (7.5 percent) than the current discount rate:

Plan's Net OPEB Liability/(Asset)		
Current Discount		
1% Decrease 5.50%	Rate 6.50%	1% Increase 7.50%
\$ 7,303,748	\$ 2,375,911	\$ (1,728,579)

Sensitivity of the Net OPEB Liability (Asset) to Changes in the Health Care Cost Trend Rates

The following presents the net OPEB asset of the City, as well as what the City’s net OPEB liability would be if it were calculated using healthcare cost trend rates that are one-percentage-point lower (decreasing to 3.5 percent) or one-percentage-point higher (increasing to 5.5 percent) than the current healthcare cost trend rates:

Plan's Net OPEB Liability/(Asset)		
Current Healthcare		
1% Decrease	Cost Trend Rate	1% Increase
\$ (1,648,459)	\$ 2,375,911	\$ 7,559,037

City of Cupertino
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2024

Note 9 – Other Post Employment Benefits (OPEB) (Continued)

D. OPEB Expense and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2024, the City recognized OPEB expense of \$2,311,700. As of June 30, 2024, the City reported deferred inflows of resources related to OPEB from the following sources:

	OPEB Plan	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on investments	\$ -	\$ (716,063)
Differences between expected and actual experience	2,957,000	(936,000)
Changes in assumption	3,114,137	(328,000)
	\$ 6,071,137	\$ (1,980,063)

The difference between projected OPEB plan investment earnings and actual earnings is amortized over a five-year period. The remaining gains and losses are amortized over the expected average remaining service life. The expected average remaining service life is 5 years, which was determined as of June 30, 2023, the beginning of the measurement period, for employees covered by the OPEB plan benefit terms.

Amounts reported as deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows

Measurement Period Ending June 30	Deferred Outflows/(Inflows)
2025	\$ 67,961
2026	2,251,961
2027	442,961
2028	730,962
2029	597,229
Thereafter	-
Total	\$ 4,091,074

Note 10 – Liabilities Under Self-Insurance and Risk Management

General and Property Liability: The City is self-insured for the first \$250,000 of general and property liability for each occurrence, and the excess (up to \$10,000,000 for each occurrence and annual aggregate) is covered through the City's participation in the Pooled Liability Assurance Network Joint Powers Authority (PLAN JPA – formerly the Association of Bay Area Governments Pooled Liability Assurance Network or ABAG PLAN). The risk pool consists of 28 agencies within the San Francisco Bay Area. The stated purpose of the PLAN JPA is to provide certain levels of liability insurance coverage, claims management, risk management services, and legal defense to its participating members. PLAN JPA is governed by a Board of Directors, which comprises officials appointed by each participating member. Premiums paid to PLAN JPA are subject to possible refund based on the results of actuarial studies and approval by the Board of Directors. Complete financial statements for PLAN JPA may be obtained from their offices at the following address: PLAN JPA, c/o Sedgwick, 1750 Creekside Oaks Drive Suite 200, Sacramento, CA, 95833. Premiums are revised each year based on the City's claims experience and risk exposure. For the year ended June 30, 2024, the City paid the PLAN JPA premiums of \$1,626,671.

City of Cupertino
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2024

Note 10 – Liabilities Under Self-Insurance and Risk Management (Continued)

Workers' Compensation Liability: The City belongs to the CSAC Excess Insurance Authority (EIA), a joint power authority which provides excess workers' compensation liability claims coverage above the City's self-insured retention of \$500,000 per occurrence. Losses above the self-insured retention are pooled with excess reinsurance purchased to a \$50,000,000 statutory limit. EIA was established in 1979 for the purpose of creating a risk management pool for all California public entities. EIA is governed by a Board of Directors consisting of representatives of its member public entities. Complete financial statements for ETA may be obtained from their offices at the following address: CSAC Excess Insurance Authority, Finance Department, EIA 75 Iron Point Circle, Suite 200, Folsom, CA 95630. For the year ended June 30, 2024, the City paid premiums of \$151,564.

It is the City's practice to obtain biennial actuarial studies for the self-insured workers' compensation liability. The claims liabilities included in the workers' compensation internal service fund is based on the results of actuarial studies and include amounts for claims incurred but not reported and loss adjustment expenses. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends, including frequency and amount of payouts, and other economic and social factors. Inflation of 2.5 percent, annual rate of return of two percent, claim severity increase at 2.5 percent were assumed. In the current year, management used actuarial estimates based on a 90 percent confidence level.

Settlements have not exceeded insurance coverage in the past three years.

Changes in the balances of workers' compensation and general claims liabilities during the years ended June 30 are as follows:

	2024	2023
Claims liability, beginning of year	\$ 2,222,786	\$ 1,569,000
Incurred claims and changes in estimate	(268,925)	1,122,626
Claim payments and credits	(282,274)	(468,840)
Total claims liability, end of year	1,671,587	2,222,786
Less current portion	(322,000)	(382,000)
Non-current portion	\$ 1,349,587	\$ 1,840,786

Note 11 – Net Position and Fund Balances

A. Net Investment in Capital Assets

The following is the calculation of net investment in capital assets at June 30, 2024:

	Governmental Activities	Business-Type Activities
Capital assets, net of accumulated depreciation and amortization	\$ 220,484,035	\$ 2,009,420
Add: deferred charges on refunding	119,609	-
Less: outstanding principal on capital related debts	(14,030,000)	-
Less: bond premium	(2,386,895)	-
Less: lease liabilities	(15,369)	-
Less: subscription liabilities	(1,210,274)	-
Net investment in capital assets	\$ 202,961,106	\$ 2,009,420

City of Cupertino
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2024

Note 11 – Net Position and Fund Balances (Continued)

B. Fund Balance Classifications

At June 30, 2024, fund balances are classified in the governmental funds as follows:

	General	Transportation	Housing Development	Public Facilities Corporation Debt Service Fund	Capital Investments Projects Capital Projects Fund	Nonmajor Governmental Funds	Total
Nonspendable:							
Loans receivable	\$ 428,431	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 428,431
Advances to other funds	3,000,000	-	-	-	-	-	3,000,000
Inventories	21,383	-	-	-	-	-	21,383
Subtotal	<u>3,449,814</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,449,814</u>
Restricted for:							
Public access television	1,639,443	-	-	-	-	-	1,639,443
CASP Certificate & Training	7,628	-	-	-	-	-	7,628
PARS Section 115 Trust	21,663,664	-	-	-	-	-	21,663,664
Debt services	-	-	-	250	-	-	250
Storm drain system	-	-	-	-	-	2,193,180	2,193,180
Parks and open space	-	-	-	-	-	19,122,923	19,122,923
Environmental management	-	-	-	-	-	968,556	968,556
Streets and road projects	-	13,635,358	-	-	-	812,887	14,448,245
Housing programs	-	-	11,103,256	-	-	-	11,103,256
Subtotal	<u>23,310,735</u>	<u>13,635,358</u>	<u>11,103,256</u>	<u>250</u>	<u>-</u>	<u>23,097,546</u>	<u>71,147,145</u>
Committed for:							
Economic uncertainty	24,000,000	-	-	-	-	-	24,000,000
Sustainability reserve	127,891	-	-	-	-	-	127,891
Sales tax repayment reserve*	74,500,000	-	-	-	-	-	74,500,000
Capital project reserve	10,000,000	-	-	-	-	-	10,000,000
Subtotal	<u>108,627,891</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>108,627,891</u>
Assigned to:							
Encumbrances	4,741,474	-	-	-	-	-	4,741,474
Capital projects	-	-	-	-	31,971,103	154,548	32,125,651
Subtotal	<u>4,741,474</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>31,971,103</u>	<u>154,548</u>	<u>36,867,125</u>
Unassigned	25,965,405	-	-	-	-	-	25,965,405
Total	<u>\$ 166,095,319</u>	<u>\$ 13,635,358</u>	<u>\$ 11,103,256</u>	<u>\$ 250</u>	<u>\$ 31,971,103</u>	<u>\$ 23,252,094</u>	<u>\$ 246,057,380</u>

* Uncommitted on October 15, 2024. See Note 15 - Subsequent Event for more details.

Note 12 – Commitments and Contingencies

A. Federal and State Grants

The City participates in a number of federal and state grant programs subject to financial and compliance audits by the grantors or their representatives. Audits of certain grant programs, including those for the year ended June 30, 2024, have yet to be conducted. The amount, if any, of expenditures that may be disallowed by the granting agencies cannot be determined at this time. Management believes that such disallowances, if any, would not have a material effect on the financial statements.

City of Cupertino
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2024

Note 12 – Commitments and Contingencies (Continued)

B. Encumbrances

The City uses encumbrances to control expenditure commitments for the year. Encumbrances represent commitments related to executor contracts not yet performed and purchase orders not yet filled. Commitments for such expenditure of monies are encumbered to reserve a portion of applicable appropriations. Encumbrances still open at year end are not accounted for as expenditures and liabilities, but as restricted, or assigned fund balance.

As of June 30, 2024, the City had the following encumbrances outstanding:

Governmental Funds:	
General Fund	\$ 4,741,474
Transportation Special Revenue Fund	778,864
Housing Development Special Revenue Fund	3,005
Capital Improvements Projects Capital Projects Fund	2,447,952
Nonmajor Governmental Funds	105,085
Proprietary Funds:	
Resource Recovery Enterprise Fund	44,640
Cupertino Sports Center Enterprise Fund	10,756
Internal Service Funds	837,022
Total Encumbrances	\$ 8,968,798

C. Consulting Agreement for Sales Taxes

The City entered into agreements (commitments) with two companies to provide services consisting of the assessment and creation of new sales and use tax revenue sources for the City. The City agreed to pay the companies based on a sliding scale payment schedule dependent on the level of new sales tax revenue realized by the City as defined in the consulting agreements. These agreements qualify as tax abatements under the provisions of GASB Statement 77. For the year ended June 30, 2024, the City abated taxes totaling \$9,193,716.

D. Santa Clara County Vehicle Registration Fee (VRF)

The City is required to report VRF revenues, expenditures and fund balances for the year ended June 30, 2024:

VRF Balance as of July 1, 2023	\$ -
VRF Revenue	438,330
VRF Interest	7,446
VRF Expended	(445,776)
VRF Balance as of June 30, 2024	\$ -

City of Cupertino
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2024

Note 13 – Concentration Risk

The City has an economic dependency on revenues generated directly or indirectly from one company. For the year ended June 30, 2024, more than 10 percent of the City General Fund's total revenues are derived from the company. The City's operations would be adversely impacted if there are any significant declines in taxes received from the company.

Note 14 – Stewardship, Compliance and Accountability

A. Deficit Fund Balance/Net Position

At June 30, 2024, the following fund had a unrestricted net position (deficit):

Fund	Fund Type	Deficit
Retiree Medical	Internal Service Fund	\$ (13,988)

City management believes the present cash position of the Internal Service Funds are adequate to meet current needs.

B. Excess of Expenditures over Appropriations

Total expenditures exceeded budgeted appropriations in the following funds:

Funds	Appropriations	Expenditures	Excess
General Fund:			
Debt service:			
Principal	\$ -	\$ 552,091	\$ (552,091)
Interest and fiscal charges	-	22,997	(22,997)
Public Facilities Corporation Debt Service Fund	2,677,600	2,679,100	(1,500)
Nonmajor Governmental Funds			
Storm Drain Improvement Special Revenue Fund	1,761,800	1,765,950	(4,150)

Note 15 – Subsequent Event

California Department of Tax and Fee Administration (“CDTFA”) Local Tax Reallocation

On October 2, 2024, CDTFA and the City entered into a settlement agreement that allowed the City to retain the full amount of the \$74.5 million held in reserve. Subsequently, the City unassigned funds from the committed sales tax repayment reserve through the Council approval on October 15, 2024.

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REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

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City of Cupertino
Required Supplementary Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2024

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Taxes	\$ 59,055,566	\$ 79,233,156	\$ 80,355,732	\$ 1,122,576
Use of money and property	2,328,336	2,328,336	9,098,441	6,770,105
Intergovernmental	807,624	1,571,820	1,404,322	(167,498)
Licenses and permits	4,265,081	34,012,361	4,412,057	(29,600,304)
Charges for services	12,261,786	14,978,786	12,308,496	(2,670,290)
Fines and forfeitures	405,000	405,000	416,402	11,402
Other revenue	1,142,836	1,200,904	2,199,861	998,957
Total revenues	<u>80,266,229</u>	<u>133,730,363</u>	<u>110,195,311</u>	<u>(23,535,052)</u>
EXPENDITURES:				
Current:				
Administration	9,030,461	8,505,119	7,381,733	1,123,386
Law enforcement	17,812,608	18,062,608	16,204,350	1,858,258
Innovation and Technology	3,632,785	3,161,298	2,284,198	877,100
Administrative services	7,083,011	7,255,528	6,716,341	539,187
Recreation services	6,082,736	6,132,685	5,517,003	615,682
Community development	11,647,125	13,111,301	10,659,154	2,452,147
Public works	24,071,672	28,118,930	25,060,745	3,058,185
Capital outlay	245,000	1,774,415	1,773,434	981
Debt service:				
Principal	-	-	552,091	(552,091)
Interest and fiscal charges	-	-	22,997	(22,997)
Total expenditures	<u>79,605,398</u>	<u>86,121,884</u>	<u>76,172,046</u>	<u>9,949,838</u>
Excess (deficiency) of revenues over expenditures	<u>660,831</u>	<u>47,608,479</u>	<u>34,023,265</u>	<u>(13,585,214)</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	15,000	111,000	111,000	-
Transfers out	(6,457,600)	(6,595,284)	(6,595,284)	-
Total other financing sources (uses)	<u>(6,442,600)</u>	<u>(6,484,284)</u>	<u>(6,484,284)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>\$ (5,781,769)</u>	<u>\$ 41,124,195</u>	27,538,981	<u>\$ (13,585,214)</u>
FUND BALANCE:				
Beginning of year			138,556,338	
End of year			<u>\$ 166,095,319</u>	

City of Cupertino
Required Supplementary Information
Budgetary Comparison Schedule - Transportation Special Revenue Fund
For the Year Ended June 30, 2024

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Use of money and property	\$ 159,000	\$ 159,000	\$ 438,177	\$ 279,177
Intergovernmental	3,164,952	4,164,952	4,840,805	675,853
Charges for services	-	-	2,223	2,223
Other revenue	-	-	4,798	4,798
Total revenues	<u>3,323,952</u>	<u>4,323,952</u>	<u>5,286,003</u>	<u>962,051</u>
EXPENDITURES:				
Current:				
Public works	3,695,902	3,297,821	3,250,708	47,113
Capital outlay	2,823,892	3,093,464	2,435,630	657,834
Total expenditures	<u>6,519,794</u>	<u>6,391,285</u>	<u>5,686,338</u>	<u>704,947</u>
Excess (deficiency) of revenues over expenditures	<u>(3,195,842)</u>	<u>(2,067,333)</u>	<u>(400,335)</u>	<u>1,666,998</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	2,500,000	3,449,019	3,449,019	-
Total other financing sources (uses)	<u>2,500,000</u>	<u>3,449,019</u>	<u>3,449,019</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>\$ (695,842)</u>	<u>\$ 1,381,686</u>	<u>3,048,684</u>	<u>\$ 1,666,998</u>
FUND BALANCE:				
Beginning of year			<u>10,586,674</u>	
End of year			<u>\$ 13,635,358</u>	

City of Cupertino
Required Supplementary Information
Budgetary Comparison Schedule - Housing Development Special Revenue Fund
For the Year Ended June 30, 2024

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Taxes	\$ 4,532,926	\$ 4,532,926	\$ -	\$ (4,532,926)
Use of money and property	86,300	86,300	524,394	438,094
Intergovernmental	588,886	588,886	243,777	(345,109)
Other revenue	-	-	50,000	50,000
Total revenues	<u>5,208,112</u>	<u>5,208,112</u>	<u>818,171</u>	<u>(4,389,941)</u>
EXPENDITURES:				
Current:				
Community development	1,632,788	1,639,512	839,571	799,941
Total expenditures	<u>1,632,788</u>	<u>1,639,512</u>	<u>839,571</u>	<u>799,941</u>
Excess (deficiency) of revenues over expenditures	<u>3,575,324</u>	<u>3,568,600</u>	<u>(21,400)</u>	<u>(3,590,000)</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	-	(367,951)	(367,951)	-
Total other financing sources (uses)	<u>-</u>	<u>(367,951)</u>	<u>(367,951)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>\$ 3,575,324</u>	<u>\$ 3,200,649</u>	<u>(389,351)</u>	<u>\$ (3,590,000)</u>
FUND BALANCE:				
Beginning of year			<u>11,492,607</u>	
End of year			<u>\$ 11,103,256</u>	

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City of Cupertino
Required Supplementary Information
Notes to the Budgetary Comparison Schedules
For the Year Ended June 30, 2024

Budget and Budgetary Accounting

The budget of the City is a detailed operating plan which identifies estimated costs and results in relation to estimated revenues. The budget includes (1) the programs, projects, services and activities to be provided during the fiscal year; (2) estimated revenue available to finance the operating plan; and (3) the estimated spending requirements of the operating plan. The budget represents a process through which policy decisions are made, implemented and controlled. The City prohibits expending funds for which there is no legal appropriation. Operating appropriations lapse at fiscal year end.

In May of each year, the City Manager submits to the City Council a proposed budget for the fiscal year beginning July 1. Public hearings on the proposed budget are held during the month of June and the budgets for all fund types are legally adopted by Resolution prior to June 30. Original budget amounts are presented on the accompanying budgetary statements include these legally adopted amounts.

Budgets for governmental funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America. The City's legal level of budgetary control is at the functional level for the general fund and at the fund level for other funds. The City Manager is responsible for controlling the City's expenditures in accordance with the adopted budget. The City Manager is authorized to administer and transfer appropriations between budget accounts within the operating budget when in his opinion such transfers become necessary for administrative purposes. Any revision which increases total appropriations must be approved by the City Council. Requests for additional personnel or capital outlay also require the approval of the City Council.

City of Cupertino
Required Supplementary Information (Unaudited)
Schedule of Changes in the Net Pension Liability and Related Ratios
For the Year Ended June 30, 2024

Last Ten Fiscal Years

Agent Multiple Employer Defined Benefit Retirement Plan - Miscellaneous Plan

Measurement period	2022-23	2021-22	2020-21	2019-20	2018-19
Total pension liability					
Service cost	\$ 4,097,215	\$ 3,614,486	\$ 3,392,942	\$ 3,241,719	\$ 3,324,361
Interest	11,919,333	11,312,835	10,907,002	10,302,395	9,800,245
Changes of benefit terms	201,460	-	-	-	-
Changes of assumptions	-	5,380,881	-	-	-
Differences between expected and actual experience	2,085,468	(188,249)	2,212,836	444,188	4,144,384
Benefit payments, including refunds of employee contributions	(8,879,755)	(8,451,800)	(7,937,592)	(6,815,494)	(6,193,271)
Net change in total pension liability	9,423,721	11,668,153	8,575,188	7,172,808	11,075,719
Total pension liability - beginning	172,848,302	161,180,149	152,604,961	145,432,153	134,356,434
Total pension liability - ending (a)	\$ 182,272,023	\$ 172,848,302	\$ 161,180,149	\$ 152,604,961	\$ 145,432,153
Pension fiduciary net position					
Contributions - employer	\$ 7,183,364	\$ 6,396,030	\$ 5,957,595	\$ 5,308,579	\$ 4,654,841
Contributions - employee	1,825,602	1,632,861	1,560,532	1,429,446	1,364,731
Net investment income	7,184,605	(9,612,070)	23,553,078	4,975,822	6,096,968
Benefit payments, including refunds of employee contributions	(8,879,755)	(8,451,800)	(7,937,592)	(6,815,494)	(6,193,271)
Net Plan to Plan Resource Movement	-	-	-	-	-
Administrative expense	(86,042)	(79,189)	(103,981)	(140,036)	(66,707)
Other Miscellaneous Income/(Expense) ¹	-	-	-	-	216
Net change in plan fiduciary net position	7,227,774	(10,114,168)	23,029,632	4,758,317	5,856,778
Plan fiduciary net position - beginning²	117,007,404	127,121,572	104,091,940	99,333,623	93,476,845
Plan fiduciary net position - ending (b)	\$ 124,235,178	\$ 117,007,404	\$ 127,121,572	\$ 104,091,940	\$ 99,333,623
Plan net pension liability - ending (a) - (b)	\$ 58,036,845	\$ 55,840,898	\$ 34,058,577	\$ 48,513,021	\$ 46,098,530
Plan fiduciary net position as a percentage of the total pension liability	68.16%	67.69%	78.87%	68.21%	68.30%
Covered payroll³	\$ 23,043,952	\$ 20,455,494	\$ 20,427,103	\$ 18,662,748	\$ 18,461,490
Plan net pension liability as a percentage of covered payroll	251.85%	272.99%	166.73%	259.95%	249.70%

¹ During Fiscal Year 2017-18, as a result of Governmental Accounting Standards Board Statement (GASB) No. 75, Accounting and Financial Reporting for Postemployment Benefit Plans Other than Pensions (GASB 75), CalPERS reported its proportionate share of activity related to postemployment benefits for participation in the State of California's agent OPEB plan. Accordingly, CalPERS recorded a one-time expense as a result of the adoption of GASB 75. Additionally, CalPERS employees participate in various State of California agent pension plans and during Fiscal Year 2017 -18, CalPERS recorded a correction to previously reported financial statements to properly reflect its proportionate share of activity related to pensions in accordance with GASB Statement No. 68, Accounting and Financial Reporting for Pensions (GASB 68).

² Includes any beginning of year adjustment.

³ Includes one year's payroll growth using 2.80% payroll growth assumption for fiscal years ended in 2022 and 2023; 2.75% payroll growth assumption for fiscal years ended in 2018 through 2021; 3.00% payroll growth assumption for fiscal years ended in 2014 through 2017.

Notes to Schedule:

Changes of Benefit Terms: The figures above generally include any liability impact that may have resulted from voluntary benefit changes that occurred on or before the Measurement Date. However, offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes) that occurred after the Valuation Date are not included in the figures above, unless the liability impact is deemed to be material by the plan actuary. In 2022, SB 1168 increased the standard retiree lump sum death benefit from \$500 to \$2,000 for any death occurring on or after July 1, 2023. The impact, if any, is included in the changes of benefit terms.

Changes of Assumptions: There were no assumption changes in 2023. Effective with the June 30, 2021 valuation date (June 30, 2022 measurement date), the accounting discount rate was reduced from 7.15% to 6.90%. In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. In addition, demographic assumptions and the price inflation assumption were changed in accordance with the 2021 CalPERS Experience Study and Review of Actuarial Assumptions. The accounting discount rate was 7.15% for measurement dates June 30, 2017 through June 30, 2021, 7.65% for measurement dates June 30, 2015 through June 30, 2016, and 7.50% for measurement date June 30, 2014.

City of Cupertino
Required Supplementary Information (Unaudited)
Schedule of Changes in the Net Pension Liability and Related Ratios (Continued)
For the Year Ended June 30, 2024

Last Ten Fiscal Years

Agent Multiple Employer Defined Benefit Retirement Plan - Miscellaneous Plan

Measurement period	2017-18	2016-17	2015-16	2014-15	2013-14
Total pension liability					
Service cost	\$ 3,058,629	\$ 2,895,549	\$ 2,525,314	\$ 2,444,939	\$ 2,504,228
Interest	9,065,322	8,619,588	8,253,983	7,789,134	7,349,943
Changes of benefit terms	-	-	-	-	-
Changes of assumptions	(847,606)	7,125,558	-	(1,883,633)	-
Differences between expected and actual experience	1,184,340	(182,397)	696,347	372,917	-
Benefit payments, including refunds of employee contributions	(6,051,845)	(5,346,890)	(5,151,298)	(4,637,005)	(4,351,614)
Net change in total pension liability	6,408,840	13,111,408	6,324,346	4,086,352	5,502,557
Total pension liability - beginning	127,947,594	114,836,186	108,511,840	104,425,488	98,922,931
Total pension liability - ending (a)	\$ 134,356,434	\$ 127,947,594	\$ 114,836,186	\$ 108,511,840	\$ 104,425,488
Pension fiduciary net position					
Contributions - employer	\$ 4,263,020	\$ 4,183,822	\$ 3,659,170	\$ 3,301,642	\$ 2,891,986
Contributions - employee	1,506,888	1,236,052	1,169,921	1,149,894	1,061,884
Net investment income	7,347,936	8,749,288	466,704	1,724,204	11,379,985
Benefit payments, including refunds of employee contributions	(6,051,845)	(5,346,890)	(5,151,298)	(4,637,005)	(4,351,614)
Net Plan to Plan Resource Movement	(216)	-	-	-	-
Administrative expense ²	(135,263)	(115,304)	(47,536)	(87,780)	-
Other Miscellaneous Income/(Expense) ²	(256,867)	-	-	-	-
Net change in plan fiduciary net position	6,673,653	8,706,968	96,961	1,450,955	10,982,241
Plan fiduciary net position - beginning³	86,803,192	78,096,224	77,999,263	76,548,308	65,566,067
Plan fiduciary net position - ending (b)	\$ 93,476,845	\$ 86,803,192	\$ 78,096,224	\$ 77,999,263	\$ 76,548,308
Plan net pension liability - ending (a) - (b)	\$ 40,879,589	\$ 41,144,402	\$ 36,739,962	\$ 30,512,577	\$ 27,877,180
Plan fiduciary net position as a percentage of the total pension liability	69.57%	67.84%	68.01%	71.88%	73.30%
Covered payroll⁴	\$ 16,809,349	\$ 15,595,136	\$ 14,336,969	\$ 13,504,966	\$ 13,080,327
Plan net pension liability as a percentage of covered payroll	243.20%	263.83%	256.26%	225.94%	213.12%

City of Cupertino
Required Supplementary Information (Unaudited)
Schedule of Contributions - Pension
For the Year Ended June 30, 2024

Last Ten Fiscal Years

Agent Multiple Employer Defined Benefit Retirement Plan - Miscellaneous Plan

Fiscal Year End ¹	2023-24	2022-23	2021-22	2020-21	2019-20
Actuarially determined contribution ²	\$ 7,230,634	\$ 7,183,364	\$ 6,396,030	\$ 5,957,595	\$ 5,308,579
Contributions in relation to the actuarially determined contribution ²	(7,230,634)	(7,183,364)	(6,396,030)	(5,957,595)	(5,308,579)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll ³	\$ 23,689,183	\$ 23,043,952	\$ 20,455,494	\$ 20,427,103	\$ 18,662,748
Contributions as a percentage of covered payroll ³	30.52%	31.17%	31.27%	29.17%	28.44%

¹As prescribed in GASB 68, paragraph 46, the information presented in the Schedule of Plan Contributions should also be presented as of the employer's most recent fiscal year-end.

² Employers are assumed to make contributions equal to the actuarially determined contributions. However, some employers may choose to make additional contributions towards their unfunded liability. Employer contributions for such plans exceed the actuarially determined contributions.

³ Includes one year's payroll growth using 2.80% payroll growth assumption for fiscal years ended June 30, 2022 and 2023; 2.75% payroll growth assumption for fiscal years ended June 30, 2018- 21; 3.00% payroll growth assumption for fiscal years ended June 30, 2014-17.

Notes to Schedule:

The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2022-23 were derived from the June 30, 2020 funding valuation report.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Actuarial Cost Method
Amortization method	Level percentage of payroll, closed
Asset valuation method	Fair Value of Assets
Inflation	2.50%
Salary increases	Varies by entry age and service
Payroll Growth	2.75%
Investment rate of return	7.00% net of pension plan investment and administrative expenses; includes inflation.
Retirement age	The probabilities of retirement are based on the 2017 CalPERS Experience study for the period from 1997 to 2015.
Mortality	The probabilities of mortality are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015. Pre-retirement and post-retirement mortality rates include 15 years of projected mortality improvement using 90% of Scale MP-2016 published by the Society of Actuaries.

City of Cupertino
Required Supplementary Information (Unaudited)
Schedule of Contributions - Pension (Continued)
For the Year Ended June 30, 2024

Last Ten Fiscal Years

Agent Multiple Employer Defined Benefit Retirement Plan - Miscellaneous Plan

Fiscal Year End	2018-19	2017-18	2016-17	2015-16	2014-15
Actuarially determined contribution	\$ 4,654,841	\$ 4,263,020	\$ 4,183,822	\$ 3,659,170	\$ 3,301,642
Contributions in relation to the actuarially determined contribution	(4,654,841)	(4,263,020)	(4,183,822)	(3,659,170)	(3,301,642)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 18,461,490	\$ 16,809,349	\$ 15,595,136	\$ 14,336,969	\$ 13,504,966
Contributions as a percentage of covered payroll	25.21%	25.36%	26.83%	25.52%	24.45%

City of Cupertino
Required Supplementary Information (Unaudited)
Schedule of Changes in the Net Other postemployment Benefits Liability and Related Ratios
For the Year Ended June 30, 2024

Last Ten Fiscal Years*

Single Employer Defined Benefit Other Post Employment Benefit Plan

Measurement period	2023-24	2022-23	2021-22	2020-21
Total OPEB liability				
Service cost	\$ 1,312,300	\$ 1,260,000	\$ 1,015,000	\$ 844,000
Interest	2,311,698	1,967,000	1,921,000	2,042,000
Changes of benefit terms	-	-	-	-
Difference between expected vs actual experience	-	4,437,000	-	(4,688,000)
Changes of assumptions	3,583,364	(492,000)	-	640,000
Benefit payments, including refunds of employee contributions	(2,108,622)	(1,753,000)	(1,691,000)	(1,550,068)
Net change in total OPEB liability	5,098,740	5,419,000	1,245,000	(2,712,068)
Total OPEB liability - beginning	35,290,000	29,871,586	28,626,586	31,338,654
Total OPEB liability - ending (a)	\$ 40,388,740	\$ 35,290,586	\$ 29,871,586	\$ 28,626,586
Contributions - employer	722,863	1,753,000	1,691,000	1,550,068
Net investment income	4,814,071	3,484,000	(6,568,000)	8,775,796
Benefit payments	(2,108,622)	(1,753,000)	(1,691,000)	(1,550,068)
Administrative expense	(123,483)	(116,000)	(117,000)	(121,000)
Net change in fiduciary net position	3,304,829	3,368,000	(6,685,000)	8,654,796
Plan fiduciary net position - beginning	34,708,000	31,340,044	38,025,044	29,370,248
Plan fiduciary net position - ending (b)	\$ 38,012,829	\$ 34,708,044	\$ 31,340,044	\$ 38,025,044
Net OPEB liability (asset) - ending (a-b)	\$ 2,375,911	\$ 582,542	\$ (1,468,458)	\$ (9,398,458)
Plan fiduciary net position as a percentage of the total OPEB liability	94.12%	98.35%	104.92%	132.83%
Covered-employee payroll	\$ 26,587,600	\$ 27,343,833	\$ 24,015,350	\$ 23,081,960
Plan OPEB liability as a percentage of covered payroll	8.94%	2.13%	-6.11%	-40.72%

Notes to Schedule:

* Fiscal year 2017 was the 1st year of implementation, therefore only eight (8) years are shown.

City of Cupertino
Required Supplementary Information (Unaudited)
Schedule of Changes in the Net Other postemployment Benefits Liability and Related Ratios (Continued)
For the Year Ended June 30, 2024

Last Ten Fiscal Years*

Single Employer Defined Benefit Other Post Employment Benefit Plan

Measurement period	2019-20	2018-19	2017-18	2016-17
Total OPEB liability				
Service cost	\$ 1,009,000	\$ 865,260	\$ 1,007,863	\$ 907,986
Interest	1,985,000	2,004,581	1,876,280	1,780,898
Changes of benefit terms	-	-	-	-
Difference between expected vs actual experience	-	(1,808,295)	-	-
Changes of assumptions	1,761,000	(36,407)	-	-
Benefit payments, including refunds of employee contributions	(1,489,506)	(1,423,109)	(1,419,221)	(1,332,975)
Net change in total OPEB liability	3,265,494	(397,970)	1,464,922	1,355,909
Total OPEB liability - beginning	28,073,160	28,471,130	27,006,208	25,650,299
Total OPEB liability - ending (a)	\$ 31,338,654	\$ 28,073,160	\$ 28,471,130	\$ 27,006,208
Contributions - employer	1,489,506	1,423,109	1,419,221	1,332,975
Net investment income	272,722	1,259,390	2,364,652	2,959,614
Benefit payments	(1,489,506)	(1,423,109)	(1,419,221)	(1,332,975)
Administrative expense	(120,708)	(97,301)	(53,582)	(48,629)
Net change in fiduciary net position	152,014	1,162,089	2,311,070	2,910,985
Plan fiduciary net position - beginning	29,218,234	28,056,145	25,745,075	22,834,090
Plan fiduciary net position - ending (b)	\$ 29,370,248	\$ 29,218,234	\$ 28,056,145	\$ 25,745,075
Net OPEB liability (asset) - ending (a-b)	\$ 1,968,406	\$ (1,145,074)	\$ 414,985	\$ 1,261,133
Plan fiduciary net position as a percentage of the total OPEB liability	93.72%	104.08%	98.54%	95.33%
Covered-employee payroll	\$ 21,643,061	\$ 20,085,777	\$ 19,153,396	\$ 17,255,340
Plan OPEB liability as a percentage of covered payroll	9.09%	-5.70%	2.17%	7.31%

Notes to Schedule:

* Fiscal year 2017 was the 1st year of implementation, therefore only eight (8) years are shown.

City of Cupertino
Required Supplementary Information (Unaudited)
Schedule of Contributions - Other postemployment Benefits
For the Year Ended June 30, 2024

Last Ten Fiscal Years*

Single Employer Defined Benefit OPEB Plan

	2023-24	2022-23	2021-22	2020-21
Actuarially determined contribution	\$ 1,675,019	\$ 1,592,398	\$ 128,715	\$ 123,712
Contributions in relation to the actuarially determined contribution	722,863	1,753,000	1,691,000	1,550,068
Contribution deficiency (excess)	<u>\$ 952,156</u>	<u>\$ (160,602)</u>	<u>\$ (1,562,285)</u>	<u>\$ (1,426,356)</u>
Covered-employee payroll	\$ 26,587,600	\$ 27,343,833	\$ 24,015,350	\$ 23,081,960
Contributions as a percentage of covered-employee payroll	-2.72%	-6.41%	-7.04%	-6.72%

* Fiscal year 2017 was the 1st year of implementation, therefore only eight (8) years are shown.

Notes to Schedule:

Valuation Date July 1, 2023
Timing Actuarially determined contributions are calculated based on the most recently performed actuarial valuation

Methods and assumptions used to determine contribution rates:

Actuarial cost method Entry Age
Amortization method Level Percent of Pay, Closed, 7.5 years as of 7/1/2023
Asset valuation method Market value of assets
Discount rate 6.50%
Amortization growth rate 2.75%
Ultimate rate of medical inflation 4.250%
Salary increases 2.75% plus merit component based on years of service
Mortality CalPERS mortality assumptions

City of Cupertino
Required Supplementary Information (Unaudited)
Schedule of Contributions - Other postemployment Benefits (Continued)
For the Year Ended June 30, 2024

Last Ten Fiscal Years*

Single Employer Defined Benefit OPEB Plan

	2019-20	2018-19	2017-18	2016-17
Actuarially determined contribution	\$ 1,401,176	\$ 1,300,357	\$ 1,361,806	\$ 1,116,764
Contributions in relation to the actuarially determined contribution	1,489,506	1,423,109	1,419,221	1,332,975
Contribution deficiency (excess)	<u>\$ (88,330)</u>	<u>\$ (122,752)</u>	<u>\$ (57,415)</u>	<u>\$ (216,211)</u>
Covered-employee payroll	\$ 21,643,061	\$ 20,085,777	\$ 19,153,396	\$ 17,255,340
Contributions as a percentage of covered-employee payroll	-6.88%	-7.09%	-7.41%	-7.72%

* Fiscal year 2017 was the 1st year of implementation, therefore only eight (8) years are shown.

Notes to Schedule:

Valuation Date July 1, 2023
Timing Actuarially determined contributions are calculated based on the most recently performed actuarial valuation

Methods and assumptions used to determine contribution rates:

Actuarial cost method Entry Age
Amortization method Level Percent of Pay, Closed, 7.5 years as of 7/1/2023
Asset valuation method Market value of assets
Discount rate 6.50%
Amortization growth rate 2.75%
Ultimate rate of medical inflation 4.250%
Salary increases 2.75% plus merit component based on years of service
Mortality CalPERS mortality assumptions

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SUPPLEMENTARY INFORMATION

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City of Cupertino
Major Governmental Funds
Other than the General Fund and Special Revenue Funds

This section is provided for the presentation of budget-to-actual schedules for the Public Facilities Corporation Debt Service Fund and the Capital Improvement Projects Capital Projects Fund. Although the funds are considered to be major government funds, budget-to-actual information in the required supplementary information is limited to the General Fund and major Special Revenue Funds. All other major governmental fund schedules with such information are therefore included as Supplemental Information.

Public Facilities Corporation Debt Service Fund - This fund accounts for the payments of principal and interest on certificates of participation issued to provide for the financing of the Civic Center, Library, Wilson Park, Memorial Park, and other City facilities.

Capital Improvement Projects Capital Projects Fund - This fund accounts for activities related to the acquisition or construction of major capital facilities.

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City of Cupertino
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Public Facilities Corporation Debt Service Fund
For the Year Ended June 30, 2024

	Original Budget	Final Budget	Actual	Variance with Final Budget
EXPENDITURES:				
Current:				
Administration	\$ -	\$ -	\$ 1,500	\$ (1,500)
Debt service:				
Principal	2,035,000	2,035,000	2,035,000	-
Interest and fiscal charges	642,600	642,600	642,600	-
Total expenditures	<u>2,677,600</u>	<u>2,677,600</u>	<u>2,679,100</u>	<u>(1,500)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(2,677,600)</u>	<u>(2,677,600)</u>	<u>(2,679,100)</u>	<u>(1,500)</u>
OTHER FINANCIN SOURCES:				
Transfers in	2,677,600	2,677,600	2,677,600	-
Total other financing sources	<u>2,677,600</u>	<u>2,677,600</u>	<u>2,677,600</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	(1,500)	<u>\$ (1,500)</u>
FUND BALANCE:				
Beginning of Year			<u>1,750</u>	
End of Year			<u>\$ 250</u>	

City of Cupertino
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Capital Improvement Projects Capital Projects Fund
For the Year Ended June 30, 2024

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Use of money and property	\$ -	\$ -	\$ 790,983	\$ 790,983
Intergovernmental	-	2,359,233	352,570	(2,006,663)
Charges for services	-	15,000	-	(15,000)
Other revenue	-	-	161,337	161,337
Total revenues	<u>-</u>	<u>2,374,233</u>	<u>1,304,890</u>	<u>(1,069,343)</u>
EXPENDITURES:				
Public works	-	-	49,785	(49,785)
Capital outlay	2,202,000	4,902,061	4,270,128	631,933
Total expenditures	<u>2,202,000</u>	<u>4,902,061</u>	<u>4,319,913</u>	<u>582,148</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>(2,202,000)</u>	<u>(2,527,828)</u>	<u>(3,015,023)</u>	<u>(487,195)</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	2,027,000	4,552,250	4,552,250	-
Transfers out	(2,027,000)	(4,333,318)	(4,333,318)	-
Total other financing sources (uses)	<u>-</u>	<u>218,932</u>	<u>218,932</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>\$ (2,202,000)</u>	<u>\$ (2,308,896)</u>	<u>(2,796,091)</u>	<u>\$ (487,195)</u>
FUND BALANCE:				
Beginning of Year			<u>34,767,194</u>	
End of Year			<u>\$ 31,971,103</u>	

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

All funds not considered as major funds on the Fund Financial Statements are consolidated in one column entitled "Other Governmental Funds." These non-major funds are identified and included in this supplementary section and includes the City's Special Revenue Funds and Capital Project Funds.

The Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Storm Drain Improvement - This fund accounts for the construction and maintenance of storm drain facilities including drainage and sanitary sewer facilities. Revenues were collected from developers as a result of connections to the storm drainage sewer

Park Dedication - This fund accounts for the activity granted by the business and professions code of the State of California in accordance with the open space and conservation element of the City's General Plan. Revenues of this fund are restricted for the acquisition, improvement, expansion and implementation of the City's parks and recreation facilities.

Environmental Management I Clean Creeks - This fund accounts for all activities related to operating the non-point source pollution program. A parcel tax provides revenues.

Traffic Impact - This fund accounts for development impact fees and related that ensure that new development and redevelopment projects pay their "fair share" to mitigate traffic impacts.

CAPITAL PROJECTS FUNDS

Capital Projects Funds account for the financial resources committed to the construction or improvement of major facilities.

Stevens Creek Corridor Park Capital Projects Fund - This fund accounts for the design and construction of the Stevens Creek Corridor Park projects.

**City of Cupertino
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2024**

Special Revenue Funds

	Storm Drain Improvement	Park Dedication	Environmental Management/ Clean Creeks	Traffic Impact
ASSETS				
Cash and investments	\$ 2,179,709	\$ 19,004,522	\$ 1,064,837	\$ 807,874
Accounts receivable	-	-	18,249	-
Interest receivable	13,471	118,401	6,607	5,013
Total assets	2,193,180	19,122,923	1,089,693	812,887
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accruals	-	-	121,137	-
Total liabilities	-	-	121,137	-
Fund balances:				
Restricted	2,193,180	19,122,923	968,556	812,887
Assigned	-	-	-	-
Total fund balances	2,193,180	19,122,923	968,556	812,887
Total liabilities and fund balances	\$ 2,193,180	\$ 19,122,923	\$ 1,089,693	\$ 812,887

City of Cupertino
Combining Balance Sheet (Continued)
Nonmajor Governmental Funds
June 30, 2024

	Capital Projects Fund	Total Nonmajor Governmental Funds
	Stevens Creek Corridor Park	
ASSETS		
Cash and investments	\$ 154,548	\$ 23,211,490
Accounts receivable	-	18,249
Interest receivable	-	143,492
Total assets	154,548	23,373,231
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable and accruals	-	121,137
Total liabilities	-	121,137
Fund balances:		
Restricted	-	23,097,546
Assigned	154,548	154,548
Total fund balances	154,548	23,252,094
Total liabilities and fund balances	\$ 154,548	\$ 23,373,231

City of Cupertino
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2024

	Special Revenue Funds			
	Storm Drain Improvement	Park Dedication	Environmental Management/ Clean Creeks	Traffic Impact
Revenues:				
Taxes	\$ 109,283	\$ 240,000	\$ -	\$ -
Use of money and property	156,175	717,404	44,463	29,122
Charges for services	-	7,900	1,500,757	13,658
Fines and forfeitures	-	-	2,746	-
Other revenue	-	2,784	-	-
Total revenues	<u>265,458</u>	<u>968,088</u>	<u>1,547,966</u>	<u>42,780</u>
Expenditures:				
Current:				
Public works	-	-	1,670,649	-
Capital outlay	1,765,950	93,897	128,895	-
Total expenditures	<u>1,765,950</u>	<u>93,897</u>	<u>1,799,544</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>(1,500,492)</u>	<u>874,191</u>	<u>(251,578)</u>	<u>42,780</u>
Other financing sources (uses):				
Transfers out	(300,000)	(515,000)	-	-
Total other financing sources (uses)	<u>(300,000)</u>	<u>(515,000)</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	<u>(1,800,492)</u>	<u>359,191</u>	<u>(251,578)</u>	<u>42,780</u>
Fund balances:				
Beginning of year	3,993,672	18,763,732	1,220,134	770,107
End of year	<u>\$ 2,193,180</u>	<u>\$ 19,122,923</u>	<u>\$ 968,556</u>	<u>\$ 812,887</u>

City of Cupertino
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)
Nonmajor Governmental Funds
For the Year Ended June 30, 2024

	Capital Projects Fund	Total Nonmajor Governmental Funds
	Stevens Creek Corridor Park	
Revenues:		
Taxes	\$ -	\$ 349,283
Use of money and property	3,154	950,318
Charges for services	-	1,522,315
Fines and forfeitures	-	2,746
Other revenue	-	2,784
Total revenues	<u>3,154</u>	<u>2,827,446</u>
Expenditures:		
Current:		
Public works	-	1,670,649
Capital outlay	5,949	1,994,691
Total expenditures	<u>5,949</u>	<u>3,665,340</u>
Excess (deficiency) of revenues over expenditures	<u>(2,795)</u>	<u>(837,894)</u>
Other financing sources (uses):		
Transfers out	-	(815,000)
Total other financing sources (uses)	<u>-</u>	<u>(815,000)</u>
Net Change in Fund Balance	<u>(2,795)</u>	<u>(1,652,894)</u>
Fund balances:		
Beginning of year	157,343	24,904,988
End of year	<u>\$ 154,548</u>	<u>\$ 23,252,094</u>

City of Cupertino
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Storm Drain Improvement Special Revenue Fund
For the Year Ended June 30, 2024

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 131,135	\$ 131,135	\$ 109,283	\$ (21,852)
Use of money and property	51,000	51,000	156,175	105,175
Total revenues	<u>182,135</u>	<u>182,135</u>	<u>265,458</u>	<u>83,323</u>
Expenditures:				
Capital outlay	-	1,761,800	1,765,950	(4,150)
Total expenditures	<u>-</u>	<u>1,761,800</u>	<u>1,765,950</u>	<u>(4,150)</u>
Excess (deficiency) of revenues over expenditures	<u>182,135</u>	<u>(1,579,665)</u>	<u>(1,500,492)</u>	<u>79,173</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	-	(300,000)	(300,000)	-
Total other financing sources (uses)	<u>-</u>	<u>(300,000)</u>	<u>(300,000)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>\$ 182,135</u>	<u>\$ (1,879,665)</u>	<u>(1,800,492)</u>	<u>\$ 79,173</u>
Fund balance:				
Beginning of year			3,993,672	
End of year			<u>\$ 2,193,180</u>	

City of Cupertino
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Park Dedication Special Revenue Fund
For the Year Ended June 30, 2024

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ -	\$ -	\$ 240,000	\$ 240,000
Use of money and property	257,000	257,000	717,404	460,404
Charges for services	-	-	7,900	7,900
Other revenue	-	-	2,784	2,784
Total Revenues	<u>257,000</u>	<u>257,000</u>	<u>968,088</u>	<u>708,304</u>
Expenditures:				
Capital outlay	-	1,329,727	93,897	1,235,830
Total Expenditures	<u>-</u>	<u>1,329,727</u>	<u>93,897</u>	<u>1,235,830</u>
Excess (deficiency) of revenues over expenditures	<u>257,000</u>	<u>(1,072,727)</u>	<u>874,191</u>	<u>1,944,134</u>
Other Financing Sources (Uses):				
Transfers out	(15,000)	(515,000)	(515,000)	-
Total Other Financing Sources (Uses)	<u>(15,000)</u>	<u>(515,000)</u>	<u>(515,000)</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>\$ 242,000</u>	<u>\$ (1,587,727)</u>	<u>359,191</u>	<u>\$ 1,946,918</u>
FUND BALANCE:				
Beginning of year			<u>18,763,732</u>	
End of year			<u>\$ 19,122,923</u>	

City of Cupertino
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Environmental Management/Clean Creeks Special Revenue Fund
For the Year Ended June 30, 2024

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Use of money and property	\$ 9,000	\$ 9,000	\$ 44,463	\$ 35,463
Charges for services	1,498,201	1,498,201	1,500,757	2,556
Fines and forfeitures	3,563	3,563	2,746	(817)
Total Revenues	<u>1,510,764</u>	<u>1,510,764</u>	<u>1,547,966</u>	<u>37,202</u>
Expenditures:				
Current:				
Public works	2,102,590	1,872,969	1,670,649	202,320
Capital outlay	131,000	131,000	128,895	2,105
Total Expenditures	<u>2,233,590</u>	<u>2,003,969</u>	<u>1,799,544</u>	<u>204,425</u>
NET CHANGE IN FUND BALANCE	<u>\$ (722,826)</u>	<u>\$ (493,205)</u>	(251,578)	<u>\$ 241,627</u>
FUND BALANCE:				
Beginning of year			<u>1,220,134</u>	
End of year			<u>\$ 968,556</u>	

City of Cupertino
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Traffic Impact Special Revenue Fund
For the Year Ended June 30, 2024

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Use of money and property	\$ 10,000	\$ 10,000	\$ 29,122	\$ 19,122
Charges for services	-	-	13,658	13,658
Total Revenues	<u>10,000</u>	<u>10,000</u>	<u>42,780</u>	<u>32,780</u>
NET CHANGE IN FUND BALANCE	<u>\$ 10,000</u>	<u>\$ 10,000</u>	42,780	<u>\$ 32,780</u>
FUND BALANCE:				
Beginning of year			<u>770,107</u>	
End of year			<u>\$ 812,887</u>	

City of Cupertino
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Stevens Creek Corridor Park Capital Projects Fund
For the Year Ended June 30, 2024

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Use of money and property	\$ -	\$ -	\$ 3,154	\$ 3,154
Total Revenues	<u>-</u>	<u>-</u>	<u>3,154</u>	<u>3,154</u>
Expenditures:				
Capital outlay	-	5,949	5,949	-
Total Expenditures	<u>-</u>	<u>5,949</u>	<u>5,949</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ (5,949)</u>	<u>(2,795)</u>	<u>\$ 3,154</u>
FUND BALANCE:				
Beginning of year			<u>157,343</u>	
End of year			<u>\$ 154,548</u>	

NONMAJOR ENTERPRISE FUND

Proprietary funds account for City operations financed and operated in a manner similar to a private business enterprise. The intent of the City is that the cost of providing goods and services be financed primarily through user charges.

The City has identified the fund below as a nonmajor proprietary fund.

Blackberry Farm Fund - This fund accounts for activities related to operating the City-owned golf course.

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City of Cupertino
Combining Statement of Net Position
Nonmajor Enterprise Fund
June 30, 2024

	Blackberry Farm
ASSETS	
Current assets:	
Cash and investments	\$ 934,250
Accounts receivable	2,534
Interest receivable	5,810
Total current assets	942,594
Noncurrent assets:	
Capital assets:	
Depreciable, net	139,654
Total capital assets	139,654
Total noncurrent assets	139,654
Total assets	1,082,248
DEFERRED OUTFLOWS OF RESOURCES	
Related to pensions	72,668
Related to other postemployment benefit	26,177
Total deferred outflows of resources	98,845
LIABILITIES	
Current Liabilities:	
Accounts payable and accruals	39,322
Compensated absences, current portion	800
Unearned revenue	112,037
Total current liabilities	152,159
Noncurrent liabilities:	
Compensated absences	8,600
Net pension liability	244,034
Net other postemployment benefit liability	10,244
Total noncurrent liabilities	262,878
Total liabilities	415,037
DEFERRED INFLOW OF RESOURCES	
Related to pensions	364
Related to other postemployment benefit	8,537
Total deferred inflows of resources	8,901
NET POSITION:	
Net investment in capital assets	139,654
Unrestricted	617,501
Total net position	\$ 757,155

City of Cupertino
Combining Statement of Revenues, Expenses, and Changes in Net Position
Nonmajor Enterprise Fund
For the Year Ended June 30, 2024

	Blackberry Farm
OPERATING REVENUES:	
Charges for services	\$ 611,331
Others	51,943
Total operating revenues	663,274
OPERATING EXPENSES:	
Salaries and benefits	159,565
Materials and supplies	225,497
Contractual services	272,995
Depreciation	15,390
Total operating expenses	673,447
OPERATING INCOME (LOSS)	(10,173)
NONOPERATING REVENUES:	
Investment income	33,269
Loss on sale of capital asset	(341)
Total nonoperating revenues	32,928
CHANGES IN NET POSITION	22,755
NET POSITION:	
Beginning of year	734,400
End of year	\$ 757,155

City of Cupertino
Combining Statement of Cash Flows
Nonmajor Enterprise Fund
For the Year Ended June 30, 2024

	Blackberry Farm
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 682,383
Cash paid to suppliers for goods and services	(478,146)
Cash paid to employees for services	(197,523)
Net cash provided by operating activities	6,714
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Acquisition of capital assets	-
Net cash provided capital and related financing activities	-
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest received	30,595
Net cash provided by investing activities	30,595
Net change in cash and cash equivalents	37,309
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENT OF NET POSITION:	
Beginning of year	896,941
End of year	\$ 934,250
CASH AND CASH EQUIVALENTS:	
Cash and investments	\$ 934,250
Total cash and cash equivalents	\$ 934,250
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:	
Operating income (loss)	\$ (10,173)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:	
Depreciation	15,390
Changes in assets and liabilities:	
(Increase)/decrease in accounts receivables	(705)
(Increase)/decrease in deferred outflows of resources pension related	28,838
(Increase)/decrease in deferred outflows of resources other postemployment benefit liabilities related	(7,698)
Increase/(decrease) in accounts payable	20,346
Increase/(decrease) in unearned revenue	19,814
Increase/(decrease) in compensated absences	(215)
Increase/(decrease) in net pension liability	(68,675)
Increase/(decrease) in net other postemployment benefit liabilities	8,501
Increase/(decrease) in deferred inflows of resources pension related	(405)
Increase/(decrease) in deferred inflows of resources other postemployment benefit liabilities related	1,696
Net cash provided by operating activities	\$ 6,714
NONCASH ITEMS:	
Loss on sale of capital assets	(341)

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INTERNAL SERVICE FUNDS

These funds account for goods or services provided to other departments of the City where the intent of the City is that the costs of these goods or services are to be recovered through interdepartmental charges at the time that the goods are delivered or the services rendered to those departments.

The concept of major funds does not extend to internal service funds because they do not do business with outside parties. For the Statement of Activities, the net revenues or expenses of each internal service fund are eliminated by netting them against the operations of the City departments that generated them. The remaining balance sheet items are consolidated with these same funds in the Statement of Net Position. However, internal service funds are still presented separately in the Fund financial statements.

Information Technology - Accounts for the activities related to the maintenance and replacement of the City's technology infrastructure.

Workers' Compensation - This fund is used to account for all expenses relating to workers' compensation (i.e., injury claims, insurance premiums, etc.). The costs are recovered through an annual "user fee" which is charged to all departments/funds that have employees.

Equipment Revolving - Accounts for the activities related to the maintenance and replacement of the City's vehicle fleet and other equipment.

Compensated Absences and Long-Term Disability - Accounts for accrued leave payouts and the City's long term disability insurance program.

Retiree Medical - Accounts for funds set-aside for other post-employment retirement benefits.

City of Cupertino
Combining Statement of Net Position
Internal Service Funds
June 30, 2024

	Information Technology	Workers' Compensation	Equipment Revolving
ASSETS			
Current assets:			
Cash and investments	\$ 3,168,807	\$ 3,564,772	\$ 1,144,531
Account receivable	-	-	-
Interest receivable	19,663	22,082	10,265
Prepaid expense	4,680	-	-
Total current assets	3,193,150	3,586,854	1,154,796
Noncurrent assets:			
Capital assets:			
Nondepreciable	5,031	-	187,894
Depreciable and amortizable, net	598,925	-	1,968,363
Total capital assets	603,956	-	2,156,257
Total noncurrent assets	603,956	-	2,156,257
Total assets	3,797,106	3,586,854	3,311,053
DEFERRED INFLOW OF RESOURCES			
Related to pensions	919,238	20,665	215,930
Related to other postemployment benefit liability	282,941	3,209	94,901
Total deferred outflows of resources	1,202,179	23,874	310,831
LIABILITIES			
Current Liabilities:			
Accounts payable and accruals	153,652	-	19,426
Accrued payroll and benefits	-	-	72
Due to other funds	-	-	-
Compensated absences, due within one year	32,220	1,353	4,548
Claims payable, due within one year	-	232,000	-
Subscription liabilities, due within one year	68,110	-	-
Lease liabilities, due within one year	-	-	6,808
Total current liabilities	253,982	233,353	30,854
Noncurrent liabilities:			
Compensated absences, due more than one year	326,987	13,728	46,154
Claims payable, due more than one year	-	1,041,000	-
Subscription liabilities, due more than one year	29,111	-	-
Lease liabilities, due more than one year	-	-	8,561
Net pension liability	3,087,004	69,396	725,141
Net other postemployment benefit liability	110,727	1,256	37,139
Total noncurrent liabilities	3,553,829	1,125,380	816,995
Total liabilities	3,807,811	1,358,733	847,849
DEFERRED INFLOW OF RESOURCES			
Related to pensions	4,601	103	1,081
Related to other postemployment benefit liability	92,279	1,047	30,951
Total deferred inflows of resources	96,880	1,150	32,032
NET POSITION:			
Net investment in capital assets	506,735	-	2,140,888
Restricted for other postemployment benefit	79,935	906	26,811
Unrestricted (deficit)	507,924	2,249,939	574,304
Total net position	\$ 1,094,594	\$ 2,250,845	\$ 2,742,003

City of Cupertino
Combining Statement of Net Position (Continued)
Internal Service Funds
June 30, 2024

	Absences and Long-Term Disability	Retiree Medical	Total
ASSETS			
Current assets:			
Cash and investments	\$ 451,528	\$ -	\$ 8,329,638
Account receivable	-	1,387,959	1,387,959
Interest receivable	3,900	-	55,910
Prepaid expense	-	-	4,680
Total current assets	455,428	1,387,959	9,778,187
Noncurrent assets:			
Capital assets:			
Nondepreciable	-	-	192,925
Depreciable and amortizable, net	-	-	2,567,288
Total capital assets	-	-	2,760,213
Total noncurrent assets	-	-	2,760,213
Total assets	455,428	1,387,959	12,538,400
DEFERRED INFLOW OF RESOURCES			
Related to pensions	-	-	1,155,833
Related to other postemployment benefit liability	-	-	381,051
Total deferred outflows of resources	-	-	1,536,884
LIABILITIES			
Current Liabilities:			
Accounts payable and accruals	-	-	173,078
Accrued payroll and benefits	-	-	72
Due to other funds	-	1,401,947	1,401,947
Compensated absences, due within one year	-	-	38,121
Claims payable, due within one year	-	-	232,000
Subscription liabilities, due within one year	-	-	68,110
Lease liabilities, due within one year	-	-	6,808
Total current liabilities	-	1,401,947	1,920,136
Noncurrent liabilities:			
Compensated absences, due more than one year	-	-	386,869
Claims payable, due more than one year	-	-	1,041,000
Subscription liabilities, due more than one year	-	-	29,111
Lease liabilities, due more than one year	-	-	8,561
Net pension liability	-	-	3,881,541
Net other postemployment benefit liability	-	-	149,122
Total noncurrent liabilities	-	-	5,496,204
Total liabilities	-	1,401,947	7,416,340
DEFERRED INFLOW OF RESOURCES			
Related to pensions	-	-	5,785
Related to other postemployment benefit liability	-	-	124,277
Total deferred inflows of resources	-	-	130,062
NET POSITION:			
Net investment in capital assets	-	-	2,647,623
Restricted for other postemployment benefit	-	-	107,652
Unrestricted (deficit)	455,428	(13,988)	3,773,607
Total net position	\$ 455,428	\$ (13,988)	\$ 6,528,882

City of Cupertino
Combining Statement of Revenues, Expenses, and Changes in Net Position
Internal Service Funds
For the Year Ended June 30, 2024

	Information Technology	Workers' Compensation	Equipment Revolving
OPERATING REVENUES:			
Charges for services	\$ 2,546,858	\$ -	\$ 1,523,066
Other	5,377	38,356	262
Total operating revenues	<u>2,552,235</u>	<u>38,356</u>	<u>1,523,328</u>
OPERATING EXPENSES:			
Salaries and benefits	2,477,519	45,676	488,818
Materials and supplies	1,303,771	29,295	278,162
Contractual services	400,552	-	104,121
Insurance and claims and premium	-	-	-
Depreciation and amortization	200,553	-	450,115
Total operating expenses	<u>4,382,395</u>	<u>74,971</u>	<u>1,321,216</u>
OPERATING INCOME (LOSS)	<u>(1,830,160)</u>	<u>(36,615)</u>	<u>202,112</u>
NONOPERATING REVENUES (EXPENSES):			
Investment income	134,857	147,234	26,776
Gain on sale of capital assets	289	-	30,750
Interest expense	(4,105)	-	-
Total nonoperating revenues	<u>131,041</u>	<u>147,234</u>	<u>57,526</u>
INCOME (LOSS) BEFORE TRANSFERS	<u>(1,699,119)</u>	<u>110,619</u>	<u>259,638</u>
TRANSFERS:			
Transfers in	1,037,684	-	-
Transfers out	(76,000)	-	-
Total transfers	<u>961,684</u>	<u>-</u>	<u>-</u>
CHANGES IN NET POSITION	<u>(737,435)</u>	<u>110,619</u>	<u>259,638</u>
NET POSITION (DEFICIT):			
Beginning of year	1,832,029	2,140,226	2,482,365
End of year	<u>\$ 1,094,594</u>	<u>\$ 2,250,845</u>	<u>\$ 2,742,003</u>

City of Cupertino
Combining Statement of Revenues, Expenses, and Changes in Net Position (Continued)
Internal Service Funds
For the Year Ended June 30, 2024

	Compensated Absences and Long-Term Disability	Retiree Medical	Total
OPERATING REVENUES:			
Charges for services	\$ 101,932	\$ -	\$ 4,171,856
Other	-	1,387,959	1,431,954
Total operating revenues	<u>101,932</u>	<u>1,387,959</u>	<u>5,603,810</u>
OPERATING EXPENSES:			
Salaries and benefits	-	1,387,959	4,399,972
Materials and supplies	6,471	13,988	1,631,687
Contractual services	-	-	504,673
Insurance and claims and premium	764,574	-	764,574
Depreciation and amortization	-	-	650,668
Total operating expenses	<u>771,045</u>	<u>1,401,947</u>	<u>7,951,574</u>
OPERATING INCOME (LOSS)	<u>(669,113)</u>	<u>(13,988)</u>	<u>(2,347,764)</u>
NONOPERATING REVENUES (EXPENSES):			
Investment income	32,216	-	341,083
Gain on sale of capital assets	-	-	31,039
Interest expense	-	-	(4,105)
Total nonoperating revenues	<u>32,216</u>	<u>-</u>	<u>368,017</u>
INCOME (LOSS) BEFORE TRANSFERS	<u>(636,897)</u>	<u>(13,988)</u>	<u>(1,979,747)</u>
TRANSFERS:			
Transfers in	380,000	-	1,417,684
Transfers out	-	-	(76,000)
Total transfers	<u>380,000</u>	<u>-</u>	<u>1,341,684</u>
CHANGES IN NET POSITION	<u>(256,897)</u>	<u>(13,988)</u>	<u>(638,063)</u>
NET POSITION:			
Beginning of year	712,325	-	7,166,945
End of year	<u>\$ 455,428</u>	<u>\$ (13,988)</u>	<u>\$ 6,528,882</u>

City of Cupertino
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2024

	Information Technology	Workers' Compensation	Equipment Revolving
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers and users	\$ 2,552,235	\$ 38,356	\$ 1,523,328
Cash paid to suppliers for goods and services	(1,627,301)	(29,295)	(441,384)
Cash paid to employees for services	(2,137,110)	(43,120)	(484,258)
Cash paid for insurance claims	-	(381,000)	-
Net cash provided by (used in) operating activities	<u>(1,212,176)</u>	<u>(415,059)</u>	<u>597,686</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Cash received (paid) from other funds	961,684	-	-
Net cash provided by (used in) noncapital financing activities	<u>961,684</u>	<u>-</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition of capital assets	(5,031)	-	(427,736)
Principal paid	(135,606)	-	(18,739)
Interest paid	(4,105)	-	-
Proceeds from sale of capital assets	-	-	30,750
Net cash (used in) capital and related financing activities	<u>(144,742)</u>	<u>-</u>	<u>(415,725)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest earnings	126,928	138,581	21,381
Net cash provided by (used in) investing activities	<u>126,928</u>	<u>138,581</u>	<u>21,381</u>
Net change in cash and cash equivalents	(268,306)	(276,478)	203,342
CASH AND CASH EQUIVALENTS:			
Beginning of year	3,437,113	3,841,250	941,189
End of year	<u>\$ 3,168,807</u>	<u>\$ 3,564,772</u>	<u>\$ 1,144,531</u>

(Continued)

City of Cupertino
Combining Statement of Cash Flows (Continued)
Internal Service Funds
For the Year Ended June 30, 2024

	Compensated Absences and Long-Term Disability	Retiree Medical	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers and users	\$ 101,932	\$ 1,385,759	\$ 5,601,610
Cash paid to suppliers for goods and services	(771,045)	(13,988)	(2,883,013)
Cash paid to employees for services	-	(1,387,959)	(4,052,447)
Cash paid for insurance claims	-	-	(381,000)
Net cash provided by (used in) operating activities	(669,113)	(16,188)	(1,714,850)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Cash received (paid) from other funds	380,000	6,290	1,347,974
Net cash provided by (used in) noncapital financing activities	380,000	6,290	1,347,974
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition of capital assets	-	-	(432,767)
Principal paid	-	-	(154,345)
Interest paid	-	-	(4,105)
Proceeds from sale of capital assets	-	-	30,750
Net cash (used in) capital and related financing activities	-	-	(560,467)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest earnings	31,077	-	317,967
Net cash provided by (used in) investing activities	31,077	-	317,967
Net change in cash and cash equivalents	(258,036)	(9,898)	(609,376)
CASH AND CASH EQUIVALENTS:			
Beginning of year	709,564	9,898	8,939,014
End of year	<u>\$ 451,528</u>	<u>\$ -</u>	<u>\$ 8,329,638</u>

(Continued)

City of Cupertino
Combining Statement of Cash Flows (Continued)
Internal Service Funds
For the Year Ended June 30, 2024

	Information Technology	Workers' Compensation	Equipment Revolving
Reconciliation of Operating Income (Loss) to to Net Cash Provided by (used in) Operating Activities:			
Operating income (loss)	\$ (1,830,160)	\$ (36,615)	\$ 202,112
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortization	200,553	-	450,115
Changes in assets and liabilities:			
(Increase)/decrease in account receivable	-	-	-
(Increase)/decrease in prepaid expense	(4,680)	-	-
(Increase)/decrease in deferred outflows of resources related to pensions	16,066	2,899	37,835
(Increase)/decrease in deferred outflows of resources related to other postemployment benefit	28,805	119	669
Increase/(decrease) in accounts payable	81,702	-	(59,101)
Increase/(decrease) in compensated absences	34,213	2,054	(167)
Increase/(decrease) in claims payable	-	(381,000)	-
Increase/(decrease) in net pension liabilities	205,614	(3,197)	(56,632)
Increase/(decrease) in other postemployment benefit liabilities	81,321	942	28,124
Increase/(decrease) in deferred inflows of resources related to pensions	(2,487)	(76)	(842)
Increase/(decrease) in deferred inflows of resources related to other postemployment benefit	(23,123)	(185)	(4,427)
Net cash provided by (used in) operating activities	\$ (1,212,176)	\$ (415,059)	\$ 597,686
NONCASH ITEMS:			
Acquisition of right to use intangible assets	\$ 51,199	\$ -	\$ 34,108
Issuance of lease and subscription liabilities	\$ 51,199	\$ -	\$ 34,108
Termination of subscription liabilities	\$ 16,866	\$ -	\$ -

City of Cupertino
Combining Statement of Cash Flows (Continued)
Internal Service Funds
For the Year Ended June 30, 2024

	Compensated Absences and Long-Term Disability	Retiree Medical	Total
Reconciliation of Operating Income (Loss) to to Net Cash Provided by (used in) Operating Activities:			
Operating income (loss)	\$ (669,113)	\$ (13,988)	\$ (2,347,764)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortization	-	-	650,668
Changes in assets and liabilities:			
(Increase)/decrease in account receivable	-	(2,200)	(2,200)
(Increase)/decrease in prepaid expense	-	-	(4,680)
(Increase)/decrease in deferred outflows of resources related to pensions	-	-	56,800
(Increase)/decrease in deferred outflows of resources related to other postemployment benefit	-	-	29,593
Increase/(decrease) in accounts payable	-	-	22,601
Increase/(decrease) in compensated absences	-	-	36,100
Increase/(decrease) in claims payable	-	-	(381,000)
Increase/(decrease) in net pension liabilities	-	-	145,785
Increase/(decrease) in other postemployment benefit liabilities	-	-	110,387
(Increase)/decrease in deferred inflows of resources related to pensions	-	-	(3,405)
Increase/(decrease) in deferred inflows of resources related to other postemployment benefit	-	-	(27,735)
Net cash provided by (used in) operating activities	<u>\$ (669,113)</u>	<u>\$ (16,188)</u>	<u>\$ (1,714,850)</u>
NONCASH ITEMS:			
Acquisition of right to use intangible assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 85,307</u>
Issuance of lease and subscription liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 85,307</u>
Termination of subscription liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,866</u>

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STATISTICAL SECTION

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City of Cupertino
Description of Statistical Section Contents
June 30, 2024

This part of the City of Cupertino's annual comprehensive financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information say about the government's overall financial health.

Contents:	Pages
Financial Trends - These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	146-155
Revenue Capacity - These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.	157-161
Debt Capacity - These schedules present information to help the reader assess the affordability of the City's current level of outstanding debt and the City's ability to issue additional debt in the future.	162-165
Demographic and Economic Information - These schedules offer demographics and economic indicators to help the reader understand the environment within which the City's financial activities take place.	166-167
Operating Information - These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report related to the services the City provides and activities it performs.	169-173

City of Cupertino
Net Position by Component
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year				
	2015	2016	2017	2018	2019
Government activities:					
Net investment in capital assets	\$ 131,425,677	\$ 148,168,074	\$ 153,239,534	\$ 167,606,366	\$ 170,973,897
Restricted	38,327,705	34,861,807	34,991,692	32,073,195	45,405,508
Unrestricted	51,003,950	51,164,063	59,385,309	50,457,871	51,190,017
Total governmental activities net position	<u>\$ 220,757,332</u>	<u>\$ 234,193,944</u>	<u>\$ 247,616,535</u>	<u>\$ 250,137,432</u>	<u>\$ 267,569,422</u>
Business-type activities:					
Net investment in capital assets	\$ 2,079,561	\$ 1,708,183	\$ 1,972,169	\$ 1,597,700	\$ 1,318,744
Restricted	-	-	-	-	-
Unrestricted	6,604,578	7,375,444	9,092,584	8,051,015	6,737,758
Total business-type activities net position	<u>\$ 8,684,139</u>	<u>\$ 9,083,627</u>	<u>\$ 11,064,753</u>	<u>\$ 9,648,715</u>	<u>\$ 8,056,502</u>
Primary government:					
Net investment in capital assets	\$ 133,505,238	\$ 149,876,257	\$ 155,211,703	\$ 169,204,066	\$ 172,292,641
Restricted	38,327,705	34,861,807	34,991,692	32,073,195	45,405,508
Unrestricted	57,608,528	58,539,507	68,477,893	58,508,886	57,927,775
Total primary government net position	<u>\$ 229,441,471</u>	<u>\$ 243,277,571</u>	<u>\$ 258,681,288</u>	<u>\$ 259,786,147</u>	<u>\$ 275,625,924</u>

City of Cupertino
Net Position by Component (Continued)
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year				
	2020	2021	2022*	2023	2024
Government activities:					
Net investment in capital assets	\$ 177,128,134	\$ 186,503,116	\$ 196,915,823	\$ 198,450,441	\$ 202,961,106
Restricted	48,005,800	53,711,040	69,354,217	69,129,277	73,407,531
Unrestricted	66,493,336	83,458,299	93,613,909	120,529,242	138,149,757
Total governmental activities net position	<u>\$ 291,627,270</u>	<u>\$ 323,672,455</u>	<u>\$ 359,883,949</u>	<u>\$ 388,108,960</u>	<u>\$ 414,518,394</u>
Business-type activities:					
Net investment in capital assets	\$ 1,118,882	\$ 2,090,530	\$ 2,089,569	\$ 2,109,592	\$ 2,009,420
Restricted	-	-	166,607	166,689	106,718
Unrestricted	8,134,944	9,374,129	8,422,930	8,148,256	7,742,441
Total business-type activities net position	<u>\$ 9,253,826</u>	<u>\$ 11,464,659</u>	<u>\$ 10,679,106</u>	<u>\$ 10,424,537</u>	<u>\$ 9,858,579</u>
Primary government:					
Net investment in capital assets	\$ 178,247,016	\$ 188,593,646	\$ 199,005,392	\$ 200,560,033	\$ 204,970,526
Restricted	48,005,800	53,711,040	69,520,824	69,295,966	73,514,249
Unrestricted	74,628,280	92,832,428	102,036,839	128,677,498	145,892,198
Total primary government net position	<u>\$ 300,881,096</u>	<u>\$ 335,137,114</u>	<u>\$ 370,563,055</u>	<u>\$ 398,533,497</u>	<u>\$ 424,376,973</u>

* 2022 restricted and unrestricted net positions are restated as result of a prior period adjustment

City of Cupertino
Changes in Net Position - Expenses and Program Revenues
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year				
	2015	2016	2017	2018	2019
Expenses:					
Governmental Activities:					
Administration	\$ 3,286,919	\$ 3,710,388	\$ 2,873,744	\$ 5,612,733	\$ 6,849,046
Law enforcement	10,705,328	11,316,271	12,528,328	12,674,042	13,381,113
Innovation and technology	649,442	575,260	1,884,165	3,244,846	3,210,343
Administrative services	4,300,336	2,994,611	5,898,479	4,415,647	4,290,818
Recreation services	5,365,282	5,758,194	10,651,557	9,352,551	7,389,915
Community development	5,976,797	6,259,734	13,775,591	16,789,351	10,470,973
Public works	27,893,361	31,313,396	32,491,244	28,995,382	31,870,165
Interest on long-term debt	1,120,138	1,077,538	1,035,738	993,038	949,438
Total governmental activities expenses	<u>59,297,603</u>	<u>63,005,392</u>	<u>81,138,846</u>	<u>82,077,590</u>	<u>78,411,811</u>
Business-type activities:					
Resources recovery	\$ 2,548,461	\$ 2,997,200	\$ 2,991,177	\$ 2,594,511	\$ 1,735,885
Blackberry farm	547,185	576,177	597,406	656,112	645,469
Cupertino sports center	2,269,420	2,299,210	2,159,243	2,633,748	3,036,037
Recreation programs	2,342,457	3,136,011	2,351,501	3,232,593	2,923,336
Total business-type activities expenses	<u>7,707,523</u>	<u>9,008,598</u>	<u>8,099,327</u>	<u>9,116,964</u>	<u>8,340,727</u>
Total primary government expenses	<u>\$ 67,005,126</u>	<u>\$ 72,013,990</u>	<u>\$ 89,238,173</u>	<u>\$ 91,194,554</u>	<u>\$ 86,752,538</u>
Program revenues:					
Governmental activities:					
Charges for services:					
Administration	\$ 322,534	\$ 369,069	\$ 3,992,716	\$ 5,062,988	\$ 1,319,395
Law enforcement	590,378	664,483	603,194	732,544	889,923
Innovation and technology	41,352	41,352	-	-	-
Administrative services	481,616	359,148	3,565,627	2,635,885	3,113,731
Recreation services	1,798,134	1,421,185	2,016,159	1,589,134	1,563,262
Community development	8,511,745	10,534,457	10,902,822	8,598,935	7,470,690
Public works	2,869,357	6,358,870	6,873,487	4,720,646	4,504,104
Operating grants and contributions	6,002,617	1,851,282	2,313,632	4,819,696	2,557,470
Capital grants and contributions	4,022,190	362,491	245,288	271,587	1,082,243
Total governmental activities program revenues	<u>24,639,923</u>	<u>21,962,337</u>	<u>30,512,925</u>	<u>28,431,415</u>	<u>22,500,818</u>
Business-type activities:					
Charges for services:					
Resources recovery	\$ 2,591,276	\$ 2,664,888	\$ 2,792,190	\$ 2,559,862	\$ 1,750,279
Blackberry farm	388,091	334,529	325,224	345,667	316,615
Cupertino sports center	2,152,498	2,224,146	2,238,023	2,403,665	2,349,468
Recreation programs	2,532,800	2,466,336	2,778,588	2,516,678	1,986,781
Total business-type activities program revenues	<u>7,664,665</u>	<u>7,689,899</u>	<u>8,134,025</u>	<u>7,825,872</u>	<u>6,403,143</u>
Total primary government program revenues	<u>\$ 32,304,588</u>	<u>\$ 29,652,236</u>	<u>\$ 38,646,950</u>	<u>\$ 36,257,287</u>	<u>\$ 28,903,961</u>

Source: Department of Administrative Services, City of Cupertino.

City of Cupertino
Changes in Net Position - Expenses and Program Revenues (Continued)
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year				
	2020	2021	2022	2023	2024
Expenses:					
Governmental Activities:					
Administration	\$ 7,974,520	\$ 3,637,467	\$ 7,293,244	\$ 8,830,127	\$ 9,069,311
Law enforcement	14,698,130	15,211,646	16,100,903	15,716,301	16,682,075
Innovation and technology	3,637,354	1,721,729	2,004,515	1,950,718	3,127,436
Administrative services	5,175,596	5,358,183	5,363,745	6,363,343	8,165,843
Recreation services	8,763,194	1,182,662	3,976,793	6,020,526	7,194,533
Community development	10,286,317	11,495,788	12,209,547	12,463,257	13,696,180
Public works	33,339,191	41,870,240	35,653,588	38,696,234	36,547,118
Interest on long-term debt	882,837	397,682	636,960	369,502	304,972
Total governmental activities expenses	<u>84,757,139</u>	<u>80,875,397</u>	<u>83,239,295</u>	<u>90,410,008</u>	<u>94,787,468</u>
Business-type activities:					
Resources recovery	\$ 2,213,404	\$ 1,670,261	\$ 1,837,781	2,038,313	2,227,782
Blackberry farm	663,663	535,274	655,184	799,168	3,113,577
Cupertino sports center	2,883,903	2,182,900	3,396,146	3,456,539	2,393,886
Recreation programs	3,141,225	1,117,244	1,617,717	1,661,686	673,788
Total business-type activities expenses	<u>8,902,195</u>	<u>5,505,679</u>	<u>7,506,828</u>	<u>7,955,706</u>	<u>8,409,033</u>
Total primary government expenses	<u>\$ 93,659,334</u>	<u>\$ 86,381,076</u>	<u>\$ 90,746,123</u>	<u>\$ 98,365,714</u>	<u>\$ 103,196,501</u>
Program revenues:					
Governmental activities:					
Charges for services:					
Administration	\$ 2,091,811	\$ 2,387,412	\$ 2,551,205	\$ 3,098,916	\$ 1,370,548
Law enforcement	1,102,888	550,051	940,797	612,993	739,408
Innovation and technology	-	-	-	-	-
Administrative services	3,889,180	5,232,679	7,457,032	5,419,347	6,642,671
Recreation services	1,309,906	264,426	653,994	621,587	811,979
Community development	5,859,847	5,736,587	5,768,850	5,361,837	5,549,943
Public works	5,657,315	3,966,206	4,015,183	3,290,506	3,507,250
Operating grants and contributions	5,794,443	5,998,209	7,601,210	10,881,438	4,685,153
Capital grants and contributions	1,046,756	1,792,376	1,282,617	1,593,910	3,665,581
Total governmental activities program revenues	<u>26,752,146</u>	<u>25,927,946</u>	<u>30,270,888</u>	<u>30,880,534</u>	<u>26,972,533</u>
Business-type activities:					
Charges for services:					
Resources recovery	\$ 1,821,677	\$ 1,819,861	\$ 1,545,683	\$ 1,772,252	\$ 2,363,496
Blackberry farm	338,212	610,603	602,778	616,461	2,362,677
Cupertino sports center	2,365,667	1,810,194	2,796,329	3,117,580	2,039,338
Recreation programs	1,588,576	590,871	1,294,128	1,742,442	663,274
Total business-type activities program revenues	<u>6,114,132</u>	<u>4,831,529</u>	<u>6,238,918</u>	<u>7,248,735</u>	<u>7,428,785</u>
Total primary government program revenues	<u>\$ 32,866,278</u>	<u>\$ 30,759,475</u>	<u>\$ 36,509,806</u>	<u>\$ 38,129,269</u>	<u>\$ 34,401,318</u>

City of Cupertino
Changes in Net Position - Expenses and Program Revenues (Continued)
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year				
	2015	2016	2017	2018	2019
Net revenues (expenses):					
Governmental activities	\$ (34,657,680)	\$ (41,043,055)	\$ (50,625,921)	\$ (53,646,175)	\$ (55,910,993)
Business-type activities	(42,858)	(1,318,699)	34,698	(1,291,092)	(1,937,584)
Total net revenues (expenses)	<u>\$ (34,700,538)</u>	<u>\$ (42,361,754)</u>	<u>\$ (50,591,223)</u>	<u>\$ (54,937,267)</u>	<u>\$ (57,848,577)</u>
General revenues and Transfers					
Governmental activities:					
Taxes:					
Property taxes	-	\$ 11,864,027	\$ 13,251,840	\$ 14,881,533	\$ 17,082,005
Property taxes in lieu of motor vehicle fee	-	6,330,436	6,967,237	7,552,272	8,219,090
Sales taxes	-	21,350,056	26,932,012	26,164,531	24,901,779
Transient occupancy tax	-	5,852,244	6,023,681	6,810,718	8,901,337
Utility user taxes	-	3,370,830	3,082,407	3,146,398	3,089,922
Franchise taxes	-	3,478,024	3,409,572	3,563,820	3,445,253
Other taxes	-	2,818,019	3,258,118	1,943,652	3,299,587
Intergovernmental	-	24,111	26,118	31,013	28,844
Investment earnings (loss)	40,751	807,287	694,730	916,638	3,258,550
Miscellaneous	(2)	219,053	2,004,906	1,834,492	1,187,741
Gain on sale of capital assets	23,715,897	580	-	740,570	3,875
Transfers - fund closing ¹	-	-	272,011	-	-
Transfers	872,340	(1,635,000)	(1,874,120)	107,030	(75,000)
Total governmental activities	<u>24,628,986</u>	<u>54,479,667</u>	<u>64,048,512</u>	<u>67,692,667</u>	<u>73,342,983</u>
Business-type activities:					
Investment earnings	42,561	82,187	59,012	75,663	270,371
Transfers	(872,340)	1,635,000	1,874,120	(107,030)	75,000
Total business-type activities	<u>(829,779)</u>	<u>1,717,187</u>	<u>1,933,132</u>	<u>(31,367)</u>	<u>345,371</u>
Total primary government	<u>\$ 23,799,207</u>	<u>\$ 56,196,854</u>	<u>\$ 65,981,644</u>	<u>\$ 67,661,300</u>	<u>\$ 73,688,354</u>
Changes in net position					
Governmental activities	\$ (10,028,694)	\$ 13,436,612	\$ 13,422,591	\$ 14,046,492	\$ 17,431,990
Business-type activities	(872,637)	398,488	1,967,830	(1,322,459)	(1,592,213)
Total primary government	<u>\$ (10,901,331)</u>	<u>\$ 13,835,100</u>	<u>\$ 15,390,421</u>	<u>\$ 12,724,033</u>	<u>\$ 15,839,777</u>

¹ Asset and liability transfer from the closed City Channel/Web Internal Service Fund in 2017.

City of Cupertino
Changes in Net Position - Expenses and Program Revenues (Continued)
Last Ten Fiscal Years
(accrual basis of accounting)

	Fiscal Year				
	2020	2021	2022	2023	2024
Net revenues (expenses):					
Governmental activities	\$ (58,004,993)	\$ (54,947,451)	\$ (52,968,407)	\$ (59,529,474)	\$ (67,814,935)
Business-type activities	(2,788,063)	(674,150)	(1,267,910)	(706,971)	(980,248)
Total net revenues (expenses)	<u>\$ (60,793,056)</u>	<u>\$ (55,621,601)</u>	<u>\$ (54,236,317)</u>	<u>\$ (60,236,445)</u>	<u>\$ (68,795,183)</u>
General revenues and Transfers					
Governmental activities:					
Taxes:					
Property taxes	\$ 18,117,304	\$ 19,197,994	\$ 20,322,779	\$ 21,807,628	\$ 22,494,293
Property taxes in lieu of motor vehicle fee	8,489,541	9,079,845	9,401,632	10,082,011	10,542,559
Sales taxes	35,657,214	42,581,070	43,646,813	34,819,341	30,961,166
Transient occupancy tax	7,286,083	2,141,058	4,404,958	7,062,150	6,906,722
Utility user taxes	3,182,086	3,074,358	3,356,389	4,103,906	3,935,917
Franchise taxes	3,418,908	3,368,286	3,479,554	3,995,018	4,313,669
Other taxes	1,774,235	3,022,333	11,117,528	2,872,571	1,970,611
Intergovernmental	47,391	43,675	67,762	62,072	74,801
Investment earnings (loss)	5,690,723	4,147,907	(9,241,781)	2,801,930	11,562,914
Miscellaneous	1,922,356	3,185,110	1,948,332	444,339	1,441,717
Gain on sale of capital assets	-	-	-	-	-
Transfers - fund closing ¹	-	-	-	-	-
Transfers	(3,523,000)	(2,849,000)	(886,801)	(296,481)	20,000
Total governmental activities	<u>82,062,841</u>	<u>86,992,636</u>	<u>87,617,165</u>	<u>87,754,485</u>	<u>94,224,369</u>
Business-type activities:					
Investment earnings	462,387	35,983	(404,444)	155,921	434,290
Transfers	3,523,000	2,849,000	886,801	296,481	(20,000)
Total business-type activities	<u>3,985,387</u>	<u>2,884,983</u>	<u>482,357</u>	<u>452,402</u>	<u>414,290</u>
Total primary government	<u>\$ 86,048,228</u>	<u>\$ 89,877,619</u>	<u>\$ 88,099,522</u>	<u>\$ 88,206,887</u>	<u>\$ 94,638,659</u>
Changes in net position					
Governmental activities	\$ 24,057,848	\$ 32,045,185	\$ 34,648,758	\$ 28,225,011	\$ 26,409,434
Business-type activities	1,197,324	2,210,833	(785,553)	(254,569)	(565,958)
Total primary government	<u>\$ 25,255,172</u>	<u>\$ 34,256,018</u>	<u>\$ 33,863,205</u>	<u>\$ 27,970,442</u>	<u>\$ 25,843,476</u>

City of Cupertino
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year				
	2015	2016	2017	2018	2019 ⁽¹⁾
General fund:					
Nonspendable	\$ 938,245	\$ 937,381	\$ 876,939	\$ 464,893	\$ 454,188
Restricted	761,653	888,374	1,016,771	1,254,578	9,469,670
Committed	-	-	19,000,000	19,122,754	19,123,397
Assigned	28,849,679	20,500,000	4,638,181	9,963,310	1,979,202
Unassigned	8,774,966	29,869,085	28,057,799	21,704,922	27,896,128
Total general fund	<u>\$ 39,324,543</u>	<u>\$ 52,194,840</u>	<u>\$ 53,589,690</u>	<u>\$ 52,510,457</u>	<u>\$ 58,922,585</u>
All other governmental funds:					
Nonspendable	-	-	-	-	-
Restricted	37,566,052	33,973,433	33,974,921	30,818,617	35,935,838
Committed	1,398,665	1,398,665	1,398,665	-	-
Assigned	20,671,116	15,344,191	25,305,974	29,129,616	33,211,946
Unassigned	-	-	-	-	-
Total all other governmental funds	<u>\$ 59,635,833</u>	<u>\$ 50,716,289</u>	<u>\$ 60,679,560</u>	<u>\$ 59,948,233</u>	<u>\$ 69,147,784</u>
Total Governmental Funds	<u>\$ 98,960,376</u>	<u>\$ 102,911,129</u>	<u>\$ 114,269,250</u>	<u>\$ 112,458,690</u>	<u>\$ 128,070,369</u>

¹The City established a trust to fund Other Post-Employment Benefit contributions, which is classified as a restriction in fund balance.

City of Cupertino
Fund Balances of Governmental Funds (Continued)
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year				
	2020	2021	2022 ⁽¹⁾	2023	2024
General fund:					
Nonspendable	\$ 3,449,341	\$ 3,444,346	\$ 4,055,956	\$ 4,000,588	\$ 3,449,814
Restricted	14,324,757	20,140,419	18,756,482	19,088,859	23,310,735
Committed	19,127,891	19,127,891	34,127,891	34,127,891	108,627,891
Assigned	3,176,882	4,906,139	5,041,682	9,735,187	4,741,474
Unassigned	34,426,942	49,231,996	48,696,821	71,603,813	25,965,405
Total general fund	<u>\$ 74,505,813</u>	<u>\$ 96,850,791</u>	<u>\$ 110,678,832</u>	<u>\$ 138,556,338</u>	<u>\$ 166,095,319</u>
All other governmental funds:					
Nonspendable	-	-	-	\$ -	\$ -
Restricted	33,681,043	33,570,621	51,106,343	46,828,676	47,836,410
Committed	-	-	-	-	-
Assigned	40,551,131	37,038,174	35,088,889	34,924,537	32,125,651
Unassigned	-	-	-	-	-
Total all other governmental funds	<u>\$ 74,232,174</u>	<u>\$ 70,608,795</u>	<u>\$ 86,195,232</u>	<u>\$ 81,753,213</u>	<u>\$ 79,962,061</u>
Total Governmental Funds	<u>\$ 148,737,987</u>	<u>\$ 167,459,586</u>	<u>\$ 196,874,064</u>	<u>\$ 220,309,551</u>	<u>\$ 246,057,380</u>

¹2022 balances were restated due to prior period adjustments.

City of Cupertino
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year				
	2015	2016	2017	2018	2019
Revenues:					
Taxes	\$ 55,134,238	\$ 55,462,956	\$ 62,924,867	\$ 64,062,924	\$ 68,938,973
Use of money and property	915,933	1,654,702	1,425,629	1,543,818	3,896,813
Intergovernmental	7,210,562	2,532,025	2,585,038	5,122,296	3,668,557
Licenses and permits	3,170,445	3,073,110	2,536,925	2,757,928	4,102,665
Charges for services	5,203,371	17,249,123	24,103,167	15,638,247	13,385,698
Fines and forfeitures	554,002	564,903	603,194	602,934	534,012
Other	542,429	1,289,013	2,004,904	1,834,492	1,187,741
Total revenues	<u>72,730,980</u>	<u>81,825,832</u>	<u>96,183,724</u>	<u>91,562,639</u>	<u>95,714,459</u>
Expenditures:					
Current:					
Administration	3,897,701	4,053,741	5,942,633	4,943,052	6,294,111
Law enforcement	10,283,772	10,988,735	11,939,095	12,362,621	13,108,732
Innovation and technology	624,295	544,718	1,864,746	2,835,768	2,843,540
Administrative services	3,226,164	2,811,117	5,054,539	4,430,300	4,197,582
Recreation services	5,047,548	5,441,200	9,361,934	8,686,076	8,996,118
Community development	5,180,659	6,102,820	7,431,292	12,907,086	9,359,835
Public works	14,625,038	15,078,174	18,623,585	18,191,714	19,955,579
Capital outlay:	21,760,899	26,171,127	18,731,165	23,395,112	10,528,246
Debt service:					
Principal repayment	2,055,000	2,090,000	2,135,000	2,180,000	2,220,000
Interest and fiscal charges	1,120,138	1,077,538	1,035,738	993,038	949,438
Total expenditures	<u>67,821,214</u>	<u>74,359,170</u>	<u>82,119,727</u>	<u>90,924,767</u>	<u>78,453,181</u>
Excess of revenues over (under) expenditures	<u>4,909,766</u>	<u>7,466,662</u>	<u>14,063,997</u>	<u>637,872</u>	<u>17,261,278</u>
Other financing sources (uses):					
Proceeds from debt issuance	-	-	-	-	-
Proceeds from debt issuance premium	-	-	-	-	-
Payments to refunding agent	-	-	-	-	-
Proceeds from sale of capital assets	23,814,257	580	-	872,250	3,875
Inception of subscription liability	-	-	-	-	-
Transfers in	39,408,990	11,905,724	26,446,090	31,028,218	19,407,613
Transfers in - fund closing	-	-	260,374	-	-
Transfers out	(39,177,284)	(15,422,213)	(29,412,340)	(34,348,900)	(21,061,087)
Total other financing sources (uses)	<u>24,045,963</u>	<u>(3,515,909)</u>	<u>(2,705,876)</u>	<u>(2,448,432)</u>	<u>(1,649,599)</u>
Net change in fund balances	<u>\$ 28,955,729</u>	<u>\$ 3,950,753</u>	<u>\$ 11,358,121</u>	<u>\$ (1,810,560)</u>	<u>\$ 15,611,679</u>
Debt service as a percentage of noncapital expenditures	0.00%	6.57%	5.00%	4.70%	4.67%

Source: Department of Administrative Services, City of Cupertino.

City of Cupertino
Changes in Fund Balances of Governmental Funds (Continued)
Last Ten Fiscal Years
(modified accrual basis of accounting)

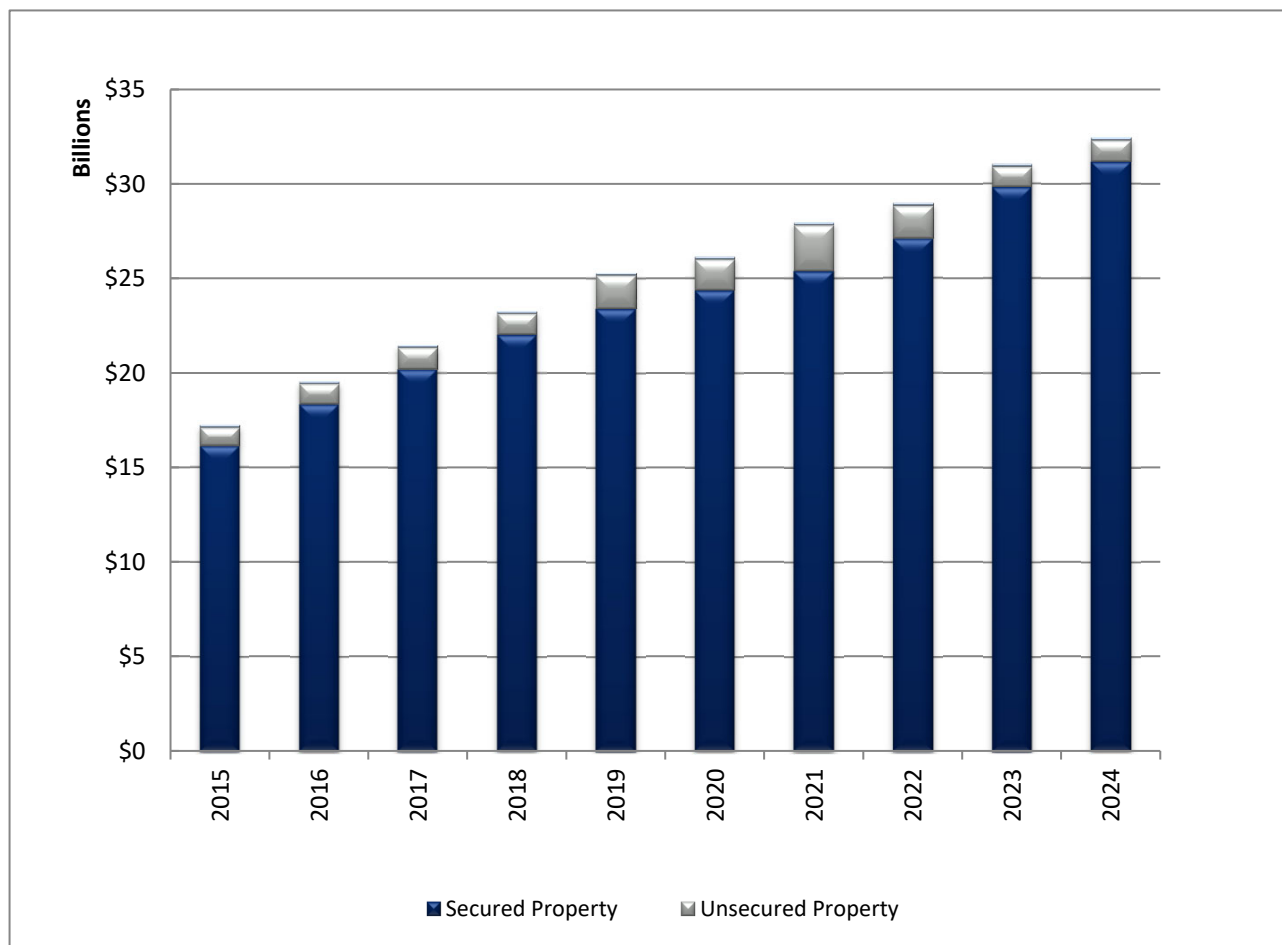
	Fiscal Year				
	2020	2021	2022	2023	2024
Revenues:					
Taxes	\$ 77,925,371	\$ 82,464,944	\$ 95,729,653	\$ 84,233,345	\$ 80,705,015
Use of money and property	6,259,342	4,447,970	(8,501,439)	3,422,106	11,802,313
Intergovernmental	6,888,590	7,834,260	8,951,589	11,869,664	6,841,474
Licenses and permits	4,692,847	4,068,238	4,141,902	4,093,631	4,412,057
Charges for services	13,937,950	13,601,302	16,373,903	12,741,952	13,833,034
Fines and forfeitures	344,008	134,459	373,722	326,944	419,148
Other	1,922,356	3,185,110	1,948,332	1,393,059	2,418,780
Total revenues	<u>111,970,464</u>	<u>115,736,283</u>	<u>119,017,662</u>	<u>118,080,701</u>	<u>120,431,821</u>
Expenditures:					
Current:					
Administration	6,951,541	7,549,386	7,492,277	7,603,732	7,383,233
Law enforcement	14,151,413	14,776,409	15,715,815	15,276,950	16,204,350
Innovation and technology	3,223,185	1,836,725	2,063,176	1,825,667	2,284,198
Administrative services	4,617,787	5,196,299	5,525,888	5,976,301	6,716,341
Recreation services	7,688,935	4,787,914	4,729,438	5,432,183	5,517,003
Community development	9,310,827	11,177,690	12,627,702	11,693,554	11,498,725
Public works	22,445,948	24,568,155	28,542,850	28,221,856	30,031,887
Capital outlay:	12,644,373	19,483,945	12,777,121	12,533,316	10,473,883
Debt service:					
Principal repayment	2,290,000	2,140,000	1,880,000	2,581,181	2,587,091
Interest and fiscal charges	882,837	798,747	796,000	739,340	665,597
Total expenditures	<u>84,206,846</u>	<u>92,315,270</u>	<u>92,150,267</u>	<u>91,884,080</u>	<u>93,362,308</u>
Excess of revenues over (under) expenditures	<u>27,763,618</u>	<u>23,421,013</u>	<u>26,867,395</u>	<u>26,196,621</u>	<u>27,069,513</u>
Other financing sources (uses):					
Proceeds from debt issuance	-	22,040,000	-	-	-
Proceeds from debt issuance premium	-	3,878,704	-	-	-
Payments to refunding agent	-	(27,279,118)	-	-	-
Proceeds from sale of capital assets	-	-	-	-	-
Inception of subscription liability	-	-	-	964,745	-
Transfers in	35,208,276	12,876,969	23,089,059	11,350,697	10,789,869
Transfers in - fund closing	-	-	-	-	-
Transfers out	(42,304,276)	(16,215,969)	(25,776,712)	(15,076,576)	(12,111,553)
Total other financing sources (uses)	<u>(7,096,000)</u>	<u>(4,699,414)</u>	<u>(2,687,653)</u>	<u>(2,761,134)</u>	<u>(1,321,684)</u>
Net change in fund balances	<u>\$ 20,667,618</u>	<u>\$ 18,721,599</u>	<u>\$ 24,179,742</u>	<u>\$ 23,435,487</u>	<u>\$ 25,747,829</u>
Debt service as a percentage of noncapital expenditures	4.43%	4.04%	3.37%	4.18%	3.92%

Source: Department of Administrative Services, City of Cupertino.

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City of Cupertino
Assessed and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Total Secured (a)	Unsecured (a)	State Board of Equalization Non-Unitary	Secured Exemptions	Total Assessed & Est. Full Market Valuation (a)	Direct Tax Rate
2015	\$ 16,133,637,244	\$ 965,141,148	\$ -	\$ 119,476,276	\$ 17,098,778,392	5.61%
2016	18,308,720,226	1,086,786,901	-	114,223,063	19,395,507,127	5.59%
2017	20,196,258,418	1,150,311,942	-	118,257,368	21,346,570,360	5.98%
2018	22,024,906,420	1,114,123,426	-	122,805,695	23,139,029,846	6.19%
2019	23,402,123,229	1,779,936,377	-	125,245,819	25,182,059,606	6.38%
2020	24,370,718,536	1,641,863,322	-	138,025,761	26,012,581,858	6.50%
2021	25,397,331,860	2,423,984,683	-	145,644,653	27,821,316,543	6.48%
2022	27,083,468,890	1,724,247,088	-	149,658,614	28,807,715,978	3.55%
2023	29,822,398,085	1,069,629,678	-	154,098,046	30,892,027,763	7.24%
2024	31,157,956,858	1,145,368,676	-	146,726,345	32,303,325,534	4.57%



(a) Net of exemptions

Source: HdL, Coren & Cone

Data Source: Santa Clara County Assessor 2023-24 Combined Tax Rolls

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City of Cupertino
Direct and Overlapping Property Tax Rates
(Rate per \$100 of taxable value)
Last Ten Fiscal Years

Agency	2014-15	2015-16	2016-17	2017-18	2018-19
Basic Levy¹	1.00000	1.00000	1.00000	1.00000	1.00000
Co. Housing Bond 2016	0.00000	0.00000	0.00000	0.01266	0.01050
County Bond 2008 Hospital Facility	0.00910	0.00880	0.00860	0.00820	0.00720
County Library Retirement Levy	0.00240	0.00240	0.00240	0.00240	0.00240
County Retirement Levy	0.03880	0.03880	0.03880	0.03880	0.03880
Cupertino Elementary	0.05400	0.05190	0.05090	0.04960	0.03970
El Camino Hospital 2003	0.01290	0.01290	0.01290	0.01000	0.01000
Foothill De Anza College	0.02760	0.02400	0.02340	0.02200	0.02170
Fremont High	0.03960	0.05250	0.04030	0.04640	0.04300
Los Gatos-Saratoga High 1998	0.05160	0.04230	0.04690	0.04570	0.03040
MidPeninsula Open Space 2014	0.00000	0.00080	0.00060	0.00090	0.00180
Santa Clara Unified	0.07040	0.09420	0.08180	0.08280	0.07070
Santa Clara Valley Water District	0.00650	0.00570	0.00860	0.00620	0.00420
Saratoga Elementary	0.04580	0.04490	0.04560	0.04580	0.04580
West Valley College	0.01200	0.02320	0.01960	0.02000	0.01980
Total Direct & Overlapping² Tax Rates	1.37070	1.40240	1.38040	1.39146	1.34600
City's Share of 1% Levy Per Prop 13³	0.05617	0.05571	0.05962	0.06148	0.06320
General Obligation Debt Rate					
Redevelopment Rate⁴					
Total Direct Rate⁵	0.05610	0.05588	0.05976	0.06187	0.06381

Notes:

¹In 1978, California voters passed Proposition 13 which set the property tax rate at a 1.00% fixed amount. This 1.00% is shared by all taxing agencies for which the subject property resides within. In addition to the 1.00% fixed amount, property owners are charged taxes as a percentage of assessed property values for the payment of any voter approved bonds.

²Overlapping rates are those of local and county governments that apply to property owners within the City. Not all overlapping rates apply to all city property owners.

³City's Share of 1% Levy is based on the City's share of the general fund tax rate area with the largest net taxable value within the city. ERAF general fund tax shifts may not be included in tax ratio figures.

⁴Redevelopment Rate is based on the largest RDA tax rate area and only includes rate(s) from indebtedness adopted prior to 1989 per California State statute. RDA direct and overlapping rates are applied only to the incremental property values. The approval of ABX1 26 eliminated Redevelopment from the State of California for the fiscal year 2012/13 and years thereafter.

⁵Total Direct Rate is the weighted average of all individual direct rates applied to by the government preparing the statistical section information and excludes revenues derived from aircraft. Beginning in 2013/14 the Total Direct Rate no longer includes revenue generated from the former redevelopment tax rate areas. Challenges to recognized enforceable obligations are assumed to have been resolved during 2012/13. For the purposes of this report, residual revenue is assumed to be distributed to the City in the same proportions as general fund revenue.

Data Source: Santa Clara County Assessor 2014/15 - 2023/24 Tax Rate Table

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City of Cupertino
Direct and Overlapping Property Tax Rates (Continued)
(Rate per \$100 of taxable value)
Last Ten Fiscal Years

Agency	2019-20	2020-21	2021-22	2022-23	2023-24
Basic Levy¹	1.00000	1.00000	1.00000	1.00000	1.00000
Co. Housing Bond 2016	0.01000	0.00000	0.01266	0.01080	0.00950
County Bond 2008 Hospital Facility	0.00690	0.00690	0.00610	0.00630	0.00550
County Library Retirement Levy	0.00240	0.00240	0.00240	0.00240	0.00240
County Retirement Levy	0.03880	0.03880	0.03880	0.03880	0.03880
Cupertino Elementary	0.04150	0.04030	0.03800	0.03680	0.03570
El Camino Hospital 2003	0.01000	0.01000	0.01000	0.00900	0.00500
Foothill De Anza College	0.02080	0.03640	0.03310	0.02910	0.02780
Fremont High	0.04790	0.04780	0.04160	0.03710	0.04410
Los Gatos-Saratoga High 1998	0.01770	0.01930	0.01850	0.01790	0.01370
MidPeninsula Open Space 2014	0.00160	0.00150	0.00150	0.00130	0.00120
Santa Clara Unified	0.11760	0.10450	0.10140	0.08670	0.08890
Santa Clara Valley Water District	0.00410	0.00370	0.00510	0.00440	0.00410
Saratoga Elementary	0.04640	0.04850	0.04830	0.04850	0.05960
West Valley College	0.01860	0.03110	0.03040	0.02830	0.02580
Total Direct & Overlapping² Tax Rates	1.39530	1.39120	1.38786	1.35740	1.36210
City's Share of 1% Levy Per Prop 13³	0.06531	0.06515	0.06528	0.06504	0.06513
General Obligation Debt Rate					
Redevelopment Rate⁴					
Total Direct Rate⁵	0.06499	0.06463	0.06477	0.06482	0.06515

Notes:

¹In 1978, California voters passed Proposition 13 which set the property tax rate at a 1.00% fixed amount. This 1.00% is shared by all taxing agencies for which the subject property resides within. In addition to the 1.00% fixed amount, property owners are charged taxes as a percentage of assessed property values for the payment of any voter approved bonds.

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⁴Redevelopment Rate is based on the largest RDA tax rate area and only includes rate(s) from indebtedness adopted prior to 1989 per California State statute. RDA direct and overlapping rates are applied only to the incremental property values. The approval of ABX1 26 eliminated Redevelopment from the State of California for the fiscal year 2012/13 and years thereafter.

⁵Total Direct Rate is the weighted average of all individual direct rates applied to by the government preparing the statistical section information and excludes revenues derived from aircraft. Beginning in 2013/14 the Total Direct Rate no longer includes revenue generated from the former redevelopment tax rate areas. Challenges to recognized enforceable obligations are assumed to have been resolved during 2012/13. For the purposes of this report, residual revenue is assumed to be distributed to the City in the same proportions as general fund revenue.

Data Source: Santa Clara County Assessor 2014/15 - 2023/24 Tax Rate Table

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City of Cupertino
Principal Property Taxpayers
Current Year and Nine Years Ago
(Unaudited)

Taxpayer	2024 Assessed Valuation	Percentage of Total Assessed Valuation	2015 Assessed Valuation	Percentage of Total Assessed Valuation
Apple Inc.	\$ 7,802,605,907	24.15%	\$ 1,596,975,041	9.34%
Main Street Cupertino	390,150,977	1.21%	-	0.00%
Cupertino City Center	378,541,764	1.17%	139,849,982	0.82%
Vallco Property Owner LLC	364,276,620	1.13%	157,741,957	0.92%
Markham Apartments LP	256,729,104	0.79%	-	0.00%
Cupertino Property Development	215,132,010	0.67%	100,941,770	0.59%
PR Cupertino Gateway LLC	140,150,193	0.43%	-	0.00%
Preg Emerson LLC	130,697,590	0.40%	-	0.00%
Avery Glenbrook LP	116,016,640	0.36%	-	0.00%
APPLE ENTERPRISES INC	112,000,000	0.35%	-	0.00%
Total	\$ 9,906,300,805	30.67%	\$ 1,995,508,750	11.67%

Source: HdL, Coren & Cone

City of Cupertino
Property Tax Levies and Collections
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Total Tax Levy	Current Tax Collections	Percent of Levy Collected (1)	Delinquent Tax Collections (1)	Total Tax Collections	Percent of Total Tax Collections to Tax Levy
2015	\$ 10,178,734	\$ 10,178,734	100.00%	-	\$ 10,178,734	100.00%
2016	11,864,026	11,864,026	100.00%	-	11,864,026	100.00%
2017	13,308,884	13,308,884	100.00%	-	13,308,884	100.00%
2018	13,172,425	13,172,425	100.00%	-	13,172,425	100.00%
2019	16,049,112	16,049,112	100.00%	-	16,049,112	100.00%
2020	18,117,304	18,117,304	100.00%	-	18,117,304	100.00%
2021	19,197,994	19,197,994	100.00%	-	19,197,994	100.00%
2022	20,322,779	20,322,779	100.00%	-	20,322,779	100.00%
2023	21,807,628	21,807,628	100.00%	-	21,807,628	100.00%
2024	22,494,293	22,494,293	100.00%	-	22,494,293	100.00%

(1) Per the Teeter Plan, the City receives 100% of the tax levy, while the County receives delinquencies and penalties.

Source: City of Cupertino NWS

City of Cupertino
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Certificates of Participation	Lease Payable	SBITA Agreement Payable	Total Pirmary Government	Total Debt Per Capita	% of Personal Income
2015	\$ 37,925,000	\$ -	\$ -	\$ 37,925,000	\$ 634.44	0.14%
2016	35,835,000	-	-	35,835,000	615.88	0.16%
2017	33,700,000	-	-	33,700,000	571.99	0.18%
2018	31,520,000	-	-	31,520,000	524.54	0.19%
2019	29,300,000	-	-	29,300,000	489.32	0.22%
2020	22,040,000	-	-	22,040,000	370.12	0.31%
2021	19,900,000	-	-	19,900,000	328.08	0.37%
2022	18,020,000	-	-	18,020,000	271.90	0.43%
2023	16,065,000	-	2,027,290	18,092,290	303.28	0.49%
2024	14,030,000	15,369	1,210,274	15,255,643	256.52	0.26%

* Bond was refinanced in 2020

Source: City of Cupertino Budget Book

City of Cupertino
Direct and Overlapping Bonded Debt
June 30, 2024
(Unaudited)

2023-24 Assessed Valuation			\$ 32,303,182,933
<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	Total Debt	%	City's Share of
	6/30/2024	Applicable (1)	Debt 6/30/24
Santa Clara County	\$ 956,770,000	4.894%	\$ 46,824,324
Foothill-DeAnza Community College District	640,179,446	12.279%	78,607,634
West Valley Community College District	663,040,000	1.871%	12,405,478
Santa Clara Unified School District	1,003,615,000	4.145%	41,599,842
Fremont Union High School District	737,130,088	27.348%	201,590,336
Cupertino Union School District	235,883,303	50.573%	119,293,263
El Camino Hospital District	102,186,937	0.861%	879,830
Midpeninsula Regional Open Space District	80,700,000	7.403%	5,974,221
Santa Clara Valley Water District Benefit Assessment District	29,235,000	4.894%	1,430,761
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT			\$ 508,605,689
<u>DIRECT AND OVERLAPPING GENERAL FUND DEBT:</u>			
Santa Clara County General Fund Obligations	\$ 1,057,709,440	4.894%	\$ 51,764,300
Santa Clara County Pension Obligation Bonds	323,733,582	4.894%	15,843,522
Santa Clara County Board of Education Certificates of Participation	12,073,098	4.894%	590,857
West Valley-Mission Community College District General Fund Obligations	2,520,000	1.871%	47,149
Santa Clara Unified School District General Fund Obligations	11,202,000	4.145%	464,323
Cupertino Union School District General Fund Obligations	40,233,350	50.573%	20,347,212
City of Cupertino Certificates of Participation	14,030,000	100.000%	14,030,000
Santa Clara County Central Fire Protection District General Fund Obligations	27,130,000	46.763%	12,686,802
Midpeninsula Regional Open Space Park District General Fund Obligations	79,795,600	7.403%	5,907,268
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT			\$ 121,681,433
Less: Santa Clara County Supported Obligations			130,180
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT			\$ 121,551,253
TOTAL DIRECT DEBT			\$ 14,030,000
TOTAL GROSS OVERLAPPING DEBT			\$ 616,257,122
TOTAL NET OVERLAPPING DEBT			\$ 616,126,942
GROSS COMBINED TOTAL DEBT			\$ 630,287,122 (2)
NET COMBINED TOTAL DEBT			\$ 630,156,942

- (1) The percentage of overlapping debt applicable to the city is estimated using taxable assessed property value. Applicable percentages were estimated by determining the portion of the overlapping district's assessed value that is within the boundaries of the city divided by the district's total taxable assessed value.
- (2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

Ratios to 2023-24 Assessed Valuation:

Total Overlapping Tax and Assessment Debt	1.57%
Total Direct Debt (\$14,030,000)	0.04%
Gross Combined Total Debt	1.95%
Net Combined Total Debt	1.95%

Sources: California Municipal Statistics, Inc.

**City of Cupertino
Legal Debt Margin Information
Last Ten Fiscal Years
(Unaudited)**

Fiscal Year	Debt Limit	Total Net Debt Applicable to Limit	Legal Debt Margin	Total net debt applicable to the limit as a % of debt limit
2015	\$ 605,011,397	\$ -	\$ 605,011,397	\$ -
2016	686,577,008	-	686,577,008	-
2017	757,359,691	-	757,359,691	-
2018	825,933,991	-	825,933,991	-
2019	877,579,621	-	877,579,621	-
2020	913,901,945	-	913,901,945	-
2021	952,399,944	-	952,399,944	-
2022	1,015,630,083	-	1,015,630,083	-
2023	1,118,339,928	-	1,118,339,928	-
2024	1,168,423,382	-	1,168,423,382	-
Debt Limit:				
Secured property assessed value, net of exempt real property				\$ 31,157,956,858
Adjusted valuation - 25% of assessed valuation				<u>7,789,489,215</u>
Debt limit - 15% of adjusted valuation				<u>1,168,423,382</u>
Amount of Debt Subject to Limit:				
Total Bonded Debt				18,020,000
Less: Certificates of Participation not subject to debt limit				(18,020,000)
Amount of debt subject to limit				<u>-</u>
Legal Debt Margin				<u><u>\$ 1,168,423,382</u></u>

Note: The Government Code of the State of California provides for a legal debt limit of 15% of gross assessed valuation. However, this provision was enacted when assessed valuation was based upon 25% of market value. Effective with the 1981-82 fiscal year, each parcel is now assessed at 100% of market value (as of the most recent change in ownership for that parcel). The computations shown above reflect a conversion of assessed valuation data for each fiscal year from the current full valuation perspective to the 25% level that was in effect at the time that the legal debt margin was enacted by the State of California for local governments located within the state.

Source: City of Cupertino Budget Book

City of Cupertino
Ratio of General Bonded Debt
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Population	Assessed Value	General Bonded Debt	Bonded Debt Per Capita	Ratio of General Bonded Debt to Assessed Value
2015	59,777	\$ 19,395,507,127	\$ -	\$ -	\$ -
2016	58,185	19,395,507,127	-	-	-
2017	58,917	21,346,570,360	-	-	-
2018	60,091	23,139,029,846	-	-	-
2019	59,879	25,182,059,606	-	-	-
2020	59,549	27,821,316,543	-	-	-
2021	60,656	27,821,316,543	-	-	-
2022	66,274	28,807,715,978	-	-	-
2023	59,656	30,892,027,763	-	-	-
2024	59,471	32,303,325,534	-	-	-

Sources: HdL, Coren & Cone/Cupertino Budget Book

City of Cupertino
Demographic and Economic Statistics
Last Ten Fiscal Years

Fiscal Year	City Population (1)	County Population (1)	City		Per Capita Personal Income (2)	**Public School Enrollment	City Unemployment Rate (%) (3)	County Unemployment Rate (%) (3)	Median Age (4)	% of	% of
			Population % of County	Personal Income (2)						Population Over 25 with High School Degree	Population Over 25 with Bachelor's Degree
2014-15	59,777	1,889,638	3.16%	3,186,772,000	53,311	29,871	4.2%	3.8%	40.0	96.5%	74.6%
2015-16	58,185	1,927,888	3.02%	3,340,132,000	57,405	29,684	3.4%	4.2%	40.2	96.5%	75.6%
2016-17	58,917	1,938,180	3.04%	3,486,805,000	59,181	29,467	3.0%	3.8%	40.6	96.7%	76.0%
2017-18	60,091	1,938,153	3.10%	3,620,255,000	60,246	29,255	3.3%	3.8%	40.7	97.1%	76.6%
2018-19	59,879	1,937,570	3.09%	3,821,320,000	63,817	29,240	2.6%	2.3%	41.1	97.1%	77.2%
2019-20	59,549	1,927,852	3.09%	4,114,967,000	69,102	29,550	2.4%	10.7%	41.1	97.2%	78.1%
2020-21	60,656	1,936,259	3.13%	4,378,045,000	74,485	30,900	4.9%	5.2%	41.6	97.2%	78.8%
2021-22	66,274	1,934,171	3.43%	4,571,170,000	76,684	24,380	3.7%	2.2%	41.2	97.3%	79.6%
2022-23	59,656	1,902,799	3.14%	5,214,787,000	88,156	23,486	2.3%	3.7%	41.0	97.0%	80.9%
2023-24	59,471	1,903,198	3.12%	5,924,781,000	99,624	23,233	3.5%	4.1%	40.4	97.2%	82.8%

Notes and Data Sources:

Population: California State Department of Finance. Unemployment Data: California Employment Development Department

Income, Age, and Education Data: ESRI - Demographic Estimates are based on the last available Census. Projections are developed by incorporating all of the prior census data released to date. Demographic Data is totaled from Census Block Groups that overlap the City's boundaries

201- and later - Income, Age and education Data - US Census Bureau, most recent American Community Survey

**Reported Public School Enrollment reflects the total number of students in the Fremont Union High School District and Cupertino Union School District. Previously published reports included Fremont Union High School District only.

City of Cupertino
Top 25 Sales Tax Producers
For Calendar Year 2023
(Unaudited)

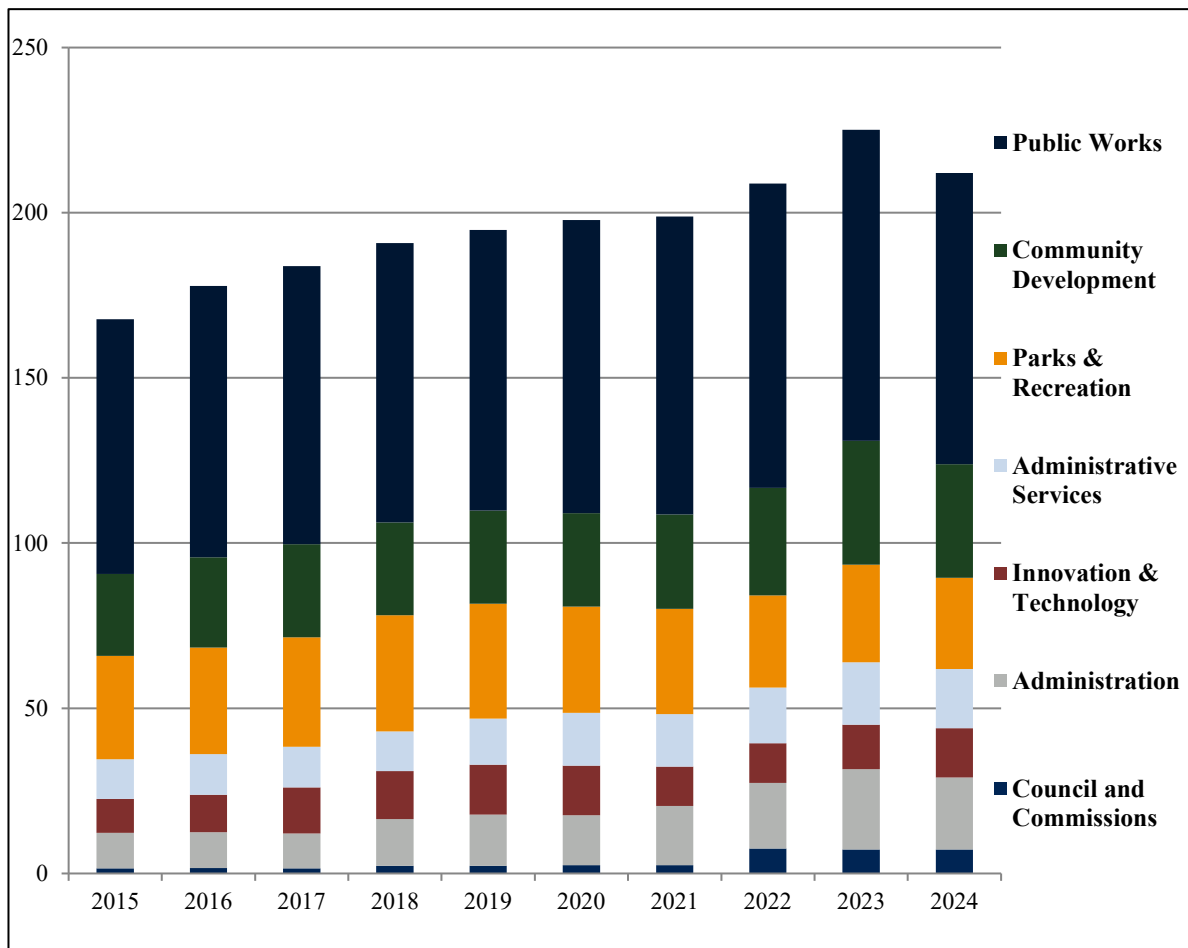
Business Name	Business Category
99 Ranch Market	Grocery Stores
Alexander's Steak House	Fine Dining
Apple	Fulfillment Centers
Argonaut Window & Door	Contractors
Benihana	Fine Dining
BJ's Restaurant & Brewhouse	Casual Dining
California Dental Arts	Medical/Biotech
Chevron	Service Stations
Cupertino Car Wash	Service Stations
Galpao Gaucho	Fine Dining
Great Gas Cupertino	Service Stations
Haidilao Hot Pot	Casual Dining
Insight Direct	Office Equipment
Insight Public Sector	Office Equipment
Kura Revolving Sushi Bar	Casual Dining
Lazy Dog Cafe	Casual Dining
Mirapath	Electrical Equipment
Ross	Family Apparel
Rotten Robbie	Service Stations
Safeway	Grocery Stores
Shane Company	Jewelry Stores
Target	Discount Dept Stores
TJ Maxx	Family Apparel
Valero	Service Stations
Whole Foods Market	Grocery Stores

Source: HdL, Coren & Cone

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City of Cupertino
Full-Time Equivalent City Employees by Function/Program
Last Ten Fiscal Years
(Unaudited)

Function/Program	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Council and Commissions	1.55	1.60	1.55	2.35	2.35	2.51	2.53	7.58	7.28	7.23
Administration	10.75	10.85	10.57	14.12	15.47	15.15	17.85	19.85	24.30	21.80
Innovation & Technology	10.25	11.40	13.95	14.55	15.05	14.95	11.93	11.93	13.43	14.93
Administrative Services	12.00	12.30	12.30	12.00	14.00	16.00	15.90	16.90	18.90	17.90
Parks & Recreation	31.28	32.18	33.08	35.13	34.80	32.10	31.90	27.88	29.48	27.63
Community Development	24.80	27.30	28.18	28.08	28.13	28.29	28.49	32.49	37.49	34.39
Public Works	77.12	82.12	84.12	84.52	84.95	88.75	90.15	92.12	94.12	88.12
Law Enforcement	2.00	2.00	2.00	2.00	2.00	0.00	0.00	0.00	0.00	0.00
Total	169.75	179.75	185.75	192.75	196.75	197.75	198.75	208.75	225.00	212.00



Source: City of Cupertino Budget

City of Cupertino
Operating Indicators by Function/Program
Last Ten Fiscal Years
(Unaudited)

Function/Program	2015	2016	2017	2018	2019
Law Enforcement Sheriff Response					
Priority One-Respond within 5 minutes	4.90 Min.	4.90 Min.	5.07 Min	4.23 Min.	4.39 Min.
Priority Two-Respond within 9 minutes	6.56 Min.	6.56 Min.	8.00 Min.	7.49 Min.	6.23 Min.
Priority Three-Respond within 20 minutes	10.52 Min.	10.52 Min.	15.79 Min	14.79 Min.	12.11 Min.
Public Works					
Street Sweeping	575 Curb Miles	575 Curb Miles	534 Curb Miles	534 Curb Miles	534 Curb Miles
Street Maintenance	24 Hrs of Call	24 Hrs of Call	24 Hrs of Call	24 Hrs of Call	24 Hrs of Call
Number of development permit applications received				428	434
Number of encroachment permits received				121	136
Storm Drain Inlets Inspected/Cleaned				815	1063
Roadway Signs Repaired/Replaced				404	721
Number of trees planted vs. removed				53/67	155/192
Parks & Recreation					
Number of reservations at Quinlan Center				560	402
Number of rounds of golf at BBF Golf Course				28,193	27,205
Sports Center Memberships	2,000	1,989	2,015	1,850	1,952
Number of Senior Center classes offered				246	320
Senior Center Memberships	2,549	2,493	2,094	2,260	2,171
Quinlan Community Center Rental Revenue	\$110,033	\$104,150	\$128,778	\$72,948	\$139,590
Community Development					
Approved Building Plan Sets	95% Within 7 Work Days	95% Within 7 Work Days	95% Within 7 Work Days	95% Within 7 Work Days	95% Within 7 Work Days
Discretionary Land Use Applications	99% Within 21 Work Days	99% Within 21 Work Days	99% Within 21 Work Days	99% Within 21 Work Days	99% Within 21 Work Days
Public Notice of Upcoming Projects	100% Within 10 Days	100% Within 10 Days	100% Within 10 Days	100% Within 10 Days	100% Within 10 Days
Number of preliminary reviews				82	90
Number of planning applications received				169	138
Number of permits received				2322	2,321
Number of inspections requested				16026	13,625
Administrative Services					
Accounts Payable Processing	7 Days	7 Days	7 Days	7 Days	7 Days
Business License Renewal Certificates	3 Days	3 Days	3 Days	3 Days	3 Days
Number of regular recruitments				21	21
Number of new hires				26	16
Number of temporary new hires				101	105
Number of vendor checks processes				6793	6,536
Number of payroll checks process				10387	10,301
Number of business license applications				1294	1,154
Number of journal entries posted				2830	4,521
Number of receipts processed				9766	13,913
Library					
Volumes in Collection	361817	364,557	369,924	367,979	367,101
Annual Gate Count	869762	880,894	835,073	873,862	904,349
Annual Circulation Children's Items	1474996	1,544,095	1,448,265	1,453,173	1,535,842
Annual Circulation Adult and Teen Items	999766	1,032,326	950,453	980,609	1,049,166
Adult Classes and Events	209	215	242	206	207
Adult Classes and Events Attendance	11860	8,855	9,242	7,622	8,304
Teen Classes and Events	52	78	66	79	52
Teen Classes and Events Attendance	3393	3,135	2,571	2,495	1,283
Children's Classes and Events	458	493	440	426	424
Children's Classes and Events Attendance	25529	28,532	25,857	24,675	22,851
Volunteer Hours	11786	10,000	9,645	10,302	10,191

Sources: City of Cupertino PM & WIs and Santa Clara County Library District

City of Cupertino
Operating Indicators by Function/Program (Continued)
Last Ten Fiscal Years
(Unaudited)

Function/Program	2020	2021	2022	2023	2024
Law Enforcement Sheriff Response					
Priority One-Respond within 5 minutes	3.51 Min.	3.40 Min.	5.33 Min	6.57 Min	5.81 Min
Priority Two-Respond within 9 minutes	6.37 Min.	6.07 Min.	6.94 Min.	7.46 Min	6.32 Min
Priority Three-Respond within 20 minutes	11.96 Min.	11.80 Min.	11.73 Min	12.72 Min	7.86 Min
Public Works					
Street Sweeping	534 Curb Miles	534 Curb Miles	534 Curb Miles	534 Curb Miles	534 Curb Miles
Street Maintenance	24 Hrs of Call	24 Hrs of Call	24 Hrs of Call	24 Hrs of Call	24 Hrs of Call
Number of development permit applications received	428	127	128	127	111
Number of encroachment permits received	134	577	426	449	478
Storm Drain Inlets Inspected/Cleaned	1638	1802	80%	53%	4%
Roadway Signs Repaired/Replaced	346	1151	3.5%	2.0%	2.0%
Number of trees planted vs. removed	164/190	187/202	211/187	153/105	42/41
Parks & Recreation					
Number of reservations at Quinlan Center	526	8	260	405	450
Number of rounds of golf at BBF Golf Course	28,952	43,650	45367	37961	38984
Sports Center Memberships	1,802	1,655	1186	1394	1565
Number of Senior Center classes offered	258	100	183	235	373
Senior Center Memberships	2,171	1,470	210	1087	1493
Quinlan Community Center Rental Revenue	\$139,590	\$5,507	\$115,093	\$126,670	\$146,087
Community Development					
Approved Building Plan Sets	95% Within 7 Work Days	95% Within 7 Work Days	95% Within 7 Work Days	95% Within 7 Work Days	95% Within 7 Work Days
Discretionary Land Use Applications	99% Within 21 Work Days	99% Within 21 Work Days	99% Within 21 Work Days	99% Within 21 Work Days	99% Within 21 Work Days
Public Notice of Upcoming Projects	100% Within 10 Days	100% Within 10 Days	100% Within 10 Days	100% Within 10 Days	100% Within 10 Days
Number of preliminary reviews	110	163	142	127	66
Number of planning applications received	194	237	301	232	262
Number of permits received	2,534	2,364	2380	2618	2665
Number of inspections requested	14,596	13,374	11906	15181	15485
Administrative Services					
Accounts Payable Processing	7 Days	7 Days	7 Days	7 Days	7 Days
Business License Renewal Certificates	3 Days	3 Days	3 Days	3 Days	3 Days
Number of regular recruitments	28	24	33	29	21
Number of new hires	14	21	38	31	23
Number of temporary new hires	38	17	77	70	71
Number of vendor checks processes	5,906	4,457	4993	5130	4541
Number of payroll checks process	10,802	7,816	8119	9176	9047
Number of business license applications	1,032	1,061	884	969	1078
Number of journal entries posted	4,558	3,915	3635	3695	4555
Number of receipts processed	18,992	10,367	9353	11275	10191
Library					
Volumes in Collection	368,461	350,088	367,745	380,365	375,019
Annual Gate Count	620,007	128,912	387,285	683,303	743,644
Annual Circulation Children's Items	1,192,880	1,207,878	1,771,986	1,844,305	1,847,352
Annual Circulation Adult and Teen Items	831,114	750,602	1,056,451	1,190,995	1,250,904
Adult Classes and Events	396	459	62	181	221
Adult Classes and Events Attendance	9,986	19,223	861	5,140	6,318
Teen Classes and Events	57	31	21	51	50
Teen Classes and Events Attendance	8,495	7,151	916	2,002	1,337
Children's Classes and Events	477	464	105	491	524
Children's Classes and Events Attendance	26,032	52,634	7,711	30,386	35,305
Volunteer Hours	6,592	465	4305.8	4228	4,207

Sources: City of Cupertino PM & WIs and Santa Clara County Library District

City of Cupertino
Capital Assets Statistics by Function/Program
Last Ten Fiscal Years
(Unaudited)

Function/Program	2015	2016	2017	2018	2019
Public Works					
Centerlane Miles of Streets	142	142	142	142	142
Streetlights	2,950	2,950	2,950	2,950	2,950
Traffic Signals	48	48	48	52	52
Culture & Recreation					
Parks and Open Spaces	21	21	21	21	21
Park and Landscape Acreage	169	169	169	169	169
City Trails	3	3	3	3	3
Golf Courses	1	1	1	1	1
Community Center	1	1	1	1	1
Community Hall	1	1	1	1	1
Senior Center	1	1	1	1	1
Sports Center	1	1	1	1	1
Swimming Pools	1	1	1	1	1
Tennis Courts	28	28	28	28	28
Sports Fields	41	41	41	41	41
City Library	1	1	1	1	1

Source: City of Cupertino Budget Book/GIS Team

City of Cupertino
Capital Assets Statistics by Function/Program (Continued)
Last Ten Fiscal Years
(Unaudited)

Function/Program	2020	2021	2022	2023	2024
Public Works					
Centerlane Miles of Streets	142	142	142	142	142
Streetlights	2,950	2,950	2950	2870	2870
Traffic Signals	52	52	52	61	61
Culture & Recreation					
Parks and Open Spaces	21	21	21	21	21
Park and Landscape Acreage	169	169	169	169	169
City Trails	3	3	3	5	5
Golf Courses	1	1	1	1	1
Community Center	1	1	1	1	1
Community Hall	1	1	1	1	1
Senior Center	1	1	1	1	1
Sports Center	1	1	1	1	1
Swimming Pools	1	1	1	1	1
Tennis Courts	28	28	28	28	28
Sports Fields	41	41	41	41	41
City Library	1	1	1	1	1

Source: City of Cupertino Budget Book/GIS Team

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Community Economic Profile

Cupertino, with a population of 60,869 and City limits stretching across 13 square miles, is considered one of the most prestigious cities to live and work in the Bay Area.

Economic health is an essential component to maintaining a balanced city, which provides high-level opportunities and services that create and help sustain a sense of community and quality of life. Public and private interests must be mutual so that success as a partnership is a direct reflection of success as a community. The cornerstone of this partnership is a cooperative and responsive government that fosters residential and business prosperity and strengthens working relationships among all sectors of the community.

Because Cupertino is a mature, 93% built-out city, the City of Cupertino focuses on business retention and revitalization, while at the same time, being supportive of redevelopment projects to bring in new investment. Cupertino is world-renowned as the home to high-tech giant Apple, Inc., and as a community with stellar public schools. De Anza College, one of the largest single-campus community colleges in the country, is another major employer and a magnet for attracting local and international students. The City's proactive economic development efforts and a high-touch approach has resulted in an innovative environment for start-ups and growing companies to thrive, including Bromium, Moxo Cupertino, DURECT, Xisilicon Semiconductor Inc, Claspp, Panasonic Venture Group, Altia Systems, Mirapath, Aemetis Inc, Mist Systems, and many more. The City strives to retain our companies and attract new ones through active outreach and a responsive, streamlined, and customer-oriented entitlement process.

Cupertino has a number of mixed-use development projects offering diverse retail and dining options, as well as providing additional housing opportunities to meet the needs of the growing community. There are also quite a few development projects underway including: Westport Cupertino, Marina Plaza, Alan Row, and Canyon Crossing. Further, City Council recently approved the 283,000 square foot mixed Office/Commercial Apple development at 19191 Vallco Parkway.

The Main Street and Nineteen800 mixed-use developments have created a vibrant downtown area for Cupertino, offering a large selection of restaurants and retailers, including Alexander's Steakhouse, Eureka!, Oren's Hummus, Lazy Dog, Ippudo, Pasta Armellino, HaiDiLao Hot Pot Restaurant, Pineapple Thai, Pressed Juicery, Orangetheory, 85 Degree Bakery, SomiSomi, Sul & Beans, Kura Sushi, Vitality Bowls, La Pizzeria, Tan-cha, Koja Kitchen, Bishops Cuts & Colors, Capezio, Howard's Shoes, and Meet Fresh. Housing, office, and the Residence Inn by Marriott are available to support the thriving area.

Serving as a long-time retail anchor for the community, The Marketplace has a variety of stores and restaurants popular with students, families, and working professionals. They include Galpao Gaucho, Daiso, Marukai Groceries, Harumi Sushi, La Patisserie Bakery, Beard Papa's, Legend's Pizza, Icicles, Kong's Tofu & BBQ, Rori Rice, One Pot Shabu Shabu, Olarn Thai, and Erik's DeliCafé to name a few.

Cupertino Village, a shopping center located in the northeast portion of the City, is home to 99 Ranch Market, Duke of Edinburgh Pub & Restaurant, MOD Pizza, Ten Ren Tea, Fantasia Coffee & Tea, Kee Wah Bakery, Happy Lemon, and many other Asian restaurants, bakeries, and shops. The property owners have received approval to construct a new full-service boutique hotel with 185 rooms to accommodate business and leisure travelers.

Cupertino features many other retail opportunities, including TJ Maxx and Home Goods, Whole Foods, Target, Party City, and over 180 restaurants to serve residents and the local workforce. There are now seven hotels providing over 1,000 rooms, to serve the area: The Alo® Cupertino, Cupertino Hotel, Hilton Garden Inn, Hyatt House, Juniper Hotel operated by Curio, Marriott Courtyard, and Residence Inn by Marriott.

Another longtime retail anchor in north Cupertino is Homestead Square Shopping Center, located at Homestead Road and De Anza Boulevard. This shopping center includes a 24-hour Safeway, Ulta Beauty, Ross Stores, Pet Club, Michael's, Rite Aid, FedEx, and numerous restaurants, such as Fish's Wild, Pho Hoa Noodle Soup, Yayoi Teishoku Japanese Restaurant, Starbucks, Chipotle, and financial institutions.

Recently approved is the redevelopment of The Oaks Shopping Center site, located off of State Route 85 freeway and across from De Anza College. The Westport Cupertino project will be a mixed-used development consisting of 259 housing units (Rowhouse/Townhomes, senior apartments), 35 memory care rooms, and 20,000 square feet of commercial space.

Apple Park, Apple's newest corporate campus, features approximately 2.8 million square feet of office and R&D space north of Highway 280 between Wolfe Road and Tantau Avenue. A state-of-the-art Visitors Center, Observation Deck, flagship retail store, and café are open to the public.