



**CITY OF
CUPERTINO**

**FISCAL YEAR
2021 - 2022**

*Annual Comprehensive
Financial Report*

**CITY OF CUPERTINO, CALIFORNIA
ANNUAL COMPREHENSIVE FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2022**

Prepared by the City of Cupertino Administrative Services Department
Finance Division

CITY OF CUPERTINO, CALIFORNIA
 ANNUAL COMPREHENSIVE FINANCIAL REPORT
 For the year ended June 30, 2022

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COMMUNITY PROFILE



CITY OF CUPERTINO

CITY HALL

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March 31, 2023

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) for the fiscal year ended June 30, 2022. The report is prepared in accordance with generally accepted accounting principles (GAAP) set by the Governmental Accounting Standards Board (GASB). The report presents City information on an entity-wide basis and on 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, while the Director of Administrative Services is appointed Treasurer and also shall act as ex officio Assessor and shall assess and collect all City taxes save and except for those collected by State and County officers for the City ((CMC 2.48.020(A)(3)). 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 66,274.

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 paying 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 mature, 93% 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 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.

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

The Main Street and Nineteen800 mixed-use developments continues 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 Hot Pot Restaurant, Pressed Juicery, Orangetheory, 85 Degree Bakery, Somi Somi, Sul & Beans, Kura Sushi, Vitality Bowls, Doppio Zero, Boiling Point and Jin Tea, Koja Kitchen, Bishops Cuts & Colors, Capezio, Howard's Shoes, Tan Cha, Meet Fresh, Pineapple Thai, Koi Palace, Myungrang Hot Dog, Pacific Catch, Pasta Armellino, Philz Coffee, Pelicana Chicken, Golden Vision Optical, Meri West Bank, AT&T Store, The Original Face Bar, Orange Theory, Pizza My Heart, 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 Ice Center Cupertino 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 Galpao Gaucho, Daiso, Marukai Groceries, Harumi Sushi, La Patisserie Bakery, Beard Papa's, Legend's Pizza, Icicles, Kong's Tofu & BBQ, One Pot Shabu Shabu, and Olarn Thai.

Cupertino Village is undergoing renovations to upgrade existing buildings, construct new buildings, parking, and open-courtyard space. The shopping center is home to 99 Ranch Market, Duke of Edinburgh Pub & Restaurant, Chung Chou, Ume Tea, Tofu Plus, Kira Kira Beauty, MOD Pizza, Ten Ren Tea, Fantasia Coffee & Tea, Yoga Wave, Happy Lemon, Kee Wah Bakery, 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 now 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 the newest addition is the Hyatt House.

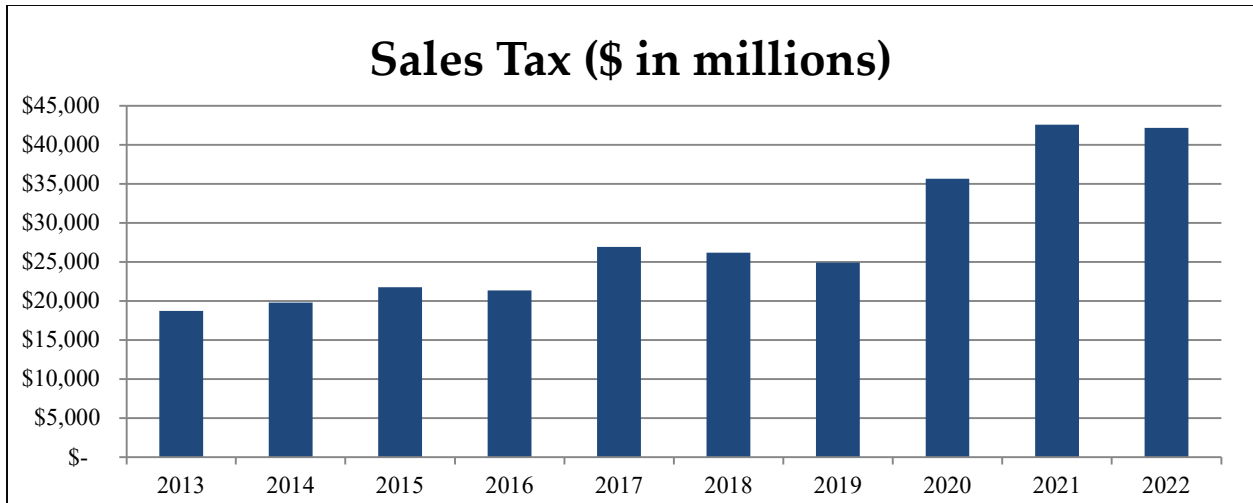
The Homestead Square Shopping Center, located at Homestead Road and De Anza Boulevard, includes a 24-hour Safeway, Ulta Beauty, Ross Stores, Stein Mart, Pet Club, Michael's, Rite Aid, FedEx, and numerous restaurants, such as Fish's Wild, Pho Hoa Noodle Soup, Yayoi Teishoku Japanese Restaurant, Starbucks, 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 are open to the public seven days a week.

According to the 2021-2022 Assessor's Annual Report for Santa Clara County, Cupertino's net assessment roll growth increased by nearly \$986.4 million, or 3.5%, from the prior year. Residential use values increased 4.9% a total of \$829.9 million and represented 84% of all growth experienced in the City. Commercial properties posted an increase of \$572.8 million, or 7.6%, due to the movement of assets from the unsecured to the secure roll. The industrial properties reported growth of \$267 million, or 30.8%, 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 decreased by \$699.7 million, or 28.9% due to the movement of assets from the unsecured to the secured roll, which contributed to the large growth seen in the commercial use category.

The City's sales tax revenues are generated from five principal economic categories: business-to-business 65% (includes electronic equipment and software manufacturers and distributors), state and county pools 20%, restaurants and hotels 6%, general retail 4%, and fuel and service stations and other 6%.

Our two largest sales taxpayers in the business-to-business category represent a large part of that sector and therefore can significantly affect sales tax trends. Due to taxpayer confidentiality constraints, the City is unable to disclose the amounts of sales tax reported for these businesses. The top taxpayers' corporate and business technology spending has driven growth in this sector. Sales tax activity has increased across most sectors with a decrease primarily in construction. This decrease is attributed to the winding down of construction projects in the City, particularly, the Apple Park campus development. Given these trends, the City's sales tax revenue is projected to show a more modest increase going forward.



Continued economic growth driven primarily by the business to business sector continued through FY 2014-15 until a slight \$400,000 decline in FY 2015-16 due to a one-time clean up payment from the previous year received in FY 2016-17. FY 2016-17 increased significantly with a \$3.5 million “triple-flip” close-out payment. There was a modest decrease in FY 2017-18 which was again attributable to the one-time “triple-flip” close-out payment from FY 2016-17 that was not received in FY 2017-18. Despite the fluctuation, the sales tax base experienced strong growth. FY 2018-19 experienced a slight decrease due to the tapering of localized sales tax dollars from construction and completion of Apple Campus 2 which further indicates a return to normalcy in respect to previous years. Additionally, the City received a one-time quarterly clean-up payment in FY 2017-18 of \$1.6 million that contributed to the comparative decrease in FY 2018-19. In FY 2019-20, the City’s sales taxes experienced growth due to a one-time double payment from Apple. Additionally, a change in estimate in which the City adjusted its accrual practice to include the full remittance amounts from July and August 2020 contributed to approximately \$9.0 million of the increase over the previous fiscal year. This change in estimate will be applied prospectively and consistently moving forward. Though much uncertainty remains during the course of the pandemic, the City has seen positive sales tax trends into FY 2020-21 due to the telework transition and the state-wide need for additional electronic equipment and infrastructure, and the Wayfair decision.

With the economic recovery and easing of credit, commercial development activity picked up considerably in 2012-13 and 2013-14 led by plan reviews of the new Apple Campus 2. Plans for the redevelopment of the Marina shopping center into a mixed-use project, Marina Plaza, was approved in 2016. This project will include 23,000 sq. ft. of retail and restaurant use, a 122-room boutique hotel, and 188 residential units including 16 below market rate units. Construction of a five story, 148-room Hyatt House hotel was completed in April 2019 and includes a full-service restaurant and meeting rooms. Through the City’s new General Plan Amendment (GPA) Authorization Process applications for two development projects were authorized by City Council during FY 2019-20 with the De Anza Hotel and the Cupertino Village Hotel.

The City’s pension and retiree medical (also referred to as OPEB, Other Post-Employment Benefits) unfunded actuarial accrued liabilities are discussed in the Notes to the Basic Financial Statements. The City must pay CalPERS, the state’s government pension system, annually to reduce its long-term liability for pensions. Cupertino’s CalPERS actuarial valuation report as of June 30, 2021 reported a pension unfunded accrued liability of \$41.3 million with annual payments to CalPERS of 32.8% and 32.2% of projected payroll for 2023-24 and 2024-25, respectively, with ongoing decreases after that. CalPERS recently experienced strong performance in FY 2020-21 with a return of 21.3% that ultimately triggered a reduction in the discount rate from 7% to 6.8%. To address long-term rising costs, Cupertino and state law has reduced pension benefits for new hires and increased employee contributions. As of the June 30, 2022, the City has

a Net OPEB Liability of \$(1.5) million with annual payments to a retiree health plan trust at -6.1% of payroll. The negative percentage of payroll further represents an over-funded status.

In addition to the City's Section 115 OPEB Investment Trust established in 2010, in FY 2017-18, the City Council approved the establishment of a Section 115 trust as part of a pension rate stabilization program. An initial investment of \$8 million was made in FY 2018-19, with additional contributions of \$4 million in FY 2019-20, \$2 million in FY 2020-21, and \$2 million in FY 2021-22.

Because the City contracts out police services to the County Sheriff and because fire protection is handled by a special district, the City avoids the high pension, capital, and operating costs of a City-operated public safety function. The City caps its contributions to employee health insurance premiums that benefit both the City and employees. A build-up of operating reserves from strong revenue years, such as 2013-14, along with a traditional under-spending of budgets, enables the City to withstand weak revenue years that occur periodically, such as in FY 2009-10.

On March 11, 2021, the American Rescue Plan Act (ARP) of 2021 was signed into law and established the Coronavirus State Recovery Fund and Coronavirus Local Fiscal Recovery Funds, which together make up the Coronavirus State and Local Fiscal Recover Funds ("SLFRF").

The ARP is a \$1.9 trillion economic stimulus bill. Within the ARP, the Coronavirus Local Fiscal Recovery Fund provided \$350 billion for states, municipalities, counties, tribes, and territories, including \$130 billion for local governments split evenly between municipalities and counties. California cities are expected to receive more than \$7 billion dollars in much needed assistance to help offset the billions of dollars in revenue shortfalls due to the shutdown of local economies and the billions spent protecting public health, delivering essential services, protecting vulnerable populations, and helping small businesses survive during the pandemic.

The City of Cupertino is expected to receive two payments totaling \$9,694,773 in SLFRF funding. The first payment was received in May 2021 in the amount of \$4,847,386.50 and the second payment was received in May 2022. The City may use SLFRF funds to cover these eligible costs incurred during the period that begins on March 3, 2021 and ends on December 31, 2024, as long as the award funds for the obligations incurred by December 31, 2024 are spent by December 31, 2026.

As a recipient of the SLFRF award, the City has substantial discretion to use the award funds in the ways that best suit the needs of the City's constituents – as long as such use fits into one of the following four statutory categories determined by the U.S. Department of the Treasury:

- **Public Health/Negative Economic Impacts:** Recipients may use SLFRF award funds to provide assistance to households – such as rent, mortgage, or utility assistance – for costs incurred by the household prior to March 3, 2021, provided that the City did not incur the cost of providing such assistance prior to March 3, 2021.
- **Premium Pay:** Recipients may provide premium pay retrospectively for work performed at any time since the start of the COVID-19 public health emergency. Such premium pay must be “in addition to” wages and remuneration already received and the obligation to provide such pay must not have been incurred by the recipient prior to March 3, 2021.
- **Revenue Loss:** Treasury's Final Rule gives recipients broad latitude to use funds for the provision of government services to the extent of reduction in revenue. While calculation of loss revenue begins with the recipient's revenue in the last full fiscal year prior to the COVID-19 public health emergency and includes the 12-month period ending December 31, 2020, use of funds for government services must be forward looking for costs incurred by the recipient after March 3, 2021.

- Investments in Water, Sewer, and Broadband: Recipients may use SLFRF award funds to make necessary investments in water, sewer, and broadband. Recipients may use SLFRF award funds to cover costs incurred for eligible projects planned or started prior to March 3, 2021, provided that the project costs covered by the SLFRF award funds were incurred after March 3, 2021.

On September 7, 2021, the Cupertino City Council approved a plan which allocated the ARP funding towards revenue loss which was estimated at approximately \$29 million. Additionally, the \$9.7 million in total ARP funding was approved to be spent on general government services in the General Fund, specifically, City Work Program and special project items. Subsequently, and in accordance with the Treasury's Final Rule, a \$10 million "standard allowance" may be taken which would relieve a jurisdiction's substantiation of revenue loss. Nevertheless, the City plans to continue using the ARP funding as originally authorized and will continue to monitor and report out on the estimated and actual revenue losses resulting from the pandemic.

ECONOMIC INITIATIVES

With the expanded Apple presence, the City's revenue base will remain concentrated among its top companies and top economic sector, the volatile business-to-business area. Past recessions and the historic departure of a major tax provider, Hewlett-Packard, demonstrates the need for diversification of the City's revenue base and a long-term balance of revenues and expenditures. The City desires other revenues to mitigate the fluctuating nature of sales taxes, hotel taxes, user fees, and state grabs of local taxes in times of budget distress.

COVID-19 has had significant adverse impacts on the City's transient occupancy taxes, charges for services, and is sure to have long-lasting impacts on its sales tax. While the City's revenues remained strong in FY 2019-20 and are currently on pace with projections in FY 2020-21, the City's strong, untapped reserves afford the City to continue actively mitigating the impacts of the pandemic on the community. Efforts to reduce operating costs, additional allocations for tenants at risk of eviction and homeless assistance, public facility and area sanitation enhancements, and small business grant assistance are all examples in FY 2019-20 and FY 2020-21 of the City's on-going ability and commitment to overcome these challenges.

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. Crowe LLP audited the City's Basic Financial Statements, and their opinion thereon is included in the Financial Section of this report.

FRAUD INVESTIGATION

On September 5, 2018 the Santa Clara County Sheriff's Office arrested former City of Cupertino employee Jennifer "Yuen-Cheng" Chang, Senior Accountant, for her role in the embezzlement of public funds. It is believed that Ms. Chang issued and cashed numerous fraudulent checks between 2000 and 2014 for a total of \$791,494.

The scheme ended in September 2014 right before the implementation of an upgraded financial system in December 2014 that tightened internal controls. Ms. Chang, who was hired by the City in 1997, retired in July 2015.

The checks were uncovered early 2018 by staff during a multi-year, detailed review of several accounts—including payroll, bank reconciliations, and deposits—which began after the implementation of the new financial system in fiscal year 2014-2015. The checks were found debited against a liability account and deemed suspicious due to their nature, size, and lack of supporting documentation.

In 2018, the Santa Clara County Sheriff's Office submitted its case to the Santa Clara County District Attorney's Office for the issuance of a warrant for Ms. Chang. The California Attorney General brought forward 68 criminal charges against Ms. Chang. The City of Cupertino is seeking full restitution from Ms. Chang through upcoming criminal and civil proceedings.

At the Preliminary Hearing on December 10, 2019, Judge Pennypacker ruled that Ms. Chang will have to stand trial on 53 felony counts. The counts include Grand Theft and Computer Intrusion for the period September 28, 2000 to September 5, 2014, and Embezzlement for the period July 22, 2011 to September 5, 2014. Because Ms. Chang's bank does not save documents from prior to 2011, the State cannot prove an element of the crime of embezzlement prior to this time.

Ms. Chang was criminally prosecuted and plead guilty to three felony counts in December 2021. On January 31, 2022, Ms. Chang paid \$612,000 in criminal restitution to the City of Cupertino. The City has separately pursued civil remedies against Ms. Chang to recover damages that were not available through criminal restitution for the entire amount embezzled (\$791,494), interest, and investigation costs.

Among other internal controls maintained by the City over its financial records, in addition to the upgraded financial system in December 2014 that tightened internal controls, the City also hired additional accounting staff to enhance segregation of duties as well as internal audit function that has been approved for implementation in fiscal year 2019-20. Lastly, the City has engaged Moss Adams, LLP to serve as its internal auditor.

CERTIFICATE OF ACHIEVEMENT

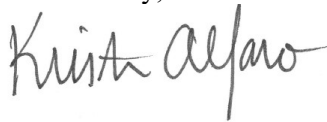
The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Cupertino for its ACFR for the year ended June 30, 2020. In order to be awarded a Certificate of Achievement, a government unit 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. We believe that the current report continues to meet the Certificate of Achievement Program's requirements.

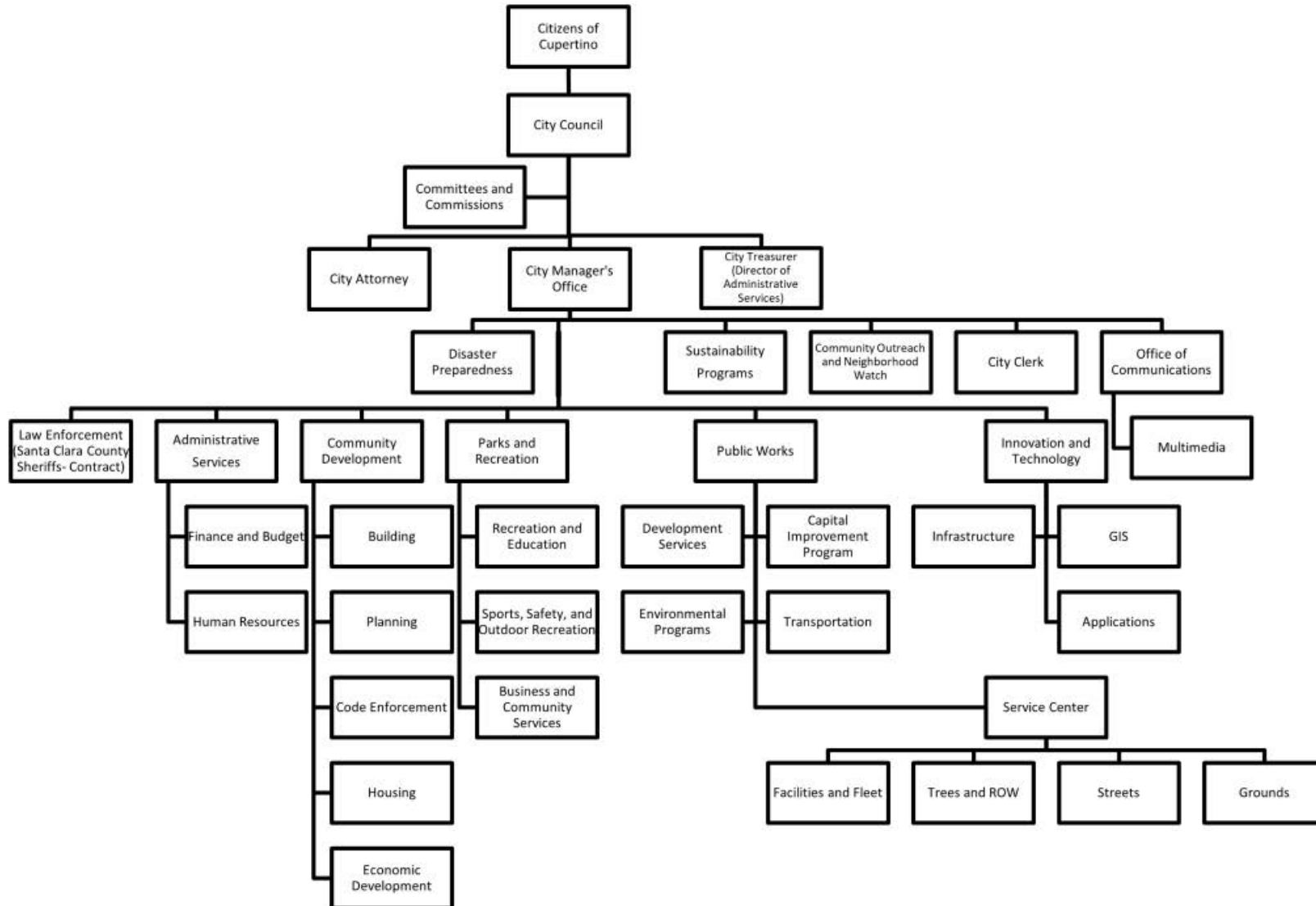
ACKNOWLEDGMENTS

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, Thomas Leung, 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



Darcy Paul
Mayor



Liang Chao
Vice Mayor



Kitty Moore
Council Member



Hung Wei
Council Member



Jon Willey
Council Member

Directory of City Officials

- Jim Throop – City Manager
- Dianne Thompson – Assistant City Manager
- Christopher Jensen – City Attorney
- Kristina Alfaro – Director of Administrative Services
- Ben Fu – Director of Community Development
- Matt Morley – Director of Public Works
- Joanne Magrini – Director of Parks and Recreation
- Bill Mitchell – Chief Technology Officer

As of June 30, 2022

Commissions and Committees

AUDIT COMMITTEE

Angela Chen
Yan (Sophie) Song
Darcy Paul
Kitty Moore
Laura Hammer

BICYCLE PEDESTRIAN COMMISSION

Gerhard Eschelbeck
Grace John
Erik Lindskog
Jack Carter
Ilango Ganga

DESIGN REVIEW COMMITTEE

Muni Madhhipatla
Sanjiv Kapil
R Wang

ENVIRONMENTAL REVIEW COMMITTEE

Kitty Moore
Matt Morley
Ben Fu
Dianne Thompson
Steven Scharf
Darcy Paul
Muni Madhhipatla

ECONOMIC DEVELOPMENT COMMITTEE

Darcy Paul
Kevin McClelland
Hung Wei
Mike Rohde
Rod Diridon Jr.
Alan Takahashi
Roslyn Donald
Angela Tsui
Ben Fu
Anjali Kausar
Roger Lee

FINE ARTS COMMISSION

Carol Maa
Janki Chokshi
Satish Tare
Esha Rao
Sudha Kasamsetty

HOUSING COMMISSION

Govind Tatachari
Tessa Parish
Sue Bose
Connie Cunningham
Angan Das

LEGISLATIVE REVIEW COMMITTEE

Liang Chao
Kitty Moore

LIBRARY COMMISSION

Archana Panda
Liyan Zhao
Sheela Sreekanth
Qin Pan
Rahul Vasanth

PARKS AND RECREATION COMMISSION

Carol Stanek
Xiangchen "Minna" Xu
Gopal Kumarappan
Seema Swamy
Sashikala Begur

PLANNING COMMISSION

R "Ray" Wang
Vikram Saxena
Sanjiv Kapil
Muni Madhhipatla
Steven Scharf

PUBLIC SAFETY COMMISSION

Eric Shan
Hymanand Nellore
Lakshminarasimha Ankireddipally
Tiffany Wang
Bobby Toda

SUSTAINABILITY COMMISSION

Anna Weber
Sonali Padgaonkar
Meera Ramanathan
Steve Poon
Vignesh Swaminathan

TEEN COMMISSION

Rachael Ding
Geethikaa Tarra
Andrew Qin
Maple Leung
Zehra Naqvi
Dhruti Halambi
Elspeth Luu
Alex Zhang
Adhya Kasamsetty

TECHNOLOGY, INFORMATION & COMMUNICATIONS COMMISSION

Eliza Du
Mukesh Garg
Naidu Bollineni
Rajaram Soundararajan
Prabir Mohanty

As of June 30, 2022



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Reporting

Presented to

**City of Cupertino
California**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2020

Christopher P. Morill

Executive Director/CEO

INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and City Council
City of 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 the City of Cupertino, California (City) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying 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, 2022, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund, the Transportation Special Revenue Fund, and the Housing Development Special Revenue Fund 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 (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (Government Auditing Standards)*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's 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.

Emphasis of Matter

As discussed in Note 1 to the financial statements, in 2022, the City adopted new accounting guidance in the form of the provisions of GASB Statement No. 87, *Leases*. Our opinions are not modified with respect to this matter.

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.

(Continued)

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.

Auditor's 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 auditor's 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 GAAS 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 GAAS 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 the management's discussion and analysis, and the required supplementary information section on pages 4-23 and 72-75 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by 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.

(Continued)

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 other supplementary information section is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 other supplementary information section is 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, statistical section and community profile but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or provide any 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 March 31, 2023 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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.


Crowe LLP

Costa Mesa, California
March 31, 2023

CITY OF CUPERTINO
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2022

This section describes the City of Cupertino's financial performance for the year. Readers are encouraged to consider the following information in conjunction with the accompanying Transmittal Letter and Basic Financial Statements.

2021-22 FINANCIAL HIGHLIGHTS

- The COVID-19 pandemic, and the ensuing lockdowns, has negatively affected economies not only in the region, but around the world. Sales tax, transient occupancy tax, and charges for services were both positively and negatively impacted as explained further below. However, while much uncertainty remains regarding the length and magnitude of these impacts, the City stands well positioned with robust fund balance reserves that have been bolstered by strong sales tax performance, federal funding from the American Rescue Plan Act of 2021, and budget reduction strategies.
- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the fiscal year 2021-22 by \$369.0 million (net position). Of this amount, \$104.9 million represents unrestricted net position, which may be used to meet the City's ongoing obligations to citizens and creditors.
- City revenues have increased in 2021-2022 with base governmental revenues showing a \$4.0 million increase, or 3%, over 2020-2021. The primary fluctuations include an increase in property and sales tax and program revenues that are offset by decreases in transient occupancy tax and charges for services. According to the 2021-2022 Assessor's Annual Report for Santa Clara County, Cupertino's net assessment roll growth increased \$986 million, or 3.55%, from the prior year
- Residential use values increased 4.9% a total of \$829.9 million and represented 84% of all growth experienced in the City. Commercial properties posted an increase of \$572.8 million, or 7.6%, due to the movement of assets from the unsecured to the secure roll. The industrial properties reported growth of \$267 million, or 30.8%, 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 decreased by \$699.7 million, or 28.9% due to the movement of assets from the unsecured to the secured roll, which contributed to the large growth seen in the commercial use category.
- The City experienced an increase of approximately \$1.1 million, or 3% in FY 2021-22 sales tax revenues compared to the previous year. Although the City experienced declines in many of the sectors including autos and transportation, building and construction, fuel and service stations, general consumer goods, and restaurants and hotels over the last two year, these experiences were mitigated by strong performance in the business and industry sector and the City's county pool allocation. The COVID-19 pandemic has brought great uncertainty to the economy and although the business and industry sector has experienced significant growth due to the telework conversion and closure of brick-and-mortar retail, the City continues to monitor and forecast these sectors conservatively. COVID-19 and shelter-in-place orders brought the City's transient occupancy taxes to a near halt beginning in March of 2020. In spite of uncertainty, the result to the City's was a \$2.3M increase or 106% over the previous fiscal year.
- The City continued to make substantial 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 \$4.7 million, or 2.2%, after depreciation.
- The City's change in net position was \$34.6 million for governmental activities reflecting the continued positive experience in sales tax and modest departmental spending.
- The City's Net Pension Liability for June 30, 2022, was \$34.1 million, decreased by \$14.5 million from June 30, 2021, or 30%. The Plan Fiduciary Net Position as a Percentage of the Total Pension

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Liability for the City's pension plan with CalPERS increased to 78.9%. Annual contributions to this trust will continue on an annual basis and as part of the City's budget process. 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 Trust's ending balance as of June 30, 2022 was \$17.4 million.

- Business-type activities contributed \$6.2 million to citywide revenues totaling \$124.6 million, while the same activities contributed over \$7.5 million to citywide expenses of \$90.7 million.
- The City implemented the provisions of GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, during fiscal year 2017-18. This statement requires governments to report a liability on the face of the financial statements for the OPEB provided by the City. During FY 2019-20, the City reduced the discount rate from 7.0% to 6.5% which consequently increased the Total OPEB Liability. As of June 30, 2022, the City reported a decrease in Net OPEB Asset of \$7.9 million primarily due to the investment return being less than the service cost plus interest on Total OPEB Liability (TOL). The City's actuarial valuation generated a Net OPEB Asset of \$1.5 million. The City also reported deferred outflows and inflows related to OPEB of \$5 million and \$3.2 million, respectively. As of June 30, 2022, the City's OPEB plan had a funding ratio or funded ratio or status of 105%.
- On March 11, 2021, the American Rescue Plan Act (ARP) of 2021 was signed into law and established the Coronavirus State Fiscal Recovery Fund and Coronavirus Local Fiscal Recovery Funds, which together make up the Coronavirus State and Local Fiscal Recovery Funds ("SLFRF").

The American Rescue Plan (ARP) Act of 2021 is a \$1.9 trillion economic stimulus bill. Within the ARP, the Coronavirus Local Fiscal Recovery Fund provided \$350 billion for states, municipalities, counties, tribes, and territories, including \$130 billion for local governments split evenly between municipalities and counties. California cities are expected to receive more than \$7 billion dollars in much needed assistance to help offset the billions of dollars in revenue shortfalls due to the shutdown of local economies and the billions spent protecting public health, delivering essential services, protecting vulnerable populations, and helping small businesses survive during the pandemic.

The City of Cupertino expected to receive two payments totaling \$9,694,773 in SLFRF funding. The first payment was received in May 2021 in the amount of \$4,847,386.50 and the second payment was received in May 2022. The City may use SLFRF funds to cover these eligible costs incurred during the period that begins on March 3, 2021 and ends on December 31, 2024, as long as the award funds for the obligations incurred by December 31, 2024 are spent by December 31, 2026.

As a recipient of the SLFRF award, the City has substantial discretion to use the award funds in the ways that best suit the needs of the City's constituents – as long as such use fits into one of the following four statutory categories determined by the U.S. Department of the Treasury:

- Public Health/Negative Economic Impacts: Recipients may use SLFRF award funds to provide assistance to households – such as rent, mortgage, or utility assistance – for costs incurred by the household prior to March 3, 2021, provided that the City did not incur the cost of providing such assistance prior to March 3, 2021.
- Premium Pay: Recipients may provide premium pay retrospectively for work performed at any time since the start of the COVID-19 public health emergency. Such premium pay must be "in addition to" wages and remuneration already received and the obligation to provide such pay must not have been incurred by the recipient prior to March 3, 2021.
- Revenue Loss: Treasury's Final Rule gives recipients broad latitude to use funds for the provision of government services to the extent of reduction in revenue. While calculation of lost revenue begins with the recipient's revenue in the last full fiscal year prior to the COVID-19 public health emergency and includes the 12-month period ending December 31, 2020, use of funds for

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government services must be forward looking for costs incurred by the recipient after March 3, 2021.

- Investments in Water, Sewer, and Broadband: Recipients may use SLFRF award funds to make necessary investments in water, sewer, and broadband. Recipients may use SLFRF award funds to cover costs incurred for eligible projects planned or started prior to March 3, 2021, provided that the project costs covered by the SLFRF award funds were incurred after March 3, 2021.

On September 7, 2021, the Cupertino City Council approved a plan which allocated the ARP funding towards revenue loss which was estimated at approximately \$29 million. Additionally, the \$9.7 million in total ARP funding was approved to be spent on general government services in the General Fund, specifically, City Work Program and special project items. Subsequently, and in accordance with the Treasury's Final Rule, a \$10 million "standard allowance" may be taken which would relieve a jurisdiction's substantiation of revenue loss. Nevertheless, the City plans to continue using the ARP funding as originally authorized and will continue to monitor and report out on the estimated and actual revenue losses resulting from the pandemic.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis is 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 the 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.

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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 detail 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 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.

Governmental Fund financial statements are prepared on the 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 the 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.

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Governmental Activities

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

| | Governmental Activities | |
|---|--------------------------------|-------------------|
| | 2022 | 2021 |
| Assets: | | |
| Cash and investments | \$ 190,003 | \$ 167,810 |
| Restricted cash and investments | 17,248 | 18,499 |
| Other assets | 17,916 | 17,260 |
| Net OPEB assets | 1,370 | 8,958 |
| Capital assets | 214,927 | 210,273 |
| Total assets | 441,464 | 422,800 |
| Deferred Outflows of Resources: | | |
| Loss on refunding | 199 | 239 |
| Related to Pension (Note 10) | 8,317 | 8,623 |
| Related to OPEB (Note 11) | 4,786 | 1,468 |
| Total deferred outflows of resources | 13,302 | 10,330 |
| Liabilities: | | |
| Long term debt | 21,269 | 23,348 |
| Other liabilities | 58,527 | 77,687 |
| Total liabilities | 79,796 | 101,035 |
| Deferred Inflows of Resources: | | |
| Leases Receivable | 2,495 | - |
| Related to Pension (Note 10) | 11,161 | 100 |
| Related to OPEB (Note 11) | 2,993 | 8,323 |
| Total deferred inflows of resources | 16,649 | 8,423 |
| Net Position: | | |
| Net Investment in capital assets | 196,916 | 186,503 |
| Restricted | 68,300 | 53,711 |
| Unrestricted | 93,105 | 83,458 |
| Total net position | \$ 358,321 | \$ 323,672 |

The City's change in net position from governmental activities was \$34.6 million. The following significant changes within assets, liability, and net position categories occurred:

- The City made an additional \$2 million contribution in March 2022 to its Section 115 Trust as part of the City's pension rate stabilization program. 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,

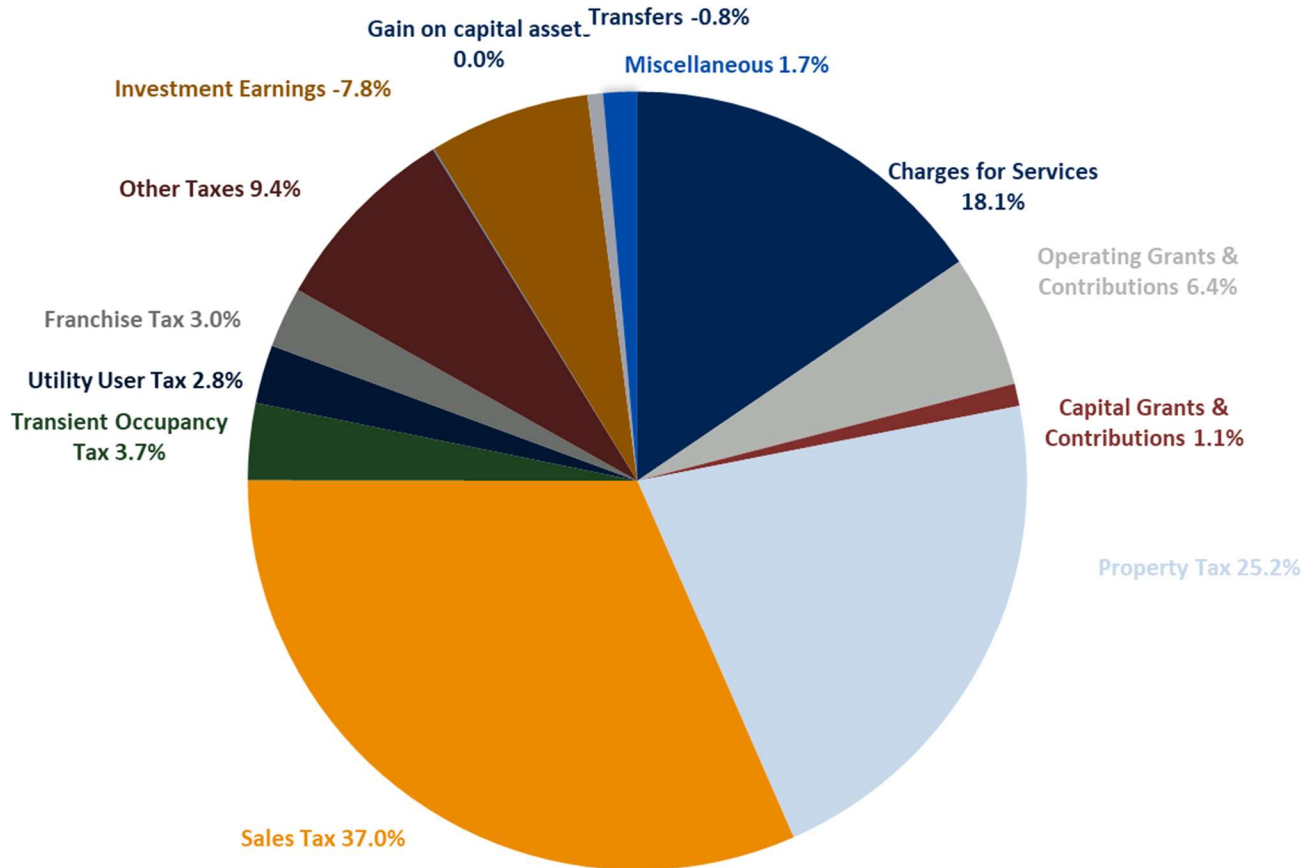
CITY OF CUPERTINO
Management's Discussion and Analysis (Unaudited)
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they are used to pay CalPERS via the CERBT Trust and as a result, the activities are not required to be reported in a fiduciary fund.

- Cash and investments increased by \$22.2 million, or 13%, over the previous fiscal year. This was due to continued positive performance of the City's sales tax, receiving of the 2nd tranche of American Rescue Plan Act funding (\$4.8 million), and reduced departmental spending in an effort to mitigate the fiscal impacts brought on by the pandemic.
- With strong investment performance in the City's Section 115 OPEB Investment Trust, the City's Net OPEB Liability was converted to a Net OPEB Asset in FY 2020-21 and was reported at \$9.4 million. This declined to \$1.4 million in FY 2021 – 22 due to market conditions for the City's investments for OPEB.
- Capital assets increased approximately \$4.6 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 million or 8.9% over the previous year and resulted from scheduled debt service of the City's 2020 Certificates of Participation.
- Other liabilities decreased by approximately \$19.2 million or 24.7%, primarily due to an decrease in the City's Net Pension Liability as well as a \$4.8 million unearned revenue related to the American Rescue Plan Act of 2021 from FY 2020 – 21 that was not repeated in FY22.
- Deferred Outflows Related to Pension and OPEB increased \$3 million primarily due to actuarial changes of assumptions. Deferred Inflows of Resources Related to Pension and OPEB increased approximately \$8.2 million primarily due to actuarial changes of assumptions as well as a new deferral required to be reported due to the City's adoption of GASB Statement No. 87, Leases.

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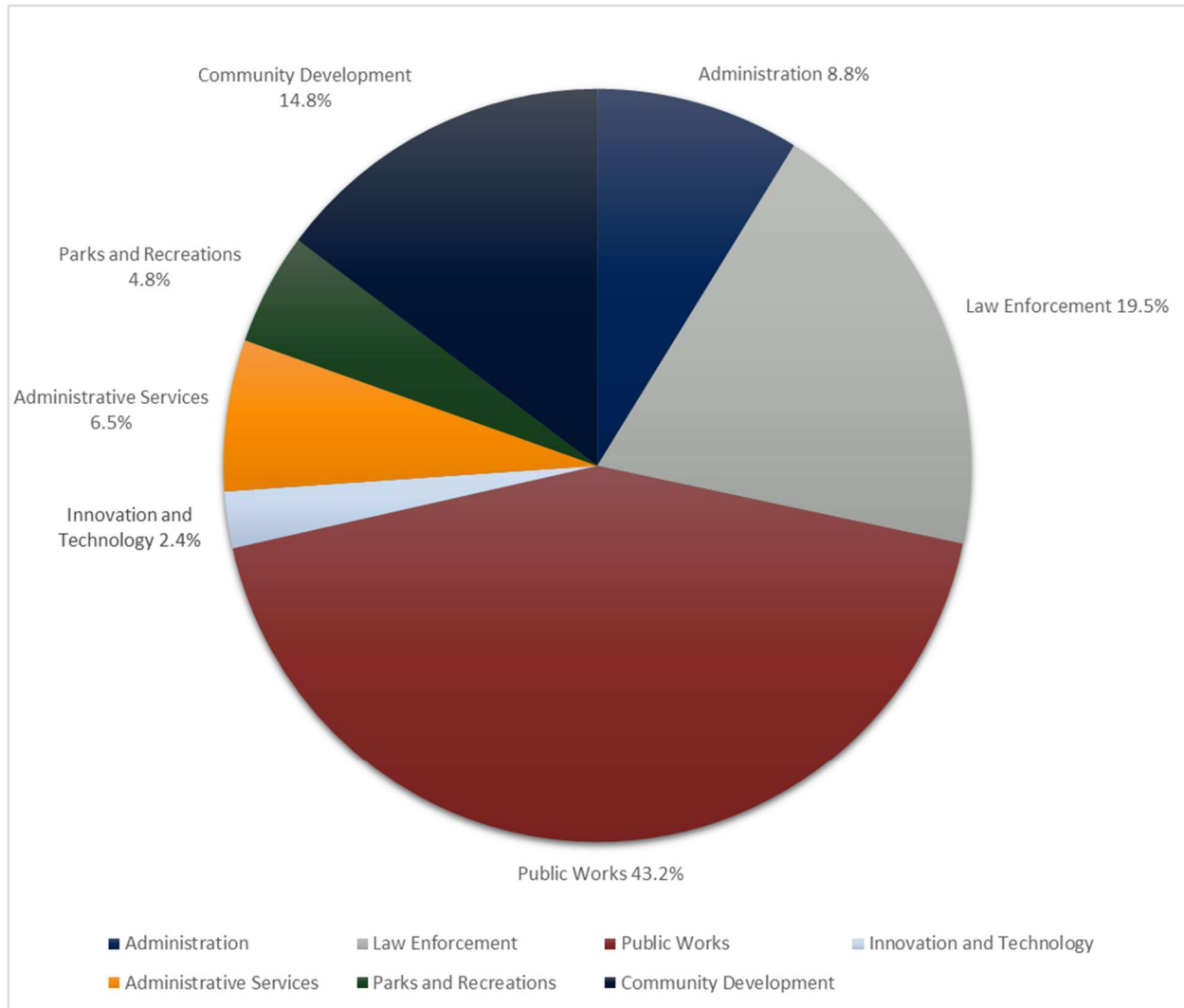
**Sources of Revenue, Governmental Activities
 2021-22**



Program revenues experienced consistent performance year-over-year as the pandemic has had significant adverse impact on charges for services, particularly in the Parks and Recreation department. With the exception of investment income, the City's general tax revenues remained strong with sales tax continuing its unprecedented positive performance throughout the pandemic. Revenues increased net \$5.0 million from the prior year.

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**Functional Expenses, Governmental Activities
2021-22**



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

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Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2022

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

| Expenses | <u>Governmental Activities</u> | |
|---|---------------------------------------|--------------------|
| | <u>2022</u> | <u>2021</u> |
| Administration | \$7,293 | \$3,637 |
| Law enforcement | 16,100 | 15,212 |
| Innovation & technology | 2,004 | 1,722 |
| Administrative services | 5,364 | 5,358 |
| Recreation and community services | 3,977 | 1,183 |
| Community development | 12,210 | 11,496 |
| Public works | 35,654 | 41,870 |
| Interest on long-term debt | 637 | 398 |
| | 82,239 | 80,876 |
| Revenue | | |
| Program revenues: | | |
| Charges for services | 21,387 | 18,137 |
| Operating grants and contributions | 7,601 | 5,998 |
| Capital grants and contributions | 1,283 | 1,792 |
| Total program revenues | 30,271 | 25,928 |
| General revenues: | | |
| Taxes: | | |
| Property tax | 20,323 | 19,198 |
| Property tax in-lieu of motor vehicle fee | 9,402 | 9,080 |
| Sales tax | 43,647 | 42,581 |
| Transient occupancy tax | 4,405 | 2,141 |
| Utility user tax | 3,356 | 3,074 |
| Franchise tax | 3,480 | 3,368 |
| Other taxes | 11,118 | 3,022 |
| Intergovernmental, unrestricted: | | |
| Motor vehicle license fee | 68 | 44 |
| Investment earnings | (9,242) | 4,148 |
| Gain on sale of capital assets | - | - |
| Miscellaneous | 1,948 | 3,185 |
| Total general revenues | 88,504 | 89,842 |
| Total revenues | 118,775 | 115,770 |
| Excess of revenues over expenses, | | |
| before transfers | 35,536 | 34,894 |
| Transfers (Note 4) | (887) | (2,849) |
| | 34,649 | 32,045 |
| Change in net position | 34,649 | 32,045 |
| Beginning net position | 323,672 | 291,627 |
| Ending net position | \$ 358,321 | \$ 323,672 |

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City-wide Governmental Activities Revenues

Table 2 shows that revenues from governmental activities increased \$3 million or 2.5% from last year, finishing at \$119 million. General revenues also experienced a net increase namely, property tax, sales tax, and other taxes as further discussed below.

Increases in the City's general revenues are attributable to a \$1.1 million increase in property tax over the prior year. According to the 2022/23 City of Cupertino Property Tax Review from HDL (Assessor's Annual Report for Santa Clara County) the net assessment roll growth increased \$2.1 billion million, or 7.24%, from the prior year. Approximately 100% was attributable to residential, commercial, industrial, recreational, vacant properties, Miscellaneous and Institutional use values and 2.27% decreased in Unsecured Value change.

The City experienced an increase of \$1.1 million in FY 2021-22 with sales tax revenues increasing by 2.5% over the previous fiscal year. Although the City experienced declines in many of the sectors including autos and transportation, building and construction, fuel and service stations, general consumer goods, and restaurants and hotels over the last two year, these experiences were mitigated by strong performance in the business and industry sector and the City's county pool allocation. The COVID-19 pandemic has brought great uncertainty to the economy and although the business and industry sector has experienced significant growth due to the telework conversion and closure of brick-and-mortar retail, the City continues to monitor and forecast these sectors conservatively.

In FY 2021-22, total transient occupancy tax increased \$2.3 million, or 105.7%, over the prior year. Although an improvement from prior year, we are on the road to recovery for this tax source although it was anticipated to take longer than other areas as employers' long-term and permanent telework policies will have substantial impact on the timing and extent of recovery. Other taxes experienced an increased of \$8.1 million, or 268% due to new Park Dedication taxes received in 2022.

Investment earnings decreased by \$13.4 million, or 323%, over the prior year. This was due to the City's portfolio's total rate of return of negative 4.76% (net of fee) for the fiscal year (source: Chandler Asset Management) resulting from market conditions.

Program revenues showed an increased of \$3.3 million or 18%, and is primarily attributable to an increase in services within the Parks & Recreation department as pandemic restrictions eased.

City-wide Governmental Activities Expenses

City-wide governmental activities expenses increased by \$2.4 million, or 3%. This was primarily driven by budget reduction strategies that were incorporated as part of the FY 2021-22 Adopted Budget in response to the COVID-19 pandemic. The increase in Administration expenses from Table 2 was due to the purchase of 10455 Torre Avenue property in the prior fiscal year that was capitalized as construction in progress (this expense capitalization was not repeated in 2022). This asset is currently still in progress and not ready to be placed in service with corresponding depreciation, as there was no service date as of year-end.

Change in Net Position

The City-wide governmental net position increase of \$34.6 million was significantly up compared to the increase in 2020-21 and can be best explained by continued positive sales tax performance, federal funding assistance, and budget reduction strategies.

CITY OF CUPERTINO
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2022

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.

As shown in Table 3 and Table 4, the business-type net position totaled \$10.7 million at June 30, 2022, decreased by \$785,000 or 7%, from the prior and the net investment in capital assets is slightly lower than prior year. Business-type activities transferred in (net) decreased by \$2 million over the prior year. An increase in capital asset additions of \$336,816 offset with \$222,566 in depreciation expense resulted in a net increase of \$114,250 over the prior year. Enterprise activities experienced an overall increase in assets due primarily to investment income which increased cash and cash equivalents. Liabilities for business-type activities decreased by \$271,000 or 6.2% over the previous year. In Table 4, revenues for all business-type activities increased \$968,000, or 19.9% and operating expenses increased by \$2 million, primarily attributable the impacts set forth by the pandemic.

CITY OF CUPERTINO
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2022

Table 3
Condensed Statement of Net Position at June 30

(in thousands)

| | Business Type Activities | |
|---|---------------------------------|------------------|
| | 2022 | 2021 |
| Assets: | | |
| Cash and investments | \$ 12,342 | \$ 12,961 |
| Other assets | 230 | 577 |
| Capital assets | 2,090 | 2,091 |
| Total assets | 14,662 | 15,629 |
| Deferred Outflows of Resources: | | |
| Related to pension | 565 | 579 |
| Related to OPEB | 256 | 101 |
| Total deferred outflows of resources | 821 | 680 |
| Other Liabilities: | | |
| Total liabilities | 4,118 | 4,389 |
| Deferred Inflows of Resources: | | |
| Related to pension | 498 | 21 |
| Related to OPEB | 188 | 434 |
| Total deferred inflows of resources | 686 | 455 |
| Net Position: | | |
| Net Investment in capital assets | 2,090 | 2,091 |
| Restricted | 167 | - |
| Unrestricted | 8,423 | 9,374 |
| Total net position | \$ 10,679 | \$ 11,465 |

CITY OF CUPERTINO
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2022

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

| | Business Type Activities | |
|--|---------------------------------|------------------|
| Expenses | 2022 | 2021 |
| Resource recovery | \$ 1,838 | \$ 1,670 |
| Blackberry farm | 655 | 535 |
| Cupertino sports center | 3,396 | 2,183 |
| Recreation programs | 1,618 | 1,117 |
| Total expenses | 7,507 | 5,505 |
| | | |
| Revenues | | |
| Program revenues: | | |
| Charges for services | 6,239 | 4,831 |
| General revenues: | | |
| Investment earnings | (404) | 36 |
| Total revenues | 5,835 | 4,867 |
| | | |
| Excess of revenues over expenses, before extraordinary item and transfers | (1,672) | (638) |
| | | |
| Transfers | 887 | 2,849 |
| | | |
| Change in net position | (785) | 2,211 |
| | | |
| Beginning net position | 11,465 | 9,254 |
| Ending net position | \$ 10,680 | \$ 11,465 |

MAJOR GOVERNMENTAL FUNDS

General Fund

General Fund Revenues

General Fund actual revenues of \$105 million ended \$15.6 million, or 17%, above the original budget and \$33.6 million, or 24%, below the final budget. Conservative estimates were applied to the original budget due to the pandemic. Table 5 displays the variations in actual revenues, while Table 6 shows budgeted revenues compared to actuals.

CITY OF CUPERTINO
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2022

Property taxes increased \$1.4 million, or 5%, over the prior year due to continued roll-growth. According to the 2020-2021 Assessor's Annual Report for Santa Clara County, Cupertino's net assessment roll growth increased by \$2.1 billion, or 7.24%, from the prior year. Sales tax decreased by 1% or \$0.4 million, over the prior year due to county pool allocations. Sales Tax revenue is 40.1% of total. Transient occupancy tax increased \$2.3 million, or 106%, due to the COVID-19 and the related shelter-in-place orders which brought transient occupancy tax revenues to a near halt beginning in March 2020. Charges for services increased by 23% nearly \$12M over the previous year due to increased in services as pandemic restrictions eased. Licenses and permits decreased \$74,000, or 2%, due to decreased on permitting on animal licenses, Mech/Elec/Plumbing and others.

Table 5
Revenue Changes
General Fund, Fiscal 2022 vs. 2021
(in thousands)

| Revenue by Source | Fiscal 2022 | | Increase/(Decrease) From Fiscal 2021 | |
|---------------------------------|--------------------|-------------------|---|----------------|
| | Amount | % of Total | Amount | Percent |
| Taxes: | | | | |
| Property | \$ 29,724 | 28% | \$ 1,446 | 5% |
| Sales | 42,208 | 40% | (373) | -1% |
| Transient occupancy | 4,405 | 4% | 2,264 | 106% |
| Utility user | 3,356 | 3% | 282 | 9% |
| Franchise | 3,480 | 3% | 112 | 9% |
| Other | 1,906 | 2% | (734) | -28% |
| Use of money & property | -5,341 | -5% | (10,179) | -210% |
| Intergovernmental | 4,385 | 4% | 2,938 | 203% |
| Licenses and permits | 4,142 | 4% | 74 | 2% |
| Charges for services | 14,592 | 14% | 2,710 | 23% |
| Fines and forfeitures | 370 | 0% | 241 | 187% |
| Other | 1,941 | 2% | 678 | 54% |
| Total revenues | <u>\$ 105,168</u> | <u>100%</u> | <u>\$ (541)</u> | <u>-1%</u> |
| Other financing sources: | | | | |
| Transfers in | \$ 15 | 100% | \$ (493) | -97% |
| Total other financing sources | <u>\$ 15</u> | <u>100%</u> | <u>\$ (493)</u> | <u>-97%</u> |

CITY OF CUPERTINO
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2022

Table 6
Revenue, Budget and Actual Comparisons
General Fund 2021-22
(in thousands)

| | Budgeted Amounts | | Actual | Over/(Under) |
|-------------------------|------------------|------------|------------|--------------|
| | Original | Final | | Final |
| Taxes: | | | | |
| Property | \$ 27,840 | \$ 27,840 | \$ 29,724 | \$ 1,884 |
| Sales | 27,856 | 36,912 | 42,208 | 5,296 |
| Transient occupancy | 3,000 | 3,000 | 4,405 | 1,405 |
| Utility user | 3,245 | 3,245 | 3,356 | 111 |
| Franchise | 3,381 | 3,381 | 3,480 | 99 |
| Other | 1,249 | 1,249 | 1,906 | 657 |
| Use of money & property | 1,251 | 1,251 | (5,341) | (6,592) |
| Intergovernmental | 5,094 | 10,366 | 4,385 | (5,981) |
| Licenses and permits | 3,140 | 33,595 | 4,142 | (29,453) |
| Charges for services | 12,322 | 16,063 | 14,592 | (1,471) |
| Fines and forfeitures | 225 | 225 | 370 | 145 |
| Other | 1,001 | 1,644 | 1,941 | 297 |
| | | | | |
| Total revenues | \$ 89,602 | \$ 138,770 | \$ 105,168 | \$ (33,602) |
| Transfers in | \$ 45 | \$ 5,092 | \$ 15 | \$ (5,077) |

General Fund Expenditures

Fiscal 2020-21 overall expenditures, at \$70.4 million, were \$1.7 million, or 2%, higher than last year. This result came in \$12.2 million, or 15%, under the final budget. Year-over-year and budget-versus-actual results for General Fund programs are described below and in Tables 7 and 8.

Administration decreased \$57,000 or 1%, from 2020-21 and is primarily due to the Economic Development and Video functions moving from Community Development and Innovation & Technology departments, respectively. Law Enforcement was \$940,000 higher or approximately 6%, which was the automatic increase in the existing contract with the Santa Clara County Sheriff's Office triggered by increases in the operating agreement and CalPERS costs. Innovation & Technology increased by \$226,000, or 12%, over the prior year. This was driven by the Department's reorganization from prior years where full year costs are now captured in the Department. Administrative Services' expenditures increased approximately \$330,000, or 6%, over the prior year due to negotiated increases in salary and benefits. This increase also reflected the establishment of the internal audit function. Parks & Recreation General Fund expenditures experienced a 1% decrease, or \$59,000, across its programs. The majority of this decrease was due to COVID-19 and the inability to hold related program activities and events in FY 2020-21 that were resumed in FY 2021-22 in other funds/functions. Community Development expenditures in the General Fund increased \$1.5 million, or 16%, and resulted primarily

CITY OF CUPERTINO
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2022

from increases in cost allocation charges. Public Works expenditures increased approximately \$3.3 million or 16%. This is primarily represented by an increase in compensation and benefits. Various divisions and programs fluctuated over the prior year due to the addition and completion of one-time special projects. Transfers out of the General Fund increased from \$15.1 million in 2020-21 to \$21.4 million, or 41%. This was due to a reduction in one-time transfers from the General Fund to the Capital Reserve.

Table 7
Expenditure Changes
General Fund, Fiscal 2022 vs. 2021
(in thousands)

| Function/Program | Fiscal 2022 | | Increase/(Decrease) From Fiscal 2021 | |
|---------------------------|--------------------|-------------------|---|----------------|
| | Amount | % of Total | Amount | Percent |
| Administration | \$ 7,492 | 11% | \$ (57) | -1% |
| Law enforcement | 15,716 | 22% | 940 | 6% |
| Innovation and technology | 2,063 | 3% | 226 | 12% |
| Administrative services | 5,526 | 8% | 330 | 6% |
| Parks and recreation | 4,729 | 7% | (59) | -1% |
| Community development | 11,188 | 16% | 1,509 | 16% |
| Public works | 23,327 | 33% | 3,302 | 16% |
| Capital outlay | 396 | 1% | (4,476) | -92% |
| Total expenditures | <u>\$ 70,437</u> | <u>100%</u> | <u>\$ 1,715</u> | <u>2%</u> |
| Transfers out | <u>\$ 21,425</u> | <u>189%</u> | <u>\$ 6,276</u> | <u>41%</u> |

CITY OF CUPERTINO
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2022

Table 8
Expenditure Changes
General Fund 2021-22
(in thousands)

| Function/Program | Budgeted Amounts | | Actual | (Over)/Under |
|---------------------------|-------------------------|------------------|------------------|---------------------|
| | Original | Final | | Final |
| Administration | \$ 9,010 | \$ 9,557 | \$ 7,492 | \$ 2,065 |
| Law enforcement | 15,756 | 15,756 | 15,716 | 40 |
| Innovation and technology | 2,369 | 2,211 | 2,063 | 148 |
| Administrative services | 5,378 | 5,649 | 5,526 | 123 |
| Parks and recreation | 7,349 | 7,466 | 4,729 | 2,737 |
| Community development | 12,872 | 12,331 | 11,188 | 1,143 |
| Public works | 25,573 | 28,622 | 23,327 | 5,295 |
| Capital outlay | 208 | 1,068 | 396 | 672 |
| Total expenditures | \$ 78,515 | \$ 82,660 | \$ 70,437 | \$ 12,223 |
| Transfers out | \$ 11,252 | \$ 26,124 | \$ 21,425 | \$ (4,699) |

General Fund - Fund Balance

The General Fund carried a June 30, 2022, ending fund balance of \$110.2 million, up 13% over the prior fiscal year. Loan receivables totaled \$439,199 of non-spendable fund balance. The City committed \$34.1 million for general economic uncertainty and \$127,891 for sustainability. The City assigned \$5,041,682 million for encumbrances. \$1,492,810 million was restricted for public access television purposes, \$23,621 for debt service, and \$17,240,051 for the pension rate stabilization program (Section 115 Trust). \$48,696,821 was classified as unassigned.

Transportation

The Transportation Special Revenue Fund carried a June 30, 2022, ending fund balance of \$11,828,395 up 25.7%, or \$9.4 million from the beginning of the fiscal year. In recent years this fund has accumulated fund balance year over year. The increase was primarily driven by a reduction of spending due to the pandemic as well as an accumulation of SB1 revenues which is used for transportation projects in FY 2022-23.

Housing Development

The Housing Development Special Revenue Fund carried a June 30, 2022, ending fund balance of \$7.2 million, down 9%, or \$770,000, from the beginning of the fiscal year. The activities in this fund remained relatively consistent with the previous fiscal year.

CITY OF CUPERTINO
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2022

Public Facilities Corporation

In 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. Fund balance as of June 30, 2022 was \$8,350 substantially lower than the previous year, due to the reserve fund requirement being removed from the new issuance in 2021 and scheduled debt service in 2022.

Capital Improvement Projects

The Capital Improvement Projects Capital Projects Fund carried a June 30, 2022, ending fund balance of \$34,922,310 down 5.3%, or \$2 million from the beginning of the fiscal year. The City continued to expend resources for capital projects planned, using fund level resources and also resources from other funds transferred in as appropriate.

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 \$1.55 million and \$1.84 million, respectively. Net position decreased by \$487,065. The fund ended the year with \$5 million in net position.

Recreation Programs

This enterprise operates the Quinlan Community Center, Monta Vista Recreation Center, McClellan Ranch, Creekside Park building, eight school sites, and various parks. Recreation Programs experienced the severe impacts of the pandemic with revenue and expense reductions of over 60% in prior years that since has started to recover. These programs generated approximately \$1.3 million in revenues and program expenses of approximately \$1.6 million. This resulted in a net operating loss of \$323,589. After the \$806,809 transfer from the General Fund, the fund ended up with an increase in net position of \$376,040. The fund ended the year with a net position of \$2.6 million.

Cupertino Sports Center

Revenue increased by \$986,135 or 54.4% since COVID-19 cases has gone done from the prior fiscal year. As a result of the increased in services generating more revenue, expenses increased by \$1.2 million or 55.65% resulted in a net operating loss of \$599,817. This fund's net position was \$2.2 million as of June 30, 2022.

CITY OF CUPERTINO
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2022

NONMAJOR PROPRIETARY FUND

Blackberry Farm

City employees, with a teaching professional contractor, staff the City-owned Blackberry Farm golf course and pro shop. Operating revenues decreased from \$610,603 to \$602,778 or 1.3%. Operating expenses increased by \$119,910, or 22.5%, to \$655,184 this year which ended up with operating loss of \$52,406. After a transfer in from the General Fund of \$79,992, net position decreased \$12,289. As of June 30, 2022, this fund's net position was \$856,221.

CAPITAL ASSETS

At June 30, 2022, the City had \$217 million, net of depreciation, invested in a broad range of capital assets used in governmental and business-type activities, as shown in Table 9 and in Note 5 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 \$4.7 million, after depreciation.

Table 9
Capital Assets, Net of Depreciation, at June 30
(in thousands)

| | 2022 | 2021 |
|---|----------------|----------------|
| Governmental Activities: | | |
| Land | \$ 64,787 | \$ 64,787 |
| Easements | 19,615 | 19,615 |
| Construction in Progress | 23,406 | 15,951 |
| Buildings | 14,118 | 14,578 |
| Improvements other than buildings | 15,405 | 17,753 |
| Machinery and equipment | 4,195 | 4,621 |
| Roads, curbs, gutters, sidewalks, medians and bridges | 67,932 | 66,900 |
| Streetlights | 1,270 | 1,620 |
| Storm drain structures and mains | 3,691 | 3,831 |
| Traffic signals | 508 | 617 |
| Total Governmental Activities | 214,927 | 210,273 |

CITY OF CUPERTINO
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2022

Business-Type Activities

| | | | |
|---------------------------------------|-------------------|-------------------|--|
| Construction in Progress | \$ 185 | \$ 125 | |
| Buildings | 1,501 | 1,546 | |
| Improvements other than buildings | 315 | 337 | |
| Machinery and equipment | 89 | 83 | |
| | 2,090 | 2,091 | |
| Total Business-Type Activities | 2,090 | 2,091 | |
| | | | |
| Total City | \$ 217,017 | \$ 212,364 | |

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, 2022, outstanding principal of \$18,020,000 is due to be paid off by June 1, 2030. More information can be found in Note 6 to the Basic Financial Statements and in the Public Facilities Corporation discussion earlier in this analysis.

CURRENTLY KNOWN FACTS AND CONDITIONS

The COVID-19 pandemic has had significant impacts on the City, both financially as well as operationally. Although revenues in transient occupancy tax and charges for services have experienced declines since the start of the pandemic and subsequent recoveries, the City has continued to put forth efforts to reduce its operating costs to mitigate the future impacts. Additionally, through the assistance of the CARES Act and American Rescue Plan Act, the City anticipates these funds will mitigate much of the revenue loss and fiscal impact of the pandemic over the short- and long-term. The City's reserves remain intact and the City does not anticipate requiring the use of these Committed and Restricted funds.

Aside from the pandemic, the City is unaware of any other facts or conditions or decisions that are expected to have a significant effect on 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.org.

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STATEMENT OF NET POSITION AND STATEMENT OF ACTIVITIES

The Statement of Net Position and the Statement of Activities summarize the entire City's financial activities and financial position. They are prepared on the same basis as is used by most businesses, which means they include all the City's assets and all its liabilities, as well as all its revenues and expenses. This is known as the full accrual basis - the effect of all the City's transactions is taken into account, regardless of whether or when cash changes hands, but all material internal transactions between City funds have been eliminated.

The Statement of Net Position reports the difference between the City's total assets and deferred outflows and the City's total liabilities and deferred inflows, including all the City's capital assets and all its long term debt.

The Statement of Net Position summarizes the financial position of all the City's Governmental Activities in a single column, and the financial position of all the City's Business-Type Activities in a single column; these columns are followed by a Total column which presents the financial position of the entire City.

The City's Governmental Activities include the activities of its General Fund, along with all its Special Revenue, Capital Projects and Debt Service Funds. Since the City's Internal Service Funds service these Funds, their activities are consolidated with Governmental Activities, after eliminating inter-fund transactions and balances. The City's Business Type Activities include all of its Enterprise Fund activities.

The Statement of Activities reports increases and decreases in the City's net position. It is also prepared on the full accrual basis, which means it includes all the City's revenues and all its expenses, regardless of when cash changes hands. This differs from the "modified accrual" basis used in the Fund financial statements, which reflect only current assets, current liabilities, available revenues and measurable expenditures.

The format of the Statement of Activities presents the City's expenses first, listed by program, and follows these with the expenses of its business-type activities. Program revenues, that are revenues which are generated directly by these programs, are then deducted from program expenses to arrive at the net expense of each governmental and business-type program. The City's general revenues are then listed in the Governmental Activities or Business-type Activities column, as appropriate, and the Change in Net Position is computed and reconciled with the Statement of Net Position.

Both these Statements include the financial activities of the City and the Cupertino Public Facilities Corporation, which is a legally separate component unit of the City because it is controlled by and financially accountable to the City.

CITY OF CUPERTINO, CALIFORNIA
STATEMENT OF NET POSITION
June 30, 2022

| | Governmental Activities | Business-Type Activities | Total |
|---|----------------------------|-----------------------------|-----------------------|
| ASSETS | | | |
| Cash and cash investments (Note 2) | \$ 190,002,762 | \$ 12,342,235 | \$ 202,344,997 |
| Restricted cash and investments (Note 2) | 17,248,384 | - | 17,248,384 |
| Receivables | | | |
| Accounts | 10,628,820 | 131,658 | 10,760,478 |
| Interest | 39,428 | - | 39,428 |
| Loans (Note 3) | 4,640,130 | - | 4,640,130 |
| Leases | 2,495,226 | - | 2,495,226 |
| Prepaid expenses and other assets | 111,363 | - | 111,363 |
| Net OPEB asset (Note 11) | 1,369,935 | 99,065 | 1,469,000 |
| Capital assets (Note 5): | | | |
| Non-depreciable | 107,808,185 | 184,667 | 107,992,852 |
| Depreciable, net of accumulated depreciation | 107,119,305 | 1,904,902 | 109,024,207 |
| Total assets | <u>441,463,538</u> | <u>14,662,527</u> | <u>456,126,065</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Deferred loss on refunding | 199,347 | - | 199,347 |
| Related to pension (Note 10) | 8,316,782 | 565,574 | 8,882,356 |
| Related to OPEB (Note 11) | 4,786,098 | 255,902 | 5,042,000 |
| Total deferred outflows of resources | <u>13,302,227</u> | <u>821,476</u> | <u>14,123,703</u> |
| LIABILITIES | | | |
| Accounts payable and accruals | 5,254,663 | 436,940 | 5,691,603 |
| Accrued payroll and benefits | 2,491,253 | 289 | 2,491,542 |
| Deposits | 10,461,068 | - | 10,461,068 |
| Unearned revenue | 2,359,654 | 1,107,161 | 3,466,815 |
| Compensated absences (Note 1): | | | |
| Due in one year | 540,130 | 16,927 | 557,057 |
| Due in more than one year | 4,150,191 | 199,709 | 4,349,900 |
| Claims payable (Note 9): | | | |
| Due in one year | 282,000 | - | 282,000 |
| Due in more than one year | 1,287,000 | - | 1,287,000 |
| Long-term debt (Note 6): | | | |
| Due in one year | 1,955,000 | - | 1,955,000 |
| Due in more than one year | 19,313,829 | - | 19,313,829 |
| Net pension liability - noncurrent (Note 10) | 31,701,032 | 2,357,544 | 34,058,576 |
| Total liabilities | <u>79,795,820</u> | <u>4,118,570</u> | <u>83,914,390</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Leases receivable | 2,495,226 | - | 2,495,226 |
| Related to pension (Note 10) | 11,160,865 | 497,967 | 11,658,832 |
| Related to OPEB (Note 11) | 2,992,641 | 188,360 | 3,181,001 |
| Total deferred inflows of resources | <u>16,648,732</u> | <u>686,327</u> | <u>17,335,059</u> |
| NET POSITION (Note 7) | | | |
| Net investment in capital assets | <u>196,915,823</u> | <u>2,089,569</u> | <u>199,005,392</u> |
| Restricted for: | | | |
| Special revenue projects | 57,951,406 | - | 57,951,406 |
| Affordable housing | 7,177,611 | - | 7,177,611 |
| OPEB | 3,163,392 | 166,607 | 3,329,999 |
| Debt service | 8,350 | - | 8,350 |
| Total restricted net position | <u>68,300,759</u> | <u>166,607</u> | <u>68,467,366</u> |
| Unrestricted | <u>93,104,631</u> | <u>8,422,930</u> | <u>101,527,561</u> |
| Total net position | <u>\$ 358,321,213</u> | <u>\$ 10,679,106</u> | <u>\$ 369,000,319</u> |

See accompanying notes to financial statements.

CITY OF CUPERTINO, CALIFORNIA
STATEMENT OF ACTIVITIES
For the year ended June 30, 2022

| Functions/Programs | Expenses | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position | | Total |
|---|----------------------|-------------------------|--|--|--|---------------------------------|-----------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Business- Type Activities | |
| Governmental activities: | | | | | | | |
| Administration | \$ 7,293,244 | \$ 2,551,205 | \$ 3,594,028 | \$ - | \$ (1,148,011) | \$ - | \$ (1,148,011) |
| Law enforcement | 16,100,903 | 940,797 | 438,134 | - | (14,721,972) | - | (14,721,972) |
| Public and environmental affairs | 2,004,515 | - | - | - | (2,004,515) | - | (2,004,515) |
| Administrative services | 5,363,745 | 7,457,032 | - | - | 2,093,287 | - | 2,093,287 |
| Recreation services | 3,976,793 | 653,994 | - | - | (3,322,799) | - | (3,322,799) |
| Community development | 12,209,547 | 5,768,850 | 844,919 | - | (5,595,778) | - | (5,595,778) |
| Public works | 35,653,588 | 4,015,183 | 2,724,129 | 1,282,617 | (27,631,659) | - | (27,631,659) |
| Interest on long - term debt | 636,960 | - | - | - | (636,960) | - | (636,960) |
| Total governmental activities | <u>83,239,295</u> | <u>21,387,061</u> | <u>7,601,210</u> | <u>1,282,617</u> | <u>(52,968,407)</u> | <u>-</u> | <u>(52,968,407)</u> |
| Business-type activities: | | | | | | | |
| Resource recovery | 1,837,781 | 1,545,683 | - | - | - | (292,098) | (292,098) |
| Blackberry farm | 655,184 | 602,778 | - | - | - | (52,406) | (52,406) |
| Cupertino sports center | 3,396,146 | 2,796,329 | - | - | - | (599,817) | (599,817) |
| Recreation programs | 1,617,717 | 1,294,128 | - | - | - | (323,589) | (323,589) |
| Total business-type activities | <u>7,506,828</u> | <u>6,238,918</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(1,267,910)</u> | <u>(1,267,910)</u> |
| Total | <u>\$ 90,746,123</u> | <u>\$ 27,625,979</u> | <u>\$ 7,601,210</u> | <u>\$ 1,282,617</u> | <u>(52,968,407)</u> | <u>(1,267,910)</u> | <u>(54,236,317)</u> |
| General revenues: | | | | | | | |
| Taxes: | | | | | | | |
| Property taxes | | | | | 20,322,779 | - | 20,322,779 |
| Property tax in lieu of motor vehicle fee | | | | | 9,401,632 | - | 9,401,632 |
| Sales taxes | | | | | 43,646,813 | - | 43,646,813 |
| Transient occupancy tax | | | | | 4,404,958 | - | 4,404,958 |
| Utility user tax | | | | | 3,356,389 | - | 3,356,389 |
| Franchise tax | | | | | 3,479,554 | - | 3,479,554 |
| Other taxes | | | | | 11,117,528 | - | 11,117,528 |
| Intergovernmental, unrestricted: | | | | | | | |
| Motor vehicle license fee | | | | | 67,762 | - | 67,762 |
| Investment earnings (loss) | | | | | (9,241,781) | (404,444) | (9,646,225) |
| Miscellaneous | | | | | 1,948,332 | - | 1,948,332 |
| Transfers (Note 4) | | | | | (886,801) | 886,801 | - |
| Total general revenues and transfers | | | | | <u>87,617,165</u> | <u>482,357</u> | <u>88,099,522</u> |
| Change in Net Position | | | | | <u>34,648,758</u> | <u>(785,553)</u> | <u>33,863,205</u> |
| Net Position, beginning of year | | | | | <u>323,672,455</u> | <u>11,464,659</u> | <u>335,137,114</u> |
| Net Position, end of year | | | | | <u>\$ 358,321,213</u> | <u>\$ 10,679,106</u> | <u>\$ 369,000,319</u> |

See accompanying notes to financial statements.

FUND FINANCIAL STATEMENTS

In the Fund Financial Statements only individual major funds are presented, while non-major 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 for fiscal 2021-22. Individual non-major funds may be found in the Supplementary section.

General Fund: The general fund is the general operating fund of the City. The general fund 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: 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: 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, CALIFORNIA
GOVERNMENTAL FUNDS
BALANCE SHEET
June 30, 2022

| | General | Special Revenue Funds | | Public Facilities Corporation Debt Service Fund | Capital Improvement Projects Capital Projects Fund | Nonmajor Governmental Funds | Total Governmental Funds |
|---|-----------------------|-----------------------|------------------------|---|--|-----------------------------------|--------------------------------|
| | | Transportation | Housing Development | | | | |
| ASSETS | | | | | | | |
| Cash and investments (Note 2) | \$ 99,149,578 | \$ 11,869,955 | \$ 6,261,918 | \$ 17 | \$ 37,728,845 | \$ 27,541,423 | \$ 182,551,736 |
| Restricted cash and investments (Note 2) | 17,240,051 | - | - | 8,333 | - | - | 17,248,384 |
| Receivables: | | | | | | | |
| Accounts | 9,281,673 | 222,980 | 561,200 | - | 529,854 | 33,113 | 10,628,820 |
| Interest | 39,428 | - | - | - | - | - | 39,428 |
| Loans (Note 3) | 439,199 | - | 4,200,931 | - | - | - | 4,640,130 |
| Leases | 2,495,226 | - | - | - | - | - | 2,495,226 |
| Due from other funds (Note 4) | 539,204 | - | - | - | - | - | 539,204 |
| Advances to other funds (Note 4) | 3,000,000 | - | - | - | - | - | 3,000,000 |
| Prepaid items | 107,479 | - | - | - | - | - | 107,479 |
| Other assets | 3,884 | - | - | - | - | - | 3,884 |
| Total assets | <u>\$ 132,295,722</u> | <u>\$ 12,092,935</u> | <u>\$ 11,024,049</u> | <u>\$ 8,350</u> | <u>\$ 38,258,699</u> | <u>\$ 27,574,536</u> | <u>\$ 221,254,291</u> |
| LIABILITIES | | | | | | | |
| Accounts payable and accruals | \$ 4,328,312 | \$ 264,540 | \$ 174,438 | \$ - | \$ 327,116 | \$ 41,428 | \$ 5,135,834 |
| Accrued payroll and benefits | 2,491,181 | - | - | - | - | - | 2,491,181 |
| Advances from other funds (Note 4) | - | - | - | - | 3,000,000 | - | 3,000,000 |
| Deposits | 10,461,068 | - | - | - | - | - | 10,461,068 |
| Unearned revenue | 2,350,381 | - | - | - | 9,273 | - | 2,359,654 |
| Total liabilities | <u>19,630,942</u> | <u>264,540</u> | <u>174,438</u> | <u>-</u> | <u>3,336,389</u> | <u>41,428</u> | <u>23,447,737</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | | | | |
| Leases receivable | 2,495,226 | - | - | - | - | - | 2,495,226 |
| Unavailable revenue - loans | - | - | 3,672,000 | - | - | - | 3,672,000 |
| Total deferred inflows of resources | <u>2,495,226</u> | <u>-</u> | <u>3,672,000</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>6,167,226</u> |
| FUND BALANCES (Note 7) | | | | | | | |
| Nonspendable | 3,546,678 | - | - | - | - | - | 3,546,678 |
| Restricted | 18,756,482 | 11,828,395 | 7,177,611 | 8,350 | - | 27,366,529 | 65,137,367 |
| Committed | 34,127,891 | - | - | - | - | - | 34,127,891 |
| Assigned | 5,041,682 | - | - | - | 34,922,310 | 166,579 | 40,130,571 |
| Unassigned | 48,696,821 | - | - | - | - | - | 48,696,821 |
| Total fund balances | <u>110,169,554</u> | <u>11,828,395</u> | <u>7,177,611</u> | <u>8,350</u> | <u>34,922,310</u> | <u>27,533,108</u> | <u>191,639,328</u> |
| Total liabilities, deferred inflows of resources and fund balances | <u>\$ 132,295,722</u> | <u>\$ 12,092,935</u> | <u>\$ 11,024,049</u> | <u>\$ 8,350</u> | <u>\$ 38,258,699</u> | <u>\$ 27,574,536</u> | <u>\$ 221,254,291</u> |

See accompanying notes to financial statements.

CITY OF CUPERTINO, CALIFORNIA
RECONCILIATION OF GOVERNMENTAL FUNDS
BALANCE SHEET TO STATEMENT OF NET POSITION
June 30, 2022

Total fund balances reported on the governmental funds balance sheet \$ 191,639,328

Amounts reported for governmental activities in the statement of net position are different from those reported in the governmental funds because of the following:

Capital assets used in governmental activities are not current assets or financial resources and therefore are not reported in the governmental funds. 211,949,122

Internal service funds are used by management to charge the costs of activities such as information technology, insurance, equipment acquisition and maintenance, and certain employee benefits to governmental funds. The assets and liabilities of the internal service funds are therefore included in the governmental activities of the statement of net position. 5,916,992

Certain receivables are not available to pay for current period expenditures and therefore are deferred in the governmental funds. 3,672,000

The liabilities, deferred inflows of resources and deferred outflows of resources are not related to the current period and therefore are not reported in the governmental funds:

| | |
|--|--------------------|
| Long-term debt | (21,268,829) |
| Net pension liability | (29,775,089) |
| Net OPEB asset | 1,288,806 |
| Deferred loss on refunding | 199,347 |
| Pension-related deferred outflows of resources | 7,797,653 |
| Pension-related deferred inflows of resources | (10,361,010) |
| OPEB-related deferred outflows of resources | 4,439,796 |
| OPEB-related deferred inflows of resources | (2,806,502) |
| Compensated absences | <u>(4,370,401)</u> |

Net position for governmental activities \$ 358,321,213

See accompanying notes to financial statements.

CITY OF CUPERTINO, CALIFORNIA
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
For the year ended June 30, 2022

| | General | Special Revenue Funds | | Public Facilities Corporation Debt Service Fund | Capital Improvement Projects Capital Projects Fund | Nonmajor Governmental Funds | Total Governmental Funds |
|--|-----------------------|-----------------------|------------------------|---|--|-----------------------------------|--------------------------------|
| | | Transportation | Housing Development | | | | |
| Revenues | | | | | | | |
| Taxes | \$ 85,079,013 | \$ - | \$ 36,000 | \$ - | \$ 1,438,505 | \$ 9,176,135 | \$ 95,729,653 |
| Use of money and property | (5,341,211) | (375,355) | (161,249) | - | (1,682,882) | (940,742) | (8,501,439) |
| Intergovernmental | 4,384,812 | 3,025,691 | 787,172 | - | 753,914 | - | 8,951,589 |
| Licenses and permits | 4,141,902 | - | - | - | - | - | 4,141,902 |
| Charges for services | 14,592,031 | 25,210 | 3,040 | - | - | 1,753,622 | 16,373,903 |
| Fines and forfeitures | 370,159 | - | - | - | - | 3,563 | 373,722 |
| Other revenue | 1,941,050 | 3,245 | 4,037 | - | - | - | 1,948,332 |
| Total revenues | <u>105,167,756</u> | <u>2,678,791</u> | <u>669,000</u> | <u>-</u> | <u>509,537</u> | <u>9,992,578</u> | <u>119,017,662</u> |
| Expenditures | | | | | | | |
| Current: | | | | | | | |
| Administration | 7,492,277 | - | - | - | - | - | 7,492,277 |
| Law enforcement | 15,715,815 | - | - | - | - | - | 15,715,815 |
| Public and environmental affairs | 2,063,176 | - | - | - | - | - | 2,063,176 |
| Administrative services | 5,525,888 | - | - | - | - | - | 5,525,888 |
| Recreation services | 4,729,438 | - | - | - | - | - | 4,729,438 |
| Community development | 11,188,200 | - | 1,439,502 | - | - | - | 12,627,702 |
| Public works | 23,327,366 | 3,566,689 | - | - | - | 1,648,795 | 28,542,850 |
| Capital outlay | 396,356 | 3,261,133 | - | - | 8,711,579 | 408,053 | 12,777,121 |
| Debt service: | | | | | | | |
| Principal | - | - | - | 1,880,000 | - | - | 1,880,000 |
| Interest and fiscal charges | - | - | - | 796,000 | - | - | 796,000 |
| Total expenditures | <u>70,438,516</u> | <u>6,827,822</u> | <u>1,439,502</u> | <u>2,676,000</u> | <u>8,711,579</u> | <u>2,056,848</u> | <u>92,150,267</u> |
| Excess (deficiency) of revenues over expenditures | <u>34,729,240</u> | <u>(4,149,031)</u> | <u>(770,502)</u> | <u>(2,676,000)</u> | <u>(8,202,042)</u> | <u>7,935,730</u> | <u>26,867,395</u> |
| Other financing sources (uses) | | | | | | | |
| Transfers in (Note 4) | 15,000 | 6,672,824 | - | 2,621,000 | 10,130,235 | 3,650,000 | 23,089,059 |
| Transfers (out) (Note 4) | (21,425,477) | (105,235) | - | - | (3,865,000) | (381,000) | (25,776,712) |
| Total other financing sources (uses) | <u>(21,410,477)</u> | <u>6,567,589</u> | <u>-</u> | <u>2,621,000</u> | <u>6,265,235</u> | <u>3,269,000</u> | <u>(2,687,653)</u> |
| Net change in fund balances | 13,318,763 | 2,418,558 | (770,502) | (55,000) | (1,936,807) | 11,204,730 | 24,179,742 |
| Beginning fund balances | <u>96,850,791</u> | <u>9,409,837</u> | <u>7,948,113</u> | <u>63,350</u> | <u>36,859,117</u> | <u>16,328,378</u> | <u>167,459,586</u> |
| Ending fund balances | <u>\$ 110,169,554</u> | <u>\$ 11,828,395</u> | <u>\$ 7,177,611</u> | <u>\$ 8,350</u> | <u>\$ 34,922,310</u> | <u>\$ 27,533,108</u> | <u>\$ 191,639,328</u> |

See accompanying notes to financial statements.

CITY OF CUPERTINO, CALIFORNIA
 GOVERNMENTAL FUNDS
 RECONCILIATION OF NET CHANGES IN FUND BALANCES –
 GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
 For the year ended June 30, 2022

The schedule below reconciles the net changes in fund balances reported on the governmental funds statement of revenues, expenditures and changes in fund balances, which measures only changes in current assets and current liabilities on the modified accrual basis, with the change in net position of governmental activities reported in the statement of activities, which is prepared on the full accrual basis.

Total net changes in fund balances reported on the governmental funds balance sheet \$24,179,742

Amounts reported for governmental activities in the statement of activities are different from those reported in the governmental funds because of the following:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are capitalized and depreciated over their estimated useful lives, which is reported as depreciation expense. Expenditures for capital assets reported as:

| | |
|----------------------|-------------|
| Capital outlay | 12,848,688 |
| Depreciation expense | (7,827,241) |

Long term debt principal payments are reported as expenditures in the governmental funds but are not reported as expenses in the statement of activities. 1,880,000

Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position with previously capitalized items related to debt issuance reported as expenses in the statement of activities.

| | |
|--|----------|
| Amortization of premium | 198,908 |
| Amortization of deferred loss on refunding | (39,869) |

The changes in the amounts below do not provide or require the use of current financial resources and therefore are not reported as revenues or expenditures in the governmental funds:

| | |
|--|--------------|
| Compensated absences | 550,135 |
| Net pension liability | 12,859,888 |
| Net OPEB liability (asset) | (7,042,356) |
| Pension-related deferred outflows of resources | (284,420) |
| Pension-related deferred inflows of resources | (10,264,945) |
| OPEB-related deferred outflows of resources | 3,079,272 |
| OPEB-related deferred inflows of resources | 4,947,155 |

Certain revenues deferred in the governmental revenues are recognized in the statement of activities (40,120)

Internal service funds are used by management to charge the costs of activities such as information technology, insurance, equipment acquisition and maintenance, and certain employee benefits to governmental funds. The portion of the net expense of these internal service funds arising out of their transactions with governmental funds is reported with governmental activities because they service those activities.

(396,079)

Change in net position of governmental activities \$34,648,758

See accompanying notes to financial statements.

CITY OF CUPERTINO, CALIFORNIA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES – BUDGET AND ACTUAL
For the year ended June 30, 2022

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Positive (Negative) |
|---|---------------------|----------------------|----------------------|---|
| | Original | Final | | |
| Revenues | | | | |
| Taxes | \$ 66,571,053 | \$ 75,627,490 | \$ 85,079,013 | \$ 9,451,523 |
| Use of money and property | 1,251,220 | 1,251,220 | (5,341,211) | (6,592,431) |
| Intergovernmental | 5,093,946 | 10,365,946 | 4,384,812 | (5,981,134) |
| Licenses and permits | 3,140,195 | 33,594,629 | 4,141,902 | (29,452,727) |
| Charges for services | 12,320,922 | 16,061,509 | 14,592,031 | (1,469,478) |
| Fines and forfeitures | 225,000 | 225,000 | 370,159 | 145,159 |
| Other revenue | <u>1,000,555</u> | <u>1,643,661</u> | <u>1,941,050</u> | <u>297,389</u> |
| Total revenues | <u>89,602,891</u> | <u>138,769,455</u> | <u>105,167,756</u> | <u>(33,601,699)</u> |
| Expenditures | | | | |
| Current | | | | |
| Administration | 9,009,957 | 9,557,105 | 7,492,277 | 2,064,828 |
| Law enforcement | 15,756,350 | 15,756,350 | 15,715,815 | 40,535 |
| Public and environmental affairs | 2,369,287 | 2,211,383 | 2,063,176 | 148,207 |
| Administrative services | 5,378,147 | 5,648,948 | 5,525,888 | 123,060 |
| Recreation services | 7,348,805 | 7,465,969 | 4,729,438 | 2,736,531 |
| Community development | 12,871,834 | 12,330,569 | 11,188,200 | 1,142,369 |
| Public works | 25,572,670 | 28,622,249 | 23,327,366 | 5,294,883 |
| Capital outlay | <u>208,000</u> | <u>1,068,025</u> | <u>396,356</u> | <u>671,669</u> |
| Total expenditures | <u>78,515,050</u> | <u>82,660,598</u> | <u>70,438,516</u> | <u>12,222,082</u> |
| Excess of revenues over expenditures | <u>11,087,841</u> | <u>56,108,857</u> | <u>34,729,240</u> | <u>(21,379,617)</u> |
| Other financing sources (uses) | | | | |
| Transfers in | 45,000 | 5,092,387 | 15,000 | (5,077,387) |
| Transfers (out) | <u>(11,251,984)</u> | <u>(26,124,371)</u> | <u>(21,425,477)</u> | <u>4,698,894</u> |
| Total other financing sources (uses) | <u>(11,206,984)</u> | <u>(21,031,984)</u> | <u>(21,410,477)</u> | <u>(378,493)</u> |
| Net change in fund balance | <u>\$ (119,143)</u> | <u>\$ 35,076,873</u> | 13,318,763 | <u>\$ (21,758,110)</u> |
| Beginning fund balance | | | <u>96,850,791</u> | |
| Ending fund balance | | | <u>\$110,169,554</u> | |

See accompanying notes to financial statements.

CITY OF CUPERTINO, CALIFORNIA
TRANSPORTATION SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES – BUDGET AND ACTUAL
For the year ended June 30, 2022

| | Budgeted Amounts | | Actual Amounts | Variance with Final Budget Positive (Negative) |
|--|---------------------|-----------------------|---------------------|---|
| | Original | Final | | |
| Revenues | | | | |
| Use of money and property | \$ - | \$ - | \$ (375,355) | \$ (375,355) |
| Intergovernmental | 3,004,034 | 3,004,034 | 3,025,691 | 21,657 |
| Charges for services | 3,978 | 3,978 | 25,210 | 21,232 |
| Other revenue | <u>87,057</u> | <u>87,057</u> | <u>3,245</u> | <u>(83,812)</u> |
| Total revenues | <u>3,095,069</u> | <u>3,095,069</u> | <u>2,678,791</u> | <u>(416,278)</u> |
| Expenditures | | | | |
| Current | | | | |
| Public works | 4,467,837 | 4,961,040 | 3,566,689 | 1,394,351 |
| Capital outlay | <u>3,315,000</u> | <u>7,704,485</u> | <u>3,261,133</u> | <u>4,443,352</u> |
| Total expenditures | <u>7,782,837</u> | <u>12,665,525</u> | <u>6,827,822</u> | <u>5,837,703</u> |
| Deficiency of revenues under expenditures | <u>(4,687,768)</u> | <u>(9,570,456)</u> | <u>(4,149,031)</u> | <u>5,421,425</u> |
| Other financing sources (uses) | | | | |
| Transfers in | 6,672,824 | 6,672,824 | 6,672,824 | - |
| Transfers (out) | <u>-</u> | <u>(105,235)</u> | <u>(105,235)</u> | <u>-</u> |
| Total other financing sources (uses) | <u>6,672,824</u> | <u>6,567,589</u> | <u>6,567,589</u> | <u>-</u> |
| Net change in fund balance | <u>\$ 1,985,056</u> | <u>\$ (3,002,867)</u> | 2,418,558 | <u>\$ 5,421,425</u> |
| Beginning fund balance | | | <u>9,409,837</u> | |
| Ending fund balance | | | <u>\$11,828,395</u> | |

See accompanying notes to financial statements.

CITY OF CUPERTINO, CALIFORNIA
HOUSING DEVELOPMENT SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES – BUDGET AND ACTUAL
For the year ended June 30, 2022

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | Variance with Final Budget Positive (Negative) |
|--|-------------------------|---------------------|---------------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues | | | | |
| Taxes | \$ 3,611,855 | \$ 3,611,855 | \$ 36,000 | \$ (3,575,855) |
| Use of money and property | 3,300 | 3,300 | (161,249) | (164,549) |
| Intergovernmental | 463,996 | 801,854 | 787,172 | (14,682) |
| Charges for services | - | - | 3,040 | 3,040 |
| Other revenue | - | - | 4,037 | 4,037 |
| Total revenues | <u>4,079,151</u> | <u>4,417,009</u> | <u>669,000</u> | <u>(3,748,009)</u> |
| Expenditures | | | | |
| Current | | | | |
| Community development | <u>1,818,104</u> | <u>1,566,766</u> | <u>1,439,502</u> | <u>127,264</u> |
| Total expenditures | <u>1,818,104</u> | <u>1,566,766</u> | <u>1,439,502</u> | <u>127,264</u> |
| Deficiency of revenues under expenditures | <u>2,261,047</u> | <u>2,850,243</u> | <u>(770,502)</u> | <u>(3,620,745)</u> |
| Other financing sources (uses) | | | | |
| Transfers out | - | (200,000) | - | 200,000 |
| Total other financing sources (uses) | - | (200,000) | - | 200,000 |
| Net change in fund balance | <u>\$ 2,261,047</u> | <u>\$ 2,650,243</u> | (770,502) | <u>\$ (3,420,745)</u> |
| Beginning fund balance | | | <u>7,948,113</u> | |
| Ending fund balance | | | <u>\$ 7,177,611</u> | |

See accompanying notes to financial statements.

MAJOR PROPRIETARY FUNDS

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 funds below as major proprietary funds for fiscal 2021 - 22.

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, CALIFORNIA
 PROPRIETARY FUNDS
 STATEMENT OF NET POSITION
 June 30, 2022

| | Business-type Activities - Enterprise Funds | | | | Totals | Governmental Activities - Internal Service Funds |
|---|---|-------------------------------|--------------------------------------|---------------------------------------|----------------------|---|
| | Resources <u>Recovery</u> | Recreation <u>Programs</u> | Cupertino Sports <u>Center</u> | Nonmajor Enterprise <u>Fund</u> | | |
| ASSETS | | | | | | |
| Current assets | | | | | | |
| Cash and cash investments (Note 2) | \$ 5,933,225 | \$ 3,246,435 | \$ 1,970,200 | \$ 1,192,375 | \$ 12,342,235 | \$ 7,451,026 |
| Accounts receivable | <u>129,930</u> | <u>558</u> | <u>1,000</u> | <u>170</u> | <u>131,658</u> | <u>-</u> |
| Total current assets | <u>6,063,155</u> | <u>3,246,993</u> | <u>1,971,200</u> | <u>1,192,545</u> | <u>12,473,893</u> | <u>7,451,026</u> |
| Noncurrent assets | | | | | | |
| Net OPEB asset (Note 11) | 5,001 | 36,852 | 57,212 | - | 99,065 | 81,129 |
| Capital assets (Note 5): | | | | | | |
| Nondepreciable | - | 184,667 | - | - | 184,667 | 7,828 |
| Depreciable, net of accumulated depreciation | <u>513</u> | <u>539,207</u> | <u>1,344,308</u> | <u>20,874</u> | <u>1,904,902</u> | <u>2,970,540</u> |
| Total noncurrent assets | <u>5,514</u> | <u>760,726</u> | <u>1,401,520</u> | <u>20,874</u> | <u>2,188,634</u> | <u>3,059,497</u> |
| Total assets | <u>6,068,669</u> | <u>4,007,719</u> | <u>3,372,720</u> | <u>1,213,419</u> | <u>14,662,527</u> | <u>10,510,523</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | | | | |
| Related to pension (Note 10) | 212,882 | 175,395 | 118,601 | 58,696 | 565,574 | 519,129 |
| Related to OPEB (Note 11) | <u>96,483</u> | <u>67,343</u> | <u>78,977</u> | <u>13,099</u> | <u>255,902</u> | <u>346,302</u> |
| Total deferred outflows of resources | <u>309,365</u> | <u>242,738</u> | <u>197,578</u> | <u>71,795</u> | <u>821,476</u> | <u>865,431</u> |
| LIABILITIES | | | | | | |
| Current liabilities | | | | | | |
| Accounts payable and accruals | 101,906 | 234,207 | 62,250 | 38,577 | 436,940 | 118,829 |
| Accrued payroll and benefits | 289 | - | - | - | 289 | 72 |
| Due to other funds (Note 4) | - | - | - | - | - | 539,204 |
| Compensated absences (Note 1): | 4,652 | 7,150 | 3,648 | 1,477 | 16,927 | 36,841 |
| Claims payable (Note 9) | - | - | - | - | - | 282,000 |
| Unearned revenue | <u>83,693</u> | <u>393,601</u> | <u>535,236</u> | <u>94,631</u> | <u>1,107,161</u> | <u>-</u> |
| Total current liabilities | <u>190,540</u> | <u>634,958</u> | <u>601,134</u> | <u>134,685</u> | <u>1,561,317</u> | <u>976,946</u> |
| Noncurrent liabilities | | | | | | |
| Compensated absences (Note 1) | 54,884 | 84,361 | 43,036 | 17,428 | 199,709 | 283,079 |
| Claims payable (Note 9) | - | - | - | - | - | 1,287,000 |
| Net pension liability (Note 10) | <u>882,091</u> | <u>740,638</u> | <u>484,580</u> | <u>250,235</u> | <u>2,357,544</u> | <u>1,925,943</u> |
| Total noncurrent liabilities | <u>936,975</u> | <u>824,999</u> | <u>527,616</u> | <u>267,663</u> | <u>2,557,253</u> | <u>3,496,022</u> |
| Total liabilities | <u>1,127,515</u> | <u>1,459,957</u> | <u>1,128,750</u> | <u>402,348</u> | <u>4,118,570</u> | <u>4,472,968</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | | | |
| Related to pension (Note 10) | 189,264 | 152,244 | 129,814 | 26,645 | 497,967 | 799,855 |
| Related to OPEB (Note 11) | <u>50,257</u> | <u>61,536</u> | <u>76,567</u> | <u>-</u> | <u>188,360</u> | <u>186,139</u> |
| Total deferred inflows of resources | <u>239,521</u> | <u>213,780</u> | <u>206,381</u> | <u>26,645</u> | <u>686,327</u> | <u>985,994</u> |
| NET POSITION (Note 7) | | | | | | |
| Net investment in capital assets | 513 | 723,874 | 1,344,308 | 20,874 | 2,089,569 | 2,978,368 |
| Restricted - OPEB | 51,227 | 42,659 | 59,622 | 13,099 | 166,607 | 241,292 |
| Unrestricted | <u>4,959,258</u> | <u>1,810,187</u> | <u>831,237</u> | <u>822,248</u> | <u>8,422,930</u> | <u>2,697,332</u> |
| Total Net Position | <u>\$ 5,010,998</u> | <u>\$ 2,576,720</u> | <u>\$ 2,235,167</u> | <u>\$ 856,221</u> | <u>\$ 10,679,106</u> | <u>\$ 5,916,992</u> |

See accompanying notes to financial statements.

CITY OF CUPERTINO, CALIFORNIA
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES AND
 CHANGES IN NET POSITION
 For the year ended June 30, 2022

| | Business-type Activities - Enterprise Funds | | | | Totals | Governmental Activities - Internal Service Funds |
|----------------------------------|---|------------------------|-------------------------------|--------------------------------|----------------------|---|
| | Resources Recovery | Recreation Programs | Cupertino Sports Center | Nonmajor Enterprise Fund | | |
| Operating revenues | | | | | | |
| Charges for services | \$ 1,530,871 | \$ 1,148,250 | \$ 2,451,149 | \$ 555,103 | \$ 5,685,373 | \$ 5,136,902 |
| Other | 14,812 | 145,878 | 345,180 | 47,675 | 553,545 | 2,818 |
| Total operating revenue | <u>1,545,683</u> | <u>1,294,128</u> | <u>2,796,329</u> | <u>602,778</u> | <u>6,238,918</u> | <u>5,139,720</u> |
| Operating expenses | | | | | | |
| Salaries and benefits | 487,062 | 521,877 | 422,614 | 145,634 | 1,577,187 | 3,509,214 |
| Materials and supplies | 374,497 | 361,169 | 475,002 | 165,714 | 1,376,382 | 1,648,724 |
| Contractual services | 972,908 | 627,619 | 2,389,161 | 341,004 | 4,330,692 | 165,673 |
| Insurance and claims and premium | - | - | - | - | - | 901,544 |
| Depreciation (Note 5) | 3,314 | 107,052 | 109,369 | 2,832 | 222,567 | 926,453 |
| Total operating expenses | <u>1,837,781</u> | <u>1,617,717</u> | <u>3,396,146</u> | <u>655,184</u> | <u>7,506,828</u> | <u>7,151,608</u> |
| Operating income (loss) | <u>(292,098)</u> | <u>(323,589)</u> | <u>(599,817)</u> | <u>(52,406)</u> | <u>(1,267,910)</u> | <u>(2,011,888)</u> |
| Nonoperating revenues | | | | | | |
| Investment Income | (194,967) | (107,180) | (62,422) | (39,875) | (404,444) | (202,688) |
| Gain on sale of capital assets | - | - | - | - | - | 17,645 |
| Total nonoperating revenues | <u>(194,967)</u> | <u>(107,180)</u> | <u>(62,422)</u> | <u>(39,875)</u> | <u>(404,444)</u> | <u>(185,043)</u> |
| Income (loss) before transfers | (487,065) | (430,769) | (662,239) | (92,281) | (1,672,354) | (2,196,931) |
| Transfers in (Note 4) | - | 806,809 | - | 79,992 | 886,801 | 1,800,852 |
| Changes in net position | <u>(487,065)</u> | <u>376,040</u> | <u>(662,239)</u> | <u>(12,289)</u> | <u>(785,553)</u> | <u>(396,079)</u> |
| Net position - beginning of year | <u>5,498,063</u> | <u>2,200,680</u> | <u>2,897,406</u> | <u>868,510</u> | <u>11,464,659</u> | <u>6,313,071</u> |
| Net position - end of year | <u>\$ 5,010,998</u> | <u>\$ 2,576,720</u> | <u>\$ 2,235,167</u> | <u>\$ 856,221</u> | <u>\$ 10,679,106</u> | <u>\$ 5,916,992</u> |

See accompanying notes to financial statements.

CITY OF CUPERTINO, CALIFORNIA
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 For the year ended June 30, 2022

| | Business-type Activities - Enterprise Funds | | | | Totals | Governmental Activities - Internal Service Funds |
|---|---|------------------------|-------------------------------|--------------------------------|----------------------|---|
| | Resources Recovery | Recreation Programs | Cupertino Sports Center | Nonmajor Enterprise Fund | | |
| Cash flows from operating activities | | | | | | |
| Cash received from customers | \$ 1,632,285 | \$ 1,410,873 | \$ 2,835,405 | \$ 638,627 | \$ 6,517,190 | \$ 5,139,720 |
| Cash payments to suppliers for goods and services | (1,319,013) | (916,916) | (2,921,916) | (479,723) | (5,637,568) | (1,927,943) |
| Cash payments to employees for salaries and benefits | (554,532) | (582,418) | (478,358) | (144,200) | (1,759,508) | (3,820,153) |
| Cash payments for judgment and claims | - | - | - | - | - | (706,544) |
| Net cash provided (used) by operating activities | <u>(241,260)</u> | <u>(88,461)</u> | <u>(564,869)</u> | <u>14,704</u> | <u>(879,886)</u> | <u>(1,314,920)</u> |
| Cash flows from noncapital financing activities | | | | | | |
| Transfers in | - | 806,809 | - | 79,992 | 886,801 | 1,800,852 |
| Cash flows from noncapital financing activities | <u>-</u> | <u>806,809</u> | <u>-</u> | <u>79,992</u> | <u>886,801</u> | <u>1,800,852</u> |
| Cash flows from capital and related financing activities | | | | | | |
| Acquisition of capital assets | - | (182,809) | (38,798) | - | (221,607) | (559,009) |
| Sale of capital assets | - | - | - | - | - | 17,645 |
| Cash flows from capital and related financing activities | <u>-</u> | <u>(182,809)</u> | <u>(38,798)</u> | <u>-</u> | <u>(221,607)</u> | <u>(541,364)</u> |
| Cash Flows from investing activities | | | | | | |
| Interest received | 70,995 | 37,798 | 25,407 | 14,316 | 148,516 | 92,974 |
| Sale of investments | (265,962) | (144,978) | (87,829) | (54,191) | (552,960) | (295,662) |
| Cash flows from investing activities | <u>(194,967)</u> | <u>(107,180)</u> | <u>(62,422)</u> | <u>(39,875)</u> | <u>(404,444)</u> | <u>(202,688)</u> |
| Net cash flows | <u>(436,227)</u> | <u>428,359</u> | <u>(666,089)</u> | <u>54,821</u> | <u>(619,136)</u> | <u>(258,120)</u> |
| Cash and cash investments at beginning of year | <u>6,369,452</u> | <u>2,818,076</u> | <u>2,636,289</u> | <u>1,137,554</u> | <u>12,961,371</u> | <u>7,709,146</u> |
| Cash and cash investments at end of year | <u>\$ 5,933,225</u> | <u>\$ 3,246,435</u> | <u>\$ 1,970,200</u> | <u>\$ 1,192,375</u> | <u>\$ 12,342,235</u> | <u>\$ 7,451,026</u> |
| Reconciliation of operating income (loss) to to net cash provided by operating activities: | | | | | | |
| Operating income (loss) | \$ (292,098) | \$ (323,589) | \$ (599,817) | \$ (52,406) | \$ (1,267,910) | \$ (2,011,888) |
| Adjustments to reconcile operating income to net cash provided by operating activities: | | | | | | |
| Depreciation | 3,314 | 107,052 | 109,369 | 2,832 | 222,567 | \$ 926,453 |
| Change in assets, deferred outflows of resources, liabilities and deferred inflows of resources | | | | | | |
| Accounts receivable | 2,909 | 1,305 | 280 | (170) | 4,324 | - |
| Due to retirement system | (40,429) | (33,267) | (28,576) | (4,992) | (107,264) | (179,226) |
| Due to OPEB system | (17,313) | (13,841) | (17,127) | (9,674) | (57,955) | (76,973) |
| Accounts payable and accruals | 28,392 | 71,872 | (57,753) | 26,995 | 69,506 | (113,546) |
| Unearned revenue | 83,693 | 115,440 | 38,796 | 36,019 | 273,948 | - |
| Compensated absences | (9,728) | (13,433) | (10,041) | 16,100 | (17,102) | (54,740) |
| Claims payable | - | - | - | - | - | 195,000 |
| Net cash provided (used) by operating activities | <u>\$ (241,260)</u> | <u>\$ (88,461)</u> | <u>\$ (564,869)</u> | <u>\$ 14,704</u> | <u>\$ (879,886)</u> | <u>\$ (1,314,920)</u> |

See accompanying notes to financial statements.

CITY OF CUPERTINO, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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: The Cupertino Public Facilities 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.

Measurement Focus, Basis of Accounting and Basis of Presentation: The City's basic financial statements are prepared in conformity with accounting principles generally accepted in the United States. The Government Accounting Standards Board (GASB) is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the United States.

Government-wide Statements: The Statement of Net Position and the Statement of Activities display information about the primary government (the City) and its component units. These statements include the financial activities of the overall City government and distinguish between the governmental and business-type activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The Statement of Activities presents a comparison between expenses and program revenues for each segment of the business-type activities of the City and for each function of the City's governmental activities. Expenses include direct and indirect types. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expenses such as depreciation, information technology, insurance and equipment replacement are included in expenses for individual activities and functions. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital needs of a particular program. Revenues that are not classified as program revenues, including taxes, are presented as general revenues. Program revenues and direct expenses related to interfund services are included and indirect expenses funded by interfund transfers are excluded from the Statement of Activities. The Statement of Net Position eliminates interfund balances between governmental funds and interfund balances between proprietary funds.

(Continued)

CITY OF CUPERTINO, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

Major Funds: The City's major governmental and enterprise funds are identified and presented separately in the fund financial statements. All other funds, called nonmajor funds, are combined and reported in a single column, regardless of their fund type.

Major funds are defined as funds, which have either assets (plus deferred outflows), liabilities (plus deferred inflows), revenues or expenditures in excess of 10 percent of their fund-type total and five percent of the aggregate total for both governmental funds and enterprise funds. The General Fund is always a major fund. The City may select other funds it believes should be presented as major funds.

The City reported the following major governmental funds in the accompanying financial statements:

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

The City reports the following enterprise funds as major funds in the accompanying financial statements:

- *The Resources Recovery 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.
- *The Recreation Programs Fund* accounts for activities of the City's community centers and park facilities.
- *The Cupertino Sports Center Fund* accounts for activities of the City's sports center facility.

(Continued)

CITY OF CUPERTINO, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The City also reports the following fund types:

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

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 a full 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.

(Continued)

CITY OF CUPERTINO, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgetary Practices: 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.

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.

Budgets for governmental funds are adopted on a basis consistent with generally accepted accounting principles. Budget information is presented for the general, special revenue and debt service funds only. Capital projects funds are budgeted on a long-term project-by-project basis and, hence, budgets for these funds are not presented in the basic financial statements. The Traffic Impact Fund does not have a legally adopted budget. During the fiscal year, no funds had expenditures which exceeded appropriations.

Cash 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.

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 |

(Continued)

CITY OF CUPERTINO, CALIFORNIA
 NOTES TO BASIC FINANCIAL STATEMENTS
 For the year ended June 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Major outlays for capital assets and improvements are capitalized as projects are constructed. 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.

Claims and Judgment 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.

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.

The changes in compensated absences for the year ended June 30, 2022 were as follows:

| | <u>Governmental Activities</u> | <u>Business-Type Activities</u> | <u>Total</u> |
|---------------------|------------------------------------|-------------------------------------|---------------------|
| Beginning balance | \$ 5,295,199 | \$ 233,737 | \$ 5,528,934 |
| Additions | (280,094) | (9,295) | (289,389) |
| Reductions | <u>(324,784)</u> | <u>(7,806)</u> | <u>(332,590)</u> |
| Ending balance | <u>\$ 4,690,321</u> | <u>\$ 216,636</u> | <u>\$ 4,906,957</u> |
| Current portion | <u>\$ 540,130</u> | <u>\$ 16,927</u> | <u>\$ 557,057</u> |
| Non-current portion | <u>\$ 4,150,191</u> | <u>\$ 199,709</u> | <u>\$ 4,349,900</u> |

Deferred Outflows/Inflows of Resources: In addition to assets, the statement of financial position or balance sheet reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The City reports deferred losses on debt refundings, differences between expected and actual experience, changes in pension and OPEB assumptions, loss on pension and OPEB investments, and contributions made subsequent to the measurement date as well. Losses on debt refundings are amortized over the life of the debt. Differences between expected and actual experience and changes in pension and OPEB plan assumptions are deferred and amortized over the average of the expected remaining service lives of employees who are provided with benefits through the pension and OPEB plans. Loss on pension and OPEB investments are deferred and amortized over five years. Employer contributions made subsequent to the measurement date and change in proportionate share are deferred and recognized as a reduction of the net pension and net OPEB liability in the subsequent reporting year.

(Continued)

CITY OF CUPERTINO, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2022

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

In addition to liabilities, the statement of financial position or balance sheet reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Under the accrual basis of accounting differences between expected and actual experience are deferred and amortized over the average of the expected remaining service lives of all employees who are provided with benefits through the pension and OPEB plans. The amounts for deferred lease revenues represent future revenues related to the leasing arrangements the City entered into for some of its assets. This is amortized over the life of the lease contract on the straight-line basis.

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.

Interfund Transactions: Transactions constituting reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

Statement of Cash Flows: For purposes of reporting cash flows for the City's proprietary funds, pooled cash and investments are considered cash equivalents as the proprietary funds can access pooled cash and investments in a manner similar to a demand deposit account.

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.

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain amounts and disclosures. Accordingly, actual results could differ from those estimates.

Implementation of Governmental Accounting Standards Board (GASB) Pronouncements: Management adopted the provisions of the following Governmental Accounting Standards Board (GASB) Statements, which became effective during the year ended June 30, 2022.

In June 2017, the GASB issued Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. This Statement is effective for the City's fiscal year ended June 30, 2022 and management has implemented the provisions of the Statement by calculating the lease receivables and deferred inflows of resources related to these lease contracts as of July 1, 2021, per Note 13.

(Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The City then recognized the current year payment provisions as inflows and outflows as appropriate. The beginning balances of certain footnotes were not required to be restated to reflect this implementation, nor was a restatement of beginning net position due to the change in accounting principle required.

The City also adopted the provisions of the following pronouncements, noting no impact of the City's financial statements:

GASB Statement No. 89 – *Accounting for Interest Costs Incurred before the End of a Construction Period*

GASB Statement No. 91 – *Conduit Debt Obligations*

GASB Statement No. 92 – *Omnibus 2021* (except for paragraphs 11 and 13 which were implemented in the last fiscal year)

GASB Statement No. 93 – *Replacement of Interbank Offered Rates*

GASB Statement No. 97 – *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans* (except for paragraphs 4 and 5 which were implemented in the last fiscal year)

Fair Value Measurements: Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels based on the extent to which inputs used in measuring fair value are observable in the market:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 inputs are inputs — other than quoted prices included within level 1 — that are observable for an asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for an asset or liability.

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.

NOTE 2 – CASH AND INVESTMENTS

Primary Government: The City's pooled idle funds are invested pursuant to investment policy guidelines adopted by the City Council. The objectives of the policy are to invest funds to the fullest extent possible and to invest in accordance with the provisions of the California Government Code with the priority of safety, liquidity and yield. The policy addresses the safekeeping of securities, types of investment instruments, diversification, maturities, reporting requirements, and internal control. The City maintains a cash and investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the Statement of Net Position and the balance sheet as "cash and investments."

Policies: California Law requires banks and savings and loan institutions to pledge government securities with a market value of 110 percent of the City's cash on deposit, or first trust deed mortgage notes with a market value of 150 percent of the deposit, as collateral for these deposits. Under California Law, this collateral is held in a separate investment pool by another institution in the City's name and places the City ahead of general creditors of the institution.

(Continued)

CITY OF CUPERTINO, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2022

NOTE 2 – CASH AND INVESTMENTS (Continued)

The City and its fiscal agents invest in individual investments and in investment pools. Individual investments are evidenced by specific identifiable securities instruments, or by an electronic entry registering the owner in the records of the institution issuing the security, called the book entry system. Security instruments owned by the City are held in safekeeping by a third party custodian acting as agent for the City under the terms of a custody agreement.

The City's investments are carried at fair value with the exception of money market mutual funds, which are carried at amortized cost. The City adjusts the carrying value of its investments to reflect their fair value at each fiscal year end, and it includes the effects of these adjustments in investment income for that fiscal year.

Classification: The City's total cash and investments, at fair value, are presented on the financial statements in the following allocation:

| | <u>Primary Government</u> |
|--|---------------------------|
| Cash and investments | \$ 202,344,997 |
| Restricted cash and investments: | |
| Held by fiscal agent for pension | 17,240,051 |
| Held by fiscal agent for bond repayments | <u>8,333</u> |
| Total cash and investments | <u>\$ 219,593,381</u> |

The bank value of the City's cash deposits is \$32,249,699 with cash per books of \$32,665,499. All deposits in excess of FDIC coverage limits were collateralized with securities at year end.

Authorized Investments by the City: The City's Investment Policy and the California Government Code allow the City to invest its pooled idle funds in the following, under limits and provisions that address interest rate risk, credit risk, and concentration of credit risk. 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.

(Continued)

CITY OF CUPERTINO, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2022

NOTE 2 – CASH AND INVESTMENTS (Continued)

| <u>Authorized Investment Type</u> | <u>Maximum Maturity</u> | <u>Minimum Credit Quality</u> | <u>Maximum Percentage of Portfolio</u> | <u>Maximum Investment in One Issuer</u> |
|---|-------------------------|-------------------------------|--|--|
| 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 | N/A | 40% | None |
| Commercial Paper | 270 days | A-1+P-1 | 25% | 10% of portfolio; 5% of issuer's net worth; 10% of outstanding paper of Issuer. ** |
| 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 | 30% | 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 |
| Supranationals | 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), the Federal Farm Credit System (FFCB), the Federal Home Loan Bank (FHLB), the Federal National Mortgage Association (FNMA), the Student Loan Marketing Association (SLMA), and the Federal Home Loan Mortgage Association (FHLMC).

** 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 for others.

Authorized Investments 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:

(Continued)

CITY OF CUPERTINO, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2022

NOTE 2 – CASH AND INVESTMENTS (Continued)

| <u>Authorized Investment Type</u> | <u>Maximum Maturity</u> | <u>Minimum Credit Quality</u> | <u>Maximum Percentage of Portfolio</u> |
|---|-------------------------|-------------------------------|--|
| 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 |

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.

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

| <u>Investment Type</u> | <u>12 Months or less</u> | <u>13 to 24 Months</u> | <u>More than 24 Months</u> | <u>Total</u> |
|---|--------------------------|------------------------|----------------------------|-----------------------|
| U.S. Treasury Securities | \$ - | \$ - | \$ 34,667,431 | \$ 34,667,431 |
| Corporate Notes | - | - | 39,671,519 | 39,671,519 |
| U.S. Agency Notes | | | | |
| Federal Home Loan Mortgage Corporation | - | - | 8,749,022 | 8,749,022 |
| Federal National Mortgage Association | - | - | 14,830,810 | 14,830,810 |
| Federal Home Loan Banks | - | - | 5,134,002 | 5,134,002 |
| Federal Farm Credit Banks | - | - | 4,011,600 | 4,011,600 |
| Local Agency Investment Fund | 21,059,752 | - | - | 21,059,752 |
| Municipal Bonds | - | - | 744,596 | 744,596 |
| Asset-Backed Securities | - | - | 20,119,630 | 20,119,630 |
| Supranationals | - | - | 11,552,549 | 11,552,549 |
| Collateralized Mortgage Obligations | - | - | 7,882,726 | 7,882,726 |
| Money Market Mutual Funds - Restricted for Pension (PARS) | 17,240,051 | - | - | 17,240,051 |
| Money Market Mutual Funds | <u>1,264,194</u> | <u>-</u> | <u>-</u> | <u>1,264,194</u> |
| Total Investments | <u>\$ 39,563,997</u> | <u>\$ -</u> | <u>\$ 147,363,885</u> | 186,927,882 |
| Cash in banks and on hand | | | | <u>32,665,499</u> |
| Total Cash and Investments | | | | <u>\$ 219,593,381</u> |

(Continued)

CITY OF CUPERTINO, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2022

NOTE 2 – CASH AND INVESTMENTS (Continued)

The City is a participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The Local Investment Advisory Board (Board) has oversight responsibility for LAIF. The Board consists of five members as designated by State Statute. The City reports its investment in LAIF at the fair value amount provided by LAIF, which is the same as the value of the pool share. The balance is available for withdrawal on demand, and is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Included in LAIF's investment portfolio are U.S. Treasuries, Federal Agency obligations, time deposits, negotiable certificates of deposits, commercial paper, corporate bonds, and security loans. These investments had weighted average maturity of 311 days.

Money market mutual funds are available for withdrawal on demand. At June 30, 2022, money market mutual funds, used for pooled investment and held by fiscal agent purposes, had a weighted average maturity of 45 days or less.

Fair Value Hierarchy: The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair value of the assets. Level 1 inputs are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

The following is a summary of the fair value hierarchy of the fair value of investments of the City as of June 30, 2022:

| <u>Investments by Fair Value Level</u> | <u>Level 1</u> | <u>Level 2</u> | <u>Total</u> |
|---|-----------------------------|-----------------------------|-----------------------------|
| U.S. Treasury Securities | \$ 34,667,431 | \$ - | \$ 34,667,431 |
| Corporate Notes | - | 39,671,519 | 39,671,519 |
| U.S. Agency Notes | | | |
| Federal Home Loan Mortgage Corporation | - | 8,749,022 | 8,749,022 |
| Federal National Mortgage Association | - | 14,830,810 | 14,830,810 |
| Federal Home Loan Banks | - | 5,134,002 | 5,134,002 |
| Federal Farm Credit Banks | - | 4,011,600 | 4,011,600 |
| Asset-Backed Securities | - | 20,119,630 | 20,119,630 |
| Collateralized Mortgage Obligations | - | 7,882,726 | 7,882,726 |
| Supranationals | - | 11,552,549 | 11,552,549 |
| Municipal Bonds | - | 744,596 | 744,596 |
| | <u> </u> | <u> </u> | <u> </u> |
| Total Investments | <u>\$ 34,667,431</u> | <u>\$ 112,696,454</u> | 147,363,885 |
| Investments Measured at Amortized Cost: | | | |
| Money Market Mutual Funds | | | 1,264,194 |
| Money Market Mutual Funds - Restricted for Pension (PARS) | | | 17,240,051 |
| Investments Exempt from Fair Value Hierarchy: | | | |
| Local Agency Investment Fund | | | 21,059,752 |
| Cash in banks and on hand | | | <u>32,665,499</u> |
| | | | <u> </u> |
| Total Cash and Investments | | | <u>\$ 219,593,381</u> |

(Continued)

CITY OF CUPERTINO, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2022

NOTE 2 – CASH AND INVESTMENTS (Continued)

Investments classified in Level 1 of the fair value hierarchy include securities valued using quoted prices in active markets. Federal Agency Securities and other U.S. Treasury Securities, classified in Level 2 of the fair value hierarchy are valued using matrix pricing techniques maintained by various pricing vendors. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. Fair value is defined as the quoted market value on the last trading day of the period. These prices are obtained from various pricing sources by the custodian bank. The California Local Agency Investment Fund (LAIF) is valued using factors provided in the Pooled Money Investment Account (PMIA) Performance Report by the State Treasurer's Office. Money market funds and negotiable certificates of deposit are exempt from fair value measurement and are reported at amortized cost.

Credit Risk: 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 actual rating as of June 30, 2022 for each investment type, including those with fiscal agents, as provided by Moody's ratings:

| <u>Investment Type</u> | <u>Ratings</u> | <u>Total</u> |
|--|----------------|--------------------------|
| Money Market Mutual Funds | Aaa | \$ 18,504,245 |
| Corporate Notes | A1,A2,A3 | 39,671,519 |
| U.S. Agency Notes | | |
| Federal Home Loan Mortgage Corporation | Aaa | 8,749,022 |
| Federal National Mortgage Association | Aaa | 14,830,810 |
| Federal Home Loan Banks | Aaa | 5,134,002 |
| Federal Farm Credit Banks | Aaa | 4,011,600 |
| Asset-Backed Securities | Aaa | 20,119,630 |
| Collateralized Mortgage Obligations | Aaa | 7,882,726 |
| Supranationals | Aaa | 11,552,549 |
| Municipal Bonds | Aa2 | 744,596 |
| U.S. Treasury Securities | Aaa | 34,667,431 |
| Not Rated: | | |
| Local Agency Investment Fund | Not Rated | <u>21,059,752</u> |
| Total Investments | | <u>\$186,927,882</u> |

Concentration of Credit Risk: The City's investment policy contains certain limitations on the amount that can be invested in any one issuer. In certain categories, these limitations are more restrictive than those required by California Government Code Sections 53600 et seq. Excluding those issued or explicitly guaranteed by the U.S. government and investments in the local agency investment fund and mutual funds, the City had the following investments that represent five percent or more of total City-wide investments:

| <u>Issuer</u> | <u>Investment Type</u> | <u>Amount</u> |
|--|------------------------|---------------|
| Federal Home Loan Mortgage Corporation (FHLMC) | U.S. Agency Notes | \$ 8,749,022 |
| Federal Home Loan Banks (FHLB) | U.S. Agency Notes | 5,134,002 |
| Federal National Mortgage Association (FNMA) | U.S. Agency Notes | 14,830,810 |
| Federal Farm Credit Banks (FFCB) | U.S. Agency Notes | 4,011,600 |

(Continued)

CITY OF CUPERTINO, CALIFORNIA
 NOTES TO BASIC FINANCIAL STATEMENTS
 For the year ended June 30, 2022

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, 2022, the balance remaining on the loan was \$821,000. The loan was issued using resources in the Housing Development Fund 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, 2022, the balance on the loan was \$147,130. The loan was issued using resources in the Housing Development 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, 2022, the balance remaining on the loan was \$3,672,000. The loan was issued using resources in the Housing Development Fund and is considered governmental activities.

In addition to these loans, the City had housing and other loans receivable that were completely repaid as of June 30, 2022.

NOTE 4 – INTERFUND TRANSACTIONS

Transfers between funds during the fiscal year ended June 30, 2022 were as follows:

| <u>Fund Making Transfers</u> | <u>Fund Receiving Transfers</u> | <u>Amount Transferred</u> | |
|--|--|---------------------------|-------|
| General Fund | Transportation Special Revenue Fund | \$6,457,824 | (C) |
| | Public Financing Corporation Debt Service Fund | 2,621,000 | (B,C) |
| | Capital Improvement Projects Capital Projects Fund | 10,025,000 | (A) |
| | Recreation Enterprise Fund | 806,809 | (C) |
| | Non-major Enterprise Funds | 79,992 | (C) |
| | Internal Service Funds | 1,434,852 | (D) |
| Transportation Special Revenue Fund | Capital Improvement Projects Capital Projects Fund | 105,235 | (A) |
| Capital Improvements Projects Capital Projects Fund | Transportation Special Revenue Fund | 215,000 | (A) |
| | Non-major Governmental Funds | 3,650,000 | (A) |
| Non-major Governmental Funds | General Fund | 15,000 | (E) |
| | Internal Service Funds | <u>366,000</u> | |
| Total Interfund Transfers | | <u>\$25,776,712</u> | |

(Continued)

CITY OF CUPERTINO, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2022

NOTE 4 – INTERFUND TRANSACTIONS (Continued)

The reasons for these transfers are set forth below:

- (A) To fund capital projects.
- (B) For annual lease payment for 2020A Certificates of Participation debt service.
- (C) Operating subsidy from General Fund.
- (D) To fund IT operations, personnel costs associated with staffing special project, and compensated absences and retiree health.
- (E) To fund purchase of trees

Current Interfund Balances: Current interfund balances arise in the normal course of business and are expected to be repaid shortly after the end of the fiscal year. As of June 30, 2022, the Equipment Revolving Internal Service Fund owed the General Fund \$539,204.

Interfund Advances: Interfund advances are balances between funds that are not expected to be repaid within the current fiscal year. As of June 30, 2022, 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.

(Continued)

CITY OF CUPERTINO, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2022

NOTE 5 – CAPITAL ASSETS

A summary of changes in governmental activities capital assets is as follows:

| | Balance at <u>July 1, 2021</u> | <u>Additions</u> | <u>Deletions</u> | <u>Transfers</u> | Balance at <u>June 30, 2022</u> |
|--|-----------------------------------|---------------------|------------------|--------------------|------------------------------------|
| Governmental activities: | | | | | |
| Capital assets not being depreciated: | | | | | |
| Land | \$ 64,786,669 | \$ - | \$ - | \$ - | \$ 64,786,669 |
| Easements | 19,615,039 | - | - | - | 19,615,039 |
| Construction in progress | <u>15,950,996</u> | <u>12,848,688</u> | <u>-</u> | <u>(5,401,035)</u> | <u>23,398,649</u> |
| Total general government capital assets not being depreciated | <u>100,352,704</u> | <u>12,848,688</u> | <u>-</u> | <u>(5,401,035)</u> | <u>107,800,357</u> |
| Capital assets being depreciated: | | | | | |
| Buildings | 46,540,557 | - | - | 1,223,356 | 47,763,913 |
| Improvements other than buildings | 61,129,702 | - | - | 134,224 | 61,263,926 |
| Machinery and equipment | 4,340,441 | - | (10,549) | 200,037 | 4,529,929 |
| Roads, curbs, gutters, sidewalks, medians and bridges | 179,773,593 | - | - | 3,760,619 | 183,534,212 |
| Streetlights | 9,219,638 | - | - | 82,799 | 9,302,437 |
| Storm drain structure and mains | 37,373,158 | - | - | - | 37,373,158 |
| Traffic signals | <u>6,418,246</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>6,418,246</u> |
| Total capital assets being depreciated | <u>344,795,335</u> | <u>-</u> | <u>(10,549)</u> | <u>5,401,035</u> | <u>350,185,821</u> |
| Less accumulated depreciation for: | | | | | |
| Buildings | (31,962,639) | (1,683,655) | - | - | (33,646,294) |
| Improvements other than buildings | (43,377,323) | (2,481,693) | - | - | (45,859,016) |
| Machinery and equipment | (3,065,019) | (251,640) | 10,549 | - | (3,306,110) |
| Roads, curbs, gutters, sidewalks, medians and bridges | (112,872,141) | (2,729,484) | - | - | (115,601,625) |
| Streetlights | (7,599,818) | (431,927) | - | - | (8,031,745) |
| Storm drain structure and mains | (33,542,309) | (139,739) | - | - | (33,682,048) |
| Traffic signals | <u>(5,801,115)</u> | <u>(109,103)</u> | <u>-</u> | <u>-</u> | <u>(5,910,218)</u> |
| Total accumulated depreciation | <u>(238,220,364)</u> | <u>(7,827,241)</u> | <u>10,549</u> | <u>-</u> | <u>(246,037,056)</u> |
| Total general government capital assets being depreciated, net | <u>106,574,971</u> | <u>(7,827,241)</u> | <u>-</u> | <u>5,401,035</u> | <u>104,148,765</u> |
| Internal service fund capital assets: | | | | | |
| Capital assets not being depreciated: | | | | | |
| Construction in progress | <u>-</u> | <u>559,011</u> | <u>-</u> | <u>(551,183)</u> | <u>7,828</u> |
| Total internal fund capital assets not being depreciated | <u>-</u> | <u>559,011</u> | <u>-</u> | <u>(551,183)</u> | <u>7,828</u> |
| Capital assets being depreciated: | | | | | |
| Machinery and equipment | 12,218,251 | - | - | 551,183 | 12,769,434 |
| Less accumulated depreciation | <u>(8,872,439)</u> | <u>(926,455)</u> | <u>-</u> | <u>-</u> | <u>(9,798,894)</u> |
| Total internal fund capital assets being depreciated, net | <u>3,345,812</u> | <u>(926,455)</u> | <u>-</u> | <u>551,183</u> | <u>2,970,540</u> |
| Governmental activities capital assets, net | <u>\$ 210,273,487</u> | <u>\$ 4,654,003</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 214,927,490</u> |

(Continued)

CITY OF CUPERTINO, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2022

NOTE 5 – CAPITAL ASSETS (Continued)

| | Balance at <u>July 1, 2021</u> | <u>Additions</u> | <u>Deletions</u> | <u>Transfers</u> | Balance at <u>June 30, 2022</u> |
|---|-----------------------------------|------------------|------------------|------------------|------------------------------------|
| Business-type activities: | | | | | |
| Capital assets not being depreciated: | | | | | |
| Construction in progress | \$ 125,331 | \$ 221,605 | \$ - | \$ (162,269) | \$ 184,667 |
| Total capital assets not being depreciated | <u>125,331</u> | <u>221,605</u> | <u>-</u> | <u>(162,269)</u> | <u>184,667</u> |
| Capital assets being depreciated: | | | | | |
| Buildings | 2,029,925 | - | - | 43,764 | 2,073,689 |
| Improvements other than buildings | 2,089,743 | - | - | 86,171 | 2,175,914 |
| Machinery and equipment | <u>711,119</u> | <u>-</u> | <u>-</u> | <u>32,334</u> | <u>743,453</u> |
| Total capital assets being depreciated | <u>4,830,787</u> | <u>-</u> | <u>-</u> | <u>162,269</u> | <u>4,993,056</u> |
| Less accumulated depreciation for: | | | | | |
| Buildings | (484,434) | (88,789) | - | - | (573,223) |
| Improvements other than buildings | (1,753,209) | (107,531) | - | - | (1,860,740) |
| Machinery and equipment | <u>(627,945)</u> | <u>(26,246)</u> | <u>-</u> | <u>-</u> | <u>(654,191)</u> |
| Total accumulated depreciation | <u>(2,865,588)</u> | <u>(222,566)</u> | <u>-</u> | <u>-</u> | <u>(3,088,154)</u> |
| Total capital assets being depreciated, net | <u>1,965,199</u> | <u>(222,566)</u> | <u>-</u> | <u>162,269</u> | <u>1,904,902</u> |
| Business-type activity capital assets, net | <u>\$ 2,090,530</u> | <u>\$ (961)</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 2,089,569</u> |

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

| | |
|---------------------------------|---------------------|
| Governmental Activities | |
| Administration | \$ 191,767 |
| Public and Environment Affairs | 16,437 |
| Administrative Services | 29,744 |
| Parks and Recreation | 170,634 |
| Public Works | <u>7,418,659</u> |
| Subtotal | <u>7,827,241</u> |
| Internal Service Allocation | |
| Administration | 287,386 |
| Public and Environment Affairs | 25,107 |
| Administrative Services | 64,111 |
| Parks and Recreation | 84,771 |
| Public Works | <u>465,080</u> |
| Subtotal | <u>926,455</u> |
| Total – Governmental Activities | <u>\$ 8,753,696</u> |

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

| | |
|----------------------------------|-------------------|
| Business-Type Activities | |
| Resources Recovery | \$ 3,314 |
| Blackberry Farm | 2,832 |
| Cupertino Sports Center | 109,369 |
| Recreation Program | <u>107,051</u> |
| Total – Business-Type Activities | <u>\$ 222,566</u> |

(Continued)

CITY OF CUPERTINO, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2022

NOTE 6 – LONG-TERM DEBT

Cupertino Public Facilities Corporation Certificates of Participation:

| | Original Issue Amount | Balance June 30, 2021 | Additions | Retirements | Balance June 30, 2022 | Current Portion |
|--|-----------------------------|-----------------------------|-------------|---------------------|-----------------------------|---------------------|
| 2020A Certificates of Participation | | | | | | |
| 4%, due 06/01/2030 | \$22,040,000 | \$ 19,900,000 | \$ - | \$ 1,880,000 | \$ 18,020,000 | \$ 1,955,000 |
| Issuance Premium | | <u>3,447,737</u> | - | <u>198,908</u> | <u>3,248,829</u> | - |
| Total long-term debt | | <u>\$23,347,737</u> | <u>\$ -</u> | <u>\$ 2,078,908</u> | <u>\$21,268,829</u> | <u>\$ 1,955,000</u> |

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, previously leased real property to the City (under the Lease Agreement with the lessee, with the Lease Agreement being classified as a lease prior to the adoption of GASB Statement No. 87) 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, 2022.

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, 2022 for the 2012 COPs. The result of the transaction was an economic gain of \$3,133,819.

The 2020A COPs are payable by a pledge of revenues from the payments payable by the City pursuant to the Agreement between the Cupertino Public Facilities Corporation and the City for the use and possession of the Site and Facility as described in the Agreement. The City also covenanted in the Agreement to include all payments in its annual budget. Total debt service payments remaining on the 2020 COPs is \$21,412,000 payable through June 1, 2030. For the year ended June 30, 2022, the bonds had \$1,880,000 of principal and \$796,000 interest due.

(Continued)

CITY OF CUPERTINO, CALIFORNIA
 NOTES TO BASIC FINANCIAL STATEMENTS
 For the year ended June 30, 2022

NOTE 6 – LONG-TERM DEBT (Continued)

Annual debt service requirements for the 2020A COPS are shown below:

| For the Year Ending June 30 | Governmental Activities | |
|--------------------------------|-------------------------|--------------|
| | Principal | Interest |
| 2023 | \$ 1,955,000 | \$ 720,800 |
| 2024 | 2,035,000 | 642,600 |
| 2025 | 2,115,000 | 561,200 |
| 2026 | 2,200,000 | 476,600 |
| 2027 | 2,285,000 | 388,600 |
| 2028-2030 | 7,430,000 | 602,200 |
| Total | \$ 18,020,000 | \$ 3,392,000 |

NOTE 7 – NET POSITION AND FUND BALANCES

Net Position is measured on the full accrual basis while Fund Balance is measured on the modified accrual basis.

Net Position: The government-wide and proprietary fund financial statements utilize a net position presentation. Net position is categorized as follows:

Net investment in capital assets - This category groups all capital assets including, infrastructure, into one component of net position. Accumulated depreciation and outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.

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."

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:

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.

(Continued)

NOTE 7 – NET POSITION AND FUND BALANCES (Continued)

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.

(Continued)

CITY OF CUPERTINO, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2022

NOTE 7 – NET POSITION AND FUND BALANCES (Continued)

Fund balances for all major and nonmajor governmental funds as of June 30, 2022, were distributed as follows:

| | <u>General</u> | <u>Transportation</u> | <u>Housing Development</u> | <u>Public Facilities Corporation</u> | <u>Capital Improvements Projects</u> | <u>Other Governmental Funds</u> | <u>Total</u> |
|---------------------------|-----------------------|-----------------------|--------------------------------|--|--|---|-----------------------|
| Nonspendable: | | | | | | | |
| Loans receivable | \$ 439,199 | \$ - | \$ - | \$ - | \$ - | \$ - | \$ 439,199 |
| Advances to other funds | 3,000,000 | - | - | - | - | - | 3,000,000 |
| Prepaid items | 107,479 | - | - | - | - | - | 107,479 |
| Subtotal | <u>3,546,678</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>3,546,678</u> |
| Restricted for: | | | | | | | |
| Public access television | 1,492,810 | - | - | - | - | - | 1,492,810 |
| Debt service | 23,621 | - | - | 8,350 | - | - | 31,971 |
| PRSP Section 115 Trust | 17,240,051 | - | - | - | - | - | 17,240,051 |
| Storm drain system | - | - | - | - | - | 4,033,799 | 4,033,799 |
| Parks and open space | - | - | - | - | - | 21,302,884 | 21,302,884 |
| Environmental management | - | - | - | - | - | 1,309,649 | 1,309,649 |
| Streets and road projects | - | 11,828,395 | - | - | - | 720,197 | 12,548,592 |
| Housing programs | - | - | 7,177,611 | - | - | - | 7,177,611 |
| Subtotal | <u>18,756,482</u> | <u>11,828,395</u> | <u>7,177,611</u> | <u>8,350</u> | <u>-</u> | <u>27,366,529</u> | <u>65,137,367</u> |
| Committed for: | | | | | | | |
| Economic uncertainty I | 24,000,000 | - | - | - | - | - | 24,000,000 |
| Sustainability reserve | 127,891 | - | - | - | - | - | 127,891 |
| Capital project reserve | 10,000,000 | - | - | - | - | - | 10,000,000 |
| Subtotal | <u>34,127,891</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>34,127,891</u> |
| Assigned to: | | | | | | | |
| Encumbrances | 5,041,682 | - | - | - | - | - | 5,041,682 |
| Capital projects | - | - | - | - | 34,922,310 | 166,579 | 35,088,889 |
| Subtotal | <u>5,041,682</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>34,922,310</u> | <u>166,579</u> | <u>40,130,571</u> |
| Unassigned | 48,696,821 | - | - | - | - | - | 48,696,821 |
| Total | <u>\$ 110,169,554</u> | <u>\$ 11,828,395</u> | <u>\$ 7,177,611</u> | <u>\$ 8,350</u> | <u>\$ 34,922,310</u> | <u>\$ 27,533,108</u> | <u>\$ 191,639,328</u> |

NOTE 8 – COMMITMENTS AND CONTINGENCIES

Federal and State Grant: 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, 2022, 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.

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.

(Continued)

CITY OF CUPERTINO, CALIFORNIA
 NOTES TO BASIC FINANCIAL STATEMENTS
 For the year ended June 30, 2022

NOTE 8 – COMMITMENTS AND CONTINGENCIES (Continued)

As of June 30, 2022, the City had the following encumbrances outstanding:

| | |
|---|----------------------|
| Governmental Funds: | |
| General Fund | \$ 5,041,681 |
| Transportation Special Revenue Fund | 2,181,032 |
| Housing Development Special Revenue Fund | 59,022 |
| Capital Improvements Projects Capital Projects Fund | 3,672,662 |
| Other Governmental Funds | <u>1,741,273</u> |
| Total Encumbrances | <u>\$ 12,695,670</u> |

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. However, due to legal restrictions per the California Revenue and Taxation Code, Section 7056, additional disclosures cannot be provided.

Santa Clara County Vehicle Registration Fee (VRF): The City is required to report VRF revenues, expenditures and fund balances as of the year ended June 30, 2022:

| | |
|---------------------------------|------------------|
| VRF Balance as of July 1, 2021 | \$ - |
| VRF Revenue | 358,553 |
| VRF Interest | 535 |
| VRF Expended | <u>(359,088)</u> |
| VRF Balance as of June 30, 2022 | <u>\$ -</u> |

Unasserted Claim: The City is aware of a probable reallocation of sales and use tax revenues pursuant to Revenue and Taxation Code section 7209. The City anticipates a determination by the California Department of Tax and Fee Administration (“CDTFA”) within two to six months from the date of the issuance of the financial statements. Given the limited information available about this matter, the City is not able predict the likelihood of an unfavorable outcome or the amount or range of any potential loss. The City will evaluate options for appealing any adverse determination but has not made any decisions regarding litigation strategy at this time.

NOTE 9 – 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, 2022, the City paid ABAG PLAN premiums of \$14,602.

(Continued)

CITY OF CUPERTINO, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2022

NOTE 9 – LIABILITIES UNDER SELF-INSURANCE AND RISK MANAGEMENT (Continued)

Workers' Compensation Liability: The City belongs to the Public Risk Innovation, Solutions and Management (PRISM) (formerly 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 EIA 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, 2022, the City paid premiums of \$158,781.

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:

| | <u>2022</u> | <u>2021</u> |
|---|---------------------|---------------------|
| Claims liability, beginning of year | \$ 1,374,000 | \$ 1,527,000 |
| Incurred claims and changes in estimate | 671,344 | (117,896) |
| Claim payments and credits | <u>(476,344)</u> | <u>(35,104)</u> |
| Total claims liability, end of year | 1,569,000 | 1,374,000 |
| Less current portion | <u>(282,000)</u> | <u>(245,000)</u> |
| Non-current portion | <u>\$ 1,287,000</u> | <u>\$ 1,129,000</u> |

NOTE 10 – DEFINED BENEFIT PENSION PLAN

Plan Descriptions and Summary of Balances by Plan: The City has one defined benefit pension plan. The Miscellaneous Plan (Plan) is an Agent-Multiple Employer Plan. Benefit provisions under the Plan is established by State statute and City Ordinance. All qualified permanent and probationary employees are eligible to participate in the Plan for which they are an eligible member based on their employment position with the City.

The Plan is administered by the California Public Employees' Retirement System (CalPERS) which acts as a common investment and administrative agent for its participating member employers. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website at www.calpers.ca.gov.

(Continued)

CITY OF CUPERTINO, CALIFORNIA
 NOTES TO BASIC FINANCIAL STATEMENTS
 For the year ended June 30, 2022

NOTE 10 – DEFINED BENEFIT PENSION PLAN (Continued)

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

Below is a summary of the deferred outflows of resources, net pension liabilities and deferred inflows of resources by Plan:

| | <u>Deferred Outflows of Resources</u> | <u>Net Pension Liability</u> | <u>Deferred Inflows of Resources</u> |
|---------------|---|----------------------------------|--|
| Miscellaneous | \$ 8,882,356 | \$ 34,058,576 | \$ 11,658,832 |

Benefits 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. 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, 2022, are summarized as follows:

| | <u>Hire date</u> | |
|---|-------------------------------------|--|
| | <u>Prior to January 1, 2013</u> | <u>On or after January 1, 2013</u> |
| 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 | 23.54% | 29.63% |

Employees Covered: As of the June 30, 2020 actuarial valuation date (most current), the following employees were covered by the benefit terms of the Plan:

| | |
|--|------------|
| Inactive employees or beneficiaries currently receiving benefits | 249 |
| Inactive employees entitled to but not yet receiving benefits | 149 |
| Active employees | 201 |
| Total | 599 |

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.

(Continued)

CITY OF CUPERTINO, CALIFORNIA
 NOTES TO BASIC FINANCIAL STATEMENTS
 For the year ended June 30, 2022

NOTE 10 – DEFINED BENEFIT PENSION PLAN (Continued)

Net Pension Liability: The City's net pension liability for the Plan is measured as the total pension liability, less the pension plan's fiduciary net position. The net pension liability of the Plan is measured as of June 30, 2020 using an annual actuarial valuation as of June 30, 2020 rolled forward to June 30, 2021 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

Actuarial Assumptions: The total pension liabilities in the June 30, 2021 actuarial valuations were determined using the following actuarial assumptions:

| | |
|-----------------------------------|-------------------------------------|
| Valuation Date | June 30, 2020 |
| Measurement Date | June 30, 2021 |
| Actuarial Cost Method | Entry-Age Normal Cost Method |
| Actuarial Assumptions: | |
| Discount Rate | 7.15% |
| Inflation | 2.50% |
| Payroll Growth | 2.75% |
| Projected Salary Increase | Varies by Entry Age and Service (1) |
| Investment Rate of Return | 7.00% (2) |
| Derived using CalPERS' Membership | |
| Mortality | Data for all Funds (3) |

(1) Depending on age, service and type of employment

(2) Net of pension plan investment expenses and administrative expenses, including inflation

(3) The mortality table used was developed based on CalPERS' specific data. The table includes 15 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the CalPERS 2017 experience study report available on CalPERS website.

All other actuarial assumptions used in the June 30, 2020 valuation were based on the results of a December 2017 actuarial experience study for the period 1997 to 2015, including updates to salary increase, mortality and retirement rates. Further details of the Experience Study can be found on the CalPERS website under Forms and Publications.

Change of Assumptions: None in 2022.

Discount Rate: The discount rate used to measure the total pension liability was 7.15 percent for the Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.15 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.15 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

The long-term expected rate of return on pension 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 pension plan investment expense and inflation) are developed for each major asset class.

(Continued)

CITY OF CUPERTINO, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2022

NOTE 10 – DEFINED BENEFIT PENSION PLAN (Continued)

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

| <u>Asset Class</u> | <u>New Strategic Allocation</u> | <u>Real Return Years 1 - 10(a)</u> | <u>Real Return Years 11+(b)</u> |
|--------------------|---------------------------------|------------------------------------|---------------------------------|
| Global Equity | 50.00% | 4.80% | 5.98% |
| Fixed Income | 28.00% | 1.00% | 2.62% |
| Inflation Assets | 0.00% | 0.77% | 1.81% |
| Private Equity | 8.00% | 6.30% | 7.23% |
| Real Estate | 13.00% | 3.75% | 4.93% |
| Liquidity | 1.00% | 0.00% | -0.92% |
| Total | <u>100.00%</u> | | |

(a) An expected inflation of 2.00% used for this period.

(b) An expected inflation of 2.92% used for this period.

The table above reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return (presented as geometric means) are net of administrative expenses.

Changes in Net Pension Liability: The changes in the Net Pension Liability for the City's Miscellaneous Plan are as follows:

(Continued)

CITY OF CUPERTINO, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2022

NOTE 10 – DEFINED BENEFIT PENSION PLAN (Continued)

Miscellaneous Plan:

| | Increase (Decrease) | | |
|---|----------------------------|--------------------------------|--------------------------|
| | Total Pension Liability | Plan Fiduciary Net Position | Net Pension Liability |
| Balance at June 30, 2020 | \$ 152,604,961 | \$ 104,091,941 | \$ 48,513,020 |
| Changes in the year: | | | |
| Service cost | 3,392,942 | - | 3,392,942 |
| Interest on the total pension liability | 10,907,002 | - | 10,907,002 |
| Change of Assumptions | - | - | - |
| Differences between actual and expected experience | 2,212,836 | - | 2,212,836 |
| Contribution - employer | - | 5,957,595 | (5,957,595) |
| Contribution - employee | - | 1,560,532 | (1,560,532) |
| Net investment income | - | 23,553,078 | (23,553,078) |
| Administrative expenses | - | (103,981) | 103,981 |
| Other miscellaneous income/(expenses) | - | - | - |
| Benefit payments, including refunds of employee contributions | (7,937,592) | (7,937,592) | - |
| Net changes | 8,575,188 | 23,029,632 | (14,454,444) |
| Balance at June 30, 2021 | \$ 161,180,149 | \$ 127,121,573 | \$ 34,058,576 |

Sensitivity of the Net Pension Liability to Changes in the Discount Rate: The following presents the net pension liability of the City, calculated using the discount rate for the Plan, as well as what the City's net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

| | <u>Miscellaneous</u> |
|--|------------------------|
| 1% Decrease Net Pension Liability | 6.15% \$ 55,121,458 |
| Current Discount Rate Net Pension Liability | 7.15% \$ 34,058,576 |
| 1% Increase Net Pension Liability | 8.15% \$ 16,633,651 |

Pension Plan Fiduciary Net Position: Detailed information about the Plan's fiduciary net position is available in the separately issued CalPERS financial reports.

(Continued)

CITY OF CUPERTINO, CALIFORNIA
 NOTES TO BASIC FINANCIAL STATEMENTS
 For the year ended June 30, 2022

NOTE 10 – DEFINED BENEFIT PENSION PLAN (Continued)

Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions: For the year ended June 30, 2022, the City recognized pension expense of \$3,799,059. As of June 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|--|---|--|
| Pension contributions subsequent to measurement date | \$ 6,396,051 | \$ - |
| Differences between actual and expected experience | 2,486,305 | - |
| Changes in assumptions | - | - |
| Net differences between projected and actual earnings on plan investments | - | 11,658,832 |
| Total | \$ 8,882,356 | \$ 11,658,832 |

The \$6,396,051 of contributions for the fiscal year ended June 30, 2022 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 ended June 30, 2023. Other amounts reported as deferred inflows of resources related to pensions will be recognized as pension expense as follows:

| <u>Year Ended June 30</u> | <u>Annual Amortization</u> |
|-------------------------------|--------------------------------|
| 2022 | \$ (1,051,611) |
| 2023 | (2,005,392) |
| 2024 | (2,437,763) |
| 2025 | (3,227,761) |
| | \$ (9,172,527) |

NOTE 11 – OTHER POST EMPLOYMENT BENEFITS (OPEB)

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. An annual comprehensive financial report of CalPERS, inclusive of their benefit plans, is available at www.calpers.ca.gov.

(Continued)

CITY OF CUPERTINO, CALIFORNIA
 NOTES TO BASIC FINANCIAL STATEMENTS
 For the year ended June 30, 2022

NOTE 11 – OTHER POST EMPLOYMENT BENEFITS (OPEB) (Continued)

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.

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 membership: At January 1, 2021 (the latest information available), Plan membership consisted of the following:

| | |
|---|-----|
| Inactive plan members or beneficiaries currently receiving benefit payments | 148 |
| Inactive plan members entitled to but not yet receiving benefit payments | - |
| Active plan members | 173 |
| | 321 |

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 January 1, 2021, the annual required contribution rate is 0.54 percent of annual covered payroll. For the year ended June 30, 2022, the City paid \$1,691,000 in healthcare premium payments. Plan members are not required to contribute to the plan.

(Continued)

CITY OF CUPERTINO, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2022

NOTE 11 – OTHER POST EMPLOYMENT BENEFITS (OPEB) (Continued)

Net OPEB Liability of the City: The components of the net OPEB liability of the City as of June 30, 2022 (expressed in thousands) were as follows:

| | |
|---|-------------------|
| Total OPEB liability | \$ 29,871 |
| Plan fiduciary net position | <u>31,340</u> |
| City's net OPEB liability (asset) | <u>\$ (1,469)</u> |
| Plan fiduciary net position as a percentage of the total OPEB liability | 105% |

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, 2022 (see the discussion of the Plan's investment policy) are summarized in the following table:

| <u>Asset Class</u> | <u>Long-Term Expected Real Rate of Return</u> |
|------------------------------|---|
| Fixed income – core | 0.53% |
| Fixed income – high yield | 1.68% |
| Equities – domestic | 4.38% |
| Equities – developed foreign | 5.68% |
| Equities – emerging foreign | 6.90% |
| Real estate | 4.31% |
| Cash | 0.36% |

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, 2022:

| <u>Asset Class</u> | <u>Target Allocation</u> |
|--------------------|--------------------------|
| Fixed income | 29% |
| Equities | 62% |
| Real estate | 6% |
| Commodities | 2% |
| Cash | <u>1%</u> |
| Total | <u>100%</u> |

(Continued)

CITY OF CUPERTINO, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2022

NOTE 11 – OTHER POST EMPLOYMENT BENEFITS (OPEB) (Continued)

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, 2022, the annual money-weighted rate of return on investments, net of investment expense, was -17.43 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Actuarial assumptions: The total OPEB liability was determined by an actuarial valuation as of January 1, 2021, 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 January 1, 2021 actuarial valuation include the following:

| | |
|------------------------------------|--|
| Valuation date: | January 1, 2021 |
| Measurement date: | June 30, 2022 |
| Actuarial Cost Method: | Entry Age Normal |
| Amortization Method: | Level percent of pay closed |
| Amortization Period: | 10 year |
| Asset Valuation Method: | Market value |
| Actuarial Assumptions: | |
| Discount Rate | 6.50% |
| Payroll Growth | 3.00% |
| Ultimate Rate of Medical Inflation | 4.50% |
| Mortality (1) | CalPERS mortality assumptions |
| Health Care Trend | The annual cost of healthcare is expected to decrease from 6.5% in 2020 to 4.5% from 2076 and later. |

(1) 2017 CalPERS Experience Study, Recipients with attained age of 50

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.

(Continued)

CITY OF CUPERTINO, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2022

NOTE 11 – OTHER POST EMPLOYMENT BENEFITS (OPEB) (Continued)

Changes in the Net OPEB Liability: The changes in the City's net OPEB liability (asset) are (in thousands):

| | Net Increase (Decrease) | | |
|---|-------------------------|--------------------------------|-------------------------------|
| | Total OPEB Liability | Plan Fiduciary Net Position | Net OPEB Liability (Asset) |
| Balance at July 1, 2021 | \$ 28,626 | \$ 38,025 | \$ (9,399) |
| Changes in the year | | | |
| Service cost | 1,015 | - | 1,015 |
| Interest on the total OPEB liability | 1,921 | - | 1,921 |
| Change of assumptions | - | - | - |
| Differences between actual and expected experience | - | - | - |
| Contribution – employer | - | 1,691 | (1,691) |
| Contribution – employee | - | - | - |
| Net investment income | - | (6,568) | 6,568 |
| Administrative expenses | - | (117) | 117 |
| Benefit payments, including refunds of Employee contributions | (1,691) | (1,691) | - |
| Net changes | <u>1,245</u> | <u>(6,685)</u> | <u>7,930</u> |
| Balance at June 30, 2022 | <u>\$ 29,871</u> | <u>\$ 31,340</u> | <u>\$ (1,469)</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 (expressed in thousands):

| | 1% Decrease <u>5.50%</u> | Current Discount Rate <u>6.50%</u> | 1% Increase <u>7.50%</u> |
|---|--------------------------------|--|--------------------------------|
| City of Cupertino's net OPEB liability (asset) for the plan | \$ 2,300 | \$ (1,469) | \$ (4,602) |

Sensitivity of the net OPEB liability (asset) to changes in the healthcare 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 (expressed in thousands):

| | 1% Decrease | Current Healthcare Cost Trend Rate | 1% Increase |
|---|----------------|--|----------------|
| City of Cupertino's net OPEB liability (asset) for the plan | \$ (5,087) | \$ (1,469) | \$ 2,995 |

(Continued)

CITY OF CUPERTINO, CALIFORNIA
 NOTES TO BASIC FINANCIAL STATEMENTS
 For the year ended June 30, 2022

NOTE 11 – OTHER POST EMPLOYMENT BENEFITS (OPEB) (Continued)

OPEB Expense and Deferred Inflows of Resources Related to OPEB: For the year ended June 30, 2022, the City recognized OPEB expense of \$572,000. As of June 30, 2022, the City reported deferred inflows of resources related to OPEB from the following sources (in thousands):

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|---|--|
| Net difference between projected and actual earnings on investments | \$ 3,953 | \$ - |
| Differences between expected and actual experience | - | 3,173 |
| Changes in assumption | <u>1,089</u> | <u>8</u> |
| | <u>\$ 5,042</u> | <u>\$ 3,181</u> |

Amounts reported as deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows (in thousands):

| <u>Year Ended June 30</u> | <u>Deferred Inflows of Resources</u> |
|-------------------------------|--|
| 2023 | \$ 101 |
| 2024 | 328 |
| 2025 | (376) |
| 2026 | <u>1,808</u> |
| Total | <u>\$ 1,861</u> |

NOTE 12 – CONCENTRATION RISK

The City has an economic dependency on revenues generated directly or indirectly from one company. For the year ended June 30, 2022, 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 13 – LEASES

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 \$178,486 recognized as rental revenue and \$32,532 recognized as interest revenue on the lease for the year ended June 30, 2022 and a receivable for the remaining payments under the leases of \$2,495,226.

(Continued)

NOTE 14 – UPCOMING GASB PRONOUNCEMENTS (Continued)

In March 2021, GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objectives of this Statement is improve financial reporting by addressing issues related to public-private and public-public partnership arrangements. This Statement also provides guidance for accounting and financial reporting for availability payments arrangements. The requirements of this Statement are effective for the City's fiscal year ended June 30, 2023. Management has not yet determined the impact of this statement on the City's financial statements.

In May 2021, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. The requirements of this Statement are effective for the City's fiscal year ended June 30, 2023. Management has not yet determined the impact of this statement on the City's financial statements.

In April 2022, the GASB issued Statement No. 99, *Omnibus 2022*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The requirements related to leases, public-private and public-public partnerships, and subscription-based information technology arrangements are effective for the City's fiscal year ended June 30, 2023. The requirements related to financial guarantees and the classification and reporting of derivative instruments are effective for the City's fiscal year ended June 30, 2024. Management has not determined what impact, if any, this Statement will have on its financial statements.

In June 2022, the GASB issued Statement No. 100, *Accounting Changes and Error Corrections*. 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. The requirements of this Statement are effective for the City's fiscal year ended June 30, 2024. Management has not determined what impact, if any, this Statement will have on its financial statements.

In June 2022, the 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. The requirements of this Statement are effective for the City's fiscal year ended June 30, 2025. Management has not determined what impact, if any, this Statement will have on its financial statements.

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

CITY OF CUPERTINO, CALIFORNIA
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY
AND RELATED RATIOS
For the year ended June 30, 2022

Agent Multiple Employer Defined Benefit Retirement Plan - Miscellaneous Plan
Last 10 years*

| Measurement Date | 6/30/2014 | 6/30/2015 | 6/30/2016 | 6/30/2017 | 6/30/2018 | 6/30/2019 | 6/30/2020 | 6/30/2021 |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Total Pension Liability | | | | | | | | |
| Service Cost | \$ 2,504,228 | \$ 2,444,939 | \$ 2,525,314 | \$ 2,895,549 | \$ 3,058,629 | \$ 3,324,361 | \$ 3,241,719 | \$ 3,392,942 |
| Interest | 7,349,943 | 7,789,134 | 8,253,983 | 8,619,588 | 9,065,322 | 9,800,245 | 10,302,395 | 10,907,002 |
| Changes of benefit terms | - | - | - | - | - | - | - | - |
| Differences between expected and actual experience | - | 372,917 | 696,347 | (182,397) | 1,184,340 | 4,144,384 | 444,188 | 2,212,836 |
| Changes in assumptions | - | (1,883,633) | - | 7,125,558 | (847,606) | - | - | - |
| Benefit payments, including refunds of employee contributions | (4,351,614) | (4,637,005) | (5,151,298) | (5,346,890) | (6,051,845) | (6,193,271) | (6,815,494) | (7,937,592) |
| Net change in total pension liability | 5,502,557 | 4,086,352 | 6,324,346 | 13,111,408 | 6,408,840 | 11,075,719 | 7,172,808 | 8,575,188 |
| Total pension liability - beginning | <u>98,922,931</u> | <u>104,425,488</u> | <u>108,511,840</u> | <u>114,836,186</u> | <u>127,947,594</u> | <u>134,356,434</u> | <u>145,432,153</u> | <u>152,604,961</u> |
| Total pension liability - ending (a) | <u>\$ 104,425,488</u> | <u>\$ 108,511,840</u> | <u>\$ 114,836,186</u> | <u>\$ 127,947,594</u> | <u>\$ 134,356,434</u> | <u>\$ 145,432,153</u> | <u>\$ 152,604,961</u> | <u>\$ 161,180,149</u> |
| Plan fiduciary net position | | | | | | | | |
| Contributions - employer | \$ 2,891,986 | \$ 3,301,642 | \$ 3,659,170 | \$ 4,183,822 | \$ 4,263,020 | \$ 4,654,841 | \$ 5,308,580 | \$ 5,957,595 |
| Contributions - employee | 1,061,884 | 1,149,894 | 1,169,921 | 1,236,052 | 1,506,888 | 1,364,731 | 1,429,446 | 1,560,532 |
| Net investment income | 11,379,985 | 1,724,204 | 466,704 | 8,749,288 | 7,347,936 | 6,096,968 | 4,975,822 | 23,553,078 |
| Benefit payments, including refunds of employee contributions | (4,351,614) | (4,637,005) | (5,151,298) | (5,346,890) | (6,051,845) | (6,193,271) | (6,815,494) | (7,937,592) |
| Administrative expense | - | (87,780) | (47,536) | (115,304) | (392,346) | (66,707) | (140,036) | (103,981) |
| Other miscellaneous Income/(Expense) | - | - | - | - | - | 216 | - | - |
| Net change in plan fiduciary net position | 10,982,241 | 1,450,955 | 96,961 | 8,706,968 | 6,673,653 | 5,856,778 | 4,758,318 | 23,029,632 |
| Plan fiduciary net position - beginning | <u>65,566,067</u> | <u>76,548,308</u> | <u>77,999,263</u> | <u>78,096,224</u> | <u>86,803,192</u> | <u>93,476,845</u> | <u>99,333,623</u> | <u>104,091,941</u> |
| Plan fiduciary net position - ending (b) | <u>\$ 76,548,308</u> | <u>\$ 77,999,263</u> | <u>\$ 78,096,224</u> | <u>\$ 86,803,192</u> | <u>\$ 93,476,845</u> | <u>\$ 99,333,623</u> | <u>\$ 104,091,941</u> | <u>\$ 127,121,573</u> |
| Net pension liability - ending (a)-(b) | \$ 27,877,180 | \$ 30,512,577 | \$ 36,739,962 | \$ 41,144,402 | \$ 40,879,589 | \$ 46,098,530 | \$ 48,513,020 | \$ 34,058,576 |
| Plan fiduciary net position as a percentage of the total pension liability | 73.30% | 71.88% | 68.01% | 67.84% | 69.57% | 68.30% | 68.21% | 78.87% |
| Covered payroll | \$ 13,080,327 | \$ 13,504,966 | \$ 14,336,969 | \$ 15,595,136 | \$ 16,809,349 | \$ 18,461,490 | \$ 18,662,748 | \$ 20,427,103 |
| Net pension liability as percentage of covered payroll | 213.12% | 225.94% | 256.26% | 263.83% | 243.20% | 249.70% | 259.95% | 166.73% |

Notes to Schedule:

Benefit changes. The figures above do not include any liability impact that may have resulted from plan changes which occurred after the actuarial valuation date. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

Changes in assumptions. None in 2020 or 2019. In 2018, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions from December 2017. In 2017, the accounting discount rate reduced from 7.65 percent to 7.15 percent. In 2016, there were no changes. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5 percent (net of administrative expense) to 7.65 percent (without a reduction for pension plan administrative expense.) In 2014, amounts reported were based on the 7.5 percent discount rate.

* - Fiscal year 2015 was the 1st year of implementation, therefore only eight years are shown.

Source: CalPERS Accounting Valuation

CITY OF CUPERTINO, CALIFORNIA
SCHEDULE OF CONTRIBUTIONS - PENSION
For the year ended June 30, 2022

Agent Multiple Employer Defined Benefit Retirement Plan - Miscellaneous Plan
Last 10 years*

| | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Actuarially determined contribution | \$ 3,608,853 | \$ 3,659,170 | \$ 4,183,821 | \$ 4,263,020 | \$ 4,654,841 | \$ 5,308,577 | \$ 5,957,573 | \$ 6,396,061 |
| Contributions in relation to the actuarially determined contributions | (3,608,853) | (3,659,170) | (4,183,821) | (4,263,020) | (4,654,841) | (5,308,577) | (5,957,573) | (6,396,061) |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Covered payroll | \$ 13,504,966 | \$ 14,336,969 | \$ 15,595,136 | \$ 16,809,349 | \$ 18,461,490 | \$ 18,662,748 | \$ 20,427,103 | \$ 20,455,494 |
| Contributions as a percentage of covered payroll | 26.72% | 25.52% | 26.83% | 25.36% | 25.21% | 28.44% | 29.17% | 31.27% |

Notes to Schedule

Valuation date: 6/30/2013 6/30/2014 6/30/2015 6/30/2016 6/30/2017 6/30/2018 6/30/2019 6/30/2020

Methods and assumptions used to determine contribution rates:

| | |
|-------------------------------|--|
| Actuarial cost method | Entry age |
| Amortization method | Level percentage of payroll, closed |
| Remaining amortization period | 19 Years as of the Valuation Date |
| Asset valuation method | 15 Year Smoothed Market |
| Inflation | 2.50% |
| Salary increases | Varies by Entry age and Service |
| Investment rate of return | 7.15% Net of Pension Plan |
| 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 20 years of projected mortality improvement using Scale BB published by the Society of Actuaries. |

* - Fiscal year 2015 was the 1st year of implementation, therefore only eight years are shown.

Source: City of Cupertino's general ledger and CalPERS Actuarial Valuation

Notes to Schedule:

Benefit changes. The figures above do not include any liability impact that may have resulted from plan changes which occurred after the actuarial valuation date. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

Changes in assumptions. None in 2019 or 2020. In 2018, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions from December 2017. In 2017, the accounting discount rate reduced from 7.65 percent to 7.15 percent. In 2016, there were no changes. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5 percent (net of administrative expense) to 7.65 percent (without a reduction for pension plan administrative expense.) In 2014, amounts reported were based on the 7.5 percent discount rate.

* - Fiscal year 2015 was the 1st year of implementation, therefore only three years are shown.

Source: CalPERS Accounting Valuation

CITY OF CUPERTINO, CALIFORNIA
SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY
AND RELATED RATIOS
For the year ended June 30, 2022

Single Employer Defined Benefit OPEB Plan
Last 10 years*
Expressed in thousands

| | 6/30/2017 | 6/30/2018 | 6/30/2019 | 6/30/2020 | 6/30/2021 | 6/30/2022 |
|---|-----------|-----------|------------|-----------|------------|------------|
| Total OPEB liability | | | | | | |
| Service cost | \$ 908 | \$ 1,008 | \$ 865 | \$ 1,009 | \$ 844 | \$ 1,015 |
| Interest | 1,781 | 1,876 | 2,005 | 1,985 | 2,042 | 1,921 |
| Changes of benefit terms | - | - | - | - | - | - |
| Differences between expected and actual experience | - | - | (1,808) | - | (4,688) | - |
| Changes of assumptions | - | - | (37) | 1,412 | 640 | - |
| Benefit payments | (1,333) | (1,419) | (1,423) | (1,141) | (1,550) | (1,691) |
| Net change in total OPEB liability | 1,356 | 1,465 | (398) | 3,265 | (2,712) | 1,245 |
| Total OPEB liability - beginning | 25,650 | 27,006 | 28,471 | 28,073 | 31,338 | 28,626 |
| Total OPEB liability - ending (a) | \$ 27,006 | \$ 28,471 | \$ 28,073 | \$ 31,338 | \$ 28,626 | \$ 29,871 |
| Plan fiduciary net position | | | | | | |
| Contributions - employer | 1,333 | 1,419 | 1,423 | 1,141 | 1,550 | 1,691 |
| Net investment income | 2,960 | 2,365 | 1,259 | 219 | 8,776 | (6,568) |
| Benefit payments | (1,333) | (1,419) | (1,423) | (1,141) | (1,550) | (1,691) |
| Administrative expense | (49) | (54) | (97) | (67) | (121) | (117) |
| Net change in fiduciary net position | 2,911 | 2,311 | 1,162 | 152 | 8,655 | (6,685) |
| Plan fiduciary net position - beginning | 22,834 | 25,745 | 28,056 | 29,218 | 29,370 | 38,025 |
| Plan fiduciary net position - ending (b) | \$ 25,745 | \$ 28,056 | \$ 29,218 | \$ 29,370 | \$ 38,025 | \$ 31,340 |
| | 2.65% | | | | | |
| Net OPEB liability (asset) - ending (a-b) | \$ 1,261 | \$ 415 | \$ (1,145) | \$ 1,968 | \$ (9,399) | \$ (1,469) |
| Plan fiduciary net position as a percentage of the total OPEB liability | 95.33% | 98.54% | 104.08% | 93.72% | 132.83% | 104.92% |
| Covered payroll | \$ 17,255 | \$ 19,153 | \$ 20,086 | \$ 21,643 | \$ 23,082 | \$ 24,015 |
| Net OPEB liability (asset) as a percentage of covered payroll | 7.31% | 2.17% | -5.70% | 9.09% | -40.72% | -6.12% |

Notes to schedule:

* - Fiscal year 2017 was the 1st year of implementation, therefore only six years are shown.

CITY OF CUPERTINO, CALIFORNIA
SCHEDULE OF CONTRIBUTIONS - OPEB
For the year ended June 30, 2022

Single Employer Defined Benefit OPEB Plan
Last 10 years*
Expressed in thousands

| | 6/30/2017 | 6/30/2018 | 6/30/2019 | 6/30/2020 | 6/30/2021 | 6/30/2022 |
|---|-----------------|----------------|-----------------|---------------|-------------------|-------------------|
| Actuarially determined contribution | \$ 1,117 | \$ 1,362 | \$ 1,300 | \$ 1,401 | \$ 124 | \$ 129 |
| Contributions in relation to the actuarially determined contributions | 1,333 | 1,419 | 1,423 | 1,141 | 1,550 | 1,691 |
| Contribution deficiency (excess) | <u>\$ (216)</u> | <u>\$ (57)</u> | <u>\$ (123)</u> | <u>\$ 260</u> | <u>\$ (1,426)</u> | <u>\$ (1,562)</u> |
| Covered payroll | \$ 17,255 | \$ 19,153 | \$ 20,086 | \$ 21,643 | \$ 23,082 | \$ 24,015 |
| Contributions as a percentage of covered payroll | 7.73% | 7.41% | 7.08% | 5.27% | 6.72% | 7.04% |

Notes to schedule:

* - Fiscal year 2017 was the 1st year of implementation, therefore only six years are shown.

Valuation Date 1/1/2021

Methods and assumptions used to determine contribution rates:

| | |
|------------------------------------|--|
| Actuarial cost method | Entry age |
| Amortization method | 2.65% |
| Remaining amortization period | Varies by Entry age and Service |
| Asset valuation method | Market Value of Assets |
| Discount rate | 6.50% |
| Amortization growth rate | 2.75% |
| Ultimate rate of medical inflation | 4.30% |
| Salary increases | 2.75% plus merit component based on years of service |
| Mortality | CalPERS mortality assumptions |

MAJOR GOVERNMENTAL FUNDS OTHER
THAN THE GENERAL FUND AND SPECIAL
REVENUE FUNDS

This section is provided for the presentation of budget-to-actual statements for the Public Facilities Corporation Debt Service Fund. Although the fund is considered to be a major government fund, budget-to-actual information in the basic financial statements 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. The Capital Projects Funds are budgeted on a major project length basis and therefore not comparable on an annual basis.

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.

CITY OF CUPERTINO, CALIFORNIA
PUBLIC FACILITIES CORPORATION DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
For the year ended June 30, 2022

| | Budgeted Amounts | | Actual | Variance Positive (Negative) |
|--|--------------------|--------------------|--------------------|------------------------------------|
| | Original | Final | | |
| Revenues | | | | |
| Use of money and property | \$ - | \$ - | \$ - | \$ - |
| Total revenues | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Expenditures | | | | |
| Debt service: | | | | |
| Principal | 1,880,000 | 1,880,000 | 1,880,000 | - |
| Interest and fiscal charges | <u>796,000</u> | <u>796,000</u> | <u>796,000</u> | <u>-</u> |
| Total expenditures | <u>2,676,000</u> | <u>2,676,000</u> | <u>2,676,000</u> | <u>-</u> |
| Excess (deficiency) of revenues over expenditures | <u>(2,676,000)</u> | <u>(2,676,000)</u> | <u>(2,676,000)</u> | <u>-</u> |
| Other financing sources (uses) | | | | |
| Transfers in | <u>2,621,000</u> | <u>2,621,000</u> | <u>2,621,000</u> | <u>-</u> |
| Total other financing sources (uses) | <u>2,621,000</u> | <u>2,621,000</u> | <u>2,621,000</u> | <u>-</u> |
| Net change in fund balance | <u>\$ (55,000)</u> | <u>\$ (55,000)</u> | (55,000) | <u>\$ -</u> |
| Beginning fund balance | | | <u>63,350</u> | |
| Ending fund balance | | | <u>\$ 8,350</u> | |

NON-MAJOR GOVERNMENTAL 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 — 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 system.

Park Dedication — 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 / Clean Creeks — Accounts for all activities related to operating the non-point source pollution program. A parcel tax provides revenues.

Traffic Impact — 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 account for the financial resources committed to the construction or improvement of major facilities.

Stevens Creek Corridor Park Capital Projects Fund — Accounts for the design and construction of the Stevens Creek Corridor Park projects.

CITY OF CUPERTINO, CALIFORNIA
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
June 30, 2022

| | Special Revenue Funds | | | | Capital Projects Fund | Total Nonmajor Governmental Funds |
|--|-------------------------------|--------------------|--|-------------------|--------------------------------|--|
| | Storm Drain Improvement | Park Dedication | Environmental Management/ Clean Creeks | Traffic Impact | Stevens Creek Corridor Park | |
| Assets | | | | | | |
| Cash and investments | \$ 4,033,799 | \$ 21,323,792 | \$ 1,297,056 | \$ 720,197 | \$ 166,579 | \$ 27,541,423 |
| Accounts receivable | - | - | 33,113 | - | - | 33,113 |
| Total assets | \$ 4,033,799 | \$ 21,323,792 | \$ 1,330,169 | \$ 720,197 | \$ 166,579 | \$ 27,574,536 |
| Liabilities | | | | | | |
| Accounts payable and accruals | \$ - | \$ 20,908 | \$ 20,520 | \$ - | \$ - | \$ 41,428 |
| Total liabilities | - | 20,908 | 20,520 | - | - | 41,428 |
| Fund balances | | | | | | |
| Restricted | 4,033,799 | 21,302,884 | 1,309,649 | 720,197 | - | 27,366,529 |
| Assigned | - | - | - | - | 166,579 | 166,579 |
| Total fund balances | 4,033,799 | 21,302,884 | 1,309,649 | 720,197 | 166,579 | 27,533,108 |
| Total liabilities and fund balances | \$ 4,033,799 | \$ 21,323,792 | \$ 1,330,169 | \$ 720,197 | \$ 166,579 | \$ 27,574,536 |

CITY OF CUPERTINO, CALIFORNIA
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES
For the year ended June 30, 2022

| | Special Revenue Funds | | | | Capital Projects Fund | Total Nonmajor Governmental Funds |
|---|-------------------------------|----------------------|--|-------------------|--------------------------------|--|
| | Storm Drain Improvement | Park Dedication | Environmental Management/ Clean Creeks | Traffic Impact | Stevens Creek Corridor Park | |
| Revenues | | | | | | |
| Taxes | \$ 131,135 | \$ 9,045,000 | \$ - | \$ - | \$ - | \$ 9,176,135 |
| Use of money and property | (133,241) | (730,897) | (44,526) | (24,639) | (7,439) | (940,742) |
| Charges for services | - | - | 1,477,784 | 275,838 | - | 1,753,622 |
| Fines and forfeitures | - | - | 3,563 | - | - | 3,563 |
| Total revenues | <u>(2,106)</u> | <u>8,314,103</u> | <u>1,436,821</u> | <u>251,199</u> | <u>(7,439)</u> | <u>9,992,578</u> |
| Expenditures | | | | | | |
| Current: | | | | | | |
| Public works | - | - | 1,648,795 | - | - | 1,648,795 |
| Capital outlay | <u>48,120</u> | <u>354,894</u> | <u>-</u> | <u>-</u> | <u>5,039</u> | <u>408,053</u> |
| Total expenditures | <u>48,120</u> | <u>354,894</u> | <u>1,648,795</u> | <u>-</u> | <u>5,039</u> | <u>2,056,848</u> |
| Excess of revenues over (under) expenditures | <u>(50,226)</u> | <u>7,959,209</u> | <u>(211,974)</u> | <u>251,199</u> | <u>(12,478)</u> | <u>7,935,730</u> |
| Other finances sources (uses) | | | | | | |
| Transfers in | - | 3,650,000 | - | - | - | 3,650,000 |
| Transfers out | <u>-</u> | <u>(15,000)</u> | <u>(366,000)</u> | <u>-</u> | <u>-</u> | <u>(381,000)</u> |
| Total other financing sources (uses) | <u>-</u> | <u>3,635,000</u> | <u>(366,000)</u> | <u>-</u> | <u>-</u> | <u>3,269,000</u> |
| Net change in fund balances | (50,226) | 11,594,209 | (577,974) | 251,199 | (12,478) | 11,204,730 |
| Beginning fund balances | <u>4,084,025</u> | <u>9,708,675</u> | <u>1,887,623</u> | <u>468,998</u> | <u>179,057</u> | <u>16,328,378</u> |
| Ending fund balances | <u>\$ 4,033,799</u> | <u>\$ 21,302,884</u> | <u>\$ 1,309,649</u> | <u>\$ 720,197</u> | <u>\$ 166,579</u> | <u>\$ 27,533,108</u> |

CITY OF CUPERTINO, CALIFORNIA
NON-MAJOR GOVERNMENTAL FUNDS
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL
For the year ended June 30, 2022

| | Special Revenue Funds Storm Drain Improvement | | | Variance Positive (Negative) |
|--|--|------------------|---------------------|------------------------------------|
| | Original Budget | Final Budget | Actual | |
| Revenues | | | | |
| Taxes | \$ 79,237 | \$ 79,237 | \$ 131,135 | \$ 51,898 |
| Use of money and property | - | - | (133,241) | (133,241) |
| Charges for services | - | - | - | - |
| Fines for forfeitures | - | - | - | - |
| Total revenues | <u>79,237</u> | <u>79,237</u> | <u>(2,106)</u> | <u>(81,343)</u> |
| Expenditures | | | | |
| Current: | | | | |
| Public works | - | - | - | - |
| Capital outlay | <u>2,000,000</u> | <u>48,121</u> | <u>48,120</u> | <u>1</u> |
| Total expenditures | <u>2,000,000</u> | <u>48,121</u> | <u>48,120</u> | <u>1</u> |
| Excess (deficiency) of revenues over expenditures | <u>(1,920,763)</u> | <u>31,116</u> | <u>(50,226)</u> | <u>(81,342)</u> |
| Other financing sources (uses) | | | | |
| Transfers in | - | - | - | - |
| Transfers (out) | - | - | - | - |
| Total other financing sources (uses) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Net change in fund balance | <u>\$(1,920,763)</u> | <u>\$ 31,116</u> | <u>(50,226)</u> | <u>\$ (81,342)</u> |
| Beginning fund balance | | | <u>4,084,025</u> | |
| Ending fund balance | | | <u>\$ 4,033,799</u> | |

(Continued)

CITY OF CUPERTINO, CALIFORNIA
NON-MAJOR GOVERNMENTAL FUNDS
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL
For the year ended June 30, 2022

| | Special Revenue Funds Park Dedication | | | Variance Positive (Negative) |
|--|--|---------------------|---------------------|------------------------------------|
| | Original Budget | Final Budget | Actual | |
| Revenues | | | | |
| Taxes | \$ - | \$ - | \$ 9,045,000 | \$ 9,045,000 |
| Use of money and property | - | - | (730,897) | (730,897) |
| Charges for services | - | - | - | - |
| Fines for forfeitures | - | - | - | - |
| Total revenues | <u>-</u> | <u>-</u> | <u>8,314,103</u> | <u>8,314,103</u> |
| Expenditures | | | | |
| Current: | | | | |
| Public works | - | - | - | - |
| Capital outlay | <u>4,650,000</u> | <u>354,894</u> | <u>354,894</u> | <u>-</u> |
| Total expenditures | <u>4,650,000</u> | <u>354,894</u> | <u>354,894</u> | <u>-</u> |
| Excess (deficiency) of revenues over expenditures | <u>(4,650,000)</u> | <u>(354,894)</u> | <u>7,959,209</u> | <u>8,314,103</u> |
| Other financing sources (uses) | | | | |
| Transfers in | 3,650,000 | 3,650,000 | 3,650,000 | - |
| Transfers (out) | <u>(15,000)</u> | <u>(15,000)</u> | <u>(15,000)</u> | <u>-</u> |
| Total other financing sources (uses) | <u>3,635,000</u> | <u>3,635,000</u> | <u>3,635,000</u> | <u>-</u> |
| Net change in fund balance | <u>\$ (1,015,000)</u> | <u>\$ 3,280,106</u> | 11,594,209 | <u>\$ 8,314,103</u> |
| Beginning fund balance | | | <u>9,708,675</u> | |
| Ending fund balance | | | <u>\$21,302,884</u> | |

(Continued)

CITY OF CUPERTINO, CALIFORNIA
NON-MAJOR GOVERNMENTAL FUNDS
SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES – BUDGET AND ACTUAL
For the year ended June 30, 2022

| | Special Revenue Funds | | | Variance Positive (Negative) |
|--|---------------------------------------|---------------------|---------------------|------------------------------------|
| | Environmental Management/Clean Creeks | | | |
| | Original Budget | Final Budget | Actual | |
| Revenues | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ - |
| Use of money and property | 908 | 908 | (44,526) | (45,434) |
| Charges for services | 1,543,100 | 1,543,100 | 1,477,784 | (65,316) |
| Fines for forfeitures | 10,000 | 10,000 | 3,563 | (6,437) |
| Total revenues | <u>1,554,008</u> | <u>1,554,008</u> | <u>1,436,821</u> | <u>(117,187)</u> |
| Expenditures | | | | |
| Current: | | | | |
| Public works | 1,965,083 | 2,083,958 | 1,648,795 | 435,163 |
| Capital outlay | - | - | - | - |
| Total expenditures | <u>1,965,083</u> | <u>2,083,958</u> | <u>1,648,795</u> | <u>435,163</u> |
| Excess (deficiency) of revenues over expenditures | <u>(411,075)</u> | <u>(529,950)</u> | <u>(211,974)</u> | <u>317,976</u> |
| Other financing sources (uses) | | | | |
| Transfers in | - | - | - | - |
| Transfers (out) | (366,000) | (366,000) | (366,000) | - |
| Total other financing sources (uses) | <u>(366,000)</u> | <u>(366,000)</u> | <u>(366,000)</u> | <u>-</u> |
| Net change in fund balance | <u>\$ (777,075)</u> | <u>\$ (895,950)</u> | (577,974) | <u>\$ 317,976</u> |
| Beginning fund balance | | | <u>1,887,623</u> | |
| Ending fund balance | | | <u>\$ 1,309,649</u> | |

NON-MAJOR 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 for fiscal 2021-22.

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

CITY OF CUPERTINO, CALIFORNIA
NON-MAJOR ENTERPRISE FUND
COMBINING STATEMENT OF NET POSITION
For the year ended June 30, 2022

| | Blackberry Farm |
|---|--------------------|
| ASSETS | |
| Current assets | |
| Cash and cash investments (Note 2) | \$ 1,192,375 |
| Accounts receivable | <u>170</u> |
| Total current assets | <u>1,192,545</u> |
| Noncurrent assets | |
| Capital assets (Note 5): | |
| Depreciable, net of accumulated depreciation | <u>20,874</u> |
| Total non current assets | <u>20,874</u> |
| Total assets | <u>1,213,419</u> |
| DEFERRED OUTFLOWS OF RESOURCES | |
| Related to pension (Note 10) | 58,696 |
| Related to OPEB (Note 11) | <u>13,099</u> |
| Total deferred outflows of resources | <u>71,795</u> |
| LIABILITIES | |
| Current liabilities | |
| Accounts payable and accruals | 38,577 |
| Compensated absences (Note 1) | 1,477 |
| Unearned revenue | <u>94,631</u> |
| Total current liabilities | <u>134,685</u> |
| Noncurrent liabilities | |
| Compensated absences (Note 1) | 17,428 |
| Net pension liability (Note 10) | <u>250,235</u> |
| Total noncurrent liabilities | <u>267,663</u> |
| Total liabilities | <u>402,348</u> |
| DEFERRED INFLOWS OF RESOURCES | |
| Related to pension (Note 10) | <u>26,645</u> |
| Total deferred inflows of resources | <u>26,645</u> |
| NET POSITION (Note 7) | |
| Net investment in capital assets | 20,874 |
| Restricted - OPEB | 13,099 |
| Unrestricted | <u>822,248</u> |
| Total Net Position | <u>\$ 856,221</u> |

CITY OF CUPERTINO, CALIFORNIA
NON-MAJOR ENTERPRISE FUND
COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
For the year ended June 30, 2022

| | Blackberry Farm |
|----------------------------------|--------------------|
| Operating revenues | |
| Charges for services | \$ 555,103 |
| Other | <u>47,675</u> |
| Total operating revenue | <u>602,778</u> |
| Operating expenses | |
| Salaries and benefits | 145,634 |
| Materials and supplies | 165,714 |
| Contractual services | 341,004 |
| Depreciation (Note 5) | <u>2,832</u> |
| Total operating expenses | <u>655,184</u> |
| Operating income (loss) | <u>(52,406)</u> |
| Nonoperating revenues | |
| Investment income | <u>(39,875)</u> |
| Total nonoperating revenues | <u>(39,875)</u> |
| Income (loss) before transfers | (92,281) |
| Transfers in (Note 4) | <u>79,992</u> |
| Changes in net position | <u>(12,289)</u> |
| Net position - beginning of year | <u>868,510</u> |
| Net position - end of year | <u>\$ 856,221</u> |

CITY OF CUPERTINO, CALIFORNIA
NON-MAJOR ENTERPRISE FUND
COMBINING STATEMENT OF CASH FLOWS
For the year ended June 30, 2022

| | <u>Blackberry Farm</u> |
|---|----------------------------|
| Cash flows from operating activities | |
| Cash received from customers | \$ 638,627 |
| Cash payments to suppliers for goods and services | (479,723) |
| Cash payments to employees for salaries and benefits | (144,200) |
| Net cash provided (used) by operating activities | <u>14,704</u> |
| Cash flows from noncapital financing activities | |
| Transfers in | <u>79,992</u> |
| Cash flows from noncapital financing activities | <u>79,992</u> |
| Cash Flows from Investing Activities | |
| Interest received | 14,316 |
| Sale of investments | <u>(54,191)</u> |
| Cash flows from investing activities | <u>(39,875)</u> |
| Net cash flows | <u>54,821</u> |
| Cash and cash investments at beginning of year | <u>1,137,554</u> |
| Cash and cash investments at end of year | <u>\$ 1,192,375</u> |
| Reconciliation of operating income (loss) to to net cash provided by operating activities: | |
| Operating income (loss) | \$ (52,406) |
| Adjustments to reconcile operating income to net cash provided by operating activities: | |
| Depreciation | 2,832 |
| Change in assets, deferred outflows of resources, liabilities, and deferred inflows of resources | |
| Due to retirement system | (4,992) |
| Due to OPEB system | (9,674) |
| Accounts payable and accruals | 26,995 |
| Unearned revenue | 36,019 |
| Compensated absences | <u>16,100</u> |
| Net cash provided (used) by operating activities | <u>\$ 14,704</u> |

INTERNAL SERVICE FUNDS

Internal Service Funds are used to finance and account for special activities and services provided by one department or program to other departments of the City on a cost reimbursement basis.

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 - Accounts for claims and insurance premiums related to workers' compensation.

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, CALIFORNIA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET POSITION
For the year ended June 30, 2022

| | <u>Information Technology</u> | <u>Workers' Compensation</u> | <u>Equipment Revolving</u> | <u>Compensated Absences and Long-Term Disability</u> | <u>Retiree Medical</u> | <u>Total</u> |
|--|-----------------------------------|----------------------------------|--------------------------------|--|----------------------------|---------------------|
| ASSETS | | | | | | |
| Current assets: | | | | | | |
| Cash and investments | \$ 2,113,332 | \$ 3,855,949 | \$ 1,117,855 | \$ 337,336 | \$ 26,554 | \$ 7,451,026 |
| Total current assets | <u>2,113,332</u> | <u>3,855,949</u> | <u>1,117,855</u> | <u>337,336</u> | <u>26,554</u> | <u>7,451,026</u> |
| Noncurrent assets: | | | | | | |
| Net OPEB asset (Note 11) | 58,885 | 738 | 21,506 | - | - | 81,129 |
| Capital assets (Note 5): | | | | | | |
| Nondepreciable | - | - | 7,828 | - | - | 7,828 |
| Capital assets, depreciable net of accumulated depreciation | 610,680 | - | 2,359,860 | - | - | 2,970,540 |
| Total noncurrent assets | <u>669,565</u> | <u>738</u> | <u>2,389,194</u> | <u>-</u> | <u>-</u> | <u>3,059,497</u> |
| Total assets | <u>2,782,897</u> | <u>3,856,687</u> | <u>3,507,049</u> | <u>337,336</u> | <u>26,554</u> | <u>10,510,523</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | | | | |
| Related to pension (Note 10) | 383,807 | 13,410 | 121,912 | - | - | 519,129 |
| Related to OPEB (Note 11) | 261,849 | 3,946 | 80,507 | - | - | 346,302 |
| Total deferred outflows of resources | <u>645,656</u> | <u>17,356</u> | <u>202,419</u> | <u>-</u> | <u>-</u> | <u>865,431</u> |
| LIABILITIES | | | | | | |
| Current liabilities | | | | | | |
| Accounts payable and accruals | 71,117 | - | 47,712 | - | - | 118,829 |
| Accrued payroll and benefits | - | - | 72 | - | - | 72 |
| Due to other funds | - | - | 539,204 | - | - | 539,204 |
| Compensated absences | 32,803 | 1,429 | 2,609 | - | - | 36,841 |
| Claims payable | - | 282,000 | - | - | - | 282,000 |
| Total current liabilities | <u>103,920</u> | <u>283,429</u> | <u>589,597</u> | <u>-</u> | <u>-</u> | <u>976,946</u> |
| Noncurrent liabilities | | | | | | |
| Compensated absences | 252,049 | 10,982 | 20,048 | - | - | 283,079 |
| Claims payable | - | 1,287,000 | - | - | - | 1,287,000 |
| Net pension liability (Note 10) | 1,432,761 | 48,818 | 444,364 | - | - | 1,925,943 |
| Total noncurrent liabilities | <u>1,684,810</u> | <u>1,346,800</u> | <u>464,412</u> | <u>-</u> | <u>-</u> | <u>3,496,022</u> |
| Total liabilities | <u>1,788,730</u> | <u>1,630,229</u> | <u>1,054,009</u> | <u>-</u> | <u>-</u> | <u>4,472,968</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | | | |
| Related to pension (Note 10) | 628,135 | 15,198 | 156,522 | - | - | 799,855 |
| Related to OPEB (Note 11) | 135,541 | 1,863 | 48,735 | - | - | 186,139 |
| Total deferred inflows of resources | <u>763,676</u> | <u>17,061</u> | <u>205,257</u> | <u>-</u> | <u>-</u> | <u>985,994</u> |
| NET POSITION | | | | | | |
| Net investment in capital assets | 610,680 | - | 2,367,688 | - | - | 2,978,368 |
| Restricted - OPEB | 185,193 | 2,821 | 53,278 | - | - | 241,292 |
| Unrestricted | 80,274 | 2,223,932 | 29,236 | 337,336 | 26,554 | 2,697,332 |
| Total net position | <u>\$ 876,147</u> | <u>\$ 2,226,753</u> | <u>\$ 2,450,202</u> | <u>\$ 337,336</u> | <u>\$ 26,554</u> | <u>\$ 5,916,992</u> |

CITY OF CUPERTINO, CALIFORNIA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
For the year ended June 30, 2022

| | Information Technology | Workers' Compensation | Equipment Revolving | Compensated Absences and Long-Term Disability | Retiree Medical | Total |
|--|---------------------------|--------------------------|------------------------|--|--------------------|---------------------|
| Operating revenues | | | | | | |
| Charges for services | \$ 2,959,603 | \$ 356,831 | \$ 1,718,598 | \$ 101,870 | \$ - | \$ 5,136,902 |
| Other | - | - | 2,818 | - | - | 2,818 |
| Total operating revenues | <u>2,959,603</u> | <u>356,831</u> | <u>1,721,416</u> | <u>101,870</u> | <u>-</u> | <u>5,139,720</u> |
| Operating expenses | | | | | | |
| Salaries and related expenses | 1,739,571 | 39,137 | 388,348 | - | 1,342,158 | 3,509,214 |
| Materials and supplies | 1,210,730 | 28,167 | 385,994 | 8,952 | 14,881 | 1,648,724 |
| Contractual services | 113,496 | - | 52,177 | - | - | 165,673 |
| Insurance claims and premiums | - | 476,344 | - | 425,200 | - | 901,544 |
| Depreciation | 285,961 | - | 640,492 | - | - | 926,453 |
| Total operating expenses | <u>3,349,758</u> | <u>543,648</u> | <u>1,467,011</u> | <u>434,152</u> | <u>1,357,039</u> | <u>7,151,608</u> |
| Operating income (loss) | <u>(390,155)</u> | <u>(186,817)</u> | <u>254,405</u> | <u>(332,282)</u> | <u>(1,357,039)</u> | <u>(2,011,888)</u> |
| Nonoperating revenue (expenses) | | | | | | |
| Interest income | (69,415) | (126,776) | 10,326 | (21,623) | 4,800 | (202,688) |
| Gain on sale of capital assets | - | - | 17,645 | - | - | 17,645 |
| Total nonoperating revenue (expenses) | <u>(69,415)</u> | <u>(126,776)</u> | <u>27,971</u> | <u>(21,623)</u> | <u>4,800</u> | <u>(185,043)</u> |
| Income (loss) before transfers | <u>(459,570)</u> | <u>(313,593)</u> | <u>282,376</u> | <u>(353,905)</u> | <u>(1,352,239)</u> | <u>(2,196,931)</u> |
| Transfers in | 192,078 | - | 366,000 | 21,570 | 1,221,204 | 1,800,852 |
| Change in net position | <u>(267,492)</u> | <u>(313,593)</u> | <u>648,376</u> | <u>(332,335)</u> | <u>(131,035)</u> | <u>(396,079)</u> |
| Beginning net position | 1,143,639 | 2,540,346 | 1,801,826 | 669,671 | 157,589 | 6,313,071 |
| Ending net position | <u>\$ 876,147</u> | <u>\$ 2,226,753</u> | <u>\$ 2,450,202</u> | <u>\$ 337,336</u> | <u>\$ 26,554</u> | <u>\$ 5,916,992</u> |

CITY OF CUPERTINO, CALIFORNIA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
For the year ended June 30, 2022

| | Information Technology | Workers' Compensation | Equipment Revolving | Compensated Absences and Long-Term Disability | Retiree Medical | Total |
|---|---------------------------|--------------------------|------------------------|--|--------------------|---------------------|
| Cash flows from operating activities | | | | | | |
| Cash received from customers | \$ 2,959,603 | \$ 356,831 | \$ 1,721,416 | \$ 101,870 | \$ - | \$ 5,139,720 |
| Cash payments to suppliers for goods and services | (1,459,760) | (28,167) | (416,183) | (8,952) | (14,881) | (1,927,943) |
| Cash payments to employees | (1,977,586) | (41,352) | (459,057) | - | (1,342,158) | (3,820,153) |
| Cash payment for judgment and claims | - | (281,344) | - | (425,200) | - | (706,544) |
| Net cash from operating activities | <u>(477,743)</u> | <u>5,968</u> | <u>846,176</u> | <u>(332,282)</u> | <u>(1,357,039)</u> | <u>(1,314,920)</u> |
| Cash flows from noncapital financing activities | | | | | | |
| Transfers in | <u>192,078</u> | - | <u>366,000</u> | <u>21,570</u> | <u>1,221,204</u> | <u>1,800,852</u> |
| Net cash from noncapital financing activities | <u>192,078</u> | - | <u>366,000</u> | <u>21,570</u> | <u>1,221,204</u> | <u>1,800,852</u> |
| Cash flows from capital and related financing activities | | | | | | |
| Acquisition of capital assets | (28,638) | - | (530,371) | - | - | (559,009) |
| Sale of capital assets | - | - | <u>17,645</u> | - | - | <u>17,645</u> |
| Net cash from capital and related financing activities | <u>(28,638)</u> | - | <u>(512,726)</u> | - | - | <u>(541,364)</u> |
| Cash flows from investing activities | | | | | | |
| Interest received | 24,907 | 45,079 | 10,326 | 7,862 | 4,800 | 92,974 |
| Sale of investments | <u>(94,322)</u> | <u>(171,855)</u> | - | <u>(29,485)</u> | - | <u>(295,662)</u> |
| Net cash flows from investing activities | <u>(69,415)</u> | <u>(126,776)</u> | <u>10,326</u> | <u>(21,623)</u> | <u>4,800</u> | <u>(202,688)</u> |
| Net cash flows | (383,718) | (120,808) | 709,776 | (332,335) | (131,035) | (258,120) |
| Cash and cash investments beginning of year | <u>2,497,050</u> | <u>3,976,757</u> | <u>408,079</u> | <u>669,671</u> | <u>157,589</u> | <u>7,709,146</u> |
| Cash and cash investments end of year | <u>\$ 2,113,332</u> | <u>\$ 3,855,949</u> | <u>\$ 1,117,855</u> | <u>\$ 337,336</u> | <u>\$ 26,554</u> | <u>\$ 7,451,026</u> |

(Continued)

CITY OF CUPERTINO, CALIFORNIA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
For the year ended June 30, 2022

| | <u>Information Technology</u> | <u>Workers' Compensation</u> | <u>Equipment Revolving</u> | <u>Compensated Absences and Long-Term Disability</u> | <u>Retiree Medical</u> | <u>Total</u> |
|--|-----------------------------------|----------------------------------|--------------------------------|--|----------------------------|-----------------------|
| Reconciliation of operating income (loss) to net cash flows from operating activities | | | | | | |
| Operating income (loss) | \$ (390,155) | \$ (186,817) | \$ 254,405 | \$ (332,282) | \$ (1,357,039) | \$ (2,011,888) |
| Adjustments to reconcile operating income (loss) to net cash flows from operating activities | | | | | | |
| Depreciation | 285,961 | - | 640,492 | - | - | 926,453 |
| Change in assets, deferred outflows of resources, liabilities and deferred inflows of resources | | | | | | |
| Due to retirement system | (140,738) | (3,378) | (35,110) | - | - | (179,226) |
| Due to OPEB system | (58,702) | (601) | (17,670) | - | - | (76,973) |
| Accounts payable and accruals | (135,534) | - | 21,988 | - | - | (113,546) |
| Compensated absences | (38,575) | 1,764 | (17,929) | - | - | (54,740) |
| Claims payable | - | 195,000 | - | - | - | 195,000 |
| Cash flows from operating activities | <u>\$ (477,743)</u> | <u>\$ 5,968</u> | <u>\$ 846,176</u> | <u>\$ (332,282)</u> | <u>\$ (1,357,039)</u> | <u>\$ (1,314,920)</u> |

STATISTICAL SECTION

This part of the City'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 says about the City's overall financial health. In contrast to the financial section, the statistical section information is not subject to independent audit.

Financial Trends

These schedules contain trend information to help the reader understand how the City's financial performance and wellbeing have changed over time:

1. Net Position/Assets by Component
2. Changes in Net Position/Assets
3. Fund Balances of Governmental Funds
4. Changes in Fund Balance of Governmental Funds

Revenue Capacity

These schedules contain information to help the reader assess the City's most significant own-source revenue, property tax.

1. Assessed and Estimated Actual Value of Taxable Property
2. Direct and Overlapping Property Tax Rates
3. Principal Property Taxpayers
4. Property Tax Levies and Collections

Debt Capacity

These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future:

1. Ratios of Outstanding Debt by Type
2. Direct and Overlapping Bonded Debt
3. Legal Debt Margin Information
4. Ratio of General Bonded Debt Outstanding

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place:

1. Demographic and Economic Statistics
2. 2022 Employer Ranking

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs:

1. Full-Time Equivalent Employees by Function/Program
2. Operating Indicators by Function/Program
3. Capital Assets Statistics by Function/Program

Sources

Unless otherwise noted, the information in these schedules is derived from the Annual Comprehensive Financial Reports for the relevant year.

CITY OF CUPERTINO
Net Positions/Assets by Component
Last Ten Fiscal Years
(Accrual basis of accounting)
(Unaudited)

| | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> | <u>2020</u> | <u>2021</u> | <u>2022</u> |
|--|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Governmental Activities | | | | | | | | | | |
| Net investment in capital assets | \$ 116,343,918 | \$ 122,081,223 | \$ 131,425,677 | \$ 148,168,074 | \$ 153,239,534 | \$ 167,606,366 | \$ 170,973,897 | \$ 177,128,134 | \$ 186,503,116 | \$ 196,915,823 |
| Restricted | 8,351,118 | 24,232,367 | 38,327,705 | 34,861,807 | 34,991,692 | 32,073,195 | 45,405,508 | 48,005,800 | 53,711,040 | 68,300,759 |
| Unrestricted | <u>47,558,701</u> | <u>63,150,548</u> | <u>51,003,950</u> | <u>51,164,063</u> | <u>59,385,309</u> | <u>50,457,871</u> | <u>51,190,017</u> | <u>66,493,336</u> | <u>83,458,299</u> | <u>93,104,631</u> |
| Total governmental activities net position/assets | <u>172,253,737</u> | <u>209,464,138</u> | <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> | <u>291,627,270</u> | <u>323,672,455</u> | <u>358,321,213</u> |
| Business-Type Activities | | | | | | | | | | |
| Net investment in capital assets | 762,013 | 1,110,414 | 2,079,561 | 1,708,183 | 1,972,169 | 1,597,700 | 1,318,744 | 1,118,882 | 2,090,530 | 2,089,569 |
| Restricted | - | - | - | - | - | - | - | - | - | 166,607 |
| Unrestricted | <u>10,865,479</u> | <u>10,292,210</u> | <u>6,604,578</u> | <u>7,375,444</u> | <u>9,092,584</u> | <u>8,051,015</u> | <u>6,737,758</u> | <u>8,134,944</u> | <u>9,374,129</u> | <u>8,422,930</u> |
| Total business-type activities net position/assets | <u>11,627,492</u> | <u>11,402,624</u> | <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> | <u>9,253,826</u> | <u>11,464,659</u> | <u>10,679,106</u> |
| Primary Government | | | | | | | | | | |
| Net investment in capital assets | 117,105,931 | 123,191,637 | 133,505,238 | 149,876,257 | 155,211,703 | 169,204,066 | 172,292,641 | 178,247,016 | 188,593,646 | 199,005,392 |
| Restricted | 8,351,118 | 24,232,367 | 38,327,705 | 34,861,807 | 34,991,692 | 32,073,195 | 45,405,508 | 48,005,800 | 53,711,040 | 68,467,366 |
| Unrestricted | <u>58,424,180</u> | <u>73,442,758</u> | <u>57,608,528</u> | <u>58,539,507</u> | <u>68,477,893</u> | <u>58,508,886</u> | <u>57,927,775</u> | <u>74,628,280</u> | <u>92,832,428</u> | <u>101,527,561</u> |
| (1), (2) | <u>\$ 183,881,229</u> | <u>\$ 220,866,762</u> | <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> | <u>\$ 300,881,096</u> | <u>\$ 335,137,114</u> | <u>\$ 369,000,319</u> |

(1) Represents net assets thru June 30, 2013 and net position after that.

(2) Noted that restatements due to prior period adjustments and changes in accounting principles are not reflected in the prior year balances.

CITY OF CUPERTINO
Change in Net Positions/Assets
Last Ten Fiscal Years
(Accrual basis of accounting)
(Unaudited)

| | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> | <u>2020</u> | <u>2021</u> | <u>2022</u> |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Expenses | | | | | | | | | | |
| Governmental Activities: | | | | | | | | | | |
| Administration | \$ 2,367,255 | \$ 4,529,539 | \$ 3,286,919 | \$ 3,710,388 | \$ 2,873,744 | \$ 5,612,733 | \$ 6,849,046 | \$ 7,974,520 | \$ 3,637,467 | \$ 7,293,244 |
| Law enforcement | 9,274,536 | 10,062,192 | 10,705,328 | 11,316,271 | 12,528,328 | 12,674,042 | 13,381,113 | 14,698,130 | 15,211,646 | 16,100,903 |
| Public and environmental affairs | 1,595,982 | 512,895 | 649,442 | 575,260 | 1,884,165 | 3,244,846 | 3,210,343 | 3,637,354 | 1,721,729 | 2,004,515 |
| Administrative services | 4,171,440 | 2,662,008 | 4,300,336 | 2,994,611 | 5,898,479 | 4,415,647 | 4,290,818 | 5,175,596 | 5,358,183 | 5,363,745 |
| Recreation services | 4,473,861 | 4,866,974 | 5,365,282 | 5,758,194 | 10,651,557 | 9,352,551 | 7,389,915 | 8,763,194 | 1,182,662 | 3,976,793 |
| Community development | 4,676,273 | 9,108,949 | 5,976,797 | 6,259,734 | 13,775,591 | 16,789,351 | 10,470,973 | 10,286,317 | 11,495,788 | 12,209,547 |
| Public works | 22,149,063 | 21,143,331 | 27,893,361 | 31,313,396 | 32,491,244 | 28,995,382 | 31,870,165 | 33,339,191 | 41,870,240 | 35,653,588 |
| Interest on long-term debt | 1,256,922 | 1,130,428 | 1,120,138 | 1,077,538 | 1,035,738 | 993,038 | 949,438 | 882,837 | 397,682 | 636,960 |
| Total governmental activities expense | 49,965,332 | 54,016,316 | 59,297,603 | 63,005,392 | 81,138,846 | 82,077,590 | 78,411,811 | 84,757,139 | 80,875,397 | 83,239,295 |
| Business-Type Activities: | | | | | | | | | | |
| Resources recovery | 1,764,993 | 2,159,047 | 2,548,461 | 2,997,200 | 2,991,177 | 2,594,511 | 1,735,885 | 2,213,404 | 1,670,261 | 1,837,781 |
| Blackberry farm | 463,336 | 571,000 | 547,185 | 576,177 | 597,406 | 656,112 | 645,469 | 663,663 | 535,274 | 655,184 |
| Cupertino sports center | 2,011,483 | 2,221,703 | 2,269,420 | 2,299,210 | 2,159,243 | 2,633,748 | 3,036,037 | 2,883,903 | 2,182,900 | 3,396,146 |
| Recreation programs | 2,025,416 | 2,730,765 | 2,342,457 | 3,136,011 | 2,351,501 | 3,232,593 | 2,923,336 | 3,141,225 | 1,117,244 | 1,617,717 |
| Total business-type activities expense | 6,265,228 | 7,682,515 | 7,707,523 | 9,008,598 | 8,099,327 | 9,116,964 | 8,340,727 | 8,902,195 | 5,505,679 | 7,606,828 |
| Total primary government expense | 56,230,560 | 61,698,831 | 67,005,126 | 72,013,990 | 89,238,173 | 91,194,554 | 86,752,538 | 93,659,334 | 86,381,076 | 90,746,123 |
| Program Revenues | | | | | | | | | | |
| Governmental Activities: | | | | | | | | | | |
| Charges for services: | | | | | | | | | | |
| Administration | 5,676 | 1,087,393 | 322,534 | 369,069 | 3,992,716 | 5,062,988 | 1,319,395 | 2,091,811 | 2,387,412 | 2,551,205 |
| Law enforcement | 637,595 | 725,631 | 590,378 | 664,483 | 603,194 | 732,544 | 889,923 | 1,102,888 | 550,051 | 940,797 |
| Public and environmental affairs | - | - | 41,352 | 41,352 | - | - | - | - | - | - |
| Administrative services | - | - | 481,616 | 359,148 | 3,565,627 | 2,635,885 | 3,113,731 | 3,889,180 | 5,232,679 | 7,457,032 |
| Recreation services | 970,292 | 955,081 | 1,798,134 | 1,421,185 | 2,016,159 | 1,589,134 | 1,563,262 | 1,309,906 | 264,426 | 653,994 |
| Community development | 6,765,564 | 6,649,292 | 8,511,745 | 10,534,457 | 10,902,822 | 8,598,935 | 7,470,690 | 5,859,847 | 5,736,587 | 5,768,850 |
| Public works | 593,501 | 7,916,897 | 2,869,357 | 6,358,870 | 6,873,487 | 4,720,646 | 4,504,104 | 5,657,315 | 3,966,206 | 4,015,183 |
| Operating grants and contributions | 2,752,493 | 10,000,131 | 6,002,617 | 1,851,282 | 2,313,632 | 4,819,696 | 2,557,470 | 5,794,443 | 5,998,209 | 7,601,210 |
| Capital grants and contributions | 719,880 | 569,159 | 4,022,190 | 362,491 | 245,288 | 271,587 | 1,082,243 | 1,046,756 | 1,792,376 | 1,282,617 |
| Total governmental activities program revenue | 12,445,001 | 27,903,584 | 24,639,923 | 21,962,337 | 30,512,925 | 28,431,415 | 22,500,818 | 26,752,146 | 25,927,946 | 30,270,888 |
| Business-Type Activities: | | | | | | | | | | |
| Charges for services: | | | | | | | | | | |
| Resources recovery | 1,882,517 | 2,074,251 | 2,591,276 | 2,664,888 | 2,792,190 | 2,559,862 | 1,750,279 | 1,821,677 | 1,819,861 | 1,545,683 |
| Blackberry farm | 386,753 | 302,472 | 388,091 | 334,529 | 325,224 | 345,667 | 316,615 | 338,212 | 610,603 | 602,778 |
| Cupertino sports center | 2,150,139 | 2,188,127 | 2,152,498 | 2,224,146 | 2,238,023 | 2,403,665 | 2,349,468 | 2,365,667 | 1,810,194 | 2,796,329 |
| Recreation programs | 2,409,720 | 2,480,209 | 2,532,800 | 2,466,336 | 2,778,588 | 2,516,678 | 1,986,781 | 1,588,576 | 590,871 | 1,294,128 |
| Total business-type activities program revenue | 6,829,129 | 7,045,059 | 7,664,665 | 7,689,899 | 8,134,025 | 7,825,872 | 6,403,143 | 6,114,132 | 4,831,529 | 6,238,918 |
| Total primary government program revenue | 19,274,130 | 34,948,643 | 32,304,588 | 29,652,236 | 38,646,950 | 36,257,287 | 28,903,961 | 32,866,278 | 30,759,475 | 36,509,806 |

(continued)

CITY OF CUPERTINO
Change in Net Positions/Assets
Last Ten Fiscal Years
(Accrual basis of accounting)
(Unaudited)

| | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> | <u>2020</u> | <u>2021</u> | <u>2022</u> |
|---|---------------------|----------------------|------------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Net (Expense) Revenue: | | | | | | | | | | |
| Governmental activities | \$ (37,520,331) | \$ (26,112,732) | \$ (34,657,680) | \$ (41,043,055) | \$ (50,625,921) | \$ (53,646,175) | \$ (55,910,993) | \$ (58,004,993) | \$ (54,947,451) | \$ (52,968,407) |
| Business-Type activities | 563,901 | (637,456) | (42,858) | (1,318,699) | 34,698 | (1,291,092) | (1,937,584) | (2,788,063) | (674,150) | (1,267,910) |
| Total primary government net expense | <u>(36,956,430)</u> | <u>(26,750,188)</u> | <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> | <u>(60,793,056)</u> | <u>(55,621,601)</u> | <u>(54,236,317)</u> |
| General Revenues and Transfers | | | | | | | | | | |
| Governmental Activities: | | | | | | | | | | |
| Taxes: | | | | | | | | | | |
| Property taxes | 8,793,110 | 9,169,183 | - | 11,864,027 | 13,251,840 | 14,881,533 | 17,082,005 | 18,117,304 | 19,197,994 | 20,322,779 |
| Property taxes in lieu of motor vehicle fee | 4,772,355 | 5,289,476 | - | 6,330,436 | 6,967,237 | 7,552,272 | 8,219,090 | 8,489,541 | 9,079,845 | 9,401,632 |
| Sales tax | 18,721,193 | 19,794,036 | - | 21,350,056 | 26,932,012 | 26,164,531 | 24,901,779 | 35,657,214 | 42,581,070 | 43,646,813 |
| Transient occupancy tax | 3,768,504 | 4,590,156 | - | 5,852,244 | 6,023,681 | 6,810,718 | 8,901,337 | 7,286,083 | 2,141,058 | 4,404,958 |
| Utility user tax | 2,994,526 | 3,098,639 | - | 3,370,830 | 3,082,407 | 3,146,398 | 3,089,922 | 3,182,086 | 3,074,358 | 3,356,389 |
| Franchise tax | 2,848,950 | 2,775,892 | - | 3,478,024 | 3,409,572 | 3,563,820 | 3,445,253 | 3,418,908 | 3,368,286 | 3,479,554 |
| Other taxes | 4,561,219 | 18,791,559 | - | 2,818,019 | 3,258,118 | 1,943,652 | 3,299,587 | 1,774,235 | 3,022,333 | 11,117,528 |
| Intergovernmental (1) | 30,256 | 25,294 | - | 24,111 | 26,118 | 31,013 | 28,844 | 47,391 | 43,675 | 67,762 |
| Investment earnings | 176,782 | 133,243 | 40,751 | 807,287 | 694,730 | 916,638 | 3,258,550 | 5,690,723 | 4,147,907 | (9,241,781) |
| Miscellaneous | 126,690 | 57,005 | (2) | 219,053 | 2,004,906 | 1,834,492 | 1,187,741 | 1,922,356 | 3,185,110 | 1,948,332 |
| Gain on sale of capital assets | - | - | 23,715,897 | 580 | - | 740,570 | 3,875 | - | - | - |
| Transfers - fund closings (2) | - | - | - | - | 272,011 | - | - | - | - | - |
| Transfers | (150,000) | (401,350) | 872,340 | (1,635,000) | (1,874,120) | 107,030 | (75,000) | (3,523,000) | (2,849,000) | (886,801) |
| Total governmental activities | <u>46,643,585</u> | <u>63,323,133</u> | <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> | <u>82,062,841</u> | <u>86,992,636</u> | <u>87,617,165</u> |
| Business-Type Activities: | | | | | | | | | | |
| Investment earnings | 31,573 | 11,238 | 42,531 | 82,187 | 59,012 | 75,663 | 270,371 | 462,387 | 35,983 | (404,444) |
| Transfers | 150,000 | 401,350 | (872,340) | 1,635,000 | 1,874,120 | (107,030) | 75,000 | 3,523,000 | 2,849,000 | 886,801 |
| Total business-type activities | <u>181,573</u> | <u>412,588</u> | <u>(829,809)</u> | <u>1,717,187</u> | <u>1,933,132</u> | <u>(31,367)</u> | <u>345,371</u> | <u>3,985,387</u> | <u>2,884,983</u> | <u>482,357</u> |
| Total primary government | <u>46,825,158</u> | <u>63,735,721</u> | <u>23,799,177</u> | <u>56,196,854</u> | <u>65,981,644</u> | <u>67,661,300</u> | <u>73,688,354</u> | <u>86,048,228</u> | <u>89,877,619</u> | <u>88,099,522</u> |
| Change in Net Position/Assets (3) | | | | | | | | | | |
| Governmental activities | 9,123,254 | 37,210,401 | (10,028,694) | 13,436,612 | 13,422,591 | 14,046,492 | 17,431,990 | 24,057,848 | 32,045,185 | 34,648,758 |
| Business-Type activities | 745,474 | (224,868) | (872,667) | 398,488 | 1,967,830 | (1,322,459) | (1,592,213) | 1,197,324 | 2,210,833 | (785,553) |
| Total primary government | <u>\$ 9,868,728</u> | <u>\$ 36,985,533</u> | <u>\$ (10,901,361)</u> | <u>\$ 13,835,100</u> | <u>\$ 15,390,421</u> | <u>\$ 12,724,033</u> | <u>\$ 15,839,777</u> | <u>\$ 25,255,172</u> | <u>\$ 34,256,018</u> | <u>\$ 33,863,205</u> |

(1) The 2006 state take-away of sales taxes, property taxes and vehicle license fees is reported in this category.

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

(3) Represents changes in net assets thru fiscal year ended June 30, 2013 and changes in net position after that.

CITY OF CUPERTINO
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Modified accrual basis of accounting
(Unaudited)

| | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019 (2)</u> | <u>2020</u> | <u>2021</u> | <u>2022</u> |
|-------------------------------------|----------------------|----------------------|----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| General Fund | | | | | | | | | | |
| Nonspendable | \$ 956,827 | \$ 3,363,065 | \$ 938,245 | \$ 937,381 | \$ 876,939 | \$ 464,893 | \$ 454,188 | \$ 3,449,341 | \$ 3,444,346 | \$ 3,546,678 |
| Restricted | 725,903 | - | 761,653 | 888,374 | 1,016,771 | 1,254,578 | 9,469,670 | 14,324,757 | 20,140,419 | 18,756,482 |
| Committed | - | - | - | - | 19,000,000 | 19,122,754 | 19,123,397 | 19,127,891 | 19,127,891 | 34,127,891 |
| Assigned | 16,400,000 | 16,400,000 | 28,849,679 | 20,500,000 | 4,638,181 | 9,963,310 | 1,979,202 | 3,176,882 | 4,906,139 | 5,041,682 |
| Unassigned | 17,961,579 | 23,197,378 | 8,774,966 | 29,869,085 | 28,057,799 | 21,704,922 | 27,896,128 | 34,426,942 | 49,231,996 | 48,696,821 |
| Total General Fund | <u>36,044,309</u> | <u>42,960,443</u> | <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> | <u>74,505,813</u> | <u>96,850,791</u> | <u>110,169,554</u> |
| All Other Governmental Funds | | | | | | | | | | |
| Nonspendable | - | - | - | - | - | - | - | - | - | - |
| Restricted | 7,625,215 | 24,232,367 | 37,566,052 | 33,973,433 | 33,974,921 | 30,818,617 | 35,935,838 | 33,681,043 | 33,570,621 | 46,380,885 |
| Committed | - | - | 1,398,665 | 1,398,665 | 1,398,665 | - | - | - | - | - |
| Assigned | 5,299,904 | 7,619,534 | 20,671,116 | 15,344,191 | 25,305,974 | 29,129,616 | 33,211,946 | 40,551,131 | 37,038,174 | 35,088,889 |
| Unassigned | - | (2,280,961) | - | - | - | - | - | - | - | - |
| Total All Other Governmental Funds | <u>12,925,119</u> | <u>29,570,940</u> | <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> | <u>74,232,174</u> | <u>70,608,795</u> | <u>81,469,774</u> |
| Total Governmental Funds | <u>\$ 48,969,428</u> | <u>\$ 72,531,383</u> | <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> | <u>\$ 148,737,987</u> | <u>\$ 167,459,586</u> | <u>\$ 191,639,328</u> |

(1) The City implemented GASB Statement No. 54 under which governmental fund balances are reported as nonspendable, restricted, committed, assigned and unassigned compared to reserved and unreserved

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

CITY OF CUPERTINO
Change in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Modified accrual basis of accounting)
(Unaudited)

| | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> | <u>2020</u> | <u>2021</u> |
|---|----------------------|----------------------|----------------------|---------------------|----------------------|-----------------------|----------------------|----------------------|----------------------|
| Revenues | | | | | | | | | |
| Taxes | \$ 48,382,570 | \$ 72,211,724 | \$ 55,134,238 | \$ 55,462,956 | \$ 62,924,867 | \$ 64,062,924 | \$ 68,938,973 | \$ 77,925,371 | \$ 82,464,944 |
| Use of money and property | 744,196 | 764,299 | 915,933 | 1,654,702 | 1,425,629 | 1,543,818 | 3,896,813 | 6,259,342 | 4,447,970 |
| Intergovernmental | 2,841,407 | 3,069,400 | 7,210,562 | 2,532,025 | 2,585,038 | 5,122,296 | 3,668,557 | 6,888,590 | 7,834,260 |
| Licenses and permits | 3,502,617 | 3,679,943 | 3,170,445 | 3,073,110 | 2,536,925 | 2,757,928 | 4,102,665 | 4,692,847 | 4,068,238 |
| Charges for services | 4,515,066 | 10,744,113 | 5,203,371 | 17,249,123 | 24,103,167 | 15,638,247 | 13,385,698 | 13,937,950 | 13,601,302 |
| Fines and forfeitures | 560,417 | 616,889 | 554,002 | 564,903 | 603,194 | 602,934 | 534,012 | 344,008 | 134,459 |
| Other | 57,828 | 545,052 | 542,429 | 1,289,013 | 2,004,904 | 1,834,492 | 1,187,741 | 1,922,356 | 3,185,110 |
| Total revenues | <u>60,604,101</u> | <u>91,631,420</u> | <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> | <u>111,970,464</u> | <u>115,736,283</u> |
| Expenditures: | | | | | | | | | |
| Current: | | | | | | | | | |
| Administration | 2,005,176 | 3,957,739 | 3,897,701 | 4,053,741 | 5,942,633 | 4,943,052 | 6,294,111 | 6,951,541 | 7,549,386 |
| Law enforcement | 8,783,885 | 9,626,121 | 10,283,772 | 10,988,735 | 11,939,095 | 12,362,621 | 13,108,732 | 14,151,413 | 14,776,409 |
| Public and environmental affairs | 1,486,910 | 477,852 | 624,295 | 544,718 | 1,864,746 | 2,835,768 | 2,843,540 | 3,223,185 | 1,836,725 |
| Administrative services | 3,772,714 | 2,444,670 | 3,226,164 | 2,811,117 | 5,054,539 | 4,430,300 | 4,197,582 | 4,617,787 | 5,196,299 |
| Recreation services | 4,083,822 | 4,536,519 | 5,047,548 | 5,441,200 | 9,361,934 | 8,686,076 | 8,996,118 | 7,688,935 | 4,787,914 |
| Community development | 4,395,601 | 8,424,254 | 5,180,659 | 6,102,820 | 7,431,292 | 12,907,086 | 9,359,835 | 9,310,827 | 11,177,690 |
| Public works | 13,996,516 | 17,469,627 | 14,625,038 | 15,078,174 | 18,623,585 | 18,191,714 | 19,955,579 | 22,445,948 | 24,568,155 |
| Capital Outlay | 4,684,676 | 7,110,974 | 21,760,899 | 26,171,127 | 18,731,165 | 23,395,112 | 10,528,246 | 12,644,373 | 19,483,945 |
| Debt service: | | | | | | | | | |
| Principal repayment | 1,920,000 | 2,040,000 | 2,055,000 | 2,090,000 | 2,135,000 | 2,180,000 | 2,220,000 | 2,290,000 | 2,140,000 |
| Interest and fiscal charges | 1,256,922 | 1,130,428 | 1,120,138 | 1,077,538 | 1,035,738 | 993,038 | 949,438 | 882,837 | 798,747 |
| Total expenditures | <u>46,386,222</u> | <u>57,218,184</u> | <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> | <u>84,206,846</u> | <u>92,315,270</u> |
| Excess (deficiency) of revenues over (under) expenditures | <u>14,217,879</u> | <u>34,413,236</u> | <u>4,909,766</u> | <u>7,466,662</u> | <u>14,063,997</u> | <u>637,872</u> | <u>17,261,278</u> | <u>27,763,618</u> | <u>23,421,013</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 | - | 37,569 | 23,814,257 | 580 | - | 872,250 | 3,875 | - | - |
| Transfers in | 8,438,707 | 13,610,304 | 39,408,990 | 11,905,724 | 26,446,090 | 31,028,218 | 19,407,613 | 35,208,276 | 12,876,969 |
| Transfers in - fund closing | - | - | - | - | 260,374 | - | - | - | - |
| Transfers out | (10,308,210) | (24,499,154) | (39,177,284) | (15,422,213) | (29,412,340) | (34,348,900) | (21,061,087) | (42,304,276) | (16,215,969) |
| Total other financing sources (uses) | <u>(1,869,503)</u> | <u>(10,851,281)</u> | <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> | <u>(7,096,000)</u> | <u>(4,699,414)</u> |
| Extraordinary Item | | | | | | | | | |
| Asset transferred to Successor Agencies | (1,130,797) | - | - | - | - | - | - | - | - |
| Change in fund balances | <u>\$ 11,217,579</u> | <u>\$ 23,561,955</u> | <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> | <u>\$ 20,667,618</u> | <u>\$ 18,721,599</u> |
| Debt service as a percentage of noncapital expenditures (1) | 7.6% | 6.3% | 6.9% | 6.6% | 5.0% | 4.7% | 4.7% | 4.4% | 4.0% |

(1) Noncapital expenditures is total expenditures less capital assets added each year to the statement of net position/assets.

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 |
|-------------|-------------------|----------------|---|--------------------|---|-----------------|
| 2013 | \$ 13,882,147,291 | \$ 738,243,050 | \$ 1,390,000 | \$ 108,468,872 | \$ 14,621,780,341 | 6.20% |
| 2014 | 15,391,656,690 | 813,117,019 | 1,390,000 | 113,744,809 | 16,206,163,709 | 5.62% |
| 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 | 6.46% |
| 2022 | 27,083,468,890 | 1,724,247,088 | - | 149,658,614 | 28,807,715,978 | 3.55% |



(a) Net of exemptions

Source: HdL, Coren & Cone

Data Source: Santa Clara County Assessor 2012-13 - 2021-22 Combined Tax Rolls

THE CITY OF CUPERTINO
Direct and Overlapping Property Tax Rates
(Rate per \$100 of taxable value)

| Agency | Last 10 Fiscal Years | | | | | | | | | |
|---|----------------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|----------------|
| | 2012/13 | 2013/14 | 2014/15 | 2015/16 | 2016/17 | 2017/18 | 2018-19 | 2019-20 | 2020-21 | 2020-22 |
| Basic Levy¹ | 1.00000 | 1.00000 | 1.00000 | 1.00000 | 1.00000 | 1.00000 | 1.00000 | 1.00000 | 1.00000 | 1.00000 |
| Co. Housing Bond 2016 | 0.00000 | 0.00000 | 0.00000 | 0.00000 | 0.00000 | 0.01266 | 0.01050 | 0.01000 | 0.00000 | 0.01266 |
| County Bond 2008 Hospital Facility | 0.00510 | 0.00350 | 0.00910 | 0.00880 | 0.00860 | 0.00820 | 0.00720 | 0.00690 | 0.00690 | 0.00610 |
| County Library Retirement Levy | 0.00240 | 0.00240 | 0.00240 | 0.00240 | 0.00240 | 0.00240 | 0.00240 | 0.00240 | 0.00240 | 0.00240 |
| County Retirement Levy | 0.03880 | 0.03880 | 0.03880 | 0.03880 | 0.03880 | 0.03880 | 0.03880 | 0.03880 | 0.03880 | 0.03880 |
| Cupertino Elementary | 0.05980 | 0.05250 | 0.05400 | 0.05190 | 0.05090 | 0.04960 | 0.03970 | 0.04150 | 0.04030 | 0.03800 |
| El Camino Hospital 2003 | 0.01290 | 0.01290 | 0.01290 | 0.01290 | 0.01290 | 0.01000 | 0.01000 | 0.01000 | 0.01000 | 0.01000 |
| Foothill De Anza College | 0.02870 | 0.02900 | 0.02760 | 0.02400 | 0.02340 | 0.02200 | 0.02170 | 0.02080 | 0.03640 | 0.03310 |
| Fremont High | 0.03900 | 0.04050 | 0.03960 | 0.05250 | 0.04030 | 0.04640 | 0.04300 | 0.04790 | 0.04780 | 0.04160 |
| Los Gatos-Saratoga High 1998 | 0.03680 | 0.03510 | 0.05160 | 0.04230 | 0.04690 | 0.04570 | 0.03040 | 0.01770 | 0.01930 | 0.01850 |
| MidPeninsula Open Space 2014 | 0.00000 | 0.00000 | 0.00000 | 0.00080 | 0.00060 | 0.00090 | 0.00180 | 0.00160 | 0.00150 | 0.00150 |
| Santa Clara Unified | 0.08190 | 0.07070 | 0.07040 | 0.09420 | 0.08180 | 0.08280 | 0.07070 | 0.11760 | 0.10450 | 0.10140 |
| Santa Clara Valley Water District | 0.00690 | 0.00700 | 0.00650 | 0.00570 | 0.00860 | 0.00620 | 0.00420 | 0.00410 | 0.00370 | 0.00510 |
| Saratoga Elementary | 0.04520 | 0.04500 | 0.04580 | 0.04490 | 0.04560 | 0.04580 | 0.04580 | 0.04640 | 0.04850 | 0.04830 |
| West Valley College | 0.02890 | 0.02550 | 0.01200 | 0.02320 | 0.01960 | 0.02000 | 0.01980 | 0.01860 | 0.03110 | 0.03040 |
| Total Direct & Overlapping² Tax Rates | 1.38640 | 1.36290 | 1.37070 | 1.40240 | 1.38040 | 1.39146 | 1.34600 | 1.39530 | 1.39120 | 1.38786 |
| City's Share of 1% Levy Per Prop 13³ | 0.05652 | 0.05626 | 0.05617 | 0.05571 | 0.05962 | 0.06148 | 0.06320 | 0.06531 | 0.06515 | 0.06528 |
| General Obligation Debt Rate | | | | | | | | | | |
| Redevelopment Rate⁴ | | | | | | | | | | |
| Total Direct Rate⁵ | 0.06204 | 0.05623 | 0.05610 | 0.05588 | 0.05976 | 0.06187 | 0.06381 | 0.06499 | 0.06463 | 0.06477 |

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 2012/13 - 2021/22 Tax Rate Table

CITY OF CUPERTINO
Principal Property Taxpayers
Current Year and Ten Years Ago
(Unaudited)

| Taxpayer | 2022 Assessed Valuation | Percentage of Total Assessed Valuation | 2013 Assessed Valuation | Percentage of Total Assessed Valuation |
|--------------------------------|-------------------------------|--|-------------------------------|--|
| Apple Inc. | \$ 7,077,454,285 | 24.57% | \$ 933,312,667 | 6.38% |
| Main Street Cupertino | 372,315,274 | 1.29% | - | 0.00% |
| Vallco Property Owner LLC | 350,306,826 | 1.22% | 72,972,533 | 0.50% |
| Swift Results Way LLC | 346,000,000 | 1.20% | - | 0.00% |
| Cupertino City Center | 266,991,604 | 0.93% | - | 0.00% |
| Cupertino Property Development | 210,893,888 | 0.73% | - | 0.00% |
| PR Cupertino Gateway LLC | 134,707,992 | 0.47% | - | 0.00% |
| Avery Glenbrook LP | 111,499,196 | 0.39% | - | 0.00% |
| Markham Apartments LP | 107,316,527 | 0.37% | - | 0.00% |
| Preg Emerson LLC | 105,566,151 | 0.37% | - | 0.00% |
| Total | \$ 9,083,051,743 | 31.54% | \$ 1,006,285,200 | 6.88% |

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 |
|----------------|-------------------|----------------------------|-------------------------------------|--------------------------------------|-----------------------------|---|
| 2013 | \$ 8,199,752 | \$ 8,199,752 | 100.00% | \$ - | \$ 8,199,752 | 100.00% |
| 2014 | 9,169,183 | 9,169,183 | 100.00% | - | 9,169,183 | 100.00% |
| 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% |

(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 | Percentage of Estimated Actual Market Value of Taxable Property | Per Capita | % of Personal Income |
|----------------|----------------------------------|--|------------|----------------------------|
| 2013 | \$ 42,020,000 | 0.26% | \$ 705 | 1.41% |
| 2014 | 39,980,000 | 0.23% | 671 | 1.38% |
| 2015 | 37,925,000 | 0.20% | 633 | 1.28% |
| 2016 | 35,835,000 | 0.18% | 598 | 1.21% |
| 2017 | 33,700,000 | 0.15% | 579 | 1.02% |
| 2018 | 31,520,000 | 0.12% | 525 | 0.87% |
| 2019 | 29,300,000 | 0.11% | 488 | 0.81% |
| 2020 | 27,010,000 | 0.10% | 451 | 0.71% |
| 2021 | 22,040,000 | 0.08% | 370 | 0.54% |
| 2022 | 19,900,000 | 0.07% | 328 | 0.44% |

Source: City of Cupertino Budget Book

CITY OF CUPERTINO
Direct and Overlapping Bonded Debt
June 30, 2022
(Unaudited)

2022-23 Assessed Valuation \$ 28,807,715,978

| <u>Overlapping Tax and Assessment Debt:</u> | Total Debt 6/30/2022 | % | City's Share of Debt 6/30/22 |
|--|--------------------------|-----------------------|---------------------------------|
| | <u> </u> | <u>Applicable (1)</u> | <u> </u> |
| Santa Clara County | \$ 1,130,850,000 | 4.998% | \$ 56,519,883 |
| Santa Clara County General Fund Obligations | 1,210,694,365 | 4.998% | 60,510,504 |
| Santa Clara County Pension Obligations | 335,638,470 | 4.998% | 16,775,211 |
| Santa Clara County Board of Education Certificates of Participation | 1,820,000 | 4.998% | 90,964 |
| Foothill-DeAnza Community College District | 657,878,325 | 12.559% | 82,622,939 |
| Foothill-DeAnza Community College District Certificates of Participation | 21,380,000 | 12.559% | 2,685,114 |
| West Valley Community College District | 732,500,000 | 1.977% | 14,481,525 |
| West Valley-Mission Community College District General Fund Obligations | 12,000,000 | 1.977% | 237,240 |
| Santa Clara Unified School District | 956,350,000 | 4.380% | 41,888,130 |
| Santa Clara Unified School District General Fund Obligations | 13,325,000 | 4.380% | 583,635 |
| Santa Clara County Vector Control District Certificates of Participation | 1,505,000 | 4.998% | 75,220 |
| Fremont Union High School District | 582,770,088 | 28.026% | 163,327,145 |
| Cupertino Union School District | 271,768,303 | 51.138% | 138,976,875 |
| El Camino Hospital District | 111,240,000 | 0.891% | 991,148 |
| Midpeninsula Regional Open Space District and General Fund Obligations | 84,575,000 | 7.600% | 6,427,700 |
| Santa Clara Valley Water District Benefit Assessment | 48,150,000 | 4.998% | 2,406,537 |
| Total Overlapping Tax and Assessment Debt | <u>6,172,444,551</u> | | <u>588,599,770</u> |
| | | | |
| <u>Direct Debt: City of Cupertino Certificates of Participation</u> | <u>19,900,000</u> | 100.000% | <u>19,900,000</u> |
| Total Direct and Overlapping General Fund Debt | <u>19,900,000</u> | | <u>19,900,000</u> |
| | | | |
| <u>Totals by Category:</u> | | | (3) |
| Total Direct Debt | 19,900,000 | | 19,900,000 |
| Total Overlapping Debt | 6,172,444,551 | | 588,599,770 |
| Combined Total Debt | <u>\$ 6,192,344,551</u> | | <u>\$ 608,499,770</u> |

Ratios to 2021-22 Assessed Valuation:

| | |
|---|--------------|
| Total Overlapping Tax and Assessment Debt | 2.04% |
| Combined Total Debt | 0.07% |
| Combined Total Debt | 2.11% |

- (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) Principal amount as of 6/30/22.

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 |
|----------------|----------------|--|-------------------------|--|
| 2013 | \$ 520,580,523 | \$ - | \$ 520,580,523 | - |
| 2014 | 577,187,126 | - | 577,187,126 | - |
| 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 | 1,015,630,083 | - | 1,015,630,083 | - |
| 2022 | 1,015,630,083 | - | 1,015,630,083 | - |

Debt Limit:

| | |
|--|----------------------|
| Secured property assessed value, net of exempt real property | \$ 27,083,468,890 |
| Adjusted valuation - 25% of assessed valuation | 6,770,867,223 |
| Debt limit - 15% of adjusted valuation | <u>1,015,630,083</u> |

Amount of Debt Subject to Limit:

| | |
|---|-------------------------|
| Total Bonded Debt | 19,900,000 |
| Less: Certificates of Participation not subject to debt limit | (19,900,000) |
| Amount of debt subject to limit | <u>-</u> |
| Legal Debt Margin | <u>\$ 1,015,630,083</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.

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 |
|----------------|------------|-------------------|------------------------|---------------------------|--|
| 2013 | 59,620 | \$ 14,621,780,341 | \$ - | \$ - | \$ - |
| 2014 | 59,946 | 17,098,778,392 | - | - | - |
| 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 | - | - | - |

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 Population % of County | City Personal Income (2) | Per Capita Personal Income (2) | **Public School Enrollment | City Unemployment Rate (%) (3) | County Unemployment Rate (%) (3) | Median Age (4) | % of Population Over 25 with High School Degree | % of Population Over 25 with Bachelor's Degree |
|-------------|---------------------|-----------------------|-----------------------------|--------------------------|--------------------------------|----------------------------|--------------------------------|----------------------------------|----------------|---|--|
| 2012-13 | 59,620 | 1,842,254 | 3.24% | \$ 2,985,829,000 | \$ 50,081 | 29,699 | 4.1% | 8.4% | 39.5 | 96.7% | 75.5% |
| 2013-14 | 59,946 | 1,868,558 | 3.21% | 3,090,636,000 | 51,557 | 29,904 | 3.4% | 6.8% | 40.0 | 96.2% | 74.2% |
| 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% |

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.

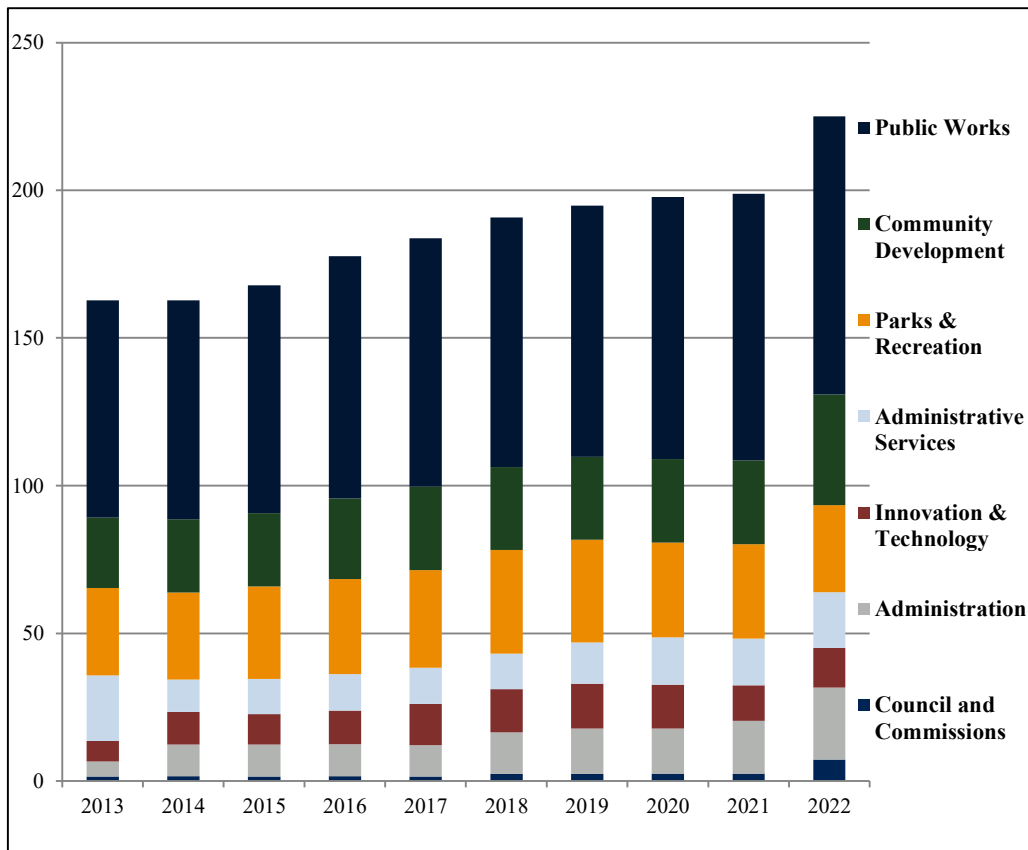
CITY OF CUPERTINO
2022 Employer Ranking
(Unaudited)

| <u>Employer</u> | <u>Ranking</u> | <u>Employer</u> | <u>Ranking</u> |
|---------------------------------|----------------|--|----------------|
| Apple | 1 | Mist Systems, Inc. | 11 |
| De Anza College | 2 | Intero Real Estate Services, Inc | 12 |
| Force 5 Software Inc | 3 | Keller Williams Realty | 13 |
| Whole Foods Market | 4 | Cupertino Healthcare & Wellness Center | 14 |
| Claris International, Inc | 5 | Exilant | 15 |
| Health Care Center at the Forum | 6 | BJ's Resturant & Brewhouse | 16 |
| Target | 7 | Sunny View Retirement Community | 17 |
| Seagate Technology | 8 | Insight Solutions Inc | 18 |
| Cupertino Union School District | 9 | Cupertino High School | 19 |
| City of Cupertino | 10 | Monta Vista High School | 20 |

Source: Data-Axle

CITY OF CUPERTINO
Full-Time Equivalent City Employees by Function/Program
Last Ten Fiscal Years
(Unaudited)

| Function/Program | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|-------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Council and Commissions | 1.52 | 1.57 | 1.55 | 1.60 | 1.55 | 2.35 | 2.35 | 2.51 | 2.53 | 7.3 |
| Administration | 5.05 | 10.75 | 10.75 | 10.85 | 10.57 | 14.12 | 15.47 | 15.15 | 17.85 | 24.3 |
| Innovation & Technology | 6.90 | 11.00 | 10.25 | 11.40 | 13.95 | 14.55 | 15.05 | 14.95 | 11.93 | 13.4 |
| Administrative Services | 22.26 | 11.00 | 12.00 | 12.30 | 12.30 | 12.00 | 14.00 | 16.00 | 15.90 | 18.9 |
| Parks & Recreation | 29.53 | 29.48 | 31.28 | 32.18 | 33.08 | 35.13 | 34.80 | 32.10 | 31.90 | 29.5 |
| Community Development | 23.90 | 24.83 | 24.80 | 27.30 | 28.18 | 28.08 | 28.13 | 28.29 | 28.49 | 37.5 |
| Public Works | 73.59 | 74.12 | 77.12 | 82.12 | 84.12 | 84.52 | 84.95 | 88.75 | 90.15 | 94.1 |
| Law Enforcement | 0.00 | 2.00 | 2.00 | 2.00 | 2.00 | 2.00 | 2.00 | 0.00 | 0.00 | 0.00 |
| Total | 162.75 | 164.75 | 169.75 | 179.75 | 185.75 | 192.75 | 196.75 | 197.75 | 198.75 | 225.00 |



Source: City of Cupertino Budget

CITY OF CUPERTINO
Operating Indicators by Function/Program
Last Ten Fiscal Years
(Unaudited)

| Function/Program | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|--|---------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| Law Enforcement Sheriff Response | | | | | | | | | | |
| Priority One-Respond within 5 minutes | 3.76 Min. | 4.30 Min. | 4.90 Min. | 4.90 Min. | 5.07 Min | 4.23 Min. | 4.39 Min. | 3.51 Min. | 3.40 Min. | 5.33 Min |
| Priority Two-Respond within 9 minutes | 5.98 Min. | 6.39 Min. | 6.56 Min. | 6.56 Min. | 8.00 Min. | 7.49 Min. | 6.23 Min. | 6.37 Min. | 6.07 Min. | 6.94 Min. |
| Priority Three-Respond within 20 minutes | 10.29 Min. | 10.76 Min. | 10.52 Min. | 10.52 Min. | 15.79 Min | 14.79 Min. | 12.11 Min. | 11.96 Min. | 11.80 Min. | 11.73 Min |
| Public Works | | | | | | | | | | |
| Street Sweeping | 575 Curb Miles | 575 Curb Miles | 575 Curb Miles | 575 Curb Miles | 534 Curb Miles | 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 | 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 | 428 | 127 | 128 |
| Number of encroachment permits received | | | | | | 121 | 136 | 134 | 577 | 426 |
| Storm Drain Inlets Inspected/Cleaned | | | | | | 815 | 1063 | 1638 | 1802 | 80% |
| Roadway Signs Repaired/Replaced | | | | | | 404 | 721 | 346 | 1151 | 3.5% |
| Number of trees planted vs. removed | | | | | | 53/67 | 155/192 | 164/190 | 187/202 | 211/187 |
| Parks & Recreation | | | | | | | | | | |
| Number of reservations at Quinlan Center | | | | | | 560 | 402 | 526 | 8 | 260 |
| Number of rounds of golf at BBF Golf Course | | | | | | 28,193 | 27,205 | 28,952 | 43,650 | 45367 |
| Sports Center Memberships | 1,852 | 1,950 | 2,000 | 1,989 | 2,015 | 1,850 | 1,952 | 1,802 | 1,655 | 1186 |
| Number of Senior Center classes offered | | | | | | 246 | 320 | 258 | 100 | 183 |
| Senior Center Memberships | 2,456 | 2,623 | 2,549 | 2,493 | 2,094 | 2,260 | 2,171 | 2,171 | 1,470 | 210 |
| Quinlan Community Center Rental Revenue | \$120,000 | \$109,342 | \$110,033 | \$104,150 | \$128,778 | \$72,948 | \$139,590 | \$139,590 | \$5,507 | \$115,093 |
| Community Development | | | | | | | | | | |
| Approved Building Plan Sets | 92% Within 5 Days | 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 | 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 Days | 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 | 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 | 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 | 110 | 163 | 142 |
| Number of planning applications received | | | | | | 169 | 138 | 194 | 237 | 301 |
| Number of permits received | | | | | | 2322 | 2,321 | 2,534 | 2,364 | 2380 |
| Number of inspections requested | | | | | | 16026 | 13,625 | 14,596 | 13,374 | 11906 |
| Administrative Services | | | | | | | | | | |
| Accounts Payable Processing | 7 Days | 7 Days | 7 Days | 7 Days | 7 Days | 7 Days | 7 Days | 7 Days | 7 Days | 7 Days |
| Business License Renewal Certificates | 3 Days | 3 Days | 3 Days | 3 Days | 3 Days | 3 Days | 3 Days | 3 Days | 3 Days | 3 Days |
| Number of regular recruitments | | | | | | 21 | 21 | 28 | 24 | 33 |
| Number of new hires | | | | | | 26 | 16 | 14 | 21 | 38 |
| Number of temporary new hires | | | | | | 101 | 105 | 38 | 17 | 77 |
| Number of vendor checks processes | | | | | | 6793 | 6,536 | 5,906 | 4,457 | 4993 |
| Number of payroll checks process | | | | | | 10387 | 10,301 | 10,802 | 7,816 | 8119 |
| Number of business license applications | | | | | | 1294 | 1,154 | 1,032 | 1,061 | 884 |
| Number of journal entries posted | | | | | | 2830 | 4,521 | 4,558 | 3,915 | 3635 |
| Number of receipts processed | | | | | | 9766 | 13,913 | 18,992 | 10,367 | 9353 |
| Library | | | | | | | | | | |
| Volumes in Collection | - | - | 361817 | 364,557 | 369,924 | 367,979 | 367,101 | 368,461 | 350,088 | 367,745 |
| Annual Gate Count | - | - | 869762 | 880,894 | 835,073 | 873,862 | 904,349 | 620,007 | 128,912 | 387,285 |
| Annual Circulation Children's Items | - | - | 1474996 | 1,544,095 | 1,448,265 | 1,453,173 | 1,535,842 | 1,192,880 | 1,207,878 | 1,771,986 |
| Annual Circulation Adult and Teen Items | - | - | 999766 | 1,032,326 | 950,453 | 980,609 | 1,049,166 | 831,114 | 750,602 | 1,056,451 |
| Adult Classes and Events | - | - | 209 | 215 | 242 | 206 | 207 | 396 | 459 | 62 |
| Adult Classes and Events Attendance | - | - | 11860 | 8,855 | 9,242 | 7,622 | 8,304 | 9,986 | 19,223 | 861 |
| Teen Classes and Events | - | - | 52 | 78 | 66 | 79 | 52 | 57 | 31 | 21 |
| Teen Classes and Events Attendance | - | - | 3393 | 3,135 | 2,571 | 2,495 | 1,283 | 8,495 | 7,151 | 916 |
| Children's Classes and Events | - | - | 458 | 493 | 440 | 426 | 424 | 477 | 464 | 105 |
| Children's Classes and Events Attendance | - | - | 25529 | 28,532 | 25,857 | 24,675 | 22,851 | 26,032 | 52,634 | 7,711 |
| Volunteer Hours | - | - | 11786 | 10,000 | 9,645 | 10,302 | 10,191 | 6,592 | 465 | 4305.8 |

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 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 |
|---------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Public Works | | | | | | | | | | |
| Centerlane Miles of Streets | 142 | 142 | 142 | 142 | 142 | 142 | 142 | 142 | 142 | 142 |
| Streetlights | 2,950 | 2,950 | 2,950 | 2,950 | 2,950 | 2,950 | 2,950 | 2,950 | 2,950 | 2,950 |
| Traffic Signals | 48 | 48 | 48 | 48 | 48 | 52 | 52 | 52 | 52 | 52 |
| Culture & Recreation | | | | | | | | | | |
| Parks and Open Spaces | 19 | 21 | 21 | 21 | 21 | 21 | 21 | 21 | 21 | 21 |
| Park and Landscape Acreage | 169 | 169 | 169 | 169 | 169 | 169 | 169 | 169 | 169 | 169 |
| City Trails | 1 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 |
| Golf Courses | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Community Center | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Community Hall | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Senior Center | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Sports Center | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Swimming Pools | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| Tennis Courts | 17 | 17 | 28 | 28 | 28 | 28 | 28 | 28 | 28 | 28 |
| Sports Fields | 41 | 41 | 41 | 41 | 41 | 41 | 41 | 41 | 41 | 41 |
| City Library | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |

Source: City of Cupertino Budget Book/GIS Team

2021-2022 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. Cupertino is world renowned as the home of high-tech giants, such as Apple, Inc. and Seagate Technologies, 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. Being faced with the COVID-19 pandemic heightened the importance of proactive economic development and the need to communicate and reach out to the business community.

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

The Main Street and Nineteen800 mixed-use developments continues to offer a vibrant downtown area for Cupertino, with a large selection of restaurants and retailers, including Alexander's Steakhouse, Eureka!, Rootstock Wine Bar, Oren's Hummus, Lazy Dog, Ippudo, HaiDiLao Hot Pot Restaurant, Pressed Juicery, Orangetheory, 85 Degree Bakery, Somi Somi, Sul & Beans, Target Express, Kura Sushi, Vitality Bowls, Doppio Zero, Boiling Point and Jin Tea, Koja Kitchen, Bishops Cuts & Colors, Capezio, Howard's Shoes, Tan Cha, and Meet Fresh. Housing, office, and a new Residence Inn by Marriott are available to support the thriving area. Benihana, Bowlmor, and Ice Center Cupertino 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 Galpao Gaucho, Daiso, Marukai Groceries, Harumi Sushi, La Patisserie Bakery, Beard Papa's, Legend's Pizza, Icicles, Kong's Tofu & BBQ, One Pot Shabu Shabu, and Olarn Thai.

Cupertino Village is undergoing renovations to upgrade existing buildings, construct new buildings, parking, and open-courtyard space. The shopping center is home to 99 Ranch Market, Duke of Edinburgh Pub & Restaurant, JSJ Street Kitchen, Kira Kira Beauty, MOD Pizza, Ten Ren Tea, Fantasia Coffee & Tea, Yoga Wave, Happy Lemon, Kee Wah Bakery, 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 now 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 the newest addition is the Hyatt House.

The Homestead Square Shopping Center, located at Homestead Road and De Anza Boulevard, includes a 24-hour Safeway, Ulta Beauty, Ross Stores, Stein Mart, Pet Club, Michael's, Rite Aid, FedEx, and numerous restaurants, such as Fish's Wild, Pho Hoa Noodle Soup, Yayoi Teishoku Japanese Restaurant, Starbucks, 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 are open to the public seven days a week.