



ADMINISTRATIVE SERVICES DEPARTMENT

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Memo

To: Audit Committee
From: Kristina Alfaro, Director of Administrative Services
Subject: Annual Comprehensive Financial Report Update
Date: June 20, 2024

The City and The Pun Group (TPG) have been diligently working on completing the ACFR, and the draft financial section is attached to this item. The reconciliation of the City records and the changes proposed by TPG is a meticulous but necessary process to ensure accuracy. Once this is completed, the City can draft the Management Discussion and Analysis and the Staff report. In the meantime, the draft financials are provided for your review, as this constitutes the detailed portion of the report.

Please note that the report structure and content has remained largely the same with the exception of the following three key points:

- 1. Prior Period Adjustment:** This adjustment is necessary to record interest receivable due to two housing development loans that the City has historically not recorded. This adjustment ensures that all financial activities are accurately reflected in the City's financial statements. Information on the Loan Receivable can be found in Note 3 – Loans Receivable, and details of the adjustment are provided in Note 14 – Prior Period Adjustment. This adjustment aims to improve transparency and accuracy in our financial reporting.
- 2. GASB 96 – *Subscription-Based Information Technology Arrangements*:** This standard, which became effective for the City in Fiscal Year (FY) 2022-23, defines and establishes the accounting and financial reporting guidelines for subscription-based IT arrangements. It includes the recognition of the right-to-use subscription assets and corresponding liabilities, capitalization criteria, and required note disclosures. Implementing GASB 96 ensures that the City's

financial statements accurately reflect these modern technology arrangements and their financial impact.

3. **GASB 77 – Tax Abatement Disclosures:** Although this statement was effective for the City beginning with FY 2015-16, the City did not disclose information on the lopsided tax-sharing agreement. This decision was made by the City’s auditors at that time, Crowe, after discussions with HdL, the City’s sales tax consultants. After discussions with TPG and HdL, appropriate language was proposed and agreed upon to meet the reporting requirements. This ensures that the City complies with disclosure requirements, providing transparency about tax abatements and their effects on the City's revenue.

During the June 24th meeting, we will briefly discuss these three points and what to expect in the coming weeks regarding the completion of the ACFR and its presentation, tentatively scheduled for July 8th. Your feedback and insights during this meeting will be invaluable to ensure the accuracy and completeness of our financial reporting.