



PUBLIC WORKS DEPARTMENT

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CITY COUNCIL STAFF REPORT

Meeting: December 3, 2024

Subject

Receive the FY 2023-24 Annual Comprehensive Financial Report (ACFR)

Recommended Action

Receive the FY 2023-24 Annual Comprehensive Financial Report (ACFR)

Reasons for Recommendation

Background

The City of Cupertino is in the second year of a five-year contract with The Pun Group (TPG) for conducting its annual financial audits. Building upon the experience from the previous audit cycle, TPG and City staff have implemented enhanced efficiencies to streamline the audit process. These improvements have facilitated a more seamless and timely preparation of the Annual Comprehensive Financial Report (ACFR), ensuring that the City's financial statements are presented accurately and timely.

The annual audit is performed in accordance with the Governmental Accounting Standards Board (GASB) requirements and other applicable accounting principles.

Annual Comprehensive Financial Report

TPG audited the City's accompanying financial statements as of and for the year ended June 30, 2024. During the audit, procedures were performed to obtain audit evidence regarding amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design appropriate audit procedures. Audit procedures are not designed to express an opinion on the effectiveness of the entity's internal control.

TPG expressed an unmodified (or clean) opinion, stating "the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2024, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then

ended in accordance with accounting principles generally accepted in the United States of America. (see FY 2023-24 ACFR, page 1).

TPG also issued an Independent Auditor's Report on Internal Control Over Financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* (GAGAS Report). The purpose of this report is solely to describe the scope of the auditor's testing of internal control over financial reporting and the results of that testing and not to provide an opinion on the effectiveness of the entity's internal control or compliance. The report disclosed no instances of noncompliance or other matters required to be reported under *Government Auditing Standard*.

The ACFR for the fiscal year ended June 30, 2024, has been prepared in accordance with GASB requirements. The report provides a comprehensive overview of the City's financial position and includes the following sections:

Introductory Section: Offers general information about the City's structure and the nature of its operations.

Financial Section: Contains the independent auditor's report, management's discussion and analysis, basic financial statements, and supplementary information.

Statistical Section: Presents additional financial and demographic information to provide context for understanding the City's financial health.

On November 25, 2024, the City's Audit Committee reviewed the ACFR and unanimously (3-0-2) voted to accept the financial report.

Next Steps

If the FY 2023-24 ACFR is accepted, the finalized report will be submitted to the Government Finance Officers Association (GFOA) for consideration for the Certificate of Achievement for Excellence in Financial Reporting. Additionally, the report will be provided to stakeholders, including rating agencies and other interested parties, to demonstrate the City's financial accountability and transparency.

If the ACFR is not accepted, the City may fail to meet critical reporting deadlines, including the GFOA submission deadline of December 31 and the debt covenant reporting deadline of March 31. While infrequent delays in meeting these deadlines may not have material effects, a pattern of late submissions could negatively impact the City's credit ratings, access to favorable financing terms, and reputation for sound financial management.

Sustainability Impact

No sustainability impact.

Fiscal Impact

No fiscal impact.

Prepared by: Jonathan Orozco, Finance Manager

Reviewed by: Kristina Alfaro, Director of Administrative Services

Approved for Submission by: Pamela Wu, City Manager

Attachments:

A – FY 2023-24 ACFR