



CUPERTINO



Fiscal Year 2024-2025

Annual Comprehensive Financial Report

FINAL DRAFT 11.26.2025

CITY OF CUPERTINO, CALIFORNIA

**ANNUAL COMPREHENSIVE
FINANCIAL REPORT**

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

**FOR THE YEAR ENDED
JUNE 30, 2025**

Prepared by:

The City of Cupertino Administrative Services Department
Finance Division

FINAL DRAFT 11.26.2025

City of Cupertino
Annual Comprehensive Financial Report
For the Year Ended June 30, 2025

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CITY OF CUPERTINO

CITY HALL

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December XX, 2025

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

It is our pleasure to submit the Annual Comprehensive Financial Report (ACFR) for the City of Cupertino (the City), California for the fiscal year ended June 30, 2025. The report is prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) set by the Governmental Accounting Standards Board (GASB). The report presents City information on an entity-wide basis and a more detailed fund-level basis. The fund-level reports emphasize the City's major funds. A Management Discussion and Analysis (MD&A) presents a comparative analysis of current and prior year results, changes in financial position, a comparison of actual versus budget, financial highlights, trends, and disclosure of any known significant events or decisions that affect the financial condition of the City. This transmittal letter is designed to complement the MD&A and should, therefore, be read in conjunction with it. The MD&A is required supplementary information and is found in the Financial Section of the ACFR.

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

REPORTING ENTITY

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

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

ECONOMIC CONDITIONS

The City of Cupertino is located in Santa Clara County at the southern end of the San Francisco Bay Peninsula. The City is comprised of 13-square miles and is bordered by the cities of San Jose, Saratoga, Sunnyvale, Santa Clara, and Los Altos. It has a residential population of 59,831 (California Department of Finance, January 2025).

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

The City is world renowned as the home of high-tech giants, such as Apple, Inc. and Amazon, and as a community with stellar public schools. De Anza College, one of the largest single-campus community colleges in the country, is another major employer and a magnet for attracting local and international students. The City's continued commitment to supporting a vibrant local community has 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 permitting process.

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

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

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

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

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

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

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

California Department of Tax and Fee Administration (CDTFA)

The City recently achieved a favorable resolution to a California Department of Tax and Fee Administration (CDTFA) audit involving a major sales taxpayer. In anticipation of a potentially adverse outcome, the City proactively established a \$74.5 million Sales Tax Repayment Reserve to fully account for disputed revenues and accrued interest.

Following the October 2024 settlement, the City determined that the full reserve was no longer necessary. Of the \$74.5 million, \$10.0 million was used to make an Additional Discretionary Payment (ADP) toward the City's CalPERS Unfunded Accrued Liability, with the remaining \$64.5 million transferred to a Future Use Reserve within the General Fund. This strategic action demonstrates the City's commitment to responsible financial planning, reinforces long-term fiscal sustainability, and positions Cupertino to better manage future economic uncertainties.

Property Tax

According to the 2024-2025 Assessor's Annual Report for Santa Clara County, Cupertino's net assessment roll growth increased by nearly \$1,413 million, or 4.4%, from the prior year. Residential use values increased 5.7%, a total of \$1,147 million, and represented 81.2% of net positive growth experienced in the City. Commercial properties posted an increase of \$225.1 million, or 2.5%, due to the movement of assets from the secured to the unsecured roll. The industrial properties reported growth of \$115.8 million, or 7.7%, 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 \$64.7 million, or -5.7% due to the movement of assets from the secured to the unsecured roll, which contributed to the large growth in unsecured seen in the commercial use category.

Sales Tax

The City has experienced significant fluctuations in sales tax revenues over the past several fiscal years. Revenues peaked at \$42.6 million in FY 2020–21, driven by increased demand for technology and online purchases during the pandemic, particularly in the Business and Industry and State & County Pools categories. As in-person shopping resumed, sales tax revenues declined to \$34.8 million in FY 2022–23 and further to \$31.0 million in FY 2023–24, returning to pre-pandemic levels.

Much of the initial growth during FY 2020–21 and FY 2021–22 was concentrated in the Business and Industry and State & County Pools categories. However, these groups returned to FY 2019–20 levels by FY 2022–23, with other industry segments showing modest but steady growth. In FY 2023–24, the Business and Industry group experienced the largest decline, which also negatively impacted the State and County Pools. FY 2024–25 continued this downward trend, primarily due to the resolution of the CDTFA audit, discussed in further detail below, and the resulting reallocation of sales taxes. Because State and County Pools are directly linked to the City's overall direct allocations, the pooled distributions also declined accordingly.

In FY 2024–25, the City's sales tax revenue was comprised of eight major industry groups: Business and Industry and State & County Pools (73.7%), Restaurants and Hotels (13.0%), General Consumer Goods (6.3%), Fuel and Service Stations (3.2%), Food and Drugs (1.9%), Building and Construction (1.4%), and Autos and Transportation (0.3%). Due to confidentiality requirements, the percentage for State & County Pools is included within the Business and Industry category. These figures underscore the City's continued reliance on technology-driven sectors while also highlighting the growing role of hospitality and retail industries in the City's economic landscape.

Pension and Other Post-Employment Benefits (OPEB)

The City remains committed to responsibly managing its long-term pension and retiree medical obligations. As of the most recent CalPERS actuarial valuation (measured as of June 30, 2024), the City's Miscellaneous Plan reported an unfunded accrued liability (UAL) of approximately \$56.4 million and a funded status of 70.7%.

Despite external fiscal pressures, the City continues to address its pension and retiree medical obligations through disciplined, long-term financial planning. Cupertino proactively manages these commitments by implementing cost-control measures, such as reducing pension benefits for new hires under state law and increasing employee contributions. The City also leverages its Section 115 Pension Trust (established in FY 2017–18 as part of a pension rate stabilization strategy), which has received \$16 million in contributions to date. This trust remains a critical tool for managing cost volatility and ensuring long-term sustainability.

In FY 2024–25, the City made an Additional Discretionary Payment (ADP) of \$10.0 million directly to CalPERS to further reduce its unfunded liability. This payment is not reflected in the June 30, 2024 actuarial valuation, but it is expected to materially improve the City's funded status in the next valuation cycle. The timing of this payment was fiscally advantageous, occurring in a year when CalPERS reported a preliminary investment return of 11.6%, significantly above its 6.8% assumed rate of return, helping the City achieve immediate and long-term savings.

As of June 30, 2025, the City's Net OPEB Asset stands at approximately \$1.26 million, with a funded status of 103.0%. While the City has traditionally contributed annually to its retiree health plan trust, the City paused its contributions in FY 2022-23 to help balance potential General Fund deficits resulting from the CDTFA audit. This decision underscores Cupertino's flexibility in addressing short-term fiscal challenges while remaining committed to the long-term sustainability of its OPEB obligations.

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

ECONOMIC INITIATIVES

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

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

ACCOUNTING AND BUDGETARY CONTROL

In developing and evaluating the City's accounting system, consideration is given to the adequacy of internal accounting controls. The City's controls are designed to provide reasonable, but not absolute, assurance regarding the safeguarding of assets against losses from unauthorized use or disposition and the reliability of financial records for preparing financial statements and maintaining accountability of assets. The concept of reasonable assurance recognizes that the costs of a control should not exceed the benefits likely to be derived and that the evaluation of costs and benefits requires estimates and judgments by management.

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

SINGLE AUDIT

In accordance with the Single Audit Act of 1984 and the U.S. Office of Management and Budget's Uniform Guidance, the City is required to undergo an annual Single Audit if total federal expenditures exceed \$750,000 within a given fiscal year. In FY 2024–25, the City expended federal funds in excess of this threshold, primarily from the U.S. Department of Transportation passed through the California Department of Transportation (Caltrans), triggering the requirement for a Single Audit.

The Single Audit will commence upon completion of the Annual Comprehensive Financial Report (ACFR). As prescribed by federal regulations, the Single Audit must be completed and submitted no later than nine months after the close of the fiscal year, ensuring continued transparency and compliance with federal grant requirements.

INDEPENDENT AUDIT

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

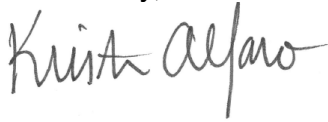
CERTIFICATE OF ACHIEVEMENT

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, 2024. 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.

ACKNOWLEDGMENTS

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

Reviewed by,



Kristina Alfaro
Director of Administrative Services

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Directory of City Officials

City Council



Liang Chao
Mayor



Kitty Moore
Vice Mayor



J.R. Fruen
Council Member



Sheila Mohan
Council Member

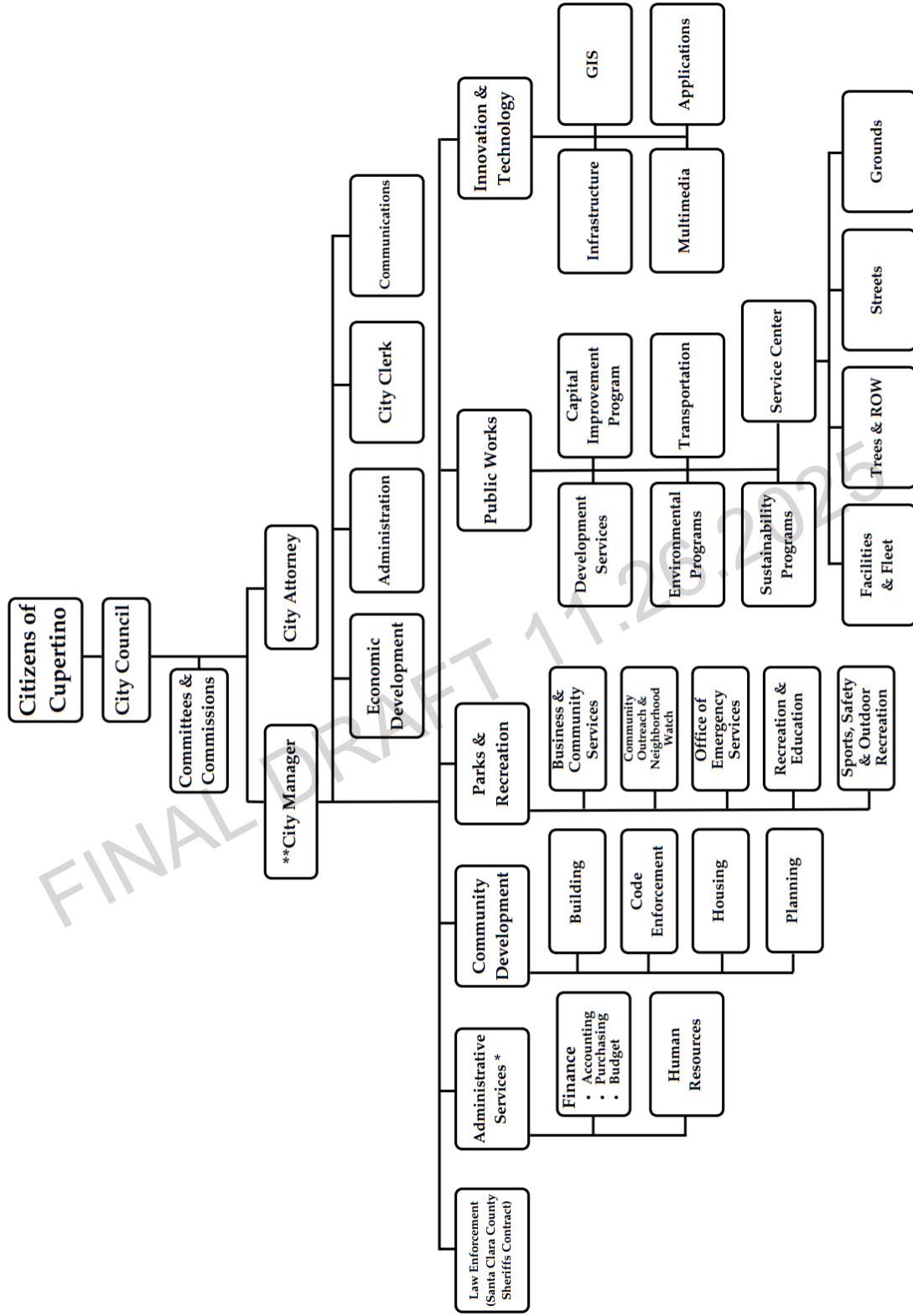


R "Ray" Wang
Council Member

Directory of City Officials

Tina Kapoor – Interim City Manager
Floy Andrews – Contract City Attorney
Kristina Alfaro – Director of Administrative Services
Ben Fu – Director of Community Development
Chad Mosley – Director of Public Works
Rachelle Sander – Director of Parks and Recreation
Teri Gerhardt – Chief Technology Officer

City Organizational Chart



*The City Treasurer is the Director of Administrative Services

**The City Manager is the City Labor Negotiator

Commissions and Committees

ARTS AND CULTURE COMMISSION

Archana Panda
Susan Chen
David Wang
Kiran Varshneya Rohra
Gurmeet Lamba

AUDIT COMMITTEE

Kitty Moore
Eno Schmidt
Hanyan Wu
Sheila Mohan
William Wong

BICYCLE PEDESTRIAN COMMISSION

Hervé Marcy
Gerhard Eschelbeck
Joel Wolf
Munisakaran Madhipatla
Ilango Ganga

ECONOMIC DEVELOPMENT COMMITTEE

Vacant

HOUSING COMMISSION

Usha Narayan
Connie Cunningham
Elida" Lida" Xhindi
Vacant
Vacant

LIBRARY COMMISSION

Chandra Sakthivel
Janki Chokshi
Liyan Zhao
Minna Xu
Qin Pan

PARKS AND RECREATION COMMISSION

Carol Stanek
Claudio Bono
Gopal Kumarappan
Sheela Sreekanth
Seema Swamy

PLANNING COMMISSION

Santosh Rao
David Fung
Seema Lindskog
Steven Scharf
Tracy Kosolcharoen

PUBLIC SAFETY COMMISSION

Nirmalendu Das
Ravi Kiran Singh Sapaharam
Sashikala Begur
Sidarth Rajaram
Gregory Klein

SUSTAINABILITY COMMISSION

Alexander Fung
Conny Yang
Jack Carter
Susan Hansen
Sonali Padgaonkar

TEEN COMMISSION

Vinay Prakash
Anushree Misra
Brianna Su
Chelsea Lau
Harly Liu
Rusheel Deshmukh
Saanvi Halambi
Sumedha Kumar
Jonathan Gao

TECHNOLOGY, INFORMATION & COMMUNICATIONS COMMISSION

Balaram Donthi
Emma Shearin
Mukesh Garg
Prabir Mohanty
Sudeep Kumar



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Cupertino
California**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2024

Christopher P. Morill

Executive Director/CEO

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Cupertino, California (the "City") as of and for the year ended June 30, 2025, and the related notes to the basic financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the 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, 2025, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the 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.

Other Matters

Change in Accounting Principle - Implementation of GASB 101

As discussed in Note 1 to the basic financial statements, the City adopted new accounting guidance, Governmental Accounting Standards Board ("GASB") Statement No. 101, *Compensated absences*. Our opinion is not modified with respect to this matter. The adoption of this standard resulted in the restatement of the City's net position as of June 30, 2024.

Prior Period Adjustments

As discussed in the Note 15 to the basic financial statements, the City also recorded prior period adjustment in the governmental activities in the amount of \$5,742,773 due to correction of recording capital assets.

Responsibilities of Management for the Financial Statements

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

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

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

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

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

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

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

To the Honorable Mayor and the Members of the City Council
of the City of Cupertino
Cupertino, California
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Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated **Need date, 2025**, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Santa Ana, California
Need date, 2025

FINAL DRAFT 11.26.2025

CITY OF CUPERTINO
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2025

As management of the City of Cupertino (City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2025 (FY 2024-25). Readers are encouraged to consider the following information in conjunction with the accompanying Transmittal Letter and Basic Financial Statements.

FINANCIAL HIGHLIGHTS

The comparisons provided in this discussion and analysis are between FY 2023-24 and FY 2024-25. All increases and decreases are expressed relative to FY 2023-2024 amounts. Financial highlights for FY 2024-25 are summarized below. Details related to these highlights are found in the remaining sections of this analysis.

Government-wide

- The City's total net position, the amount by which total assets and deferred outflows of resources exceed total liabilities and deferred inflows of resources, equaled \$460.8 million in FY 2024-25 and \$430.5 million in FY 2023-24.
- Of this amount, \$170.7 million is unrestricted and may be used to meet the City's ongoing obligations to residents and creditors at June 30, 2025. The remaining net position at June 30, 2025 is classified as net investment in capital assets of \$212.5 million and restricted of \$77.6 million.
- The City's total net position increased by \$30.3 million over FY 2023-24, and is largely attributed to revenues exceeding expenses as reported in the statement of activities. The remainder of this report will provide a more detailed analysis of the City's net position and operating activities that contributed to this increase.
- In October 2023, the California Department of Tax and Fee Administration (CDTFA) issued its final audit determination regarding a major sales taxpayer, concluding that a substantial portion of sales tax revenues had been misallocated to Cupertino. In anticipation of this outcome, the City had proactively established a \$74.5 million committed Sales Tax Repayment Reserve. Following settlement discussions and finalization of the agreement in September 2024, the City Council voted in October 2024 to reallocate the reserve funds: \$10.0 million was used for an Additional Discretionary Payment (ADP) toward the City's CalPERS Unfunded Accrued Liability (UAL), and the remaining \$64.5 million was transferred to a newly established Future Use Reserve. These decisions are reflected in the FY 2024-25 financial statements and demonstrate the City's continued fiscal prudence in addressing long-term liabilities and future needs.
- As interest rates began to decline during the fiscal year, the market value of the City's investment portfolio improved. As of June 30, 2025, the City's portfolio reached 100.5% of its book value, up from 98.1% the prior year, reflecting favorable market conditions and a recovering fixed-income environment. This resulted in a positive year-over-year mark-to-market adjustment of \$5.7 million.
- A prior period adjustment of \$403,451 was recorded to implement GASB Statement No. 101, *Compensated Absences*. This adjustment ensures compliance with updated guidance for the recognition and measurement of compensated absences liabilities. Additional details are provided in Note 15 to the Basic Financial Statements.
- A second prior period adjustment of \$5,742,773 was made to recognize capital improvements performed by San Jose Water Company on City-owned water infrastructure. These improvements, which were previously unrecorded, are now included as part of the City's capital assets. Further information can be found in Note 15.

CITY OF CUPERTINO
Management's Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2025

Fund Level

- As of June 30, 2025, governmental funds report a combined fund balance of \$265.0 million, an increase of \$19.0 million from the prior year. Of this amount, \$56.1 million is available for spending at the City's discretion (unassigned fund balance).
- As of June 30, 2025, the General Fund reports an ending fund balance of \$181.8 million. Of this amount, \$56.1 million is available for spending at the City's discretion (unassigned fund balance). Cash and investments of the General Fund total \$188.1 million, which represents 103.5% of the General Fund's total fund balance.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

CITY OF CUPERTINO
Management's Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2025

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

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

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

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

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

CITY OF CUPERTINO
Management's Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2025

GOVERNMENT-WIDE FINANCIAL ANALYSIS

This analysis focuses on the net position and changes in net position of the City's Governmental and Business-Type Activities as presented in the government-wide Statement of Net Position and the Statement of Activities.

Table 1
Condensed Statement of Net Position
(in thousands)

	Governmental Activities		Business-Type Activities		Totals	
	2025	2024*	2025	2024*	2025	2024*
Assets:						
Current and other asset	\$ 327,584	\$ 293,913	\$ 10,485	\$ 11,366	\$ 338,069	\$ 305,279
Capital assets, net	225,968	220,484	1,835	2,009	227,803	222,493
Total assets	553,552	514,397	12,320	13,375	565,872	527,772
Deferred Outflows of Resources:						
Loss on refunding	137	120	-	-	137	120
Related to Pension (Note 8)	22,070	16,410	1,320	872	23,390	17,282
Related to OPEB (Note 9)	4,725	5,693	372	378	5,097	6,071
Total deferred outflows of resources	26,931	22,223	1,692	1,250	28,623	23,473
Liabilities:						
Long term debt	13,904	16,417	-	-	13,904	16,417
Other liabilities	89,007	95,344	4,507	4,574	93,514	99,918
Total liabilities	102,911	111,761	4,507	4,574	107,418	116,335
Deferred Inflows of Resources:						
Leases Receivable	22,667	2,321	-	-	22,667	2,321
Related to Pension (Note 8)	34	82	2	4	36	86
Related to OPEB (Note 9)	3,274	1,857	258	123	3,532	1,980
Total deferred inflows of resources	25,975	4,260	260	127	26,235	4,387
Net Position:						
Net Investment in capital assets	210,649	208,704	1,835	2,010	212,484	210,714
Restricted	77,671	73,407	-	107	77,671	73,514
Unrestricted	163,277	138,488	7,410	7,807	170,687	146,295
Total net position	\$ 451,597	\$ 420,599	\$ 9,245	\$ 9,924	\$ 460,842	\$ 430,523

*2024 balances were restated due to prior period adjustments (see Note 15 for detail).

Total assets increased by \$38.1 million, primarily due to a \$41.6 million increase in cash and investments. This growth reflects stronger operating results and cash retained from one-time revenues, including proceeds from the sale of City property and favorable investment performance.

Deferred outflows of resources increased by \$5.2 million, mainly due to a \$6.1 million increase in pension-related items. This was partially offset by a \$1.0 million reduction in OPEB-related deferrals.

Total liabilities decreased by \$8.9 million, largely reflecting a combination of long-term and short-term reductions. Long-term debt declined by \$2.5 million due to scheduled debt service payments, while pension and OPEB liabilities decreased by \$1.6 million and \$2.4 million, respectively. Current liabilities also dropped by \$6.4 million, driven by reductions in accounts payable and accrued liabilities. These decreases were partially offset by minor increases across other liability categories.

Deferred inflows of resources increased by \$21.8 million, primarily due to a \$20.3 million increase related to lease revenue recognition. This reflects the straight-line amortization of the \$22.1 million concession fee received in October 2024 under a 12-year agreement, in accordance with applicable accounting standards.

Over time, net position may serve as a useful indicator of a City's financial position. At June 30, 2025, the City's net position was \$460.8 million, an increase of \$30.3 million or 7.0%, over the net position of \$430.5 million at June 30, 2024.

CITY OF CUPERTINO
Management's Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2025

The largest portion of the City's net position (\$212.5 million or 46.1%) is its investment in capital assets (e.g., land, buildings, infrastructure, and equipment, right-to-use assets, etc.). The City uses capital assets to provide services to residents; consequently, these assets are not available for future spending. This category of net position increased mainly from ongoing pavement management improvements, an all-inclusive playground at Jollyman Park, and Regnart Road improvements.

The City's restricted net position totals \$77.7 million (16.9% of total net position). Restricted net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$170.7 million (37.0%) represents unrestricted net position; this category of net position may be used to meet the City's ongoing obligations to residents and creditors.

Total net position increased by \$30.3 million from an excess of revenues over expenses. This net increase was reflected by an increase of \$1.7 million, \$4.2 million, and \$24.4 million in net investments in capital assets, restricted net position and unrestricted net position, respectively. The excess of revenues over expenses will be analyzed in conjunction with the *Statement of Activities*.

The following is a summary of the government-wide *Statement of Activities*, which illustrates the City's overall \$30.3 million increase in net position resulting from program expenses being less than total program and general revenues. A discussion regarding significant changes in revenues and expenses follows the table.

Condensed Statement of Activities (in thousands)						
	Governmental Activities		Business-Type Activities		Total	
	2025	2024	2025	2024	2025	2024
Expenses:						
Administration	\$ 6,608	\$ 9,069	\$ -	\$ -	\$ 6,608	\$ 9,069
Law enforcement	17,387	16,682	-	-	17,387	16,682
Innovation and Technology	3,127	3,127	-	-	3,127	3,127
Administrative Services	7,557	8,166	-	-	7,557	8,166
Parks and Recreation	9,250	7,195	5,139	6,181	14,389	13,376
Community Development	12,349	13,696	-	-	12,349	13,696
Public Works	38,742	36,547	2,825	2,228	41,567	38,775
Interest on long-term debt	156	305	-	-	156	305
Total expenses	95,176	94,787	7,964	8,409	103,140	103,196
Revenues:						
Program revenues:						
Charges for services	23,170	18,622	5,696	7,429	28,866	26,051
Operating grants and contributions	7,079	4,685	-	-	7,079	4,685
Capital grants and contributions	6,136	3,666	-	-	6,136	3,666
Total program revenues	36,385	26,973	5,696	7,429	42,081	34,402
General revenues:						
Taxes:						
Property tax	23,422	22,494	-	-	23,422	22,494
Property tax in-lieu of motor vehicle fee	11,003	10,543	-	-	11,003	10,543
Sales tax	17,484	30,961	-	-	17,484	30,961
Transient occupancy tax	7,886	6,907	-	-	7,886	6,907
Utility user tax	4,214	3,936	-	-	4,214	3,936
Franchise tax	4,384	4,314	-	-	4,384	4,314
Other taxes	3,669	1,971	-	-	3,669	1,971
Intergovernmental, unrestricted:						
Motor vehicle license fee	95	75	-	-	95	75
Investment earnings	17,723	11,563	530	434	18,253	11,997
Miscellaneous	968	1,442	-	-	968	1,442
Total general revenues	90,848	94,204	530	434	91,378	94,638
Total revenues	127,233	121,177	6,226	7,863	133,459	129,040
Excess of revenues over expenses	32,057	26,390	(1,738)	(546)	30,319	25,844
Transfers	(1,059)	20	1,059	(20)	-	-
Change in net position	30,998	26,410	(679)	(566)	30,319	25,844
Beginning net position	420,599	388,109	9,924	10,425	430,523	398,534
Change in accounting principle (Note 15)	-	338	-	65	-	403
Error corrections (Note 15)	-	5,743	-	-	-	5,743
Ending net position	\$ 451,597	\$ 420,599	\$ 9,245	\$ 9,924	\$ 460,842	\$ 430,523

CITY OF CUPERTINO
Management's Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2025

Government-wide revenues totaled \$133.5 million in FY 2024-25, an increase of \$4.4 million (3.4%) compared to the prior year. This increase was driven by broad-based growth across most revenue categories, including a \$6.3 million increase in investment income, \$2.8 million in charges for services, \$2.5 million in capital grants, and \$2.4 million in operating grants. These gains were partially offset by a \$13.5 million decline in sales tax revenue, primarily due to the tax reallocation required by the CDTFA audit.

The rise in investment income reflects both strong portfolio performance and unrealized mark-to-market gains resulting from improving bond valuations as interest rates began to decline.

The City's largest revenue source continued to be property taxes and in-lieu motor vehicle fees, which comprised 25.8% of total revenue. Charges for services accounted for 21.6%, sales taxes contributed 13.1%, and investment income made up 13.7%. Grants and contributions represented 9.9%, while the remaining 15.9% came from other taxes and fees.

Government-wide expenses for all City programs and services totaled \$103.1 million for the fiscal year ended June 30, 2025, representing a slight net decrease of \$56.3 thousand (0.1%) from the prior year. This reflects an increase of \$388.1 thousand in Governmental Activities and a decrease of \$444.4 thousand in Business-Type Activities. Expenses include adjustments for depreciation, long-term debt, and pension and OPEB costs. The most significant increases were in Law Enforcement (\$0.7 million), Parks and Recreation (\$1.0 million), and Public Works (\$2.8 million), which were offset by reductions in Administration (\$2.5 million), Administrative Services (\$0.6 million), and Community Development (\$1.3 million).

Public Works accounted for the largest share of expenses at 40.3%, followed by Law Enforcement at 16.9%, Parks and Recreation at 14.0%, Community Development at 12.0%, Administrative Services at 7.3%, Administration at 6.4%, Innovation and Technology at 3.0%, and Interest Expense at 0.2%.

Governmental activities contributed \$32.1 million before transfers to the increase in net position resulting from revenues exceeding expenses. Governmental activities comprise the majority of the government-wide data, and explanations for changes in government-wide and governmental activities are often similar.

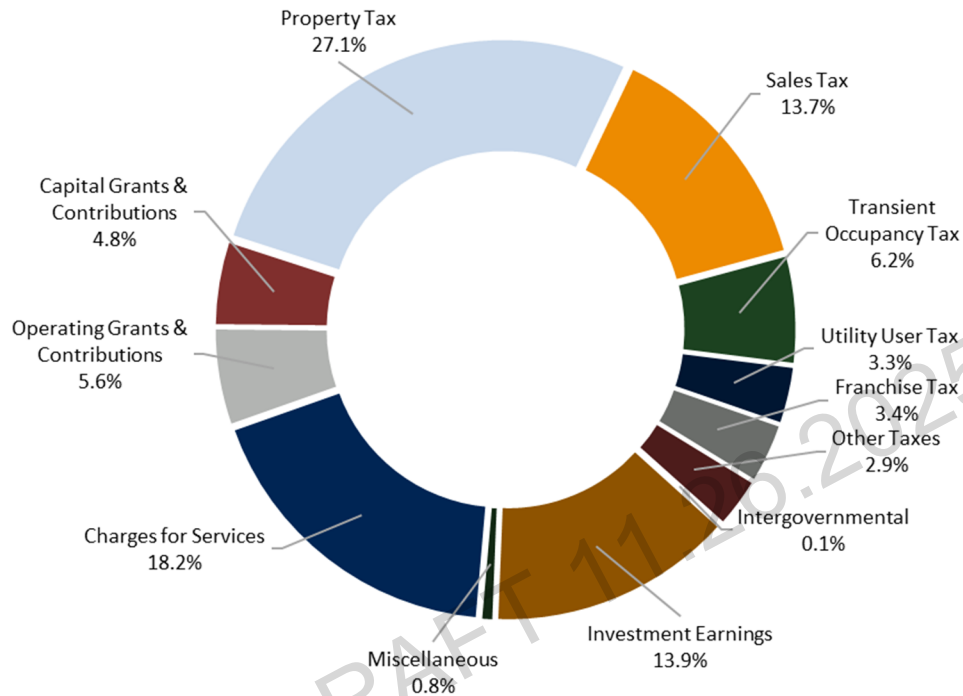
Revenues of governmental activities report a net increase over the prior year of \$6.1 million (5.0%), to \$127.2 million. Approximately \$6.1 million of this increase is related to interest income. Charges for service increased by \$4.5 million. Property tax revenue increased by \$1.4 million, and operating and capital grants increased by \$4.9 million. These increases were offset by a decrease in sales tax by 13.5 million.

Expenses of governmental activities increased by a net \$389 thousand (0.41%). Expenses include interest, OPEB, and pension costs. The net increase is spread across the City's programs with Law Enforcement (\$0.7 million), Parks and Recreation (\$2.1 million), and Public Works (\$2.2 million), which were offset by reductions in Administration (\$2.5 million), Administrative Services (\$0.6 million), and Community Development (\$1.3 million). Interest expense and Innovation and Technology experienced a negligible change.

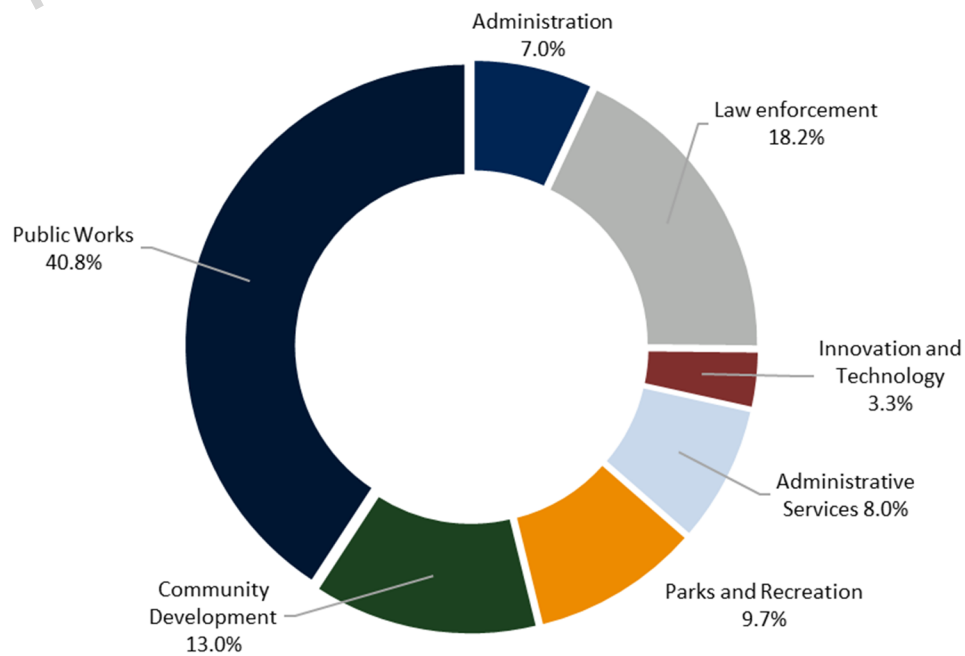
CITY OF CUPERTINO
Management's Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2025

The following two charts show the source and use of funds for **Governmental Activities**:

Revenues by Source - Governmental Activities
Fiscal Year 2024-25



Expenses - Governmental Activities
Fiscal Year 2024-25



CITY OF CUPERTINO
Management's Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2025

Business-type activities include four enterprise funds, which support recreational and solid waste operations. These enterprise funds are operated similarly to private businesses, with the intent that the costs of providing services and facilities to the public are primarily funded through user fees. Additional detail can be found in the Major Proprietary Funds section of this report.

As of June 30, 2025, the net position for business-type activities totaled \$9.2 million, reflecting a decrease of \$0.6 million (or 6.2%) from the prior year, primarily due to operating costs exceeding revenues. Total revenues from business-type activities declined by \$1.7 million (23.3%) to \$7.9 million, while investment income rose by \$0.1 million. Operating expenses fell by \$0.4 million, totaling \$8.0 million for the year.

The operating loss was largely attributed to the Cupertino Sports Center, Recreation Programs, and Blackberry Farm. Notably, the Sports Center renegotiated its service contracts to a net revenue model, in which contractor costs are excluded from gross revenues. This change is reflected in a \$1.1 million decrease in reported revenue and a \$1.3 million decrease in contract service expenses.

FUND FINANCIAL ANALYSIS

For FY 2024-25, the City included the following major governmental funds: General Fund, Transportation Special Revenue Fund, Housing Development Special Revenue Fund, Public Facilities Corporation Debt Service Fund, and the Capital Improvement Capital Projects Fund.

General Fund

The General Fund's fund balance increased by \$15.7 million. This increase was driven by total revenues and other financing sources of \$115.4 million, which exceeded total expenditures of \$86.4 million and transfers out of \$13.2 million.

General Fund revenues increased by a net \$1.4 million compared to FY 2023–24, while expenditures rose by \$10.3 million year over year. However, actual expenditures were \$6.6 million below budget. This variance is primarily attributed to personnel savings across all departments due to a high number of vacant positions, as operating budgets are prepared at full staffing levels.

Transportation

The Transportation Special Revenue Fund carried a June 30, 2025, ending fund balance of \$13.3 million, decreasing by 2.7%, or \$0.4 million from the beginning of the fiscal year. In recent years this fund has accumulated fund balance year over year. The current year's decrease is primarily attributed to the progression of scheduled projects.

Housing Development

The Housing Development Special Revenue Fund carried a June 30, 2025, ending fund balance of \$11.4 million, up 2.7%, or \$0.3 million, from the beginning of the fiscal year.

Public Facilities Corporation

The Cupertino Public Facilities Corporation (PFC) is a legally separate component unit established to facilitate long-term debt financing for public capital improvements. The Corporation's financial activity is limited to servicing debt obligations and is reported within the Debt Service Fund.

As of June 30, 2025, the PFC had a fund balance of \$0, reflecting a \$250 decrease from the prior year. This zero balance is expected to remain consistent in future fiscal years in line with the Corporation's intended structure and minimal activity level.

CITY OF CUPERTINO
Management's Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2025

For additional details regarding debt obligations administered through the Corporation, see the "Debt Administration" section.

Capital Improvement Projects

As of June 30, 2025, the Capital Improvement Projects Fund had an ending fund balance of \$33.1 million, representing a \$1.0 million increase from the prior fiscal year. This increase was primarily driven by transfers from the General Fund, partially offset by expenditures related to ongoing capital projects.

MAJOR PROPRIETARY FUNDS

Resource Recovery

The City has a solid waste franchise agreement with Recology that shares collection, landfill disposal, and recycling revenues and costs. This fund receives revenues from Recology with the funds going toward landfill costs, regulatory fees, and staffing costs that the City incurs to manage its solid waste, recycling, and household hazardous waste programs. Total operating revenue and expenses is at \$1.8 million and \$2.8 million, respectively. Considering net non-operating revenues of \$0.3 million and net transfers of \$0.2 million, net position decreased by \$0.5 million to an ending fund balance of \$4.6 million.

Recreation Programs

This enterprise operates the Quinlan Community Center, Monta Vista Recreation Center, McClellan Ranch, Creekside Park building, eight school sites, and various parks. These programs generated approximately \$2.0 million in revenues and program expenses of approximately \$2.3 million. Considering net non-operating revenues of \$0.1 million and net transfers of \$0.1 million, the program experienced a net operating gain of \$16.1 thousand. The fund ended the year with a net position of \$2.8 million.

Cupertino Sports Center

The Cupertino Sports Center offers a broad range of health and wellness activities, including fitness classes, personal training, youth sports, and racquet sports such as tennis, pickleball, badminton, and table tennis. The program generated approximately \$1.1 million in revenues and incurred \$1.8 million in program expenses. After accounting for \$43.1 thousand in net non-operating revenues and \$527.8 thousand in net transfers, the program closed the year with a net operating loss of \$110.4 thousand. The fund ended the fiscal year with a net position of \$1.2 million.

NONMAJOR PROPRIETARY FUNDS

Blackberry Farm

The City-operated nine-hole Blackberry Farm Golf Course and Pro Shop is staffed by City employees and services all ages. For FY 2024–25, the fund recorded operating revenues of \$733.6 thousand and operating expenses of \$1.01 million. However, positive nonoperating revenues totaling \$48.8 thousand helped offset the shortfall, resulting in a modest net position decrease of \$50.0 thousand. The fund ended the fiscal year with a healthy net position of \$708.8 thousand.

CITY OF CUPERTINO
Management's Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2025

GENERAL FUND BUDGETARY HIGHLIGHTS

For the fiscal year ended June 30, 2025, the General Fund's original expenditure budget of \$90.0 million was increased by \$16.2 million through budget amendments, resulting in a final adopted budget of \$106.2 million. Actual expenditures totaled \$99.6 million, coming in \$6.6 million under the final budget.

The majority of the budget adjustments were related to two key items: a \$10.0 million Additional Discretionary Payment (ADP) toward the City's CalPERS Unfunded Accrued Liability (UAL) and a \$4.1 million transfer to the Capital Reserve to support future infrastructure investments.

CAPITAL ASSETS

At June 30, 2025, the City had \$227.8 million, net of depreciation and amortization, invested in a broad range of capital assets used in governmental and business-type activities, as detailed in Note 6 to the Basic Financial Statements. This represents a slight decrease from the restated FY 2024 ending balance of \$228.2 million. The prior year balance was adjusted by \$5.7 million to recognize water infrastructure improvements performed by San Jose Water Company that were contributed to the City but previously unreported.

During FY 2025, the City sold a parcel of land on Byrne Avenue for \$2.5 million. Excluding the effects of this land sale and the prior period adjustment, the City's overall capital assets increased, reflecting its continued investment in capital projects related to street and transportation infrastructure, stormwater management, and the maintenance and enhancement of public facilities.

Capital Assets, Net of Depreciation and Amortization
(in thousands)

	Governmental Activities		Business-Type Activities		Total	
	2025	2024*	2025	2024	2025	2024
Land	\$ 64,787	\$ 64,787	\$ -	\$ -	\$ 64,787	\$ 64,787
Easements	19,849	19,615	-	-	19,849	19,615
Construction in progress	19,222	27,558	-	3	19,222	27,561
Buildings	8,599	11,967	1,450	1,540	10,049	13,507
Improvements other than buildings	19,457	15,431	352	419	19,809	15,850
Machinery and equipment	3,756	3,574	34	46	3,790	3,620
Roads, curbs, gutters, sidewalks, medians and bridges	76,270	69,403	-	-	76,270	69,403
Streetlights	1,707	1,361	-	-	1,707	1,361
Storm drain structures and mains	4,864	5,551	-	-	4,864	5,551
Traffic signals	291	355	-	-	291	355
Water infrastructure	5,898	5,339	-	-	5,898	5,339
Right-to-use assets	1,268	1,287	-	-	1,268	1,287
Total Governmental Activities	\$ 225,968	\$ 226,227	\$ 1,835	\$ 2,009	\$ 227,803	\$ 228,236

*Updated to reflect prior period adjustment (see Note 15).

DEBT ADMINISTRATION

On September 29, 2020, the City of Cupertino successfully issued the 2020A Certificates of Participation (2020 COPs) to refund its 2012 COPs and achieve significant debt service savings. The 2020 COPs received strong investor interest, due to the City's AA+ rating, its favorable name recognition, and advantageous market conditions. Investor demand exceeded available bonds by nearly eight times, allowing the underwriter to further reduce yields.

The refunding resulted in net present value savings of approximately \$3.14 million (11.61% of refunded par) and a True Interest Cost (TIC) of 0.72%, compared to \$2.26 million (8.36% of refunded par) when presented to Council on September 1, 2020. These savings translated into an annual reduction of approximately \$494,000 in General Fund debt service costs over the next 10 years, or nearly \$5 million in total.

As of June 30, 2025, the outstanding principal on the 2020 COPs was \$11.92 million, with final maturity scheduled for June 1, 2030. More information can be found in Note 7 to the Basic Financial Statements.

CITY OF CUPERTINO
Management's Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2025

In addition to traditional long-term debt, the City is also required to recognize lease and subscription-based IT arrangement (SBITA) liabilities under GASB Statements No. 87 and 96, respectively. As of June 30, 2025, the lease liability totaled \$8,561, down from \$15,369 in the prior year, and the SBITA liability totaled \$1,196,199, compared to \$1,210,274 in FY 2023–24. These declines reflect scheduled payments based on the contracts. Additional information on these liabilities is provided in Note 7 to the Basic Financial Statements.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

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BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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City of Cupertino
Statement of Net Position
June 30, 2025

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets:			
Cash and investments (Note 2)	\$ 283,350,889	\$ 10,083,012	\$ 293,433,901
Receivables:			
Accounts	7,790,052	239,056	8,029,108
Interest	4,133,216	70,308	4,203,524
Leases, due within one year (Note 4)	242,614	-	242,614
Inventories	21,383	-	21,383
Prepaid items	28,055	-	28,055
Other assets	3,884	-	3,884
Total current assets	295,570,093	10,392,376	305,962,469
Noncurrent assets:			
Restricted cash and investments (Note 2)	24,320,860	-	24,320,860
Lease receivable, due in more than one year (Note 4)	1,917,636	-	1,917,636
Loans receivable, net (Note 3)	4,605,314	-	4,605,314
OPEB assets (Note 9)	1,169,899	92,166	1,262,065
Capital assets: (Note 6)			
Capital assets, not being depreciated	103,857,846	-	103,857,846
Capital assets, being depreciated and amortized	122,109,910	1,835,040	123,944,950
Total noncurrent assets	257,981,465	1,927,206	259,908,671
Total assets	553,551,558	12,319,582	565,871,140
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charges on refunding	136,879	-	136,879
Related to pensions (Note 8)	22,069,534	1,319,645	23,389,179
Related to other postemployment benefits (Note 9)	4,724,864	372,227	5,097,091
Total deferred outflows of resources	26,931,277	1,691,872	28,623,149

City of Cupertino
Statement of Net Position (Continued)
June 30, 2025

	Governmental Activities	Business-Type Activities	Total
LIABILITIES			
Current liabilities:			
Accounts payable and accruals	8,080,430	310,766	8,391,196
Accrued payroll and benefits	724,902	289	725,191
Deposits payable	10,904,750	-	10,904,750
Interest payable	39,717	-	39,717
Due to other government agency	3,286,175	-	3,286,175
Unearned revenues	5,261,473	793,930	6,055,403
Compensated absences, due within one year (Note 7)	857,020	118,507	975,527
Claims payable, due within one year (Note 10)	338,000	-	338,000
Lease liabilities, due within one year (Note 7)	6,844	-	6,844
Subscription liabilities, due within one year (Note 7)	685,571	-	685,571
Certificates of participation, due within one year (Note 7)	2,200,000	-	2,200,000
Total current liabilities	32,384,882	1,223,492	33,608,374
Noncurrent liabilities:			
Compensated absences, due in more than one year (Note 7)	3,427,177	99,601	3,526,778
Claims payable, due in more than one year (Note 10)	1,638,731	-	1,638,731
Lease liabilities, due in more than one year (Note 7)	1,717	-	1,717
Subscription liabilities, due more than one year (Note 7)	510,628	-	510,628
Certificates of participation, due in more than one year (Note 7)	11,704,079	-	11,704,079
Aggregate net pension liabilities (Note 8)	53,244,043	3,183,722	56,427,765
Net other postemployment benefit liabilities (Note 9)	-	-	-
Total noncurrent liabilities	70,526,375	3,283,323	73,809,698
Total liabilities	102,911,257	4,506,815	107,418,072
DEFERRED INFLOWS OF RESOURCES			
Leases related	22,667,158	-	22,667,158
Related to pensions (Note 8)	33,607	2,008	35,615
Related to other postemployment benefits (Note 9)	3,273,623	257,896	3,531,519
Total deferred inflows of resources	25,974,388	259,904	26,234,292
NET POSITION			
Net investment in capital assets (Note 11)	210,649,411	1,835,040	212,484,451
Restricted for:			
Public works	40,467,123	-	40,467,123
Affordable housing	11,401,135	-	11,401,135
Pension trust	24,320,860	-	24,320,860
Other purposes	1,481,643	-	1,481,643
Total restricted	77,670,761	-	77,670,761
Unrestricted	163,277,018	7,409,695	170,686,713
Total net position	\$ 451,597,190	\$ 9,244,735	\$ 460,841,925

City of Cupertino
Statement of Activities
For the Year Ended June 30, 2025

		Program Revenues		
		Charges for	Operating Grants	Capital Grants
	Expenses	Services	and Contributions	and Contributions
Functions/Programs				
Governmental Activities:				
Administration	\$ 6,607,845	\$ 2,711,892	\$ -	\$ -
Law enforcement	17,386,971	485,514	1,438,433	-
Innovation and technology	3,126,745	-	-	-
Administrative services	7,557,365	7,878,626	-	-
Recreation services	9,249,954	1,189,382	-	-
Community development	12,348,713	7,390,115	245,751	-
Public works	38,742,291	3,514,553	5,394,847	6,136,022
Interest and fiscal charges	155,710	-	-	-
Total Governmental Activities	95,175,594	23,170,082	7,079,031	6,136,022
Business-Type Activities:				
Resource recovery	2,825,410	1,799,649	-	-
Cupertino sports center	1,826,303	1,144,857	-	-
Recreation programs	2,307,538	2,017,910	-	-
Blackberry farm	1,005,370	733,550	-	-
Total Business-Type Activities	7,964,621	5,695,966	-	-
Total Primary Government	\$ 103,140,215	\$ 28,866,048	\$ 7,079,031	\$ 6,136,022

City of Cupertino
Statement of Activities (Continued)
For the Year Ended June 30, 2025

	Net (Expense) Revenue and Changes in Net Position		
	Governmental Activities	Business-Type Activities	Total
Functions/Programs			
Governmental Activities:			
Administration	\$ (3,895,953)	\$ -	\$ (3,895,953)
Law enforcement	(15,463,024)	-	(15,463,024)
Innovation and technology	(3,126,745)	-	(3,126,745)
Administrative services	321,261	-	321,261
Recreation services	(8,060,572)	-	(8,060,572)
Community development	(4,712,847)	-	(4,712,847)
Public works	(23,696,869)	-	(23,696,869)
Interest and fiscal charges	(155,710)	-	(155,710)
Total Governmental Activities	(58,790,459)	-	(58,790,459)
Business-Type Activities:			
Resource recovery	-	(1,025,761)	(1,025,761)
Cupertino sports center	-	(681,446)	(681,446)
Recreation programs	-	(289,628)	(289,628)
Blackberry farm	-	(271,820)	(271,820)
Total Business-Type Activities	-	(2,268,655)	(2,268,655)
Total Primary Government	(58,790,459)	(2,268,655)	(61,059,114)
General Revenues:			
Taxes:			
Property taxes	23,421,977	-	23,421,977
Property tax in lieu of motor vehicle fee	11,003,490	-	11,003,490
Sales taxes	17,484,041	-	17,484,041
Transient occupancy tax (TOT)	7,886,009	-	7,886,009
Utility user tax (UUT)	4,214,212	-	4,214,212
Franchise tax	4,383,827	-	4,383,827
Other taxes	3,668,729	-	3,668,729
Motor vehicle license fee	95,136	-	95,136
Investment earnings	17,722,521	530,199	18,252,720
Miscellaneous	967,701	-	967,701
Total General Revenues	90,847,643	530,199	91,377,842
Transfers	(1,059,253)	1,059,253	-
Changes in Net Position	30,997,931	(679,203)	30,318,728
Net Position - Beginning of year, as previously reported	414,518,394	9,858,579	424,376,973
Change in accounting principle (GASB 101) (Note 15)	338,092	65,359	403,451
Errors corrections (Note 15)	5,742,773	-	5,742,773
Net Position - Beginning of year, as restated	420,599,259	9,923,938	430,523,197
Net Position - End of year	\$ 451,597,190	\$ 9,244,735	\$ 460,841,925

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GOVERNMENTAL FUND FINANCIAL STATEMENTS

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

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

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

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

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

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

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

**City of Cupertino
Balance Sheet
Governmental Funds
June 30, 2025**

	Special Revenue Funds		
	General	Transportation	Housing Development
ASSETS			
Cash and investments (Note 2)	\$ 188,135,470	\$ 14,064,499	\$ 5,609,754
Restricted cash and investments (Note 2)	24,320,860	-	-
Receivables:			
Accounts	4,109,660	1,830,861	61,311
Interest	2,193,325	97,546	1,607,158
Loans, net (Note 3)	422,800	-	4,182,514
Leases (Note 4)	2,160,250	-	-
Due from other funds (Note 5)	1,390,420	-	-
Advances to other funds (Note 5)	3,000,000	-	-
Inventories	21,383	-	-
Other assets	3,884	-	-
Total assets	225,758,052	15,992,906	11,460,737
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities:			
Accounts payable and accruals	6,018,370	1,179,336	59,602
Accrued payroll and benefits	724,830	-	-
Advances from other funds (Note 5)	-	-	-
Due to other government agency	3,286,175	-	-
Deposits	10,904,750	-	-
Unearned revenue	261,473	-	-
Total liabilities	21,195,598	1,179,336	59,602
Deferred inflows of resources:			
Lease related (Note 4)	22,667,158	-	-
Unavailable revenue	58,036	1,548,530	-
Total deferred inflows of resources	22,725,194	1,548,530	-
Fund balances: (Note 11)			
Nonspendable	4,037,435	-	-
Restricted	25,802,503	13,265,040	11,401,135
Committed	88,627,891	-	-
Assigned	7,287,794	-	-
Unassigned	56,081,637	-	-
Total fund balances	181,837,260	13,265,040	11,401,135
Total liabilities, deferred inflows of resources, and fund balances	\$ 225,758,052	\$ 15,992,906	\$ 11,460,737

(Continued)

City of Cupertino
Balance Sheet (Continued)
Governmental Funds
June 30, 2025

	Public Facilities Corporation Debt Service Fund	Capital Improvement Projects Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and investments (Note 2)	\$ -	\$ 41,516,642	\$ 25,317,964	\$ 274,644,329
Restricted cash and investments (Note 2)	-	-	-	24,320,860
Receivables:				
Accounts	-	203,842	67,557	6,273,231
Interest	-	-	174,994	4,073,023
Loans, net (Note 3)	-	-	-	4,605,314
Leases (Note 4)	-	-	-	2,160,250
Due from other funds (Note 5)	-	-	-	1,390,420
Advances to other funds (Note 5)	-	-	-	3,000,000
Inventories	-	-	-	21,383
Other assets	-	-	-	3,884
Total assets	<u>-</u>	<u>41,720,484</u>	<u>25,560,515</u>	<u>320,492,694</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities:				
Accounts payable and accruals	-	658,148	59,530	7,974,986
Accrued payroll and benefits	-	-	-	724,830
Advances from other funds (Note 5)	-	3,000,000	-	3,000,000
Due to other government agency	-	-	-	3,286,175
Deposits	-	-	-	10,904,750
Unearned revenue	-	5,000,000	-	5,261,473
Total liabilities	<u>-</u>	<u>8,658,148</u>	<u>59,530</u>	<u>31,152,214</u>
Deferred inflows of resources:				
Lease related (Note 4)	-	-	-	22,667,158
Unavailable revenue	-	3,842	52,743	1,663,151
Total deferred inflows of resources	<u>-</u>	<u>3,842</u>	<u>52,743</u>	<u>24,330,309</u>
Fund balances: (Note 11)				
Nonspendable	-	-	-	4,037,435
Restricted	-	-	25,290,276	75,758,954
Committed	-	-	-	88,627,891
Assigned	-	33,058,494	157,966	40,504,254
Unassigned	-	-	-	56,081,637
Total fund balances	<u>-</u>	<u>33,058,494</u>	<u>25,448,242</u>	<u>265,010,171</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ -</u>	<u>\$ 41,720,484</u>	<u>\$ 25,560,515</u>	<u>\$ 320,492,694</u>

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City of Cupertino
Reconciliation of the Governmental Funds Balance Sheet to the
Government-Wide Statement of Net Position
June 30, 2025

Total Fund Balances - Total Governmental Funds	\$	265,010,171
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Amounts reported for governmental activities in the Statement of Net Position were reported differently because:

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

Nondepreciable, net of \$267,710 reported in the Internal Service Fund	\$ 103,590,136		
Depreciable and amortizable, net of \$2,394,502 reported in the Internal Service Fund	119,715,408		223,305,544

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

Bonds payable	(11,915,000)		
Premium on bonds payable	(1,989,079)		
Deferred charges on refunding	136,879		
Subscription liabilities, net of \$140,294 reported in the Internal Service Funds	(1,055,905)		
Interest payable	(39,717)		
Compensated absences, net of \$287,775 reported in the Internal Service Funds	(3,996,422)		
Claims liability, net of \$1,379,000 reported in the Internal Service Funds	(597,731)		(19,456,975)

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

Pension related deferred outflows of resources, net of \$1,418,885 reported in the Internal Service Funds	\$ 20,650,649		
Aggregate net pension liability, net of \$3,423,141 reported in the Internal Service Funds	(49,820,902)		
Pension related deferred inflows of resources, net of \$2,162 reported in the Internal Service Funds	(31,445)		(29,201,698)

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

Other postemployment benefits related deferred outflows of resources, net of \$272,757 reported in the Internal Service Funds	\$ 4,452,107		
Net Other postemployment benefits assets, net of \$67,537 reported in the Internal Service Funds	1,102,362		
Other postemployment benefits related deferred inflows of resources, net of \$188,980 reported in the Internal Service Funds	(3,084,643)		2,469,826

Revenue reported as unavailable revenue in the governmental funds when it is not received soon enough after year-end to be considered available. The availability criteria does not apply to the Government-Wide Financial Statements and, therefore, the revenue is recognized when eligibility requirements are met and earned.		1,663,151
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Internal Service Funds were used by management to charge the costs of certain activities, such as insurance and equipment replacement to individual funds. The assets and liabilities of the Internal Service Funds were included in the governmental activities in the Government-Wide Statement of Net Position.

Net Position of Governmental Activities	\$	451,597,190
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City of Cupertino
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2025

	Special Revenue Funds		
	General	Transportation	Housing Development
Revenues:			
Taxes	\$ 70,837,599	\$ -	\$ 457,847
Use of money and property	14,804,318	748,039	351,276
Intergovernmental	2,962,429	5,649,963	241,797
Licenses and permits	5,755,842	-	-
Charges for services	14,757,441	2,214	-
Fines and forfeitures	394,405	-	-
Other revenue	2,056,694	3,433	-
Total revenues	111,568,728	6,403,649	1,050,920
Expenditures:			
Current:			
Administration	7,074,451	-	-
Law enforcement	17,386,971	-	-
Innovation and technology	3,241,574	-	-
Administrative services	8,216,429	-	-
Recreation services	7,612,682	-	-
Community development	12,500,932	-	847,299
Public works	28,702,541	4,694,339	-
Capital outlay	1,108,602	3,996,786	-
Debt service:			
Principal	553,163	-	-
Interest and fiscal charges	14,498	-	-
Total expenditures	86,411,843	8,691,125	847,299
Excess (deficiency) of revenues over expenditures	25,156,885	(2,287,476)	203,621
Other financing sources (uses):			
Inception of subscription liability	523,417	-	-
Proceeds from the sale of capital assets	2,912,435	-	-
Transfers in (Note 5)	348,334	2,610,158	94,258
Transfers out (Note 5)	(13,199,130)	(693,000)	-
Total other financing sources (uses)	(9,414,944)	1,917,158	94,258
Net Change in Fund Balances	15,741,941	(370,318)	297,879
Fund balances:			
Beginning of year	166,095,319	13,635,358	11,103,256
End of year	<u>\$ 181,837,260</u>	<u>\$ 13,265,040</u>	<u>\$ 11,401,135</u>

(Continued)

City of Cupertino
Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)
Governmental Funds
For the Year Ended June 30, 2025

	Public Facilities Corporation Debt Service Fund	Capital Improvement Projects Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ -	\$ -	\$ 1,097,721	\$ 72,393,167
Use of money and property	-	821,189	1,222,135	17,946,957
Intergovernmental	-	2,656,151	-	11,510,340
Licenses and permits	-	-	-	5,755,842
Charges for services	-	-	1,587,768	16,347,423
Fines and forfeitures	-	-	2,970	397,375
Other revenue	-	-	2,499	2,062,626
Total revenues	-	3,477,340	3,913,093	126,413,730
Expenditures:				
Current:				
Administration	1,500	-	-	7,075,951
Law enforcement	-	-	-	17,386,971
Innovation and technology	-	-	-	3,241,574
Administrative services	-	-	-	8,216,429
Recreation services	-	-	-	7,612,682
Community development	-	-	-	13,348,231
Public works	-	-	2,046,348	35,443,228
Capital outlay	-	6,057,035	126,040	11,288,463
Debt service:				
Principal	2,115,000	-	-	2,668,163
Interest and fiscal charges	561,200	-	-	575,698
Total expenditures	2,677,700	6,057,035	2,172,388	106,857,390
Excess (deficiency) of revenues over expenditures	(2,677,700)	(2,579,695)	1,740,705	19,556,340
Other financing sources (uses):				
Inception of subscription liability	-	-	-	523,417
Proceeds from the sale of capital assets	-	-	-	2,912,435
Transfers in (Note 5)	2,677,450	4,763,000	470,443	10,963,643
Transfers out (Note 5)	-	(1,095,914)	(15,000)	(15,003,044)
Total other financing sources (uses)	2,677,450	3,667,086	455,443	(603,549)
Net Change in Fund Balances	(250)	1,087,391	2,196,148	18,952,791
Fund balances:				
Beginning of year	250	31,971,103	23,252,094	246,057,380
End of year	\$ -	\$ 33,058,494	\$ 25,448,242	\$ 265,010,171

(Concluded)

City of Cupertino
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes
in Fund Balances to the Government-Wide Statement of Activities
For the Year Ended June 30, 2025

Net Change in Fund Balances - Total Governmental Funds	\$ 18,952,791
Governmental activities in the Statement of Activities were reported differently because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds.	
Capital outlay, net of \$264,441 reported in Internal Service Fund	\$ 11,234,197
Depreciation and amortization, net of \$531,501 reported in Internal Service Funds	(8,637,085)
Net effect on disposal of capital assets	<u>(2,758,163)</u> (161,051)
Net change in revenues that was considered unavailable in the governmental funds. These items have been reported as revenue in the Statement of Activities.	415,646
Principal repayment on long-term debt is not an expense in the Statement of Activities, but is considered an expenditure in governmental funds.	
Bonds payable	\$ 2,115,000
Subscription liabilities, net of \$125,986 reported in the Internal Service Funds	<u>553,163</u> 2,668,163
Interest accrued on long-term debt is reported in the Statement of Activities, but does not require the use of current financial resources. Therefore, accrued interest is not reported as an expenditure in governmental funds. This amount represents the change in accrued interest from the prior year.	7,050
Amortization of bond premium and deferred charges were recognized in interest expense on the Government-Wide Statement of Activities, but did not require the use of current financial resources. Therefore amortization of bond discount was not reported as an expenditure in the governmental funds.	415,086
Inception of subscription liability, net of \$175,435 reported in the Internal Service Funds.	(523,417)
Termination of subscription liability, net of \$6,376 reported in the Internal Service Funds.	27,402
Compensated absences were reported in the Government-Wide Statement of Activities, but they did not require the use of current financial resources. Therefore, compensated absences were not reported as expenditures in the governmental funds. Compensated absences is net of \$92,654 reported in the Internal Service Funds.	345,994
Certain claims expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds net of \$106,000 reported in Internal Service Funds.	(199,144)
Certain pension expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds, net of \$725,075 reported in Internal Service Funds.	6,846,650
Certain OPEB expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds net of \$43,662 reported in Internal Service Funds.	969,033
Internal Service Funds are used by management to charge the costs of certain activities, such as insurance and equipment replacement, to individual funds. The net revenue of the Internal Service Funds is reported in governmental activities.	<u>1,233,728</u>
Change in Net Position of Governmental Activities	<u>\$ 30,997,931</u>

PROPRIETARY FUND FINANCIAL STATEMENTS

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 year 2024-2025.

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.

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City of Cupertino
Statement of Net Position
Proprietary Funds
June 30, 2025

	Business-Type Activities - Enterprise Funds		
	Resources Recovery	Recreation Programs	Cupertino Sports Center
ASSETS			
Current assets:			
Cash and investments (Note 2)	\$ 5,296,493	\$ 3,148,094	\$ 722,728
Accounts receivable	158,699	32,804	47,553
Interest receivable	36,993	21,888	5,004
Prepaid expense	-	-	-
Total current assets	5,492,185	3,202,786	775,285
Noncurrent assets:			
OPEB assets (Note 9)	26,153	31,788	24,548
Capital assets: (Note 6)			
Nondepreciable	-	-	-
Depreciable and amortizable, net	-	596,575	1,115,343
Total noncurrent assets	26,153	628,363	1,139,891
Total assets	5,518,338	3,831,149	1,915,176
DEFERRED OUTFLOWS OF RESOURCES			
Related to pensions (Note 8)	543,436	351,173	267,279
Related to other postemployment benefit (Note 9)	105,622	128,382	99,142
Total deferred outflows of resources	649,058	479,555	366,421

(Continued)

City of Cupertino
Statement of Net Position (Continued)
Proprietary Funds
June 30, 2025

	Business-Type Activities Enterprise Funds		Governmental Activities
	Nonmajor Enterprise Fund	Total	Internal Service Funds
ASSETS			
Current assets:			
Cash and investments (Note 2)	\$ 915,697	\$ 10,083,012	\$ 8,706,560
Accounts receivable	-	239,056	1,516,821
Interest receivable	6,423	70,308	60,193
Prepaid expense	-	-	28,055
Total current assets	922,120	10,392,376	10,311,629
Noncurrent assets:			
OPEB assets (Note 9)	9,677	92,166	67,537
Capital assets: (Note 6)			
Nondepreciable	-	-	267,710
Depreciable and amortizable, net	123,122	1,835,040	2,394,502
Total noncurrent assets	132,799	1,927,206	2,729,749
Total assets	1,054,919	12,319,582	13,041,378
DEFERRED OUTFLOWS OF RESOURCES			
Related to pensions (Note 8)	157,757	1,319,645	1,418,885
Related to other postemployment benefit (Note 9)	39,081	372,227	272,757
Total deferred outflows of resources	196,838	1,691,872	1,691,642

(Continued)

City of Cupertino
Statement of Net Position (Continued)
Proprietary Funds
June 30, 2025

	Business-Type Activities - Enterprise Funds		
	Resources Recovery	Recreation Programs	Cupertino Sports Center
LIABILITIES			
Current liabilities:			
Accounts payable and accruals	95,772	140,889	49,487
Accrued payroll and benefits	289	-	-
Due to other funds	-	-	-
Compensated absences, due within one year (Note 7)	73,635	6,212	38,660
Claims payable, due within one year (Note 10)	-	-	-
Unearned revenue	-	391,291	318,805
Lease liabilities, due within one year (Note 7)	-	-	-
Subscription liabilities, due within one year (Note 7)	-	-	-
Total current liabilities	169,696	538,392	406,952
Noncurrent liabilities:			
Compensated absences, due more than one year (Note 7)	16,576	54,676	1,747
Claims payable, due more than one year (Note 10)	-	-	-
Lease liabilities, due more than one year (Note 7)	-	-	-
Subscription liabilities, due more than one year (Note 7)	-	-	-
Net pension liabilities (Note 8)	1,311,070	847,225	644,828
Total noncurrent liabilities	1,327,646	901,901	646,575
Total liabilities	1,497,342	1,440,293	1,053,527
DEFERRED INFLOWS OF RESOURCES			
Related to pensions (Note 8)	827	534	407
Related to other postemployment benefit (Note 9)	73,180	88,949	68,690
Total deferred inflows of resources	74,007	89,483	69,097
NET POSITION			
Net investment in capital assets (Note 11)	-	596,575	1,115,343
Unrestricted	4,596,047	2,184,353	43,630
Total net position	\$ 4,596,047	\$ 2,780,928	\$ 1,158,973

(Continued)

City of Cupertino
Statement of Net Position (Continued)
Proprietary Funds
June 30, 2025

	Business-Type Activities Enterprise Funds		Governmental Activities
	Nonmajor Enterprise Fund	Total	Internal Service Funds
LIABILITIES			
Current liabilities:			
Accounts payable and accruals	24,618	310,766	105,444
Accrued payroll and benefits	-	289	72
Due to other funds	-	-	1,390,420
Compensated absences, due within one year (Note 7)	-	118,507	9,992
Claims payable, due within one year (Note 10)	-	-	248,000
Unearned revenue	83,834	793,930	-
Lease liabilities, due within one year (Note 7)	-	-	6,844
Subscription liabilities, due within one year (Note 7)	-	-	125,593
Total current liabilities	108,452	1,223,492	1,886,365
Noncurrent liabilities:			
Compensated absences, due more than one year (Note 7)	26,602	99,601	277,783
Claims payable, due more than one year (Note 10)	-	-	1,131,000
Lease liabilities, due more than one year (Note 7)	-	-	1,717
Subscription liabilities, due more than one year (Note 7)	-	-	14,701
Net pension liabilities (Note 8)	380,599	3,183,722	3,423,141
Total noncurrent liabilities	407,201	3,283,323	4,848,342
Total liabilities	515,653	4,506,815	6,734,707
DEFERRED INFLOWS OF RESOURCES			
Related to pensions (Note 8)	240	2,008	2,162
Related to other postemployment benefit (Note 9)	27,077	257,896	188,980
Total deferred inflows of resources	27,317	259,904	191,142
NET POSITION			
Net investment in capital assets (Note 11)	123,122	1,835,040	2,513,357
Unrestricted	585,665	7,409,695	5,293,814
Total net position	\$ 708,787	\$ 9,244,735	\$ 7,807,171

(Concluded)

City of Cupertino
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2025

	Business-Type Activities - Enterprise Funds		
	Resources Recovery	Recreation Programs	Cupertino Sports Center
OPERATING REVENUES:			
Charges for services	\$ 1,799,449	\$ 1,927,668	\$ 863,579
Other	200	90,242	281,278
TOTAL OPERATING REVENUES	1,799,649	2,017,910	1,144,857
OPERATING EXPENSES:			
Salaries and benefits	1,093,077	765,569	633,047
Materials and supplies	540,857	445,026	741,714
Contractual services	1,191,476	1,040,905	349,732
Insurance and claims and premium	-	-	-
Depreciation and amortization	-	56,038	101,810
TOTAL OPERATING EXPENSES	2,825,410	2,307,538	1,826,303
OPERATING LOSS	(1,025,761)	(289,628)	(681,446)
NONOPERATING REVENUES (EXPENSES):			
Investment income	270,777	167,517	43,128
Gain on sale of capital assets	-	-	-
Interest expense	-	-	-
Total Nonoperating Income (Expenses)	270,777	167,517	43,128
NET LOSS BEFORE TRANSFERS	(754,984)	(122,111)	(638,318)
TRANSFERS:			
Transfers in (Note 5)	220,143	138,195	527,885
TOTAL TRANSFERS	220,143	138,195	527,885
CHANGES IN NET POSITION	(534,841)	16,084	(110,433)
NET POSITION:			
Beginning of year, as previously reported	5,122,605	2,753,355	1,225,464
Change in accounting principle (GASB 101)	8,283	11,489	43,942
Beginning of year, as restated (Note 15)	5,130,888	2,764,844	1,269,406
End of year	<u>\$ 4,596,047</u>	<u>\$ 2,780,928</u>	<u>\$ 1,158,973</u>

(Continued)

City of Cupertino
Statement of Revenues, Expenses, and Changes in Net Position (Continued)
Proprietary Funds
For the Year Ended June 30, 2025

	Business-Type Activities Enterprise Funds		Governmental Activities
	Nonmajor Enterprise Fund	Total	Internal Service Funds
OPERATING REVENUES:			
Charges for services	\$ 674,474	\$ 5,265,170	\$ 5,284,825
Other	59,076	430,796	156,004
TOTAL OPERATING REVENUES	733,550	5,695,966	5,440,829
OPERATING EXPENSES:			
Salaries and benefits	441,044	2,932,737	3,646,864
Materials and supplies	283,674	2,011,271	1,362,319
Contractual services	264,120	2,846,233	624,706
Insurance and claims and premium	-	-	1,437,114
Depreciation and amortization	16,532	174,380	531,501
TOTAL OPERATING EXPENSES	1,005,370	7,964,621	7,602,504
OPERATING LOSS	(271,820)	(2,268,655)	(2,161,675)
NONOPERATING REVENUES (EXPENSES):			
Investment income	48,777	530,199	403,402
Gain on sale of capital assets	-	-	14,001
Interest expense	-	-	(2,148)
Total Nonoperating Income (Expenses)	48,777	530,199	415,255
NET LOSS BEFORE TRANSFERS	(223,043)	(1,738,456)	(1,746,420)
TRANSFERS:			
Transfers in (Note 5)	173,030	1,059,253	2,980,148
TOTAL TRANSFERS	173,030	1,059,253	2,980,148
CHANGES IN NET POSITION	(50,013)	(679,203)	1,233,728
NET POSITION:			
Beginning of year, as previously reported	757,155	9,858,579	6,528,882
Change in accounting principle (GASB 101)	1,645	65,359	44,561
Beginning of year, as restated (Note 15)	758,800	9,923,938	6,573,443
End of year	<u>\$ 708,787</u>	<u>\$ 9,244,735</u>	<u>\$ 7,807,171</u>

(Concluded)

City of Cupertino
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2025

	Business-Type Activities - Enterprise Funds		
	Resources Recovery	Recreation Programs	Cupertino Sports Center
CASH FLOWS FROM OPERATING: ACTIVITIES			
Cash received from customers and users	\$ 2,424,396	\$ 1,975,177	\$ 1,138,339
Cash paid to suppliers for goods and services	(1,717,146)	(1,622,961)	(1,074,460)
Cash paid to employees for services	(1,107,405)	(926,737)	(759,853)
Cash paid to insurance claims	-	-	-
Net Cash (Used in) Operating Activities	(400,155)	(574,521)	(695,974)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Cash received from (paid to) other funds	220,143	138,195	527,885
Net Cash Provided by (Used in) Noncapital Financing Activities	220,143	138,195	527,885
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition of capital assets	-	-	-
Principal paid	-	-	-
Interest paid	-	-	-
Proceed from sale of capital assets	-	-	-
Net Cash (Used in) Capital and Related Financing Activities	-	-	-
CASH FLOWS FROM INVESTING ACTIVITIES:			
Investment income	266,115	167,145	43,123
Net Cash Provided by Investing Activities	266,115	167,145	43,123
Net Change In Cash and Cash Equivalents	86,103	(269,181)	(124,966)
CASH AND CASH EQUIVALENTS:			
Beginning of year	5,210,390	3,417,275	847,694
End of year	<u>\$ 5,296,493</u>	<u>\$ 3,148,094</u>	<u>\$ 722,728</u>
CASH AND CASH EQUIVALENTS:			
Cash and investments	\$ 5,296,493	\$ 3,148,094	\$ 722,728
Total cash and cash equivalents	<u>\$ 5,296,493</u>	<u>\$ 3,148,094</u>	<u>\$ 722,728</u>

(Continued)

City of Cupertino
Statement of Cash Flows (Continued)
Proprietary Funds
For the Year Ended June 30, 2025

	Business-Type Activities Enterprise Funds		Governmental Activities
	Nonmajor Enterprise Fund	Total	Internal Service Funds
CASH FLOWS FROM OPERATING: ACTIVITIES			
Cash received from customers and users	\$ 707,881	\$ 6,245,793	\$ 5,311,967
Cash paid to suppliers for goods and services	(562,498)	(4,977,065)	(3,515,148)
Cash paid to employees for services	(385,130)	(3,179,125)	(4,508,255)
Cash paid to insurance claims	-	-	106,000
Net Cash (Used in) Operating Activities	(239,747)	(1,910,397)	(2,605,436)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Cash received from (paid to) other funds	173,030	1,059,253	2,968,621
Net Cash Provided by (Used in) Noncapital Financing Activities	173,030	1,059,253	2,968,621
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition of capital assets	-	-	(264,441)
Principal paid	-	-	(132,794)
Interest paid	-	-	(2,148)
Proceed from sale of capital assets	-	-	14,001
Net Cash (Used in) Capital and Related Financing Activities	-	-	(385,382)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Investment income	48,164	524,547	399,119
Net Cash Provided by Investing Activities	48,164	524,547	399,119
Net Change In Cash and Cash Equivalents	(18,553)	(326,597)	376,922
CASH AND CASH EQUIVALENTS:			
Beginning of year	934,250	10,409,609	8,329,638
End of year	<u>\$ 915,697</u>	<u>\$ 10,083,012</u>	<u>\$ 8,706,560</u>
CASH AND CASH EQUIVALENTS:			
Cash and investments	\$ 915,697	\$ 10,083,012	\$ 8,706,560
Total cash and cash equivalents	<u>\$ 915,697</u>	<u>\$ 10,083,012</u>	<u>\$ 8,706,560</u>

(Concluded)

City of Cupertino
Statement of Cash Flows (Continued)
Proprietary Funds
For the Year Ended June 30, 2025

	Business-Type Activities - Enterprise Funds		
	Resources Recovery	Recreation Programs	Cupertino Sports Center
Reconciliation of Operating Income (Loss) to			
Net Cash Provided by (Used in) Operating Activities:			
Operating income (loss)	\$ (1,025,761)	\$ (289,628)	\$ (681,446)
Adjustments to reconcile to net cash provided by			
Operating activities:			
Depreciation and amortization	-	56,038	101,810
Changes in assets and liabilities:			
(Increase)/decrease in accounts receivables	624,747	31,137	(6,253)
(Increase)/decrease in prepaid expense	-	-	-
(Increase)/decrease in deferred outflows of resources related to pensions	(231,696)	(78,350)	(52,200)
(Increase)/decrease in deferred outflows of resources related to other postemployment benefit	252	10,816	7,348
Increase/(decrease) in accounts payable	15,187	(137,030)	16,986
Increase/(decrease) in unearned revenue	-	(73,870)	(265)
Increase/(decrease) in compensated absences	(17,393)	18,881	28,433
Increase/(decrease) in claims payable	-	-	-
Increase/(decrease) in net pension liabilities	264,178	(68,972)	(77,454)
Increase/(decrease) in other postemployment benefit liabilities (assets)	(67,586)	(86,262)	(66,222)
Increase/(decrease) in deferred inflows of resources related to pensions	(733)	(832)	(670)
Increase/(decrease) in deferred inflows of resources related to other postemployment benefit	38,650	43,551	33,959
Net Cash Provided by (Used in) Operating Activities	\$ (400,155)	\$ (574,521)	\$ (695,974)
NONCASH ITEMS:			
Acquisition of subscription assets	\$ -	\$ -	\$ -
Issuance of subscription liabilities	\$ -	\$ -	\$ -
Termination of subscription liabilities	\$ -	\$ -	\$ -

(Continued)

City of Cupertino
Statement of Cash Flows (Continued)
Proprietary Funds
For the Year Ended June 30, 2025

	Business-Type Activities Enterprise Funds		Governmental Activities
	Nonmajor Enterprise Fund	Total	Internal Service Funds
Reconciliation of Operating Income (Loss) to			
Net Cash Provided by (Used in) Operating Activities:			
Operating income (loss)	\$ (271,820)	\$ (2,268,655)	\$ (2,161,675)
Adjustments to reconcile to net cash provided by			
Operating activities:			
Depreciation and amortization	16,532	174,380	531,501
Changes in assets and liabilities:			
(Increase)/decrease in accounts receivables	2,534	652,165	(128,862)
(Increase)/decrease in prepaid expense	-	-	(23,375)
(Increase)/decrease in deferred outflows of resources related to pensions	(85,089)	(447,335)	(263,052)
(Increase)/decrease in deferred outflows of resources related to other postemployment benefit	(12,904)	5,512	108,294
Increase/(decrease) in accounts payable	(14,704)	(119,561)	(67,634)
Increase/(decrease) in unearned revenue	(28,203)	(102,338)	
Increase/(decrease) in compensated absences	18,847	48,768	(92,654)
Increase/(decrease) in claims payable	-	-	106,000
Increase/(decrease) in net pension liabilities	136,565	254,317	(458,400)
Increase/(decrease) in other postemployment benefit liabilities (assets)	(19,921)	(239,991)	(216,659)
Increase/(decrease) in deferred inflows of resources related to pensions	(124)	(2,359)	(3,623)
Increase/(decrease) in deferred inflows of resources related to other postemployment benefit	18,540	134,700	64,703
Net Cash Provided by (Used in) Operating Activities	\$ (239,747)	\$ (1,910,397)	\$ (2,605,436)
NONCASH ITEMS:			
Acquisition of subscription assets	\$ -	\$ -	\$ (175,435)
Issuance of subscription liabilities	\$ -	\$ -	\$ 175,435
Termination of subscription liabilities	\$ -	\$ -	\$ (6,376)

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NOTES TO THE BASIC FINANCIAL STATEMENTS

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City of Cupertino
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For the Year Ended June 30, 2025

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City of Cupertino
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For the Year Ended June 30, 2025

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City of Cupertino
Notes to the Basic Financial Statements
For the Year Ended June 30, 2025

Note 1 – Summary of Significant Accounting Policies

A. Financial Reporting Entity

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

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

Blended Component Unit

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

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

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

The City had no discretely presented component units.

City of Cupertino
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

Note 1 – Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation

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

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

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

Government-Wide Statements

The City’s Government-Wide Financial Statements include a Statement of Net Position and a Statement of Activities. These statements present summaries of governmental and business-type activities for the City accompanied by a total column. Fiduciary activities of the City are not included in these statements.

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

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

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

Certain eliminations have been made in regards to interfund activities, payables and receivables. All internal balances in the Statement of Net Position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the Statement of Activities and Changes in Net Position, internal service fund transactions have been eliminated; however, those transactions between governmental and business-type activities have not been eliminated. The following interfund activities have been eliminated:

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

City of Cupertino
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

Note 1 – Summary of Significant Accounting Policies (Continued)

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

Governmental Fund Financial Statements

Governmental Fund Financial Statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and nonmajor funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in net position as presented in these statements to the net position presented in the Government-Wide Financial Statements. The City has presented all major funds that met the applicable criteria.

All governmental funds are accounted for on a spending or "*current financial resources*" measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the Balance Sheet. The Statement of Revenues, Expenditures and Changes in Fund Balances presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both "measurable" and "available" to finance expenditures of the current period.

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

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

The City reports the following major Governmental Funds:

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

City of Cupertino
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

Note 1 – Summary of Significant Accounting Policies (Continued)

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

Governmental Fund Financial Statements (Continued)

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

Proprietary Fund Financial Statements

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

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

Proprietary funds are accounted for using the "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Fund Net Position presents increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. In these funds, receivables have been recorded as revenue and provisions have been made for uncollectible amounts.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as nonoperating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as nonoperating expenses.

The City reports the following major proprietary funds:

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

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

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

City of Cupertino
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

Note 1 – Summary of Significant Accounting Policies (Continued)

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

Basis of Accounting

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

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

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

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

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

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

D. Cash, Cash Equivalents, and Investments

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

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

City of Cupertino
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

Note 1 – Summary of Significant Accounting Policies (Continued)

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

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

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

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

E. Fair Value Measurements

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

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

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

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

F. Receivables

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

G. Lease Receivable

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

City of Cupertino
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

Note 1 – Summary of Significant Accounting Policies (Continued)

G. Lease Receivable (Continued)

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

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

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

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

H. Inventories

Inventories consist of fuel, which are reported under historical cost.

I. Prepaid Items

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

J. Interfund Transactions

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

K. Capital Assets

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

City of Cupertino
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

Note 1 – Summary of Significant Accounting Policies (Continued)

K. Capital Assets (Continued)

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
Water infrastructure	20 – 125 years

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

Right-of-Use Lease Assets

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

Right-of-Use Subscription Assets

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

L. Deferred Outflows of Resources and Deferred Inflows of Resources

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

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

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

City of Cupertino
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

Note 1 – Summary of Significant Accounting Policies (Continued)

M. Interest Payable

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

N. Unearned Revenue

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

O. Compensated Absences

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

The liability for compensated absences is recognized as leave is earned, based on the employee's pay rate in effect at the financial statement date, including any applicable salary-related costs. The liability includes only leave attributable to services already rendered and that is more likely than not to be paid.

P. Claims and Judgement Payable

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

Q. Lease Liabilities

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

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

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

City of Cupertino
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

Note 1 – Summary of Significant Accounting Policies (Continued)

Q. Lease Liabilities (Continued)

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

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

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

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

R. Subscription Liabilities

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

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

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

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

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

City of Cupertino
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

Note 1 – Summary of Significant Accounting Policies (Continued)

S. Long-Term Debt

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

T. Pensions

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

The following timeframes are used for pension reporting:

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

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

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

U. Other Postemployment Benefits ("OPEB") Plan

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

City of Cupertino
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

Note 1 – Summary of Significant Accounting Policies (Continued)

U. Other Postemployment Benefits (“OPEB”) Plan (Continued)

The following timeframes are used for OPEB reporting:

Valuation Date	June 30, 2025
Measurement Date	June 30, 2025
Measurement Period	July 1, 2024 to June 30, 2025

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

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

V. Net Position

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

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

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

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

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

W. Fund Balances

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

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.

City of Cupertino
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

Note 1 – Summary of Significant Accounting Policies (Continued)

W. Fund Balances (Continued)

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

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

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

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

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

X. Property Taxes

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

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

Y. Use of Estimates

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

City of Cupertino
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

Note 1 – Summary of Significant Accounting Policies (Continued)

Z. Implementation of New GASB Pronouncements

GASB Statement No. 101 – 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 fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Implementation of this Statement resulted in a restatement of the beginning fund balance as of July 1, 2024, as presented in Note 15.

GASB Statement No. 102 – In December 2023, the GASB issued Statement No. 102, *Certain Risk Disclosures*. The objective of this Statement is to provide users of government financial statements with information about risks related to a government's vulnerabilities due to certain concentrations or constraints that is essential to their analyses for making decisions or assessing accountability. The requirements of this Statement are effective for fiscal years beginning after June 15, 2024, and all reporting periods thereafter. The City has evaluated its exposure to financial risk stemming from concentrations and constraints. Management has determined that a concentration exists in the City's revenue, as disclosed in Note 13.

AA. Upcoming New GANB Pronouncements

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

GASB Statement No. 103 – In April 2024, GASB issued Statement No. 103, *Financial Reporting Model Improvements*. The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. Application of this statement is effective for the City's fiscal year ending June 30, 2026. The City has not determined the effect on the financial statements.

GASB Statement No. 104 – In September 2024, the GASB issued Statement No. 104, *Disclosure of Certain Capital Assets*. The objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets. This Statement requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement 34. This Statement also requires additional disclosures for capital assets held for sale. Application of this statement is effective for the City's fiscal year ending June 30, 2026. The City has not determined the effect on the financial statements.

Note 2 – Cash and Investments

The City had the following cash and investments at June 30, 2025:

	Government-Wide Statement of Net Position		
	Governmental Activities	Business-Type Activities	Total
Cash and investments	\$ 283,350,889	\$ 10,083,012	\$ 293,433,901
Restricted cash and investments:			
Held by fiscal agent for pension	24,320,860	-	24,320,860
Total cash and investments	\$ 307,671,749	\$ 10,083,012	\$ 317,754,761

City of Cupertino
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

Note 2 – Cash and Investments (Continued)

The City's cash and investments at June 30, 2025, in more detail:

Cash on hand	\$ 2,963
Deposits with financial institutions	51,509,352
Total cash	51,512,315
Investments	241,921,586
Investments with PARS	24,320,860
Total investments	266,242,446
Total cash and investments	\$ 317,754,761

A. Deposits

The carrying amounts of the City's demand deposits were \$51,509,352 at June 30, 2025. Bank balances at that date were \$51,715,814 the total amount of which was collateralized or insured with accounts held by the pledging financial institutions in the City's name as discussed below.

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

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

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

The City follows the practice of pooling cash and investments of all funds, except for funds required to be held by fiscal agents under the provisions of bond indentures. Interest income earned on pooled cash and investments is allocated on an accounting period basis to the various funds based on the period-end cash and investment balances. Interest income from cash and investments with fiscal agents is credited directly to the related fund.

City of Cupertino
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

Note 2 – Cash and Investments (Continued)

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

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

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
U.S. Treasury Obligations	5 years	N/A	None	None
U.S. Agency Securities*	5 years	N/A	None	25% of portfolio, 20% of callable securities
California Local Agency Investment Fund (LAIF)	N/A	N/A	Up to \$75 million	None
Non-negotiable Certificates of Deposits (time deposits)	5 years	N/A	30%	None
State of California registered state warrants, treasury notes, or bonds	5 years	N/A	30%	5% of portfolio
California local agency bonds, notes, warrants, or other obligations	5 years	N/A	30%	5% of portfolio
Bond issued by the local agency	5 years	N/A	30%	5% of portfolio
Bankers' Acceptances	180 days	A or better	40%	None
Commercial Paper	270 days	A-1	25%	5% of issuer's net worth; 10% of outstanding paper of Issuer. **
Negotiable Certificates of Deposit	5 years	N/A	30%	5% of issuer's net worth. **
Repurchase Agreements	1 year	N/A	None	None
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	N/A	N/A	20%	None
Asset-backed, mortgage-backed, mortgage pass-through securities, and collateralized mortgage obligations,	5 years	AA or better	20%	5% of the portfolio
Supernationals	5 years	AA or better	30%	10% of portfolio

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

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

City of Cupertino
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

Note 2 – Cash and Investments (Continued)

C. Investments Authorized by Debt Agreements

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

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality	Maximum Percentage of Portfolio
Cash or obligations of the U.S. including U.S. Treasury obligations	N/A	N/A	None
Federal agencies obligations which represent full faith and credit of the U.S.	N/A	N/A	None
Direct federal agencies obligations which are not fully guaranteed by the full faith and credit of the U.S.	N/A	N/A	None
U.S. dollar denominated deposit accounts, federal funds and bankers' acceptances with domestic commercial banks	360 days	P-1, A-1+, A-1	None
Commercial Paper	270 days	P-1, A-1	None
Money market funds	N/A	Aaam or AAAAm-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 \$75 million
Shares in a California common law trust established pursuant to Title 1, Division 7, Chapter 5 of the California Government Code which invests exclusively in investments permitted by Section 53635 of Title 5, Division 2, Chapter of the California Government Code, as it may be amended.	N/A	N/A	None

D. Risk Disclosures

Disclosures Relating to Interest Rate Risk

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

City of Cupertino
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

Note 2 – Cash and Investments (Continued)

D. Risk Disclosures (Continued)

Disclosures Relating to Interest Rate Risk (Continued)

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

Investment Type	Remaining Maturity (In Months)			Total
	12 Months of less	13 to 24 Months	More than 24 Months	
U.S. Treasury Securities	\$ 10,696,361	\$ 14,009,029	\$ 47,621,119	\$ 72,326,509
Corporate Notes	4,176,191	6,652,128	35,095,869	45,924,188
U.S. Agency Notes:				
Federal Home Loan Mortgage Corporation	594,533	638,009	19,841,256	21,073,798
Federal National Mortgage Association	2,467,004	-	-	2,467,004
Federal Home loan Banks	-	1,906,833	-	1,906,833
Farm Credit System	-	2,440,711	2,848,664	5,289,375
Municipal Bonds	-	-	1,770,876	1,770,876
Asset-Backed Securities	45,176	2,383,271	11,570,698	13,999,145
Supranationals	4,767,449	-	3,474,940	8,242,389
Local Agency Investment Fund	68,136,759	-	-	68,136,759
Money Market Mutual Funds	784,710	-	-	784,710
Restricted investment with PARS	24,320,860	-	-	24,320,860
Total investments	\$ 115,989,043	\$ 28,029,981	\$ 122,223,422	\$ 266,242,446

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the City's investment policy, or debt agreements, and the actual rating, by Standard and Poor's or Moody's, as of June 30, 2025 for each investment type:

Investment Type	Total	AAA	AA	A	Not Required
U.S. Treasury Securities	\$ 72,326,509	\$ 72,326,509	\$ -	\$ -	\$ -
Corporate Notes	45,924,188	6,589,675	6,479,086	32,855,427	-
U.S. Agency Notes					
Federal Home Loan Mortgage Corporation	21,073,798	21,073,798	-	-	-
Federal National Mortgage Association	2,467,004	2,467,004	-	-	-
Federal Home Loan Banks	1,906,833	1,906,833	-	-	-
Farm Credit System	5,289,375	5,289,375	-	-	-
Municipal Bonds	1,770,876	-	1,770,876	-	-
Asset-Backed Securities	13,999,145	13,999,145	-	-	-
Supranationals	8,242,389	8,242,389	-	-	-
Local Agency Investment Fund	68,136,759	-	-	-	68,136,759
Money Market Mutual Funds	784,710	-	-	-	784,710
Restricted investment with PARS	24,320,860	-	-	-	24,320,860
Total Investments	\$ 266,242,446	\$ 131,894,728	\$ 8,249,962	\$ 32,855,427	\$ 93,242,329

City of Cupertino
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

Note 2 – Cash and Investments (Continued)

D. Risk Disclosures (Continued)

Disclosures Relating to Concentration of Credit Risk

The investment policy of the City contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. At June 30, 2025, the following investment represent 5% or more of total City investments:

Issuer	Investment Type	Amount	Percentage
Federal Home Loan Mortgage Corporation	U.S. Agency Notes	\$ 21,073,798	8%

Disclosures Relating to Custodial Credit Risk

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

E. Investment in Local Agency Investment Fund (LAIF)

The City is a participant in LAIF which is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. As of June 30, 2025, the City had \$68,136,759 invested in LAIF. LAIF determines fair value on its investment portfolio based on market quotations for those securities where market quotations are readily available and based on amortized cost or best estimate for those securities where market value is not readily available. LAIF is reported at amortized cost, which approximates fair value.

F. Fair Value Measurement Disclosure

The investments are reported at fair value. The following table presents the fair value measurement of investments on a recurring basis and the levels within GASB 72 fair value hierarchy in which the fair value measurements fall at June 30, 2025:

Investments by Fair Value Level	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Uncategoraized	Total
U.S. Treasury Securities	\$ 72,326,509	\$ -	\$ -	\$ 72,326,509
Corporate Notes	-	45,924,188	-	45,924,188
U.S. Agency Notes				
Federal Home Loan Mortgage Corporation	-	21,073,798	-	21,073,798
Federal National Mortgage Association	-	2,467,004	-	2,467,004
Federal Home Loan Banks	-	1,906,833	-	1,906,833
Farm Credit System	-	5,289,375	-	5,289,375
Asset-Backed Securities	-	13,999,145	-	13,999,145
Supranationals	-	8,242,389	-	8,242,389
Municipal Bonds	-	1,770,876	-	1,770,876
Money Markel Mutual Funds				
- Restricted for Pension (PARS)	-	-	24,320,860	24,320,860
Money Markel Mutual Funds	-	-	784,710	784,710
Local Agency Investment Fund	-	-	68,136,759	68,136,759
Total Investments	\$ 72,326,509	\$ 100,673,608	\$ 93,242,329	\$ 266,242,446

City of Cupertino
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

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, 2025, the balance remaining on the loan was \$1,934,740 including principal and interest in the amounts of \$821,000 and \$1,171,782, respectively. The loan was issued using resources in the amount of \$417,000 and \$404,000 in the General Fund and the Housing Development Special Revenue Fund, respectively and is considered governmental activities.

On June 6, 1996, the City loaned \$320,000 to Cupertino Community Services, a California nonprofit public benefit corporation. The note bears interest at three percent per annum and due on July 14, 2026. As of June 30, 2025, the balance on the loan was \$112,314. The loan was issued using resources in the Housing Development Special Revenue Fund and is considered governmental activities.

On September 11, 2017 the City loaned \$3,672,000 to Stevens Creek, L.P., a California limited partnership. The note bears interest at three percent per annum for 55 years. After the completion of construction of the development, no later than April 30th of each calendar year, the Developer shall make repayments of the loan in an amount equal to the City loan percentage of the lenders' share of residual receipts. The payments shall be credited first against accrued interest and then against outstanding principal of the loan, and shall be accompanied by the developer's report of residual receipts. As of June 30, 2025, the balance remaining on the loan was \$4,527,698 including principal and interest in the amounts of \$3,672,000 and \$855,698, respectively in the Housing Development Special Revenue Fund and is considered as governmental activities.

Note 4 – Leases Receivable

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, the Cupertino Public Library, and Water Infrastructure. The City receives fixed payments from the lessees, with a total of \$1,666,700 recognized as rental revenue and \$30,743 recognized as interest revenue on the lease for the year ended June 30, 2025 and a receivable for the remaining payments under the leases of \$2,160,250. The leases have receipts that range from \$974 to \$22,100,000 and interest rates that range from 0.0000% to 2.2820%

On October 1, 2024, the City entered into a 12-years lease agreement with San Jose Water Company (the "Company") for the operation and maintenance of the City's water system. Under this agreement, the City received a \$22 million prepayment, which is recorded as deferred inflow and amortized over the life of the contract. The agreement also provides for an annual \$1.8 million investment rent paid to the City, which is recorded as deposit payable and designated to reimburse the Company for City-approved capital improvement projects. Additionally, the Company will pay the City an annual franchise fee equal to 2% of its previous year's gross receipts derived from customer operations.

Total deferred inflows of resources relating to leases amounted to \$22,667,158 at June 30, 2025.

City of Cupertino
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

Note 4 – Leases Receivable (Continued)

At June 30, 2025, the required payments for these leases, including interest, are:

Year Ending June 30,	NPV Leases Receivable	Interest	Total Lease Payment
2026	\$ 242,614	\$ 26,659	\$ 269,273
2027	254,306	23,691	277,997
2028	266,058	20,584	286,642
2029	224,664	17,367	242,031
2030	217,245	14,541	231,786
2031 - 2035	702,002	38,094	740,096
2036 - 2040	249,045	9,856	258,901
2041	4,316	5	4,321
Total	<u>\$ 2,160,250</u>	<u>\$ 150,797</u>	<u>\$ 2,311,047</u>

Note 5 – Interfund Transactions

A. Advances

Interfund advances are balances between funds that are not expected to be repaid within the current fiscal year. As of June 30, 2025, 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.

B. Due from and to other Funds

At June 30, 2025, the City has the following due from and to other funds:

	Due to Other Funds
	Internal Service Funds
Due From Other Funds	
Governmental Funds:	
General Fund	\$ 1,390,420
	<u>\$ 1,390,420</u>

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

City of Cupertino
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

Note 5 – Interfund Transactions (Continued)

C. Transfers In and Out

Transfers between funds during the fiscal year ended June 30, 2025 were as follows:

Transfers Out					
Governmental Funds					
		Capital Improvement			
		Transportation Special Revenue Fund	Projects Capital Project Fund	Nonmajor Governmental Funds	
Transfers In	General Fund				Total
Governmental Funds:					
General Fund	\$ -	\$ -	\$ 333,334	\$ 15,000	\$ 348,334
Transportation Special Revenue Fund	1,847,578	-	762,580	-	2,610,158
Housing Development Special Revenue Fund	94,258	-	-	-	94,258
Public Facilities Corporation Debt Service Fund	2,677,450	-	-	-	2,677,450
Capital Improvement Projects Capital Projects Fund	4,070,000	693,000	-	-	4,763,000
Nonmajor Governmental Funds	470,443	-	-	-	470,443
Proprietary Funds:					
Resource Recovery Enterprise Fund	220,143	-	-	-	220,143
Recreation Programs Enterprise Fund	138,195	-	-	-	138,195
Sports Center Enterprise Fund	527,885	-	-	-	527,885
Nonmajor Enterprise Fund	173,030	-	-	-	173,030
Internal Service Funds	2,980,148	-	-	-	2,980,148
	<u>\$ 13,199,130</u>	<u>\$ 693,000</u>	<u>\$ 1,095,914</u>	<u>\$ 15,000</u>	<u>\$ 15,003,044</u>

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

City of Cupertino
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

Note 6 – Capital Assets

A. Governmental Activities

A summary of changes in capital assets of the governmental activities for the year ended June 30, 2025 is as follows:

<i>Governmental Activities:</i>	Balance July 1, 2024 (as restated)	Additions	Deletions	Transfers	Balance June 30, 2025
General Government Capital Assets:					
Capital assets not being depreciated:					
Land	\$ 64,786,669	\$ -	\$ -	\$ -	\$ 64,786,669
Easements	19,615,039	234,341	-	-	19,849,380
Construction in progress	27,365,395	10,206,365	(912,590)	(17,705,083)	18,954,087
Total general government capital assets not being depreciated	111,767,103	10,440,706	(912,590)	(17,705,083)	103,590,136
Capital assets being depreciated:					
Buildings	48,886,305	-	(2,450,000)	-	46,436,305
Improvements other than buildings	66,169,099	-	(14,960)	6,010,304	72,164,443
Machinery and equipment	4,887,544	-	(5,069)	610,041	5,492,516
Roads, curbs, gutters, sidewalks, medians and bridges	190,818,876	-	-	10,136,084	200,954,960
Streetlights	9,986,718	-	-	593,727	10,580,445
Storm drain structure and mains	39,919,335	-	-	-	39,919,335
Traffic signals	6,485,366	-	-	-	6,485,366
Water infrastructure	5,338,561	270,073	-	354,927	5,963,561
Total capital assets being depreciated	372,491,804	270,073	(2,470,029)	17,705,083	387,996,931
Less accumulated depreciation for:					
Buildings	(36,919,734)	(1,552,189)	634,499	-	(37,837,424)
Improvements other than buildings	(50,738,244)	(1,981,901)	12,289	-	(52,707,856)
Machinery and equipment	(3,714,335)	(188,616)	5,069	-	(3,897,882)
Roads, curbs, gutters, sidewalks, medians and bridges	(121,415,663)	(3,269,188)	-	-	(124,684,851)
Streetlights	(8,625,688)	(247,342)	-	-	(8,873,030)
Storm drain structure and mains	(34,368,305)	(686,545)	-	-	(35,054,850)
Traffic signals	(6,130,715)	(64,095)	-	-	(6,194,810)
Water infrastructure	-	(66,031)	-	-	(66,031)
Total accumulated depreciation	(261,912,684)	(8,055,907)	651,857	-	(269,316,734)
Total capital assets being depreciated, net	110,579,120	(7,785,834)	(1,818,172)	17,705,083	118,680,197
Intangible assets, being amortized					
Right-to-use subscription assets	2,235,145	523,418	(82,217)	-	2,676,346
Total intangible assets, being amortized	2,235,145	523,418	(82,217)	-	2,676,346
Less accumulated amortization for:					
Right-to-use subscription assets	(1,114,773)	(581,178)	54,816	-	(1,641,135)
Total accumulated amortization	(1,114,773)	(581,178)	54,816	-	(1,641,135)
Total intangible assets, being amortized, net	1,120,372	(57,760)	(27,401)	-	1,035,211
Total general government capital asset, net	223,466,595	2,597,112	(2,758,163)	-	223,305,544
Internal Service Fund Capital Assets:					
Capital assets not being depreciated:					
Construction in progress	192,925	264,441	-	(189,656)	267,710
Total internal fund capital assets not being depreciated	192,925	264,441	-	(189,656)	267,710
Capital assets being depreciated:					
Machinery and equipment	13,299,517	-	(274,919)	189,656	13,214,254
Less accumulated depreciation	(10,898,811)	(428,666)	274,919	-	(11,052,558)
Total internal fund capital assets being depreciated, net	2,400,706	(428,666)	-	189,656	2,161,696
Intangible assets, being amortized					
Right-to-use lease assets	34,108	-	-	-	34,108
Right-to-use subscription assets	334,167	175,435	(6,376)	-	503,226
Total intangible assets, being amortized	368,275	175,435	(6,376)	-	537,334
Less accumulated amortization for:					
Right-to-use lease assets	(18,844)	(6,784)	-	-	(25,628)
Right-to-use subscription assets	(182,849)	(96,051)	-	-	(278,900)
Total accumulated amortization	(201,693)	(102,835)	-	-	(304,528)
Total intangible assets, being amortized, net	166,582	72,600	(6,376)	-	232,806
Total internal service fund capital assets, net	2,760,213	(91,625)	(6,376)	-	2,662,212
Governmental activities capital assets, net	\$ 226,226,808	\$ 2,505,487	\$ (2,764,539)	\$ -	\$ 225,967,756

City of Cupertino
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

Note 6 – Capital Assets (Continued)

A. Governmental Activities (Continued)

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

Governmental Activities	Depreciation	Amortization	Total
Administration	\$ 24,480	\$ 59,018	\$ 83,498
Innovation and technology	44,438	-	44,438
Administrative Services	21,541	50,086	71,627
Parks and Recreation	2,192,893	31,639	2,224,532
Community development	23,866	136,032	159,898
Public Works	5,748,689	304,403	6,053,092
Subtotal	8,055,907	581,178	8,637,085
Internal Service Allocation			
Administration	-	8,339	8,339
Innovation and technology	84,473	-	84,473
Administrative Services	-	1,792	1,792
Parks and Recreation	-	7,066	7,066
Community development	-	24,803	24,803
Public Works	344,193	60,835	405,028
Subtotal	428,666	102,835	531,501
Total - Governmental Activities	\$ 8,484,573	\$ 684,013	\$ 9,168,586

B. Business-Type Activities

A summary of changes in capital assets of the business-type activities for the year ended June 30, 2025 is as follows:

	Balance July 1, 2024	Additions	Deletions	Transfers	Balance June 30, 2025
Business-type activities:					
Capital assets not being depreciated:					
Construction in progress	\$ 3,337	\$ -	\$ -	\$ (3,337)	\$ -
Total capital assets not being depreciated	3,337	-	-	(3,337)	-
Capital assets being depreciated:					
Buildings	2,291,240	-	-	-	2,291,240
Improvements other than buildings	2,399,072	-	-	3,337	2,402,409
Machinery and equipment	751,752	-	(6,601)	-	745,151
Total capital assets being depreciated	5,442,064	-	(6,601)	3,337	5,438,800
Less accumulated depreciation for:					
Buildings	(750,805)	(90,648)	-	-	(841,453)
Improvements other than buildings	(1,979,892)	(70,971)	-	-	(2,050,863)
Machinery and equipment	(705,284)	(12,761)	6,601	-	(711,444)
Total accumulated depreciation	(3,435,981)	(174,380)	6,601	-	(3,603,760)
Total capital assets being depreciated, net	2,006,083	(174,380)	-	3,337	1,835,040
Business-type activity capital assets, net	\$ 2,009,420	\$ (174,380)	\$ -	\$ -	\$ 1,835,040

City of Cupertino
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

Note 6 – Capital Assets (Continued)

B. Business-Type Activities (Continued)

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

Business-Type Activities	Depreciation
Cupertino Sports Center	\$ 101,810
Recreation Program	56,038
Blackberry Farm	16,532
Total	<u>\$ 174,380</u>

Note 7 – Long-Term Liabilities

A. Governmental Activities

A summary of changes in long-term liabilities for governmental activities for the year ended June 30, 2025 is as follows:

	Balance July 1, 2024 (as restated)	Additions/ Adjustment	Retirements	Balance June 30, 2025	Current Portion	Long-term Portion
2020A Certificates of Participation	\$ 14,030,000	\$ -	\$ (2,115,000)	\$ 11,915,000	\$ 2,200,000	\$ 9,715,000
Issuance Premium	2,386,895	-	(397,816)	1,989,079	-	1,989,079
Lease liabilities	15,369	-	(6,808)	8,561	6,844	1,717
Subscription liabilities	1,210,274	698,852	(712,927)	1,196,199	685,571	510,628
Claims payable	1,671,587	754,588	(449,444)	1,976,731	338,000	1,638,731
Compensated absences	4,722,845	(438,648) *	-	4,284,197	857,020	3,427,177
Total long-term liabilities	<u>\$ 24,036,970</u>	<u>\$ 1,014,792</u>	<u>\$ (3,681,995)</u>	<u>\$ 21,369,767</u>	<u>\$ 4,087,435</u>	<u>\$ 17,282,332</u>

* The change in the compensated absences liability is presented as a net change.

2020 A Certificates of Participation

The Cupertino Public Facilities Corporation issued Certificates of Participation to provide financing for the construction of the Community Center, improvements of the City Hall and the Library in July 1986; purchase of Wilson Park in 1989; finance the Memorial Park Expansion in 1990; and purchase the Blackberry Farm and Fremont Older site in 1991. The Cupertino Public Facilities Corporation, as lessor, leased real property to the City (under the Lease Agreement with the lessee) and assigned the base rental payments to the trustee for the benefit of the owners of the certificates of participation. The rental payments which represent the pledged revenues are scheduled to be sufficient in both time and amount, when the principal and interest of the certificates are due, which was the case for the year ended June 30, 2025.

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, 2025 for the 2012 COPs. The result of the transaction was an economic gain of \$3,133,819.

City of Cupertino
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

Note 7 – Long-Term Liabilities (Continued)

A. Governmental Activities (Continued)

2020 A Certificates of Participation (Continued)

The 2020A COPs are payable by a pledge of revenues from the lease payments payable by the City pursuant to the Lease Agreement between the Cupertino Public Facilities Corporation and the City for the use and possession of the Site and Facility as described in the Lease Agreement. The City also covenanted in the Lease Agreement to include all lease payments in its annual budget. Total debt service payments remaining on the 2020 COPs is \$13,382,400 payable through June 1, 2030. During the year ended June 30, 2025, the bonds had \$2,115,000 of principal and \$561,200 interest due and paid. The annual debt service requirements on these certificates are as follows:

Year Ending June 30,	Principal	Interest	Total
2026	\$ 2,200,000	\$ 476,600	\$ 2,676,600
2027	2,285,000	388,600	2,673,600
2028	2,380,000	297,200	2,677,200
2029	2,475,000	202,000	2,677,000
2030	2,575,000	103,000	2,678,000
Total	<u>\$ 11,915,000</u>	<u>\$ 1,467,400</u>	<u>\$ 13,382,400</u>

Lease Liabilities

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

Year Ending June 30,	Principal	Interest	Total
2026	\$ 6,844	\$ 29	\$ 6,873
2027	1,717	2	1,719
Total	<u>\$ 8,561</u>	<u>\$ 31</u>	<u>\$ 8,592</u>

Subscription Liabilities

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

Year Ending June 30,	Principal	Interest	Total
2026	\$ 685,571	\$ 20,043	\$ 705,614
2027	375,313	11,592	386,905
2028	135,315	3,583	138,898
Total	<u>\$ 1,196,199</u>	<u>\$ 35,218</u>	<u>\$ 1,231,417</u>

Claims Payable

Refer to Note 10 for more details.

City of Cupertino
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

Note 7 – Long-Term Liabilities (Continued)

B. Business-Type Activities

The following is a summary of changes in long-term liabilities for business-type activities for the year ended June 30, 2025:

	Balance July 1, 2024 (as restated)	Net Changes	Balance June 30, 2025	Current Portion	Long-term Portion
Compensated absences	\$ 169,340	\$ 48,768 *	\$ 218,108	\$ 118,507	\$ 99,601
Total long-term liabilities	\$ 169,340	\$ 48,768	\$ 218,108	\$ 118,507	\$ 99,601

* The change in the compensated absences liability is presented as a net change.

Note 8 – Defined Benefit Pension Plan

A. General Information about the Pension Plan

Plan Description

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

Benefit Provided

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

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, 2025, are summarized as follows:

	Hire date	
	Prior to January 1 , 2013	On or after January 1 , 2013
Benefit formula	2.7%@55	2.0%@62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Minimum retirement age	50	52
Monthly benefits, as a% of eligible compensation	2% to 2.7%	1% to 2%
Required employee contribution rates	8.00%	7.75%
Required employer contribution rates	10.46%	10.46%

City of Cupertino
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

Note 8 – Defined Benefit Pension Plan (Continued)

A. General Information about the Pension Plan (Continued)

Benefit Provided (Continued)

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

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

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

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

Employees Covered by Benefit Terms

As of the June 30, 2023, the valuation date, the following employees were covered by the benefit terms of the Plan:

Active employees	200
Transferred and terminated employees	187
Retired Employees and Beneficiaries	271
Total	<u>658</u>

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.

City of Cupertino
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

Note 8 – Defined Benefit Pension Plan (Continued)

B. Net Pension Liability

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

The June 30, 2023 valuation was rolled forward to determine the June 30, 2024 total pension liability, based on the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Actuarial Cost method
Actuarial Assumptions:	
Discount Rate	6.90%
Inflation	2.30%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table ¹	Derived using CalPERS' Membership Data for all Funds.
Post Retirement Benefit Increase	The lesser of contract COLA or 2.30% until Purchasing Power Protection Allowance floor on purchasing power applies, 2.30% thereafter

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

Change of Assumptions

There were no changes of assumptions in 2024.

Long-term Expected Rate of Return

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

City of Cupertino
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

Note 8 – Defined Benefit Pension Plan (Continued)

B. Net Pension Liability (Continued)

Long-term Expected Rate of Return (Continued)

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

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

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

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

Discount Rate

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

Subsequent Events

There were no subsequent events that would materially affect the results presented in this disclosure.

City of Cupertino
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

Note 8 – Defined Benefit Pension Plan (Continued)

C. Changes in the Net Pension Liability

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

	Miscellaneous Plan		
		Increase (Decrease)	
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (c) = (a) - (b)
Balance at June 30, 2023 (Valuation Date)	\$ 182,272,023	\$ 124,235,178	\$ 58,036,845
Changes in the year:			
Service cost	4,256,243	-	4,256,243
Interest on the total pension liability	12,577,249	-	12,577,249
Change of Benefit Terms	-	-	-
Change of Assumptions	-	-	-
Differences between actual and expected experience	2,583,077	-	2,583,077
Contribution - employer	-	7,230,634	(7,230,634)
Contribution - employee	-	1,824,533	(1,824,533)
Net investment income	-	12,071,573	(12,071,573)
Administrative expenses	-	(101,091)	101,091
Other miscellaneous income/(expenses)	-	-	-
Benefit payments, including refunds of employee contributions	(9,408,506)	(9,408,506)	-
Net Changes during July 1, 2023 to June 30, 2024	10,008,063	11,617,143	(1,609,080)
Balance at June 30, 2024 (Measurement Date)	\$ 192,280,086	\$ 135,852,321	\$ 56,427,765

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

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

	Plan's Net Pension Liability/(Asset)		
	Discount Rate - 1% (5.90%)	Current Discount Rate (6.90%)	Discount Rate + 1% (7.90%)
Miscellaneous Plan	\$ 82,243,006	\$ 56,427,765	\$ 35,208,267

Pension Plan Fiduciary Net Position

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

City of Cupertino
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

Note 8 – Defined Benefit Pension Plan (Continued)

C. Changes in the Net Pension Liability (Continued)

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

For the year ended June 30, 2025, the City recognized pension expense of \$9,950,519. As of June 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Miscellaneous Plan		
	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contribution made after measurement date	\$ 17,717,621	\$ -
Changes of assumptions	1,018,005	-
Difference between expected and actual experience	2,823,744	(35,615)
Net difference between projected and actual earning on pension plan investments	1,829,809	-
Total	<u>\$ 23,389,179</u>	<u>\$ (35,615)</u>

The amounts above are net of outflows and inflows recognized in the 2023-24 measurement period expense.

The expected average remaining service lifetime (“EARSL”) is calculated by dividing the total future service years by the total number of plan participants (active, inactive, and retired). The EARSL for the Plan for the measurement period ending June 30, 2024 is 3.6 years, which was obtained by dividing the total service years of 2,383 (the sum of remaining service lifetimes of the active employees) by 658 (the total number of participants: active, inactive, and retired). Inactive employees and retirees have remaining service lifetimes equal to 0. Total future service is based on the members’ probability of decrementing due to an event other than receiving a cash refund.

The \$17,717,621 of contributions for the fiscal year ended June 30, 2025 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2026.

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

Measurement Period Ending June 30	Deferred Outflows/(Inflows)
2025	\$ 2,180,283
2026	4,256,558
2027	(96,751)
2028	(704,147)
2029	-
Thereafter	-
Total	<u>\$ 5,635,943</u>

City of Cupertino
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

Note 9 – Other Post Employment Benefits (OPEB)

A. General Information about the OPEB Plan

Plan Description

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

The City contracts with CalPERS for this insured-benefit plan established under the state Public Employees' Medical and Hospital Care Act (PEMHCA). The plan offers employees and retirees three CalPERS' self-funded options, setup as insurance risk pools, or offers various third-party insured health plans. The plan's medical benefits and premium rates are established by CalPERS and the insurance providers. The City contribution is established by City resolution. Retirees and active employees pay the difference between the premium rate and the City's contribution. Premiums and City contributions are based on the plan and coverage selected by actives and retirees, with the City's potential contribution ranging from \$1,060 to \$2,815 per month per employee or retiree. The responsibility for benefit payments has transferred to the insurers and the City does not guarantee the benefits in the event of default by the insurers. A comprehensive annual financial report of CalPERS, inclusive of their benefit plans, is available at www.calpers.ca.gov.

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

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

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

City of Cupertino
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

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

A. General Information about the OPEB Plan (Continued)

Plan Description (Continued)

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

Plan Members Covered by Benefit Terms

At June 30, 2025, the valuation date, the Plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefit payments	156
Inactive plan members entitled to but not yet receiving benefit payments	-
Active plan members	183
	339

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. For the year ended June 30, 2025, the City paid \$2,350,230 in healthcare premium payments including implied subsidy. Plan members are not required to contribute to the plan.

B. Net OPEB Liability (Asset)

The City's net OPEB liability(Asset) was measured as of June 30, 2025 and the total OPEB liability used to calculate the net OPEB liability(Asset) was determined by an actuarial valuation as of June 30, 2025. Standard actuarial update procedures were used to project/discount from valuation to measurement dates.

Long-term Expected Rate of Return

As of June 30, 2025, the long-term expected rates of return for each major investment class in the Plan's portfolio are as follows:

Investment Class	JP Morgan Benchmark	Target Allocation	Long-Term Expected Real Rate of Return
Equity – Int'l	MSCI Net EAFE Index	16.00%	9.50%
Equity – Small Cap	MSCI US Small Cal 1750 Index	2.20%	8.80%
Equity – Emerging	MSCI Gross Emerging Mkts Free Ind	5.60%	9.20%
Equity – Russell 1000	S&P 500	41.00%	7.90%
Equity – US REIT	MSCI REITs	4.70%	9.30%
Fixed Inc - Artison High	Lehman Bros High Corp Bond Ind	23.30%	6.40%
Fixed Inc - Bond Index	Lehman Bros GOVT/CORP	4.80%	4.70%
Cash & Equivalents	T-BILLS (30-day)	2.40%	3.10%

City of Cupertino
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

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

B. Net OPEB Liability (Asset) (Continued)

Long-term Expected Rate of Return (Continued)

Inflation is assumed at 2.30% and expenses at 0.29% (\$120,000/year). The above table shows the target asset allocation in the US Bank. The expected real rate of return is JP Morgan Capital Asset Management.

Rate of Return

For the year ended June 30, 2025, the annual money-weighted rate of return on investments, net of investment expense, was 12.61 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 June 30, 2025, 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 June 30, 2025 actuarial valuation include the following:

Discount Rate	6.50%
Net Investment Return	6.50%, based on the UBS investment policy
Inflation	2.30% annual inflation
Payroll increases	2.75% annual increases
Health care Trend	7.75 % for Pre-65 and 5.10% for Post-65 increases in premium rates in 2025 3.94% for Pre-65 and 3.94% for Post-65 increase in premium rates in 2076
Mortality	Pre-Retirement: CalPERS 2021 Mortality pre-retirement Post-Retirement: CalPERS 2021 Mortality post-retirement
Disability	CalPERS 2021 Experience Study for Non industrial Safety Disability
Retirement	CalPERS 2021 Experience Study 2.0% @ 55 for Miscellaneous hired before January 1, 2013 2.0% @ 62 for Miscellaneous hired on or after January 1, 2013
Withdrawal	CalPERS 2021 Experience Study for Miscellaneous

Discount Rate

The discount rate used to measure the total OPEB liability (asset) is based on a blend of (i) the long-term expected rate of return on plan assets for benefits projected to be covered by PARS investments and (ii) a yield or index rate for 20-year, tax-exempt general obligation municipal bonds rated AA/Aa or higher for any benefits not expected to be covered by plan assets. For the measurement period ended June 30, 2025, the discount rate was 6.5 percent.

City of Cupertino
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

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

B. Net OPEB Liability (Asset) (Continued)

Change of Assumptions

The following assumptions were changed from June 30, 2024 to June 30, 2025:

1. Morbidity was updated from SOA's "Health Care Costs – From Birth to Death" to CalPERS 2021 experience rates.
2. Trend was updated using 2025 SOA Getzen Model for Increase Rated in Medical Premiums.

C. Change in Net OPEB Liability (Asset)

The changes in the City's net OPEB liability (Asset) are:

	Net Increase (Decrease)	
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)
		Net OPEB Liability (Asset) (c) = (a) - (b)
Balance at June 30, 2024	\$ 40,388,740	\$ 38,012,829
Changes in the year		
Service cost	1,437,854	-
Interest on the total OPEB liability	2,643,549	-
Change of assumptions	(1,226,828)	-
Differences between actual and expected experience	578,892	-
Contribution - employer	-	2,350,230
Contribution - employee	-	-
Net investment income	-	4,851,326
Administrative expenses	-	(130,113)
Benefit payments, including refunds of Employee contributions	(2,350,230)	(2,350,230)
Net Changes during July 1, 2024 to June 30, 2025	1,083,237	4,721,213
Balance at June 30, 2025 (Measurement Date)	\$ 41,471,977	\$ 42,734,042

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 (asset) would be if it were calculated using a discount rate that is one-percentage-point lower (5.5 percent) or one-percentage-point higher (7.5 percent) than the current discount rate:

Plan's Net OPEB Liability/(Asset)		
Current Discount		
1% Decrease 5.50%	Rate 6.50%	1% Increase 7.50%
\$ 4,446,959	\$ (1,262,065)	\$ (5,947,783)

City of Cupertino
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

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

C. Change in Net OPEB Liability (Asset) (Continued)

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

The table below shows the Net OPEB Liability (Asset) calculated using healthcare cost trend rates that are 1 percentage point lower and 1 percentage point higher than the current assumption:

Plan's Net OPEB Liability/(Asset)		
	Current Healthcare	
1% Decrease	Cost Trend Rate	1% Increase
\$ (6,463,786)	\$ (1,262,065)	\$ 5,247,936

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

For the year ended June 30, 2025, the City recognized OPEB expense of \$1,237,756. As of June 30, 2025, the City reported deferred inflows of resources related to OPEB from the following sources:

	OPEB Plan	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual earnings on investments	\$ -	\$ (2,244,574)
Differences between expected and actual experience	2,708,181	-
Changes in assumption	2,388,910	(1,286,945)
	<u>\$ 5,097,091</u>	<u>\$ (3,531,519)</u>

The difference between projected OPEB plan investment earnings and actual earnings is amortized over a five-year period. The remaining gains and losses are amortized over the expected average remaining service life. The expected average remaining service life is 6.6 years, which was determined as of July 1, 2024, the beginning of the measurement period, for employees covered by the OPEB plan benefit terms.

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

Measurement Period Ending June 30	Deferred Outflows/(Inflows)
2026	\$ 1,675,845
2027	(131,155)
2028	158,846
2029	19,110
2030	(98,170)
Thereafter	(58,904)
Total	<u>\$ 1,565,572</u>

City of Cupertino
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

Note 10 – Liabilities Under Self-Insurance and Risk Management

General and Property Liability: The City is self-insured for the first \$250,000 of general and property liability for each occurrence, and the excess (up to \$10,000,000 for each occurrence and annual aggregate) is covered through the City's participation in the Pooled Liability Assurance Network Joint Powers Authority (PLAN JPA – formerly the Association of Bay Area Governments Pooled Liability Assurance Network or ABAG PLAN). The risk pool consists of 28 agencies within the San Francisco Bay Area. The stated purpose of the PLAN JPA is to provide certain levels of liability insurance coverage, claims management, risk management services, and legal defense to its participating members. PLAN JPA is governed by a Board of Directors, which comprises officials appointed by each participating member. Premiums paid to PLAN JPA are subject to possible refund based on the results of actuarial studies and approval by the Board of Directors. Complete financial statements for PLAN JPA may be obtained from their offices at the following address: PLAN JPA, c/o Sedgwick, 1750 Creekside Oaks Drive Suite 200, Sacramento, CA, 95833. Premiums are revised each year based on the City's claims experience and risk exposure. For the year ended June 30, 2025, the City paid the PLAN JPA premiums of \$1,889,874.

Workers' Compensation Liability: The City belongs to the CSAC Excess Insurance Authority (EIA), a joint power authority which provides excess workers' compensation liability claims coverage above the City's self-insured retention of \$500,000 per occurrence. Losses above the self-insured retention are pooled with excess reinsurance purchased to a \$50,000,000 statutory limit. EIA was established in 1979 for the purpose of creating a risk management pool for all California public entities. EIA is governed by a Board of Directors consisting of representatives of its member public entities. Complete financial statements for ETA may be obtained from their offices at the following address: CSAC Excess Insurance Authority, Finance Department, EIA 75 Iron Point Circle, Suite 200, Folsom, CA 95630. For the year ended June 30, 2025, the City paid premiums of \$148,291.

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:

	2025	2024
Claims liability, beginning of year	\$ 1,671,587	\$ 2,222,786
Incurred claims and changes in estimate	754,588	(268,925)
Claim payments and credits	(449,444)	(282,274)
Total claims liability, end of year	1,976,731	1,671,587
Less current portion	(338,000)	(322,000)
Non-current portion	<u>\$ 1,638,731</u>	<u>\$ 1,349,587</u>

City of Cupertino
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

Note 11 – Net Position and Fund Balances

A. Net Investment in Capital Assets

The following is the calculation of net investment in capital assets at June 30, 2025:

	Governmental Activities	Business-Type Activities
Capital assets, net of accumulated depreciation and amortization	\$ 225,967,756	\$ 1,835,040
Add: deferred charges on refunding	136,879	-
Less: retention payable	(346,385)	-
Less: outstanding principal on capital related debts	(11,915,000)	-
Less: bond premium	(1,989,079)	-
Less: lease liabilities	(8,561)	-
Less: subscription liabilities	(1,196,199)	-
Net investment in capital assets	<u>\$ 210,649,411</u>	<u>\$ 1,835,040</u>

B. Fund Balance Classifications

At June 30, 2025, fund balances are classified in the governmental funds as follows:

	General	Transportation	Housing Development	Public Facilities Corporation Debt Service Fund	Capital Investments Projects Capital Projects Fund	Nonmajor Governmental Funds	Total
Nonspendable:							
Loans receivable and related interest receivable	\$ 1,012,168	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,012,168
Advances to other funds	3,000,000	-	-	-	-	-	3,000,000
Deposit	3,884	-	-	-	-	-	3,884
Inventories	21,383	-	-	-	-	-	21,383
Subtotal	4,037,435	-	-	-	-	-	4,037,435
Restricted for:							
Public access television	1,471,890	-	-	-	-	-	1,471,890
CASP Certificate & Training	9,753	-	-	-	-	-	9,753
PARS Section 115 Trust	24,320,860	-	-	-	-	-	24,320,860
Storm drain system	-	-	-	-	-	2,407,976	2,407,976
Parks and open space	-	-	-	-	-	21,010,392	21,010,392
Environmental management	-	-	-	-	-	955,699	955,699
Streets and road projects	-	13,265,040	-	-	-	916,209	14,181,249
Housing programs	-	-	11,401,135	-	-	-	11,401,135
Subtotal	25,802,503	13,265,040	11,401,135	-	-	25,290,276	75,758,954
Committed for:							
Economic uncertainty	24,000,000	-	-	-	-	-	24,000,000
Sustainability reserve	127,891	-	-	-	-	-	127,891
Future Use Reserve	64,500,000	-	-	-	-	-	64,500,000
Subtotal	88,627,891	-	-	-	-	-	88,627,891
Assigned to:							
Encumbrances	7,287,794	-	-	-	-	-	7,287,794
Capital projects	-	-	-	-	33,058,494	157,966	33,216,460
Subtotal	7,287,794	-	-	-	33,058,494	157,966	40,504,254
Unassigned	56,081,637	-	-	-	-	-	56,081,637
Total	<u>\$ 181,837,260</u>	<u>\$ 13,265,040</u>	<u>\$ 11,401,135</u>	<u>\$ -</u>	<u>\$ 33,058,494</u>	<u>\$ 25,448,242</u>	<u>\$ 265,010,171</u>

City of Cupertino
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

Note 12 – Commitments and Contingencies

A. Federal and State Grants

The City participates in a number of federal and state grant programs subject to financial and compliance audits by the grantors or their representatives. Audits of certain grant programs, including those for the year ended June 30, 2025, 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.

B. Encumbrances

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

As of June 30, 2025, the City had the following encumbrances outstanding:

Governmental Funds:	
General Fund	\$ 7,287,794
Transportation Special Revenue Fund	898,914
Housing Development Special Revenue Fund	11,084
Capital Improvements Projects Capital Projects Fund	8,198,536
Nonmajor Governmental Funds	694,981
Proprietary Funds:	
Resource Recovery Enterprise Fund	476,217
Cupertino Sports Center Enterprise Fund	59,341
Internal Service Funds	712,952
Total Encumbrances	<u><u>\$ 18,339,819</u></u>

C. Consulting Agreement for Sales Taxes

The City entered into agreements (commitments) with two companies to provide services consisting of the assessment and creation of new sales and use tax revenue sources for the City. The City agreed to pay the companies based on a sliding scale payment schedule dependent on the level of new sales tax revenue realized by the City as defined in the consulting agreements. These agreements qualify as tax abatements under the provisions of GASB Statement 77. For the year ended June 30, 2025, the City abated taxes totaling \$3,952,730.

D. Santa Clara County Vehicle Registration Fee (VRF)

The City is required to report VRF revenues, expenditures and fund balances for the year ended June 30, 2025:

VRF Balance as of July 1, 2024 (restated)	\$ 445,776
VRF Revenue	392,363
VRF Interest	20,505
VRF Expended	<u>(858,644)</u>
VRF Balance as of June 30, 2025	<u><u>\$ -</u></u>

City of Cupertino
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

Note 12 – Commitments and Contingencies (Continued)

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

On October 2, 2024, the City entered into a settlement agreement with CDTFA to reallocate sales tax revenues that had been overremitted during the fiscal year 2025. As part of the agreement, the City committed to remit future sales tax revenues to CDTFA with a total of \$8,480,161. During the fiscal year ended June 30, 2025, the City remitted \$5,193,985 to CDTFA from sales tax revenues collection. As of June 30, 2025, the outstanding balance owed to CDTFA was \$3,286,175.

Note 13 – Concentration Risk

The City has an economic dependency on revenues generated directly or indirectly from one company. For the year ended June 30, 2025, more than 10 percent of the City General Fund's total revenues are derived from the company. The City's operations would be adversely impacted if there are any significant declines in taxes received from the company.

Note 14 – Stewardship, Compliance and Accountability

A. Deficit Fund Balance/Net Position

At June 30, 2025, the following fund had a unrestricted net position (deficit):

Fund	Fund Type	Deficit
Retiree Medical	Internal Service Fund	\$ (2,461)

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

B. Excess of Expenditures over Appropriations

Total expenditures exceeded budgeted appropriations in the following funds:

Funds	Final Appropriations	Expenditures	Excess
Public Facilities Corporation Debt Service Fund	\$ 2,676,200	\$ 2,677,700	\$ (1,500)
Nonmajor Governmental Funds			
Environmental Management/Clean Creeks Special Revenue Fund	2,021,239	2,046,348	(25,109)

City of Cupertino
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

Note 15 – Restatements and Prior Period Adjustments of Beginning Net Position and Fund Balance

During fiscal year 2025, restatements and prior period adjustments of beginning net position and fund balances are as follows:

	June 30, 2024 As Previously Reported	Change in Accounting Principle	Error Corrections	June 30, 2024 As Restated
Government-Wide				
Governmental Activities	\$ 414,518,394	\$ 338,092	\$ 5,742,773	\$ 420,599,259
Business-Type Activities	9,858,579	65,359	-	9,923,938
Total primary government	<u>\$ 424,376,973</u>	<u>\$ 403,451</u>	<u>\$ 5,742,773</u>	<u>\$ 430,523,197</u>
Enterprise Funds:				
Major Funds:				
Resources Recovery Enterprise Fund	\$ 5,122,605	\$ 8,283	\$ -	\$ 5,130,888
Recreation Programs Enterprise Fund	2,753,355	11,489	-	2,764,844
Cupertino Sports Center Enterprise Fund	1,225,464	43,942	-	1,269,406
Nonmajor Enterprise Fund:				
Blackberry Farm Nonmajor Enterprise Fund	757,155	1,645	-	758,800
Total Enterprise Funds	<u>\$ 9,858,579</u>	<u>\$ 65,359</u>	<u>\$ -</u>	<u>\$ 9,923,938</u>
Internal Service Funds	<u>\$ 6,528,882</u>	<u>\$ 44,561</u>	<u>\$ -</u>	<u>\$ 6,573,443</u>

Error Correction

Governmental activities are restated to report the water infrastructure beginning balance with the amount of \$5,338,561, as well as construction in progress relating to water infrastructure for \$397,600. Additionally, the correction of the beginning balance of the accumulated depreciation for machinery and equipment was made in amount of \$6,612.

Implementation of GASB Statement No. 101, Compensated Absences

Effective for the fiscal year ended June 30, 2025, the City implemented GASB Statement No. 101, *Compensated Absences*. This statement establishes accounting and financial reporting standards for compensated absences, including vacation, sick leave, and other paid time off. The implementation of GASB 101 resulted in a change in accounting principle, and prior year amounts have been restated accordingly.

Under GASB 101, a liability must be recognized for leave that is attributable to services already rendered, accumulates and carries forward to future periods, and is more likely than not to be used or paid. This represents a shift from previous guidance, particularly in how likelihood and eligibility are assessed. The effect of the restatement is as shown above.

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

FINAL DRAFT 11.26.2025

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City of Cupertino
Required Supplementary Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2025

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Taxes	\$ 61,879,701	\$ 66,330,739	\$ 70,837,599	\$ 4,506,860
Use of money and property	4,697,122	4,818,621	14,804,318	9,985,697
Intergovernmental	2,471,990	1,827,177	2,962,429	1,135,252
Licenses and permits	3,665,866	3,665,866	5,755,842	2,089,976
Charges for services	15,469,136	12,355,172	14,757,441	2,402,269
Fines and forfeitures	395,000	395,000	394,405	(595)
Other revenue	1,210,653	1,370,415	2,056,694	686,279
Total revenues	<u>89,789,468</u>	<u>90,762,990</u>	<u>111,568,728</u>	<u>20,805,738</u>
EXPENDITURES:				
Current:				
Administration	7,778,063	6,579,111	7,074,451	(495,340)
Law enforcement	18,648,806	18,708,806	17,386,971	1,321,835
Innovation and Technology	3,122,993	3,729,100	3,241,574	487,526
Administrative services	7,427,776	7,881,494	8,216,429	(334,935)
Recreation services	6,126,316	7,240,919	7,612,682	(371,763)
Community development	11,524,580	12,079,835	12,500,932	(421,097)
Public works	27,873,662	37,991,518	28,702,541	9,288,977
Capital outlay	190,000	538,347	1,108,602	(570,255)
Debt service:				
Principal	-	-	553,163	(553,163)
Interest and fiscal charges	-	-	14,498	(14,498)
Total expenditures	<u>82,692,196</u>	<u>94,749,130</u>	<u>86,411,843</u>	<u>8,337,287</u>
Excess (deficiency) of revenues over expenditures	<u>7,097,272</u>	<u>(3,986,140)</u>	<u>25,156,885</u>	<u>29,143,025</u>
OTHER FINANCING SOURCES (USES):				
Inception of subscription liability	-	-	523,417	523,417
Proceeds from the sale of capital assets	-	-	2,912,435	2,912,435
Transfers in	15,000	348,334	348,334	-
Transfers out	(7,349,598)	(11,504,732)	(13,199,130)	(1,694,398)
Total other financing sources (uses)	<u>(7,334,598)</u>	<u>(11,156,398)</u>	<u>(9,414,944)</u>	<u>1,741,454</u>
NET CHANGE IN FUND BALANCE	<u>\$ (237,326)</u>	<u>\$ (15,142,538)</u>	<u>15,741,941</u>	<u>\$ 30,884,479</u>
FUND BALANCE:				
Beginning of year			<u>166,095,319</u>	
End of year			<u>\$ 181,837,260</u>	

City of Cupertino
Required Supplementary Information
Budgetary Comparison Schedule - Transportation Special Revenue Fund
For the Year Ended June 30, 2025

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Use of money and property	\$ 348,000	\$ 348,000	\$ 748,039	\$ 400,039
Intergovernmental	8,778,004	7,504,574	5,649,963	(1,854,611)
Charges for services	15,000	15,000	2,214	(12,786)
Other revenue	-	-	3,433	3,433
Total revenues	<u>9,141,004</u>	<u>7,867,574</u>	<u>6,403,649</u>	<u>(1,463,925)</u>
EXPENDITURES:				
Current:				
Public works	3,687,487	4,721,810	4,694,339	27,471
Capital outlay	6,917,691	4,628,419	3,996,786	631,633
Total expenditures	<u>10,605,178</u>	<u>9,350,229</u>	<u>8,691,125</u>	<u>659,104</u>
Excess (deficiency) of revenues over expenditures	<u>(1,464,174)</u>	<u>(1,482,655)</u>	<u>(2,287,476)</u>	<u>(804,821)</u>
OTHER FINANCING SOURCES(USES):				
Transfers in	1,962,580	2,262,580	2,610,158	347,578
Transfers out	-	(693,000)	(693,000)	-
Total other financing sources(uses)	<u>1,962,580</u>	<u>1,569,580</u>	<u>1,917,158</u>	<u>347,578</u>
NET CHANGE IN FUND BALANCE	<u>\$ 498,406</u>	<u>\$ 86,925</u>	<u>(370,318)</u>	<u>\$ (457,243)</u>
FUND BALANCE:				
Beginning of year			<u>13,635,358</u>	
End of year			<u>\$ 13,265,040</u>	

City of Cupertino
Required Supplementary Information
Budgetary Comparison Schedule - Housing Development Special Revenue Fund
For the Year Ended June 30, 2025

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Taxes	\$ 4,532,926	\$ 4,532,926	\$ 457,847	\$ (4,075,079)
Use of money and property	145,944	145,944	351,276	205,332
Intergovernmental	218,437	170,544	241,797	71,253
Total revenues	<u>4,897,307</u>	<u>4,849,414</u>	<u>1,050,920</u>	<u>(3,798,494)</u>
EXPENDITURES:				
Current:				
Community development	1,423,697	1,396,013	847,299	548,714
Total expenditures	<u>1,423,697</u>	<u>1,396,013</u>	<u>847,299</u>	<u>548,714</u>
Excess (deficiency) of revenues over expenditures	<u>3,473,610</u>	<u>3,453,401</u>	<u>203,621</u>	<u>(3,249,780)</u>
OTHER FINANCING SOURCES:				
Transfers in	-	53,570	94,258	40,688
Total other financing sources	<u>-</u>	<u>53,570</u>	<u>94,258</u>	<u>40,688</u>
NET CHANGE IN FUND BALANCE	<u>\$ 3,473,610</u>	<u>\$ 3,506,971</u>	297,879	<u>\$ (3,209,092)</u>
FUND BALANCE:				
Beginning of year			11,103,256	
End of year			<u>\$ 11,401,135</u>	

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City of Cupertino
Required Supplementary Information
Notes to the Budgetary Comparison Schedules
For the Year Ended June 30, 2025

Budget and Budgetary Accounting

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

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

Budgets for governmental funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America. The City's legal level of budgetary control is at the fund level for all 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.

FINAL DRAFT 11.26.2025

City of Cupertino
Required Supplementary Information (Unaudited)
Schedule of Changes in the Net Pension Liability and Related Ratios
For the Year Ended June 30, 2025

Last Ten Fiscal Years

Agent Multiple Employer Defined Benefit Retirement Plan - Miscellaneous Plan

Measurement period	2023-24	2022-23	2021-22	2020-21	2019-20
Total pension liability					
Service cost	\$ 4,256,243	\$ 4,097,215	\$ 3,614,486	\$ 3,392,942	\$ 3,241,719
Interest	12,577,249	11,919,333	11,312,835	10,907,002	10,302,395
Changes of benefit terms	-	201,460	-	-	-
Changes of assumptions	-	-	5,380,881	-	-
Differences between expected and actual experience contributions	2,583,077	2,085,468	(188,249)	2,212,836	444,188
	(9,408,506)	(8,879,755)	(8,451,800)	(7,937,592)	(6,815,494)
Net change in total pension liability	10,008,063	9,423,721	11,668,153	8,575,188	7,172,808
Total pension liability - beginning	182,272,023	172,848,302	161,180,149	152,604,961	145,432,153
Total pension liability - ending (a)	\$ 192,280,086	\$ 182,272,023	\$ 172,848,302	\$ 161,180,149	\$ 152,604,961
Pension fiduciary net position					
Contributions - employer	\$ 7,230,634	\$ 7,183,364	\$ 6,396,030	\$ 5,957,595	\$ 5,308,579
Contributions - employee	1,824,533	1,825,602	1,632,861	1,560,532	1,429,446
Net investment income	12,071,573	7,184,605	(9,612,070)	23,553,078	4,975,822
Benefit payments, including refunds of employee contributions	(9,408,506)	(8,879,755)	(8,451,800)	(7,937,592)	(6,815,494)
Net Plan to Plan Resource Movement	-	-	-	-	-
Administrative expense	(101,091)	(86,042)	(79,189)	(103,981)	(140,036)
Other Miscellaneous Income/(Expense) ¹	-	-	-	-	-
Net change in plan fiduciary net position	11,617,143	7,227,774	(10,114,168)	23,029,632	4,758,317
Plan fiduciary net position - beginning²	124,235,178	117,007,404	127,121,572	104,091,940	99,333,623
Plan fiduciary net position - ending (b)	\$ 135,852,321	\$ 124,235,178	\$ 117,007,404	\$ 127,121,572	\$ 104,091,940
Plan net pension liability - ending (a) - (b)	\$ 56,427,765	\$ 58,036,845	\$ 55,840,898	\$ 34,058,577	\$ 48,513,021
Plan fiduciary net position as a percentage of the total pension liability	70.65%	68.16%	67.69%	78.87%	68.21%
Covered payroll³	\$ 24,019,430	\$ 23,043,952	\$ 20,455,494	\$ 20,427,103	\$ 18,662,748
Plan net pension liability as a percentage of covered payroll	234.93%	251.85%	272.99%	166.73%	259.95%

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

² Includes any beginning of year adjustment.

³ Includes one year's payroll growth using 2.80% payroll growth assumption for fiscal years ended in 2022 through 2024; 2.75% payroll growth assumption for fiscal years ended in 2018 through 2021; 3.00% payroll growth assumption for fiscal years ended in 2014 through 2017.

Notes to Schedule:

Changes of Benefit Terms: The figures above generally include any liability impact that may have resulted from voluntary benefit changes that occurred on or before the Measurement Date. However, offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes) that occurred after the Valuation Date are not included in the figures above, unless the liability impact is deemed to be material by the plan actuary.

Changes of Assumptions: There were no assumption changes in 2023 or 2024. Effective with the June 30, 2021, valuation date (June 30, 2022, measurement date), the accounting discount rate was reduced from 7.15% to 6.90%. In determining the long-term expected rate of return, CalPERS took into account long-term market return expectations as well as the expected pension fund cash flows. In addition, demographic assumptions and the price inflation assumption were changed in accordance with the 2021 CalPERS Experience Study and Review of Actuarial Assumptions. The accounting discount rate was 7.15% for measurement dates June 30, 2017, through June 30, 2021, and 7.65% for measurement dates June 30, 2015, through June 30, 2016.

City of Cupertino
Required Supplementary Information (Unaudited)
Schedule of Changes in the Net Pension Liability and Related Ratios (Continued)
For the Year Ended June 30, 2025

Last Ten Fiscal Years

Agent Multiple Employer Defined Benefit Retirement Plan - Miscellaneous Plan

Measurement period	2018-19	2017-18	2016-17	2015-16	2014-15
Total pension liability					
Service cost	\$ 3,324,361	\$ 3,058,629	\$ 2,895,549	\$ 2,525,314	\$ 2,444,939
Interest	9,800,245	9,065,322	8,619,588	8,253,983	7,789,134
Changes of benefit terms	-	-	-	-	-
Changes of assumptions	-	(847,606)	7,125,558	-	(1,883,633)
Differences between expected and actual experience contributions	4,144,384	1,184,340	(182,397)	696,347	372,917
	(6,193,271)	(6,051,845)	(5,346,890)	(5,151,298)	(4,637,005)
Net change in total pension liability	11,075,719	6,408,840	13,111,408	6,324,346	4,086,352
Total pension liability - beginning	134,356,434	127,947,594	114,836,186	108,511,840	104,425,488
Total pension liability - ending (a)	\$ 145,432,153	\$ 134,356,434	\$ 127,947,594	\$ 114,836,186	\$ 108,511,840
Pension fiduciary net position					
Contributions - employer	\$ 4,654,841	\$ 4,263,020	\$ 4,183,822	\$ 3,659,170	\$ 3,301,642
Contributions - employee	1,364,731	1,506,888	1,236,052	1,169,921	1,149,894
Net investment income	6,096,968	7,347,936	8,749,288	466,704	1,724,204
Benefit payments, including refunds of employee contributions	(6,193,271)	(6,051,845)	(5,346,890)	(5,151,298)	(4,637,005)
Net Plan to Plan Resource Movement	-	(216)	-	-	-
Administrative expense ²	(66,707)	(135,263)	(115,304)	(47,536)	(87,780)
Other Miscellaneous Income/(Expense) ²	216	(256,867)	-	-	-
Net change in plan fiduciary net position	5,856,778	6,673,653	8,706,968	96,961	1,450,955
Plan fiduciary net position - beginning³	93,476,845	86,803,192	78,096,224	77,999,263	76,548,308
Plan fiduciary net position - ending (b)	\$ 99,333,623	\$ 93,476,845	\$ 86,803,192	\$ 78,096,224	\$ 77,999,263
Plan net pension liability - ending (a) - (b)	\$ 46,098,530	\$ 40,879,589	\$ 41,144,402	\$ 36,739,962	\$ 30,512,577
Plan fiduciary net position as a percentage of the total pension liability	68.30%	69.57%	67.84%	68.01%	71.88%
Covered payroll⁴	\$ 18,461,490	\$ 16,809,349	\$ 15,595,136	\$ 14,336,969	\$ 13,504,966
Plan net pension liability as a percentage of covered payroll	249.70%	243.20%	263.83%	256.26%	225.94%

City of Cupertino
Required Supplementary Information (Unaudited)
Schedule of Contributions - Pension
For the Year Ended June 30, 2025

Last Ten Fiscal Years

Agent Multiple Employer Defined Benefit Retirement Plan - Miscellaneous Plan

Fiscal Year End ¹	2024-25	2023-24	2022-23	2021-22	2020-21
Actuarially determined contribution ²	\$ 7,717,621	\$ 7,230,634	\$ 7,183,364	\$ 6,396,030	\$ 5,957,595
Contributions in relation to the actuarially determined contribution ²	(17,717,621)	(7,230,634)	(7,183,364)	(6,396,030)	(5,957,595)
Contribution deficiency (excess)	\$ (10,000,000)	\$ -	\$ -	\$ -	\$ -
Covered payroll ³	\$ 24,691,974	\$ 24,019,430	\$ 23,043,952	\$ 20,455,494	\$ 20,427,103
Contributions as a percentage of covered payroll ³	71.75%	30.10%	31.17%	31.27%	29.17%

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

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

³ Includes one year's payroll growth using 2.80% payroll growth assumption for fiscal years ended June 30, 2022 through 2024; 2.75% payroll growth assumption for fiscal years ended in 2018 through 2021; 3.00% payroll growth assumption for fiscal years ended in 2015 through 2017.

Notes to Schedule:

The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2023-24 were derived from the June 30, 2021 funding valuation report.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Actuarial Cost Method
Amortization method/period	For details, see June 30, 2021, funding valuation report.
Asset valuation method	Fair Value of Assets. For details, see June 30, 2021, funding valuation report.
Inflation	2.30%
Salary increases	Varies by entry age and service
Payroll Growth	2.80%
Investment rate of return	6.80% net of pension plan investment and administrative expenses; includes inflation.
Retirement age	The probabilities of retirement are based on the 2021 CalPERS Experience Study and Review of Actuarial Assumptions.
Mortality	The probabilities of mortality are based on the 2021 CalPERS Experience Study and Review of Actuarial Assumptions. Mortality rates incorporate full generational mortality improvement using 80% of Scale MP-2020 published by the Society of Actuaries.

City of Cupertino
Required Supplementary Information (Unaudited)
Schedule of Contributions - Pension (Continued)
For the Year Ended June 30, 2025

Last Ten Fiscal Years

Agent Multiple Employer Defined Benefit Retirement Plan - Miscellaneous Plan

Fiscal Year End	2019-20	2018-19	2017-18	2016-17	2015-16
Actuarially determined contribution	\$ 5,308,579	\$ 4,654,841	\$ 4,263,020	\$ 4,183,822	\$ 3,659,170
Contributions in relation to the actuarially determined contribution	(5,308,579)	(4,654,841)	(4,263,020)	(4,183,822)	(3,659,170)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 18,662,748	\$ 18,461,490	\$ 16,809,349	\$ 15,595,136	\$ 14,336,969
Contributions as a percentage of covered payroll	28.44%	25.21%	25.36%	26.83%	25.52%

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City of Cupertino
Required Supplementary Information (Unaudited)
Schedule of Changes in the Net Other postemployment Benefits Liability and Related Ratios
For the Year Ended June 30, 2025

Last Ten Fiscal Years*

Single Employer Defined Benefit Other Post Employment Benefit Plan

Measurement period	2024-25	2023-24	2022-23	2021-22
Total OPEB liability				
Service cost	\$ 1,437,854	\$ 1,312,300	\$ 1,260,000	\$ 1,015,000
Interest	2,643,549	2,311,698	1,967,000	1,921,000
Changes of benefit terms	-	-	-	-
Difference between expected and actual experience	578,892	-	4,437,000	-
Changes of assumptions	(1,226,828)	3,583,364	(492,000)	-
Benefit payments, including refunds of employee contributions	(2,350,230)	(2,108,622)	(1,753,000)	(1,691,000)
Net change in total OPEB liability	1,083,237	5,098,740	5,419,000	1,245,000
Total OPEB liability - beginning	40,388,740	35,290,000	29,871,586	28,626,586
Total OPEB liability - ending (a)	\$ 41,471,977	\$ 40,388,740	\$ 35,290,586	\$ 29,871,586
Contributions - employer	2,350,230	722,863	1,753,000	1,691,000
Net investment income	4,851,326	4,814,071	3,484,000	(6,568,000)
Benefit payments	(2,350,230)	(2,108,622)	(1,753,000)	(1,691,000)
Administrative expense	(130,113)	(123,483)	(116,000)	(117,000)
Net change in fiduciary net position	4,721,213	3,304,829	3,368,000	(6,685,000)
Plan fiduciary net position - beginning	38,012,829	34,708,000	31,340,044	38,025,044
Plan fiduciary net position - ending (b)	\$ 42,734,042	\$ 38,012,829	\$ 34,708,044	\$ 31,340,044
Net OPEB liability (asset) - ending (a-b)	\$ (1,262,065)	\$ 2,375,911	\$ 582,542	\$ (1,468,458)
Plan fiduciary net position as a percentage of the total OPEB liability	103.04%	94.12%	98.35%	104.92%
Covered-employee payroll	\$ 25,846,227	\$ 26,587,600	\$ 27,343,833	\$ 24,015,350
Plan OPEB liability as a percentage of covered employee payroll	-4.88%	8.94%	2.13%	-6.11%

Notes to Schedule:

* Fiscal year 2017 was the 1st year of implementation, therefore only nine (9) years are shown.

City of Cupertino
Required Supplementary Information (Unaudited)
Schedule of Changes in the Net Other postemployment Benefits Liability and Related Ratios (Continued)
For the Year Ended June 30, 2025

Last Ten Fiscal Years*

Single Employer Defined Benefit Other Post Employment Benefit Plan

Measurement period	2020-21	2019-20	2018-19	2017-18	2016-17
Total OPEB liability					
Service cost	\$ 844,000	\$ 1,009,000	\$ 865,260	\$ 1,007,863	\$ 907,986
Interest	2,042,000	1,985,000	2,004,581	1,876,280	1,780,898
Changes of benefit terms	-	-	-	-	-
Difference between expected and actual experience	(4,688,000)	-	(1,808,295)	-	-
Changes of assumptions	640,000	1,761,000	(36,407)	-	-
Benefit payments, including refunds of employee contributions	(1,550,068)	(1,489,506)	(1,423,109)	(1,419,221)	(1,332,975)
Net change in total OPEB liability	(2,712,068)	3,265,494	(397,970)	1,464,922	1,355,909
Total OPEB liability - beginning	31,338,654	28,073,160	28,471,130	27,006,208	25,650,299
Total OPEB liability - ending (a)	\$ 28,626,586	\$ 31,338,654	\$ 28,073,160	\$ 28,471,130	\$ 27,006,208
Contributions - employer	1,550,068	1,489,506	1,423,109	1,419,221	1,332,975
Net investment income	8,775,796	272,722	1,259,390	2,364,652	2,959,614
Benefit payments	(1,550,068)	(1,489,506)	(1,423,109)	(1,419,221)	(1,332,975)
Administrative expense	(121,000)	(120,708)	(97,301)	(53,582)	(48,629)
Net change in fiduciary net position	8,654,796	152,014	1,162,089	2,311,070	2,910,985
Plan fiduciary net position - beginning	29,370,248	29,218,234	28,056,145	25,745,075	22,834,090
Plan fiduciary net position - ending (b)	\$ 38,025,044	\$ 29,370,248	\$ 29,218,234	\$ 28,056,145	\$ 25,745,075
Net OPEB liability (asset) - ending (a-b)	\$ (9,398,458)	\$ 1,968,406	\$ (1,145,074)	\$ 414,985	\$ 1,261,133
Plan fiduciary net position as a percentage of the total OPEB liability	132.83%	93.72%	104.08%	98.54%	95.33%
Covered-employee payroll	\$ 23,081,960	\$ 21,643,061	\$ 20,085,777	\$ 19,153,396	\$ 17,255,340
Plan OPEB liability as a percentage of covered employee payroll	-40.72%	9.09%	-5.70%	2.17%	7.31%

Notes to Schedule:

* Fiscal year 2017 was the 1st year of implementation, therefore only nine (9) years are shown.

City of Cupertino
Required Supplementary Information (Unaudited)
Schedule of Contributions - Other postemployment Benefits
For the Year Ended June 30, 2025

Last Ten Fiscal Years*

Single Employer Defined Benefit OPEB Plan

	2024-25	2023-24	2022-23	2021-22
Actuarially determined contribution	\$ 1,256,115	\$ 1,675,019	\$ 1,592,398	\$ 128,715
Contributions in relation to the actuarially determined contribution	2,350,230	722,863	1,753,000	1,691,000
Contribution deficiency (excess)	<u>\$ (1,094,115)</u>	<u>\$ 952,156</u>	<u>\$ (160,602)</u>	<u>\$ (1,562,285)</u>
Covered-employee payroll	\$ 25,846,227	\$ 26,587,600	\$ 27,343,833	\$ 24,015,350
Contributions as a percentage of covered-employee payroll	9.09%	2.72%	6.41%	7.04%

* Fiscal year 2017 was the 1st year of implementation, therefore only nine (9) years are shown.

Notes to Schedule:

Valuation Date	June 30, 2025
Timing	Actuarially determined contributions are calculated based on the most recently performed actuarial valuation

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age
Amortization method	Level Percent of Pay, Closed, 7.5 years as of 7/1/2023
Asset valuation method	Fair value of assets
Discount rate	6.50%
Amortization growth rate	2.75%
Ultimate rate of medical inflation	3.94%
Salary increases	2.75% plus merit component based on years of service
Mortality	CalPERS 2021 mortality assumptions

City of Cupertino
Required Supplementary Information (Unaudited)
Schedule of Contributions - Other postemployment Benefits (Continued)
For the Year Ended June 30, 2025

Last Ten Fiscal Years*

Single Employer Defined Benefit OPEB Plan

	2020-21	2019-20	2018-19	2017-18	2016-17
Actuarially determined contribution	\$ 123,712	\$ 1,401,176	\$ 1,300,357	\$ 1,361,806	\$ 1,116,764
Contributions in relation to the actuarially determined contribution	1,550,068	1,489,506	1,423,109	1,419,221	1,332,975
Contribution deficiency (excess)	\$ (1,426,356)	\$ (88,330)	\$ (122,752)	\$ (57,415)	\$ (216,211)
Covered-employee payroll	\$ 23,081,960	\$ 21,643,061	\$ 20,085,777	\$ 19,153,396	\$ 17,255,340
Contributions as a percentage of covered-employee payroll	6.72%	6.88%	7.09%	7.41%	7.72%

* Fiscal year 2017 was the 1st year of implementation, therefore only nine (9) years are shown.

Notes to Schedule:

Valuation Date	June 30, 2025
Timing	Actuarially determined contributions are calculated based on the most recently performed actuarial valuation
<u>Methods and assumptions used to determine contribution rates:</u>	
Actuarial cost method	Entry Age
Amortization method	Level Percent of Pay, Closed, 7.5 years as of 7/1/2023
Asset valuation method	Fair value of assets
Discount rate	6.50%
Amortization growth rate	2.75%
Ultimate rate of medical inflation	3.94%
Salary increases	2.75% plus merit component based on years of service
Mortality	CalPERS 2021 mortality assumptions

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SUPPLEMENTARY INFORMATION

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

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

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

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

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City of Cupertino
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Public Facilities Corporation Debt Service Fund
For the Year Ended June 30, 2025

	Original Budget	Final Budget	Actual	Variance with Final Budget
EXPENDITURES:				
Current:				
Administration	\$ -	\$ -	\$ 1,500	\$ (1,500)
Debt service:				
Principal	2,115,000	2,115,000	2,115,000	-
Interest and fiscal charges	561,200	561,200	561,200	-
Total expenditures	<u>2,676,200</u>	<u>2,676,200</u>	<u>2,677,700</u>	<u>(1,500)</u>
 Excess (deficiency) of revenues over expenditures	 <u>(2,676,200)</u>	 <u>(2,676,200)</u>	 <u>(2,677,700)</u>	 <u>(1,500)</u>
OTHER FINANCING SOURCES:				
Transfers in	2,676,200	2,676,200	2,677,450	1,250
Total other financing sources	<u>2,676,200</u>	<u>2,676,200</u>	<u>2,677,450</u>	<u>1,250</u>
NET CHANGE IN FUND BALANCE	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	(250)	<u><u>\$ (250)</u></u>
FUND BALANCE:				
Beginning of year			250	
End of year			<u><u>\$ -</u></u>	

City of Cupertino
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Capital Improvement Projects Capital Projects Fund
For the Year Ended June 30, 2025

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Use of money and property	\$ -	\$ -	\$ 821,189	\$ 821,189
Intergovernmental	5,850,000	1,207,951	2,656,151	1,448,200
Total revenues	<u>5,850,000</u>	<u>1,207,951</u>	<u>3,477,340</u>	<u>2,269,389</u>
EXPENDITURES:				
Capital outlay	13,810,000	6,236,342	6,057,035	179,307
Total expenditures	<u>13,810,000</u>	<u>6,236,342</u>	<u>6,057,035</u>	<u>179,307</u>
Excess (deficiency) of revenues over expenditures	<u>(7,960,000)</u>	<u>(5,028,391)</u>	<u>(2,579,695)</u>	<u>2,448,696</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	7,785,000	12,838,354	4,763,000	(8,075,354)
Transfers out	(8,247,580)	(9,171,268)	(1,095,914)	8,075,354
Total other financing sources (uses)	<u>(462,580)</u>	<u>3,667,086</u>	<u>3,667,086</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>\$ (8,422,580)</u>	<u>\$ (1,361,305)</u>	1,087,391	<u>\$ 2,448,696</u>
FUND BALANCE:				
Beginning of year			31,971,103	
End of year			<u>\$ 33,058,494</u>	

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

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

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

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

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

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

CAPITAL PROJECTS FUNDS

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

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

City of Cupertino
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2025

	Special Revenue Funds			
	Storm Drain Improvement	Park Dedication	Environmental Management/ Clean Creeks	Traffic Impact
ASSETS				
Cash and investments	\$ 2,391,339	\$ 20,902,637	\$ 956,143	\$ 909,879
Accounts receivable	-	-	67,557	-
Interest receivable	16,637	145,425	6,602	6,330
Total assets	<u>2,407,976</u>	<u>21,048,062</u>	<u>1,030,302</u>	<u>916,209</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accruals	-	37,670	21,860	-
Total liabilities	<u>-</u>	<u>37,670</u>	<u>21,860</u>	<u>-</u>
Deferred inflows of resources:				
Unavailable revenues	-	-	52,743	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>52,743</u>	<u>-</u>
Fund balances:				
Restricted	2,407,976	21,010,392	955,699	916,209
Assigned	-	-	-	-
Total fund balances	<u>2,407,976</u>	<u>21,010,392</u>	<u>955,699</u>	<u>916,209</u>
Total liabilities and fund balances	<u>\$ 2,407,976</u>	<u>\$ 21,048,062</u>	<u>\$ 977,559</u>	<u>\$ 916,209</u>

City of Cupertino
Combining Balance Sheet (Continued)
Nonmajor Governmental Funds
June 30, 2025

	Capital Projects Fund	Total Nonmajor Governmental Funds
	Stevens Creek Corridor Park	
ASSETS		
Cash and investments	\$ 157,966	\$ 25,317,964
Accounts receivable	-	67,557
Interest receivable	-	174,994
Total assets	<u>157,966</u>	<u>25,560,515</u>
LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable and accruals	-	59,530
Total liabilities	<u>-</u>	<u>59,530</u>
Deferred inflows of resources:		
Unavailable revenues	-	52,743
Total deferred inflows of resources	<u>-</u>	<u>52,743</u>
Fund balances:		
Restricted	-	25,290,276
Assigned	157,966	157,966
Total fund balances	<u>157,966</u>	<u>25,448,242</u>
Total liabilities and fund balances	<u>\$ 157,966</u>	<u>\$ 25,560,515</u>

City of Cupertino
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2025

	Special Revenue Funds			
	Storm Drain Improvement	Park Dedication	Environmental Management/ Clean Creeks	Traffic Impact
Revenues:				
Taxes	\$ 98,721	\$ 999,000	\$ -	\$ -
Use of money and property	116,075	1,012,273	46,939	43,430
Charges for services	-	14,737	1,513,139	59,892
Fines and forfeitures	-	-	2,970	-
Other revenue	-	2,499	-	-
Total revenues	<u>214,796</u>	<u>2,028,509</u>	<u>1,563,048</u>	<u>103,322</u>
Expenditures:				
Current:				
Public works	-	-	2,046,348	-
Capital outlay	-	126,040	-	-
Total expenditures	<u>-</u>	<u>126,040</u>	<u>2,046,348</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>214,796</u>	<u>1,902,469</u>	<u>(483,300)</u>	<u>103,322</u>
Other financing sources (uses):				
Transfers in	-	-	470,443	-
Transfers out	-	(15,000)	-	-
Total other financing sources (uses)	<u>-</u>	<u>(15,000)</u>	<u>470,443</u>	<u>-</u>
Net Change in Fund Balance	<u>214,796</u>	<u>1,887,469</u>	<u>(12,857)</u>	<u>103,322</u>
Fund balances:				
Beginning of year	2,193,180	19,122,923	968,556	812,887
End of year	<u>\$ 2,407,976</u>	<u>\$ 21,010,392</u>	<u>\$ 955,699</u>	<u>\$ 916,209</u>

City of Cupertino
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)
Nonmajor Governmental Funds
For the Year Ended June 30, 2025

	Capital Projects Fund	Total Nonmajor Governmental Funds
	Stevens Creek Corridor Park	
Revenues:		
Taxes	\$ -	\$ 1,097,721
Use of money and property	3,418	1,222,135
Charges for services	-	1,587,768
Fines and forfeitures	-	2,970
Other revenue	-	2,499
Total revenues	<u>3,418</u>	<u>3,913,093</u>
Expenditures:		
Current:		
Public works	-	2,046,348
Capital outlay	-	126,040
Total expenditures	<u>-</u>	<u>2,172,388</u>
Excess (deficiency) of revenues over expenditures	<u>3,418</u>	<u>1,740,705</u>
Other financing sources (uses):		
Transfers in	-	470,443
Transfers out	-	(15,000)
Total other financing sources (uses)	<u>-</u>	<u>455,443</u>
Net Change in Fund Balance	<u>3,418</u>	<u>2,196,148</u>
Fund balances:		
Beginning of year	154,548	23,252,094
End of year	<u>\$ 157,966</u>	<u>\$ 25,448,242</u>

City of Cupertino
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Storm Drain Improvement Special Revenue Fund
For the Year Ended June 30, 2025

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Revenues:				
Taxes	\$ 95,604	\$ 95,604	\$ 98,721	\$ 3,117
Use of money and property	59,000	59,000	116,075	57,075
Total revenues	<u>154,604</u>	<u>154,604</u>	<u>214,796</u>	<u>60,192</u>
NET CHANGE IN FUND BALANCE	<u>\$ 154,604</u>	<u>\$ 154,604</u>	214,796	<u>\$ 60,192</u>
Fund balance:				
Beginning of year			2,193,180	
End of year			<u>\$ 2,407,976</u>	

City of Cupertino
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Park Dedication Special Revenue Fund
For the Year Ended June 30, 2025

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Revenues:				
Taxes	\$ -	\$ -	\$ 999,000	\$ 999,000
Use of money and property	480,000	480,000	1,012,273	532,273
Charges for services	-	-	14,737	14,737
Other revenue	-	-	2,499	2,499
Total Revenues	480,000	480,000	2,028,509	1,548,509
Expenditures:				
Capital outlay	-	126,041	126,040	1
Total Expenditures	-	126,041	126,040	1
Excess (deficiency) of revenues over expenditures	480,000	353,959	1,902,469	1,548,510
Other Financing Uses:				
Transfers out	(15,000)	(15,000)	(15,000)	-
Total Other Financing Uses	(15,000)	(15,000)	(15,000)	-
NET CHANGE IN FUND BALANCE	\$ 465,000	\$ 338,959	1,887,469	\$ 1,548,510
FUND BALANCE:				
Beginning of year			19,122,923	
End of year			<u>\$ 21,010,392</u>	

City of Cupertino
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Environmental Management/Clean Creeks Special Revenue Fund
For the Year Ended June 30, 2025

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Revenues:				
Use of money and property	\$ 10,000	\$ 10,000	\$ 46,939	\$ 36,939
Charges for services	1,865,000	1,865,000	1,513,139	(351,861)
Fines and forfeitures	20,000	20,000	2,970	(17,030)
Total Revenues	1,895,000	1,895,000	1,563,048	(331,952)
Expenditures:				
Current:				
Public works	1,912,473	2,021,239	2,046,348	(25,109)
Total Expenditures	1,912,473	2,021,239	2,046,348	(25,109)
Excess (deficiency) of revenues over expenditures	(17,473)	(126,239)	(483,300)	(306,843)
Other Financing Sources:				
Transfers in	279,000	279,000	470,443	191,443
Total Other Financing Sources	279,000	279,000	470,443	191,443
NET CHANGE IN FUND BALANCE	\$ 261,527	\$ 152,761	(12,857)	\$ (165,618)
FUND BALANCE:				
Beginning of year			968,556	
End of year			<u>\$ 955,699</u>	

City of Cupertino
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Traffic Impact Special Revenue Fund
For the Year Ended June 30, 2025

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Revenues:				
Use of money and property	\$ 20,000	\$ 20,000	\$ 43,430	\$ 23,430
Charges for services	-	-	59,892	59,892
Total Revenues	<u>20,000</u>	<u>20,000</u>	<u>103,322</u>	<u>83,322</u>
NET CHANGE IN FUND BALANCE	<u>\$ 20,000</u>	<u>\$ 20,000</u>	103,322	<u>\$ 83,322</u>
FUND BALANCE:				
Beginning of year			812,887	
End of year			<u>\$ 916,209</u>	

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City of Cupertino
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual
Stevens Creek Corridor Park Capital Projects Fund
For the Year Ended June 30, 2025

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
Revenues:				
Use of money and property	\$ -	\$ -	\$ 3,418	\$ 3,418
Total Revenues	-	-	3,418	3,418
Expenditures:				
Capital outlay	-	1,899	-	1,899
Total Expenditures	-	1,899	-	1,899
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ (1,899)</u>	3,418	<u>\$ 5,317</u>
FUND BALANCE:				
Beginning of year			154,548	
End of year			<u>\$ 157,966</u>	

NONMAJOR ENTERPRISE FUND

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

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

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

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City of Cupertino
Combining Statement of Net Position
Nonmajor Enterprise Fund
June 30, 2025

	Blackberry Farm
ASSETS	
Current assets:	
Cash and investments	\$ 915,697
Interest receivable	6,423
Total current assets	<u>922,120</u>
Noncurrent assets:	
OPEB assets	9,677
Capital assets:	
Depreciable, net	123,122
Total capital assets	123,122
Total noncurrent assets	<u>132,799</u>
Total assets	<u>1,054,919</u>
DEFERRED OUTFLOWS OF RESOURCES	
Related to pensions	157,757
Related to other postemployment benefits	39,081
Total deferred outflows of resources	<u>196,838</u>
LIABILITIES	
Current Liabilities:	
Accounts payable and accruals	24,618
Unearned revenue	83,834
Total current liabilities	<u>108,452</u>
Noncurrent liabilities:	
Compensated absences	26,602
Net pension liability	380,599
Total noncurrent liabilities	<u>407,201</u>
Total liabilities	<u>515,653</u>
DEFERRED INFLOW OF RESOURCES	
Related to pensions	240
Related to other postemployment benefits	27,077
Total deferred inflows of resources	<u>27,317</u>
NET POSITION:	
Net investment in capital assets	123,122
Unrestricted	585,665
Total net position	<u><u>\$ 708,787</u></u>

City of Cupertino
Combining Statement of Revenues, Expenses, and Changes in Net Position
Nonmajor Enterprise Fund
For the Year Ended June 30, 2025

	Blackberry Farm
OPERATING REVENUES:	
Charges for services	\$ 674,474
Others	59,076
Total operating revenues	<u>733,550</u>
OPERATING EXPENSES:	
Salaries and benefits	441,044
Materials and supplies	283,674
Contractual services	264,120
Depreciation	16,532
Total operating expenses	<u>1,005,370</u>
OPERATING INCOME (LOSS)	<u>(271,820)</u>
NONOPERATING REVENUES:	
Investment income	48,777
Total nonoperating revenues	<u>48,777</u>
INCOME (LOSS) BEFORE TRANSFERS	<u>(223,043)</u>
TRANSFERS:	
Transfers in	173,030
Total transfers	<u>173,030</u>
CHANGES IN NET POSITION	<u>(50,013)</u>
NET POSITION:	
Beginning of year, as previously reported	757,155
Change in accounting principle (GASB 101)	1,645
Beginning of year, as restated (Note 15)	<u>758,800</u>
End of year	<u><u>\$ 708,787</u></u>

City of Cupertino
Combining Statement of Cash Flows
Nonmajor Enterprise Fund
For the Year Ended June 30, 2025

	Blackberry Farm
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received from customers	\$ 707,881
Cash paid to suppliers for goods and services	(562,498)
Cash paid to employees for services	(385,130)
Net cash used in operating activities	(239,747)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Cash received from other funds	173,030
Net cash provided by noncapital financing activities	173,030
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest received	48,164
Net cash provided by investing activities	48,164
Net change in cash and cash equivalents	(18,553)
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENT OF NET POSITION:	
Beginning of year	934,250
End of year	<u>\$ 915,697</u>
CASH AND CASH EQUIVALENTS:	
Cash and investments	\$ 915,697
Total cash and cash equivalents	\$ 915,697
Reconciliation of Operating Loss to to Net Cash Provided by Operating Activities:	
Operating loss	\$ (271,820)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:	
Depreciation	16,532
Changes in assets and liabilities:	
(Increase)/decrease in accounts receivables	2,534
(Increase)/decrease in deferred outflows of resources pension related	(85,089)
(Increase)/decrease in deferred outflows of resources other postemployment benefit liabilities related	(12,904)
Increase/(decrease) in accounts payable	(14,704)
Increase/(decrease) in unearned revenue	(28,203)
Increase/(decrease) in compensated absences	18,847
Increase/(decrease) in net pension liability	136,565
Increase/(decrease) in net other postemployment benefit liabilities	(19,921)
Increase/(decrease) in deferred inflows of resources pension related	(124)
Increase/(decrease) in deferred inflows of resources other postemployment benefit liabilities related	18,540
Net cash used in operating activities	\$ (239,747)

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INTERNAL SERVICE FUNDS

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

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

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

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

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

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

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

City of Cupertino
Combining Statement of Net Position
Internal Service Funds
June 30, 2025

	Information Technology	Workers' Compensation	Equipment Revolving
ASSETS			
Current assets:			
Cash and investments	\$ 3,389,985	\$ 3,885,385	\$ 1,380,492
Account receivable	111,221	3,566	14,075
Interest receivable	23,433	26,794	9,613
Prepaid expense	28,055	-	-
Total current assets	3,552,694	3,915,745	1,404,180
Noncurrent assets:			
OPEB assets	46,984	649	19,904
Capital assets:			
Nondepreciable	5,031	-	262,679
Depreciable and amortizable, net	586,999	-	1,807,503
Total capital assets	592,030	-	2,070,182
Total noncurrent assets	639,014	649	2,090,086
Total assets	4,191,708	3,916,394	3,494,266
DEFERRED INFLOW OF RESOURCES			
Related to pensions	1,090,981	28,644	299,260
Related to other postemployment benefits	189,754	2,619	80,384
Total deferred outflows of resources	1,280,735	31,263	379,644
LIABILITIES			
Current Liabilities:			
Accounts payable and accruals	78,757	-	26,687
Accrued payroll and benefits	-	-	72
Due to other funds	-	-	-
Compensated absences, due within one year	8,909	957	126
Claims payable, due within one year	-	248,000	-
Subscription liabilities, due within one year	125,593	-	-
Lease liabilities, due within one year	-	-	6,844
Total current liabilities	213,259	248,957	33,729
Noncurrent liabilities:			
Compensated absences, due more than one year	216,796	11,692	49,295
Claims payable, due more than one year	-	1,131,000	-
Subscription liabilities, due more than one year	14,701	-	-
Lease liabilities, due more than one year	-	-	1,717
Net pension liabilities	2,632,053	69,105	721,983
Total noncurrent liabilities	2,863,550	1,211,797	772,995
Total liabilities	3,076,809	1,460,754	806,724
DEFERRED INFLOW OF RESOURCES			
Related to pensions	1,662	44	456
Related to other postemployment benefits	131,471	1,815	55,694
Total deferred inflows of resources	133,133	1,859	56,150
NET POSITION:			
Net investment in capital assets	451,736	-	2,061,621
Unrestricted (deficit)	1,810,765	2,485,044	949,415
Total net position	\$ 2,262,501	\$ 2,485,044	\$ 3,011,036

City of Cupertino
Combining Statement of Net Position (Continued)
Internal Service Funds
June 30, 2025

	Absences and Long-Term Disability	Retiree Medical	Total
ASSETS			
Current assets:			
Cash and investments	\$ 50,698	\$ -	\$ 8,706,560
Account receivable	-	1,387,959	1,516,821
Interest receivable	353	-	60,193
Prepaid expense	-	-	28,055
Total current assets	51,051	1,387,959	10,311,629
Noncurrent assets:			
OPEB assets	-	-	67,537
Capital assets:			
Nondepreciable	-	-	267,710
Depreciable and amortizable, net	-	-	2,394,502
Total capital assets	-	-	2,662,212
Total noncurrent assets	-	-	2,729,749
Total assets	51,051	1,387,959	13,041,378
DEFERRED INFLOW OF RESOURCES			
Related to pensions	-	-	1,418,885
Related to other postemployment benefits	-	-	272,757
Total deferred outflows of resources	-	-	1,691,642
LIABILITIES			
Current Liabilities:			
Accounts payable and accruals	-	-	105,444
Accrued payroll and benefits	-	-	72
Due to other funds	-	1,390,420	1,390,420
Compensated absences, due within one year	-	-	9,992
Claims payable, due within one year	-	-	248,000
Subscription liabilities, due within one year	-	-	125,593
Lease liabilities, due within one year	-	-	6,844
Total current liabilities	-	1,390,420	1,886,365
Noncurrent liabilities:			
Compensated absences, due more than one year	-	-	277,783
Claims payable, due more than one year	-	-	1,131,000
Subscription liabilities, due more than one year	-	-	14,701
Lease liabilities, due more than one year	-	-	1,717
Net pension liabilities	-	-	3,423,141
Total noncurrent liabilities	-	-	4,848,342
Total liabilities	-	1,390,420	6,734,707
DEFERRED INFLOW OF RESOURCES			
Related to pensions	-	-	2,162
Related to other postemployment benefits	-	-	188,980
Total deferred inflows of resources	-	-	191,142
NET POSITION:			
Net investment in capital assets	-	-	2,513,357
Unrestricted (deficit)	51,051	(2,461)	5,293,814
Total net position	\$ 51,051	\$ (2,461)	\$ 7,807,171

City of Cupertino
Combining Statement of Revenues, Expenses, and Changes in Net Position
Internal Service Funds
For the Year Ended June 30, 2025

	Information Technology	Workers' Compensation	Equipment Revolving
OPERATING REVENUES:			
Charges for services	\$ 3,361,178	\$ 468,984	\$ 1,356,136
Other	113,073	-	42,931
Total operating revenues	3,474,251	468,984	1,399,067
OPERATING EXPENSES:			
Salaries and benefits	1,508,706	47,285	526,643
Materials and supplies	931,293	50,519	351,144
Contractual services	542,683	-	82,023
Insurance and claims and premium	-	336,296	-
Depreciation and amortization	180,985	-	350,516
Total operating expenses	3,163,667	434,100	1,310,326
OPERATING INCOME (LOSS)	310,584	34,884	88,741
NONOPERATING REVENUES (EXPENSES):			
Investment income	158,061	185,366	40,339
Gain on sale of capital assets	-	-	14,001
Interest expense	(2,148)	-	-
Total nonoperating revenues	155,913	185,366	54,340
INCOME (LOSS) BEFORE TRANSFERS	466,497	220,250	143,081
TRANSFERS:			
Transfers in	664,345	11,543	120,862
Total transfers	664,345	11,543	120,862
CHANGES IN NET POSITION	1,130,842	231,793	263,943
NET POSITION (DEFICIT):			
Beginning of year, as previously reported	1,094,594	2,250,845	2,742,003
Change in accounting principle (GASB 101)	37,065	2,406	5,090
Beginning of year, as restated (Note 15)	1,131,659	2,253,251	2,747,093
End of year	<u>\$ 2,262,501</u>	<u>\$ 2,485,044</u>	<u>\$ 3,011,036</u>

City of Cupertino
Combining Statement of Revenues, Expenses, and Changes in Net Position (Continued)
Internal Service Funds
For the Year Ended June 30, 2025

	Compensated Absences and Long-Term Disability	Retiree Medical	Total
OPERATING REVENUES:			
Charges for services	\$ 98,527	\$ -	\$ 5,284,825
Other	-	-	156,004
Total operating revenues	<u>98,527</u>	<u>-</u>	<u>5,440,829</u>
OPERATING EXPENSES:			
Salaries and benefits	-	1,564,230	3,646,864
Materials and supplies	12,716	16,647	1,362,319
Contractual services	-	-	624,706
Insurance and claims and premium	1,100,818	-	1,437,114
Depreciation and amortization	-	-	531,501
Total operating expenses	<u>1,113,534</u>	<u>1,580,877</u>	<u>7,602,504</u>
OPERATING INCOME (LOSS)	<u>(1,015,007)</u>	<u>(1,580,877)</u>	<u>(2,161,675)</u>
NONOPERATING REVENUES (EXPENSES):			
Investment income	19,630	6	403,402
Gain on sale of capital assets	-	-	14,001
Interest expense	-	-	(2,148)
Total nonoperating revenues	<u>19,630</u>	<u>6</u>	<u>415,255</u>
INCOME (LOSS) BEFORE TRANSFERS	<u>(995,377)</u>	<u>(1,580,871)</u>	<u>(1,746,420)</u>
TRANSFERS:			
Transfers in	591,000	1,592,398	2,980,148
Total transfers	<u>591,000</u>	<u>1,592,398</u>	<u>2,980,148</u>
CHANGES IN NET POSITION	<u>(404,377)</u>	<u>11,527</u>	<u>1,233,728</u>
NET POSITION (DEFICIT):			
Beginning of year, as previously reported	455,428	(13,988)	6,528,882
Change in accounting principle (GASB 101)	-	-	44,561
Beginning of year, as restated (Note 15)	<u>455,428</u>	<u>(13,988)</u>	<u>6,573,443</u>
End of year	<u>\$ 51,051</u>	<u>\$ (2,461)</u>	<u>\$ 7,807,171</u>

City of Cupertino
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2025

	Information Technology	Workers' Compensation	Equipment Revolving
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers and users	\$ 3,363,030	\$ 465,418	\$ 1,384,992
Cash paid to suppliers for goods and services	(1,572,246)	(386,815)	(425,906)
Cash paid to employees for services	(2,260,108)	(56,187)	(627,730)
Cash paid for insurance claims	-	106,000	-
Net cash provided by (used in) operating activities	(469,324)	128,416	331,356
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Cash received from other funds	664,345	11,543	120,862
Net cash provided by (used in) noncapital financing activities	664,345	11,543	120,862
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition of capital assets	-	-	(264,441)
Principal paid	(125,986)	-	(6,808)
Interest paid	(2,148)	-	-
Proceeds from sale of capital assets	-	-	14,001
Net cash (used in) capital and related financing activities	(128,134)	-	(257,248)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest earnings	154,291	180,654	40,991
Net cash provided by (used in) investing activities	154,291	180,654	40,991
Net change in cash and cash equivalents	221,178	320,613	235,961
CASH AND CASH EQUIVALENTS:			
Beginning of year	3,168,807	3,564,772	1,144,531
End of year	<u>\$ 3,389,985</u>	<u>\$ 3,885,385</u>	<u>\$ 1,380,492</u>

(Continued)

City of Cupertino
Combining Statement of Cash Flows (Continued)
Internal Service Funds
For the Year Ended June 30, 2025

	Compensated Absences and Long-Term Disability	Retiree Medical	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers and users	\$ 98,527	\$ -	\$ 5,311,967
Cash paid to suppliers for goods and services	(1,113,534)	(16,647)	(3,515,148)
Cash paid to employees for services	-	(1,564,230)	(4,508,255)
Cash paid for insurance claims	-	-	106,000
Net cash provided by (used in) operating activities	(1,015,007)	(1,580,877)	(2,605,436)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Cash received from other funds	591,000	1,580,871	2,968,621
Net cash provided by (used in) noncapital financing activities	591,000	1,580,871	2,968,621
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition of capital assets	-	-	(264,441)
Principal paid	-	-	(132,794)
Interest paid	-	-	(2,148)
Proceeds from sale of capital assets	-	-	14,001
Net cash (used in) capital and related financing activities	-	-	(385,382)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest earnings	23,177	6	399,119
Net cash provided by (used in) investing activities	23,177	6	399,119
Net change in cash and cash equivalents	(400,830)	-	376,922
CASH AND CASH EQUIVALENTS:			
Beginning of year	451,528	-	8,329,638
End of year	\$ 50,698	\$ -	\$ 8,706,560

(Continued)

City of Cupertino
Combining Statement of Cash Flows (Continued)
Internal Service Funds
For the Year Ended June 30, 2025

	Information Technology	Workers' Compensation	Equipment Revolving
Reconciliation of Operating Income (Loss) to to Net Cash Provided by (used in) Operating Activities:			
Operating income (loss)	\$ 310,584	\$ 34,884	\$ 88,741
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortization	180,985	-	350,516
Changes in assets and liabilities:			
(Increase)/decrease in account receivable	(111,221)	(3,566)	(14,075)
(Increase)/decrease in prepaid expense	(23,375)	-	-
(Increase)/decrease in deferred outflows of resources related to pensions	(171,743)	(7,979)	(83,330)
(Increase)/decrease in deferred outflows of resources related to other postemployment benefits	93,187	590	14,517
Increase/(decrease) in accounts payable	(74,895)	-	7,261
Increase/(decrease) in compensated absences	(96,437)	(26)	3,809
Increase/(decrease) in claims payable	-	106,000	-
Increase/(decrease) in net pension liabilities	(454,951)	(291)	(3,158)
Increase/(decrease) in other postemployment benefit liabilities	(157,711)	(1,905)	(57,043)
Increase/(decrease) in deferred inflows of resources related to pensions	(2,939)	(59)	(625)
Increase/(decrease) in deferred inflows of resources related to other postemployment benefits	39,192	768	24,743
Net cash provided by (used in) operating activities	\$ (469,324)	\$ 128,416	\$ 331,356
NONCASH ITEMS:			
Acquisition of subscription assets	\$ (175,435)	\$ -	\$ -
Issuance of subscription liabilities	\$ 175,435	\$ -	\$ -
Termination of subscription liabilities	\$ (6,376)	\$ -	\$ -

(Continued)

City of Cupertino
Combining Statement of Cash Flows (Continued)
Internal Service Funds
For the Year Ended June 30, 2025

	Compensated Absences and Long-Term Disability	Retiree Medical	Total
Reconciliation of Operating Income (Loss) to to Net Cash Provided by (used in) Operating Activities:			
Operating income (loss)	\$ (1,015,007)	\$ (1,580,877)	\$ (2,161,675)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortization	-	-	531,501
Changes in assets and liabilities:			
(Increase)/decrease in account receivable	-	-	(128,862)
(Increase)/decrease in prepaid expense	-	-	(23,375)
(Increase)/decrease in deferred outflows of resources related to pensions	-	-	(263,052)
(Increase)/decrease in deferred outflows of resources related to other postemployment benefits	-	-	108,294
Increase/(decrease) in accounts payable	-	-	(67,634)
Increase/(decrease) in compensated absences	-	-	(92,654)
Increase/(decrease) in claims payable	-	-	106,000
Increase/(decrease) in net pension liabilities	-	-	(458,400)
Increase/(decrease) in other postemployment benefit liabilities	-	-	(216,659)
(Increase)/decrease in deferred inflows of resources related to pensions	-	-	(3,623)
Increase/(decrease) in deferred inflows of resources related to other postemployment benefits	-	-	64,703
Net cash provided by (used in) operating activities	\$ (1,015,007)	\$ (1,580,877)	\$ (2,605,436)
NONCASH ITEMS:			
Acquisition of subscription assets	\$ -	\$ -	\$ (175,435)
Issuance of subscription liabilities	\$ -	\$ -	\$ 175,435
Termination of subscription liabilities	\$ -	\$ -	\$ (6,376)

(Concluded)

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STATISTICAL SECTION

FINAL DRAFT 11.26.2025

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City of Cupertino
Description of Statistical Section Contents
June 30, 2025

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

Contents:	Pages
Financial Trends - These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.	142-150
Revenue Capacity - These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.	151-154
Debt Capacity - These schedules present information to help the reader assess the affordability of the City's current level of outstanding debt and the City's ability to issue additional debt in the future.	155-158
Demographic and Economic Information - These schedules offer demographics and economic indicators to help the reader understand the environment within which the City's financial activities take place.	159-161
Operating Information - These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report related to the services the City provides and activities it performs.	162-166

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

	Fiscal Year				
	2016	2017	2018	2019	2020
Government activities:					
Net investment in capital assets	\$ 148,168,074	\$ 153,239,534	\$ 167,606,366	\$ 170,973,897	\$ 177,128,134
Restricted	34,861,807	34,991,692	32,073,195	45,405,508	48,005,800
Unrestricted	51,164,063	59,385,309	50,457,871	51,190,017	66,493,336
Total governmental activities net position	<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>
Business-type activities:					
Net investment in capital assets	\$ 1,708,183	\$ 1,972,169	\$ 1,597,700	\$ 1,318,744	\$ 1,118,882
Restricted	-	-	-	-	-
Unrestricted	7,375,444	9,092,584	8,051,015	6,737,758	8,134,944
Total business-type activities net position	<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>
Primary government:					
Net investment in capital assets	\$ 149,876,257	\$ 155,211,703	\$ 169,204,066	\$ 172,292,641	\$ 178,247,016
Restricted	34,861,807	34,991,692	32,073,195	45,405,508	48,005,800
Unrestricted	58,539,507	68,477,893	58,508,886	57,927,775	74,628,280
Total primary government net position	<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>

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

	Fiscal Year				
	2021	2022*	2023	2024**	2025
Government activities:					
Net investment in capital assets	\$ 186,503,116	\$ 196,915,823	\$ 198,450,441	\$ 208,703,879	\$ 210,649,411
Restricted	53,711,040	69,354,217	69,129,277	71,760,460	77,670,761
Unrestricted	83,458,299	93,613,909	120,529,242	140,134,920	163,277,018
Total governmental activities net position	<u>\$ 323,672,455</u>	<u>\$ 359,883,949</u>	<u>\$ 388,108,960</u>	<u>\$ 420,599,259</u>	<u>\$ 451,597,190</u>
Business-type activities:					
Net investment in capital assets	\$ 2,090,530	\$ 2,089,569	\$ 2,109,592	\$ 2,009,420	\$ 1,835,040
Restricted	-	166,607	166,689	106,718	-
Unrestricted	9,374,129	8,422,930	8,148,256	7,807,800	7,409,695
Total business-type activities net position	<u>\$ 11,464,659</u>	<u>\$ 10,679,106</u>	<u>\$ 10,424,537</u>	<u>\$ 9,923,938</u>	<u>\$ 9,244,735</u>
Primary government:					
Net investment in capital assets	\$ 188,593,646	\$ 199,005,392	\$ 200,560,033	\$ 210,713,299	\$ 212,484,451
Restricted	53,711,040	69,520,824	69,295,966	71,867,178	77,670,761
Unrestricted	92,832,428	102,036,839	128,677,498	147,942,720	170,686,713
Total primary government net position	<u>\$ 335,137,114</u>	<u>\$ 370,563,055</u>	<u>\$ 398,533,497</u>	<u>\$ 430,523,197</u>	<u>\$ 460,841,925</u>

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

** 2024 balances were restated due to prior period adjustments (see Note 15 for detail)

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

	Fiscal Year				
	2016	2017	2018	2019	2020
Expenses:					
Governmental Activities:					
Administration	\$ 3,710,388	\$ 2,873,744	\$ 5,612,733	\$ 6,849,046	\$ 7,974,520
Law enforcement	11,316,271	12,528,328	12,674,042	13,381,113	14,698,130
Innovation and technology	575,260	1,884,165	3,244,846	3,210,343	3,637,354
Administrative services	2,994,611	5,898,479	4,415,647	4,290,818	5,175,596
Recreation services	5,758,194	10,651,557	9,352,551	7,389,915	8,763,194
Community development	6,259,734	13,775,591	16,789,351	10,470,973	10,286,317
Public works	31,313,396	32,491,244	28,995,382	31,870,165	33,339,191
Interest on long-term debt	1,077,538	1,035,738	993,038	949,438	882,837
Total governmental activities expenses	63,005,392	81,138,846	82,077,590	78,411,811	84,757,139
Business-type activities:					
Resources recovery	\$ 2,997,200	\$ 2,991,177	\$ 2,594,511	\$ 1,735,885	\$ 2,213,404
Blackberry farm	576,177	597,406	656,112	645,469	663,663
Cupertino sports center	2,299,210	2,159,243	2,633,748	3,036,037	2,883,903
Recreation programs	3,136,011	2,351,501	3,232,593	2,923,336	3,141,225
Total business-type activities expenses	9,008,598	8,099,327	9,116,964	8,340,727	8,902,195
Total primary government expenses	\$ 72,013,990	\$ 89,238,173	\$ 91,194,554	\$ 86,752,538	\$ 93,659,334
Program revenues:					
Governmental activities:					
Charges for services:					
Administration	\$ 369,069	\$ 3,992,716	\$ 5,062,988	\$ 1,319,395	\$ 2,091,811
Law enforcement	664,483	603,194	732,544	889,923	1,102,888
Innovation and technology	41,352	-	-	-	-
Administrative services	359,148	3,565,627	2,635,885	3,113,731	3,889,180
Recreation services	1,421,185	2,016,159	1,589,134	1,563,262	1,309,906
Community development	10,534,457	10,902,822	8,598,935	7,470,690	5,859,847
Public works	6,358,870	6,873,487	4,720,646	4,504,104	5,657,315
Operating grants and contributions	1,851,282	2,313,632	4,819,696	2,557,470	5,794,443
Capital grants and contributions	362,491	245,288	271,587	1,082,243	1,046,756
Total governmental activities program revenues	21,962,337	30,512,925	28,431,415	22,500,818	26,752,146
Business-type activities:					
Charges for services:					
Resources recovery	\$ 2,664,888	\$ 2,792,190	\$ 2,559,862	\$ 1,750,279	\$ 1,821,677
Blackberry farm	334,529	325,224	345,667	316,615	338,212
Cupertino sports center	2,224,146	2,238,023	2,403,665	2,349,468	2,365,667
Recreation programs	2,466,336	2,778,588	2,516,678	1,986,781	1,588,576
Total business-type activities program revenues	7,689,899	8,134,025	7,825,872	6,403,143	6,114,132
Total primary government program revenues	\$ 29,652,236	\$ 38,646,950	\$ 36,257,287	\$ 28,903,961	\$ 32,866,278

(continued)

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

	Fiscal Year				
	2021	2022	2023	2024	2025
Expenses:					
Governmental Activities:					
Administration	\$ 3,637,467	\$ 7,293,244	\$ 8,830,127	\$ 9,069,311	\$ 6,607,845
Law enforcement	15,211,646	16,100,903	15,716,301	16,682,075	17,386,971
Innovation and technology	1,721,729	2,004,515	1,950,718	3,127,436	3,126,745
Administrative services	5,358,183	5,363,745	6,363,343	8,165,843	7,557,365
Recreation services	1,182,662	3,976,793	6,020,526	7,194,533	9,249,954
Community development	11,495,788	12,209,547	12,463,257	13,696,180	12,348,713
Public works	41,870,240	35,653,588	38,696,234	36,547,118	38,742,291
Interest on long-term debt	397,682	636,960	369,502	304,972	155,710
Total governmental activities expenses	80,875,397	83,239,295	90,410,008	94,787,468	95,175,594
Business-type activities:					
Resources recovery	\$ 1,670,261	\$ 1,837,781	2,038,313	2,227,782	2,825,410
Blackberry farm	535,274	655,184	799,168	673,788	1,005,370
Cupertino sports center	2,182,900	3,396,146	3,456,539	3,113,577	1,826,303
Recreation programs	1,117,244	1,617,717	1,661,686	2,393,886	2,307,538
Total business-type activities expenses	5,505,679	7,506,828	7,955,706	8,409,033	7,964,621
Total primary government expenses	\$ 86,381,076	\$ 90,746,123	\$ 98,365,714	\$ 103,196,501	\$ 103,140,215
Program revenues:					
Governmental activities:					
Charges for services:					
Administration	\$ 2,387,412	\$ 2,551,205	\$ 3,098,916	\$ 1,370,548	\$ 2,711,892
Law enforcement	550,051	940,797	612,993	739,408	485,514
Innovation and technology	-	-	-	-	-
Administrative services	5,232,679	7,457,032	5,419,347	6,642,671	7,878,626
Recreation services	264,426	653,994	621,587	811,979	1,189,382
Community development	5,736,587	5,768,850	5,361,837	5,549,943	7,390,115
Public works	3,966,206	4,015,183	3,290,506	3,507,250	3,514,553
Operating grants and contributions	5,998,209	7,601,210	10,881,438	4,685,153	7,079,031
Capital grants and contributions	1,792,376	1,282,617	1,593,910	2,459,727	6,136,022
Total governmental activities program revenues	25,927,946	30,270,888	30,880,534	25,766,679	36,385,135
Business-type activities:					
Charges for services:					
Resources recovery	\$ 1,819,861	\$ 1,545,683	\$ 1,772,252	\$ 2,363,496	\$ 1,799,649
Blackberry farm	610,603	602,778	616,461	663,274	733,550
Cupertino sports center	1,810,194	2,796,329	3,117,580	2,362,677	1,144,857
Recreation programs	590,871	1,294,128	1,742,442	2,039,338	2,017,910
Total business-type activities program revenues	4,831,529	6,238,918	7,248,735	7,428,785	5,695,966
Total primary government program revenues	\$ 30,759,475	\$ 36,509,806	\$ 38,129,269	\$ 33,195,464	\$ 42,081,101

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

	Fiscal Year				
	2016	2017	2018	2019	2020
Net revenues (expenses):					
Governmental activities	\$ (41,043,055)	\$ (50,625,921)	\$ (53,646,175)	\$ (55,910,993)	\$ (58,004,993)
Business-type activities	(1,318,699)	34,698	(1,291,092)	(1,937,584)	(2,788,063)
Total net revenues (expenses)	<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>
General revenues and Transfers					
Governmental activities:					
Taxes:					
Property taxes	\$ 11,864,027	\$ 13,251,840	\$ 14,881,533	\$ 17,082,005	\$ 18,117,304
Property taxes in lieu of motor vehicle fee	6,330,436	6,967,237	7,552,272	8,219,090	8,489,541
Sales taxes	21,350,056	26,932,012	26,164,531	24,901,779	35,657,214
Transient occupancy tax	5,852,244	6,023,681	6,810,718	8,901,337	7,286,083
Utility user taxes	3,370,830	3,082,407	3,146,398	3,089,922	3,182,086
Franchise taxes	3,478,024	3,409,572	3,563,820	3,445,253	3,418,908
Other taxes	2,818,019	3,258,118	1,943,652	3,299,587	1,774,235
Intergovernmental	24,111	26,118	31,013	28,844	47,391
Investment earnings (loss)	807,287	694,730	916,638	3,258,550	5,690,723
Miscellaneous	219,053	2,004,906	1,834,492	1,187,741	1,922,356
Gain on sale of capital assets	580	-	740,570	3,875	-
Transfers - fund closing ¹	-	272,011	-	-	-
Transfers	(1,635,000)	(1,874,120)	107,030	(75,000)	(3,523,000)
Total governmental activities	<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>
Business-type activities:					
Investment earnings	82,187	59,012	75,663	270,371	462,387
Transfers	1,635,000	1,874,120	(107,030)	75,000	3,523,000
Total business-type activities	<u>1,717,187</u>	<u>1,933,132</u>	<u>(31,367)</u>	<u>345,371</u>	<u>3,985,387</u>
Total primary government	<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>
Changes in net position					
Governmental activities	\$ 13,436,612	\$ 13,422,591	\$ 14,046,492	\$ 17,431,990	\$ 24,057,848
Business-type activities	398,488	1,967,830	(1,322,459)	(1,592,213)	1,197,324
Total primary government	<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>

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

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

	Fiscal Year				
	2021	2022	2023	2024	2025
Net revenues (expenses):					
Governmental activities	\$ (54,947,451)	\$ (52,968,407)	\$ (59,529,474)	\$ (69,020,789)	\$ (58,790,459)
Business-type activities	(674,150)	(1,267,910)	(706,971)	(980,248)	(2,268,655)
Total net revenues (expenses)	<u>\$ (55,621,601)</u>	<u>\$ (54,236,317)</u>	<u>\$ (60,236,445)</u>	<u>\$ (70,001,037)</u>	<u>\$ (61,059,114)</u>
General revenues and Transfers					
Governmental activities:					
Taxes:					
Property taxes	\$ 19,197,994	\$ 20,322,779	\$ 21,807,628	\$ 22,494,293	\$ 23,421,977
Property taxes in lieu of motor vehicle fee	9,079,845	9,401,632	10,082,011	10,542,559	11,003,490
Sales taxes	42,581,070	43,646,813	34,819,341	32,167,020	17,484,041
Transient occupancy tax	2,141,058	4,404,958	7,062,150	6,906,722	7,886,009
Utility user taxes	3,074,358	3,356,389	4,103,906	3,935,917	4,214,212
Franchise taxes	3,368,286	3,479,554	3,995,018	4,313,669	4,383,827
Other taxes	3,022,333	11,117,528	2,872,571	1,970,611	3,668,729
Intergovernmental	43,675	67,762	62,072	74,801	95,136
Investment earnings (loss)	4,147,907	(9,241,781)	2,801,930	11,562,914	17,722,521
Miscellaneous	3,185,110	1,948,332	444,339	1,441,717	967,701
Gain on sale of capital assets	-	-	-	-	-
Transfers - fund closing ¹	-	-	-	-	-
Transfers	(2,849,000)	(886,801)	(296,481)	20,000	(1,059,253)
Total governmental activities	<u>86,992,636</u>	<u>87,617,165</u>	<u>87,754,485</u>	<u>95,430,223</u>	<u>89,788,390</u>
Business-type activities:					
Investment earnings	35,983	(404,444)	155,921	434,290	530,199
Transfers	2,849,000	886,801	296,481	(20,000)	1,059,253
Total business-type activities	<u>2,884,983</u>	<u>482,357</u>	<u>452,402</u>	<u>414,290</u>	<u>1,589,452</u>
Total primary government	<u>\$ 89,877,619</u>	<u>\$ 88,099,522</u>	<u>\$ 88,206,887</u>	<u>\$ 95,844,513</u>	<u>\$ 91,377,842</u>
Changes in net position					
Governmental activities	\$ 32,045,185	\$ 34,648,758	\$ 28,225,011	\$ 26,409,434	\$ 30,997,931
Business-type activities	2,210,833	(785,553)	(254,569)	(565,958)	(679,203)
Total primary government	<u>\$ 34,256,018</u>	<u>\$ 33,863,205</u>	<u>\$ 27,970,442</u>	<u>\$ 25,843,476</u>	<u>\$ 30,318,728</u>

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

	Fiscal Year				
	2016	2017	2018	2019 ⁽¹⁾	2020
General fund:					
Nonspendable	\$ 937,381	\$ 876,939	\$ 464,893	\$ 454,188	\$ 3,449,341
Restricted	888,374	1,016,771	1,254,578	9,469,670	14,324,757
Committed	-	19,000,000	19,122,754	19,123,397	19,127,891
Assigned	20,500,000	4,638,181	9,963,310	1,979,202	3,176,882
Unassigned	29,869,085	28,057,799	21,704,922	27,896,128	34,426,942
Total general fund	<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>
All other governmental funds:					
Nonspendable	-	-	-	-	-
Restricted	33,973,433	33,974,921	30,818,617	35,935,838	33,681,043
Committed	1,398,665	1,398,665	-	-	-
Assigned	15,344,191	25,305,974	29,129,616	33,211,946	40,551,131
Unassigned	-	-	-	-	-
Total all other governmental funds	<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>
Total Governmental Funds	<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>

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

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

	Fiscal Year				
	2021	2022 ⁽¹⁾	2023	2024	2025
General fund:					
Nonspendable	\$ 3,444,346	\$ 4,055,956	\$ 4,000,588	\$ 3,449,814	\$ 4,037,435
Restricted	20,140,419	18,756,482	19,088,859	23,241,194	25,802,503
Committed	19,127,891	34,127,891	34,127,891	108,627,891	88,627,891
Assigned	4,906,139	5,041,682	9,735,187	4,741,474	7,287,794
Unassigned	49,231,996	48,696,821	71,603,813	26,034,946	56,081,637
Total general fund	<u>\$ 96,850,791</u>	<u>\$ 110,678,832</u>	<u>\$ 138,556,338</u>	<u>\$ 166,095,319</u>	<u>\$ 181,837,260</u>
All other governmental funds:					
Nonspendable	-	-	\$ -	\$ -	\$ -
Restricted	33,570,621	51,106,343	46,828,676	47,836,410	49,956,451
Committed	-	-	-	-	-
Assigned	37,038,174	35,088,889	34,924,537	32,125,651	33,216,460
Unassigned	-	-	-	-	-
Total all other governmental funds	<u>\$ 70,608,795</u>	<u>\$ 86,195,232</u>	<u>\$ 81,753,213</u>	<u>\$ 79,962,061</u>	<u>\$ 83,172,911</u>
Total Governmental Funds	<u>167,459,586</u>	<u>196,874,064</u>	<u>220,309,551</u>	<u>246,057,380</u>	<u>265,010,171</u>

¹2022 balances were restated due to prior period adjustments.

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

	Fiscal Year				
	2016	2017	2018	2019	2020
Revenues:					
Taxes	\$ 55,462,956	\$ 62,924,867	\$ 64,062,924	\$ 68,938,973	\$ 77,925,371
Use of money and property	1,654,702	1,425,629	1,543,818	3,896,813	6,259,342
Intergovernmental	2,532,025	2,585,038	5,122,296	3,668,557	6,888,590
Licenses and permits	3,073,110	2,536,925	2,757,928	4,102,665	4,692,847
Charges for services	17,249,123	24,103,167	15,638,247	13,385,698	13,937,950
Fines and forfeitures	564,903	603,194	602,934	534,012	344,008
Other	1,289,013	2,004,904	1,834,492	1,187,741	1,922,356
Total revenues	81,825,832	96,183,724	91,562,639	95,714,459	111,970,464
Expenditures:					
Current:					
Administration	4,053,741	5,942,633	4,943,052	6,294,111	6,951,541
Law enforcement	10,988,735	11,939,095	12,362,621	13,108,732	14,151,413
Innovation and technology	544,718	1,864,746	2,835,768	2,843,540	3,223,185
Administrative services	2,811,117	5,054,539	4,430,300	4,197,582	4,617,787
Recreation services	5,441,200	9,361,934	8,686,076	8,996,118	7,688,935
Community development	6,102,820	7,431,292	12,907,086	9,359,835	9,310,827
Public works	15,078,174	18,623,585	18,191,714	19,955,579	22,445,948
Capital outlay:	26,171,127	18,731,165	23,395,112	10,528,246	12,644,373
Debt service:					
Principal repayment	2,090,000	2,135,000	2,180,000	2,220,000	2,290,000
Interest and fiscal charges	1,077,538	1,035,738	993,038	949,438	882,837
Total expenditures	74,359,170	82,119,727	90,924,767	78,453,181	84,206,846
Excess of revenues over (under) expenditures	7,466,662	14,063,997	637,872	17,261,278	27,763,618
Other financing sources (uses):					
Proceeds from debt issuance	-	-	-	-	-
Proceeds from debt issuance premium	-	-	-	-	-
Payments to refunding agent	-	-	-	-	-
Proceeds from sale of capital assets	580	-	872,250	3,875	-
Inception of subscription liability	-	-	-	-	-
Transfers in	11,905,724	26,446,090	31,028,218	19,407,613	35,208,276
Transfers in - fund closing	-	260,374	-	-	-
Transfers out	(15,422,213)	(29,412,340)	(34,348,900)	(21,061,087)	(42,304,276)
Total other financing sources (uses)	(3,515,909)	(2,705,876)	(2,448,432)	(1,649,599)	(7,096,000)
Net change in fund balances	\$ 3,950,753	\$ 11,358,121	\$ (1,810,560)	\$ 15,611,679	\$ 20,667,618
Debt service as a percentage of noncapital expenditures	6.57%	5.00%	4.70%	4.67%	4.43%

Source: Department of Administrative Services, City of Cupertino.

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

	Fiscal Year				
	2021	2022	2023	2024	2025
Revenues:					
Taxes	\$ 82,464,944	\$ 95,729,653	\$ 84,233,345	\$ 80,705,015	\$ 72,393,167
Use of money and property	4,447,970	(8,501,439)	3,422,106	11,802,313	17,946,957
Intergovernmental	7,834,260	8,951,589	11,869,664	6,841,474	11,510,340
Licenses and permits	4,068,238	4,141,902	4,093,631	4,412,057	5,755,842
Charges for services	13,601,302	16,373,903	12,741,952	13,833,034	16,347,423
Fines and forfeitures	134,459	373,722	326,944	419,148	397,375
Other	3,185,110	1,948,332	1,393,059	2,418,780	2,062,626
Total revenues	115,736,283	119,017,662	118,080,701	120,431,821	126,413,730
Expenditures:					
Current:					
Administration	7,549,386	7,492,277	7,603,732	7,383,233	7,075,951
Law enforcement	14,776,409	15,715,815	15,276,950	16,204,350	17,386,971
Innovation and technology	1,836,725	2,063,176	1,825,667	2,284,198	3,241,574
Administrative services	5,196,299	5,525,888	5,976,301	6,716,341	8,216,429
Recreation services	4,787,914	4,729,438	5,432,183	5,517,003	7,612,682
Community development	11,177,690	12,627,702	11,693,554	11,498,725	13,348,231
Public works	24,568,155	28,542,850	28,221,856	30,031,887	35,443,228
Capital outlay:	19,483,945	12,777,121	12,533,316	10,473,883	11,288,463
Debt service:					
Principal repayment	2,140,000	1,880,000	2,581,181	2,587,091	2,668,163
Interest and fiscal charges	798,747	796,000	739,340	665,597	575,698
Total expenditures	92,315,270	92,150,267	91,884,080	93,362,308	106,857,390
Excess of revenues over (under) expenditures	23,421,013	26,867,395	26,196,621	27,069,513	19,556,340
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	-	-	-	-	2,912,435
Inception of subscription liability	-	-	964,745	-	523,417
Transfers in	12,876,969	23,089,059	11,350,697	10,789,869	10,963,643
Transfers in - fund closing	-	-	-	-	-
Transfers out	(16,215,969)	(25,776,712)	(15,076,576)	(12,111,553)	(15,003,044)
Total other financing sources (uses)	(4,699,414)	(2,687,653)	(2,761,134)	(1,321,684)	(603,549)
Net change in fund balances	\$ 18,721,599	\$ 24,179,742	\$ 23,435,487	\$ 25,747,829	\$ 18,952,791
Debt service as a percentage of noncapital expenditures	4.04%	3.37%	4.18%	3.92%	3.39%

Source: Department of Administrative Services, City of Cupertino.

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
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	6.48%
2023	29,822,398,085	1,069,629,678	-	154,098,046	30,892,027,763	6.48%
2024	31,157,956,858	1,145,368,676	-	146,726,345	32,303,325,534	6.52%
2025	32,635,351,808	1,080,630,960	-	159,770,503	33,715,982,768	6.52%



(a) Net of exemptions

Source: HdL, Coren & Cone

Data Source: Santa Clara County Assessor 2024-25 Combined Tax Rolls

This report is not to be used in support of debt issuance or continuing disclosure statements without the written consent of HdL, Coren & Cone

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

Agency	Last 10 Fiscal Years									
	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21	2021-22	2022-23	2023-24	2024-25
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	0.01266	0.01050	0.01000	0.00000	0.01266	0.01080	0.00950	0.00430
County Bond 2008 Hospital Facility	0.00880	0.00860	0.00820	0.00720	0.00690	0.00690	0.00610	0.00630	0.00550	0.00550
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	0.05190	0.05090	0.04960	0.03970	0.04150	0.04030	0.03800	0.03680	0.03570	0.03000
El Camino Hospital 2003	0.01290	0.01290	0.01000	0.01000	0.01000	0.01000	0.01000	0.00900	0.00500	0.00200
Foothill De Anza College	0.02400	0.02340	0.02200	0.02170	0.02080	0.03640	0.03310	0.02910	0.02780	0.02860
Fremont High	0.05250	0.04030	0.04640	0.04300	0.04790	0.04780	0.04160	0.03710	0.04410	0.03970
Los Gatos-Saratoga High 1998	0.04230	0.04690	0.04570	0.03040	0.01770	0.01930	0.01850	0.01790	0.01370	0.01320
MidPeninsula Open Space 2014	0.00080	0.00060	0.00090	0.00180	0.00160	0.00150	0.00150	0.00130	0.00120	0.00130
Santa Clara Unified	0.09420	0.08180	0.08280	0.07070	0.11760	0.10450	0.10140	0.08670	0.08890	0.08260
Santa Clara Valley Water District	0.00570	0.00860	0.00620	0.00420	0.00410	0.00370	0.00510	0.00440	0.00410	0.00410
Saratoga Elementary	0.04490	0.04560	0.04580	0.04580	0.04640	0.04850	0.04830	0.04850	0.05960	0.04970
West Valley College	0.02320	0.01960	0.02000	0.01980	0.01860	0.03110	0.03040	0.02830	0.02580	0.02590
Total Direct & Overlapping² Tax	1.40240	1.38040	1.39146	1.34600	1.39530	1.39120	1.38786	1.35740	1.36210	1.32810
City's Share of 1% Levy Per Prop 13³	0.05571	0.05962	0.06148	0.06320	0.06531	0.06515	0.06528	0.06504	0.06513	0.06509
General Obligation Debt Rate										
Redevelopment Rate⁴										
Total Direct Rate⁵	0.05588	0.05976	0.06187	0.06381	0.06499	0.06463	0.06477	0.06482	0.06515	0.06516

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 2015/16 - 2024/25 Tax Rate Table

This report is not to be used in support of debt issuance or continuing disclosure statements without the written consent of HdL, Coren & Cone

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

Taxpayer	2025 Assessed Valuation	Percentage of Total Assessed Valuation	2016 Assessed Valuation	Percentage of Total Assessed Valuation
APPLE COMPUTER INC.	\$ 8,183,380,290	24.27%	\$ 1,815,276,300	9.36%
MAIN STREET CUPERTINO LLC	397,143,509	1.18%	-	0.00%
VALLCO PROPERTY OWNER LLC	371,562,150	1.10%	315,500,000	1.63%
MARKHAM APARTMENTS LP	342,914,031	1.02%	97,513,905	0.50%
CCC BUILDINGS LP	294,595,153	0.87%	-	0.00%
CUPERTINO PROPERTY DEVELOPMENT LLC	220,552,913	0.65%	112,284,481	0.58%
PREG EMERSON LLC	133,741,684	0.40%	-	0.00%
CUPERTINO CITY CENTER LP	123,747,688	0.37%	140,942,274	0.73%
AVERY GLENBROOK LP	118,364,235	0.35%	-	0.00%
LAKE BILTMORE APARTMENTS	111,955,358	0.33%	-	0.00%
Total	<u>\$ 10,297,957,011</u>	<u>30.54%</u>	<u>\$ 2,481,516,960</u>	<u>12.80%</u>

Source: HdL, Coren & Cone

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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
2016	\$ 11,864,026	\$ 11,864,026	100.00%	-	\$ 11,864,026	100.00%
2017	13,308,884	13,308,884	100.00%	-	13,308,884	100.00%
2018	13,172,425	13,172,425	100.00%	-	13,172,425	100.00%
2019	16,049,112	16,049,112	100.00%	-	16,049,112	100.00%
2020	18,117,304	18,117,304	100.00%	-	18,117,304	100.00%
2021	19,197,994	19,197,994	100.00%	-	19,197,994	100.00%
2022	20,322,779	20,322,779	100.00%	-	20,322,779	100.00%
2023	21,807,628	21,807,628	100.00%	-	21,807,628	100.00%
2024	22,494,293	22,494,293	100.00%	-	22,494,293	100.00%
2025	23,421,977	23,421,977	100.00%	-	23,421,977	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
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	22,040,000 *	0.10%	451	0.71%
2021	19,900,000	0.07%	334	0.48%
2022	18,020,000	0.06%	297	0.40%
2023	16,065,000	0.05%	269	0.36%
2024	16,416,895 **	0.05%	276	0.28%
2025	13,904,079	0.04%	232	0.22%

* Bond was refinanced in 2020

Source: City of Cupertino Budget Book

** 2024 balance was restated from prior report due to adding the unamortized bond issuance premium.

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City of Cupertino
Direct and Overlapping Bonded Debt
June 30, 2025
(Unaudited)

2024-25 Assessed Valuation \$ 33,715,509,406

	Total Debt 6/30/2025	% Applicable (1)	City's Share of Debt 6/30/25
OVERLAPPING TAX AND ASSESSMENT DEBT:			
Santa Clara County	\$ 1,217,905,000	4.848%	\$ 59,044,034
Foothill-DeAnza Community College District	592,800,578	12.162%	72,096,406
West Valley Community College District	631,255,000	1.806%	11,400,465
Santa Clara Unified School District	958,135,000	3.974%	38,076,285
Fremont Union High School District	717,450,088	27.143%	194,737,477
Cupertino Union School District	294,953,303	50.507%	148,972,065
El Camino Hospital District	98,789,066	0.844%	833,780
Midpeninsula Regional Open Space District	114,920,000	7.335%	8,429,382
Santa Clara Valley Water District Benefit Assessment District	24,940,000	4.848%	1,209,091
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT			\$ 534,798,985

DIRECT AND OVERLAPPING GENERAL FUND DEBT:			
Santa Clara County General Fund Obligations	\$ 1,002,458,930	4.848%	\$ 48,599,209
Santa Clara County Pension Obligation Bonds	317,654,990	4.848%	15,399,914
Santa Clara County Board of Education Certificates of Participation	12,072,417	4.848%	585,271
West Valley-Mission Community College District General Fund Obligations	2,520,000	1.806%	45,511
Santa Clara Unified School District General Fund Obligations	10,859,000	3.974%	431,537
Cupertino Union School District General Fund Obligations	40,233,350	50.507%	20,320,658
City of Cupertino Certificates of Participation	11,915,000	100.000%	11,915,000
Santa Clara County Central Fire Protection District General Fund Obligations	26,475,000	46.824%	12,396,654
Midpeninsula Regional Open Space Park District General Fund Obligations	74,065,600	7.334%	5,432,712
TOTAL GROSS DIRECT AND OVERLAPPING GENERAL FUND DEBT			\$ 115,126,466
Less: Santa Clara County Supported Obligations			117,322
TOTAL NET DIRECT AND OVERLAPPING GENERAL FUND DEBT			\$ 115,009,144

TOTAL DIRECT DEBT	\$ 15,108,839 *
TOTAL GROSS OVERLAPPING DEBT	\$ 634,816,612
TOTAL NET OVERLAPPING DEBT	\$ 634,699,290
GROSS COMBINED TOTAL DEBT	\$ 649,925,451 (3)
NET COMBINED TOTAL DEBT	\$ 649,808,129

(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.

(3) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

Ratios to 2024-25 Assessed Valuation:

Total Overlapping Tax and Assessment Debt	1.59%
Total Direct Debt (\$11,915,000)	0.04%
Gross Combined Total Debt	1.93%
Net Combined Total Debt	1.93%

* GFOA comment

Sources: California Municipal Statistics, Inc.

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

Fiscal Year	Debt Limit	Total Net Debt Applicable to Limit	Legal Debt Margin	Total net debt applicable to the limit as a % of debt limit
2016	\$ 686,577,008	\$ -	\$ 686,577,008	\$ -
2017	757,359,691	-	757,359,691	-
2018	825,933,991	-	825,933,991	-
2019	877,579,621	-	877,579,621	-
2020	913,901,945	-	913,901,945	-
2021	952,399,944	-	952,399,944	-
2022	1,015,630,083	-	1,015,630,083	-
2023	1,118,339,928	-	1,118,339,928	-
2024	1,168,423,382	-	1,168,423,382	-
2025	1,264,349,354	-	1,264,349,354	-
Debt Limit:				
Secured property assessed value, net of exempt real property				33,715,982,768
Adjusted valuation - 25% of assessed valuation				8,428,995,692
Debt limit - 15% of adjusted valuation				<u>1,264,349,354</u>
Amount of Debt Subject to Limit:				
Total Bonded Debt				14,030,000
Less: Certificates of Participation not subject to debt limit				<u>(14,030,000)</u>
Amount of debt subject to limit				<u>-</u>
Legal Debt Margin				<u><u>\$ 1,264,349,354</u></u>

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

Source: City of Cupertino Budget Book

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

Fiscal Year	Population	Assessed Value	General Bonded Debt	Bonded Debt Per Capita	Ratio of General Bonded Debt to Assessed Value
2016	\$ 58,185	\$ 19,395,507,127	\$ -	\$ -	\$ -
2017	58,917	21,346,570,360	-	-	-
2018	60,091	23,139,029,846	-	-	-
2019	59,879	25,182,059,606	-	-	-
2020	59,549	27,821,316,543	-	-	-
2021	60,656	27,821,316,543	-	-	-
2022	66,274	28,807,715,978	-	-	-
2023	59,656	30,892,027,763	-	-	-
2024	59,471	32,303,325,534	-	-	-
2025	59,831	33,715,982,768	-	-	-

Sources: HdL, Coren & Cone/Cupertino Budget Book

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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
2015-16	58,185	1,927,888	3.02%	3,340,132,000	57,405	29,684	3.4%	4.2%	40.2	96.5%	75.6%
2016-17	58,917	1,938,180	3.04%	3,486,805,000	59,181	29,467	3.0%	3.8%	40.6	96.7%	76.0%
2017-18	60,091	1,938,153	3.10%	3,620,255,000	60,246	29,255	3.3%	3.8%	40.7	97.1%	76.6%
2018-19	59,879	1,937,570	3.09%	3,821,320,000	63,817	29,240	2.6%	2.3%	41.1	97.1%	77.2%
2019-20	59,549	1,927,852	3.09%	4,114,967,000	69,102	29,550	2.4%	10.7%	41.1	97.2%	78.1%
2020-21	60,656	1,936,259	3.13%	4,378,045,000	74,485	30,900	4.9%	5.2%	41.6	97.2%	78.8%
2021-22	66,274	1,934,171	3.43%	4,571,170,000	76,684	24,380	3.7%	2.2%	41.2	97.3%	79.6%
2022-23	59,656	1,902,799	3.14%	5,214,787,000	88,156	23,486	2.3%	3.7%	41.0	97.0%	80.9%
2023-24	59,471	1,903,198	3.12%	5,924,781,000	99,624	23,233	3.5%	4.1%	40.4	97.2%	82.8%
2024-25	59,831	1,831,183	3.27%	6,290,282,000	105,134	22,990	4.2%	4.7%	41.3	97.2%	83.1%

Notes and Data Sources:

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

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

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

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

City of Cupertino
Top 25 Sales Tax Producers
For Calendar Year 2024
(Unaudited)

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

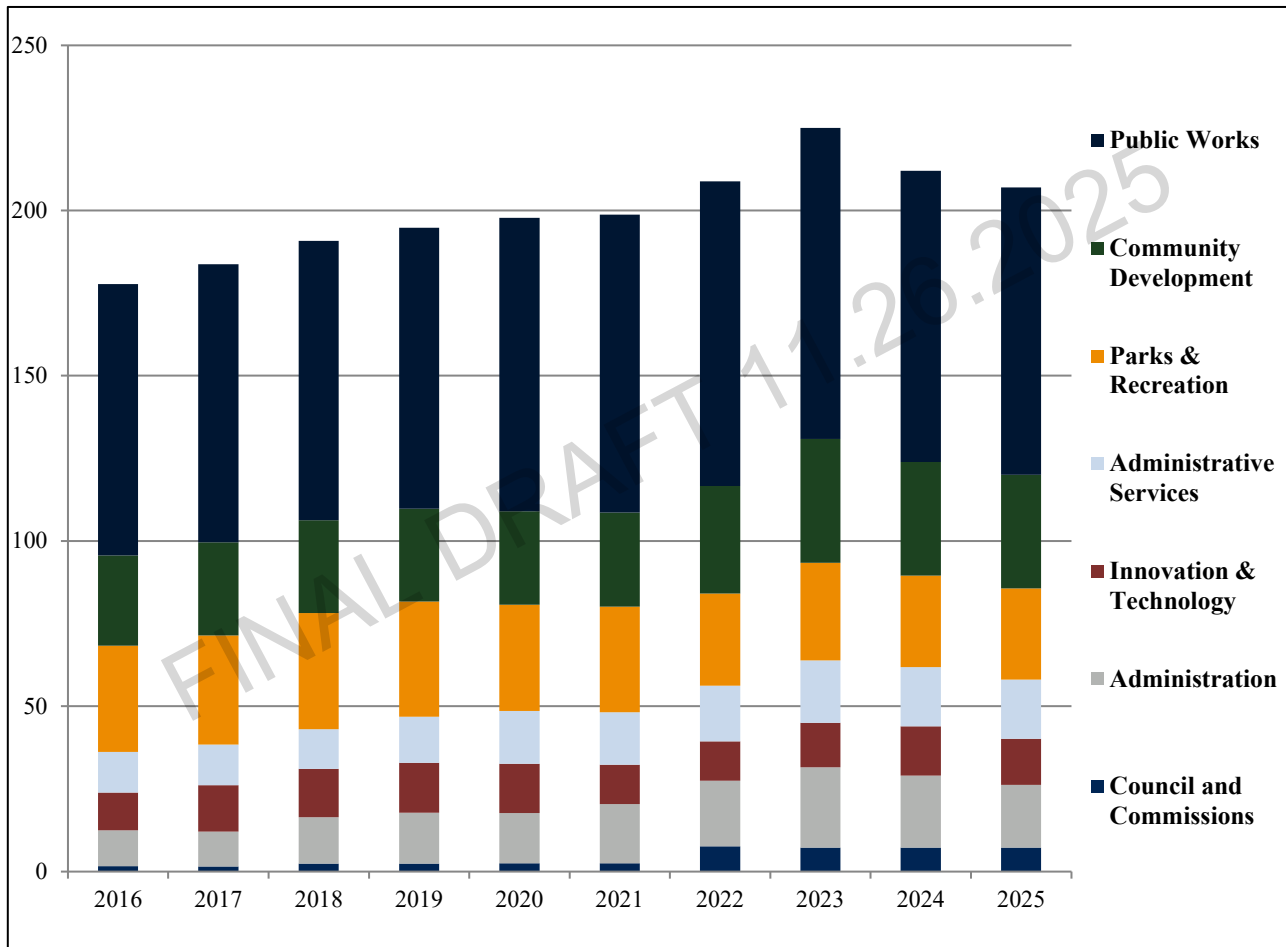
Source: HdL, Coren & Cone

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

Function/Program	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Council and Commissions	1.60	1.55	2.35	2.35	2.51	2.53	7.58	7.28	7.23	7.23
Administration	10.85	10.57	14.12	15.47	15.15	17.85	19.85	24.30	21.80	19.00
Innovation & Technology	11.40	13.95	14.55	15.05	14.95	11.93	11.93	13.43	14.93	13.93
Administrative Services	12.30	12.30	12.00	14.00	16.00	15.90	16.90	18.90	17.90	17.90
Parks & Recreation	32.18	33.08	35.13	34.80	32.10	31.90	27.88	29.48	27.63	27.63
Community Development	27.30	28.18	28.08	28.13	28.29	28.49	32.49	37.49	34.39	34.29
Public Works	82.12	84.12	84.52	84.95	88.75	90.15	92.12	94.12	88.12	87.02
Law Enforcement	2.00	2.00	2.00	2.00	0.00	0.00	0.00	0.00	0.00	0.00
Total	179.75	185.75	192.75	196.75	197.75	198.75	208.75	225.00	212.00	207.00



Source: City of Cupertino Budget

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

Function/Program	2016	2017	2018	2019	2020
Law Enforcement Sheriff Response					
Priority One-Respond within 5 minutes	4.90 Min.	5.07 Min	4.23 Min.	4.39 Min.	3.51 Min.
Priority Two-Respond within 9 minutes	6.56 Min.	8.00 Min.	7.49 Min.	6.23 Min.	6.37 Min.
Priority Three-Respond within 20 minutes	10.52 Min.	15.79 Min	14.79 Min.	12.11 Min.	11.96 Min.
Public Works					
Street Sweeping	575 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
City of Cupertino applications received			428	434	428
Number of encroachment permits received			121	136	134
Storm Drain Inlets Inspected/Cleaned			815	1063	1638
Roadway Signs Repaired/Replaced			404	721	346
Number of trees planted vs. removed			53/67	155/192	164/190
Parks & Recreation					
Number of reservations at Quinlan Center			560	402	526
Number of rounds of golf at BBF Golf Course			28,193	27,205	28,952
Sports Center Memberships	1,989	2,015	1,850	1,952	1,802
Number of Senior Center classes offered			246	320	258
Senior Center Memberships	2,493	2,094	2,260	2,171	2,171
Quinlan Community Center Rental Revenue	\$104,150	\$128,778	\$72,948	\$139,590	\$139,590
Community Development					
Approved Building Plan Sets	95% Within 7 Work Days	95% Within 7 Work Days	95% Within 7 Work Days	95% Within 7 Work Days	95% Within 7 Work Days
Discretionary Land Use Applications	99% Within 21 Work Days	99% Within 21 Work Days	99% Within 21 Work Days	99% Within 21 Work Days	99% Within 21 Work Days
Public Notice of Upcoming Projects	100% Within 10 Days	100% Within 10 Days	100% Within 10 Days	100% Within 10 Days	100% Within 10 Days
Number of preliminary reviews			82	90	110
Number of planning applications received			169	138	194
Number of permits received			2322	2,321	2,534
Number of inspections requested			16026	13,625	14,596
Administrative Services					
Accounts Payable Processing	7 Days	7 Days	7 Days	7 Days	7 Days
Business License Renewal Certificates	3 Days	3 Days	3 Days	3 Days	3 Days
Number of regular recruitments			21	21	28
Number of new hires			26	16	14
Number of temporary new hires			101	105	38
Number of vendor checks processes			6793	6,536	5,906
Number of payroll checks process			10387	10,301	10,802
Number of business license applications			1294	1,154	1,032
Number of journal entries posted			2830	4,521	4,558
Number of receipts processed			9766	13,913	18,992
Library					
Volumes in Collection	364,557	369,924	367,979	367,101	368,461
Annual Gate Count	880,894	835,073	873,862	904,349	620,007
Annual Circulation Children's Items	1,544,095	1,448,265	1,453,173	1,535,842	1,192,880
Annual Circulation Adult and Teen Items	1,032,326	950,453	980,609	1,049,166	831,114
Annual Circulation Digital Items					
Adult Classes and Events	215	242	206	207	396
Adult Classes and Events Attendance	8,855	9,242	7,622	8,304	9,986
Teen Classes and Events	78	66	79	52	57
Teen Classes and Events Attendance	3,135	2,571	2,495	1,283	8,495
Children's Classes and Events	493	440	426	424	477
Children's Classes and Events Attendance	28,532	25,857	24,675	22,851	26,032
Volunteer Hours	10,000	9,645	10,302	10,191	6,592

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

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

Function/Program	2021	2022	2023	2024	2025
Law Enforcement Sheriff Response					
Priority One-Respond within 5 minutes	3.40 Min.	5.33 Min	6.57 Min	5.81 Min	4.85 Min
Priority Two-Respond within 9 minutes	6.07 Min.	6.94 Min.	7.46 Min.	6.32 Min	5.86 Min
Priority Three-Respond within 20 minutes	11.80 Min.	11.73 Min	12.72 Min	7.86 Min	6.20 Min
Public Works					
Street Sweeping	534 Curb Miles	534 Curb Miles	534 Curb Miles	534 Curb Miles	534 Curb Miles
Street Maintenance	24 Hrs of Call	24 Hrs of Call	24 Hrs of Call	24 Hrs of Call	24 Hrs of Call
City of Cupertino applications received	127	128	127	111	140
Number of encroachment permits received	577	426	449	478	490
Storm Drain Inlets Inspected/Cleaned	1802	80%	53%	4%	44%
Roadway Signs Repaired/Replaced	1151	3.5%	2.0%	2.0%	4.0%
Number of trees planted vs. removed	187/202	211/187	153/105	42/41	136/95
Parks & Recreation					
Number of reservations at Quinlan Center	8	260	405	450	422
Number of rounds of golf at BBF Golf Course	43,650	45367	37961	38984	41603
Sports Center Memberships	1,655	1186	1394	1565	1761
Number of Senior Center classes offered	100	183	235	373	439
Senior Center Memberships	1,470	210	1087	1493	1725
Quinlan Community Center Rental Revenue	\$5,507	\$115,093	\$126,670	\$146,087	\$168,123
Community Development					
Approved Building Plan Sets	95% Within 7 Work Days	95% Within 7 Work Days	95% Within 7 Work Days	95% Within 7 Work Days	95% Within 7 Work Days
Discretionary Land Use Applications	99% Within 21 Work Days	99% Within 21 Work Days	99% Within 21 Work Days	99% Within 21 Work Days	99% Within 21 Work Days
Public Notice of Upcoming Projects	100% Within 10 Days	100% Within 10 Days	100% Within 10 Days	100% Within 10 Days	100% Within 10 Days
Number of preliminary reviews	163	142	127	66	39
Number of planning applications received	237	301	232	262	245
Number of permits received	2,364	2380	2618	2665	3080
Number of inspections requested	13,374	11906	15181	15485	18908
Administrative Services					
Accounts Payable Processing	7 Days	7 Days	7 Days	7 Days	14 Days
Business License Renewal Certificates	3 Days	3 Days	3 Days	3 Days	3 Days
Number of regular recruitments	24	33	29	21	28
Number of new hires	21	38	31	23	18
Number of temporary new hires	17	77	70	71	59
Number of vendor checks processes	4,457	4993	5130	4541	4589
Number of payroll checks process	7,816	8119	9176	9047	8731
Number of business license applications	1,061	884	969	1078	1213
Number of journal entries posted	3,915	3635	3695	4555	5341
Number of receipts processed	10,367	9353	11275	10191	10867
Library					
Volumes in Collection	350,088	367,745	380,365	375,019	352,128
Annual Gate Count	128,912	387,285	683,303	743,644	785,156
Annual Circulation Children's Items	1,207,878	1,771,986	1,844,305	1,847,352	1,692,735
Annual Circulation Adult and Teen Items	750,602	1,056,451	1,190,995	1,250,904	747,135
Annual Circulation Digital Items					716,165
Adult Classes and Events	459	62	181	221	276
Adult Classes and Events Attendance	19,223	861	5,140	6,318	7,595
Teen Classes and Events	31	21	51	50	43
Teen Classes and Events Attendance	7,151	916	2,002	1,337	1,384
Children's Classes and Events	464	105	491	524	545
Children's Classes and Events Attendance	52,634	7,711	30,386	35,305	31,028
Volunteer Hours	465	4305.8	4228	4,207	4,793

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

Source: City of Cupertino Budget Book/GIS Team

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

Function/Program	2021	2022	2023	2024	2025
Public Works					
Centerlane Miles of Streets	142	142	142	142	142
Streetlights	2,950	2950	2870	2870	2868
Traffic Signals	52	52	61	61	61
Culture & Recreation					
Parks and Open Spaces	21	21	21	21	23
Park and Landscape Acreage	169	169	169	169	215
City Trails	3	3	5	5	5
Golf Courses	1	1	1	1	1
Community Center	1	1	1	1	1
Community Hall	1	1	1	1	1
Senior Center	1	1	1	1	1
Sports Center	1	1	1	1	1
Swimming Pools	1	1	1	1	1
Tennis Courts	28	28	28	28	28
Sports Fields	41	41	41	41	41
City Library	1	1	1	1	1

Source: City of Cupertino Budget Book/GIS Team

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Community Economic Profile

Cupertino, with a population of 57,237 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 mostly built-out city, the City of Cupertino focuses on business retention and revitalization, while at the same time, being supportive of redevelopment projects to bring in new investment. Cupertino is world-renowned as the home to high-tech giants, such as Apple, Inc. and Amazon, and as a community with stellar public schools. De Anza College, one of the largest single-campus community colleges in the country, is another major employer and a magnet for attracting local and international students. The City's proactive economic development efforts and a high-touch approach has resulted in an innovative environment for start-ups and growing companies to thrive, including Moxo, DURECT Corporation, Claspp, Mirapath, Aemetis Inc, Mist Systems, and many more. The City strives to retain our companies and attract new ones through active outreach and a responsive, streamlined, and customer-oriented entitlement process.

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



Main Street

The Main Street and Nineteen800 mixed-use developments continue to offer a vibrant downtown area for Cupertino, offering a large selection of restaurants and retailers, including Alexander's Steakhouse, Eureka!, Oren's Hummus, Lazy Dog, Ippudo, HaiDiLao Hotpot Restaurant, Pineapple Thai, Pressed Juicery, Orangetheory Fitness, 85 Degree Bakery, Somi Somi, Sul & Beans, Kura Sushi, Vitality Bowls, Tan Cha, Koja Kitchen, Bishops Cuts/Colors, Capezio, Howard's Shoes, Philz Coffee, Pacific Catch, Holder's Country Inn, Koi Palace Contempo, and Meet Fresh. Housing, office, and the Residence Inn by Marriott and Main Street Cupertino Lofts are available to support the thriving area. Benihana, Bowlmor, and Cupertino Ice Center also serve as long-time anchors.

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

The shopping center improvements to Cupertino Village reflect building upgrades and renovations, newly constructed buildings, parking, and open space. The shopping center, located in the northeast portion of the city, is home to 99 Ranch Market, Duke of Edinburgh Pub & Restaurant, Ume Tea, Tofu Plus, Kira Kira Beauty, Ten Ren Tea, Fantasia Coffee & Tea, Happy Lemon, Shanghai Family Restaurant, and many other Asian restaurants, bakeries, and shops. The property owners have also received approval to construct a new full-service boutique hotel with 185 rooms to accommodate business and leisure travelers.

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

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

The City recently approved second modifications to the Rise Development. Formerly the Vallco Town Center Development, the Rise is a mixed-use housing development with 2,669 units, of which 890 units are affordable to lower income households. The project also includes 47 townhomes, approximately 1.95 million square feet of office space, 226,000 square feet of retail space, and at grade open space areas.



Apple Park Retail Store

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

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