

CITY OF CUPERTINO, CALIFORNIA

**ANNUAL COMPREHENSIVE
FINANCIAL REPORT**

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

**FOR THE YEAR ENDED
JUNE 30, 2023**

Prepared by:

The City of Cupertino Administrative Services Department
Finance Division

DRAFT 06.20.2024

City of Cupertino
Annual Comprehensive Financial Report
For the Year Ended June 30, 2023

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Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Cupertino
California**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2022

Christopher P. Morill

Executive Director/CEO

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INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Cupertino, California (the "City") as of and for the year ended June 30, 2023, and the related notes to the basic financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Other Matters

Change in Accounting Principle - Implementation of GASB 96

As discussed in Note 1 to the basic financial statements, the City adopted new accounting guidance, Governmental Accounting Standards Board ("GASB") Statement No. 96, *Subscription-based Information Technology Arrangements*. Our opinion is not modified with respect to this matter.

Prior Period Adjustments

As discussed in the Note 14 to the basic financial statements, the City also recorded prior period adjustment in the governmental activities in the amount of \$1,562,736 due to correction of recording loans related interest receivable. The City also recorded prior period adjustments in the General Fund and the Housing Development Special Revenue Fund in the amount of \$509,278 and \$4,725,458, respectively, due to correction of recording loans related interest receivable and the restatement of unavailable revenue related to the loans receivable to the fund balance.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management’s Discussion and Analysis, the Budgetary Comparison Schedules – General Fund and Major Special Revenue Funds, the Schedule of Changes in Net Pension Liability and Related Ratios, the Schedules of Contributions – Pensions, the Schedules of Changes in Net Other Postemployment Benefits Liability and Related Ratios, and the Schedules 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**, 2024, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Santa Ana, California
NEED DATE, 2024

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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, 2023

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets:			
Cash and investments	\$ 205,571,569	\$ 11,372,546	\$ 216,944,115
Receivables:			
Accounts	15,591,022	267,136	15,858,158
Interest	732,160	39,832	771,992
Leases, due within one year	221,644	-	221,644
Inventories	21,383	-	21,383
Prepaid items	8,243	-	8,243
Other assets	3,884	-	3,884
Total current assets	<u>222,149,905</u>	<u>11,679,514</u>	<u>233,829,419</u>
Noncurrent assets:			
Restricted cash and investments	19,088,859	-	19,088,859
Lease receivable, due in more than one year	2,271,395	-	2,271,395
Loans receivable, net	6,373,278	-	6,373,278
Capital assets:			
Capital assets, not being depreciated	112,996,509	358,231	113,354,740
Capital assets, being depreciated and amortized	106,171,455	1,751,361	107,922,816
Total noncurrent assets	<u>246,901,496</u>	<u>2,109,592</u>	<u>249,011,088</u>
Total assets	<u>469,051,401</u>	<u>13,789,106</u>	<u>482,840,507</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charges on refunding	159,478	-	159,478
Related to pensions	17,294,067	831,986	18,126,053
Related to other postemployment benefit liability	5,858,718	311,282	6,170,000
Total deferred outflows of resources	<u>23,312,263</u>	<u>1,143,268</u>	<u>24,455,531</u>

City of Cupertino
Statement of Net Position (Continued)
June 30, 2023

	Governmental Activities	Business-Type Activities	Total
LIABILITIES			
Current liabilities:			
Accounts payable and accruals	8,094,159	475,433	8,569,592
Accrued payroll and benefits	602,421	289	602,710
Deposits payable	8,645,547	-	8,645,547
Interest payable	53,550	-	53,550
Unearned revenues	167,673	1,097,879	1,265,552
Compensated absences, due within one year	501,158	10,492	511,650
Claims payable, due within one year	382,000	-	382,000
Subscription liabilities, due within one year	783,067	-	783,067
Long-term debt, due within one year	2,035,000	-	2,035,000
Total current liabilities	21,264,575	1,584,093	22,848,668
Noncurrent liabilities:			
Compensated absences, due in more than one year	4,580,402	209,749	4,790,151
Claims payable, due in more than one year	1,840,786	-	1,840,786
Subscription liabilities, due more than one year	1,244,223	-	1,244,223
Long-term debt, due in more than one year	16,814,711	-	16,814,711
Aggregate net pension liabilities	53,277,801	2,563,097	55,840,898
Net other postemployment benefit liability	552,638	29,362	582,000
Total noncurrent liabilities	78,310,561	2,802,208	81,112,769
Total liabilities	99,575,136	4,386,301	103,961,437
DEFERRED INFLOWS OF RESOURCES			
Leases	2,379,733	-	2,379,733
Related to pensions	131,066	6,305	137,371
Related to other postemployment benefit liability	2,168,769	115,231	2,284,000
Total deferred inflows of resources	4,679,568	121,536	4,801,104
NET POSITION			
Net investment in capital assets	198,450,441	2,109,592	200,560,033
Restricted for:			
Public works	35,408,750	-	35,408,750
Affordable housing	11,492,607	-	11,492,607
Pension trust	19,088,859	-	19,088,859
Other postemployment benefit	3,137,311	166,689	3,304,000
Debt service	1,750	-	1,750
Total restricted	69,129,277	166,689	69,295,966
Unrestricted	120,529,242	8,148,256	128,677,498
Total net position	\$ 388,108,960	\$ 10,424,537	\$ 398,533,497

City of Cupertino
Statement of Activities
For the Year Ended June 30, 2023

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
Administration	\$ 8,947,709	\$ 3,098,916	\$ 6,125,745	\$ -
Law enforcement	15,716,299	612,993	1,255,790	-
Public and environmental affairs	1,955,038	-	-	-
Administrative services	6,241,443	5,419,347	-	-
Recreation services	6,020,526	621,587	-	-
Community development	12,463,257	5,361,837	407,090	-
Public works	38,696,234	3,290,506	3,092,813	1,593,910
Interest and fiscal charges	369,502	-	-	-
Total Governmental Activities	90,410,008	18,405,186	10,881,438	1,593,910
Business-Type Activities:				
Resource recovery	2,038,313	1,772,252	-	-
Cupertino sports center	3,456,539	3,117,580	-	-
Recreation programs	1,661,686	1,742,442	-	-
Blackberry farm	799,168	616,461	-	-
Total Business-Type Activities	7,955,706	7,248,735	-	-
Total Primary Government	\$ 98,365,714	\$ 25,653,921	\$ 10,881,438	\$ 1,593,910

City of Cupertino
Statement of Activities (Continued)
For the Year Ended June 30, 2023

	Net (Expense) Revenue and Changes in Net Position		
	Governmental Activities	Business-Type Activities	Total
Functions/Programs			
Governmental Activities:			
Administration	\$ 276,952	\$ -	\$ 276,952
Law enforcement	(13,847,516)	-	(13,847,516)
Public and environmental affairs	(1,955,038)	-	(1,955,038)
Administrative services	(822,096)	-	(822,096)
Recreation services	(5,398,939)	-	(5,398,939)
Community development	(6,694,330)	-	(6,694,330)
Public works	(30,719,005)	-	(30,719,005)
Interest and fiscal charges	(369,502)	-	(369,502)
Total Governmental Activities	(59,529,474)	-	(59,529,474)
Business-Type Activities:			
Resource recovery	-	(266,061)	(266,061)
Cupertino sports center	-	(338,959)	(338,959)
Recreation programs	-	80,756	80,756
Blackberry farm	-	(182,707)	(182,707)
Total Business-Type Activities	-	(706,971)	(706,971)
Total Primary Government	(59,529,474)	(706,971)	(60,236,445)
General Revenues:			
Taxes:			
Property taxes	21,807,628	-	21,807,628
Property tax in lieu of motor vehicle fee	10,082,011	-	10,082,011
Sales taxes	35,328,620	-	35,328,620
Transient occupancy tax (TOT)	7,062,150	-	7,062,150
Utility user tax (UUT)	4,103,906	-	4,103,906
Franchise tax	3,995,018	-	3,995,018
Other taxes	2,363,292	-	2,363,292
Motor vehicle license fee	62,072	-	62,072
Investment earnings	2,801,930	155,921	2,957,851
Miscellaneous	444,339	-	444,339
Total General Revenues	88,050,966	155,921	88,206,887
Transfers	(296,481)	296,481	-
Changes in Net Position	28,225,011	(254,569)	27,970,442
Net Position - Beginning, as restated (Note 14)	359,883,949	10,679,106	370,563,055
Net Position - Ending	\$ 388,108,960	\$ 10,424,537	\$ 398,533,497

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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 for the fiscal year 2022-23. 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, 2023**

	Special Revenue Funds		
	General	Transportation	Housing Development
ASSETS			
Cash and investments	\$ 116,051,281	\$ 11,425,764	\$ 6,095,719
Restricted cash and investments	19,088,859	-	-
Receivables:			
Accounts	13,762,883	255,483	97,332
Interest	550,744	40,067	21,334
Loans, net	970,962	-	5,402,316
Leases	2,493,039	-	-
Due from other funds	1,395,657	-	-
Advances to other funds	3,000,000	-	-
Inventories	21,383	-	-
Prepaid items	8,243	-	-
Other assets	3,884	-	-
Total assets	157,346,935	11,721,314	11,616,701
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities:			
Accounts payable and accruals	6,206,007	1,134,640	124,094
Accrued payroll and benefits	602,349	-	-
Advances from other funds	-	-	-
Deposits	8,645,547	-	-
Unearned revenue	158,400	-	-
Total liabilities	15,612,303	1,134,640	124,094
Deferred inflows of resources:			
Leases	2,379,733	-	-
Unavailable revenue	798,561	-	-
Total deferred inflows of resources	3,178,294	-	-
Fund balances:			
Nonspendable	4,000,588	-	5,402,316
Restricted	19,088,859	10,586,674	6,090,291
Committed	34,127,891	-	-
Assigned	9,735,187	-	-
Unassigned	71,603,813	-	-
Total fund balances	138,556,338	10,586,674	11,492,607
Total liabilities, deferred inflows of resources, and fund balances	\$ 157,346,935	\$ 11,721,314	\$ 11,616,701

(Continued)

**City of Cupertino
Balance Sheet (Continued)
Governmental Funds
June 30, 2023**

	Public Facilities Corporation Debt Service Fund	Capital Improvement Projects Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and investments	\$ 1,750	\$ 38,141,292	\$ 24,916,749	\$ 196,632,555
Restricted cash and investments	-	-	-	19,088,859
Receivables:				
Accounts	-	74,431	15,134	14,205,263
Interest	-	-	87,221	699,366
Loans, net	-	-	-	6,373,278
Leases	-	-	-	2,493,039
Due from other funds	-	-	-	1,395,657
Advances to other funds	-	-	-	3,000,000
Inventories	-	-	-	21,383
Prepaid items	-	-	-	8,243
Other assets	-	-	-	3,884
Total assets	<u>1,750</u>	<u>38,215,723</u>	<u>25,019,104</u>	<u>243,921,527</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities:				
Accounts payable and accruals	-	364,825	114,116	7,943,682
Accrued payroll and benefits	-	-	-	602,349
Advances from other funds	-	3,000,000	-	3,000,000
Deposits	-	-	-	8,645,547
Unearned revenue	-	9,273	-	167,673
Total liabilities	<u>-</u>	<u>3,374,098</u>	<u>114,116</u>	<u>20,359,251</u>
Deferred inflows of resources:				
Leases	-	-	-	2,379,733
Unavailable revenue	-	74,431	-	872,992
Total deferred inflows of resources	<u>-</u>	<u>74,431</u>	<u>-</u>	<u>3,252,725</u>
Fund balances:				
Nonspendable	-	-	-	9,402,904
Restricted	1,750	-	24,747,645	60,515,219
Committed	-	-	-	34,127,891
Assigned	-	34,767,194	157,343	44,659,724
Unassigned	-	-	-	71,603,813
Total fund balances	<u>1,750</u>	<u>34,767,194</u>	<u>24,904,988</u>	<u>220,309,551</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,750</u>	<u>\$ 38,215,723</u>	<u>\$ 25,019,104</u>	<u>\$ 243,921,527</u>

(Concluded)

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City of Cupertino
Reconciliation of the Governmental Funds Balance Sheet to the
Government-Wide Statement of Net Position
June 30, 2023

Total Fund Balances - Total Governmental Funds \$ 220,309,551

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 \$119,408 reported in the Internal Service Fund	\$ 112,877,101	
Depreciable and amortizable, net of \$2,789,976 reported in the Internal Service Fund	103,381,479	216,258,580

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	(16,065,000)	
Premium on bonds payable	(2,784,711)	
Deferred charges on refunding	159,478	
Subscription liabilities, net of \$198,494 reported in the Internal Services Funds	(1,828,796)	
Interest payable	(53,550)	
Compensated absences, net of \$388,890 reported in the Internal Service Fund	(4,692,670)	
Claims liability, net of \$1,654,000 reported in the Internal Service Funds	(568,786)	(25,834,035)

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 \$1,212,633 reported in the Internal Service Funds	\$ 16,081,434	
Aggregate net pension liability, net of \$3,735,756 reported in the Internal Service Funds	(49,542,045)	
Pension related deferred inflows of resources, net of \$9,190 reported in the Internal Service Funds	(121,876)	(33,582,487)

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 \$410,644 reported in the Internal Service Funds	\$ 5,448,074	
Net Other postemployment benefits liability, net of \$38,735 reported in the Internal Service Funds	(513,903)	
Other postemployment benefits related deferred inflows of resources, net of \$152,012 reported in the Internal Service Funds	(2,016,757)	2,917,414

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. 872,992

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. 7,166,945

Net Position of Governmental Activities \$ 388,108,960

City of Cupertino
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2023

	Special Revenue Funds		
	General	Transportation	Housing Development
Revenues:			
Taxes	\$ 83,341,842	\$ -	\$ 170,824
Use of money and property	3,033,683	211,271	194,096
Intergovernmental	7,771,411	3,385,823	196,616
Licenses and permits	4,093,631	-	-
Charges for services	11,113,598	34,012	1,640
Fines and forfeitures	303,573	-	-
Other revenue	1,306,455	2,000	28,082
Total revenues	110,964,193	3,633,106	591,258
Expenditures:			
Current:			
Administration	7,716,525	-	-
Law enforcement	15,276,950	-	-
Public and environmental affairs	1,829,867	-	-
Administrative services	5,857,808	-	-
Recreation services	5,432,183	-	-
Community development	10,666,834	-	1,026,720
Public works	23,879,927	2,726,550	-
Capital outlay	1,263,412	4,950,786	-
Debt service:			
Principal	626,181	-	-
Interest and fiscal charges	18,540	-	-
Total expenditures	72,568,227	7,677,336	1,026,720
Excess of revenues over expenditures	-	(4,044,230)	(435,462)
Other financing sources (uses):			
Inception of subscription liability	964,745	-	-
Transfers in	861,140	3,000,000	25,000
Transfers out	(12,344,345)	(197,491)	-
Total other financing sources (uses)	(10,518,460)	2,802,509	25,000
Net Change in Fund Balances	27,877,506	(1,241,721)	(410,462)
Fund balances:			
Beginning of year	110,678,832	11,828,395	11,903,069
End of year	<u>\$ 138,556,338</u>	<u>\$ 10,586,674</u>	<u>\$ 11,492,607</u>

(Continued)

City of Cupertino
Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)
Governmental Funds
For the Year Ended June 30, 2023

	Public Facilities Corporation Debt Service Fund	Capital Improvement Projects Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ -	\$ -	\$ 720,679	\$ 84,233,345
Use of money and property	(5,100)	(326,691)	314,847	3,422,106
Intergovernmental	-	515,814	-	11,869,664
Licenses and permits	-	-	-	4,093,631
Charges for services	-	51,675	1,541,027	12,741,952
Fines and forfeitures	-	-	23,371	326,944
Other revenue	-	56,522	-	1,393,059
Total revenues	<u>(5,100)</u>	<u>297,320</u>	<u>2,599,924</u>	<u>118,080,701</u>
Expenditures:				
Current:				
Administration	1,500	-	-	7,718,025
Law enforcement	-	-	-	15,276,950
Public and environmental affairs	-	-	-	1,829,867
Administrative services	-	-	-	5,857,808
Recreation services	-	-	-	5,432,183
Community development	-	-	-	11,693,554
Public works	-	-	1,615,379	28,221,856
Capital outlay	-	4,417,593	1,901,525	12,533,316
Debt service:				
Principal	1,955,000	-	-	2,581,181
Interest and fiscal charges	720,800	-	-	739,340
Total expenditures	<u>2,677,300</u>	<u>4,417,593</u>	<u>3,516,904</u>	<u>91,884,080</u>
Excess of revenues over expenditures	<u>(2,682,400)</u>	<u>(4,120,273)</u>	<u>(916,980)</u>	<u>26,196,621</u>
Other financing sources (uses):				
Inception of subscription liability	-	-	-	964,745
Transfers in	2,675,800	4,788,757	-	11,350,697
Transfers out	-	(823,600)	(1,711,140)	(15,076,576)
Total other financing sources (uses)	<u>2,675,800</u>	<u>3,965,157</u>	<u>(1,711,140)</u>	<u>(2,761,134)</u>
Net Change in Fund Balances	(6,600)	(155,116)	(2,628,120)	23,435,487
Fund balances:				
Beginning of year	8,350	34,922,310	27,533,108	196,874,064
End of year	<u>\$ 1,750</u>	<u>\$ 34,767,194</u>	<u>\$ 24,904,988</u>	<u>\$ 220,309,551</u>

(Concluded)

City of Cupertino
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes
in Fund Balances to the Government-Wide Statement of Activities
For the Year Ended June 30, 2023

Net Change in Fund Balances - Total Governmental Funds	\$	23,435,487
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 \$527,793 reported in Internal Service Fund	\$	11,622,819
Depreciation amortization, net of \$904,610 reported in Internal Service Funds		(8,327,056)
Net effect on disposal of capital assets		(476,537)
		2,819,226
Net change in revenues that was considered unavailable in the governmental funds. These items have been reported as revenue in the Statement of Activities.		
		872,992
Bonds payable	\$	1,955,000
Subscription liabilities, net of \$109,339 reported in the Internal Service Funds		626,181
		2,581,181
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.		
		(53,550)
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.		
		424,249
Inception of subscription liability, net of \$24,865 reported in the Internal Service Funds.		
		(964,745)
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 \$68,970 reported in the Internal Service Funds.		
		(322,269)
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 \$85,000 reported in Internal Service Funds.		
		(568,786)
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 \$325,644 reported in Internal Service Funds.		
		(1,244,041)
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 \$21,395 reported in Internal Service Funds.		
		(4,686)
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.		
		1,249,953
Change in Net Position of Governmental Activities	\$	28,225,011

PROPRIETARY FUND FINANCIAL STATEMENTS

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

The City has identified the funds below as major proprietary funds for fiscal year 2022-2023.

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, 2023**

	Business-Type Activities - Enterprise Funds		
	Resources Recovery	Recreation Programs	Cupertino Sports Center
ASSETS			
Current assets:			
Cash and investments	\$ 5,351,316	\$ 3,484,602	\$ 1,639,687
Accounts receivable	222,326	41,981	1,000
Interest receivable	18,754	12,210	5,732
Total current assets	5,592,396	3,538,793	1,646,419
Noncurrent assets:			
Capital assets:			
Nondepreciable	-	220,888	-
Depreciable and amortizable, net	-	492,149	1,241,170
Total noncurrent assets	-	713,037	1,241,170
Total assets	5,592,396	4,251,830	2,887,589
DEFERRED OUTFLOWS OF RESOURCES			
Related to pensions	326,269	241,077	163,134
Related to other postemployment benefit liability	104,839	106,877	81,087
Total deferred outflows of resources	431,108	347,954	244,221

City of Cupertino
Statement of Net Position (Continued)
Proprietary Funds
June 30, 2023

	Business-Type Activities Enterprise Funds		Governmental Activities
	Nonmajor Enterprise Fund	Total	Internal Service Funds
ASSETS			
Current assets:			
Cash and investments	\$ 896,941	\$ 11,372,546	\$ 8,939,014
Accounts receivable	1,829	267,136	1,385,759
Interest receivable	3,136	39,832	32,794
Total current assets	901,906	11,679,514	10,357,567
Noncurrent assets:			
Capital assets:			
Nondepreciable	137,343	358,231	119,408
Depreciable and amortizable, net	18,042	1,751,361	2,789,976
Total noncurrent assets	155,385	2,109,592	2,909,384
Total assets	1,057,291	13,789,106	13,266,951
DEFERRED OUTFLOWS OF RESOURCES			
Related to pensions	101,506	831,986	1,212,633
Related to other postemployment benefit liability	18,479	311,282	410,644
Total deferred outflows of resources	119,985	1,143,268	1,623,277

City of Cupertino
Statement of Net Position (Continued)
Proprietary Funds
June 30, 2023

	Business-Type Activities - Enterprise Funds		
	Resources	Recreation	Cupertino
	Recovery	Programs	Sports Center
LIABILITIES			
Current liabilities:			
Accounts payable and accruals	98,762	244,711	112,984
Accrued payroll and benefits	289	-	-
Due to other funds	-	-	-
Compensated absences	3,062	4,623	2,349
Claims payable	-	-	-
Unearned revenue	-	488,175	517,481
Subscription liabilities	-	-	-
Total current liabilities	102,113	737,509	632,814
Noncurrent liabilities:			
Compensated absences	61,214	92,416	46,962
Claims payable	-	-	-
Net pension liability	1,005,136	742,684	502,568
Net other postemployment benefit liability	9,889	10,081	7,649
Subscription liabilities	-	-	-
Total noncurrent liabilities	1,076,239	845,181	557,179
Total liabilities	1,178,352	1,582,690	1,189,993
DEFERRED INFLOWS OF RESOURCES			
Related to pensions	2,473	1,827	1,236
Related to other postemployment benefit liability	38,809	39,564	30,017
Total deferred inflows of resources	41,282	41,391	31,253
NET POSITION			
Net investment in capital assets	-	713,037	1,241,170
Restricted	56,141	57,232	43,421
Unrestricted	4,747,729	2,205,434	625,973
Total net position	\$ 4,803,870	\$ 2,975,703	\$ 1,910,564

(Continued)

City of Cupertino
Statement of Net Position (Continued)
Proprietary Funds
June 30, 2023

	Business-Type Activities		Governmental
	Enterprise Funds		Activities
	Nonmajor Enterprise Fund	Total	Internal Service Funds
LIABILITIES			
Current liabilities:			
Accounts payable and accruals	18,976	475,433	150,477
Accrued payroll and benefits	-	289	72
Due to other funds	-	-	1,395,657
Compensated absences	458	10,492	38,354
Claims payable	-	-	292,000
Unearned revenue	92,223	1,097,879	-
Subscription liabilities	-	-	125,990
Total current liabilities	111,657	1,584,093	2,002,550
Noncurrent liabilities:			
Compensated absences	9,157	209,749	350,536
Claims payable	-	-	1,362,000
Net pension liability	312,709	2,563,097	3,735,756
Net other postemployment benefit liability	1,743	29,362	38,735
Subscription liabilities	-	-	72,504
Total noncurrent liabilities	323,609	2,802,208	5,559,531
Total liabilities	435,266	4,386,301	7,562,081
DEFERRED INFLOWS OF RESOURCES			
Related to pensions	769	6,305	9,190
Related to other postemployment benefit liability	6,841	115,231	152,012
Total deferred inflows of resources	7,610	121,536	161,202
NET POSITION			
Net investment in capital assets	155,385	2,109,592	2,789,976
Restricted	9,895	166,689	410,644
Unrestricted	569,120	8,148,256	3,966,325
Total net position	\$ 734,400	\$ 10,424,537	\$ 7,166,945

(Concluded)

City of Cupertino
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2023

	Business-Type Activities - Enterprise Funds		
	Resources Recovery	Recreation Programs	Cupertino Sports Center
OPERATING REVENUES:			
Charges for services	\$ 1,673,401	\$ 1,591,303	\$ 2,756,264
Other	98,851	151,139	361,316
TOTAL OPERATING REVENUES	1,772,252	1,742,442	3,117,580
OPERATING EXPENSES:			
Salaries and benefits	487,020	482,651	355,109
Materials and supplies	284,671	261,484	448,263
Contractual services	1,266,109	870,494	2,541,729
Insurance and claims and premium	-	-	-
Depreciation	513	47,057	111,438
TOTAL OPERATING EXPENSES	2,038,313	1,661,686	3,456,539
OPERATING INCOME (LOSS)	(266,061)	80,756	(338,959)
NONOPERATING REVENUES (EXPENSES):			
Investment income (loss)	58,933	45,346	14,356
Gain on sale of capital assets	-	-	-
Interest expense	-	-	-
Total Nonoperating Income (Expenses)	58,933	45,346	14,356
NET INCOME (LOSS) BEFORE TRANSFERS AND CAPITAL CONTRIBUTIONS	(207,128)	126,102	(324,603)
TRANSFERS AND CAPITAL CONTRIBUTIONS:			
Transfers in	-	376,000	-
Transfers out	-	(103,119)	-
TOTAL TRANSFERS AND CAPITAL CONTRIBUTIONS	-	272,881	-
CHANGES IN NET POSITION	(207,128)	398,983	(324,603)
NET POSITION:			
Beginning of year	5,010,998	2,576,720	2,235,167
End of year	\$ 4,803,870	\$ 2,975,703	\$ 1,910,564

(Continued)

City of Cupertino
Statement of Revenues, Expenses, and Changes in Net Position (Continued)
Proprietary Funds
For the Year Ended June 30, 2023

	Enterprise Funds		Activities
	Nonmajor Enterprise Fund	Total	Internal Service Funds
OPERATING REVENUES:			
Charges for services	\$ 570,038	\$ 6,591,006	\$ 4,606,283
Other	46,423	657,729	1,385,759
TOTAL OPERATING REVENUES	616,461	7,248,735	5,992,042
OPERATING EXPENSES:			
Salaries and benefits	233,013	1,557,793	4,289,604
Materials and supplies	208,348	1,202,766	1,279,946
Contractual services	354,975	5,033,307	617,432
Insurance and claims and premium	-	-	1,086,999
Depreciation	2,832	161,840	904,610
TOTAL OPERATING EXPENSES	799,168	7,955,706	8,178,591
OPERATING INCOME (LOSS)	(182,707)	(706,971)	(2,186,549)
NONOPERATING REVENUES (EXPENSES):			
Investment income (loss)	37,286	155,921	(22,193)
Gain on sale of capital assets	-	-	30,158
Interest expense	-	-	(861)
Total Nonoperating Income (Expenses)	37,286	155,921	7,104
NET INCOME (LOSS) BEFORE TRANSFERS AND CAPITAL CONTRIBUTIONS	(145,421)	(551,050)	(2,179,445)
TRANSFERS AND CAPITAL CONTRIBUTIONS:			
Transfers in	23,600	399,600	3,429,398
Transfers out	-	(103,119)	-
TOTAL TRANSFERS AND CAPITAL CONTRIBUTIONS	23,600	296,481	3,429,398
CHANGES IN NET POSITION	(121,821)	(254,569)	1,249,953
NET POSITION:			
Beginning of year	856,221	10,679,106	5,916,992
End of year	\$ 734,400	\$ 10,424,537	\$ 7,166,945

(Concluded)

City of Cupertino
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2023

	Business-Type Activities - Enterprise Funds		
	Resources Recovery	Recreation Programs	Cupertino Sports Center
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers and users	\$ 1,596,163	\$ 1,795,593	\$ 3,099,825
Cash paid to suppliers for goods and services	(1,553,924)	(1,121,474)	(2,939,258)
Cash paid to employees for services	(664,327)	(705,749)	(491,404)
Recovery for insurance claims	-	-	-
Net Cash Provided by (Used in) Operating Activities	(622,088)	(31,630)	(330,837)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Cash received from (paid to) other funds	-	272,881	-
Net Cash Provided by (Used in) Noncapital Financing Activities	-	272,881	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition of capital assets	-	(36,220)	(8,300)
Principal paid	-	-	-
Interest paid	-	-	-
Proceed from sale of capital assets	-	-	-
Net Cash (Used in) Capital and Related Financing Activities	-	(36,220)	(8,300)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Investment income (loss)	40,179	33,136	8,624
Net Cash (Used in) Provided by Investing Activities	40,179	33,136	8,624
Net Change In Cash and Cash Equivalents	(581,909)	238,167	(330,513)
CASH AND CASH EQUIVALENTS:			
Beginning of year	5,933,225	3,246,435	1,970,200
End of year	<u>\$ 5,351,316</u>	<u>\$ 3,484,602</u>	<u>\$ 1,639,687</u>
CASH AND CASH EQUIVALENTS:			
Cash and investments	\$ 5,351,316	\$ 3,484,602	\$ 1,639,687
Total cash and cash equivalents	<u>\$ 5,351,316</u>	<u>\$ 3,484,602</u>	<u>\$ 1,639,687</u>

(Continued)

City of Cupertino
Statement of Cash Flows (Continued)
Proprietary Funds
For the Year Ended June 30, 2023

	Business-Type Activities Enterprise Funds		Governmental Activities
	Nonmajor Enterprise Fund	Total	Internal Service Funds
	Fund	Total	Funds
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers and users	\$ 612,394	\$ 7,103,975	\$ 4,606,283
Cash paid to suppliers for goods and services	(582,924)	(6,197,580)	(2,952,729)
Cash paid to employees for services	(245,311)	(2,106,791)	(3,873,595)
Recovery for insurance claims	-	-	85,000
Net Cash Provided by (Used in) Operating Activities	(215,841)	(1,200,396)	(2,135,041)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Cash received from (paid to) other funds	23,600	296,481	4,285,851
Net Cash Provided by (Used in) Noncapital Financing Activities	23,600	296,481	4,285,851
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition of capital assets	(137,343)	(181,863)	(527,793)
Principal paid	-	-	(109,339)
Interest paid	-	-	(861)
Proceed from sale of capital assets	-	-	30,158
Net Cash (Used in) Capital and Related Financing Activities	(137,343)	(181,863)	(607,835)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Investment income (loss)	34,150	116,089	(54,987)
Net Cash (Used in) Provided by Investing Activities	34,150	116,089	(54,987)
Net Change In Cash and Cash Equivalents	(295,434)	(969,689)	1,487,988
CASH AND CASH EQUIVALENTS:			
Beginning of year	1,192,375	12,342,235	7,451,026
End of year	<u>\$ 896,941</u>	<u>\$ 11,372,546</u>	<u>\$ 8,939,014</u>
CASH AND CASH EQUIVALENTS:			
Cash and investments	\$ 896,941	\$ 11,372,546	\$ 8,939,014
Total cash and cash equivalents	<u>\$ 896,941</u>	<u>\$ 11,372,546</u>	<u>\$ 8,939,014</u>

(Concluded)

City of Cupertino
Statement of Cash Flows (Continued)
Proprietary Funds
For the Year Ended June 30, 2023

	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)	\$ (266,061)	\$ 80,756	\$ (338,959)
Adjustments to reconcile to net cash provided by			
Operating activities:			
Depreciation and amortization	513	47,057	111,438
Changes in assets and liabilities:			
(Increase)/decrease in accounts receivables	(92,396)	(41,423)	-
(Increase)/decrease in deferred outflows of resources related to pensions	(113,387)	(65,682)	(44,533)
(Increase)/decrease in deferred outflows of resources related to OPEB	(8,356)	(39,534)	(2,110)
Increase/(decrease) in accounts payable	(3,144)	10,504	50,734
Increase/(decrease) in unearned revenue	(83,693)	94,574	(17,755)
Increase/(decrease) in compensated absences	4,740	5,528	2,627
Increase/(decrease) in claims payable	-	-	-
Increase/(decrease) in net pension liabilities	123,045	2,046	17,988
Increase/(decrease) in other postemployment benefit liabilities	14,890	46,933	64,861
Increase/(decrease) in deferred inflows of resources related to pensions	(186,791)	(150,417)	(128,578)
Increase/(decrease) in deferred inflows of resources related to OPEB	(11,448)	(21,972)	(46,550)
Net Cash Provided by (Used in) Operating Activities	\$ (622,088)	\$ (31,630)	\$ (330,837)

(Continued)

City of Cupertino
Statement of Cash Flows (Continued)
Proprietary Funds
For the Year Ended June 30, 2023

	Business-Type Activities Enterprise Funds		Governmental Activities
	Nonmajor Enterprise Fund	Totals	Internal Service Funds
Reconciliation of Operating Income (Loss) to			
Net Cash Provided by (Used in) Operating Activities:			
Operating income (loss)	\$ (182,707)	\$ (706,971)	\$ (2,186,549)
Adjustments to reconcile to net cash provided by Operating activities:			
Depreciation and amortization	2,832	161,840	904,610
Changes in assets and liabilities:			
(Increase)/decrease in accounts receivables	(1,659)	(135,478)	(1,385,759)
(Increase)/decrease in deferred outflows of resources related to pensions	(42,810)	(266,412)	(693,504)
(Increase)/decrease in deferred outflows of resources related to OPEB	(5,380)	(55,380)	(64,342)
Increase/(decrease) in accounts payable	(19,601)	38,493	31,648
Increase/(decrease) in unearned revenue	(2,408)	(9,282)	-
Increase/(decrease) in compensated absences	(9,290)	3,605	68,970
Increase/(decrease) in claims payable	-	-	85,000
Increase/(decrease) in net pension liabilities	62,474	205,553	1,809,813
Increase/(decrease) in other postemployment benefit liabilities	1,743	128,427	119,864
Increase/(decrease) in deferred inflows of resources related to pensions	(25,876)	(491,662)	(790,665)
Increase/(decrease) in deferred inflows of resources related to OPEB	6,841	(73,129)	(34,127)
Net Cash Provided by (Used in) Operating Activities	\$ (215,841)	\$ (1,200,396)	\$ (2,135,041)
			(Concluded)

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NOTES TO THE BASIC FINANCIAL STATEMENTS

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City of Cupertino
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For the Year Ended June 30, 2023

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City of Cupertino
Notes to the Basic Financial Statements
For the Year Ended June 30, 2023

Note 1 – Summary of Significant Accounting Policies

A. Financial Reporting Entity:

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

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

Blended Component Unit

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

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

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

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

The City had no discretely presented component units.

City of Cupertino
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 1 – Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation

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

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

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

Government-wide Statements

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

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

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

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

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

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

City of Cupertino
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

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.
- 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.
- 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.
- 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, 2023

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, 2023

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 a full accrual basis, while unavailable revenues are based on the modified accrual measure.

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

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

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

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, 2023

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. Leases Receivables

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, 2023

Note 1 – Summary of Significant Accounting Policies (Continued)

G. Leases Receivables (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.

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, 2023

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

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 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.

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.

City of Cupertino
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 1 – Summary of Significant Accounting Policies (Continued)

O. Compensated Absences

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

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

P. Claims and Judgement Payable

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

Q. 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.

R. Long-Term Debt

Government-Wide Financial Statements

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

City of Cupertino
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 1 – Summary of Significant Accounting Policies (Continued)

R. Long-Term Debt (Continued)

Government-Wide Financial Statements (Continued)

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.

S. 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, 2021
Measurement Date	June 30, 2022
Measurement Period	July 1, 2021 to June 30, 2022

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.

T. 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, 2023

Note 1 – Summary of Significant Accounting Policies (Continued)

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

The following timeframes are used for OPEB reporting:

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

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.

U. 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.

V. 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, 2023

Note 1 – Summary of Significant Accounting Policies (Continued)

V. 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.

W. 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.

X. 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, 2023

Note 1 – Summary of Significant Accounting Policies (Continued)

Y. Implementation of New GASB Pronouncements

GASB Statement No. 91 In May 2019, GASB issued Statement No. 91, *Conduit Debt Obligations* (GASB Statement No. 91), to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. Implementation of this Statement did not have a significant effect on the City’s financial statements for the fiscal year ended June 30, 2023.

GASB Statement No. 94 In March 2020, GASB issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* (GASB Statement No. 94) to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). Implementation of this Statement did not have a significant effect on the City’s financial statements for the fiscal year ended June 30, 2023.

GASB Statement No. 96 In May 2020, GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements* (GASB Statement No. 96), to provide guidance on the accounting and financial reporting for subscription based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset- -an intangible asset and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. Implementation of this Statement had a significant effect on the City’s financial statements for the fiscal year ended June 30, 2023.

GASB Statement No. 99 - In April 2022, the GASB issued Statement No. 99, *Omnibus 2022*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The Statement is effective immediately for the requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63. The Statement is effective for fiscal year years beginning after June 15, 2022 for requirements related to leases, PPPs, and SBITAS. Implementation of this Statement did not have a significant effect on the City’s financial statements for the fiscal year ended June 30, 2023.

Z. 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:

In June 2022, GASB issued Statement No. 100, *Accounting Changes and Error Corrections* – an Amendment of GASB Statement No. 62. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. Application of this statement is effective for the City’s fiscal year ending June 30, 2024.

City of Cupertino
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 1 – Summary of Significant Accounting Policies (Continued)

Z. Upcoming New GANB Pronouncements (Continued)

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

In December 2023, GASB issued Statement 102, *Certain Risk Disclosures*. The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government’s vulnerabilities due to certain concentrations or constraints. That objective is achieved by requiring governments to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. The statement also requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. Application of this statement is effective for the City’s fiscal year ending June 30, 2025. Earlier application is encouraged.

In April 2024, GASB issued Statement 103, *Financial Reporting Model Improvements* - The objective of this Statement is to improve key components of the financial reporting model.¹ The purposes of the improvements are to (a) enhance the effectiveness of the financial reporting model in providing information that is essential for decision making and assessing a government’s accountability and (b) address certain application issues identified through pre-agenda research conducted by the GASB. Application of this statement is effective for the City’s fiscal year ending June 30, 2027. Earlier application is encouraged.

Note 2 – Cash and Investments

The City had the following cash and investments at June 30, 2023:

	Government-Wide Statement of Net Position		
	Governmental Activities	Business-Type Activities	Total
Cash and investments	\$ 205,571,569	\$ 11,372,546	\$ 216,944,115
Restricted cash and investments:			
Held by fiscal agent for pension	19,088,859	-	19,088,859
Total cash and investments	\$ 224,660,428	\$ 11,372,546	\$ 236,032,974

City of Cupertino
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 2 – Cash and Investments (Continued)

The City’s cash and investments at June 30, 2023, in more detail:

Cash on hand	\$ 3,586
Deposits with financial institutions	47,281,611
Total cash	<u>47,285,197</u>
Investments	169,658,918
Investments with PARS	19,088,859
Total investments	<u>188,747,777</u>
Total cash and investments	<u>\$ 236,032,974</u>

A. Deposits

The carrying amounts of the City’s demand deposits were \$47,281,612 at June 30, 2023. Bank balances at that date were \$48,018,306 the total amount of which was collateralized or insured with accounts held by the pledging financial institutions in the City’s name as discussed below.

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

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

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

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

City of Cupertino
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 2 – Cash and Investments (Continued)

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

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

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

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

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

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

City of Cupertino
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

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 \$65 million
Shares in a California common law trust established pursuant to Title 1, Division 7, Chapter 5 of the California Government Code which invests exclusively in investments permitted by Section 53635 of Title 5, Division 2, Chapter of the California Government Code, as it may be amended.	N/A	N/A	None

D. Risk Disclosures

Disclosures Relating to Interest Rate Risk

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

City of Cupertino
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

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	\$ 4,588,328	\$ 12,214,180	\$ 36,160,305	\$ 52,962,813
Corporate Notes	1,454,667	19,059,694	19,537,835	40,052,196
U.S. Agency Notes:				
Federal Home Loan Mortgage Corporation	836,535	2,232,499	3,408,904	6,477,938
Federal National Mortgage Association	-	8,574,094	4,540,665	13,114,759
Federal Home loan Banks	1,463,544	1,943,320	-	3,406,864
Municipal Bonds	-	726,121	-	726,121
Asset-Backed Securities	329,142	4,647,343	11,558,949	16,535,434
Supranationals	2,747,746	-	6,683,579	9,431,325
Collateralized Mortgage Obligations	-	1,261,927	4,392,528	5,654,455
Local Agency Investment Fund	21,099,954			21,099,954
Money Market Mutual Funds	197,059	-	-	197,059
Restricted investment with PARS	19,088,859	-	-	19,088,859
Total investments	<u>\$ 51,805,834</u>	<u>\$ 50,659,178</u>	<u>\$ 86,282,765</u>	188,747,777
Cash in banks and on hand				<u>47,285,197</u>
Total Cash and Investments				<u>\$ 236,032,974</u>

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, 2023 for each investment type:

City of Cupertino
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 2 – Cash and Investments (Continued)

D. Risk Disclosures (Continued)

Disclosures Relating to Credit Risk (Continued)

Investment Type	Total	AAA	AA	A	Not Required
U.S. Treasury Securities	\$ 52,962,813	\$ 52,962,813	\$ -	\$ -	\$ -
Corporate Notes	40,052,196	-	12,415,464	27,636,732	-
U.S. Agency Notes					
Federal Home Loan Mortgage Corporation	6,477,938	6,477,938	-	-	-
Federal National Mortgage Association	13,114,759	13,114,759	-	-	-
Federal Home Loan Banks	3,406,864	3,406,864	-	-	-
Municipal Bonds	726,121	726,121	-	-	-
Asset-Backed Securities	16,535,434	16,535,434	-	-	-
Supranationals	9,431,325	9,431,325	-	-	-
Collateralized Mortgage Obligations	5,654,455	5,654,455	-	-	-
Local Agency Investment Fund	21,099,954	-	-	-	21,099,954
Money Market Mutual Funds	197,059	197,059	-	-	-
Restricted investment with PARS	19,088,859	-	-	-	19,088,859
Total Investments	\$ 188,747,777	\$ 108,506,768	\$ 12,415,464	\$ 27,636,732	\$ 40,188,813

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, 2023, the following investment represent 5% or more of total City investments:

Issuer	Investment Type	Amount	Percentage
Federal National Mortgage Association (FNMA)	U.S. Agency Notes	\$ 13,114,759	7%

Disclosures Relating to Custodial Credit Risk

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

City of Cupertino
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 2 – Cash and Investments (Continued)

E. Fair Value Measurement Disclosure

At June 30, 2023, 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, 2023:

Investments by Fair Value Level	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Total
U.S. Treasury Securities	\$ 52,962,813	\$ -	\$ 52,962,813
Corporate Notes	-	40,052,196	40,052,196
U.S. Agency Notes			
Federal Home Loan Mortgage Corporation	-	6,477,938	6,477,938
Federal National Mortgage Association	-	13,114,759	13,114,759
Federal Home Loan Banks	-	3,406,864	3,406,864
Asset-Backed Securities	-	16,535,434	16,535,434
Collateralized Mortgage Obligations	-	5,654,455	5,654,455
Supranationals	-	9,431,325	9,431,325
Municipal Bonds	-	726,121	726,121
Total Investments	<u>\$ 52,962,813</u>	<u>\$ 95,399,092</u>	148,361,905
Investments Measured at Amortized Cost:			
Money Market Mutual Funds - Restricted for Pension (PARS)			19,088,859
Money Market Mutual Funds			197,059
Investments Exempt from Fair Value Hierarchy:			
Local Agency Investment Fund			21,099,954
Cash in banks and on hand			47,285,197
Total Cash and Investments			<u>\$ 236,032,974</u>

F. Investment in Local Agency Investment Fund (LAIF)

The City is a participant in LAIF which is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The City's investments in LAIF at June 30, 2023 included a portion of pool funds invested in Structure Notes and Asset-Backed Securities:

Structured Notes are debt securities (other than asset-backed securities) whose cash-flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or that have embedded forwards or options.

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

City of Cupertino
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 2 – Cash and Investments (Continued)

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

As of June 30, 2023, the City had \$21,099,954 invested in LAIF, which had invested 2.78% of the pool investment funds in Structured Notes and Asset-Back Securities. LAIF determines fair value on its investment portfolio based on market quotations for those securities where market quotations are readily available and based on amortized cost or best estimate for those securities where market value is not readily available. LAIF is reported at amortized cost, which approximates fair value.

Note 3 – Loans Receivable

Housing Program Loans

On June 30, 1995, the City loaned \$821,000 to Community Housing Developers, a California nonprofit public benefit corporation. The note bears interest at three percent per annum, compounded annually, payable to the extent of surplus cash, and all unpaid principal and interest due June 30, 2035. As of June 30, 2023, the balance remaining on the loan was \$1,057,389 including principal and interest in the amounts of \$821,000 and \$236,389, 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, 2023, the balance on the loan was \$135,871. 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, 2023, the balance remaining on the loan was \$4,359,019 including principal and interest in the amounts of \$3,672,000 and \$687,019, respectively in the Housing Development Special Revenue Fund and is considered as governmental activities.

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

The City leases various City assets to other entities via contractual arrangements under the provisions of GASB Statement No. 87, *Leases*. The leases include land leases utilized for cell phone towers as well as property leases of the McClellan Ranch House and the Cupertino Public Library. The City receives fixed payments from the lessees, with a total of \$220,308 recognized as rental revenue and \$31,333 recognized as interest revenue on the lease for the year ended June 30, 2023 and a receivable for the remaining payments under the leases of \$2,493,039.

A summary of changes in lease receivable for the year ended June 30, 2023 is as follows:

Balance July 1, 2022	Additions	Retirements	Balance June 30, 2023	Current Portion	Long-term Portion
\$ 2,495,226	\$ 218,121	\$ (220,308)	\$ 2,493,039	\$ 221,644	\$ 2,271,395

City of Cupertino
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

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

At June 30, 2023, the required payments for these leases, including interest, are:

Year Ending June 30,	NPV Leases Receivable	Interest	Total Lease Payment
2024	\$ 221,644	\$ 29,203	\$ 250,847
2025	215,649	27,022	242,671
2026	216,753	24,745	241,498
2027	227,844	22,348	250,192
2028	238,976	19,832	258,808
2029-2033	930,850	60,105	990,955
2034-2038	335,529	17,807	353,336
2039-2041	105,794	1,720	107,514
Total	<u>\$ 2,493,039</u>	<u>\$ 202,782</u>	<u>\$ 2,695,821</u>

At June 30, 2023, the amounts reported as deferred inflows of resources related to leases will be recognized as lease revenue as follows:

Year Ending June 30,	Amount
2024	\$ 263,427
2025	248,416
2026	236,054
2027	236,054
2028	236,054
2029-2033	822,454
2034-2038	259,170
2039-2041	78,104
Total	<u>\$ 2,379,733</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, 2023, the General Fund advanced \$3,000,000 to the Capital Improvement Projects Capital Projects Fund for advance funding of planned projects that will be repaid in subsequent years.

City of Cupertino
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 5 – Interfund Transactions (Continued)

B. Due from and To other Funds

At June 30, 2023, the City has the following due from and to other funds:

Due to Other Funds		Internal Service Funds	Total
Due From Other Funds			
Governmental Funds:			
General Fund	\$ 1,395,657	\$ 1,395,657	
	\$ 1,395,657	\$ 1,395,657	

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

C. Transfers in and Out

Transfers between funds during the fiscal year ended June 30, 2023 were as follows:

Transfers In										
Transfers Out	Governmental Funds					Proprietary Funds				Total
	General Fund	Transportation Special Revenue Fund	Housing Development Special Revenue Fund	Public Facilities Corporation Debt Service Fund	Capital Improvement Projects Capital Project Fund	Recreation Program Enterprise Fund	Nonmajor Enterprise Fund	Internal Service Funds		
Governmental Funds:										
General Fund	\$ -	\$ 3,000,000	\$ 25,000	\$ 2,675,800	\$ 2,838,147	\$ 376,000	\$ -	\$ 3,429,398	\$ 12,344,345	
Transportation Special Revenue Fund	-	-	-	-	197,491	-	-	-	197,491	
Capital Improvement Projects Capital Projects Fund	800,000	-	-	-	-	-	23,600	-	823,600	
Nonmajor Governmental Funds	61,140	-	-	-	1,650,000	-	-	-	1,711,140	
Proprietary Funds:										
Recreation Programs Enterprise Fund	-	-	-	-	103,119	-	-	-	103,119	
	\$ 861,140	\$ 3,000,000	\$ 25,000	\$ 2,675,800	\$ 4,788,757	\$ 376,000	\$ 23,600	\$ 3,429,398	\$ 15,179,695	

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, 2023

Note 6 – Capital Assets

A. Governmental Activities

A summary of changes in capital assets of the governmental activities for the year ended June 30, 2023 is as follows:

	Balance July 1, 2022 (As Restated)	Additions	Deletions	Transfers	Balance June 30, 2023
Governmental Activities:					
General Government Capital Asset:					
Capital assets not being depreciated:					
Land	\$ 64,786,669	\$ -	\$ -	\$ -	\$ 64,786,669
Easements	19,615,039	-	-	-	19,615,039
Construction in progress	23,398,649	10,658,074	(476,537)	(5,104,793)	28,475,393
Total general government capital assets not being depreciated	107,800,357	10,658,074	(476,537)	(5,104,793)	112,877,101
Capital assets being depreciated:					
Buildings	47,763,913	-	-	-	47,763,913
Improvements other than buildings	61,263,926	-	-	359,435	61,623,361
Machinery and equipment	4,529,929	-	-	45,697	4,575,626
Roads, curbs, gutters, sidewalks, medians and bridges	183,534,212	-	-	4,275,603	187,809,815
Streetlights	9,302,437	-	-	402,243	9,704,680
Storm drain structure and mains	37,373,158	-	-	-	37,373,158
Traffic signals	6,418,246	-	-	21,815	6,440,061
Total capital assets being depreciated	350,185,821	-	-	5,104,793	355,290,614
Less accumulated depreciation for:					
Buildings	(33,646,294)	(1,612,633)	-	-	(35,258,927)
Improvements other than buildings	(45,859,016)	(2,390,853)	-	-	(48,249,869)
Machinery and equipment	(3,306,110)	(218,247)	-	-	(3,524,357)
Roads, curbs, gutters, sidewalks, medians and bridges	(115,601,625)	(2,839,730)	-	-	(118,441,355)
Streetlights	(8,031,745)	(431,927)	-	-	(8,463,672)
Storm drain structure and mains	(33,682,048)	(149,952)	-	-	(33,832,000)
Traffic signals	(5,910,218)	(109,425)	-	-	(6,019,643)
Total accumulated depreciation	(246,037,056)	(7,752,767)	-	-	(253,789,823)
Total capital assets being depreciated, net	104,148,765	(7,752,767)	-	5,104,793	101,500,791
Intangible assets, being amortized					
Right-to-use subscription assets	1,490,232	964,745	-	-	2,454,977
Total intangible assets, being amortized	1,490,232	964,745	-	-	2,454,977
Less accumulated amortization for:					
Right-to-use subscription assets	-	(574,289)	-	-	(574,289)
Total accumulated amortization	-	(574,289)	-	-	(574,289)
Total intangible assets, being amortized, net	1,490,232	390,456	-	-	1,880,688
Total general government capital asset, net	213,439,354	3,295,763	(476,537)	-	216,258,580
Internal Service Fund Capital Assets:					
Capital assets not being depreciated:					
Construction in progress	7,828	527,792	-	(416,212)	119,408
Total internal fund capital assets not being depreciated	7,828	527,792	-	(416,212)	119,408
Capital assets being depreciated:					
Machinery and equipment	12,769,434	-	(118,475)	416,212	13,067,171
Less accumulated depreciation	(9,798,894)	(798,599)	118,475	-	(10,479,018)
Total internal fund capital assets being depreciated, net	2,970,540	(798,599)	-	416,212	2,588,153
Intangible assets, being amortized					
Right-to-use subscription assets	282,968	24,866	-	-	307,834
Total intangible assets, being amortized	282,968	24,866	-	-	307,834
Less accumulated amortization for:					
Right-to-use subscription assets	-	(106,011)	-	-	(106,011)
Total accumulated amortization	-	(106,011)	-	-	(106,011)
Total intangible assets, being amortized, net	282,968	(81,145)	-	-	201,823
Total internal service fund capital assets, net	3,261,336	(351,952)	-	-	2,909,384
Governmental activities capital assets, net	\$ 216,700,690	\$ 2,943,811	\$ (476,537)	\$ -	\$ 219,167,964

City of Cupertino
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 6 – Capital Assets (Continued)

A. Governmental Activities (Continued)

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

Governmental Activities	<u>Depreciation</u>	<u>Amortization</u>
Administration	\$ 189,942	\$ 49,676
Public and environment affairs	16,281	-
Administrative services	29,461	16,138
Parks and recreation	169,010	63,689
Community development	-	147,707
Public works	<u>7,348,073</u>	<u>297,079</u>
Subtotal	<u>7,752,767</u>	<u>574,289</u>
Internal Service Allocation		
Administration	247,725	9,170
Public and environment affairs	21,642	-
Administrative services	55,264	2,979
Parks and recreation	73,072	11,757
Community development		27,266
Public works	<u>400,896</u>	<u>54,839</u>
Subtotal	<u>798,599</u>	<u>106,011</u>

B. Business-Type Activities

A summary of changes in capital assets of the business-type activities for the year ended June 30, 2023 is as follows:

	<u>Balance</u> <u>July 1, 2022</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>Balance</u> <u>June 30, 2023</u>
Business-type activities:					
Capital assets not being depreciated:					
Construction in progress	\$ 184,667	\$ 181,863	\$ (8,299)	\$ -	\$ 358,231
Total capital assets not being depreciated	<u>184,667</u>	<u>181,863</u>	<u>(8,299)</u>	<u>-</u>	<u>358,231</u>
Capital assets being depreciated:					
Buildings	2,073,689	-	-		2,073,689
Improvements other than buildings	2,175,914	-	-		2,175,914
Machinery and equipment	743,453	-	8,299		751,752
Total capital assets being depreciated	<u>4,993,056</u>	<u>-</u>	<u>8,299</u>	<u>-</u>	<u>5,001,355</u>
Less accumulated depreciation for:					
Buildings	(573,223)	(81,796)	-	-	(655,019)
Improvements other than buildings	(1,860,740)	(51,912)	-	-	(1,912,652)
Machinery and equipment	(654,191)	(28,132)	-	-	(682,323)
Total accumulated depreciation	<u>(3,088,154)</u>	<u>(161,840)</u>	<u>-</u>	<u>-</u>	<u>(3,249,994)</u>
Total capital assets being depreciated, net	<u>1,904,902</u>	<u>(161,840)</u>	<u>8,299</u>	<u>-</u>	<u>1,751,361</u>
Business-type activity capital assets, net	<u>\$ 2,089,569</u>	<u>\$ 20,023</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,109,592</u>

City of Cupertino
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

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	\$ 111,438
Recreation program	47,057
Blackberry farm	2,832
Resources recovery	513
Total	\$ 161,840

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, 2023 is as follows:

	Balance July 1, 2022 (As Restated)	Additions	Retirements	Balance June 30, 2023	Current Portion	Long-term Portion
2020A Certificates of Participation	\$ 18,020,000	\$ -	\$ (1,955,000)	\$ 16,065,000	\$ 2,035,000	\$ 14,030,000
Issuance Premium	3,248,829	-	(464,118)	2,784,711	-	2,784,711
Subscription liabilities	1,773,200	989,611	(735,521)	2,027,290	783,067	1,244,223
Claims payable	1,569,000	765,116	(111,330)	2,222,786	382,000	1,840,786
Compensated absences	4,690,321	797,673	(406,434)	5,081,560	501,158	4,580,402
Total long-term liabilities	\$ 29,301,350	\$ 2,552,400	\$ (3,672,403)	\$ 28,181,347	\$ 3,701,225	\$ 24,480,122

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, 2023.

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, 2023 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, 2023

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 \$18,736,200 payable through June 1, 2030. For the year ended June 30, 2023, the bonds had \$1,955,000 of principal and \$720,800 interest due. The annual debt service requirements on these certificates are as follows:

Year Ending June 30,	Principal	Interest	Total
2024	\$ 2,035,000	\$ 642,600	\$ 2,677,600
2025	2,115,000	561,200	2,676,200
2026	2,200,000	476,600	2,676,600
2027	2,285,000	388,600	2,673,600
2028	2,380,000	297,200	2,677,200
2029-2030	5,050,000	305,000	5,355,000
Total	<u>\$ 16,065,000</u>	<u>\$ 2,671,200</u>	<u>\$ 18,736,200</u>

Subscription Liabilities

The City has entered into subscriptions for information technology arrangements. The terms of the arrangements range from 24 to 63 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
2024	\$ 783,067	\$ 43,045	\$ 826,112
2025	710,777	26,433	737,210
2026	481,502	11,133	492,635
2027	51,944	1,424	53,368
Total	<u>\$ 2,027,290</u>	<u>\$ 82,035</u>	<u>\$ 2,109,325</u>

Compensated Absences

The long-term portion of compensated absences payable has been accrued for the Governmental Activities on the Government-Wide Financial Statements. In prior years, the General Fund has typically been used to liquidate the liability. The balance outstanding at June 30, 2023 was \$5,081,560.

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, 2023

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, 2023:

	Balance July 1, 2022	Additions	Retirements	Balance June 30, 2023	Current Portion	Long-term Portion
Compensated absences	\$ 216,636	\$ 52,873	\$ (49,268)	\$ 220,241	\$ 10,492	\$ 209,749
Total long-term liabilities	\$ 216,636	\$ 52,873	\$ (49,268)	\$ 220,241	\$ 10,492	\$ 209,749

Compensated Absences

All vested vacation and compensatory leave time is recognized as an expense and as a liability in the business-type funds at the time the liability vests. All of the enterprise funds of the City have been used to liquidate the liability. The balance outstanding at June 30, 2023 was \$220,241.

Note 8 – Defined Benefit Pension Plan

Below is a summary of the deferred outflows of resources, net pension liabilities and deferred inflows of resources by Plan at June 30, 2023:

	Deferred Outflows of Resources	Net Pension Liability	Deferred Inflows of Resources
Miscellaneous Plan	\$ 18,126,053	\$ 55,840,898	\$ 137,371

A. General Information about the Pension Plan

Plan Description

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

Benefit Provided

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

City of Cupertino
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 8 – Defined Benefit Pension Plan (Continued)

A. General Information about the Pension Plan (Continued)

Benefit Provided (Continued)

The Pension Reform Act of 2013 (PEPRA), Assembly Bill 340, is applicable to employees new to CalPERS and hired after December 31, 2012. The Plans' provisions and benefits in effect at June 30, 2023, are summarized as follows:.

	<u>Hire date</u>	
	<u>Prior to January 1 , 2013</u>	<u>On or after January 1, 2013</u>
Benefit formula	2.7%@55	2.0%@62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Minimum retirement age	50	52
Monthly benefits, as a% of eligible compensation	2% to 2.7%	1% to 2%
Required employee contribution rates	8.00%	7.00%
Required employer contribution rates	9.74%	9.74%

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 7.5 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, 2021 actuarial valuation date (most current), the following employees were covered by the benefit terms of the Plan:

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

City of Cupertino
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 8 – Defined Benefit Pension Plan (Continued)

A. General Information about the Pension Plan (Continued)

Contributions

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

B. Net Pension Liability

Actuarial Methods and Assumptions Used to Determine Total Pension Liability

The June 30, 2021 valuation was rolled forward to determine the June 30, 2022 total pension liability, based on the following actuarial methods and assumptions:

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

¹The mortality table used was developed based on CalPERS-specific data. The probabilities of mortality are based on the 2021 CalPERS Experience Study for the period from 2001 to 2019. Pre-retirement and Post-retirement mortality rates include 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 CalPERS Experience Study and Review of Actuarial Assumptions report from November 2021 that can be found on the CalPERS website.

Change of Assumptions

Effective with the June 30, 2021 valuation date (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. Projected returns for all asset classes are estimated, combined with risk estimates, and are used to project compound (geometric) returns over the long term. The discount rate used to discount liabilities was informed by the long-term projected portfolio return. In addition, demographic assumptions and the inflation rate assumption were changed in accordance with the 2021 CalPERS Experience Study and Review of Actuarial Assumptions.

City of Cupertino
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 8 – Defined Benefit Pension Plan (Continued)

B. Net Pension Liability (Continued)

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.

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.

City of Cupertino
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

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		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (c) = (a) - (b)
Balance at June 30, 2021 (Valuation Date)	\$ 161,180,149	\$ 127,121,572	\$ 34,058,577
Changes in the year:			
Service cost	3,614,486	-	3,614,486
Interest on the total pension liability	11,312,835	-	11,312,835
Change of Benefit Terms	-	-	-
Change of Assumptions	5,380,881	-	5,380,881
Differences between actual and expected experience	(188,249)	-	(188,249)
Contribution - employer	-	6,396,030	(6,396,030)
Contribution - employee	-	1,632,861	(1,632,861)
Net investment income	-	(9,612,070)	9,612,070
Administrative expenses	-	(79,189)	79,189
Other miscellaneous income/(expenses)	-	-	-
Benefit payments, including refunds of employee contributions	(8,451,800)	(8,451,800)	-
Net Changes during July 1, 2021 to June 30, 2022	11,668,153	(10,114,168)	21,782,321
Balance at June 30, 2022 (Measurement Date)	<u>\$ 172,848,302</u>	<u>\$ 117,007,404</u>	<u>\$ 55,840,898</u>

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

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

	Plan's Net Pension Liability/(Asset)		
	Discount Rate - 1% (5.90%)	Current Discount Rate (6.90%)	Discount Rate + 1% (7.90%)
Miscellaneous Plan	<u>\$ 79,168,477</u>	<u>\$ 55,840,898</u>	<u>\$ 36,670,370</u>

Pension Plan Fiduciary Net Position

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

City of Cupertino
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 8 – Defined Benefit Pension Plan (Continued)

D. Changes in the Net Pension Liability

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

For the year ended June 30, 2023, the City recognized pension expense of \$8,200,508. As of June 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Miscellaneous Plan	
	Deferred outflows of Resources	Deferred inflows of Resources
Pension contribution made after measurement date	\$ 7,183,364	\$ -
Changes of assumptions	3,926,589	-
Difference between expected and actual experience	1,057,512	(137,371)
Net difference between projected and actual earning on pension plan investments	5,958,588	-
Total	\$ 18,126,053	\$ (137,371)

The amounts above are net of outflows and inflows recognized in the 2021-22 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 miscellaneous plan for the 2021-22 measurement period is 3.7 years, which was obtained by dividing the total service years of 2,275 (the sum of remaining service lifetimes of the active employees) by 612 (the total number of participants: active, inactive, and retired).

The \$7,183,364 of contributions for the fiscal year ended June 30, 2023 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, 2024.

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)
2023	\$ 3,069,776
2024	2,637,405
2025	1,426,385
2026	3,671,752
2027	-
Thereafter	-
Total	\$ 10,805,318

City of Cupertino
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 9 – Other Post Employment Benefits (OPEB)

A. General Information about the OPEB Plan

Plan Description

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

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

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

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

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

City of Cupertino
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

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, 2023 (the latest information available), Plan membership consisted of the following:

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

Contributions

OPEB Plan contributions are set by the adopted budget. The cost of the benefits provided by the OPEB Plan is currently being paid by the City on a fully pre-funded basis. Based on the actuarial valuation date of June 30, 2023, the annual required contribution rate is 7.3 percent of annual covered payroll. For the year ended June 30, 2023, the City paid \$1,753,000 in healthcare premium payments including implied subsidy. Plan members are not required to contribute to the plan.

B. Net OPEB Liability

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

Investment Rate of Return

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the target asset allocation as of June 30, 2023 (see the discussion of the Plan's investment policy) are summarized in the following table:

City of Cupertino
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

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

B. Net OPEB Liability (Continued)

Investment Rate of Return (Continued)

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed income - core	5.17%
Fixed income - high yield	8.06%
Equities - domestic	6.96%
Equities - developed foreign	9.94%
Equities - emerging foreign	11.22%
Real estate	7.67%
Cash	2.95%

Investment Policy

The Plan's policy in regard to the allocation of invested assets is established and may be amended by the City Council by a majority vote of its members. It is the policy of the City Council to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The Plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. The following was the City Council's adopted asset allocation policy as of June 30, 2023:

<u>Asset Class</u>	<u>Target Allocation</u>
Fixed income	29.00%
Equities	63.00%
Real estate	5.00%
Commodities	2.00%
Cash	1.00%
Total	<u>100.00%</u>

Concentrations

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

Rate of Return

For the year ended June 30, 2023, the annual money-weighted rate of return on investments, net of investment expense, was 10.94 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

City of Cupertino
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

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

B. Net OPEB Liability (Continued)

Actuarial Assumptions

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

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with long-term perspective of the calculations.

The other significant actuarial assumptions used to prepare the City's June 30, 2023 actuarial valuation include the following:

Valuation date:	June 30, 2023
Measurement date:	June 30, 2023
Actuarial Cost Method:	Entry Age Normal
Amortization Method:	Level percent of pay closed, 5.5 years as of June 30, 2023
Amortization Period:	10 year
Asset Valuation Method:	Market value of Assets
Actuarial Assumptions:	
Discount Rate	6.50%
Amortization growth rate	2.75%
Ultimate Rate of Medical Inflation	4.25%
Salary increases	2.75% plus merit component based on years of service
Mortality	CalPERS mortality assumptions

Discount Rate

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

City of Cupertino
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

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

C. Change in Net OPEB Liability

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

	Net Increase (Decrease)		Net OPEB Liability (Asset) (c) = (a) - (b)
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	
Balance at June 30, 2022	\$ 29,871,000	\$ 31,340,000	\$ (1,469,000)
Changes in the year			
Service cost	1,260,000	-	1,260,000
Interest on the total OPEB liability	1,967,000	-	1,967,000
Change of assumptions	(492,000)	-	(492,000)
Differences between actual and expected experience	4,437,000	-	4,437,000
Contribution - employer	-	1,753,000	(1,753,000)
Contribution - employee	-	-	-
Net investment income	-	3,484,000	(3,484,000)
Administrative expenses	-	(116,000)	116,000
Benefit payments, including refunds of Employee contributions	(1,753,000)	(1,753,000)	-
Net Changes during July 1, 2021 to June 30, 2022	5,419,000	3,368,000	2,051,000
Balance at June 30, 2023 (Measurement Date)	\$ 35,290,000	\$ 34,708,000	\$ 582,000

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

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

Plan's Net OPEB Liability/(Asset)		
1% Decrease 5.50%	Current Discount Rate 6.50%	1% Increase 7.50%
\$ 4,827,000	\$ 582,000	\$ (2,959,000)

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

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

Plan's Net OPEB Liability/(Asset)		
1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
\$ (3,119,000)	\$ 582,000	\$ 5,110,000

City of Cupertino
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

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

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

For the year ended June 30, 2023, the City recognized OPEB expense of \$1,779,000. As of June 30, 2023, 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	\$ 1,864,000	\$ -
Differences between expected and actual experience	3,697,000	1,874,000
Changes in assumption	609,000	410,000
	\$ 6,170,000	\$ 2,284,000

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 years, which was determined as of June 30, 2022, 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)
2024	\$ 696,000
2025	(8,000)
2026	2,176,000
2027	367,000
2028	655,000
Thereafter	-
Total	\$ 3,886,000

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, 2023, the City paid the PLAN JPA premiums of \$1,263,191.

City of Cupertino
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

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

Workers' Compensation Liability: The City belongs to the CSAC Excess Insurance Authority (EIA), a joint power authority which provides excess workers' compensation liability claims coverage above the City's self-insured retention of \$500,000 per occurrence. Losses above the self-insured retention are pooled with excess reinsurance purchased to a \$50,000,000 statutory limit. EIA was established in 1979 for the purpose of creating a risk management pool for all California public entities. EIA is governed by a Board of Directors consisting of representatives of its member public entities. Complete financial statements for ETA may be obtained from their offices at the following address: CSAC Excess Insurance Authority, Finance Department, EIA 75 Iron Point Circle, Suite 200, Folsom, CA 95630. For the year ended June 30, 2023, the City paid premiums of \$158,781.

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

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

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

	2023	2022
Claims liability, beginning of year	\$ 1,569,000	\$ 1,374,000
Incurred claims and changes in estimate	1,122,626	671,344
Claim payments and credits	(468,840)	(476,344)
Total claims liability, end of year	2,222,786	1,569,000
Less current portion	(382,000)	(282,000)
Non-current portion	\$ 1,840,786	\$ 1,287,000

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, 2023:

	Governmental Activities	Business-Type Activities
Capital assets, net of accumulated depreciation and amortization	\$ 219,167,964	\$ 2,109,592
Add: deferred charges on refunding	159,478	-
Less: outstanding principal on capital related debts	(16,065,000)	-
Less: bond premium	(2,784,711)	-
Less: subscription liabilities	(2,027,290)	-
Net investment in capital assets	\$ 198,450,441	\$ 2,109,592

City of Cupertino
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 11 – Net Position and Fund Balances (Continued)

B. Fund Balance Classifications

At June 30, 2023, 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	\$ 970,962	\$ -	\$ 5,402,316	\$ -	\$ -	\$ -	\$ 6,373,278
Advances to other funds	3,000,000	-	-	-	-	-	3,000,000
Inventories	21,383	-	-	-	-	-	21,383
Prepaid items	8,243	-	-	-	-	-	8,243
Subtotal	4,000,588	-	5,402,316	-	-	-	9,402,904
Restricted for:							
Public access television	-	-	-	-	-	-	-
Debt service	-	-	-	-	-	-	-
PARS Section 115 Trust	19,088,859	-	-	-	-	-	19,088,859
Public safety power shutoff	-	-	-	-	-	-	-
Debt services	-	-	-	1,750	-	-	1,750
Storm drain system	-	-	-	-	-	3,993,672	3,993,672
Parks and open space	-	-	-	-	-	18,763,732	18,763,732
Environmental management	-	-	-	-	-	1,220,134	1,220,134
Streets and road projects	-	10,586,674	-	-	-	770,107	11,356,781
Housing programs	-	-	6,090,291	-	-	-	6,090,291
Subtotal	19,088,859	10,586,674	6,090,291	1,750	-	24,747,645	60,515,219
Committed for:							
Economic uncertainty	24,000,000	-	-	-	-	-	24,000,000
Sustainability reserve	127,891	-	-	-	-	-	127,891
Capital project reserve	10,000,000	-	-	-	-	-	10,000,000
Subtotal	34,127,891	-	-	-	-	-	34,127,891
Assigned to:							
Encumbrances	9,735,187	-	-	-	-	-	9,735,187
Capital projects	-	-	-	-	34,767,194	157,343	34,924,537
Subtotal	9,735,187	-	-	-	34,767,194	157,343	44,659,724
Unassigned							
	71,603,813	-	-	-	-	-	71,603,813
Total	\$ 138,556,338	\$ 10,586,674	\$ 11,492,607	\$ 1,750	\$ 34,767,194	\$ 24,904,988	\$ 220,309,551

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, 2023, have yet to be conducted. The amount, if any, of expenditures that may be disallowed by the granting agencies cannot be determined at this time. Management believes that such disallowances, if any, would not have a material effect on the financial statements.

City of Cupertino
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 12 – Commitments and Contingencies (Continued)

B. Encumbrances

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

As of June 30, 2023, the City had the following encumbrances outstanding:

Governmental Funds:	
General Fund	\$ 9,735,187
Transportation Special Revenue Fund	1,998,991
Capital Improvements Projects Capital Projects Fund	1,994,887
Housing Development Special Revenue Fund	3,666
Nonmajor Governmental Funds	2,106,625
Proprietary Funds:	
Resource Recovery Enterprise Fund	284,540
Cupertino Sports Center Enterprise Fund	7,925
Nonmajor Enterprise Fund	5,858
Internal Service Funds	<u>1,001,388</u>
Total Encumbrances	<u><u>\$ 17,139,067</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, 2023, the City abated taxes totaling \$9,056,208.

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, 2023:

VRF Balance as of July 1, 2022	\$ -
VRF Revenue	343,735
VRF Interest	-
VRF Expended	<u>(343,735)</u>
VRF Balance as of June 30, 2023	<u><u>\$ -</u></u>

City of Cupertino
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2023

Note 12 – Commitments and Contingencies (Continued)

E. Unasserted Claim

The City is aware of a probable reallocation of sales and use tax revenues pursuant to Revenue and Taxation Code Section 7209. Given the limited information available about this matter, the City is not able to predict the likelihood of an unfavorable outcome or the amount or the range of any potential loss. However, the City had \$56.5 million reserved for the potential reallocation.

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, 2023, 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 – Prior Period Adjustment

A. Government-Wide Financial Statements

The beginning net position was restated as following:

	Governmental Activities
Net position at July 1, 2022, as previously reported	\$ 358,321,213
Correction on the interest receivable related to loans	1,562,736
Net position at July 1, 2022, as restated	\$ 359,883,949

B. Governmental Fund Financial Statements

The beginning fund balance was restated as following:

	General Fund	Housing Development Special Revenue Fund	Total
Fund balances at July 1, 2022, as previously reported	\$ 110,169,554	\$ 7,177,611	\$ 117,347,165
Interest receivable related to loans	509,278	1,053,458	1,562,736
Restatement of unavailable revenue from loan receivable to fund balance	-	3,672,000	3,672,000
Fund balances at July 1, 2022, as restated	\$ 110,678,832	\$ 11,903,069	\$ 121,019,165

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**REQUIRED SUPPLEMENTARY
INFORMATION (UNAUDITED)**

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City of Cupertino
Required Supplementary Information
Budgetary Comparison Schedule - General Fund
For the Year Ended June 30, 2023

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Taxes	\$ 74,956,859	\$ 75,956,859	\$ 83,341,842	\$ 7,384,983
Use of money and property	1,275,113	1,275,113	3,033,683	1,758,570
Intergovernmental	1,434,491	7,946,051	7,771,411	(174,640)
Licenses and permits	3,541,012	34,057,523	4,093,631	(29,963,892)
Charges for services	11,798,652	14,427,740	11,113,598	(3,314,142)
Fines and forfeitures	427,000	427,000	303,573	(123,427)
Other revenue	1,160,437	1,182,892	1,306,455	123,563
Total revenues	<u>94,593,564</u>	<u>135,273,178</u>	<u>110,964,193</u>	<u>(24,308,985)</u>
EXPENDITURES:				
Current:				
Administration	11,046,406	10,274,851	7,716,525	2,558,326
Law enforcement	16,814,519	16,814,519	15,276,950	1,537,569
Public and environmental affairs	3,396,862	2,778,946	1,829,867	949,079
Administrative services	7,209,458	7,163,840	5,857,808	1,306,032
Recreation services	7,461,888	7,663,132	5,432,183	2,230,949
Community development	11,348,827	12,781,783	10,666,834	2,114,949
Public works	25,580,835	27,184,374	23,879,927	3,304,447
Capital outlay	306,000	287,292	1,263,412	(976,120)
Debt service:				
Principal	-	-	626,181	(626,181)
Interest and fiscal charges	-	-	18,540	(18,540)
TOTAL EXPENDITURES	<u>83,164,795</u>	<u>84,948,737</u>	<u>72,568,227</u>	<u>12,380,510</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>11,428,769</u>	<u>50,324,441</u>	<u>38,395,966</u>	<u>(11,928,475)</u>
OTHER FINANCING SOURCES (USES):				
Inception of subscription liability	-	-	964,745	964,745
Transfers in	61,140	861,140	861,140	-
Transfers out	(11,996,300)	(12,453,213)	(12,344,345)	108,868
Total other financing sources (uses)	<u>(11,935,160)</u>	<u>(11,592,073)</u>	<u>(10,518,460)</u>	<u>1,073,613</u>
NET CHANGE IN FUND BALANCE	<u>\$ (506,391)</u>	<u>\$ 38,732,368</u>	<u>27,877,506</u>	<u>\$ (10,854,862)</u>
FUND BALANCE:				
Beginning of year			<u>110,678,832</u>	
End of year			<u>\$ 138,556,338</u>	

City of Cupertino
Required Supplementary Information
Budgetary Comparison Schedule - Transportation Special Revenue Fund
For the Year Ended June 30, 2023

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Use of money and property	\$ -	\$ -	\$ 211,271	\$ 211,271
Intergovernmental	3,008,043	3,008,043	3,385,823	377,780
Charges for services	1,654	1,654	34,012	32,358
Other revenue	-	-	2,000	2,000
Total revenues	<u>3,009,697</u>	<u>3,009,697</u>	<u>3,633,106</u>	<u>623,409</u>
EXPENDITURES:				
Current:				
Public works	4,181,513	3,031,021	2,726,550	304,471
Capital outlay	3,217,800	4,944,938	4,950,786	(5,848)
TOTAL EXPENDITURES	<u>7,399,313</u>	<u>7,975,959</u>	<u>7,677,336</u>	<u>298,623</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>(4,389,616)</u>	<u>(4,966,262)</u>	<u>(4,044,230)</u>	<u>922,032</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	3,000,000	3,000,000	3,000,000	-
Transfers out	-	(197,491)	(197,491)	-
Total other financing sources (uses)	<u>3,000,000</u>	<u>2,802,509</u>	<u>2,802,509</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>\$ (1,389,616)</u>	<u>\$ (2,163,753)</u>	<u>(1,241,721)</u>	<u>\$ 922,032</u>
FUND BALANCE:				
Beginning of year			<u>11,828,395</u>	
End of year			<u>\$ 10,586,674</u>	

City of Cupertino
Required Supplementary Information
Budgetary Comparison Schedule - Housing Development Special Revenue Fund
For the Year Ended June 30, 2023

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Taxes	\$ 8,002,202	\$ 8,002,202	\$ 170,824	\$ (7,831,378)
Use of money and property	3,300	3,300	194,096	190,796
Intergovernmental	492,181	492,181	196,616	(295,565)
Charges for services	-	-	1,640	1,640
Other revenue	-	-	28,082	28,082
Total revenues	<u>8,497,683</u>	<u>8,497,683</u>	<u>591,258</u>	<u>(7,906,425)</u>
EXPENDITURES:				
Current:				
Community development	1,777,397	2,058,310	1,026,720	1,031,590
TOTAL EXPENDITURES	<u>1,777,397</u>	<u>2,058,310</u>	<u>1,026,720</u>	<u>1,031,590</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>6,720,286</u>	<u>6,439,373</u>	<u>(435,462)</u>	<u>(6,874,835)</u>
OTHER FINANCING SOURCES:				
Transfers in	25,000	25,000	25,000	-
Total other financing sources	<u>25,000</u>	<u>25,000</u>	<u>25,000</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>\$ 6,745,286</u>	<u>\$ 6,464,373</u>	<u>(410,462)</u>	<u>\$ (6,874,835)</u>
FUND BALANCE:				
Beginning of Year			11,903,069	
End of Year			<u>\$ 11,492,607</u>	

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City of Cupertino
Required Supplementary Information
Notes to the Budgetary Comparison Schedules
For the Year Ended June 30, 2023

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.

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

Budgets for governmental funds are adopted on a basis consistent with accounting principles generally accepted in the United States of America.

City of Cupertino
Required Supplementary Information (Unaudited)
Schedule of Changes in the Net Pension Liability and Related Ratios
For the Year Ended June 30, 2023

Last Ten Fiscal Years¹

Agent Multiple Employer Defined Benefit Retirement Plan - Miscellaneous Plan

Measurement period	2021-22	2020-21	2019-20	2018-19	2017-18
Total pension liability					
Service cost	\$ 3,614,486	\$ 3,392,942	\$ 3,241,719	\$ 3,324,361	\$ 3,058,629
Interest	11,312,835	10,907,002	10,302,395	9,800,245	9,065,322
Changes of benefit terms	-	-	-	-	-
Changes of assumptions	5,380,881	-	-	-	(847,606)
Differences between expected and actual experience	(188,249)	2,212,836	444,188	4,144,384	1,184,340
Benefit payments, including refunds of employee contributions	(8,451,800)	(7,937,592)	(6,815,494)	(6,193,271)	(6,051,845)
Net change in total pension liability	11,668,153	8,575,188	7,172,808	11,075,719	6,408,840
Total pension liability - beginning	161,180,149	152,604,961	145,432,153	134,356,434	127,947,594
Total pension liability - ending (a)	\$ 172,848,302	\$ 161,180,149	\$ 152,604,961	\$ 145,432,153	\$ 134,356,434
Pension fiduciary net position					
Contributions - employer	\$ 6,396,030	\$ 5,957,595	\$ 5,308,579	\$ 4,654,841	\$ 4,263,020
Contributions - employee	1,632,861	1,560,532	1,429,446	1,364,731	1,506,888
Net investment income	(9,612,070)	23,553,078	4,975,822	6,096,968	7,347,936
Benefit payments, including refunds of employee contributions	(8,451,800)	(7,937,592)	(6,815,494)	(6,193,271)	(6,051,845)
Net Plan to Plan Resource Movement	-	-	-	-	(216)
Administrative expense	(79,189)	(103,981)	(140,036)	(66,707)	(135,263)
Other Miscellaneous Income/(Expense) ²	-	-	-	216	(256,867)
Net change in plan fiduciary net position	(10,114,168)	23,029,632	4,758,317	5,856,778	6,673,653
Plan fiduciary net position - beginning³	127,121,572	104,091,940	99,333,623	93,476,845	86,803,192
Plan fiduciary net position - ending (b)	\$ 117,007,404	\$ 127,121,572	\$ 104,091,940	\$ 99,333,623	\$ 93,476,845
Plan net pension liability - ending (a) - (b)	\$ 55,840,898	\$ 34,058,577	\$ 48,513,021	\$ 46,098,530	\$ 40,879,589
Plan fiduciary net position as a percentage of the total pension liability	67.69%	78.87%	68.21%	68.30%	69.57%
Covered payroll⁴	\$ 20,455,494	\$ 20,427,103	\$ 18,662,748	\$ 18,461,490	\$ 16,809,349
Plan net pension liability as a percentage of covered payroll	272.99%	166.73%	259.95%	249.70%	243.20%

¹Historical information is presented only for periods after GASB 68 was implemented in 2013-14. Additional years of information will be displayed as it becomes available.

² 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).

³ Includes any beginning of year adjustment.

⁴ Includes one year's payroll growth using 2.80% payroll growth assumption for fiscal year ended June 30, 2022; 2.75% payroll growth assumption for fiscal years ended June 30, 2018-21; 3.00% payroll growth assumption for fiscal years ended June 30, 2014-17.

Notes to Schedule:

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: Effective with the June 30, 2021 valuation date (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. Projected returns for all asset classes are estimated, combined with risk estimates, and are used to project compound (geometric) returns over the long term. The discount rate used to discount liabilities was informed by the long-term projected portfolio return. In addition, demographic assumptions and the inflation rate 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 2017 through 2021, 7.65% for measurement dates 2015 through 2016, and 7.50% for measurement date 2014.

City of Cupertino
Required Supplementary Information (Unaudited)
Schedule of Changes in the Net Pension Liability and Related Ratios (Continued)
For the Year Ended June 30, 2023

Last Ten Fiscal Years

Agent Multiple Employer Defined Benefit Retirement Plan - Miscellaneous Plan

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

City of Cupertino
Required Supplementary Information (Unaudited)
Schedule of Plan Contributions - Pension
For the Year Ended June 30, 2023

Last Ten Fiscal Years

Agent Multiple Employer Defined Benefit Retirement Plan - Miscellaneous Plan

Fiscal Year End	2022-23	2021-22	2020-21	2019-20	2018-19
Actuarially determined contribution ¹	\$ 7,183,364	\$ 6,396,030	\$ 5,957,595	\$ 5,308,579	\$ 4,654,841
Contributions in relation to the actuarially determined contribution ¹	(7,183,364)	(6,396,030)	(5,957,595)	(5,308,579)	(4,654,841)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll ²	\$ 21,028,248	\$ 20,455,494	\$ 20,427,103	\$ 18,662,748	\$ 18,461,490
Contributions as a percentage of covered payroll ²	34.16%	31.27%	29.17%	28.44%	25.21%

¹ 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.

² Includes one year's payroll growth using 2.80% payroll growth assumption for fiscal year ended June 30, 2022; 2.75% payroll growth assumption for fiscal years ended June 30, 2018- 21; 3.00% payroll growth assumption for fiscal years ended June 30, 2014-17.

Notes to Schedule:

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

Methods and assumptions used to determine contribution rates:

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

City of Cupertino
Required Supplementary Information (Unaudited)
Schedule of Plan Contributions - Pension (Continued)
For the Year Ended June 30, 2023

Last Ten Fiscal Years

Agent Multiple Employer Defined Benefit Retirement Plan - Miscellaneous Plan

Fiscal Year End	2017-18	2016-17	2015-16	2014-15	2013-14
Actuarially determined contribution	\$ 4,263,020	\$ 4,183,822	\$ 3,659,170	\$ 3,301,642	\$ 2,891,986
Contributions in relation to the actuarially determined contribution ¹	<u>(4,263,020)</u>	<u>(4,183,822)</u>	<u>(3,659,170)</u>	<u>(3,301,642)</u>	<u>(2,891,986)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll ²	\$ 16,809,349	\$ 15,595,136	\$ 14,336,969	\$ 13,504,966	\$ 13,080,327
Contributions as a percentage of covered payroll ²	25.36%	26.83%	25.52%	24.45%	22.11%

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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, 2023

Last Ten Fiscal Years*
Expressed in thousands

Single Employer Defined Benefit Other Post Employment Benefit Plan

Measurement period	2022-23	2021-22	2020-21	2019-20
Total OPEB liability				
Service cost	\$ 1,260	\$ 1,015	\$ 844	\$ 1,009
Interest	1,967	1,921	2,042	1,985
Changes of benefit terms	-	-	-	-
Difference between expected vs actual experience	4,437	-	(4,688)	-
Changes of assumptions	(492)	-	640	1,412
Benefit payments, including refunds of employee contributions	(1,753)	(1,691)	(1,550)	(1,141)
Net change in total OPEB liability	5,419	1,245	(2,712)	3,265
Total OPEB liability - beginning	29,871	28,626	31,338	28,073
Total OPEB liability - ending (a)	\$ 35,290	\$ 29,871	\$ 28,626	\$ 31,338
Contributions - employer	1,753	1,691	1,550	1,141
Net investment income	3,484	(6,568)	8,776	219
Benefit payments	(1,753)	(1,691)	(1,550)	(1,141)
Administrative expense	(116)	(117)	(121)	(67)
Net change in fiduciary net position	3,368	(6,685)	8,655	152
Plan fiduciary net position - beginning	31,340	38,025	29,370	29,218
Plan fiduciary net position - ending (b)	\$ 34,708	\$ 31,340	\$ 38,025	\$ 29,370
Net OPEB liability (asset) - ending (a-b)	\$ 582	\$ (1,469)	\$ (9,399)	\$ 1,968
Plan fiduciary net position as a percentage of the total OPEB liability	98.35%	104.92%	132.83%	93.72%
Covered employee-payroll	\$ 27,344	\$ 24,015	\$ 23,082	\$ 21,643
Plan OPEB liability as a percentage of covered payroll	2.13%	-6.12%	-40.72%	9.09%

Notes to Schedule:

* Fiscal year 2017 was the 1st year of implementation, therefore only seven (7) 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, 2023

Last Ten Fiscal Years*
Expressed in thousands

Single Employer Defined Benefit Other Post Employment Benefit Plan

Measurement period	2018-19	2017-18	2016-17 [*]
Total OPEB liability			
Service cost	\$ 865	\$ 1,008	\$ 908
Interest	2,005	1,876	1,781
Changes of benefit terms	-	-	-
Actual vs. expected experience	(1,808)	-	-
Changes of assumptions	(37)	-	-
Benefit payments, including refunds of employee contributions	(1,423)	(1,419)	(1,333)
Net change in total OPEB liability	(398)	1,465	1,356
Total OPEB liability - beginning	28,471	27,006	25,650
Total OPEB liability - ending (a)	<u>\$ 28,073</u>	<u>\$ 28,471</u>	<u>\$ 27,006</u>
Contributions - employer	1,423	1,419	1,333
Net investment income	1,259	2,365	2,960
Benefit payments	(1,423)	(1,419)	(1,333)
Administrative expense	(97)	(54)	(49)
Net change in fiduciary net position	1,162	2,311	2,911
Plan fiduciary net position - beginning	28,056	25,745	22,834
Plan fiduciary net position - ending (b)	<u>\$ 29,218</u>	<u>\$ 28,056</u>	<u>\$ 25,745</u>
Net OPEB liability (asset) - ending (a-b)	\$ (1,145)	\$ 415	\$ 1,261
Plan fiduciary net position as a percentage of the total OPEB liability	104.08%	98.54%	95.33%
Covered employee-payroll[~]	<u>\$ 20,086</u>	<u>\$ 19,153</u>	<u>\$ 17,255</u>
Plan OPEB liability as a percentage of covered payroll	<u>-5.70%</u>	<u>2.17%</u>	<u>7.31%</u>

Notes to Schedule:

* Fiscal year 2017 was the 1st year of implementation, therefore only seven (7) years are shown.

City of Cupertino
Required Supplementary Information (Unaudited)
Schedule of Plan Contributions - Other postemployment Benefits
For the Year Ended June 30, 2023

Last Ten Fiscal Years*

Single Employer Defined Benefit OPEB Plan

	2022-23	2021-22	2020-21	2019-20	2018-19	2017-18	2016-17
Actuarially determined contribution	\$ 147	\$ 129	\$ 124	\$ 1,401	\$ 1,300	\$ 1,362	\$ 1,117
Contributions in relation to the actuarially determined contribution	1,753	1,691	1,550	1,141	1,423	1,419	1,333
Contribution deficiency (excess)	\$ (1,606)	\$ (1,562)	\$ (1,426)	\$ 260	\$ (123)	\$ (57)	\$ (216)
Covered payroll	\$ 27,344	\$ 24,015	\$ 23,082	\$ 21,643	\$ 20,086	\$ 19,153	\$ 17,255
Contributions as a percentage of covered payroll	-6.41%	-7.04%	-6.72%	-5.27%	-7.08%	-7.41%	-7.73%

* - Fiscal year 2017 was the 1st year of implementation, therefore only seven (7) years are shown.

Notes to Schedule:

Valuation Date 7/1/2023

Timing Actuarially determined contributions are calculated based on the most recently performed actuarial valuation, which for the fiscal year end 2023, was the 7/1/2023

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age
Amortization method	Level Percent of Pay, Closed, 5.5 years as of 7/1/2023
Asset valuation method	Market value of assets
Discount rate	6.50%
Amortization growth rate	2.75%
Ultimate rate of medical inflation	4.250%
Salary increases	2.75% plus merit component based on years of service
Mortality	CalPERS mortality assumptions

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, 2023

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Use of money and property	\$ -	\$ -	\$ (5,100)	\$ (5,100)
Total revenues	<u>-</u>	<u>-</u>	<u>(5,100)</u>	<u>(5,100)</u>
EXPENDITURES:				
Current:				
Administration	-	-	1,500	(1,500)
Debt service:				
Principal	1,955,000	1,955,000	1,955,000	-
Interest and fiscal charges	720,800	720,800	720,800	-
Total expenditures	<u>2,675,800</u>	<u>2,675,800</u>	<u>2,677,300</u>	<u>(1,500)</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(2,675,800)</u>	<u>(2,675,800)</u>	<u>(2,682,400)</u>	<u>(6,600)</u>
OTHER FINANCIN SOURCES:				
Transfers in	2,675,800	2,675,800	2,675,800	-
Total other financing sources	<u>2,675,800</u>	<u>2,675,800</u>	<u>2,675,800</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ -</u>	<u>(6,600)</u>	<u>\$ (6,600)</u>
FUND BALANCE:				
Beginning of Year			<u>8,350</u>	
End of Year			<u>\$ 1,750</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, 2023

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES:				
Use of money and property	\$ -	\$ -	\$ (326,691)	\$ (326,691)
Intergovernmental	-	5,320,973	515,814	(4,805,159)
Charges for services	-	-	51,675	51,675
Other revenue	-	610,931	56,522	(554,409)
Total revenues	<u>-</u>	<u>5,931,904</u>	<u>297,320</u>	<u>(5,634,584)</u>
EXPENDITURES:				
Capital outlay	3,610,000	5,831,818	4,417,593	1,414,225
TOTAL EXPENDITURES	<u>3,610,000</u>	<u>5,831,818</u>	<u>4,417,593</u>	<u>1,414,225</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>(3,610,000)</u>	<u>100,086</u>	<u>(4,120,273)</u>	<u>(4,220,359)</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	2,500,000	6,454,311	4,788,757	(1,665,554)
Transfers out	(23,600)	(2,489,154)	(823,600)	1,665,554
Total other financing sources (uses)	<u>2,476,400</u>	<u>3,965,157</u>	<u>3,965,157</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>\$ (1,133,600)</u>	<u>\$ 4,065,243</u>	<u>(155,116)</u>	<u>\$ (4,220,359)</u>
FUND BALANCE:				
Beginning of Year			34,922,310	
End of Year			<u>\$ 34,767,194</u>	

NONMAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

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

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

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

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

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

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

CAPITAL PROJECTS FUNDS

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

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

City of Cupertino
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2023

	Special Revenue Funds			
	Storm Drain Improvement	Park Dedication	Environmental Management/ Clean Creeks	Traffic Impact
ASSETS				
Cash and investments	\$ 3,985,841	\$ 18,778,647	\$ 1,227,519	\$ 767,399
Accounts receivable	-	-	15,134	-
Interest receivable	14,071	66,271	4,171	2,708
Total assets	3,999,912	18,844,918	1,246,824	770,107
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accruals	6,240	81,186	26,690	-
Total liabilities	6,240	81,186	26,690	-
Fund balances:				
Restricted	3,993,672	18,763,732	1,220,134	770,107
Assigned	-	-	-	-
Total fund balances	3,993,672	18,763,732	1,220,134	770,107
Total liabilities and fund balances	\$ 3,999,912	\$ 18,844,918	\$ 1,246,824	\$ 770,107

City of Cupertino
Combining Balance Sheet (Continued)
Nonmajor Governmental Funds
June 30, 2023

	Capital Projects		Total Nonmajor Governmental Funds
	Fund		
	Stevens Creek Corridor Park		
ASSETS			
Cash and investments	\$	157,343	\$ 24,916,749
Accounts receivable		-	15,134
Interest receivable		-	87,221
Total assets		<u>157,343</u>	<u>25,019,104</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable and accruals		-	114,116
Total liabilities		<u>-</u>	<u>114,116</u>
Fund balances:			
Restricted		-	24,747,645
Assigned		157,343	157,343
Total fund balances		<u>157,343</u>	<u>24,904,988</u>
Total liabilities and fund balances	\$	<u>157,343</u>	\$ <u>25,019,104</u>

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City of Cupertino
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2023

	Special Revenue Funds			
	Storm Drain Improvement	Park Dedication	Environmental Management/ Clean Creeks	Traffic Impact
Revenues:				
Taxes	\$ 73,912	\$ 646,767	\$ -	\$ -
Use of money and property	21,801	277,663	4,476	11,710
Charges for services	-	4,810	1,498,017	38,200
Fines and forfeitures	-	-	23,371	-
Total revenues	95,713	929,240	1,525,864	49,910
Expenditures:				
Current:				
Public works	-	-	1,615,379	-
Capital outlay	135,840	1,757,252	-	-
Total expenditures	135,840	1,757,252	1,615,379	-
Revenues over (under) expenditures	(40,127)	(828,012)	(89,515)	49,910
Other financing sources (uses):				
Transfers out	-	(1,711,140)	-	-
Total other financing sources (uses)	-	(1,711,140)	-	-
Net Change in Fund Balances	(40,127)	(2,539,152)	(89,515)	49,910
Fund balances:				
Beginning of year	4,033,799	21,302,884	1,309,649	720,197
End of year	<u>\$ 3,993,672</u>	<u>\$ 18,763,732</u>	<u>\$ 1,220,134</u>	<u>\$ 770,107</u>

City of Cupertino
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)
Nonmajor Governmental Funds
For the Year Ended June 30, 2023

	Capital Projects Fund	Total Nonmajor Governmental Funds
	Stevens Creek Corridor Park	
Revenues:		
Taxes	\$ -	\$ 720,679
Use of money and property	(803)	314,847
Charges for services	-	1,541,027
Fines and forfeitures	-	23,371
Total revenues	<u>(803)</u>	<u>2,599,924</u>
Expenditures:		
Current:		
Public works	-	1,615,379
Capital outlay	8,433	1,901,525
Total expenditures	<u>8,433</u>	<u>3,516,904</u>
Revenues over (under) expenditures	<u>(9,236)</u>	<u>(916,980)</u>
Other financing sources (uses):		
Transfers out	-	(1,711,140)
Total other financing sources (uses)	<u>-</u>	<u>(1,711,140)</u>
Net Change in Fund Balances	<u>(9,236)</u>	<u>(2,628,120)</u>
Fund balances:		
Beginning of year	166,579	27,533,108
End of year	<u>\$ 157,343</u>	<u>\$ 24,904,988</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, 2023

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ 201,229	\$ 201,229	\$ 73,912	\$ (127,317)
Use of money and property	-	-	21,801	21,801
Total revenues	<u>201,229</u>	<u>201,229</u>	<u>95,713</u>	<u>(105,516)</u>
Expenditures:				
Capital outlay	-	135,840	135,840	-
Total expenditures	<u>-</u>	<u>135,840</u>	<u>135,840</u>	<u>-</u>
Net Change in Fund Balance	<u>\$ 201,229</u>	<u>\$ 65,389</u>	(40,127)	<u>\$ (105,516)</u>
Fund balance:				
Beginning of year			<u>4,033,799</u>	
End of year			<u>\$ 3,993,672</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, 2023

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$ -	\$ -	\$ 646,767	\$ 646,767
Use of money and property	-	-	277,663	277,663
Charges for services	-	-	4,810	4,810
Total Revenues	-	-	929,240	929,240
Expenditures:				
Capital outlay	-	1,832,007	1,757,252	74,755
Total Expenditures	-	1,832,007	1,757,252	74,755
REVENUE OVER (UNDER) EXPENDITURES	-	(1,832,007)	(828,012)	1,003,995
Other Financing Sources (Uses):				
Transfers out	-	(1,650,000)	(1,711,140)	(61,140)
Total Other Financing Sources (Uses)	-	(1,650,000)	(1,711,140)	(61,140)
NET CHANGE IN FUND BALANCE	\$ -	\$ (3,482,007)	(2,539,152)	\$ 942,855
FUND BALANCE:				
Beginning of Year			21,302,884	
End of Year			<u>\$ 18,763,732</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, 2023

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Use of money and property	\$ 2,248	\$ 2,248	\$ 4,476	\$ 2,228
Charges for services	1,510,555	1,510,555	1,498,017	(12,538)
Fines and forfeitures	68,669	68,669	23,371	(45,298)
Total Revenues	<u>1,512,803</u>	<u>1,512,803</u>	<u>1,525,864</u>	<u>(10,310)</u>
Expenditures:				
Current:				
Public works	2,067,399	1,724,715	1,615,379	109,336
Total Expenditures	<u>2,067,399</u>	<u>1,724,715</u>	<u>1,615,379</u>	<u>109,336</u>
NET CHANGE IN FUND BALANCE	<u>\$ (554,596)</u>	<u>\$ (211,912)</u>	(89,515)	<u>\$ 122,397</u>
FUND BALANCE:				
Beginning of Year			<u>1,309,649</u>	
End of Year			<u>\$ 1,220,134</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, 2023

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Use of money and property	\$ -	\$ -	\$ 11,710	\$ 11,710
Charges for services	-	-	38,200	38,200
Total Revenues	-	-	49,910	49,910
NET CHANGE IN FUND BALANCE	\$ -	\$ -	49,910	\$ 49,910
FUND BALANCE:				
Beginning of Year			720,197	
End of Year			\$ 770,107	

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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, 2023

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Use of money and property	\$ -	\$ -	\$ (803)	\$ (803)
Total Revenues	<u>-</u>	<u>-</u>	<u>(803)</u>	<u>(803)</u>
Expenditures:				
Capital outlay	-	8,543	8,433	110
Total Expenditures	<u>-</u>	<u>8,543</u>	<u>8,433</u>	<u>110</u>
NET CHANGE IN FUND BALANCE	<u>\$ -</u>	<u>\$ (8,543)</u>	<u>(9,236)</u>	<u>\$ (693)</u>
FUND BALANCE:				
Beginning of Year			<u>166,579</u>	
End of Year			<u>\$ 157,343</u>	

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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 for fiscal 2022-23.

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, 2023

	Blackberry Farm
ASSETS	
Current assets:	
Cash and investments	\$ 896,941
Accounts receivable	1,829
Interest receivable	3,136
Total current assets	901,906
Noncurrent assets:	
Capital assets:	
Nondepreciable	137,343
Depreciable, net	18,042
Total capital assets	155,385
Total noncurrent assets	155,385
Total assets	1,057,291
DEFERRED OUTFLOWS OF RESOURCES	
Related to pensions	101,506
Related to other postemployment benefit	18,479
Total deferred outflows of resources	119,985
LIABILITIES	
Current Liabilities:	
Accounts payable and accruals	18,976
Compensated absences, current portion	458
Unearned revenue	92,223
Total current liabilities	111,657
Noncurrent liabilities:	
Compensated absences	9,157
Net pension liability	312,709
Net other postemployment benefit liability	1,743
Total noncurrent liabilities	323,609
Total liabilities	435,266
DEFERRED INFLOW OF RESOURCES	
Related to pensions	769
Related to other postemployment benefit	6,841
Total deferred inflows of resources	7,610
NET POSITION:	
Investment in capital assets	155,385
Unrestricted	579,015
Total net position	\$ 734,400

City of Cupertino
Combining Statement of Revenues, Expenses, and Changes in Net Position
Nonmajor Enterprise Fund
For the Year Ended June 30, 2023

	Blackberry Farm
OPERATING REVENUES:	
Charges for services	\$ 570,038
Others	46,423
Total operating revenues	616,461
OPERATING EXPENSES:	
Salaries and benefits	233,013
Materials and supplies	208,348
Contractual services	354,975
Depreciation	2,832
Total operating expenses	799,168
OPERATING INCOME (LOSS)	(182,707)
NONOPERATING REVENUES:	
Investment income	37,286
Total nonoperating revenues	37,286
INCOME (LOSS) BEFORE TRANSFERS	(145,421)
TRANSFERS:	
Transfers in	23,600
Total transfers	23,600
CHANGES IN NET POSITION	(121,821)
NET POSITION:	
Beginning of year	856,221
End of year	\$ 734,400

City of Cupertino
Combining Statement of Cash Flows
Nonmajor Enterprise Fund
For the Year Ended June 30, 2023

	Blackberry Farm
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from customers	\$ 612,394
Cash paid to suppliers for goods and services	(582,924)
Cash paid to employees for services	(245,311)
Net cash (used in) operating activities	(215,841)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Cash received from other funds	23,600
Net cash provided by noncapital financing activities	23,600
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Acquisition of capital assets	(137,343)
Net cash (used in) capital and related financing activities	(137,343)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Interest received	34,150
Net cash provided by investing activities	34,150
Net change in cash and cash equivalents	(295,434)
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO STATEMENT OF NET POSITION:	
Beginning of year	1,192,375
End of year	\$ 896,941
CASH AND CASH EQUIVALENTS:	
Cash and investments	\$ 896,941
Total cash and cash equivalents	\$ 896,941
Reconciliation of Operating Income (Loss) to Net Cash (used in) Operating Activities:	
Operating income (loss)	\$ (182,707)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:	
Depreciation	2,832
Changes in assets and liabilities:	
(Increase)/decrease in accounts receivables	(1,659)
(Increase)/decrease in deferred outflows of resources pension related	(42,810)
(Increase)/decrease in deferred outflows of resources OPEB related	(5,380)
Increase/(decrease) in accounts payable	(19,601)
Increase/(decrease) in unearned revenue	(2,408)
Increase/(decrease) in compensated absences	(9,290)
Increase/(decrease) in net pension liability	62,474
Increase/(decrease) in OPEB	1,743
Increase/(decrease) in deferred inflows of resources pension related	(25,876)
Increase/(decrease) in deferred inflows of resources OPEB related	6,841
Net cash (used in) operating activities	\$ (215,841)

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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, 2023

	Information Technology	Workers' Compensation	Equipment Revolving
ASSETS			
Current assets:			
Cash and investments	\$ 3,437,113	\$ 3,841,250	\$ 941,189
Accounts receivable	-	-	-
Interest receivable	11,734	13,429	4,870
Total current assets	3,448,847	3,854,679	946,059
Noncurrent assets:			
Capital assets:			
Nondepreciable	-	-	119,408
Depreciable and amortizable, net	764,856	-	2,025,120
Total capital assets	764,856	-	2,144,528
Total noncurrent assets	764,856	-	2,144,528
Total assets	4,213,703	3,854,679	3,090,587
DEFERRED INFLOW OF RESOURCES			
Related to pensions	935,304	23,564	253,765
Related to other postemployment benefit liability	311,746	3,328	95,570
Total deferred outflows of resources	1,247,050	26,892	349,335
LIABILITIES			
Current Liabilities:			
Accounts payable and accruals	71,950	-	78,527
Accrued payroll and benefits	-	-	72
Due to other funds	-	-	-
Compensated absences	32,052	1,285	5,017
Claims payable	-	292,000	-
Subscription liabilities	125,990	-	-
Total current liabilities	229,992	293,285	83,616
Noncurrent liabilities:			
Compensated absences	292,942	11,742	45,852
Claims payable	-	1,362,000	-
Subscription liabilities	72,504	-	-
Net pension liability	2,881,390	72,593	781,773
Net other postemployment benefit liability	29,406	314	9,015
Total noncurrent liabilities	3,276,242	1,446,649	836,640
Total liabilities	3,506,234	1,739,934	920,256
DEFERRED INFLOW OF RESOURCES			
Related to pensions	7,088	179	1,923
Related to other postemployment benefit liability	115,402	1,232	35,378
Total deferred inflows of resources	122,490	1,411	37,301
NET POSITION:			
Net investment in capital assets	566,362	-	2,144,528
Restricted	166,938	1,782	51,177
Unrestricted (deficit)	1,098,729	2,138,444	286,660
Total net position	\$ 1,832,029	\$ 2,140,226	\$ 2,482,365

City of Cupertino
Combining Statement of Net Position (Continued)
Internal Service Funds
June 30, 2023

	Compensated Absences and Long-Term Disability	Retiree Medical	Total
ASSETS			
Current assets:			
Cash and investments	\$ 709,564	\$ 9,898	\$ 8,939,014
Accounts receivable	-	1,385,759	1,385,759
Interest receivable	2,761	-	32,794
Total current assets	712,325	1,395,657	10,357,567
Noncurrent assets:			
Capital assets:			
Nondepreciable	-	-	119,408
Depreciable and amortizable, net	-	-	2,789,976
Total capital assets	-	-	2,909,384
Total noncurrent assets	-	-	2,909,384
Total assets	712,325	1,395,657	13,266,951
DEFERRED INFLOW OF RESOURCES			
Related to pensions	-	-	1,212,633
Related to other postemployment benefit liability	-	-	410,644
Total deferred outflows of resources	-	-	1,623,277
LIABILITIES			
Current Liabilities:			
Accounts payable and accruals	-	-	150,477
Accrued payroll and benefits	-	-	72
Due to other funds	-	1,395,657	1,395,657
Compensated absences	-	-	38,354
Claims payable	-	-	292,000
Subscription liabilities	-	-	125,990
Total current liabilities	-	1,395,657	2,002,550
Noncurrent liabilities:			
Compensated absences	-	-	350,536
Claims payable	-	-	1,362,000
Subscription liabilities	-	-	72,504
Net pension liability	-	-	3,735,756
Net other postemployment benefit liability	-	-	38,735
Total noncurrent liabilities	-	-	5,559,531
Total liabilities	-	1,395,657	7,562,081
DEFERRED INFLOW OF RESOURCES			
Related to pensions	-	-	9,190
Related to other postemployment benefit liability	-	-	152,012
Total deferred inflows of resources	-	-	161,202
NET POSITION:			
Net investment in capital assets	-	-	2,710,890
Restricted	-	-	219,897
Unrestricted (deficit)	712,325	-	4,236,158
Total net position	\$ 712,325	\$ -	\$ 7,166,945

City of Cupertino
Combining Statement of Revenues, Expenses, and Changes in Net Position
Internal Service Funds
For the Year Ended June 30, 2023

	Information Technology	Workers' Compensation	Equipment Revolving
OPERATING REVENUES:			
Charges for services	\$ 2,485,218	\$ 436,462	\$ 1,568,633
Other	-	-	-
Total operating revenues	<u>2,485,218</u>	<u>436,462</u>	<u>1,568,633</u>
OPERATING EXPENSES:			
Salaries and benefits	2,309,184	42,636	556,909
Materials and supplies	867,945	28,369	357,803
Contractual services	530,557	-	86,875
Insurance and claims and premium	-	470,630	-
Depreciation and amortization	327,470	-	577,140
Total operating expenses	<u>4,035,156</u>	<u>541,635</u>	<u>1,578,727</u>
OPERATING INCOME (LOSS)	<u>(1,549,938)</u>	<u>(105,173)</u>	<u>(10,094)</u>
NONOPERATING REVENUES (EXPENSES):			
Investment income	(30,819)	18,646	12,099
Gain on sale of capital assets	-	-	30,158
Interest expense	(861)	-	-
Total nonoperating revenues	<u>(31,680)</u>	<u>18,646</u>	<u>42,257</u>
INCOME (LOSS) BEFORE TRANSFERS	<u>(1,581,618)</u>	<u>(86,527)</u>	<u>32,163</u>
TRANSFERS:			
Transfers in	2,537,500	-	-
Total transfers	<u>2,537,500</u>	<u>-</u>	<u>-</u>
CHANGES IN NET POSITION	955,882	(86,527)	32,163
NET POSITION:			
Beginning of year	876,147	2,226,753	2,450,202
End of year	<u>\$ 1,832,029</u>	<u>\$ 2,140,226</u>	<u>\$ 2,482,365</u>

City of Cupertino
Combining Statement of Revenues, Expenses, and Changes in Net Position (Continued)
Internal Service Funds
For the Year Ended June 30, 2023

	Compensated Absences and Long-Term Disability	Retiree Medical	Total
OPERATING REVENUES:			
Charges for services	\$ 115,970	\$ -	\$ 4,606,283
Other	-	1,385,759	1,385,759
Total operating revenues	115,970	1,385,759	5,992,042
OPERATING EXPENSES:			
Salaries and benefits	-	1,380,875	4,289,604
Materials and supplies	11,047	14,782	1,279,946
Contractual services	-	-	617,432
Insurance and claims and premium	616,369	-	1,086,999
Depreciation and amortization	-	-	904,610
Total operating expenses	627,416	1,395,657	8,178,591
OPERATING INCOME (LOSS)	(511,446)	(9,898)	(2,186,549)
NONOPERATING REVENUES (EXPENSES):			
Investment income	4,435	(26,554)	(22,193)
Gain on sale of capital assets	-	-	30,158
Interest expense	-	-	(861)
Total nonoperating revenues	4,435	(26,554)	7,104
INCOME (LOSS) BEFORE TRANSFERS	(507,011)	(36,452)	(2,179,445)
TRANSFERS:			
Transfers in	882,000	9,898	3,429,398
Total transfers	882,000	9,898	3,429,398
CHANGES IN NET POSITION	374,989	(26,554)	1,249,953
NET POSITION:			
Beginning of year	337,336	26,554	5,916,992
End of year	<u>\$ 712,325</u>	<u>\$ -</u>	<u>\$ 7,166,945</u>

City of Cupertino
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2023

	Information Technology	Workers' Compensation	Equipment Revolving
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers and users	\$ 2,485,218	\$ 436,462	\$ 1,568,633
Cash paid to suppliers for goods and services	(1,397,669)	(498,999)	(413,863)
Cash paid to employees for services	(1,974,702)	(42,379)	(475,639)
Cash paid for insurance claims	-	85,000	-
Net cash provided by (used in) operating activities	(887,153)	(19,916)	679,131
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Cash received (paid) from other funds	2,537,500	-	(539,204)
Net cash provided by (used in) noncapital financing activities	2,537,500	-	(539,204)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition of capital assets	(173,813)	-	(353,980)
Principal paid	(109,339)	-	-
Interest paid	(861)	-	-
Proceeds from sale of capital assets	-	-	30,158
Net cash (used in) capital and related financing activities	(284,013)	-	(323,822)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest earnings	(42,553)	5,217	7,229
Net cash provided by (used in) investing activities	(42,553)	5,217	7,229
Net change in cash and cash equivalents	1,323,781	(14,699)	(176,666)
CASH AND CASH EQUIVALENTS:			
Beginning of year	2,113,332	3,855,949	1,117,855
End of year	<u>\$ 3,437,113</u>	<u>\$ 3,841,250</u>	<u>\$ 941,189</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:			
Operating income (loss)	\$ (1,549,938)	\$ (105,173)	\$ (10,094)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortization	327,470	-	577,140
Changes in assets and liabilities:			
(Increase)/decrease in accounts receivables	-	-	-
(Increase)/decrease in deferred outflows of resources related to pensions	(551,497)	(10,154)	(131,853)
(Increase)/decrease in deferred outflows of resources related to OPEB	(49,897)	618	(15,063)
Increase/(decrease) in accounts payable	833	-	30,815
Increase/(decrease) in compensated absences	40,142	616	28,212
Increase/(decrease) in claims payable	-	85,000	-
Increase/(decrease) in net pension liabilities	1,448,629	23,775	337,409
Increase/(decrease) in other postemployment benefit liabilities	88,291	1,052	30,521
Increase/(decrease) in deferred inflows of resources related to pensions	(621,047)	(15,019)	(154,599)
Increase/(decrease) in deferred inflows of resources related to OPEB	(20,139)	(631)	(13,357)
Net cash provided by (used in) operating activities	\$ (887,153)	\$ (19,916)	\$ 679,131

(Continued)

City of Cupertino
Combining Statement of Cash Flows (Continued)
Internal Service Funds
For the Year Ended June 30, 2023

	Compensated Absences and Long-Term Disability	Retiree Medical	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers and users	\$ 115,970	\$ -	\$ 4,606,283
Cash paid to suppliers for goods and services	(627,416)	(14,782)	(2,952,729)
Cash paid to employees for services	-	(1,380,875)	(3,873,595)
Cash paid for insurance claims	-	-	85,000
Net cash provided by (used in) operating activities	(511,446)	(1,395,657)	(2,135,041)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Cash received (paid) from other funds	882,000	1,405,555	4,285,851
Net cash provided by (used in) noncapital financing activities	882,000	1,405,555	4,285,851
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition of capital assets	-	-	(527,793)
Principal paid	-	-	(109,339)
Interest paid	-	-	(861)
Proceeds from sale of capital assets	-	-	30,158
Net cash (used in) capital and related financing activities	-	-	(607,835)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest earnings	1,674	(26,554)	(54,987)
Net cash provided by (used in) investing activities	1,674	(26,554)	(54,987)
Net change in cash and cash equivalents	372,228	(16,656)	1,487,988
CASH AND CASH EQUIVALENTS:			
Beginning of year	337,336	26,554	7,451,026
End of year	<u>\$ 709,564</u>	<u>\$ 9,898</u>	<u>\$ 8,939,014</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used in) Operating Activities:			
Operating income (loss)	\$ (511,446)	\$ (9,898)	\$ (2,186,549)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation and amortization	-	-	904,610
Changes in assets and liabilities:			
(Increase)/decrease in accounts receivables	-	(1,385,759)	(1,385,759)
(Increase)/decrease in deferred outflows of resources related to pensions	-	-	(693,504)
(Increase)/decrease in deferred outflows of resources related to OPEB	-	-	(64,342)
Increase/(decrease) in accounts payable	-	-	31,648
Increase/(decrease) in compensated absences	-	-	68,970
Increase/(decrease) in claims payable	-	-	85,000
Increase/(decrease) in net pension liabilities	-	-	1,809,813
Increase/(decrease) in other postemployment benefit liabilities	-	-	119,864
(Increase)/decrease in deferred inflows of resources related to pensions	-	-	(790,665)
Increase/(decrease) in deferred inflows of resources related to OPEB	-	-	(34,127)
Net cash provided by (used in) operating activities	\$ (511,446)	\$ (1,395,657)	\$ (2,135,041)

(Concluded)

DRAFT 06.20.2024

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