

REPORT OF INDEPENDENT ACCOUNTANTS ON APPLYING AGREED-UPON
PROCEDURES

To the Honorable Mayor and City Council
City of Cupertino, California
10300 Torre Avenue
Cupertino, California 95014-3202

Ladies and Gentlemen:

We have performed the procedures enumerated in Appendix A on the 2019 Clean Water and Storm Protection Fee of the City of Cupertino, California (the "City"). The City's management is responsible for the 2019 Clean Water and Storm Protection Fee.

The City has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of assisting users in understanding the 2019 Clean Water and Storm Protection Fee. We make no representation regarding the appropriateness of the procedures either for the purpose for which this report has been requested or for any other purpose. This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes. An agreed-upon procedures engagement involves performing specific procedures that the engaging party has agreed to and acknowledged to be appropriate for the intended purpose of the engagement and reporting on findings based on the procedures performed.

The procedures and the associated findings are contained in Appendix A.

We were engaged by the City to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the 2019 Clean Water and Storm Protection Fee. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended solely for the information and use of the City and is not intended to be and should not be used by anyone other than these specified parties.

[REDACTED]

Costa Mesa, California

[REDACTED]

APPENDIX A – SCHEDULE OF PROCEDURES AND FINDINGS

The procedures to be performed were as follows:

1. **Procedure:** We selected 100% of the revenue transactions recorded in the Environmental Management/Clean Creeks Special Revenue Fund (Fund 230) for the period January 1, 2020 thru December 31, 2020 and performed the following procedures:
 - a. Observed the Clean Water and Storm Protection fees have been deposited and recorded in Fund 230 per Section 3.38.160A of the Cupertino Municipal Code.
 - b. Obtained the County tax remittance statement for each specific receipt (as provided by the County) and observed the cash collected in total on the statement agrees to the amount deposited in Fund 230 in accordance with Section 3.38.070 of the Cupertino Municipal Code, which specifies that the City elects to have fees collection on the tax roll in the same manner as property taxes.
 - c. Obtained the City support <e.g., schedule of fees billed to property owners in situation where the fee was not included in the annual tax assessment or Schedule> and observed the cash collected in total per the City's Schedule agrees to the amount deposited in Fund 230 in accordance with Section 3.38.090 of the Cupertino Municipal Code, which specifies that the City Finance Department bills out fees to property owners in situations where the fee was not included in the annual tax assessment.

Finding: The procedure was performed with no exceptions noted.

2. **Procedure:** We selected 60% of the non-payroll expenditure transactions recorded in Fund 230 for the period January 1, 2020 thru December 31, 2020 and performed the following procedures:
 - a. Obtained the City invoices and purchase orders for the expenditures selected, and observed the description of expenditures on the invoice and purchase order, as well as the assigned object code on the purchase order from the City were for allowed purposes per Section 3.38.010B of the Cupertino Municipal Code, which specifies allowable activities are defined as acquisition, construction, reconstruction, maintenance, and operation of the storm drainage system of the City or related green infrastructure or other activities required by the City's NPDES permits, to repay principal and interest on any bonds which may hereafter be issued for said purposes, to repay loans or advances which may hereafter be made for said purposes.
 - b. Obtained the City invoices and purchase orders for the nonpayroll expenditures selected and observe the description of expenditures on the invoice and purchase order were for allowed purposes per Section 3.38.0160A and 3.38.0160B of the Cupertino Municipal Code. Section 3.38.160A of the Cupertino Municipal Code specifies allowable from the overall perspective as direct costs and administrative costs, while 3.38.160B of the Cupertino Municipal Code specifically defines direct costs as wages and salaries and costs of employee fringe benefits and mileage reimbursement attributable to said collection activities, with administrative costs as all costs for computer service, materials, postage supplies and equipment.
 - c. Obtained the City documentation for all refunds issued and observe the Finance Director authorized the refund through written approval in accordance with Section 3.38.170 of the Cupertino Municipal Code.

Finding: The procedure was performed with no exceptions noted.

3. **Procedure:** We sampled one pay period (selected on a haphazard basis) between January 1, 2020 and December 31, 2020 to recompute employee allocation in the general ledger for activity recorded in Fund 230 and compared to the City's calculations as follows:
 - a. Sampled at least 10% of the time cards of applicable employees charged in Fund 230 to the selected payroll period (selected on a haphazard basis) and observe written approval by supervisors.
 - b. Obtained documentation of the general ledger distribution for the payroll period selected and recalculate the distribution and agree the results to the budgeted allocation and the functional allocation matrix established by management. The budgeted allocation shall be specified by City-established allocation worksheets used to estimate the amount of actual time spent on the acquisition, construction, reconstruction, maintenance, and operation of the storm drainage

system of the City or related green infrastructure or other activities required by the City's NPDES permits.

Finding: The procedure was performed with no exceptions noted.