



## ADMINISTRATIVE SERVICES DEPARTMENT

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### CITY COUNCIL STAFF REPORT

Meeting: May 16, 2023

#### Subject

Receive the FY 2021-22 Annual Comprehensive Financial Report (ACFR) and related supplemental reports.

#### Recommended Action

Receive the FY 2021-22 Annual Comprehensive Financial Report (ACFR) and related supplemental reports.

#### Discussion

The City of Cupertino's external auditor, Crowe LLP, audited the City's accompanying financial statements as of and for the year ended June 30, 2022. During the audit, procedures were performed to obtain audit evidence regarding amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design appropriate audit procedures. Audit procedures are not designed to express an opinion on the effectiveness of the entity's internal control.

The audit committee reviewed the ACFR as part of the March 27, 2023 meeting. The Management Discussion and Analysis section has been updated since that meeting to incorporate feedback received including, small grammatical error corrections, and corrected language on the appointment of the treasurer. Additional information was also added regarding the variance for the Administration department in Table 2 of the report.

Crowe LLP expressed an unmodified (or clean) opinion, stating "the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund, the Transportation Special Revenue Fund, and the Housing Development Special Revenue Fund for the year then ended in

accordance with accounting principles generally accepted in the United States of America” (see FY 2021-22 ACFR, page 1).

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

The City of Cupertino engaged Crowe LLP to perform an Agreed-Upon-Procedures (AUP) on the City’s Appropriations Limit Worksheet related to the City’s compliance with Section 1.5 of Article XIII B of the California Constitution during the period ending June 30, 2022. City Council adopted Resolution 21-054, establishing an Appropriations Limit of \$114,666,491 for FY 2021-22; no exceptions were noted.

The City of Cupertino engaged Crowe LLP to perform an AUP on the 2019 Clean Water and Storm Protection Fee for the City of Cupertino; no exceptions were noted.

The City of Cupertino engaged Crowe LLP to perform an AUP on the City’s investment policy dated May 2021; exception was noted relating to nominal variances in the March 2022 investment report between the investment and custodial reports. The City’s investment manager, Chandler Asset Management, and its custodian, Wells Fargo, have reported different values for the same bonds. The differences are due to a combination of factors, including rounding, timing, and the use of different bond pricing data providers. While the values are similar, the difference can occur because each data provider may employ different methodologies and sources for pricing the bonds.

Lastly, the City of Cupertino engaged Crowe LLP to perform a Single Audit on the City’s federally funded program, COVID-19 – American Rescue Plan Act of 2021, in accordance with GAAS, *Government Auditing Standards*, and requirements under Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Crowe LLP expressed an unmodified opinion, noting a reporting compliance deficiency; management has implemented controls mitigating the deficiency.

#### Sustainability Impact

No sustainability impact.

#### Fiscal Impact

No fiscal impact.

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Prepared by: Jonathan Orozco, Finance Manager

Reviewed by: Kristina Alfaro, Director of Administrative Services

Approved for Submission by: Pamela Wu, City Manager

Attachments:

A – FY 2021-22 ACFR

B – FY 2021-22 Management Letter

C – FY 2021-22 SAS 114

D – FY 2021-22 Single Audit

E – FY 2021-22 GANN AUP Report

F – FY 2021-22 Investment AUP Report

G – FY 2021-22 Storm Drain AUP Report