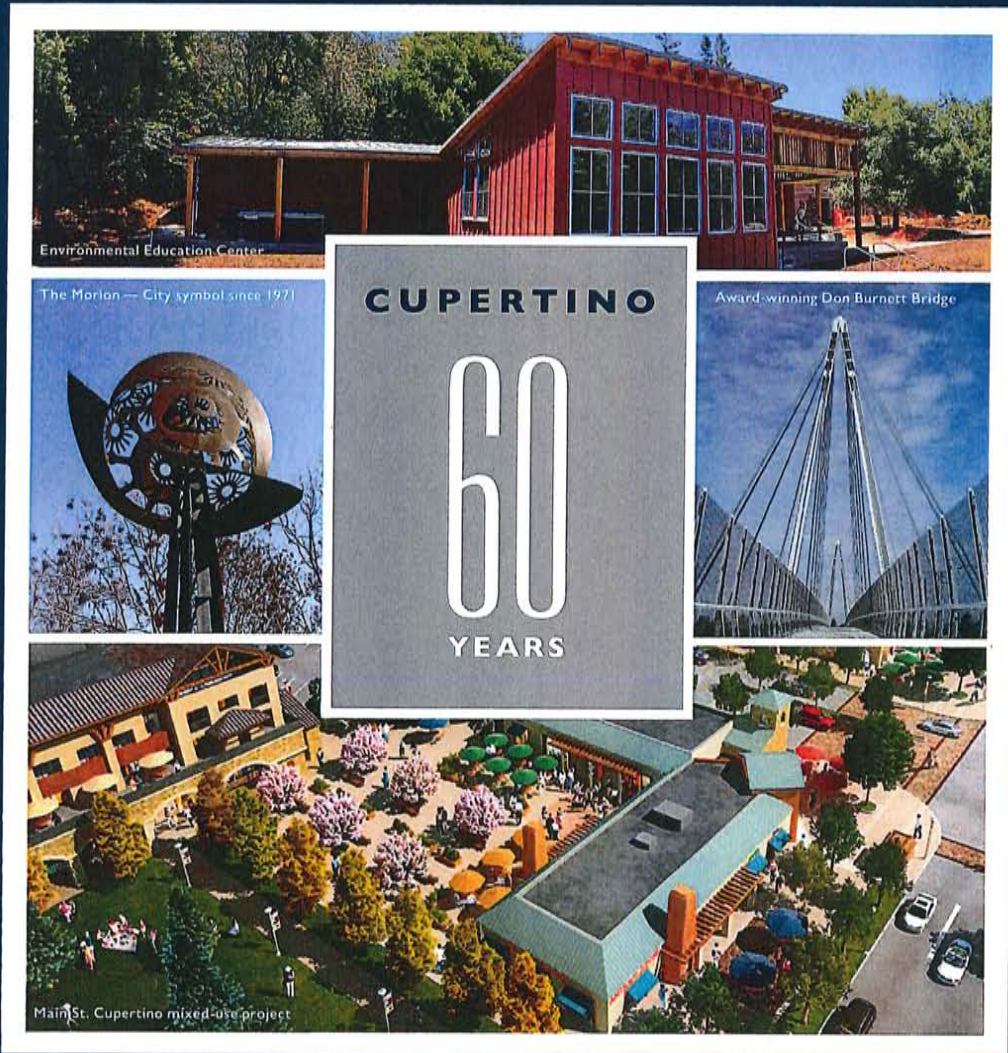


2014-2015 COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR FISCAL YEAR ENDED JUNE 30, 2015



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City of Cupertino, California

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CITY OF CUPERTINO, CALIFORNIA

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

**FOR FISCAL YEAR ENDED
JUNE 30, 2015**

**PREPARED BY:
CITY OF CUPERTINO
ADMINISTRATIVE SERVICES DEPARTMENT
FINANCE DIVISION**

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INTRODUCTORY SECTION

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CITY OF CUPERTINO
Comprehensive Annual Financial Report
For the Year Ended June 30, 2015

Table of Contents

INTRODUCTORY SECTION

	<u>Page</u>
Table of Contents	i
Letter of Transmittal.....	iii
Organization Chart	viii
City Council and Directory of City Officials	ix
Commissions and Committees	x
Certificate of Award for Excellence in Financial Reporting	xi

FINANCIAL SECTION

Independent Auditor’s Report.....	1
-----------------------------------	---

Management’s Discussion and Analysis (Unaudited)	5
--	---

Basic Financial Statements:

Government-wide Financial Statements:

Statement of Net Position	22
Statement of Activities	23

Fund Financial Statements:

Balance Sheet	26
Reconciliation of the Governmental Funds Balance Sheet with the Statement of Net Position	29
Statement of Revenues, Expenditures and Changes in Fund Balances	30
Reconciliation of the Net Change in Fund Balances – Total Governmental Funds with the Statement of Activities	32
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget to Actual - General Fund.....	33
Budget to Actual – Transportation Special Revenue Fund	34
Budget to Actual – Housing Development Special Revenue Fund	35

Proprietary Funds:

Statement of Net Position.....	38
Statement of Revenue, Expenses and Changes in Fund Net Position	39
Statement of Cash Flows	40

Notes to the Basic Financial Statements	41
---	----

Required Supplementary Information (Unaudited):

Schedule of Changes in the Net Pension Liability and Related Ratios	75
Schedule of Contributions – Miscellaneous Plan	76
Schedule of Funding Progress – Defined Benefit Other Post-Employment Benefits Plan	77

CITY OF CUPERTINO
 Comprehensive Annual Financial Report
 For the Year Ended June 30, 2015

Table of Contents

FINANCIAL SECTION (Continued)

	<u>Page</u>
Other Supplementary Information:	
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual - Public Facilities Corporation Debt Service Fund.....	80
Nonmajor Governmental Funds:	
Combining Balance Sheets.....	82
Combining Statements of Revenues, Expenditures and Changes in Fund Balances.....	84
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual.....	86
Internal Service Funds:	
Combining Statement of Net Position.....	90
Combining Statements of Revenues, Expenses and Changes in Fund Net Position.....	92
Combining Statements of Cash Flows.....	94

STATISTICAL SECTION

Financial Trends:

Net Position/Assets by Component – Last Ten Fiscal Years	101
Changes in Net Position/Assets – Last Ten Fiscal Years.....	102
Fund Balances of Governmental Funds – Last Ten Fiscal Years.....	104
Changes in Fund Balances of Governmental Funds – Last Ten Fiscal Years.....	105

Revenue Capacity:

Assessed and Estimated Actual Value of Taxable Property – Last Ten Fiscal Years.....	106
Direct and Overlapping Property Tax Rates – Last Ten Fiscal Years.....	107
Principal Property Taxpayers – Current Year and Five Years Ago	108
Property Tax Levies and Collections – Last Ten Fiscal Years.....	109

Debt Capacity:

Ratios of Outstanding Debt by Type – Last Ten Fiscal Years	110
Direct and Overlapping Bonded Debt.....	111
Legal Debt Margin Information – Last Ten Fiscal Years.....	112
Ratio of General Bonded Debt – Last Ten Fiscal Years	113

Demographic and Economic Information:

Demographic and Economic Statistics – Last Ten Fiscal Years	114
2015 Employer Ranking.....	115

Operating Information:

Full-Time Equivalent City Employees by Function/Program – Last Ten Fiscal Years	116
Operating Indicators by Function/Program – Last Ten Fiscal Years	117
Capital Asset Statistics by Function/Program – Last Ten Fiscal Years	118

COMMUNITY PROFILE



CITY OF CUPERTINO

CITY HALL

10300 TORRE AVENUE • CUPERTINO, CA 95014-3202

(408) 777-CITY • WWW.CUPERTINO.ORG

February 25, 2016

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

It is our pleasure to submit the Comprehensive Annual Financial Report (CAFR) for the City of Cupertino (the City) for the fiscal year ended June 30, 2015. The report is prepared in accordance with generally accepted accounting principles (GAAP) set by the Governmental Accounting Standards Board (GASB). The report presents City information on an entity-wide basis and on a more detailed fund level basis. The fund-level reports emphasize the City's major funds. A Management Discussion and Analysis (MD&A) presents a comparative analysis of current and prior year results, changes in financial position, a comparison of actual versus budget, financial highlights, trends, and disclosure of any known significant events or decisions that affect the financial condition of the City. This transmittal letter is designed to complement the MD&A, and should therefore be read in conjunction with it. The MD&A is required supplementary information and is found in the Financial Section of the CAFR.

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

REPORTING ENTITY

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

The City operates under a Council-City Manager form of government. There are five council members, including the Mayor, who serve staggered four-year terms. The City Council appoints the City Manager who is responsible for the daily administration of City affairs. The City Council also appoints the City Attorney and the City Treasurer. All other employees are appointed by the City Manager.

ECONOMIC CONDITIONS

The City of Cupertino is located in Santa Clara County at the southern end of the San Francisco Bay Peninsula. The City is comprised of 13 square miles and is bordered by the cities of San Jose, Saratoga, Sunnyvale, Santa Clara and Los Altos. It has a residential population of 60,668 (based on the most recent 2014 U.S. Census Bureau data).

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

Cupertino is the corporate headquarters of several notable companies including Apple Inc., CRC Health, DURECT, Mirapath, Seagate Technology, Trend Micro, Bromium, and SugarCRM Inc., and home to many other well-known firms, such as Lab 126, Panasonic Ventures, and Ducati North America. Other major employers include DeAnza College, one of the largest single-campus community colleges in the country, the Fremont Union High School District, and Cupertino Union School District.

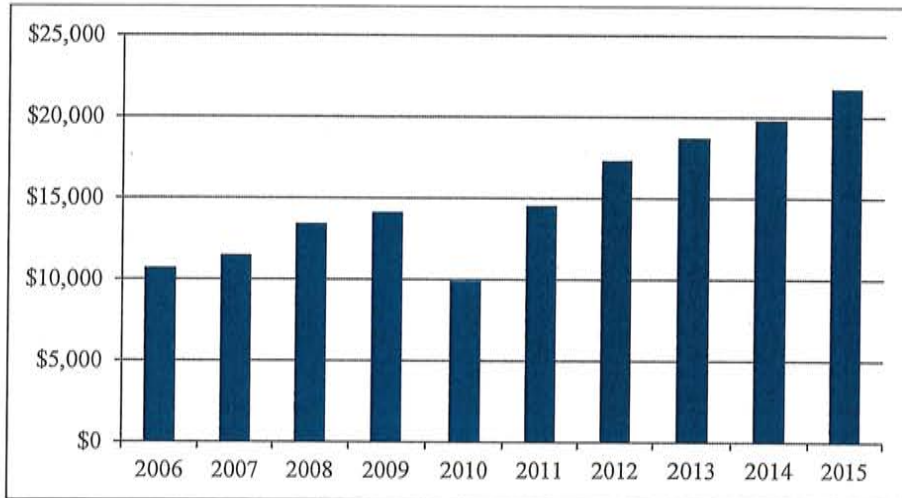
As of the fourth quarter 2015, over 8.8 million square feet of office, research, and development space existed in the City with one of the lowest vacancy rates in Silicon Valley at 3.3% for office and zero percent for research and development. Leasing activity of office space has increased steadily from 2014 to 2015. As of December 2015, the City's unemployment rate was 3.0%, having decreased from the previous year and well below the statewide rate of 5.8%.

The City features thirteen retail centers and over one hundred eighty eating establishments. In fall 2014 the individual parcels and property holdings of Vallco Shopping Mall were purchased by Sand Hill Property Co. The proposed project is a mixed use development named The Hills at Vallco. The construction of three new mixed-use projects, including Nineteen800 (formerly known as the Rosebowl), Main Street, and The Biltmore Adjacent Project, all have retail/restaurant tenants including CooperVino, Vitality Bowls, Lazy Dog, Philz Coffee, The Counter, and Jersey Mike's Subs. The Saich Way Project, located on Stevens Creek Boulevard next to Panera Bread and Peet's Coffee, is completed and includes The Vitamin Shoppe, The Melt, Coder School, H&R Block, T-Mobile, and Blast 825 Pizza. Homestead Square has completed its redevelopment featuring a 24-hour Safeway as its anchor and other tenants including Ulta, SteinMart, Ross, and additional quick-casual dining options. The Cupertino Village Shopping Center, located on N. Wolfe Road near Pruneridge Avenue, has completed its two-level parking structure and construction of additional retail buildings (Phases I and II) as part of its overall redevelopment of the center. Phase III of the current approvals provides for the renovation of the existing four-building shopping center with a contemporary architectural design, as well as the reconfiguration of the pedestrian courtyard landscape and hardscape.

In the 2015-2016 Assessor's Annual Report for Santa Clara County, Cupertino's net assessment roll growth increased from \$17.1 to \$19.4 million from the previous year. That equated to an increase of 13.4%, second only to the City of Santa Clara that increased by 14.5%. These increases resulted from the completion of the 49ers Levi Stadium (\$1.4 billion value) and partial value from the new Apple campus of \$820 million. The \$820 million represents only a fraction of the anticipated full market value when the campus is completed.

Based on second quarter 2015 data, Cupertino experienced a 33.5% increase in business activity, quarter over quarter. This activity translated into a 29.3% increase in net cash receipts for the City, compared to 3.5% for Northern California and 4.0% for Southern California. The City is not as diversified into retail, food products, and transportation compared to the state. It continues to receive over 66% of sales tax revenues from the business-to-business sector. The following chart shows City sales tax variations over the past ten years, reflecting moderate impact from the recession and consistent growth from business-to-business activity despite high single-company concentration.

Sales Tax Trend



With the economic recovery and easing of credit, commercial development activity picked up considerably in 2012-13 and 2013-14 led by plan reviews of the new Apple Campus 2. The new 123-room Aloft Hotel was completed and opened in December 2012. Two major mixed-use projects postponed during the recession, Rose Bowl and Main Street Cupertino were either under construction or will begin construction. The previously postponed Homestead Square shopping center reconstruction project and the new Biltmore residential and commercial expansion project resumed and both are nearing completion.

The City's pension and retiree medical unfunded actuarial accrued liabilities are discussed in the Notes to the Basic Financial Statements. The City must pay CalPERS, the state's government pension system, annually to reduce this long-term liability. Cupertino's pension actuarial valuation report of June 2013 reported a pension unfunded liability of \$27.9 million with annual payments to CalPERS of 21.8% of payroll for 2014-15 and 2015-16, with ongoing increases after that because of actuarial assumption changes. To address long-term rising costs, Cupertino and state law has reduced pension benefits for new hires and increased employee contributions. As of the January 2015 health cost actuarial valuation report, the City has a retiree medical unfunded liability of \$8.6 million with annual payments to a retiree health plan trust at 11.04% of payroll. To reduce the unfunded liability, the City contributed \$8.0 million that applied directly to the unfunded liability.

Because the City contracts out police services to the County Sheriff and because fire protection is handled by a special district, the City avoids the high pension, capital, and operating costs of a City-operated public safety function. The City caps its contributions to employee health insurance premiums that benefit both the City and employees. A build-up of operating reserves from strong revenue years, such as 2013-14, along with a traditional under-spending of budgets, enables the City to withstand weak revenue years that occur periodically, such as in 2009-10.

ECONOMIC INITIATIVES

Apple continues its robust growth and construction is well underway for its Apple Campus 2, enclosed by Interstate 280, Homestead Road, Wolfe Road and Tantau Avenue. With the expanded Apple presence, the City's revenue base will remain concentrated among its top companies and top economic sector, the volatile business-to-business area. Past recessions and the historic departure of a major tax provider, Hewlett-Packard, demonstrates the need for diversification of the City's revenue base and a long-term balance of revenues and expenditures. The City needs to find other revenues to mitigate the fluctuating nature of sales taxes, hotel taxes, user fees, and state grabs of local taxes in times of budget distress.

Legislation raising the City's property tax share, the update of the utility user tax, the increase in the transient occupancy tax, and refinancing of the City's debt are past successes to help diversify and balance revenues and expenditures. The City Council work program underway in 2014-2015 describes economic development and administrative initiatives to further increase the City's property tax share; streamline City web content for new businesses; continue sponsoring seminars and workshops for new small businesses; increase coordination with the Chamber of Commerce and other regional business organizations; strengthen shop local habits of residents and daytime visitors; and enhance business access to City services.

The City's Economic Development Division has begun work on an Economic Development Strategic Plan (EDSP) to develop strategies and ways in which to strengthen Cupertino's business vitality and diversity.

ACCOUNTING AND BUDGETARY CONTROL

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

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

INDEPENDENT AUDIT

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

CERTIFICATE OF ACHIEVEMENT

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Cupertino for its CAFR for

the year ended June 30, 2014. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized CAFR. This report must satisfy both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that the current report continues to meet the Certificate of Achievement Program's requirements.

Respectfully submitted,



Lisa Taitano
Finance Manager

ACKNOWLEDGMENTS

I would like to express my appreciation to City employees, department heads, the City Manager, and members of City Council for their interest in conducting the financial operations of the City in a responsible manner. Special thanks go to Yulia Rumalean, Giang Dinh, and Tina Mao of the Finance staff for their continued support and dedication. Special recognition goes to Beth Viajar, Richard Wong, and Mary Redwine for their efforts in the preparation and production of this report.

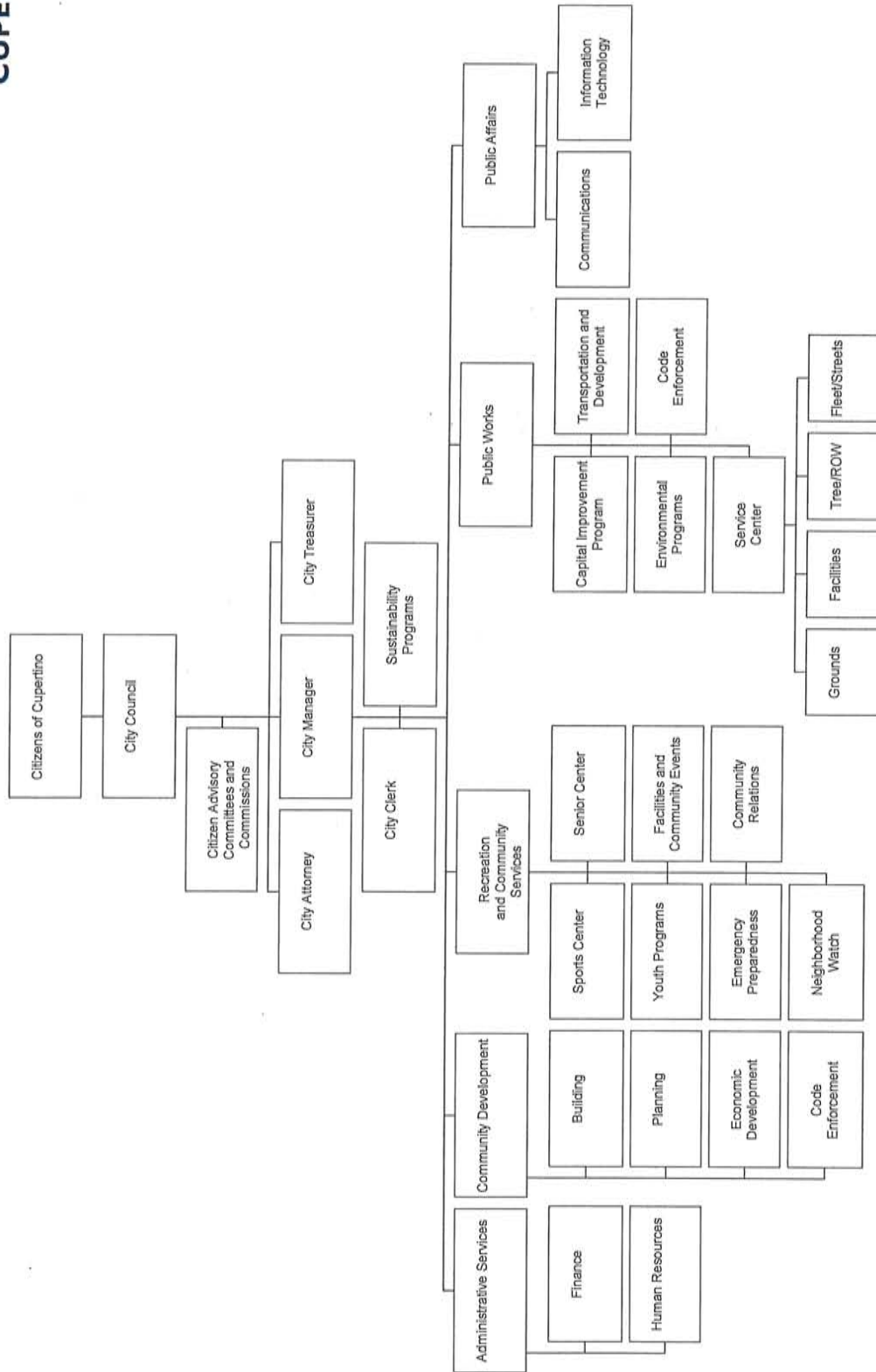
Reviewed by,



Kristina Alfaro
Director of Administrative Services



CUPERTINO



CITY OF CUPERTINO, CALIFORNIA
Fiscal Year 2015-16
CITY COUNCIL



Rod Sinks
Mayor



Barry Chang
Vice Mayor



Savita Vaidhyanathan
Councilmember



Gilbert Wong
Councilmember



Darcy Paul
Councilmember

DIRECTORY OF CITY OFFICIALS

David Brandt – City Manager
Carol Korade – City Attorney

Timm Borden – Director of Public Works
Kristina Alfaro – Director of Administrative Services
Carol Atwood – Director of Recreation and Community Services
Aarti Shrivastava – Assistant City Manager/Director of Community Development

CITY OF CUPERTINO, CALIFORNIA

Fiscal Year 2015-16

COMMISSIONS AND COMMITTEES

AUDIT COMMITTEE

Angela Chen
Eno Schmidt
Darcy Paul
Rod Sinks
Raymond Yin

RECREATION AND COMMUNITY SERVICES COMMISSION

David Fung
Carol Stanek
Helene Davis
Neesha Tambe
Judy Wilson

HOUSING COMMISSION

Harvey Barnett
Shirley Chu
Nicole Maroko
Rajeev Raman
Krista Wilson

LIBRARY COMMISSION

Rose Grymes
Annie Ho
Gopal Kumarappan
Jerry Liu
Ann Stevenson

FINE ARTS COMMISSION

Priya Jayachandran
Russell Leong
Rajeswari Mahaliagan
Diana Matley
Michael Sanchez

PLANNING COMMISSION

Geoffrey Paulsen
Margaret Gong
Winnie Lee
Don Sun
Alan Takahashi

PUBLIC SAFETY COMMISSION

Bob Cascone
Andy Huang
Mike Jerbic
Robert McCoy
Gerald Tallinger

BICYCLE PEDESTRIAN COMMISSION

Vidula Aiyer
Gary Jones
Pete Heller
Sean Lyn
Erik Lindskog

TEEN COMMISSION

Andrew Fung
Michaela Murphy
Annabelle Chan
Ajay Prasad
Tyler Smithline
Varsha Swamy
Harshitha Sriraman
Shail Trivedi
Taeyoung Yun

ECONOMIC DEVELOPMENT

Carol Atwood
Timm Borden
Savita Vaidhyanathan
Aarti Shrivastava
Kevin McClelland
Jason Lundegaard
Geoffrey Paulsen
Angela Tsui
Rich Abdalah
David Brandt
Anjali Kausar
Mike Rohde
Darcy Paul

TECHNOLOGY, INFORMATION & COMMUNICATIONS COMMISSION

Shishir Chavan
Keita Broadwater
Vaishali Deshpande
Rod Livingood
Wallace Iimura

FISCAL STRATEGIC COMMITTEE

Kristina Alfaro
Rod Sinks
Timm Borden
Aarti Shrivastava
Darcy Paul
Lisa Taitano



Government Finance Officers Association

**Certificate of
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Reporting**

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**City of Cupertino
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2014

Executive Director/CEO

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

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

Report on Financial Statements

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 the City of Cupertino as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the 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 statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

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, 2015, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons listed as part of the basic financial statements for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Management adopted the provisions of the following Governmental Accounting Standards Board Statements, which became effective during the year ended June 30, 2015 that required a prior period adjustment to the financial statements and the restatement of net position as discussed in Note 1(o) and Note 10 to the financial statements:

- GASB Statement No. 68 Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27.
- GASB Statement No. 71 – Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68.

In addition, the City also restated General Fund’s fund balance at July 1, 2014, as discussed in Note 1(o) to the financial statements.

The emphasis of this matter does not constitute a modification of our opinions.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management’s Discussion and Analysis and Required Supplementary Information be presented to supplement the basic financial statements. Such information, 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City’s basic financial statements as a whole. The Introductory Section, Other Supplementary Information, and Statistical Section as listed in the Table of Contents are presented for purposes of additional analysis and are not required parts of the basic financial statements.

The Other Supplementary 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 Supplemental Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The Introductory and Statistical Sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 25, 2016, 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 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 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.

Maze & Associates

Pleasant Hill, California
February 25, 2016

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CITY OF CUPERTINO
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2015

This section describes the City of Cupertino's financial performance for the year. Readers are encouraged to consider the following information in conjunction with the accompanying Transmittal Letter and Basic Financial Statements.

2014-15 FINANCIAL HIGHLIGHTS

- As a result of GASB Statement Nos. 68 and 71 implementation, the City adjusted the beginning net positions as of July 1, 2014, and reduced the net positions of its governmental activities by \$28.1 million and its business-type activities by \$1.8 million.
- Total assets increased 10% to \$323,470,000 and total liabilities increased 30% to \$90,204,000 compared to last year. Total liabilities increased due to implementation of GASB 68 and 71 to record net pension liabilities of \$28 million.
- Business-type assets decreased 2% to \$12,773,000 while liabilities increased 143% to \$4,009,000 compared to last year.
- Governmental activities net position increased 7% to \$223,284,000 as shown on Table 2.
- General Fund's fund balance as of July 1, 2014, was restated and reduced by \$2.7 million. Total governmental funds revenues decreased 21% from last year and expenses increased 19%.
- General Fund revenues decreased 14% from the prior year, while General Fund expenditures rose 13%.
- General Fund expenditures came in 7% under budget, with revenues 5% under budget.
- The General Fund, fund balance decreased 3% to end the year at \$41,851,000.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Basic Financial Statements comprise the City-wide Financial Statements and the Fund Financial Statements. These two sets of financial statements provide two different views of the City's financial activities and positions.

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

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

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

CITY OF CUPERTINO
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2015

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

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

The Fund Financial Statements report the City's operations in more detail than the City-wide Financial Statements and focus primarily on the short-term activities of the City's General Fund and other major funds. The Fund Financial Statements measure only current revenues, expenditures, assets, liabilities, and deferred inflows and outflows of resources; they exclude long-term assets and liabilities. Because these statements focus on the near-term inflows and outflows of spendable resources, such information may be useful in evaluating near-term financing requirements.

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

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

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

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

Comparisons of budget and actual financial information are included in the Basic Financial Statements for the General Fund and other major Special Revenue Funds. Since none of the City's Special Revenue Funds are considered major funds, budgetary comparison schedules for these funds are included in this document as supplemental information only.

CITY OF CUPERTINO
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2015

Fiduciary Fund statements provide financial information about the activities of the Successor Agency to the Redevelopment Agency and of a special assessment district. The City's fiduciary activities are reported in the Statement of Net Position and Statement of Changes in Fiduciary Net Position. These activities are excluded from the City's other financial statements because the City cannot use these assets to finance its own operations.

The Notes to Basic Financial Statements provide additional detail that is essential to a full understanding of the information provided in the City-wide and Fund Financial Statements.

CITY-WIDE FINANCIAL ACTIVITIES

This analysis focuses on the net position and changes in net position of the City's Governmental Activities (Tables 1 and 2) and Business-Type Activities (Tables 3 and 4) presented in the City-wide Statement of Net Position and Statement of Activities that follow. The Statement of Activities Tables 2 and 4 show activity from a revenue and expense perspective.

The City implemented the GASB 68 and 71, new pension accounting standards in the 2015 fiscal year that have adjusted the beginning net position as of July 1, 2014 for the impact of the newly reported net pension liabilities. Comparative June 30, 2014 balances in the following tables have not been restated for GASB 68 and 71 because all information required to restate prior year amounts is not readily available.

Governmental Activities

Table 1
Condensed Statement of Net Position at June 30
(in thousands)

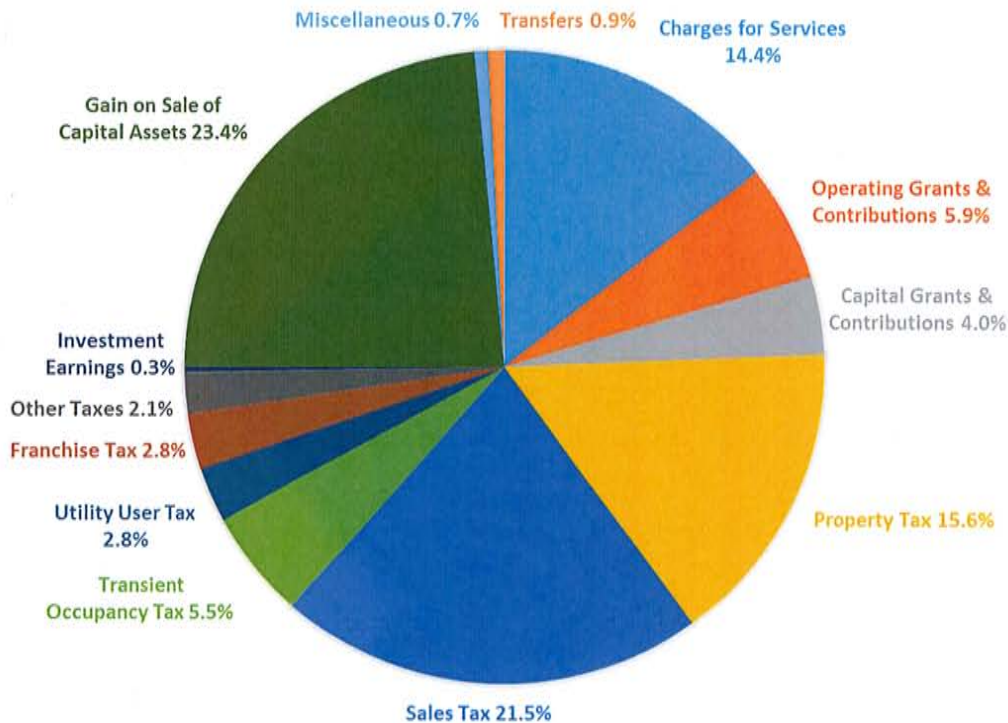
	<u>Governmental Activities</u>	
	<u>2015</u>	<u>2014</u>
Assets:		
Cash and investments	\$ 121,058	\$ 107,288
Other assets	20,288	10,481
Capital assets	169,351	162,061
Total assets	<u>310,697</u>	<u>279,830</u>
Deferred Outflows of Resources:		
Related to Pension (Note 10)	3,662	-
Liabilities:		
Long term debt	37,925	39,980
Other liabilities	48,270	30,386
Total liabilities	<u>86,195</u>	<u>70,366</u>
Deferred Inflows of Resources:		
Related to Pension (Note 10)	4,880	-
Net Position:		
Net Investment in capital assets	131,426	122,081
Restricted	38,328	24,232
Unrestricted	53,530	63,151
Total net position	<u>\$ 223,284</u>	<u>\$ 209,464</u>

CITY OF CUPERTINO
 Management's Discussion and Analysis (Unaudited)
 For the Year Ended June 30, 2015

The City's change in net position from governmental activities was \$41,886,000. The following significant changes within assets, liability, and net position categories occurred:

- Cash and Investments increased due to the City receiving \$23.7 million as a result of selling the portion of Pruneridge Avenue that runs through the Apple Campus 2 to Apple, Inc. Immediately after receiving the sale proceeds, The City contributed \$8.0 million to the Retiree Medical Internal Service Fund.
- Other Assets increased by \$10 million due to the increase of Accounts Receivable and the increase in the Net OPEB Asset resulting from the \$8.0 million contribution.
- GASB 68 implementation increased the City's Net Pension Liability by \$26 million, thus increasing Other Liabilities. The implementation also affected Deferred Inflows/Outflows of Resources.

**Sources of Revenue, Governmental Activities
 2014-15**

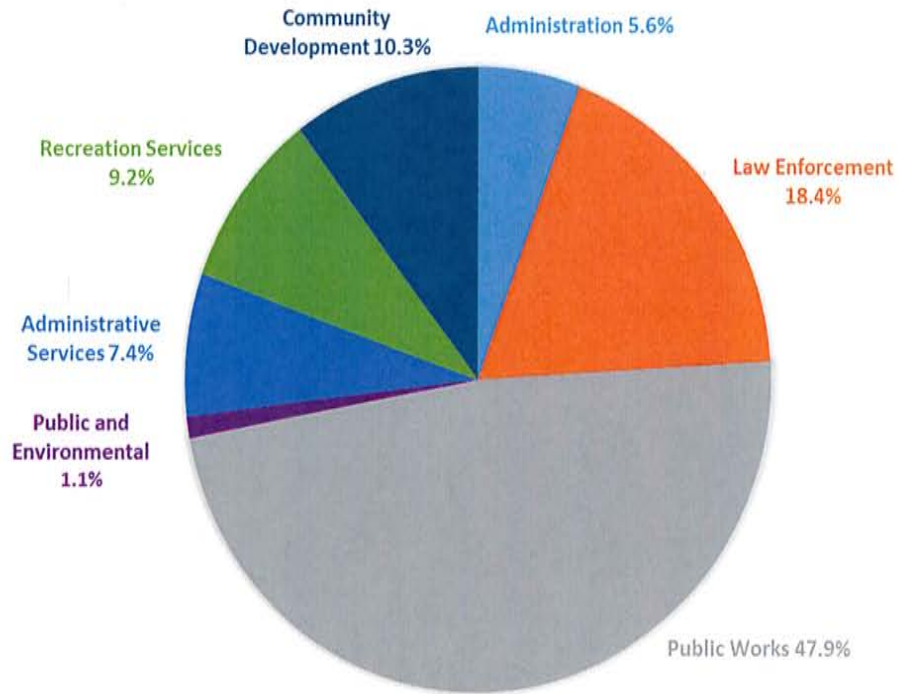


The City had a large one-time revenue of \$23.7 million that shows as a Gain on Sale of Capital Assets. This was a result of selling the portion of Pruneridge Avenue that runs through the middle of the Apple Campus 2 to Apple Inc. Of the remaining revenues, property taxes and sales taxes make up over 37% of ongoing governmental revenue. The Functional Expenses chart below includes only current year expenses with Public Works maintenance and repairs of streets, facilities, parks, and storm drains comprising the largest activity. The chart does not include capital outlays or principal payments on

CITY OF CUPERTINO
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2015

debt. Capital outlays are instead shown as additions to capital assets and principal payments are reported as long-term liability reductions.

**Functional Expenses, Governmental Activities
2014-15**



The Statement of Activities presents program revenues, expenses, general revenues, and the resulting change in net position as summarized in the next table.

CITY OF CUPERTINO
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2015

Table 2
Condensed Statement of Activities for the Year Ended June 30
(in thousands)

Expenses	Governmental Activities	
	2015	2014
Administration	\$ 3,287	\$ 4,530
Law enforcement	10,705	10,062
Public and environmental affairs	650	513
Administrative services	4,300	2,662
Recreation services	5,365	4,867
Community development	5,977	9,109
Public works	27,893	21,143
Interest on long-term debt	1,120	1,130
Total expenses	59,297	54,016
Revenues		
Program revenues:		
Charges for services	14,615	17,334
Operating grants and contributions	6,003	10,000
Capital grants and contributions	4,022	569
Total program revenues	24,640	27,903
General revenues:		
Taxes:		
Property tax	10,179	9,169
Property tax in-lieu of motor vehicle fee	5,581	5,289
Sales tax	21,750	19,794
Transient occupancy tax	5,582	4,590
Utility user tax	2,862	3,099
Franchise tax	2,850	2,776
Other taxes	2,139	18,792
Intergovernmental, unrestricted:		
Motor vehicle license fee	24	25
Investment earnings	296	133
Gain on sale of capital assets	23,716	-
Miscellaneous	692	57
Total general revenues	75,671	63,724
Total revenues	100,311	91,627
Excess of revenues over expenses,		
before extraordinary item and transfers	41,014	37,611
Transfers	872	(401)
Change in net position	41,886	37,210
Beginning net position, as restated	181,398	172,254
Ending net position	\$ 223,284	\$ 209,464

CITY OF CUPERTINO
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2015

City-wide Governmental Activities Revenues

Table 2 shows that total government activities wide revenues increased \$8,684,000 or 9% over last year, finishing at \$100,311,000. The City had a large one-time revenue of \$23.7 million that shows as a Gain on Sale of Capital Assets. This was a result of selling the portion of Pruneridge Avenue that runs through the middle of the Apple Campus 2 to Apple Inc. Sales tax continues to be the largest revenue source for the City with \$21,750,000 or 22% of total revenues for 2014-15. Compared to last year's \$19,794,000 sales tax revenue, this represents a 10% increase. Sales tax from business services (business-to-business and construction) activity accounted for the increase as a result of new and continued construction activity with Apple's second campus, the Main Street project, and numerous other small construction projects.

Property tax categories rose \$1,302,000 or 9% over last year due to assessed value increases reflective of the strong housing recovery in the South Bay area, this growth is expected to occur in FY 2015-16.

Program revenues decreased \$3,263,000 or 12% over last year, primarily due to a decrease in planning and engineering fees. Main Street Project fees were primarily collected in 2013-14.

City-wide Governmental Activities Expenses

City-wide governmental activities expenses in Table 2 rose \$5,281,000 or 10% above 2013-14. Law Enforcement, Public and Environmental Affairs, Administrative Services, Recreation Services, and Public Works rose while Administration, Community Development, and debt interest declined.

Administration declined \$1,243,000 or 27% over last year due to equipment and other IT materials and supplies being budgeted at the departmental level.

Law Enforcement rose because of negotiated increases in the renewed contract with the Santa Clara County Sheriff's Office. This includes an increase of 4.561% on the base contract, plus automatic increases in the lease and PERS costs.

Administrative Services increased due to increased contract costs associated with increased workers' compensation activity, labor negotiations, and outside legal counsel on human resources matters.

Community Development costs in the General Fund decreased because construction planning and permitting activity of the Apple Campus 2 declined in 2013-14. The majority of the expenses happened in 2012-13.

As for the Public Works increase, this was primarily driven by pre-funding of pavement maintenance costs in 2014-15 and an increase in staffing due to the addition/reallocation of 4.12 new full time positions.

Change in Net Position

The City-wide governmental net position increase of \$41,886,000 exceeded the \$37,210,000 increase from last fiscal year, reflecting the 9% increase in revenues and the 10% increase in expenses. This improvement was mostly attributable to the sale of Pruneridge Avenue to Apple, Inc.

CITY OF CUPERTINO
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2015

Business Type Activities

Business-type activities in the City-wide Financial Statements include the City's four enterprise funds. Enterprise funds are used to account for recreational and solid waste management operations that are financed and operated in a manner similar to private business enterprises where the intent is that costs of providing services and facilities to the general public on a continuing basis be financed or recovered primarily through user fees. The major proprietary funds section of this report provides more information on business-type results.

As shown in Table 3, the business-type net position totaled \$8,684,000 at June 30, 2015, a decrease of \$2,719,000 from the prior year with unrestricted net position declining \$3,688,000 and the net position of capital assets increasing by \$970,000.

In Table 4, revenues for all business-type activities rose 9% to \$7,707,000 in 2014-15. Expenses were substantially unchanged over last year. In addition, there were \$986,000 capital projects and \$114,000 Blackberry Farm projects transfer between Enterprise Fund and General Fund. These changes had a negative impact on net position of \$872,000.

Table 3
Condensed Statement of Net Position at June 30
(in thousands)

	<u>Business Type Activities</u>	
	<u>2015</u>	<u>2014</u>
Assets:		
Cash and investments	\$ 10,357	\$ 11,606
Other assets	336	337
Capital assets	2,080	1,110
Total assets	<u>12,773</u>	<u>13,053</u>
Deferred Outflows of Resources:		
Related to pension	241	-
Other Liabilities:		
	4,009	1,650
Total liabilities	<u>4,009</u>	<u>1,650</u>
Deferred Inflows of Resources:		
Related to pension	321	-
Net Position:		
Net Investment in capital assets	2,080	1,111
Unrestricted	6,604	10,292
Total net position	<u>\$ 8,684</u>	<u>\$ 11,403</u>

CITY OF CUPERTINO
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2015

Table 4
Condensed Statement of Activities for the Year Ended June 30
(in thousands)

Expenses	<u>Business Type Activities</u>	
	<u>2015</u>	<u>2014</u>
Resource recovery	\$ 2,549	\$ 2,159
Blackberry farm	547	571
Sports center	2,269	2,221
Recreation programs	2,343	2,730
Total expenses	<u>7,708</u>	<u>7,681</u>
Revenues		
Program revenues:		
Charges for services	7,665	7,045
General revenues:		
Investment earnings	42	11
Total revenues	<u>7,707</u>	<u>7,056</u>
Excess of revenues over expenses,		
before extraordinary item and transfers	(1)	(625)
Transfers	(872)	401
Change in net position	(873)	(224)
Beginning net position, as restated	9,557	11,627
Ending net position	<u>\$ 8,684</u>	<u>\$ 11,403</u>

CITY OF CUPERTINO
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2015

MAJOR GOVERNMENTAL FUNDS

General Fund

General Fund Revenues

General Fund revenues of \$61,278,000 ended \$3,261,000 or 5% below the final budget and \$5,165,000 above the original 2014-15 budget. Actual revenues were down \$10,002,000 or 14% compared to the restated amount in fiscal year 2014. Table 5 displays the variations in actual revenues, while Table 6 shows budgeted revenues compared to actuals.

Property taxes ended the year at \$15,752,000, up 9% or \$1,343,000 above last year. This increase is mostly due to higher secured property tax resulting from higher assessed property values.

Sales taxes grew by \$1,956,000 or 10% above last year to finish at \$21,750,000. It exceeded the final budget by \$3,462,000 or 19%. The growth in sales tax was primarily driven by strong business-to-business sales tax growth.

The City's five hotels paid \$5,582,000 in transient occupancy taxes this year which was \$992,000 or 22% over last year's performance due to the Aloft Hotel generating tax revenues the entire fiscal year as opposed to the half year of activity in 2013-14.

The City's 2.4% utility user tax on telecommunication, gas, and electric services provided \$2,862,000 in revenues, which were down 8% compared to last year and \$237,000 or 8% under the original and final budget. This decrease is reflective of lower electricity usage resulting from the large investments in solar infrastructure by educational institutions in Cupertino.

Franchise taxes increased by 3% from last year while other taxes greatly underperformed expectations. Other taxes experienced a decline of \$8,609,000 or 83% and under the final budget by 64%. The decrease in other taxes was led by the one-time construction tax payment from Apple as part of its Development Agreement with the City.

Revenues from use of money and property and intergovernmental revenues showed increases from 2013-14, 12% and 106% respectively. Licenses and permits include fees for reviewing building plans, building inspections, construction, tenant improvements, and commercial/residential installations. License and permit fees decreased by 14% compared to last year due to Apple Campus 2 projects moving out of the permitting phase and into construction.

Charges for services decreased dramatically primarily due to a sharp decrease in development-related activity from the Apple Campus 2 project.

Fines and forfeitures decreased by 10% or \$64,000 compared to the prior year and in line with budgeted revenues of \$550,000. The recent downtrend in County fines resulting from lower court assessed fines and forfeitures have leveled off in recent years.

Other revenues of \$523,000 decreased 4% compared to last year. The final budget for other financing services was \$23,814,000, composed primarily of a proceeds from sale of Pruneridge Avenue.

No transfers into the General Fund occurred in 2014-15.

CITY OF CUPERTINO
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2015

Table 5
Revenue Changes
General Fund, Fiscal 2015 vs. 2014
(in thousands)

Revenue by Source	Fiscal 2015		Increase/(Decrease) From Fiscal 2014	
	Amount	% of Total	Amount	Percent
Taxes:				
Property	\$15,752	26%	\$ 1,343	9%
Sales	21,750	35%	1,956	10%
Transient occupancy	5,582	9%	992	22%
Utility user	2,862	5%	(237)	-8%
Franchise	2,850	5%	74	3%
Other	1,813	3%	(8,609)	-83%
Use of money & property	773	1%	82	12%
Intergovernmental	832	1%	429	106%
Licenses and permits	3,170	5%	(510)	-14%
Charges for services	4,820	8%	(5,435)	-53%
Fines and forfeitures	551	1%	(64)	-10%
Other	523	1%	(22)	-4%
Total revenues	<u>\$61,278</u>	<u>100%</u>	<u>\$ (10,002)</u>	<u>-14%</u>
Other financing sources:				
Proceeds from sale of land	<u>\$23,814</u>	<u>0%</u>	<u>\$ 23,776</u>	<u>62,568%</u>
Total other financing sources	<u>\$23,814</u>	<u>0%</u>	<u>\$ 23,776</u>	<u>62,568%</u>

CITY OF CUPERTINO
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2015

Table 6
Revenue, Budget and Actual Comparisons
General Fund 2014-15
(in thousands)

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Over/(Under)</u>
	<u>Original</u>	<u>Final</u>		<u>Final</u>
Taxes:				
Property	\$ 15,067	\$ 15,067	\$ 15,752	\$ 685
Sales	18,288	18,288	21,750	3,462
Transient occupancy	4,510	4,510	5,582	1,072
Utility user	3,100	3,100	2,862	(238)
Franchise	2,897	2,897	2,850	(47)
Other	5,020	5,020	1,813	(3,207)
Use of money & property	724	724	773	49
Intergovernmental	265	265	832	567
Licenses and permits	1,600	1,600	3,170	1,570
Charges for services	4,075	12,501	4,820	(7,681)
Fines and forfeitures	550	550	551	1
Other	17	17	523	506
	<u>\$ 56,113</u>	<u>\$ 64,539</u>	<u>\$ 61,278</u>	<u>\$ (3,261)</u>
Transfers in	\$ -	\$ -	\$ -	\$ -
Proceeds from Sale	\$ -	\$ 23,814	\$ 23,814	\$ -

General Fund Expenditures

Fiscal 2014-15 overall expenditures, at \$47,025,000, were \$5,516,000 or 13% higher than last year. However, this result came in 7% or \$3,387,000 under the final budget and 2% or \$1,100,000 above the original budget. Year-over-year and budget-versus-actual results for General Fund programs are described below and in Tables 7 and 8.

Law Enforcement was higher because of the negotiated increases in the renewed contract with the Santa Clara County Sheriff's Office. This includes an increase of 4.561% on the base contract, plus automatic increases in the lease and PERS costs.

Public and Environmental Affairs rose due to an increased use of contractors from EPC IT solutions.

Administrative Services increased due to increased contract costs associated with increased workers' compensation activity, labor negotiations, and outside legal counsel on human resources matters.

CITY OF CUPERTINO
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2015

Recreation Services' increase is attributed primarily to the addition of two new facilities - the Environmental Education Center and the Blacksmith Shop at McClellan Ranch - along with corresponding costs for staffing, contract services, and equipment to support expanded programming at these facilities.

Community Development costs in the General Fund decreased because construction planning and permitting activity of the Apple Campus 2 declined in 2013-14. The majority of expenses happened in 2012-13.

As for the Public Works increase, this was primarily driven by pre-funding of pavement maintenance costs in 2014-15 and an increase in staffing due to the addition/reallocation of 4.12 new full time positions.

Transfers out of the General Fund rose from \$22,892,000 in 2013-14 to \$39,177,000 in 2014-15, with \$3,172,000 for annual debt service, \$18,273,000 for transportation projects, \$16,978,000 for capital projects, \$114,000 for Blackberry Farm, and \$641,000 to internal service funds.

Table 7
Expenditure Changes
General Fund, Fiscal 2015 vs. 2014
(in thousands)

Function/Program	Fiscal 2015		Increase/(Decrease) From Fiscal 2014	
	Amount	% of Total	Amount	Percent
Administration	\$ 3,898	8%	\$ (60)	-2%
Law enforcement	10,284	22%	658	7%
Public and environmental affairs	624	1%	146	31%
Administrative services	3,226	7%	781	32%
Recreation services	5,048	11%	512	11%
Community development	4,183	9%	(3,687)	-47%
Public works	12,746	27%	260	2%
Capital outlay	7,016	15%	6,906	6278%
Total expenditures	<u>\$47,025</u>	<u>100%</u>	<u>\$ 5,516</u>	<u>13%</u>
Transfers out	<u>\$39,177</u>	<u>192%</u>	<u>\$16,285</u>	<u>71%</u>

CITY OF CUPERTINO
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2015

Table 8
Expenditure Changes
General Fund 2014-15
(in thousands)

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Over/(Under)</u>
	<u>Original</u>	<u>Final</u>		<u>Final</u>
Administration	\$ 4,279	\$ 4,194	\$ 3,898	\$ 296
Law enforcement	10,176	10,321	10,284	37
Public and environmental affairs	558	624	624	-
Administrative services	3,566	3,938	3,226	712
Recreation services	5,436	5,541	5,048	493
Community development	5,682	5,271	4,183	1,088
Public works	13,817	13,799	12,746	1,053
Capital outlay	2,411	6,724	7,016	(292)
Total expenditures	<u>\$ 45,925</u>	<u>\$ 50,412</u>	<u>\$ 47,025</u>	<u>\$ 3,387</u>
Transfers out	<u>\$ 31,627</u>	<u>\$ 39,177</u>	<u>\$ 39,177</u>	<u>\$ -</u>

General Fund - Fund Balance

The General Fund carried a June 30, 2015, ending fund balance of \$41,851,000, down 3% or \$1,109,000 from beginning of the fiscal year. The City assigned \$18,000,000 for general economic uncertainty, \$1,400,000 for economic fluctuations, \$1,250,000 for the CIP studies (280/Wolfe), \$8,100,000 for capital projects, and \$100,000 for potential pension liabilities. Loan receivables and prepaid expenses totaled \$938,000 of non-spendable fund balance. Lastly, \$11,302,000 was unassigned as of June 30, 2015, and available for purchase orders and future budget actions. The General Fund also transferred out \$39,177,000 to fund transportation and other CIP projects.

Public Facilities Corporation

A transfer of \$3,172,000 was made from the General Fund to the Public Facilities Corporation Debt Service Fund to cover principal and interest on the 2012 Certificates of Participation lease payments. See Note 6 to the Basic Financial Statements and the Debt Administration section of this analysis for more information.

MAJOR PROPRIETARY FUNDS

Resources Recovery

The City has a solid waste franchise agreement with Recology that shares collection, landfill disposal, and recycling revenues and costs. This fund receives 17% of Recology revenues with the funds going toward landfill costs, regulatory fees, and staffing costs that the City incurs to manage its solid waste, recycling, and household hazardous waste programs. Because of the improving economy and resulting

CITY OF CUPERTINO
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2015

increase in tonnage that Recology handled, this fund experienced a 10% increase in residential and commercial revenues offset by 8% higher contract expenses for landfill disposal. Total operating revenue rose from \$2,074,000 last year to \$2,591,000 this year, while expenses increased by \$389,000. Net position increased by \$70,000. The fund ended the year with a \$5,733,533 net position.

Blackberry Farm

City employees, with a teaching professional contractor, staff the City-owned Blackberry Farm golf course and pro shop. The City converted part of the golf course to Foot Golf. Operating revenues accordingly increased 28% from \$302,000 to \$388,000. Operating expenses decreased by \$24,000 to \$547,000 this year due to lower salary and benefit costs resulting from staff reallocations. Altogether, the golf course's operating loss decreased from \$269,000 last year to \$159,000 this year. After a transfer in from the General Fund, net position declined \$42,000, compared to last year's \$38,000 decrease. As of June 30, 2015, this fund's net position was \$545,470.

Cupertino Sports Center

Tennis lesson, membership, fitness class and rent revenues of \$2,161,000 decreased by \$26,000 or 1% over last year, resulting from moderate decrease across the Sport Center's major revenue sources. Expenses, on the other hand, increased by \$47,000 or 2%, resulting in a net operating loss of \$117,000. As of June 30, 2015, this fund's net position was reduced by \$115,000.

Recreation Programs

This enterprise operates the Quinlan Community Center, Monta Vista Recreation Center, McClellan Ranch, Creekside Park building, eight school sites, and various parks. The improved economy and enhanced marketing helped cultural events, youth and teen programs, sports, dance and fitness classes generate \$2,533,000 in revenues that were 2% better than last year. Ongoing program expenses of \$2,342,000 included full-time administrative and programming staff, part-time activity leaders, and class instructors on contract. This resulted in a net operating income of \$190,000 as compared to an operating loss of \$251,000 a year ago. The largest contributors to lower operating expenses was materials and supplies. To complete the improvement of library, the fund made a \$986,000 transfer out to Other Governmental Funds. After the transfer, the fund ended up with a decrease in net position of \$785,000 and a net position of \$2,108,915 that is needed for future operating budgets.

CAPITAL ASSETS

At June 30, 2015 the City had \$171,430,000, net of depreciation, invested in a broad range of capital assets used in governmental and business-type activities, as shown in Table 9 and in Note 5 to the Basic Financial Statements. While the City's total capital assets increased by 5%, improvements other than buildings and street improvements provided major capital additions with depreciation of existing assets offsetting the additions.

CITY OF CUPERTINO
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2015

Table 9
Capital Assets, Net of Depreciation, at June 30
(in thousands)

	2015	2014
Governmental Activities:		
Land	\$ 62,046	\$ 62,046
Easements	19,492	19,492
Construction in Progress	197	-
Buildings	21,445	19,693
Improvements other than buildings	15,890	17,648
Machinery and equipment	2,273	1,799
Roads, curbs, gutters, sidewalks, medians and bridges	42,999	35,370
Streetlights	1,721	1,823
Storm drain structures and mains	2,272	3,073
Traffic signals	1,015	1,117
	169,350	162,061
Business-Type Activities		
Buildings	516	252
Improvements other than buildings	1,550	846
Machinery and equipment	14	12
	2,080	1,110
	Total City	Total City
	\$ 171,430	\$ 163,171

DEBT ADMINISTRATION

The City's only long-term debt liability at June 30, 2015, comes from \$43,940,000 in Certificates of Participation (COPs) issued in May 2012 by the Cupertino Public Facilities Corporation. The certificates refunded previously issued COPs that financed Wilson Park, Blackberry Farm, and Creekside Park purchases, the Memorial Park expansion, the Quinlan Community Center construction, the City Hall remodel, and the new library opened in 2004. The serial fixed rate debt ranging from 0.35% to 3.125% requires annual debt payments of approximately \$3,168,000 that are covered by the General Fund. The June 30, 2015, outstanding principal of \$37,925,000 is due to be paid off by 2030. More information can be found in Note 6 to the Basic Financial Statements and in the Public Facilities Corporation discussion earlier in this analysis.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

**STATEMENT OF NET POSITION AND
STATEMENT OF ACTIVITIES**

The Statement of Net Position and the Statement of Activities summarize the entire City's financial activities and financial position. They are prepared on the same basis as is used by most businesses, which means they include all the City's assets and all its liabilities, as well as all its revenues and expenses. This is known as the full accrual basis – the effect of all the City's transactions is taken into account, regardless of whether or when cash changes hands, but all material internal transactions between City funds have been eliminated.

The Statement of Net Position reports the difference between the City's total assets and deferred outflows and the City's total liabilities and deferred inflows, including all the City's capital assets and all its long-term debt.

The Statement of Net Position summarizes the financial position of all the City's Governmental Activities in a single column, and the financial position of all the City's Business-Type Activities in a single column; these columns are followed by a Total column which presents the financial position of the entire City.

The City's Governmental Activities include the activities of its General Fund, along with all its Special Revenue, Capital Projects and Debt Service Funds. Since the City's Internal Service Funds service these Funds, their activities are consolidated with Governmental Activities, after eliminating inter-fund transactions and balances. The City's Business Type Activities include all of its Enterprise Fund activities.

The Statement of Activities reports increases and decreases in the City's net position. It is also prepared on the full accrual basis, which means it includes all the City's revenues and all its expenses, regardless of when cash changes hands. This differs from the "modified accrual" basis used in the Fund financial statements, which reflect only current assets, current liabilities, available revenues and measurable expenditures.

The format of the Statement of Activities presents the City's expenses first, listed by program, and follows these with the expenses of its business-type activities. Program revenues, that are revenues which are generated directly by these programs, are then deducted from program expenses to arrive at the net expense of each governmental and business-type program. The City's general revenues are then listed in the Governmental Activities or Business-type Activities column, as appropriate, and the Change in Net Position is computed and reconciled with the Statement of Net Position.

Both these Statements include the financial activities of the City and the Cupertino Public Facilities Corporation, which is a legally separate component unit of the City because it is controlled by and financially accountable to the City.

CITY OF CUPERTINO
STATEMENT OF NET POSITION
JUNE 30, 2015

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments (Note 2)	\$116,856,789	\$10,357,232	\$127,214,021
Restricted cash and investments (Note 2)	4,201,364		4,201,364
Receivables:			
Accounts	8,137,584	336,523	8,474,107
Loans (Note 3)	1,545,996		1,545,996
Prepaid expenses and other assets	109,854		109,854
Net OPEB asset (Note 11)	10,494,403		10,494,403
Capital assets (Note 5):			
Non-depreciable	81,735,291		81,735,291
Depreciable, net of accumulated depreciation	87,615,386	2,079,561	89,694,947
Total Assets	310,696,667	12,773,316	323,469,983
DEFERRED OUTFLOWS OF RESOURCES			
Related to pension (Note 10)	3,662,022	240,839	3,902,861
LIABILITIES			
Accounts payable and accruals	9,187,965	1,303,273	10,491,238
Accrued payroll and benefits	647,430	97,603	745,033
Deposits	7,071,427		7,071,427
Unearned revenue	109,375	681,417	790,792
Compensated absences (Note 1g):			
Due in one year	444,201	87,674	531,875
Due in more than one year	2,462,587	118,887	2,581,474
Claims payable (Note 9):			
Due in one year	456,451		456,451
Due in more than one year	1,733,628		1,733,628
Long-term debt (Note 6):			
Due in one year	2,090,000		2,090,000
Due in more than one year	35,835,000		35,835,000
Net pension liability (Note 10)	26,156,933	1,720,247	27,877,180
Total Liabilities	86,194,997	4,009,101	90,204,098
DEFERRED INFLOWS OF RESOURCES			
Related to pension (Note 10)	4,879,624	320,915	5,200,539
NET POSITION (Note 7)			
Net investment in capital assets	131,425,677	2,079,561	133,505,238
Restricted for:			
Special revenue projects	23,849,111		23,849,111
Affordable housing	12,884,403		12,884,403
Debt service	1,594,191		1,594,191
Total Restricted Net Position	38,327,705		38,327,705
Unrestricted	53,530,686	6,604,578	60,135,264
Total Net Position	\$223,284,068	\$8,684,139	\$231,968,207

See accompanying notes to financial statements

CITY OF CUPERTINO
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
Governmental Activities:						
Administration	\$3,286,919	\$322,534	\$23,866		(\$2,940,519)	(\$2,940,519)
Law enforcement	10,705,328	590,378	110,562		(10,004,388)	(10,004,388)
Public and environmental affairs	649,442	41,352			(608,090)	(608,090)
Administrative services	4,300,336	481,616			(3,818,720)	(3,818,720)
Recreation services	5,365,282	1,798,134			(3,567,148)	(3,567,148)
Community development	5,976,797	8,511,745	4,059,957		6,594,905	6,594,905
Public works	27,893,361	2,869,357	1,808,232	\$4,022,190	(19,193,582)	(19,193,582)
Interest on long - term debt	1,120,138				(1,120,138)	(1,120,138)
Total Governmental Activities	59,297,603	14,615,116	6,002,617	4,022,190	(34,657,680)	(34,657,680)
Business-type Activities:						
Resource recovery	2,548,461	2,591,276			\$42,815	42,815
Blackberry farm	547,185	388,091			(159,094)	(159,094)
Cupertino sports center	2,269,420	2,152,498			(116,922)	(116,922)
Recreation programs	2,342,457	2,532,800			190,343	190,343
Total Business-type Activities	7,707,523	7,664,665			(42,858)	(42,858)
Total	\$67,005,126	\$22,279,781	\$6,002,617	\$4,022,190	(34,657,680)	(34,700,538)
General revenues:						
Taxes:						
Property taxes					10,178,734	10,178,734
Property tax in lieu of motor vehicle fee					5,580,814	5,580,814
Sales taxes					21,750,534	21,750,534
Transient occupancy tax					5,582,096	5,582,096
Utility user tax					2,861,859	2,861,859
Franchise tax					2,849,992	2,849,992
Other taxes					2,139,384	2,139,384
Intergovernmental, unrestricted:						
Motor vehicle license fee					24,566	24,566
Investment earnings					296,043	42,531
Gain on sale of capital assets					23,715,897	23,715,897
Miscellaneous					691,656	691,656
Transfers (Note 4)					872,340	(872,340)
Total general revenues and transfers					76,543,915	(829,809)
Change in Net Position					41,886,235	(872,667)
Net Position, beginning of year, as restated (Note 1(o))					181,397,833	9,556,806
Net Position, end of year					\$223,284,068	\$8,684,139

See accompanying notes to financial statements

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FUND FINANCIAL STATEMENTS

In the Fund Financial Statements only individual major funds are presented, while non-major 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 fiscal 2014-15. Individual non-major funds may be found in the Supplemental section.

GENERAL FUND

The general fund is the general operating fund of the City. It is used to account for all financial resources except those that are required to be accounted for in another fund.

TRANSPORTATION SPECIAL REVENUE FUND

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

Accounts for the Federal Housing and Community Development Grant Program activities administered through the Country. 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
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2015

	General	Special Revenue Funds		Public Facilities Corporation Debt Service Fund
		Transportation	Housing Development	
ASSETS				
Cash and investments (Note 2)	\$50,058,968	\$10,774,267	\$12,355,397	\$8,646
Restricted cash and investments (Note 2)				4,201,364
Receivables:				
Accounts	3,853,291	406,169	53,654	
Loans (Note 3)	886,148		659,848	
Due from other funds (Note 4)	450,220			
Prepaid items	52,097			
Other assets	3,884			
Total Assets	\$55,304,608	\$11,180,436	\$13,068,899	\$4,210,010
LIABILITIES				
Accounts payable and accruals	\$5,732,719	\$291,816	\$87,298	\$2,615,819
Accrued payroll and benefits	539,808	32,516	4,623	
Deposits	7,071,427			
Unearned revenue	109,375			
Total Liabilities	13,453,329	324,332	91,921	2,615,819
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - loans			92,575	
Total Deferred Inflows of Resources			92,575	
FUND BALANCES (Note 7):				
Nonspendable	938,245			
Restricted	761,653	9,457,439	12,884,403	1,594,191
Committed		1,398,665		
Assigned	28,849,679			
Unassigned	11,301,702			
Total Fund Balances	41,851,279	10,856,104	12,884,403	1,594,191
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$55,304,608	\$11,180,436	\$13,068,899	\$4,210,010

See accompanying notes to financial statements

Capital Improvement Projects Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
\$20,430,299	\$14,134,120	\$107,761,697 4,201,364
	600	4,313,714 1,545,996 450,220 52,097 3,884
<u>\$20,430,299</u>	<u>\$14,134,720</u>	<u>\$118,328,972</u>
\$54,956	\$202,143 6,785	\$8,984,751 583,732 7,071,427 109,375
<u>54,956</u>	<u>208,928</u>	<u>16,749,285</u>
		<u>92,575</u>
		<u>92,575</u>
		938,245 38,327,705 1,398,665 49,520,795 11,301,702
20,375,343	13,630,019 295,773	
<u>20,375,343</u>	<u>13,925,792</u>	<u>101,487,112</u>
<u>\$20,430,299</u>	<u>\$14,134,720</u>	<u>\$118,328,972</u>

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CITY OF CUPERTINO
 Reconciliation of the
 GOVERNMENTAL FUNDS -- BALANCE SHEET
 with the
 STATEMENT OF NET POSITION
 JUNE 30, 2015

Total fund balances reported on the governmental funds balance sheet \$101,487,112

Amounts reported for Governmental Activities in the Statement of Net Position
 are different from those reported in the Governmental Funds above because of the following:

CAPITAL ASSETS

Capital assets used in Governmental Activities are not current assets or financial resources and
 therefore are not reported in the Governmental Funds. 167,712,838

ALLOCATION OF INTERNAL SERVICE FUND NET POSITION

Internal service funds are used by management to charge the costs of activities such as
 information technology, insurance, equipment acquisition and maintenance, and certain
 employees' benefits to governmental funds. The assets and liabilities of the internal service
 funds are therefore included in the governmental activities of the statement of net position. 18,174,516

RECEIVABLES NOT AVAILABLE

Certain receivables are not available to pay for current period expenditures and
 therefore are deferred in the governmental funds. 92,575

LONG TERM ASSETS AND LIABILITIES

The assets and liabilities below are not due and payable in the current period and therefore are not
 reported in the governmental funds:

Accounts receivable	3,823,870
Long-term debt	(37,925,000)
Net pension liability and pension-related deferred outflows/inflows of resources	(27,374,535)
Claims payable	(156,900)
Compensated absences	(2,550,408)
	(2,550,408)

NET POSITION OF GOVERNMENTAL ACTIVITIES \$223,284,068

See accompanying notes to financial statements

CITY OF CUPERTINO
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2015

	Special Revenue Funds			Public Facilities Corporation Debt Service Fund
	General	Transportation	Housing Development	
REVENUES				
Taxes	\$50,608,918		\$4,051,269	
Use of money and property	772,909	\$32,884	53,703	\$792
Intergovernmental	831,780	3,103,933	581,249	
Licenses and permits	3,170,445			
Charges for services	4,820,356			
Fines and forfeitures	551,278			
Other revenue	522,807	19,122		
Total Revenues	61,278,493	3,155,939	4,686,221	792
EXPENDITURES				
Current:				
Administration	3,897,701			
Law enforcement	10,283,772			
Public and environmental affairs	624,295			
Administrative services	3,226,164			
Recreation services	5,047,548			
Community development	4,183,064		997,595	
Public works	12,745,940	1,420,241		
Capital outlay	7,016,146	10,877,567	116,491	
Debt service:				
Principal				2,055,000
Interest and fiscal charges				1,120,138
Total Expenditures	47,024,630	12,297,808	1,114,086	3,175,138
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	14,253,863	(9,141,869)	3,572,135	(3,174,346)
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets (Note 5)	23,814,257			
Transfers in (Note 4)		18,273,354		3,171,840
Transfers (out) (Note 4)	(39,177,284)			
Total Other Financing Sources (Uses)	(15,363,027)	18,273,354		3,171,840
NET CHANGE IN FUND BALANCES	(1,109,164)	9,131,485	3,572,135	(2,506)
BEGINNING FUND BALANCES, AS RESTATED (Note 1(o))	42,960,443	1,724,619	9,312,268	1,596,697
ENDING FUND BALANCES	\$41,851,279	\$10,856,104	\$12,884,403	\$1,594,191

See accompanying notes to financial statements

Capital Improvement Projects Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
	\$474,051	\$55,134,238
	55,645	915,933
	2,693,600	7,210,562
		3,170,445
	383,015	5,203,371
	2,724	554,002
	500	542,429
	<u>3,609,535</u>	<u>72,730,980</u>
		3,897,701
		10,283,772
		624,295
		3,226,164
		5,047,548
		5,180,659
	458,857	14,625,038
\$3,409,609	341,086	21,760,899
		2,055,000
		1,120,138
<u>3,409,609</u>	<u>799,943</u>	<u>67,821,214</u>
<u>(3,409,609)</u>	<u>2,809,592</u>	<u>4,909,766</u>
		23,814,257
16,170,792	1,793,004	39,408,990
		(39,177,284)
<u>16,170,792</u>	<u>1,793,004</u>	<u>24,045,963</u>
12,761,183	4,602,596	28,955,729
<u>7,614,160</u>	<u>9,323,196</u>	<u>72,531,383</u>
<u>\$20,375,343</u>	<u>\$13,925,792</u>	<u>\$101,487,112</u>

CITY OF CUPERTINO
 Reconciliation of the
 NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS
 with the
 STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2015

The schedule below reconciles the Net Changes in Fund Balances reported on the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance, which measures only changes in current assets and current liabilities on the modified accrual basis, with the Change in Net Position of Governmental Activities reported in the Statement of Activities, which is prepared on the full accrual basis.

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$28,955,729

Amounts reported for governmental activities in the Statement of Activities are different because of the following:

CAPITAL ASSETS TRANSACTIONS

Governmental Funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is capitalized and allocated over their estimated useful lives and reported as depreciation expense.

Expenditures for capital assets reported as:

Capital outlay 13,392,172

Depreciation expense is deducted from the fund balance (6,127,080)

Net retirements are deducted from the fund balance (98,360)

LONG TERM DEBT TRANSACTIONS

Principal payments 2,055,000

ACCRUAL OF NON-CURRENT ITEMS

The amounts below included in the Statement of Activities do not provide or (require) the use of current financial resources and therefore are not reported as revenue or expenditures in governmental funds (net change):

Accounts receivable 3,823,870

Compensated absences 227,505

Net pension liability and pension-related deferred outflows/inflows of resources 691,770

Claims payable 68,229

ALLOCATION OF INTERNAL SERVICE FUND ACTIVITY

Internal Service Funds are used by management to charge the costs of certain activities, such as equipment acquisition, maintenance, and insurance to individual funds.

The portion of the net revenue (expense) of these Internal Service Funds arising out of their transactions with governmental funds is reported with governmental activities, because they service those activities.

Change in Net Position - All Internal Service Funds (1,102,600)

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$41,886,235

See accompanying notes to financial statements

CITY OF CUPERTINO
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes	\$48,882,000	\$48,882,000	\$50,608,918	\$1,726,918
Use of money and property	724,000	724,000	772,909	48,909
Intergovernmental	265,000	265,000	831,780	566,780
Licenses and permits	1,600,000	1,600,000	3,170,445	1,570,445
Charges for services	4,074,500	12,501,154	4,820,356	(7,680,798)
Fines and forfeitures	550,000	550,000	551,278	1,278
Other revenue	17,000	17,000	522,807	505,807
	<u>56,112,500</u>	<u>64,539,154</u>	<u>61,278,493</u>	<u>(3,260,661)</u>
Amounts available for appropriation				
Charges for appropriation (outflows)				
Current				
Administration	4,279,304	4,193,691	3,897,701	295,990
Law enforcement	10,175,620	10,321,778	10,283,772	38,006
Public and environmental affairs	558,195	624,116	624,295	(179)
Administrative services	3,566,281	3,937,915	3,226,164	711,751
Recreation services	5,435,524	5,540,737	5,047,548	493,189
Community development	5,681,909	5,270,775	4,183,064	1,087,711
Public works	13,816,855	13,798,536	12,745,940	1,052,596
Capital outlay	2,410,995	6,724,177	7,016,146	(291,969)
	<u>45,924,683</u>	<u>50,411,725</u>	<u>47,024,630</u>	<u>3,387,095</u>
Total charges for appropriations				
EXCESS OF REVENUES OVER EXPENDITURES	<u>10,187,817</u>	<u>14,127,429</u>	<u>14,253,863</u>	<u>126,434</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of land		23,814,257	23,814,257	
Transfers (out)	(31,627,286)	(39,177,286)	(39,177,284)	2
	<u>(31,627,286)</u>	<u>(15,363,029)</u>	<u>(15,363,027)</u>	<u>2</u>
Total other financing sources (uses)				
NET CHANGE IN FUND BALANCE	<u>(\$21,439,469)</u>	<u>(\$1,235,600)</u>	<u>(1,109,164)</u>	<u>\$126,436</u>
BEGINNING FUND BALANCE			<u>42,960,443</u>	
ENDING FUND BALANCE			<u>\$41,851,279</u>	

See accompanying notes to financial statements

CITY OF CUPERTINO
TRANSPORTATION SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Use of money and property	\$2,000	\$2,000	\$32,884	\$30,884
Intergovernmental	2,048,000	2,248,000	3,103,933	855,933
Other revenue			19,122	19,122
Amounts available for appropriation	<u>2,050,000</u>	<u>2,250,000</u>	<u>3,155,939</u>	<u>905,939</u>
Charges for appropriation (outflows)				
Current				
Public works	1,557,502	1,488,707	1,420,241	68,466
Capital outlay	11,190,000	10,876,296	10,877,567	(1,271)
Total charges for appropriations	<u>12,747,502</u>	<u>12,365,003</u>	<u>12,297,808</u>	<u>67,195</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>(10,697,502)</u>	<u>(10,115,003)</u>	<u>(9,141,869)</u>	<u>973,134</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>12,566,357</u>	<u>18,273,357</u>	<u>18,273,354</u>	<u>(3)</u>
Total other financing sources (uses)	<u>12,566,357</u>	<u>18,273,357</u>	<u>18,273,354</u>	<u>(3)</u>
NET CHANGE IN FUND BALANCE	<u>\$1,868,855</u>	<u>\$8,158,354</u>	<u>9,131,485</u>	<u>\$973,131</u>
BEGINNING FUND BALANCE			<u>1,724,619</u>	
ENDING FUND BALANCE			<u><u>\$10,856,104</u></u>	

See accompanying notes to financial statements

CITY OF CUPERTINO
HOUSING DEVELOPMENT SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes	\$100,000	\$100,000	\$4,051,269	\$3,951,269
Use of money and property	28,000	28,000	53,703	25,703
Intergovernmental	310,943	310,943	581,249	270,306
Amounts available for appropriation	<u>438,943</u>	<u>438,943</u>	<u>4,686,221</u>	<u>4,247,278</u>
Charges for appropriation (outflows)				
Current				
Community development	1,056,538	1,002,891	997,595	5,296
Capital outlay	100,000	193,121	116,491	76,630
Total charges for appropriations	<u>1,156,538</u>	<u>1,196,012</u>	<u>1,114,086</u>	<u>81,926</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>(717,595)</u>	<u>(757,069)</u>	<u>3,572,135</u>	<u>4,329,204</u>
NET CHANGE IN FUND BALANCE	<u>(\$717,595)</u>	<u>(\$757,069)</u>	<u>\$3,572,135</u>	<u>\$4,329,204</u>
BEGINNING FUND BALANCE			<u>9,312,268</u>	
ENDING FUND BALANCE			<u>\$12,884,403</u>	

See accompanying notes to financial statements

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MAJOR PROPRIETARY FUNDS

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

The City has identified the funds below as major proprietary funds for fiscal 2014-15.

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.

BLACKBERRY FARM FUND

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

CUPERTINO SPORTS CENTER FUND

This fund accounts for the operation and maintenance of the Cupertino Sports Center.

RECREATION PROGRAMS FUND

This fund accounts for activities of the City's community centers and park facilities.

CITY OF CUPERTINO
 PROPRIETARY FUNDS
 STATEMENT OF NET POSITION
 JUNE 30, 2015

	Business-type Activities-Enterprise Funds				Totals	Governmental Activities- Internal Service Funds
	Resources Recovery	Blackberry Farm	Cupertino Sports Center	Recreation Programs		
ASSETS						
Current Assets:						
Cash and investments (Note 2)	\$6,980,224	\$740,229	\$649,509	\$1,987,270	\$10,357,232	\$9,095,092
Accounts receivable	319,917		7,243	9,363	336,523	
Prepaid items						53,873
Total current assets	<u>7,300,141</u>	<u>740,229</u>	<u>656,752</u>	<u>1,996,633</u>	<u>10,693,755</u>	<u>9,148,965</u>
Noncurrent assets:						
Net OPEB asset (Note 11)						10,494,403
Capital Assets (Note 5):						
Depreciable, net of accumulated depreciation	23,780	49,379	359,909	1,646,493	2,079,561	1,637,839
Total noncurrent assets	<u>23,780</u>	<u>49,379</u>	<u>359,909</u>	<u>1,646,493</u>	<u>2,079,561</u>	<u>12,132,242</u>
Total Assets	<u>7,323,921</u>	<u>789,608</u>	<u>1,016,661</u>	<u>3,643,126</u>	<u>12,773,316</u>	<u>21,281,207</u>
DEFERRED OUTFLOWS OF RESOURCES						
Related to pension (Note 10)	78,495	24,379	52,455	85,510	240,839	
LIABILITIES						
Current Liabilities:						
Accounts payable and accruals	917,881	9,743	194,391	181,258	1,303,273	203,214
Accrued payroll and benefits	17,658	7,779	16,733	55,433	97,603	63,698
Due to other funds (Note 4)						450,220
Compensated absences (Note 1g)	28,896	18,838	6,556	33,384	87,674	48,512
Claims payable (Note 9)						456,451
Unearned revenue			101,766	579,651	681,417	
Total current liabilities	<u>964,435</u>	<u>36,360</u>	<u>319,446</u>	<u>849,726</u>	<u>2,169,967</u>	<u>1,222,095</u>
Non-current Liabilities:						
Compensated absences (Note 1g)	39,183	25,544	8,891	45,269	118,887	307,868
Claims payable (Note 9)						1,576,728
Net pension liability (Note 10)	560,671	174,129	374,664	610,783	1,720,247	
Total Liabilities	<u>1,564,289</u>	<u>236,033</u>	<u>703,001</u>	<u>1,505,778</u>	<u>4,009,101</u>	<u>3,106,691</u>
DEFERRED INFLOWS OF RESOURCES						
Related to pension (Note 10)	104,594	32,484	69,894	113,943	320,915	
NET POSITION (Note 7)						
Net investment in capital assets	23,780	49,379	359,909	1,646,493	2,079,561	1,637,839
Unrestricted	5,709,753	496,091	(63,688)	462,422	6,604,578	16,536,677
Total Net Position	<u>\$5,733,533</u>	<u>\$545,470</u>	<u>\$296,221</u>	<u>\$2,108,915</u>	<u>\$8,684,139</u>	<u>\$18,174,516</u>

See accompanying notes to financial statements

CITY OF CUPERTINO
 PROPRIETARY FUNDS
 STATEMENT OF REVENUE, EXPENSES
 AND CHANGES IN FUND NET POSITION
 FOR THE YEAR ENDED JUNE 30, 2015

	Business-type Activities-Enterprise Funds				Totals	Governmental Activities- Internal Service Funds
	Resources Recovery	Blackberry Farm	Cupertino Sports Center	Recreation Programs		
OPERATING REVENUES						
Charges for services	\$2,591,276	\$366,399	\$2,161,349	\$2,532,800	\$7,651,824	\$4,293,851
Other		21,692	(8,851)		12,841	5,030
Total Operating Revenues	<u>2,591,276</u>	<u>388,091</u>	<u>2,152,498</u>	<u>2,532,800</u>	<u>7,664,665</u>	<u>4,298,881</u>
OPERATING EXPENSES						
Salaries and benefits	472,175	171,344	385,817	694,907	1,724,243	2,793,071
Materials and supplies	90,490	110,113	442,606	118,496	761,705	1,423,148
Contractual services	1,982,445	252,553	1,406,040	1,356,772	4,997,810	594,360
Insurance and claims and premium						606,738
Depreciation (Note 5)	3,351	13,175	34,957	172,282	223,765	665,549
Total Operating Expenses	<u>2,548,461</u>	<u>547,185</u>	<u>2,269,420</u>	<u>2,342,457</u>	<u>7,707,523</u>	<u>6,082,866</u>
Operating Income (Loss)	<u>42,815</u>	<u>(159,094)</u>	<u>(116,922)</u>	<u>190,343</u>	<u>(42,858)</u>	<u>(1,783,985)</u>
NONOPERATING REVENUES						
Investment income	27,085	3,020	1,976	10,450	42,531	40,751
Total Nonoperating Revenues	<u>27,085</u>	<u>3,020</u>	<u>1,976</u>	<u>10,450</u>	<u>42,531</u>	<u>40,751</u>
Income (Loss) Before Transfers	69,900	(156,074)	(114,946)	200,793	(327)	(1,743,234)
Transfers in (Note 4)		113,652			113,652	640,634
Transfers (out) (Note 4)				(985,992)	(985,992)	
Change in net position	69,900	(42,422)	(114,946)	(785,199)	(872,667)	(1,102,600)
Net Position-Beginning of year, as restated (Note 1(o))	<u>5,663,633</u>	<u>587,892</u>	<u>411,167</u>	<u>2,894,114</u>	<u>9,556,806</u>	<u>19,277,116</u>
Net Position-End of year	<u>\$5,733,533</u>	<u>\$545,470</u>	<u>\$296,221</u>	<u>\$2,108,915</u>	<u>\$8,684,139</u>	<u>\$18,174,516</u>

See accompanying notes to financial statements

CITY OF CUPERTINO
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2015

	Business-type Activities-Enterprise Funds					Governmental Activities- Internal Service Funds
	Resources Recovery	Blackberry Farm	Cupertino Sports Center	Recreation Programs	Totals	
CASH FLOWS FROM OPERATING ACTIVITIES						
Cash received from customers	\$2,564,638	\$388,091	\$2,126,834	\$2,564,474	\$7,644,037	\$4,305,114
Cash payments to suppliers for goods and services	(1,546,416)	(379,523)	(1,851,698)	(1,415,833)	(5,193,470)	(1,962,638)
Cash payments to employees	(435,111)	(163,790)	(384,758)	(698,008)	(1,681,667)	(10,195,872)
Cash payments for judgment and claims						(454,327)
Net cash provided (used) by operating activities	<u>583,111</u>	<u>(155,222)</u>	<u>(109,622)</u>	<u>450,633</u>	<u>768,900</u>	<u>(8,307,723)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Due from other funds						450,220
Transfers in		113,652			113,652	640,634
Transfers (out)				(985,992)	(985,992)	
Cash Flows from Noncapital Financing Activities		<u>113,652</u>		<u>(985,992)</u>	<u>(872,340)</u>	<u>1,090,854</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Acquisition of capital assets		(6,000)	(314,605)	(872,308)	(1,192,913)	(788,271)
Cash Flows from Capital and Related Financing Activities		<u>(6,000)</u>	<u>(314,605)</u>	<u>(872,308)</u>	<u>(1,192,913)</u>	<u>(788,271)</u>
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest received	30,057	3,390	2,474	11,982	47,903	48,734
Cash Flows from Investing Activities	<u>30,057</u>	<u>3,390</u>	<u>2,474</u>	<u>11,982</u>	<u>47,903</u>	<u>48,734</u>
Net Cash Flows	613,168	(44,180)	(421,753)	(1,395,685)	(1,248,450)	(7,956,406)
Cash and investments at beginning of year	<u>6,367,056</u>	<u>784,409</u>	<u>1,071,262</u>	<u>3,382,955</u>	<u>11,605,682</u>	<u>17,051,498</u>
Cash and investments at end of year	<u>\$6,980,224</u>	<u>\$740,229</u>	<u>\$649,509</u>	<u>\$1,987,270</u>	<u>\$10,357,232</u>	<u>\$9,095,092</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:						
Operating income (loss)	\$42,815	(\$159,094)	(\$116,922)	\$190,343	(\$42,858)	(\$1,783,985)
Adjustments to reconcile operating income to net cash provided by operating activities:						
Depreciation	3,351	13,175	34,957	172,282	223,765	665,549
Change in assets and liabilities:						
Accounts receivable	(26,638)		(7,243)	28,864	(5,017)	
Prepaid expense						12,800
Net OPEB asset						(7,503,271)
Due to retirement system	(14,828)	(4,605)	(9,910)	(16,152)	(45,495)	
Accounts payable and accruals	526,519	(16,857)	(3,052)	59,435	566,045	48,303
Accrued payroll and benefits	3,649	1,050	2,227	7,474	14,400	8,935
Deposits						91,535
Deferred revenue			(18,421)	2,810	(15,611)	
Compensated absences	48,243	11,109	8,742	5,577	73,671	
Claims payable						152,411
Net cash provided (used) by operating activities	<u>\$583,111</u>	<u>(\$155,222)</u>	<u>(\$109,622)</u>	<u>\$450,633</u>	<u>\$768,900</u>	<u>(\$8,307,723)</u>

See accompanying notes to financial statements

CITY OF CUPERTINO
Notes to Basic Financial Statements
For the Year Ended June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) 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 - The Cupertino Public Facilities 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 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.

(b) Measurement Focus, Basis of Accounting and Basis of Presentation

The City's basic financial statements are prepared in conformity with accounting principles generally accepted in the United States. The Government Accounting Standards Board (GASB) is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the United States.

Government-wide Statements - The Statement of Net Position and the Statement of Activities display information about the primary government (the City) and its component units. These statements include the financial activities of the overall City government, except for fiduciary activities. These statements distinguish between the *governmental* and *business-type activities* of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

CITY OF CUPERTINO
Notes to Basic Financial Statements
For the Year Ended June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)

The Statement of Activities presents a comparison between expenses and program revenues for each segment of the business-type activities of the City and for each function of the City's governmental activities. Expenses include direct and indirect types. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expenses such as depreciation, information technology, insurance and equipment replacement are included in expenses for individual activities and functions. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital needs of a particular program. Revenues that are not classified as program revenues, including taxes, are presented as general revenues. Program revenues and direct expenses related to interfund services are included and indirect expenses funded by interfund transfers are excluded from the Statement of Activities. The Statement of Net Position eliminates interfund balances between governmental funds and interfund balances between proprietary funds.

Fund Financial Statements - The fund financial statements provide information about the City's funds, including fiduciary funds and blended component units. Separate statements for each fund category – *governmental*, *proprietary*, and *fiduciary* – are presented. The emphasis of fund financial statements is on major individual governmental and enterprise funds, each of which is displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

Proprietary fund *operating* revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. *Nonoperating* revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

Major Funds - The City's major governmental and enterprise funds are identified and presented separately in the fund financial statements. All other funds, called nonmajor funds, are combined and reported in a single column, regardless of their fund type.

Major funds are defined as funds, which have either assets (plus deferred outflows), liabilities (plus deferred inflows), revenues or expenditures in excess of ten percent of their fund-type total and five percent of the aggregate total for both governmental funds and enterprise funds. The General Fund is always a major fund. The City may select other funds it believes should be presented as major funds.

CITY OF CUPERTINO
Notes to Basic Financial Statements
For the Year Ended June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)

The City reported the following major governmental funds in the accompanying financial statements:

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

The City reports all its enterprise funds as major funds in the accompanying financial statements:

- The *Resources Recovery 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.
- The *Blackberry Farm Fund* accounts for activities related to the municipal golf course.
- The *Cupertino Sports Center Fund* accounts for the operation and maintenance of the Cupertino Sports Center.
- The *Recreation Programs Fund* accounts for activities of the City's community centers and park facilities.

The City also reports the following fund types:

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

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.

CITY OF CUPERTINO
Notes to Basic Financial Statements
For the Year Ended June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) *Measurement Focus, Basis of Accounting and Basis of Presentation (Continued)*

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.

CITY OF CUPERTINO
Notes to Basic Financial Statements
For the Year Ended June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) *Budgetary Practices*

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 generally accepted accounting principles. Budget information is presented for the general, special revenue and debt service funds only. Capital projects funds are budgeted on a long-term project-by-project basis and, hence, budgets for these funds are not presented in the basic financial statements.

(d) *Cash 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.

(e) *Capital Assets*

Capital assets are recorded at cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at their estimated fair 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 Basic Financial Statements
For the Year Ended June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Capital Assets (Continued)

Depreciation is recorded using the straight-line method over the following useful lives:

	<u>Years</u>
Buildings	15 - 25
Improvements	10 - 15
Vehicles	4 - 10
Street equipment	3 - 20
Water equipment	3 - 50
Office equipment	3 - 5
Road, curbs, gutters, sidewalks, medians and bridges	30 - 40
Streetlights	20
Storm drain structure and mains	40
Traffic signals	20

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.

(f) Claims and Judgment 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.

CITY OF CUPERTINO
Notes to Basic Financial Statements
For the Year Ended June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) *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.

The changes in compensated absences for the year ended June 30, 2015 were as follows:

	Governmental Activities	Business-Type Activities	Total
Beginning Balance	\$3,042,758	\$132,890	\$3,175,648
Additions	313,627	76,293	389,920
Reductions	(449,597)	(2,622)	(452,219)
Ending Balance	<u>\$2,906,788</u>	<u>\$206,561</u>	<u>\$3,113,349</u>
Current Portion	<u>\$444,201</u>	<u>\$87,674</u>	<u>\$531,875</u>
Non-current Portion	<u>\$2,462,587</u>	<u>\$118,887</u>	<u>\$2,581,474</u>

(h) *Deferred Outflows/Inflows of Resources*

In addition to assets, the statement of financial position or balance sheet reports a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position or fund balance that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position or balance sheet reports a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position or fund balance that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time.

CITY OF CUPERTINO
Notes to Basic Financial Statements
For the Year Ended June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) *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% 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.

(j) *Interfund Transactions*

Transactions constituting reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

(k) *Statement of Cash Flows*

For purposes of reporting cash flows for the City’s proprietary funds, pooled cash and investments are considered cash equivalents as the proprietary funds can access pooled cash and investments in a manner similar to a demand deposit account.

(l) *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.

(m) *Use of Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain amounts and disclosures. Accordingly, actual results could differ from those estimates.

(n) *Implementation of Governmental Accounting Standards Board (GASB) Pronouncements*

Management adopted the provisions of the following Governmental Accounting Standards Board (GASB) Statements, which became effective during the year ended June 30, 2015.

CITY OF CUPERTINO
Notes to Basic Financial Statements
For the Year Ended June 30, 2015

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

GASB Statement No. 68 – In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflows of resources, and expense/expenditures. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. This Statement had a material impact on the City’s financial statements. See Note 1(o) below.

GASB Statement No. 71 – In 2014, GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, Accounting and Financial Reporting for Pensions. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or non-employer contributing entity to a defined benefit pension plan after the measurement date of the government’s beginning net pension liability. This Statement had a material impact on the City’s financial statements. See Note 1(o) below.

(o) *Prior Period Adjustments and Restatement*

As a result of GASB Statements Nos. 68 and 71 implementation, the City adjusted the beginning net positions as of July 1, 2014, and reduced the net positions of its governmental activities by \$28,066,305 and its business-type activities by \$1,845,818.

In addition, during the current year, the City determined that certain project receipts that were recorded as revenue in the General Fund in prior year should have been recorded as deposits payable. Also in prior year, under the modified accrual basis of accounting, certain revenue that was recorded in the General Fund should not have been recorded. As a result, General Fund’s fund balance as of July 1, 2014, was restated and reduced by \$2,719,953.

CITY OF CUPERTINO
Notes to Basic Financial Statements
For the Year Ended June 30, 2015

NOTE 2 – CASH AND INVESTMENTS

The City’s pooled idle funds are invested pursuant to investment policy guidelines adopted by the City Council. The objectives of the policy are to invest funds to the fullest extent possible and to invest in accordance with the provisions of the California Government Code with the priority of safety, liquidity and yield. The policy addresses the safekeeping of securities, types of investment instruments, diversification, maturities, reporting requirements, and internal control. The City maintains a cash and investment pool that is available for use by all funds. Each fund type’s portion of this pool is displayed on the Statement of Net Position and the balance sheet as “cash and investments.”

(a) Policies

California Law requires banks and savings and loan institutions to pledge government securities with a market value of 110% of the City’s cash on deposit, or first trust deed mortgage notes with a market value of 150% of the deposit, as collateral for these deposits. Under California Law, this collateral is held in a separate investment pool by another institution in the City’s name and places the City ahead of general creditors of the institution.

The City and its fiscal agents invest in individual investments and in investment pools. Individual investments are evidenced by specific identifiable securities instruments, or by an electronic entry registering the owner in the records of the institution issuing the security, called the book entry system. Security instruments owned by the City are held in safekeeping by a third party custodian acting as agent for the City under the terms of a custody agreement.

The City’s investments are carried at fair value. The City adjusts the carrying value of its investments to reflect their fair value at each fiscal year end, and it includes the effects of these adjustments in investment income for that fiscal year.

(b) Classification

The City's total cash and investments, at fair value, are presented on the accompanying financial statements in the following allocation:

	<u>Primary Government</u>
Cash and Investments	\$127,214,021
Restricted Cash and Investments:	
Held by Fiscal Agent for Bond Repayments	<u>4,201,364</u>
Total Cash and Investments	<u><u>\$131,415,385</u></u>

CITY OF CUPERTINO
Notes to Basic Financial Statements
For the Year Ended June 30, 2015

NOTE 2 – CASH AND INVESTMENTS (Continued)

(c) Authorized Investments by the City

The City's Investment Policy and the California Government Code allow the City to invest its pooled idle funds in the following, under limits and provisions that address interest rate risk, credit risk, and concentration of credit risk. 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 \$50 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	N/A	40%	None
Commercial Paper	270 days	A-1+/P-1	25%	10% of portfolio; 5% of issuer's net worth; 10% of outstanding paper of issuer. **
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	30%	10% of portfolio; 5% of issuer's net worth. **
Money market mutual funds investing in U.S. Treasury, Government Agency securities or repurchase agreements collateralized by U.S. Treasury or Government Agency securities	5 years	Aaa/AAA	20%	None

* Securities issued by agencies of the federal government such as the Government National Mortgage Association (GNMA), the Federal Farm Credit System (FFCB), the Federal Home Loan Bank (FHLB), the Federal National Mortgage Association (FNMA), the Student Loan Marketing Association (SLMA), and the Federal Home Loan Mortgage Association (FHLMC).

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

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

CITY OF CUPERTINO
Notes to Basic Financial Statements
For the Year Ended June 30, 2015

NOTE 2 – CASH AND INVESTMENTS (Continued)

(d) Authorized Investments 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 AAAM-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 \$50 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

CITY OF CUPERTINO
Notes to Basic Financial Statements
For the Year Ended June 30, 2015

NOTE 2 – CASH AND INVESTMENTS (Continued)

(e) 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.

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

<u>Investment Type</u>	<u>12 Months or less</u>	<u>13 to 24 Months</u>	<u>More than 24 Months</u>	<u>Total</u>
U.S. Treasury Securities	\$9,045,160	\$12,063,600	\$4,969,210	\$26,077,970
U.S. Agency Notes	28,155,600	10,074,690	26,037,270	64,267,560
Local Agency Investment Fund	34,491,965			34,491,965
Money Market Mutual Funds	4,363,252			4,363,252
Total Investments	<u>\$76,055,977</u>	<u>\$22,138,290</u>	<u>\$31,006,480</u>	129,200,747
Cash in banks and on hand				<u>2,214,638</u>
Total Cash and Investments				<u>\$131,415,385</u>

The City is a participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The Local Investment Advisory Board (Board) has oversight responsibility for LAIF. The Board consists of five members as designated by State Statute. The City reports its investment in LAIF at the fair value amount provided by LAIF, which is the same as the value of the pool share. The balance is available for withdrawal on demand, and is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Included in LAIF's investment portfolio are U.S. Treasuries, Federal Agency obligations, time deposits, negotiable certificates of deposits, commercial paper, corporate bonds, and security loans. These investments had weighted average maturity of 239 days.

Money market mutual funds are available for withdrawal on demand. At June 30, 2015, money market mutual funds, used for pooled investment and held by fiscal agent purposes, had a weighted average maturity of approximately 41 days.

CITY OF CUPERTINO
Notes to Basic Financial Statements
For the Year Ended June 30, 2015

NOTE 2 – CASH AND INVESTMENTS (Continued)

(f) Credit Risk

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 actual rating as of June 30, 2015 for each investment type, including those with fiscal agents, as provided by Moody's ratings:

Investment Type	Ratings	Total
Money Market Mutual Funds	AAA	\$4,363,252
U.S. Agency Notes	AAA	64,267,560
Exempt from Credit Rating Disclosure:		
U.S. Treasury Securities	Exempt	26,077,970
Not Rated:		
Local Agency Investment Fund	Not Rated	<u>34,491,965</u>
Total Investments		<u><u>\$129,200,747</u></u>

(g) Concentration of Credit Risk

The City's investment policy contains certain limitations on the amount that can be invested in any one issuer. In certain categories, these limitations are more restrictive than those required by California Government Code Sections 53600 et seq. Excluding those issued or explicitly guaranteed by the U.S. government and investments in the local agency investment fund and mutual funds, the City had the following investments that represent 5% or more of total City-wide investments:

Issuer	Investment Type	2015
Federal Home Loan Mortgage Corporation (FHLMC)	U.S. Agency Notes	\$15,037,930
Federal National Mortgage Association (FNMA)	U.S. Agency Notes	16,068,150
Federal Home Loan Banks (FHLB)	U.S. Agency Notes	17,118,680
Federal Farm Credit Banks (FFCB)	U.S. Agency Notes	14,033,440

CITY OF CUPERTINO
Notes to Basic Financial Statements
For the Year Ended June 30, 2015

NOTE 3 – LOANS RECEIVABLE

(a) *Related Party Loans*

In conjunction with the City's executive housing assistance program, a loan totaling \$584,360 has been provided to an executive manager. The 40-year loan bears an interest rate equal to the 11th District Cost of Funds at the time of the loan, and requires bi-weekly principal and interest payments. In addition, there is a two percent deferral on the interest rate for the first five years of the loan, at which time the interest rate may be adjusted to the current 11th District Cost of Funds for the remainder of the loan. At June 30, 2015, the balance remaining on the loan was \$413,959.

(b) *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. At June 30, 2015, the balance remaining on the loan was \$821,000.

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. At June 30, 2015, the balance on the loan was \$217,168.

In addition to these loans, the City has \$93,869 in housing and other loans receivable at June 30, 2015. These loans bear interest at 3 to 6 percent and are due by June 30, 2025.

CITY OF CUPERTINO
Notes to the Basic Financial Statements
For the Year Ended June 30, 2015

NOTE 4 - INTERFUND TRANSACTIONS

Transfers between funds during the fiscal year ended June 30, 2015 were as follows:

Fund Making Transfers	Fund Receiving Transfers	Amount Transferred
General Fund	Transportation Special Revenue Fund	\$18,273,354 (A)
	Public Facilities Corporation Debt Service Fund	3,171,840 (A)
	Capital Improvement Projects Capital Projects Fund	15,184,800 (A)
	Non-major Governmental Funds	1,793,004 (A), (B)
	Blackberry Farm Enterprise Fund	113,652 (C)
	Internal Service Funds	640,634 (D)
Recreation Programs Enterprise Fund	Capital Improvement Projects Capital Projects Fund	985,992 (A)
Total Interfund Transfers		<u>\$40,163,276</u>

The reasons for these transfers are set forth below:

- (A) To fund capital projects.
- (B) For annual lease payment for 2012 Certificates of Participation debt service.
- (C) To fund the Golf Course Master Plan and cover increasing costs and declining revenues.
- (D) To fund retiree medical, support IT operations, and equipment replacement.

Current Interfund Balances – Current interfund balances arise in the normal course of business and are expected to be repaid shortly after the end of the fiscal year. At June 30, 2015, the Retiree Medical Internal Service Fund owed the General Fund \$450,220.

CITY OF CUPERTINO
Notes to the Basic Financial Statements
For the Year Ended June 30, 2015

NOTE 5 - CAPITAL ASSETS

A summary of changes in governmental activities capital assets is as follows:

	Balance at June 30, 2014	Additions	Retirements	Transfers	Balance at June 30, 2015
Governmental activities					
Capital assets not being depreciated:					
Land	\$62,045,969				\$62,045,969
Easements	19,491,959				19,491,959
Construction in progress		\$197,363			197,363
Total capital assets not being depreciated	81,537,928	197,363			81,735,291
Capital assets being depreciated:					
Buildings	41,033,884	\$3,301,684			44,335,568
Improvements other than buildings	45,998,538		(\$98,511)		45,900,027
Machinery and Equipment - governmental funds	2,192,776	465,715	(51,935)		2,606,556
Road, curbs, gutters, sidewalks, medians and bridges	133,165,971	9,427,410	(285,243)		142,308,138
Streetlights	8,633,769				8,633,769
Storm drain structure and mains	32,085,982				32,085,982
Traffic signals	6,155,309				6,155,309
Total capital assets being depreciated	269,266,229	13,194,809	(435,689)		282,025,349
Less accumulated depreciation for:					
Buildings	(21,340,850)	(1,550,126)			(22,890,976)
Improvements other than buildings	(28,350,562)	(1,757,581)	98,511		(30,009,632)
Machinery and Equipment - governmental funds	(1,908,511)	(115,224)	51,935		(1,971,800)
Road, curbs, gutters, sidewalks, medians and bridges	(97,795,976)	(1,699,422)	186,882		(99,308,516)
Streetlights	(6,810,995)	(102,195)			(6,913,190)
Storm drain structure and mains	(29,013,293)	(800,286)			(29,813,579)
Traffic signals	(5,037,864)	(102,246)			(5,140,110)
Total accumulated depreciation	(190,258,051)	(6,127,080)	337,328		(196,047,803)
Net general governmental program					
Capital assets being depreciated	79,008,178	7,067,729	(98,361)		85,977,546
Internal service fund capital assets					
Machinery and equipment	6,982,659	788,272			7,770,931
Less Accumulated depreciation	(5,467,542)	(665,549)			(6,133,091)
Net internal service fund capital assets					
being depreciated	1,515,117	122,723			1,637,840
Governmental activity capital assets, net	\$162,061,223	\$7,387,815	(\$98,361)		\$169,350,677

During the fiscal year ended June 30, 2015 the City sold a parcel of the road with a net book value of \$98,360. The amount of proceeds from the sale of the road was \$23,814,257.

CITY OF CUPERTINO
Notes to the Basic Financial Statements
For the Year Ended June 30, 2015

NOTE 5 - CAPITAL ASSETS (Continued)

A summary of changes in business-type activities capital assets is as follows:

	Balance at June 30, 2014	Additions	Retirements	Balance at June 30, 2015
<i>Business-type activities:</i>				
Capital assets being depreciated:				
Buildings	\$381,156	\$300,758		\$681,914
Improvements other than buildings	1,166,599	878,308		2,044,907
Machinery and Equipment	248,524	13,846		262,370
Total capital assets being depreciated	<u>1,796,279</u>	<u>1,192,912</u>		<u>2,989,191</u>
Less accumulated depreciation for:				
Buildings	(128,575)	(37,388)		(165,963)
Improvements other than buildings	(320,510)	(174,635)		(495,145)
Machinery and Equipment	(236,780)	(11,742)		(248,522)
Total accumulated depreciation	<u>(685,865)</u>	<u>(223,765)</u>		<u>(909,630)</u>
Total capital assets, being depreciated, net	<u>1,110,414</u>	<u>969,147</u>		<u>2,079,561</u>
Business-type activity capital assets, net	<u>\$1,110,414</u>	<u>\$969,147</u>		<u>\$2,079,561</u>

Depreciation expense was charged to functions and programs based on their usage of the related assets.

Depreciation expense was charged to governmental activities as follows:

Governmental Activities	Amount
Administration	\$250,182
Public and environment affairs	13,618
Administrative Services	24,080
Parks and Recreation	137,108
Public Works	5,702,092
Internal Service funds	665,549
Total	<u>\$6,792,629</u>

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

Business-Type Activities	Amount
Resources Recovery	\$3,351
Blackberry Farms	13,175
Cupertino Sports Center	34,957
Recreation Program	172,282
Total	<u>\$223,765</u>

CITY OF CUPERTINO
Notes to the Basic Financial Statements
For the Year Ended June 30, 2015

NOTE 6 - LONG-TERM DEBT

(a) *Cupertino Public Facilities Corporation Certificates of Participation*

	Original Issue Amount	Balance June 30, 2014	Retirements	Balance June 30, 2015	Current Portion
2012 Refinancing Certificates of Participation					
0.350-3.125%, due 07/01/2030	\$43,940,000	<u>\$39,980,000</u>	<u>\$2,055,000</u>	<u>\$37,925,000</u>	<u>\$2,090,000</u>
Total long-term debt		<u>39,980,000</u>	<u>2,055,000</u>	<u>37,925,000</u>	<u>\$2,090,000</u>
Less current portions		<u>(2,055,000)</u>		<u>(2,090,000)</u>	
Non-current portions		<u>\$37,925,000</u>	<u>\$2,055,000</u>	<u>\$35,835,000</u>	

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 are scheduled to be sufficient in both time and amount, when the principal and interest of the certificates are due.

On October 1, 2002, \$56,640,000 principal amount of 2002 Refinancing and Capital Improvement Project Certificates of Participation (2002 COPs), were issued to finance the costs of acquiring and constructing a new public library and to refund the 1992A COPs, the 1992B COPs and the 1993A COPs ("Prior COPs").

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. This current refunding was undertaken to recue debt service payments over the next 18 years by \$6,518,000, and resulted in an economic gain (difference between the present value of the debt service requirements on the old and new bonds discounted at the effective interest rate on the new debt and adjusted for any additional cash) of \$6,637,000.

The 2012 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 2012 COPs is \$47,555,861 payable through July 1, 2030. For the year ended June 30, 2015, the bonds had \$2,055,000 principal and \$1,118,638 interest due.

CITY OF CUPERTINO
Notes to the Basic Financial Statements
For the Year Ended June 30, 2015

NOTE 6 - LONG-TERM DEBT (Continued)

(a) *Cupertino Public Facilities Corporation Certificates of Participation (Continued)*

Annual debt service requirements for the 2012 COPs are shown below:

For the Year Ending June 30	Governmental Activities	
	Principal	Interest
2016	\$2,090,000	\$1,077,538
2017	2,135,000	1,035,738
2018	2,180,000	993,038
2019	2,220,000	949,438
2020	2,290,000	882,838
2021 - 2025	12,510,000	3,342,588
2026 - 2030	14,500,000	1,349,683
Total	\$37,925,000	\$9,630,861

NOTE 7 - NET POSITION AND FUND BALANCES

Net Position is measured on the full accrual basis while Fund Balance is measured on the modified accrual basis.

Net Position – The government-wide and proprietary fund financial statements utilize a net position presentation. Net position is categorized as follows:

Net investment in capital assets – This category groups all capital assets including, infrastructure, into one component of net position. Accumulated depreciation and outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce the balance in this category.

CITY OF CUPERTINO
Notes to the Basic Financial Statements
For the Year Ended June 30, 2015

NOTE 7 - NET POSITION AND FUND BALANCES (Continued)

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.”

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.

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.

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.

CITY OF CUPERTINO
Notes to the Basic Financial Statements
For the Year Ended June 30, 2015

NOTE 7 - NET POSITION AND FUND BALANCES (Continued)

Fund balances for all major and nonmajor governmental funds as of June 30, 2015, were distributed as follows:

	General	Transportation	Housing Development	Public Facilities Corporation	Capital Improvements Projects	Other Governmental Funds	Total
Nonspendable:							
Loans receivable	\$886,148						\$886,148
Prepaid items	52,097						52,097
Subtotal	<u>938,245</u>						<u>938,245</u>
Restricted for:							
Public access television	761,653						761,653
Debt service				\$1,594,191			1,594,191
Storm drain system						\$4,277,055	4,277,055
Parks and open space						8,915,973	8,915,973
Environmental management						436,991	436,991
Streets and road projects		\$9,457,439					9,457,439
Housing programs			\$12,884,403				12,884,403
Subtotal	<u>761,653</u>	<u>9,457,439</u>	<u>12,884,403</u>	<u>1,594,191</u>		<u>13,630,019</u>	<u>38,327,705</u>
Committed for:							
Streets and road projects		1,398,665					1,398,665
Assigned to:							
Economic uncertainty I	18,000,000						18,000,000
Economic fluctuation	1,400,000						1,400,000
PERS liability	100,000						100,000
CIP studies (280/Wolfe)	1,250,000						1,250,000
Capital projects	8,099,679				20,375,343	295,773	28,770,795
Subtotal	<u>28,849,679</u>				<u>20,375,343</u>	<u>295,773</u>	<u>49,520,795</u>
Unassigned	<u>11,301,702</u>						<u>11,301,702</u>
Total	<u>\$41,851,279</u>	<u>\$10,856,104</u>	<u>\$12,884,403</u>	<u>\$1,594,191</u>	<u>\$20,375,343</u>	<u>\$13,925,792</u>	<u>\$101,487,112</u>

CITY OF CUPERTINO
Notes to the Basic Financial Statements
For the Year Ended June 30, 2015

NOTE 8 - COMMITMENTS AND CONTINGENCIES

(a) Federal and State Grant

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, 2015, have yet to be conducted. The amount, if any, of expenditures that may be disallowed by the granting agencies cannot be determined at this time. Management believes that such disallowances, if any, would not have a material effect on the financial statements.

(b) Encumbrances

The City uses encumbrances to control expenditure commitments for the year. Encumbrances represent commitments related to executor contracts not yet performed and purchase orders not yet filled. Commitments for such expenditure of monies are encumbered to reserve a portion of applicable appropriations. Encumbrances still open at year end are not accounted for as expenditures and liabilities, but as restricted, or unassigned fund balance. As of June 30, 2015, the City had the following encumbrances outstanding:

Governmental Funds:	
General Fund	\$7,000,976
Transportation Special Revenue Fund	5,999,490
Capital Improvements Project Capital Projects Fund	1,052,810
Other Governmental Funds	<u>3,436,730</u>
Total encumbrances	<u><u>\$17,490,006</u></u>

(c) Lease Agreement with County of Santa Clara

The City has an agreement, expiring in 2019, to lease a building to the County of Santa Clara for the purpose of providing library service to the City's residents. The lease requires a minimum annual payment of \$120,000 adjusted for Cupertino's portion of book circulation and increase of assessed valuation. This is an operating lease with a renewable option. At June 30, 2015, the cost and carrying value of the building which opened in October 2004, is \$21,952,133 and \$13,172,523 respectively, with \$8,779,610 in accumulated depreciation.

(d) Consulting Agreement for Sales Taxes

The City entered into agreements 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.

CITY OF CUPERTINO
Notes to the Basic Financial Statements
For the Year Ended June 30, 2015

NOTE 9 - LIABILITIES UNDER SELF-INSURANCE AND RISK MANAGEMENT

(a) *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 Association of Bay Area Governments Pooled Liability Assurance Network (ABAG PLAN). The risk pool consists of 30 agencies within the San Francisco Bay Area. The stated purpose of the ABAG PLAN is to provide certain levels of liability insurance coverage, claims management, risk management services, and legal defense to its participating members. ABAG PLAN is governed by a Board of Directors, which comprises officials appointed by each participating member. Premiums paid to ABAG are subject to possible refund based on the results of actuarial studies and approval by the Board of Directors. Complete financial statements for ABAG PLAN may be obtained from their offices at the following address: ABAG PLAN, Finance Department, P.O. Box 2050, Oakland, CA 94604. Premiums are revised each year based on the City's claims experience and risk exposure. For the year ended June 30, 2015, the City paid ABAG PLAN premiums of \$299,414.

(b) *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 EIA 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, 2015, the City paid premiums of \$156,458.

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%, annual rate of return of 2%, claim severity increase at 2.5% were assumed. In the current year, management used actuarial estimates based on a 90% confidence level.

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

CITY OF CUPERTINO
Notes to the Basic Financial Statements
For the Year Ended June 30, 2015

NOTE 9 - LIABILITIES UNDER SELF-INSURANCE AND RISK MANAGEMENT (Continued)

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

	2015	2014
Claims liability, beginning of year	\$2,105,897	\$1,977,549
Incurred claims and changes in estimate	393,051	345,383
Claim payments and credits	(308,869)	(217,035)
Total claims liability, end of year	2,190,079	2,105,897
Less current portion	(456,451)	(478,051)
Non-current portion	\$1,733,628	\$1,627,846

NOTE 10 - DEFINED BENEFIT PENSION PLAN

(a) General Information about the Pension Plans

Plan Descriptions – All qualified permanent and probationary employees are eligible to participate in the City's Miscellaneous Plans, agent multiple-employer defined benefit pension plans administered by the California Public Employees' Retirement System (CalPERS), which acts as a common investment and administrative agent for its participating member employers. Benefit provisions under the Plans are established by State statute and City resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Benefits 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 death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

Assembly Bill 340 (AB340) created the Public Employees' Pension Reform Act (PEPRA) that implemented new benefit formulas and final compensation periods, as well as new contribution requirements for new employees hired on or after January 1, 2013, who meet the definition of a new member under PEPRA.

The Plans' provisions and benefits in effect at June 30, 2015, are summarized as follows:

CITY OF CUPERTINO
Notes to the Basic Financial Statements
For the Year Ended June 30, 2015

NOTE 10 - DEFINED BENEFIT PENSION PLAN (Continued)

	Prior to January 1, 2013	On or after January 1, 2013
Hire date		
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%	6.25%
Required employer contribution rates	21.777%	21.777%

Employees Covered – At June 30, 2015, the following employees were covered by the benefit terms for the Plan:

Inactive employees or beneficiaries currently receiving benefits	166
Inactive employees entitled to but not yet receiving benefits	97
Active employees	183
Total	446

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

The City’s net pension liability for each Plan is measured as the total pension liability, less the pension plan’s fiduciary net position. The net pension liability of each of the Plans is measured as of June 30, 2014, using an annual actuarial valuation as of June 30, 2013 rolled forward to June 30, 2014 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

Actuarial Assumptions – The total pension liabilities in the June 30, 2013 actuarial valuations were determined using the following actuarial assumptions:

CITY OF CUPERTINO
Notes to the Basic Financial Statements
For the Year Ended June 30, 2015

NOTE 10 - DEFINED BENEFIT PENSION PLAN (Continued)

Valuation Date	June 30, 2013
Measurement Date	June 30, 2014
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.5%
Inflation	2.75%
Payroll Growth	3.0%
Projected Salary Increase	Varies by Entry Age and Service
Investment Rate of Return	7.5% (1)
	Derived using CalPERS' Membership
Mortality	Data for all Funds

(1) Net of pension plan investment expenses, including inflation

The underlying mortality assumptions and other actuarial assumptions used in the June 30, 2013 valuation were based on the results of a January 2014 actuarial experience study for the period 1997 to 2011, including updates to salary increase, mortality and retirement rates. Further details of the Experience Study can be found on the CalPERS website under Forms and Publications.

Discount Rate – The discount rate used to measure the total pension liability was 7.50% for each Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.50 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.50 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50 percent investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65 percent. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability. CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management (ALM) review cycle that is scheduled to be completed in February 2018. Any changes to the discount rate will require Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the 2017-18 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time as they have changed their methodology.

The long-term expected rate of return on pension 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 pension plan investment expense and inflation) are developed for each major asset class.

CITY OF CUPERTINO
Notes to the Basic Financial Statements
For the Year Ended June 30, 2015

NOTE 10 - DEFINED BENEFIT PENSION PLAN (Continued)

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent.

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These rates of return are net of administrative expenses.

Asset Class	New Strategic Allocation	Real Return Years 1 - 10(a)	Real Return Years 11+(b)
Global Equity	47.0%	5.25%	5.71%
Global Fixed Income	19.0%	0.99%	2.43%
Inflation Sensitive	6.0%	0.45%	3.36%
Private Equity	12.0%	6.83%	6.95%
Real Estate	11.0%	4.50%	5.13%
Infrastructure and Forestland	3.0%	4.50%	5.09%
Liquidity	2.0%	-0.55%	-1.05%
Total	<u>100%</u>		

(a) An expected inflation of 2.5% used for this period.

(b) An expected inflation of 3.0% used for this period.

CITY OF CUPERTINO
Notes to the Basic Financial Statements
For the Year Ended June 30, 2015

NOTE 10 - DEFINED BENEFIT PENSION PLAN (Continued)

(c) Changes in the Net Pension Liability

The changes in the Net Pension Liability for the Plan follows:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
Balance at June 30, 2013	\$98,922,931	\$65,566,067	\$33,356,864
Changes in the year:			
Service cost	2,504,228		2,504,228
Interest on the total pension liability	7,349,943		7,349,943
Differences between actual and expected experience			
Changes in assumptions			
Changes in benefit terms			
Contribution - employer		2,891,986	(2,891,986)
Contribution - employee		1,061,884	(1,061,884)
Net investment income		11,379,985	(11,379,985)
Administrative expenses			
Benefit payments, including refunds of employee contributions	(4,351,614)	(4,351,614)	
Net changes	<u>5,502,557</u>	<u>10,982,241</u>	<u>(5,479,684)</u>
Balance at June 30, 2014	<u>\$104,425,488</u>	<u>\$76,548,308</u>	<u>\$27,877,180</u>

Sensitivity of the Net Pension Liability to Changes in the Discount Rate – The following presents the net pension liability of the City, calculated using the discount rate for the Plan, as well as what the City’s net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	Miscellaneous
1% Decrease	6.50%
Net Pension Liability	\$41,439,682
Current Discount Rate	7.50%
Net Pension Liability	\$27,877,180
1% Increase	8.50%
Net Pension Liability	\$16,587,175

Pension Plan Fiduciary Net Position – Detailed information about each pension plan’s fiduciary net position is available in the separately issued CalPERS financial reports.

CITY OF CUPERTINO
Notes to the Basic Financial Statements
For the Year Ended June 30, 2015

NOTE 10 - DEFINED BENEFIT PENSION PLAN (Continued)

(d) Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

For the year ended June 30, 2015, the City recognized pension expense of \$2,764,016. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$3,902,861	\$0
Differences between actual and expected experience	0	0
Changes in assumptions	0	0
Net differences between projected and actual earnings on plan investments	0	(\$5,200,539)
Total	\$3,902,861	(\$5,200,539)

The \$3,902,861 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 ended June 30, 2016. Other amounts reported as deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30	Deferred Inflows of Resources
2015	(\$1,300,135)
2016	(1,300,135)
2017	(1,300,135)
2018	(1,300,134)

NOTE 11 - OTHER POST EMPLOYMENT BENEFITS (OPEB)

(a) 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.

CITY OF CUPERTINO
Notes to the Basic Financial Statements
For the Year Ended June 30, 2015

NOTE 11 - OTHER POST EMPLOYMENT BENEFITS (OPEB) (Continued)

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 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.

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.

(b) Funding Policy

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. The City has expressed intent to fully fund the annual required contribution (ARC) each year. Based on the actuarial valuation date of January 1, 2015, the annual required contribution rate is 11.04% of annual covered payroll. For the year ended June 30, 2015, the City contributed \$8,000,000 to pre-fund the PARS Trust and paid \$802,056 in healthcare premium payments.

CITY OF CUPERTINO
Notes to the Basic Financial Statements
For the Year Ended June 30, 2015

NOTE 11 - OTHER POST EMPLOYMENT BENEFITS (OPEB) (Continued)

(c) Annual OPEB Cost and Funded Status

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of certain events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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 January 1, 2015 actuarial valuation include the following:

Valuation date:	January 1, 2015
Actuarial Cost Method:	Entry Age Normal
Amortization Method:	Level percent of pay close
Amortization Period:	14 year
Asset Valuation Method:	Market value
Actuarial Assumptions:	
Discount Rate	3.00%
Payroll Growth	7.00%
Ultimate Rate of Medical Inflation:	4.50%

CITY OF CUPERTINO
Notes to the Basic Financial Statements
For the Year Ended June 30, 2015

NOTE 11 - OTHER POST EMPLOYMENT BENEFITS (OPEB) (Continued)

(c) Annual OPEB Cost and Funded Status (Continued)

The City's annual OPEB cost and actual contributions to the OPEB Plan for the past three years are as follows:

Fiscal Year	OPEB Annual Cost (AOC)	Actual Contribution	Percentage of AOC Contributed	Net OPEB Obligation (Asset)
6/30/2013	\$2,214,719	\$2,186,661	99%	(\$4,259,897)
6/30/2014	2,295,732	1,026,967	45%	(2,991,132)
6/30/2015	1,584,785	9,088,056	573%	(10,494,403)

The City's Net OPEB asset is recorded in the Retiree Medical Internal Service Fund and is calculated as of June 30, 2015 as follows:

Annual required contribution	\$1,523,675
Interest on prior year net OPEB asset	(209,379)
Adjustment to annual required contribution	270,489
Annual OPEB cost	<u>1,584,785</u>
Insurance premiums paid on behalf of retirees	(802,056)
Additional contribution to trust	(8,000,000)
Implicit subsidy	<u>(286,000)</u>
Increase in net OPEB asset	(7,503,271)
Net OPEB (asset) June 30, 2014	<u>(2,991,132)</u>
Net OPEB (asset) June 30, 2015	<u><u>(\$10,494,403)</u></u>

The latest available actuarial data and funding progress are set forth below at their actuarial valuation date of January 1, 2015.

Actuarial accrued liability (AAL)	\$23,370,871
Actuarial value of planned assets	<u>(14,770,023)</u>
Unfunded actuarial accrued liability (UAAL)	<u><u>\$8,600,848</u></u>
Funded Ratio (actuarial value of plan assets/AAL)	63.20%
Covered payroll (active plan members)	\$13,800,000
UAAL as a percentage of covered payroll	62.32%

CITY OF CUPERTINO
Notes to the Basic Financial Statements
For the Year Ended June 30, 2015

NOTE 12 – CONCENTRATION RISK

The City has an economic dependency on revenues generated directly or indirectly from one company. For the year ended June 30, 2015, more than 10% 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.

CITY OF CUPERTINO
 Required Supplementary Information (Unaudited)
 For the Year Ended June 30, 2015

Agent Multiple Employer Defined Benefit Retirement Plan - Miscellaneous Plan
 As of fiscal year ending June 30, 2015
 Last 10 Years*

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS

Measurement Date	<u>6/30/2014</u>
Total Pension Liability	
Service Cost	\$ 2,504,228
Interest	7,349,943
Changes of benefit terms	
Differences between expected and actual experience	
Changes in assumptions	
Benefit payments, including refunds of employee contributions	(4,351,614)
Net change in total pension liability	<u>5,502,557</u>
Total pension liability - beginning	<u>98,922,931</u>
Total pension liability - ending (a)	\$ 104,425,488
Plan fiduciary net position	
Contributions - employer	\$ 2,891,986
Contributions - employee	1,061,884
Net investment income	11,379,985
Benefit payments, including refunds of employee contributions	(4,351,614)
Net change in plan fiduciary net position	10,982,241
Plan fiduciary net position - beginning	65,566,067
Plan fiduciary net position - ending (b)	\$ 76,548,308
Net pension liability - ending (a)-(b)	\$ 27,877,180
Plan fiduciary net position as a percentage of the total pension liability	73.30%
Covered - employee payroll	\$ 13,080,327
Net pension liability as percentage of covered-employee payroll	213.12%

Notes to Schedule:

Benefit changes. In 2015, benefit terms were modified to base public safety employee pensions on a final three-year average salary instead of a final five-year average salary.

Changes in assumptions. In 2015, amounts reported as changes in assumptions resulted primarily from adjustments to expected retirement ages of general employees.

* - Fiscal year 2015 was the 1st year of implementation, therefore only one year is shown.

Source: CalPERS Accounting Valuation

CITY OF CUPERTINO
 Required Supplementary Information (Unaudited)
 For the Year Ended June 30, 2015

Agent Multiple Employer Defined Benefit Retirement Plan - Miscellaneous Plan
As of fiscal year ending June 30, 2015
Last 10 Years*

SCHEDULE OF CONTRIBUTIONS

	2015
Actuarially determined contribution	\$ 3,608,853
Contributions in relation to the actuarially determined contributions	(3,608,853)
Contribution deficiency (excess)	\$ -
Covered-employee payroll	\$ 13,080,327
Contributions as a percentage of covered-employee payroll	27.59%

Notes to Schedule

Valuation date: 6/30/2013

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	20 Years as of the Valuation Date
Asset valuation method	15 Year Smoothed Market
Inflation	2.75%
Salary increases	3%
Investment rate of return	7.75%, net of pension plan investment expense, including
Retirement age	The probabilities of Retirement are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007.
Mortality	The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and Post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.

* - Fiscal year 2015 was the 1st year of implementation, therefore only one year is shown.

Source: CalPERS Accounting Valuation

CITY OF CUPERTINO
 Required Supplementary Information (Unaudited)
 For the Year Ended June 30, 2015

Schedule of Funding Progress – Defined Benefit Other Post-Employment Benefits Plan:

Actuarial Valuation Date	Actuarial Accrued Liability Entry Age	Actuarial Value of Assets	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded Actuarial Liability as Percentage of Covered Payroll
1/1/2011	\$20,869,058	\$7,438,341	\$13,430,717	35.64%	\$12,724,000	105.55%
1/1/2013	24,791,457	12,835,681	11,955,776	51.77%	13,909,000	85.96%
1/1/2015	23,370,871	14,770,023	8,600,848	63.20%	13,800,000	62.32%

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<p style="text-align: center;">MAJOR GOVERNMENTAL FUNDS OTHER THAN THE GENERAL FUND AND SPECIAL REVENUE FUNDS</p>
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This section is provided for the presentation of budget-to-actual statements for the Public Facilities Corporation Debt Service Fund. Although the fund is considered to be a major government fund, budget-to-actual information in the basic financial statements 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. The Capital Projects Funds are budgeted on a major project length basis and therefore not comparable on an annual basis.

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.

CITY OF CUPERTINO
PUBLIC FACILITIES CORPORATION DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015

	Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Use of money and property		\$792	\$792
Total Revenues		792	792
EXPENDITURES			
Debt service:			
Principal	\$3,171,838	2,055,000	1,116,838
Interest and fiscal charges		1,120,138	(1,120,138)
Total Expenditures	3,171,838	3,175,138	(3,300)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(3,171,838)	(3,174,346)	(2,508)
OTHER FINANCING SOURCES (USES)			
Transfers in	3,171,838	3,171,840	2
Total Other Financing Sources (Uses)	3,171,838	3,171,840	2
NET CHANGE IN FUND BALANCE		(2,506)	(\$2,506)
BEGINNING FUND BALANCE		1,596,697	
ENDING FUND BALANCE		\$1,594,191	

NON-MAJOR GOVERNMENTAL 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 – Accounts for the construction and maintenance of storm drain facilities including drainage and sanitary sewer facilities. Revenues were collected from developers as a result of connections to the storm drainage sewer system.

Park Dedication – 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 / Clean Creeks – Accounts for all activities related to operating the non-point source pollution program. A parcel tax provides revenues.

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

Stevens Creek Corridor Park Capital Projects Fund – Accounts for the design and construction of the Stevens Creek Corridor Park projects.

Don Burnett Bicycle-Pedestrian Bridge – Accounts for the design and construction of a bicycle footbridge extension of Mary Avenue over Interstate 280. It includes gateways, paths, residential buffering elements, and landscaping.

CITY OF CUPERTINO
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2015

	<u>SPECIAL REVENUE FUNDS</u>			<u>CAPITAL PROJECTS FUNDS</u>
	<u>Storm Drain Improvement</u>	<u>Park Dedication</u>	<u>Environmental Management/ Clean Creeks</u>	<u>Stevens Creek Corridor Park</u>
Assets				
Cash and investments	\$4,314,777	\$8,915,973	\$443,554	\$454,442
Accounts receivable			600	
Total assets	<u>\$4,314,777</u>	<u>\$8,915,973</u>	<u>\$444,154</u>	<u>\$454,442</u>
Liabilities				
Accounts payable and accruals	\$37,722		\$378	\$164,043
Accrued payroll and benefits			6,785	
Total liabilities	<u>37,722</u>		<u>7,163</u>	<u>164,043</u>
Fund balances				
Restricted	4,277,055	\$8,915,973	436,991	
Assigned				290,399
Total fund balances	<u>4,277,055</u>	<u>8,915,973</u>	<u>436,991</u>	<u>290,399</u>
Total liabilities and fund balances	<u>\$4,314,777</u>	<u>\$8,915,973</u>	<u>\$444,154</u>	<u>\$454,442</u>

CAPITAL
PROJECTS
FUNDS

Don Burnett Bicycle Pedestrian Bridge	Total Nonmajor Governmental Funds
\$5,374	\$14,134,120 600
<u>\$5,374</u>	<u>\$14,134,720</u>
	\$202,143 6,785
	<u>208,928</u>
<u>\$5,374</u>	13,630,019 295,773
<u>5,374</u>	<u>13,925,792</u>
<u>\$5,374</u>	<u>\$14,134,720</u>

CITY OF CUPERTINO
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2015

	SPECIAL REVENUE FUNDS			CAPITAL PROJECTS FUNDS
	Storm Drain Improvement	Park Dedication	Environmental Management/ Clean Creeks	Stevens Creek Corridor Pak
REVENUES				
Taxes	\$144,551	\$329,500		
Use of money and property	16,640	38,339	\$666	
Intergovernmental				\$2,693,600
Charges for services		14,846	368,169	
Fines and forfeitures			2,724	
Other revenue			500	
Total Revenues	<u>161,191</u>	<u>382,685</u>	<u>372,059</u>	<u>2,693,600</u>
EXPENDITURES				
Current:				
Public works	1,920		456,937	
Capital outlay	<u>218,846</u>			<u>122,240</u>
Total Expenditures	<u>220,766</u>		<u>456,937</u>	<u>122,240</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(59,575)</u>	<u>382,685</u>	<u>(84,878)</u>	<u>2,571,360</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>1,635,000</u>		<u>158,004</u>	
Total Other Financing Sources (Uses)	<u>1,635,000</u>		<u>158,004</u>	
NET CHANGE IN FUND BALANCES	1,575,425	382,685	73,126	2,571,360
BEGINNING FUND BALANCES (DEFICITS)	<u>2,701,630</u>	<u>8,533,288</u>	<u>363,865</u>	<u>(2,280,961)</u>
ENDING FUND BALANCES	<u>\$4,277,055</u>	<u>\$8,915,973</u>	<u>\$436,991</u>	<u>\$290,399</u>

CAPITAL
PROJECTS
FUNDS

Don Burnett Bicycle Pedestrian Bridge	Total Nonmajor Governmental Funds
	\$474,051
	55,645
	2,693,600
	383,015
	2,724
	500
	<u>3,609,535</u>
	458,857
	<u>341,086</u>
	799,943
	<u>2,809,592</u>
	1,793,004
	<u>1,793,004</u>
	4,602,596
\$5,374	<u>9,323,196</u>
<u>\$5,374</u>	<u>\$13,925,792</u>

CITY OF CUPERTINO
 BUDGETED NON-MAJOR FUNDS
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2015

SPECIAL REVENUE FUNDS						
	STORM DRAIN IMPROVEMENT			PARK DEDICATION		
	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
REVENUES						
Taxes	\$100,000	\$144,551	\$44,551	\$200,000	\$329,500	\$129,500
Use of money and property	2,000	16,640	14,640	1,000	38,339	37,339
Charges for services					14,846	
Fines for forfeitures						
Other revenue						
Total Revenues	<u>102,000</u>	<u>161,191</u>	<u>59,191</u>	<u>201,000</u>	<u>382,685</u>	<u>166,839</u>
EXPENDITURES						
Current:						
Public works		1,920	(1,920)			
Capital outlay	<u>124,553</u>	<u>218,846</u>	<u>(94,293)</u>			
Total Expenditures	<u>124,553</u>	<u>220,766</u>	<u>(96,213)</u>			
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(22,553)</u>	<u>(59,575)</u>	<u>(37,022)</u>	<u>201,000</u>	<u>382,685</u>	<u>181,685</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	<u>1,635,000</u>	<u>1,635,000</u>				
Total Other Financing Sources (Uses)	<u>1,635,000</u>	<u>1,635,000</u>				
NET CHANGE IN FUND BALANCES	<u>\$1,612,447</u>	<u>1,575,425</u>	<u>(\$37,022)</u>	<u>\$201,000</u>	<u>382,685</u>	<u>\$181,685</u>
BEGINNING FUND BALANCES		<u>2,701,630</u>			<u>8,533,288</u>	
ENDING FUND BALANCES		<u>\$4,277,055</u>			<u>\$8,915,973</u>	

SPECIAL REVENUE FUND

ENVIRONMENTAL MANAGEMENT/
CLEAN CREEKS

<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
\$1,000	\$666	(\$334)
365,000	368,169	3,169
	2,724	2,724
	500	
<u>366,000</u>	<u>372,059</u>	<u>5,559</u>
529,602	456,937	72,665
<u>529,602</u>	<u>456,937</u>	<u>72,665</u>
<u>(163,602)</u>	<u>(84,878)</u>	<u>78,724</u>
<u>158,000</u>	<u>158,004</u>	<u>4</u>
<u>158,000</u>	<u>158,004</u>	<u>4</u>
<u>(\$5,602)</u>	73,126	<u>\$78,728</u>
	<u>363,865</u>	
	<u>\$436,991</u>	

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INTERNAL SERVICE FUNDS

Internal Service Funds are used to finance and account for special activities and services provided by one department or program to other departments of the City on a cost reimbursement basis.

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 - Accounts for the activities in support of the self-insured workers' compensation program.

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 Channel/Web – Accounts for government access television station and website maintenance

CITY OF CUPERTINO
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2015

	Information Technology	Workers' Compensation	Equipment Revolving	Compensated Absences and Long-Term Disability	Retiree Medical
ASSETS					
Current Assets:					
Cash and investments	\$3,277,032	\$2,256,578	\$2,661,779	\$141,506	\$3,883
Prepaid items	53,873				
Total current assets	<u>3,330,905</u>	<u>2,256,578</u>	<u>2,661,779</u>	<u>141,506</u>	<u>3,883</u>
Noncurrent Assets:					
Net OPEB assets					\$10,494,403
Capital assets, depreciable net of accumulated depreciation	353,478		1,037,748		
Total noncurrent assets	<u>353,478</u>		<u>1,037,748</u>		<u>10,494,403</u>
Total Assets	<u>\$3,684,383</u>	<u>\$2,256,578</u>	<u>\$3,699,527</u>	<u>\$141,506</u>	<u>\$10,498,286</u>
LIABILITIES					
Current Liabilities:					
Accounts payable and accruals	\$125,796		\$72,611		
Accrued payroll and benefits	28,734	\$1,287	12,793		
Due to other funds					\$450,220
Compensated absences	26,260	246	892		
Claims payable		456,451			
Total current liabilities	<u>180,790</u>	<u>457,984</u>	<u>86,296</u>		<u>450,220</u>
Non-current Liabilities:					
Compensated absences	166,649	1,564	5,664		
Claims payable		1,576,728			
Total non-current liabilities	<u>166,649</u>	<u>1,578,292</u>	<u>5,664</u>		
Total Liabilities	<u>347,439</u>	<u>2,036,276</u>	<u>91,960</u>		<u>450,220</u>
NET POSITION					
Net investment in capital assets	353,478		1,037,748		
Unrestricted	2,983,466	220,302	2,569,819	\$141,506	\$10,048,066
Total Net Position	<u>\$3,336,944</u>	<u>\$220,302</u>	<u>\$3,607,567</u>	<u>\$141,506</u>	<u>\$10,048,066</u>

<u>City Channel/Web</u>	<u>Total</u>
\$754,314	\$9,095,092
	53,873
<u>754,314</u>	<u>9,148,965</u>
	10,494,403
<u>246,613</u>	<u>1,637,839</u>
<u>246,613</u>	<u>12,132,242</u>
<u>\$1,000,927</u>	<u>\$21,281,207</u>
\$4,807	\$203,214
20,884	63,698
	450,220
21,114	48,512
	456,451
<u>46,805</u>	<u>1,222,095</u>
133,991	307,868
	1,576,728
<u>133,991</u>	<u>1,884,596</u>
180,796	3,106,691
246,613	1,637,839
573,518	16,536,677
<u>\$820,131</u>	<u>\$18,174,516</u>

CITY OF CUPERTINO
INTERNAL SERVICE FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED JUNE 30, 2015

	Information Technology	Workers' Compensation	Equipment Revolving	Compensated Absences and Long-Term Disability	Retiree Medical
OPERATING REVENUES					
Charges for services	\$1,653,936	\$346,524	\$1,432,440	\$81,275	
Other	30		5,000		
Total Operating Revenues	1,653,966	346,524	1,437,440	81,275	
OPERATING EXPENSES					
Salaries and related expenses	747,644	32,026	226,630		\$1,298,786
Materials and supplies	783,595	4,200	442,563		
Contractual services	329,788	35	93,096		
Insurance claims and premium		308,869		297,869	
Depreciation	197,070		263,369		
Total Operating Expenses	2,058,097	345,130	1,025,658	297,869	1,298,786
Operating Income (Loss)	(404,131)	1,394	411,782	(216,594)	(1,298,786)
NONOPERATING REVENUES (EXPENSES)					
Interest income	14,371	9,289	11,499	809	1,260
Total Nonoperating Revenues (Expenses)	14,371	9,289	11,499	809	1,260
Income (Loss) Before Transfers	(389,760)	10,683	423,281	(215,785)	(1,297,526)
Transfers in	241,604	10,968		211,254	
Change in Net Position	(148,156)	21,651	423,281	(4,531)	(1,297,526)
BEGINNING NET POSITION	3,485,100	198,651	3,184,286	146,037	11,345,592
ENDING NET POSITION	\$3,336,944	\$220,302	\$3,607,567	\$141,506	\$10,048,066

<u>City Channel/Web</u>	<u>Total</u>
\$779,676	\$4,293,851 5,030
<u>779,676</u>	<u>4,298,881</u>
487,985	2,793,071
192,790	1,423,148
171,441	594,360
	606,738
<u>205,110</u>	<u>665,549</u>
<u>1,057,326</u>	<u>6,082,866</u>
<u>(277,650)</u>	<u>(1,783,985)</u>
<u>3,523</u>	<u>40,751</u>
<u>3,523</u>	<u>40,751</u>
(274,127)	(1,743,234)
<u>176,808</u>	<u>640,634</u>
(97,319)	(1,102,600)
<u>917,450</u>	<u>19,277,116</u>
<u>\$820,131</u>	<u>\$18,174,516</u>

CITY OF CUPERTINO
INTERNAL SERVICE FUNDS
COMBINING STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2015

	Information Technology	Workers' Compensation	Equipment	Compensated Absences and Long-Term Disability	Retiree Medical
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from customers	\$1,653,966	\$346,524	\$1,437,440	\$87,508	
Cash payments to suppliers for goods and services	(1,026,022)	(6,316)	(517,936)	(6,233)	
Cash payments to employees	(598,143)	(29,992)	(230,876)		(\$8,802,057)
Cash payment for judgment and claims		(156,458)		(297,869)	
Cash Flows from (used for) Operating Activities	<u>29,801</u>	<u>153,758</u>	<u>688,628</u>	<u>(216,594)</u>	<u>(8,802,057)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Due to other funds					450,220
Transfers in	241,604	10,968		211,254	
Cash Flows (used for) Noncapital Financing Activities	<u>241,604</u>	<u>10,968</u>		<u>211,254</u>	<u>450,220</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition of capital assets	(51,875)		(319,772)		
Cash Flows from Capital and Related Financing Activities	<u>(51,875)</u>		<u>(319,772)</u>		
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest received	15,790	10,259	12,561	907	5,157
Cash Flows from Investing Activities	<u>15,790</u>	<u>10,259</u>	<u>12,561</u>	<u>907</u>	<u>5,157</u>
Net Cash Flows	235,320	174,985	381,417	(4,433)	(8,346,680)
Cash and investments at beginning of year	<u>3,041,712</u>	<u>2,081,593</u>	<u>2,280,362</u>	<u>145,939</u>	<u>8,350,563</u>
Cash and investments at end of year	<u><u>\$3,277,032</u></u>	<u><u>\$2,256,578</u></u>	<u><u>\$2,661,779</u></u>	<u><u>\$141,506</u></u>	<u><u>\$3,883</u></u>
Reconciliation of operating income (loss) to net cash flows from operating activities:					
Operating income (loss)	(\$404,131)	\$1,394	\$411,782	(\$216,594)	(\$1,298,786)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:					
Depreciation	197,070		263,369		
Change in assets and liabilities:					
Prepaid expenses	(2,991)				
Net OPEB asset					(7,503,271)
Accounts payable and accruals	90,352	(2,081)	17,723		
Accrued payroll and benefits	5,364	224	755		
Compensated absences	144,137	1,810	(5,001)		
Claims payable		152,411			
Cash Flows from Operating Activities	<u><u>\$29,801</u></u>	<u><u>\$153,758</u></u>	<u><u>\$688,628</u></u>	<u><u>(216,594)</u></u>	<u><u>(8,802,057)</u></u>

City Channel Web	Total
\$779,676	\$4,305,114
(406,131)	(1,962,638)
(534,804)	(10,195,872)
	(454,327)
<u>(161,259)</u>	<u>(8,307,723)</u>
	450,220
176,808	640,634
<u>176,808</u>	<u>1,090,854</u>
<u>(416,624)</u>	<u>(788,271)</u>
<u>(416,624)</u>	<u>(788,271)</u>
<u>4,060</u>	<u>48,734</u>
<u>4,060</u>	<u>48,734</u>
(397,015)	(7,956,406)
<u>1,151,329</u>	<u>17,051,498</u>
<u>\$754,314</u>	<u>\$9,095,092</u>
(\$277,650)	(\$1,783,985)
205,110	665,549
15,791	12,800
	(7,503,271)
(57,691)	48,303
2,592	8,935
(49,411)	91,535
	152,411
<u>(\$161,259)</u>	<u>(\$8,307,723)</u>

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STATISTICAL SECTION

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STATISTICAL SECTION

This part of the City's Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health. In contrast to the financial section, the statistical section information is not subject to independent audit.

Financial Trends

These schedules contain trend information to help the reader understand how the City's financial performance and wellbeing have changed over time:

1. Net Position/Assets by Component
2. Changes in Net Position/Assets
3. Fund Balances of Governmental Funds
4. Changes in Fund Balance of Governmental Funds

Revenue Capacity

These schedules contain information to help the reader assess the City's most significant own-source revenue, property tax.

1. Assessed and Estimated Actual Value of Taxable Property
2. Direct and Overlapping Property Tax Rates
3. Principal Property Taxpayers
4. Property Tax Levies and Collections

Debt Capacity

These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue additional debt in the future:

1. Ratios of Outstanding Debt by Type
2. Direct and Overlapping Bonded Debt
3. Legal Debt Margin Information
4. Ratio of General Bonded Debt Outstanding

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place:

1. Demographic and Economic Statistics
2. 2015 Employer Ranking

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs:

1. Full-Time Equivalent Employees by Function/Program
2. Operating Indicators by Function/Program
3. Capital Assets Statistics by Function/Program

Sources

Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year.

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CITY OF CUPERTINO
Net Position/Assets by Component
Last Ten Fiscal Years
(Accrual basis of accounting)
(Unaudited)

	Fiscal Year Ended June 30									
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Governmental Activities										
Invested in capital assets, net of related debt	\$ 83,064,879	\$ 80,343,053	\$ 85,173,998	\$ 103,341,905	\$ 120,405,290	\$ 120,724,205	\$ 117,440,257	\$ 116,343,918	\$ 122,081,223	\$ 131,425,677
Restricted	8,329,671	9,265,565	9,926,770	6,661,074	8,692,175	7,721,962	7,572,865	8,351,118	24,232,367	38,327,705
Unrestricted	26,916,679	39,243,717	43,242,639	33,290,050	31,087,861	33,185,903	38,117,361	47,558,701	63,150,548	53,530,686
Total governmental activities net position/assets	118,311,229	128,852,335	138,343,407	143,293,029	160,185,326	161,632,070	163,130,483	172,253,737	209,464,138	223,284,068
Business-Type Activities										
Invested in capital assets, net of related debt	497,681	467,416	84,126	136,127	788,213	777,521	824,687	762,013	1,110,414	2,079,561
Unrestricted	6,291,439	6,977,436	7,849,147	8,949,142	9,063,616	9,779,087	10,057,331	10,865,479	10,292,210	6,604,578
Total business-type activities net position/assets	6,789,120	7,444,852	7,933,273	9,085,269	9,851,829	10,556,608	10,882,018	11,627,492	11,402,624	8,684,139
Primary Government										
Invested in capital assets, net of related debt	83,562,560	80,810,469	85,258,124	103,478,032	121,193,503	121,501,726	118,264,944	117,105,931	123,191,637	133,505,238
Restricted	8,329,671	9,265,565	9,926,770	6,661,074	8,692,175	7,721,962	7,572,865	8,351,118	24,232,367	38,327,705
Unrestricted	33,208,118	46,221,153	51,091,786	42,239,192	40,151,477	42,964,990	48,174,692	58,424,180	87,382,915	60,135,264
Total primary government net position/assets (1)	\$ 125,100,349	\$ 136,297,187	\$ 146,276,680	\$ 152,378,298	\$ 170,037,155	\$ 172,188,678	\$ 174,012,501	\$ 183,881,229	\$ 220,866,762	\$ 231,968,207

(1) Represents net assets thru June 30, 2012 and net position after that.

CITY OF CUPERTINO
Change in Net Position/Assets
Last Ten Fiscal Years
(Accrual basis of accounting)
(Unaudited)

Fiscal Year Ended June 30

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Expenses										
Governmental activities:										
Administration	\$ 1,354,543	\$ 1,675,443	\$ 1,636,284	\$ 1,769,500	\$ 1,911,665	\$ 1,860,451	\$ 1,837,072	\$ 2,367,255	\$ 4,529,539	\$ 3,286,919
Law enforcement	6,577,199	7,148,187	7,679,467	8,804,195	8,385,476	8,434,885	8,776,633	9,274,536	10,062,192	10,705,328
Public and environmental affairs	914,024	1,186,929	1,216,164	1,624,210	1,653,034	1,625,876	1,743,151	1,595,982	512,895	649,442
Administrative services	4,208,389	3,874,003	3,923,217	4,001,738	4,080,134	3,993,654	4,309,503	4,171,440	2,662,008	4,300,336
Recreation services	2,359,966	2,517,725	3,845,873	4,206,343	4,444,536	4,528,968	4,577,243	4,473,861	4,866,974	5,365,282
Community development	4,541,965	4,090,959	4,059,740	6,177,879	4,351,975	5,961,774	4,922,237	4,676,273	9,108,949	5,976,797
Public works	16,384,026	16,230,274	16,569,310	18,104,649	19,320,151	20,224,662	20,387,508	22,149,063	21,143,331	27,893,361
Interest on long-term debt	2,262,913	2,329,657	2,183,403	2,118,714	2,076,264	2,032,464	1,837,655	1,256,922	1,130,428	1,120,138
Total governmental activities expense	38,603,025	38,963,177	41,113,458	46,807,228	46,223,235	48,662,734	48,391,002	49,965,332	54,016,316	59,297,603
Business-type activities:										
Resource recovery	2,101,198	2,122,805	2,056,061	1,998,184	2,018,147	1,801,599	1,566,229	1,764,993	2,159,047	2,548,461
Blackberry farm	1,302,855	975,064	450,206	495,845	457,169	457,065	460,698	463,336	571,000	547,185
Cupertino sports center	1,448,048	1,623,839	1,547,402	1,594,325	1,478,143	1,716,741	1,897,611	2,011,483	2,221,703	2,269,420
Recreation programs	1,729,194	1,830,401	1,853,217	1,739,892	1,854,648	1,753,156	1,985,618	2,025,416	2,730,765	2,342,457
Senior center	588,818	771,570	-	-	-	-	-	-	-	-
Total business-type activities expense	7,170,113	7,323,679	5,906,886	5,828,246	5,808,107	5,728,561	5,910,156	6,265,228	7,682,515	7,707,523
Total primary government expense	45,773,138	46,286,856	47,020,344	52,635,474	52,031,342	54,391,295	54,301,158	56,230,560	61,698,831	67,005,126
Program Revenues										
Governmental activities:										
Charges for services:										
Administration	23,201	3,618	10,711	2,240	21,873	15,801	6,454	5,676	1,087,393	322,534
Law enforcement	722,164	1,031,736	799,350	869,295	811,676	797,757	696,498	637,595	725,631	590,378
Public and environmental affairs	-	-	-	-	-	-	-	-	-	41,352
Administrative services	-	-	-	-	-	-	-	-	-	481,616
Recreation services	240,074	193,752	847,424	801,280	930,773	1,020,159	1,166,323	970,292	955,081	1,798,134
Community development	5,286,336	4,768,026	3,551,478	3,586,993	3,310,355	4,149,620	4,919,216	6,765,564	6,649,292	8,511,745
Public works	201,250	200,969	135,942	157,311	556,636	549,065	503,225	593,501	7,916,897	2,869,357
Operating grants and contributions	3,403,762	3,048,512	2,392,987	4,014,036	2,042,557	2,351,287	2,508,917	2,752,493	10,000,131	6,002,617
Capital grants and contributions	522,950	3,496,095	5,696,124	4,759,485	5,511,359	1,972,951	780,761	719,880	569,159	4,022,190
Total governmental activities program revenue	10,399,737	12,742,708	13,434,016	14,190,640	13,185,229	10,856,640	10,581,394	12,445,001	27,903,584	24,639,923
Business-type activities:										
Charges for services:										
Resource recovery	2,203,127	2,254,416	2,254,790	2,100,704	2,104,299	1,931,076	1,727,783	1,882,517	2,074,251	2,591,276
Blackberry farm	1,155,986	1,101,564	640,771	596,944	568,770	447,797	411,056	386,753	302,472	388,091
Cupertino sports center	1,419,672	1,655,169	1,605,545	1,732,282	1,578,330	1,722,700	1,965,684	2,150,139	2,188,127	2,152,498
Recreation programs	2,331,409	2,396,720	2,493,214	2,364,037	2,249,191	2,260,296	2,325,705	2,409,720	2,480,209	2,532,800
Senior center	704,390	690,603	-	-	-	-	-	-	-	-
Operating grants and contributions	135,539	14,343	14,309	14,471	6,895	-	-	-	-	-
Total business-type activities program revenue	7,950,123	8,112,815	7,008,629	6,808,438	6,507,485	6,361,869	6,430,228	6,829,129	7,045,059	7,664,665
Total primary government program revenue	18,349,860	20,855,523	20,442,645	20,999,078	19,692,714	17,218,509	17,011,622	19,274,130	34,948,643	32,304,588

(Continued)

CITY OF CUPERTINO
Change in Net Position/Assets
Last Ten Fiscal Years
(Accrual basis of accounting)
(Unaudited)

Fiscal Year Ended June 30

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Net (Expense) Revenue:										
Governmental activities	(28,203,288)	(26,220,469)	(27,679,442)	(32,616,588)	(33,038,006)	(37,806,094)	(37,809,608)	(37,520,331)	(26,112,732)	(34,657,680)
Business-type activities	780,010	789,136	1,101,743	980,192	699,378	633,308	520,072	563,901	(637,456)	(42,858)
Total primary government net expense	(27,423,278)	(25,431,333)	(26,577,699)	(31,636,396)	(32,338,628)	(37,172,786)	(37,289,536)	(36,956,430)	(26,750,188)	(34,700,538)
General Revenues and Transfers										
Governmental activities:										
Taxes:										
Property taxes	4,728,811	6,529,772	6,941,910	7,491,965	7,488,701	7,296,970	7,479,132	8,793,110	9,169,183	10,178,734
Property tax in lieu of motor vehicle fee	3,569,300	3,652,509	3,894,502	4,299,902	4,420,912	4,404,795	4,487,412	4,772,355	5,289,476	5,580,814
Incremental property tax	185,676	187,276	220,267	1,211,128	1,322,925	1,251,777	202,793	-	-	-
Sales taxes	10,671,642	11,252,341	13,154,749	14,139,190	9,930,530	14,539,243	17,326,460	18,721,193	19,794,036	21,750,534
Transient occupancy tax	2,054,904	2,511,184	2,711,590	2,140,274	2,142,137	2,536,501	3,112,934	3,768,504	4,590,156	5,582,096
Utility user tax	2,809,587	3,011,755	3,175,724	3,205,073	3,271,452	3,227,942	3,264,896	2,994,526	3,098,639	2,861,859
Franchise tax	2,353,575	2,537,918	2,547,439	2,618,125	2,597,930	2,841,344	2,808,136	2,848,950	2,775,892	2,849,992
Other taxes	2,534,393	2,661,449	1,709,892	1,317,767	1,211,899	1,491,316	1,377,211	4,561,219	18,791,559	2,139,384
Intergovernmental (1)	(300,039)	364,261	266,789	171,621	166,440	259,289	29,064	30,256	25,294	24,566
Investment earnings	669,820	1,752,177	1,451,973	889,823	295,059	259,217	61,096	176,782	133,243	296,043
Miscellaneous	189,262	291,423	103,529	81,342	119,393	1,144,429	82,684	126,690	57,005	691,656
Gain on sale of capital assets	1,222,849	1,510,410	-	-	-	-	-	-	-	23,715,897
Extraordinary items (2)	-	-	-	-	-	-	(1,130,797)	-	-	-
Transfers	800,000	500,000	992,150	-	-	15	207,000	(150,000)	(401,350)	872,340
Total Government Activities	31,489,780	36,761,575	37,170,514	37,566,210	32,967,378	39,252,838	39,308,021	46,643,585	63,323,133	76,543,915
Business-type activities:										
Investment earnings	201,159	366,596	378,828	171,804	67,182	71,486	12,338	31,573	11,238	42,531
Transfers	(800,000)	(500,000)	(992,150)	-	-	(15)	(207,000)	150,000	401,350	(872,340)
Total business-type activities	(598,841)	(133,404)	(613,322)	171,804	67,182	71,471	(194,662)	181,573	412,588	(829,809)
Total primary government	30,890,939	36,628,171	36,557,192	37,738,014	33,034,560	39,324,309	39,113,359	46,825,158	63,735,721	75,714,106
Change in Net Position/Assets (3)										
Government activities	3,286,492	10,541,106	9,491,072	4,949,622	(70,628)	1,446,744	1,498,413	9,123,254	37,210,401	41,886,235
Business-type activities	181,169	655,732	488,421	1,151,996	766,560	704,779	325,410	745,474	(224,868)	(872,667)
Total primary government	\$ 3,467,661	\$ 11,196,838	\$ 9,979,493	\$ 6,101,618	\$ 695,932	\$ 2,151,523	\$ 1,823,823	\$ 9,868,728	\$ 36,985,533	\$ 41,013,568

(1) The 2006 state take-away of sales taxes, property taxes, and vehicle license fees is reported in this category.

(2) Asset transfer to Successor to Redevelopment Agency fiduciary trust in 2012.

(3) Represents changes in net assets thru fiscal year ended June 30, 2012 and changes in net position after that.

CITY OF CUPERTINO
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Modified accrual basis of accounting)
(Unaudited)

	Fiscal Year Ended, June 30				
	2006	2007	2008	2009	2010
General Fund					
Reserved	\$ 2,931,046	\$ 2,711,586	\$ 2,668,914	\$ 2,325,283	\$ 2,308,290
Unreserved	23,866,568	23,634,874	16,997,569	19,871,574	13,622,828
Total General Fund	<u>26,797,614</u>	<u>26,346,460</u>	<u>19,666,483</u>	<u>22,196,857</u>	<u>15,931,118</u>
All Other Governmental Funds					
Reserved	4,925,900	8,555,042	11,240,851	4,180,483	5,465,423
Unreserved, reported in:					
Special Revenue Funds	6,249,004	6,844,632	7,270,331	3,692,187	5,113,020
Capital Project Funds	(1,208,341)	(472,405)	7,631,866	968,077	3,788,810
Total All Other Governmental Funds	<u>9,966,563</u>	<u>14,927,269</u>	<u>26,143,048</u>	<u>8,840,747</u>	<u>14,367,253</u>
Total Governmental Funds	<u>\$ 36,764,177</u>	<u>\$ 41,273,729</u>	<u>\$ 45,809,531</u>	<u>\$ 31,037,604</u>	<u>\$ 30,298,371</u>
	2011 (1)	2012	2013	2014	2015
General Fund					
Nonspendable	\$ 1,023,950	\$ 1,003,438	\$ 956,827	\$ 3,363,065	\$ 938,245
Restricted	663,254	695,564	725,903	-	761,653
Assigned	14,739,394	17,729,297	16,400,000	16,400,000	28,849,679
Unassigned	3,380,279	6,669,379	17,961,579	23,197,378	11,301,702
Total General Fund	<u>19,806,877</u>	<u>26,097,678</u>	<u>36,044,309</u>	<u>42,960,443</u>	<u>41,851,279</u>
All Other Governmental Funds					
Nonspendable	615,000	-	-	-	-
Restricted	6,314,106	6,877,301	7,625,215	24,232,367	37,566,052
Committed					1,398,665
Assigned	4,303,822	3,646,073	5,299,904	7,619,534	20,671,116
Unassigned	-	-	-	(2,280,961)	-
Total All Other Governmental Funds	<u>11,232,928</u>	<u>10,523,374</u>	<u>12,925,119</u>	<u>29,570,940</u>	<u>59,635,833</u>
Total Governmental Funds	<u>\$ 31,039,805</u>	<u>\$ 36,621,052</u>	<u>\$ 48,969,428</u>	<u>\$ 72,531,383</u>	<u>\$ 101,487,112</u>

(1) The City implemented GASB Statement No. 54 under which governmental fund balances are reported as nonspendable, restricted, assigned and unassigned compared to reserved and unreserved.

CITY OF CUPERTINO
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Modified accrual basis of accounting)
(Unaudited)

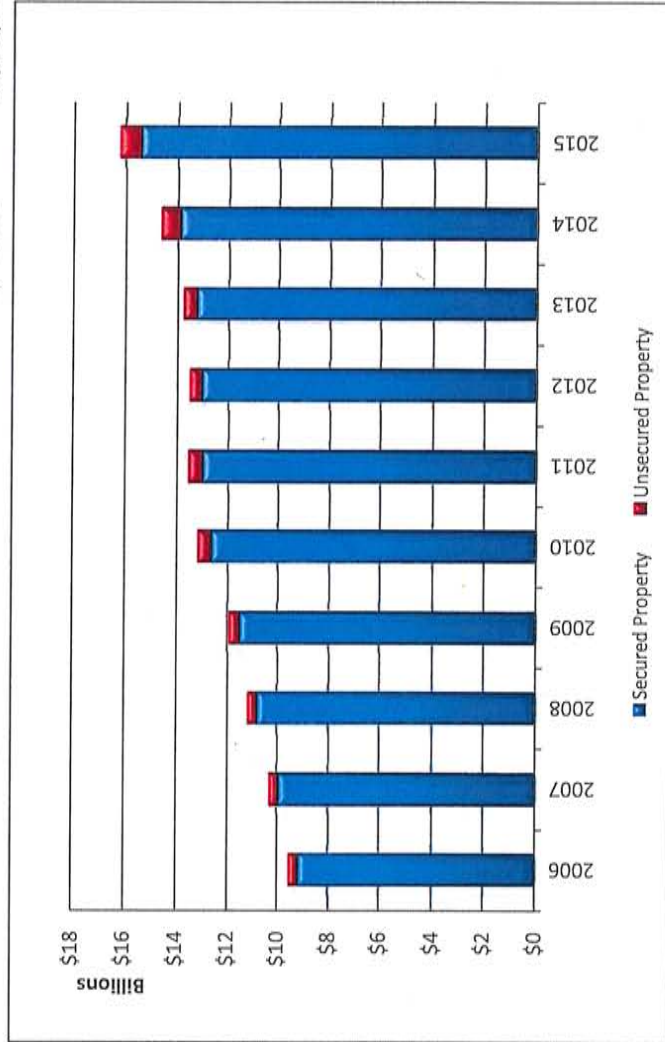
Fiscal Year Ended June 30

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Revenues										
Taxes	\$ 25,616,553	\$ 28,903,993	\$ 34,589,139	\$ 36,395,950	\$ 30,994,583	\$ 37,582,299	\$ 40,265,944	\$ 48,382,570	\$ 72,211,724	\$ 55,134,238
Use of money and property	1,607,837	2,169,977	2,490,444	1,300,508	774,219	792,035	661,602	744,196	764,299	915,933
Intergovernmental	5,896,167	8,200,519	8,285,280	6,896,394	7,519,835	3,543,641	2,678,888	2,841,407	3,069,400	7,210,562
Licenses and permits	3,614,953	3,325,844	2,656,017	2,740,463	2,583,131	2,901,944	2,900,936	3,502,617	3,679,943	3,170,445
Charges for services	2,143,729	2,062,067	1,728,099	1,707,533	1,701,216	2,311,216	3,273,946	4,515,066	10,744,113	5,203,371
Fines and forfeitures	629,586	926,310	722,087	761,320	756,239	695,666	661,899	560,417	616,889	554,002
Other	245,176	154,235	95,388	80,835	689,941	73,881	264,302	57,882	545,052	542,429
Total revenues	39,754,001	45,742,945	50,566,454	49,883,003	45,019,105	47,900,682	50,707,517	60,604,101	91,631,420	72,730,980
Expenditures										
Current:										
Administration	1,236,390	1,287,101	1,351,273	1,336,921	1,469,004	1,528,070	1,533,070	2,005,176	3,957,739	3,897,701
Law enforcement	6,499,911	6,975,517	7,456,661	8,133,168	8,384,310	8,434,885	8,445,917	8,783,885	9,626,121	10,283,772
Public and environmental affairs	853,484	1,121,437	1,169,247	1,486,443	1,487,265	1,497,263	1,659,856	1,486,910	477,852	624,295
Administrative services	4,103,497	3,715,994	3,797,156	3,634,043	3,733,414	3,695,076	4,103,982	3,772,714	2,444,670	3,226,164
Recreation services	2,302,995	2,403,296	3,745,244	3,789,260	4,003,764	4,117,477	4,319,983	4,083,822	4,536,519	5,047,548
Community development	4,467,655	3,969,837	3,931,055	5,841,428	4,125,739	5,693,541	4,762,229	4,395,601	8,424,254	5,180,659
Public works	10,386,055	10,477,727	11,137,935	11,914,584	11,961,218	12,234,726	12,528,194	13,996,516	17,469,627	14,625,038
Capital outlay	2,771,502	4,292,169	8,334,093	22,262,369	4,710,360	5,281,927	3,523,047	4,684,676	7,110,974	21,760,899
Debt service:										
Principal repayment	1,270,000	1,295,000	1,355,000	1,415,000	1,460,000	1,500,000	-	1,920,000	2,040,000	2,055,000
Interest and fiscal charges	2,262,913	2,239,657	2,183,403	2,118,714	2,076,264	2,032,464	1,837,655	1,256,922	1,130,428	1,120,138
Payment to refunded debt escrow agent	-	-	-	-	-	-	44,897,800	-	-	-
Total expenditures	36,154,402	37,777,735	44,461,067	61,931,930	43,411,338	46,015,429	87,611,733	46,386,222	57,218,184	67,821,214
Excess (deficiency) of revenues over (under) expenditures	3,599,599	7,965,210	6,105,387	(12,048,927)	1,607,767	1,885,253	(36,904,216)	14,217,879	34,413,236	4,909,766
Other Financing Sources (Uses)										
Bond proceeds	2,422,849	1,663,842	-	-	-	1,055,449	44,823,839	-	37,569	-
Proceeds from sale of capital assets	8,364,084	9,658,000	19,136,165	5,035,925	7,788,417	5,684,483	6,484,426	8,438,707	13,610,304	23,814,257
Transfers in	(7,784,084)	(14,777,500)	(20,705,750)	(7,758,925)	(10,135,417)	(7,883,751)	(7,692,426)	(10,308,210)	(24,499,154)	(39,177,284)
Transfers out	3,002,849	(3,455,658)	(1,569,585)	(2,723,000)	(2,347,000)	(1,143,819)	43,616,260	(1,869,503)	(10,851,281)	24,045,963
Total other financing sources	-	-	-	-	-	-	-	-	-	-
Extraordinary Item										
Assets transferred to Successor Agencies	-	-	-	-	-	-	(1,130,797)	-	-	-
Change in fund balances	\$ 6,602,448	\$ 4,509,552	\$ 4,535,802	\$ (14,771,927)	\$ (739,233)	\$ 741,434	\$ 5,581,247	\$ 12,348,376	\$ 23,561,955	\$ 28,955,729
Debt service as a percentage of noncapital expenditures (1)	10.6%	10.6%	9.8%	8.9%	9.1%	8.7%	55.6%	7.6%	6.6%	5.8%

(1) Noncapital expenditures is total expenditures less capital assets added each year to statement of net position/assets.

CITY OF CUPERTINO
Assessed and Estimated Actual Value of Taxable Property
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Total		State Board of Equalization		Secured Exemptions	Total Assessed & Est. Full Market Valuation (a)	Direct Tax Rate
	Secured (a)	Unsecured (a)	Non-Unitary	Non-Unitary			
2006	\$9,942,314,157	\$350,391,447	\$259,809	-	\$88,612,732	\$10,292,965,413	4.37%
2007	10,794,991,704	381,307,801	213,610	-	94,957,979	11,176,513,115	5.74%
2008	11,512,949,952	417,564,226	-	-	96,690,910	11,930,514,178	5.87%
2009	12,637,622,059	533,413,208	1,390,000	1,390,000	99,950,894	13,172,425,287	6.26%
2010	12,979,346,158	564,277,611	1,390,000	1,390,000	99,947,559	13,545,013,769	6.51%
2011	13,017,910,372	476,332,025	1,390,000	1,390,000	96,704,811	13,495,632,397	6.51%
2012	13,219,574,367	527,310,319	1,390,000	1,390,000	96,081,912	13,748,274,686	6.24%
2013	13,882,147,291	738,243,050	1,390,000	1,390,000	108,468,872	14,621,780,341	6.20%
2014	15,391,656,690	813,117,019	1,390,000	1,390,000	113,744,809	16,206,163,709	5.62%
2015	16,133,637,244	965,141,148	-	-	119,476,276	17,098,778,392	5.61%



(a) Net of exemptions
 Source: HdL, Coren & Cone
 Data Source: Santa Clara County Assessor O/ - 2014/15 Combined Tax Rolls
 This report is not to be used in support of debt issuance or continuing disclosure statements without the written consent of HdL, Coren & Cone
 Prepared On 8/11/2015 By MV

THE CITY OF CUPERTINO
Direct and Overlapping Property Tax Rates
 (Rate per \$100 of taxable value)

Agency	Last 10 Fiscal Years									
	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15
Basic Levy¹	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000
County Bond 2008 Hospital Facility	0.00000	0.00000	0.00000	0.00000	0.01220	0.00950	0.00470	0.00510	0.00350	0.00910
County Library Retirement Levy	0.00240	0.00240	0.00240	0.00240	0.00240	0.00240	0.00240	0.00240	0.00240	0.00240
County Retirement Levy	0.03880	0.03880	0.03880	0.03880	0.03880	0.03880	0.03880	0.03880	0.03880	0.03880
Cupertino Elementary	0.03500	0.02890	0.03370	0.03060	0.03120	0.03080	0.02900	0.05980	0.05250	0.05400
El Camino Hospital 2003	0.00000	0.01290	0.01290	0.01290	0.01290	0.01290	0.01290	0.01290	0.01290	0.01290
Foothill De Anza College	0.01190	0.03460	0.01130	0.01230	0.03220	0.03260	0.02970	0.02870	0.02900	0.02760
Fremont High	0.02600	0.02430	0.02410	0.03390	0.03060	0.03650	0.04150	0.03900	0.04050	0.03960
Los Gatos-Saratoga High 1998	0.03710	0.03510	0.03450	0.03300	0.03520	0.03770	0.03810	0.03680	0.03510	0.05160
Santa Clara Unified	0.08610	0.07970	0.02710	0.07430	0.07010	0.05190	0.08360	0.08190	0.07070	0.07040
Santa Clara Valley Water District	0.00780	0.00720	0.00710	0.00610	0.00740	0.00720	0.00640	0.00690	0.00700	0.00650
Saratoga Elementary	0.03560	0.03510	0.03630	0.03630	0.03880	0.04370	0.04440	0.04520	0.04500	0.04580
West Valley College	0.01400	0.01260	0.01180	0.00320	0.01400	0.01390	0.01370	0.02890	0.02550	0.01200
Total Direct & Overlapping² Tax Rates	1.29470	1.31160	1.24000	1.28380	1.32580	1.31790	1.34520	1.38640	1.36290	1.37070
City's Share of 1% Levy Per Prop 13³	0.04343	0.05725	0.05706	0.05661	0.05641	0.05644	0.05650	0.05652	0.05626	0.05617
General Obligation Debt Rate	1.04900	1.04840	1.04830	1.04730	1.04860	1.04840	1.04760			
Redevelopment Rate⁴	0.04374	0.05842	0.05870	0.06263	0.06510	0.06507	0.06238	0.06204	0.05623	0.05610

Notes:

¹In 1978, California voters passed Proposition 13 which set the property tax rate at a 1.00% fixed amount. This 1.00% is shared by all taxing agencies for which the subject property resides within. In addition to the 1.00% fixed amount, property owners are charged taxes as a percentage of assessed property values for the payment of any voter approved bonds.

²Overlapping rates are those of local and county governments that apply to property owners within the City. Not all overlapping rates apply to all city property owners.

³City's Share of 1% Levy is based on the City's share of the general fund tax rate area with the largest net taxable value within the city. ERAF general fund tax shifts may not

⁴Redevelopment Rate is based on the largest RDA tax rate area and only includes rate(s) from indebtedness adopted prior to 1989 per California State statute. RDA direct and overlapping rates are applied only to the incremental property values. The approval of ABX1 26 eliminated Redevelopment from the State of California for the fiscal year 2012/13 and years thereafter.

⁵Total Direct Rate is the weighted average of all individual direct rates applied to by the government preparing the statistical section information and excludes revenues derived from aircraft. Beginning in 2013/14 the Total Direct Rate no longer includes revenue generated from the former redevelopment tax rate areas. Challenges to recognized enforceable obligations are assumed to have been resolved during 2012/13. For the purposes of this report, residual revenue is assumed to be distributed to the City in the same proportions as general fund revenue.

*Data Source: Santa Clara County Assessor 2005/06 - 2014/15 Tax Rate Table
 This report is not to be used in support of debt issuance or continuing disclosure statements without the written consent of HdL, Coren & Cone*

CITY OF CUPERTINO
Principal Property Taxpayers
Current Year and Five Years Ago
(Unaudited)

Taxpayer	2015		Percentage of		2010		Percentage of	
	Assessed	Valuation	Total Assessed	Valuation	Assessed	Valuation	Total Assessed	Valuation
Apple Inc.	\$ 1,596,975,041		9.34%		\$ 807,920,115		5.99%	
Campus Holdings Inc.	654,540,067		3.83%		396,651,458		2.94%	
Vallco Property Owner	157,741,957		0.92%		85,475,396		0.63%	
Cupertino City Center Buildings	139,849,982		0.82%		-		-	
Mission West Properties LP II ETAL	127,777,488		0.75%		-		-	
SVF Cupertino City Center Corp.	122,955,694		0.72%		-		-	
Cupertino Property Development	100,941,770		0.59%					
Villa Serra Apartments	78,981,281		0.46%		62,263,801		0.46%	
IAC At Cupertino LLC	74,205,713		0.43%		-		-	
AZZ Development Inc	67,653,039		0.40%		-		-	
Total	\$ 3,121,622,032		18.26%		\$ 1,352,310,770		10.02%	

Source: HdL, Coren & Cone

CITY OF CUPERTINO
Property Tax Levies and Collections
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Total Tax Levy	Current Tax Collections	Percent of Levy Collected (1)	Delinquent Tax Collections (1)	Total Tax Collections	Percent of Total Tax Collections to Tax Levy
2006	4,914,487	4,914,487	100.00%	-	4,914,487	100.00%
2007	6,717,048	6,717,048	100.00%	-	6,717,048	100.00%
2008	7,162,177	7,162,177	100.00%	-	7,162,177	100.00%
2009	8,703,093	8,703,093	100.00%	-	8,703,093	100.00%
2010	8,760,881	8,760,881	100.00%	-	8,760,881	100.00%
2011	8,497,119	8,497,119	100.00%	-	8,497,119	100.00%
2012	7,681,925	7,681,925	100.00%	-	7,681,925	100.00%
2013	8,199,752	8,199,752	100.00%	-	8,199,752	100.00%
2014	9,169,183	9,169,183	100.00%	-	9,169,183	100.00%
2015	10,178,734	10,178,734	100.00%	-	10,178,734	100.00%

(1) Per the Teeter Plan, the City receives 100% of the tax levy, while the County receives delinquencies and penalties.

Source: City of Cupertino

CITY OF CUPERTINO
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Certificates of Participation	Percentage of Estimated Actual Market Value of Taxable Property	Per Capita	% of Personal Income
2006	51,035,000	0.50%	963	1.82%
2007	49,740,000	0.45%	929	1.60%
2008	48,385,000	0.41%	886	1.44%
2009	46,970,000	0.36%	853	1.36%
2010	45,510,000	0.34%	815	1.36%
2011	44,010,000	0.32%	755	1.70%
2012	43,940,000	0.30%	744	1.56%
2013	42,020,000	0.29%	705	1.41%
2014	39,980,000	0.25%	671	1.34%
2015	37,925,000	0.22%	633	1.23%

Source: City of Cupertino

CITY OF CUPERTINO
Direct and Overlapping Bonded Debt
June 30, 2015
(Unaudited)

2014-15 Assessed Valuation \$ 17,098,778,392

<u>Overlapping Tax and Assessment Debt:</u>	Total Debt 6/30/2015	% Applicable (1)	City's Share of Debt 6/30/15
Santa Clara County	\$ 799,180,000	4.788%	\$ 38,264,738
Foothill-DeAnza Community College District	635,069,288	13.614%	86,458,333
West Valley Community College District	424,754,350	0.641%	2,722,675
Santa Clara Unified School District	544,745,000	1.643%	8,950,160
Fremont Union High School District	378,045,088	30.027%	113,515,599
Cupertino Union School District	249,418,462	50.095%	124,946,179
El Camino Hospital District	138,345,000	1.188%	1,643,539
Santa Clara Valley Water District Benefit Assessment	106,690,000	4.788%	5,108,317
Total Overlapping Tax and Assessment Debt	3,276,247,188		381,609,540

Direct and Overlapping General Fund Debt

Overlapping Debt:

Santa Clara County General Fund Obligations	\$ 707,613,810	4.788%	\$ 33,880,549
Santa Clara County Pension Obligations	371,443,651	4.788%	17,784,722
Santa Clara County Board of Education Certificates of Participation	9,030,000	4.788%	432,356
Foothill-De Anza Community College District Certificates of Participation	11,617,623	13.701%	1,581,623
West Valley-Mission Community College District General Fund Obligations	64,660,000	0.713%	414,471
Santa Clara Unified School District Certificates of Participation	13,430,000	1.840%	220,655
Santa Clara County Vector Control District Certificates of Participation	3,085,000	4.788%	147,710
Midpeninsula Regional Open Space Park District Certificates of Participation	127,086,851	7.717%	9,807,292
Subtotal Overlapping General Fund Debt	1,307,966,935		64,269,378

Direct Debt: City of Cupertino Certificates of Participation

Total Direct and Overlapping General Fund Debt	37,925,000	100.000%	37,925,000 (2)
Total Direct and Overlapping General Fund Debt	1,345,891,935		102,194,378

Totals by Category:

Total Direct Debt	37,925,000		37,925,000
Total Overlapping Debt	4,584,214,123		445,878,918
Combined Total Debt	\$ 4,622,139,123		\$ 483,803,918 (3)

Ratios to 2014-15 Assessed Valuation:

Total Overlapping Tax and Assessment Debt	2.23%
Total Direct Debt (\$37,925,000)	0.22%
Combined Total Debt	2.83%

- (1) The percentage of overlapping debt applicable to the city is estimated using taxable assessed property value. Applicable percentages were estimated by determining the portion of the overlapping district's assessed value that is within the boundaries of the city divided by the district's total taxable assessed value.
- (2) Principal amount as of 7/1/15.
- (3) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations.

Source: MuniServices

CITY OF CUPERTINO
Legal Debt Margin Information
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Debt Limit	Total Net Debt Applicable to Limit	Legal Debt Margin	Total net debt applicable to the limit as a % of debt limit
2006	\$ 376,159,758	-	\$ 376,159,752	-
2007	408,373,114	-	408,373,114	-
2008	431,735,623	-	431,735,623	-
2009	473,910,827	-	473,910,827	-
2010	486,725,480	-	486,725,480	-
2011	488,171,639	-	488,171,639	-
2012	495,734,039	-	495,734,039	-
2013	520,580,523	-	520,580,523	-
2014	577,187,126	-	577,187,126	-
2015	605,011,397	-	605,011,397	-
Debt Limit:				
Secured property assessed value, net of exempt real property				
			\$	16,133,637,244
Adjusted valuation - 25% of assessed valuation				
				4,033,409,311
Debt limit - 15% of adjusted valuation				
				<u>605,011,397</u>
Amount of Debt Subject to Limit:				
Total Bonded Debt				
				37,925,000
Less: Certificates of Participation not subject to debt limit				
				(37,925,000)
Amount of debt subject to limit				
Legal Debt Margin				
				<u>\$ 605,011,397</u>

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

Source: City of Cupertino

CITY OF CUPERTINO
Ratio of General Bonded Debt
Last Ten Fiscal Years
(Unaudited)

Fiscal Year	Population	Assessed Value	General Bonded Debt	Bonded Debt Per Capita	Ratio of General Bonded Debt to Assessed Value
2006	53,012	\$ 10,292,965,413	\$ -	\$ -	-
2007	53,549	11,176,513,115	-	-	-
2008	54,584	11,930,514,178	-	-	-
2009	55,045	13,172,425,287	-	-	-
2010	55,838	13,545,013,769	-	-	-
2011	58,302	13,495,632,397	-	-	-
2012	59,022	13,748,274,686	-	-	-
2013	59,620	14,621,780,341	-	-	-
2014	59,620	16,206,163,709	-	-	-
2015	59,777	17,098,778,392	-	-	-

Sources: HdL, Coren & Cone
City of Cupertino

City of Cupertino

Demographic and Economic Statistics Last Ten Fiscal Years

Fiscal Year	City Population (1)	County Population (1)	City Population % of County	City Personal Income (2)	City Personal Income (2)	Per Capita Personal Income (2)	**Public School Enrollment	City Unemployment Rate (%) (3)	County Unemployment Rate (%) (3)	Median Age (4)	Population Over 25 with High School Degree	% of Population Over 25 with Bachelor's Degree
2005-06	53,012	1,773,258	2.99%	2,805,559,000	52,923	9,875	3.4%	-	-	-	-	-
2006-07	53,549	1,794,522	2.98%	3,117,408,000	58,216	9,823	2.8%	-	-	-	-	-
2007-08	54,584	1,748,976	3.12%	3,369,668,000	61,734	10,300	3.0%	-	-	-	-	-
2008-09	55,045	1,857,621	2.96%	3,442,884,000	62,547	10,300	3.8%	-	-	-	-	-
2009-10	55,838	1,800,876	3.10%	3,350,250,000	59,999	10,350	7.2%	-	-	40.5	96.5%	69.3%
2010-11	56,431	1,781,642	3.27%	2,586,120,000	45,828	10,365	7.3%	-	-	39.1	96.3%	72.6%
2011-12	59,022	1,809,378	3.26%	2,818,655,000	47,756	10,625	6.3%	-	-	39.2	97.0%	74.7%
2012-13	59,620	1,842,254	3.24%	2,888,768,456	50,081	29,699	4.1%	8.4%	8.4%	39.5	96.7%	75.5%
2013-14	59,946	1,868,558	3.21%	2,965,595,760	51,557	29,904	3.4%	6.9%	6.9%	40.0	96.2%	74.2%
2014-15	59,777	1,894,605	3.16%	3,290,377,494	53,311	30,059	4.2%	5.6%	5.6%	40.0	96.5%	74.6%

Source: 2011-12 and prior, previously published CAFR Report

Source: MuniServices, LLC, U.S. Census Bureau, 2010 American Community Survey.

The California Department of Finance demographics estimates now incorporate 2010 Census counts as the benchmark

1.) Population Projections are provided by the California Department of Finance Projections.

2.) Income Data is provided by the U.S. Census Bureau, 2010 American Community Survey.

3.) Unemployment Data is provided by the EDD's Bureau of Labor Statistics Department.

4.) Median Age reflects the U.S. Census data estimation table.

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

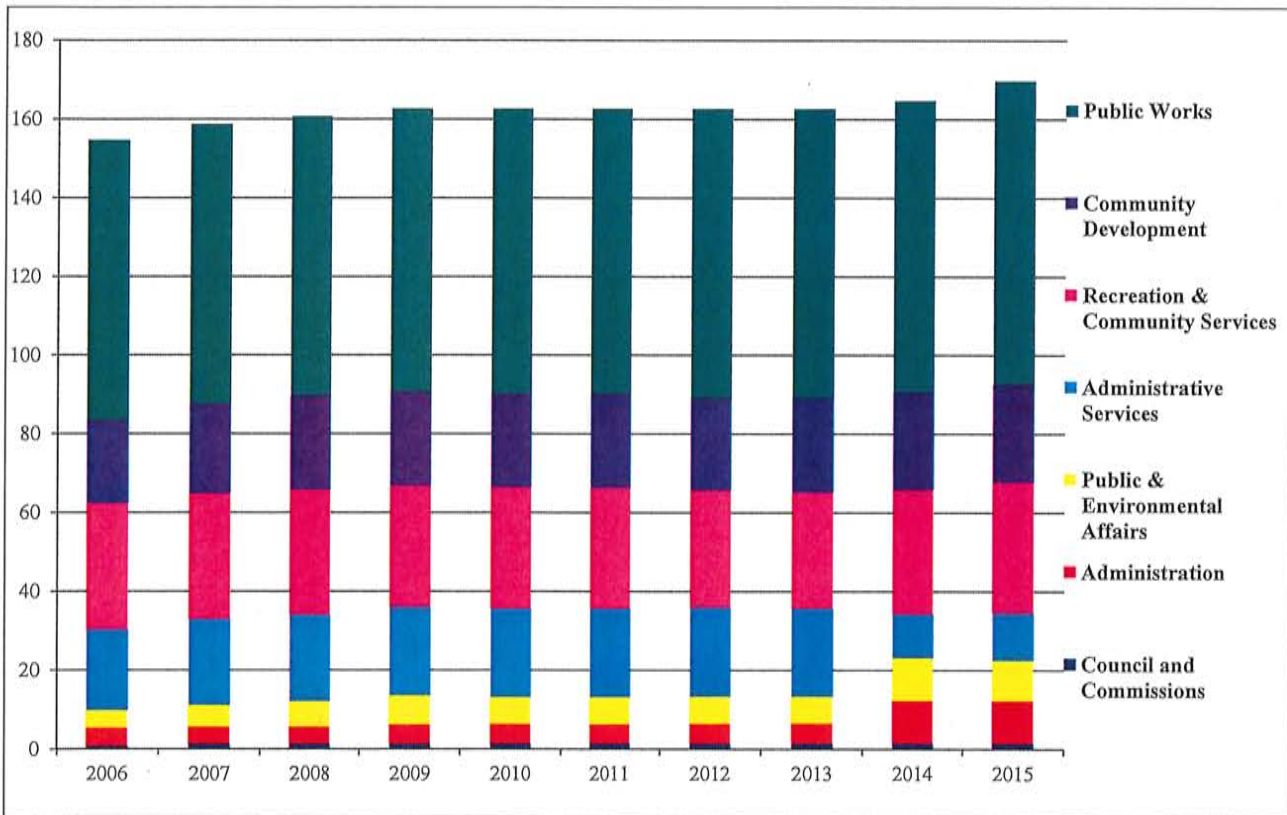
CITY OF CUPERTINO
2015 Employer Ranking
(Unaudited)

<u>Employer</u>	<u>Ranking</u>	<u>Employer</u>	<u>Ranking</u>
Apple	1	BJ's Restaurant & Brewhouse	11
Seagate Technology	2	Insight Solutions Inc	12
CRC Health Corp	3	Macy's	13
De Anza College	4	Monta Vista High School	14
IOGYN Inc	5	Sugar CRM Inc	15
Chordiant Software	6	Whole Foods Market	16
CIENA Corp	7	Homestead High School	17
Health Care Ctr At The Forum	8	Keller Williams Realty	18
Target	9	Cupertino High School	19
Cupertino Health Care & Wellness	10	Aemetis Inc.	20

Source: Report#1277422865, 6/1/15 from InfoUSA.com

CITY OF CUPERTINO
Full-Time Equivalent City Employees by Function/Program
Last Ten Fiscal Years
(Unaudited)

Function/Program	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Council and Commissions	0.80	1.40	1.40	1.40	1.47	1.46	1.47	1.52	1.57	1.55
Administration	4.70	4.30	4.30	4.85	4.90	4.85	5.05	5.05	10.75	10.75
Public & Environmental Affairs	4.40	5.55	6.50	7.45	6.95	6.95	6.95	6.90	11.00	10.25
Administrative Services	20.35	21.63	21.88	22.33	22.33	22.34	22.48	22.26	11.00	12.00
Recreation & Community Services	32.13	31.96	31.76	30.77	30.78	30.78	29.78	29.53	31.48	33.28
Community Development	21.15	22.78	23.78	23.78	23.73	23.78	23.43	23.90	24.83	24.80
Public Works	71.22	71.13	71.13	72.17	72.59	72.59	73.59	73.59	74.12	77.12
Total	154.75	158.75	160.75	162.75	162.75	162.75	162.75	162.75	164.75	169.75



Source: City of Cupertino Budget

CITY OF CUPERTINO
Operating Indicators by Function/Program
Last Ten Fiscal Years
(Unaudited)

Function/Program	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Law Enforcement/Sheriff Response										
Priority One-Respond within 5 minutes	4.94 Min.	4.94 Min.	5.83 Min.	3.88 Min.	3.93 Min.	4.49 Min.	4.84 Min.	3.76 Min.	4.30 Min.	4.90 Min.
Priority Two-Respond within 9 minutes	8.09 Min.	7.15 Min.	7.95 Min.	5.94 Min.	5.90 Min.	5.76 Min.	6.44 Min.	5.98 Min.	6.39 Min.	6.56 Min.
Priority Three-Respond within 20 minutes	16.74 Min.	15.82 Min.	15.73 Min.	9.40 Min.	9.77 Min.	9.79 Min.	10.62 Min.	10.29 Min.	10.76 Min.	10.52 Min.
Public Works										
Street Sweeping	696 Curb Miles	696 Curb Miles	696 Curb Miles	696 Curb Miles	696 Curb Miles	696 Curb Miles	575 Curb Miles	575 Curb Miles	575 Curb Miles	575 Curb Miles
Street Maintenance	24 Hrs of Call	24 Hrs of Call	24 Hrs of Call	24 Hrs of Call	24 Hrs of Call	24 Hrs of Call	24 Hrs of Call	24 Hrs of Call	24 Hrs of Call	24 Hrs of Call
Recreation Services										
Teen Center Memberships	550	510	444	400	447	492	576	564	684	424
Senior Center Memberships	1,021	1,356	1,419	1,700	1,985	1,598	1,776	1,852	1,950	2,000
Local Resident Rentals at Blakesberry Farm (e)	3,100	1,935	2,110	2,243	2,287	2,387	2,470	2,456	2,623	2,549
Quinnan Community Center Rental Revenue (e)	-	-	-	28	91	120	135	141	148	120
	-	-	-	\$86,000	\$71,000	\$91,000	\$133,000	\$120,000	\$109,342	\$110,033
Community Development										
Approved Building Plan Sets	Within 5 Days	Within 5 Days	Within 5 Days	91% Within 5 Days	96% Within 5 Days	97% Within 5 Days	97% Within 5 Days	92% Within 5 Days	95% Within 7 Work Days	95% Within 7 Work Days
Discretionary Land Use Applications	Within 21 Days	Within 21 Days	Within 21 Days	95% Within 21 Days	100% Within 21 Days	100% Within 21 Days	99% Within 21 Days	99% Within 21 Days	99% Within 21 Work Days	99% Within 21 Work Days
Public Notices of Upcoming Projects	Within 10 Days	Within 10 Days	Within 10 Days	100% Within 10 Days	100% Within 10 Days	100% Within 10 Days	100% Within 10 Days	100% Within 10 Days	100% Within 10 Days	100% Within 10 Days
Administrative Services										
Accurate Payable Processing	5 Days	5 Days	5 Days	5 Days	5 Days	5 Days	7 Days	7 Days	7 Days	7 Days
Business License Renewal Certificates	3 Days	3 Days	3 Days	3 Days	3 Days	3 Days	3 Days	3 Days	3 Days	3 Days

Source: City of Cupertino

CITY OF CUPERTINO
Capital Assets Statistics by Function/Program
Last Ten Fiscal Years
(Unaudited)

Function/Program	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Public Works										
Centerline Miles of Streets	142	142	142	142	142	142	142	142	142	142
Streetlights	2,950	2,950	2,950	2,950	2,950	2,950	2,950	2,950	2,950	2,950
Traffic Signals	39	39	39	39	39	39	39	48	48	48
Culture & Recreation										
Parks and Open Spaces	17	17	17	17	18	19	19	19	21	21
Park and Landscape Acreage	150.8	150.8	150.8	150.8	151.4	152.0	152.0	152.0	159.0	165.0
City Trails	1	1	1	1	1	1	1	1	3	3
Golf Courses	1	1	1	1	1	1	1	1	1	1
Community Center	1	1	1	1	1	1	1	1	1	1
Community Hall	1	1	1	1	1	1	1	1	1	1
Senior Center	1	1	1	1	1	1	1	1	1	1
Sports Center	1	1	1	1	1	1	1	1	1	1
Swimming Pools	1	1	1	1	1	1	1	1	1	1
Tennis Courts	17	17	17	17	17	17	17	17	17	24
Sports Fields	1	1	1	1	1	1	1	1	41	41
City Library	1	1	1	1	1	1	1	1	1	1

Source: City of Cupertino

***COMMUNITY
PROFILE***

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History

Cupertino owes its name and earliest mention in recorded history to the 1776 expedition led by the Spanish explorer Captain Juan Bautista de Anza. Starting in Sonora, Mexico, Anza led a group up the coast of California, aiming to establish a presidio (fort) on San Francisco Bay.



In late March, Anza left the majority of his party of men, women, and children in Monterey to rest and pressed on through the Santa Clara Valley to his San Francisco destination with 18 men and Pedro Font, a diarist, cartographer, and Franciscan priest.

With the expedition encamped in what is now Cupertino, Font christened the creek next to the encampment the Arroyo San Joseph Cupertino in honor of his patron, San Guiseppe (San Joseph) of Copertino, Italy. The arroyo is now known as Stevens Creek.

The village of Cupertino sprang up at the crossroads of Saratoga-Sunnyvale Road (now DeAnza Boulevard) and Stevens Creek Boulevard. It was first known as West Side, but by 1898, the post office at the Crossroads needed a more unique name. John T. Doyle, a San Francisco lawyer and historian, had given the name Cupertino to his winery in recognition of the name bestowed on the nearby creek – likewise, in 1904, the same name was applied to the Crossroads and to the post office as the Home Union Store in the northeast corner of the Crossroads changed its name to The Cupertino Store.



Although Cupertino's pioneer settlers planted grapes in the late 1800s, many switched to keeping orchards when phylloxera, a root louse, struck the thriving wine industry in 1895. As the orchards flourished, the valley became known for the spring profusion of blossoms.

In the late 1940's Cupertino was swept up in Santa Clara Valley's postwar population explosion. Concerned by unplanned development, higher taxes, and piecemeal annexation to adjacent cities, Cupertino's community leaders began a drive for incorporation in 1954. The incorporation was approved in the September 27, 1955 election, and Cupertino officially became Santa Clara County's 13th City on October 10, 1955.

A major milestone in Cupertino's development was the creation of Vallco Business and Industrial Park by some of the city's largest landowners in the early 1960's. Of the 25 property owners, 17 decided to pool their land to form Vallco Park and six sold their land to Varian Associates, a thriving young electronics firm founded by Russell Varian. The name Vallco was derived from the names of the principal developers: Varian Associates and the Leonard, Lester, Craft, and Orlando families.

2015 Community Economic Profile

Cupertino, with a population of 60,550 and the city limits stretching across 13 square miles, is considered one of the most prestigious cities to live and work in the San Francisco Bay Area.

Economic health is an essential component to maintaining a balanced city, which provides high-level opportunities and services that create and help sustain a sense of community and quality of life. Public and private interests must be mutual so that our success as a partnership is a direct reflection of our success as a community. The cornerstone of this partnership is a cooperative and responsive government that fosters business and residential prosperity and strengthens working relationships among all sectors of the community.

Our economic development strategies are tailored to address the specific needs of Cupertino. Because Cupertino is a mature, 90% built-out city, we focus on business retention and revitalization. For example, business recruitment is site-specific and targeted to industries that enhance, rather than draw from, our existing business base.

Cupertino is home to many well-known high-tech companies, offering a dynamic and exciting business climate. Apple Inc., Verigy, Durect Corporation, and Trend Micro are headquartered in the city. DeAnza College, one of the largest single-campus community colleges in the country, is another major employer.



The City's proactive economic development efforts have resulted in a number of innovative, mutually beneficial partnerships with local companies. The City strives to retain and attract local companies through active outreach and a responsive and customer-oriented entitlement process.

The Vallco Mall includes JC Penney, Sears, and many other shopping venues. Shoppers can enjoy the latest movies at the AMC 16 Theater, skate at the mall's full-size ice rink, and bowl at the chic and upscale Bowl Mor Lanes. They can begin or top off the evening with fine dining at the critically-acclaimed Alexander's Steakhouse or enjoy more casual cuisine at TGI Friday's, Benihana's, Dynasty Seafood Restaurant, California Fresh, and the international food court.

Another popular shopping venue is the Cupertino Marketplace, located just across Vallco Mall. A popular destination by high school students in the area, the Marketplace has a variety of hangout locations such as Yogurtland, Super Cue, La Patisserie Bakery, and Beard Papa's. In addition to shopping for Japanese groceries and goods at Marukai and Daiso, customers can eat at one of the many culturally diverse restaurants, including Merlion Restaurant, Harumi Sushi, Gyu-Kaku Japanese BBQ, One Pot Shabu Shabu, Kong's Korean Tofu & BBQ, PotSticker King, Wingstop, Erik's Deli Café, J.T. McHart's Pizza, and Elephant Bar.



On the other side of Vallco Mall is the Cupertino Village, home to 99 Ranch Market, Ten Ren Tea, Fantasia Coffee & Tea, Joy Luck Palace, and other Asian restaurants, bakeries, and shops.

The city features many other stores, including TJ Maxx and Home Goods, Whole Foods, Target, and over 160 restaurants to serve the local workforce and residents.

Cupertino features five hotels: Cupertino Inn, Hilton Garden Inn, Marriott Courtyard, the Cypress Hotel, operated by the Kimpton Group and The Aloft Cupertino Hotel, operated by Starwood Hotels & Resorts.

The redevelopment of the Homestead Square, located at Homestead Road and DeAnza Boulevard, will include a 24-hour Safeway, Ulta, Ross Stores, Stein Mart and numerous other tenants to complement the area. Ride Aid, Michael's and FedEx Kinko's are also part of the project and currently open for business. Construction is scheduled to be complete by the end of the 2014.



In addition, Cupertino is excited to have new retail commercial development projects underway, including Main Street Cupertino on Stevens Creek Boulevard, the Biltmore on DeAnza Boulevard, and Saich Way Station on Stevens Creek Boulevard and Saich Way. Each project features mixed use to accommodate the growing retail and residential needs of the community.

The City of Cupertino has a history of providing high-level municipal services to complement the sense of community and quality of life enjoyed by our constituents. The City will continue to enhance and promote a strong local economy to provide municipal services that make Cupertino a place that people are proud to call home.

2015 City Profile

The City of Cupertino operates as a general law city with a City Council-City Manager form of government. Five council members serve four year, overlapping terms, with elections held every two years. The council meets twice a month on the first and third Tuesday at 6:45 p.m. in the Community Hall. The meetings can be viewed on the City website.

The City has 169.75 authorized full-time benefited employee positions. City departments include Administration (City Council, Commissions, City Clerk, City Manager, City Attorney, Environmental Affairs, Economic Development, Code Enforcement); Administrative Services (Finance, Human Resources); Community Development (Planning, Building, Housing Services); Recreation and Community Services (Neighborhood Watch, Emergency Preparedness); Public Works (Engineering, Maintenance, Transportation, Solid Waste, and Storm Drain Management); and Public and Environmental Affairs. Police service is provided by the Santa Clara County Sheriff's Department, and fire service is provided through the Santa Clara County Fire District.

Assisting the City Council are several citizen advisory commissions/committees including housing, telecommunications, fine arts, library, planning, audit, parks and recreation, bicycle and pedestrian, teens, economic development, strategic planning, and public safety. Members of the volunteer boards are appointed by the City Council and vacancies are announced so that interested residents can apply for the positions. Residents are kept informed about city services and programs through the *Cupertino Scene*, a monthly newsletter; the *City Channel*, Cupertino's government access cable TV channel; and the city's website.

Housing

The average listing of an existing single-family home is \$1,441,342 as of 2014. For housing programs in Cupertino, please see "Programs & Applications."

Community Health Care Facilities

Cupertino is served by the Cupertino Medical Clinic, NovaCare Occupational Health Services. Nearby hospitals include Kaiser Permanente Medical Center in Santa Clara, El Camino Hospital in Mountain View, O'Connor Hospital in San Jose, Community Hospital of Los Gatos, Stanford Hospital in Palo Alto, and the Saratoga Walk-in Clinic in Saratoga.

Utilities

Gas & Electric

Pacific Gas and Electric, 800-743-5000

Phone

AT&T residential service, 800-894-2355

AT&T business service, 800-750-2355

Cable

Comcast, 800- 945-2288

Solid Waste & Recycling

Recology, 408-725-0420

Water

San Jose Water Company, 408-279-7900

California Water, 650-917-0152

Sewer Service

Cupertino Sanitary District, 408-253-7071

Tax Rates and Government Services

Residential, commercial, and industrial property is appraised at full market value as it existed on March 1, 1975, with increases limited to a maximum of 2% annually. Property created or sold since March 1, 1975 bears full cash value as of the time created or sold, plus the 2% annual increase. The basic tax rate is \$1.00 per \$100 (full cash value) plus any tax levied to cover bonded indebtedness for county, city, school, and other taxing agencies. Assessed valuations and tax rates are published annually after July 1.

Assessed Valuation (Secured and Unsecured)

Cupertino: \$16,206,163,709 (7/1/14)

County: \$357,339,245,945 (7/1/14)

Retail Sales Tax

Grand Total = 8.7500%.

Breakdown = Cupertino 1 %, State General Fund 3.9375%, State and Local Revenue Fund 1.0625%, State Local Public Safety 0.5%, State Local Revenue 0.5%, State Education Protection 0.25%, County Transportation 0.25%, Local District (Valley Transportation Authority) 1.25%.

Transportation

Rail: The CalTrain station is four miles north of city. The Amtrak station is 10 miles south.

Air: The San Francisco International Airport is located roughly 30 miles north, and the Mineta San Jose International Airport is located approximately 11 miles south.

Bus: Cupertino is served by the Santa Clara Valley Transportation Authority. The routes listed below pass through the City. For Cupertino-specific schedules and maps visit their online website:

Route 23 San Jose – Mountain View/Palo Alto
Route 25 San Jose – De Anza College
Route 26 Eastridge – Lockheed
Route 36 East San Jose – Vallco
Route 51 Vallco – Moffett/Ames
Route 53 Westgate – Sunnyvale

Route 54 West Valley – Fair Oaks/ Tasman
Route 55 De Anza – Great America
Route 81 East San Jose – Vallco
Express 101 Camden/Branham – Palo Alto
Express 501 Palo Alto – I.B.M Bailey

Car: The City of Cupertino is in the heart of the world renowned Silicon Valley. The major highway transportation facilities are Interstate Route 280 and State Route 85 freeways. The City is linked internally by several principal arterials and Santa Clara County expressways. Principal arterials are De Anza Boulevard, Stevens Creek Boulevard, and Wolfe Road. Nearby expressways are Lawrence Expressway and Foothill Expressway.

Sister Cities

Cupertino has four sister cities: Copertino, Italy; Hsinchu, Taiwan; Toyokawa, Japan, and Bhubaneswar, India.

Education

Winner of numerous state and national awards for excellence, our city's schools are widely acknowledged as models of quality instruction.

Cupertino Union School District serves 18,000 students in a 26 square mile area that includes Cupertino and portions of five other cities. The district has 20 elementary schools and five middle schools, including several choice programs. Eighteen schools have received state and/or national awards for educational excellence.



Student achievement is exceptionally high. Historically, district test scores place Cupertino among the premier public school districts in California. The district is a leader in the development of standards-based system of education and is nationally recognized for leadership in the use of technology as an effective tool for learning. Quality teaching and parent involvement are the keys to the district's success.

The Fremont Union High School District serves 10,000 students in a 42 square mile area covering all of Cupertino, most of Sunnyvale, and portions of San Jose, Los Altos, Saratoga, and Santa Clara. The five high schools of the district have garnered many awards and recognition based on both the achievement of students and the programs designed to support student achievements. Many high schools in the district exceed their established achievement targets for the State Academic Performance Index. District students are encouraged to volunteer and provide service to organizations within the community. During their senior year, if students complete 80 hours of service to a non-profit community organization, they are recognized with a "Community Service Award" medal that may be worn at their graduation ceremonies.

Cupertino is served by two local institutions of higher education: DeAnza College and the University of San Francisco. In addition to these schools, Cupertino's location offers easy access to Stanford University, Santa Clara University and San Jose State University.

Building on its tradition of excellence and innovation, DeAnza College challenges students of every background to develop their intellect, character, and abilities; to achieve their educational goals; and to serve their community in a diverse and changing world.

DeAnza College offers a wide range of quality programs and services to meet the work force development needs of our region. The college prepares current and future employees of Silicon Valley in traditional classroom settings and customized training arranged by employers. Several DeAnza programs encourage economic development through college credit courses, short-term programs, services for manufacturers, technical assistance, and/or recruitment and retention services.

Programs & Applications

Community Outreach Programs

Leadership 95014

Leadership 95014 is a program designed by the City of Cupertino, Wilfred Jarvis Institute, and other local sponsors to offer an exciting adult program that is guaranteed to enhance the participants' leadership skills. The ten full-day sessions feature inside looks at local governments, the social sector, local non-profit organizations, and educational institutions. This 9-month program is offered annually, September to May, and applications can be found online.



Neighborhood Block Leader Program

Good neighborhoods are those where neighbors work together on common issues and look out for each other. Block leaders take extra steps to connect neighbors and build community, making our neighborhoods safer and more harmonious. The Block Leader Program teaches residents how to get to know their neighbors and how to organize activities so neighbors can more easily communicate with each other. Block leaders are vital links between City Hall and the neighborhoods, and leaders gain the inside track on neighborhood development activities.



Neighborhood Watch

Neighborhood Watch is a crime prevention program that enlists the active participation of citizens in cooperation with law enforcement to reduce crime in our communities. It involves: neighbors getting to know each other and working together in a program of mutual assistance; citizens being trained to recognize and report suspicious activities in their neighborhoods; and implementation of crime prevention techniques such as home security and operation identification. To organize a Neighborhood Watch program in your neighborhood, please contact the Neighborhood Watch Coordinator at 408.777.3177.

eCAP

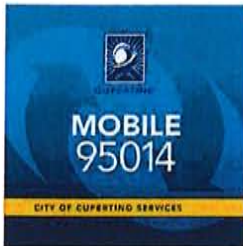
Email Community Alert Program (eCAP) was created by the Santa Clara County Sheriff's Office to prevent and reduce crime by raising community awareness, minimizing opportunities for crime, and increasing the possibility of solving crimes with the public's help. Cupertino residents may voluntarily register their email addresses with the Sheriff's Office for community alert messages. Citizens can sign-up at a Neighborhood Watch meeting or log-on to the City of Cupertino's eCAP online registration.

Affordable Housing: BMR (Below Market Rate) Program

The City of Cupertino requires 15% of all new construction be affordable to households below 120% of the County median income. Rental units are affordable to very low and low-income households while ownership units are affordable to median and moderate-income households.

The City of Cupertino contracts with West Valley Community Services (WVCS) to screen and place qualified households in most of the city's BMR units. WVCS maintains a waiting list of interested persons for these BMR units. If interested, please call 408.255.8033. More information can be found online.

Smart Phone Applications



Mobile 95014

City of Cupertino's Mobile 95014 app offers latest listing of Cupertino news and events as well as local parks, schools, and recreation offerings in the city. This app showcases environmental services and community services such as Block Leaders and Neighborhood Watch programs. Users can learn about public safety and contact City Council members and City officials. The app also offers links to Cupertino's social media sites.

Trees 95014

Trees 95014 is an iPhone/iPad and Android app which provides details about the city-planted trees in Cupertino. Users can search for trees by street name or by current location. The search results show the picture of the tree and details such as location, height, diameter, and species. Cupertino residents can also sign up their tree, name their tree, and request tree service through this app.



Eats 95014

Eats 95014 is the local restaurant app that showcases Cupertino's dining options such as restaurants, grocery stores, farmers' markets, and vineyards. The app provides information on the services offered at such eating places including store hours, parking information, noise level, directions, and website link.

Ready 95014



Ready 95014 is an app that puts safety information into the hands of Cupertino residents. Steps to prepare and respond to emergencies including earthquakes, floods, fires, and pandemics are outlined in an easy-to-understand format. The app also streams Cupertino's own AM radio station (1670 AM) and has a map of the City's Area Resource Centers, satellite locations opened after disasters to provide public assistance.

Geographic Information System (GIS)



For local governments, a GIS is a computer technology that combines geographic data (the locations of manmade and natural features on the earth's surface) and other types of information (names, classifications, addresses, and much more) to generate visual maps and reports. A GIS uses geographic location to relate otherwise disparate data and provides a systematic way to collect and manage location-based information crucial to local government.

The City of Cupertino has been using GIS within individual departments to enhance both operational and analytical functions since 1977. The City has organized their GIS efforts by placing GIS into the Information Technology Division.

Cupertino at a Glance

The Cupertino at a Glance application can be accessed online at: gis.cupertino.org/CupertinoAtAGlance.

Cupertino's Green Program

Cupertino is committed to maintaining the City as a sustainable place to live, learn, work, and play for all the community members. To achieve this goal of safeguarding the community's well-being and environmental health, Cupertino is actively working to implement its first Climate Action Plan (CAP) and provide residents, businesses, and schools with clear and easy-to-access programs and services to jumpstart green leadership. More information can be found online.



Social Media Sites

Facebook Sites

City of Cupertino Facebook
Cupertino Parks and Recreation Facebook
Cupertino Teen Center Facebook
McClellan Ranch Preserve Facebook
Cupertino Senior Center Facebook
Cupertino Sports Center Facebook
Cupertino Block Leader Facebook

Twitter Sites

City of Cupertino Twitter
Cupertino Fields Twitter
Cupertino Parks and Recreation Twitter

YouTube Site

City of Cupertino, City Channel

Community Statistics

Facts and Figures¹

Population in City Limits	60,550
Median Household Income	\$140,034
Median Age	40
Registered Voters	20,049
Democrats	7,386
Republicans	4,121
American Independent	285
Other	173
No Political Party designated	8,084

Top 40 Sales Tax Producers

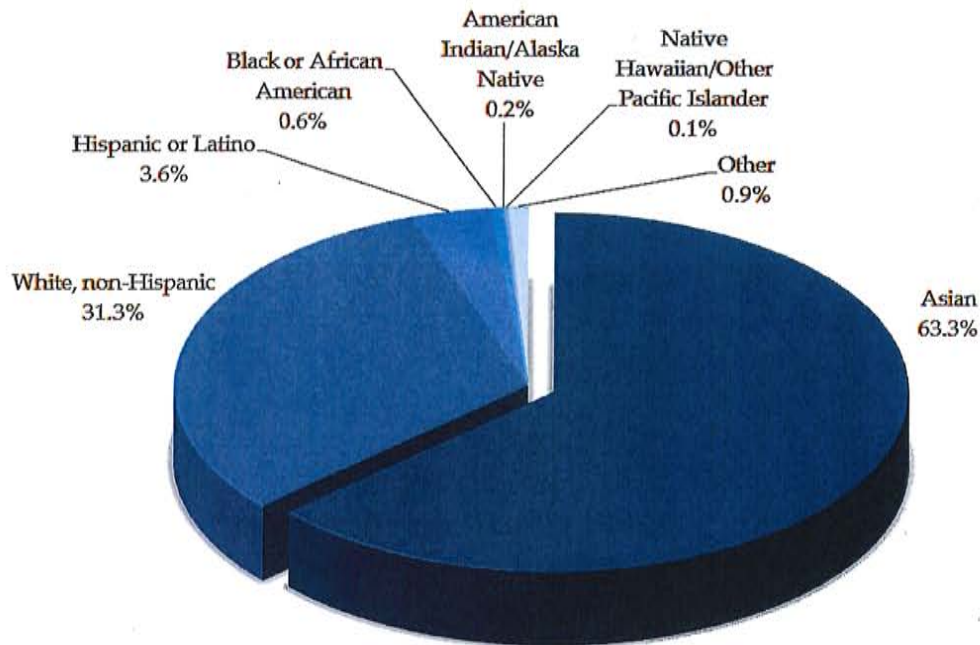
First Quarter 2015, in Alphabetical Order

Aemetis Inc.	Cypress Hotel	Referral Realty
Apple Computers Corporation	DURECT Corp	Seagate Technology LLC
Astra Real Estate A CI Partner	Ekim Painting	Shane Co.
BJ's Restaurant & Brewhouse	Elephant Bar Restaurant	SIRVA Relocation
Blue Lane Technologies	Hilton Garden Inn	Steven Creek Quarry
Century 21	Insight Solutions Inc.	Sugar CRM Inc.
Chordiant Software Inc.	Kaiser Foundation Hosp.	Target
CIENA Corp	Kaiser Permanente Med.	Technology Properties LTD
Cisco Systems	Keller Williams Realty	TGI Friday's
Coldwell Banker	Marina Food.	TPL Group LTD
Comfort Keepers	Max Real	Whole Foods Market
CORT Clearance Ctr.	Morgan Stanley Wealth Mgmt.	
CRC Health Corp	Oracle	
Cupertino Healthcare & Wellness	Ranch 99 Markets	

Cupertino is ranked as #33 under the 50 Safest Cities in California listed in the Safe Wise (safewise.com) report, a source for home security and safety advice.

¹ U.S. Census Bureau

Demographic Information

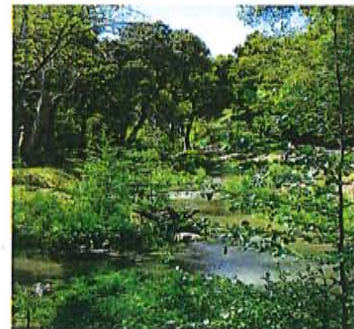


Community and Recreation Services

Blackberry Farm

Blackberry Farm has been upgraded and restored to improve the natural habitat for native trees, animals, and fish. Improvements to the park include construction of a new ticket kiosk, re-plastered pools, a new water slide, bocce ball, horseshoe courts, and numerous upgrades to the west bank picnic area. The park is located at 21979 San Fernando Avenue. Telephone: 408-777-3140.

The Blackberry Farm Golf Course is located at 22100 Stevens Creek Boulevard. Telephone: 408-253-9200.



The Quinlan Community Center

The City of Cupertino's Quinlan Community Center is a 27,000 square foot facility that provides a variety of recreational opportunities.

Most prominent is the Cupertino Room - a multi-purpose room that can accommodate 300 people in a banquet format. Telephone: 408-777-3120.

Cupertino Sports Center

The Sports Center is a great place to meet friends. The facility features 17 tennis courts, complete locker room facilities, and a fully-equipped fitness center featuring free weights, Cybex, and cardio equipment. A teen center and a child-watch center are also included. The center is located at the corner of Stevens Creek Boulevard and Stelling Road. Telephone: 408-777-3160.

Cupertino Senior Center

The Senior Center provides a welcome and friendly environment for adults over age 50. There is a full calendar of opportunities for learning, volunteering, and enjoying life. There are exercise classes, computer lab classes, and English as a second language classes, and cultural and special interest classes. The center also coordinates trips and socials.

The Senior Center is located at 21251 Stevens Creek Boulevard and is open Monday through Friday, 8 a.m. to 5 p.m. Telephone: 408-777-3150.

Civic Center and Library

The complex has a 6,000 square foot Community Hall, plaza with fountain, trees, and seating areas. City Council meetings, Planning Commission sessions, and Parks and Recreation Commission sessions are held in the Community Hall.

The 54,000 square foot library continues to be one of the busiest libraries in the Santa Clara County Library system. For more information, call 408-446-1677.

McClellan Ranch Park

A horse ranch during the 1930's and 40's, this 18-acre park has the appearance of a working ranch. Preserved on the property are the original ranch house, milk barn, livestock barn, and two historic buildings: Baer's Blacksmith Shop, originally located at DeAnza and Stevens Creek, and the old water tower from the Parish Ranch, now the site of Memorial Park. Rolling Hills 4-H Club members raise rabbits, chickens, sheep, swine, and cattle. The Junior Nature Museum, which features small live animal exhibits and dispenses information about bird, animal, and plant species of the area, is also located at the ranch. McClellan Ranch is located at 22221 McClellan Road. Telephone: 408-777-3120.



Things to do and See

Euphrat Museum of Art

The highly regarded Euphrat Museum of Art, at its new location next to the new Visual Arts and Performance Center at DeAnza College, presents one-of-a-kind exhibitions, publications, and events reflecting the rich diverse heritage of our area. The Museum prides itself on its changing exhibitions of national and international stature emphasizing Bay Area artists. Museum hours are 10 a.m. – 3 p.m. Monday through Thursday. Telephone: 408-864-5464.

Fujitsu Planetarium

The Fujitsu Planetarium on the DeAnza College campus is a must-visit Cupertino facility for stargazers. It hosts a variety of planetarium shows and events, including educational programs for school groups and family astronomy evenings. For more information, visit the website at <http://planetarium.deanza.edu> or call 408-864-8814.

Flint Center

The cultural life of the Peninsula and South Bay is enhanced by programs presented at the Flint Center for Performing Arts located at 21250 Stevens Creek Boulevard in the DeAnza College campus. The center opened in 1971 and was named in honor of Calvin C. Flint, the first chancellor of the Foothill-DeAnza Community College District. The box office is open 10 a.m. – 4 p.m. Tuesday through Friday and 1.5 hours prior to any performance. Box office: 408-864-8816; administrative office: 408-864-8820.

Cupertino Historical Society

The Cupertino Historical Society was founded in 1966 by a group of 177 longtime residents and is dedicated to the preservation and exhibition of the city's history. Their museum, located at the Quinlan Community Center, develops and expands the learning opportunities that it offers to the ethnically diverse community of the City of Cupertino. Telephone: 408-973-1495.

Farmers' Market



There are two farmers' markets located in the City of Cupertino. One is held on Fridays from 9:00 a.m. to 1:00 p.m. at the Vallco Shopping Mall parking lot behind J.C. Penney, and the other is held every Sunday from 9:00 a.m. to 1:00 p.m. at the Cupertino Oaks Shopping Center, 21275 Stevens Creek Blvd.

California History Center

The California History Center and Foundation is located on the DeAnza College campus. The center has published 37 volumes on California history and has a changing exhibit program. The center's Stockmeir Library Archives boast a large collection of books, pamphlet files, oral history tapes, videotapes, and a couple thousand student research papers. The library's collection is for reference only. Heritage events focusing on California's cultural and/or natural history are offered by the center each quarter. For more information, call 408-864-8987. The center is open September through June, Tuesday through Thursday, from 9:30 a.m. to noon and 1:00 p.m. to 4:00 p.m.



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