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2015-2016

COMPREHENSIVE ANNUAL FINANCIAL REPORT

For Fiscal Year Ended June 30, 2016



CUPERTINO

City of Cupertino, California
www.cupertino.org

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CITY OF CUPERTINO, CALIFORNIA

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

**FOR FISCAL YEAR ENDED
JUNE 30, 2016**

**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, 2016

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COMMUNITY PROFILE



CITY OF CUPERTINO

CITY HALL

10300 TORRE AVENUE • CUPERTINO, CA 95014-3202

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March 7, 2017

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, 2016. 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 60,572 (based on July 2015 U.S. Census Bureau estimates 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, Bromium, and SugarCRM Inc., and home to many other well-known firms, such as Altia Systems, Cinarra, 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.

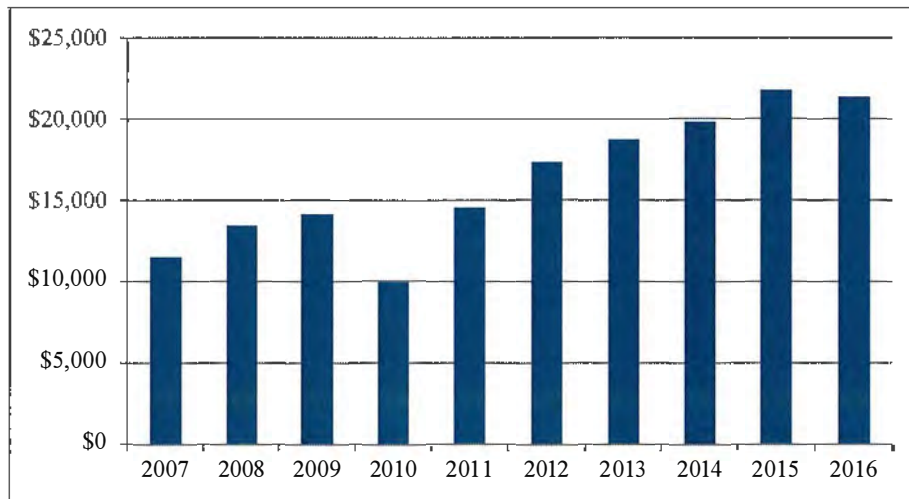
Based on CoStar data as of the fourth quarter 2016, over 7.1 million square feet of office, research, and development space existed in the City with one of the lowest vacancy rates in Silicon Valley at 2.3% for office and 0.2% for industrial. Leasing activity of office space has increased steadily from 2015-2016. As of November 2016, the City's unemployment rate was 2.8%, having decreased from the previous year and well below the statewide rate of 5.0%.

The City features thirteen retail centers and over one hundred eighty eating establishments. The construction and completion 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 Doppio Zero, The Kebab Shop, Kula Sushi, Icool In2 ice cream, Vitality Bowls, Lazy Dog, Philz Coffee, Eureka!, Oren's Hummus, Chef Hung, 85 Degrees Bakery, Meet Fresh, Target Express, Pieology, Capezio, Howards Shoes, 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, Site for Sore Eyes, Ubreakifx, and Blast 825 Pizza. The successful redevelopment of Homestead Square features a 24-hour Safeway as its anchor and other tenants including Ulta, SteinMart, Ross, a variety of quick-casual dining options, and Pet Club opening soon in a 10,000SF space. 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 2016-2017 Assessor's Annual Report for Santa Clara County, Cupertino's net assessment roll growth increased from \$19.40 to \$21.35 million from the previous year. That equated to an increase of 10.06%, which far exceeds the county-wide average of 7.97% growth. A large portion of the increase resulted from partial value from the new Apple campus of \$700 million in new construction. The value of Apple's business personal property also contributed to the increase which includes investments in computers, machinery, equipment, fixtures and furniture. The total construction value of the campus so far, totaling \$1.6 billion, represents only a fraction of the anticipated full market value when the campus is completed.

Based on second quarter 2016 data, Cupertino experienced a 19.4% decrease in business activity, quarter over quarter. The large decline reflects a correction to normalcy after a large increase in second quarter 2015 of 33.5% resulting primarily from the peak in new construction activity of the new Apple Campus. The City is not as diversified into retail, food products, and transportation compared to the state. It continues to receive over 64% 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 trending 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. Plans for the redevelopment of the Marina shopping center into a mixed-use project, Marina Plaza, was approved in 2016. This project will include 23,000SF of retail and restaurant use, a 122-room boutique hotel, and 188 residential units including 16 below market rate units. Construction of a five story, 148-room Hyatt House hotel is underway and will include a full-service restaurant and meeting rooms.

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 its long-term liability for pensions. Cupertino’s pension actuarial valuation report of June 2015 reported a pension unfunded liability of \$30.5 million with annual payments to CalPERS of 24.45% of payroll for 2016-17 and 2017-18, 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 2016 health cost actuarial valuation report, the City has a retiree medical unfunded liability of \$2.2 million with annual payments to a retiree health plan trust at 6.74% of payroll.

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 to grow and construction is nearing completion on its Apple Campus 2, bounded 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 desires 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 2015-2016 describes economic development and administrative initiatives to further increase the City's property tax share; streamline City web content and permitting 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 completed an Economic Development Strategic Plan (EDSP) approved by City Council in October 2016. The EDSP is a three to five year plan with strategies and goals in which to strengthen Cupertino's business vitality and diversity. One of the key strategies is to develop the growing incubator/co-working entrepreneurial sectors.

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, 2015. 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 Taitaro
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.

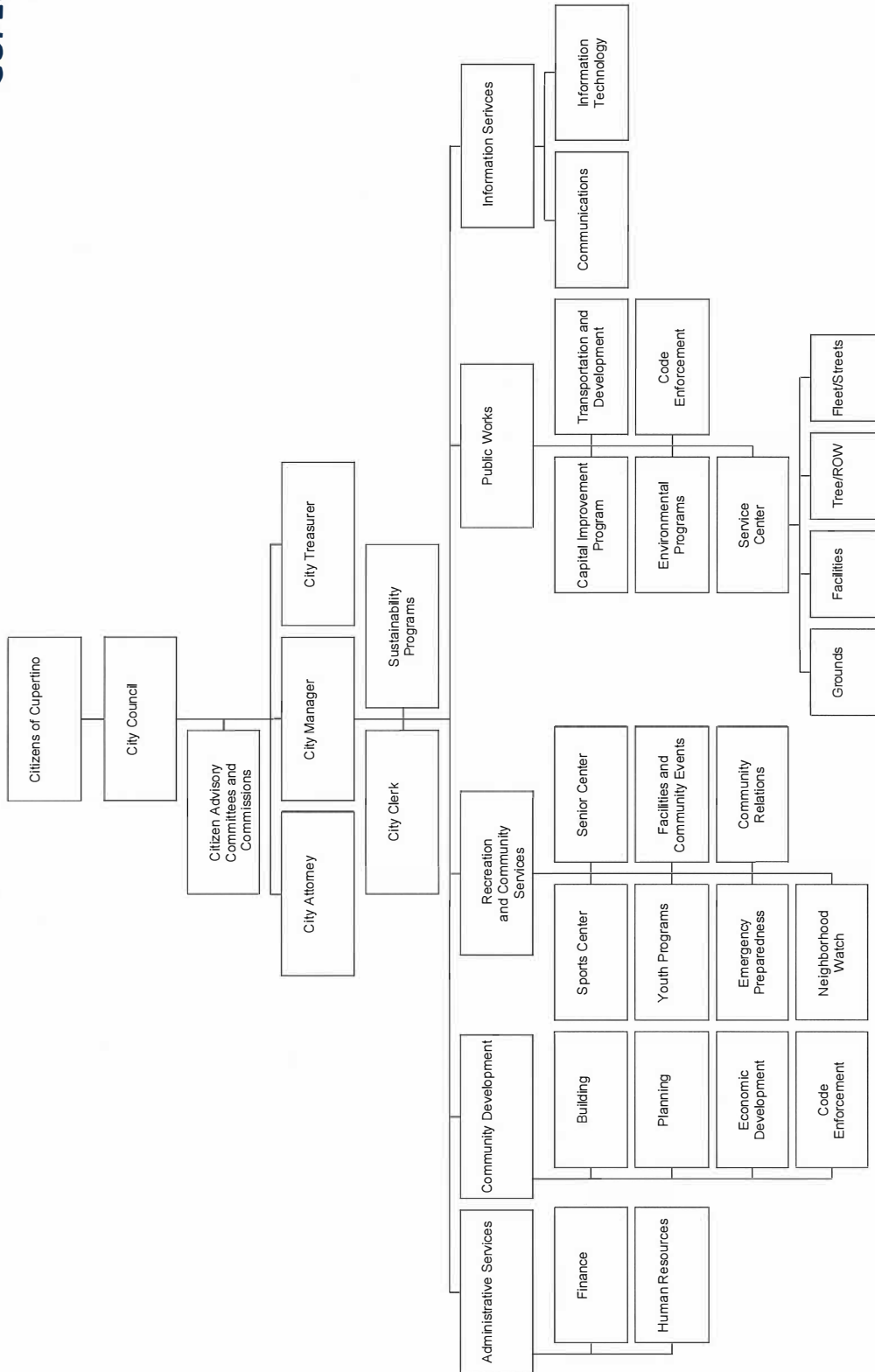
Reviewed by,



Kristina Alfaro
Director of Administrative Services



CUPERTINO



CITY OF CUPERTINO, CALIFORNIA

Fiscal Year 2015-16

CITY COUNCIL



Barry Chang
Mayor



Savita Vaidhyanathan
Vice Mayor



Rod Sinks
Councilmember



Gilbert Wong
Councilmember



Darcy Paul
Councilmember

DIRECTORY OF CITY OFFICIALS

David Brandt – City Manager
Randolph Hom – 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

Peter Shin
Eno Schmidt
Darcy Paul
Rod Sinks
Mark Zavislak

HOUSING COMMISSION

Harvey Barnett
Shirley Chu
Nina Daruwalla
Rajeev raman
Krista Wilson

FINE ARTS COMMISSION

Janki Chokshi
Russell Leong
Rajeswari Mahaliagan
Diana Matley
Michael Sanchez

PUBLIC SAFETY COMMISSION

Neha Sahai
Bob Cascone
Robert McCoy
Gerald Tallinger
Andy Huang

SUSTAINABILITY COMMISSION

Angela Chen	Meera Ramanathan
Gary Latshaw	Anna Weber
Vignesh Swminathan	

FISCAL STRATEGIC COMMITTEE

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

RECREATION AND COMMUNITY SERVICES COMMISSION

David Fung	Helen Davis
Carol Stanek	Neesha Tambe
Judy Wilson	

LIBRARY COMMISSION

Rose Grymes
Annie Ho
Gopal Kumarappan
Jerry Liu
Ann Stevenson

PLANNING COMMISSION

Geoffrey Paulsen
Margaret Gong
Winnie Lee
Don Sun
Alan Takahashi

BICYCLE PEDESTRIAN COMMISSION

Vidula Aiyer
Gary Jones
Peter Heller
Sean Lyn
Erik Lindskog

TEEN COMMISSION

Andrew Fung	Varsha Swamy
Harshitha Sriraman	Annabelle Chan
Meesha Reisisieh	Steve Yang
Anooj Vadodkar	Rishit Gundu

ECONOMIC DEVELOPMENT

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

TECHNOLOGY, INFORMATION & COMMUNICATIONS COMMISSION

Shishir Chavan	Rod Livingood
Keita Broadwater	Arnold de Leon
Vaishali Deshpande	



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Cupertino
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2015

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, 2016, 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, 2016, 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 Matters

Management adopted the provisions of Governmental Accounting Standards Board Statement No. 72 – Fair Value Measurement and Application which became effective during the year ended June 30, 2016 that requires modifications of notes to the financial statements as discussed in Note 1(n) and 2(f) to the financial statements.

The City restated its General Fund's beginning fund balance, as discussed in Note 1(p) to the financial statements.

The emphasis of these matters does not constitute a modification to 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 March 7, 2017, 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.

Mare & Associates

Pleasant Hill, California
March 7, 2017

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CITY OF CUPERTINO
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2016

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.

2015-16 FINANCIAL HIGHLIGHTS

- City revenues have normalized in 2015-16 with base governmental revenues only showing a \$1.5 million increase, or 2%, over 2014-15, after deducting the large one-time revenue of \$23.7 million (Gain on Sale of Capital Assets) received in 2014-15.
- The City continued to make substantial investment into capital projects dedicated to street and transportation improvements, storm drain improvements, and maintenance of and improvements to City facilities, resulting in an increase in net capital assets of \$10.06 million, after depreciation.
- The City's change in net position for governmental funds was \$13.4 million for governmental activities and \$13.8 million in total, reflecting the stabilization of revenues and continued large investment in capital projects.
- The City's net pension liability for June 30, 2016, was \$30.5 million, up to \$2.6 million from June 30, 2015, or 9.5%. The funding ratio for the City's pension plan with CalPERS went from 73% to 72%.
- Business-type activities contributed \$7.8 million to citywide revenues totaling \$85.9 million. However, the same activities contributed over \$9 million to citywide expenses of \$72.0 million. This resulted in a transfer from the general fund of \$1.6 million to cover the shortfall.

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.

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.

CITY OF CUPERTINO
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2016

- ***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.

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 OF CUPERTINO
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2016

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) as presented in the City-wide Statement of Net Position and the Statement of Activities.

Governmental Activities

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

	Governmental Activities	
	2016	2015
Assets:		
Cash and investments	\$ 115,916	\$ 121,058
Other assets	23,374	20,288
Capital assets	179,783	169,351
Total assets	319,073	310,697
Deferred Outflows of Resources:		
Related to Pension (Note 10)	3,664	3,662
Liabilities:		
Long term debt	35,835	37,925
Other liabilities	50,882	50,797
Total liabilities	86,717	88,722
Deferred Inflows of Resources:		
Related to Pension (Note 10)	1,826	4,880
Net Position:		
Net Investment in capital assets	148,168	131,426
Restricted	34,862	38,328
Unrestricted	51,164	51,004
Total net position	\$ 234,194	\$ 220,757

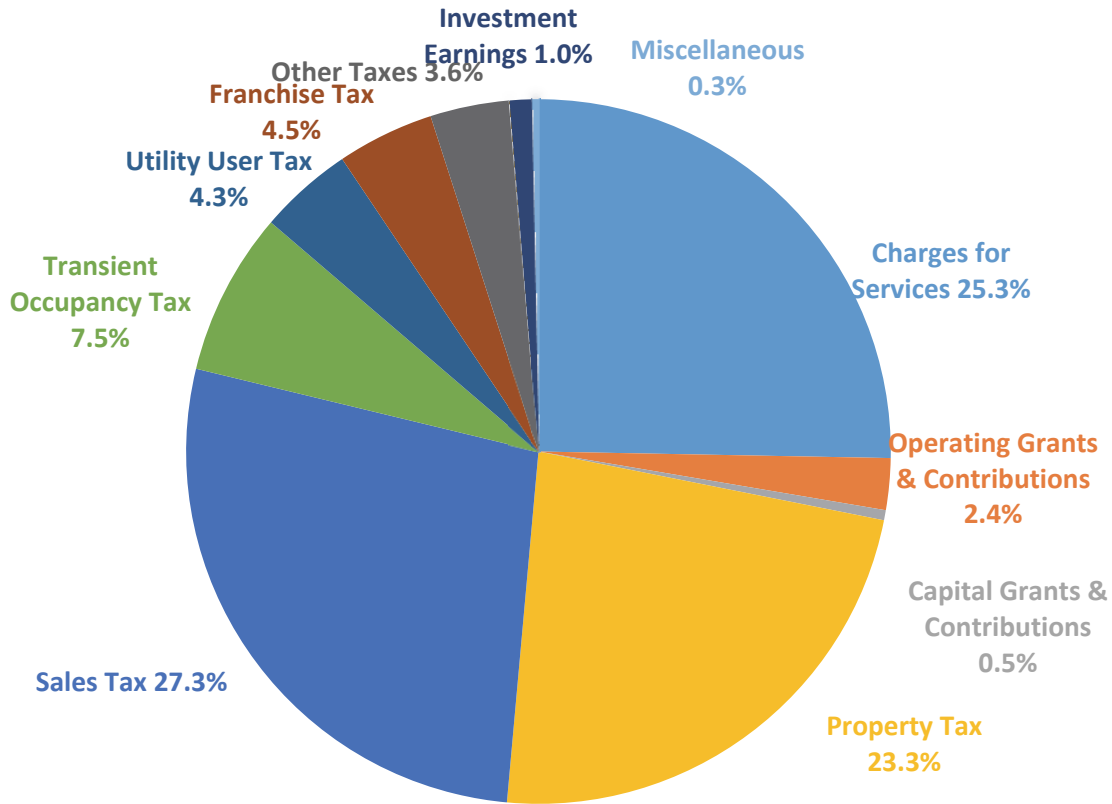
The City's change in net position from governmental activities was \$13,436,612. The following significant changes within assets, liability, and net position categories occurred:

- Capital assets increased more than \$10.4 million, as a result of substantial investment into capital projects dedicated to street and transportation improvements, storm drain improvements, and maintenance of and improvements to City facilities.
- Cash and investments decreased approximately \$5.1 million reflecting the increase in transportation and street improvement project expenses incurred during 2015-16.
- Other assets increased just over \$3.0 million as a result of increased accounts receivable in the general fund. The receivable was primarily derived from an invoice to Apple Inc. for funds needed on-hand prior to the City executing consultant agreements with for inspection services. The agreements are requirements of the development agreement between Apple Inc. and the City.

CITY OF CUPERTINO
 Management's Discussion and Analysis (Unaudited)
 For the Year Ended June 30, 2016

- Deposits payable in other liabilities increased by \$2.6 million primarily due to developer deposits that had not been recorded in the appropriate period. The City adjusted the General Fund's beginning fund balance as of July 1, 2015, and recorded a deposit payable liability for \$2.5 million (see Note 1 (p)).

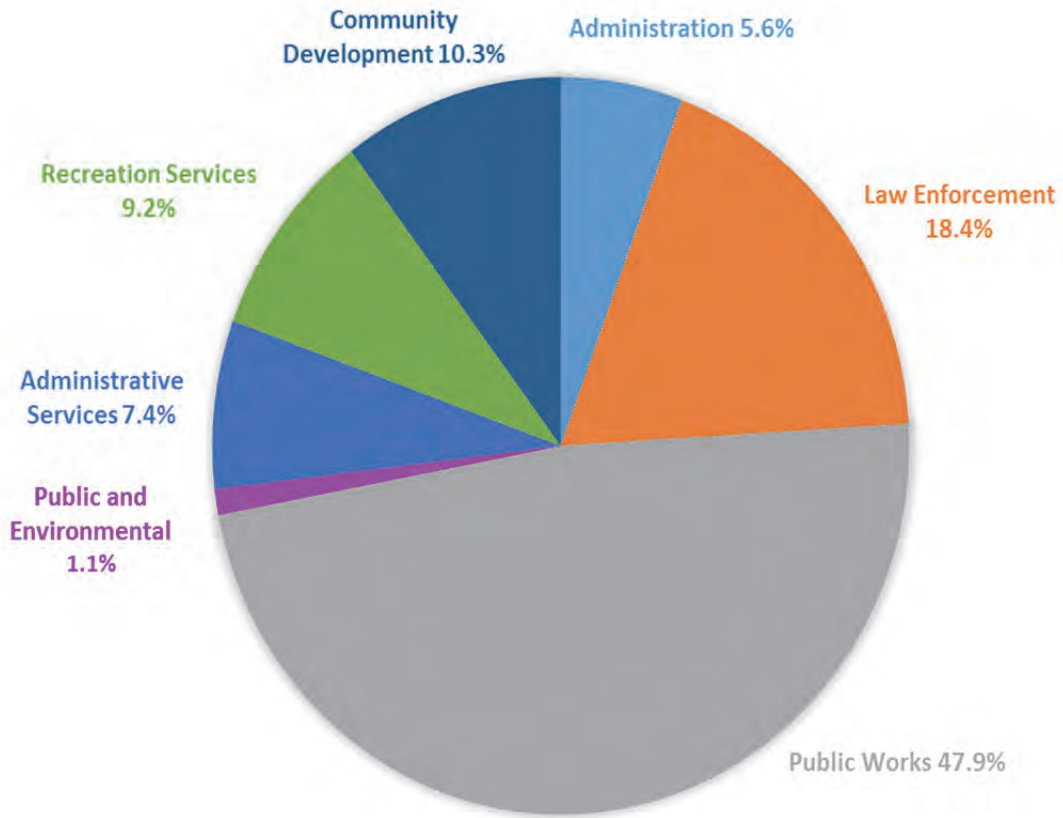
**Sources of Revenue, Governmental Activities
 2015-16**



In 2015-16, the trend was a return to normalcy. Last fiscal year had substantial shifts across all governmental funds resulting from restatements needed to implement GASB 68 and 71 (standardization of pension liability calculations), spikes in sales tax revenues resulting from peak construction activity, heavy investment into CIP projects focused on transportation, and adjustments needed to better reflect activity of development agreements and the City's commitments outlined in these agreements. Fiscal year 2015-16 was less eventful and shifts within the governmental funds are returning back to longer-term trends.

CITY OF CUPERTINO
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2016

**Functional Expenses, Governmental Activities
2015-16**



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, 2016

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

Expenses	<u>Governmental Activities</u>	
	<u>2016</u>	<u>2015</u>
Administration	\$ 3,710	\$ 3,287
Law enforcement	11,316	10,705
Public and environmental affairs	575	650
Administrative services	2,995	4,300
Recreation services	5,758	5,365
Community development	6,260	5,977
Public works	31,313	27,893
Interest on long-term debt	1,078	1,120
Total expenses	63,005	59,297
Revenues		
Program revenues:		
Charges for services	19,749	14,615
Operating grants and contributions	1,851	6,003
Capital grants and contributions	362	4,022
Total program revenues	21,962	24,640
General revenues:		
Taxes:		
Property tax	11,864	10,179
Property tax in-lieu of motor vehicle fee	6,330	5,581
Sales tax	21,350	21,750
Transient occupancy tax	5,852	5,582
Utility user tax	3,371	2,862
Franchise tax	3,478	2,850
Other taxes	2,818	2,139
Intergovernmental, unrestricted:		
Motor vehicle license fee	24	24
Investment earnings	807	296
Gain on sale of capital assets	1	23,716
Miscellaneous	219	692
Total general revenues	56,115	75,671
Total revenues	78,077	100,311
Excess of revenues over expenses,		
before extraordinary item and transfers	15,072	41,014
Transfers	(1,635)	872
Change in net position	13,437	41,886
Beginning net position, as restated	220,757	181,398
Ending net position	\$ 234,194	\$ 223,284

CITY OF CUPERTINO
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2016

City-wide Governmental Activities Revenues

Table 2 shows that revenues from governmental activities decreased \$22.2 million or 22% from last year, finishing at \$78.0 million. In 2014-15, the City had a large one-time revenue of \$23.7 million (Gain on Sale of Capital Assets) that temporarily boosted revenues. If these one-time revenues were removed from this calculation, the change in base revenues would be \$1.5 million, or 2%.

For general revenues, if the one-time gain were extracted from our calculation, general revenues would show a \$4.2 million increase, or 8%. Most of this gain was attributable to a \$2.4 million increase in property tax revenues which is more than a 15% increase. According to the Santa Clara County Assessor's Annual Report for 2015-16, "In 2014, Cupertino's growth in assessed value from new construction was \$33 million. In 2015 it leaped to \$958 million." The same report showed that total assessed value increased more than \$1.7 billion for 2015-16 and that partial value of the new Apple Campus 2 of \$820 million in new construction contributed to that increase. The remaining general revenues contributed \$1.7 million to the total gain in general revenues.

Program revenues showed a decline of \$2.7 million or 11%. There was a mix of changes in that charges for services revenues increased by \$5.1 million while capital and operating grants and contributions declined by \$7.8 million. The increase of \$5.1 million in charges for services primarily resulted from payments made by Apple Inc. to satisfy outstanding amounts due from both 2014-15 and 2015-16 related to the development agreement between Apple Inc. and the City of Cupertino.

The decline in capital and operating grants and contributions was mostly attributable to decreased housing mitigation payments resulting from a decline in development that did not provide its own housing component. In 2014-15, the City received over \$4.0 million in housing mitigation payments, but in 2015-16 that revenue source only brought in \$300,000.

The other large decline occurred with federal and state grants related to transportation projects. In 2014-15, the Stevens Creek Corridor Park was completed and that project received \$2.6 million in 2014-15. Additionally, \$3.1 million of transportation grants were received in 2014-15 and as that activity declined in 2015-16, those revenue sources declined to \$1.7 in 2015-16.

City-wide Governmental Activities Expenses

City-wide governmental activities increased expenses by \$3.7 million or 6.3%. The largest expense contributing to this overall increase is attributable to inspection services needed for the Apple Campus 2 project. These expenses are primarily captured in the Public works activity which increased \$3.4 million or 12.3% and are offset by corresponding revenues classified in the charges for services revenue category.

Change in Net Position

The City-wide governmental net position increase of \$13.4 million was significantly lower than the increase of \$41.9 million in 2014-15. This large decrease in change was mostly attributable to the \$23.7 million gain on sale of a capital asset when the City sold the portion of Pruneridge Avenue that runs through the middle the Apple Campus 2 to Apple Inc. and the increase in capital asset additions going from \$7.4 million to \$10.5 million.

CITY OF CUPERTINO
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2016

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 \$9.1 million at June 30, 2016, an increase of \$400,000 from the prior year with unrestricted net position increasing \$771,000 and the net investment in capital assets decreasing by \$371,000. There are no substantial changes in assets, liabilities, and net position of business-type activities.

In Table 4, revenues for all business-type activities remained flat at \$7.7 million. However, operating expenses increased substantially by \$1.3 million. These increased expenses were covered by transfers in from the general fund totaling \$1.6 million, resulting in an increase in net position of \$400,000.

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

	Business Type Activities	
	2016	2015
Assets:		
Cash and investments	\$ 10,712	\$ 10,357
Other assets	309	336
Capital assets	1,708	2,080
Total assets	12,730	12,773
Deferred Outflows of Resources:		
Related to pension	255	241
Other Liabilities:		
Total liabilities	3,792	4,009
Deferred Inflows of Resources:		
Related to pension	109	321
Net Position:		
Net Investment in capital assets	1,708	2,080
Unrestricted	7,375	6,604
Total net position	\$ 9,084	\$ 8,684

CITY OF CUPERTINO
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2016

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

Expenses	<u>Business Type Activities</u>	
	<u>2016</u>	<u>2015</u>
Resource recovery	\$ 2,997	\$ 2,549
Blackberry farm	576	547
Sports center	2,299	2,269
Recreation programs	3,136	2,343
Total expenses	9,009	7,708
Revenues		
Program revenues:		
Charges for services	7,690	7,665
General revenues:		
Investment earnings	83	42
Total revenues	7,773	7,707
Excess of revenues over expenses, before extraordinary item and transfers	(1,236)	(1)
Transfers	1,635	(872)
Change in net position	399	(873)
Beginning net position, as restated	8,684	9,557
Ending net position	\$ 9,084	\$ 8,684

MAJOR GOVERNMENTAL FUNDS

General Fund

General Fund Revenues

General Fund actual revenues of \$77.9 million ended \$9.7 million, or 14.2%, above the original and final budgets. Actual revenues were up \$16.6 million or 27% when compared to 2014-15 actuals. Table 5 displays the variations in actual revenues, while Table 6 shows budgeted revenues compared to actuals.

Charges for services contributed the most to the increase in actual general fund revenues with an increase of \$12.0 million. The revenues went from \$4.8 million in 2014-15 to \$16.8 million in 2015-16. The largest contributors were payments made by Apple Inc. to satisfy outstanding amounts due from both 2014-15 and 2015-16. The outstanding amount from 2014-15 decreased charges for service revenues by \$3.8 million, further exaggerating the incremental increase in the revenue category between 2014-15 and 2015-16. These payments were deposit requirements outlined in the development agreement between Apple Inc. and the City of Cupertino.

Property taxes increased 16% or \$2.4 million above last year. The increase is mostly due to higher property taxes resulting from incremental assessed value of \$700 million from the new construction at the Apple Campus 2 development. The value of Apple's business personal property also contributed to the increase which includes investments in computers, machinery, equipment, fixtures and furniture. Higher vehicle license fee (swap) revenues contributed \$750,000 to the increase in property tax revenues.

CITY OF CUPERTINO
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Sales tax revenues were relatively flat with a small decline of \$400,000. The remaining tax revenues for the General Fund (Transient Occupancy, Utility User, Franchise, and Other) collectively contributed \$2.1 million to the year-over-year increase. The Other Tax revenue stream contributed the majority of these increased revenues with a \$900,000 construction tax payment made by Apple Inc. related to its Apple Campus 2 development project.

Revenues from use of money and property increased by \$589,000 due to an increase in investment earnings and interest of \$380,000 and the remainder of \$209,000 was from increased activity in facility rentals. Intergovernmental revenues decreased just over \$400,000 mostly due to state grants awarded in 2014-15, but not awarded in 2015-16. Licenses and permits included fees for reviewing building plans, building inspections, construction, tenant improvements, and commercial/residential installations. License and permit fees were flat from 2014-15 with a 3% decline, or \$97,000. Fines and forfeitures were flat from 2014-15 with a 1% increase, or \$8,000. Other revenues went from \$523,000 in 2014-15 to \$800,000 in 2015-16. The incremental revenues were the administrative charges applied to inspection service contractual expenses related to the Apple Campus 2 project as outlined in the development agreement between Apple Inc. and the City of Cupertino.

In 2014-15, the City had a large one-time revenue of \$23.8 million as a result of selling the portion of Pruneridge Avenue that runs through the middle of the Apple Campus 2 to Apple Inc. resulting in the large decline in Proceeds from sale of land category. A small transfer into the General Fund occurred in 2015-16 for \$36,015 from an internal service fund.

Table 5
Revenue Changes
General Fund, Fiscal 2016 vs. 2015
(in thousands)

Revenue by Source	Fiscal 2016		Increase/(Decrease) From Fiscal 2015	
	Amount	% of Total	Amount	Percent
Taxes:				
Property	\$ 18,194	23%	\$ 2,442	16%
Sales	21,350	27%	(400)	-2%
Transient occupancy	5,852	8%	270	5%
Utility user	3,371	4%	509	18%
Franchise	3,478	4%	628	22%
Other	2,541	3%	728	40%
Use of money & property	1,362	2%	589	76%
Intergovernmental	429	1%	(403)	-48%
Licenses and permits	3,073	4%	(97)	-3%
Charges for services	16,848	22%	12,028	250%
Fines and forfeitures	559	1%	8	1%
Other	800	1%	277	53%
Total revenues	<u>\$ 77,857</u>	<u>100%</u>	<u>\$ 16,579</u>	<u>27%</u>
Other financing sources:				
Proceeds from sale of land	\$ 1	0%	\$ (23,813)	0%
Total other financing sources	<u>\$ 1</u>	<u>0%</u>	<u>\$ (23,813)</u>	<u>0%</u>

CITY OF CUPERTINO
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2016

Table 6
Revenue, Budget and Actual Comparisons
General Fund 2015-16
(in thousands)

	Budgeted Amounts			Variance with Final Positive/ (Negative)
	Original	Final	Actual	
Taxes:				
Property	\$ 16,055	\$ 16,055	\$ 18,194	\$ 2,139
Sales	20,360	20,360	21,350	990
Transient occupancy	5,072	5,072	5,852	780
Utility user	3,100	3,100	3,371	271
Franchise	2,800	2,800	3,478	678
Other	1,400	1,400	2,541	1,141
Use of money & property	743	743	1,362	620
Intergovernmental	600	600	429	(171)
Licenses and permits	6,171	6,171	3,073	(3,098)
Charges for services	10,591	10,958	16,848	5,890
Fines and forfeitures	550	585	559	(26)
Other	697	346	800	453
	\$ 68,138	\$ 68,190	\$ 77,857	\$ 9,667
Transfers in	\$ 24	\$ 60	\$ 36	\$ (24)
Proceeds from Sale	\$ -	\$ -	\$ 1	\$ 1

General Fund Expenditures

Fiscal 2015-16 overall expenditures, at \$51.9 million, were \$4.8 million or 10% higher than last year. However, this result came in 11% or \$6.4 million under the original budget and 12% or \$6.8 million under the final budget. Year-over-year and budget-versus-actual results for General Fund programs are described below and in Tables 7 and 8.

Administration remained flat from 2014-15 with only a \$155,000 increase, or 4.0%, in 2015-16. Law enforcement was higher by \$705,000, or 7%, which was the automatic increase in the existing contract with the Santa Clara County Sheriff's Office triggered by increases in the lease and PERS costs.

Public and environmental affairs (IT) and Administrative services both experienced a decrease in expenditures from 2014-15 to 2015-16 of 13%. For Public and environmental affairs (IT), the decreases were across all expenditure types and result from the arrival of the City's new Chief Technology Officer and his strategic realignment of the department to City priorities. Administrative services' decrease in expenditures was primarily attributable to vacancy savings as several positions were budgeted, but not filled for a meaningful part of the fiscal year.

Recreation services general fund expenditure experienced an 8% increase of \$394,000 across its programs. The majority of the expenditures increased in the salaries, benefits and contractual services categories.

Community development expenditures in the General Fund increased primarily from higher contractual expenditures in the Planning and Building divisions. Planning's contractual expenditures were primarily consultant services for completion of several 9212 reports. Building's contractual expenditures were for inspection services related to Apple Campus 2 inspections.

CITY OF CUPERTINO
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2016

Public Works expenditures remained relatively flat with a \$370,000 increase, or 3%. The increases were consistently spread among all expenditure categories and do not indicate any anomalies are issues.

Transfers out of the General Fund declined from \$39.2 million in 2014-15 to \$13.2 million, with \$3.2 million for annual debt service, \$6.3 million for capital projects in the Transportation Fund, \$1.8 million to subsidize a state-mandated enforcement program and three Enterprise programs, and \$1.9 million to internal service funds.

Table 7
Expenditure Changes
General Fund, Fiscal 2016 vs. 2015
(in thousands)

Function/Program	Fiscal 2016		Increase/(Decrease) From Fiscal 2015	
	Amount	% of Total	Amount	Percent
Administration	\$ 4,052	8%	\$ 155	4%
Law enforcement	10,989	21%	705	7%
Public and environmental affairs (IT)	545	1%	(80)	-13%
Administrative services	2,811	5%	(415)	-13%
Recreation services	5,441	10%	394	8%
Community development	5,249	10%	1,066	25%
Public works	13,115	25%	369	3%
Capital outlay	9,657	19%	2,641	38%
Total expenditures	<u>\$ 51,859</u>	<u>100%</u>	<u>\$ 4,835</u>	<u>10%</u>
Transfers out	<u>\$ 13,164</u>	<u>192%</u>	<u>\$ (26,013)</u>	<u>-66%</u>

Table 8
Expenditure Changes
General Fund 2015-16
(in thousands)

	Budgeted Amounts		Actual	Variance with Final
	Original	Final		Positive/ (Negative)
Administration	\$ 5,111	\$ 4,827	\$ 4,052	\$ 775
Law enforcement	10,995	11,055	10,989	66
Public and environmental affairs	462	575	545	30
Administrative services	5,092	5,711	2,811	2,900
Recreation services	5,992	6,193	5,441	752
Community development	6,071	5,601	5,249	352
Public works	14,496	14,625	13,115	1,510
Capital outlay	9,987	10,132	9,657	475
Total expenditures	<u>\$ 58,204</u>	<u>\$ 58,718</u>	<u>\$ 51,859</u>	<u>\$ 6,858</u>
Transfers out	<u>\$ 9,371</u>	<u>\$ 13,128</u>	<u>\$ 13,164</u>	<u>\$ 36</u>

CITY OF CUPERTINO
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2016

General Fund - Fund Balance

The General Fund carried a June 30, 2016, ending fund balance of \$52,194,840, up 33% or \$12.9 from beginning of the fiscal year, after restatement for the prior period adjustment described in Note 1(p) of the Basic Financial Statements. The City assigned \$19.0 million for general economic uncertainty, \$1.4 million for economic fluctuations, and \$100,000 for potential pension liabilities. Loan receivables and prepaid expenses totaled \$937,381 of non-spendable fund balance and \$888,374 was restricted for Public access television purposes.

Public Facilities Corporation

A transfer of \$3,167,033 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 Notes 4 and 6 to the Basic Financial Statements and the Debt Administration section of this analysis for more information.

MAJOR PROPRIETARY FUNDS

Resource Recovery

The City has a solid waste franchise agreement with Recology that shares collection, landfill disposal, and recycling revenues and costs. This fund receives 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 steady economy and stable tonnage that Recology handled, this fund experienced a 2.8% increase in residential and commercial revenues. These revenues, however, were offset by 17.6% higher contract expenses for landfill disposal. Total operating revenue rose from \$2,591,000 last year to \$2,664,000 this year, while expenses increased by \$449,000. Net position decreased by \$280,000. The fund ended the year with a \$5,454,010 net position.

Blackberry Farm

City employees, with a teaching professional contractor, staff the City-owned Blackberry Farm golf course and pro shop. Operating revenues declined 13.8% from \$388,000 to \$335,000. Operating expenses increased by \$29,000 to \$576,000 this year due to increased contract services costs and capital investment in the golf course turf. Altogether, the golf course's operating loss increased from \$159,000 last year to \$242,000 this year. After a transfer in from the General Fund of \$262,000 (increase of \$148,000), net position increased \$27,000. As of June 30, 2016, this fund's net position was \$572,586.

Cupertino Sports Center

Tennis lesson, membership, fitness class and rent revenues of \$2,224,000 increased by \$72,000 or 3.3% over last year, resulting from moderate increases across the Sport Center's major revenue sources. Expenses, on the other hand, increased by \$30,000 or 1.3%, reducing the net operating loss to \$75,000. In 2014-15, net operating loss was \$117,000. This operating loss improved by \$42,000 from 2014-15. Additionally, \$658,000 was transferred in from the general fund. As of June 30, 2016, this fund's net position was \$886,842.

CITY OF CUPERTINO
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2016

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 \$2,466,000 in revenues that were 2.6% lower than last year. Ongoing program expenses of \$3,136,000 included full-time administrative and programming staff, part-time activity leaders, class instructors on contract, and two capital projects to improve the Sport Center sport court and the interior of Quinlan. This resulted in a net operating loss of \$670,000 as compared to operating income of \$190,000 a year ago. This year a transfer in from the General Fund was made for \$715,000. After the transfer, the fund ended up with an increase in net position of \$61,000 and a net position of \$2,170,189.

CAPITAL ASSETS

At June 30, 2016, the City had \$181.5 million, 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. This reflects the City's continued investment into capital projects dedicated to street and transportation improvements, storm drain improvements, and maintenance of and improvements to City facilities, resulting in an increase in net capital assets of \$10.1 million, after depreciation.

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

	<u>2016</u>	<u>2015</u>
Governmental Activities:		
Land	\$ 62,046	\$ 62,046
Easements	19,492	19,492
Construction in Progress	760	197
Buildings	19,770	21,445
Improvements other than buildings	16,974	15,890
Machinery and equipment	2,761	2,272
Roads, curbs, gutters, sidewalks, medians and bridges	50,245	43,000
Streetlights	1,613	1,721
Storm drain structures and mains	5,174	2,272
Traffic signals	948	1,015
Total Governmental Activities	<u>179,783</u>	<u>169,350</u>
Business-Type Activities		
Buildings	501	516
Improvements other than buildings	1,207	1,550
Machinery and equipment	0	14
Total Business-Type Activities	<u>1,708</u>	<u>2,080</u>
Total City	<u>\$ 181,491</u>	<u>\$ 171,430</u>

CITY OF CUPERTINO
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2016

DEBT ADMINISTRATION

The City's only long-term debt liability at June 30, 2016, 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, 2016, outstanding principal of \$35,835,000 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.

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**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, 2016

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments (Note 2)	\$111,695,321	\$10,712,075	\$122,407,396
Restricted cash and investments (Note 2)	4,220,380		4,220,380
Receivables:			
Accounts	11,203,245	309,387	11,512,632
Interest	52,606		52,606
Loans (Note 3)	1,523,627		1,523,627
Prepaid expenses and other assets	102,324		102,324
Net OPEB asset (Note 11)	10,492,537		10,492,537
Capital assets (Note 5):			
Non-depreciable	82,297,646		82,297,646
Depreciable, net of accumulated depreciation	97,485,048	1,708,183	99,193,231
Total Assets	<u>319,072,734</u>	<u>12,729,645</u>	<u>331,802,379</u>
DEFERRED OUTFLOWS OF RESOURCES			
Related to pension (Note 10)	<u>3,664,093</u>	<u>254,989</u>	<u>3,919,082</u>
LIABILITIES			
Accounts payable and accruals	8,055,323	1,110,847	9,166,170
Accrued payroll and benefits	15,721	289	16,010
Deposits	9,747,271		9,747,271
Unearned revenue	155,441	569,535	724,976
Compensated absences (Note 1g):			
Due in one year	381,994	93,436	475,430
Due in more than one year	2,424,192	126,702	2,550,894
Claims payable (Note 9):			
Due in one year	489,499		489,499
Due in more than one year	991,599		991,599
Long-term debt (Note 6):			
Due in one year	2,135,000		2,135,000
Due in more than one year	33,700,000		33,700,000
Net pension liability (Note 10)	<u>28,621,153</u>	<u>1,891,424</u>	<u>30,512,577</u>
Total Liabilities	<u>86,717,193</u>	<u>3,792,233</u>	<u>90,509,426</u>
DEFERRED INFLOWS OF RESOURCES			
Related to pension (Note 10)	<u>1,825,690</u>	<u>108,774</u>	<u>1,934,464</u>
NET POSITION (Note 7)			
Net investment in capital assets	<u>148,168,074</u>	<u>1,708,183</u>	<u>149,876,257</u>
Restricted for:			
Special revenue projects	20,424,234		20,424,234
Affordable housing	12,840,591		12,840,591
Debt service	<u>1,596,982</u>		<u>1,596,982</u>
Total Restricted Net Position	<u>34,861,807</u>		<u>34,861,807</u>
Unrestricted	<u>51,164,063</u>	<u>7,375,444</u>	<u>58,539,507</u>
Total Net Position	<u>\$234,193,944</u>	<u>\$9,083,627</u>	<u>\$243,277,571</u>

See accompanying notes to financial statements

CITY OF CUPERTINO
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2016

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	\$3,710,388	\$369,069	\$29,850		(\$3,311,469)	(\$3,311,469)
Law enforcement	11,316,271	664,483	120,732		(10,531,056)	(10,531,056)
Public and environmental affairs	575,260	41,352			(533,908)	(533,908)
Administrative services	2,994,611	359,148			(2,635,463)	(2,635,463)
Recreation services	5,758,194	1,421,185			(4,337,009)	(4,337,009)
Community development	6,259,734	10,534,457	310,445		4,585,168	4,585,168
Public works	31,313,396	6,358,870	1,390,255	\$362,491	(23,201,780)	(23,201,780)
Interest on long - term debt	1,077,538				(1,077,538)	(1,077,538)
Total Governmental Activities	63,005,392	19,748,564	1,851,282	362,491	(41,043,055)	(41,043,055)
Business-type Activities:						
Resource recovery	2,997,200	2,664,888			(\$332,312)	(332,312)
Blackberry farm	576,177	334,529			(241,648)	(241,648)
Cupertino sports center	2,299,210	2,224,146			(75,064)	(75,064)
Recreation programs	3,136,011	2,466,336			(669,675)	(669,675)
Total Business-type Activities	9,008,598	7,689,899			(1,318,699)	(1,318,699)
Total	\$72,013,990	\$27,438,463	\$1,851,282	\$362,491	(41,043,055)	(1,318,699)
General revenues:						
Taxes:						
Property taxes					11,864,027	11,864,027
Property tax in lieu of motor vehicle fee					6,330,436	6,330,436
Sales taxes					21,350,056	21,350,056
Transient occupancy tax					5,852,244	5,852,244
Utility user tax					3,370,830	3,370,830
Franchise tax					3,478,024	3,478,024
Other taxes					2,818,019	2,818,019
Intergovernmental, unrestricted:						
Motor vehicle license fee					24,111	24,111
Investment earnings					807,287	83,187
Gain on sale of capital assets					580	580
Miscellaneous					219,053	219,053
Transfers (Note 4)					(1,635,000)	1,635,000
Total general revenues and transfers					54,479,667	1,718,187
Change in Net Position					13,436,612	399,488
Net Position, beginning of year, as restated (Note 1(p))					220,757,332	8,684,139
Net Position, end of year					\$234,193,944	\$9,083,627

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 2015-16. 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, 2016

	<u>Special Revenue Funds</u>			Public Facilities Corporation Debt Service Fund
	<u>General</u>	<u>Transportation</u>	<u>Housing Development</u>	
ASSETS				
Cash and investments (Note 2)	\$54,282,490	\$10,458,625	\$12,366,743	\$5,371
Restricted cash and investments (Note 2)				4,220,380
Receivables:				
Accounts	11,181,310	1,490		
Interest	52,606			
Loans (Note 3)	868,608		655,019	
Due from other funds (Note 4)	450,220			
Prepaid items	68,773			
Other assets	3,884			
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$66,907,891</u>	<u>\$10,460,115</u>	<u>\$13,021,762</u>	<u>\$4,225,751</u>
LIABILITIES				
Accounts payable and accruals	\$4,794,690	\$379,361	\$88,596	\$2,628,769
Accrued payroll and benefits	15,649			
Deposits	9,747,271			
Unearned revenue	155,441			
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>14,713,051</u>	<u>379,361</u>	<u>88,596</u>	<u>2,628,769</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - loans			92,575	
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Deferred Inflows of Resources	<u> </u>	<u> </u>	<u>92,575</u>	<u> </u>
FUND BALANCES (Note 7):				
Nonspendable	937,381			
Restricted	888,374	8,682,089	12,840,591	1,596,982
Committed		1,398,665		
Assigned	20,500,000			
Unassigned	29,869,085			
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Fund Balances	<u>52,194,840</u>	<u>10,080,754</u>	<u>12,840,591</u>	<u>1,596,982</u>
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$66,907,891</u>	<u>\$10,460,115</u>	<u>\$13,021,762</u>	<u>\$4,225,751</u>

See accompanying notes to financial statements

Capital Improvement Projects Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
\$15,102,414	\$11,120,291	\$103,335,934 4,220,380
	7,500	11,190,300 52,606 1,523,627 450,220 68,773 3,884
<u>\$15,102,414</u>	<u>\$11,127,791</u>	<u>\$120,845,724</u>
\$27,606	\$4,637	\$7,923,659 15,649 9,747,271 155,441
<u>27,606</u>	<u>4,637</u>	<u>17,842,020</u>
		92,575
		<u>92,575</u>
		937,381 34,861,807 1,398,665 35,844,191 29,869,085
15,074,808	10,853,771 269,383	
<u>15,074,808</u>	<u>11,123,154</u>	<u>102,911,129</u>
<u>\$15,102,414</u>	<u>\$11,127,791</u>	<u>\$120,845,724</u>

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CITY OF CUPERTINO
 Reconciliation of the
 GOVERNMENTAL FUNDS -- BALANCE SHEET
 with the
 STATEMENT OF NET POSITION
 JUNE 30, 2016

Total fund balances reported on the governmental funds balance sheet \$102,911,129

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. 177,573,297

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. 18,690,745

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:

Long-term debt	(35,835,000)
Net pension liability and pension-related deferred outflows/inflows of resources	(26,782,750)
Compensated absences	(2,456,052)
	(55,073,802)

NET POSITION OF GOVERNMENTAL ACTIVITIES \$234,193,944

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, 2016

	Special Revenue Funds			Public Facilities Corporation Debt Service Fund
	General	Transportation	Housing Development	
REVENUES				
Taxes	\$54,786,297		\$299,586	
Use of money and property	1,362,393	\$84,189	108,699	\$4,796
Intergovernmental	428,992	1,701,151	401,882	
Licenses and permits	3,073,110			
Charges for services	16,848,153			
Fines and forfeitures	558,516			
Other revenue	799,587	1,710		
Total Revenues	77,857,048	1,787,050	810,167	4,796
EXPENDITURES				
Current:				
Administration	4,052,241			1,500
Law enforcement	10,988,735			
Public and environmental affairs	544,718			
Administrative services	2,811,117			
Recreation services	5,441,200			
Community development	5,248,841		853,979	
Public works	13,115,155	1,465,970		
Capital outlay	9,657,394	9,670,430		
Debt service:				
Principal				2,090,000
Interest and fiscal charges				1,077,538
Total Expenditures	51,859,401	11,136,400	853,979	3,169,038
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	25,997,647	(9,349,350)	(43,812)	(3,164,242)
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of capital assets	580			
Transfers in (Note 4)	36,015	8,574,000		3,167,033
Transfers (out) (Note 4)	(13,163,945)			
Total Other Financing Sources (Uses)	(13,127,350)	8,574,000		3,167,033
NET CHANGE IN FUND BALANCES	12,870,297	(775,350)	(43,812)	2,791
BEGINNING FUND BALANCES, AS RESTATED (Note 1(p))	39,324,543	10,856,104	12,884,403	1,594,191
ENDING FUND BALANCES	<u>\$52,194,840</u>	<u>\$10,080,754</u>	<u>\$12,840,591</u>	<u>\$1,596,982</u>

See accompanying notes to financial statements

Capital Improvement Projects Capital Projects Fund	Other Governmental Funds	Total Governmental Funds
	\$377,073	\$55,462,956
	94,625	1,654,702
		2,532,025
		3,073,110
	400,970	17,249,123
	6,387	564,903
	487,716	1,289,013
	<u>1,366,771</u>	<u>81,825,832</u>
		4,053,741
		10,988,735
		544,718
		2,811,117
		5,441,200
		6,102,820
	497,049	15,078,174
\$3,042,267	3,801,036	26,171,127
		2,090,000
		<u>1,077,538</u>
<u>3,042,267</u>	<u>4,298,085</u>	<u>74,359,170</u>
<u>(3,042,267)</u>	<u>(2,931,314)</u>	<u>7,466,662</u>
		580
	128,676	11,905,724
<u>(2,258,268)</u>		<u>(15,422,213)</u>
<u>(2,258,268)</u>	<u>128,676</u>	<u>(3,515,909)</u>
(5,300,535)	(2,802,638)	3,950,753
<u>20,375,343</u>	<u>13,925,792</u>	<u>98,960,376</u>
<u>\$15,074,808</u>	<u>\$11,123,154</u>	<u>\$102,911,129</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, 2016

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 \$3,950,753

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 16,597,102

Depreciation expense is deducted from the fund balance (6,711,704)

Net retirements are deducted from the fund balance (24,939)

LONG TERM DEBT TRANSACTIONS

Principal payments 2,090,000

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 94,356

Net pension liability and pension-related deferred outflows/inflows of resources 591,785

Claims payable 156,900

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 516,229

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$13,436,612

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, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
Revenues:				
Taxes	\$48,787,000	\$48,787,000	\$54,786,297	\$5,999,297
Use of money and property	742,530	742,530	1,362,393	619,863
Intergovernmental	600,000	600,000	428,992	(171,008)
Licenses and permits	6,171,000	6,171,000	3,073,110	(3,097,890)
Charges for services	10,590,878	10,957,878	16,848,153	5,890,275
Fines and forfeitures	550,000	585,000	558,516	(26,484)
Other revenue	696,895	346,389	799,587	453,198
	<u>68,138,303</u>	<u>68,189,797</u>	<u>77,857,048</u>	<u>9,667,251</u>
Amounts available for appropriation				
Charges for appropriation (outflows):				
Current				
Administration	5,110,505	4,826,816	4,052,241	774,575
Law enforcement	10,994,684	11,054,684	10,988,735	65,949
Public and environmental affairs	462,298	574,782	544,718	30,064
Administrative services	5,091,571	5,710,774	2,811,117	2,899,657
Recreation services	5,991,882	6,192,890	5,441,200	751,690
Community development	6,070,550	5,600,631	5,248,841	351,790
Public works	14,495,667	14,624,710	13,115,155	1,509,555
Capital outlay	9,986,674	10,132,449	9,657,394	475,055
	<u>58,203,831</u>	<u>58,717,736</u>	<u>51,859,401</u>	<u>6,858,335</u>
Total charges for appropriations				
EXCESS OF REVENUES OVER EXPENDITURES	<u>9,934,472</u>	<u>9,472,061</u>	<u>25,997,647</u>	<u>16,525,586</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of land			580	580
Transfers in	24,000	60,015	36,015	(24,000)
Transfers (out)	(9,371,222)	(13,127,932)	(13,163,945)	(36,013)
	<u>(9,347,222)</u>	<u>(13,067,917)</u>	<u>(13,127,350)</u>	<u>(59,433)</u>
Total other financing sources (uses)				
NET CHANGE IN FUND BALANCE	<u>\$587,250</u>	<u>(\$3,595,856)</u>	12,870,297	<u>\$16,466,153</u>
BEGINNING FUND BALANCE, AS RESTATED (Note 1(p))			<u>39,324,543</u>	
ENDING FUND BALANCE			<u>\$52,194,840</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, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Use of money and property			\$84,189	\$84,189
Intergovernmental	\$951,414	\$951,414	1,701,151	749,737
Other revenue			1,710	1,710
	<u>951,414</u>	<u>951,414</u>	<u>1,787,050</u>	<u>835,636</u>
Amounts available for appropriation				
Charges for appropriation (outflows):				
Current				
Public works	1,589,761	1,554,304	1,465,970	88,334
Capital outlay	9,390,000	9,659,554	9,670,430	(10,876)
Total charges for appropriations	<u>10,979,761</u>	<u>11,213,858</u>	<u>11,136,400</u>	<u>77,458</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>(10,028,347)</u>	<u>(10,262,444)</u>	<u>(9,349,350)</u>	<u>913,094</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	9,966,353	9,990,353	8,574,000	(1,416,353)
Total other financing sources (uses)	<u>9,966,353</u>	<u>9,990,353</u>	<u>8,574,000</u>	<u>(1,416,353)</u>
NET CHANGE IN FUND BALANCE	<u>(\$61,994)</u>	<u>(\$272,091)</u>	(775,350)	<u>(\$503,259)</u>
BEGINNING FUND BALANCE			<u>10,856,104</u>	
ENDING FUND BALANCE			<u>\$10,080,754</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, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes	\$566,652	\$566,652	\$299,586	(\$267,066)
Use of money and property	28,000		108,699	108,699
Intergovernmental	310,943		401,882	401,882
Licenses and permits	61,306	61,306		(61,306)
Amounts available for appropriation	<u>966,901</u>	<u>627,958</u>	<u>810,167</u>	<u>182,209</u>
Charges for appropriation (outflows):				
Current				
Community development	898,527	875,524	853,979	21,545
Capital outlay	40,000			
Total charges for appropriations	<u>938,527</u>	<u>875,524</u>	<u>853,979</u>	<u>21,545</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>28,374</u>	<u>(247,566)</u>	<u>(43,812)</u>	<u>203,754</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	245,238	245,238		(245,238)
Total other financing sources (uses)	<u>245,238</u>	<u>245,238</u>		<u>(245,238)</u>
NET CHANGE IN FUND BALANCE	<u>\$273,612</u>	<u>(\$2,328)</u>	(\$43,812)	<u>(\$41,484)</u>
BEGINNING FUND BALANCE			<u>12,884,403</u>	
ENDING FUND BALANCE			<u>\$12,840,591</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 2015-16.

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, 2016

	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)	\$6,433,913	\$800,706	\$1,249,774	\$2,227,682	\$10,712,075	\$8,359,387
Accounts receivable	302,144		7,243		309,387	12,945
Prepaid items						29,667
Total current assets	<u>6,736,057</u>	<u>800,706</u>	<u>1,257,017</u>	<u>2,227,682</u>	<u>11,021,462</u>	<u>8,401,999</u>
Noncurrent assets:						
Net OPEB asset (Note 11)						10,492,537
Capital Assets (Note 5):						
Depreciable, net of accumulated depreciation	17,987	29,262	336,690	1,324,244	1,708,183	2,209,397
Total noncurrent assets	<u>17,987</u>	<u>29,262</u>	<u>336,690</u>	<u>1,324,244</u>	<u>1,708,183</u>	<u>12,701,934</u>
Total Assets	<u>6,754,044</u>	<u>829,968</u>	<u>1,593,707</u>	<u>3,551,926</u>	<u>12,729,645</u>	<u>21,103,933</u>
DEFERRED OUTFLOWS OF RESOURCES						
Related to pension (Note 10)	83,645	25,550	55,285	90,509	254,989	
LIABILITIES						
Current Liabilities:						
Accounts payable and accruals	657,977	35,420	202,039	215,411	1,110,847	131,664
Accrued payroll and benefits	289				289	72
Due to other funds (Note 4)						450,220
Compensated absences (Note 1g)	31,858	18,799	5,772	37,007	93,436	47,662
Claims payable (Note 9)						489,499
Unearned revenue			110,144	459,391	569,535	
Total current liabilities	<u>690,124</u>	<u>54,219</u>	<u>317,955</u>	<u>711,809</u>	<u>1,774,107</u>	<u>1,119,117</u>
Non-current Liabilities:						
Compensated absences (Note 1g)	43,201	25,493	7,826	50,182	126,702	302,472
Claims payable (Note 9)						991,599
Net pension liability (Note 10)	622,976	188,309	408,887	671,252	1,891,424	
Total Liabilities	<u>1,356,301</u>	<u>268,021</u>	<u>734,668</u>	<u>1,433,243</u>	<u>3,792,233</u>	<u>2,413,188</u>
DEFERRED INFLOWS OF RESOURCES						
Related to pension (Note 10)	27,378	14,911	27,482	39,003	108,774	
NET POSITION (Note 7)						
Net investment in capital assets	17,987	29,262	336,690	1,324,244	1,708,183	2,209,397
Unrestricted	5,436,023	543,324	550,152	845,945	7,375,444	16,481,348
Total Net Position	<u>\$5,454,010</u>	<u>\$572,586</u>	<u>\$886,842</u>	<u>\$2,170,189</u>	<u>\$9,083,627</u>	<u>\$18,690,745</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, 2016

	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	\$2,576,077	\$312,065	\$2,222,609	\$2,466,336	\$7,577,087	\$4,693,577
Other	88,811	22,464	1,537		112,812	29,320
Total Operating Revenues	2,664,888	334,529	2,224,146	2,466,336	7,689,899	4,722,897
OPERATING EXPENSES						
Salaries and benefits	524,211	148,586	388,508	749,350	1,810,655	2,745,365
Materials and supplies	98,965	146,119	389,498	612,144	1,246,726	1,447,713
Contractual services	2,368,232	261,354	1,481,136	1,452,267	5,562,989	719,007
Insurance and claims and premium						576,653
Depreciation (Note 5)	5,792	20,118	40,068	322,250	388,228	695,825
Total Operating Expenses	2,997,200	576,177	2,299,210	3,136,011	9,008,598	6,184,563
Operating Income (Loss)	(332,312)	(241,648)	(75,064)	(669,675)	(1,318,699)	(1,461,666)
NONOPERATING REVENUES						
Investment income	52,789	6,756	7,953	15,689	83,187	74,462
Gain on sale of land						21,944
Total Nonoperating Revenues	52,789	6,756	7,953	15,689	83,187	96,406
Income (Loss) Before Transfers	(279,523)	(234,892)	(67,111)	(653,986)	(1,235,512)	(1,365,260)
Transfers in (Note 4)		262,008	657,732	715,260	1,635,000	1,917,504
Transfers (out) (Note 4)						(36,015)
Change in net position	(279,523)	27,116	590,621	61,274	399,488	516,229
Net Position-Beginning of year	5,733,533	545,470	296,221	2,108,915	8,684,139	18,174,516
Net Position-End of year	\$5,454,010	\$572,586	\$886,842	\$2,170,189	\$9,083,627	\$18,690,745

See accompanying notes to financial statements

CITY OF CUPERTINO
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2016

	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	\$2,682,661	\$334,529	\$2,232,524	\$2,355,439	\$7,605,153	\$4,709,952
Cash payments to suppliers for goods and services	(2,727,101)	(381,796)	(1,862,986)	(2,030,258)	(7,002,141)	(2,214,064)
Cash payments to employees for salaries and benefits	(554,635)	(161,019)	(418,109)	(815,717)	(1,949,480)	(2,813,371)
Cash payments for judgment and claims						(1,128,734)
Net cash provided (used) by operating activities	(599,075)	(208,286)	(48,571)	(490,536)	(1,346,468)	(1,446,217)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Transfers in		262,008	657,732	715,260	1,635,000	1,917,504
Transfers (out)						(36,015)
Cash Flows from Noncapital Financing Activities		262,008	657,732	715,260	1,635,000	1,881,489
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Acquisition of capital assets			(16,849)	(1)	(16,850)	(1,245,439)
Cash Flows from Capital and Related Financing Activities			(16,849)	(1)	(16,850)	(1,245,439)
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest received	52,764	6,755	7,953	15,689	83,161	74,462
Cash Flows from Investing Activities	52,764	6,755	7,953	15,689	83,161	74,462
Net Cash Flows	(546,311)	60,477	600,265	240,412	354,843	(735,705)
Cash and investments at beginning of year	6,980,224	740,229	649,509	1,987,270	10,357,232	9,095,092
Cash and investments at end of year	\$6,433,913	\$800,706	\$1,249,774	\$2,227,682	\$10,712,075	\$8,359,387
Reconciliation of operating income (loss) to net cash provided by operating activities:						
Operating income (loss)	(\$332,312)	(\$241,648)	(\$75,064)	(\$669,675)	(\$1,318,699)	(\$1,461,666)
Adjustments to reconcile operating income to net cash provided by operating activities:						
Depreciation	5,792	20,118	40,068	322,250	388,228	695,825
Change in assets and liabilities:						
Accounts receivable	17,773			9,363	27,136	(12,945)
Prepaid expense						24,206
Net OPEB asset						1,866
Due to retirement system	(20,062)	(4,564)	(11,019)	(19,470)	(55,115)	
Accounts payable and accruals	(259,904)	25,677	7,648	34,153	(192,426)	(71,550)
Accrued payroll and benefits	(17,369)	(7,779)	(16,733)	(55,433)	(97,314)	(63,626)
Deposits						(6,246)
Deferred revenue			8,378	(120,260)	(111,882)	
Compensated absences	7,007	(90)	(1,849)	8,536	13,604	
Claims payable						(552,081)
Net cash provided (used) by operating activities	(599,075)	(208,286)	(48,571)	(490,536)	(1,346,468)	(1,446,217)

See accompanying notes to financial statements

CITY OF CUPERTINO
Notes to the Basic Financial Statements
For the Year Ended June 30, 2016

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 the Basic Financial Statements
For the Year Ended June 30, 2016

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 the Basic Financial Statements
For the Year Ended June 30, 2016

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 the Basic Financial Statements
For the Year Ended June 30, 2016

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 the Basic Financial Statements
For the Year Ended June 30, 2016

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.

During the fiscal year, expenditures exceeded appropriations as follows:

Fund/Department	Excess of Expenditures Over
<i>Major Fund:</i>	
Public Facilities Corporation Debt Service Fun	\$1,500

(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 the Basic Financial Statements
For the Year Ended June 30, 2016

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.

(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.

CITY OF CUPERTINO
Notes to the Basic Financial Statements
For the Year Ended June 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The changes in compensated absences for the year ended June 30, 2016 were as follows:

	Governmental Activities	Business-Type Activities	Total
Beginning Balance	\$2,906,788	\$206,561	\$3,113,349
Additions	630,106	27,154	657,260
Reductions	(730,708)	(13,577)	(744,285)
Ending Balance	<u>\$2,806,186</u>	<u>\$220,138</u>	<u>\$3,026,324</u>
Current Portion	<u>\$381,994</u>	<u>\$93,436</u>	<u>\$475,430</u>
Non-current Portion	<u>\$2,424,192</u>	<u>\$126,702</u>	<u>\$2,550,894</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.

(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.

CITY OF CUPERTINO
Notes to the Basic Financial Statements
For the Year Ended June 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(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, 2016.

GASB Statement No. 72 – *Fair Value Measurement and Application*. The intention of this Statement is to enhance the comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. It also enhances fair value application guidance and related disclosures.

(o) *Fair Value Measurements*

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The fair value hierarchy categorizes the inputs to valuation techniques used to measure fair value into three levels based on the extent to which inputs used in measuring fair value are observable in the market.

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 inputs are inputs – other than quoted prices included within level 1 – that are observable for an asset or liability, either directly or indirectly.

Level 3 inputs are unobservable inputs for an asset or liability.

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

CITY OF CUPERTINO
Notes to the Basic Financial Statements
For the Year Ended June 30, 2016

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(p) Prior Period Adjustment

During the fiscal year ended June 30, 2016, the City determined that the Apple Campus 2 and 1-280/Junipero Serra Channel Trail Improvements developer deposits had not been recorded in the appropriate period. Accordingly, the City decreased the General Fund's beginning fund balance as of July 1, 2015, and increased the deposit payable liabilities for \$2,526,736.

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	\$122,407,396
Restricted Cash and Investments:	
Held by Fiscal Agent for Bond Repayments	<u>4,220,380</u>
Total Cash and Investments	<u><u>\$126,627,776</u></u>

CITY OF CUPERTINO
Notes to the Basic Financial Statements
For the Year Ended June 30, 2016

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 \$65 million	None
Non-negotiable Certificates of Deposits (time deposits)	5 years	N/A	30% ***	10% of portfolio; 5% of issuer's net worth. **
State of California registered state warrants, treasury notes, or bonds	5 years	N/A	None	None
California local agency bonds, notes, warrants, or other obligations	5 years	N/A	None	None
Bond issued by the local agency	5 years	N/A	None	None
Bankers' Acceptances	180 days	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 the Basic Financial Statements
For the Year Ended June 30, 2016

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 the Basic Financial Statements
For the Year Ended June 30, 2016

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	\$13,022,360	\$5,008,280	\$2,037,660	\$20,068,300
U.S. Agency Notes				
Federal Home Loan Mortgage Corporation	3,009,840	5,019,330	13,026,020	21,055,190
Federal National Mortgage Association	1,000,000		8,140,233	9,140,233
Federal Home Loan Banks	6,023,550	5,038,290	4,082,220	15,144,060
Federal Farm Credit Banks		11,070,050		11,070,050
Local Agency Investment Fund	40,677,381			40,677,381
Money Market Mutual Funds	6,414,353			6,414,353
	<u>\$70,147,484</u>	<u>\$26,135,950</u>	<u>\$27,286,133</u>	123,569,567
Cash in banks and on hand				<u>3,058,209</u>
Total Cash and Investments				<u>\$126,627,776</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 167 days.

Money market mutual funds are available for withdrawal on demand. At June 30, 2016, money market mutual funds, used for pooled investment and held by fiscal agent purposes, had a weighted average maturity of approximately 17-46 days.

CITY OF CUPERTINO
Notes to the Basic Financial Statements
For the Year Ended June 30, 2016

NOTE 2 – CASH AND INVESTMENTS (Continued)

(f) Fair Value Hierarchy

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure fair value of the assets. Level 1 inputs are quoted prices in an active market for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs.

The following is a summary of the fair value hierarchy of the fair value of investments of the City as of June 30, 2016:

Investments by Fair Value Level:	<u>Level 1</u>	<u>Level 2</u>	<u>Total</u>
U.S. Treasury Securities	\$20,068,300		\$20,068,300
U.S. Agency Notes			
Federal Home Loan Mortgage Corporation		\$21,055,190	21,055,190
Federal National Mortgage Association		9,140,233	9,140,233
Federal Home Loan Banks		15,144,060	15,144,060
Federal Farm Credit Banks		11,070,050	11,070,050
Local Agency Investment Fund		40,677,381	40,677,381
Total Investments	<u>\$20,068,300</u>	<u>\$97,086,914</u>	117,155,214
 Investments Measured at Amortized Cost:			
Money Market Mutual Funds			6,414,353
Cash in banks and on hand			<u>3,058,209</u>
Total Cash and Investments			<u>\$126,627,776</u>

Investments classified in Level 1 of the fair value hierarchy include U.S. Treasury Notes valued using quoted prices in active markets. Federal Agency Securities, classified in Level 2 of the fair value hierarchy are valued using matrix pricing techniques maintained by various pricing vendors. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. The California Local Agency Investment Fund (LAIF) classified in Level 2 is valued based on the fair value factor provided by the Treasurer of the State of California, which is calculated as fair value divided by the amortized cost of the investment pool. Fair value is defined as the quoted market value on the last trading day of the period. These prices are obtained from various pricing sources by the custodian bank.

Money market funds are exempt from fair value measurement and are reported at amortized cost.

CITY OF CUPERTINO
Notes to the Basic Financial Statements
For the Year Ended June 30, 2016

NOTE 2 – CASH AND INVESTMENTS (Continued)

(g) 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, 2016 for each investment type, including those with fiscal agents, as provided by Moody's ratings:

<u>Investment Type</u>	<u>Ratings</u>	<u>Total</u>
Money Market Mutual Funds	AAA	\$6,414,353
U.S. Agency Notes		
Federal Home Loan Mortgage Corporation	AAA	21,055,190
Federal National Mortgage Association	AAA	9,140,233
Federal Home Loan Banks	AAA	15,144,060
Federal Farm Credit Banks	AAA	11,070,050
U.S. Treasury Securities	AAA	20,068,300
Not Rated:		
Local Agency Investment Fund	Not Rated	<u>40,677,381</u>
Total Investments		<u><u>\$123,569,567</u></u>

(h) 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:

<u>Issuer</u>	<u>Investment Type</u>	<u>Amount</u>
Federal Home Loan Mortgage Corporation (FHLMC)	U.S. Agency Notes	\$21,055,190
Federal National Mortgage Association (FNMA)	U.S. Agency Notes	9,140,233
Federal Home Loan Banks (FHLB)	U.S. Agency Notes	15,144,060
Federal Farm Credit Banks (FFCB)	U.S. Agency Notes	11,070,050

CITY OF CUPERTINO
Notes to the Basic Financial Statements
For the Year Ended June 30, 2016

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, 2016, the balance remaining on the loan was \$400,719.

(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, 2016, 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, 2016, the balance on the loan was \$208,040.

In addition to these loans, the City has \$93,868 in housing and other loans receivable at June 30, 2016. These loans bear interest at 3 to 6 percent and are due by June 30, 2025.

NOTE 4 - INTERFUND TRANSACTIONS

Transfers between funds during the fiscal year ended June 30, 2016 were as follows:

Fund Making Transfers	Fund Receiving Transfers	Amount Transferred
General Fund	Transportation Special Revenue Fund	\$6,315,732 (A)
	Public Financing Corporation Debt Service Fund	3,167,033 (B)
	Non-major Governmental Funds	128,676 (C)
	Blackberry Farm Enterprise Fund	262,008 (D)
	Sports Center Enterprise Fund	657,732 (D)
	Recreation Program Enterprise Fund	715,260 (D)
	Internal Service Funds	1,917,504 (E)
Capital Improvements Projects Capital Projects Fund	Transportation Special Revenue Fund	2,258,268 (A)
City Channel/Web Internal Service Fund	General Fund	<u>36,015 (F)</u>
Total Interfund Transfers		<u><u>\$15,458,228</u></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 support state-mandated activities including complaint response and enforcement programs.
- (D) Operating subsidy from General Fund.
- (E) To fund IT operations, personnel costs associated with staffing special project, and compensated absences and retiree health.
- (F) To fund personnel costs associated with re-organization.

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, 2016, 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, 2016

NOTE 5 - CAPITAL ASSETS

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

	Balance at June 30, 2015	Additions	Retirements	Transfers	Balance at June 30, 2016
<i>Governmental activities</i>					
Capital assets not being depreciated:					
Land	\$62,045,969				\$62,045,969
Easements	19,491,959				19,491,959
Construction in progress	197,363	\$16,597,102		(\$15,837,385)	957,080
Total capital assets not being depreciated	81,735,291	16,597,102		(15,837,385)	82,495,008
Capital assets being depreciated:					
Buildings	44,335,568				44,335,568
Improvements other than buildings	45,900,027			6,473,772	52,373,799
Machinery and Equipment - governmental funds	2,606,556		(\$24,939)		2,581,617
Road, curbs, gutters, sidewalks, medians and bridges	142,308,139			9,276,973	151,585,112
Streetlights	8,633,769			36,499	8,670,268
Storm drain structure and mains	32,085,982			50,141	32,136,123
Traffic signals	6,155,309				6,155,309
Total capital assets being depreciated	282,025,350		(24,939)	15,837,385	297,837,796
Less accumulated depreciation for:					
Buildings	(22,890,976)	(1,674,458)			(24,565,434)
Improvements other than buildings	(30,009,632)	(1,933,567)			(31,943,199)
Machinery and Equipment - governmental funds	(1,971,800)	(58,590)			(2,030,390)
Road, curbs, gutters, sidewalks, medians and bridges	(99,308,516)	(2,031,335)			(101,339,851)
Streetlights	(6,913,190)	(107,448)			(7,020,638)
Storm drain structure and mains	(29,813,579)	(802,216)			(30,615,795)
Traffic signals	(5,140,110)	(104,090)			(5,244,200)
Total accumulated depreciation	(196,047,803)	(6,711,704)			(202,759,507)
Net general governmental program					
Capital assets being depreciated	85,977,547	(6,711,704)	(24,939)	15,837,385	95,078,289
Internal service fund capital assets					
Machinery and equipment	7,770,931	1,267,382			9,038,313
Less Accumulated depreciation	(6,133,091)	(695,825)			(6,828,916)
Net internal service fund capital assets					
being depreciated	1,637,840	571,557			2,209,397
Governmental activity capital assets, net	\$169,350,678	\$10,456,955	(\$24,939)		\$179,782,694

CITY OF CUPERTINO
Notes to the Basic Financial Statements
For the Year Ended June 30, 2016

NOTE 5 - CAPITAL ASSETS (Continued)

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

	Balance at June 30, 2015	Additions	Balance at June 30, 2016
<i>Business-type activities:</i>			
Capital assets being depreciated:			
Buildings	\$681,914		\$681,914
Improvements other than buildings	2,044,907		2,044,907
Machinery and Equipment	262,370	\$16,850	279,220
Total capital assets being depreciated	<u>2,989,191</u>	<u>16,850</u>	<u>3,006,041</u>
Less accumulated depreciation for:			
Buildings	(165,963)	(14,673)	(180,636)
Improvements other than buildings	(495,145)	(342,857)	(838,002)
Machinery and Equipment	(248,522)	(30,698)	(279,220)
Total accumulated depreciation	<u>(909,630)</u>	<u>(388,228)</u>	<u>(1,297,858)</u>
Total capital assets, being depreciated, net	<u>2,079,561</u>	<u>(371,378)</u>	<u>1,708,183</u>
Business-type activity capital assets, net	<u><u>\$2,079,561</u></u>	<u><u>(\$371,378)</u></u>	<u><u>\$1,708,183</u></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	\$273,257
Public and Environment Affairs	14,874
Administrative Services	26,301
Parks and Recreation	149,754
Public Works	6,247,518
Internal Service Funds	695,825
Total	<u><u>\$7,407,529</u></u>

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

Business-Type Activities	Amount
Resources Recovery	\$5,814
Blackberry Farms	22,858
Cupertino Sports Center	60,650
Recreation Program	298,906
Total	<u><u>\$388,228</u></u>

CITY OF CUPERTINO
Notes to the Basic Financial Statements
For the Year Ended June 30, 2016

NOTE 6 - LONG-TERM DEBT

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

	Original Issue Amount	Balance June 30, 2015	Retirements	Balance June 30, 2016	Current Portion
2012 Refinancing Certificates of Participation					
0.350-3.125%, due 07/01/2030	\$43,940,000	<u>\$37,925,000</u>	<u>\$2,090,000</u>	<u>\$35,835,000</u>	<u>\$2,135,000</u>
Total long-term debt		<u>\$37,925,000</u>	<u>\$2,090,000</u>	<u>\$35,835,000</u>	<u>\$2,135,000</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 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.

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 \$44,388,323 payable through July 1, 2030. For the year ended June 30, 2016, the bonds had \$2,090,000 principal and \$1,077,538 interest due.

(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
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	2,355,000	814,138
2022 - 2026	12,885,000	2,967,288
2027 - 2030	<u>11,770,000</u>	<u>910,845</u>
Total	<u>\$35,835,000</u>	<u>\$8,553,323</u>

CITY OF CUPERTINO
Notes to the Basic Financial Statements
For the Year Ended June 30, 2016

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.

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, 2016

NOTE 7 - NET POSITION AND FUND BALANCES (Continued)

Fund balances for all major and nonmajor governmental funds as of June 30, 2016, were distributed as follows:

	General	Transportation	Housing Development	Public Facilities Corporation	Capital Improvements Projects	Other Governmental Funds	Total
Nonspendable:							
Loans receivable	\$868,608						\$868,608
Prepaid items	68,773						68,773
Subtotal	<u>937,381</u>						<u>937,381</u>
Restricted for:							
Public access television	888,374						888,374
Debt service				\$1,596,982			1,596,982
Storm drain system						\$1,175,023	1,175,023
Parks and open space						9,232,995	9,232,995
Environmental management						445,753	445,753
Streets and road projects		\$8,682,089					8,682,089
Housing programs			\$12,840,591				12,840,591
Subtotal	<u>888,374</u>	<u>8,682,089</u>	<u>12,840,591</u>	<u>1,596,982</u>		<u>10,853,771</u>	<u>34,861,807</u>
Committed for:							
Streets and road projects		1,398,665					1,398,665
Assigned to:							
Economic uncertainty I	19,000,000						19,000,000
Economic fluctuation	1,400,000						1,400,000
PERS liability	100,000						100,000
Capital projects					\$15,074,808	269,383	15,344,191
Subtotal	<u>20,500,000</u>				<u>15,074,808</u>	<u>269,383</u>	<u>35,844,191</u>
Unassigned							
	29,869,085						29,869,085
Total	<u>\$52,194,840</u>	<u>\$10,080,754</u>	<u>\$12,840,591</u>	<u>\$1,596,982</u>	<u>\$15,074,808</u>	<u>\$11,123,154</u>	<u>\$102,911,129</u>

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, 2016, have yet to be conducted. The amount, if any, of expenditures that may be disallowed by the granting agencies cannot be determined at this time. Management believes that such disallowances, if any, would not have a material effect on the financial statements.

CITY OF CUPERTINO
Notes to the Basic Financial Statements
For the Year Ended June 30, 2016

NOTE 8 - COMMITMENTS AND CONTINGENCIES (Continued)

(b) Encumbrances

The City uses encumbrances to control expenditure commitments for the year. Encumbrances represent commitments related to executor contracts not yet performed and purchase orders not yet filled. Commitments for such expenditure of monies are encumbered to reserve a portion of applicable appropriations. Encumbrances still open at year end are not accounted for as expenditures and liabilities, but as restricted, or unassigned fund balance. As of June 30, 2016, the City had the following encumbrances outstanding:

Governmental Funds:	
General Funds:	\$3,786,698
Transportation Special Revenue Fund	3,962,712
Capital Improvements Projects Capital Projects Funds	1,037,420
Other Governmental Funds	763,117
Total Encumbrances	9,549,947

(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, 2016, the cost and carrying value of the building which opened in October 2004, is \$21,952,133 and \$11,572,526 respectively, with \$10,379,607 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.

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, 2016, the City paid ABAG PLAN premiums of \$362,011.

CITY OF CUPERTINO
Notes to the Basic Financial Statements
For the Year Ended June 30, 2016

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

(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, 2016, the City paid premiums of \$97,711.

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.

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

	2016	2015
Claims liability, beginning of year	\$2,190,079	\$2,105,897
Incurred claims and changes in estimate	(379,665)	393,051
Claim payments and credits	(329,316)	(308,869)
Total claims liability, end of year	1,481,098	2,190,079
Less current portion	(489,499)	(456,451)
Non-current portion	\$991,599	\$1,733,628

NOTE 10 - DEFINED BENEFIT PENSION PLAN

(a) *Plan Descriptions and Summary of Balances by Plan*

The City has one defined benefit pension plan. The Miscellaneous Plan is an Agent-Multiple Employer Plan. Benefit provisions under the Plan is established by State statute and City Ordinance. All qualified permanent and probationary employees are eligible to participate in the Plan for which they are an eligible member based on their employment position with the City.

The Plan is administered by the California Public Employees' Retirement System (CalPERS) which acts as a common investment and administrative agent for its participating member employers. 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.

CITY OF CUPERTINO
Notes to the Basic Financial Statements
For the Year Ended June 30, 2016

NOTE 10 - DEFINED BENEFIT PENSION PLAN (Continued)

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

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

	Deferred Outflows of Resources	Net Pension Liability	Deferred Inflows of Resources
Miscellaneous	\$3,919,082	\$30,512,577	\$1,934,464

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 cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law. The Pension Reform Act of 2013 (PEPRA), Assembly Bill 340, is applicable to employees new to CalPERS and hired after December 31, 2012. The Plans' provisions and benefits in effect at June 30, 2016, are summarized as follows:

	Prior to January 1, 2013	On or after January 1, 2013
Hire date	2.7% @ 55	2.0% @ 62
Benefit formula	5 years service	5 years service
Benefit vesting schedule	monthly for life	monthly for life
Benefit payments	50	52
Minimum retirement age	2% to 2.7%	1% to 2%
Monthly benefits, as a % of eligible compensation	8.00%	6.25%
Required employee contribution rates	23.54%	23.54%
Required employer contribution rates		

Employees Covered – As of the June 30, 2014 actuarial valuation date, the following employees were covered by the benefit terms of the Plan:

Inactive employees or beneficiaries currently receiving benefits	166
Inactive employees entitled to but not yet receiving benefits	107
Active employees	188
Total	461

CITY OF CUPERTINO
Notes to the Basic Financial Statements
For the Year Ended June 30, 2016

NOTE 10 - DEFINED BENEFIT PENSION PLAN (Continued)

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

(b) Net Pension Liability

The City’s net pension liability for the Plan is measured as the total pension liability, less the pension plan’s fiduciary net position. The net pension liability of the Plan is measured as of June 30, 2015, using an annual actuarial valuation as of June 30, 2014 rolled forward to June 30, 2015 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, 2014 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2014
Measurement Date	June 30, 2015
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Payroll Growth	3.00%
Projected Salary Increase	Varies by Entry Age and Service (1)
Investment Rate of Return	7.5% (2)
Mortality	Derived using CalPERS’ Membership Data for all Funds (3)

- (1) Depending on age, service and type of employment
- (2) Net of pension plan investment expenses, including inflation
- (3) The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this tale, please refer to the CalPERS 2014 experience study report available on CalPERS website.

All other actuarial assumptions used in the June 30, 2014 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.

Change of Assumptions – GASB 68, paragraph 68 states that the long long-term expected rate of return should be determined net of pension plan investment expense, but without reduction for pension plan administrative expense. The discount rate of 7.50% used for the June 30, 2014 measurement date was net of administrative expenses. The discount rate of 7.65% used for the June 30, 2015 measurement date is without reduction of pension plan administrative expense. All other assumptions for the June 30, 2014 measurement date were the same as those used for the June 30, 2015 measurement date.

CITY OF CUPERTINO
Notes to the Basic Financial Statements
For the Year Ended June 30, 2016

NOTE 10 - DEFINED BENEFIT PENSION PLAN (Continued)

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 7.65% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.65% 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.

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.

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	51.00%	5.25%	5.71%
Global Fixed Income	19.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	10.00%	6.83%	6.95%
Real Estate	10.00%	4.50%	5.13%
Infrastructure and Forestland	2.00%	4.50%	5.09%
Liquidity	2.00%	-0.55%	-1.05%
Total	<u>100.00%</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, 2016

NOTE 10 - DEFINED BENEFIT PENSION PLAN (Continued)

(c) *Changes in Net Pension Liability* - The changes in the Net Pension Liability for the City's Miscellaneous Plan are as follows:

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
Balance at June 30, 2014	\$104,425,488	\$76,548,308	\$27,877,180
Changes in the year:			
Service cost	2,444,939		2,444,939
Interest on the total pension liability	7,789,134		7,789,134
Differences between actual and expected experience	372,917		372,917
Changes in assumptions	(1,883,633)		(1,883,633)
Changes in benefit terms			
Contribution - employer		3,301,642	(3,301,642)
Contribution - employee		1,149,894	(1,149,894)
Net investment income		1,724,204	(1,724,204)
Administrative expenses		(87,780)	87,780
Benefit payments, including refunds of employee contributions	(4,637,005)	(4,637,005)	
Net changes	<u>4,086,352</u>	<u>1,450,955</u>	<u>2,635,397</u>
Balance at June 30, 2015	<u>\$108,511,840</u>	<u>\$77,999,263</u>	<u>\$30,512,577</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:

	<u>Miscellaneous</u>
1% Decrease	6.65%
Net Pension Liability	\$44,892,656
Current Discount Rate	7.65%
Net Pension Liability	\$30,512,577
1% Increase	8.65%
Net Pension Liability	\$18,594,531

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, 2016

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, 2016, the City recognized negative pension expense of \$646,899. At June 30, 2016, 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	\$3,659,170	
Differences between actual and expected experience	259,912	
Changes in assumptions		(\$1,312,835)
Net differences between projected and actual earnings on plan investments		(621,629)
Total	\$3,919,082	(\$1,934,464)

The \$3,659,170 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, 2017. Other amounts reported as deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30	Annual Amortization
2017	(\$938,234)
2018	(938,234)
2019	(617,777)
2020	819,693

CITY OF CUPERTINO
Notes to the Basic Financial Statements
For the Year Ended June 30, 2016

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.

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.

CITY OF CUPERTINO
Notes to the Basic Financial Statements
For the Year Ended June 30, 2016

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

(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, 2016, the annual required contribution rate is 6.74% of annual covered payroll. For the year ended June 30, 2016, the City paid \$917,353 in healthcare premium payments.

(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, 2016 actuarial valuation include the following:

Valuation date:	January 1, 2016
Actuarial Cost Method:	Entry Age Normal
Amortization Method:	Level percent of pay closed
Amortization Period:	13 year
Asset Valuation Method:	Market value
Actuarial Assumptions:	
Discount Rate	7.00%
Payroll Growth	3.00%
Ultimate Rate of Medical Inflation	4.50%

CITY OF CUPERTINO
Notes to the Basic Financial Statements
For the Year Ended June 30, 2016

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)
6/30/2014	\$2,295,732	\$1,026,967	45%	(\$2,991,132)
6/30/2015	1,584,785	9,088,056	573%	(10,494,403)
6/30/2016	1,227,219	1,225,353	100%	(10,492,537)

The City's Net OPEB asset is recorded in the Retiree Medical Internal Service Fund and is calculated as of June 30, 2016 as follows:

Annual required contribution	\$957,466
Interest on prior year net OPEB asset	(734,608)
Adjustment to annual required contribution	1,004,361
Annual OPEB cost	<u>1,227,219</u>
Insurance premiums paid on behalf of retirees	(917,353)
Implicit subsidy	<u>(308,000)</u>
Decrease in net OPEB asset	1,866
Net OPEB (asset) June 30, 2015	<u>(10,494,403)</u>
Net OPEB (asset) June 30, 2016	<u><u>(\$10,492,537)</u></u>

The latest available actuarial data and funding progress are set forth below at their actuarial valuation date of January 1, 2016.

Actuarial accrued liability (AAL)	\$24,483,554
Actuarial value of planned assets	<u>(22,294,035)</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$2,189,519</u>
Funded Ratio (actuarial value of plan assets/AAL)	91.06%
Covered payroll (active plan members)	\$14,214,000
UAAL as a percentage of covered payroll	15.40%

CITY OF CUPERTINO
Notes to the Basic Financial Statements
For the Year Ended June 30, 2016

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, 2016, 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.

NOTE 13 – SUBSEQUENT EVENT

In December 2016, CalPERS' Board of Directors voted to lower the discount rate from 7.5% to 7.0% over the next three fiscal years, beginning in fiscal year 2018. The change in the discount rate will affect the contribution rates beginning in fiscal year 2019 and result in increases to the normal costs and unfunded actuarial liabilities.

CITY OF CUPERTINO
 Required Supplementary Information (Unaudited)
 For the Year Ended June 30, 2016

Agent Multiple Employer Defined Benefit Retirement Plan - Miscellaneous Plan
Last 10 Years*

SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS

Measurement Date	6/30/2014	6/30/2015
Total Pension Liability		
Service Cost	\$2,504,228	\$2,444,939
Interest	7,349,943	7,789,134
Changes of benefit terms	-	-
Differences between expected and actual experience	-	372,917
Changes in assumptions	-	(1,883,633)
Benefit payments, including refunds of employee contributions	(4,351,614)	(4,637,005)
Net change in total pension liability	5,502,557	4,086,352
Total pension liability - beginning	98,922,931	104,425,488
Total pension liability - ending (a)	\$104,425,488	\$108,511,840
Plan fiduciary net position		
Contributions - employer	2,891,986	3,301,642
Contributions - employee	1,061,884	1,149,894
Net investment income	11,379,985	1,724,204
Benefit payments, including refunds of employee contributions	(4,351,614)	(4,637,005)
Administrative expense	-	(87,780)
Net change in plan fiduciary net position	10,982,241	1,450,955
Plan fiduciary net position - beginning	65,566,067	76,548,308
Plan fiduciary net position - ending (b)	\$76,548,308	\$77,999,263
 Net pension liability - ending (a)-(b)	 27,877,180	 30,512,577
 Plan fiduciary net position as a percentage of the total pension liability	 73.30%	 71.88%
 Covered - employee payroll	 \$13,080,327	 \$13,504,966
Net pension liability as percentage of covered-employee payroll	213.12%	225.94%

Notes to Schedule:

Benefit changes. The figures above do not include any liability impact that may have resulted from plan changes which occurred after the actuarial valuation date. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

Changes in assumptions. GASB 68, paragraph 68 states that the long long-term expected rate of return should be determined net of pension plan investment expense, but without reduction for pension plan administrative expense. The discount rate of 7.50% used for the June 30, 2014 measurement date was net of administrative expenses. The discount rate of 7.65% used for the June 30, 2015 measurement date is without reduction of pension plan administrative expense. All other assumptions for the June 30, 2014 measurement date were the same as those used for the June 30, 2015 measurement date.

* - Fiscal year 2015 was the 1st year of implementation.

Source: CalPERS Accounting Valuation

CITY OF CUPERTINO
 Required Supplementary Information (Unaudited)
 For the Year Ended June 30, 2016

Agent Multiple Employer Defined Benefit Retirement Plan - Miscellaneous Plan
Last 10 Years*
SCHEDULE OF CONTRIBUTIONS

	2015	2016
Actuarially determined contribution	\$3,608,853	\$3,659,170
Contributions in relation to the actuarially determined contributions	(3,608,853)	(3,659,170)
Contribution deficiency (excess)	\$0	\$0
Covered-employee payroll	\$13,080,327	\$13,504,966
Contributions as a percentage of covered-employee payroll	27.59%	27.09%

Notes to Schedule

Valuation date:	6/30/2013	6/30/2014
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Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining amortization period	19 Years as of the Valuation Date
Asset valuation method	15 Year Smoothed Market
Inflation	2.75%
Salary increases	3%
Investment rate of return	7.50% Net of Pension Plan Investment and Administrative
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.

Source: City of Cupertino's general ledger and CalPERS Actuarial Valuation

CITY OF CUPERTINO
 Required Supplementary Information (Unaudited)
 For the Year Ended June 30, 2016

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
1/1/2013	\$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%
1/1/2016	24,483,554	22,294,035	2,189,519	91.06%	14,214,000	15.40%

<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, 2016

	Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Use of money and property		\$4,796	\$4,796
Total Revenues		4,796	4,796
EXPENDITURES			
Administration		1,500	(1,500)
Debt service:			
Principal	\$3,167,538	2,090,000	1,077,538
Interest and fiscal charges		1,077,538	(1,077,538)
Total Expenditures	3,167,538	3,169,038	(1,500)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(3,167,538)	(3,164,242)	3,296
OTHER FINANCING SOURCES (USES)			
Transfers in	3,167,538	3,167,033	(505)
Total Other Financing Sources (Uses)	3,167,538	3,167,033	(505)
NET CHANGE IN FUND BALANCE		2,791	\$2,791
BEGINNING FUND BALANCE		1,594,191	
ENDING FUND BALANCE		\$1,596,982	

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 SHEET
JUNE 30, 2016

	SPECIAL REVENUE FUNDS			CAPITAL PROJECTS FUNDS
	Storm Drain Improvement	Park Dedication	Environmental Management/ Clean Creeks	Stevens Creek Corridor Park
Assets				
Cash and investments	\$1,175,024	\$9,232,995	\$438,253	\$268,645
Accounts receivable			7,500	
Total assets	<u>\$1,175,024</u>	<u>\$9,232,995</u>	<u>\$445,753</u>	<u>\$268,645</u>
Liabilities				
Accounts payable and accruals	\$1			\$4,636
Total liabilities	<u>1</u>			<u>4,636</u>
Fund balances				
Restricted	1,175,023	\$9,232,995	\$445,753	
Assigned				264,009
Total fund balances	<u>1,175,023</u>	<u>9,232,995</u>	<u>445,753</u>	<u>264,009</u>
Total liabilities and fund balances	<u>\$1,175,024</u>	<u>\$9,232,995</u>	<u>\$445,753</u>	<u>\$268,645</u>

CAPITAL
PROJECTS
FUNDS

Don Burnett Bicycle Pedestrian Bridge	Total Nonmajor Governmental Funds
\$5,374	\$11,120,291 7,500
<u>\$5,374</u>	<u>\$11,127,791</u>
	<u>\$4,637</u>
	<u>4,637</u>
\$5,374	10,853,771 269,383
<u>5,374</u>	<u>11,123,154</u>
<u>\$5,374</u>	<u>\$11,127,791</u>

CITY OF CUPERTINO
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2016

	SPECIAL REVENUE FUNDS			CAPITAL PROJECTS FUNDS
	Storm Drain Improvement	Park Dedication	Environmental Management/ Clean Creeks	Stevens Creek Corridor Pak
REVENUES				
Taxes	\$154,698	\$222,375		
Use of money and property	14,239	77,770	\$2,616	
Charges for services		33,544	367,426	
Fines and forfeitures			6,387	
Other revenue	487,010		706	
Total Revenues	<u>655,947</u>	<u>333,689</u>	<u>377,135</u>	
EXPENDITURES				
Current:				
Public works			497,049	
Capital outlay	3,757,979	16,667		\$26,390
Total Expenditures	<u>3,757,979</u>	<u>16,667</u>	<u>497,049</u>	<u>26,390</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(3,102,032)</u>	<u>317,022</u>	<u>(119,914)</u>	<u>(26,390)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in			128,676	
Total Other Financing Sources (Uses)			<u>128,676</u>	
NET CHANGE IN FUND BALANCES	(3,102,032)	317,022	8,762	(26,390)
BEGINNING FUND BALANCES	<u>4,277,055</u>	<u>8,915,973</u>	<u>436,991</u>	<u>290,399</u>
ENDING FUND BALANCES	<u><u>\$1,175,023</u></u>	<u><u>\$9,232,995</u></u>	<u><u>\$445,753</u></u>	<u><u>\$264,009</u></u>

CAPITAL PROJECTS FUNDS	
Don Burnett Bicycle Pedestrian Bridge	Total Nonmajor Governmental Funds
	\$377,073
	94,625
	400,970
	6,387
	487,716
	<u>1,366,771</u>
	497,049
	<u>3,801,036</u>
	<u>4,298,085</u>
	<u>(2,931,314)</u>
	<u>128,676</u>
	<u>128,676</u>
	(2,802,638)
<u>\$5,374</u>	<u>13,925,792</u>
<u>\$5,374</u>	<u>\$11,123,154</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, 2016

	SPECIAL REVENUE FUNDS					
	STORM DRAIN IMPROVEMENT			PARK DEDICATION		
	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
REVENUES						
Taxes	\$100,000	\$154,698	\$54,698	\$100,000	\$222,375	\$122,375
Use of money and property		14,239	14,239		77,770	77,770
Charges for services					33,544	33,544
Fines for forfeitures						
Other revenue		487,010	487,010			
Total Revenues	<u>100,000</u>	<u>655,947</u>	<u>555,947</u>	<u>100,000</u>	<u>333,689</u>	<u>233,689</u>
EXPENDITURES						
Current:						
Public works						
Capital outlay	3,757,979	3,757,979		16,667	16,667	
Total Expenditures	<u>3,757,979</u>	<u>3,757,979</u>		<u>16,667</u>	<u>16,667</u>	
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(3,657,979)</u>	<u>(3,102,032)</u>	<u>555,947</u>	<u>83,333</u>	<u>317,022</u>	<u>233,689</u>
OTHER FINANCING SOURCES (USES)						
Transfers in						
Total Other Financing Sources (Uses)						
NET CHANGE IN FUND BALANCES	<u>(\$3,657,979)</u>	<u>(3,102,032)</u>	<u>\$555,947</u>	<u>\$83,333</u>	<u>317,022</u>	<u>\$233,689</u>
BEGINNING FUND BALANCES		4,277,055			8,915,973	
ENDING FUND BALANCES		<u>\$1,175,023</u>			<u>\$9,232,995</u>	

SPECIAL REVENUE FUND

ENVIRONMENTAL MANAGEMENT/
CLEAN CREEKS

Final Budget	Actual	Variance Positive (Negative)
	\$2,616	\$2,616
	367,426	367,426
\$502,000	6,387	(495,613)
	706	706
<u>502,000</u>	<u>377,135</u>	<u>(124,865)</u>
594,954	497,049	97,905
<u>594,954</u>	<u>497,049</u>	<u>97,905</u>
<u>(92,954)</u>	<u>(119,914)</u>	<u>(26,960)</u>
<u>128,679</u>	<u>128,676</u>	<u>(3)</u>
<u>128,679</u>	<u>128,676</u>	<u>(3)</u>
<u>\$35,725</u>	8,762	<u>(\$26,963)</u>
	<u>436,991</u>	
	<u>\$445,753</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, 2016

	<u>Information Technology</u>	<u>Workers' Compensation</u>	<u>Equipment Revolving</u>	<u>Compensated Absences and Long-Term Disability</u>	<u>Retiree Medical</u>
ASSETS					
Current Assets:					
Cash and investments	\$2,475,941	\$2,645,517	\$2,524,856	\$288,013	\$87,489
Accounts receivable			12,945		
Prepaid items	25,210				
Total current assets	<u>2,501,151</u>	<u>2,645,517</u>	<u>2,537,801</u>	<u>288,013</u>	<u>87,489</u>
Noncurrent Assets:					
Net OPEB assets					10,492,537
Capital assets, depreciable net of accumulated depreciation	437,577		1,307,266		
Total noncurrent assets	<u>437,577</u>		<u>1,307,266</u>		<u>10,492,537</u>
Total Assets	<u><u>\$2,938,728</u></u>	<u><u>\$2,645,517</u></u>	<u><u>\$3,845,067</u></u>	<u><u>\$288,013</u></u>	<u><u>\$10,580,026</u></u>
LIABILITIES					
Current Liabilities:					
Accounts payable and accruals	\$28,940	\$2	\$69,164		
Accrued payroll and benefits			72		
Due to other funds					\$450,220
Compensated absences	11,982	320	2,603		
Claims payable		489,499			
	<u>40,922</u>	<u>489,821</u>	<u>71,839</u>		<u>450,220</u>
Non-current Liabilities:					
Compensated absences	76,041	2,031	16,518		
Claims payable		991,599			
	<u>76,041</u>	<u>993,630</u>	<u>16,518</u>		
Total Liabilities	<u>116,963</u>	<u>1,483,451</u>	<u>88,357</u>		<u>450,220</u>
NET POSITION					
Net investment in capital assets	437,577		1,307,266		
Unrestricted	2,384,188	1,162,066	2,449,444	\$288,013	\$10,129,806
Total Net Position	<u><u>\$2,821,765</u></u>	<u><u>\$1,162,066</u></u>	<u><u>\$3,756,710</u></u>	<u><u>\$288,013</u></u>	<u><u>\$10,129,806</u></u>

<u>City Channel/Web</u>	<u>Total</u>
\$337,571	\$8,359,387
	12,945
<u>4,457</u>	<u>29,667</u>
<u>342,028</u>	<u>8,401,999</u>
	10,492,537
<u>464,554</u>	<u>2,209,397</u>
<u>464,554</u>	<u>12,701,934</u>
<u><u>\$806,582</u></u>	<u><u>\$21,103,933</u></u>
\$33,558	\$131,664
	72
	450,220
32,757	47,662
	<u>489,499</u>
<u>66,315</u>	<u>1,119,117</u>
207,882	302,472
	<u>991,599</u>
<u>207,882</u>	<u>1,294,071</u>
<u>274,197</u>	<u>2,413,188</u>
464,554	2,209,397
67,831	16,481,348
<u>532,385</u>	<u>18,690,745</u>

CITY OF CUPERTINO
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED JUNE 30, 2016

	Information Technology	Workers' Compensation	Equipment Revolving	Compensated Absences and Long-Term Disability	Retiree Medical
OPERATING REVENUES					
Charges for services	\$1,655,088	\$958,056	\$1,219,560	\$81,197	
Other			29,320		
Total Operating Revenues	<u>1,655,088</u>	<u>958,056</u>	<u>1,248,880</u>	<u>81,197</u>	
OPERATING EXPENSES					
Salaries and related expenses	908,341	32,746	263,661		\$919,219
Materials and supplies	873,272	4,213	348,951		
Contractual services	474,562	57	125,268		
Insurance claims and premium				576,653	
Depreciation	<u>175,260</u>		<u>405,897</u>		
Total Operating Expenses	<u>2,431,435</u>	<u>37,016</u>	<u>1,143,777</u>	<u>576,653</u>	<u>919,219</u>
Operating Income (Loss)	<u>(776,347)</u>	<u>921,040</u>	<u>105,103</u>	<u>(495,456)</u>	<u>(919,219)</u>
NONOPERATING REVENUES (EXPENSES)					
Interest income	24,168	20,724	22,096	1,959	459
Gain on sale of capital assets			21,944		
Total Nonoperating Revenues (Expenses)	<u>24,168</u>	<u>20,724</u>	<u>44,040</u>	<u>1,959</u>	<u>459</u>
Income (Loss) Before Transfers	(752,179)	941,764	149,143	(493,497)	(918,760)
Transfers in	237,000			640,004	1,000,500
Transfers (out)					
Change in Net Position	(515,179)	941,764	149,143	146,507	81,740
BEGINNING 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>
ENDING NET POSITION	<u><u>\$2,821,765</u></u>	<u><u>\$1,162,066</u></u>	<u><u>\$3,756,710</u></u>	<u><u>\$288,013</u></u>	<u><u>\$10,129,806</u></u>

<u>City Channel/Web</u>	<u>Total</u>
\$779,676	\$4,693,577 29,320
<u>779,676</u>	<u>4,722,897</u>
621,398	2,745,365
221,277	1,447,713
119,120	719,007
114,668	576,653
<u>114,668</u>	<u>695,825</u>
<u>1,076,463</u>	<u>6,184,563</u>
<u>(296,787)</u>	<u>(1,461,666)</u>
5,056	74,462 21,944
<u>5,056</u>	<u>96,406</u>
(291,731)	(1,365,260)
40,000	1,917,504
<u>(36,015)</u>	<u>(36,015)</u>
(287,746)	516,229
<u>820,131</u>	<u>18,174,516</u>
<u>\$532,385</u>	<u>\$18,690,745</u>

CITY OF CUPERTINO
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2016

	Information Technology	Workers' Compensation	Equipment	Compensated Absences and Long-Term Disability	Retiree Medical
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from customers	\$1,655,088	\$958,056	\$1,235,935	\$81,197	
Cash payments to suppliers for goods and services	(1,416,027)	(4,268)	(477,666)		
Cash payments to employees	(1,041,961)	(33,492)	(263,817)		(\$917,353)
Cash payment for judgment and claims		(552,081)		(576,653)	
Cash Flows from (used for) Operating Activities	(802,900)	368,215	494,452	(495,456)	(917,353)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Transfers in	237,000			640,004	1,000,500
Transfers (out)					
Cash Flows (used for) Noncapital Financing Activities	237,000			640,004	1,000,500
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Acquisition of capital assets	(259,359)		(653,471)		
Cash Flows from Capital and Related Financing Activities	(259,359)		(653,471)		
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest received	24,168	20,724	22,096	1,959	459
Cash Flows from Investing Activities	24,168	20,724	22,096	1,959	459
Net Cash Flows	(801,091)	388,939	(136,923)	146,507	83,606
Cash and investments at beginning of year	3,277,032	2,256,578	2,661,779	141,506	3,883
Cash and investments at end of year	\$2,475,941	\$2,645,517	\$2,524,856	\$288,013	\$87,489
Reconciliation of operating income (loss) to net cash flows from operating activities:					
Operating income (loss)	(\$776,347)	\$921,040	\$105,103	(\$495,456)	(\$919,219)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:					
Change in assets and liabilities:	175,260		405,897		
Accounts receivable			(12,945)		
Prepaid expenses	28,663				
Net OPEB asset					1,866
Accounts payable and accruals	(96,856)	2	(3,447)		
Accrued payroll and benefits	(28,734)	(1,287)	(12,721)		
Compensated absences	(104,886)	541	12,565		
Claims payable		(552,081)			
Cash Flows from Operating Activities	(802,900)	368,215	494,452	(495,456)	(917,353)

City Channel Web	Total
\$779,676	\$4,709,952
(316,103)	(2,214,064)
(556,748)	(2,813,371)
<u> </u>	<u>(1,128,734)</u>
<u>(93,175)</u>	<u>(1,446,217)</u>
40,000	1,917,504
<u>(36,015)</u>	<u>(36,015)</u>
<u>3,985</u>	<u>1,881,489</u>
<u>(332,609)</u>	<u>(1,245,439)</u>
<u>(332,609)</u>	<u>(1,245,439)</u>
<u>5,056</u>	<u>74,462</u>
<u>5,056</u>	<u>74,462</u>
(416,743)	(735,705)
<u>754,314</u>	<u>9,095,092</u>
<u><u>\$337,571</u></u>	<u><u>\$8,359,387</u></u>
(\$296,787)	(\$1,461,666)
114,668	695,825
	(12,945)
(4,457)	24,206
	1,866
28,751	(71,550)
(20,884)	(63,626)
85,534	(6,246)
<u> </u>	<u>(552,081)</u>
<u><u>(\$93,175)</u></u>	<u><u>(\$1,446,217)</u></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									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Governmental Activities										
Net investment in capital assets	\$ 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	\$ 148,168,074
Restricted	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	34,861,807
Unrestricted	39,243,717	43,242,639	33,290,050	31,087,861	33,185,903	38,117,361	47,558,701	63,150,548	51,003,950	51,164,063
Total governmental activities net position/assets	128,852,335	138,343,407	143,293,029	160,185,326	161,632,070	163,130,483	172,253,737	209,464,138	220,757,332	234,193,944
Business-Type Activities										
Net investment in capital assets	467,416	84,126	136,127	788,213	777,521	824,687	762,013	1,110,414	2,079,561	1,708,183
Unrestricted	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	7,375,444
Total business-type activities net position/assets	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	9,083,627
Primary Government										
Net investment in capital assets	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	149,876,257
Restricted	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	34,861,807
Unrestricted	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	58,539,507
Total primary government net position/assets (1)	\$ 136,297,187	\$ 146,276,680	\$ 152,378,298	\$ 170,037,155	\$ 172,188,678	\$ 174,012,501	\$ 183,881,229	\$ 220,866,762	\$ 229,441,471	\$ 243,277,571

(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

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Expenses										
Governmental activities:										
Administration	\$ 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	\$ 3,710,388
Law enforcement	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	11,316,271
Public and environmental affairs	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	575,260
Administrative services	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	2,994,611
Recreation services	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	5,758,194
Community development	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	6,259,734
Public works	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	31,313,396
Interest on long-term debt	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	1,077,538
Total governmental activities expense	<u>38,963,177</u>	<u>41,113,458</u>	<u>46,807,228</u>	<u>46,223,235</u>	<u>48,662,734</u>	<u>48,391,002</u>	<u>49,965,332</u>	<u>54,016,316</u>	<u>59,297,603</u>	<u>63,005,392</u>
Business-type activities:										
Resource recovery	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	2,997,200
Blackberry farm	975,064	450,206	495,845	457,169	457,065	460,698	463,336	571,000	547,185	576,177
Cupertino sports center	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	2,299,210
Recreation programs	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	3,136,011
Senior center	771,570	-	-	-	-	-	-	-	-	-
Total business-type activities expense	<u>7,323,679</u>	<u>5,906,886</u>	<u>5,828,246</u>	<u>5,808,107</u>	<u>5,728,561</u>	<u>5,910,156</u>	<u>6,265,228</u>	<u>7,682,515</u>	<u>7,707,523</u>	<u>9,008,598</u>
Total primary government expense	<u>46,286,856</u>	<u>47,020,344</u>	<u>52,635,474</u>	<u>52,031,342</u>	<u>54,391,295</u>	<u>54,301,158</u>	<u>56,230,560</u>	<u>61,698,831</u>	<u>67,005,126</u>	<u>72,013,990</u>
Program Revenues										
Governmental activities:										
Charges for services:										
Administration	3,618	10,711	2,240	21,873	15,801	6,454	5,676	1,087,393	322,534	369,069
Law enforcement	1,031,736	799,350	869,295	811,676	797,757	696,498	637,595	725,631	590,378	664,483
Public and environmental affairs	-	-	-	-	-	-	-	-	41,352	41,352
Administrative services	-	-	-	-	-	-	-	-	481,616	359,148
Recreation services	193,752	847,424	801,280	930,773	1,020,159	1,166,323	970,292	955,081	1,798,134	1,421,185
Community development	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	10,534,457
Public works	200,969	135,942	157,311	556,636	549,065	503,225	593,501	7,916,897	2,869,357	6,358,870
Operating grants and contributions	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	1,851,282
Capital grants and contributions	3,496,095	5,696,124	4,759,485	5,511,359	1,972,951	780,761	719,880	569,159	4,022,190	362,491
Total government activities program revenue	<u>12,742,708</u>	<u>13,434,016</u>	<u>14,190,640</u>	<u>13,185,229</u>	<u>10,856,640</u>	<u>10,581,394</u>	<u>12,445,001</u>	<u>27,903,584</u>	<u>24,639,923</u>	<u>21,962,337</u>
Business-type activities:										
Charges for services:										
Resource recovery	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	2,664,888
Blackberry farm	1,101,564	640,771	596,944	568,770	447,797	411,056	386,753	302,472	388,091	334,529
Cupertino sports center	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	2,224,146
Recreation programs	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	2,466,336
Senior center	690,603	-	-	-	-	-	-	-	-	-
Operating grants and contributions	14,343	14,309	14,471	6,895	-	-	-	-	-	-
Total business-type activities program revenue	<u>8,112,815</u>	<u>7,008,629</u>	<u>6,808,438</u>	<u>6,507,485</u>	<u>6,361,869</u>	<u>6,430,228</u>	<u>6,829,129</u>	<u>7,045,059</u>	<u>7,664,665</u>	<u>7,689,899</u>
Total primary government program revenue	<u>20,855,523</u>	<u>20,442,645</u>	<u>20,999,078</u>	<u>19,692,714</u>	<u>17,218,509</u>	<u>17,011,622</u>	<u>19,274,130</u>	<u>34,948,643</u>	<u>32,304,588</u>	<u>29,652,236</u>

(Continued)

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

Fiscal Year Ended June 30

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Net (Expense) Revenue:										
Governmental activities	(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)	(41,043,055)
Business-type activities	789,136	1,101,743	980,192	699,378	633,308	520,072	563,901	(637,456)	(42,858)	(1,318,699)
	<u>(25,431,333)</u>	<u>(26,577,699)</u>	<u>(31,636,396)</u>	<u>(32,338,628)</u>	<u>(37,172,786)</u>	<u>(37,289,536)</u>	<u>(36,956,430)</u>	<u>(26,750,188)</u>	<u>(34,700,538)</u>	<u>(42,361,754)</u>
Total primary government net expense										
General Revenues and Transfers										
Governmental activities:										
Taxes:										
Property taxes	6,529,772	6,941,910	7,491,965	7,488,701	7,296,970	7,479,132	8,793,110	9,169,183	-	11,864,027
Property tax in lieu of motor vehicle fee	3,652,509	3,894,502	4,299,902	4,420,912	4,404,795	4,487,412	4,772,355	5,289,476	-	6,330,436
Incremental property tax	187,276	220,267	1,211,128	1,322,925	1,251,777	202,793	-	-	-	-
Sales taxes	11,252,341	13,154,749	14,139,190	9,930,530	14,539,243	17,326,460	18,721,193	19,794,036	-	21,350,056
Transient occupancy tax	2,511,184	2,711,590	2,140,274	2,142,137	2,556,501	3,112,934	3,768,504	4,590,156	-	5,852,244
Utility user tax	3,011,755	3,175,724	3,205,073	3,271,452	3,227,942	3,264,896	2,994,639	3,098,639	-	3,370,830
Franchise tax	2,537,018	2,547,439	2,618,125	2,597,930	2,841,344	2,808,136	2,848,950	2,775,892	-	3,478,024
Other taxes	2,661,449	1,709,892	1,317,767	1,211,899	1,491,316	1,377,211	4,561,219	18,791,559	-	2,818,019
Intergovernmental (1)	364,261	266,789	171,621	166,440	259,289	29,064	30,256	25,294	-	24,111
Investment earnings	1,752,177	1,451,973	889,823	295,059	259,217	61,096	176,782	133,243	40,751	807,287
Miscellaneous	291,423	103,529	81,342	119,393	1,144,429	82,684	126,690	57,005	(2)	219,053
Gain on sale of capital assets	1,510,410	-	-	-	-	-	-	-	23,715,897	580
Extraordinary items (2)	-	-	-	-	-	(1,130,797)	-	-	-	-
Transfers	500,000	992,150	-	-	15	207,000	(150,000)	(401,350)	872,340	(1,635,000)
Total Government Activities	<u>36,761,575</u>	<u>37,170,514</u>	<u>37,566,210</u>	<u>32,967,378</u>	<u>39,252,838</u>	<u>39,308,021</u>	<u>46,643,585</u>	<u>63,323,133</u>	<u>24,628,986</u>	<u>54,479,667</u>
Business-type activities:										
Investment earnings	366,596	378,828	171,804	67,182	71,486	12,338	31,573	11,238	42,531	83,187
Transfers	(500,000)	(992,150)	-	-	(15)	(207,000)	150,000	401,350	(872,340)	1,635,000
Total business-type activities	<u>(133,404)</u>	<u>(613,322)</u>	<u>171,804</u>	<u>67,182</u>	<u>71,471</u>	<u>(194,662)</u>	<u>181,573</u>	<u>412,588</u>	<u>(829,809)</u>	<u>1,718,187</u>
Total primary government	<u>36,628,171</u>	<u>36,557,192</u>	<u>37,738,014</u>	<u>33,034,560</u>	<u>39,324,309</u>	<u>39,113,359</u>	<u>46,825,158</u>	<u>63,735,721</u>	<u>23,799,177</u>	<u>56,197,854</u>
Change in Net Position/Assets (3)										
Government activities	10,541,106	9,491,072	4,949,622	(70,628)	1,446,744	1,498,413	9,123,254	37,210,401	(10,028,694)	13,436,612
Business-type activities	655,732	488,421	1,151,996	766,560	704,779	325,410	745,474	(224,868)	(872,667)	399,488
Total primary government	<u>\$ 11,196,838</u>	<u>\$ 9,979,493</u>	<u>\$ 6,101,618</u>	<u>\$ 695,932</u>	<u>\$ 2,151,523</u>	<u>\$ 1,823,823</u>	<u>\$ 9,868,728</u>	<u>\$ 36,985,533</u>	<u>\$ (10,901,361)</u>	<u>\$ 13,836,100</u>

(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

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>		
General Fund						
Reserved	\$ 2,711,586	\$ 2,668,914	\$ 2,325,283	\$ 2,308,290		
Unreserved	23,634,874	16,997,569	19,871,574	13,622,828		
Total General Fund	<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	8,555,042	11,240,851	4,180,483	5,465,423		
Unreserved, reported in:						
Special Revenue Funds	6,844,632	7,270,331	3,692,187	5,113,020		
Capital Project Funds	(472,405)	7,631,866	968,077	3,788,810		
Total All Other Governmental Funds	<u>14,927,269</u>	<u>26,143,048</u>	<u>8,840,747</u>	<u>14,367,253</u>		
Total Governmental Funds	<u>\$ 41,273,729</u>	<u>\$ 45,809,531</u>	<u>\$ 31,037,604</u>	<u>\$ 30,298,371</u>		
	<u>2011 (1)</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
General Fund						
Nonspendable	\$ 1,023,950	\$ 1,003,438	\$ 956,827	\$ 3,363,065	\$ 938,245	\$ 937,381
Restricted	663,254	695,564	725,903	-	761,653	888,374
Assigned	14,739,394	17,729,297	16,400,000	16,400,000	28,849,679	20,500,000
Unassigned	3,380,279	6,669,379	17,961,579	23,197,378	8,774,966	29,869,085
Total General Fund	<u>19,806,877</u>	<u>26,097,678</u>	<u>36,044,309</u>	<u>42,960,443</u>	<u>39,324,543</u>	<u>52,194,840</u>
All Other Governmental Funds						
Nonspendable	615,000	-	-	-	-	-
Restricted	6,314,106	6,877,301	7,625,215	24,232,367	37,566,052	33,973,433
Committed					1,398,665	1,398,665
Assigned	4,303,822	3,646,073	5,299,904	7,619,534	20,671,116	15,344,191
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>	<u>50,716,289</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>\$ 98,960,376</u>	<u>\$ 102,911,129</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.

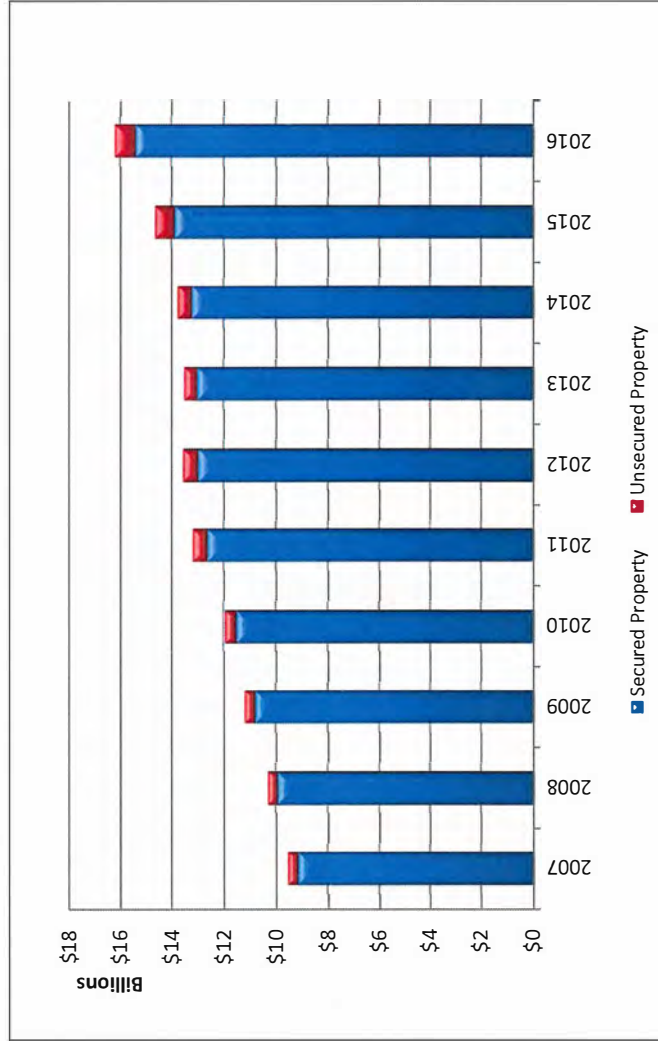
CITY OF CUPERTINO
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Modified accrual basis of accounting)
(Unaudited)

	Fiscal Year Ended June 30									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Revenues										
Taxes	\$ 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	\$ 55,462,956
Use of money and property	2,169,977	2,490,444	1,300,508	774,219	792,035	661,602	744,196	764,299	915,933	1,654,702
Inergovernmental	8,200,519	8,285,280	6,896,394	7,539,835	3,543,641	2,678,888	2,841,407	3,069,400	7,210,562	2,532,025
Licenses and permits	3,325,844	2,656,017	2,740,463	2,583,131	2,901,943	2,900,936	3,502,617	3,679,943	3,170,445	3,073,110
Charges for services	2,062,067	1,728,099	1,707,533	1,701,157	2,311,216	3,273,946	4,515,066	10,744,113	5,203,371	17,249,123
Fines and forfeitures	926,310	722,087	761,320	736,239	695,666	661,899	560,417	616,889	554,000	564,903
Other	154,235	95,388	80,835	689,941	73,881	264,302	57,828	545,052	542,429	1,289,013
Total revenues	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	81,825,832
Expenditures										
Current:										
Administration	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	4,053,741
Law enforcement	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	10,988,735
Public and environmental affairs	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	544,718
Administrative services	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	2,811,117
Recreation services	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	5,441,200
Community development	3,969,837	3,931,055	5,841,428	4,125,739	4,762,229	4,395,601	4,395,601	8,424,254	5,180,659	6,102,820
Public works	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	15,078,174
Capital outlay	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	26,171,127
Debt service:										
Principal repayment	1,295,000	1,355,000	1,415,000	1,460,000	1,500,000	-	1,920,000	2,040,000	2,055,000	2,090,000
Interest and fiscal charges	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	1,077,538
Payment to refunded debt escrow agent	-	-	-	-	-	44,897,800	-	-	-	-
Total expenditures	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	74,359,170
Excess (deficiency) of revenues over (under) expenditures	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	7,466,662
Other Financing Sources (Uses)										
Bond proceeds	-	-	-	-	-	44,823,839	-	-	-	-
Proceeds from sale of capital assets	1,663,842	-	-	-	1,055,449	421	-	37,569	23,814,257	580
Transfers in	9,658,000	19,136,165	5,035,925	7,788,417	5,684,483	6,484,426	8,438,707	13,610,304	39,408,990	11,905,724
Transfers out	(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)	(15,422,213)
Total other financing sources	(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	(3,515,909)
Extraordinary Item										
Assets transferred to Successor Agencies	-	-	-	-	-	(1,130,797)	-	-	-	-
Change in fund balances	\$ 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	\$ 3,950,753
Debt service as a percentage of noncapital expenditures (1)	10.6%	9.8%	8.9%	9.1%	8.7%	55.6%	7.6%	6.6%	5.8%	5.5%

(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 Secured (a)	Unsecured (a)	State Board of Equalization Non-Unitary	Secured Exemptions	Total Assessed & Est. Full Market Valuation (a)	Direct Tax Rate
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	99,950,894	13,172,425,287	6.26%
2010	12,979,346,158	564,277,611	1,390,000	99,947,559	13,545,013,769	6.51%
2011	13,017,910,372	476,332,025	1,390,000	96,704,811	13,495,632,397	6.51%
2012	13,219,574,367	527,310,319	1,390,000	96,081,912	13,748,274,686	6.24%
2013	13,882,147,291	738,243,050	1,390,000	108,468,872	14,621,780,341	6.20%
2014	15,391,656,690	813,117,019	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%
2016	18,308,720,226	1,086,786,901	-	114,223,063	19,395,507,127	5.59%



(a) Net of exemptions
Source: HdL, Coren & Cone
Data Source: Santa Clara County Assessor 0/ - 2015/16 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 8/4/2016 By MV

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

Agency	Last 10 Fiscal Years									
	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16
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	0.01220	0.00950	0.00470	0.00510	0.00350	0.00910	0.00880
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	0.02890	0.03370	0.03060	0.03120	0.03080	0.02900	0.05980	0.05250	0.05400	0.05190
El Camino Hospital 2003	0.01290	0.01290	0.01290	0.01290	0.01290	0.01290	0.01290	0.01290	0.01290	0.01290
Foothill De Anza College	0.03460	0.01130	0.01230	0.03220	0.03260	0.02970	0.02870	0.02900	0.02760	0.02400
Fremont High	0.02430	0.02410	0.03390	0.03060	0.03650	0.04150	0.03900	0.04050	0.03960	0.05250
Los Gatos-Saratoga High 1998	0.03510	0.03450	0.03300	0.03520	0.03770	0.03810	0.03680	0.03510	0.05160	0.04230
Santa Clara Unified	0.07970	0.02710	0.07430	0.07010	0.05190	0.08360	0.08190	0.07070	0.07040	0.00080
Santa Clara Valley Water District	0.00720	0.00710	0.00610	0.00740	0.00720	0.00640	0.00690	0.00700	0.00650	0.09420
Saratoga Elementary	0.03510	0.03630	0.03630	0.03880	0.04370	0.04440	0.04520	0.04500	0.04580	0.04490
West Valley College	0.01260	0.01180	0.00320	0.01400	0.01390	0.01370	0.02890	0.02550	0.01200	0.02320
Total Direct & Overlapping² Tax Rates	1.31160	1.24000	1.28380	1.32580	1.31790	1.34520	1.38640	1.36290	1.37070	1.40240
City's Share of 1% Levy Per Prop 13³	0.05725	0.05706	0.05661	0.05641	0.05644	0.05650	0.05652	0.05626	0.05617	0.05571
General Obligation Debt Rate										
Redevelopment Rate⁴	1.04840	1.04830	1.04730	1.04860	1.04840	1.04760				
Total Direct Rate⁵	0.05842	0.05870	0.06263	0.06510	0.06507	0.06238	0.06204	0.05623	0.05610	0.05588

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

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 2006/07 - 2015/16 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
 Prepared On 8/4/2016 By MV

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

Taxpayer	2016		Percentage of		2011		Percentage of	
	Assessed	Valuation	Total Assessed	Valuation	Assessed	Valuation	Total Assessed	Valuation
Apple Inc.	\$ 1,815,276,300		9.36%		\$ 807,920,115		5.99%	
Campus Holdings Inc.	1,511,150,025		7.79%		396,651,458		2.94%	
Valco Property Owner	315,500,000		1.63%		85,475,396		0.63%	
BVK Perimeter Square Retail LLC ET AL	168,296,699		0.87%		-		-	
Main Street Cupertino Aggregator LLC	145,220,564		0.75%		-		-	
Cupertino City Center Buildings	140,942,274		0.73%		-		-	
Mission West Properties LP II ETAL	130,330,481		0.67%		-		-	
SVF Cupertino City Center Corp.	125,412,347		0.65%		-		-	
Cupertino Property Development	112,284,481		0.58%		-		-	
Markham Apartments LP	97,513,905		0.50%		-		-	
Total	\$ 4,561,927,076		23.53%		\$ 1,290,046,969		9.56%	

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
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%
2016	11,864,026	11,864,026	100.00%	-	11,864,026	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
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	1.38%
2015	37,925,000	0.22%	633	1.28%
2016	35,835,000	0.21%	598	1.21%

Source: City of Cupertino

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

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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%
2016	11,864,026	11,864,026	100.00%	-	11,864,026	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
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(Unaudited)

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Source: City of Cupertino

CITY OF CUPERTINO
Direct and Overlapping Bonded Debt
June 30, 2016
(Unaudited)

2015-16 Assessed Valuation \$ 19,395,507,127

	Total Debt 6/30/2016	% Applicable (1)	City's Share of Debt 6/30/16
<u>Overlapping Tax and Assessment Debt:</u>			
Santa Clara County	\$ 792,585,000	4.998%	\$ 39,613,398
Foothill-DeAnza Community College District	584,782,455	13.580%	79,413,457
West Valley Community College District	419,930,312	1.180%	4,955,178
Santa Clara Unified School District	530,270,000	2.814%	14,921,798
Fremont Union High School District	365,975,088	30.148%	110,334,170
Cupertino Union School District	292,848,688	50.708%	148,497,713
El Camino Hospital District	136,280,000	1.138%	1,550,866
Midpeninsula Regional Open Space District	45,000,000	8.006%	2,602,700
Santa Clara Valley Water District Benefit Assessment	99,060,000	4.998%	4,951,019
Total Overlapping Tax and Assessment Debt	3,266,731,543		406,840,299

Direct and Overlapping General Fund Debt

Overlapping Debt:

Santa Clara County General Fund Obligations	\$ 683,441,121	4.998%	\$ 34,158,387
Santa Clara County Pension Obligations	367,118,349	4.998%	18,348,575
Santa Clara County Board of Education Certificates of Participation	6,380,000	4.998%	318,872
Foothill-De Anza Community College District Certificates of Participation	9,723,341	13.580%	1,320,430
West Valley-Mission Community College District General Fund Obligations	64,180,000	0.713%	757,324
Santa Clara Unified School District Certificates of Participation	13,835,000	1.840%	389,317
Santa Clara County Vector Control District Certificates of Participation	2,890,000	4.998%	144,442
Midpeninsula Regional Open Space Park District Certificates of Participation	122,305,886	8.006%	9,791,809
Subtotal Overlapping General Fund Debt	1,269,873,697		65,229,156

Direct Debt: City of Cupertino Certificates of Participation

Total Direct and Overlapping General Fund Debt	1,305,708,697	100.000%	35,835,000	(2)
			101,064,156	

Totals by Category:

Total Direct Debt	35,835,000		35,835,000	
Total Overlapping Debt	4,536,605,240		472,069,455	
Combined Total Debt	\$ 4,572,440,240		\$ 507,904,455	(3)

Ratios to 2014-15 Assessed Valuation:

Total Overlapping Tax and Assessment Debt	2.10%
Total Direct Debt (\$35,835,000)	0.18%
Combined Total Debt	2.62%

- (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 7/1/16.
- (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
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	-
2016	686,577,008	-	686,577,008	-
Debt Limit:				
	Secured property assessed value, net of exempt real property			\$ 18,308,720,226
	Adjusted valuation - 25% of assessed valuation			4,577,180,057
	Debt limit - 15% of adjusted valuation			<u>686,577,008</u>
	Amount of Debt Subject to Limit:			
	Total Bonded Debt			35,835,000
	Less: Certificates of Participation not subject to debt limit			(35,835,000)
	Amount of debt subject to limit			-
	Legal Debt Margin			<u>\$ 686,577,008</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
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	-	-	-
2016	58,185	19,395,507,127	-	-	-

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)	County Personal Income (2)	Per Capita Personal Income (2)	**Public School Enrollment	City Unemployment Rate (%) (3)	County Unemployment Rate (%) (3)	Median Age (4)	% of Population Over 25 with High School Degree	% of Population Over 25 with Bachelor's Degree
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	44,357	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	48,453	29,699	5.4%	-	-	39.9	96.7%	75.5%
2013-14	59,946	1,868,558	3.21%	2,965,595,760	49,471	29,904	4.4%	-	-	40.4	96.1%	75.0%
2014-15	59,777	1,889,638	3.16%	3,290,377,494	55,064	29,871	3.1%	-	-	40.0	96.5%	74.6%
2015-16	58,185	1,927,888	3.02%	3,298,679,878	56,693	29,684	3.4%	-	-	40.2	96.5%	75.6%

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

2016 Employer Ranking

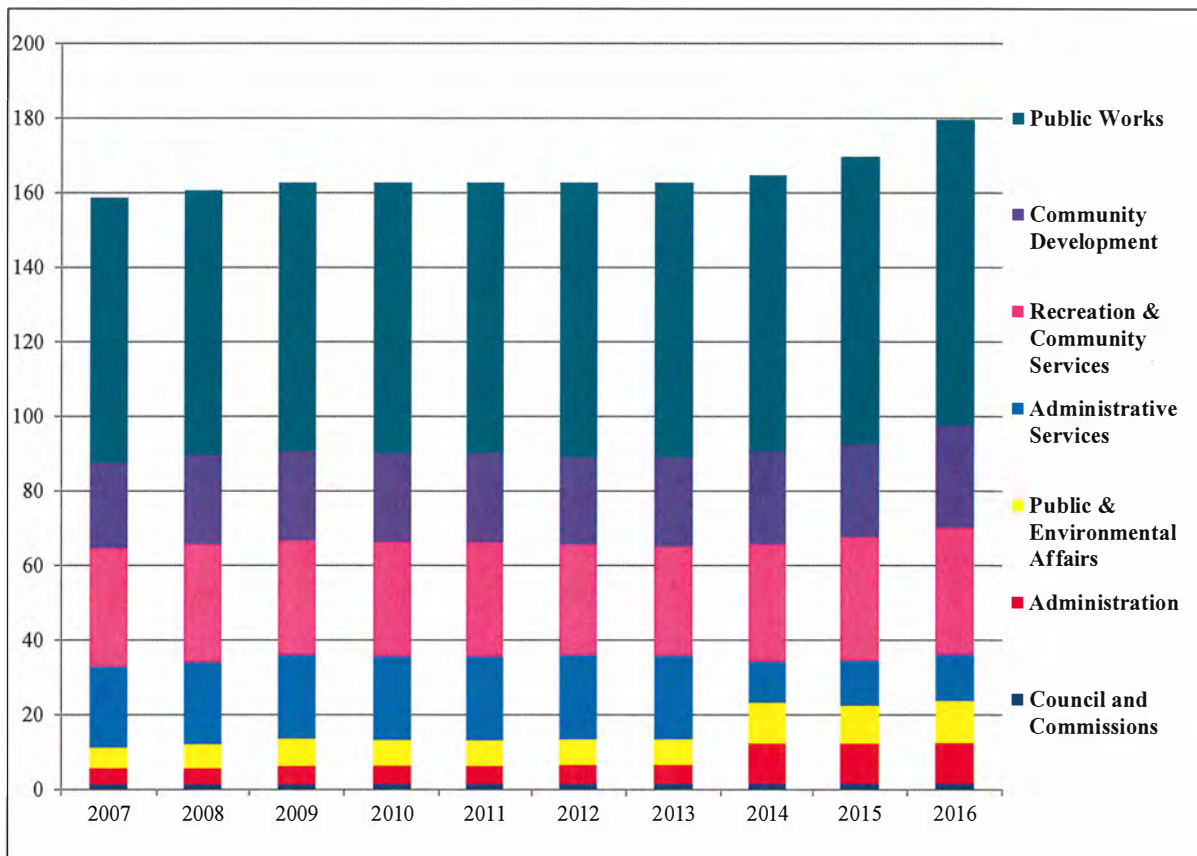
(Unaudited)

<u>Employer</u>	<u>Ranking</u>	<u>Employer</u>	<u>Ranking</u>
Apple	1	Oracle	11
Seagate Technology	2	99 Ranch Market	12
Cellular Biomedicine	3	Keller Williams Realty	13
Magnet Systems	4	Whole Foods Market	14
Jenifer's Health Ctr.	5	Coldwell Banker	15
Aemetis	6	Cort Clearance Ctr	16
Scion Capital	7	Cupertino Healthcare & Wllnss	17
Ciena Corp	8	Morgan Stanley Wealth Mgmt	18
Target	9	Kaiser Foundation Hospitals	19
Sugar CRM Inc	10	Sprouts Farmers Market	20

Source: Report#1278698384, 6/1/16 from InfoUSA.com

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

Function/Program	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Council and Commissions	1.40	1.40	1.40	1.47	1.46	1.47	1.52	1.57	1.55	1.60
Administration	4.30	4.30	4.85	4.90	4.85	5.05	5.05	10.75	10.75	10.85
Public & Environmental Affairs	5.55	6.50	7.45	6.95	6.95	6.95	6.90	11.00	10.25	11.40
Administrative Services	21.63	21.88	22.33	22.33	22.34	22.48	22.26	11.00	12.00	12.30
Recreation & Community Services	31.96	31.76	30.77	30.78	30.78	29.78	29.53	31.48	33.28	34.18
Community Development	22.78	23.78	23.78	23.73	23.78	23.43	23.90	24.83	24.80	27.30
Public Works	71.13	71.13	72.17	72.59	72.59	73.59	73.59	74.12	77.12	82.12
Total	158.75	160.75	162.75	162.75	162.75	162.75	162.75	164.75	169.75	179.75



Source: City of Cupertino Budget

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

Function/Program	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Law Enforcement Sheriff Response										
Priority One-Respond within 5 minutes	4.94 Min. 7.15 Min. 15.82 Min.	5.83 Min. 7.95 Min. 15.73 Min.	3.88 Min. 5.94 Min. 9.40 Min.	3.95 Min. 5.90 Min. 9.77 Min.	4.49 Min. 5.76 Min. 9.79 Min.	4.84 Min. 6.44 Min. 10.62 Min.	3.76 Min. 5.98 Min. 10.29 Min.	4.30 Min. 6.39 Min. 10.76 Min.	4.90 Min. 6.56 Min. 10.52 Min.	4.90 Min. 6.56 Min. 10.52 Min.
Public Works										
Street Sweeping	696 Curb Miles 24 Hrs of Call	696 Curb Miles 24 Hrs of Call	696 Curb Miles 24 Hrs of Call	696 Curb Miles 24 Hrs of Call	696 Curb Miles 24 Hrs of Call	575 Curb Miles 24 Hrs of Call	575 Curb Miles 24 Hrs of Call	575 Curb Miles 24 Hrs of Call	575 Curb Miles 24 Hrs of Call	575 Curb Miles 24 Hrs of Call
Street Maintenance										
Recreation Services										
Teen Center Memberships	510	444	400	447	492	576	564	684	424	491
Sports Center Memberships	1,336	1,419	1,700	1,385	1,598	1,776	1,852	1,950	2,000	1,989
Senior Center Memberships	1,935	2,110	2,243	2,287	2,387	2,470	2,456	2,623	2,549	2,493
Local Resident Rentals at Blackberry Farm (a)	-	-	28	91	120	135	141	148	120	107
Quintan Community Center Rental Revenue (a)	-	-	\$80,000	\$71,000	\$91,000	\$133,000	\$120,000	\$109,342	\$110,033	\$104,150
Community Development										
Approved Building Plan Sets	Within 5 Days	Within 5 Days	91% Within 5 Days	96% Within 5 Days	97% Within 5 Days	93% Within 5 Days	92% Within 5 Days	95% Within 7 Work Days	95% Within 7 Work Days	95% Within 7 Work Days
Discretionary Land Use Applications	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	99% Within 21 Work Days
Public Notice of Upcoming Projects	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	100% Within 10 Days
Administrative Services										
Accounts Payable Processing	5 Days 3 Days	5 Days 3 Days	5 Days 3 Days	5 Days 3 Days	5 Days 3 Days	7 Days 3 Days	7 Days 3 Days	7 Days 3 Days	7 Days 3 Days	7 Days 3 Days
Business License Renewal Certificates										
Library										
Volumes in Collection	-	-	-	-	-	-	-	-	361,817	364,557
Annual Gate Count	-	-	-	-	-	-	-	-	869,762	880,894
Annual Circulation Children's Items	-	-	-	-	-	-	-	-	1,474,996	1,544,095
Annual Circulation Adult and Teen Items	-	-	-	-	-	-	-	-	999,766	1,032,326
Adult Classes and Events	-	-	-	-	-	-	-	-	209	215
Adult Classes and Events Attendance	-	-	-	-	-	-	-	-	11,860	8,855
Teen Classes and Events	-	-	-	-	-	-	-	-	52	78
Teen Classes and Events Attendance	-	-	-	-	-	-	-	-	3,393	3,135
Children's Classes and Events	-	-	-	-	-	-	-	-	458	493
Children's Classes and Events Attendance	-	-	-	-	-	-	-	-	25,529	28,532
Volunteer Hours	-	-	-	-	-	-	-	-	11,786	10,000

Sources: City of Cupertino and Santa Clara County Library District

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

Function/Program	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Public Works										
Centerlane 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	48	48	48	48
Culture & Recreation										
Parks and Open Spaces	17	17	17	18	19	19	19	21	21	21
Park and Landscape Acreage	150.8	150.8	150.8	151.4	152.0	152.0	152.0	159.0	165.0	165.0
City Trails	1	1	1	1	1	1	1	3	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	24	24
Sports Fields	1	1	1	1	1	1	1	41	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.

2016 Community Economic Profile

Cupertino, with a population of 60,572 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.

Cupertino is considered one of the most prestigious cities in which to live and work within Silicon Valley and the San Francisco Bay Area. Because Cupertino is a mature, 90% built-out city, we focus on business retention and revitalization. Cupertino is world renowned as the home of high-tech giants, such as Apple, Inc. and Seagate Technologies, and as a community with stellar public schools. DeAnza College, one of the largest single-campus community colleges in the country, is another major employer and a magnet for attracting local and international students. The City's proactive economic development efforts have resulted in an innovative environment for start-ups and growing companies to thrive. The City strives to retain and attract local companies through active outreach and a responsive and customer-oriented entitlement process.

Cupertino is excited to have a number of new mixed-use development projects in final construction phases and almost fully leased, which will provide more retail and dining options, as well as provide additional housing opportunities to meet the needs of the growing community.



The Main Street and Nineteen800 mixed-use developments have created a vibrant downtown area for Cupertino offering a large selection of restaurants and retailers, including Alexander's Steakhouse, Eureka!, Rootstock Wine Bar, Oren's Hummus, Lazy Dog, LYFE Kitchen, 85 Degree Bakery, Target Express, Kula Sushi, Vitality Bowls, Fit 36, Doppio Zero, and Icool In2 Ice Cream. Housing, office, and hotel rooms are available to support the area. The AMC Theater, Bowlmore, Ice Rink, and Silicon Valley Bay Club serve as anchors to the downtown area.

The construction of new retail and commercial development strengthens existing popular venues in Cupertino, including the Cupertino Marketplace. The Marketplace has a variety of stores and restaurants popular with students, families, and working professionals, including Daiso, Marukai Groceries, Super Cue, La Patisserie Bakery, Beard Papa's, Legend's Pizza, Aloha Fresh, Merlion Restaurant, Wingstop, and Erik's Deli Café.



Cupertino Village is undergoing renovations to upgrade buildings, parking, and open courtyard space. The shopping center is home to 99 Ranch Market, Ten Ren Tea, Fantasia Coffee & Tea, Joy Luck Palace, Kee Wah Bakery, and other Asian restaurants, bakeries, and shops.



Cupertino features many other stores, including TJ Maxx and Home Goods, Whole Foods, Target, and over 180 restaurants to serve the local workforce and residents. Cupertino features five hotels: Cupertino Inn, Hilton Garden Inn, Marriott Courtyard, Juniper Hotel operated by Curio, and The Aloft Cupertino Hotel. The Residence Inn by Marriott and Hyatt House are under construction.

The redevelopment of the Homestead Square Shopping Center, located at Homestead Road and De Anza Boulevard, includes a 24-hour Safeway, Ulta Beauty, Ross Stores, Stein Mart, Michael's, Rite Aid, FedEx Kinko's and numerous restaurants, such as Fish's Wild, 1000 Degress Neapolitan Pizzeria, and Chipotle, to complement the area.

Apple Inc.'s plans for a new corporate campus is under construction and will include approximately 2.8 million square feet of office and R&D space north of Highway 280 between Wolfe Road and Tantau Avenue. The City of Cupertino continues to provide high-level municipal services to complement the sense of community and quality of life enjoyed by our residents.



2016 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 180.75 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 Information Services (IT, GIS, Communications). 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, public safety and sustainability. 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 median sales price for an existing single-family home is \$1,635,000 for the time between July and October 2016. 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
Phone

Pacific Gas and Electric, 800-743-5000
AT&T residential service, 800-894-2355
AT&T business service, 800-750-2355

Cable
Solid Waste & Recycling

Comcast, 800- 945-2288
Recology, 408-725-0420

Water

San Jose Water Company, 408-279-7900
California Water, 650-917-0152

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: \$19,395,507,127 (8/1/16)

County: \$373,922,973 (7/1/16)

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 54 West Valley – Fair Oaks/ Tasman |
| Route 25 San Jose – De Anza College | Route 55 De Anza – Great America |
| Route 26 Eastridge – Lockheed | Route 81 East San Jose – Vallco |
| Route 36 East San Jose – Vallco | Express 101 Camden/Branham – Palo Alto |
| Route 51 Vallco – Moffett/Ames | Express 501 Palo Alto – I.B.M Bailey |
| Route 53 Westgate – Sunnyvale | |

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

City of Cupertino recognizes the value of developing people-to-people contacts by

strengthening the partnerships between the city and its four sister cities of Copertino, Italy; Hsinchu, Taiwan; Toyokawa, Japan, and Bhubaneswar, India. Cupertino's sister city partnerships have proven successful in fostering educational, technical, economic and cultural exchanges. Over the years, there have been many delegations visiting both the cities as well as many local students participated in annual student exchange programs.

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 over 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.

High Transfer Rates to 4-Year Universities and Colleges

(2012-2013):

- University of California: 727
- California State Universities: 1,225
- Private Colleges & Universities: 452

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

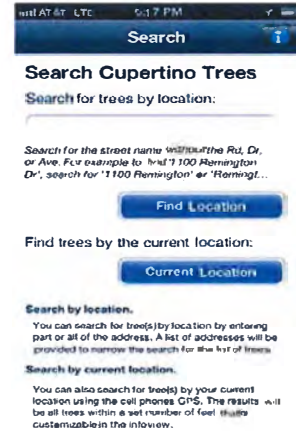


Mobile 95014

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.



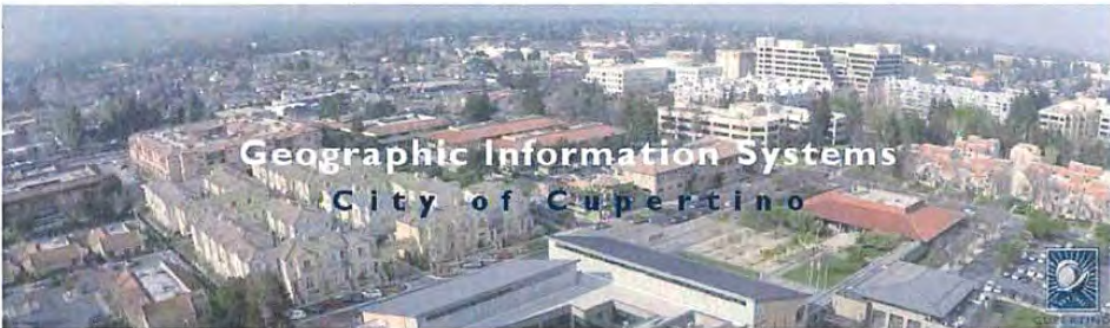
Eats 95014

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.



The Geographic Information System (GIS) Division captures, manages, analyzes, and displays all forms of geographically referenced information for the City of Cupertino. Through maps, globes, reports, and charts we provide ways to view, understand, question, interpret, and visualize, our City in ways that reveal relationships, patterns, and trends. The GIS Program works to help our staff, citizens, business and development communities answer questions and solve problems by looking at our data in a way that is quickly understood and easily shared – on a map!

Cupertino.org/GIS has been redesigned to better showcase our department's services. Among those services is our new **Open Data Portal**. This site offers the ability to Search, Filter, Download and use API Access to over 50 GIS layers gis.cupertino.opendata.arcgis.com.

The GIS Division also manages and deploys Cupertino’s GIS-centric asset management system, Cityworks. Cupertino Fleet, Trees, Median/ROWs, Storm Drain, Streetlights, Traffic Signals, Streets and Sidewalk/EOP divisions utilize Cityworks to manage, track, and analyze Cupertino’s infrastructure assets in the office and in the field.

Cupertino Green

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 at

<http://www.cupertino.org/green>



Social Media Sites

Facebook Sites

- City of Cupertino Facebook
- Cupertino Rec & Comm. Services
- Cupertino Teen Center Facebook
- Cupertino Teens & Teen Programs
- 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 Rec & Comm. Services
- YouTube Site* – City of Cupertino, City Channel

Community Statistics

Facts and Figures¹

Population in City Limits	60,572
Median Household Income	\$134,872
Median Age	40
Registered Voters	27,489
Democrats	10,291
Republicans	6,256
American Independent	144
Other	256
No Political Party designated	10,209

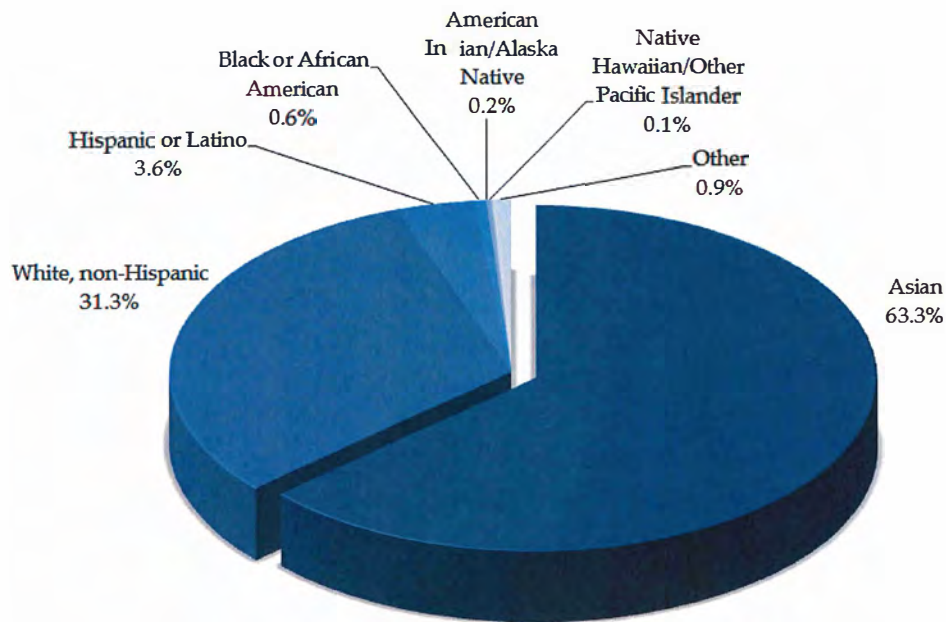
¹ U.S. Census Bureau

Top 40 Sales Tax Producers

First Quarter 2016, in Alphabetical Order

A2Z Development	Goodfellow Top Grade	Scandinavian Designs
Alamillo Bear	Granite Rock Company	Seagate Technology
Alexander's Steakhouse	Huawei Enterprise	Seele
Apple Computers Corporation	Insight Solutions Inc.	Shane Co.
Argonaut Window & Door	J C Penney Company	Shell Service Stn.
BJ's Restaurant & Brewhouse	Mirapath	Superior Air Handling
Benihana	Mitsubishi Consumer El.	Target Stores
California Dental Arts	Permasteelisa	The Wiremold Company
CEMEX const. materials	Pro Installations	TJ Maxx
Chevron Service Stations	Ranch 99 Markets	Valero Service Stn.
Columbia Stone	Rosendin Electric	Verizon Wireless
De Anza College Campus Ctr.	Ross Stores	Whole Foods Market
Dynasty Chinese Food	Rotten Robbie Service Stn.	
Frener & Reifer	Safeway	

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. The newly opened Environmental Education Center has Open House hours on Friday, Saturday, and Sunday. 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 Sears, 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.

