



CUPERTINO

FISCAL YEAR

2017-2018

COMPREHENSIVE ANNUAL FINANCIAL REPORT



**CITY OF CUPERTINO, CALIFORNIA
COMPREHENSIVE ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2018**

Prepared by the City of Cupertino Administrative Services Department
Finance Division

CITY OF CUPERTINO, CALIFORNIA
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 For the year ended June 30, 2018

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COMMUNITY PROFILE



CITY OF CUPERTINO

CITY HALL

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June 21, 2019

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, 2018. 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 64,127 (based on 2018 Claritas estimated 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, Pepperdata, 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.

Cupertino is excited to have a number of 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, Chef Hung, HaiDiLao Hot Pot Restaurant, Pressed Juicery, Orangetheory, 85 Degree Bakery, Target Express, Steins Beer Garden, Kula Sushi, Vitality Bowls, Doppio Zero, Koja Kitchen, and Icool In2 Ice Cream. Housing, office, and a new Residence Inn by Marriott are available to support the thriving area. Benihana, Dynasty Seafood Restaurant, Bowlmore, Ice Center Cupertino, Galpão Gaucho and Silicon Valley Bay Club also serve as anchors.

The construction of new retail and commercial development strengthens existing popular venues in Cupertino, including The Marketplace. The Marketplace has a variety of stores and restaurants popular with students, families, and working professionals. They include Daiso, Marukai Groceries, Super Cue, La Patisserie Bakery, Beard Papa's, Legend's Pizza, Aloha Fresh, Merlion Restaurant, Icicles, CBI Boiling Fish, Garlic Mediterranean Grill, Rori Rice, and Erik's DeliCafé.

Cupertino Village is undergoing renovations to upgrade existing buildings, construct new buildings, parking, and open-courtyard space. The shopping center is home to 99 Ranch Market, Starbucks, Gogigo Korean BBQ, Creamistry, MOD Pizza, Ten Ren Tea, Fantasia Coffee & Tea, Happy Lemon, Joy Luck Palace, Kee Wah Bakery, and many other restaurants, bakeries, and shops.

Cupertino features many other retail opportunities, including TJ Maxx and Home Goods, Whole Foods, Target, and over 180 restaurants to serve residents and the local workforce. There are six hotels, which provide almost 1,000 rooms, to serve the area: The Aloft Cupertino, Cupertino Hotel, Hilton Garden Inn, Juniper Hotel operated by Curio, Marriott Courtyard, and the Residence Inn by Marriott. The Hyatt House is currently under construction and will offer an additional 148 rooms.

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 Degrees Neapolitan Pizzeria, Yayoi Teishoku Japanese Restaurant, Starbucks, and Chipotle.

Apple completed construction of its new corporate campus, Apple Park, which includes approximately 2.8 million square feet of office and R&D space north of Highway 280 between Wolfe Road and Tantau

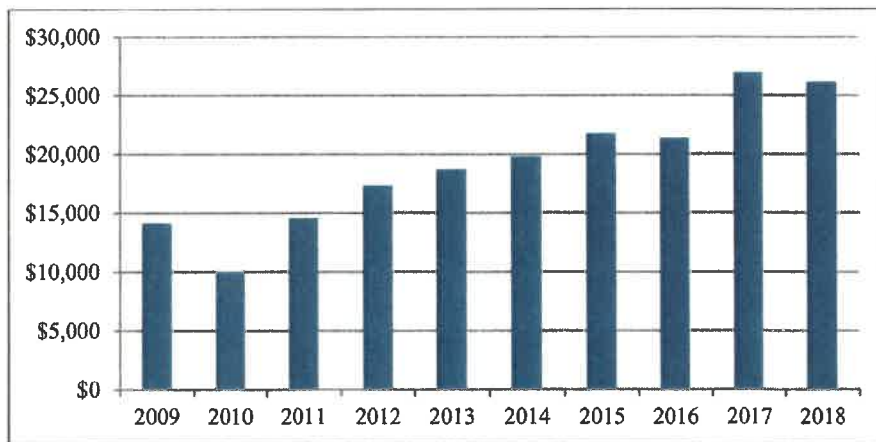
Avenue. A state of the art Visitors Center, Observation Deck, flagship retail store and café are open to the public seven days a week.

In the 2018-2019 Assessor's Annual Report for Santa Clara County, Cupertino's net assessment roll growth increased from \$23.14 to \$25.18 billion from the previous year. That equated to an increase of 8.83%, which exceeds the county-wide average of 7.34% growth. Additionally, the City's property tax share increased from 6.44% in FY 17/18 to 6.72% in FY 18/19. The bulk of the increase was due to increases in residential properties by \$783 million, or 5.5%. This category makes up 60% of property tax revenues. Unsecured property tax increased by \$666 million or 60%. This category makes up 7.1% of property tax revenues. Lastly increases in commercial property values increased by \$486 million or 7%. This category makes up 29% of property tax revenues. The remaining increases are made up of changes in a variety of other property tax categories.

	FY 17-18	FY 18-19	Increase/(Decrease)	%age (base)	Weighted
Secured	\$22,024,906,420	\$23,402,123,229	\$1,377,216,809	6.25%	5.95%
Unsecured	\$ 1,114,123,426	\$ 1,780,065,668	\$ 665,942,242	59.77%	2.88%
Total	\$23,139,029,846	25,182,188,897	\$2,043,159,051	66.03%	8.83%

Based on second quarter 2018 data, Cupertino experienced a 3.2% increase in business activity, quarter over quarter. The increase reflects continued growth in the local and regional economy and is also a product of continuing to experience the third longest economic expansion in US history. The City is not as diversified into retail, food products, and transportation compared to the state. It continues to receive over 67% 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



FY 2009-10. showed a significant decline due to Hewlett Packard's move from Cupertino. Continued economic growth driven primarily by the business to business sector continued through FY 2014-15 until a slight \$400,000 decline in FY 2015-16 reflecting the volatility in the City's sales tax base. FY 2016-17 increased significantly with a \$3.5 million "triple-flip" close-out payment. Although there was a modest decrease in FY 2017-18 in respect to the previous year, strong continued growth was experienced.

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 23,000 SF 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 was completed and opened in April 2019 and includes a full-service restaurant and meeting rooms. Construction of the Residence Inn by Marriott has been completed at the Main Street Cupertino mixed-use project and offers 180 rooms.

Through the City's new General Plan Amendment (GPA) Authorization Process applications for two development projects were authorized by City Council in August 2017: Cupertino Hotel and Cupertino Village Boutique Hotel. Proposed room counts are 156 and 185 respectively.

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 30, 2017 reported a pension unfunded liability of \$40.5 million with annual payments to CalPERS of 28.6% and 26.9% of payroll for 2019-20 and 2018-19, respectively, 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 June 30, 2018 GASB 74/75 report, the City has a retiree medical unfunded liability of \$415,000 with annual payments to a retiree health plan trust at 7.41% of payroll.

In fiscal year 2017-18, the City Council approved the establishment of a Section 115 trust as part of a pension rate stabilization program. Funding is appropriated in fiscal year 2018-19 adopted budget at an initial investment of \$8,000,000.

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

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 2017-2018 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.

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. Crowe LLP 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, 2017. 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,

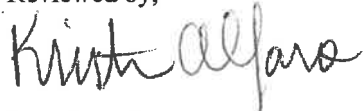


Zach Korach
Finance Manager

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, Tina Mao, Thomas Leung, Zeng Wang, and Amber Chang of the Finance staff for their continued support and dedication. Special recognition to Zach Korach, Beth Viajar, Richard Wong, Giang Dinh, and Mariela Vargas for their efforts in the preparation and production of this report.

Reviewed by,



Kristina Alfaro
Director of Administrative Services



CITY OF CUPERTINO, CALIFORNIA

Fiscal Year 2017-18

CITY COUNCIL



Darcy Paul
Mayor



Rod Sinks
Vice Mayor



Steven Scharf
Councilmember



Barry Chang
Councilmember



Savita
Vaidhyathan
Councilmember

DIRECTORY OF CITY OFFICIALS

David Brandt – City Manager

Rocio Fierro – Acting City Attorney

Timm Borden – Director of Public Works

Kristina Alfaro – Director of Administrative Services

Bill Mitchell – Chief Technology Officer

Jeff Milkes – Director of Recreation and Community Services

Aarti Shrivastava – Assistant City Manager/Director of Community Development

CITY OF CUPERTINO, CALIFORNIA
Fiscal Year 2017-18
COMMISSIONS AND COMMITTEES

AUDIT COMMITTEE

Barry Chang
Eno Schmidt
Darcy Paul
Jim Luther
Mark Zavislak

HOUSING COMMISSION

John Zhao
Sue Bose
Nina Daruwalla
Poonam Goyal
Sanjiv Kapil

FINE ARTS COMMISSION

Janki Chokshi
Wenjia Chen
Susan Levine
Rajeswari Mahaliagan
Michael Sanchez

PUBLIC SAFETY COMMISSION

Yvonne Chao
Andy Huang
Robert McCoy
Hymanand Nellore
Neha Sahai

SUSTAINABILITY COMMISSION

Angela Chen	Meera Ramanathan
Gary Latshaw	Anna Weber
Vignesh Swaminathan	

FISCAL STRATEGIC COMMITTEE

Kristina Alfaro	Aarti Shrivastava
Darcy Paul	Steven Scharf
Timm Borden	Zach Korach

**PARKS AND RECREATION
COMMISSION**

Meenakshi Biyani	Carol Stanek
Helene Davis	Neesha Tambe
Judy Wilson	

LIBRARY COMMISSION

Rose Grymes
Liana Crabtree
Gopal Kumarappan
Amando Wo
Christie Wang

PLANNING COMMISSION

Geoffrey Paulsen
David Fung
Jerry Liu
Don Sun
Alan Takahashi

BICYCLE PEDESTRIAN COMMISSION

Gerhard Eschelbeck
Peter Heller
Erik Lindskog
Sean Lyn
Jennifer Shearin

TEEN COMMISSION

Emily Chan	Juliet Shearin
Madhavan Krishnan	Varsha Subramanyam
Christina Lau	Vanitha Vemula
Sidharth Rajaram	
Shivani Sahni	

ECONOMIC DEVELOPMENT

Don Sun	Angela Tsui
Timm Borden	Jeff Milkes
Savita Vaidhyanathan	David Brandt
Aarti Shrivastava	Anjali Kausar
Kevin McClelland	Roslyn Donald
Jason Lundgaard	
Steven Scharf	
Mike Rohde	

**TECHNOLOGY, INFORMATION &
COMMUNICATIONS COMMISSION**

Mukesh Garg	Vaishali Deshpande
Keita Broadwater	Arnold de Leon
Rajaram Soundararajam	



Government Finance Officers Association

**Certificate of
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Reporting**

Presented to

**City of Cupertino
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2017

Christopher P. Morill

Executive Director/CEO

INDEPENDENT AUDITOR'S REPORT

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

Report on the 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, California (City) as of and for the year ended June 30, 2018, 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 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 entity'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 entity'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, 2018, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund, the Transportation Special Revenue Fund, and the Housing Development Special Revenue Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 14 to the financial statements, during the year ended June 30, 2018, the City adopted new accounting guidance, GASB Statement No.75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which resulted in a restatement of the July 1, 2017 governmental activities and business-type activities in the amount of (\$11,525,595) and (\$80,283), respectively. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and the required supplementary information section on pages 4-20 and 75-79 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, other supplementary information section, statistical section and community profile are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other supplementary information section 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. Such 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 other supplementary section is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section, statistical section and community profile has 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 June 21, 2019 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.

A handwritten signature in black ink that reads "Crowe LLP". The signature is written in a cursive, flowing style.

Crowe LLP

Costa Mesa, California
June 21, 2019

CITY OF CUPERTINO
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2018

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.

2017-18 FINANCIAL HIGHLIGHTS

- The assets and deferred outflows of resources of the City exceeded its liabilities and deferred inflows of resources at the close of the fiscal year 2018 by \$259.8 million (net position). Of this amount, \$58.5 million represents unrestricted net position, which may be used to meet the City's ongoing obligations to citizens and creditors.
- City revenues have decreased in 2017-18 with base governmental revenues showing a \$0.1 million decrease, or 0%, over 2016-17. The primary fluctuations include a decrease in total cost allocation charges that were offset with increases in operating grants and contributions as well as general revenues. The City experienced a net taxable value increase of 8.83% for the 2018/2019 tax roll, which resulted in an increase of \$1.6 million in property taxes received. Although sales tax received in fiscal year 2016-17 included the \$3.5 million of "triple-flip" close out, the City experienced a continued upward trend in local business growth resulting in only a \$767,000 decrease in fiscal year 2017-18.
- 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 \$12.1 million, after depreciation.
- The City's change in net position was \$14.0 million for governmental activities and \$9.1 million in total, reflecting the stabilization of revenues and continued large investment in capital projects.
- The City's net pension liability for June 30, 2018, was \$41.1 million, up \$4.4 million from June 30, 2017, or 12.0%. The funding ratio for the City's pension plan with CalPERS went from 68.0% to 67.8%. During fiscal year 2017-18, the City Council approved a pension rate stabilization program for Section 115 Trust funding. Contributions to this trust will commence in fiscal year 2018-19.
- Business-type activities contributed \$7.9 million to citywide revenues totaling \$100.2 million, while, the same activities contributed over \$9.1 million to citywide expenses of \$91.2 million.
- The City implemented the provisions of GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, during the current year. This statement requires governments to report a liability on the face of the financial statements for the OPEB provided by the City. As of June 30, 2018, the City reported a Net OPEB Liability of \$415,000 and Deferred Inflows of Resources related to OPEB of \$1.3 million. As of June 30, 2018, the City's OPEB plan had a funding ratio or funded status of 98.5%. As a result of the GASB 75 implementation, restatement of beginning net position was required in the amount of (\$11.5) million and (\$80.3) thousand for governmental and business-type activities, respectively.

OVERVIEW OF THE FINANCIAL STATEMENTS

The discussion and analysis is intended to serve as an introduction to the City's Basic Financial Statements. The Basic Financial Statements are comprised of the City-wide Financial Statements, the Fund Financial Statements, and the notes to the Basic 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

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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.

- **Business-type activities**—All of 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.

Comparisons of budget and actual financial information are included in the Basic Financial Statements for the General Fund and other major Special Revenue Funds. For other nonmajor funds, budgetary comparison schedules for these funds are included in this document as supplemental information only.

CITY OF CUPERTINO
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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 outflows and inflows 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.

Fiduciary Fund financial statements are prepared on the full accrual basis and include current and long-term assets and liabilities and deferred outflows and inflows of resources. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds activities are excluded from the City's government-wide financial statements because the City cannot use these assets to finance its own operations.

The City maintains an OPEB Pension Trust Fund that is used to account for the assets and liabilities held in trust for the retirees' post-employment health benefits.

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

CITY-WIDE FINANCIAL ACTIVITIES

This analysis focuses on the net position and changes in net position of the City's Governmental Activities (Tables 1 and 2) and Business-Type Activities (Tables 3 and 4) as presented in the City-wide Statement of Net Position and the Statement of Activities.

CITY OF CUPERTINO
Management's Discussion and Analysis (Unaudited)
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Governmental Activities

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

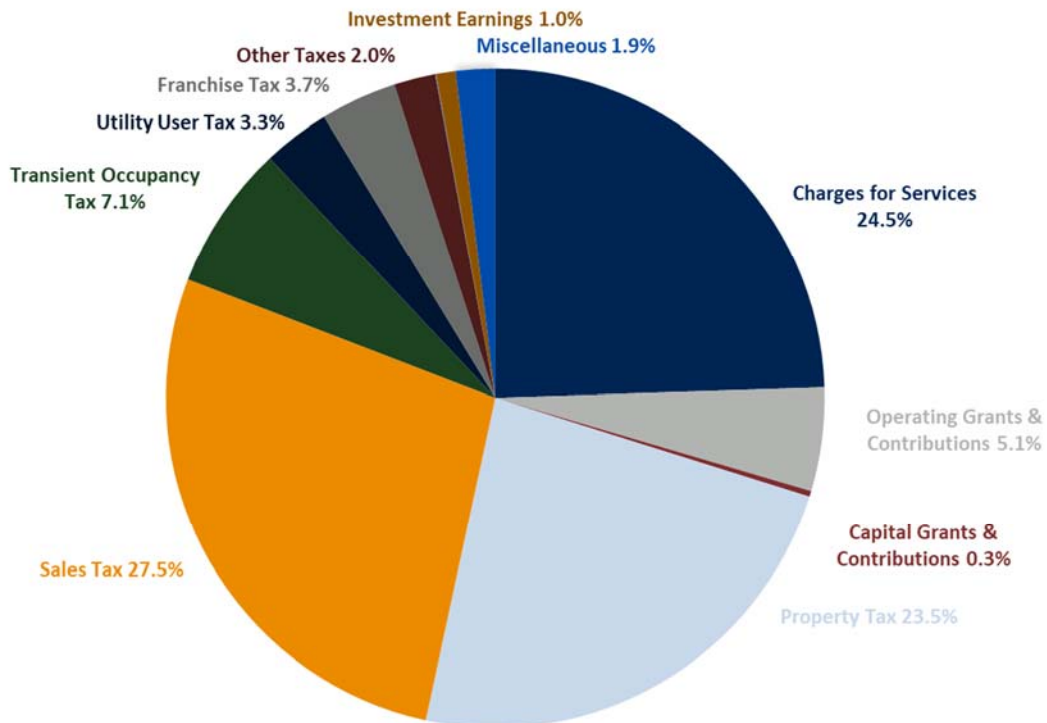
	Governmental Activities	
	2018	2017
Assets:		
Cash and investments	\$ 133,439	\$ 133,342
Other assets	8,490	14,937
Capital assets	194,832	182,688
Total assets	336,761	330,967
Deferred Outflows of Resources:		
Related to Pension (Note 10)	10,006	8,480
Liabilities:		
Long term debt	31,520	33,700
Other liabilities	63,641	57,434
Total liabilities	95,161	91,134
Deferred Inflows of Resources:		
Related to Pension (Note 10)	280	696
Related to OPEB (Note 11)	1,189	-
Total deferred inflows of resources	1,469	696
Net Position:		
Net Investment in capital assets	167,606	153,253
Restricted	32,073	34,992
Unrestricted	50,458	59,372
Total net position	\$ 250,137	\$ 247,617

The City's change in net position from governmental activities was \$14,046,492. The following significant changes within assets, liability, and net position categories occurred:

- Capital assets increased more than \$12.1 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.
- Other liabilities increased more than \$6.2 million, primarily due to a \$4.4 million increase in the City's Net Pension Liability.
- Deferred Inflows of Resources increased approximately \$773 thousand due to implementation of GASB 75 which required the Net OPEB Liability and related Deferred Inflows of Resources (\$1.2 million) to be reported on the City's financial statements.

CITY OF CUPERTINO
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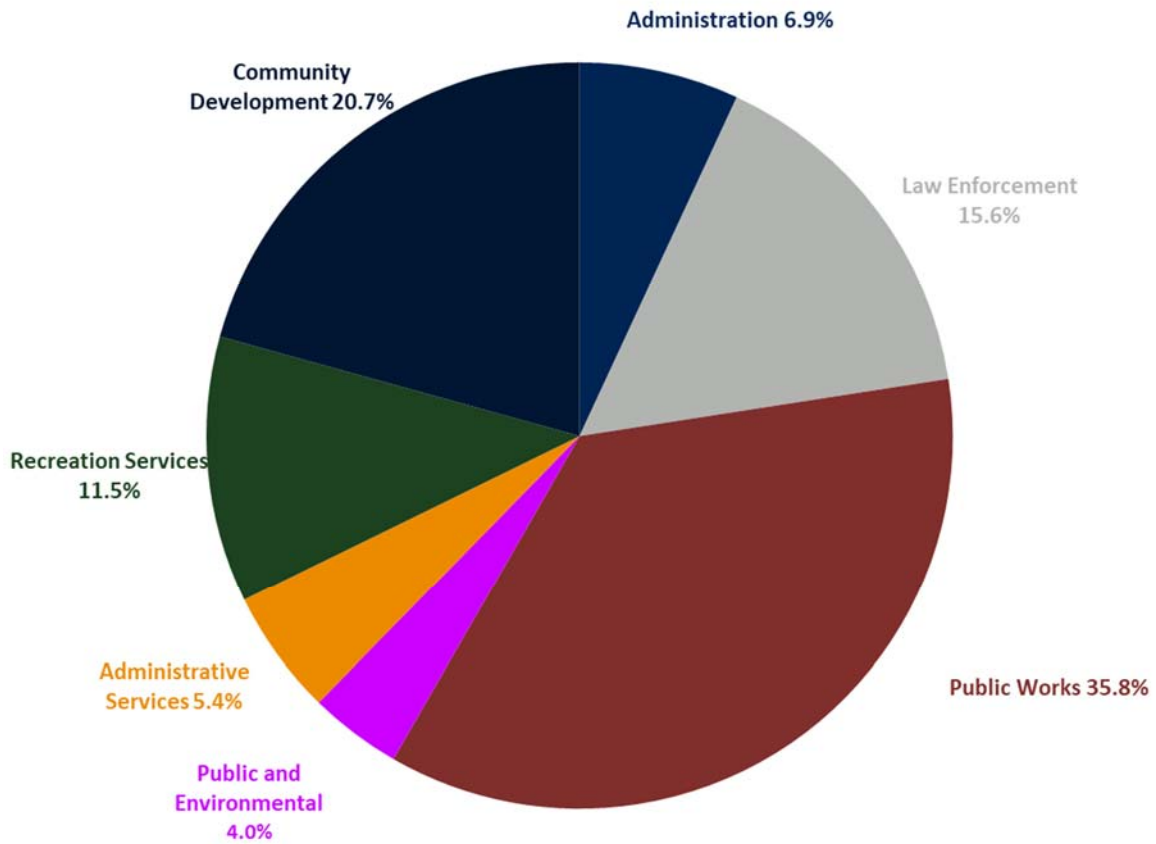
**Sources of Revenue, Governmental Activities
2017-18**



In 2017-18, the City experienced continued trends toward a return to normalcy. Revenues decreased \$0.1 million or 0% from the prior year, primarily due to decreases in functional revenues offset with moderate increases in general revenues. The decreases in functional revenues are attributable to a gross amount reduction in the City's cost allocation plan as well as a decrease in fee revenue as a result of the winding down of various construction and development projects. Increases in the City's general revenues are attributable to a \$2.2 million increase in property tax over the prior year. According to the 2018-2019 Assessor's Annual Report for Santa Clara County, Cupertino's net assessment roll growth increased \$2.0 billion, or 8.83%, from the prior year. Sales tax experienced an anticipated slight decrease of \$767 thousand primarily due to the \$3.5 million payment related to the close out of the triple flip in FY 2016-17. Nevertheless, the sales tax base had continued growth in the business sector as a result of an upward trending economy.

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**Functional Expenses, Governmental Activities
2017-18**



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

Expenses	<u>Governmental Activities</u>	
	<u>2018</u>	<u>2017</u>
Administration	\$ 5,613	\$ 2,874
Law enforcement	12,674	12,528
Public and environmental affairs	3,245	1,884
Administrative services	4,416	5,898
Recreation services	9,353	10,652
Community development	16,789	13,776
Public works	28,995	32,491
Interest on long-term debt	993	1,036
Total expenses	82,078	81,139
Revenues		
Program revenues:		
Charges for services	23,340	27,954
Operating grants and contributions	4,820	2,314
Capital grants and contributions	272	245
Total program revenues	28,432	30,513
General revenues:		
Taxes:		
Property tax	14,882	13,252
Property tax in-lieu of motor vehicle fee	7,552	6,967
Sales tax	26,165	26,932
Transient occupancy tax	6,811	6,024
Utility user tax	3,146	3,082
Franchise tax	3,564	3,410
Other taxes	1,944	3,258
Intergovernmental, unrestricted:		
Motor vehicle license fee	31	26
Investment earnings	916	695
Gain on sale of capital assets	741	-
Miscellaneous	1,834	2,005
Total general revenues	67,586	65,651
Total revenues	96,018	96,164
Excess of revenues over expenses,		
before transfers	13,940	15,025
Transfers (Note 4)	107	(1,874)
Transfers in – fund closing	-	272
Change in net position	14,047	13,423
Beginning net position, as restated (Note 14)	236,091	234,194
Ending net position	\$ 250,138	\$ 247,617

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For the Year Ended June 30, 2018

City-wide Governmental Activities Revenues

Table 2 shows that revenues from governmental activities decreased \$0.1 million or 0% from last year, finishing at \$96.1 million. Charges for services has decreased \$4.6 million, or 16.5%, due to the winding down of construction and development projects as well as a reduction in the gross amount of the FY 2017-18 cost allocation plan over the prior year. This significant decrease was offset by increases in operating grants and contributions, property taxes and transient occupancy taxes as further discussed below.

Increases in the City's general revenues are attributable to a \$2.2 million increase in property tax over the prior year. According to the 2017-2018 Assessor's Annual Report for Santa Clara County, Cupertino's net assessment roll growth increased \$2.0 billion, or 8.83%, from the prior year. Sales tax experienced an anticipated slight decrease of \$767 thousand primarily due to the \$3.5 million payment related to the close out of the triple flip in FY 2016-17. Nevertheless, the sales tax base had continued growth in the business sector as a result of an upward trending economy. Transient occupancy tax increased \$787 thousand, or 13.1%, over the prior year, primarily due to the opening of the Residence Inn by Marriott.

Program revenues showed a decrease of \$5.8 million, or 19%, and is primarily attributable to the completion and winding down of significant construction and development projects resulting in a decrease in fee revenues.

Operating grants and contributions increased \$2.5 million, or 108.3%, due primarily to a one-time donation from Apple in the amount of \$1.8 million for the 2016 Bicycle Transportation Plan.

City-wide Governmental Activities Expenses

City-wide governmental activities increased expenses by \$939 thousand or 1%. The City's cost allocation plan created fluctuations from one department to the next; however, base expenses remained relatively consistent over the prior year.

Change in Net Position

The City-wide governmental net position increase of \$14.0 million was slightly up compared to the increase of \$13.4 million in 2016-17 and can be best explained by continued relative stabilization in general revenues paired with consistent and conservative spending.

CITY OF CUPERTINO
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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 \$9.6 million at June 30, 2018, a decrease of \$1.4 million, or 12.7%, from the prior year with unrestricted net position decreasing \$1.0 million and the net investment in capital assets decreasing by \$374,000. Business-type activities transferred out (net) \$107,000, a decrease of \$1.9 million over the prior year, which contributed to the decrease in net position. Few capital asset additions offset with \$393,000 in depreciation expense resulted in a net decrease of \$374,000 over the prior year. An increase in the City's Net Pension Liability contributed to the \$744,000 increase in enterprise fund liabilities. Additionally, the implementation of GASB 75 and inclusion of the Net OPEB Liability moderately affected the enterprise funds' financial statements.

In Table 4, revenues for all business-type activities decreased \$290,000 and operating expenses increased by \$1.0 million, primarily attributable to the increase in the City's Net Pension and OPEB Liabilities. As a result, the net position for 2017-2018 decreased \$1.4 million, or 12.7% from 2016-2017.

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

	Business Type Activities	
	2018	2017
Assets:		
Cash and investments	\$ 11,271	\$ 12,051
Other assets	526	75
Capital assets	1,598	1,972
Total assets	13,395	14,097
Deferred Outflows of Resources:		
Related to pension	665	566
Other Liabilities:	4,310	3,566
Total liabilities	4,310	3,566
Deferred Inflows of Resources:		
Related to pension	20	46
Related to OPEB	81	-
Total deferred inflows of resources	101	46
Net Position:		
Net investment in capital assets	1,598	1,972
Unrestricted	8,051	9,079
Total net position	\$ 9,649	\$ 11,051

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Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2018

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

Expenses	<u>Business Type Activities</u>	
	<u>2018</u>	<u>2017</u>
Resource recovery	\$ 2,595	\$ 2,991
Blackberry farm	656	597
Sports center	2,634	2,159
Recreation programs	3,232	2,352
Total expenses	<u>9,117</u>	<u>8,099</u>
Revenues		
Program revenues:		
Charges for services	7,826	8,133
General revenues:		
Investment earnings	76	59
Total revenues	<u>7,902</u>	<u>8,192</u>
Excess of revenues over expenses, before transfers	(1,215)	93
Transfers	(107)	1,874
Change in net position	<u>(1,322)</u>	<u>1,967</u>
Beginning net position, as restated	10,971	9,084
Ending net position	<u><u>\$ 9,649</u></u>	<u><u>\$ 11,051</u></u>

MAJOR GOVERNMENTAL FUNDS

General Fund

General Fund Revenues

General Fund actual revenues of \$85.1 million ended \$7.1 million, or 9.1%, above the original budget and \$8.0 million, or 8.6%, below the final budget. Actual revenues were down \$7.7 million or 8.3% when compared to 2016-17 actuals. Table 5 displays the variations in actual revenues, while Table 6 shows budgeted revenues compared to actuals.

Property taxes increased \$2.2 million, or 11%, over the prior year due to continued roll-growth. According to the 2018-2019 Assessor's Annual Report for Santa Clara County, Cupertino's net assessment roll growth increased \$2.0 billion, or 8.83%, from the prior year.

Sales tax decreased \$767,000, or 3%, over the prior year; however, this decrease includes a one-time triple flip close out payment of \$3.5 million received in FY 2016-17. The City's two largest sales tax payers in the business-to-business category represent a large part of that sector and therefore can significantly affect sales tax trends. The top tax payer's corporate and business technology spending has driven growth in this sector. Overall, sales tax activity has increased across most sectors with a decrease primarily in construction attributable to the winding down of construction projects in the City, particularly, the Apple Park campus development.

Transient occupancy tax increased \$787,000, or 13%, due to the opening of the Residence Inn by Marriott.

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Charges for services showed the largest decline of \$8.7 million, or 37%, over the prior year and due to a reduction in cost allocation plan charges as well as decreased fee revenue from the completion and winding down of various capital and development projects. Charges for services also came in under the final budget by \$9.7 million due to estimated developer deposit funds related to the Vallco Specific Plan projected to span beyond fiscal year 2017-18.

Licenses and permits increased \$221,000, or 9%, due to continued growth in the local economy as well as the annual increase in business license tax rates.

Other revenue decreased \$808,000, or 44%, over the prior year due to a reduction in administrative fees for planning applications as well as a one-time insurance claim received in FY 2016-17 for \$410,000.

Table 5
Revenue Changes
General Fund, Fiscal 2018 vs. 2017
(in thousands)

Revenue by Source	Fiscal 2018		Increase/(Decrease) From Fiscal 2017	
	Amount	% of Total	Amount	Percent
Taxes:				
Property	\$ 22,434	26%	\$ 2,215	11%
Sales	26,165	31%	(767)	-3%
Transient occupancy	6,811	8%	787	13%
Utility user	3,146	4%	64	2%
Franchise	3,564	4%	154	5%
Other	1,340	2%	(1,642)	-55%
Use of money & property	1,326	2%	153	13%
Intergovernmental	1,001	1%	671	203%
Licenses and permits	2,758	3%	221	9%
Charges for services	14,972	18%	(8,736)	-37%
Fines and forfeitures	575	1%	(18)	-3%
Other	1,015	1%	(808)	-44%
Total revenues	<u>\$ 85,107</u>	<u>100%</u>	<u>\$ (7,706)</u>	<u>-8%</u>
Other financing sources:				
Proceeds from sale of land	\$ 872	28%	\$ 872	100%
Transfers in	2,254	72%	2,249	44,980%
Transfers in – fund closing	-	0%	(260)	-100%
Total other financing sources	<u>\$ 3,126</u>	<u>100%</u>	<u>\$ 2,861</u>	<u>1,080%</u>

CITY OF CUPERTINO
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Table 6
Revenue, Budget and Actual Comparisons
General Fund 2017-18
(in thousands)

	Budgeted Amounts			Variance with Final Positive/ (Negative)
	Original	Final	Actual	
Taxes:				
Property	\$ 20,757	\$ 22,357	\$ 22,434	\$ 77
Sales	22,910	23,910	26,165	2,255
Transient occupancy	6,708	6,708	6,811	103
Utility user	3,200	3,200	3,146	(54)
Franchise	3,040	3,040	3,564	524
Other	2,850	2,850	1,340	(1,510)
Use of money & property	1,648	1,648	1,326	(322)
Intergovernmental	364	364	1,001	637
Licenses and permits	2,145	2,145	2,758	613
Charges for services	13,548	24,675	14,972	(9,703)
Fines and forfeitures	600	600	575	(25)
Other	226	1,584	1,015	(569)
	\$ 77,996	\$ 93,081	\$ 85,107	\$ (7,974)
Transfers in	\$ 2,000	\$ 2,000	\$ 2,254	\$ 254
Proceeds from sale of land	-	-	872	872
Total other financing sources	\$ 2,000	\$ 2,000	\$ 3,126	\$ 1,126

General Fund Expenditures

Fiscal 2017-18 overall expenditures, at \$65.2 million, were \$0.1 million higher than last year. However, this result came in 9% or \$6.7 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 decreased \$1.0 million, or 17%, from 2016-17. While employee compensation increased consistent with previous years, cost allocation charges were down significantly due to a change in methodology. Additionally, contract services contributed to the decrease due to elections being held in FY 2016-17.

Law Enforcement was higher by approximately \$424,000, or 4%, which was the automatic increase in the existing contract with the Santa Clara County Sheriff's Office triggered by increases in the lease and CalPERS costs.

Public and Environmental Affairs (IT) experienced an increase in expenditures from 2016-17 to 2017-18 of approximately \$971,000, or 52%. This primarily consisted of employee compensation and benefits collectively increasing by approximately \$337,000 as well as the acquisition of software for a new permitting system for Public Works and Community Development Departments.

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Administrative Services' decrease of approximately \$625,000 million, or 12%, was primarily attributable to a \$1.3 million decrease in cost allocation charges due to a change in methodology over the prior year. This decrease was offset by increases in employee compensation and benefits of approximately \$224,000, or 12%, and contract services due to increased sales tax consultant fees.

Recreation and Community Services General Fund expenditures experienced a 7% decrease, or \$676,000, across its programs. While the department's program experiences increases in salaries, benefits and contractual services categories, a significant decrease in cost allocation for building maintenance charges.

Community Development expenditures in the General Fund increased \$1.9 million or 30% due to salary and benefit increases as well as significant special project costs related to the Vallco Specific Plan.

Public Works expenditures decreased approximately \$664,000 or 4%. This is primarily represented by a change in cost allocation methodology that reduced the amount of allocated costs by the City. Public Works' plan review charges also decreased due to the winding down of Apple Campus 2 development. These decreases were offset by increases in compensation and benefits, consistent with other departments.

Transfers out of the General Fund decreased from \$26.6 million in 2016-17 to \$24.1 million, with \$6.8 million for capital projects in the Transportation Fund, \$3.2 million for annual debt service, \$10 million for capital projects in the Capital Improvement Projects Fund, \$284,124 to subsidize a state-mandated enforcement program, \$399,996 in operating subsidies to the City's Enterprise funds, and \$3.4 million to internal service funds.

Table 7
Expenditure Changes
General Fund, Fiscal 2018 vs. 2017
(in thousands)

Function/Program	Fiscal 2018		Increase/(Decrease) From Fiscal 2017	
	Amount	% of Total	Amount	Percent
Administration	\$ 4,919	8%	\$ (1,017)	-17%
Law enforcement	12,363	19%	424	4%
Public and environmental affairs (IT)	2,836	4%	971	52%
Administrative services	4,430	7%	(625)	-12%
Recreation and community services	8,686	13%	(676)	-7%
Community development	8,365	13%	1,932	30%
Public works	15,821	24%	(664)	-4%
Capital outlay	7,763	12%	(237)	-3%
Total expenditures	\$ 65,183	100%	\$ 108	0%
Transfers out	\$ 24,129	100%	\$ (2,480)	-9%

CITY OF CUPERTINO
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2018

Table 8
Expenditure Changes
General Fund 2017-18
(in thousands)

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>		<u>Final</u>
				<u>Positive/ (Negative)</u>
Administration	\$ 6,228	\$ 6,411	\$ 4,919	\$ 1,492
Law enforcement	12,344	12,460	12,363	97
Public and environmental affairs	77	3,409	2,836	573
Administrative services	4,004	4,562	4,430	132
Recreation services	9,610	9,775	8,686	1,089
Community development	7,344	9,587	8,365	1,222
Public works	17,368	17,179	15,821	1,358
Capital outlay	2,317	8,549	7,763	786
Total expenditures	<u>\$ 59,292</u>	<u>\$ 71,932</u>	<u>\$ 65,183</u>	<u>\$ 6,749</u>
Transfers out	<u>\$ 15,758</u>	<u>\$ 24,129</u>	<u>\$ 24,129</u>	<u>\$ -</u>

General Fund - Fund Balance

The General Fund carried a June 30, 2018, ending fund balance of \$52,510,457, down 2.0% or \$1.1 million from beginning of the fiscal year. Loan receivables and prepaid expenses totaled \$464,893 of non-spendable fund balance. The City committed \$19.0 million for general economic uncertainty and \$122,754 for sustainability. The City assigned \$9,963,310; \$4.8 million for CalPERS liability and \$5.1 million for encumbrances. The City also restricted \$1,254,578 Public access television purposes.

Transportation

The Transportation Special Revenue Fund carried a June 30, 2018, ending fund balance of \$8,803,725, up 5.1%, or \$424,000 from beginning of the fiscal year. Activities in this fund remained relatively consistent from the prior fiscal year 2016-17.

Housing Development

The Housing Development Special Revenue Fund carried a June 30, 2018, ending fund balance of \$8.5 million, down 31.8%, or \$3.9 million from beginning of the fiscal year. The activities in this fund were up significantly in comparison with 2016-17 due to increases Below Market Rate (BMR) Charities Housing Program expenditures.

Public Facilities Corporation

A transfer of \$3,167,544 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.

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Capital Improvement Projects

The Capital Improvement Projects Capital Projects Fund carried a June 30, 2018, ending fund balance of \$28,903,023, up 15.3%, or \$3.8 million from beginning of the fiscal year. During fiscal year 2017-2018, a \$10 million transfer in from the General Fund was received for purposes of fund capital-related projects.

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. Total operating revenue decreased from \$2.79 million last year to \$2.56 million this year, while expenses decreased by approximately \$397,000. These decreases in operating revenues and expenses are mostly attributable to a decrease in Recology collection volume as a result of the winding down of construction and development in respect to recent years. Net position increased by approximately \$6,000. The fund ended the year with a \$5,314,630 net position.

Recreation Programs

This enterprise operates the Quinlan Community Center, Monta Vista Recreation Center, McClellan Ranch, Creekside Park building, eight school sites, and various parks. While the economy and enhanced marketing helped cultural events, youth and teen programs, sports, dance and fitness classes in generate increasing revenues in recent years, fiscal year 2017-18 saw a slight decline. These programs generated approximately \$2,517,000 in revenues that were 9.4% lower than last year. Ongoing program expenses of approximately \$3,234,000 included full-time administrative and programming staff, part-time activity leaders, and class instructors on contract. This resulted in a net operating loss of \$700,000 as compared to operating income of \$112,000 a year ago. This year a transfer in from the General Fund was made for \$400,000. After the transfer, the fund ended up with a decrease in net position of \$337,163. The fund ended the year with a net position of \$2,707,690.

NONMAJOR PROPRIETARY FUNDS

Blackberry Farm

City employees, with a teaching professional contractor, staff the City-owned Blackberry Farm golf course and pro shop. Operating revenues increased 6% in 2017-2018 from \$325,000 to \$346,000. Operating expenses increased by \$58,700, or 10%, to \$656,000 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 \$272,000 last year to \$310,000 this year. After a transfer in from the General Fund of \$300,000, net position decreased \$403,000. As of June 30, 2018, this fund's net position was \$229,688.

CITY OF CUPERTINO
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2018

Cupertino Sports Center

Tennis lesson, membership, fitness class and rent revenues of \$2,404,000 increased by \$166,000 or 7.4% over last year, resulting from moderate increases across the Sport Center's major revenue sources. In addition, expenses increased by \$475,000 or 22%, resulting in a net operating loss of \$230,000. In 2016-17, net operating income was \$79,000. This current year's operating loss was primarily attributable to increases in contract services. After approximately \$100,000 was transferred in from the General Fund and \$470,000 was transferred out for capital improvement projects, this fund's net position was \$1,396,707 as of June 30, 2018.

CAPITAL ASSETS

At June 30, 2018, the City had \$196.4 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 \$11.8 million, after depreciation.

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

	<u>2018</u>	<u>2017</u>
Governmental Activities:		
Land	\$ 62,046	\$ 62,046
Easements	19,492	19,492
Construction in Progress	7,154	774
Buildings	19,049	18,442
Improvements other than buildings	20,862	15,657
Machinery and equipment	4,484	3,718
Roads, curbs, gutters, sidewalks, medians and bridges	54,696	56,040
Streetlights	1,409	1,503
Storm drain structures and mains	4,685	3,949
Traffic signals	955	1,067
Total Governmental Activities	<u>194,832</u>	<u>182,688</u>
Business-Type Activities		
Construction in progress	-	13
Buildings	695	755
Improvements other than buildings	838	1,109
Machinery and equipment	65	95
Total Business-Type Activities	<u>1,598</u>	<u>1,972</u>
Total City	<u>\$ 196,430</u>	<u>\$ 184,660</u>

CITY OF CUPERTINO
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2018

DEBT ADMINISTRATION

The City's only long-term debt liability at June 30, 2018, 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 \$3,170,379 that are covered by the General Fund. The June 30, 2018, outstanding principal of \$31,520,000 is due to be paid off by July 1, 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.

CURRENTLY KNOWN FACTS AND CONDITIONS

The City is unaware of any facts or conditions or decisions that are expected to have a significant effect on net position or results of operations.

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, CALIFORNIA
STATEMENT OF NET POSITION
June 30, 2018

	Governmental Activities	Business- Type Activities	Total
ASSETS			
Cash and cash investments (Note 2)	\$ 129,144,438	\$ 11,270,882	\$ 140,415,320
Restricted cash and investments (Note 2)	4,294,288	-	4,294,288
Receivables			
Accounts	3,595,554	526,186	4,121,740
Interest	163,067	-	163,067
Loans (Note 3)	4,722,060	-	4,722,060
Prepaid expenses and other assets	9,884	-	9,884
Capital assets (Note 5):			
Non-depreciable	88,691,789	-	88,691,789
Depreciable, net of accumulated depreciation	106,140,289	1,597,700	107,737,989
Total assets	<u>336,761,369</u>	<u>13,394,768</u>	<u>350,156,137</u>
DEFERRED OUTFLOWS OF RESOURCES			
Related to pension (Note 10)	10,005,834	664,685	10,670,519
Total deferred outflows of resources	<u>10,005,834</u>	<u>664,685</u>	<u>10,670,519</u>
LIABILITIES			
Accounts payable and accruals	7,816,516	640,856	8,457,372
Accrued payroll and benefits	912,179	289	912,468
Deposits	10,479,925	-	10,479,925
Unearned revenue	99,215	718,338	817,553
Compensated absences (Note 1):			
Due in one year	520,052	62,939	582,991
Due in more than one year	3,477,115	295,530	3,772,645
Claims payable (Note 9):			
Due in one year	262,157	-	262,157
Due in more than one year	1,107,008	-	1,107,008
Long-term debt (Note 6):			
Due in one year	2,220,000	-	2,220,000
Due in more than one year	29,300,000	-	29,300,000
Net pension liability (Note 10)	38,578,333	2,566,069	41,144,402
Net OPEB liability (Note 11)	388,579	26,421	415,000
Total liabilities	<u>95,161,079</u>	<u>4,310,442</u>	<u>99,471,521</u>
DEFERRED INFLOWS OF RESOURCES			
Related to pension (Note 10)	280,485	19,505	299,990
Related to OPEB (Note 11)	1,188,207	80,791	1,268,998
Total deferred inflows of resources	<u>1,468,692</u>	<u>100,296</u>	<u>1,568,988</u>
NET POSITION (Note 7)			
Net investment in capital assets	<u>167,606,366</u>	<u>1,597,700</u>	<u>169,204,066</u>
Restricted for:			
Special revenue projects	21,966,438	-	21,966,438
Affordable housing	8,519,770	-	8,519,770
Debt service	1,586,987	-	1,586,987
Total restricted net position	<u>32,073,195</u>	<u>-</u>	<u>32,073,195</u>
Unrestricted	<u>50,457,871</u>	<u>8,051,015</u>	<u>58,508,886</u>
Total net position	<u>\$ 250,137,432</u>	<u>\$ 9,648,715</u>	<u>\$ 259,786,147</u>

CITY OF CUPERTINO, CALIFORNIA
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- Type Activities	
Governmental activities:							
Administration	\$ 5,612,733	\$ 5,062,988	\$ -	\$ -	\$ (549,745)	\$ -	\$ (549,745)
Law enforcement	12,674,042	732,544	139,416	-	(11,802,082)	-	(11,802,082)
Public and environmental affairs	3,244,846	-	-	-	(3,244,846)	-	(3,244,846)
Administrative services	4,415,647	2,635,885	-	-	(1,779,762)	-	(1,779,762)
Recreation services	9,352,551	1,589,134	-	-	(7,763,417)	-	(7,763,417)
Community development	16,789,351	8,598,935	375,217	-	(7,815,199)	-	(7,815,199)
Public works	28,995,382	4,720,646	4,305,063	271,587	(19,698,086)	-	(19,698,086)
Interest on long - term debt	993,038	-	-	-	(993,038)	-	(993,038)
Total governmental activities	<u>82,077,590</u>	<u>23,340,132</u>	<u>4,819,696</u>	<u>271,587</u>	<u>(53,646,175)</u>	<u>-</u>	<u>(53,646,175)</u>
Business-type activities:							
Resource recovery	2,594,511	2,559,862	-	-	-	(34,649)	(34,649)
Blackberry farm	656,112	345,667	-	-	-	(310,445)	(310,445)
Cupertino sports center	2,633,748	2,403,665	-	-	-	(230,083)	(230,083)
Recreation programs	3,232,593	2,516,678	-	-	-	(715,915)	(715,915)
Total business-type activities	<u>9,116,964</u>	<u>7,825,872</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,291,092)</u>	<u>(1,291,092)</u>
Total	<u>\$ 91,194,554</u>	<u>\$ 31,166,004</u>	<u>\$ 4,819,696</u>	<u>\$ 271,587</u>	<u>(53,646,175)</u>	<u>(1,291,092)</u>	<u>(54,937,267)</u>
General revenues:							
Taxes:							
Property taxes					14,881,533	-	14,881,533
Property tax in lieu of motor vehicle fee					7,552,272	-	7,552,272
Sales taxes					26,164,531	-	26,164,531
Transient occupancy tax					6,810,718	-	6,810,718
Utility user tax					3,146,398	-	3,146,398
Franchise tax					3,563,820	-	3,563,820
Other taxes					1,943,652	-	1,943,652
Intergovernmental, unrestricted:							
Motor vehicle license fee					31,013	-	31,013
Investment earnings					916,638	75,663	992,301
Gain on sale of capital assets					740,570	-	740,570
Miscellaneous					1,834,492	-	1,834,492
Transfers (Note 4)					107,030	(107,030)	-
Total general revenues and transfers					<u>67,692,667</u>	<u>(31,367)</u>	<u>67,661,300</u>
Change in Net Position					<u>14,046,492</u>	<u>(1,322,459)</u>	<u>12,724,033</u>
Net Position, beginning of year as restated (Note 14)					<u>236,090,940</u>	<u>10,971,174</u>	<u>247,062,114</u>
Net Position, end of year					<u>\$ 250,137,432</u>	<u>\$ 9,648,715</u>	<u>\$ 259,786,147</u>

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 2017-18. Individual non-major funds may be found in the Supplementary 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 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.

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, CALIFORNIA
GOVERNMENTAL FUNDS
BALANCE SHEET
June 30, 2018

	General	Special Revenue Funds		Public Facilities Corporation Debt Service Fund	Capital Improvement Projects Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
		Transportation	Housing Development				
ASSETS							
Cash and investments (Note 2)	\$ 63,889,867	\$ 9,208,242	\$ 8,069,079	\$ -	\$ 29,019,981	\$ 12,064,210	\$ 122,251,379
Restricted cash and investments (Note 2)	-	-	-	4,294,288	-	-	4,294,288
Receivables:							
Accounts	2,837,425	572,974	106,752	-	-	78,403	3,595,554
Interest	163,067	-	-	-	-	-	163,067
Loans (Note 3)	458,893	-	4,263,167	-	-	-	4,722,060
Due from other funds (Note 4)	307,056	-	-	-	-	-	307,056
Prepaid items	6,000	-	-	-	-	-	6,000
Other assets	3,884	-	-	-	-	-	3,884
Total assets	\$ 67,666,192	\$ 9,781,216	\$ 12,438,998	\$ 4,294,288	\$ 29,019,981	\$ 12,142,613	\$ 135,343,288
LIABILITIES							
Accounts payable and accruals	\$ 3,664,488	\$ 977,491	\$ 207,108	\$ 2,676,519	\$ 116,958	\$ 7,885	\$ 7,650,449
Accrued payroll and benefits	912,107	-	-	-	-	-	912,107
Due to other funds (Note 4)	-	-	-	30,782	-	-	30,782
Deposits	10,479,925	-	-	-	-	-	10,479,925
Unearned revenue	99,215	-	-	-	-	-	99,215
Total liabilities	15,155,735	977,491	207,108	2,707,301	116,958	7,885	19,172,478
DEFERRED INFLOWS OF RESOURCES							
Unavailable revenue - loans	-	-	3,712,120	-	-	-	3,712,120
Total deferred inflows of resources	-	-	3,712,120	-	-	-	3,712,120
FUND BALANCES (Note 7):							
Nonspendable	464,893	-	-	-	-	-	464,893
Restricted	1,254,578	8,803,725	8,519,770	1,586,987	-	11,908,135	32,073,195
Committed	19,122,754	-	-	-	-	-	19,122,754
Assigned	9,963,310	-	-	-	28,903,023	226,593	39,092,926
Unassigned	21,704,922	-	-	-	-	-	21,704,922
Total fund balances	52,510,457	8,803,725	8,519,770	1,586,987	28,903,023	12,134,728	112,458,690
Total liabilities, deferred inflows of resources and fund balances	\$ 67,666,192	\$ 9,781,216	\$ 12,438,998	\$ 4,294,288	\$ 29,019,981	\$ 12,142,613	\$ 135,343,288

CITY OF CUPERTINO, CALIFORNIA
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET TO
THE STATEMENT OF NET POSITION
June 30, 2018

Total fund balances reported on the governmental funds balance sheet \$ 112,458,690

Amounts reported for governmental activities in the statement of net position are different from those reported in the governmental funds because of the following:

Capital assets used in governmental activities are not current assets or financial resources and therefore are not reported in the governmental funds. 191,292,376

Internal service funds are used by management to charge the costs of activities such as information technology, insurance, equipment acquisition and maintenance, and certain employee 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. 6,538,018

Certain receivables are not available to pay for current period expenditures and therefore are deferred in the governmental funds. 3,712,120

The liabilities, deferred inflows of resources and deferred outflows of resources are not related to the current period and therefore are not reported in the governmental funds:

Long-term debt	(31,520,000)
Net pension liability	(36,141,498)
Net OPEB liability	(365,122)
Pension-related deferred outflows of resources	9,375,493
Pension-related deferred inflows of resources	(261,109)
OPEB-related deferred inflows of resources	(1,116,482)
Compensated absences	<u>(3,835,054)</u>

Net position for governmental activities \$ 250,137,432

CITY OF CUPERTINO, CALIFORNIA
 GOVERNMENTAL FUNDS
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
 FOR THE YEAR ENDED JUNE 30, 2018

	Special Revenue Funds			Public Facilities Corporation Debt Service Fund	Capital Improvement Projects Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
	General	Transportation	Housing Development				
Revenues							
Taxes	\$ 63,459,132	\$ -	\$ 165,324	\$ -	\$ -	\$ 438,468	\$ 64,062,924
Use of money and property	1,325,814	49,183	56,552	19,037	-	93,232	1,543,818
Intergovernmental	1,000,776	2,004,832	316,688	-	1,800,000	-	5,122,296
Licenses and permits	2,757,928	-	-	-	-	-	2,757,928
Charges for services	14,972,627	24,941	34,135	-	144,689	461,855	15,638,247
Fines and forfeitures	575,032	-	-	-	-	27,902	602,934
Other revenue	1,015,227	775,021	4,754	-	-	39,490	1,834,492
Total revenues	<u>85,106,536</u>	<u>2,853,977</u>	<u>577,453</u>	<u>19,037</u>	<u>1,944,689</u>	<u>1,060,947</u>	<u>91,562,639</u>
Expenditures							
Current:							
Administration	4,919,262	-	-	23,790	-	-	4,943,052
Law enforcement	12,362,621	-	-	-	-	-	12,362,621
Public and environmental affairs	2,835,768	-	-	-	-	-	2,835,768
Administrative services	4,430,300	-	-	-	-	-	4,430,300
Recreation services	8,686,076	-	-	-	-	-	8,686,076
Community development	8,365,234	-	4,541,852	-	-	-	12,907,086
Public works	15,820,836	1,719,112	-	-	-	651,766	18,191,714
Capital outlay	7,762,733	10,871,723	-	-	3,231,277	1,529,379	23,395,112
Debt service:							
Principal	-	-	-	2,180,000	-	-	2,180,000
Interest and fiscal charges	-	-	-	993,038	-	-	993,038
Total expenditures	<u>65,182,830</u>	<u>12,590,835</u>	<u>4,541,852</u>	<u>3,196,828</u>	<u>3,231,277</u>	<u>2,181,145</u>	<u>90,924,767</u>
Excess (deficiency) of revenues over expenditures	<u>19,923,706</u>	<u>(9,736,858)</u>	<u>(3,964,399)</u>	<u>(3,177,791)</u>	<u>(1,286,588)</u>	<u>(1,120,198)</u>	<u>637,872</u>
Other financing sources (uses)							
Proceeds from sale of capital assets	872,250	-	-	-	-	-	872,250
Transfers in (Note 4)	2,254,183	10,987,992	-	3,167,544	12,834,375	1,784,124	31,028,218
Transfers (out) (Note 4)	(24,129,372)	(827,349)	-	-	(7,713,924)	(1,678,255)	(34,348,900)
Total other financing sources (uses)	<u>(21,002,939)</u>	<u>10,160,643</u>	<u>-</u>	<u>3,167,544</u>	<u>5,120,451</u>	<u>105,869</u>	<u>(2,448,432)</u>
Net change in fund balances	(1,079,233)	423,785	(3,964,399)	(10,247)	3,833,863	(1,014,329)	(1,810,560)
Beginning fund balances	<u>53,589,690</u>	<u>8,379,940</u>	<u>12,484,169</u>	<u>1,597,234</u>	<u>25,069,160</u>	<u>13,149,057</u>	<u>114,269,250</u>
Ending fund balances	<u>\$ 52,510,457</u>	<u>\$ 8,803,725</u>	<u>\$ 8,519,770</u>	<u>\$ 1,586,987</u>	<u>\$ 28,903,023</u>	<u>\$ 12,134,728</u>	<u>\$ 112,458,690</u>

CITY OF CUPERTINO, CALIFORNIA
RECONCILIATION OF NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

The schedule below reconciles the net changes in fund balances reported on the governmental funds statement of revenues, expenditures and changes in fund balances, 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.

Total net changes in fund balances reported on the governmental funds balance sheet \$ (1,810,560)

Amounts reported for governmental activities in the statement of activities are different from those reported in the governmental funds because of the following:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are capitalized and depreciated over their estimated useful lives, which is reported as depreciation expense. Expenditures for capital assets reported as:

Capital outlay	18,114,296
Depreciation expense	(6,658,923)
Net retirements	(131,680)

Long term debt principal payments are reported as expenditures in the governmental funds but are not reported as expenses in the statement of activities.

2,180,000

The changes in the amounts below do not provide or require the use of current financial resources and therefore are not reported as revenues or expenditures in the governmental funds:

Accounts receivable	3,672,000
Compensated absences	(767,833)
Net pension liability	(3,888,812)
Net OPEB liability	744,322
Pension-related deferred outflows of resources	1,434,343
Pension-related deferred inflows of resources	390,299
OPEB-related deferred inflows of resources	(1,116,482)

Internal service funds are used by management to charge the costs of activities such as information technology, insurance, equipment acquisition and maintenance, and certain employee benefits to governmental funds. The portion of the net expense of these internal service funds arising out of their transactions with governmental funds is reported with governmental activities because they service those activities.

1,885,522

Change in net position of governmental activities

\$ 14,046,492

CITY OF CUPERTINO, CALIFORNIA
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 59,465,000	\$ 62,065,000	\$ 63,459,132	\$ 1,394,132
Use of money and property	1,647,790	1,647,790	1,325,814	(321,976)
Intergovernmental	364,000	364,000	1,000,776	636,776
Licenses and permits	2,145,000	2,145,000	2,757,928	612,928
Charges for services	13,547,897	24,675,155	14,972,627	(9,702,528)
Fines and forfeitures	600,000	600,000	575,032	(24,968)
Other revenue	225,960	1,583,889	1,015,227	(568,662)
Amounts available for appropriation	<u>77,995,647</u>	<u>93,080,834</u>	<u>85,106,536</u>	<u>(7,974,298)</u>
Charges for appropriation (outflows):				
Current				
Administration	6,227,870	6,411,308	4,919,262	1,492,046
Law enforcement	12,344,307	12,459,929	12,362,621	97,308
Public and environmental affairs	77,099	3,408,993	2,835,768	573,225
Administrative services	4,004,184	4,562,275	4,430,300	131,975
Recreation services	9,609,971	9,774,825	8,686,076	1,088,749
Community development	7,344,292	9,587,400	8,365,234	1,222,166
Public works	17,368,307	17,179,186	15,820,836	1,358,350
Capital outlay	2,317,469	8,548,992	7,762,733	786,259
Total charges for appropriations	<u>59,293,499</u>	<u>71,932,908</u>	<u>65,182,830</u>	<u>6,750,078</u>
Excess of revenues over expenditures	<u>18,702,148</u>	<u>21,147,926</u>	<u>19,923,706</u>	<u>(1,224,220)</u>
Other financing sources (uses)				
Proceeds from sale of land	-	-	872,250	872,250
Transfers in	2,000,000	2,000,000	2,254,183	254,183
Transfers (out)	(15,757,734)	(24,129,368)	(24,129,372)	(4)
Total other financing sources (uses)	<u>(13,757,734)</u>	<u>(22,129,368)</u>	<u>(21,002,939)</u>	<u>1,126,429</u>
Net change in fund balance	<u>\$ 4,944,414</u>	<u>\$ (981,442)</u>	(1,079,233)	<u>\$ (97,791)</u>
Beginning fund balance			<u>53,589,690</u>	
Ending fund balance			<u>\$ 52,510,457</u>	

CITY OF CUPERTINO, CALIFORNIA
TRANSPORTATION SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Use of money and property	\$ 2,000	\$ 2,000	\$ 49,183	\$ 47,183
Intergovernmental	1,666,000	1,666,000	2,004,832	338,832
Charges for services	4,100	4,100	24,941	20,841
Other revenue	-	-	775,021	775,021
Amounts available for appropriation	<u>1,672,100</u>	<u>1,672,100</u>	<u>2,853,977</u>	<u>1,181,877</u>
Charges for appropriation (outflows):				
Current				
Public works	1,789,899	1,720,251	1,719,112	1,139
Capital outlay	11,010,000	10,942,844	10,871,723	71,121
Total charges for appropriations	<u>12,799,899</u>	<u>12,663,095</u>	<u>12,590,835</u>	<u>72,260</u>
Excess of revenues over expenditures	<u>(11,127,799)</u>	<u>(10,990,995)</u>	<u>(9,736,858)</u>	<u>1,254,137</u>
Other financing sources (uses)				
Transfers in	10,988,000	10,988,000	10,987,992	(8)
Transfers (out)	<u>(779,762)</u>	<u>(779,762)</u>	<u>(827,349)</u>	<u>(47,587)</u>
Total other financing sources (uses)	<u>10,208,238</u>	<u>10,208,238</u>	<u>10,160,643</u>	<u>(47,595)</u>
Net change in fund balance	<u>\$ (919,561)</u>	<u>\$ (782,757)</u>	423,785	<u>\$ 1,206,542</u>
Beginning fund balance			<u>8,379,940</u>	
Ending fund balance			<u>\$ 8,803,725</u>	

CITY OF CUPERTINO, CALIFORNIA
HOUSING DEVELOPMENT SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 1,000,000	\$ 1,000,000	\$ 165,324	\$ (834,676)
Use of money and property	-	-	56,552	56,552
Intergovernmental	314,590	314,590	316,688	2,098
Charges for services	-	-	34,135	34,135
Other revenue	-	-	4,754	4,754
Amounts available for appropriation	<u>1,314,590</u>	<u>1,314,590</u>	<u>577,453</u>	<u>(737,137)</u>
Charges for appropriation (outflows):				
Current				
Community development	<u>9,031,210</u>	<u>12,637,010</u>	<u>4,541,852</u>	<u>8,095,158</u>
Total charges for appropriations	<u>9,031,210</u>	<u>12,637,010</u>	<u>4,541,852</u>	<u>8,095,158</u>
Net change in fund balance	<u>\$ (7,716,620)</u>	<u>\$ (11,322,420)</u>	(3,964,399)	<u>\$ 7,358,021</u>
Beginning fund balance			<u>12,484,169</u>	
Ending fund balance			<u>\$ 8,519,770</u>	

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 2017 - 18.

Resources Recovery Fund: This fund accounts for activity related to the collection, disposal, and recycling of solid waste. A private company has been issued an exclusive franchise to perform these services.

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

CITY OF CUPERTINO, CALIFORNIA
 PROPRIETARY FUNDS
 STATEMENT OF NET POSITION
 JUNE 30, 2018

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Resources Recovery	Recreation Programs	Nonmajor Enterprise Funds	Totals	
ASSETS					
Current assets					
Cash and cash investments (Note 2)	\$ 5,824,586	\$ 3,170,388	\$ 2,275,908	\$ 11,270,882	\$ 6,893,059
Accounts receivable	526,186	-	-	526,186	-
Total current assets	<u>6,350,772</u>	<u>3,170,388</u>	<u>2,275,908</u>	<u>11,797,068</u>	<u>6,893,059</u>
Noncurrent assets					
Capital assets (Note 5):					
Depreciable, net of accumulated depreciation	13,768	1,094,480	489,452	1,597,700	3,539,702
Total noncurrent assets	<u>13,768</u>	<u>1,094,480</u>	<u>489,452</u>	<u>1,597,700</u>	<u>3,539,702</u>
Total assets	<u>6,364,540</u>	<u>4,264,868</u>	<u>2,765,360</u>	<u>13,394,768</u>	<u>10,432,761</u>
DEFERRED OUTFLOWS OF RESOURCES					
Related to pension (Note 10)	253,174	206,791	204,720	664,685	630,341
Total deferred outflows of resources	<u>253,174</u>	<u>206,791</u>	<u>204,720</u>	<u>664,685</u>	<u>630,341</u>
LIABILITIES					
Current liabilities					
Accounts payable and accruals	143,507	226,941	270,408	640,856	166,067
Accrued payroll and benefits	289	-	-	289	72
Due to other funds (Note 4)	-	-	-	-	276,274
Compensated absences (Note 1):	23,303	24,598	15,038	62,939	21,091
Claims payable (Note 9)	-	-	-	-	262,157
Unearned revenue	-	568,004	150,334	718,338	-
Total current liabilities	<u>167,099</u>	<u>819,543</u>	<u>435,780</u>	<u>1,422,422</u>	<u>725,661</u>
Noncurrent liabilities					
Compensated absences (Note 1)	109,418	115,501	70,611	295,530	141,022
Claims payable (Note 9)	-	-	-	-	1,107,008
Net pension liability (Note 10)	975,521	793,888	796,660	2,566,069	2,436,835
Net OPEB liability (Note 11)	10,871	7,426	8,124	26,421	23,457
Total noncurrent liabilities	<u>10,871</u>	<u>7,426</u>	<u>8,124</u>	<u>26,421</u>	<u>23,457</u>
Total liabilities	<u>1,262,909</u>	<u>1,736,358</u>	<u>1,311,175</u>	<u>4,310,442</u>	<u>4,433,983</u>
DEFERRED INFLOWS OF RESOURCES					
Related to pension (Note 10)	6,937	4,903	7,665	19,505	19,376
Related to OPEB (Note 11)	33,238	22,708	24,845	80,791	71,725
Total deferred inflows of resources	<u>40,175</u>	<u>27,611</u>	<u>32,510</u>	<u>100,296</u>	<u>91,101</u>
NET POSITION (Note 7)					
Net investment in capital assets	13,768	1,094,480	489,452	1,597,700	3,539,702
Unrestricted	5,300,862	1,613,210	1,136,943	8,051,015	2,998,316
Total Net Position	<u>\$ 5,314,630</u>	<u>\$ 2,707,690</u>	<u>\$ 1,626,395</u>	<u>\$ 9,648,715</u>	<u>\$ 6,538,018</u>

CITY OF CUPERTINO, CALIFORNIA
 PROPRIETARY FUNDS
 STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
 FOR THE YEAR ENDED JUNE 30, 2018

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Resources Recovery	Recreation Programs	Nonmajor Enterprise Funds	Totals	
Operating revenues					
Charges for services	\$ 2,475,967	\$ 2,353,008	\$ 2,717,249	\$ 7,546,224	\$ 4,644,798
Other	83,895	163,670	32,083	279,648	8,027
Total operating revenue	<u>2,559,862</u>	<u>2,516,678</u>	<u>2,749,332</u>	<u>7,825,872</u>	<u>4,652,825</u>
Operating expenses					
Salaries and benefits	790,115	1,066,738	717,387	2,574,240	2,672,635
Materials and supplies	196,104	496,133	576,348	1,268,585	1,802,782
Contractual services	1,604,941	1,365,408	1,910,324	4,880,673	293,573
Insurance and claims and premium	-	-	-	-	727,808
Depreciation (Note 5)	3,351	304,314	85,801	393,466	799,775
Total operating expenses	<u>2,594,511</u>	<u>3,232,593</u>	<u>3,289,860</u>	<u>9,116,964</u>	<u>6,296,573</u>
Operating income (loss)	<u>(34,649)</u>	<u>(715,915)</u>	<u>(540,528)</u>	<u>(1,291,092)</u>	<u>(1,643,748)</u>
Nonoperating revenues					
Investment Income	40,662	15,778	19,223	75,663	41,843
Gain on sale of capital assets	-	-	-	-	59,715
Total nonoperating revenues	<u>40,662</u>	<u>15,778</u>	<u>19,223</u>	<u>75,663</u>	<u>101,558</u>
Income (loss) before transfers	6,013	(700,137)	(521,305)	(1,215,429)	(1,542,190)
Transfers in (Note 4)	-	400,000	399,996	799,996	3,427,712
Transfers (out) (Note 4)	-	(37,026)	(870,000)	(907,026)	-
Changes in net position	<u>6,013</u>	<u>(337,163)</u>	<u>(991,309)</u>	<u>(1,322,459)</u>	<u>1,885,522</u>
Net position - beginning of year as restated (Note 14)	<u>5,308,617</u>	<u>3,044,853</u>	<u>2,617,704</u>	<u>10,971,174</u>	<u>4,652,496</u>
Net position - end of year	<u>\$ 5,314,630</u>	<u>\$ 2,707,690</u>	<u>\$ 1,626,395</u>	<u>\$ 9,648,715</u>	<u>\$ 6,538,018</u>

CITY OF CUPERTINO, CALIFORNIA
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2018

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Resources Recovery	Recreation Programs	Nonmajor Enterprise Funds	Totals	
Cash flows from operating activities					
Cash received from customers	\$ 2,033,676	\$ 2,720,902	\$ 2,784,865	\$ 7,539,443	\$ 4,652,825
Cash payments to suppliers for goods and services	(1,856,435)	(1,766,505)	(2,413,471)	(6,036,411)	(2,038,733)
Cash payments to employees for salaries and benefits	(687,144)	(893,839)	(651,394)	(2,232,377)	(2,494,058)
Cash payments for judgment and claims	-	-	-	-	(1,041,294)
Net cash provided (used) by operating activities	<u>(509,903)</u>	<u>60,558</u>	<u>(280,000)</u>	<u>(729,345)</u>	<u>(921,260)</u>
Cash flows from noncapital financing activities					
Transfers in	-	400,000	399,996	799,996	2,303,986
Transfers (out)	-	(37,026)	(870,000)	(907,026)	-
Cash flows from noncapital financing activities	<u>-</u>	<u>362,974</u>	<u>(470,004)</u>	<u>(107,030)</u>	<u>2,303,986</u>
Cash flows from capital and related financing activities					
Acquisition of capital assets	-	-	(18,998)	(18,998)	(1,620,229)
Sale of capital assets	-	-	-	-	59,715
Cash flows from capital and related financing activities	<u>-</u>	<u>-</u>	<u>(18,998)</u>	<u>(18,998)</u>	<u>(1,560,514)</u>
Cash Flows from Investing Activities					
Interest received	<u>40,662</u>	<u>15,778</u>	<u>19,223</u>	<u>75,663</u>	<u>41,843</u>
Cash flows from investing activities	<u>40,662</u>	<u>15,778</u>	<u>19,223</u>	<u>75,663</u>	<u>41,843</u>
Net cash flows	<u>(469,241)</u>	<u>439,310</u>	<u>(749,779)</u>	<u>(779,710)</u>	<u>(135,945)</u>
Cash and investments at beginning of year	<u>6,293,827</u>	<u>2,731,078</u>	<u>3,025,687</u>	<u>12,050,592</u>	<u>7,029,004</u>
Cash and investments at end of year	<u>\$ 5,824,586</u>	<u>\$ 3,170,388</u>	<u>\$ 2,275,908</u>	<u>\$ 11,270,882</u>	<u>\$ 6,893,059</u>
Reconciliation of operating income (loss) to to net cash provided by operating activities:					
Operating income (loss)	\$ (34,649)	\$ (715,915)	\$ (540,528)	\$ (1,291,092)	\$ (1,643,748)
Adjustments to reconcile operating income to net cash provided by operating activities:					
Depreciation	3,351	304,314	85,801	393,466	\$ 799,775
Change in assets, deferred outflows of resources, liabilities and deferred inflows of resources					
Accounts receivable	(526,186)	74,930	-	(451,256)	-
Due to retirement system	56,204	49,008	37,101	142,313	131,384
Due to OPEB system	11,079	7,569	8,281	26,929	23,907
Accounts payable and accruals	(55,390)	95,036	73,201	112,847	57,622
Unearned revenue	-	129,294	35,533	164,827	-
Compensated absences	35,688	116,322	20,611	172,621	23,286
Claims payable	-	-	-	-	(313,486)
Net cash provided (used) by operating activities	<u>\$ (509,903)</u>	<u>\$ 60,558</u>	<u>\$ (280,000)</u>	<u>\$ (729,345)</u>	<u>\$ (921,260)</u>

FIDUCIARY FUND

Fiduciary funds account for activities where the City holds related resources in trust for specific purposes but cannot claim the resources with those that belong to the City.

Other Post-Employment Benefits Trust Fund: This fund accounts for activity related the City's OPEB plan administered through a qualified trust.

CITY OF CUPERTINO, CALIFORNIA
FIDUCIARY FUND
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2018

	<u>Other Post-Employment Benefits Trust Fund</u>
ASSETS	
Cash and equivalents	\$ 530,959
Investments:	
Mutual funds:	
Fixed income	17,137,395
Equity	8,419,654
Real estate	1,688,710
Commodities	<u>279,754</u>
 Total assets	 <u>28,056,472</u>
LIABILITIES	
	<u>-</u>
NET POSITION	
Restricted for post-employment benefits other than pensions	<u>\$ 28,056,472</u>

See accompanying notes to financial statements.

CITY OF CUPERTINO, CALIFORNIA
 FIDUCIARY FUND
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 FOR THE YEAR ENDED JUNE 30, 2018

	Other Post-Employment Benefits Trust Fund
ADDITIONS	
Employer contributions	\$ 1,059,248
Investment income:	
Net increase in fair value of investments	4,866,773
Interest and dividends	493,107
Less investment expense	(2,937,027)
Total additions	3,482,101
DEDUCTIONS	
Benefit payments	1,059,248
Administrative expense	111,456
Total deductions	1,170,704
Change in net position	2,311,397
Net position - beginning of year	25,745,075
Net position - end of year	\$ 28,056,472

See accompanying notes to financial statements.

CITY OF CUPERTINO, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 solely for the purpose of assisting the City in the acquisition, construction, and financing of public improvements which are of public benefit to the City. The Corporation, after acquiring certain properties from the City, leases these back to the City. The lease money provides the funds for the debt service for the Certificates of Participation issued by the Corporation to acquire the properties. The Corporation does not issue separate financial statements, since it is reported separately in the City's basic financial statements.

Fiduciary Component Unit: 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 functions for the benefit of the employees. The City funds all PARS Trust costs based on actuarial valuations for its specific portion of the PARS Trust as opposed to the PARS Trust as a whole.

Effective July 1, 2016, the City reported in its fiduciary fund financial statements the PARS Trust that pertains to the City as well as OPEB benefit payments of the Plan initiated by the City but reimbursed to the PARS Trust are required to be recognized under applicable standards due to a change in the reporting entity. With the implementation of GASB Statement 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, the City reviewed the PARS Trust separately issued financial statements and determined that inclusion of the City OPEB Plan component unit financial statements and related disclosures as a City trust fund were necessary as omission would have been misleading.

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 and 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.

(Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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 10 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.

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.

(Continued)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- *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 the following 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 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 which are provided to other departments on a cost-reimbursement basis.

Fiduciary Fund. The City's Other Post-Employment Benefits (OPEB) Trust fund is established in accordance with GASB Statement No. 74 for the defined benefit OPEB plan administered through trusts that meet the specified criteria.

Basis of Accounting: The government-wide, proprietary and fiduciary financial statements are reported using the economic resources measurement focus and the full accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt which are recognized as expenditures to the extent the City has provided financial resources to a debt service fund for payment of these liabilities that mature early in the following year. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds from long-term debt and acquisitions under capital leases are reported as other financing sources.

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

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

(Continued)

CITY OF CUPERTINO, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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:

<u>Fund/Department</u>	<u>Excess of Expenditures Over Appropriations</u>
Public Facilities Corporation Debt Service Fund	\$ 29,290

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, except for money market mutual funds which are reported at amortized cost.

(Continued)

CITY OF CUPERTINO, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Capital Assets: Capital assets are recorded at cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at their estimated acquisition value on the date donated. Public domain (infrastructure) capital assets consisting of roads, bridges, curbs, gutters, medians, sidewalks, drainage and lighting systems have been capitalized and depreciated. Capital assets are defined as assets with an initial individual cost of more than \$5,000 for general capital assets and \$100,000 for intangible assets.

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

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. For enterprise funds, interest incurred during the construction phase is reflected in the capitalized value of the asset constructed, net of interest earned on the invested proceeds over the same period. Some capital assets may be acquired using federal and state grant funds, or they may be contributed by developers or other governments. These contributions are accounted for as revenues at the time the capital assets are contributed.

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.

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.

(Continued)

CITY OF CUPERTINO, CALIFORNIA
 NOTES TO BASIC FINANCIAL STATEMENTS
 For the year ended June 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The changes in compensated absences for the year ended June 30, 2018 were as follows:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Beginning balance	\$ 3,206,048	\$ 185,848	\$ 3,391,896
Additions	1,192,006	187,823	1,379,829
Reductions	<u>(400,887)</u>	<u>(15,202)</u>	<u>(416,089)</u>
Ending balance	<u>\$ 3,997,167</u>	<u>\$ 358,469</u>	<u>\$ 4,355,636</u>
Current portion	<u>\$ 520,052</u>	<u>\$ 62,939</u>	<u>\$ 582,991</u>
Non-current portion	<u>\$ 3,477,115</u>	<u>\$ 295,530</u>	<u>\$ 3,772,645</u>

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. The City reports differences between expected and actual experience, changes in pension and OPEB assumptions, loss on pension and OPEB investments, and contributions made subsequent to the measurement date as well. Differences between expected and actual experience and changes in pension and OPEB plan assumptions are deferred and amortized over the average of the expected remaining service lives of employees who are provided with benefits through the pension and OPEB plans. Loss on pension and OPEB investments are deferred and amortized over five years. Employer contributions made subsequent to the measurement date and change in proportionate share are deferred and recognized as a reduction of the net pension and net OPEB liability in the subsequent reporting year.

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. Under the accrual basis of accounting differences between expected and actual experience are deferred and amortized over the average of the expected remaining service lives of all employees who are provided with benefits through the pension and OPEB plans.

Property Tax Calendar: All property taxes are levied and collected by the County of Santa Clara. Secured taxes are levied on July 1, are due in two installments on November 1 and February 1 and become delinquent after December 10 and April 10. Unsecured taxes are levied on July 1 and become delinquent on August 31. The lien date for secured and unsecured property taxes is January 1.

The City, in fiscal year 1993-94, adopted an alternative method of property tax distribution (the "Teeter Plan"). Under this method, the City receives 100 percent of its secured property tax levied in exchange for foregoing any interest and penalties collected on delinquent taxes. The City receives remittances as a series of advances made by the County during the year.

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.

(Continued)

CITY OF CUPERTINO, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

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.

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, 2018.

In June 2015, the GASB issued Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This Statement replaces the requirements of Statement 45 and requires governments to report a liability on the face of the financial statements for the OPEB that they provide. Statement 75 requires governments in all types of OPEB plans to present more extensive note disclosures and required supplementary information (RSI) about their OPEB liabilities. Among the new note disclosures is a description of the effect on the reported OPEB liability of using a discount rate and a healthcare cost trend rate that are one percentage point higher and one percentage point lower than assumed by the government. The new RSI includes a schedule showing the causes of increases and decreases in the OPEB liability and a schedule comparing a government's actual OPEB contributions to its contribution requirements. This Statement is effective for the City's fiscal year ended June 30, 2018. See Note 14 for the change in accounting principles.

In March 2016, the GASB issued Statement 81, *Irrevocable Split-Interest Agreements*. This Statement provides accounting and financial reporting guidance for irrevocable split-interest agreements in which a government is a beneficiary. This Statement is effective for the City's fiscal year ended June 30, 2018. This statement will have no effect on the City.

In March 2017, the GASB issued Statement 85, *Omnibus 2017*. The objective of this Statement is to address practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits. This Statement is effective for the City's fiscal year ended June 30, 2018. See Note 14 for the change in accounting principles that this Statement addresses regarding postemployment benefits. The other requirements of the standard will have no effect on the City.

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:

(Continued)

CITY OF CUPERTINO, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

NOTE 2 – CASH AND INVESTMENTS

Primary Government

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."

Policies: California Law requires banks and savings and loan institutions to pledge government securities with a market value of 110 percent of the City's cash on deposit, or first trust deed mortgage notes with a market value of 150 percent 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 with the exception of money market mutual funds, which are carried at amortized cost. 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.

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

	<u>Primary Government</u>
Cash and investments	\$ 140,415,320
Restricted cash and investments:	
Held by fiscal agent for bond repayments	<u>4,294,288</u>
Total cash and investments	<u>\$ 144,709,608</u>

(Continued)

CITY OF CUPERTINO, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2018

NOTE 2 – CASH AND INVESTMENTS (Continued)

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.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Minimum Credit Quality</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
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 percent of portfolio if using a private sector entity to assist in the placement of the time deposits. No maximum for others.

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:

(Continued)

CITY OF CUPERTINO, CALIFORNIA
 NOTES TO BASIC FINANCIAL STATEMENTS
 For the year ended June 30, 2018

NOTE 2 – CASH AND INVESTMENTS (Continued)

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Minimum Credit Quality</u>	<u>Maximum Percentage of Portfolio</u>
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 \$65 million
Shares in a California common law trust established pursuant to Title 1, Division 7, Chapter 5 of the California Government Code which invests exclusively in investments permitted by Section 53635 of Title 5, Division 2, Chapter of the California Government Code, as it may be amended.	N/A	N/A	None

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:

(Continued)

CITY OF CUPERTINO, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2018

NOTE 2 – CASH AND INVESTMENTS (Continued)

<u>Investment Type</u>	12 Months or less	13 to 24 Months	More than 24 Months	Total
U.S. Treasury Securities	\$ 5,976,220	\$ 8,839,150	\$ -	\$ 14,815,370
U.S. Agency Notes				
Federal Home Loan Mortgage Corporation	5,947,080	9,801,850	-	15,748,930
Federal National Mortgage Association	995,870	1,956,220	2,923,620	5,875,710
Federal Home Loan Banks	4,990,000	5,938,200	2,989,230	13,917,430
Federal Farm Credit Banks	5,978,520	1,962,340	-	7,940,860
Local Agency Investment Fund	55,792,465	-	-	55,792,465
Money Market Mutual Funds	11,773,452	-	-	11,773,452
Total Investments	<u>\$91,453,607</u>	<u>\$28,497,760</u>	<u>\$ 5,912,850</u>	<u>125,864,217</u>
Cash in banks and on hand				18,845,391
Total Cash and Investments				<u>\$ 144,709,608</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, 2018, money market mutual funds, used for pooled investment and held by fiscal agent purposes, had a weighted average maturity of 31 days or less.

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, 2018:

(Continued)

CITY OF CUPERTINO, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2018

NOTE 2 – CASH AND INVESTMENTS (Continued)

Investments by Fair Value Level:	Level 1	Level 2	Total
U.S. Treasury Securities	\$14,815,370	\$ -	\$ 14,815,370
U.S. Agency Notes			
Federal Home Loan Mortgage Corporation	-	15,748,930	15,748,930
Federal National Mortgage Association	-	5,875,710	5,875,710
Federal Home Loan Banks	-	13,917,430	13,917,430
Federal Farm Credit Banks	-	7,940,860	7,940,860
Total Investments	\$14,815,370	\$ 43,482,930	58,298,300
Investments Measured at Amortized Cost:			
Money Market Mutual Funds			11,773,452
Investments Exempt from Fair Value Hierarchy:			
Local Agency Investment Fund			55,792,465
Cash in banks and on hand			18,845,391
Total Cash and Investments			\$ 144,709,608

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. 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. The California Local Agency Investment Fund (LAIF) is valued using factors provided in the Pooled Money Investment Account (PMIA) Performance Report by the State Treasurer's Office. Money market funds are exempt from fair value measurement and are reported at amortized cost.

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, 2018 for each investment type, including those with fiscal agents, as provided by Moody's ratings:

Investment Type	Ratings	Total
Money Market Mutual Funds	AAA	\$ 11,773,452
U.S. Agency Notes		
Federal Home Loan Mortgage Corporation	AAA	15,748,930
Federal National Mortgage Association	AAA	5,875,710
Federal Home Loan Banks	AAA	13,917,430
Federal Farm Credit Banks	AAA	7,940,860
U.S. Treasury Securities	AAA	14,815,370
Not Rated:		
Local Agency Investment Fund	Not Rated	55,792,465
Total Investments		\$ 125,864,217

(Continued)

CITY OF CUPERTINO, CALIFORNIA
 NOTES TO BASIC FINANCIAL STATEMENTS
 For the year ended June 30, 2018

NOTE 2 – CASH AND INVESTMENTS (Continued)

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 five percent or more of total City-wide investments:

Issuer	Investment Type	Amount
Federal Home Loan Mortgage Corporation (FHLMC)	U.S. Agency Notes	\$ 15,748,930
Federal Home Loan Banks (FHLB)	U.S. Agency Notes	13,917,430
Federal Farm Credit Banks (FFCB)	U.S. Agency Notes	7,940,860

OPEB Trust:

The OPEB Trust's pooled idle funds are invested pursuant to investment policy guidelines adopted by the Plan. 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 Plan maintains a cash and investment pool that is available for use only by the plan and not any other City funds.

Policies: California Law requires banks and savings and loan institutions to pledge government securities with a market value of 110 percent of the Plan's cash on deposit, or first trust deed mortgage notes with a market value of 150 percent 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 Plans name and places the Plan ahead of general creditors of the institution.

The Plan and its fiscal agent 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 Plan are held in safekeeping by a third party custodian acting as agent for the City under the terms of a custody agreement.

The Plan's investments are carried at fair value with the exception of money market mutual funds which are carried at amortized cost. The Plan 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.

Classification: The Plan's total cash and investments, at fair value, are presented on the fiduciary fund financial statements.

Authorized Investments: The Plan's Investment Policy and the California Government Code allow the Plan 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. Specifics of the policy are:

Fixed Income Assets: The fixed income investments are to maintain intermediate-term average weighted duration, between three-seven years. At the time of purchase, no single fixed income issuer shall exceed two percent of the total market value of the Portfolio, with the exception of U.S. Treasury or Agency obligations. The direct high-yield portion shall constitute no more than 10 percent of the total market value of the Portfolio.

(Continued)

NOTE 2 – CASH AND INVESTMENTS (Continued)

Equity & Growth Assets: The domestic equity investments are expected to be diversified at all times by size, industry, sector, and style (Large Cap, Mid Cap, and Small Cap). At the time of purchase, no individual equity security shall exceed two percent of the total market value of the Portfolio. The international equity investments (including emerging markets) shall constitute no more than 20 percent of the total market value of the Portfolio. The real estate investments shall be captured through the use of diversified mutual funds or ETFs investing in REITs; and shall constitute no more than 15 percent of the total market value of the Portfolio. The commodities investments shall be captured through the use of diversified mutual funds or ETFs; and shall constitute no more than 10 percent of the total market value of the Portfolio.

Permitted Asset Classes and Security Types

- Fixed Income & Cash Equivalent Investments:
 - Domestic Certificates of Deposit (rated A-1/P-1 or better)
 - Domestic Commercial Paper (rated A-1/P-1 or better)
 - Floating Rate Notes
 - Money Market Mutual Funds
 - U.S. Treasury Bonds, Bills and Notes
 - U.S. Agency (and Instrumentality) Discount Notes, Notes, and Bonds
 - Treasury Inflation-Protected Securities (TIPS)
 - Municipal Bonds and Notes
 - Corporate Bonds
 - Mortgage-Backed Bonds (MBS)
 - Asset-Backed Bonds (ABS)
 - High-Yield Bonds (rated B-/B3 or better)
 - Dollar denominated Foreign Bonds and Notes
 - Bond Mutual Funds

- Equity Investments:
 - Common & Preferred Stocks
 - American Depository Receipts (ADRs)
 - Domestic and International Equity Mutual Funds (Open and Closed)
 - Emerging Market Equity Funds or Exchange Traded Funds (ETFs)

- Alternative Investments:
 - Commodities Mutual Funds or Exchange Traded Notes (ETNs)
 - REIT Investment or Pooled Strategy or Fund of REITs
 - Registered Hedge Funds or Hedge Fund of Funds

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. All of the Plan's investments are held in mutual fund securities with a maturity of less than 12 months.

Money market mutual funds are available for withdrawal on demand. At June 30, 2018, money market mutual funds, used for investment and held by fiscal agent purposes, had a weighted average maturity of 20 days or less.

(Continued)

NOTE 2 – CASH AND INVESTMENTS (Continued)

Fair Value Hierarchy: The Plan 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 Plan's investments in mutual funds are valued at fair value and are considered Level 1 investments.

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. As the Plan is invested in mutual funds, there are no available credit risk ratings.

Concentration of Credit Risk: The Plan'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 Plan did not have investments that represent five percent or more of total Plan investments.

NOTE 3 — LOANS RECEIVABLE

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. The City had received full payment on this loan during the fiscal year, as thus reported a balance of \$0 as of the year ended June 30, 2018.

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, 2018, the balance remaining on the loan was \$821,000. The loan was issued using resources in the Housing Development Fund and is considered governmental activities.

On June 6, 1996, the City loaned \$320,000 to Cupertino Community Services, a California nonprofit public benefit corporation. The note bears interest at three percent per annum and due on July 14, 2026. At June 30, 2018, the balance on the loan was \$188,940. The loan was issued using resources in the Housing Development Fund and is considered governmental activities.

On September 11, 2017 the City loaned \$3,672,000 to Stevens Creek, L.P., a California limited partnership. The note bears interest at three percent per annum for 55 years. After the completion of construction of the development, no later than April 30th of each calendar year, the Developer shall make repayments of the loan in an amount equal to the City loan percentage of the lenders' share of residual receipts. The payments shall be credited first against accrued interest and then against outstanding principal of the loan, and shall be accompanied by the developer's report of residual receipts. At June 30, 2018, the balance remaining on the loan was \$3,672,000. The loan was issued using resources in the Housing Development Fund and is considered governmental activities.

In addition to these loans, the City has \$40,120 in housing and other loans receivable at June 30, 2018. These loans bear interest at three to six percent and are due by June 30, 2025. The loan was issued using resources in the Housing Development Fund and is considered governmental activities.

(Continued)

CITY OF CUPERTINO, CALIFORNIA
 NOTES TO BASIC FINANCIAL STATEMENTS
 For the year ended June 30, 2018

NOTE 4 – INTERFUND TRANSACTIONS

Transfers between funds during the fiscal year ended June 30, 2018 were as follows:

<u>Fund Making Transfers</u>	<u>Fund Receiving Transfers</u>	<u>Amount Transferred</u>
General Fund	Transportation Special Revenue Fund	\$ 6,849,996 (A)
	Public Financing Corporation Debt Service Fund	3,167,544 (B,D)
	Capital Improvement Projects Capital Projects Fund	10,000,000 (A)
	Non-major Governmental Funds	284,124 (C)
	Non-major Enterprise Funds	399,996 (D)
	Internal Service Funds	3,427,712 (E)
Transportation Special Revenue Fund	Capital Improvement Projects Capital Projects Fund	827,349 (A)
Capital Improvements Projects Capital Projects Fund	General Fund	2,075,928 (F)
	Transportation Special Revenue Fund	4,137,996 (A)
	Non-major Governmental Funds	1,500,000 (C)
Non-major Governmental Funds	General Fund	178,255 (F)
	Capital Improvement Projects Capital Projects Fund	1,500,000 (A)
Recreation Program Enterprise Funds	Capital Improvement Projects Capital Projects Fund	37,026 (A)
Non-major Enterprise Funds	Capital Improvement Projects Capital Projects Fund	470,000 (A)
	Recreation Program Enterprise Funds	<u>400,000 (D)</u>
Total Interfund Transfers		<u>\$ 35,255,926</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 transfer residual resources due to project completion

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, 2018, the Retiree Medical and Equipment Revolving Internal Service Funds owed the General Fund \$276,274 and the Public Financing Corporation Debt Service Fund owed the General Fund \$30,782, for a total owed to the General Fund across all funds of \$307,056.

(Continued)

CITY OF CUPERTINO, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2018

NOTE 5 – CAPITAL ASSETS

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

	Balance at July 1, 2017	Additions	Deletions	Transfers	Balance at June 30, 2018
Governmental Activities:					
Capital Assets Not Being Depreciated:					
Land	\$ 62,045,969	\$ -	\$ -	\$ -	\$ 62,045,969
Easements	19,491,959	-	-	-	19,491,959
Construction in Progress	773,565	17,241,984	(28,189)	(10,833,499)	7,153,861
Total Capital Assets Not Being Depreciated	<u>82,311,493</u>	<u>17,241,984</u>	<u>(28,189)</u>	<u>(10,833,499)</u>	<u>88,691,789</u>
Capital Assets Being Depreciated:					
Buildings	43,762,096	2,450,000	(485,746)	-	45,726,350
Improvements Other Than Buildings	49,665,047	-	-	7,404,831	57,069,878
Machinery and Equipment	3,069,243	-	-	142,265	3,211,508
Road, Curbs, Gutters, Sidewalks, Medians and Bridges	159,811,072	-	-	586,670	160,397,742
Streetlights	8,633,770	-	-	13,224	8,646,994
Storm Drain Structure and Mains	35,796,755	-	-	1,137,010	36,933,765
Traffic Signals	6,418,246	-	-	-	6,418,246
Total Capital Assets Being Depreciated	<u>307,156,229</u>	<u>2,450,000</u>	<u>(485,746)</u>	<u>9,284,000</u>	<u>318,404,483</u>
Less Accumulated Depreciation For:					
Buildings	(25,319,970)	(1,710,765)	354,066	-	(26,676,669)
Improvements Other Than Buildings	(34,007,361)	(2,200,319)	-	-	(36,207,680)
Machinery and Equipment	(2,070,939)	(197,089)	-	-	(2,268,028)
Road, Curbs, Gutters, Sidewalks, Medians and Bridges	(103,771,438)	(1,928,997)	-	-	(105,700,435)
Streetlights	(7,131,060)	(107,184)	-	-	(7,238,244)
Storm Drain Structure and Mains	(31,847,658)	(401,795)	-	-	(32,249,453)
Traffic Signals	(5,350,613)	(112,774)	-	-	(5,463,387)
Total Accumulated Depreciation	<u>(209,499,039)</u>	<u>(6,658,923)</u>	<u>354,066</u>	<u>-</u>	<u>(215,803,896)</u>
Total General Government Capital Assets Being Depreciated, Net	<u>97,657,190</u>	<u>(4,208,923)</u>	<u>(131,680)</u>	<u>9,284,000</u>	<u>102,600,587</u>
Internal Service Fund Capital Assets					
Machinery and Equipment	8,608,618	70,730	(271,733)	1,549,499	9,957,114
Less Accumulated Depreciation	(5,889,370)	(799,775)	271,733	-	(6,417,412)
Net Internal Service Fund Capital Assets Being Depreciated	<u>2,719,248</u>	<u>(729,045)</u>	<u>-</u>	<u>1,549,499</u>	<u>3,539,702</u>
Governmental Activity Capital Assets, Net	<u>\$182,687,931</u>	<u>\$ 12,304,016</u>	<u>\$ (159,869)</u>	<u>\$ -</u>	<u>\$194,832,078</u>

(Continued)

CITY OF CUPERTINO, CALIFORNIA
 NOTES TO BASIC FINANCIAL STATEMENTS
 For the year ended June 30, 2018

NOTE 5 – CAPITAL ASSETS (Continued)

	Balance at July 1, 2017	Additions	Deletions	Transfers	Balance at June 30, 2018
Business-Type Activities:					
Capital Assets Not Being Depreciated:					
Construction in Progress	\$ 13,296	\$ 18,998	\$ -	\$ (32,294)	\$ -
Total Capital Assets Not Being Depreciated	<u>13,296</u>	<u>18,998</u>	<u>-</u>	<u>(32,294)</u>	<u>-</u>
Capital Assets Being Depreciated:					
Buildings	1,006,002	-	-	-	1,006,002
Improvements Other Than Buildings	2,057,450	-	-	32,294	2,089,744
Machinery and Equipment	<u>623,332</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>623,332</u>
Total Capital Assets Being Depreciated	<u>3,686,784</u>	<u>-</u>	<u>-</u>	<u>32,294</u>	<u>3,719,078</u>
Less Accumulated Depreciation For:					
Buildings	(251,257)	(59,857)	-	-	(311,114)
Improvements Other Than Buildings	(948,045)	(304,282)	-	-	(1,252,327)
Machinery and Equipment	<u>(528,610)</u>	<u>(29,327)</u>	<u>-</u>	<u>-</u>	<u>(557,937)</u>
Total Accumulated Depreciation	<u>(1,727,912)</u>	<u>(393,466)</u>	<u>-</u>	<u>-</u>	<u>(2,121,378)</u>
Total Capital Assets Being Depreciated, Net	<u>1,958,872</u>	<u>(393,466)</u>	<u>-</u>	<u>32,294</u>	<u>1,597,700</u>
Business-Type Activity Capital Assets, Net	<u>\$ 1,972,168</u>	<u>\$ (374,468)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,597,700</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	
Administration	\$ 163,458
Public and Environment Affairs	14,290
Administrative Services	25,333
Parks and Recreation	144,849
Public Works	6,310,993
Internal Service Funds	<u>799,775</u>
Total	<u>\$ 7,328,333</u>

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

Business-Type Activities	
Resources Recovery	\$ 3,351
Blackberry Farm	28,553
Cupertino Sports Center	57,248
Recreation Program	<u>304,314</u>
Total	<u>\$ 393,446</u>

(Continued)

CITY OF CUPERTINO, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2018

NOTE 6 – LONG-TERM DEBT

Cupertino Public Facilities Corporation Certificates of Participation:

	<u>Original Issue Amount</u>	<u>Balance June 30, 2017</u>	<u>Retirements</u>	<u>Balance June 30, 2018</u>	<u>Current Portion</u>
2012 Refinancing Certificates of Participation:					
0.350-3.125%, due 07/01/2030	\$ 43,940,000	<u>\$ 33,700,000</u>	<u>\$ 2,180,000</u>	<u>\$ 31,520,000</u>	<u>\$ 2,220,000</u>
Total long-term debt		<u>\$ 33,700,000</u>	<u>\$ 2,180,000</u>	<u>\$ 31,520,000</u>	<u>\$ 2,220,000</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 which represent the pledged revenues are scheduled to be sufficient in both time and amount, when the principal and interest of the certificates are due, which was the case for the year ended June 30, 2018.

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 \$38,044,547 payable through July 1, 2030. For the year ended June 30, 2018, the bonds had \$2,180,000 of principal and \$993,038 interest due.

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

For the Year Ending June 30	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2019	2,220,000	949,438
2020	2,290,000	882,838
2021	2,355,000	814,138
2022	2,425,000	743,486
2023	2,500,000	670,738
2024-2028	13,675,000	2,182,490
2029-2030	<u>6,055,000</u>	<u>281,419</u>
Total	<u>\$ 31,520,000</u>	<u>\$ 6,524,547</u>

(Continued)

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, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2018

NOTE 7 - NET POSITION AND FUND BALANCES (Continued)

Fund balances for all major and nonmajor governmental funds as of June 30, 2018, were distributed as follows:

	General	Transportation	Housing Development	Public Facilities Corporation	Capital Improvements Projects	Other Governmental Funds	Total
Nonspendable:							
Loans receivable	\$ 458,893	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 458,893
Prepaid items	6,000	-	-	-	-	-	6,000
Subtotal	<u>464,893</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>464,893</u>
Restricted for:							
Public access television	1,237,403	-	-	-	-	-	1,237,403
Debt service	17,175	-	-	1,586,987	-	-	1,604,162
Storm drain system	-	-	-	-	-	1,808,822	1,808,822
Parks and open space	-	-	-	-	-	9,859,784	9,859,784
Environmental management	-	-	-	-	-	239,529	239,529
Streets and road projects	-	8,803,725	-	-	-	-	8,803,725
Housing programs	-	-	8,519,770	-	-	-	8,519,770
Subtotal	<u>1,254,578</u>	<u>8,803,725</u>	<u>8,519,770</u>	<u>1,586,987</u>	<u>-</u>	<u>11,908,135</u>	<u>32,073,195</u>
Committed for:							
Economic uncertainty I	19,000,000	-	-	-	-	-	19,000,000
Sustainability Reserve	122,754	-	-	-	-	-	122,754
Subtotal	<u>19,122,754</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>19,122,754</u>
Assigned to:							
PERS liability	4,793,000	-	-	-	-	-	4,793,000
Encumbrances	5,170,310	-	-	-	-	-	5,170,310
Capital projects	-	-	-	-	28,903,023	226,593	29,129,616
Subtotal	<u>9,963,310</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>28,903,023</u>	<u>226,593</u>	<u>39,092,926</u>
Unassigned	<u>21,704,922</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>21,704,922</u>
Total	\$ 52,510,457	\$ 8,803,725	\$ 8,519,770	\$ 1,586,987	\$ 28,903,023	\$ 12,134,728	\$ 112,458,690

NOTE 8 – COMMITMENTS AND CONTINGENCIES

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, 2018, 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.

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

(Continued)

CITY OF CUPERTINO, CALIFORNIA
 NOTES TO BASIC FINANCIAL STATEMENTS
 For the year ended June 30, 2018

NOTE 8 – COMMITMENTS AND CONTINGENCIES (Continued)

As of June 30, 2018, the City had the following encumbrances outstanding:

Governmental Funds:	
General Fund	\$ 5,170,310
Transportation Special Revenue Fund	4,373,575
Housing Development Special Revenue Fund	38,220
Capital Improvements Projects Capital Projects Fund	973,583
Other Governmental Funds	95,009
Total Encumbrances	\$ 10,650,697

Lease Agreement with County of Santa Clara: The City has an agreement (commitment), 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, 2018, the cost and carrying value of the building which opened in October 2004, is \$21,952,133 and \$9,816,355 respectively, with \$12,135,778 in accumulated depreciation.

Consulting Agreement for Sales Taxes: The City entered into agreements (commitments) with two companies to provide services consisting of the assessment and creation of new sales and use tax revenue sources for the City. The City agreed to pay the companies based on a sliding scale payment schedule dependent on the level of new sales tax revenue realized by the City as defined in the consulting agreements. For the year ended June 30, 2018, the City incurred \$7,014,450 in related expenditures.

Santa Clara County Vehicle Registration Fee (VRF): The City is required to report VRF revenues, expenditures and fund balances as of the year ended June 30, 2018:

VRF Balance as of July 1, 2017	\$ -
VRF Revenue	361,846
VRF Interest	-
VRF Expended	(361,846)
VRF Balance as of June 30, 2018	\$ -

NOTE 9 – LIABILITIES UNDER SELF-INSURANCE AND RISK MANAGEMENT

General and Property Liability: The City is self-insured for the first \$250,000 of general and property liability for each occurrence, and the excess (up to \$10,000,000 for each occurrence and annual aggregate) is covered through the City's participation in the 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, 2018, the City paid ABAG PLAN premiums of \$668,440.

(Continued)

CITY OF CUPERTINO, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2018

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

Workers' Compensation Liability: The City belongs to the CSAC Excess Insurance Authority (EIA), a joint power authority which provides excess workers' compensation liability claims coverage above the City's self-insured retention of \$500,000 per occurrence. Losses above the self-insured retention are pooled with excess reinsurance purchased to a \$50,000,000 statutory limit. EIA was established in 1979 for the purpose of creating a risk management pool for all California public entities. EIA is governed by a Board of Directors consisting of representatives of its member public entities. Complete financial statements for ETA may be obtained from their offices at the following address: CSAC Excess Insurance Authority, Finance Department, EIA 75 Iron Point Circle, Suite 200, Folsom, CA 95630. For the year ended June 30, 2018, the City paid premiums of \$115,327.

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

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

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

	2018	2017
Claims liability, beginning of year	\$ 1,682,651	\$ 1,481,098
Incurred claims and changes in estimate	(12,991)	388,701
Claim payments and credits	(300,495)	(187,148)
Total claims liability, end of year	1,369,165	1,682,651
Less current portion	(262,157)	(521,998)
Non-current portion	\$ 1,107,008	\$ 1,160,653

NOTE 10 – DEFINED BENEFIT PENSION PLAN

Plan Descriptions and Summary of Balances by Plan: The City has one defined benefit pension plan. The Miscellaneous Plan (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.

(Continued)

CITY OF CUPERTINO, CALIFORNIA
 NOTES TO BASIC FINANCIAL STATEMENTS
 For the year ended June 30, 2018

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	\$ 10,670,519	\$ 41,144,402	\$ 299,990

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, 2018, are summarized as follows:

	Hire date	
	Prior to January 1, 2013	On or after January 1, 2013
Benefit formula	2.7% @ 55	2.0% @ 62
Benefit vesting schedule	5 years service	5 years service
Benefit payments	monthly for life	monthly for life
Minimum retirement age	50	52
Monthly benefits, as a % of eligible compensation	2% to 2.7%	1% to 2%
Required employee contribution rates	8.00%	6.25%
Required employer contribution rates	23.54%	25.653%

Employees Covered: As of the June 30, 2016 actuarial valuation date (most current), the following employees were covered by the benefit terms of the Plan:

Inactive employees or beneficiaries currently receiving benefits	201
Inactive employees entitled to but not yet receiving benefits	124
Active employees	182
Total	507

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.

(Continued)

CITY OF CUPERTINO, CALIFORNIA
 NOTES TO BASIC FINANCIAL STATEMENTS
 For the year ended June 30, 2018

NOTE 10 – DEFINED BENEFIT PENSION PLAN (Continued)

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, 2017, using an annual actuarial valuation as of June 30, 2016 rolled forward to June 30, 2017 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, 2016 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2016
Measurement Date	June 30, 2017
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.75%
Payroll Growth	3.00%
Projected Salary Increase	Varies by Entry Age and Service (1)
Investment Rate of Return	7.5% (2)
Derived using CalPERS' Membership	
Mortality	Data for all Funds (3)

(1) Depending on age, service and type of employment

(2) Net of pension plan investment expenses and administrative 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 table, please refer to the CalPERS 2014 experience study report available on CalPERS website.

All other actuarial assumptions used in the June 30, 2016 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: In 2017, the accounting discount rate reduced from 7.65 percent to 7.15 percent. In 2016, there were no changes.

Discount Rate: The discount rate used to measure the total pension liability was 7.15 percent for the 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 7.15 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.15 percent will be applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report that can be obtained from the CalPERS website.

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.

(Continued)

CITY OF CUPERTINO, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2018

NOTE 10 - DEFINED BENEFIT PENSION PLAN (Continued)

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

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

Asset Class	New Strategic Allocation	Real Return Years 1 - 10(a)	Real Return Years 11+(b)
Global Equity	47.00%	4.90%	5.38%
Global Fixed Income	19.00%	80.00%	2.27%
Inflation Sensitive	6.00%	60.00%	1.39%
Private Equity	12.00%	6.60%	6.63%
Real Estate	11.00%	2.80%	5.21%
Infrastructure and Forestland	3.00%	3.90%	5.36%
Liquidity	2.00%	-0.40%	-0.09%
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.

Changes in Net Pension Liability: The changes in the Net Pension Liability for the City's Miscellaneous Plan are as follows:

(Continued)

CITY OF CUPERTINO, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2018

NOTE 10 – DEFINED BENEFIT PENSION PLAN (Continued)

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Balance at June 30, 2016	\$ 114,836,186	\$ 78,096,224	\$ 36,739,962
Changes in the year:			
Service cost	2,895,549		2,895,549
Interest on the total pension liability	8,619,588		8,619,588
Change of Assumptions	7,125,558		7,125,558
Differences between actual and expected experience	(182,397)		(182,397)
Contribution - employer		4,183,822	(4,183,822)
Contribution - employee		1,236,052	(1,236,052)
Net investment income		8,749,288	(8,749,288)
Administrative expenses		(115,304)	115,304
Benefit payments, including refunds of employee contributions	(5,346,890)	(5,346,890)	-
Net changes	<u>13,111,408</u>	<u>8,706,968</u>	<u>4,404,440</u>
Balance at June 30, 2017	<u>\$ 127,947,594</u>	<u>\$ 86,803,192</u>	<u>\$ 41,144,402</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 one percentage point lower or one percentage point higher than the current rate:

	<u>Miscellaneous</u>
1% Decrease	6.15%
Net Pension Liability	\$58,470,218
Current Discount Rate	7.15%
Net Pension Liability	\$41,144,402
1% Increase	8.15%
Net Pension Liability	\$26,841,197

Pension Plan Fiduciary Net Position: Detailed information about the Plan's fiduciary net position is available in the separately issued CalPERS financial reports.

(Continued)

CITY OF CUPERTINO, CALIFORNIA
 NOTES TO BASIC FINANCIAL STATEMENTS
 For the year ended June 30, 2018

NOTE 10 – DEFINED BENEFIT PENSION PLAN (Continued)

Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions: For the year ended June 30, 2018, the City recognized pension expense of \$6,600,888. At June 30, 2018, 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	\$ 4,263,020	\$ -
Differences between actual and expected experience	308,221	(128,751)
Changes in assumptions	5,029,806	(171,239)
Net differences between projected and actual earnings on plan investments	1,069,472	-
Total	\$ 10,670,519	\$ (299,990)

The \$4,263,020 of contributions for the fiscal year ended June 30, 2018 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, 2019. 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
2019	\$ 2,091,093
2020	3,380,854
2021	1,272,593
2022	(637,031)
	\$ 6,107,509

NOTE 11 – OTHER POST EMPLOYMENT BENEFITS (OPEB)

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.

(Continued)

CITY OF CUPERTINO, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2018

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

The City participates in the Public Agency Retirement System (PARS) Public Agencies Post Retirement Health Care Plan Trust Program (PARS Trust), an agent-multiple employer irrevocable trust established to fund other postemployment benefits. The City Council adopted the PARS Public Agencies Post-Retirement Health Care Plan Trust, including the PARS Public Agencies Post-Retirement Health Care Plan, to fund medical insurance costs for its retired employees, effective February 17, 2010. The City Council appointed the City Treasurer, or his/her successor or his/her designee as the City's plan administrator. The plan administrator is authorized to execute the PARS legal documents on behalf of the City and to take whatever additional actions necessary to maintain the City's participation in the Program and to maintain compliance of any relevant regulation issued or as may be issued; therefore, authorizing him/her to take whatever additional actions are required to administer the City's PARS Plan. The PARS Trust is approved by the Internal Revenue Code Section 115 and invests funds in equity, bond, and money market mutual funds. Copies of PARS Trust annual financial report is available at the City's Finance Department. However, as the City is the plan administrator and has ultimate responsibility for the plan, the City considered the plan to be a single employer plan with PARS as the trust administrator only (with no special funding situation or nonemployer contributing entity). As such, in accordance with the requirements of GASB Statement 74, *Financial Reporting for Post Employment Benefit Plans Other Than Pension Plans*, the City has elected to present the PARS Trust as a fiduciary fund and include the required disclosures and required supplementary information in its annual financial statements.

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.

Plan membership: At January 1, 2017 (the latest information available), Plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefit payments	130
Inactive plan members entitled to but not yet receiving benefit payments	1
Active plan members	<u>174</u>
	<u>305</u>

Contributions: OPEB Plan contributions are set by the adopted budget. The cost of the benefits provided by the OPEB Plan is currently being paid by the City on a fully pre-funded basis. Based on the actuarial valuation date of January 1, 2018, the annual required contribution rate is 7.41 percent of annual covered payroll. For the year ended June 30, 2018, the City paid \$1,059,248 in healthcare premium payments. Plan members are not required to contribute to the plan.

(Continued)

CITY OF CUPERTINO, CALIFORNIA
 NOTES TO BASIC FINANCIAL STATEMENTS
 For the year ended June 30, 2018

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

Net OPEB Liability of the City: The components of the net OPEB liability of the City at June 30, 2018 (expressed in thousands) were as follows:

Total OPEB liability	\$ 28,471
Plan fiduciary net position	<u>28,056</u>
City's net OPEB liability	<u>\$ 415</u>

Plan fiduciary net position as a percentage of the total OPEB liability 98.5%

Investment rate of return: The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the target asset allocation as of June 30, 2018 (see the discussion of the Plan's investment policy) are summarized in the following table:

<u>Asset Class</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed income – core	14.00%
Fixed income – high yield	6.00%
Fixed income – inflation protected	4.00%
Fixed income – hedged	4.00%
Equities – domestic	43.75%
Equities – developed foreign	14.75%
Equities – emerging foreign	4.50%
Real estate	6.00%
Commodities	1.00%
Cash	2.00%

Investment policy: The Plan's policy in regard to the allocation of invested assets is established and may be amended by the Plan's Board by a majority vote of its members. It is the policy of the Plan Board to pursue an investment strategy that reduces risk through the prudent diversification of the portfolio across a broad selection of distinct asset classes. The Plan's investment policy discourages the use of cash equivalents, except for liquidity purposes, and aims to refrain from dramatically shifting asset class allocations over short time spans. The following was the Board's adopted asset allocation policy as of June 30, 2018:

<u>Asset Class</u>	<u>Target Allocation</u>
Fixed income	29%
Equities	62%
Real estate	6%
Commodities	2%
Cash	<u>1%</u>
Total	<u>100%</u>

(Continued)

CITY OF CUPERTINO, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2018

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

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

Rate of return: For the year ended June 30, 2018, the annual money-weighted rate of return on investments, net of investment expense, was 8.31 percent. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Actuarial assumptions: The total OPEB liability was determined by an actuarial valuation as of January 1, 2018, using the previously listed actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified. Mortality rates were based on the CalPERS mortality assumptions.

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

The other significant actuarial assumptions used to prepare the City's January 1, 2018 actuarial valuation include the following:

Valuation date:	January 1, 2018
Measurement date:	June 30, 2018
Actuarial Cost Method:	Entry Age Normal
Amortization Method:	Level percent of pay closed
Amortization Period:	12 year
Asset Valuation Method:	Market value
Actuarial Assumptions:	
Discount Rate	7.00%
Payroll Growth	3.00%
Ultimate Rate of Medical Inflation	4.50%
Mortality (1)	CalPERS mortality assumptions
Health Care Trend	The annual cost of healthcare is expected to decrease from 7.5% in 2019 to 4% from 2076 and later.

(1) 2014 CalPERS Experience Study, Recipients with attained age of 50

Discount rate: The discount rate used to measure the total OPEB liability was 7.0 percent. The projection of cash flows used to determine the discount rate assumed that City contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

(Continued)

CITY OF CUPERTINO, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2018

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

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

	Increase (Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
	(a)	(b)	(a) - (b)
Balances at July 1, 2017	\$ 27,006,000	\$ 25,745,000	\$ 1,261,000
Changes in the year:			
Service cost	1,008,000	-	1,008,000
Interest	1,876,000	-	1,876,000
Actuarial experience	-	-	-
Assumptions changes	-	-	-
Contributions - employer	-	1,419,000	(1,419,000)
Contributions - employee	-	-	-
Net investment income	-	2,365,000	(2,365,000)
Benefit payments, including refunds	(1,419,000)	(1,419,000)	-
Administrative expense	-	(54,000)	54,000
Net changes	<u>1,465,000</u>	<u>2,311,000</u>	<u>(846,000)</u>
Balances at June 30, 2018	<u>\$ 28,471,000</u>	<u>\$ 28,056,000</u>	<u>\$ 415,000</u>

Sensitivity of the net OPEB liability to changes in the discount rate: The following presents the net OPEB liability of the City, as well as what the City’s net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.0 percent) or one-percentage-point higher (8.0 percent) than the current discount rate (expressed in thousands):

	1% Decrease 6.00%	Current Discount Rate 7.00%	1% Increase 8.00%
City of Cupertino's net OPEB liability for the plan	\$ 4,086,000	\$ 415,000	\$ (2,626,000)

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

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
City of Cupertino's net OPEB liability for the plan	\$ (2,987,000)	\$ 415,000	\$ 4,585,000

(Continued)

CITY OF CUPERTINO, CALIFORNIA
 NOTES TO BASIC FINANCIAL STATEMENTS
 For the year ended June 30, 2018

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

OPEB Expense and Deferred Inflows of Resources Related to OPEB: For the year ended June 30, 2018, the City recognized OPEB expense of \$752,000. At June 30, 2018, the City reported deferred inflows of resources related to OPEB from the following sources:

	Deferred Inflows of Resources
Net difference between projected and actual earnings on investments	\$ 1,269,000

Amounts reported as deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

Year Ended June 30	Deferred Inflows of Resources
2019	\$ 385,000
2020	385,000
2021	385,000
2022	114,000
2023	-
Thereafter	-
Total	\$ 1,269,000

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, 2018, more than 10 percent of the City General Fund's total revenues are derived from the company. The City's operations would be adversely impacted if there are any significant declines in taxes received from the company.

NOTE 13 – UPCOMING GASB PRONOUNCEMENTS

In November 2016, the GASB issued Statement 83, *Certain Asset Retirement Obligations*. This Statement addresses accounting and financial reporting for certain asset retirement obligations (AROs) and establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for AROs. This Statement is effective for the City's fiscal year ended June 30, 2019. Management has not determined what impact, if any, this statement will have on its financial statements.

(Continued)

NOTE 13 – UPCOMING GASB PRONOUNCEMENTS (Continued)

In January 2017, the GASB issued Statement 84, *Fiduciary Activities*. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. This Statement is effective for the City's fiscal year ended June 30, 2020. Management has not determined what impact, if any, this statement will have on its financial statements.

In March 2017, the GASB issued Statement 86, *Certain Debt Extinguishment Issues*. The primary objective of this Statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources (resources other than the proceeds of refunding debt) are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. This Statement is effective for the City's fiscal year ended June 30, 2018. Management has not determined what impact, if any, this statement will have on its financial statements.

In June 2017, the GASB issued Statement 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. This Statement is effective for the City's fiscal year ended June 30, 2021. Management has not determined what impact, if any, this statement will have on its financial statements.

In April 2018, the GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It clarifies which liabilities governments should include when disclosing information related to debt. It also defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. This Statement is effective for the City's fiscal year ended June 30, 2019. Management has not determined what impact, if any, this statement will have on its financial statements.

In June 2018, the GASB issued Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. This Statement is effective for the City's fiscal year ended June 30, 2021. Management has not determined what impact, if any, this statement will have on its financial statements.

(Continued)

NOTE 13 – UPCOMING GASB PRONOUNCEMENTS (Continued)

In August 2018, the GASB issued Statement No. 90, *Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61*. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. This Statement is effective for the City's fiscal year ended June 30, 2020. Management has not determined what impact, if any, this statement will have on its financial statements.

In May 2019, the GASB issued Statement No. 91, *Conduit Debt Obligations*. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. This Statement is effective for the City's fiscal year ended June 30, 2022. Management has not determined what impact, if any, this statement will have on its financial statements.

NOTE 14 – CHANGE IN ACCOUNTING PRINCIPLE

In June 2015, the GASB issued Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This Statement replaces the requirements of Statement 45 and requires governments to report a liability on the face of the financial statements for the OPEB that they provide. Statement 75 requires governments in all types of OPEB plans to present more extensive note disclosures and required supplementary information (RSI) about their OPEB liabilities. Among the new note disclosures is a description of the effect on the reported OPEB liability of using a discount rate and a healthcare cost trend rate that are one percentage point higher and one percentage point lower than assumed by the government. The new RSI includes a schedule showing the causes of increases and decreases in the OPEB liability and a schedule comparing a government's actual OPEB contributions to its contribution requirements. This Statement is effective for the City's fiscal year ended June 30, 2018. A specific change to the City's financial statements relates to the recognition of the City's OPEB liabilities and related Deferred Inflows of Resources and Deferred Outflows of Resources with a net value of \$1,261,002 that was not previously reported on the financial statements, while the previously reported Net OPEB Asset of \$10,344,876 has been removed from the financial statements. Due to the requirements of GASB 75, the new amounts are now required to be included on the City's financial statement and thus were added to the financial statements as an adjustment to net position. A reconciliation for net position from the 2017 financial statements to beginning net position as reported on the 2018 financial statements is as follows.

(Continued)

CITY OF CUPERTINO, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
For the year ended June 30, 2018

NOTE 14 – CHANGE IN ACCOUNTING PRINCIPLE (Continued)

	Governmental Activities	Governmental Activities - Internal Service Funds	Total Governmental Activities
Previously reported net position as of June 30, 2017	\$ 232,547,888	\$ 15,068,647	\$ 247,616,535
Net position restatements from OPEB Plan:			
Removal of net OPEB Asset previously reported	-	(10,344,876)	(10,344,876)
Addition of net OPEB liability beginning of year	<u>(1,109,444)</u>	<u>(71,275)</u>	<u>(1,180,719)</u>
Total net position restatements	<u>(1,109,444)</u>	<u>(10,416,151)</u>	<u>(11,525,595)</u>
Net position as of July 1, 2017 as restated	<u>\$ 231,438,444</u>	<u>\$ 4,652,496</u>	<u>\$ 236,090,940</u>

	Resources Recovery	Recreation Programs	Nonmajor Enterprise Funds	Total Business Type Activities
Previously reported net position as of June 30, 2017	\$ 5,341,647	\$ 3,067,418	\$ 2,642,392	\$ 11,051,457
Net position restatements from OPEB Plan:				
Addition of net OPEB liability beginning of year	<u>(33,030)</u>	<u>(22,565)</u>	<u>(24,688)</u>	<u>(80,283)</u>
Net position as of July 1, 2017 as restated	<u>\$ 5,308,617</u>	<u>\$ 3,044,853</u>	<u>\$ 2,617,704</u>	<u>\$ 10,971,174</u>

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

CITY OF CUPERTINO, CA
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY AND RELATED RATIOS
For the year ended June 30, 2018

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

Measurement Date	6/30/2014	6/30/2015	6/30/2016	6/30/2017
Total Pension Liability				
Service Cost	\$ 2,504,228	\$ 2,444,939	\$ 2,525,314	\$ 2,895,549
Interest	7,349,943	7,789,134	8,253,983	8,619,588
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience	-	372,917	696,347	(182,397)
Changes in assumptions	-	(1,883,633)	-	7,125,558
Benefit payments, including refunds of employee contributions	(4,351,614)	(4,637,005)	(5,151,298)	(5,346,890)
Net change in total pension liability	5,502,557	4,086,352	6,324,346	13,111,408
Total pension liability - beginning	98,922,931	104,425,488	108,511,840	114,836,186
Total pension liability - ending (a)	\$ 104,425,488	\$ 108,511,840	\$ 114,836,186	\$ 127,947,594
Plan fiduciary net position				
Contributions - employer	\$ 2,891,986	\$ 3,301,642	\$ 3,659,170	\$ 4,183,822
Contributions - employee	1,061,884	1,149,894	1,169,921	1,236,052
Net investment income	11,379,985	1,724,204	466,704	8,749,288
Benefit payments, including refunds of employee contributions	(4,351,614)	(4,637,005)	(5,151,298)	(5,346,890)
Administrative expense	-	(87,780)	(47,536)	(115,304)
Net change in plan fiduciary net position	10,982,241	1,450,955	96,961	8,706,968
Plan fiduciary net position - beginning	65,566,067	76,548,308	77,999,263	78,096,224
Plan fiduciary net position - ending (b)	\$ 76,548,308	\$ 77,999,263	\$ 78,096,224	\$ 86,803,192
Net pension liability - ending (a)-(b)	\$ 27,877,180	\$ 30,512,577	\$ 36,739,962	\$ 41,144,402
Plan fiduciary net position as a percentage of the total pension liability	73.30%	71.88%	68.01%	67.84%
Covered payroll	\$ 13,080,327	\$ 13,504,966	\$ 14,336,969	\$ 15,595,136
Net pension liability as percentage of covered payroll	213.12%	225.94%	256.26%	263.83%

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. In 2017, the accounting discount rate reduced from 7.65 percent to 7.15 percent. In 2016, there were no changes. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5 percent (net of administrative expense) to 7.65 percent (without a reduction for pension plan administrative expense.) In 2014, amounts reported were based on the 7.5 percent discount rate.

* - Fiscal year 2015 was the 1st year of implementation, therefore only four years are shown.

Source: CalPERS Accounting Valuation

CITY OF CUPERTINO, CA
 SCHEDULE OF CONTRIBUTIONS - PENSION
 For the year ended June 30, 2018

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

	2015	2016	2017	2018
Actuarially determined contribution	\$ 3,608,853	\$ 3,659,170	\$ 4,183,821	\$ 4,807,182
Contributions in relation to the actuarially determined contributions	<u>(3,608,853)</u>	<u>(3,659,170)</u>	<u>(4,183,821)</u>	<u>(4,807,182)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 13,504,966	\$ 14,336,969	\$ 15,595,136	\$ 15,140,909
Contributions as a percentage of covered payroll	26.72%	25.52%	26.83%	31.75%

Notes to Schedule

Valuation date:	6/30/2013	6/30/2014	6/30/2015	6/30/2016
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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
Retirement age	The probabilities of Retirement are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011.
Mortality	The probabilities of mortality are based on the 2014 CalPERS Experience Study for the period from 1997 to 2011. Pre-retirement and Post-retirement mortality rates include 20 years of projected mortality improvement using Scale BB published by the Society of Actuaries.

* - Fiscal year 2015 was the 1st year of implementation, therefore only four years are shown.

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

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. In 2017, the accounting discount rate reduced from 7.65 percent to 7.15 percent. In 2016, there were no changes. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5 percent (net of administrative expense) to 7.65 percent (without a reduction for pension plan administrative expense.) In 2014, amounts reported were based on the 7.5 percent discount rate.

* - Fiscal year 2015 was the 1st year of implementation, therefore only three years are shown.

Source: CalPERS Accounting Valuation

CITY OF CUPERTINO, CA
SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY AND RELATED RATIOS
For the year ended June 30, 2018

Single Employer Defined Benefit OPEB Plan
Last 10 years*
Expressed in thousands

	6/30/2017	6/30/2018
Total OPEB liability		
Service cost	\$ 908	\$ 1,008
Interest	1,781	1,876
Changes of benefit terms	-	-
Differences between expected and actual experience	-	-
Changes of assumptions	-	-
Benefit payments	(1,333)	(1,419)
Net change in total OPEB liability	1,356	1,465
Total OPEB liability - beginning	25,650	27,006
Total OPEB liability - ending (a)	\$ 27,006	\$ 28,471
Plan fiduciary net position		
Contributions - employer	1,333	1,419
Net investment income	2,960	2,365
Benefit payments	(1,333)	(1,419)
Administrative expense	(49)	(54)
Net change in fiduciary net position	2,911	2,311
Plan fiduciary net position - beginning	22,834	25,745
Plan fiduciary net position - ending (b)	\$ 25,745	\$ 28,056
 Net OPEB liability - ending (a-b)	 \$ 1,261	 \$ 415
 Plan fiduciary net position as a percentage of the total OPEB liability	 95.33%	 98.54%
 Covered payroll	 \$ 17,255	 \$ 19,153
Net OPEB liability as a percentage of covered payroll	7.31%	2.17%

Notes to schedule:

* - Fiscal year 2017 was the 1st year of implementation, therefore only two years are shown.

CITY OF CUPERTINO, CA
 SCHEDULE OF CONTRIBUTIONS - OPEB
 For the year ended June 30, 2018

Single Employer Defined Benefit OPEB Plan
 Last 10 years*
Expressed in thousands

	6/30/2017	6/30/2018
Actuarially determined contribution	\$ 1,117	\$ 1,362
Contributions in relation to the actuarially determined contributions	1,333	1,419
Contribution deficiency (excess)	\$ (216)	\$ (57)
 Covered payroll	 \$ 17,255	 \$ 19,153
Contributions as a percentage of covered payroll	7.73%	7.41%

Notes to schedule:

* - Fiscal year 2017 was the 1st year of implementation, therefore only two years are shown.

Valuation Date 1/1/2017

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age
Amortization method	Level percentage of pay, closed
Remaining amortization period	12 years as of the valuation date
Asset valuation method	Fair value of assets
Discount rate	7.00%
Amortization growth rate	3.00%
Ultimate rate of medical inflation	4.50%
Salary increases	3.00% plus merit component based on years of service
Mortality	CalPERS mortality assumptions

CITY OF CUPERTINO, CA
SCHEDULE OF INVESTMENT RETURNS - OPEB
For the year ended June 30, 2018

Single Employer Defined Benefit OPEB Plan
Last 10 years*

	<u>6/30/2017</u>	<u>6/30/2018</u>
Annual money-weighted rate of return, net of investment expense	10.74%	8.31%

Notes to schedule:

* - Fiscal year 2017 was the 1st year of implementation, therefore only two years are shown.

MAJOR GOVERNMENTAL FUNDS OTHER
THAN THE GENERAL FUND AND SPECIAL
REVENUE FUNDS

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, CALIFORNIA
PUBLIC FACILITIES CORPORATION DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2018

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
Revenues			
Use of money and property	\$ -	\$ 19,037	\$ 19,037
Total revenues	<u>-</u>	<u>19,037</u>	<u>19,037</u>
Expenditures			
Administration	\$ -	\$ 23,790	\$ (23,790)
Debt service:			
Principal	3,167,538	2,180,000	987,538
Interest and fiscal charges	<u>-</u>	<u>993,038</u>	<u>(993,038)</u>
Total expenditures	<u>3,167,538</u>	<u>3,196,828</u>	<u>(29,290)</u>
Excess (deficiency) of revenues over expenditures	<u>(3,167,538)</u>	<u>(3,177,791)</u>	<u>(10,253)</u>
Other financing sources (uses)			
Transfers in	<u>3,167,538</u>	<u>3,167,544</u>	<u>6</u>
Total other financing sources (uses)	<u>3,167,538</u>	<u>3,167,544</u>	<u>6</u>
Net change in fund balance	<u>\$ -</u>	(10,247)	<u>\$ (10,247)</u>
Beginning fund balance		<u>1,597,234</u>	
Ending fund balance		<u>\$ 1,586,987</u>	

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.

CITY OF CUPERTINO, CALIFORNIA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
JUNE 30, 2018

	Special Revenue Funds			Capital Projects Fund	Total Nonmajor Governmental Funds
	Storm Drain Improvement	Park Dedication	Environmental Management/ Clean Creeks	Stevens Creek Corridor Park	
Assets					
Cash and investments	\$ 1,808,822	\$ 9,859,784	\$ 240,992	\$ 154,612	\$ 12,064,210
Accounts receivable	-	-	6,422	71,981	78,403
Total assets	<u>\$ 1,808,822</u>	<u>\$ 9,859,784</u>	<u>\$ 247,414</u>	<u>\$ 226,593</u>	<u>\$ 12,142,613</u>
Liabilities					
Accounts payable and accruals	-	-	7,885	-	7,885
Total liabilities	<u>-</u>	<u>-</u>	<u>7,885</u>	<u>-</u>	<u>7,885</u>
Fund balances					
Restricted	1,808,822	9,859,784	239,529	-	11,908,135
Assigned	-	-	-	226,593	226,593
Total fund balances	<u>1,808,822</u>	<u>9,859,784</u>	<u>239,529</u>	<u>226,593</u>	<u>12,134,728</u>
Total liabilities and fund balances	<u>\$ 1,808,822</u>	<u>\$ 9,859,784</u>	<u>\$ 247,414</u>	<u>\$ 226,593</u>	<u>\$ 12,142,613</u>

CITY OF CUPERTINO, CALIFORNIA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2018

	Special Revenue Funds			Capital Projects Fund	Total Nonmajor Governmental Funds
	Storm Drain Improvement	Park Dedication	Environmental Management/Clean Creeks	Stevens Creek Corridor Park	
Revenues					
Taxes	\$ 74,718	\$ 363,750	\$ -	\$ -	\$ 438,468
Use of money and property	29,002	63,242	988	-	93,232
Charges for services	-	20,431	369,443	71,981	461,855
Fines and forfeitures	-	-	27,902	-	27,902
Other revenue	39,490	-	-	-	39,490
Total revenues	<u>143,210</u>	<u>447,423</u>	<u>398,333</u>	<u>71,981</u>	<u>1,060,947</u>
Expenditures					
Current:					
Public works	10,798	-	640,160	808	651,766
Capital outlay	1,447,798	187	-	81,394	1,529,379
Total expenditures	<u>1,458,596</u>	<u>187</u>	<u>640,160</u>	<u>82,202</u>	<u>2,181,145</u>
Excess of revenues over (under) expenditures	<u>(1,315,386)</u>	<u>447,236</u>	<u>(241,827)</u>	<u>(10,221)</u>	<u>(1,120,198)</u>
Other finances sources (uses)					
Transfers in	1,700,004	-	84,120	-	1,784,124
Transfers out	<u>(1,678,255)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,678,255)</u>
Total other financing sources (uses)	<u>21,749</u>	<u>-</u>	<u>84,120</u>	<u>-</u>	<u>105,869</u>
Net change in fund balances	(1,293,637)	447,236	(157,707)	(10,221)	(1,014,329)
Beginning fund balances	<u>3,102,459</u>	<u>9,412,548</u>	<u>397,236</u>	<u>236,814</u>	<u>13,149,057</u>
Ending fund balances	<u>\$ 1,808,822</u>	<u>\$ 9,859,784</u>	<u>\$ 239,529</u>	<u>\$ 226,593</u>	<u>\$ 12,134,728</u>

CITY OF CUPERTINO, CALIFORNIA
NONMAJOR GOVERNMENTAL FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2018

	Special Revenue Funds											
	Storm Drain Improvement				Park Dedication				Environmental Management/Clean Creeks			
	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues												
Taxes	\$ 100,000	\$ 100,000	\$ 74,718	\$ (25,282)	\$ 250,000	\$ 250,000	\$ 363,750	\$ 113,750	\$ -	\$ -	\$ -	\$ -
Use of money and property	-	-	29,002	29,002	-	-	63,242	63,242	-	-	988	988
Charges for services	-	-	-	-	-	-	20,431	20,431	380,000	380,000	369,443	(10,557)
Fines for forfeitures	-	-	-	-	-	-	-	-	6,000	6,000	27,902	21,902
Other revenue	-	-	39,490	39,490	-	-	-	-	-	-	-	-
Total revenues	<u>100,000</u>	<u>100,000</u>	<u>143,210</u>	<u>43,210</u>	<u>250,000</u>	<u>250,000</u>	<u>447,423</u>	<u>197,423</u>	<u>386,000</u>	<u>386,000</u>	<u>398,333</u>	<u>12,333</u>
Expenditures												
Current:												
Public works	-	-	10,798	(10,798)	-	-	-	-	761,720	711,793	640,160	71,633
Capital outlay	1,500,000	3,459,680	1,447,798	2,011,882	-	189	187	2	-	-	-	-
Total expenditures	<u>1,500,000</u>	<u>3,459,680</u>	<u>1,458,596</u>	<u>2,001,084</u>	<u>-</u>	<u>189</u>	<u>187</u>	<u>2</u>	<u>761,720</u>	<u>711,793</u>	<u>640,160</u>	<u>71,633</u>
Excess (deficiency) of revenues over expenditures	<u>(1,400,000)</u>	<u>(3,359,680)</u>	<u>(1,315,386)</u>	<u>2,044,294</u>	<u>250,000</u>	<u>249,811</u>	<u>447,236</u>	<u>197,425</u>	<u>(375,720)</u>	<u>(325,793)</u>	<u>(241,827)</u>	<u>83,966</u>
Other financing sources (uses)												
Transfers in	1,700,000	1,700,000	1,700,004	(4)	-	-	-	-	84,122	84,122	84,120	(2)
Transfers (out)	-	-	(1,678,255)	1,678,255	-	-	-	-	-	-	-	-
Total other financing sources (uses)	<u>1,700,000</u>	<u>1,700,000</u>	<u>21,749</u>	<u>1,678,251</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>84,122</u>	<u>84,122</u>	<u>84,120</u>	<u>(2)</u>
Net change in fund balance	<u>\$ 300,000</u>	<u>\$ (1,659,680)</u>	<u>(1,293,637)</u>	<u>\$ 3,722,545</u>	<u>\$ 250,000</u>	<u>\$ 249,811</u>	<u>447,236</u>	<u>\$ 197,425</u>	<u>\$ (291,598)</u>	<u>\$ (241,671)</u>	<u>(157,707)</u>	<u>\$ 83,964</u>
Beginning fund balance			<u>3,102,459</u>				<u>9,412,548</u>				<u>397,236</u>	
Ending fund balance			<u>\$ 1,808,822</u>				<u>\$ 9,859,784</u>				<u>\$ 239,529</u>	

NON-MAJOR ENTERPRISE 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 nonmajor proprietary funds for fiscal 2017-18.

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.

CITY OF CUPERTINO, CALIFORNIA
NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2018

	Blackberry Farm	Cupertino Sports Center	Totals
ASSETS			
Current assets			
Cash and cash investments (Note 2)	\$ 478,411	\$ 1,797,497	\$ 2,275,908
Total current assets	<u>478,411</u>	<u>1,797,497</u>	<u>2,275,908</u>
Noncurrent assets			
Capital assets (Note 5):			
Depreciable, net of accumulated depreciation	50,445	439,007	489,452
Total non current assets	<u>50,445</u>	<u>439,007</u>	<u>489,452</u>
Total assets	<u>528,856</u>	<u>2,236,504</u>	<u>2,765,360</u>
DEFERRED OUTFLOWS OF RESOURCES			
Related to pension (Note 10)	64,251	140,469	204,720
Total deferred outflows of resources	<u>64,251</u>	<u>140,469</u>	<u>204,720</u>
LIABILITIES			
Current liabilities			
Accounts payable and accruals	51,841	218,567	270,408
Compensated absences (Note 1)	9,056	5,982	15,038
Unearned revenue	-	150,334	150,334
Total current liabilities	<u>60,897</u>	<u>374,883</u>	<u>435,780</u>
Noncurrent liabilities			
Compensated absences (Note 1)	42,520	28,091	70,611
Net pension liability (Note 10)	251,083	545,577	796,660
Net OPEB liability (Note 11)	1,536	6,588	8,124
Total noncurrent liabilities	<u>295,139</u>	<u>580,256</u>	<u>875,395</u>
Total liabilities	<u>356,036</u>	<u>955,139</u>	<u>1,311,175</u>
DEFERRED INFLOWS OF RESOURCES			
Related to pension (Note 10)	2,682	4,983	7,665
Related to OPEB (Note 11)	4,701	20,144	24,845
Total deferred inflows of resources	<u>7,383</u>	<u>25,127</u>	<u>32,510</u>
NET POSITION (Note 7)			
Net investment in capital assets	50,445	439,007	489,452
Unrestricted	<u>179,243</u>	<u>957,700</u>	<u>1,136,943</u>
Total Net Position	<u>\$ 229,688</u>	<u>\$ 1,396,707</u>	<u>\$ 1,626,395</u>

CITY OF CUPERTINO, CALIFORNIA
NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2018

	Blackberry Farm	Cupertino Sports Center	Totals
Operating revenues			
Charges for services	\$ 314,757	\$ 2,402,492	\$ 2,717,249
Other	30,910	1,173	32,083
Total operating revenue	<u>345,667</u>	<u>2,403,665</u>	<u>2,749,332</u>
Operating expenses			
Salaries and benefits	186,917	530,470	717,387
Materials and supplies	181,866	394,482	576,348
Contractual services	258,776	1,651,548	1,910,324
Depreciation (Note 5)	28,553	57,248	85,801
Total operating expenses	<u>656,112</u>	<u>2,633,748</u>	<u>3,289,860</u>
Operating income (loss)	<u>(310,445)</u>	<u>(230,083)</u>	<u>(540,528)</u>
Nonoperating revenues			
Investment income	7,248	11,975	19,223
Total nonoperating revenues	<u>7,248</u>	<u>11,975</u>	<u>19,223</u>
Income (loss) before transfers	(303,197)	(218,108)	(521,305)
Transfers in (Note 4)	300,000	99,996	399,996
Transfers out (Note 4)	<u>(400,000)</u>	<u>(470,000)</u>	<u>(870,000)</u>
Changes in net position	<u>(403,197)</u>	<u>(588,112)</u>	<u>(991,309)</u>
Net position - beginning of year as restated (Note 14)	<u>632,885</u>	<u>1,984,819</u>	<u>2,617,704</u>
Net position - end of year	<u>\$ 229,688</u>	<u>\$ 1,396,707</u>	<u>\$ 1,626,395</u>

CITY OF CUPERTINO, CALIFORNIA
NONMAJOR ENTERPRISE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2018

	Blackberry Farm	Cupertino Sports Center	Totals
Cash flows from operating activities			
Cash received from customers	\$ 345,667	\$ 2,439,198	\$ 2,784,865
Cash payments to suppliers for goods and services	(401,669)	(2,011,802)	(2,413,471)
Cash payments to employees for salaries and benefits	(173,156)	(478,238)	(651,394)
Net cash provided (used) by operating activities	<u>(229,158)</u>	<u>(50,842)</u>	<u>(280,000)</u>
Cash flows from noncapital financing activities			
Transfers in	300,000	99,996	399,996
Transfers (out)	(400,000)	(470,000)	(870,000)
Cash flows from noncapital financing activities	<u>(100,000)</u>	<u>(370,004)</u>	<u>(470,004)</u>
Cash flows from capital and related financing activities			
Acquisition of capital assets	(18,998)	-	(18,998)
Cash flows from capital and related financing activities	<u>(18,998)</u>	<u>-</u>	<u>(18,998)</u>
Cash Flows from Investing Activities			
Interest received	7,248	11,975	19,223
Cash flows from investing activities	<u>7,248</u>	<u>11,975</u>	<u>19,223</u>
Net cash flows	<u>(340,908)</u>	<u>(408,871)</u>	<u>(749,779)</u>
Cash and investments at beginning of year	<u>819,319</u>	<u>2,206,368</u>	<u>3,025,687</u>
Cash and investments at end of year	<u>\$ 478,411</u>	<u>\$ 1,797,497</u>	<u>\$ 2,275,908</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	\$ (310,445)	\$ (230,083)	\$ (540,528)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	28,553	57,248	85,801
Change in assets, deferred outflows of resources, liabilities, and deferred inflows of resources			
Due to retirement system	10,524	26,577	37,101
Due to OPEB system	1,566	6,715	8,281
Accounts payable and accruals	38,973	34,228	73,201
Unearned revenue	-	35,533	35,533
Compensated absences	1,671	18,940	20,611
Net cash provided (used) by operating activities	<u>\$ (229,158)</u>	<u>\$ (50,842)</u>	<u>\$ (280,000)</u>

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 OF CUPERTINO, CALIFORNIA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2018

	Information <u>Technology</u>	Workers' <u>Compensation</u>	Equipment <u>Revolving</u>	Compensated Absences and Long-Term <u>Disability</u>	Retiree <u>Medical</u>	<u>Total</u>
ASSETS						
Current assets:						
Cash and investments	\$ 3,175,682	\$ 3,331,026	\$ -	\$ 386,351	\$ -	\$ 6,893,059
Total current assets	<u>3,175,682</u>	<u>3,331,026</u>	<u>-</u>	<u>386,351</u>	<u>-</u>	<u>6,893,059</u>
Noncurrent assets:						
Capital assets, depreciable net of accumulated depreciation	693,446	-	2,846,256	-	-	3,539,702
Total noncurrent assets	<u>693,446</u>	<u>-</u>	<u>2,846,256</u>	<u>-</u>	<u>-</u>	<u>3,539,702</u>
Total assets	<u>3,869,128</u>	<u>3,331,026</u>	<u>2,846,256</u>	<u>386,351</u>	<u>-</u>	<u>10,432,761</u>
DEFERRED OUTFLOWS OF RESOURCES						
Related to pension (Note 10)	474,142	15,028	141,171	-	-	630,341
Total deferred outflows of resources	<u>474,142</u>	<u>15,028</u>	<u>141,171</u>	<u>-</u>	<u>-</u>	<u>630,341</u>
LIABILITIES						
Current liabilities						
Accounts payable and accruals	141,850	13	24,204	-	-	166,067
Accrued payroll and benefits	-	-	72	-	-	72
Due to other funds	-	-	250,995	-	25,279	276,274
Compensated absences	17,582	814	2,695	-	-	21,091
Claims payable	-	262,157	-	-	-	262,157
Total current liabilities	<u>159,432</u>	<u>262,984</u>	<u>277,966</u>	<u>-</u>	<u>25,279</u>	<u>725,661</u>
Noncurrent liabilities						
Compensated absences	117,557	5,443	18,022	-	-	141,022
Claims payable	-	1,107,008	-	-	-	1,107,008
Net pension liability (Note 10)	1,834,299	58,134	544,402	-	-	2,436,835
Net OPEB liability (Note 11)	16,287	382	6,788	-	-	23,457
Total noncurrent liabilities	<u>1,968,143</u>	<u>1,170,967</u>	<u>569,212</u>	<u>-</u>	<u>-</u>	<u>3,708,322</u>
Total liabilities	<u>2,127,575</u>	<u>1,433,951</u>	<u>847,178</u>	<u>-</u>	<u>25,279</u>	<u>4,433,983</u>
DEFERRED INFLOWS OF RESOURCES						
Related to pension (Note 10)	14,919	471	3,986	-	-	19,376
Related to OPEB (Note 11)	49,803	1,165	20,757	-	-	71,725
Total deferred inflows of resources	<u>64,722</u>	<u>1,636</u>	<u>24,743</u>	<u>-</u>	<u>-</u>	<u>91,101</u>
NET POSITION						
Net investment in capital assets	693,446	-	2,846,256	-	-	3,539,702
Unrestricted	<u>1,457,527</u>	<u>1,910,467</u>	<u>(730,750)</u>	<u>386,351</u>	<u>(25,279)</u>	<u>2,998,316</u>
Total net position	<u>\$ 2,150,973</u>	<u>\$ 1,910,467</u>	<u>\$ 2,115,506</u>	<u>\$ 386,351</u>	<u>\$ (25,279)</u>	<u>\$ 6,538,018</u>

CITY OF CUPERTINO, CALIFORNIA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED JUNE 30, 2018

	<u>Information Technology</u>	<u>Workers' Compensation</u>	<u>Equipment Revolving</u>	<u>Compensated Absences and Long-Term Disability</u>	<u>Retiree Medical</u>	<u>Total</u>
Operating revenues						
Charges for services	\$ 2,356,724	\$ 921,238	\$ 1,211,860	\$ 154,976	\$ -	\$ 4,644,798
Other	<u>903</u>	<u>-</u>	<u>7,124</u>	<u>-</u>	<u>-</u>	<u>8,027</u>
Total operating revenues	<u>2,357,627</u>	<u>921,238</u>	<u>1,218,984</u>	<u>154,976</u>	<u>-</u>	<u>4,652,825</u>
Operating expenses						
Salaries and related expenses	1,154,505	41,849	417,033	-	1,059,248	2,672,635
Materials and supplies	1,400,908	13,442	379,278	3,629	5,525	1,802,782
Contractual services	211,041	43	82,489	-	-	293,573
Insurance claims and premiums	-	300,495	-	427,313	-	727,808
Depreciation	<u>164,681</u>	<u>-</u>	<u>635,094</u>	<u>-</u>	<u>-</u>	<u>799,775</u>
Total operating expenses	<u>2,931,135</u>	<u>355,829</u>	<u>1,513,894</u>	<u>430,942</u>	<u>1,064,773</u>	<u>6,296,573</u>
Operating income (loss)	<u>(573,508)</u>	<u>565,409</u>	<u>(294,910)</u>	<u>(275,966)</u>	<u>(1,064,773)</u>	<u>(1,643,748)</u>
Nonoperating revenue (expenses)						
Interest income	19,524	20,277	-	1,808	234	41,843
Gain on sale of capital assets	<u>-</u>	<u>-</u>	<u>59,715</u>	<u>-</u>	<u>-</u>	<u>59,715</u>
Total nonoperating revenue (expenses)	<u>19,524</u>	<u>20,277</u>	<u>59,715</u>	<u>1,808</u>	<u>234</u>	<u>101,558</u>
Income (loss) before transfers	<u>(553,984)</u>	<u>585,686</u>	<u>(235,195)</u>	<u>(274,158)</u>	<u>(1,064,539)</u>	<u>(1,542,190)</u>
Transfers in	<u>549,707</u>	<u>-</u>	<u>-</u>	<u>509,520</u>	<u>2,368,485</u>	<u>3,427,712</u>
Change in net position	<u>(4,277)</u>	<u>585,686</u>	<u>(235,195)</u>	<u>235,362</u>	<u>1,303,946</u>	<u>1,885,522</u>
Beginning net position as restated (Note 14)	<u>2,155,250</u>	<u>1,324,781</u>	<u>2,350,701</u>	<u>150,989</u>	<u>(1,329,225)</u>	<u>4,652,496</u>
Ending net position	<u>\$ 2,150,973</u>	<u>\$ 1,910,467</u>	<u>\$ 2,115,506</u>	<u>\$ 386,351</u>	<u>\$ (25,279)</u>	<u>\$ 6,538,018</u>

CITY OF CUPERTINO, CALIFORNIA
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2018

	<u>Information Technology</u>	<u>Workers' Compensation</u>	<u>Equipment Revolving</u>	<u>Compensated Absences and Long-Term Disability</u>	<u>Retiree Medical</u>	<u>Total</u>
Cash flows from operating activities						
Cash received from customers	\$ 2,357,627	\$ 921,238	\$ 1,218,984	\$ 154,976	\$ -	\$ 4,652,825
Cash payments to suppliers for goods and services	(1,540,606)	(15,681)	(473,292)	(3,629)	(5,525)	(2,038,733)
Cash payments to employees	(1,022,401)	(34,795)	(377,614)	-	(1,059,248)	(2,494,058)
Cash payment for judgment and claims	-	(613,981)	-	(427,313)	-	(1,041,294)
Net cash from operating activities	<u>(205,380)</u>	<u>256,781</u>	<u>368,078</u>	<u>(275,966)</u>	<u>(1,064,773)</u>	<u>(921,260)</u>
Cash flows from noncapital financing activities						
Transfers in	549,707	-	250,995	509,520	993,764	2,303,986
Net cash from noncapital financing activities	<u>549,707</u>	<u>-</u>	<u>250,995</u>	<u>509,520</u>	<u>993,764</u>	<u>2,303,986</u>
Cash flows from capital and related financing activities						
Acquisition of capital assets	(471,763)	-	(1,148,466)	-	-	(1,620,229)
Sale of capital assets	-	-	59,715	-	-	59,715
Net cash from capital and related financing activities	<u>(471,763)</u>	<u>-</u>	<u>(1,088,751)</u>	<u>-</u>	<u>-</u>	<u>(1,560,514)</u>
Cash flows from investing activities						
Interest received	19,524	20,277	-	1,808	234	41,843
Net cash flows from investing activities	<u>19,524</u>	<u>20,277</u>	<u>-</u>	<u>1,808</u>	<u>234</u>	<u>41,843</u>
Net cash flows	(107,912)	277,058	(469,678)	235,362	(70,775)	(135,945)
Cash and investments beginning of year	<u>3,283,594</u>	<u>3,053,968</u>	<u>469,678</u>	<u>150,989</u>	<u>70,775</u>	<u>7,029,004</u>
Cash and investments end of year	<u>\$ 3,175,682</u>	<u>\$ 3,331,026</u>	<u>\$ -</u>	<u>\$ 386,351</u>	<u>\$ -</u>	<u>\$ 6,893,059</u>
Reconciliation of operating income (loss) to net cash flows from operating activities						
Operating income (loss)	\$ (573,508)	\$ 565,409	\$ (294,910)	\$ (275,966)	\$ (1,064,773)	\$ (1,643,748)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities						
Depreciation	164,681	-	635,094	-	-	799,775
Change in assets, deferred outflows of resources, liabilities and deferred inflows of resources						
Due to retirement system	97,426	3,097	30,861	-	-	131,384
Due to OPEB system	16,601	388	6,918	-	-	23,907
Accounts payable and accruals	71,343	(2,196)	(11,525)	-	-	57,622
Compensated absences	18,077	3,569	1,640	-	-	23,286
Claims payable	-	(313,486)	-	-	-	(313,486)
Cash flows from operating activities	<u>\$ (205,380)</u>	<u>\$ 256,781</u>	<u>\$ 368,078</u>	<u>\$ (275,966)</u>	<u>\$ (1,064,773)</u>	<u>\$ (921,260)</u>

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. 2018 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.

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

	Fiscal Year Ended June 30									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Governmental Activities										
Net investment in capital assets	\$ 103,341,905	\$ 120,405,290	\$ 120,724,205	\$ 117,440,257	\$ 116,343,918	\$ 122,081,223	\$ 131,425,677	\$ 148,168,074	\$ 153,239,534	\$ 167,606,366
Restricted	6,661,074	8,692,175	7,721,962	7,572,865	8,351,118	24,232,367	38,327,705	34,861,807	34,991,692	32,073,195
Unrestricted	<u>33,290,050</u>	<u>31,087,861</u>	<u>33,185,903</u>	<u>38,117,361</u>	<u>47,558,701</u>	<u>63,150,548</u>	<u>51,003,950</u>	<u>51,164,063</u>	<u>59,385,309</u>	<u>50,457,871</u>
Total governmental activities net position/assets	<u>143,293,029</u>	<u>160,185,326</u>	<u>161,632,070</u>	<u>163,130,483</u>	<u>172,253,737</u>	<u>209,464,138</u>	<u>220,757,332</u>	<u>234,193,944</u>	<u>247,616,535</u>	<u>250,137,432</u>
Business-Type Activities										
Net investment in capital assets	136,127	788,213	777,521	824,687	762,013	1,110,414	2,079,561	1,708,183	1,972,169	1,597,700
Unrestricted	<u>8,949,142</u>	<u>9,063,616</u>	<u>9,779,087</u>	<u>10,057,331</u>	<u>10,865,479</u>	<u>10,292,210</u>	<u>6,604,578</u>	<u>7,375,444</u>	<u>9,092,584</u>	<u>8,051,015</u>
Total business-type activities net position/assets	<u>9,085,269</u>	<u>9,851,829</u>	<u>10,556,608</u>	<u>10,882,018</u>	<u>11,627,492</u>	<u>11,402,624</u>	<u>8,684,139</u>	<u>9,083,627</u>	<u>11,064,753</u>	<u>9,648,715</u>
Primary Government										
Net investment in capital assets	103,478,032	121,193,503	121,501,726	118,264,944	117,105,931	123,191,637	133,505,238	149,876,257	155,211,703	169,204,066
Restricted	6,661,074	8,692,175	7,721,962	7,572,865	8,351,118	24,232,367	38,327,705	34,861,807	34,991,692	32,073,195
Unrestricted	<u>42,239,192</u>	<u>40,151,477</u>	<u>42,964,990</u>	<u>48,174,692</u>	<u>58,424,180</u>	<u>73,442,758</u>	<u>57,608,528</u>	<u>58,539,507</u>	<u>68,477,893</u>	<u>58,508,886</u>
(1), (2)	<u>\$ 152,378,298</u>	<u>\$ 170,037,155</u>	<u>\$ 172,188,678</u>	<u>\$ 174,012,501</u>	<u>\$ 183,881,229</u>	<u>\$ 220,866,762</u>	<u>\$ 229,441,471</u>	<u>\$ 243,277,571</u>	<u>\$ 258,681,288</u>	<u>\$ 259,786,147</u>

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

(2) Noted that restatements due to prior period adjustments and changes in accounting principles are not reflected in the prior year balances.

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

Fiscal Year Ended June 30

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Expenses										
Governmental Activities:										
Administration	\$ 1,769,500	\$ 1,911,665	\$ 1,860,451	\$ 1,837,072	\$ 2,367,255	\$ 4,529,539	\$ 3,286,919	\$ 3,710,388	\$ 2,873,744	\$ 5,612,733
Law enforcement	8,804,195	8,385,476	8,434,885	8,776,633	9,274,536	10,062,192	10,705,328	11,316,271	12,528,328	12,674,042
Public and environmental affairs	1,624,210	1,653,034	1,625,876	1,743,151	1,595,982	512,895	649,442	575,260	1,884,165	3,244,846
Administrative services	4,001,738	4,080,134	3,993,654	4,309,503	4,171,440	2,662,008	4,300,336	2,994,611	5,898,479	4,415,647
Recreation services	4,206,343	4,444,536	4,528,968	4,577,243	4,473,861	4,866,974	5,365,282	5,758,194	10,651,557	9,352,551
Community development	6,177,879	4,351,975	5,961,774	4,922,237	4,676,273	9,108,949	5,976,797	6,259,734	13,775,591	16,789,351
Public works	18,104,649	19,320,151	20,224,662	20,387,508	22,149,063	21,143,331	27,893,361	31,313,396	32,491,244	28,995,382
Interest on long-term debt	2,118,714	2,076,264	2,032,464	1,837,655	1,256,922	1,130,428	1,120,138	1,077,538	1,035,738	993,038
Total governmental activities expense	<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>	<u>81,138,846</u>	<u>82,077,590</u>
Business-Type Activities:										
Resources recovery	1,998,184	2,018,147	1,801,599	1,566,229	1,764,993	2,159,047	2,548,461	2,997,200	2,991,177	2,594,511
Blackberry farm	495,845	457,169	457,065	460,698	463,336	571,000	547,185	576,177	597,406	656,112
Cupertino sports center	1,594,325	1,478,143	1,716,741	1,897,611	2,011,483	2,221,703	2,269,420	2,299,210	2,159,243	2,633,748
Recreation programs	1,739,892	1,854,648	1,753,156	1,985,618	2,025,416	2,730,765	2,342,457	3,136,011	2,351,501	3,232,593
Total business-type activities expense	<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>	<u>8,099,327</u>	<u>9,116,964</u>
Total primary government expense	<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>	<u>89,238,173</u>	<u>91,194,554</u>
Program Revenues										
Governmental Activities:										
Charges for services:										
Administration	2,240	21,873	15,801	6,454	5,676	1,087,393	322,534	369,069	3,992,716	5,062,988
Law enforcement	869,295	811,676	797,757	696,498	637,595	725,631	590,378	664,483	603,194	732,544
Public and environmental affairs	-	-	-	-	-	-	41,352	41,352	-	-
Administrative services	-	-	-	-	-	-	481,616	359,148	3,565,627	2,635,885
Recreation services	801,280	930,773	1,020,159	1,166,323	970,292	955,081	1,798,134	1,421,185	2,016,159	1,589,134
Community development	3,586,993	3,310,355	4,149,620	4,919,216	6,765,564	6,649,292	8,511,745	10,534,457	10,902,822	8,598,935
Public works	157,311	556,636	549,065	503,225	593,501	7,916,897	2,869,357	6,358,870	6,873,487	4,720,646
Operating grants and contributions	4,014,036	2,042,557	2,351,287	2,508,917	2,752,493	10,000,131	6,002,617	1,851,282	2,313,632	4,819,696
Capital grants and contributions	4,759,485	5,511,359	1,972,951	780,761	719,880	569,159	4,022,190	362,491	245,288	271,587
Total governmental activities program revenue	<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>	<u>30,512,925</u>	<u>28,431,415</u>
Business-Type Activities:										
Charges for services:										
Resources recovery	2,100,704	2,104,299	1,931,076	1,727,783	1,882,517	2,074,251	2,591,276	2,664,888	2,792,190	2,559,862
Blackberry farm	596,944	568,770	447,797	411,056	386,753	302,472	388,091	334,529	325,224	345,667
Cupertino sports center	1,732,282	1,578,330	1,722,700	1,965,684	2,150,139	2,188,127	2,152,498	2,224,146	2,238,023	2,403,665
Recreation programs	2,364,037	2,249,191	2,260,296	2,325,705	2,409,720	2,480,209	2,532,800	2,466,336	2,778,588	2,516,678
Operating grants and contributions	14,471	6,895	-	-	-	-	-	-	-	-
Total business-type activities program revenue	<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>	<u>8,134,025</u>	<u>7,825,872</u>
Total primary government program revenue	<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>	<u>38,646,950</u>	<u>36,257,287</u>

(continued)

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

	Fiscal Year Ended June 30									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Net (Expense) Revenue:										
Governmental activities	\$ (32,616,588)	\$ (33,038,006)	\$ (37,806,094)	\$ (37,809,608)	\$ (37,520,331)	\$ (26,112,732)	\$ (34,657,680)	\$ (41,043,055)	\$ (50,625,921)	\$ (53,646,175)
Business-Type activities	980,192	699,378	633,308	520,072	563,901	(637,456)	(42,858)	(1,318,699)	34,698	(1,291,092)
Total primary government net expense	<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>	<u>(50,591,223)</u>	<u>(54,937,267)</u>
General Revenues and Transfers										
Governmental Activities:										
Taxes:										
Property taxes	7,491,965	7,488,701	7,296,970	7,479,132	8,793,110	9,169,183	-	11,864,027	13,251,840	14,881,533
Property taxes in lieu of motor vehicle fee	4,299,902	4,420,912	4,404,795	4,487,412	4,772,355	5,289,476	-	6,330,436	6,967,237	7,552,272
Incremental property tax	1,211,128	1,322,925	1,251,777	202,793	-	-	-	-	-	-
Sales tax	14,139,190	9,930,530	14,539,243	17,326	18,721,193	19,794,036	-	21,350,056	26,932,012	26,164,531
Transient occupancy tax	2,140,274	2,142,137	2,536,501	3,112,934	3,768,504	4,590,156	-	5,852,244	6,023,681	6,810,718
Utility user tax	3,205,073	3,271,452	3,227,942	3,264,896	2,994,526	3,098,639	-	3,370,830	3,082,407	3,146,398
Franchise tax	2,618,125	2,597,930	2,841,344	2,808,136	2,848,950	2,775,892	-	3,478,024	3,409,572	3,563,820
Other taxes	1,317,767	1,211,899	1,491,316	1,377,211	4,561,219	18,791,559	-	2,818,019	3,258,118	1,943,652
Intergovernmental (1)	171,621	166,440	259,289	29,064	30,256	25,294	-	24,111	26,118	31,013
Investment earnings	889,823	295,059	259,217	61,096	176,782	133,243	40,751	807,287	694,730	916,638
Miscellaneous	81,342	119,393	1,144,429	82,684	126,690	57,005	(2)	219,053	2,004,906	1,834,492
Gain on sale of capital assets	-	-	-	-	-	-	23,715,897	580	-	740,570
Extraordinary items (2)	-	-	-	(1,130,797)	-	-	-	-	-	-
Transfers - fund closings (3)	-	-	-	-	-	-	-	-	272,011	-
Transfers	-	-	15	207,000	(150,000)	(401,350)	872,340	(1,635,000)	(1,874,120)	107,030
Total governmental activities	<u>37,566,210</u>	<u>32,967,378</u>	<u>39,252,838</u>	<u>21,998,887</u>	<u>46,643,585</u>	<u>63,323,133</u>	<u>24,628,986</u>	<u>54,479,667</u>	<u>64,048,512</u>	<u>67,692,667</u>
Business-Type Activities:										
Investment earnings	171,804	67,182	71,486	12,338	31,573	11,238	42,531	82,187	59,012	75,663
Transfers	-	-	(15)	(207,000)	150,000	401,350	(872,340)	1,635,000	1,874,120	(107,030)
Total business-type activities	<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>1,717,187</u>	<u>1,933,132</u>	<u>(31,367)</u>
Total primary government	<u>37,738,014</u>	<u>33,034,560</u>	<u>39,324,309</u>	<u>21,804,225</u>	<u>46,825,158</u>	<u>63,735,721</u>	<u>23,799,177</u>	<u>56,196,854</u>	<u>65,981,644</u>	<u>67,661,300</u>
Change in Net Position/Assets (4)										
Governmental activities	4,949,622	(70,628)	1,446,744	(15,810,721)	9,123,254	37,210,401	(10,028,694)	13,436,612	13,422,591	14,046,492
Business-Type activities	1,151,996	766,560	704,779	325,410	745,474	(224,868)	(872,667)	398,488	1,967,830	(1,322,459)
Total primary government	<u>\$ 6,101,618</u>	<u>\$ 695,932</u>	<u>\$ 2,151,523</u>	<u>\$ (15,485,311)</u>	<u>\$ 9,868,728</u>	<u>\$ 36,985,533</u>	<u>\$ (10,901,361)</u>	<u>\$ 13,835,100</u>	<u>\$ 15,390,421</u>	<u>\$ 12,724,033</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) Asset and liability transfer from the closed City Channel/Web Internal Service Fund in 2017.
(4) 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>2009</u>	<u>2010</u>						
General Fund								
Reserved	\$ 2,325,283	\$ 2,308,290						
Unreserved	<u>19,871,574</u>	<u>13,622,828</u>						
Total General Fund	<u>22,196,857</u>	<u>15,931,118</u>						
All Other Governmental Funds								
Reserved	4,180,483	5,465,423						
Unreserved, reported in:								
Special Revenue Funds	3,692,187	5,113,020						
Capital Project Funds	<u>968,077</u>	<u>3,788,810</u>						
Total All Other Governmental Funds	<u>8,840,747</u>	<u>14,367,253</u>						
Total Governmental Funds	<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>	<u>2017</u>	<u>2018</u>
General Fund								
Nonspendable	\$ 1,023,950	\$ 1,003,438	\$ 956,827	\$ 3,363,065	\$ 938,245	\$ 937,381	\$ 876,939	\$ 464,893
Restricted	663,254	695,564	725,903	-	761,653	888,374	1,016,771	1,254,578
Committed	-	-	-	-	-	-	19,000,000	19,122,754
Assigned	14,739,394	17,729,297	16,400,000	16,400,000	28,849,679	20,500,000	4,638,181	9,963,310
Unassigned	<u>3,380,279</u>	<u>6,669,379</u>	<u>17,961,579</u>	<u>23,197,378</u>	<u>8,774,966</u>	<u>29,869,085</u>	<u>28,057,799</u>	<u>21,704,922</u>
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>	<u>53,589,690</u>	<u>52,510,457</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	33,974,921	30,818,617
Committed	-	-	-	-	1,398,665	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	25,305,974	29,129,616
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,280,961)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
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>	<u>60,679,560</u>	<u>59,948,233</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>	<u>\$ 114,269,250</u>	<u>\$ 112,458,690</u>

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

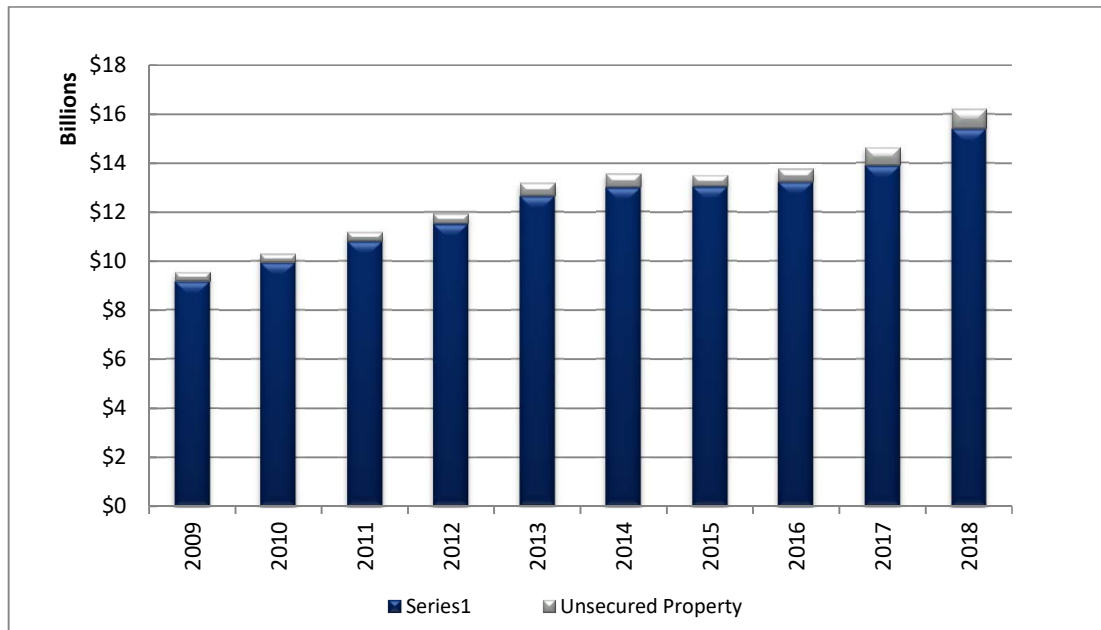
CITY OF CUPERTINO
Change in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Modified accrual basis of accounting)
(Unaudited)

	Fiscal Year Ended June 30									
	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2017</u>
Revenues										
Taxes	\$ 36,395,950	\$ 30,994,583	\$ 37,582,299	\$ 40,265,944	\$ 48,382,570	\$ 72,211,724	\$ 55,134,238	\$ 55,462,956	\$ 62,924,867	\$ 64,062,924
Use of money and property	1,300,508	774,219	792,035	661,602	744,196	764,299	915,933	1,654,702	1,425,629	1,543,818
Intergovernmental	6,896,394	7,539,835	3,543,641	2,678,888	2,841,407	3,069,400	7,210,562	2,532,025	2,585,038	5,122,296
Licenses and permits	2,740,463	2,583,131	2,901,944	2,900,936	3,502,617	3,679,943	3,170,445	3,073,110	2,536,925	2,757,928
Charges for services	1,707,533	1,701,157	2,311,216	3,273,946	4,515,066	10,744,113	5,203,371	17,249,123	24,103,167	15,638,247
Fines and forfeitures	761,320	736,239	695,666	661,899	560,417	616,889	554,002	564,903	603,194	602,934
Other	80,835	689,941	73,881	264,302	57,828	545,052	542,429	1,289,013	2,004,904	1,834,492
Total revenues	<u>49,883,003</u>	<u>45,019,105</u>	<u>47,900,682</u>	<u>50,707,517</u>	<u>60,604,101</u>	<u>91,631,420</u>	<u>72,730,980</u>	<u>81,825,832</u>	<u>96,183,724</u>	<u>91,562,639</u>
Expenditures:										
Current:										
Administration	1,336,921	1,469,004	1,528,070	1,533,070	2,005,176	3,957,739	3,897,701	4,053,741	5,942,633	4,943,052
Law enforcement	8,133,168	8,384,310	8,434,885	8,445,917	8,783,885	9,626,121	10,283,772	10,988,735	11,939,095	12,362,621
Public and environmental affairs	1,486,443	1,487,265	1,497,263	1,659,856	1,486,910	477,852	624,295	544,718	1,864,746	2,835,768
Administrative services	3,634,043	3,733,414	3,695,076	4,103,982	3,772,714	2,444,670	3,226,164	2,811,117	5,054,539	4,430,300
Recreation services	3,789,260	4,003,764	4,117,477	4,319,983	4,083,822	4,536,519	5,047,548	5,441,200	9,361,934	8,686,076
Community development	5,841,428	4,125,739	5,693,541	4,762,229	4,395,601	8,424,254	5,180,659	6,102,820	7,431,292	12,907,086
Public works	11,914,584	11,961,218	12,234,726	12,528,194	13,996,516	17,469,627	14,625,038	15,078,174	18,623,585	18,191,714
Capital Outlay	22,262,369	4,710,360	5,281,927	3,523,047	4,684,676	7,110,974	21,760,899	26,171,127	18,731,165	23,395,112
Debt service:										
Principal repayment	1,415,000	1,460,000	1,500,000	-	1,920,000	2,040,000	2,055,000	2,090,000	2,135,000	2,180,000
Interest and fiscal charges	2,118,714	2,076,265	2,032,464	1,837,665	1,256,922	1,130,428	1,120,138	1,077,538	1,035,738	993,038
Payment to refunded debt escrow agent	-	-	-	44,897,800	-	-	-	-	-	-
Total expenditures	<u>61,931,930</u>	<u>43,411,339</u>	<u>46,015,429</u>	<u>87,611,743</u>	<u>46,386,222</u>	<u>57,218,184</u>	<u>67,821,214</u>	<u>74,359,170</u>	<u>82,119,727</u>	<u>90,924,767</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(12,048,927)</u>	<u>1,607,766</u>	<u>1,885,253</u>	<u>(36,904,226)</u>	<u>14,217,879</u>	<u>34,413,236</u>	<u>4,909,766</u>	<u>7,466,662</u>	<u>14,063,997</u>	<u>637,872</u>
Other Financing Sources (Uses)										
Bond proceeds	-	-	-	44,823,839	-	-	-	-	-	-
Proceeds from sale of capital assets	-	-	1,055,449	421	-	37,569	23,814,257	580	-	872,250
Transfers in	5,035,925	7,788,417	5,684,483	6,484,426	8,438,707	13,610,304	39,408,990	11,905,724	26,446,090	31,028,218
Transfers in - fund closing	-	-	-	-	-	-	-	-	260,374	-
Transfers out	(7,758,925)	(10,135,417)	(7,883,751)	(7,692,426)	(10,308,210)	(24,499,154)	(39,177,284)	(15,422,213)	(29,412,340)	(34,348,900)
Total other financing sources (uses)	<u>(2,723,000)</u>	<u>(2,347,000)</u>	<u>(1,143,819)</u>	<u>43,616,260</u>	<u>(1,869,503)</u>	<u>(10,851,281)</u>	<u>24,045,963</u>	<u>(3,515,909)</u>	<u>(2,705,876)</u>	<u>(2,448,432)</u>
Extraordinary Item										
Asset transferred to Successor Agencies	-	-	-	(1,130,797)	-	-	-	-	-	-
Change in fund balances	<u>\$ (14,771,927)</u>	<u>\$ (739,234)</u>	<u>\$ 741,434</u>	<u>\$ 5,581,237</u>	<u>\$ 12,348,376</u>	<u>\$ 23,561,955</u>	<u>\$ 28,955,729</u>	<u>\$ 3,950,753</u>	<u>\$ 11,358,121</u>	<u>\$ (1,810,560)</u>
Debt service as a percentage of noncapital expenditures (1)	8.9%	9.1%	8.7%	55.6%	7.6%	6.3%	6.9%	6.6%	5.0%	4.7%

(1) Noncapital expenditures is total expenditures less capital assets added each year to the 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
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%
2017	20,196,258,418	1,150,311,942	-	118,257,368	21,346,570,360	5.98%
2018	22,024,906,420	1,114,123,426	-	122,805,695	23,139,029,846	6.19%



(a) Net of exemptions

Source: HdL, Coren & Cone

Data Source: Santa Clara County Assessor 0/ - 2017/18 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 7/27/2018 by KB

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

Last 10 Fiscal Years										
Agency	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16	2016/17	2017/18
Basic Levy¹	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000
Co. Housing Bond 2016	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.01266
County Bond 2008 Hospital Facility	0.00000	0.01220	0.00950	0.00470	0.00510	0.00350	0.00910	0.00880	0.00860	0.00820
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	0.03060	0.03120	0.03080	0.02900	0.05980	0.05250	0.05400	0.05190	0.05090	0.04960
El Camino Hospital 2003	0.01290	0.01290	0.01290	0.01290	0.01290	0.01290	0.01290	0.01290	0.01290	0.01000
Foothill De Anza College	0.01230	0.03220	0.03260	0.02970	0.02870	0.02900	0.02760	0.02400	0.02340	0.02200
Fremont High	0.03390	0.03060	0.03650	0.04150	0.03900	0.04050	0.03960	0.05250	0.04030	0.04640
Los Gatos-Saratoga High 1998	0.03300	0.03520	0.03770	0.03810	0.03680	0.03510	0.05160	0.04230	0.04690	0.04570
MidPeninsula Open Space 2014	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00080	0.00060	0.00090
Santa Clara Unified	0.07430	0.07010	0.05190	0.08360	0.08190	0.07070	0.07040	0.09420	0.08180	0.08280
Santa Clara Valley Water District	0.00610	0.00740	0.00720	0.00640	0.00690	0.00700	0.00650	0.00570	0.00860	0.00620
Saratoga Elementary	0.03630	0.03880	0.04370	0.04440	0.04520	0.04500	0.04580	0.04490	0.04560	0.04580
West Valley College	0.00320	0.01400	0.01390	0.01370	0.02890	0.02550	0.01200	0.02320	0.01960	0.02000
Total Direct & Overlapping² Tax Rates	1.28380	1.32580	1.31790	1.34520	1.38640	1.36290	1.37070	1.40240	1.38040	1.39146
City's Share of 1% Levy Per Prop 13³	0.05661	0.05641	0.05644	0.05650	0.05652	0.05626	0.05617	0.05571	0.05962	0.06148
General Obligation Debt Rate										
Redevelopment Rate⁴	1.04730	1.04860	1.04840	1.04760						
Total Direct Rate⁵	0.06263	0.06510	0.06507	0.06238	0.06204	0.05623	0.05610	0.05588	0.05976	0.06187

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 owner

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

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 2008/09 - 2017/18 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 7/27/2018 by KB

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

Taxpayer	2018 Assessed Valuation	Percentage of Total Assessed Valuation	2013 Assessed Valuation	Percentage of Total Assessed Valuation
Apple Inc.	\$ 5,151,722,757	22.26%	\$ 933,312,667	6.38%
Main Street Cupertino	331,405,037	1.43%	699,845,700	4.79%
Vallco Property Owner LLC	326,717,496	1.41%	72,927,533	0.50%
BVK Perimeter Square Retail LLC ET AL	174,280,482	0.75%	-	-
Cupertino Property Development	152,928,711	0.66%	-	-
Cupertino City Center	146,109,891	0.63%	-	-
Mission West Properties LP II ETAL	134,964,379	0.58%	-	-
SVF Cupertino City Center Corporation	129,871,378	0.56%	-	-
PR Cupertino Gateway LLC	125,591,580	0.54%	-	-
Cupertino Hotel Owner LLC	114,600,014	0.50%	-	-
Total	<u>\$ 6,788,191,725</u>	<u>29.32%</u>	<u>\$ 1,706,085,900</u>	<u>11.67%</u>

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
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%
2017	13,308,884	13,308,884	100.00%	-	13,308,884	100.00%
2018	13,172,425	13,172,425	100.00%	-	13,172,425	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
2009	\$ 46,970,000	0.36%	\$ 853	1.36%
2010	45,510,000	0.34%	815	1.36%
2011	44,010,000	0.30%	755	1.70%
2012	43,940,000	0.27%	744	1.56%
2013	42,020,000	0.26%	705	1.41%
2014	39,980,000	0.23%	671	1.38%
2015	37,925,000	0.20%	633	1.28%
2016	35,835,000	0.18%	598	1.21%
2017	33,700,000	0.15%	579	1.02%
2018	31,520,000	0.14%	535	0.90%

Source: City of Cupertino

CITY OF CUPERTINO
Direct and Overlapping Bonded Debt
June 30, 2018
(Unaudited)

2017-18 Assessed Valuation \$ 23,139,029,846

<u>Overlapping Tax and Assessment Debt:</u>	Total Debt	%	City's Share of
	6/30/2018	Applicable (1)	Debt 6/30/18
Santa Clara County	\$ 784,845,000	5.096%	\$ 39,995,701
Foothill-DeAnza Community College Distric	649,079,095	13.454%	87,327,101
West Valley Community College Distric	407,295,973	1.634%	6,655,216
Santa Clara Unified School District	501,080,000	3.813%	19,106,180
Fremont Union High School District	364,345,088	29.883%	108,877,243
Cupertino Union School District	281,213,688	50.963%	143,314,932
El Camino Hospital District	227,050,000	1.056%	2,397,648
Midpeninsula Regional Open Space District	44,225,000	8.134%	3,597,262
Santa Clara Valley Water District Benefit Assessment	90,945,000	5.096%	4,634,557
Total Overlapping Tax and Assessment Debt	3,350,078,844		415,905,840
 <u>Direct and Overlapping General Fund Debt</u>			
<u>Overlapping Debt:</u>			
Santa Clara County General Fund Obligation:	\$ 634,190,521	5.096%	\$ 32,318,349
Santa Clara County Pension Obligations	362,470,957	5.096%	\$ 18,471,520
Santa Clara County Board of Education Certificates of Participator	5,690,000	5.096%	\$ 289,962
Foothill-De Anza Community College District Certificates of Participator	30,830,528	13.454%	\$ 4,147,939
West Valley-Mission Community College District General Fund Obligation	63,715,000	1.634%	\$ 1,041,103
Santa Clara Unified School District Certificates of Participator	13,795,000	3.813%	\$ 526,003
Santa Clara County Vector Control District Certificates of Participator	2,685,000	5.096%	\$ 136,828
Midpeninsula Regional Open Space Park District Certificates of Participator	112,143,611	8.134%	\$ 9,121,761
Subtotal Overlapping General Fund Deb	1,225,520,617		66,053,466
<u>Direct Debt: City of Cupertino Certificates of Participation</u>	31,520,000	100.000%	31,520,000 (2)
Total Direct and Overlapping General Fund Deb	1,257,040,617		97,573,466
 <u>Totals by Category:</u>			
Total Direct Debt	31,520,000		31,520,000
Total Overlapping Debt	4,575,599,461		481,959,306
Combined Total Debt	\$ 4,607,119,461		\$ 513,479,306 (3)

Ratios to 2017-18 Assessed Valuation:

Total Overlapping Tax and Assessment Debt	1.80%
Combined Total Debt	0.14%
Combined Total Debt	2.22%

- (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 6/30/18.
- (3) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligation.

Sources: HdL, Coren & Cone

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
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	-
2017	757,359,691	-	757,359,691	-
2018	825,933,991	-	825,933,991	-

Debt Limit:

Secured property assessed value, net of exempt real property \$ 22,024,906,420

Adjusted valuation - 25% of assessed valuation 5,506,226,605

Debt limit - 15% of adjusted valuation 825,933,991

Amount of Debt Subject to Limit:

Total Bonded Debt 31,520,000

Less: Certificates of Participation not subject to debt limit (31,520,000)

Amount of debt subject to limit -

Legal Debt Margin \$ 825,933,991

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
2009	55,045	\$ 13,172,425,287	\$ -	\$ -	\$ -
2010	55,838	13,545,013,769	-	-	-
2011	56,431	13,495,632,397	-	-	-
2012	59,022	13,748,274,686	-	-	-
2013	59,620	14,621,780,341	-	-	-
2014	59,946	17,098,778,392	-	-	-
2015	59,777	19,395,507,127	-	-	-
2016	58,185	19,395,507,127	-	-	-
2017	58,917	21,346,570,360	-	-	-
2018	60,091	23,139,029,846	-	-	-

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)	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
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	3.17%	2,586,120,000	45,828	10,365	7.3%	-	39.1	96.3%	72.6%
2011-12	59,022	1,809,378	3.26%	2,818,655,000	47,756	10,625	6.3%	-	39.2	97.0%	74.7%
2012-13	59,620	1,842,254	3.24%	2,985,829,000	50,081	29,699	4.1%	8.4%	39.5	96.7%	75.5%
2013-14	59,946	1,868,558	3.21%	3,090,636,000	51,557	29,904	3.4%	6.8%	40.0	96.2%	74.2%
2014-15	59,777	1,889,638	3.16%	3,186,772,000	53,311	29,871	4.2%	3.8%	40.0	96.5%	74.6%
2015-16	58,185	1,927,888	3.02%	3,340,132,000	57,405	29,684	3.4%	4.2%	40.2	96.5%	75.6%
2016-17	58,917	1,938,180	3.04%	3,486,805,000	59,181	29,467	3.0%	3.8%	40.6	96.7%	76.0%
2017-18	60,091	1,938,153	3.10%	3,620,255,000	60,246	29,255	3.3%	3.8%	40.7	97.1%	76.6%

Notes and Data Sources:

Population: California State Department of Finance. Unemployment Data: California Employment Development Department

2000-2009 Income, Age, and Education Data: ESRI - Demographic Estimates are based on the last available Census. Projections are developed by incorporating all of the prior census data released to date. Demographic Data is totaled from Census Block Groups that overlap the City's boundaries

201- and later - Income, Age and education Data - US Census Bureau, most recent American Community Survey

**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.

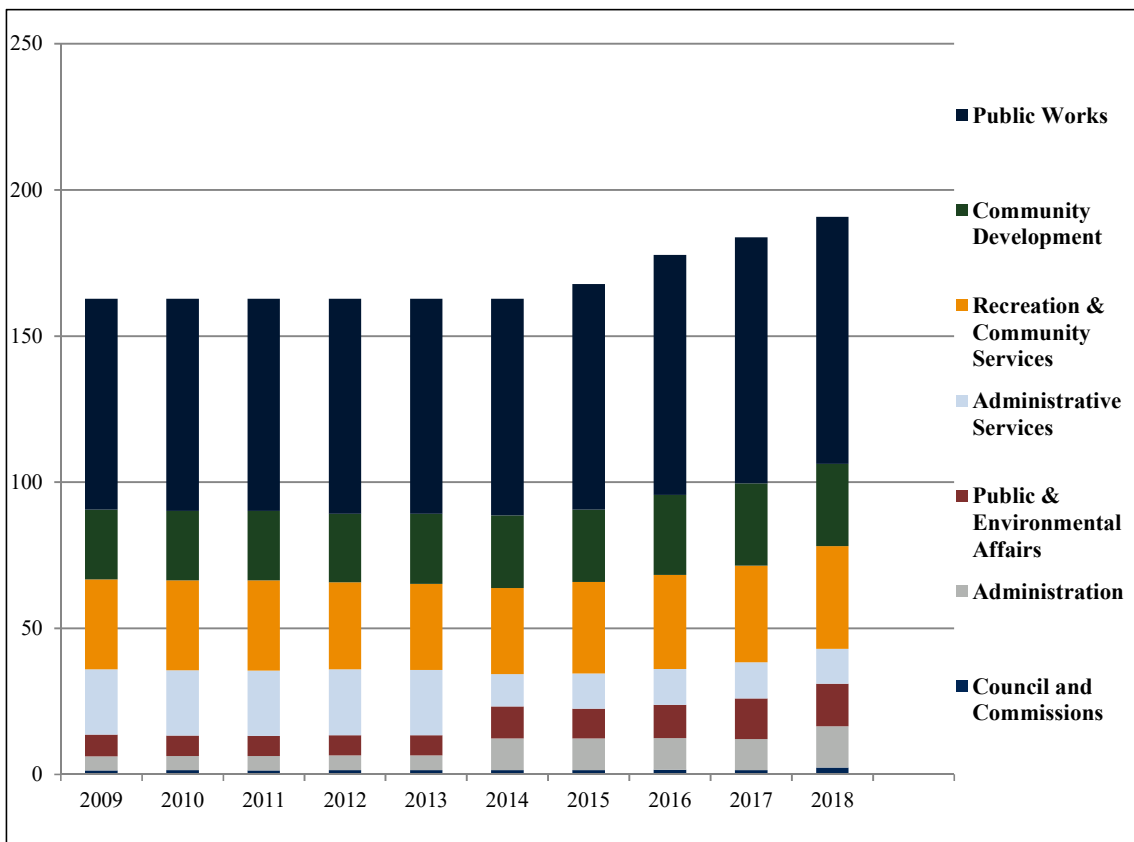
CITY OF CUPERTINO
2018 Employer Ranking
(Unaudited)

<u>Employer</u>	<u>Ranking</u>	<u>Employer</u>	<u>Ranking</u>
Apple	1	Insight Solutions Inc	11
De Anza College	2	Intero Real Estate Scv Inv	12
Seagate Technology Inc	3	Keller Williams Realty	13
Health Care Center at the Forum	4	Sugar CRM Inc	14
Magnet Systems Inc	5	Sunny View Retirement Community	15
All Fab Precision Sheet	6	Target	16
BJ's Restaurant & Brewhouse	7	Whole Foods Market	17
Coldwell Banker Residential	8	99 Ranch Market	18
Cupertino Healthcare-Wellness	9	Argonaut Window & Door	19
Forum at Rancho San Antonio	10	Astra Real Estate	20

Source: InfoUSA

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

Function/Program	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Council and Commissions	1.40	1.47	1.46	1.47	1.52	1.57	1.55	1.60	1.55	2.35
Administration	4.85	4.90	4.85	5.05	5.05	10.75	10.75	10.85	10.57	14.12
Public & Environmental Affairs	7.45	6.95	6.95	6.95	6.90	11.00	10.25	11.40	13.95	14.55
Administrative Services	22.33	22.33	22.34	22.48	22.26	11.00	12.00	12.30	12.30	12.00
Recreation & Community Services	30.77	30.78	30.78	29.78	29.53	29.48	31.28	32.18	33.08	35.13
Community Development	23.78	23.73	23.78	23.43	23.90	24.83	24.80	27.30	28.18	28.08
Public Works	72.17	72.59	72.59	73.59	73.59	74.12	77.12	82.12	84.12	84.52
Law Enforcement	0.00	0.00	0.00	0.00	0.00	2.00	2.00	2.00	2.00	2.00
Total	162.75	162.75	162.75	162.75	162.75	164.75	169.75	179.75	185.75	192.75



Source: City of Cupertino Budget

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

Function/Program	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Law Enforcement Sheriff Response										
Priority One-Respond within 5 minutes	3.88 Min.	3.95 Min.	4.49 Min.	4.84 Min.	3.76 Min.	4.30 Min.	4.90 Min.	4.90 Min.	5.07 Min.	4.23 Min.
Priority Two-Respond within 9 minutes	5.94 Min.	5.90 Min.	5.76 Min.	6.44 Min.	5.98 Min.	6.39 Min.	6.56 Min.	6.56 Min.	8.00 Min.	7.49 Min.
Priority Three-Respond within 20 minutes	9.40 Min.	9.77 Min.	9.79 Min.	10.62 Min.	10.29 Min.	10.76 Min.	10.52 Min.	10.52 Min.	15.79 Min.	14.79 Min.
Public Works										
Street Sweeping	696 Curb Miles	696 Curb Miles	696 Curb Miles	575 Curb Miles	575 Curb Miles	575 Curb Miles	575 Curb Miles	575 Curb Miles	534 Curb Miles	534 Curb Miles
Street Maintenance	24 Hrs of Call	24 Hrs of Call	24 Hrs of Call	24 Hrs of Call	24 Hrs of Call	24 Hrs of Call	24 Hrs of Call	24 Hrs of Call	24 Hrs of Call	24 Hrs of Call
Recreation and Community Services										
Teen Center Memberships	400	447	492	576	564	684	424	491	388	57*
Sports Center Memberships	1,700	1,385	1,598	1,776	1,852	1,950	2,000	1,989	2,015	1,850
Senior Center Memberships	2,243	2,287	2,387	2,470	2,456	2,623	2,549	2,493	2,094	2,260
Local Resident Rentals at Blackberry Farm (a)	28	91	120	135	141	148	120	107		
Quinlan Community Center Rental Revenue (a)	\$80,000	\$71,000	\$91,000	\$133,000	\$120,000	\$109,342	\$110,033	\$104,150	\$128,778	\$72,948
Community Development										
Approved Building Plan Sets	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	95% Within 7 Work Days	95% Within 7 Work Days
Discretionary Land Use Applications	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	99% Within 21 Work Days	99% Within 21 Work Days
Public Notice of Upcoming Projects	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	100% Within 10 Days	100% Within 10 Days
Administrative Services										
Accounts Payable Processing	5 Days	5 Days	5 Days	7 Days	7 Days	7 Days	7 Days	7 Days	7 Days	7 Days
Business License Renewal Certificates	3 Days	3 Days	3 Days	3 Days	3 Days	3 Days	3 Days	3 Days	3 Days	3 Days
Library										
Volumes in Collection	-	-	-	-	-	-	361,817	364,557	369,924	367,979
Annual Gate Count	-	-	-	-	-	-	869,762	880,894	835,073	873,862
Annual Circulation Children's Items	-	-	-	-	-	-	1,474,996	1,544,095	1,448,265	1,453,173
Annual Circulation Adult and Teen Items	-	-	-	-	-	-	999,766	1,032,326	950,453	980,609
Adult Classes and Events	-	-	-	-	-	-	209	215	242	206
Adult Classes and Events Attendance	-	-	-	-	-	-	11,860	8,855	9,242	7,622
Teen Classes and Events	-	-	-	-	-	-	52	78	66	79
Teen Classes and Events Attendance	-	-	-	-	-	-	3,393	3,135	2,571	2,495
Children's Classes and Events	-	-	-	-	-	-	458	493	440	426
Children's Classes and Events Attendance	-	-	-	-	-	-	25,529	28,532	25,857	24,675
Volunteer Hours	-	-	-	-	-	-	11,786	10,000	9,645	10,302

* Recreation and Community Services is currently rebuilding the membership base through a new registration application. The current year figure does not include non-resident teens.
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	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
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	48	48	48	48	48	52
Culture & Recreation										
Parks and Open Spaces	17	18	19	19	19	21	21	21	21	21
Park and Landscape Acreage	169	169	169	169	169	169	169	169	169	169
City Trails	1	1	1	1	1	3	3	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	28	28	28	28
Sports Fields	41	41	41	41	41	41	41	41	41	41
City Library	1	1	1	1	1	1	1	1	1	1

Source: City of Cupertino

History

“This place of San Joseph Cupertino has good water and much firewood, but nothing suitable for a settlement because it is among the hills very near to the range of cedars which I mentioned yesterday, and lacks level lands.”

When Spanish explorer San Juan Bautista De Anza traveled through California in 1776, he and his party documented these words about the land surrounding Stevens Creek, named back then as Arroyo San Joseph Cupertino. However, first impressions can often be misleading. Underneath the spiny, overgrown bush was a completely different land waiting to be uncovered. During this time, the area was populated by Native Americans who hunted and gathered, prospering from the abundant resources the land had to offer.

It wasn't until 1848 when the first American settler, Elijah Stephens, a blacksmith from South Carolina, moved to the area—at this time, named simply 'West Side' and primarily owned by the government. After crossing over the Sierra Nevada in wagons, he discovered the true value of the land underneath the bush, and proceeded to purchase over 300 acres of farmland to grow grapes and blackberries. Stephens pioneered the way for farmers, which established West Side as an agricultural hot spot. The land Stephens owned eventually became Blackberry Farm, and the road, creek, and reservoir were all named after him, although misspelled.

In early West Side, many of the newest advances in agriculture were being developed. Settlers were drawn to the land because of its rich earth, where they were able to grow products that competed on the world market. Once the bush had been cleared, they grew grapes, which covered the West Valley area with vineyards by the late 1800s. By the 1900s, a plant louse called Phylloxera spread throughout the vineyards, attacking the roots of the grape vines, killing the grapes and putting a halt to wine production. As a solution, nearly everything was replanted with fruit orchards. When the fruit trees blossomed, visitors would come to the orchards for “The Valley of Heart's Delight” festivals, which celebrated the prosperous agriculture of the West Valley area.

Apart from the farmland, West Side was primarily known as a cross-roads, an intersection between Saratoga-Sunnyvale Road and Stevens Creek. This served as a way station for travelers to pass through while going from town to town. As more people came to West Side to take advantage of the rich farm land, more family holdings gathered around the cross-roads. Starting off as just a post office and home union store, West Side's humble cross-roads brought many diverse communities, all attracted by the preferable climate and profitable market for crops.

As more people were drawn to the area around the cross-roads, the orchards were gradually replaced with modern houses for workers. The population steadily grew, and the face of West Side changed, progressing to a more modern town. The community wanted to rename the city, as to not confuse it with other cities, as well as establish a unique identity. John T. Doyle, a

lawyer from San Francisco, and writer of historical anthologies on the area, chose the name “Cupertino” after the original name of the creek.

After the post-World War II population boom, the growing community petitioned for Cupertino to become an incorporated town. Members of the community were worried that the alternative to incorporation was to have parts of Cupertino annexed by surrounding cities, splitting up the community and erasing the local culture. To preserve the rural atmosphere, lower taxes for farmers, start a local government, and prepare for growth, Cupertino voted for incorporation. In 1955, Cupertino officially became the 13th city in Santa Clara County.

By the 1970s, Cupertino once again began to undergo dramatic changes. The growing community attracted several large technology corporations. Lockheed Martin, HP, Intel, and many other big names established themselves in the Silicon Valley. Apple Inc. was founded in Cupertino in 1976 and quickly grew into the tech giant it’s known for today.

In the late 20th century, Cupertino and the surrounding areas experienced another surge in population growth, this time due to the immigration of people from Asian countries. Immigration laws at the time were in the favor of families looking to move to the Silicon Valley. People immigrated here for a variety of reasons—whether they were aspiring for career prospects with major tech companies, or striving for a quality education for their children, everyone who immigrated here had a common goal: to find opportunities to work hard for a better life for themselves and their families.

2018 Community Economic Profile

Cupertino, with a population of 64,127 and City limits stretching across 13 square miles, is considered one of the most prestigious cities to live and work in the 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 success as a partnership is a direct reflection of success as a community. The cornerstone of this partnership is a cooperative and responsive government that fosters residential and business prosperity and strengthens working relationships among all sectors of the community.

Because Cupertino is a mature, 93% built-out city, the City of Cupertino focuses 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, Chef Hung, HaiDiLao Hot Pot Restaurant, Pressed Juicery, Orangetheory, 85 Degree Bakery, Target Express, Steins Beer Garden, Kula Sushi, Vitality Bowls, Doppio

Zero, Koja Kitchen, and Icool In2 Ice Cream. Housing, office, and a new Residence Inn by Marriott are available to support the thriving area. Benihana, Dynasty Seafood Restaurant, Bowlmore, Ice Center Cupertino, and Silicon Valley Bay Club also serve as anchors.

The construction of new retail and commercial development strengthens existing popular venues in Cupertino, including The Marketplace. The Marketplace has a variety of stores and restaurants popular with students, families, and working professionals. They include Daiso, Marukai Groceries, Super Cue, La Patisserie Bakery, Beard Papa's, Legend's Pizza, Aloha Fresh, Merlion Restaurant, Icicles, CBI Boiling Fish, Garlic Mediterranean Grill, Rori Rice, and Erik's DeliCafé.

Cupertino Village is undergoing renovations to upgrade existing buildings, construct new buildings, parking, and open-courtyard space. The shopping center is home to 99 Ranch Market, Starbucks, Gogigo Korean BBQ, Creamistry, MOD Pizza, Ten Ren Tea, Fantasia Coffee & Tea, Happy Lemon, Joy Luck Palace, Kee Wah Bakery, and many other Asian restaurants, bakeries, and shops.

Cupertino features many other retail opportunities, including TJ Maxx and Home Goods, Whole Foods, Target, and over 180 restaurants to serve residents and the local workforce. There are six hotels, which provide almost 1,000 rooms, to serve the area: The Aloft Cupertino, Cupertino Hotel, Hilton Garden Inn, Juniper Hotel operated by Curio, Marriott Courtyard, and the Residence Inn by Marriott. The Hyatt House is currently under construction and will offer an additional 148 rooms.

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 Degrees Neapolitan Pizzeria, Yayoi Teishoku Japanese Restaurant, Starbucks, and Chipotle.

Apple completed construction of its new corporate campus, Apple Park, which includes approximately 2.8 million square feet of office and R&D space north of Highway 280 between Wolfe Road and Tantau Avenue. A state of the art Visitors Center, Observation Deck, flagship retail store and café are open to the public seven days a week.



2018 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 Cupertino Community Hall. The meetings can be viewed on the City website.

The City has 197.75 authorized full-time benefited employee positions. City departments include Administration (City Council, Commissions, City Manager, City Attorney, City Clerk, Sustainability, Public Affairs); Administrative Services (Finance, Human Resources); Community Development (Planning, Building, Housing Services, Economic Development, Code Enforcement); Recreation and Community Services (Neighborhood Watch, Emergency Preparedness); Public Works (Engineering, Maintenance, Transportation, Solid Waste, Environmental Programs, Storm Drain Management); and Innovation & Technology (IT, GIS, Website and Applications, Video). Public safety services are provided by the Santa Clara County Sheriff's Department and the Santa Clara County Fire District.

Assisting the City Council are several citizen advisory commissions/committees including:

- Audit Committee
- Fine Arts Commission
- Housing Commission
- Library Commission
- Parks and Recreation Commission
- Planning Commission
- Public Safety Commission
- Sustainability Commission
- Teen Commission
- Technology, Information and Communication Commission

Members of the volunteer boards are appointed by the City Council and vacancies are announced so that interested residents can apply for the positions. For more information, visit cupertino.org/commissions.

Housing

The median sales price for an existing single-family home was \$2,178,000 in January 2018. 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

<i>Gas & Electric</i>	Pacific Gas and Electric, 800-743-5000
<i>Phone</i>	AT&T residential service, 800-894-2355 AT&T business service, 800-750-2355
<i>Cable</i>	Comcast, 800- 945-2288
<i>Solid Waste & Recycling</i>	Recology, 408-725-0420
<i>Water</i>	San Jose Water Company, 408-279-7900 California Water Service, 650-917-0152
<i>Sewer Service</i>	Cupertino Sanitary District, 408-253-7071

Tax Rates and Government Services

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

Assessed Valuation (Secured and Unsecured)

Cupertino: \$21,346,570,360 (7/17)

County: \$449,772,839,608 (7/17)

Retail Sales Tax

Grand Total = 9.00%.

Breakdown = Cupertino 1.00%, State 6%, County Transportation 0.25%, County General .125%, Local District (Valley Transportation Authority) 1.625%.

Transportation

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

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

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

Route 23 San Jose – Mountain View/Palo Alto

Route 25 San Jose – De Anza College

Route 26 Eastridge – Lockheed

Route 36 East San Jose – Vallco

Route 51 Vallco – Moffett/Ames

Route 53 Westgate – Sunnyvale

Route 55 De Anza – Great America

Route 81 East San Jose – Vallco

Express 101 Camden/Branham – Palo Alto

Express 501 Palo Alto – I.B.M Bailey

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

Sister Cities

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, Cupertino'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.

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.

Community Statistics

Facts and Figures¹

Population in City Limits	64,127
Average Household Income	\$222,322
Average Age	40
Registered Voters	28,778
Democrats	11,296
Republicans	4,923
American Independent	406
Other	208
No Political Party designated	11,873

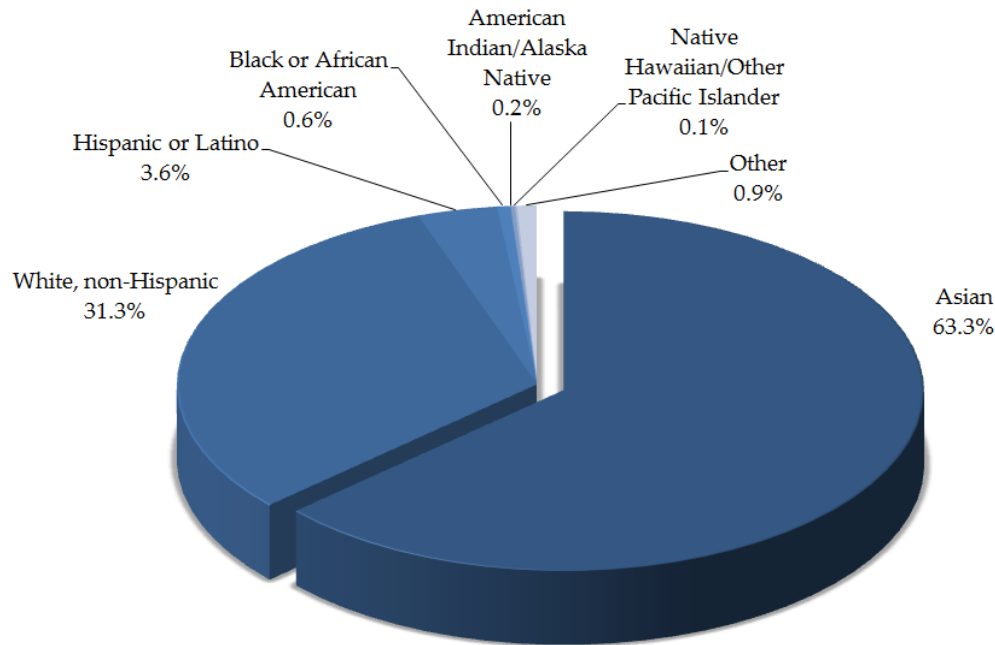
Top 40 Sales Tax Producers

Third Quarter 2017, in Alphabetical Order

Apple	Brightview Landscape Development	Kula Revolving Sushi Bar	Shell Station
7 Eleven	Brightview Tree Company	Lazy Dog Cafe	Staples
99 Ranch Market	Chevron	Lindgren RF Enclosures	Superior Air Handling
Agie Charmilles	De Anza College Campus Center	Mirapath	Target
Alexander's Steak House	Dental Arts of California	Ross	Teknion
Alliance	Dynasty Seafood Restaurant	Rotten Robbie	TJ Maxx
Aqui Cal Mex	Estel Group	Safeway	Ulta Beauty
Argonaut Window & Door	Huawei Enterprise	Scandinavian Designs	Valero
Benihana	Insight Direct	Seele	Whole Foods Market
BJs Restaurant & Brewhouse	Insight Public Sector	Shane Company	Wiremold

¹ Claritas 2018 Estimates and California Secretary of State Report of Registration February 10, 2017

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, replastered 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 Creekside Park, 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 Stocklmeir 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.