

CITY OF CUPERTINO, CALIFORNIA

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR FISCAL YEAR ENDED
JUNE 30, 2009

PREPARED BY:
CITY OF CUPERTINO
ADMINISTRATIVE SERVICES DEPARTMENT
ACCOUNTING DIVISION

Carol Atwood, David Woo, Jennifer Chang, Tina Mao,
Yulia Rumalean, Dorothy Steenfott, Richard Wong

NOTES

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CITY OF CUPERTINO, CALIFORNIA

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CITY OF CUPERTINO

CITY HALL

10300 TORRE AVENUE • CUPERTINO, CA 95014-3202

(408) 777-CITY • WWW.CUPERTINO.ORG

November 19, 2009

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, 2009. 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.

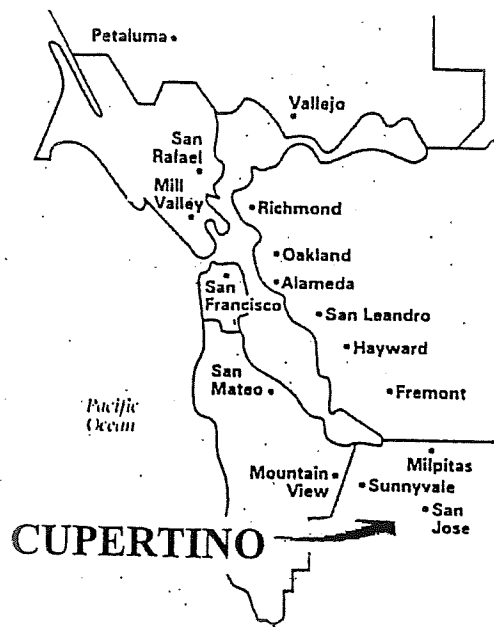
REPORTING ENTITY

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. This financial report incorporates data for the City of Cupertino, the Cupertino Public Facilities Corporation and the Cupertino Redevelopment Agency.

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 the 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. Its residential population of 55,162 expands to 71,194 when including the daytime workforce.



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 the Santa Clara 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.

Cupertino is the corporate headquarters of almost twenty companies including Apple, Verigy, Durect, and ArcSight and houses sixty high-tech firms including key divisions of Hewlett-Packard. 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. Apple has

purchased over 60 acres for a major expansion north of Highway 280 along Pruneridge Avenue between Wolfe Road and Tantau Avenue. In 2009, 3.86 million square feet of office space existed with an average vacancy rate of 13%. The City's unemployment rate of 7.3% falls below the statewide rate of 11.2%.

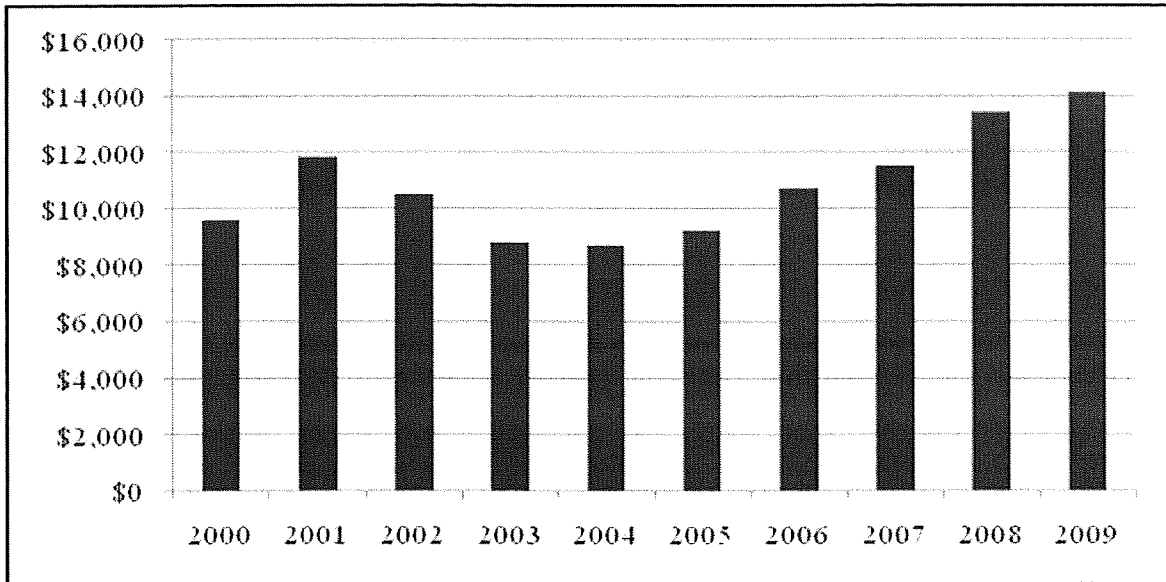
Retail space encompassed 3.6 million square feet in 2009, with 150 eating establishments. The 1.2 million square feet Cupertino Square Mall comprises most of the City's redevelopment project area and features two levels of enclosed shopping, three anchor stores, a new 16-screen AMC theatre, a new Strike Cupertino bowling center, and new International Food Court. In spite of the mall's additions and remodel and aside from the theatre being one of the top attended AMC cinemas regionally, the shopping center continues to underperform. Moreover, financing problems hit the mall owners, resulting in a bankruptcy filing in September 2008, a foreclosure in May 2009, and eventual sale of the property in October 2009. Retail has a better outlook outside of the mall, with a Staples office supply store, Marukai Japanese Supermarket, and Target store, either recently opening or maintaining same store sales that were stronger than other regions. However a local Mervyn's closed when this national clothing retailer ceased operations and the City's largest company reported less sales tax.

The recession did not hit the City as severely as some other municipalities in the state as property and sales taxes, which comprise almost half of revenues, experienced year-to-year growth of 18% and 7%, respectively. Cupertino's low number of foreclosures and desirability of its school districts has kept assessed values up while 2007 parcel sales in the Cupertino Square project area boosted 2008-09 Redevelopment Agency property tax revenues. However, fewer home sales in the higher end of the market began to affect the City during 2008-09 and along with appeals and re-assessments by the county, assessed value growth for the 2009-10 tax roll was up only 2%. Much of the 2008-09 sales tax growth resulted from the state's sales tax payment to cities methodology which entails providing estimates of a year's receipts and then sending in a correction to actual amounts in the subsequent year.

Estimates are based on recent history which means that changes in the economy have a lagging effect. The City projects that sales taxes in 2009-10 will fall off 13% from 2008-09 results as underlying weakness in retail, restaurants, and the leading business-to-business sector will emerge.

The following chart shows sales tax receipts over the past ten years.

Sales Tax Trend



The 2006 voter referendum on two housing project approvals, the difficult housing market, tight credit and higher office vacancy rate continued to hurt the residential and commercial construction market in 2008-09. Development-related fees for the City were flat in 2008-09. Fee revenue growth will depend on major commercial or residential projects approved in recent years, but yet to be built, such as the mixed-use Main Street Cupertino complex, the 24,455 sq. ft. retail expansion of Cupertino Village, the 10,582 sq. ft. retail building at Tantau Avenue and Stevens Creek Blvd., the 51,000 sq. ft. mixed-use building and 122-room hotel at the Oaks Shopping Center, the 19.8 acre One Results Way office campus redevelopment, and the 138-room hotel on North DeAnza Boulevard. Foundation and podium work on the Rose Bowl mixed-use project began in mid-2009 but ultimate construction of the structures themselves is still pending. On the positive side, the third new retail building at the MarketPlace was completed and construction is progressing on the 20-unit Las Palmas single-family development and 116-unit Villa Serra and Grove apartment expansion.

As anticipated, California's 2009-10 budget borrows \$1,419,000 of the City's General Funds in order to balance the state deficit. It will completely seize, without repayment, \$63,000 in City Redevelopment Agency money in 2009-10 and \$13,000 in 2010-11. Furthermore, the state is delaying, until April 2010, their release of five months worth of gasoline taxes to the city. They will also put off remitting gasoline sales taxes to Cupertino until May 2010. State payment of the \$100,000 Citizens Option for Public Safety grant is precarious because funding for it comes from vehicle license fees. Low receipts of these fees due to falling auto sales forced late payments of the 2008-09 grant and there are early indications of similar problems in 2009-10.

Legislation stipulates state repayment of the General Fund property tax borrowing with 2% interest by June 30, 2013, but because of the state's forecast of large budget deficits through that time, re-payment cannot be a certainty, nor can a re-borrowing of the funds after repayment be ruled out.

The City will use General Fund and equipment reserves to cover the General Fund shortfall until the money comes back. A Redevelopment Agency takeaway in 2008-09 was reversed by the courts and a new lawsuit by the California Redevelopment Association was filed in October 2009 for the current hit.

City voters passed a modern telecommunication utility user tax (UUT) ordinance on November 3, 2009 in order to preserve approximately \$600,000 per year in ongoing UUT revenues from wireless communications. The City was collecting the tax under an outdated ordinance written in the days of traditional landline service. The revenues support general City services such as parks, streets, and public safety.

The recession demonstrates the need for diversification of the City's revenue base and a long-term balance of revenues and expenditures as described in the City's Fiscal Strategic Plan. The City needs to find other revenues to mitigate the fluctuating nature of sales taxes, hotel taxes, user fees, and state borrowings of local taxes in times of budget distress. It needs to reduce the concentration of sales taxes among its top companies and top economic sector, the volatile business-to-business area. Legislation raising the City's property tax share, the opening of a western region sales office of a major technology solution provider, and update of the UUT are successes of the strategic plan, but many other tax or fee initiatives in the plan have incurred opposition to their implementation. The City's Economic Development department strives to generate revenues by recruiting and retaining retail, facilitating development, branding and outreaching to new business, revising policies, coordinating with regional organizations, and promoting economic vitality.

The City's unfunded retiree medical liability is a new disclosure in Note 10 to the Basic Financial Statements. The City must expense the annual installment to payoff this long-term liability. These financials, using a 2007 valuation, report a \$21,982,000 unfunded liability with a \$2,475,000 annual expense for 2008-09. A new 2009 valuation recently available describes a \$24,305,000 unfunded liability as of June 30, 2010 with an annual cost of \$2,700,000, assuming the City continues to fund the benefits on a pay-as-you-go basis. The City has been setting aside monies annually for this purpose since 2004 and will accumulate about \$9,000,000 in a separate City fund by the end of 2009-10. The City plans to invest these assets in an irrevocable trust with higher yielding investments during 2009-10 in order to reduce the unfunded liability and annual cost.

ECONOMIC INITIATIVES

The City has taken advantage of grant and economic stimulus opportunities from the federal American Recovery and Reinvestment Act. So far in 2009-10 it has received \$1,731,000 in various ARRA grants for streets, energy efficiency, housing improvements, and emergency preparedness purposes. The City amended its temporary sign ordinance to encourage well designed, pedestrian oriented signage. As part of its service delivery automation and streamlining initiative, it has reviewed the permitting process and continues to rollout electronic services with the goal of bringing City Hall closer to the customer with reduced costs. The long-term fiscal strategic plan promotes the streamlining and repositioning of the workforce as opportunities arise and the stabilizing and repositioning of revenue sources with a heavy vehicle street impact fee and re-evaluation of park dedication fees. Decreasing expenditures and risk exposure with a requirement that developers maintain new open space associated with their projects, that private and public capital projects be added only if ongoing maintenance is funded, and that block leaders, neighborhood watch programs, and certified emergency response teams be expanded are other strategic plan elements.

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 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.

Cash Management

The City maintains a cash and investment pool for all City funds. The City Treasurer invests the City's funds according to state code and the investment policy adopted by the City Council. The objectives of the policy, in order of priority, are safety, liquidity, and yield. The policy addresses soundness of financial institutions and the types of investments permitted by the California government code.

The City's investments consists of U.S. Treasury and Federal agency obligations, the State Treasurer's Local Agency Investment Fund, money market funds consisting of Treasuries, Federal agency notes, and repurchase agreements, and FDIC insured certificates of deposit. Year-end cash and investments had market and book values of \$58,227,000 and \$58,158,000, respectively, with the balance down \$5,709,000 from the previous year due to major capital outlays in 2008-09. The average portfolio yield dropped to 0.74% at June 30, 2009 compared to 2.94% a year ago. Rates decreased as the Federal Reserve maintained low rates in order to combat the recession and tight credit market. Because of the ongoing problems in financial markets, the City kept the portfolio mostly in conservative Treasury bonds and bills. See Note 2 to the Basic Financial Statements for more information.

Risk Management

Risk management issues factor substantially in the City's long term financial planning. Whether through risk pools or self-insurance programs, the City strives to maintain sufficient assets to pay expected losses, maintain funding stability to avoid substantial fluctuation in annual expense, and monitor risk management policies and claim administration to mitigate future losses.

The City maintains a program of commercial insurance combined with self-insurance for substantially all of its governmental operations except for major construction projects and contractor-supplied services. In such circumstances, insurance to protect the City is provided by each contractor.

INDEPENDENT AUDIT

City ordinance requires an annual audit of the financial records by an independent certified public accounting firm selected by the City Council and its audit committee. Maze and Associates Accountancy Corporation 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, 2008. 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 and we are submitting it to the GFOA to determine its eligibility for another certificate.

Respectfully submitted,



David Woo
Finance Director

ACKNOWLEDGMENTS

I would like to express my appreciation to the City employees, City Manager, and the members of the City Council for their interest in conducting the financial operations of the City in a responsible manner. Special thanks go to the Finance staff - Tina Mao, Yulia Rumalean, and Richard Wong - for their continued support and dedication. Special recognition goes to Jennifer Chang, Dorothy Steenfott, and David Woo for their efforts in the preparation and production of this report.

Reviewed by,

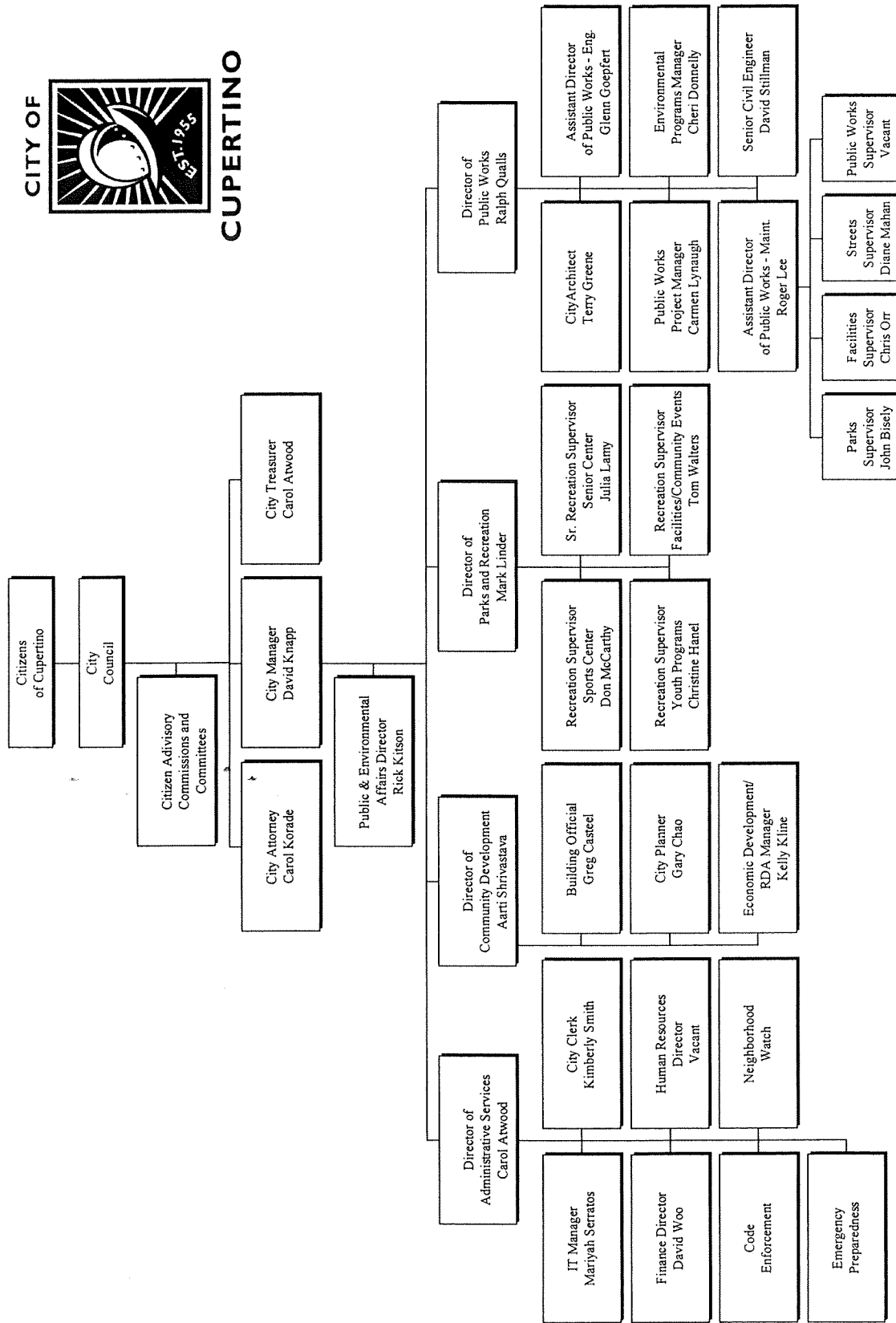


Carol A. Atwood
Director of Administrative Services

CITY OF



CUPERTINO



CITY OF CUPERTINO, CALIFORNIA

Fiscal Year 2008/09

COMMISSIONS AND COMMITTEES

AUDIT COMMITTEE

Myoung Kang
Mark Santoro
Stanley Stemkoski
Garrett Wade
Gilbert Wong

HOUSING COMMISSION

Harvey Barnett
Radha Kulkarni
Nicole Maroko
Frances Seward

FINE ARTS COMMISSION

KC Chandratreya
John Fiegel
Christina Hackworth
Robert Harrison
Jessi Kaur

PUBLIC SAFETY COMMISSION

Charles Caldwell
Nina Daruwalla
Craig Lee
Daniel Nguyen
Tamara Pow

TEEN COMMISSION

Utkarsh Bhagi	Sanjana Ramachandran
Sruthi Damodar	Shailee Samar
Ojas Goyal	Anna Kathryn Sengupta
Esther Lim	Nirali Shah
Laura Liu	Stephanie Szeto
Nikhil Menon	

**TECHNOLOGY, INFORMATION &
COMMUNICATIONS COMMISSION**

William Allen
Peter Friedland
Avinash Gadre
Wallace Imura
Andrew Radle

PARKS & RECREATION COMMISSION

Jeanne Bradford
David Greenstein
David Lee
Darcy Paul
Debbie Stephens Stauffer

LIBRARY COMMISSION

Adrian Kolb
Ronald Miller
Katherine Stakey
Ann Stevenson
Susanna Tsai

PLANNING COMMISSION

Paul Brophy
Lisa Giefer
David Kaneda
Winnie Lee
Marty Miller

BICYCLE PEDESTRIAN COMMISSION

Mark Fantozzi
Geoffrey Paulsen
Alan Takahashi
James Wiant

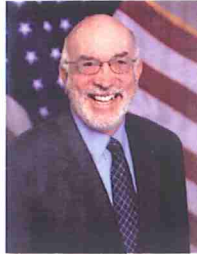
ECONOMIC DEVELOPMENT

Bob Adams	Orrin Mahoney
Carol Atwood	Marty Miller
Mike Foulkes	Ralph Qualls
Shawna Holmes	Aarti Shrivastava
Kelly Kline	Kris Wang
David Knapp	

CITY OF CUPERTINO, CALIFORNIA

Fiscal Year 2008/09

CITY COUNCIL



Orrin Mahoney
Mayor



Kris Wang
Vice Mayor



Dolly Sandoval
Councilmember



Mark Santoro
Councilmember



Gilbert Wong
Councilmember

DIRECTORY OF CITY OFFICIALS

David W. Knapp - City Manager
Carol Korade – City Attorney

Carol Atwood – Director of Administrative Services
Mark Linder – Director of Parks and Recreation
Ralph Qualls – Director of Public Works
Aarti Shrivastava - Director of Community Development

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Cupertino
California

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2008

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



A handwritten signature in black ink, appearing to read "M. L. R. T.", written over a light background.

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Emer", written in a cursive style.

Executive Director

FINANCIAL SECTION

ACCOUNTANCY CORPORATION
3478 Buskirk Ave. - Suite 215
Pleasant Hill, California 94523
(925) 930-0902 • FAX (925) 930-0135
maze@mazeassociates.com
www.mazeassociates.com

**INDEPENDENT AUDITOR'S REPORT ON
BASIC FINANCIAL STATEMENTS**

To the City Council
City of Cupertino, California

We have audited the basic financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Cupertino as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements as listed in the Table of Contents. These basic financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in the United States of America and generally accepted government audit standards issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement. An audit includes examining on a test basis evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic 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 of Cupertino at June 30, 2009 and the results of its operations and the cash flows of its proprietary fund types thereof and the respective budgetary comparisons listed as part of the basic financial statements for the year then ended, in conformity with generally accepted accounting principles in the United States of America.

As described in Note 10, the City implemented the provision of GASB Statement No. 45, *Accounting and Financial Reporting by Employers of Post Employment Benefits other than Pensions*.

In accordance with Government Auditing Standards, we have also issued our report dated September 14, 2009 on our consideration of the City of Cupertino'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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Management's Discussion and Analysis is required by the Government Accounting Standards Board, but is not part of the basic component unit financial statements. We have applied certain limited procedures to this information, principally inquiries of management regarding the methods of measurement and presentation of this information, but we did not audit this information and we express no opinion on it.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental section listed in the Table of Contents are presented for purposes of additional analysis and are not a required part of the basic financial statements of the City of Cupertino. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements, and in our opinion are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The introductory section and statistical section listed in the Table of Contents were not audited by us, and we do not express an opinion on these information.

Maze & Associates

September 14, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

This is the Administrative Services Department's report on the City of Cupertino's financial performance for the year. Please read it in conjunction with the accompanying Transmittal Letter and Basic Financial Statements.

2008-09 FINANCIAL HIGHLIGHTS

- The City's total net assets increased \$6,102,000 during 2008-09, ending the year at \$152,378,000.
- Total City revenues and expenses were \$58,737,000 and \$52,635,000, respectively, in 2008-09.
- Governmental revenues were \$51,756,000, up from \$49,612,000 in 2007-08.
- Governmental expenses were \$46,807,000 in 2008-09, up from \$41,113,000 in the prior year.
- Revenues from business-type activities were \$6,980,000 in current year, down from \$7,387,000 in the prior year.
- Expenses of business-type activities were \$5,828,000 in current year, down from \$5,907,000 in the prior year.
- General Fund revenues of \$41,293,000 represented a decrease of \$72,000 from the prior year; General Fund expenditures increased from \$31,010,000 to \$32,276,000 in 2008-09.
- The General Fund experienced expenditure budget savings of \$3,712,000; however, revenues fell short of budget by \$396,000.
- With revenues exceeding expenditures by \$9,016,000 and net transfers out of \$6,486,000, the General Fund balance rose \$2,530,000 to end the year at \$22,197,000.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

The City-Wide Financial Statements provide a long-term view of the City's activities as a whole, and comprise the Statement of Net Assets 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 Assets provides information about the financial position of the City as a whole, including all its capital assets and long-term liabilities. The Statement of Activities provides information about all the City's revenues and all its expenses, also on the full accrual basis, with the emphasis on measuring net revenues or expenses for each of the City's programs. The Statement of Activities explains in detail the change in Net Assets for the year. Over time, increases or decreases in net assets 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 Assets 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 information, 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 Redevelopment Agency, because the City is considered to be financially accountable for the Agency. The Cupertino Public Facilities Corporation, from which the City leases its major facilities through the payment of long-term debt, is also included as a component unit.

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

The Fund Financial Statements report the City’s operations in more detail than the government-wide 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, and liabilities; 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 government-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 activities statements to allow a better understanding of the long-term impact of the government’s near-term financial decisions.

Enterprise and Internal Service Fund financial statements are prepared on the full accrual basis and include all their assets and liabilities, current and long-term. Enterprise funds are used to report the same functions presented as business-type activities in the government-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 assets 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 government-wide financial statements.

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

Fiduciary Fund statements provide financial information about the activity of an assessment district. The City acts strictly as an agent for the district holding amounts collected from property owners, prior to transferring the money to the districts’ bond trustees. The City’s fiduciary activities are reported in the separate Statement of Fiduciary Net Assets and the Agency Funds Statement of Changes in Assets and Liabilities. These activities are excluded from the City’s other financial statements because the City cannot use these assets to finance its own operations.

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

CITY-WIDE FINANCIAL ACTIVITIES

This analysis focuses on the net assets and changes in net assets of the City's Governmental Activities (Tables 1, 2 and 3) and Business-Type Activities (Tables 4, 5 and 6) presented in the City-wide Statement of Net Assets and Statement of Activities that follow.

Governmental Activities

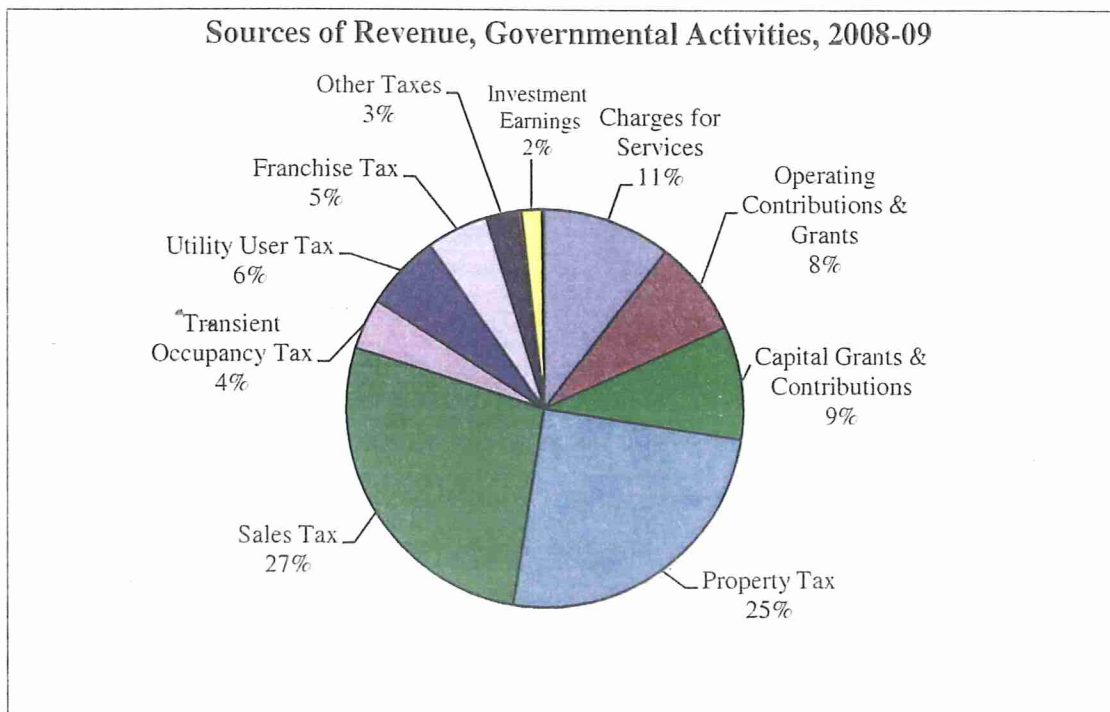
Table 1
Governmental Net Assets at June 30
(in thousands)

	<u>Governmental Activities</u>	
	<u>2009</u>	<u>2008</u>
Cash and investments	\$48,363	\$55,164
Other assets	6,446	9,478
Capital assets	<u>150,312</u>	<u>133,559</u>
Total assets	205,121	198,201
Long-term debt	46,970	48,385
Other liabilities	<u>14,858</u>	<u>11,473</u>
Total liabilities	61,828	59,858
Net assets:		
Invested in capital assets, net of debt	103,342	85,174
Restricted	6,661	9,927
Unrestricted	<u>33,290</u>	<u>43,242</u>
Total net assets	<u>\$143,293</u>	<u>\$138,343</u>

The City's net assets from governmental activities increased \$4,950,000 or 4% from the prior year. The Change in Governmental Net Assets, Table 2, shows the increase from a revenue and expense perspective. The change was distributed among assets, liabilities, and net asset categories as follows:

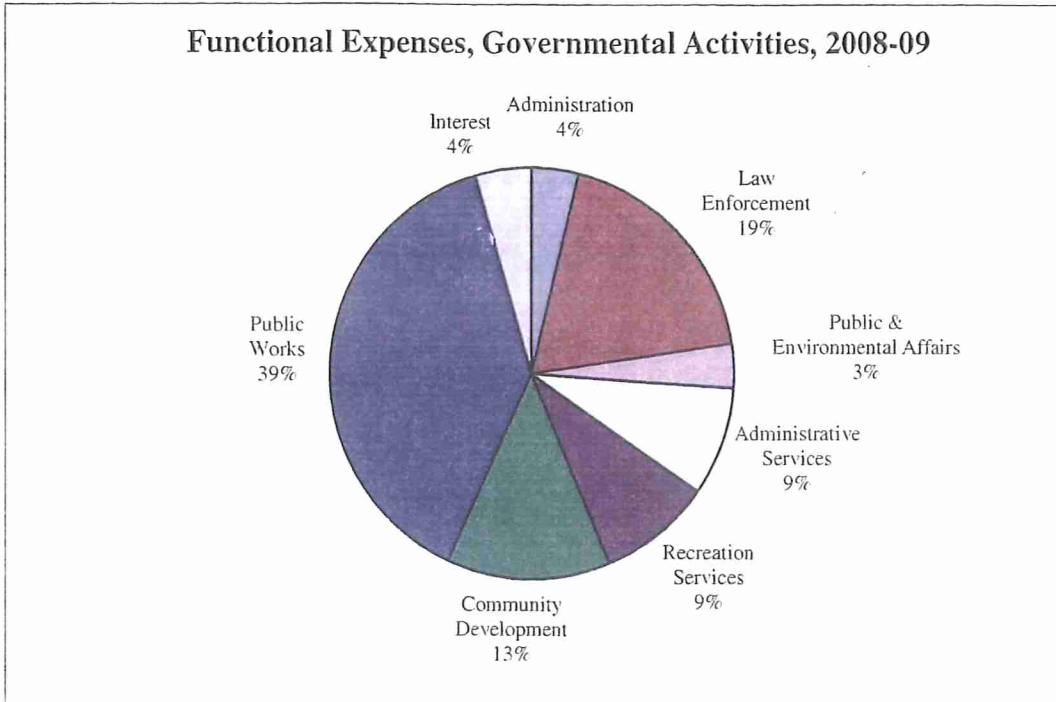
- Capital assets increased by \$16,753,000 as two major construction projects, the Mary Avenue Bicycle Footbridge and Stevens Creek Corridor Park, were completed and two parcels at Sterling Boulevard and Barnhart Avenue were purchased for a future park. Further information on these transactions is provided in the Major Governmental Funds section of this report.
- \$6,801,000 of net cash was disbursed to pay for the major capital outlays.
- Other assets decreased \$3,032,000 as the amount of outstanding grants due from the Santa Clara Valley Transportation Authority (VTA) for the Mary Avenue Bicycle Footbridge project decreased as the project wound down.
- Principal payments on the 2002 certificates of participation reduced long-term debt by \$1,415,000.
- Capital assets net of related debt rose \$18,168,000 due to the \$16,753,000 capital asset increase and \$1,415,000 debt decrease.

- Restricted net assets fell by \$3,266,000 as gasoline taxes and state bond monies were expended on street repaving projects and development impact fees were spent on helping a non-profit agency acquire a single family home for congregate senior housing. Remaining net assets of \$6,661,000 are restricted to future storm drain, street, housing, park acquisition, redevelopment, public access television, and debt service purposes.
- Unrestricted net assets are the part of net assets that can be used to finance day-to-day operations or designated for certain purposes by the City Council, without constraints established by debt covenants or other legal requirements. \$33,290,000 of unrestricted net assets existed at June 30, 2009, \$9,952,000 lower than a year ago. The change reflects the above descriptions of cash and grant receivables converted into capital assets. The unrestricted net asset balance is divided into: \$15,015,000 in General Funds designated for economic contingencies, disasters, state raids, and utility user taxes, \$8,889,000 for retiree health costs, equipment replacement, information technology projects, and insurance reserves. \$4,857,000 in General Funds available to balance the five-year operating and capital budget, \$2,307,000 for open purchase orders, \$1,223,000 for housing loans given out by the City, and \$968,000 for capital funds committed but not yet encumbered.



As the Sources of Revenue chart above shows, sales and property taxes, at 27 and 25 percent respectively, continue to be largest providers of governmental revenue. The division of revenue sources remained mostly unchanged from the previous year.

Functional Expenses, Governmental Activities, 2008-09



The Functional Expenses chart above includes only current year expenses, which are discussed in detail below. Percentages are consistent with last year. The chart does not include capital outlays or principal payments on debt. Capital outlays are instead shown as additions to capital assets and principal payments are reported as long-term liability reductions.

The Statement of Activities presents program revenues, expenses, and general revenues. These are all elements of the Changes in Governmental Net Assets summarized in the next table.

Table 2
Change in Governmental Net Assets
(in thousands)

	<u>Governmental Activities</u>	
	<u>2008-09</u>	<u>2007-08</u>
Expenses		
Administration	\$1,770	\$1,636
Law Enforcement	8,804	7,680
Public and Environmental Affairs	1,624	1,216
Administrative Services	4,002	3,923
Recreation Services	4,206	3,846
Community Development	6,178	4,060
Public Works	18,104	16,569
Interest on long-term debt	<u>2,119</u>	<u>2,183</u>
Total expenses	<u>46,807</u>	<u>41,113</u>
Revenues		
Program revenues:		
Charges for services	5,417	5,345
Operating contributions and grants	4,014	2,393
Capital grants and contributions	<u>4,760</u>	<u>5,696</u>
Total program revenues	<u>14,191</u>	<u>13,434</u>
General revenues:		
Taxes:		
Property tax	7,492	6,942
Property tax in-lieu of motor vehicle fee	4,300	3,894
Incremental property tax	1,211	220
Sales tax	14,139	13,155
Transient occupancy tax	2,140	2,712
Utility user tax	3,205	3,176
Franchise tax	2,618	2,547
Other taxes	1,318	1,710
Intergovernmental, unrestricted:		
Motor vehicle license fee	172	267
Investment earnings	890	1,452
Miscellaneous	<u>81</u>	<u>103</u>
Total general revenues	<u>37,566</u>	<u>36,178</u>
Total revenues	<u>51,757</u>	<u>49,612</u>
Excess of revenues over expenses, before transfers	<u>4,950</u>	<u>8,499</u>
Transfer-in of non-capital assets	----	550
Transfer-in of capital assets	----	<u>442</u>
Increase in net assets	<u>\$4,950</u>	<u>\$9,491</u>

Revenues

Table 2 shows that total governmental revenues rose \$2,144,000 or 4% over last year, finishing at \$51,756,000.

The City's Redevelopment Agency began to realize growth in incremental property tax revenues as the sale of the Rose Bowl parcel and potential hotel site in Cupertino Square generated a property value reassessment that resulted in \$991,000 of additional property taxes for the Agency's economic development and low and moderate income housing programs, more than five times higher than previously received annually. The term *incremental* refers to the tax allocation methodology for redevelopment agencies where upon most of the tax growth in a project area is directed toward eliminating blight in the project area and increasing affordable housing in the City.

Grants and contributions, both operating and capital related, rose a combined \$685,000 or 8% over the previous year as \$800,000 in federal Community Development Block Grant (CDBG) money was received and then awarded to Maitri Incorporated to finance its purchase of a transitional home for domestic violence victims. Mary Avenue Bicycle Footbridge grant revenue declines offset a part of this rise.

The remaining \$468,000 of the governmental revenue expansion is from a mixed bag of moderate growth in General Fund property and sales taxes partially offset by declines in investment earnings, transient occupancy taxes, and property transfer taxes. The recession had an immediate affect on the last three areas while the first two areas will be impacted more in 2009-10. See the General Fund analysis later in this report for further explanation.

Expenses

City-wide governmental expenses, representing non-capitalized spending, climbed \$5,694,000 or 14% over 2007-08. All areas, except for interest on the City's debt, incurred increases with Law Enforcement, Public and Environmental Affairs, Community Development, and Public Works bearing the bulk of the rise on an amount or percentage basis. The \$1,828,000 initial recording of long-term retiree health cost liabilities is part of this increase, affecting all governmental activities.

The county sheriff, under a Law Enforcement contract with the City, utilized 1,124,000 more dollars to deploy more investigative, enforcement and patrol services than in previous years to address school safety, home and auto burglaries, identity theft, and accident prevention concerns.

Public and Environmental Affairs began citywide efforts to reduce greenhouse gas emissions through energy reduction and resource sustainability programs involving City operations, residents and businesses. An environmental affairs coordinator was hired and was instrumental in getting the City a \$526,000 Energy Efficiency and Conservation Block Grant for these initiatives from the federal stimulus package in August 2009. In addition, a portion of the \$408,000 or 34% jump in expenses went toward the replacement of communication equipment.

Despite Community Development's lower outlays for building permits, inspections, and planning reviews, reflecting the recession's effect on entitlement and construction applications, total expense for this activity rose \$2,118,000 or 52% because of \$800,000 in CDBG grant disbursements for the Maitri domestic violence shelter plus \$1,090,000 in City development impact fees awarded to Senior Housing Solutions to aid in their purchase of a group senior living residence. School field improvements and the passing through of a portion of the property tax growth to the county, schools, and special districts comprised the Redevelopment Agency's \$186,000 in additional outlays this year.

More street repair, design engineering, overpass and median work, building maintenance, and utility costs caused Public Works expenditures to go up \$1,535,000 or 9% over the prior year. The City took advantage of federal grants, state bond money, and the sales tax on gasoline to address the street maintenance backlog.

Change in Net Assets

City-wide governmental revenues in excess of expenditures fell to \$4,950,000 compared to \$8,499,000 of last year, due to revenues not keeping pace with rising expenses. \$500,000 in transfers, from the Resource Recovery enterprise to the General Fund, for reimbursement of past waste cleanup costs stopped this year and one-time \$442,000 and \$50,000 transfers of Blackberry Farm and Senior Center business-type capital and non-capital assets, respectively to the General Fund occurred last year. After transfers, overall net assets of governmental activities increased \$4,950,000, compared to \$9,491,000 during 2007-08. The City's intense capital improvement program of the past few years, led by the Mary Avenue Bicycle Footbridge construction, Stevens Creek Corridor Park creation, and the Sterling/Barnhart Park acquisition, funded by sales and property tax growth and grants, has increased net assets significantly.

Net Cost and Revenues

Table 3 presents the net cost or revenue of the City's programs. Net cost is defined as total program cost less the revenues generated by those specific activities; it reflects the financial burden placed on the City's general taxpayers by each function. Net revenue represents activities that generate revenues in excess of direct costs. General taxpayers are not supporting that function; instead the net revenue generated covers overhead provided by other City functions.

Table 3
Net Cost (Revenue) of Governmental Activities
(in thousands)

	Net Cost (Revenue) Of Activities	
	2008-09	2007-08
Administration	\$1,720	\$1,581
Law Enforcement	7,871	6,690
Public and Environmental Affairs	1,624	1,216
Administrative Services	4,002	3,923
Recreation Services	3,405	2,976
Community Development	819	(87)
Public Works	11,057	9,197
Interest on Long-term Debt	<u>2,119</u>	<u>2,183</u>
Total Governmental Activities	<u>\$32,617</u>	<u>\$27,679</u>

- Administration includes activities of the City Council, Commissions, City Manager and City Attorney. Net cost rose \$139,000 due to the new retiree health cost recognition and higher equipment depreciation.
- The City's \$1,181,000 net cost increase for Law Enforcement provided by the county sheriff lines up with their expense increase. The delayed \$40,000 Citizens Option for Public Safety grant receipt also contributed to the net cost rise.
- New green program initiatives and equipment costs caused the net cost of Public and Environmental Affairs to go up \$408,000, matching their expense hike.
- Administrative Services includes Finance, Human Resources, Information Technology, City Clerk, Code Enforcement and Emergency Preparedness. Net cost was steady between the two years.

- Some of the City's Recreation programs are reported as business-type activities for which fees are charged to fully recover the costs of the programs. However, many community events, programs and services are available to the public for free or at a reduced price. The costs of administering these general (governmental) activities are partially offset by fees for membership, classes, travel, rentals, and leases that amounted to \$801,000 in 2008-09. Net cost of recreation rose from \$2,976,000 to \$3,405,000 due to retiree health costs, lower travel program revenues, and higher depreciation.
- Community Development programs include the Planning, Building, Economic Development, and Housing divisions, and the Redevelopment Agency. The \$1,090,000 award of accumulated development impact fees to Senior Housing Solutions to subsidize their acquisition of a senior citizen home largely caused the activity to go from an \$87,000 net revenue position in 2007-08 to an \$819,000 net cost result in 2008-09.
- Public Works expenses include transportation, engineering, storm drains, and the maintenance and improvement of the City's streets, parks, and facilities. Offsetting revenues include federal, state, and local grants, gasoline taxes, environmental fees, facility rental, damage restitutions, and storm drain fees totaling \$7,047,000, leaving \$11,057,000 as the 2008-09 net cost of public works. \$890,000 in state bond money for pavement improvement projects was received late last year, but not utilized until this year. \$257,000 of federally funded pavement work was completed this year with grant reimbursements to come next year. VTA grant payments for the Mary Avenue Footbridge declined as the project reached completion. All of these contributed to the \$1,860,000 net cost jump.
- Interest on long-term debt dropped slightly to \$2,119,000.

Business Type Activities

Business-type activities in the City-wide Financial Statements include the City's 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 the costs of providing services and facilities to the general public on a continuing basis can be financed or recovered primarily through user fees.

Business-type net assets totaled \$9,085,000 at June 30, 2009, an increase of \$1,152,000 from the prior year with \$1,094,000 of the rise going into cash and investments.

Overall revenues of \$6,980,000 this year were \$407,000 or 6% lower than last year. The City's Resource Recovery solid waste disposal franchise had a \$154,000 or 7% decline in solid waste pickup and debris box revenues from the previous year. Blackberry Farm golf course fees were down \$44,000 or 7%. Recreation's cultural events, youth and teen programs, sports, dance and fitness classes brought in \$129,000 or 5% less than last year, but this was offset by \$127,000 more from Sports Center tennis and membership. Half of the total decline originates outside of operations as interest income on the surplus cash of all the enterprises fell 55% or \$207,000.

Expenses for all business-type activities were \$79,000 or 1% below last year. Revenues over expenses, before transfers, was \$1,152,000 in 2008-09, off of the \$1,480,000 outcome in 2007-08, reflecting the tighter operating margins of the golf course, recreational, and solid waste enterprises. Last year's transfers of solid waste, Blackberry Farm picnic area, and Senior Center assets to the General Fund were one-time or temporary events that were discontinued this year. The major proprietary funds section of this report provides more information on business-type results.

Table 4
Business-Type Net Assets at June 30
(in thousands)

	<u>Business-Type Activities</u>	
	<u>2009</u>	<u>2008</u>
Cash and investments	\$9,749	\$8,655
Other current assets	353	343
Capital assets	<u>136</u>	<u>84</u>
Total assets	<u>10,238</u>	<u>9,082</u>
Current liabilities	<u>1,153</u>	<u>1,149</u>
Total liabilities	<u>1,153</u>	<u>1,149</u>
Net assets:		
Invested in capital assets	136	84
Unrestricted	<u>8,949</u>	<u>7,849</u>
Total net assets	<u>\$9,085</u>	<u>\$7,933</u>

Table 5
Change in Business-Type Net Assets
(in thousands)

	<u>Business-Type Activities</u>	
	<u>2008-09</u>	<u>2007-08</u>
Expenses		
Resource Recovery	\$1,998	\$2,056
Blackberry Farm	496	450
Sports Center	1,594	1,548
Recreation Programs	<u>1,740</u>	<u>1,853</u>
Total expenses	<u>5,828</u>	<u>5,907</u>
Revenues		
Program revenues:		
Charges for services	6,794	6,994
Operating contributions and grants	<u>14</u>	<u>14</u>
Total program revenues	<u>6,808</u>	<u>7,008</u>
General revenues:		
Investment income	<u>172</u>	<u>379</u>
Total revenues	<u>6,980</u>	<u>7,387</u>
Excess of revenues over expenses, before transfers	<u>1,152</u>	<u>1,480</u>
Transfer-out of non-capital assets	----	(550)
Transfer-out of capital assets	----	(442)
Change in net assets	<u>\$ 1,152</u>	<u>\$ 488</u>

By excluding \$172,000 in interest income from the excess of revenues over expenses, overall net revenue of business-type activities was \$980,000 for 2008-09. Recreation's cultural events, youth and teen programs, sports, dance and fitness classes comprise most of this margin continuing the trend of last year. Many of the Recreation Programs are taught by contract instructors, with the instructors getting a portion of the enrollment fee.

Table 6
Net Cost (Revenue) of Business-Type Activities
(in thousands)

	Net Cost (Revenue) Of Activities	
	<u>2008-09</u>	<u>2007-08</u>
Resource Recovery	\$(117)	\$(213)
Blackberry Farm	(101)	(191)
Cupertino Sports Center	(138)	(58)
Recreation Programs	<u>(624)</u>	<u>(640)</u>
Total Business-type Activities	<u>\$(980)</u>	<u>\$(1,102)</u>

MAJOR GOVERNMENTAL FUNDS

General Fund

Revenues

General Fund revenues of \$41,293,000 ended up \$396,000 or 1% below the final budget and \$375,000 below the original budget for the year ended June 30, 2009. This was \$72,000 or less than 1% under last year. Although essentially unchanged in total, offsetting trends comprised the stable picture. Severe downturns in transient occupancy taxes, property transfer taxes, interest earnings, vehicle license fees, and grant revenues were offset by increases in property and sales taxes. The recession affected some of these areas immediately while some will be affected later because of the tax calculation and remitting process. Also the local real estate market and mix of businesses in the City has spared it from some of the economic fallout hitting other state municipalities. Table 7 displays year-to-year variations, while Table 8 shows budget versus actual differences.

Property taxes ended the year at \$11,743,000, rising 9% or \$954,000 over last year and 6% or \$663,000 higher over the original and final budget. This reflects sustained tax roll growth in 2008 because of the City's low foreclosure rates and continued demand for housing because of the popular local school district. However, the county reported much lower assessed valuation growth for 2009 (about 2%) because of fewer home resales and because of property value appeals and re-assessments required by state law whenever general market values are in a decline. Therefore, the City expects 2009-10 property tax growth to be much lower than what it has recently been. This category includes property taxes received to replace motor vehicle license fees lost due to the statewide fee reduction in 2005.

Sales taxes increased \$985,000 or 7% higher than last year to finish up at \$14,139,000. It was \$249,000 or 2% above the original budget and \$749,000 or 6% better than the final budget. The results, though, mask the underlying trend in actual receipts. In California, three-quarters of the local portion of sales taxes are remitted directly to the local jurisdictions, while one-quarter is diverted to pay state bonds issued to finance the state's budget deficit. The one-quarter portion is replaced by property taxes that normally go to the schools. The state estimates the one-quarter portion at the beginning of the fiscal year and remits that to the cities in two installments during the year. The state then reconciles the estimate with the actual

sales tax receipts for that year and trues up the difference as an adjustment the following fiscal year. The estimates and prior-year true-up received in 2008-09 was \$966,000 over actual receipts and 64% over last year. This will impact the City as a negative adjustment in 2009-10. Actual sales tax collections, however, were down 14% from last year. The City's leading tax provider and a bellwether for sales tax results, showed year-to-year double digit percentage declines every quarter, as computer and MP3 music device sales from their local sales office fell. After the City saw declines in the first two quarters, it lowered its sales tax budget by \$500,000.

The four hotels in the City remitted \$2,140,000 in transient occupancy taxes this year, a large drop of 21% or \$571,000 off of last year and 20% or \$520,000 under the original and final budget. The recession had an immediate and hard effect on the City coffers in this area as tax receipts started falling in November 2008 when the hotels, which all cater to business, experienced the cutback in corporate travel.

The City's 2.4% utility user tax on telephone, gas, and electric services was mostly unchanged from last year. This \$3,205,000 in revenues was \$95,000 or 3% under the original and final budget. On November 3, 2009, voters passed an update of the local tax ordinance to ensure that this tax can continue to be collected on contemporary telecom systems. The City has kept \$1,600,000 of these revenues in General Fund reserves until the protection of these revenues can be assured.

Franchise taxes from electric, gas, water, solid waste, and cable utilities rose 3% or \$71,000 from last year. The \$2,618,000 received was in-line with this year's original and final budget.

Other taxes include business license, construction, and property transfer taxes. The county assesses the transfer tax, at \$1.10 per \$1,000 in sales price, upon recording the ownership change, and gives the City one-half of the tax. The decline in housing transactions and lower sale prices caused these receipts to fall by 60% or \$396,000 off of 2007-08 figures and 56% or \$335,000 off of the original and final budget. Business license and construction taxes were comparable to last year, although only 19% of budgeted construction taxes were realized this year, as difficulties in commercial financing delayed anticipated building projects.

Licenses and permits were steady at \$2,740,000 for 2008-09. However, they were 8% or \$240,000 below the final budget and 10% or \$440,000 below the original budget. The slump in residential construction continued, while expected new commercial projects did not come to fruition. Tenant improvements and permits on existing projects kept revenues in-line with the previous year. The original budget was reduced to meet the lowered expectations.

Zoning, planning, and engineering review fees comprise two-thirds of the charges for services category, with senior recreational programs encompassing the rest. The category declined from \$1,363,000 last year to \$1,266,000 this year, a 7% drop. It finished \$202,000 or 14% below the final and original budget. Review fees were relatively flat. Senior Center earnings fell \$93,000 off of last year's pace and \$194,000 off of budget, as the weak economy effected travel program bookings and trip deposits were written off.

Intergovernmental revenues of \$421,000 fell 36% or \$238,000 from last year and were short of the final budget by 15% or \$73,000. However, it exceeded the original budget by 10%. Due to weakness in car sales, state vehicle license fees allocated to the City were down by \$95,000 from last year. Since the state also started using a separate portion of these fees to pay for Citizens Option for Public Safety (COPS) grants, the lower collection of fees caused a funding shortfall for the COPS, which left the City with \$40,000 owed in these grant dollars. The City did not receive these monies until October 2009, after the accrual period for 2008-09 had passed. 2007-08 also had \$76,000 in one-time recognition of earlier year COPS grants. The \$100,000 total COPS funding was not originally budgeted because of the state's fiscal problems, but after the state restored the grant and established this funding mechanism, the City added it to the budget.

General Fund cash is part of the City's pooled investment portfolio. Investment returns of the pool are allocated to the Fund based on the Fund's monthly cash balance. These returns plus the renting of City

facilities comprise use of money and property revenues, which declined 42% from last year, finishing at \$1,163,000 compared to \$2,016,000 last year, including unrealized gains from increases in market value on the fixed rate securities in the portfolio. Current results were 8% and 14% under the final and original budgets, respectively. Lower cash balances because of large outlays on the Mary Avenue Footbridge and Stevens Creek Corridor Park capital projects and the portfolio's heavy concentration in safe short-term Treasuries kept yields down. A further explanation of the investment picture for the year is in the transmittal letter and in Note 2 of the Basic Financial Statements. Rent income was stable and on budget.

Fines and forfeitures year-to-year were relatively unchanged and within budget.

Transfers into the General Fund dropped 52% from \$1,300,000 last year to \$624,000 this year. The fund no longer received \$500,000 from the Resources Recovery enterprise fund for waste cleanup costs. Additionally, there were fewer surplus dollars returned to the Fund from project savings in the Capital Project Improvement Fund. The budget for transfers rose from \$70,000 to \$624,000 as decisions on capital project savings were made.

Table 7
Revenue Changes
General Fund, Fiscal 2009 vs. 2008
(in thousands)

<u>Revenue by Source</u>	<u>Fiscal 2009</u>		<u>Increase/(Decrease)</u> <u>From Fiscal 2008</u>	
	<u>Amount</u>	<u>% of Total</u>	<u>Amount</u>	<u>Percent</u>
Property Taxes	\$11,743	28%	\$954	9%
Sales Taxes	14,139	34	985	7
Transient Occupancy Taxes	2,140	5	(571)	(21)
Utility User Taxes	3,205	8	29	1
Franchise Taxes	2,618	6	71	3
Other Taxes	1,018	3	(469)	(32)
Use of Money & Property	1,163	3	(852)	(42)
Intergovernmental	421	1	(238)	(36)
Licenses and Permits	2,740	7	84	3
Charges for Services	1,266	3	(98)	(7)
Fines and Forfeitures	761	2	39	5
Other Revenue	<u>79</u>	<u>---</u>	<u>(6)</u>	<u>(7)</u>
Total Revenues	<u>\$41,293</u>	<u>100%</u>	<u>\$(72)</u>	<u>---%</u>
Transfers In	<u>\$ 624</u>	<u>100%</u>	<u>\$(676)</u>	<u>(52)%</u>

Table 8
Revenue Budget and Actual Comparisons
General Fund, 2008-09
(in thousands)

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Over/</u> <u>(Under) Final</u>
	<u>Original</u>	<u>Final</u>		
Property Taxes	\$10,265	\$11,080	\$11,743	\$663
Sales Taxes	13,890	13,390	14,139	749
Transient Occupancy Taxes	2,660	2,660	2,140	(520)
Utility User Taxes	3,300	3,300	3,205	(95)
Franchise Taxes	2,630	2,630	2,618	(12)
Other Taxes	1,500	1,500	1,018	(482)

Use of Money and Property	1,470	1,267	1,163	(104)
Intergovernmental	385	494	421	(73)
Licenses and Permits	3,180	2,980	2,740	(240)
Charges for Services	1,468	1,468	1,266	(202)
Fines and Forfeitures	820	820	761	(59)
Other Revenue	<u>100</u>	<u>100</u>	<u>79</u>	<u>(21)</u>
Total Revenues	<u>\$41,668</u>	<u>\$41,689</u>	<u>\$41,293</u>	<u>\$(396)</u>
Transfers In	<u>\$70</u>	<u>\$624</u>	<u>\$624</u>	<u>\$----</u>

Expenditures

Fiscal 2008-09 overall expenditures, at \$32,276,000, were \$1,266,000 or 4% higher than last year's total of \$31,010,000. However, this result came in 10% or \$3,712,000 under the final budget and \$3,101,000 below the original budget. Year-to-year and budget versus actual results by General Fund department are described below and in Tables 9 and 10.

Administration expenses of \$1,337,000 were consistent with last year while finishing \$146,000 or 10% under final budget. \$112,000 in budget reductions reflected savings from an existing assistant city attorney vacancy.

Law Enforcement sheriff contract costs of \$8,133,000 were under the final budget by \$348,000 or 4%. The budget contains dollars for unexpected events or incidences, so by the end of the year, the normal rate of general law enforcement, service requests, emergency calls, patrol, and investigations usually brings budget savings. Funds for improving school traffic safety was carried over from the previous year and inserted into the amended budget. The results exceeded past year expenditures by 9% or \$677,000, because of increased sheriff deployment and detective investigations.

Public and Environmental Affairs expenditures increased 27% to \$1,486,000 this year, in-line with its final and original budget. The department, formerly called Public Information, added a new full-time position and division to coordinate city-wide energy sustainability and carbon reduction initiatives. Replacement funding for the City's communication equipment also was increased.

Administrative Services decreased 4% from last year and finished 15% or \$620,000 under final budget. This was an off-year for biennial City Council elections. A human resource director vacancy and lower-than-expected insurance claim payouts caused most of the budget surplus. The final budget was \$144,000 over the original budget due to appropriations from the previous year carried over to the current year for possible insurance and litigation.

Recreation expenditures varied little from last year, but ended up \$608,000 or 14% below final budget, which was similar to original budget. Because of the lower number of trips sold in the senior travel program, the cost of the trips sold were accordingly down and below budgetary expectations. In addition, start-up costs for the new Stevens Creek Corridor Park were below budget as staffing ramped-up later than expected and some savings were realized for new equipment.

Community Development costs of \$3,209,000 were nearly \$1 million or 24% below the final and original budget due to a lower amount of building activity and associated reduction in plan checking, inspections, and development approvals. Costs dipped 6% or \$209,000 from last year as the hiring of a plan check engineer allowed the department to reduce spending on contract plan checking services.

Public Works expenditures of \$10,688,000 were \$614,000 or 6% over the prior year due to more design engineering, overpass and median work, building maintenance, and utility costs, matching the expected budgetary increase. It was \$964,000 or 8% under final budget due to pending school traffic safety work,

and unneeded engineering, traffic study, and maintenance contingencies. Carried-over open purchase orders from last year comprised the \$363,000 increase from original to final budget.

Transfers out of the General Fund tumbled from \$18,335,000 in 2007-08 to \$7,110,000 in 2008-09, as finally budgeted, with \$3,537,000 for ongoing debt service, \$1,946,000 for retiree health obligations, \$750,000 for road maintenance, \$400,000 for accrued leave payouts, \$377,000 for new information technology and equipment, and \$100,000 for infrastructure reserves. The falloff was due to no new General Fund commitments to capital projects in 2008-09, as there were plenty of existing projects that were scheduled for completion or progress. \$10,000 was added to the budget at mid-year for information technology improvements.

Table 9
Expenditure Changes from Prior Year
General Fund, 2008-09
(in thousands)

<u>Service Area</u>	<u>Amount</u>	<u>% of Total</u>	<u>Increase/(Decrease)</u> <u>from previous year</u>	
			<u>Amount</u>	<u>Percent</u>
Administration	\$ 1,337	4%	\$ (14)	(1)%
Law Enforcement	8,133	25	677	9
Public & Environmental Affairs	1,486	5	317	27
Administrative Services	3,634	11	(163)	(4)
Recreation Services	3,789	12	44	1
Community Development	3,209	10	(209)	(6)
Public Works	<u>10,688</u>	<u>33</u>	<u>614</u>	<u>6</u>
Total Expenditures	<u>\$32,276</u>	<u>100%</u>	<u>\$1,266</u>	<u>4%</u>
Transfers Out	<u>\$7,110</u>	<u>100%</u>	<u>\$(11,225)</u>	<u>(61)%</u>

Table 10
Expenditure Budget and Actual Comparison
General Fund, 2008-09
(in thousands)

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Under</u> <u>Final</u>
	<u>Original</u>	<u>Final</u>		
Administration	\$1,595	\$1,483	\$1,337	\$146
Law Enforcement	8,315	8,481	8,133	348
Public & Environmental Affairs	1,491	1,513	1,486	27
Administrative Services	4,110	4,254	3,634	620
Recreation Services	4,386	4,397	3,789	608
Community Development	4,191	4,208	3,209	999
Public Works	<u>11,289</u>	<u>11,652</u>	<u>10,688</u>	<u>964</u>
Total Expenditures	<u>\$35,377</u>	<u>\$35,988</u>	<u>\$32,276</u>	<u>\$3,712</u>
Transfers Out	<u>\$7,100</u>	<u>\$7,110</u>	<u>\$7,110</u>	<u>\$---</u>

Fund Balance

At June 30, 2009, the General Fund reported a total ending fund balance of \$22,197,000, up 13% or \$2,530,000 from the prior year. The City designates \$13,415,000 of this for economic uncertainty, disaster contingencies, and state budget raids of local tax revenues. \$1,600,000 is set-aside pending the outcome of a November 3, 2009 utility tax ballot measure. That measure, which ensures the continued collection of the telecommunications portion of this tax, eventually passed. \$1,102,000 is reserved mostly for open purchase orders and future public access programming. \$1,223,000 is earmarked as rehabilitation and employee housing loans due back to the City. Finally, \$4,857,000 in unreserved, undesignated funds is available to balance the five-year operating and capital budget.

The fund balance rise resulted from revenues exceeding expenditures by \$9,016,000 offset by a net transfer out of \$6,486,000. The City re-classed a \$1,731,000 one-time revenue designation to address changing conditions, establishing a \$915,000 reserve for state budget raids, adding \$495,000 to utility user tax reserves, and infusing \$321,000 to undesignated reserves. The unreserved, undesignated balance itself climbed \$3,195,000, with the \$2,530,000 current year surplus, \$321,000 shift of one-time revenue reserves, and \$263,000 Redevelopment Agency loan payback causing most of the change. The state's 2009-10 budget, adopted on July 28, 2009, mandated a \$1,419,000 borrowing of City funds for up to three years. State budget raid reserves and equipment replacement contingency funds will cover the shortfall until the state pays back the City.

Public Facilities Corporation

This fund accounts for the payments of principal and interest on the 2002 certificates of participation (COPs), which refinanced the long-term debt that funded many of the City's major parks and facilities. As in the previous year, General Fund transfers into the fund cover the debt service payments of \$3,534,000.

Capital Improvement Projects

All of the City's non-enterprise capital projects are in this fund, except for the Mary Avenue Bicycle Footbridge and Stevens Creek Corridor Park, which are in their own funds. Outlays for park, facility, and traffic projects jumped from \$752,000 in 2007-08 to \$2,048,000 in 2008-09, as \$1,508,000 to buy land for the future Sterling/Barnhart Park occurred in the current year. McClellan Ranch renovations, Civic Center fountain repairs, Library book return automation, Community Hall lighting upgrades, and traffic signal modifications were some of the other projects worked on this year. Many of these projects were funded in previous years by the General Fund. Reflecting the tight economic conditions, the General Fund financed no new projects this year compared to providing \$3,191,000 the previous year. Moreover, \$574,000 in project cost savings were transferred back to help balance the General Fund budget in 2008-09. The General Fund, however, maintained its commitment of contributing at least \$100,000 annually to Capital Improvement Fund uncommitted reserves, increasing that reserve to \$1,599,000 by June 30, 2009, with \$900,000 toward infrastructure and \$699,000 toward other potential projects.

Stevens Creek Corridor Park

This \$13,577,000 project to completely re-design the picnic grounds at Blackberry Farm, to re-align and restore the natural habitat of the creek, to renovate the swimming pool facilities, and to build the creek trail, completed construction and opened to the public on July 4, 2009. Outlays jumped to \$9,472,000 compared to \$1,357,000 the previous year, as a great deal of the park's construction occurred during the current year. The General Fund finances two-thirds of the project, with the City's recreation enterprise fund, State grants, and the Santa Clara Valley Water District (SCVWD) backing the rest of the undertaking. SCVWD remitted \$804,000 toward the project during the fiscal year, compared to none the prior year. Since grants and the SCVWD are billed and paid on a cost-reimbursement basis, an \$838,000

fund balance deficit developed by year-end, after an \$8,718,000 net usage of capital. The deficit will be eliminated as the City claims and receives its authorized grant funding.

Mary Avenue Bicycle Footbridge

This fund accounts for the design and construction of a \$14,800,000 pedestrian and bicycle bridge over Interstate 280 at the end of Mary Avenue. The General Fund backs \$1,940,000 of the project, with the rest coming from the state general fund, grants and sales taxes provided by the Santa Clara Valley Transportation Authority (VTA), grants and general funds from the City of Sunnyvale, and gasoline taxes. Final plans and specifications were completed in September 2007; a contract was awarded in November 2007; construction started in early 2008; and the bridge opened in April 2009. Capital outlays for 2008-09 were \$6,205,000 compared to \$4,847,000 in 2007-08. Grants are received on a cost reimbursement basis, with the City General Fund fronting the expenditures. As of June 30, 2009, \$838,000 of General Fund cash was advanced to the project for this purpose and is shown as a liability. Grants received up to sixty days after year-end are accrued as fund revenues. \$3,330,000 in grant revenues were recognized for 2008-09 compared to \$5,545,000 for 2007-08, reflecting the different timing in billing and processing by the City and grantors. As of June 30, 2009, \$647,000 was billed and due as a receivable from VTA, with most of it deferred as revenue because it was not received in cash by August 30, 2009. A \$956,000 fund balance deficit exists at year-end because of the deferred revenue and because of other grants that need to be billed.

MAJOR PROPRIETARY FUNDS

Resources Recovery

The City's solid waste disposal enterprise had a \$154,000 or 7% decline in solid waste pickup and debris box revenues from the previous year due to declines in commercial services reflective of higher office vacancy rates. Operating costs were down \$58,000 or 3% from last year with lower contract service costs for pickup, landfill disposal, and recycling offset by higher personnel costs due to the filling of the environmental programs manager vacancy. Operating income declined \$96,000 to \$117,000 this year. With interest earnings of \$105,000, net assets increased by \$222,000 ending the year at \$5,690,000 in unrestricted net assets. The increase reversed the decrease of \$30,000 last year, mostly due to the ending of transfers to the General Fund for waste cleanup costs.

Blackberry Farm

City employees, with a teaching professional on contract, staff the City-owned Blackberry Farm golf course and pro shop. Golfing green fees were down, as the older demographics of golf course users led to declining customer counts. Salaries for the golf course staff and contract expenses for the golf pro did decline slightly from last year, but water irrigation costs went up significantly beginning in June 2008 because of more accurate water meters employed by the utility company. Overall operating revenues dropped \$44,000 to \$597,000 while expenses increased by \$46,000 to \$496,000 this year. Operating income and the increase in net assets was \$101,000, nearly half of the amount in 2007-08. At June 30, 2009, unrestricted net assets were \$418,000.

Cupertino Sports Center

Tennis lesson, membership, and fitness class revenues of \$1,727,000 were up over last year by 8%, led by growth in the tennis program. With contract instructor, staff and maintenance costs flat, operating income more than doubled from \$58,000 in 2007-08 to \$138,000 in 2008-09. After adding-in interest earnings, the increase in net assets of \$147,000 brought ending unrestricted net assets to \$311,000 by year-end.

Recreation Programs

Cultural events, youth and teen programs, sports, dance and fitness classes generated earnings of \$2,364,000, which was \$129,000 or 5% less than last year, for this enterprise operated out of the Quinlan Community Center, Monta Vista Recreation Center, McClellan Ranch, Creekside Park building, eight school sites, and various parks. Program expenses, including full-time administrative and programming staff, part-time activity leaders, and class instructors on contract correspondingly declined \$113,000 from 2007-08, maintaining a year-to-year consistent operating income of \$624,000. After adding interest earnings, the fund ended up with an increase in net assets of \$674,000 and an unrestricted net asset balance of \$2,530,000. \$1 million of these reserves are committed toward Memorial Park softball and Library multi-purpose field renovations, tennis court resurfacings, and Monta Vista Recreation Center roofing.

CAPITAL ASSETS

At June 30, 2009 the City had \$150,448,000, net of depreciation, invested in a broad range of capital assets used in governmental and business-type activities, as shown in the following table and in Note 5 to the Basic Financial Statements:

Table 11
Capital Assets, Net of Depreciation, at June 30
(in thousands)

	<u>2009</u>	<u>2008</u>
<i>Governmental Activities:</i>		
Land	\$ 60,806	\$ 59,298
Construction in progress	---	9,614
Buildings	26,787	28,063
Improvements other than buildings	17,606	6,608
Machinery and equipment	1,566	1,348
Roads, curbs, gutters, sidewalks, medians and bridges	35,273	19,539
Streetlights	46	41
Storm drain structures and mains	6,701	7,436
Traffic signals	<u>1,527</u>	<u>1,612</u>
Total Governmental Activities	<u>\$150,312</u>	<u>\$133,559</u>
<i>Business-type Activities:</i>		
Machinery and equipment	<u>136</u>	<u>84</u>
Total Business-type Activities	\$ <u>136</u>	\$ <u>84</u>
Total City	<u>\$150,448</u>	<u>\$133,643</u>

Capital assets increased by a net \$16,805,000. Most of the gain came from the completion of two major projects, the construction of the Mary Avenue Bicycle Footbridge and the creation of the Stevens Creek Corridor Park out of the former Blackberry Farm picnic grounds.

DEBT ADMINISTRATION

The City's only long-term debt liability comes from \$56,640,000 in Certificates of Participation (COPs) issued in 2002 by the Cupertino Public Facilities Corporation. The certificates refunded previously issued COPs that financed the Wilson Park, Blackberry Farm, and Creekside Park purchases, the Memorial Park expansion, the Quinlan Community Center construction, and the City Hall remodel. It provided capital for the new library opened in 2004. The serial, fixed interest rate debt ranging from 2% to 5% requires annual debt payments of \$3,534,000 that are paid out of the General Fund. The June 30, 2009 outstanding principal of \$46,970,000 is due to be paid off by 2030.

At June 30, 2009, a total of \$65,000 in special assessment district debt was outstanding. This debt is secured by a traffic impact fee, charged as a special assessment on the three commercial parcels in the district. The City, which is not liable for the debt, acts solely as the district's agent for the collection and remittance of the assessment.

More information can be found in Note 6 to the Basic Financial Statements.

ECONOMIC OUTLOOK AND MAJOR INITIATIVES

The impact of the economic environment and a description of the City's major initiatives for the coming year are discussed in detail in the accompanying Transmittal Letter.

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) 777-3220, or by the City website at www.cupertino.org.

CITY OF CUPERTINO

STATEMENT OF NET ASSETS AND STATEMENT OF ACTIVITIES

The Statement of Net Assets 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 Assets reports the difference between the City's total assets and the City's total liabilities, including all the City's capital assets and all its long-term debt. The Statement of Net Assets presents similar information to the old balance sheet format, but presents it in a way that focuses the reader on the composition of the City's net assets, by subtracting total liabilities from total assets.

The Statement of Net Assets 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 its Enterprise Fund activities.

The Statement of Activities reports increases and decreases in the City's net assets. 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 is 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 Assets is computed and reconciled with the Statement of Net Assets.

Both these Statements include the financial activities of the City, the Cupertino Redevelopment Agency, and the Cupertino Public Facilities Corporation, which are legally separate but are component units of the City because they are controlled by the City, which is financially accountable for their activities.

CITY OF CUPERTINO
STATEMENT OF NET ASSETS
JUNE 30, 2009

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and investments (Note 2)	\$45,022,420	\$9,749,184	\$54,771,604
Restricted cash and investments (Note 2)	3,340,153		3,340,153
Receivables:			
Accounts	3,758,873	352,765	4,111,638
Loans (Note 3)	2,062,244		2,062,244
Prepaid expenses and other assets	10,887		10,887
Land held for housing development (Note 1f)	615,000		615,000
Capital assets (Note 5):			
Non-depreciable	60,806,081		60,806,081
Depreciable, net of accumulated depreciation	89,505,824	136,127	89,641,951
Total Assets	205,121,482	10,238,076	215,359,558
LIABILITIES			
Accounts payable and accruals	7,110,390	452,609	7,562,999
Accrued payroll and benefits	437,344	37,203	474,547
Deposits	1,484,816		1,484,816
Unearned revenue	31,338	627,582	658,920
Compensated absences (Note 1h):			
Due in one year	153,419	35,413	188,832
Due in more than one year	2,246,069		2,246,069
Claims payable (Note 9):			
Due in one year	411,000		411,000
Due in more than one year	1,157,000		1,157,000
Net OPEB Obligation (Note 10)	1,827,077		1,827,077
Long-term debt (Note 6):			
Due in one year	1,460,000		1,460,000
Due in more than one year	45,510,000		45,510,000
Total Liabilities	61,828,453	1,152,807	62,981,260
NET ASSETS (Note 7)			
Invested in capital assets, net of related debt	103,341,905	136,127	103,478,032
Restricted for:			
Special revenue projects	4,885,218		4,885,218
Affordable housing	1,122,037		1,122,037
Public access television	597,878		597,878
Debt service	55,941		55,941
Total Restricted Net Assets	6,661,074		6,661,074
Unrestricted	33,290,050	8,949,142	42,239,192
Total Net Assets	\$143,293,029	\$9,085,269	\$152,378,298

See accompanying notes to financial statements

CITY OF CUPERTINO
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2009

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
Governmental Activities:							
Administration	\$1,769,500	\$2,240	\$47,462		(\$1,719,798)		(\$1,719,798)
Law enforcement	8,804,195	869,295	64,135		(7,870,765)		(7,870,765)
Public information	1,624,210				(1,624,210)		(1,624,210)
Administrative services	4,001,738				(4,001,738)		(4,001,738)
Recreation services	4,206,343	801,280			(3,405,063)		(3,405,063)
Community development	6,177,879	3,586,993	1,771,892		(818,994)		(818,994)
Public works	18,104,649	157,311	2,130,547	\$4,759,485	(11,057,306)		(11,057,306)
Interest on long - term debt	2,118,714				(2,118,714)		(2,118,714)
Total Governmental Activities	46,807,228	5,417,119	4,014,036	4,759,485	(32,616,588)		(32,616,588)
Business-type Activities:							
Resource recovery	1,998,184	2,100,704	14,471			\$116,991	116,991
Blackberry farm	495,845	596,944				101,099	101,099
Cupertino sports center	1,594,325	1,732,282				137,957	137,957
Recreation programs	1,739,892	2,364,037				624,145	624,145
Total Business-type Activities	5,828,246	6,793,967	14,471			980,192	980,192
Total	\$52,635,474	\$12,211,086	\$4,028,507	\$4,759,485	(32,616,588)	980,192	(31,636,396)
General revenues:							
Taxes:							
Property taxes					7,491,965		7,491,965
Property tax in lieu of motor vehicle fee					4,299,902		4,299,902
Incremental property tax					1,211,128		1,211,128
Sales taxes					14,139,190		14,139,190
Transient occupancy tax					2,140,274		2,140,274
Utility user tax					3,205,073		3,205,073
Franchise tax					2,618,125		2,618,125
Other taxes					1,317,767		1,317,767
Intergovernmental, unrestricted:							
Motor vehicle license fee					171,621		171,621
Investment earnings					889,823	171,804	1,061,627
Miscellaneous					81,342		81,342
Total general revenues and transfers					37,566,210	171,804	37,738,014
Change in Net Assets					4,949,622	1,151,996	6,101,618
Net Assets-Beginning					138,343,407	7,933,273	146,276,680
Net Assets-Ending					\$143,293,029	\$9,085,269	\$152,378,298

See accompanying notes to financial statements

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 2009. Individual non-major funds may be found in the Supplemental section.

GENERAL FUND

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

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 and Memorial Park and other City facilities.

CAPITAL IMPROVEMENT PROJECT FUND

This fund accounts for activities related to the acquisition or construction of major capital facilities.

STEVENS CREEK CORRIDOR PARK CAPITAL PROJECT FUND

This fund accounts for the development of the master plan and the design and construction of the Stevens Creek Corridor Park.

MARY AVENUE BICYCLE FOOTBRIDGE CAPITAL PROJECT FUND

This fund accounts for the design and construction of a bicycle footbridge extension of Mary Avenue over Interstate 280. It includes gateways, paths, residential buffering elements and landscaping.

CITY OF CUPERTINO
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2009

	General	Public Facilities Corporation	Capital Improvement Projects	Stevens Creek Corridor Park	Mary Avenue Bicycle Footbridge	Other Governmental Funds	Total Governmental Funds
ASSETS							
Cash and investments (Note 2)	\$22,615,824	\$55,941	\$4,602,066	\$44,613		\$4,631,553	\$31,949,997
Cash and investments with fiscal agents (Note 2)		2,473,197		459,216	\$407,740		3,340,153
Receivables:							
Accounts	1,759,822		81,190	725,346	647,260	545,255	3,758,873
Loans (Note 3)	1,222,918					839,326	2,062,244
Prepaid items	7,003						7,003
Due from other funds (Note 4)	837,629						837,629
Land held for housing development (Note 1f)						615,000	615,000
Other assets	3,884						3,884
Total Assets	\$26,447,080	\$2,529,138	\$4,683,256	\$1,229,175	\$1,055,000	\$6,631,134	\$42,574,783
LIABILITIES							
Accounts payable and accruals	\$2,373,835	\$2,473,197	\$30,073	\$1,341,954	\$568,621	\$131,051	\$6,918,731
Accrued payroll and benefits	372,983					45,305	418,288
Deposits	1,484,816						1,484,816
Due to other funds (Note 4)					837,629		837,629
Unearned revenue	18,589					12,749	31,338
Deferred revenue			81,190	725,346	605,067	434,774	1,846,377
Total Liabilities	4,250,223	2,473,197	111,263	2,067,300	2,011,317	623,879	11,537,179
Fund balance (Note 7)							
Reserved for:							
Encumbrances	497,484		594,454	965,782	249,238	353,705	2,660,663
Debt service		55,941					55,941
Advances to other funds							
Prepaid items and other assets	7,003						7,003
Loans receivable	1,222,918					839,326	2,062,244
Land held for housing development						615,000	615,000
Low and moderate income housing						507,037	507,037
Public access television	597,878						597,878
Unreserved, reported in:							
General Fund	19,871,574						19,871,574
Special Revenue Funds						3,692,187	3,692,187
Capital Project Funds			3,977,539	(1,803,907)	(1,205,555)		968,077
TOTAL FUND BALANCES	22,196,857	55,941	4,571,993	(838,125)	(956,317)	6,007,255	31,037,604
Total Liabilities and Fund Balances	\$26,447,080	\$2,529,138	\$4,683,256	\$1,229,175	\$1,055,000	\$6,631,134	\$42,574,783

See accompanying notes to financial statements

CITY OF CUPERTINO
 Reconciliation of the
 GOVERNMENTAL FUNDS -- BALANCE SHEET
 with the
 STATEMENT OF NET ASSETS
 JUNE 30, 2009

Total fund balances reported on the governmental funds balance sheet \$31,037,604

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

CAPITAL ASSETS

Capital assets used in Governmental Activities are not current assets or financial resources and therefore are not reported in the Governmental Funds. 149,176,788

ALLOCATION OF INTERNAL SERVICE FUND NET ASSETS

Internal service funds are not governmental funds. However, they are used by management to charge the costs of certain activities, such as insurance and central services and maintenance to individual governmental funds. The net current assets of the Internal Service Funds are therefore included in Governmental Activities in the following line items in the Statement of Net Assets.

Cash and investments	13,072,423
Capital assets, net of accumulated depreciation	1,135,117
Accounts payable and accruals	(191,659)
Accrued payroll and benefits	(19,056)
Compensated absences	(30,558)
Claims payable	(1,568,000)
Net OPEB obligation	(1,827,077)

ACCRUAL OF NON-CURRENT REVENUES AND EXPENSES

Revenues which are deferred on the Fund Balance Sheets because they are not available currently are taken into revenue in the Statement of Activities. 1,846,377

LONG TERM ASSETS AND LIABILITIES

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

Long-term debt	(46,970,000)
Non-current portion of compensated absences	(2,368,930)

NET ASSETS OF GOVERNMENTAL ACTIVITIES \$143,293,029

See accompanying notes to financial statements

CITY OF CUPERTINO
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2009

	General	Public Facilities Corporation	Capital Improvement Projects	Stevens Creek Corridor Park	Mary Avenue Bicycle Footbridge	Other Governmental Funds	Total Governmental Funds
REVENUES							
Taxes	\$34,861,876					\$1,534,074	\$36,395,950
Use of money and property	1,163,492	\$940				136,076	1,300,508
Intergovernmental	421,238		\$20,000	\$803,768	\$3,329,776	2,321,612	6,896,394
Licenses and permits	2,740,463						2,740,463
Charges for services	1,265,509					442,024	1,707,533
Fines and forfeitures	761,320						761,320
Other revenue	79,042		1,793				80,835
Total Revenues	41,292,940	940	21,793	803,768	3,329,776	4,433,786	49,883,003
EXPENDITURES							
Current:							
Administration	1,336,921						1,336,921
Law enforcement	8,133,168						8,133,168
Public information	1,486,443						1,486,443
Administrative services	3,634,043						3,634,043
Recreation services	3,789,260						3,789,260
Community development	3,209,030					2,632,398	5,841,428
Public works	10,687,626					1,226,958	11,914,584
Capital outlay			2,048,036	\$9,471,586	6,204,560	4,538,187	22,262,369
Debt service							
Principal		1,415,000					1,415,000
Interest and fiscal charges		2,118,714					2,118,714
Total Expenditures	32,276,491	3,533,714	2,048,036	9,471,586	6,204,560	8,397,543	61,931,930
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	9,016,449	(3,532,774)	(2,026,243)	(8,667,818)	(2,874,784)	(3,963,757)	(12,048,927)
OTHER FINANCING SOURCES (USES)							
Transfers in (Note 4)	623,925	3,537,000	100,000			775,000	5,035,925
Transfers (out) (Note 4)	(7,110,000)		(573,925)	(50,000)		(25,000)	(7,758,925)
Total Other Financing Sources (Uses)	(6,486,075)	3,537,000	(473,925)	(50,000)		750,000	(2,723,000)
NET CHANGE IN FUND BALANCES	2,530,374	4,226	(2,500,168)	(8,717,818)	(2,874,784)	(3,213,757)	(14,771,927)
BEGINNING FUND BALANCES	19,666,483	51,715	7,072,161	7,879,693	1,918,467	9,221,012	45,809,531
ENDING FUND BALANCES	\$22,196,857	\$55,941	\$4,571,993	(\$838,125)	(\$956,317)	\$6,007,255	\$31,037,604

See accompanying notes to financial statements

CITY OF CUPERTINO
 Reconciliation of the
 NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS
 with the
 STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2009

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

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS (\$14,771,927)

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

CAPITAL ASSETS TRANSACTIONS

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

The capital asset expenditures are therefore added back to fund balance (Net of internal service fund additions of \$541,708):

Capital outlay	22,262,369
Public Works	179,724

Depreciation expense is deducted from the fund balance

(Depreciation expense is net of internal service fund depreciation of \$370,568 which has already been allocated to serviced funds)

(5,860,128)

Retirement of capital assets, net of proceeds from sale

(197)

LONG TERM DEBT PROCEEDS AND PAYMENTS

Repayment of bond principal is an expenditure in the governmental funds, but in the Statement of Net Assets the repayment reduces long-term liabilities.

Repayment of debt principal is added back to fund balance

1,415,000

ACCRUAL OF NON-CURRENT ITEMS

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

Non-current portion of compensated absences

(34,279)

Deferred revenue

1,648,502

ALLOCATION OF INTERNAL SERVICE FUND ACTIVITY

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

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

Change in Net Assets - All Internal Service Funds

110,558

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES

\$4,949,622

See accompanying notes to financial statements

CITY OF CUPERTINO
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2009

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
Revenues:				
Taxes	\$34,245,000	\$34,560,000	\$34,861,876	\$301,876
Use of money and property	1,470,000	1,267,000	1,163,492	(103,508)
Intergovernmental	385,000	493,892	421,238	(72,654)
Licenses and permits	3,180,000	2,980,000	2,740,463	(239,537)
Charges for services	1,468,000	1,468,000	1,265,509	(202,491)
Fines and forfeitures	820,000	820,000	761,320	(58,680)
Other revenue	100,000	100,000	79,042	(20,958)
	<u>41,668,000</u>	<u>41,688,892</u>	<u>41,292,940</u>	<u>(395,952)</u>
Amounts available for appropriation				
Charges for appropriation (outflows)				
Administration	1,595,000	1,483,395	1,336,921	146,474
Law enforcement	8,315,000	8,480,671	8,133,168	347,503
Public information	1,491,000	1,512,795	1,486,443	26,352
Administrative services	4,110,000	4,254,006	3,634,043	619,963
Recreation services	4,386,000	4,397,447	3,789,260	608,187
Community development	4,191,000	4,207,724	3,209,030	998,694
Public works	11,289,000	11,652,062	10,687,626	964,436
	<u>35,377,000</u>	<u>35,988,100</u>	<u>32,276,491</u>	<u>3,711,609</u>
Total charges for appropriations				
EXCESS OF REVENUES OVER EXPENDITURES	<u>6,291,000</u>	<u>5,700,792</u>	<u>9,016,449</u>	<u>3,315,657</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	70,000	623,925	623,925	
Transfers (out)	(7,100,000)	(7,110,000)	(7,110,000)	
	<u>(7,030,000)</u>	<u>(6,486,075)</u>	<u>(6,486,075)</u>	
Total other financing sources (uses)				
NET CHANGE IN FUND BALANCE	<u>(\$739,000)</u>	<u>(\$785,283)</u>	2,530,374	<u>\$3,315,657</u>
BEGINNING FUND BALANCE			<u>19,666,483</u>	
ENDING FUND BALANCE			<u>\$22,196,857</u>	

See accompanying notes to financial statements

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 2009.

RESOURCES RECOVERY FUND

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

BLACKBERRY FARM FUND

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

CUPERTINO SPORTS CENTER FUND

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

RECREATION PROGRAMS FUND

This fund accounts for activities of the City's community center.

CITY OF CUPERTINO
 PROPRIETARY FUNDS
 STATEMENT OF NET ASSETS
 JUNE 30, 2009

	Business-type Activities-Enterprise Funds				Totals	Governmental Activities- Internal Service Funds
	Resources Recovery	Blackberry Farm	Cupertino Sports Center	Recreation Programs		
ASSETS						
Current Assets:						
Cash and investments (Note 2)	\$5,519,083	\$468,858	\$632,928	\$3,128,315	\$9,749,184	\$13,072,423
Accounts receivable	338,099			14,666	352,765	
Total current assets	5,857,182	468,858	632,928	3,142,981	10,101,949	13,072,423
Capital Assets (Note 5):						
Depreciable, net of accumulated depreciation	43,889	5,235	57,890	29,113	136,127	1,135,117
Total Assets	5,901,071	474,093	690,818	3,172,094	10,238,076	14,207,540
LIABILITIES						
Current Liabilities:						
Accounts payable and accruals	160,804	30,612	193,983	67,210	452,609	191,659
Accrued payroll and benefits	4,137	3,084	7,041	22,941	37,203	19,056
Compensated absences (Note 1h)	2,295	17,037	16,081		35,413	
Claims payable (Note 9)						411,000
Unearned revenue			105,008	522,574	627,582	
Total current liabilities*	167,236	50,733	322,113	612,725	1,152,807	621,715
Non-current Liabilities:						
Compensated absences (Note 1h)						30,558
Claims payable (Note 9)						1,157,000
Net OPEB Obligation (Note 10)						1,827,077
Total Liabilities	167,236	50,733	322,113	612,725	1,152,807	3,636,350
NET ASSETS (Note 7)						
Invested in capital assets	43,889	5,235	57,890	29,113	136,127	1,135,117
Unrestricted	5,689,946	418,125	310,815	2,530,256	8,949,142	9,436,073
Total Net Assets	\$5,733,835	\$423,360	\$368,705	\$2,559,369	\$9,085,269	\$10,571,190

See accompanying notes to financial statements

CITY OF CUPERTINO
 PROPRIETARY FUNDS
 STATEMENT OF REVENUE, EXPENSES
 AND CHANGES IN FUND NET ASSETS
 FOR THE YEAR ENDED JUNE 30, 2009

	Business-type Activities-Enterprise Funds				Totals	Governmental Activities- Internal Service Funds
	Resources Recovery	Blackberry Farm	Cupertino Sports Center	Recreation Programs		
OPERATING REVENUES						
Charges for services	\$2,100,704	\$580,621	\$1,727,054	\$2,363,837	\$6,772,216	\$2,540,837
Other	14,471	16,323	5,228	200	36,222	
Total Operating Revenues	<u>2,115,175</u>	<u>596,944</u>	<u>1,732,282</u>	<u>2,364,037</u>	<u>6,808,438</u>	<u>2,540,837</u>
OPERATING EXPENSES						
Salaries and benefits	115,048	123,978	310,319	457,528	1,006,873	3,686,275
Materials and supplies	29,739	95,506	180,129	148,806	454,180	606,120
Contractual services	1,849,414	273,276	1,092,951	1,130,911	4,346,552	336,566
Insurance and claims						379,095
Depreciation (Note 5)	3,983	3,085	10,926	2,647	20,641	370,568
Total Operating Expenses	<u>1,998,184</u>	<u>495,845</u>	<u>1,594,325</u>	<u>1,739,892</u>	<u>5,828,246</u>	<u>5,378,624</u>
Operating Income (Loss)	<u>116,991</u>	<u>101,099</u>	<u>137,957</u>	<u>624,145</u>	<u>980,192</u>	<u>(2,837,787)</u>
NONOPERATING REVENUES						
Interest income	105,144	8,038	8,862	49,760	171,804	225,345
Total Nonoperating Revenues	<u>105,144</u>	<u>8,038</u>	<u>8,862</u>	<u>49,760</u>	<u>171,804</u>	<u>225,345</u>
Income (Loss) Before Transfers	222,135	109,137	146,819	673,905	1,151,996	(2,612,442)
Transfers in (Note 4)						2,723,000
Net transfers						<u>2,723,000</u>
Change in net assets	222,135	109,137	146,819	673,905	1,151,996	110,558
Net Assets-Beginning	<u>5,511,700</u>	<u>314,223</u>	<u>221,886</u>	<u>1,885,464</u>	<u>7,933,273</u>	<u>10,460,632</u>
Net Assets-Ending	<u>\$5,733,835</u>	<u>\$423,360</u>	<u>\$368,705</u>	<u>\$2,559,369</u>	<u>\$9,085,269</u>	<u>\$10,571,190</u>

See accompanying notes to financial statements

CITY OF CUPERTINO
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2009

	Business-type Activities-Enterprise Funds					Governmental Activities- Internal Service Funds
	Resources Recovery	Blackberry Farm	Cupertino Sports Center	Recreation Programs	Totals	
CASH FLOWS FROM OPERATING ACTIVITIES						
Cash received from customers	\$2,112,598	\$596,944	\$1,660,054	\$2,332,497	\$6,702,093	\$2,540,837
Cash payments to suppliers for goods and services	(1,890,191)	(358,697)	(1,222,467)	(1,258,944)	(4,730,299)	(1,763,773)
Cash payments to employees	(111,506)	(120,037)	(292,809)	(452,577)	(976,929)	(1,279,211)
Net cash provided (used) by operating activities	<u>110,901</u>	<u>118,210</u>	<u>144,778</u>	<u>620,976</u>	<u>994,865</u>	<u>(502,147)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Medicare retiree drug subsidy						36,043
Transfers in						2,723,000
Cash Flows from Noncapital Financing Activities						<u>2,759,043</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Purchase of capital assets	(1)		(40,881)	(31,760)	(72,642)	(541,707)
Cash Flows from Capital and Related Financing Activities	<u>(1)</u>		<u>(40,881)</u>	<u>(31,760)</u>	<u>(72,642)</u>	<u>(541,707)</u>
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest received	105,144	8,038	8,862	49,760	171,804	225,345
Cash Flows from Investing Activities	<u>105,144</u>	<u>8,038</u>	<u>8,862</u>	<u>49,760</u>	<u>171,804</u>	<u>225,345</u>
Net Cash Flows	216,044	126,248	112,759	638,976	1,094,027	1,940,534
Cash and investments at beginning of year	<u>5,303,039</u>	<u>342,610</u>	<u>520,169</u>	<u>2,489,339</u>	<u>8,655,157</u>	<u>11,131,889</u>
Cash and investments at end of year	<u>\$5,519,083</u>	<u>\$468,858</u>	<u>\$632,928</u>	<u>\$3,128,315</u>	<u>\$9,749,184</u>	<u>\$13,072,423</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:						
Operating income (loss)	\$116,991	\$101,099	\$137,957	\$624,145	\$980,192	(\$2,837,787)
Adjustments to reconcile operating income to net cash provided by operating activities:						
Depreciation	3,983	3,085	10,926	2,647	20,641	370,568
Change in assets and liabilities:						
Accounts receivable	(2,577)			(8,385)	(10,962)	
Prepaid expense				1,110	1,110	15,919
Accounts payable and accruals	(11,038)	10,085	50,613	19,663	69,323	119,012
Accrued payroll and benefits	1,756	466	1,429	4,951	8,602	864
Deposits						(68,800)
Deferred revenue			(72,228)	(23,155)	(95,383)	
Claims payable						71,000
Net OPEB Obligation						1,827,077
Compensated absences	1,786	3,475	16,081		21,342	
Net cash provided (used) by operating activities	<u>\$110,901</u>	<u>\$118,210</u>	<u>\$144,778</u>	<u>\$620,976</u>	<u>\$994,865</u>	<u>(\$502,147)</u>

See accompanying notes to financial statements

FIDUCIARY FUNDS

Fiduciary Funds include all agency funds that account for assets held by the City as an agent for individuals, private organizations, other governmental units and/or other funds.

Agency Funds are custodial in nature and do not involve measurement of results of operations. Such funds have no equity since any assets are due to individuals or other entities at some future time.

Special district assessments held by the City, acting as an agent for bond debt service payments, comprise Agency funds. The City is not liable for re-payment of the bonds.

CITY OF CUPERTINO
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET ASSETS
JUNE 30, 2009

	<u>Agency Funds</u>
ASSETS	
Cash and investments (Note 2)	<u>\$115,322</u>
Total Assets	<u><u>\$115,322</u></u>
LIABILITIES	
Deposits	<u>\$115,322</u>
Total Liabilities	<u><u>\$115,322</u></u>

See accompanying notes to financial statements

NOTES

CITY OF CUPERTINO, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS

For the Year Ended June 30, 2009

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Reporting Entity

The City of Cupertino, California (the City) was incorporated on October 3, 1955, under the laws of the State of California. The City operates under a Council - City Manager form of government and provides services through the following departments: Administrative Services, Community Development, City Manager, Parks and Recreation, Public Information, and Public Works/Engineering. 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 the Los Altos Garbage Company 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 units, entities 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 units - The Cupertino Public Facilities Corporation (the Corporation) was incorporated in May 1986, under the Nonprofit Public Benefit Corporation Law of the State of California. The Corporation was organized as a nonprofit corporation for the purpose of assisting the City in the acquisition, construction, and financing of public improvements which are of public benefit to the City. The Corporation, after acquiring certain properties from the City, leases these back to the City. The lease money provides the funds for the debt service for the Certificates of Participation issued by the Corporation to acquire the properties. The Cupertino Redevelopment Agency was formed in 2000 under the California Health & Safety Code to assist in the elimination of areas considered to be in a blighted condition. The City Council acts as the Board of Directors of the Corporation and the Agency. The Mayor and Vice Mayor of the City have been elected President and Vice President, respectively, of the Corporation. The City Clerk has been elected Secretary, and the City's Director of Administrative Services has been appointed Treasurer of both entities.

No separate financial statements are issued for the Corporation, since it is reported separately in the basic financial statements. The Redevelopment Agency's separate report is available from the City of Cupertino's website at www.cupertino.org.

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

The City's Basic Financial Statements are prepared in conformity with accounting principles generally accepted in the United States of America. The Government Accounting Standards Board is the acknowledged standard setting body for establishing accounting and financial reporting standards followed by governmental entities in the U.S.A.

CITY OF CUPERTINO, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS

For the Year Ended June 30, 2009

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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, (b) grants and contributions that are restricted to meeting the operational or capital needs of a particular program and (c) development fees which are considered capital grants under California law. 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 Assets 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 and enterprise 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.

CITY OF CUPERTINO, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS

For the Year Ended June 30, 2009

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Major funds are defined as funds, which have either assets, liabilities, revenues or expenditures equal to ten percent of their fund-type total and five percent of the grand total. 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 *Public Facilities Corporation Debt Service Fund* accounts for the payments of principal and interest on certificates of participation issued to provide for the advance refunding of the City Hall/Library, Wilson Park and Memorial Park certificates of participation.

The *Capital Improvement Project Fund* accounts for activities related to the acquisition or construction of major capital facilities.

The *Stevens Creek Corridor Park Capital Project Fund* accounts for the development of the master plan and the design and construction of the Stevens Creek Corridor Park.

The *Mary Avenue Bicycle Footbridge Capital Project Fund* accounts for design and construction of a bicycle footbridge extension of Mary Avenue over Interstate 280. It includes gateways, paths, residential buffering elements and landscaping.

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

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

The *Blackberry Farm Fund* accounts for activities related to the municipal golf course.

The *Cupertino Sports Center Fund* accounts for the operation and maintenance of the Cupertino Sports Facility.

CITY OF CUPERTINO, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS

For the Year Ended June 30, 2009

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

The *Recreation Programs Fund* accounts for activities of the City's community center.

The City also reports the following fund types:

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

Fiduciary Fund. The City acts as an agent for re-payment of certain special assessment debt described in Note 6 of this section. This fund accounts for the tax assessments used for bond payments.

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

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 they have become due and payable. 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 *deferred* revenues are based on the modified accrual measure.

Fiduciary financial statements consisting of agency funds, report only assets and liabilities, and therefore have no measurement focus. They recognize receivables and payables on a full accrual basis.

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

CITY OF CUPERTINO, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS

For the Year Ended June 30, 2009

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

The City follows statements and interpretations of the Financial Accounting Standards Board and its predecessors that were issued on or before November 30, 1989, in accounting for its business-type activities, unless they conflict with Government Accounting Standards Board pronouncements.

GASB 33 Non-Exchange Transaction – 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.

(c) Budgetary Practices

The budget of the City is a detailed operating plan which identifies estimated costs and results in relation to estimated revenues. The budget includes (1) the programs, projects, services and activities to be provided during the fiscal year; (2) estimated revenue available to finance the operating plan; and (3) the estimated spending requirements of the operating plan. The budget represents a process through which policy decisions are made, implemented and controlled. The City prohibits expending funds for which there is no legal appropriation. Operating appropriations lapse at fiscal year end.

In May of each year, the City Manager submits to the City Council a proposed budget for the fiscal year beginning July 1. Public hearings on the proposed budget are held during the month of June and the budgets for all fund types are legally adopted by Resolution prior to June 30. Original budget amounts are presented on the accompanying budgetary statements include these legally adopted amounts.

The City Manager is responsible for controlling the City's expenditures in accordance with the adopted budget. The City Manager is authorized to transfer appropriations within functional expenditure classifications. Any revision which requires transfers between functional expenditure classifications or 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. The legal level of budgetary control is at the departmental or project level.

CITY OF CUPERTINO, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS

For the Year Ended June 30, 2009

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Budgetary Practices (continued)

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 project funds are budgeted on a long-term project-by-project basis and, hence, budgets for these funds are not presented in the basic financial statements.

(d) Cash and Investments

The City pools its cash resources, consisting of cash and investments, of all funds for investment except for restricted funds generally held by an outside fiscal agent. Cash amounts are reported net of outstanding warrants.

Investments are stated at fair value.

(e) Capital Assets

Capital assets are recorded at cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at their estimated fair value on the date donated.

Public domain (infrastructure) capital assets consisting of roads, bridges, curbs, gutters, medians, sidewalks, drainage and lighting systems have been capitalized and depreciated.

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

	<u>Years</u>
Buildings	25
Improvements	31
Vehicles	4-10
Street equipment	3-20
Water equipment	3-50
Office equipment	3-5
Road, curbs, gutters, sidewalks, medians and bridges	30-40
Streetlights	20
Storm drain structure and mains	40
Traffic signals	20

The City capitalizes capital assets exceeding \$5,000.

Major outlays for capital assets and improvements are capitalized as projects are constructed. 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.

CITY OF CUPERTINO, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS

For the Year Ended June 30, 2009

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Capital Assets (continued)

Some capital assets may be acquired using federal and state grant funds, or they may be contributed by developers or other governments. These contributions are accounted for as revenues at the time the capital assets are contributed.

(f) Land Held for Housing Development

Land held for redevelopment of \$615,000 at June 30, 2009 is stated at the lowest of historical cost, net realizable value or agreed-upon sales price. The land was purchased using Federal grant funds for housing activities.

(g) Claims and Judgments 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, the General Fund or enterprise funds, as appropriate.

(h) 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 Assets. In prior years, the governmental or proprietary fund associated with the ongoing salary and benefit cost of the employee has liquidated the long-term liability.

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 as the account for termination payouts.

CITY OF CUPERTINO, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2009

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

The changes in compensated absences were as follows:

	Governmental Activities	Business-Type Activities	Total
Beginning Balance	\$2,434,009	\$14,071	\$2,448,080
Additions	463,852	21,606	485,458
Payments	(498,373)	(264)	(498,637)
Ending Balance	<u>\$2,399,488</u>	<u>\$35,413</u>	<u>\$2,434,901</u>
Current Portion	<u>\$153,419</u>	<u>\$35,413</u>	<u>\$188,832</u>

(i) Fund Equity

Reservations of fund balances represent those portions of fund balances which are not available for appropriation or expenditure or are legally restricted for a specific future use. Designated fund balances represent management's tentative plans for future use of financial resources.

(j) 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 March 1 and become delinquent on December 10 and April 10. Unsecured taxes are due on July 1 and become delinquent on August 31. The lien date for secured and unsecured property taxes is March 1.

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

(k) Interfund Transactions

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

CITY OF CUPERTINO, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS

For the Year Ended June 30, 2009

(1) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) 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.

(m) Bond Discounts and Issue Costs

Debt discounts and issuance costs are recognized in the current period. Debt discounts and issuance costs incurred by proprietary fund types are amortized over the term of the debt using the bonds-outstanding method, which approximates the effective interest method.

(n) Inventories and Prepaids

Inventories are accounted for under the purchases method, which considers inventories to be recognized as an expenditure upon purchase, with inventories insignificant at year-end. Prepaid expenses are reported under the consumption method, which recognizes the expense in the period associated with the service rendered or goods consumed.

(o) Fund Name Change

During fiscal year 2008/2009, the City changed the name of the Long-Term Disability Internal Service Fund to the Compensated Absences and Long-Term Disability Internal Service Fund.

(2) CASH AND INVESTMENTS

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

(a) Policies

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

CITY OF CUPERTINO, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS

For the Year Ended June 30, 2009

(2) CASH AND INVESTMENTS (continued)

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

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

(b) Classification

The City's total cash and investments, at fair value, are presented on the accompanying statement of net assets in the following allocation:

Statement of Net Assets

Cash and investments	\$54,771,604
Restricted cash and investments:	
Held by Fiscal Agent for bond repayments	2,473,197
Held in escrow accounts for contractor retentions	<u>866,956</u>
Total restricted cash and investments	<u>3,340,153</u>
Total City cash and investments	58,111,757

Fiduciary Funds

Cash and investments	<u>115,322</u>
Total Cash and investments	<u><u>\$58,227,079</u></u>

CITY OF CUPERTINO, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS

For the Year Ended June 30, 2009

(2) CASH AND INVESTMENTS (continued)

(c) Authorized Investments by the City

The City's Investment Policy and the California Government Code allow the City to invest its pooled idle funds in the following, under limits and provisions that address interest rate risk, credit risk, and concentration of credit risk. This does not include the City's investments of debt proceeds held by fiscal agents that are governed by the provisions of debt agreements of the City.

<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
Federal Agency securities (A)	5 years	N/A	None	None
California Local Agency Investment Fund	N/A	N/A	Up to \$40 million, per State law	None
Non-negotiable Certificates of Deposit (time deposits)	5 years	N/A	None	10% of portfolio; 5% of issuer's net worth
State of California registered state warrants, treasury notes, or bonds	5 years	N/A	None	10%
California local agency bonds, notes, warrants or other obligations	5 years	N/A	None	10%
Bonds issued by the local agency	5 years	N/A	None	10%
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	N/A	N/A	20%	10%

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

CITY OF CUPERTINO, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS

For the Year Ended June 30, 2009

(2) CASH AND INVESTMENTS (continued)

(d) Authorized Investments by Debt Agreements

The City must maintain required amounts of cash and investments with trustees or fiscal agents under the terms of certain debt issues. These funds are unexpended bond proceeds or are pledged reserves to be used if the City fails to meet its obligations under these debt issues. The California Government Code requires these funds to be invested in accordance with City ordinances, bond indentures or State statutes. The City's Investment Policy allows investments of bond proceeds to be governed by provisions of the related bond indentures. The following identifies the investment types that are authorized for investments held by fiscal agents under the terms of the bond indentures of the related debt issue:

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Minimum Credit Quality</u>	<u>Maximum Percentage of Portfolio</u>
Money market mutual funds	N/A	Aaam or AAAm-G	None
California Local Agency Investment Fund	N/A	N/A	Up to \$40 million, per State law
U.S. Treasury obligations	N/A	N/A	None
U.S. Federal agency obligations (A)	N/A	N/A	None
Pre-refunded local agency municipal obligations that are non-callable or irrevocably callable on a specified date	N/A	Highest rating category	None
General obligations of states	N/A	A2/A	None
U.S. dollar denominated deposit accounts, federal funds and bankers acceptances	360 days	P-1, A-1+, A-1	None
Commercial paper	270 days	P-1, A-1	None
Time or demand accounts or certificates of deposits, collateralized	N/A	N/A	None
Investment agreements or other forms of investments, including repurchase agreements, approved by the financial guaranty insurance carrier.	N/A	N/A	None

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

CITY OF CUPERTINO, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS

For the Year Ended June 30, 2009

(2) CASH AND INVESTMENTS (continued)

(e) Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

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

	12 Months or less	13 to 24 Months	Total
U.S. Treasury Securities	\$27,916,550	\$8,166,880	\$36,083,430
Federal Agency Obligations	4,069,390	3,059,260	7,128,650
Local Agency Investment Fund	587,959		587,959
Government Securities Money Market Funds	12,641,836		12,641,836
Non-negotiable Certificates of Deposit	100,749	99,634	200,383
 Total Investments	 \$45,316,484	 \$11,325,774	 56,642,258
 Cash in banks and on hand			717,864
Cash held in retention deposit escrow accounts			866,957
 Total Cash and Investments			 \$58,227,079

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 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. At June 30, 2009, these investments had weighted average maturity of 235 days.

Money market funds are available for withdrawal on demand and at June 30, 2009, carried investments with a 55 day average maturity.

CITY OF CUPERTINO, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS

For the Year Ended June 30, 2009

(2) CASH AND INVESTMENTS (continued)

(f) Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the actual rating as of June 30, 2009 for each investment type, including those with fiscal agents, as provided by Moody's ratings:

Investment Type	AAA	Total
Federal Agency Obligations	\$7,128,650	\$7,128,650
Government Securities Money Market Funds	12,641,836	12,641,836
 Totals	 \$19,770,486	 19,770,486
Exempt from Credit Rating Disclosure:		
U.S. Treasury Securities		36,083,430
Not Rated:		
Local Agency Investment Fund		587,959
Certificates of deposit		200,383
 Total Investments		 \$56,642,258

(g) Concentration of Credit Risk

The City's investment policy contains certain limitations on the amount that can be invested in any one issuer. In certain categories, these limitations are more restrictive than those required by California Government Code Sections 53600 et seq. Investments in any one issuer, other than U.S. Treasury securities, mutual funds, and external investment pools, that represent 5% or more of total City-wide investments are as follows at June 30, 2009:

Issuer	Investment Type	Amount
Federal Farm Credit Bank	Federal Agencies Obligation	\$4,048,140

CITY OF CUPERTINO, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS

For the Year Ended June 30, 2009

(3) RELATED PARTY LOANS

In conjunction with the City's executive housing assistance program, loans totaling \$1,535,860 have been provided to three executive managers. These 40-year loans bear an interest rate equal to the 11th District Cost of Funds at the time of the loan, and require monthly principal and interest payments. In addition, there is a two percent deferral on the interest rate for the first five years of the loan, at which time the interest rate may be adjusted to the current 11th District Cost of Funds for the remainder of the loan. At June 30, 2009, one of the loans was completely paid off, and the balance remaining on the two loans was \$727,468.

(4) INTERFUND TRANSACTIONS

Transfers between funds during the fiscal year ended June 30, 2009 were as follows:

<u>Fund Making Transfers</u>	<u>Fund Receiving Transfers</u>	<u>Amount Transferred</u>
General Fund	Public Facilities Corporation Debt Service Fund	\$3,537,000 (A)
	Capital Improvement Projects Funds	100,000 (B)
	Non-major governmental funds	750,000 (C)
	Internal Service Funds	2,723,000 (D)
Stevens Creek Corridor Park Fund	General Fund	50,000 (E)
Capital Improvement Projects Funds	General Fund	573,925 (F)
Non-major governmental funds	Non-major governmental funds	<u>25,000 (G)</u>
Total Interfund Transfers		<u><u>\$7,758,925</u></u>

The reasons for these transfers are set forth below:

- (A) For debt service.
- (B) For capital project infrastructure reserve.
- (C) To fund street maintenance.
- (D) To fund retiree medical, IT, equipment replacement, and compensated absences.
- (E) To return project savings to General Fund.
- (F) To return project funding to General Fund.
- (G) To fund the Bollinger Bike Lane project.

Internal Balances – The City-wide financial statements had no net interfund receivables and payable remaining after the elimination of all such balances within governmental and business-type activities.

The General Fund loaned the Mary Avenue Bicycle Footbridge Capital Projects Fund \$837,629 to fund a temporary cash shortfall.

CITY OF CUPERTINO, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS

For the Year Ended June 30, 2009

(5) CAPITAL ASSETS

A summary of changes in capital assets follows:

	Balance at June 30, 2008	Additions	Retirements	Transfers	Balance at June 30, 2009
<i>Governmental activities</i>					
Capital assets not being depreciated:					
Land	\$59,298,322	\$1,507,759			\$60,806,081
Construction in progress:					
Infrastructure	7,509,565	6,204,560		(\$13,714,125)	
Other capital projects	2,103,992	9,410,159		(11,514,151)	
Total capital assets not being depreciated	68,911,879	17,122,478		(25,228,276)	60,806,081
Capital assets being depreciated:					
Buildings	40,357,576	277,651			40,635,227
Improvements other than buildings	25,854,968	311,941		11,514,151	37,681,060
Machinery and Equipment - governmental funds	1,903,499	158,380	(\$10,255)		2,051,624
Road, curbs, gutters, sidewalks, medians and bridges	101,069,337	4,474,758		13,714,125	119,258,220
Streetlights	6,547,255	7,849			6,555,104
Storm drain structure and mains	31,669,084	57,048			31,726,132
Traffic signals	5,967,411	31,988			5,999,399
Total capital assets being depreciated	213,369,130	5,319,615	(10,255)	25,228,276	243,906,766
Less accumulated depreciation for:					
Buildings	12,294,958	1,553,202			13,848,160
Improvements other than buildings	19,247,032	827,067			20,074,099
Machinery and Equipment - governmental funds	1,518,268	112,296	(10,057)		1,620,507
Road, curbs, gutters, sidewalks, medians and bridges	81,531,071	2,456,230			83,987,301
Streetlights	6,506,460	2,617			6,509,077
Storm drain structure and mains	24,232,960	791,727			25,024,687
Traffic signals	4,355,239	116,989			4,472,228
Total accumulated depreciation	149,685,988	5,860,128	(10,057)		155,536,059
Net governmental fund program Capital assets being depreciated	63,683,142	(540,513)	(198)	25,228,276	88,370,707
Internal service fund capital assets					
Machinery and equipment	4,983,608	541,708			5,525,316
Less Accumulated depreciation	4,019,631	370,568			4,390,199
Net internal service capital assets Being depreciated	963,977	171,140			1,135,117
Governmental activity capital assets, net	\$133,558,998	\$16,753,105	(\$198)		\$150,311,905

CITY OF CUPERTINO, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2009

(5) CAPITAL ASSETS (continued)

	Balance at June 30, 2008	Additions	Retirements	Transfers	Balance at June 30, 2009
<i>Business-type activities:</i>					
Capital assets being depreciated:					
Improvements other than buildings	\$5,053				\$5,053
Machinery and Equipment	238,113	\$72,642			310,755
Total capital assets being depreciated	243,166	72,642			315,808
Less accumulated depreciation for:					
Improvements other than buildings	5,053				5,053
Machinery and Equipment	153,987	20,641			174,628
Total accumulated depreciation	159,040	20,641			179,681
Net capital assets being depreciated	84,126	52,001			136,127
Business-type activity capital assets, net	\$84,126	\$52,001			\$136,127

Depreciation expense was charged to functions and programs based on their usage of the related assets. The amounts allocated to each function or program is as follows:

Governmental Activities	Amount
Administration	\$311,550
Law Enforcement	2,160
Public Information	16,613
Administrative Services	26,441
Recreation Service	65,507
Community Development	600
Public Works	5,437,257
Internal Service funds	370,568
Total	<u>\$6,230,696</u>

CITY OF CUPERTINO, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS

For the Year Ended June 30, 2009

(5) CAPITAL ASSETS (continued)

Business-Type Activities	Amount
Resources Recovery	\$3,983
Blackberry Farms	3,085
Cupertino Sports Center	10,926
	<u>2,647</u>
Total	<u><u>\$20,641</u></u>

(6) LONG-TERM DEBT

(a) Cupertino Public Facilities Corporation Certificates of Participation

	Original Issue Amount	Balance June 30, 2008	Retirements	Balance June 30, 2009	Current Portion
Governmental Activity Debt:					
2002 Refinancing and Capital Improvement Project, 2.00-5.00%, due 07/01/2030	\$56,640,000	\$48,385,000	\$1,415,000	\$46,970,000	\$1,460,000

The Cupertino Public Facilities Corporation issued Certificates of Participation to provide financing for the construction of the Community Center, remodeling of City Hall and the Library in July of 1986, to purchase Wilson Park in 1989, to finance Memorial Park Expansion in 1990, and to purchase Blackberry Farm and Fremont Older site in 1991. Cupertino Public Facilities Corporation, as lessor, leased real property to the City (under the lease agreement with the lessee) and assigned the base rental payments to the trustee for the benefit of the owners of the certificates of participation. The rental payments are scheduled to be sufficient in both time and amount, when the principal and interest of the certificates are due.

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

CITY OF CUPERTINO, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS

For the Year Ended June 30, 2009

(6) LONG-TERM DEBT (continued)

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

Annual debt service requirements for the Certificates of Participation are shown below:

For the Year Ending June 30	Governmental Activities	
	Principal	Interest
2010	\$1,460,000	\$2,073,944
2011	1,500,000	2,030,144
2012	1,545,000	1,985,144
2013	1,600,000	1,934,931
2014	1,660,000	1,870,931
2015-2019	9,380,000	8,283,605
2020-2024	11,750,000	5,916,093
2025-2029	14,705,000	2,960,674
2030	3,370,000	160,075
Total	<u>\$46,970,000</u>	<u>\$27,215,541</u>

(b) 1915 Act Bonds Without City Commitment

The City acts as agent for the property owners of parcels upon which assessments were made for local improvements. The City collects the assessments and forwards the collections to bond holders. The City is not directly liable for the repayment of special assessment district bonds as such bonds and interest payable are secured by fixed lien assessments on real property; however, the City has determined that it is not probable that the government would assume responsibility for all or part of the debt in the event of default. The amount of unmatured bond principal at June 30, 2009 was \$65,000.

(c) Conduit Debt

On October 1, 2001, the City authorized the issuance of the Multi-Family Housing Revenue Bonds in an amount up to \$1.6 million to assist a developer in financing the cost of site acquisition and construction of a 24 unit multi-family rental housing project. The bonds are payable solely out of loan repayments received from the developer. The City has no legal or moral liability with respect to the payment of this debt.

CITY OF CUPERTINO, CALIFORNIA
NOTES TO BASIC FINANCIAL STATEMENTS

For the Year Ended June 30, 2009

(7) NET ASSETS AND FUND BALANCES

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

Net Assets - Net Assets is the excess of all the City's assets over all its liabilities, regardless of fund. Net Assets are divided into three captions. These captions apply only to Net Assets, which is determined only at the Government-wide level, and are described below:

Invested in Capital Assets, net of related debt describes the portion of Net Assets which is represented by the current net book value of the City's capital assets, less the outstanding balance of any debt issued to finance these assets.

Restricted describes the portion of Net Assets which is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions which the City cannot unilaterally alter. These principally include developer fees received for use on capital projects, debt service requirements, and redevelopment funds restricted to low and moderate income purposes.

Fund Balances, Reserves and Designations - In the Fund financial statements, fund balances represent the net current assets of each fund. Net current assets generally represent a fund's cash and receivables, less its liabilities. Portions of a fund's balance may be reserved or designated for future expenditure.

The unreserved fund balances include amounts which have been internally designated to be set aside and are not considered to be available for immediate appropriation. The components of the designated fund balance for the Governmental Funds at June 30, 2009 are as follows:

General Fund:	
Economic Uncertainty	\$13,415,000
Utilities Users Tax Revenue	1,600,000
Special Revenue Funds, Gas Tax Projects	799,022
Capital Project Funds:	
Capital Improvement Projects	699,000
Construction in Progress - Future Projects	76,000
Infrastructure	900,000
Total designated fund balances	<u>\$17,489,022</u>

CITY OF CUPERTINO, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS

For the Year Ended June 30, 2009

(8) COMMITMENTS AND CONTINGENCIES

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, 2009, 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.

The City has an agreement, expiring in 2019, to lease a building to the County of Santa Clara for the purpose of providing library service to the City's residents. The lease requires a minimum annual payment of \$120,000 adjusted for Cupertino's portion of book circulation and increase of assessed valuation. This is an operating lease with a renewable option. At June 30, 2009, the cost and carrying value of the building which opened in October 2004, is \$21,935,325 and \$18,423,269 respectively, with \$3,512,056 in accumulated depreciation.

(9) LIABILITIES UNDER SELF-INSURANCE AND RISK MANAGEMENT

The City is self-insured for the first \$250,000 of general and automobile liability for each occurrence, and the excess (up to \$10,000,000) is covered through the City's participation in the Association of Bay Area Governments (ABAG) Plan general liability risk pool. The pool consists of 32 agencies within the San Francisco Bay area. The stated purpose of the ABAG pool is to provide certain levels of liability insurance coverage, claims management, risk management services, and legal defense to each participating city within the pool. Each city was required to make an initial deposit premium based on an actuarial study of each City's risk exposure. The premium consists of a risk portion and administrative portion. The premium is revised each year based on claims experience and risk exposure. Complete financial statements for ABAG plan may be obtained from their offices at the following address: ABAG Plan Corporation, Finance Department, P.O. Box 2050, Oakland, CA 94604.

CITY OF CUPERTINO, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS

For the Year Ended June 30, 2009

(9) LIABILITIES UNDER SELF-INSURANCE AND RISK MANAGEMENT (continued)

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.

Changes in the balances of claim liabilities during the past two fiscal years are as follows:

	Workers' Compensation
Claims liability June 30, 2007	\$1,375,000
Incurred claims	288,148
Claim payments/credits	(166,148)
Claims liability June 30, 2008	1,497,000
Incurred claims	313,642
Claim payments/credits	(242,642)
Total Claims liability June 30, 2009	\$1,568,000
Current portion	\$411,000
Non-current Portion	\$1,157,000

The claims liability includes those based on existing open claims plus those estimated on an incurred but not reported basis. Allocated loss adjustment expenses, such as legal fees, were also considered. Settlements have not exceeded insurance coverage in the past three years.

CITY OF CUPERTINO, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS

For the Year Ended June 30, 2009

(10) OTHER POST EMPLOYMENT BENEFITS (OPEB)

Permanent employees who retire under the City's retirement plan (CALPERS) 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 plans, 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 \$1,042 per month per the employee or retiree. The responsibility for benefit payments has transferred to the insurers and the City does not guarantee the benefits in the event of default by the insurers. A comprehensive annual financial report of CALPERS, inclusive of their benefit plans, is available at www.calpers.ca.gov.

The cost of the benefits provided by the Plan is currently being paid by the City on a pay-as-you-go basis. The long-term strategy for funding the benefits provided under the Plan is currently being evaluated.

An employee is eligible for lifetime medical benefits under the 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.

CITY OF CUPERTINO, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS

For the Year Ended June 30, 2009

(10) OTHER POST EMPLOYMENT BENEFITS (OPEB) (continued)

In addition, the eligible employee's dependent children at the time of retirement who are under 23 years old are eligible for medical benefits.

The City's actuary determined the City's OPEB liability and contribution requirements using the Entry Age Normal Actuarial Cost Method. As of the January 1, 2007 valuation date, there were no actuarial plan assets. The annual rate of return on future assets for benefit payments was assumed to be 5% on a pay-as-you-go basis. Inflation of 3%, annual salary increases of 3.25%, City contribution increases of 3.5%, and healthcare cost growth ranging from 13% initially down to 5% long-term were also assumed. The Unfunded Actuarial Accrued Liability is amortized as a level percentage of pay (assuming 3.25% per year growth in total payroll) over a rolling twenty year period. The payment for a given year is expressed as a percentage of projected active member payroll for that year. PEMHCA is a community-rated plan, where the same premiums apply for all plan participants regardless of the presence or number of active employees. There is no implicit rate subsidy in the premiums for pre-Medicare retirees.

The City's annual OPEB cost and actual contributions to the Plan for the year ended 2009 is as follows:

Fiscal Year	OPEB Annual Cost (AOC)	Actual Contribution	Percentage of AOC Contributed	Net OPEB Obligation (Asset)
June 30, 2009	\$2,475,000	\$647,923	26%	\$1,827,077

The City's Net OPEB Obligation (NOO) is recorded in the Retiree Medical Internal Service Fund, and is calculated as follows:

Annual required contribution	\$2,475,000
Annual OPEB cost	2,475,000
Contributions made - Pay-as-you-go payment	(647,923)
(Decrease) increase in net OPEB obligations	1,827,077
Net OPEB obligation (asset) June 30, 2008	0
Net OPEB obligation (asset) June 30, 2009	\$1,827,077

CITY OF CUPERTINO, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS

For the Year Ended June 30, 2009

(10) OTHER POST EMPLOYMENT BENEFITS (OPEB) (continued)

The Schedule of Funding Progress presents trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Trend data from the January 1, 2007 actuarial study is presented below, reflecting the initial study since the implementation of new OPEB reporting requirements.

Actuarial Valuation Date	Actuarial Value of Assets (A)	Entry Age Actuarial Accrued Liability (B)	Unfunded (Overfunded) Actuarial Accrued Liability (A - B)	Funded Ratio (A/B)	Covered Payroll (C)	Unfunded (Overfunded) Actuarial Liability as Percentage of Covered Payroll [(A - B)/C]
1/1/2007	\$0	\$21,981,544	\$21,981,544	0.00%	\$11,118,000	197.71%

(11) DEFERRED COMPENSATION PLAN

Due to the passage of the Small Business Job Protection Act (Act) of 1996, and the issuance of Governmental Accounting Standards Board Statement No. 32 "Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans," governmental entities who have established deferred compensation plans under Internal Revenue Code Section 457 are required to establish trusts to hold plan assets for the exclusive benefit of plan participants and their beneficiaries. This Act supercedes previous regulations, which required that plan assets remain the property of the City until paid or made available to the participants, subject only to the City's general creditors. In compliance with the new regulations, the City established separate trusts to hold plan assets. The value of assets held in trust under Section 457 deferred compensation plans is approximately \$10,681,304 as of June 30, 2009. These assets have been excluded from the financial statements.

(12) DEFINED BENEFIT PENSION PLAN

(a) Plan Description

Substantially all City employees are eligible to participate in pension plans offered by California Public Employees Retirement System (CALPERS), an agent multiple employer defined benefit pension plan which acts as a common investment and administrative agent for its participating member employers. CALPERS provides retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. The City's employees participate in the Miscellaneous Employee Plan. Benefit provisions under both Plans are established by State statute and City resolution. Benefits are based on years of credited service and compensation. Audited annual financial statements are available from CALPERS at www.calpers.ca.gov.

CITY OF CUPERTINO, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS

For the Year Ended June 30, 2009

(12) DEFINED BENEFIT PENSION PLAN (continued)

(b) Funding Policy

Funding contributions for the Plan are determined annually by CALPERS on an actuarial basis as of June 30 three years prior to funding. The City must contribute these amounts. The Plans' provisions and benefits in effect at June 30, 2009, are summarized as follows:

	<u>Miscellaneous</u>
Benefit vesting schedule	5 years service
Benefit payments	Monthly for life
Eligible retirement age	50
Benefits, as a % of annual salary multiplied by years of service and annual salary	2% - 2.7%
Required employee contribution rates	8%
Required employer contribution rates	16.456%

(c) Annual Pension Cost

CALPERS determines contribution requirements using a modification of the Entry Age Normal Method. Under this method, the City's total normal benefit cost for each employee from date of hire to date of retirement is expressed as a level percentage of the related total payroll cost. Normal benefit cost under this Method is the level amount the employer must pay annually to fund an employee's projected retirement benefit. This level percentage of payroll method is used to amortize any unfunded actuarial liabilities. The actuarial assumptions used to compute contribution requirements are also used to compute the actuarially accrued liability. The City uses the actuarially determined percentages of payroll to calculate and pay contributions to CALPERS. This results in no net pension obligations or unpaid contributions. Recent Annual Pension Costs, which equal the annual required contribution to CALPERS, were as follows:

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Contribution Rate</u>
6/30/2007	\$1,237,257	11.529%
6/30/2008	1,454,415	14.201%
6/30/2009	1,835,521	15.560%

CITY OF CUPERTINO, CALIFORNIA

NOTES TO BASIC FINANCIAL STATEMENTS

For the Year Ended June 30, 2009

(12) DEFINED BENEFIT PENSION PLAN (continued)

CALPERS uses the market related value method of valuing the Plan's assets. An investment rate of return of 7.75% is assumed, including inflation rate at 3.0%. Annual salary increases are assumed to vary by duration of service. Changes in liability due to plan amendments, changes in actuarial assumptions, or changes in actuarial methods are amortized as a level percentage of payroll on a closed basis over twenty years. All gains and losses are realized and amortized over a rolling thirty year period. Market value fluctuations in the actuarial value of plan assets are smoothed over 15 years.

CALPERS' latest available actuarial value (which differs from market value) and funding progress are set forth below at their actuarial valuation date of June 30, 2007. This shows whether the value is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial						
Valuation Date	Entry Age Accrued Liability	Value of Assets	Unfunded (Overfunded) Liability	Funded Ratio	Annual Covered Payroll	Unfunded (Overfunded) Liability as % of Payroll
6/30/05	\$47,054,446	\$41,347,290	\$5,707,156	87.9%	\$9,304,690	61.3%
6/30/06	54,287,591	44,876,584	9,411,007	82.7%	10,133,914	92.9%
6/30/07	59,241,300	50,157,077	9,084,223	84.7%	10,751,350	84.5%

(13) DEFICIT FUND BALANCE

As of June 30, 2009, the Stevens Creek Corridor Park and Mary Avenue Bicycle Footbridge Capital Project Funds had negative fund balances of \$838,125 and \$956,137, respectively. These balances are expected to be offset by eventual billing and receipt of all expected grant awards.

**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, GASB Statement 34 dictates that budget-to-actual information in the basic financial statements should be limited to the General Fund and major Special Revenue Funds. All other major governmental fund schedules with such information must be included as Supplemental Information.

Public Facilities Corporation Debt Service Fund - Accounts for the accumulation of resources for and the payments of principal and interest on certificates of participation issued in 2002 to advance refund debt that was previously issued to finance City Hall, Library, Wilson Park and Memorial Park projects.

CITY OF CUPERTINO
PUBLIC FACILITIES CORPORATION DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2009

	Budget	Actual	Variance Positive (Negative)
REVENUES			
Use of money and property		\$940	\$940
Total Revenues		940	940
EXPENDITURES			
Debt service:			
Principal	\$1,415,000	1,415,000	
Interest and fiscal charges	2,121,994	2,118,714	3,280
Total Expenditures	3,536,994	3,533,714	3,280
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(3,536,994)	(3,532,774)	4,220
OTHER FINANCING SOURCES (USES)			
Transfers in	3,537,000	3,537,000	
Total Other Financing Sources (Uses)	3,537,000	3,537,000	
NET CHANGE IN FUND BALANCE	\$6	4,226	\$4,220
BEGINNING FUND BALANCE		51,715	
ENDING FUND BALANCE		\$55,941	

NOTES

NON-MAJOR GOVERNMENTAL FUNDS

All funds not defined as major funds for the Fund Financial Statements are consolidated in one column entitled "Other Governmental Funds." These non-major funds are identified and included in this supplemental section and includes all of the City's Special Revenue 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 - Accounts for the construction and maintenance of storm drain facilities including drainage and sanitary sewer facilities.

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 - Accounts for all activities related to operating the non-point source pollution program.

Transportation - Accounts for the City's gas tax, sales tax 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.

Housing Development - 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 rules.

Redevelopment Agency - Accounts for the Cupertino Square project area and low and moderate income housing funds.

CITY OF CUPERTINO
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2009

SPECIAL REVENUE FUNDS

	Storm Drain	Park Dedication	Environmental Management	Transportation	Housing Development
Assets					
Cash and investments	\$1,060,559	\$578,357	\$202,980	\$828,730	\$1,201,710
Accounts receivable				481,909	63,346
Loans receivable					839,326
Land held for housing development					615,000
Total assets	<u>\$1,060,559</u>	<u>\$578,357</u>	<u>\$202,980</u>	<u>\$1,310,639</u>	<u>\$2,719,382</u>
Liabilities					
Accounts payable and accruals		\$882	\$9,556	\$12,664	\$106,181
Accrued payroll and benefits	\$670		28,291	10,483	1,747
Unearned revenue				12,749	
Deferred revenue				256,211	178,563
Total Liabilities	<u>670</u>	<u>882</u>	<u>37,847</u>	<u>292,107</u>	<u>286,491</u>
Fund balances					
Reserved for:					
Encumbrances		24,118		219,510	70,545
Loans receivable					839,326
Land held for housing development					615,000
Low and moderate income housing					
Unreserved, reported in:					
Special Revenue Funds	1,059,889	553,357	165,133	799,022	908,020
Total fund balances	<u>1,059,889</u>	<u>577,475</u>	<u>165,133</u>	<u>1,018,532</u>	<u>2,432,891</u>
Total liabilities and fund balances	<u>\$1,060,559</u>	<u>\$578,357</u>	<u>\$202,980</u>	<u>\$1,310,639</u>	<u>\$2,719,382</u>

<u>SPECIAL REVENUE FUND</u>	
<u>Redevelopment Agency</u>	<u>Total Nonmajor Governmental Funds</u>
\$759,217	4,631,553 545,255 839,326 615,000
<u>\$759,217</u>	<u>\$6,631,134</u>
\$1,768 4,114	\$131,051 45,305 12,749 434,774
<u>5,882</u>	<u>623,879</u>
39,532	353,705 839,326 615,000
507,037	507,037
<u>206,766</u>	<u>3,692,187</u>
<u>753,335</u>	<u>6,007,255</u>
<u>\$759,217</u>	<u>\$6,631,134</u>

CITY OF CUPERTINO
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2009

SPECIAL REVENUE FUNDS

	Storm Drain	Park Dedication	Environmental Management	Transportation	Housing Development
REVENUES					
Taxes	\$66,598	\$233,750			\$22,598
Use of money and property	20,367	9,624	\$2,012	\$27,380	72,305
Intergovernmental				1,479,005	842,607
Charges for services		507	365,060	76,457	
Total Revenues	<u>86,965</u>	<u>243,881</u>	<u>367,072</u>	<u>1,582,842</u>	<u>937,510</u>
EXPENDITURES					
Current:					
Community development					2,237,588
Public works			418,148	808,810	
Capital outlay	57,047	882		4,480,258	
Total Expenditures	<u>57,047</u>	<u>882</u>	<u>418,148</u>	<u>5,289,068</u>	<u>2,237,588</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>29,918</u>	<u>242,999</u>	<u>(51,076)</u>	<u>(3,706,226)</u>	<u>(1,300,078)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in				775,000	
Transfers (out)	(25,000)				
Total Other Financing Sources (Uses)	<u>(25,000)</u>			<u>775,000</u>	
NET CHANGE IN FUND BALANCES	4,918	242,999	(51,076)	(2,931,226)	(1,300,078)
BEGINNING FUND BALANCES (DEFICIT)	<u>1,054,971</u>	<u>334,476</u>	<u>216,209</u>	<u>3,949,758</u>	<u>3,732,969</u>
ENDING FUND BALANCES	<u>\$1,059,889</u>	<u>\$577,475</u>	<u>\$165,133</u>	<u>\$1,018,532</u>	<u>\$2,432,891</u>

<u>SPECIAL REVENUE FUND</u>	
<u>Redevelopment Agency</u>	<u>Total Nonmajor Governmental Funds</u>
\$1,211,128	\$1,534,074
4,388	136,076
	2,321,612
	442,024
<u>1,215,516</u>	<u>4,433,786</u>
394,810	2,632,398
	1,226,958
	4,538,187
<u>394,810</u>	<u>8,397,543</u>
<u>820,706</u>	<u>(3,963,757)</u>
	775,000
	(25,000)
	<u>750,000</u>
820,706	(3,213,757)
(67,371)	9,221,012
<u>\$753,335</u>	<u>\$6,007,255</u>

CITY OF CUPERTINO
 BUDGETED NON-MAJOR FUNDS
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 FOR THE FISCAL YEAR ENDED JUNE 30, 2009

SPECIAL REVENUE FUNDS

	STORM DRAIN			PARK DEDICATION		
	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
REVENUES						
Taxes	\$50,000	\$66,598	\$16,598	\$300,000	\$233,750	(\$66,250)
Use of money and property	30,000	20,367	(9,633)	16,000	9,624	(\$6,376)
Intergovernmental						
Charges for services					507	
Total Revenues	80,000	86,965	6,965	316,000	243,881	(72,626)
EXPENDITURES						
Current:						
Community development						
Public works						
Capital outlay	638,669	57,047	581,622	50,000	882	49,118
Total Expenditures	638,669	57,047	581,622	50,000	882	49,118
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(558,669)	29,918	588,587	266,000	242,999	(23,001)
OTHER FINANCING SOURCES (USES)						
Transfers in						
Transfers (out)	(25,000)	(25,000)				
Total Other Financing Sources (Uses)						
NET CHANGE IN FUND BALANCES	<u>(\$558,669)</u>	29,918	<u>\$588,587</u>	<u>\$266,000</u>	242,999	<u>(\$23,001)</u>
BEGINNING FUND BALANCES (DEFICIT)		1,054,971			334,476	
ENDING FUND BALANCES		<u>\$1,084,889</u>			<u>\$577,475</u>	

SPECIAL REVENUE FUNDS

ENVIRONMENTAL MANAGEMENT			TRANSPORTATION			HOUSING DEVELOPMENT		
Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)	Budget	Actual	Variance Positive (Negative)
\$4,000	\$2,012	(\$1,988)	\$100,000	\$27,380	(\$72,620)	\$320,000	\$22,598	(\$297,402)
			2,578,000	1,479,005	(1,098,995)	113,000	72,305	(40,695)
<u>365,000</u>	<u>365,060</u>	<u>60</u>		<u>76,457</u>	<u>76,457</u>	<u>510,013</u>	<u>842,607</u>	<u>332,594</u>
<u>369,000</u>	<u>367,072</u>	<u>(1,928)</u>	<u>2,678,000</u>	<u>1,582,842</u>	<u>(1,095,158)</u>	<u>943,013</u>	<u>937,510</u>	<u>(5,503)</u>
451,131	418,148	32,983	823,395	808,810	14,585	2,561,293	2,237,588	323,705
			<u>5,453,114</u>	<u>4,480,258</u>	<u>972,856</u>			
<u>451,131</u>	<u>418,148</u>	<u>32,983</u>	<u>6,276,509</u>	<u>5,289,068</u>	<u>987,441</u>	<u>2,561,293</u>	<u>2,237,588</u>	<u>323,705</u>
<u>(82,131)</u>	<u>(51,076)</u>	<u>31,055</u>	<u>(3,598,509)</u>	<u>(3,706,226)</u>	<u>(107,717)</u>	<u>(1,618,280)</u>	<u>(1,300,078)</u>	<u>318,202</u>
			<u>775,000</u>	<u>775,000</u>				
			<u>775,000</u>	<u>775,000</u>				
<u>(\$82,131)</u>	<u>(51,076)</u>	<u>\$31,055</u>	<u>(\$2,823,509)</u>	<u>(2,931,226)</u>	<u>(\$107,717)</u>	<u>(\$1,618,280)</u>	<u>(1,300,078)</u>	<u>\$318,202</u>
	<u>216,209</u>			<u>3,949,758</u>			<u>3,732,969</u>	
	<u>\$165,133</u>			<u>\$1,018,532</u>			<u>\$2,432,891</u>	

(Continued)

CITY OF CUPERTINO
 BUDGETED NON-MAJOR FUNDS
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 FOR THE FISCAL YEAR ENDED JUNE 30, 2009

	SPECIAL REVENUE FUND		
	REDEVELOPMENT AGENCY		
	Budget	Actual	Variance Positive (Negative)
REVENUES			
Taxes	\$814,000	\$1,211,128	\$397,128
Use of money and property	10,000	4,388	(5,612)
Intergovernmental			
Charges for services			
Total Revenues	824,000	1,215,516	391,516
EXPENDITURES			
Current:			
Community development	520,931	394,810	126,121
Public works			
Capital outlay			
Total Expenditures	520,931	394,810	126,121
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	303,069	820,706	517,637
OTHER FINANCING SOURCES (USES)			
Transfers in			
Transfers (out)			
Total Other Financing Sources (Uses)			
NET CHANGE IN FUND BALANCES	\$303,069	820,706	\$517,637
BEGINNING FUND BALANCES (DEFICIT)		(67,371)	
ENDING FUND BALANCES		\$753,335	

NOTES

INTERNAL SERVICE FUNDS

The Internal Service Funds are used to account for the financing of goods or services provided by one department 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 and 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 Assets. However, internal service funds are still presented separately in the Fund Financial Statements.

Management Information Systems - 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.

Compensated Absences and Long-Term Disability - Accounts for the activities related to the City's program for compensated absences payouts and long-term disability.

Retiree Medical - Contains funds set aside for other post employment retirement benefits.

CITY OF CUPERTINO
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET ASSETS
JUNE 30, 2009

	Management Information Systems	Workers' Compensation	Equipment Revolving	Compensated Absences and Long-Term Disability	Retiree Medical	Total
ASSETS						
Cash and investments	\$1,715,827	\$1,645,368	\$1,942,052	\$18,802	\$7,750,374	\$13,072,423
Total current assets	1,715,827	1,645,368	1,942,052	18,802	7,750,374	13,072,423
Capital assets, net of accumulated depreciation	339,669		795,448			1,135,117
Total Assets	2,055,496	1,645,368	2,737,500	18,802	7,750,374	14,207,540
LIABILITIES						
Current Liabilities:						
Accounts payable and accruals	44,638		147,021			191,659
Accrued payroll and benefits	12,293	564	6,199			19,056
Claims payable		411,000				411,000
Total current liabilities	56,931	411,564	153,220			621,715
Non-current Liabilities:						
Compensated absences	21,404		9,154			30,558
Claims payable		1,157,000				1,157,000
Net OPEB Obligation					1,827,077	1,827,077
Total Liabilities	78,335	1,568,564	162,374		1,827,077	3,636,350
NET ASSETS						
Invested in capital assets	339,669		795,448			1,135,117
Unrestricted	1,637,492	76,804	1,779,678	18,802	5,923,297	9,436,073
Total Net Assets	\$1,977,161	\$76,804	\$2,575,126	\$18,802	\$5,923,297	\$10,571,190

CITY OF CUPERTINO
INTERNAL SERVICE FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN FUND NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2009

	Management Information Systems	Workers' Compensation	Equipment Revolving	Compensated Absences and Long-Term Disability	Retiree Medical	Total
OPERATING REVENUES						
Charges for services	\$1,065,651	\$305,053	\$1,101,448	\$68,685		\$2,540,837
Total Operating Revenues	1,065,651	305,053	1,101,448	68,685		2,540,837
OPERATING EXPENSES						
Salaries and related expenses	493,156	25,698	284,311	408,110	\$2,475,000	3,686,275
Materials and supplies	303,162		302,958			606,120
Contractual services	242,771		93,795			336,566
Insurance claims		315,651		63,444		379,095
Depreciation	157,687		212,881			370,568
Total Operating Expenses	1,196,776	341,349	893,945	471,554	2,475,000	5,378,624
Operating Income (Loss)	(131,125)	(36,296)	207,503	(402,869)	(2,475,000)	(2,837,787)
NONOPERATING REVENUES (EXPENSES)						
Interest income	28,699	29,974	32,741	1,830	132,101	225,345
Total Nonoperating Revenues (Expenses)	28,699	29,974	32,741	1,830	132,101	225,345
Income (Loss) Before Transfers	(102,426)	(6,322)	240,244	(401,039)	(2,342,899)	(2,612,442)
Transfers in	332,000		45,000	400,000	1,946,000	2,723,000
Change in Net Assets	229,574	(6,322)	285,244	(1,039)	(396,899)	110,558
BEGINNING NET ASSETS	1,747,587	83,126	2,289,882	19,841	6,320,196	10,460,632
ENDING NET ASSETS	\$1,977,161	\$76,804	\$2,575,126	\$18,802	\$5,923,297	\$10,571,190

CITY OF CUPERTINO
INTERNAL SERVICE FUNDS
COMBINING STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2009

	Management Information Systems	Workers' Compensation	Equipment Revolving	Compensated Absences and Long-Term Disability	Retiree Medical	Total
CASH FLOWS FROM OPERATING ACTIVITIES						
Cash received from customers	\$1,065,651	\$305,053	\$1,101,448	\$68,685		\$2,540,837
Cash payments to suppliers for goods and services	(514,453)	(246,890)	(291,063)	(63,444)	(\$647,923)	(1,763,773)
Cash payments to employees	(491,585)	(25,579)	(353,937)	(408,110)		(1,279,211)
Cash Flows from (used for) Operating Activities	59,613	32,584	456,448	(402,869)	(647,923)	(502,147)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Medicare retiree drug subsidy					36,043	36,043
Transfers in	332,000		45,000	400,000	1,946,000	2,723,000
Cash Flows (used for) Noncapital Financing Activities	332,000		45,000	400,000	1,982,043	2,759,043
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Purchase of capital assets	(269,668)		(272,039)			(541,707)
Cash Flows from Capital and Related Financing Activities	(269,668)		(272,039)			(541,707)
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest received	28,699	29,974	32,741	1,830	132,101	225,345
Cash Flows from Investing Activities	28,699	29,974	32,741	1,830	132,101	225,345
Net Cash Flows	150,644	62,558	262,150	(1,039)	1,466,221	1,940,534
Cash and investments at beginning of year	1,565,183	1,582,810	1,679,902	19,841	6,284,153	11,131,889
Cash and investments at end of year	<u>\$1,715,827</u>	<u>\$1,645,368</u>	<u>\$1,942,052</u>	<u>\$18,802</u>	<u>\$7,750,374</u>	<u>\$13,072,423</u>
Reconciliation of operating income (loss) to net cash flows from operating activities:						
Operating income (loss)	(\$131,125)	(\$36,296)	\$207,503	(\$402,869)	(\$2,475,000)	(\$2,837,787)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:						
Depreciation	157,687		212,881			370,568
Change in assets and liabilities:						
Prepaid expenses	15,919					15,919
Accounts payable and accruals	15,561	(2,239)	105,690			119,012
Accrued payroll and benefits	2,409	119	(1,664)			864
Compensated absences	(838)		(67,962)			(68,800)
Claims Payable		71,000				71,000
Net OPEB Obligation					1,827,077	1,827,077
Cash Flows from Operating Activities	<u>\$59,613</u>	<u>\$32,584</u>	<u>\$456,448</u>	<u>(\$402,869)</u>	<u>(\$647,923)</u>	<u>(\$502,147)</u>

AGENCY FUNDS

All Agency Funds, representing all fiduciary funds of the City, are custodial in nature and do not involve measurement of results of operations. Such funds have no equity since any assets are due to individuals or other entities at some future time.

These funds are presented separately from the Governmental and Fund Financial Statements.

CITY OF CUPERTINO

Combining Statement of Changes in Assets and Liabilities

All Agency Funds

For the fiscal year ended June 30, 2009

	<u>Balance</u> <u>June 30, 2008</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2009</u>
<u>All Agency Funds</u>				
Assets				
Cash and investments	<u>\$117,308</u>	<u></u>	<u>\$1,986</u>	<u>\$115,322</u>
Liabilities				
Deposits	<u>\$117,308</u>	<u></u>	<u>\$1,986</u>	<u>\$115,322</u>

NOTES

STATISTICAL SECTION

NOTES

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 well being have changed over time:

1. Net Assets by Component
2. Changes in Net 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 revenues, property tax:

1. Assessed and Estimated Actual Value of Taxable Property
2. Property Tax Rates, All Overlapping Governments
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. Ratio of Outstanding Debt by Type
2. Computation of Direct and Overlapping Debt
3. Computation of Legal Bonded Debt Margin
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. Principal Employers

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 City Government Employees by Function
2. Operating Indicators by Function/Program
3. Capital Asset 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. The City implemented GASB Statement 34 in 2002-03; schedules presenting government-wide information include information beginning in that year.

CITY OF CUPERTINO
NET ASSETS BY COMPONENT
LAST SIX FISCAL YEARS
(Accrual basis of accounting)

	Fiscal Year Ended June 30			
	2003	2004	2005	2006
<i>Governmental Activities</i>				
Invested in capital assets, net of related debt	\$79,705,041	\$85,425,753	\$86,530,017	\$83,064,879
Restricted	9,081,791	7,416,930	7,291,925	8,329,671
Unrestricted	24,472,451	18,541,954	21,202,795	26,916,679
Total governmental activities net assets	\$113,259,283	\$111,384,637	\$115,024,737	\$118,311,229
<i>Business-Type Activities</i>				
Invested in capital assets, net of related debt	688,331	645,290	578,962	497,681
Unrestricted	6,573,514	7,314,068	6,028,989	6,291,439
Total business-type activities net assets	\$7,261,845	\$7,959,358	\$6,607,951	\$6,789,120
<i>Primary Government</i>				
Invested in capital assets, net of related debt	80,393,372	86,071,043	87,108,979	83,562,560
Restricted	9,081,791	7,416,930	7,291,925	8,329,671
Unrestricted	31,045,965	25,856,022	27,231,784	33,208,118
Total primary government net assets	\$120,521,128	\$119,343,995	\$121,632,688	\$125,100,349

**CITY OF CUPERTINO
NET ASSETS BY COMPONENT
LAST SIX FISCAL YEARS
(Accrual basis of accounting)**

2007	2008	2009
\$80,343,053	\$85,173,998	\$103,341,905
9,265,565	9,926,770	6,661,074
39,243,717	43,242,639	33,290,050
\$128,852,335	\$138,343,407	\$143,293,029
467,416	84,126	136,127
6,977,436	7,849,147	8,949,142
\$7,444,852	\$7,933,273	\$9,085,269
80,810,469	85,258,124	103,478,032
9,265,565	9,926,770	6,661,074
46,221,153	51,091,786	42,239,192
\$136,297,187	\$146,276,680	\$152,378,298

**CITY OF CUPERTINO
CHANGES IN NET ASSETS
LAST SEVEN FISCAL YEARS
(Accrual Basis of Accounting)**

	Fiscal Year Ended June 30			
	2003	2004	2005	2006
Expenses				
Governmental Activities:				
Administration	\$1,635,846	\$1,430,523	\$1,280,339	\$1,354,543
Law Enforcement	6,041,831	6,090,038	6,179,326	6,577,199
Public Information	763,254	710,754	824,317	914,024
Administrative Services	3,556,129	3,923,377	3,750,174	4,208,389
Recreation Services	2,156,972	2,234,509	2,173,936	2,359,966
Community Development	3,234,456	2,678,109	3,269,475	4,541,965
Public Works	17,534,128	15,546,461	14,585,232	16,384,026
Interest on Long Term Debt	3,796,472	2,317,837	2,289,526	2,262,913
Total Governmental Activities Expenses	38,719,088	34,931,608	34,352,325	38,603,025
Business-Type Activities:				
Resource Recovery	1,897,425	1,793,083	2,927,060	2,101,198
Blackberry Farm	1,497,420	1,353,362	1,341,712	1,302,855
Cupertino Sports Center	1,130,077	1,352,509	1,452,957	1,448,048
Recreation Programs	1,554,834	1,590,302	1,689,436	1,729,194
Senior Center	570,412	493,244	438,440	588,818
Total Business-Type Activities Expense	6,650,168	6,582,500	7,849,605	7,170,113
Total Primary Government Expenses	\$45,369,256	41,514,108	42,201,930	45,773,138
Program Revenues				
Governmental Activities:				
Charges for Services:				
Administration	---	---	---	\$23,201
Law Enforcement	\$468,110	\$838,457	\$694,952	722,164
Administrative Services	294,577	16,650	---	---
Recreation Services	161,969	148,337	163,462	240,074
Community Development	1,624,181	1,903,277	4,164,792	5,286,336
Public Works	348,905	325,959	286,280	201,250
Operating Grants and Contributions	2,388,199	2,496,689	593,657	3,403,762
Capital Grants and Contributions	965,211	3,612,102	2,164,907	522,950
Total Government Activities Program Revenues	6,251,152	9,341,471	8,068,050	10,399,737
Business-Type Activities:				
Charges for Services:				
Resource Recovery	2,397,439	2,398,819	2,395,282	2,203,127
Blackberry Farm	1,479,312	1,301,092	1,218,958	1,155,986
Cupertino Sports Center	1,109,799	1,184,860	1,385,837	1,419,672
Recreation Programs	1,872,004	1,910,599	2,167,705	2,331,409
Senior Center	484,530	456,211	473,787	704,390

**CITY OF CUPERTINO
CHANGES IN NET ASSETS
LAST SEVEN FISCAL YEARS
(Accrual Basis of Accounting)**

2007	2008	2009
\$1,675,443	\$1,636,284	\$1,769,500
7,148,187	7,679,467	8,804,195
1,186,929	1,216,164	1,624,210
3,874,003	3,923,217	4,001,738
2,517,725	3,845,873	4,206,343
4,090,959	4,059,740	6,177,879
16,230,274	16,569,310	18,104,649
2,239,657	2,183,403	2,118,714
<u>38,963,177</u>	<u>41,113,458</u>	<u>46,807,228</u>

2,122,805	2,056,061	1,998,184
975,064	450,206	495,845
1,623,839	1,547,402	1,594,325
1,830,401	1,853,217	1,739,892
771,570	---	---
<u>7,323,679</u>	<u>5,906,886</u>	<u>5,828,246</u>
<u>46,286,856</u>	<u>47,020,344</u>	<u>52,635,474</u>

\$3,618	\$10,711	2,240
1,031,736	799,350	869,295
---	---	---
193,752	847,424	801,280
4,768,026	3,551,478	3,586,993
200,969	135,942	157,311
3,048,512	2,392,987	4,014,036
3,496,095	5,696,124	4,759,485
<u>12,742,708</u>	<u>13,434,016</u>	<u>14,190,640</u>

2,254,416	2,254,790	2,100,704
1,101,564	640,771	596,944
1,655,169	1,605,545	1,732,282
2,396,720	2,493,214	2,364,037
690,603	---	---

CITY OF CUPERTINO
CHANGES IN NET ASSETS
LAST SEVEN FISCAL YEARS
(Accrual Basis of Accounting)

	Fiscal Year Ended June 30			
	2003	2004	2005	2006
Operating Grants and Contributions	61,441	84,660	28,860	135,539
Total Business-Type Activities Program Revenue	7,404,525	7,336,241	7,670,429	7,950,123
Total Primary Government Program Revenues	13,594,236	16,677,712	15,738,479	18,349,860
Net (Expense) Revenue				
Governmental Activities	-32,467,936	-25,590,137	-26,284,275	-28,203,288
Business-Type Activities	754,357	753,741	-179,176	780,010
Total Primary Government Net Expense	-\$31,713,579	-\$24,836,396	-\$26,463,451	-\$27,423,278
General Revenues and Transfers				
Governmental Activities:				
Taxes:				
Property Taxes	\$4,100,856	\$3,944,459	\$4,296,940	\$4,728,811
Property Tax In Lieu of Motor Vehicle Fee (1)	---	---	2,930,000	3,569,300
Incremental Property Tax	25,831	76,570	15,974	185,676
Sales Taxes	8,843,792	8,654,185	9,224,661	10,671,642
Transient Occupancy Tax	1,679,225	1,632,514	1,790,917	2,054,904
Utility User Tax	2,566,265	2,636,264	2,705,888	2,809,587
Franchise Tax	2,175,913	2,194,651	2,217,313	2,353,575
Other Taxes	1,110,545	1,248,437	3,146,516	2,534,393
Transfers	225,000	175,000	1,388,000	800,000
Intergovernmental	3,215,866	2,460,137	978,059	-300,039
Investment Earnings	1,207,017	526,560	684,952	669,820
Miscellaneous	79,280	166,714	545,155	189,262
Gain on Sale of Land	---	---	---	1,222,849
Total Government Activities	25,229,590	23,715,491	29,924,375	31,489,780
Business-Type Activities:				
Investment Earnings	211,093	95,127	215,769	201,159
Transfers	-225,000	-175,000	-1,388,000	-800,000
Total Business-Type Activities	106,496	-56,228	-1,172,231	-598,841
Total Primary Government	\$25,336,086	\$23,659,263	\$28,752,144	\$30,890,939
Change in Net Assets				
Government Activities	-\$7,238,346	-1,874,646	3,640,100	3,286,492
Business-Type Activities	860,853	697,513	-1,351,407	181,169
Total Primary Government	-\$6,377,493	-\$1,177,133	\$2,288,693	\$3,467,661

(1) Replaced the reduced motor vehicle license fee (an intergovernmental revenue) in 2005.

**CITY OF CUPERTINO
CHANGES IN NET ASSETS
LAST SEVEN FISCAL YEARS
(Accrual Basis of Accounting)**

2007	2008	2009
14,343	14,309	14,471
8,112,815	7,008,629	6,808,438
20,855,523	20,442,645	20,999,078

-26,220,469	-27,679,442	-32,616,588
789,136	1,101,743	980,192
-\$25,431,333	-\$26,577,699	-\$31,636,396

\$6,529,772	\$6,941,910	\$7,491,965
3,652,509	3,894,502	4,299,902
187,276	220,267	1,211,128
11,252,341	13,154,749	14,139,190
2,511,184	2,711,590	2,140,274
3,011,755	3,175,724	3,205,073
2,537,018	2,547,439	2,618,125
2,661,449	1,709,892	1,317,767
500,000	992,150	---
364,261	266,789	171,621
1,752,177	1,451,973	889,823
291,423	103,529	81,342
1,510,410	---	---
36,761,575	37,170,514	37,566,210

366,596	378,828	171,804
-500,000	-992,150	---
-133,404	-613,322	171,804
\$36,628,171	\$36,557,192	\$37,738,014

10,541,106	9,491,072	4,949,622
655,732	488,421	1,151,996
\$11,196,838	\$9,979,493	6,101,618

CITY OF CUPERTINO
FUND BALANCES OF GOVERNMENTAL FUNDS
LAST SEVEN FISCAL YEARS
(Modified Accrual Basis of Accounting)

	Fiscal Year Ended June 30				
	2003	2004	2005	2006	2007
General Fund					
Reserved	\$3,782,689	\$3,897,270	\$3,864,969	\$2,931,046	\$2,711,586
Unreserved	13,099,033	12,632,286	18,313,846	23,866,568	23,634,874
Total General Fund	<u>\$16,881,722</u>	<u>\$16,529,556</u>	<u>\$22,178,815</u>	<u>\$26,797,614</u>	<u>26,346,460</u>
All Other Governmental Funds					
Reserved	\$20,891,656	\$9,784,645	\$2,701,067	\$4,925,900	\$8,555,042
Unreserved, reported in:					
Special Revenue Funds	3,976,517	3,736,446	3,618,814	6,249,004	6,844,632
Capital Project Funds	6,576,208	2,236,730	1,663,033	-1,208,341	-472,405
Total All Other Governmental Funds	<u>\$31,444,381</u>	<u>\$15,757,821</u>	<u>\$7,982,914</u>	<u>\$9,966,563</u>	<u>\$14,927,269</u>

The City implemented GASB Statement 34 in fiscal year 2003 and has elected to show the above information from that date.

CITY OF CUPERTINO
FUND BALANCES OF GOVERNMENTAL FUNDS
LAST SEVEN FISCAL YEARS
(Modified Accrual Basis of Accounting)

2008	2009
\$2,668,914	\$2,325,283
16,997,569	19,871,574
<u>\$19,666,483</u>	<u>\$22,196,857</u>

\$11,240,851 \$4,180,483

7,270,331	3,692,187
7,631,866	968,077
<u>\$26,143,048</u>	<u>\$8,840,747</u>

CITY OF CUPERTINO
CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
LAST SEVEN FISCAL YEARS
(Modified Accrual Basis of Accounting)

	Fiscal Year Ended June 30			
	2003	2004	2005	2006
Revenues				
Taxes	\$20,200,250	\$21,004,405	\$23,614,623	\$25,616,553
Use of Money and Property	1,910,503	940,963	1,119,399	1,607,837
Intergovernmental	6,318,523	7,236,955	5,567,266	5,896,167
Licenses and Permits	1,410,572	1,540,760	2,896,000	3,614,953
Charges for Services	855,844	930,050	1,568,935	2,143,729
Fines and Forfeitures	550,377	723,748	559,791	629,586
Other Revenue	59,219	1,009,260	1,792,795	245,176
Total Revenues	<u>31,305,288</u>	<u>33,386,141</u>	<u>37,118,809</u>	<u>39,754,001</u>
Expenditures				
Current:				
Administration	1,474,924	1,222,581	1,162,096	1,236,390
Law Enforcement	6,015,036	5,950,849	6,144,695	6,499,911
Public Information	703,431	686,798	758,314	853,484
Administrative Services	3,475,991	3,758,806	3,671,303	4,103,497
Recreation Services	2,104,167	2,141,431	2,121,366	2,302,995
Community Development	3,177,406	2,563,242	3,156,908	4,467,655
Public Works	10,440,335	9,322,086	9,637,314	10,386,055
Capital Outlay	6,812,856	20,246,237	10,025,935	2,771,502
Debt Service				
Principal Repayment	6,925,948	1,220,000	1,245,000	1,270,000
Interest and Fiscal Charges	2,939,757	2,317,837	2,289,526	2,262,913
Total Expenditures	<u>44,069,851</u>	<u>49,429,867</u>	<u>40,212,457</u>	<u>36,154,402</u>
Excess (deficiency) of Revenues Over (under) expenditures	-12,764,563	-16,043,726	-3,093,648	3,599,599
Other Financing Sources (Uses)				
Bond Proceeds	57,677,519	---	---	---
Proceeds from Sale of Land	---	---	---	2,422,849
Payment to Refunded Debt Escrow Agent	-39,208,286	---	---	---
Transfers In	25,775,538	4,765,307	7,904,763	8,364,084
Transfers Out	-25,840,538	-4,760,307	-6,936,763	-7,784,084
Total Other Financing Sources	<u>18,404,233</u>	<u>5,000</u>	<u>968,000</u>	<u>3,002,849</u>
Net Change in Fund Balances	<u>\$5,639,670</u>	<u>-\$16,038,726</u>	<u>-\$2,125,648</u>	<u>\$6,602,448</u>
Debt service as a percentage of noncapital expenditures	25.3%	11.6%	11.4%	10.6%

The City implemented GASB Statement 34 in fiscal year 2003. This calculation is included only for fiscal years from that date.

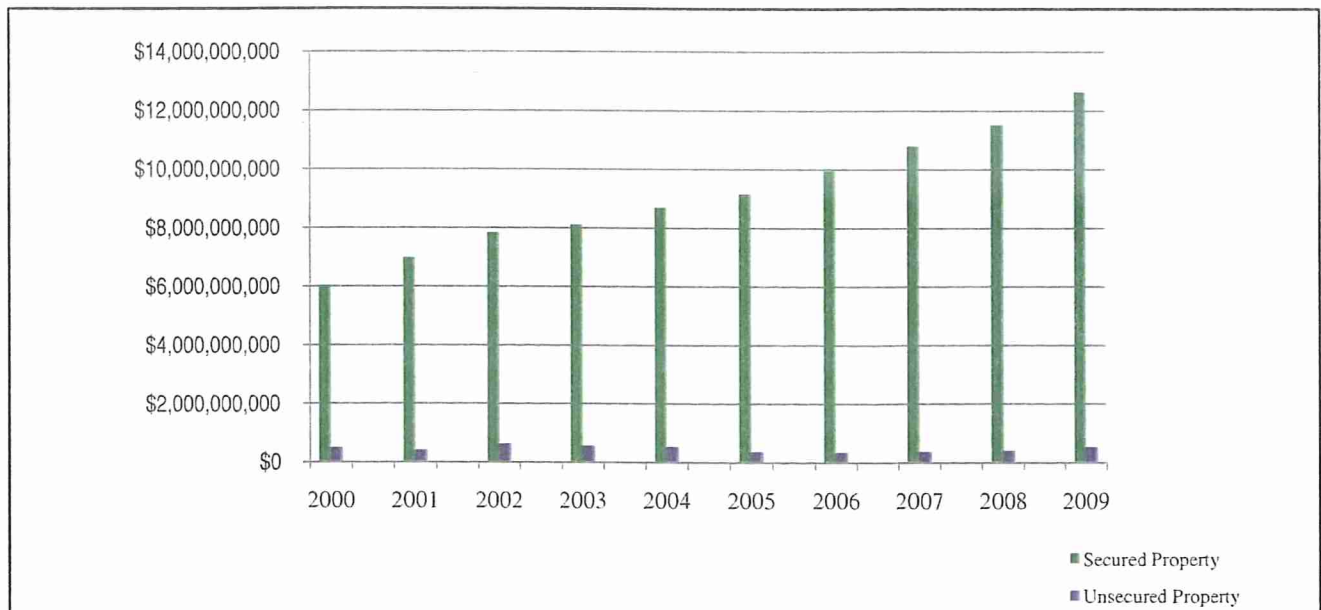
1) Noncapital expenditures is total expenditures less capital assets added each year to statement of net assets.

CITY OF CUPERTINO
CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
LAST SEVEN FISCAL YEARS
(Modified Accrual Basis of Accounting)

2007	2008	2009
\$28,903,993	\$34,589,139	\$36,395,950
2,169,977	2,490,444	1,300,508
8,200,519	8,285,280	6,896,394
3,325,844	2,656,017	2,740,463
2,062,067	1,728,099	1,707,533
926,310	722,087	761,320
154,235	95,388	80,835
<u>45,742,945</u>	<u>50,566,454</u>	<u>49,883,003</u>
1,287,101	1,351,273	1,336,921
6,975,517	7,456,661	8,133,168
1,121,437	1,169,247	1,486,443
3,715,994	3,797,156	3,634,043
2,403,296	3,745,244	3,789,260
3,969,837	3,931,055	5,841,428
10,477,727	11,137,935	11,914,584
4,292,169	8,334,093	22,262,369
1,295,000	1,355,000	1,415,000
2,239,657	2,183,403	2,118,714
<u>37,777,735</u>	<u>44,461,067</u>	<u>61,931,930</u>
7,965,210	6,105,387	-12,048,927
---	---	---
1,663,842	---	---
---	---	---
9,658,000	19,136,165	5,035,925
-14,777,500	-20,705,750	-7,758,925
<u>-3,455,658</u>	<u>-1,569,585</u>	<u>-2,723,000</u>
<u>4,509,552</u>	<u>4,535,802</u>	<u>-14,771,927</u>
10.6%	9.8%	8.9%

**CITY OF CUPERTINO
 ASSESSED AND ESTIMATED ACTUAL
 VALUE OF TAXABLE PROPERTY
 LAST TEN FISCAL YEARS**

<u>Fiscal Year</u>	<u>Total Secured</u>	<u>Unsecured</u>	<u>Exemptions</u>	<u>Total Assessed Valuation</u>	<u>Estimated Full Market Valuation</u>	<u>Direct Tax Rate</u>
2000	\$6,045,504,382	\$500,020,465	\$73,148,676	\$6,553,278,115	\$6,553,278,115	0.05%
2001	\$6,986,833,015	\$416,844,493	\$67,242,848	\$7,407,208,836	\$7,407,208,836	0.04%
2002	\$7,836,349,904	\$634,624,124	\$82,089,594	\$8,562,981,335	\$8,562,981,335	0.04%
2003	\$8,119,969,820	\$565,212,987	\$75,795,294	\$8,685,515,766	\$8,685,515,766	0.05%
2004	\$8,689,558,802	\$530,097,614	\$80,704,482	\$9,219,879,996	\$9,219,879,996	0.04%
2005	\$9,159,184,070	\$367,378,773	\$80,678,889	\$9,526,841,379	\$9,526,841,379	0.05%
2006	\$9,942,314,157	\$350,391,447	\$88,612,732	\$10,292,965,413	\$10,292,965,413	0.05%
2007	\$10,794,991,704	\$381,307,801	\$94,957,979	\$11,176,513,115	\$11,176,513,115	0.06%
2008	\$11,512,949,952	\$417,564,226	\$96,690,910	\$11,930,514,178	\$11,930,514,178	0.06%
2009	\$12,637,622,059	\$533,413,208	\$99,950,894	\$13,172,425,287	\$13,172,425,287	0.07%



**CITY OF CUPERTINO
PROPERTY TAX RATES
ALL OVERLAPPING GOVERNMENTS
LAST TEN FISCAL YEARS**

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Basic Levy	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000
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	0.03190	0.03560	0.03640	0.03880	0.03880	0.03880	0.03880	0.03880	0.03880	0.03880
Cupertino 1995 (No. 10)	0.02540	0.02640	0.02640	0.02640	0.02530	0.02610	0.02590	0.02010	0.02270	0.02030
Cupertino 2001	0.00000	0.00000	0.02110	0.00650	0.01040	0.00990	0.00910	0.00880	0.01100	0.01030
El Camino Hopital 2003	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.01290	0.01290	0.01290
Foothill College 2006	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.02360	0.00000	0.00170
Foothill/DeAnza College 1999	0.00000	0.01400	0.01150	0.01080	0.01100	0.01290	0.01190	0.01100	0.01130	0.01060
Fremont High 1998	0.02180	0.02390	0.02040	0.02460	0.02490	0.02680	0.02600	0.02430	0.02410	0.02190
Fremont Union High 2008	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.01200
Los Gatos/Saratoga High 1998	0.02390	0.03200	0.02240	0.05300	0.04170	0.04090	0.03710	0.03510	0.03450	0.03300
Santa Clara Unified 1997 (No. 1)	0.02250	0.01740	0.03660	0.02520	0.02630	0.03440	0.03260	0.02970	0.02680	0.02320
Santa Clara Unified 2004	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.05350	0.05000	0.00030	0.05110
Saratoga 1997 (No. 3)	0.03730	0.03650	0.02850	0.03240	0.03300	0.03390	0.03160	0.03120	0.03220	0.03210
Saratoga 2002	0.00000	0.00000	0.00000	0.00630	0.00550	0.00220	0.00400	0.00390	0.00410	0.00420
Scvwd Zone W-1 Bond	0.00170	0.00160	0.00090	0.00090	0.00120	0.00060	0.00090	0.00020	0.00040	0.00020
Scvwd State Water Project	0.00680	0.00590	0.00530	0.00630	0.00750	0.00860	0.00690	0.00700	0.00670	0.00590
West Valley College 2004	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.01400	0.01260	0.01180	0.00320
Total Direct & Overlapping Rates	1.17370	1.19570	1.21010	1.23360	1.22800	1.23750	1.29470	1.31160	1.24000	1.28380
City's Share of 1% Levy	0.05725	0.05725	0.05725	0.05725	0.05725	0.05725	0.05725	0.05725	0.05725	0.05661
Redevelopment Rate			1.04500	1.04840	1.04990	1.05040	1.04900	1.04840	1.04830	1.04730
Total Direct Rate	0.01697	0.01694	0.02296	0.01694	0.01733	0.01673	0.01733	0.05740	0.05867	0.06268

Source: HdL, Coren & Cone

**CITY OF CUPERTINO
PRINCIPAL PROPERTY TAX PAYERS
CURRENT YEAR AND NINE YEARS AGO**

<u>Taxpayer</u>	<u>2009 Assessed Valuation</u>	<u>Percentage of Total Assessed Valuation</u>	<u>2000 Assessed Valuation</u>	<u>Percentage of Total Assessed Valuation</u>
Apple Inc.	\$610,763,043	4.83%	\$77,486,088	1.17%
Hewlett Packard	306,879,442	2.43%	390,949,067	6.37%
Tandem Computer	---	0.00%	198,452,582	3.23%
Cupertino Gateway Partners	---	0.00%	130,102,917	2.12%
Symantec	134,991,638	1.07%	---	0.00%
Cupertino City Center	208,000,000	1.65%	70,282,669	1.15%
Teachers Insurance & Annuity	---	0.00%	87,309,541	1.42%
Irvine Company LLC	69,693,491	0.55%	57,899,508	0.94%
ECI Two Results LLC	63,240,000	0.50%	---	0.00%
GKK Cupertino Owner	89,777,290	0.71%	---	0.00%
Cupertino Village	68,042,160	0.54	---	0.00%
Villa Serra Apartments	58,335,514	0.46	---	0.00%
RP SCS Cupertino Hotel	54,280,444	0.43	---	0.00%
Compaq Computer	---	0.00%	109,501,504	1.65%
RWC LLC	---	0.00%	57,037,674	93.00%
Sumitomo Bank Leasing & Finance	---	<u>0.00%</u>	<u>78,776,148</u>	<u>1.28%</u>
	<u>\$1,664,003,022</u>	<u>11.74%</u>	<u>\$1,257,797,698</u>	<u>112.33%</u>

Source: The HdL Companies

**CITY OF CUPERTINO
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS**

<u>Fiscal Year</u>	<u>Total Tax Levy</u>	<u>Current Tax Collections</u>	<u>Percent of Levy Collected</u>	<u>Delinquent Tax Collections</u>	<u>Total Tax Collections</u>	<u>Percent of Total Tax Collections to Tax Levy</u>
2000	\$3,075,546	\$3,075,546	100.00%	\$0	\$3,075,546	100.00%
2001	\$3,209,623	\$3,209,623	100.00%	\$0	\$3,209,623	100.00%
2002	\$4,024,705	\$4,024,705	100.00%	\$0	\$4,024,705	100.00%
2003	\$4,126,687	\$4,126,687	100.00%	\$0	\$4,126,687	100.00%
2004	\$4,021,029	\$4,021,029	100.00%	\$0	\$4,021,029	100.00%
2005	\$4,312,914	\$4,312,914	100.00%	\$0	\$4,312,914	100.00%
2006	\$4,914,487	\$4,914,487	100.00%	\$0	\$4,914,487	100.00%
2007	\$6,717,048	\$6,717,048	100.00%	\$0	\$6,717,048	100.00%
2008	\$7,162,177	\$7,162,177	100.00%	\$0	\$7,162,177	100.00%
2009	\$8,703,093	\$8,703,093	100.00%	\$0	\$8,703,093	100.00%

Source: County of Santa Clara, Department of Finance

**CITY OF CUPERTINO
RATIO OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS**

Governmental Activities and Primary Government

Fiscal Year	Certificates of Participation	1915 Act Bonds	Total	Percentage of Estimated Actual Market Value of Taxable Property	Per Capita	% of Personal Income (1)
2000	47,005,000	---	47,005,000	0.72%	904	---
2001	44,745,000	---	44,745,000	0.60%	885	---
2002	42,370,000	---	42,370,000	0.49%	838	---
2003	54,770,000	---	54,770,000	0.63%	1,053	---
2004	53,550,000	---	53,550,000	0.58%	1,018	---
2005	52,305,000	---	52,305,000	0.55%	994	---
2006	51,035,000	---	51,035,000	0.50%	948	---
2007	49,740,000	---	49,740,000	0.45%	902	---
2008	48,385,000	---	48,385,000	0.41%	877	1.53%
2009	46,970,000	---	46,970,000	0.36%	841	1.58%

(1) Not available prior to 2008

**CITY OF CUPERTINO
COMPUTATION OF DIRECT AND OVERLAPPING BONDED DEBT
JUNE 30, 2009**

2008-09 Assessed Valuation: \$13,172,425,287
 Redevelopment Incremental Valuation: 81,393,204
 Adjusted Assessed Valuation: \$13,091,032,083

<u>OVERLAPPING TAX AND ASSESSMENT DEBT:</u>	<u>Total Debt 6/30/09</u>	<u>% Applicable (1)</u>	<u>City's Share of Debt 6/30/09</u>
Santa Clara County	\$350,000,000	4.832%	\$ 16,912,000
Santa Clara Valley Water District, Zone W-1	1,390,000	4.918	68,360
Foothill-DeAnza Community College District	482,349,288	13.999	67,524,077
West Valley Community College District	215,334,692	0.613	1,320,002
Santa Clara Unified School District	282,105,000	1.925	5,430,521
Fremont Union High School District	208,080,000	29.868	62,149,334
Cupertino Union School District	124,159,021	49.816	61,851,058
El Camino Hospital District	145,820,000	1.412	2,058,978
Santa Clara Valley Water District Benefit Assessment	161,485,000	4.832	7,802,955
City of Cupertino 1915 Act Bonds	65,000	100.	<u>65,000</u>
TOTAL OVERLAPPING TAX AND ASSESSMENT DEBT			\$225,182,285

DIRECT AND OVERLAPPING GENERAL FUND DEBT:

Santa Clara County General Fund Obligations	\$862,655,000	4.832%	\$ 41,683,490
Santa Clara County Pension Obligations	389,174,822	4.832	18,804,927
Santa Clara County Board of Education COP	14,530,000	4.832	702,090
Foothill-De Anza Community College District COP	25,605,000	13.999	3,584,444
Santa Clara Unified School District COP	12,980,000	1.925	249,865
Cupertino Union School District COP	1,215,000	49.816	605,264
City of Cupertino Certificates of Participation	48,385,000	100.	48,385,000
Santa Clara County Vector Control District COP	4,125,000	4.832	199,320
Midpeninsula Regional Open Space Park District COP	116,673,031	7.788	<u>9,086,496</u>
TOTAL DIRECT AND OVERLAPPING GENERAL FUND DEBT			\$123,300,896

COMBINED TOTAL DEBT \$348,483,181 (2)

(1) Percentage of overlapping agency's assessed valuation located within boundaries of the city.

(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and tax allocation bonds and non-bonded capital lease obligations.

Ratios to 2008-09 Assessed Valuation:

Total Overlapping Tax and Assessment Debt .1.71%

Ratios to Adjusted Assessed Valuation:

Combined Direct Debt (\$48,385,000)0.37%

Combined Total Debt.....2.66%

STATE SCHOOL BUILDING AID REPAYABLE AS OF 6/30/09: \$0

Source: Municipal Resource Consultants

**CITY OF CUPERTINO
COMPUTATION OF LEGAL BONDED DEBT MARGIN
JUNE 30, 2008**

Assessed Valuation:

Secured property assessed value, net of exempt real property	<u><u>\$12,637,622,059</u></u>
Adjusted valuation - 25% of assessed valuation	<u>\$3,159,405,514</u>
Debt limit - 15% of adjusted valuation	\$473,910,827

Amount of Debt Subject to Limit:

Total Bonded Debt	\$46,970,000	
Less: Certificates of Participation not subject to debt limit	- 46,970,000	0
Amount of debt subject to limit		0

Legal Bonded Debt Margin \$473,910,827

<u>Fiscal Year</u>	<u>Debt Limit</u>	<u>Total Net Debt Applicable to Limit</u>	<u>Legal Debt Margin</u>	<u>Total net debt applicable to the limit as a % of debt limit</u>
2000	245,747,930	0	245,747,930	0
2001	277,770,332	0	277,770,332	0
2002	321,111,800	0	321,111,800	0
2003	325,706,841	0	325,706,841	0
2004	345,745,500	0	345,745,500	0
2005	357,745,500	0	357,256,552	0
2006	376,159,758	0	376,159,752	0
2007	408,373,114	0	408,373,114	0
2008	431,735,623	0	431,735,623	0
2009	473,910,827	0	473,910,827	0

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 Finance Department

**CITY OF CUPERTINO
RATIO OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS**

<u>Fiscal Year</u>	<u>Population</u>	<u>Assessed Value</u>	<u>General Bonded Debt</u>	<u>Bonded Debt Per Capita</u>	<u>Ratio of General Bonded Debt to Assessed Value</u>
2000	52,000	\$6,553,278,115	---	---	---
2001	50,546	\$7,407,208,836	---	---	---
2002	50,546	\$8,562,981,335	---	---	---
2003	52,000	\$8,685,515,766	---	---	---
2004	52,628	\$9,219,879,996	---	---	---
2005	52,600	\$9,526,841,379	---	---	---
2006	52,600	\$10,292,965,413	---	---	---
2007	55,162	\$11,176,513,115	---	---	---
2008	55,162	\$11,512,949,952	---	---	---
2009	55,840	\$13,172,425,287	---	---	---

Source: (1) State of California, Department of Finance, Demographics Research Unit
(2) County of Santa Clara and City Administrative Services

**CITY OF CUPERTINO
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS**

<u>Fiscal Year</u>	<u>Population</u>	<u>County Population</u>	<u>Total Personal Income (4)</u>	<u>Per Capita Personal Income (4)</u>	<u>School Enrollment Grades 9-12</u>	<u>Unemployment Rate</u>	<u>City Population % of County</u>
2000	52,000	1,682,585	-----	-----	8,822	1.3%	3.09%
2001	50,546	1,674,634	-----	-----	8,822	2.4%	3.02%
2002	50,546	1,668,309	-----	-----	9,063	4.6%	3.03%
2003	52,000	1,675,915	-----	-----	9,108	5.1%	3.10%
2004	52,600	1,656,128	-----	-----	9,147	3.7%	3.18%
2005	52,600	1,759,585	-----	-----	9,138	3.2%	2.99%
2006	53,840	1,773,258	-----	-----	9,875	2.9%	3.04%
2007	55,162	1,794,522	-----	-----	9,823	3.0%	3.07%
2008	55,162	1,748,976	\$3,153,407,456	\$47,672	10,300	3.8%	3.15%
2009	55,840	1,857,621	\$2,960,056,852	\$44,749	10,300	7.7%	3.01%

Source: (1) State of California, Department of Finance, Demographics Research Unit
(2) Fremont Union High School District
(3) Department of Employment Statistics
(4) Not available prior to 2008

**CITY OF CUPERTINO
PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO (1)**

<u>Employer</u>	<u>2008-09</u>		<u>1999-00</u>	
	<u>Number of Employees</u>	<u>Percentage of Total City Employment (3)</u>	<u>Number of Employees</u>	<u>Percentage of Total City Employment</u>
Apple, Inc.	21,600	--- (2)	3,000	11.45%
Symantec	17,401	--- (2)	1,300	4.96%
Oracle	8,000	--- (2)	0	0.00%
Hewlett-Packard	3,000	13.33%	3,500	13.36%
DeAnza College	Not Avail.	0.00%	3,000	11.45%
Fremont Union High School District	Not Avail.	0.00%	722	2.76%
Direct Corporation	171	0.76%	0	0.00%
Arc Sight Inc.	400	1.78%	0	0.00%
Chordiant Software	285	1.27%	0	0.00%
Health Care Center at the Forum	250	1.11%	0	0.00%
Trend Micro Inc.	250	1.11%	0	0.00%
Target	220	0.98%	0	0.00%
Tandem Computers	0	0.00%	3,000	11.45%
Cupertino Union School District	Not avail.	0.00%	1,400	5.34%
Sears	Not avail.	0.00%	294	1.12%
JC Penney	Not avail.	0.00%	280	1.07%
Dakota Brothers	200	0.89%	0	0.00%

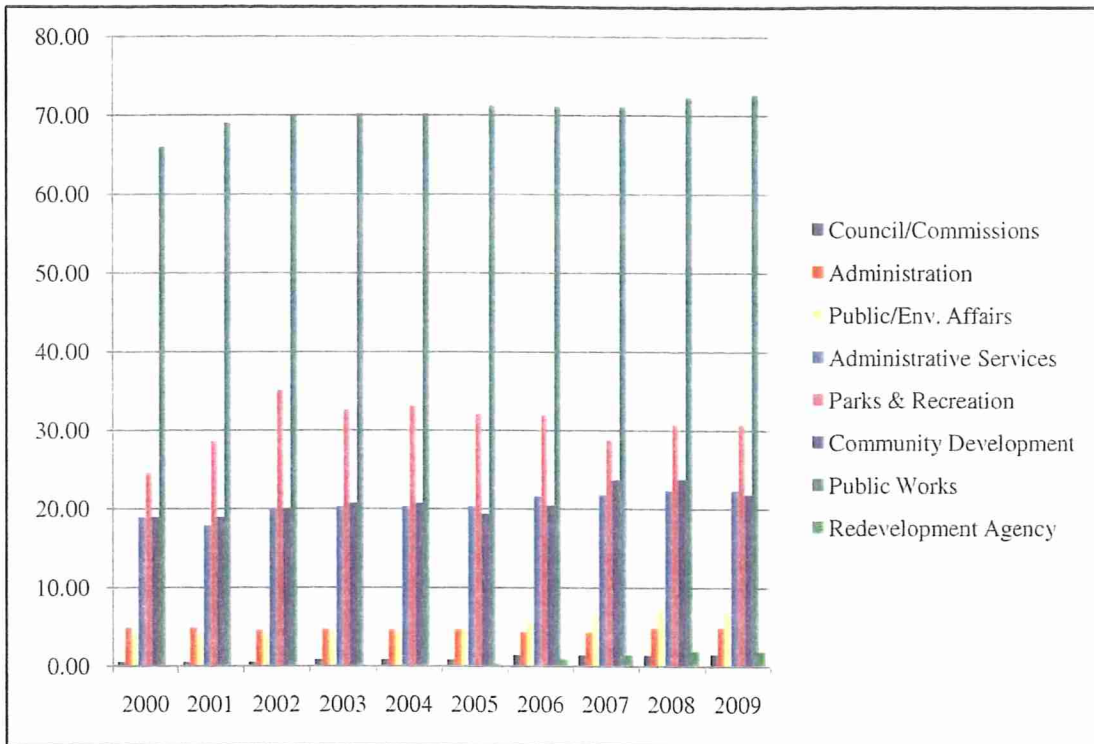
(1) The City was able to obtain historical data only back to fiscal year 1999-00.

(2) Because employees outside of the City are included, percentage of City employment is not included.

(3) Total city labor force is 22,500 in 2009 according to the California Employment Development Dept.

Other Source: InfoUSA.com

**CITY OF CUPERTINO
FULL-TIME EQUIVALENT
CITY GOVERNMENT EMPLOYEES BY FUNCTION
LAST TEN FISCAL YEARS**



Function

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>
Council/Commissions	0.50	0.50	0.50	0.80	0.80	0.80	1.40	1.40	1.40	1.47
Administration	4.85	4.85	4.60	4.70	4.65	4.70	4.30	4.30	4.85	4.90
Public/Env. Affairs	4.15	4.15	4.15	4.40	4.40	4.40	5.55	6.50	7.32	6.95
Administrative Services	18.90	17.90	19.90	20.30	20.30	20.35	21.63	21.83	22.33	22.33
Parks & Recreation	24.65	28.65	35.15	32.63	33.13	32.13	31.96	28.76	30.77	30.78
Community Development	18.95	18.95	19.95	20.75	20.75	19.34	20.47	23.68	23.78	21.86
Public Works	66.00	69.00	70.00	70.22	70.22	71.22	71.13	71.13	72.30	72.59
Redevelopment Agency	0.00	0.00	0.00	0.00	0.00	0.32	0.92	1.42	1.92	1.87

Source: City of Cupertino Budget

NOTES

**CITY OF CUPERTINO
OPERATING INDICATORS BY FUNCTION/PROGRAM
LAST FIVE FISCAL YEARS (1)**

<u>Function/Program</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Public Information:			
Access Cupertino	3 Days	3 Days	3 Days
Public Safety Sheriff Response:			
Priority One	5.37 Min.	4.94 Min.	4.94 Min.
Priority Two	8.61 Min.	8.09 Min.	7.15 Min.
Priority Three	18.92 Min.	16.74 Min.	15.82 Min.
Public Works:			
Street Sweeping	696 Curb Miles	696 Curb Miles	696 Curb Miles
Street Maintenance	24 Hrs of Call	24 Hrs of Call	24 Hrs of Call
Culture & Recreation:			
Teen Center Memberships	441	550	510
Teen Dances	10	10	9
Sports Center Memberships	916	1,021	1,336
Senior Center Memberships	2,000	3,100	1,935
Community Development:			
Approved Building Plan Sets	Within 5 Days	Within 5 Days	Within 5 Days
Discretionary Land Use Applications	Within 21 Days	Within 21 Days	Within 21 Days
Public Notice of Upcoming Projects	Within 10 Days	Within 10 Days	Within 10 Days
Administrative Services:			
Accounts Payable Processing	5 Days	5 Days	5 Days
Business License Renewal Certificates	3 Days	3 Days	3 Days
Duplication Requests	1 Day	1 Day	1 Day
Recruitments	60 Days	45 Days	45 Days

(1) Statistical information was not tracked prior to 2005.

**CITY OF CUPERTINO
OPERATING INDICATORS BY FUNCTION/PROGRAM
LAST FIVE FISCAL YEARS (1)**

<u>2008</u>	<u>2009</u>
3 Days	3 Days
5.83 Min.	3.88 Min.
7.95 Min.	5.94 Min.
15.73 Min.	9.40 Min.
696 Curb Miles	696 Curb Miles
24 Hrs of Call	24 Hrs of Call
444	400
9	6
1,419	1,700
2,110	2,243
Within 5 Days	Within 5 Days
Within 21 Days	Within 21 Days
Within 10 Days	Within 10 Days
5 Days	5 Days
3 Days	3 Days
1 Day	1 Day
45 Days	45 Days

**CITY OF CUPERTINO
CAPITAL ASSET STATISTICS BY
FUNCTION/PROGRAM
LAST TEN FISCAL YEARS**

<u>Function/Program</u>	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>
Public Works:							
Miles of Streets	450	450	450	450	450	450	450
Streetlights	3,250	3,250	3,250	3,250	3,250	3,250	3,250
Traffic Signals	39	39	39	39	39	39	39
Culture & Recreation:							
City Parks	15	15	15	15	15	15	15
City Park Acreage (1)	150.8	150.8	150.8	150.8	150.8	150.8	150.8
City Trails	1	1	1	1	1	1	1
Golf Courses	1	1	1	1	1	1	1
Boathouse	1	1	1	1	1	1	1
Community Center	1	1	1	1	1	1	1
Community Hall	0	0	0	0	0	1	1
Senior Center	1	1	1	1	1	1	1
Sports Center	1	1	1	1	1	1	1
Swimming Pools	1	1	1	1	1	1	1
Tennis Courts	17	17	17	17	17	17	17
Sports Fields	1	1	1	1	1	1	1
City Library	1	1	1	1	1	1	1

**CITY OF CUPERTINO
CAPITAL ASSET STATISTICS BY
FUNCTION/PROGRAM
LAST TEN FISCAL YEARS**

<u>2007</u>	<u>2008</u>	<u>2009</u>
450	450	450
3,250	3,250	3,250
39	39	39
15	15	15
150.8	150.8	150.8
1	1	1
1	1	1
1	1	1
1	1	1
1	1	1
1	1	1
1	1	1
1	1	1
17	17	17
1	1	1
1	1	1

NOTES

***COMMUNITY
PROFILE***

NOTES

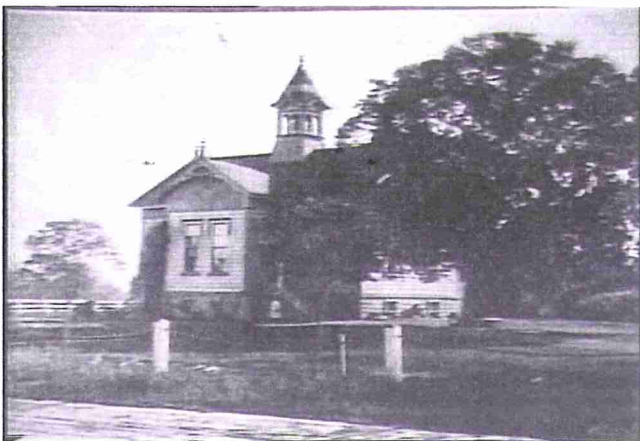
History

Cupertino owes its name and earliest mention in recorded history to the 1776 expedition led by the Spaniard, Don Juan Bautista de Anza, from Sonora, Mexico to the Port of San Francisco to found the presidio of St. Francis.

Leaving the majority of the party of men, women, and children in Monterey to rest from their travels, deAnza, his diarist and cartographer, Petrus Font, and 18 other men pressed on through the Santa Clara Valley in late March to their San Francisco destination.

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

The village of Cupertino sprang up at the crossroads of Saratoga-Sunnyvale Road (now DeAnza Boulevard) and Stevens Creek Boulevard. It was first known as West Side; but by 1898 the post office at the Crossroads needed a new name to distinguish it from other similarly named towns. John T. Doyle, a San Francisco lawyer and historian, had given the name Cupertino to his winery in recognition of the name bestowed on the nearby creek by Petrus Font. In 1904 the name was applied to the Crossroads and to the post office when the Home Union Store incorporated under the name, The Cupertino Stores, Inc.



Many of Cupertino's pioneer European settlers planted their land in grapes. Vineyards and wineries proliferated on Montebello Ridge, on the lower foothills, and on the flat lands below.

After 1906 a lot more than grape growing was going on in Cupertino. Orchards were thriving and new businesses were being started. In the late 1940's Cupertino was swept up in Santa Clara Valley's postwar population explosion. Concerned by unplanned development, higher taxes, and piecemeal annexation to adjacent cities, Cupertino's community leaders began a drive in 1954 for incorporation. Cupertino rancher Norman Nathanson, the Cupertino - Monta Vista Improvement Association, and the Fact Finding Committee played important roles in this movement.

Incorporation was approved in the September 27, 1955 election. Cupertino officially became Santa Clara County's 13th City on October 10, 1955.

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

2009 Community Economic Profile

Cupertino, with a population of 55,000 and city limits stretching across 12 square miles, is considered to be one of the San Francisco Bay Area's most prestigious cities in which to live and work.

Economic health is an essential component to maintaining a balanced environment, 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 in that our success as a partnership is a direct reflection of our success as a community. The cornerstone of this partnership is that of a cooperative and responsive government that provides an environment for business and residential prosperity and fosters strong working relationships with all sectors of the community.

Our economic development strategies are tailored to address the specific needs of the community. As the City of Cupertino is a mature city with over 90% buildout, our focus concentrates more on business retention and revitalization. Business recruitment is site specific and targeted to industries that enhance, rather than draw from, our existing business base.



As home to many well-known high-tech companies, Cupertino offers a dynamic and exciting business climate. Apple Inc., Symantec, ArcSight, and Chordiant Software are headquartered in the city. Key divisions of Hewlett-Packard, Oracle, Trend Micro and IBM are located here along with the western region office of Insight.com.

The City's proactive economic development efforts have resulted in a number of innovative, mutually beneficial partnerships with local companies. The City strives to retain and attract local companies through policies of balanced growth and streamlined permitting.

Cupertino Square includes Macy's, JCPenney, and Sears as anchors and features many exciting entertainment and eating venues. Shoppers can enjoy the latest shows at the new AMC 16-screen theater, skating at the mall's full-size ice rink, and bowling at the chic and upscale Strike Cupertino. They can begin or top off the evening with fine-dining at the critically-acclaimed Alexander's Steakhouse or enjoy more casual cuisine at TGI Friday's, Dynasty Seafood Restaurant, Fresh Choice and the new food court. The city features many other restaurants and stores to serve the local workforce and residents.

Four hotels occupy the city, with three of them operated by Hilton, Marriott, and Kimpton.

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

2009 City Profile

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

The City has 162 authorized full-time benefited employees. City departments include administrative services (finance, human resources, IT, city clerk, neighborhood watch, emergency preparedness, code enforcement); community development (planning, building, and economic development); parks and recreation; public works (engineering, maintenance, transportation, and environmental); and public and environmental affairs. Police service is provided by the Santa Clara County Sheriff's Department, and fire service is provided through the Santa Clara County Fire District.

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

Housing

As of May 2009, the average price of an existing single family home is \$1,037,664 and the average price of a condominium/townhouse is \$575,500.

Community Health Care Facilities

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

Utilities

Gas & electric – Pacific Gas and Electric, 800-743-5000.

Phone – AT&T, residential service, 800-894-2355; business service, 800-750-2355.

Cable – Comcast, 800- 945-2288.

Garbage – Los Altos Garbage, 408-725-0420.

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

Sewer Service – Cupertino Sanitary District, 408-253-7071

Tax Rates and Government Services

Residential, commercial, and industrial property is appraised at full market value, as it existed on March 1, 1975, with increases limited to a maximum of 2% annually. Property created or sold since March 1, 1975 will bear 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, or other taxing agencies. Assessed valuations and tax rates are published annually after July 1.

Retail Sales Tax: Santa Clara County: 1.25%; City: 1%; State General Fund: 6%; State Local Public Safety Fund: 0.50%; State Local Revenue Fund: 0.25%; County Transportation Fund: 0.25%. Total: 9.25%.

Assessed Valuation: (Secured and Unsecured)

Cupertino: \$13,172,425,287 (6/30/09)

County: \$302,708,586,624 (6/30/09)

Transportation

Rail – Southern Pacific, San Jose to San Francisco, with spur line in Cupertino.

Air – Seven miles north of San Jose International Airport; 32 miles south of San Francisco airport.

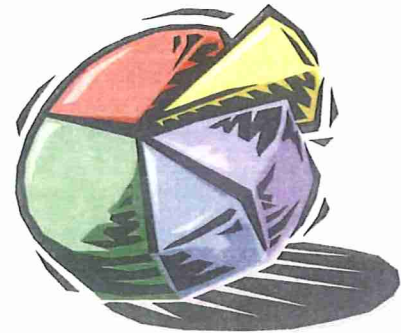
Bus – Santa Clara County Transit Systems, Greyhound bus lines

Highways – Interstate Route 280, State Route 85.

Community Statistics

Facts and Figures

Population in City Limits	55,840
Median Household Income	\$159,000
Median Age	38
Sales Tax Rate	9.25%
Registered Voters	27,473
Democrats	10,298
Republicans	6,226
Independent	379
Other	345
Did Not State	10,225



Top 40 Sales Tax Producers Second Quarter 2009 (In Alphabetical Order)

Alexander's Steakhouse	JC Penney	Sears
Apple Inc.	Joy Luck Place	Shane Diamond Jewelers
Argonaut Window & Door	Long's	Shell Service Station
Benihana's	Macy's	Sodexo Marriott Management
BJ's Bar & Grill	Marina Foods	Symantec
California Dental Arts	Mervyn's	Target
Chevron Service Stations	Michael's Arts & Crafts	TJ Maxx
Cypress Hotel/Park Place	Mirapath	Union 76 Service Station
DeAnza College Campus Center	Outback Steakhouse	Valero Service Station
Dynasty Restaurant	Ranch 99 Market	Verigy
Elephant Bar	Rohde & Schwarz	Verizon Wireless
Granite Rock	Rotten Robbie Service Station	Whole Foods
Hewlett Packard	Scandinavian Designs	
Insight Direct	Scientific-Atlanta, Inc.	

Demographic Information

White	50.1%
Asian	44.4%
Hispanic	4.0%
Black	0.7%
American Indian	0.2%
Native Hawaiian	0.1%



Community and Recreation Services

Blackberry Farm

After being closed for nearly two years, Blackberry Farm will re-open on July 4, 2009. The park 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 is also included as well as a child watch center. 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, a computer lab and classes, language instruction including English as a second language, 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 are now held in the Community Hall as well as Planning Commission and Parks and Recreation Commission.

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

McClellan Ranch Park

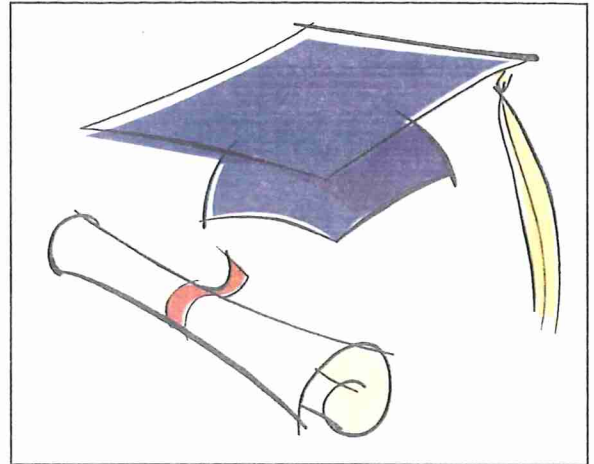
A horse ranch during the 1930's and 40's, this 18-acre park has the appearance of a working ranch. Preserved on the property are the original ranch house, milk barn, livestock barn, and two historic buildings: Baer's Blacksmith Shop, originally located at DeAnza and Stevens Creek, and the old water tower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

Education

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

Cupertino Union School District serves over 17,000 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 a 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 over 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 achievement. Student achievement is at an all time high based on the statewide Academic Performance Index (API). All five high schools in the district exceeded their state established achievement targets for the 2000 API. District students are encouraged to volunteer and/or 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 during their graduation ceremonies.

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

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

DeAnza College offers a wide range of quality programs and services to meet the work force development needs of our region. The college prepares current and future employees of Silicon Valley in traditional classroom settings and through 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.

Things to do and See

Euphrat Museum of Art

The highly regarded Euphrat Museum of Art adjacent to the Flint Center on the DeAnza College campus traditionally 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 11 a.m. – 4 p.m. Tuesday, Wednesday, Thursday; 6-8 p.m. Tuesday and 11 a.m. – 2 p.m. Saturday. Telephone: 408-864-8836.

Minolta DeAnza Planetarium

Stargazers have a Cupertino facility catering to their interests, the Minolta Planetarium on the DeAnza College campus. It hosts a variety of planetarium shows and events, including educational programs for school groups and family astronomy evenings on Saturdays at 7:00 p.m. For more information and current schedule of events, visit the website at www.planetarium.deanza.fhda 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 at 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. Monday through Friday and one and one half hours prior to any performance. Box office: 408-864-8816; administrative office: 408-864-8820.

Cupertino Historical Society

On May 2, 1966, the Cupertino Historical Society was founded as a non-profit organization by a group of 177 longtime residents concerned about the rapid growth in the area and its impact on the quickly vanishing Cupertino heritage. On March 30, 1990, the Society opened the Cupertino Historical Museum dedicated to the preservation and exhibition of the city's history. Through its exhibits the museum attempts to develop and expand the learning opportunities that it offers to the ethnically diverse community of the City of Cupertino. The Society continues to build partnerships with the local school districts to ensure that the history of Cupertino is offered as part of the educational curriculum. The Society is located at the Quinlan Community Center, 10185 N. Stelling Road. Telephone: 408-973-8049.

Farmers' Market

Residents and visitors can visit the farmers' market every Friday from 9:00 a.m. to 1:00 p.m. The market is located at the Vallco Fashion Park behind Macy's.



California History Center

The California History Center is located on the DeAnza College campus. The center has published 39 volumes on California history and has a changing exhibit program. The center's Stocklmeir Library Archives boasts a large collection of books, a pamphlet file, 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 or natural history are offered by the center each quarter. For more information, call 408-864-8712. The center is open September through June 8:30 a.m. to noon and 1:00 p.m. to 4:30 p.m. Monday through Thursday.

NOTES
