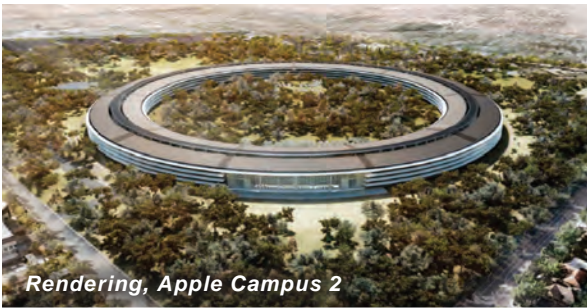




Cupertino Community Hall

2013 2014

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



Rendering, Apple Campus 2

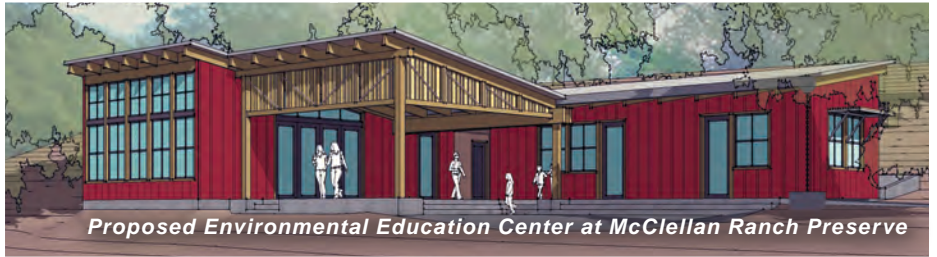


Aloft Hotel



Rendering, Saich Way Station

Building a safe,
vibrant and economically
strong city



Proposed Environmental Education Center at McClellan Ranch Preserve



Stevens Creek Corridor Park & Restoration Phase 2



CUPERTINO
www.cupertino.org

City of Cupertino, California

This Page Left Intentionally Blank

CITY OF CUPERTINO, CALIFORNIA

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT**

**FOR FISCAL YEAR ENDED
JUNE 30, 2014**

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

This Page Left Intentionally Blank

INTRODUCTORY SECTION

This Page Left Intentionally Blank

CITY OF CUPERTINO
Comprehensive Annual Financial Report
For the Year Ended June 30, 2014

Table of Contents

INTRODUCTORY SECTION

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

FINANCIAL SECTION

Independent Auditor’s Report	1
Management’s Discussion and Analysis (Unaudited)	5
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position.....	22
Statement of Activities.....	23
Fund Financial Statements:	
Balance Sheet.....	26
Reconciliation of the Governmental Funds Balance Sheet with the Statement of Net Position.....	27
Statement of Revenues, Expenditures and Changes in Fund Balances.....	28
Reconciliation of the Net Change in Fund Balances – Total Governmental Funds with the Statement of Activities.....	29
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget to Actual - General Fund	30
Proprietary Funds:	
Statement of Net Position.....	32
Statement of Revenue, Expenses and Changes in Fund Net Position.....	33
Statement of Cash Flows.....	34
Fiduciary Funds:	
Statement of Net Position.....	36
Statement of Changes in Fiduciary Net Position	37
Notes to the Basic Financial Statements.....	39
Required Supplementary Information (Unaudited):	
Schedule of Funding Progress.....	70

CITY OF CUPERTINO
 Comprehensive Annual Financial Report
 For the Year Ended June 30, 2014

Table of Contents

FINANCIAL SECTION (Continued)

	<u>Page</u>
Other Supplementary Information:	
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual - Public Facilities Corporation Debt Service Fund	72
Nonmajor Governmental Funds:	
Combining Balance Sheets	74
Combining Statements of Revenues, Expenditures and Changes in Fund Balances	76
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual	78
Internal Service Funds:	
Combining Statement of Net Position.....	82
Combining Statements of Revenues, Expenses and Changes in Fund Net Position.....	84
Combining Statements of Cash Flows	86
Agency Fund:	
Statement of Changes in Assets and Liabilities	90

STATISTICAL SECTION

Financial Trends:

Net Position by Component – Last Ten Fiscal Years	93
Changes in Net Position – Last Ten Fiscal Years	94
Fund Balances of Governmental Funds – Last Ten Fiscal Years	96
Changes in Fund Balances of Governmental Funds – Last Ten Fiscal Years.....	97

Revenue Capacity:

Assessed and Estimated Actual Value of Taxable Property – Last Ten Fiscal Years	98
Direct and Overlapping Property Tax Rates – Last Ten Fiscal Years	99
Principal Property Taxpayers – Current Year and Five Years Ago	100
Property Tax Levies and Collections – Last Ten Fiscal Years	101

Debt Capacity:

Ratios of Outstanding Debt by Type – Last Ten Fiscal Years	102
Direct and Overlapping Bonded Debt.....	103
Legal Debt Margin Information – Last Ten Fiscal Years	104
Ratio of General Bonded Debt – Last Ten Fiscal Years	105

Demographic and Economic Information:

Demographic and Economic Statistics – Last Ten Fiscal Years.....	106
2014 Employer Ranking	107

Operating Information:

Full-Time Equivalent City Employees by Function/Program – Last Ten Fiscal Years.....	108
Operating Indicators by Function/Program – Last Ten Fiscal Years	109
Capital Asset Statistics by Function/Program – Last Ten Fiscal Years	110

Other Property Tax and Sale Statistics.....	111
--	------------

COMMUNITY PROFILE



CITY OF CUPERTINO

CITY HALL

10300 TORRE AVENUE • CUPERTINO, CA 95014-3202

(408) 777-CITY • WWW.CUPERTINO.ORG

November 18, 2014

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, 2014. The report is prepared in accordance with generally accepted accounting principles (GAAP) set by the Governmental Accounting Standards Board (GASB). The report presents City information on an entity-wide basis and on a more detailed fund level basis. The fund-level reports emphasize the City's major funds. A Management Discussion and Analysis (MD&A) presents a comparative analysis of current and prior year results, changes in financial position, a comparison of actual versus budget, financial highlights, trends, and disclosure of any known significant events or decisions that affect the financial condition of the City. This transmittal letter is designed to complement the MD&A, and should therefore be read in conjunction with it. The MD&A is required supplementary information and is found in the Financial Section of the CAFR.

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

REPORTING ENTITY

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

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

ECONOMIC CONDITIONS

The City of Cupertino is located in Santa Clara County at the southern end of the San Francisco Bay Peninsula. The City is comprised of 13 square miles and is bordered by the cities of San Jose, Saratoga, Sunnyvale, Santa Clara and Los Altos. It has a residential population of 60,550.

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

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

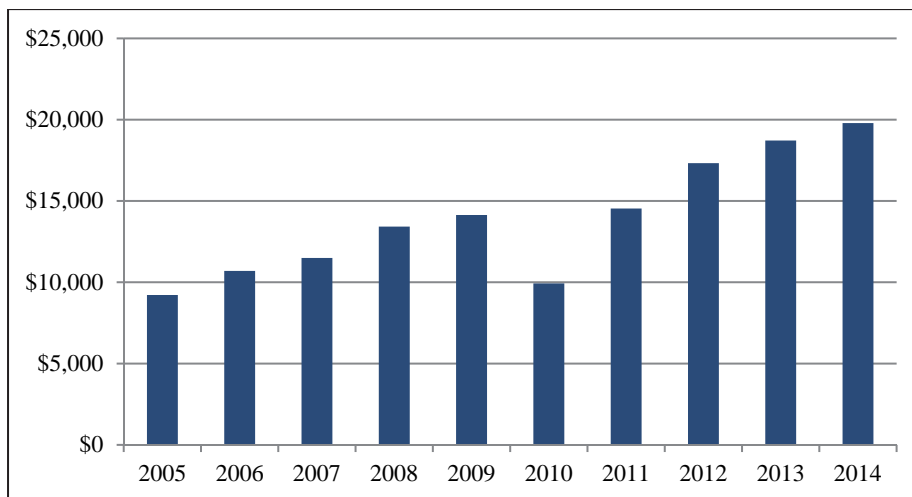
As of the third quarter 2014, over 8.8 million square feet of office, research, and development space existed in the City with the lowest vacancy rates in Silicon Valley at 0.98% for office and zero percent for research and development. Leasing activity of office space has increased from 2013 to 2014. As of August 2014, the City's unemployment rate was 3.5%, well below the statewide rate of 7.4%.

The City features thirteen retail centers and over one hundred sixty eating establishments. The 1.2 million square foot Vallco Shopping Mall features two levels of enclosed shopping, three anchor stores, a 16-screen AMC theatre, a bowling center, an ice rink, an international food court, and an upscale health club. Even with additions and remodeling, the shopping center continues to underperform. The construction of three new mixed-use projects, including Nineteen800 (formerly known as the Rosebowl), Main Street, and The Biltmore Adjacent Project, which is nearing completion and will include The Counter restaurant as a new tenant, are currently underway. The Saich Way Project, located on Stevens Creek Boulevard next to Panera Bread and Peet's Coffee, will be completed by end of 2014 and include new retail, restaurant, and service uses. Homestead Square is nearing completion of its redevelopment having added a 24-hour Safeway as its anchor in May 2014. Coming soon to this neighborhood shopping center are Ulta, SteinMart, Ross, and additional quick-casual dining options.

The assessed value of City properties grew 5.5% for fiscal 2014-15. Because of the housing market recovery, the number of City properties with a temporary reduction in assessed value decreased from 1,325 to 139 and the dollar cost of the reductions fell from \$185 million to \$60 million. Apple is the leading property owner in the City in terms of assessed value and is second, county-wide, for business personal property assessment.

Based on second quarter 2014 data, Cupertino has 71% of its sales taxes coming from business-to-business commerce, compared to 17% for California and 19% for the San Francisco Bay Area. The City is not as diversified into retail, food products, and transportation compared to the state and Bay Area. The following chart shows City sales tax variations over the past ten years, reflecting two recessions, their subsequent recoveries, and the volatility of the business-to-business and company concentration.

Sales Tax Trend



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

The City's pension and retiree medical unfunded actuarial accrued liabilities are discussed in the Notes to the Basic Financial Statements. The City must pay CalPERS, the state's government pension system, annually to reduce this long-term liability. Cupertino's pension actuarial valuation report of June 2011 reported a pension unfunded liability of \$20,375,000 with annual payments to CalPERS of 21.1% and 21.8% of payroll for 2012-13 and 2013-14, with ongoing increases after that because of actuarial assumption changes. To address long-term rising costs, Cupertino and state law has reduced pension benefits for new hires and increased employee contributions. As of the January 2013 health cost actuarial valuation report, the City has a retiree medical unfunded liability of \$11,956,000 with annual payments to a retiree health plan trust at 15.4% of payroll. To reduce the unfunded liability, the City plans to negotiate retiree health plan changes and use new one-time revenues.

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

ECONOMIC INITIATIVES

With Hewlett-Packard, a primary employer, leaving the City in 2013, Apple purchased their properties as part of 176 acres acquired for a major expansion of their corporate headquarters, called Apple Campus 2, enclosed by Interstate 280, Homestead Road, Wolfe Road and Tantau Avenue. With the expanded Apple presence, the City's revenue base will remain concentrated among its top companies and top economic sector, the volatile business-to-business area. Past recessions and the departure of a major tax provider, Hewlett-Packard, demonstrates the need for diversification of the City's revenue base and a long-term balance of revenues and expenditures. The City needs to find other revenues to mitigate the fluctuating nature of sales taxes, hotel taxes, user fees, and state grabs of local taxes in times of budget distress.

Legislation raising the City's property tax share, the update of the utility user tax, the increase in the transient occupancy tax, and refinancing of the City's debt are past successes to help diversify and balance revenues and expenditures. The City Council work program underway in 2013-14 describes economic development and administrative initiatives to further increase the City's property tax share; negotiate long-term contracts that are fair, financially accountable, and competitive in the local labor market; negotiate a new Sheriff contract; implement a back to work/modified duty policy; streamline City web content for new businesses; continue sponsoring seminars and workshops for new small businesses; increase coordination with the Chamber of Commerce and other regional business organizations; strengthen shop local habits of residents and daytime visitors; and enhance business access to City services.

ACCOUNTING AND BUDGETARY CONTROL

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

The City's budget is a detailed operating plan that identifies estimated costs and results in relation to estimated revenues. The budget includes 1) the programs, projects, services and activities to be provided during the fiscal year; 2) estimated revenue and fund balance available to finance the operating plan; and 3) the estimated spending requirements of the operating plan. The budget represents a process through which policy decisions are made, implemented and controlled. The City restructured the 2013-14 budget process and document to increase transparency and plans to replace the City's obsolete financial software.

INDEPENDENT AUDIT

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

CERTIFICATE OF ACHIEVEMENT

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Cupertino for its CAFR for the year ended June 30, 2013. 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,



Lisa Taitano
Finance Manager

ACKNOWLEDGMENTS

I would like to express my appreciation to the City employees and department heads, 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 Yulia Rumalean, Richard Wong, and Tina Mao of the Finance staff for their continued support and dedication. Special recognition goes to Jennifer Chang and Mary Redwine for their efforts in the preparation and production of this report.

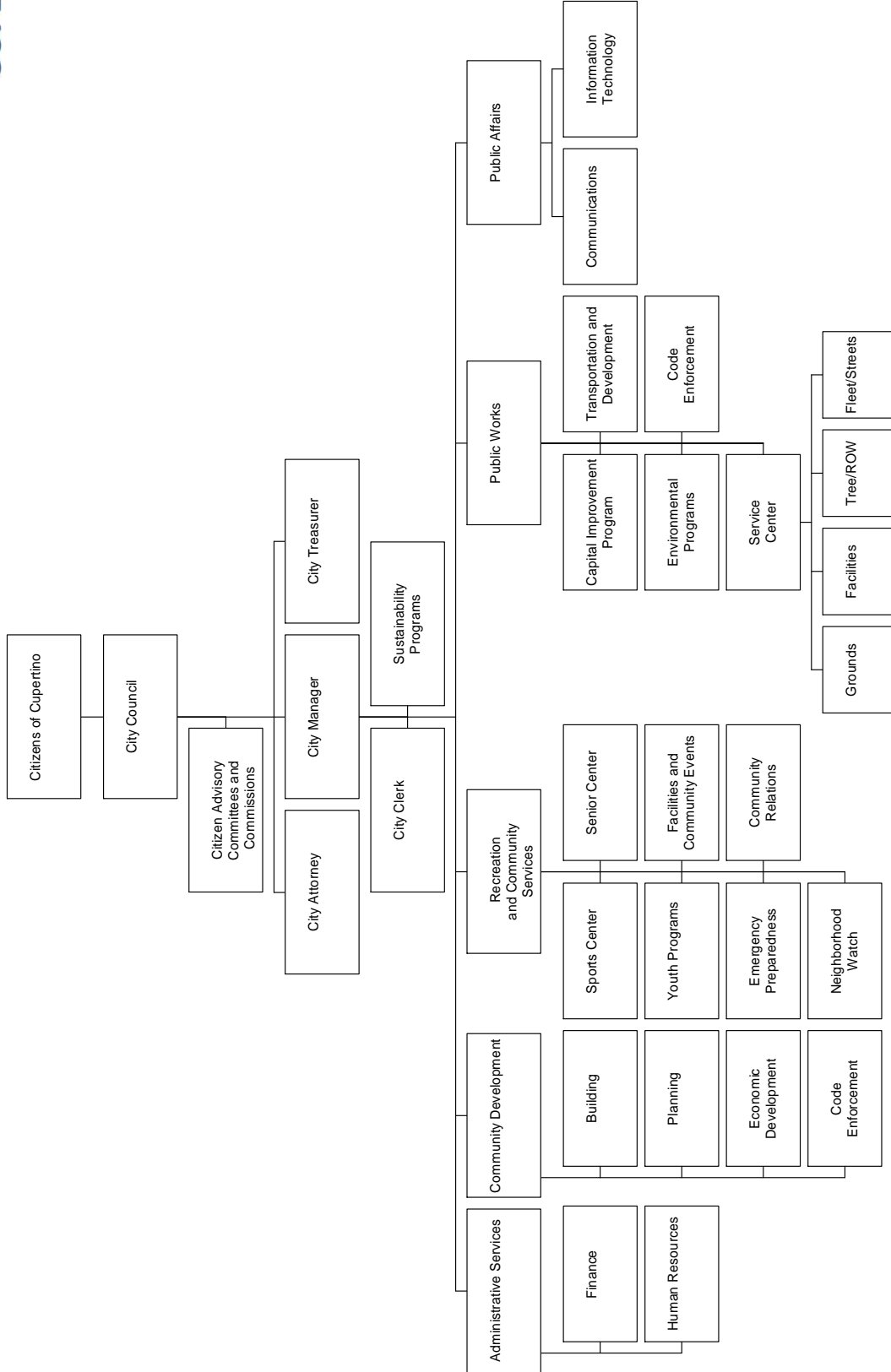
Reviewed by,



Kristina Alfaro
Interim Director of Administrative Services



CUPERTINO



CITY OF CUPERTINO, CALIFORNIA

Fiscal Year 2014-15

CITY COUNCIL



Gilbert Wong
Mayor



Rod Sinks
Vice Mayor



Barry Chang
Councilmember



Orrin Mahoney
Councilmember



Mark Santoro
Councilmember

DIRECTORY OF CITY OFFICIALS

David Brandt – City Manager

Carol Korade – City Attorney

Carol Atwood – Director of Recreation and Community Services

Kristina Alfaro – Interim Director of Administrative Services

Timm Borden – Director of Public Works

Aarti Shrivastava – Assistant City Manager/Director of Community Development

CITY OF CUPERTINO, CALIFORNIA

Fiscal Year 2014/15

COMMISSIONS AND COMMITTEES

AUDIT COMMITTEE

Angela Chen
Eno Schmidt
Mark Santoro
Rod Sinks
Raymond Yin

HOUSING COMMISSION

Harvey Barnett
Jimmy Chien
Nicole Maroko
Rajeev Raman
Krista Wilson

FINE ARTS COMMISSION

Jessi Kaur
Russell Leong
Rajeswari Mahaliagan
Diana Matley
Michael Sanchez

PUBLIC SAFETY COMMISSION

Bob Cascone
Andy Huang
Lily Lim
Robert McCoy
Gerald Tallinger

TEEN COMMISSION

Meyhaa Buvanesh	Varsha Swamy
Chris Doyle	Harshitha Sriraman
Celine Mol	Shail Trivedi
Ajay Prasad	Taeyoung Yun
Tyler Smithline	

TECHNOLOGY, INFORMATION & COMMUNICATIONS COMMISSION

Shishir Chavan	Rod Livingood
Peter Friedland	Beverly Siegel
Wallace Iimura	

RECREATION AND COMMUNITY SERVICES COMMISSION

David Fung
Darcy Paul
Geoffrey Paulsen
Neesha Tambe
Judy Wilson

LIBRARY COMMISSION

Rose Grymes
Annie Ho
Adrian Kolb
Jerry Liu
Ann Stevenson

PLANNING COMMISSION

Paul Brophy
Margaret Gong
Winnie Lee
Don Sun
Alan Takahashi

BICYCLE PEDESTRIAN COMMISSION

Vidula Aiyer
William Chan
Pete Heller
Ashish Kolli
Jill Mitsch

ECONOMIC DEVELOPMENT

Carol Atwood	Erin Cooke
Orrin Mahoney	Aarti Shrivastava
Timm Borden	Rod Sinks
Mike Foulkes	John Zirelli
Mike Rohde	Kevin McClelland
Darcy Paul	Maria Streeby
Winnie Lee	

FISCAL STRATEGIC COMMITTEE

Kristina Alfaro	Aarti Shrivastava
Carol Atwood	Mark Santoro
Timm Borden	Gilbert Wong



Government Finance Officers Association

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

Presented to

**City of Cupertino
California**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2013

Executive Director/CEO

This Page Left Intentionally Blank

FINANCIAL SECTION

This Page Left Intentionally Blank

INDEPENDENT AUDITOR'S REPORT

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

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Cupertino as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparisons listed as part of the basic financial statements for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

The Other Supplementary Information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplemental Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 22, 2014, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Maze & Associates

Pleasant Hill, California
October 22, 2014

This Page Left Intentionally Blank

CITY OF CUPERTINO
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2014

This describes the City of Cupertino's financial performance for the year. Please read it in conjunction with the accompanying Transmittal Letter and Basic Financial Statements.

2013-14 FINANCIAL HIGHLIGHTS

- Governmental activity revenues climbed 59% over last year while expenses increased 8%.
- Governmental net position increased 23% to \$212,184,000.
- General Fund revenues increased 35% from the prior year while General Fund expenditures rose 14%.
- General Fund expenditures came in 26% under budget, with revenues 3% over budget.
- The General Fund balance grew 27% to end the year at \$45,680,000.

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

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

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

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

- ***Business-type activities***—All the City's enterprises are reported here, including solid waste management and most of the City's recreational operations. Unlike governmental services, these services are supported by charges paid by users based on the amount of 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, liabilities, and deferred inflows and outflows of resources; they exclude long-term assets and liabilities. Because these statements focus on the near-term inflows and outflows of spendable resources, such information may be useful in evaluating near-term financing requirements.

CITY OF CUPERTINO
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2014

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 current and long-term assets and liabilities and deferred inflows and outflows of resources. Enterprise funds are used to report the same functions presented as business-type activities in the 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 position of the Internal Service Funds. For this City, internal service activities predominantly benefit governmental rather than business-type functions, and are therefore included within governmental activities in the government-wide financial statements.

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

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

The Successor Agency to Redevelopment Agency Private-Purpose Trust Fund holds the remaining assets, liabilities, and deferred inflows and outflows of the City's former Redevelopment Agency. See Note 14 to the Basic Financial Statements. The City's Agency Fund holds special assessment district taxes remaining after the maturity of the special assessment district's debt. The City acts strictly as an agent for the special assessment district.

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 OF CUPERTINO
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2014

CITY-WIDE FINANCIAL ACTIVITIES

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

Governmental Activities

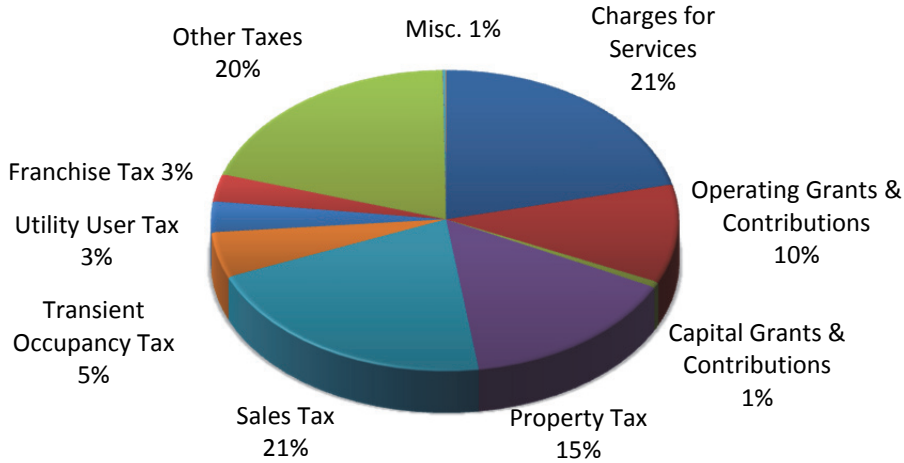
Table 1
Condensed Statement of Net Position at June 30
(in thousands)

	Governmental Activities	
	2014	2013
Assets:		
Cash and investments	\$ 107,288	\$ 61,008
Other assets	10,481	9,391
Capital assets	162,061	158,364
Total assets	279,830	228,763
Liabilities:		
Long term debt	39,980	42,020
Other liabilities	27,666	14,489
Total liabilities	67,646	56,509
Net Position:		
Invested in capital assets, net of debt	122,081	116,344
Restricted	24,232	8,351
Unrestricted	65,871	47,559
Total net position	\$ 212,184	\$ 172,254

The City's net position from governmental activities rose 23% from the prior year. Increased cash and investments was the primary contributor to the significant increase in net position. Tax revenues and charges for services increased by \$23.8 million or 49% and \$8.9 million or 198%, respectively. The increased revenues were mostly attributable to Apple's development of its second campus in the City of Cupertino and the resulting development-related taxes and fees for City services. Once development is completed, these revenues will return to normal levels, but property tax receipts will increase as a result of increased valuation of the property. The increased property tax revenues estimated to be approximately \$1.7 million per year will be ongoing.

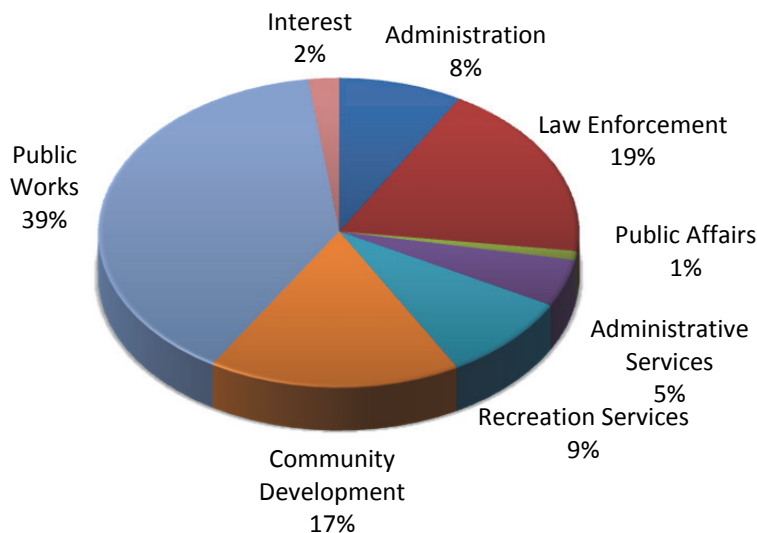
CITY OF CUPERTINO
 Management's Discussion and Analysis (Unaudited)
 For the Year Ended June 30, 2014

Sources of Revenues, Governmental Activities 2013-14



As the Sources of Revenue chart above shows, property and sales taxes make up 36% of governmental revenue. The Functional Expenses chart below includes only current year expenses with Public Works maintenance and repairs of streets, facilities, parks, and storm drains comprising the largest activity. The chart does not include capital outlays or principal payments on debt. Capital outlays are instead shown as additions to capital assets and principal payments are reported as long-term liability reductions.

Functional Expenses, Governmental Activities 2013-14



CITY OF CUPERTINO
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2014

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

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

	<u>Governmental Activities</u>	
	<u>2014</u>	<u>2013</u>
Expenses		
Administration	\$4,530	\$2,367
Law enforcement	10,062	9,275
Public and environmental affairs	513	1,596
Administrative services	2,662	4,171
Recreation services	4,867	4,474
Community development	9,109	4,676
Public works	21,143	22,149
Interest on long-term debt	1,130	1,257
Total expenses	<u>54,016</u>	<u>49,965</u>
Revenues		
Program revenues:		
Charges for services	20,054	8,973
Operating grants and contributions	10,000	2,752
Capital grants and contributions	569	720
Total program revenues	<u>30,623</u>	<u>12,445</u>
General revenues:		
Taxes:		
Property tax	9,169	8,793
Property tax in-lieu of motor vehicle fee	5,289	4,772
Sales tax	19,794	18,721
Transient occupancy tax	4,590	3,769
Utility user tax	3,099	2,995
Franchise tax	2,776	2,849
Other taxes	18,792	4,561
Intergovernmental, unrestricted:		
Motor vehicle license fee	25	30
Investment earnings	133	177
Miscellaneous	57	127
Total general revenues	<u>63,724</u>	<u>46,794</u>
Total revenues	<u>94,347</u>	<u>59,239</u>
Excess of revenues over expenses, before extraordinary item and transfers	<u>40,331</u>	<u>9,274</u>
Transfers	(401)	(150)
Change in net position	<u>39,930</u>	<u>9,124</u>
Beginning net position	172,254	163,130
Ending net position	212,184	172,254

CITY OF CUPERTINO
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2014

City-wide Governmental Revenues

Table 2 shows that total governmental revenues jumped \$35,108,000 or 59% over last year, finishing at \$94,347,000. Sales tax continues to be the largest revenue source for the City with \$19,794,000 or 21% of total revenues for 2013-14. Compared to last year's \$18,721,000 sales tax revenue, this represents a 6% increase. Sales tax from business services (business-to-business and construction) activity accounted for the increase as a result of new and continued construction activity with Apple's second campus, the Main Street project, and numerous other small construction projects.

Property tax categories rose \$893,000 or 7% over last year due to assessed value increases reflective of the strong housing recovery in the South Bay area, this growth is expected to slow to about 3% in the beginning with FY 2014-15. One time Construction Tax Related to the Apple Campus 2 Development Agreement and increased TOT from realizing a full fiscal year with the 2% increase in rate and the opening of a new hotel in Cupertino caused the other tax category to rise by 312% or \$14,231,000 over last year.

Program revenues grew \$18,178,000 or 146% over last year, primarily due to implementation of a cost allocation plan and reimbursement and overhead costs for the Apple Campus 2 project.

City-wide Governmental Expenses

City-wide governmental expenses in Table 2 rose \$4,051,000 or 8% above 2012-13. Administration, Law Enforcement, Administration, Recreation Services and Community Development rose while Public Affairs, Administrative Services, Public Works, and debt interest declined.

Administration rose because there was a City Manager vacancy for two months in the prior year and an Assistant to the City Manager was added in 2012-13 that had been vacant for half that year but filled for all of 2013-14. Legal costs of other programs were consolidated under this function, new sales tax legal costs were incurred, and legal costs related to Apple Campus 2. In addition, the transfer in of the Environmental Affairs and Economic Development programs from Public Affairs and Planning respectively, resulted in increased costs.

Law Enforcement was higher because of the transfer in of the Code Enforcement program costs from the Administrative Services Department.

Public Affairs declined due to the transfer out of the Environmental Affairs program to Administration and the transfer out of the Community Outreach, Neighborhood Watch, and Emergency/Disaster Preparedness programs to Recreation Services

Administrative Services fell because of transfers out of several programs including, Library Service Extra Hours, Neighborhood Watch, and Emergency/Disaster Preparedness.

Recreation Services increased due to the transfer in of several programs from Administrative Services and Public Affairs, including Library Extra Hours, Emergency/Disaster Preparedness, Neighborhood Watch, and several programs under Community Services.

Community Development General Fund costs grew over last year because of more planning and building applications. A large portion was related to increased contract costs associated with Apple Campus 2. The City pays for consultants to expedite Planning and Public Work items related to Apple Campus 2. All expenses are paid for by the City and then reimbursed by Apple through a refundable deposit.

As for the Public Works decrease, this is primarily driven by the decreased costs associated with special projects.

CITY OF CUPERTINO
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2014

Annual debt service payments dropped in accordance with the fixed debt service schedule of the Public Facilities Corporation's May 2012 certificates of participation.

Change in Net Position

The City-wide \$39,930,000 governmental net position increase significantly exceeded the \$9,124,000 increase of a year ago, reflecting the strong 59% jump in revenues against the modest 8% rise in expenses.

Business Type Activities

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

As shown in Table 3, the business-type net position totaled \$11,402,000 at June 30, 2014, a decrease of \$225,000 from the prior year with unrestricted net position declining \$573,000 and the net position of capital assets increasing by \$348,000.

In Table 4, revenues for all business-type activities rose 3% to \$7,045,000 in 2013-14. Expenses climbed 23% over last year to \$7,682,000. These changes had a negative impact on net position of \$225,000.

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

	Business Type Activities	
	2014	2013
Assets:		
Cash and investments	\$ 11,606	\$ 11,768
Other assets	337	271
Capital assets	1,110	762
Total assets	13,053	12,801
Other liabilities	1,650	1,174
Total liabilities	1,650	1,174
Net Position:		
Invested in capital assets	1,111	762
Unrestricted	10,292	10,865
Total net position	\$ 11,403	\$ 11,627

CITY OF CUPERTINO
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2014

Table 4
Condensed Statement of Activities For The Year Ended June 30
(in thousands)

	Business Type Activities	
	2014	2013
Expenses		
Resources recovery	\$ 2,159	\$ 1,765
Blackberry farm	571	463
Sports center	2,221	2,012
Recreation programs	2,731	2,025
Total expenses	7,682	6,265
Revenues		
Program revenues:		
Charges for services	7,045	6,829
Total program revenues	7,045	6,829
General revenues:		
Investment income	11	31
Total revenues	7,056	6,860
Transfers	401	150
Change in net position	(225)	745
Beginning net position	11,627	10,882
Ending net position	\$ 11,402	\$ 11,627

MAJOR GOVERNMENTAL FUNDS

General Fund

General Fund Revenues

General Fund revenues of \$74,000,000 ended \$1,897,000 or 3% above the final budget and \$52,189,000 above the original 2013-14 budget. Actual revenues were up \$19,338,000 or 35% compared to the prior year. All revenue sources showed year-over-year gains with the exception of Use of Money and Property. Table 5 displays the variations in actual revenues, while Table 6 shows budgeted revenues compared to actuals.

Property taxes ended the year at \$14,409,000, down 4% or \$525,000 below last year and consistent with the final budget. This decrease is mostly due to a one-time state pay back of \$1.4 million of taxes borrowed in 2010 under Proposition 1A and a refund of county tax administration charges of \$593,000. Excluding these one-time tax payments, actual property growth was 10% due to assessed value increases reflective of the strong housing recovery in the South Bay Area.

Sales taxes grew by \$1,072,000 or 6% above last year to finish at \$19,794,000. It exceeded the final budget by \$3,579,000 or 22%. The growth in sales tax was primarily driven by strong business-to-business sales tax growth.

CITY OF CUPERTINO
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2014

The City's five hotels paid \$4,590,000 in transient occupancy taxes this year which was \$822,000 or 22% over last year's performance due to the opening of the new Aloft Hotel in December 2012. Revenue was consistent with the final and original budget. Additionally, the voter-approved increase in the City's transient occupancy tax rate from 10% to 12% of the room charge became effective January 1, 2012. Fiscal Year 2013-14 was the first year to see both the 2% increase and the impact of the Aloft Hotel being open for a full year.

The City's 2.4% utility user tax on telecommunication, gas, and electric services provided \$3,099,000 in revenues, which were up 3% compared to last year and \$154,000 or 5% under the original and final budget. This decrease is reflective of lower electricity usage resulting from the large investments in solar infrastructure by educational institutions in Cupertino.

Franchise taxes were relatively unchanged from last year while other taxes greatly exceeded expectations. Other taxes experienced a year-over-year growth of \$8,346,000 or 402% and surpassed the final budget by 10%. The increase in other taxes was led by the onetime construction tax payment from Apple as part of the Development Agreement.

Revenues from use of money and property and intergovernmental revenues showed slight change from 2012-13, -4% and 5% respectively. Licenses and permits include fees for reviewing building plans, building inspections, construction, tenant improvements, and commercial/residential installations for compliance with state and municipal building codes. License and permit fees grew by 5% compared to last year due to the Rose Bowl and Biltmore construction and Apple Campus 2 projects. The fee ended slightly higher than final budget targets by 6%.

Charges for services increased dramatically primarily due to a sharp increase in development-related activity from the Apple Campus 2 project and the implementation of the City's cost Allocation Plan.

Fines and forfeitures grew by 10% or \$55,000 compared to the prior year and in line with budgeted revenues of \$620,000. Revenues had been decreasing for several years as courts assessed lower fines and fewer officers issued parking fines. In 2013-14 an additional traffic officer position was added as the Sheriff's contract and was the primary reason for the increase.

Other revenues of \$545,000 increased due to the Successor Agency fund and the Traffic Impact Assessment District fund being closed to the general fund. The final budget for other revenues was \$23,877,000, but this level was not reached due to the sale of Pruneridge Avenue not closing in 2013-14.

No transfers into the General Fund occurred in 2013-14.

CITY OF CUPERTINO
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2014

Table 5
Revenue Changes
General Fund, Fiscal 2014 vs. 2013
(in thousands)

Revenue by Source	Fiscal 2014		Increase/(Decrease) From Fiscal 2013	
	Amount	% of Total	Amount	Percent
Taxes:				
Property	\$ 14,409	19%	\$ (525)	-4%
Sales	19,794	27%	1,073	6%
Transient occupancy	4,590	6%	822	22%
Utility user	3,099	4%	104	3%
Franchise	2,776	4%	(73)	-3%
Other	10,422	14%	8,346	402%
Use of money & property	691	1%	(30)	-4%
Intergovernmental	403	1%	20	5%
Licenses and permits	3,680	5%	177	5%
Charges for services	12,975	18%	8,880	217%
Fines and forfeitures	615	1%	55	10%
Other	545	1%	489	872%
Total revenues	\$ 73,999	100%	\$ 19,338	35%
Other financing sources:				
Proceeds from sale of land	38	0%	\$ -	0%
Total other financing sources	\$ 38	0%	\$ -	0%

CITY OF CUPERTINO
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2014

Table 6
Revenue Budget and Actual Comparisons
General Fund, 2013-14
(in thousands)

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Over/(Under)</u>
	<u>Original</u>	<u>Final</u>		<u>Final</u>
Taxes:				
Property	\$ 13,138	\$ 14,459	\$ 14,409	\$ (50)
Sales	16,215	16,215	19,794	3,579
Transient occupancy	4,400	4,400	4,590	190
Utility user	3,253	3,253	3,099	(154)
Franchise	2,905	2,905	2,776	(129)
Other	2,700	9,492	10,422	930
Use of money & property	660	660	691	31
Intergovernmental	265	265	403	138
Licenses and permits	3,480	3,480	3,680	200
Charges for services	4,515	16,266	12,975	(3,291)
Fines and forfeitures	620	620	615	(5)
Other	38	23,877	545	(23,332)
Total revenues	<u><u>\$ 52,189</u></u>	<u><u>\$ 95,892</u></u>	<u><u>\$ 73,999</u></u>	<u><u>\$ (21,893)</u></u>

General Fund Expenditures

Fiscal 2013-14 overall expenditures, at \$41,509,000, were \$5,014,000 or 14% higher than last year. However, this result came in 26% or \$14,403,000 under the final budget and 28% or \$15,996,000 below the original budget. Year-over-year and budget versus actual results for General Fund programs are described below and in Tables 7 and 8.

Administration expenditures rose because there was a City Manager vacancy for two months in the prior year and an Assistant to the City Manager was added in 2012-13 that had been vacant for half that year but filled for all of 2013-14. Legal costs of other programs were consolidated under this function and new sales tax legal costs were incurred, including legal costs related to Apple Campus 2. In addition, the transfer in of the Environmental Affairs and Economic Development programs from Public Affairs and Planning respectively, resulted in increased costs.

Law Enforcement was higher because of the transfer in of the Code Enforcement program costs from the Administrative Services Department.

Public Affairs declined due to the transfer out of the Environmental Affairs program to Administration and the transfers out of Community Outreach, Neighborhood Watch, and Emergency/Disaster Preparedness to Recreation Services.

Administrative Services fell because transfers out of several programs including, Library Service Extra Hours, Neighborhood Watch and Emergency/Disaster Preparedness to Public Affairs.

Recreation Services increased due to the transfer in of several programs and Administrative Services and Public Affairs, including Library Extra Hours, Emergency/Disaster Preparedness, Neighborhood Watch, and several programs under Community Services.

CITY OF CUPERTINO
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2014

Community Development General Fund costs grew over last year because of more planning and building applications. A large portion of this was related to increased contract costs associated with Apple Campus 2. The City pays for consultants to expedite Planning and Public Work items related to Apple Campus 2. All expenses are paid for by the City and then reimbursed by Apple through a refundable deposit.

As for the Public Works decrease, this is primarily driven by the decreased costs associated with special projects.

Transfers out of the General Fund rose from \$8,221,000 in 2012-13 to \$22,892,000 in 2013-14, with \$3,079,000 for annual debt service, \$230,000 to fund the Golf Course Master Plan and other costs of the course, \$154,000 to assist the Sports Center with increased costs resulting from the City's Cost Allocation Plan, \$8,941,000 to fund capital projects, and \$10,487,500 to internal service funds to cover a large contribution to retiree medical and support IT operations and equipment replacement. The contribution to retiree medical did not occur because it was contingent upon the close of the sale of Pruneridge Avenue to Apple Inc. that did not occur in 2013-14. Escrow is expected to close before December 2014.

Table 7
Expenditure Changes from Prior Year
General Fund, Fiscal 2014 vs. 2013
(in thousands)

Function/Program	Fiscal 2014		Increase/(Decrease) From Fiscal 2013	
	Amount	% of Total	Amount	Percent
Administration	\$ 3,958	10%	\$ 1,953	97%
Law enforcement	9,626	23%	842	10%
Public and environmental affairs	478	1%	(1,009)	-68%
Administrative services	2,445	6%	(1,328)	-35%
Recreation services	4,536	11%	452	11%
Community development	7,870	19%	4,108	109%
Public works	12,486	30%	(24)	0%
Capital outlay	110	0%	20	22%
Total expenditures	<u>\$ 41,509</u>	<u>100%</u>	<u>\$ 5,014</u>	<u>14%</u>
Transfers out	<u>\$ 22,892</u>	<u>100%</u>	<u>\$ 14,671</u>	<u>228%</u>

CITY OF CUPERTINO
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2014

Table 8
Expenditure Budget and Actual Comparison
General Fund, 2013-14
(in thousands)

Function/Program	Budgeted Amounts		Actual	Under
	Original	Final		(Over)
				Final
Administration	\$ 5,036	\$ 4,897	\$ 3,958	\$ 939
Law enforcement	9,427	10,026	9,626	400
Public and environmental affairs	544	540	478	62
Administrative services	4,741	4,610	2,445	2,165
Recreation services	5,053	4,913	4,536	376
Community development	16,903	15,941	7,870	8,071
Public works	15,773	14,843	12,486	2,357
Capital outlay	28	143	110	33
Total expenditures	<u>\$ 57,505</u>	<u>\$ 55,913</u>	<u>\$ 41,509</u>	<u>\$ 14,403</u>
Transfers out	<u>\$ -</u>	<u>\$ 22,892</u>	<u>\$ 22,892</u>	<u>\$ -</u>

General Fund - Fund Balance

The General Fund carried a June 30, 2014, ending fund balance of \$45,680,000, up 27% or \$9,636,000 from the prior year. The City assigned \$12,500,000 of this for general economic uncertainty, \$1,400,000 for state budget actions that impact City revenues, \$2,000,000 for economic fluctuations, and \$500,000 for potential pension liabilities. Non-spendable rehabilitation and employee housing loan receivables, prepaid expenses, and advances totaled to \$3,363,000 of fund balance. Lastly, \$25,917,000 was unassigned as of June 30, 2014, and available for purchase orders and future budget actions.

The increase in total fund balance resulted from revenues exceeding expenditures by \$32,490,000 reduced by \$22,891,804 in transfers to other funds. The \$9,636,087 increase was distributed as follows: \$7,956,000 went to unassigned fund balance, \$726,000 was released from restricted fund balance for public, education, and government access programming, and an additional \$2,406,000 was added to non-spendable loan receivables and prepaid expenses.

Public Facilities Corporation

A transfer of \$3,079,000 was made from the General Fund to the Public Facilities Corporation Debt Service Fund to cover principal and interest on the 2012 Certificates of Participation lease payments. See Note 6 to the Basic Financial Statements and the Debt Administration section of this Analysis for more information.

MAJOR PROPRIETARY FUNDS

Resources Recovery

The City has a solid waste franchise agreement with Recology that shares collection, landfill disposal, and recycling revenues and costs. This enterprise fund receives 17% of Recology's revenues in the City, with the funds going toward landfill costs, regulatory fees, and staffing costs that the City incurs to manage solid waste, recycling, and household hazardous waste programs. Because of the improving economy and resulting increase in tonnage that Recology handled, this fund experienced a 10% increase in residential and commercial pickup

CITY OF CUPERTINO
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2014

revenues offset by 8% higher contract expenses for landfill disposal. Total operating revenue rose from \$1,883,000 last year to \$2,074,000 this year, while expenses increased by \$394,000. With interest earnings, net position decreased by \$78,000, down from the \$135,000 increase from last year and ended the year with a \$6,265,000 unrestricted balance.

Blackberry Farm

City employees, with a teaching professional on contract, staff the City-owned Blackberry Farm golf course and pro shop. The number of rounds played and accordingly, green fees, have been declining for six years. With rounds played falling from 29,893 in 2012-13 to 24,594 in 2013-14, operating revenues accordingly dropped 6% from \$388,000 to \$302,000. This year's decline was exacerbated by the Creek Restoration Project that severely affected number of rounds played. Expenses increased by \$108,000 to \$571,000 this year due to increases in all expense categories, including salaries and benefits, materials and supplies, and contractual services. Implementation of the City's Cost Allocation Plan contributed substantially to the increase in materials and supplies expenses. Altogether, the golf course's operating loss increased from \$77,000 last year to \$269,000 this year. After interest income and a transfer in from the General Fund, net position declined \$38,000, compared to last year's \$74,000 decrease. At June 30, 2014, unrestricted net position was \$775,000.

Cupertino Sports Center

Tennis lesson, membership, fitness class and rent revenues of \$2,187,000 rose by \$38,000 or 2% over last year, resulting from moderate increases across the Center's major revenue sources. Expenses on the other hand, increased by \$210,000 or 11%, resulting in a net operating loss of \$34,000. After interest income and a transfer in from the General Fund, net position increased \$121,000, compared to last year's increase of \$141,000. At June 30, 2014, unrestricted net position was \$813,000.

Recreation Programs

This enterprise operates the Quinlan Community Center, Monta Vista Recreation Center, McClellan Ranch, Creekside Park building, eight school sites, and various parks. The improved economy and enhanced marketing helped cultural events, youth and teen programs, sports, dance and fitness classes generate \$2,480,000 in revenues that were 3% better than last year. Ongoing program expenses of \$2,731,000, including full-time administrative and programming staff, part-time activity leaders, and class instructors on contract increased 35% from 2012-13. This resulted in a net operating loss of \$251,000 as compared to operating income of \$384,000 a year ago. The largest contributors to higher operating expenses were reallocation of positions increasing salary and benefit expenses, and implementation of the City's Cost Allocation Plan. To complete final improvements to the fenced dog park, the fund received a \$17,000 transfer in from Other Governmental Funds. After interest earnings and transfers, the fund ended up with a decrease in net position of \$230,000 and an unrestricted net position of \$3,549,000 that is needed for future operating budgets.

CAPITAL ASSETS

At June 30, 2014 the City had \$163,171,000, net of depreciation, invested in a broad range of capital assets used in governmental and business-type activities, as shown in Table 9 and in Note 5 to the Basic Financial Statements. While the City's capital asset total declined by 3%, improvements other than buildings and street improvements provided major capital additions with depreciation of existing assets offsetting the additions.

CITY OF CUPERTINO
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2014

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

	2014	2013
Governmental Activities:		
Land	\$ 62,046	\$ 60,471
Easements	19,492	19,492
Buildings	19,693	21,042
Improvements other than buildings	17,648	14,941
Machinery and equipment	1,799	1,762
Roads, curbs, gutters, sidewalks, medians and bridges	35,370	33,803
Streetlights	1,823	1,835
Storm drain structures and mains	3,073	3,798
Traffic signals	1,117	1,220
Total Governmental Activities	162,061	158,364
Business-Type Activities		
Buildings	252	241
Improvements other than buildings	846	490
Machinery and equipment	12	31
Total Business-Type Activities	1,110	762
Total City	\$ 163,171	\$ 159,126

DEBT ADMINISTRATION

The City's only long-term debt liability at June 30, 2014, comes from \$43,940,000 in Certificates of Participation (COPs) issued in May 2012 by the Cupertino Public Facilities Corporation. The certificates refunded previously issued COPs that financed the Wilson Park, Blackberry Farm, and Creekside Park purchases, the Memorial Park expansion, the Quinlan Community Center construction, the City Hall remodel, and the new library opened in 2004. The serial fixed rate debt ranging from 0.35% to 3.125% requires annual debt payments of approximately \$3,171,000 that are covered by the General Fund. The June 30, 2014, outstanding principal of \$39,980,000 is due to be paid off by 2030. More information can be found in Note 6 to the Basic Financial Statements and in the Public Facilities Corporation discussion earlier in this Analysis.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

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

This Page Left Intentionally Blank

<p style="text-align: center;">STATEMENT OF NET POSITION AND STATEMENT OF ACTIVITIES</p>

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

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

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

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

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

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

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

CITY OF CUPERTINO
STATEMENT OF NET POSITION
JUNE 30, 2014

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
ASSETS			
Cash and investments (Note 2)	\$103,095,363	\$11,605,682	\$114,701,045
Restricted cash and investments (Note 2)	4,193,199		4,193,199
Receivables:			
Accounts	5,396,101	331,506	5,727,607
Interest	47,957	5,371	53,328
Loans (Note 3)	1,619,278		1,619,278
Prepaid expenses and other assets	426,065		426,065
Net OPEB asset (Note 11)	2,991,132		2,991,132
Capital assets (Note 5):			
Non-depreciable	81,537,928		81,537,928
Depreciable, net of accumulated depreciation	80,523,295	1,110,414	81,633,709
	<u>279,830,318</u>	<u>13,052,973</u>	<u>292,883,291</u>
LIABILITIES			
Accounts payable and accruals	16,726,563	737,228	17,463,791
Accrued payroll and benefits	684,907	83,203	768,110
Deposits	4,878,029		4,878,029
Unearned revenue	228,073	697,028	925,101
Compensated absences (Note 1h):			
Due in one year	450,250	56,405	506,655
Due in more than one year	2,592,508	76,485	2,668,993
Claims payable (Note 9):			
Due in one year	478,051		478,051
Due in more than one year	1,627,846		1,627,846
Long-term debt (Note 6):			
Due in one year	2,055,000		2,055,000
Due in more than one year	37,925,000		37,925,000
	<u>67,646,227</u>	<u>1,650,349</u>	<u>69,296,576</u>
NET POSITION (Note 7)			
Net investment in capital assets	122,081,223	1,110,414	123,191,637
Restricted for:			
Special revenue projects	13,323,402		13,323,402
Affordable housing	9,312,268		9,312,268
Public access television			
Debt service	1,596,697		1,596,697
	<u>24,232,367</u>		<u>24,232,367</u>
Total Restricted Net Position	<u>24,232,367</u>		<u>24,232,367</u>
Unrestricted	<u>65,870,501</u>	<u>10,292,210</u>	<u>76,162,711</u>
Total Net Position	<u>\$212,184,091</u>	<u>\$11,402,624</u>	<u>\$223,586,715</u>

See accompanying notes to financial statements

CITY OF CUPERTINO
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

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	\$4,529,539	\$1,087,393	\$101,849		(\$3,340,297)		(\$3,340,297)
Law enforcement	10,062,192	725,631	116,667		(9,219,894)		(9,219,894)
Public and environmental affairs	512,895				(512,895)		(512,895)
Administrative services	2,662,008				(2,662,008)		(2,662,008)
Recreation services	4,866,974	955,081			(3,911,893)		(3,911,893)
Community development	9,108,949	6,649,292	7,437,820		4,978,163		4,978,163
Public works	21,143,331	10,636,850	2,343,795	\$569,159	(7,593,527)		(7,593,527)
Interest on long - term debt	1,130,428				(1,130,428)		(1,130,428)
Total Governmental Activities	54,016,316	20,054,247	10,000,131	569,159	(23,392,779)		(23,392,779)
Business-type Activities:							
Resource recovery	2,159,047	2,074,251				(\$84,796)	(84,796)
Blackberry farm	571,000	302,472				(268,528)	(268,528)
Cupertino sports center	2,221,703	2,188,127				(33,576)	(33,576)
Recreation programs	2,730,765	2,480,209				(250,556)	(250,556)
Total Business-type Activities	7,682,515	7,045,059				(637,456)	(637,456)
Total	\$61,698,831	\$27,099,306	\$10,000,131	\$569,159	(23,392,779)	(637,456)	(24,030,235)
General revenues:							
Taxes:							
Property taxes					9,169,183		9,169,183
Property tax in lieu of motor vehicle fee					5,289,476		5,289,476
Sales taxes					19,794,036		19,794,036
Transient occupancy tax					4,590,156		4,590,156
Utility user tax					3,098,639		3,098,639
Franchise tax					2,775,892		2,775,892
Other taxes					18,791,559		18,791,559
Intergovernmental, unrestricted:							
Motor vehicle license fee					25,294		25,294
Investment earnings					133,243	11,238	144,481
Miscellaneous					57,005		57,005
Transfers (Note 4)					(401,350)	401,350	
Total general revenues and transfers					63,323,133	412,588	63,735,721
Change in Net Position					39,930,354	(224,868)	39,705,486
Net Position, beginning of year					172,253,737	11,627,492	183,881,229
Net Position, end of year					\$212,184,091	\$11,402,624	\$223,586,715

See accompanying notes to financial statements

This Page Left Intentionally Blank

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 2013-14. 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, Memorial Park, and other City facilities.

STEVENS CREEK CORRIDOR PARK CAPITAL PROJECT FUND

Accounts for the design and construction of the Stevens Creek Corridor Park projects.

CITY OF CUPERTINO
GOVERNMENTAL FUNDS
BALANCE SHEET
JUNE 30, 2014

	General	Public Facilities Corporation Debt Service Fund	Stevens Creek Corridor Park Capital Project Fund	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and investments (Note 2)	\$55,700,992	\$7,916		\$30,334,957	\$86,043,865
Restricted cash and investments (Note 2)		4,193,199			4,193,199
Receivables:					
Accounts	5,100,392		122,713	172,996	5,396,101
Interest	29,483			10,491	39,974
Loans (Note 3)	903,811			715,467	1,619,278
Prepaid items	194,891				194,891
Advance to other funds (Note 4)	2,264,362				2,264,362
Other assets	3,884		160,617		164,501
Total Assets	\$64,197,815	\$4,201,115	\$283,330	\$31,233,911	\$99,916,171
LIABILITIES					
Accounts payable and accruals	\$12,817,770	\$2,604,418	\$299,929	\$849,535	\$16,571,652
Accrued payroll and benefits	593,547			36,597	630,144
Advance from other funds (Note 4)			2,264,362		2,264,362
Deposits	4,878,029				4,878,029
Unearned revenue	228,073				228,073
Total Liabilities	18,517,419	2,604,418	2,564,291	886,132	24,572,260
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - loans				92,575	92,575
Total Deferred Inflows of Resources				92,575	92,575
FUND BALANCES (Note 7):					
Nonspendable	3,363,065				3,363,065
Restricted		1,596,697		22,635,670	24,232,367
Assigned	16,400,000			7,619,534	24,019,534
Unassigned	25,917,331		(2,280,961)		23,636,370
Total Fund Balances	45,680,396	1,596,697	(2,280,961)	30,255,204	75,251,336
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$64,197,815	\$4,201,115	\$283,330	\$31,233,911	\$99,916,171

See accompanying notes to financial statements

CITY OF CUPERTINO
 Reconciliation of the
 GOVERNMENTAL FUNDS -- BALANCE SHEET
 with the
 STATEMENT OF NET POSITION
 JUNE 30, 2014

Total fund balances reported on the governmental funds balance sheet \$75,251,336

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

CAPITAL ASSETS

Capital assets used in Governmental Activities are not current assets or financial resources and therefore are not reported in the Governmental Funds. 160,546,106

ALLOCATION OF INTERNAL SERVICE FUND NET POSITION

Internal service funds are used by management to charge the costs of activities such as information technology, insurance, equipment acquisition and maintenance, and certain employees' benefits to governmental funds. The assets and liabilities of the internal service funds are therefore included in the governmental activities of the statement of net position. 19,277,116

RECEIVABLES NOT AVAILABLE

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

LONG TERM LIABILITIES

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

Long-term debt	(39,980,000)
Claims payable	(225,129)
Compensated absences	(2,777,913)
	<u> </u>

NET POSITION OF GOVERNMENTAL ACTIVITIES \$212,184,091

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, 2014

	General	Public Facilities Corporation	Stevens Creek Corridor Park Capital Project Fund	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	\$55,090,481			\$17,121,243	\$72,211,724
Use of money and property	690,484	\$1,151		72,664	764,299
Intergovernmental	403,439		\$122,713	2,543,248	3,069,400
Licenses and permits	3,679,943				3,679,943
Charges for services	12,975,029			489,037	13,464,066
Fines and forfeitures	615,085			1,804	616,889
Other revenue	545,052				545,052
Total Revenues	73,999,513	1,151	122,713	20,227,996	94,351,373
EXPENDITURES					
Current:					
Administration	3,957,739				3,957,739
Law enforcement	9,626,121				9,626,121
Public and environmental affairs	477,852				477,852
Administrative services	2,444,670				2,444,670
Recreation services	4,536,519				4,536,519
Community development	7,870,610			553,644	8,424,254
Public works	12,485,925			4,983,702	17,469,627
Capital outlay	109,755		4,060,803	2,940,416	7,110,974
Debt service:					
Principal		2,040,000			2,040,000
Interest and fiscal charges		1,130,428			1,130,428
Total Expenditures	41,509,191	3,170,428	4,060,803	8,477,762	57,218,184
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	32,490,322	(3,169,277)	(3,938,090)	11,750,234	37,133,189
OTHER FINANCING SOURCES (USES)					
Proceeds from sale of land	37,569				37,569
Transfers in (Note 4)		3,079,000		10,531,304	13,610,304
Transfers (out) (Note 4)	(22,891,804)			(1,607,350)	(24,499,154)
Total Other Financing Sources (Uses)	(22,854,235)	3,079,000		8,923,954	(10,851,281)
NET CHANGE IN FUND BALANCES	9,636,087	(90,277)	(3,938,090)	20,674,188	26,281,908
BEGINNING FUND BALANCES	36,044,309	1,686,974	1,657,129	9,581,016	48,969,428
ENDING FUND BALANCES	\$45,680,396	\$1,596,697	(\$2,280,961)	\$30,255,204	\$75,251,336

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, 2014

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

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$26,281,908
--	--------------

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

CAPITAL ASSETS TRANSACTIONS

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

Expenditures for capital assets reported as:

Capital outlay	9,471,546
----------------	-----------

Depreciation expense is deducted from the fund balance	(5,824,766)
--	-------------

LONG TERM DEBT TRANSACTIONS

Principal payments	2,040,000
--------------------	-----------

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):

Compensated absences	65,533
----------------------	--------

Claims payable	(125,129)
----------------	-----------

Deferred revenue	(62,027)
------------------	----------

ALLOCATION OF INTERNAL SERVICE FUND ACTIVITY

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

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

Change in Net Position - All Internal Service Funds	8,083,289
---	-----------

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$39,930,354
---	--------------

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, 2014

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with
	<u>Original</u>	<u>Final</u>		Final Budget Positive (Negative)
Revenues:				
Taxes	\$42,611,000	\$50,724,000	\$55,090,481	\$4,366,481
Use of money and property	660,000	660,000	690,484	30,484
Intergovernmental	265,000	289,500	403,439	113,939
Licenses and permits	3,480,000	3,480,000	3,679,943	199,943
Charges for services	4,514,660	16,265,689	12,975,029	(3,290,660)
Fines and forfeitures	620,000	620,000	615,085	(4,915)
Other revenue	38,000	63,000	545,052	482,052
	<u>52,188,660</u>	<u>72,102,189</u>	<u>73,999,513</u>	<u>1,897,324</u>
Amounts available for appropriation				
Charges for appropriation (outflows)				
Current				
Administration	5,036,264	4,896,786	3,957,739	939,047
Law enforcement	9,426,865	10,025,891	9,626,121	399,770
Public and environmental affairs	543,720	539,772	477,852	61,920
Administrative services	4,741,491	4,610,177	2,444,670	2,165,507
Recreation services	5,052,964	4,913,024	4,536,519	376,505
Community development	16,902,820	15,941,339	7,870,610	8,070,729
Public works	15,773,146	14,842,950	12,485,925	2,357,025
Capital outlay	28,000	142,738	109,755	32,983
	<u>57,505,270</u>	<u>55,912,677</u>	<u>41,509,191</u>	<u>14,403,486</u>
Total charges for appropriations				
EXCESS OF REVENUES OVER EXPENDITURES	<u>(5,316,610)</u>	<u>16,189,512</u>	<u>32,490,322</u>	<u>16,300,810</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of land		23,814,257	37,569	(23,776,688)
Transfers (out)		<u>(22,891,804)</u>	<u>(22,891,804)</u>	
Total other financing sources (uses)		<u>922,453</u>	<u>(22,854,235)</u>	<u>(23,776,688)</u>
NET CHANGE IN FUND BALANCE	<u><u>(\$5,316,610)</u></u>	<u><u>\$17,111,965</u></u>	9,636,087	<u><u>(\$7,475,878)</u></u>
BEGINNING FUND BALANCE			<u>36,044,309</u>	
ENDING FUND BALANCE			<u><u>\$45,680,396</u></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 2013-14.

RESOURCES RECOVERY FUND

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

BLACKBERRY FARM FUND

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

CUPERTINO SPORTS CENTER FUND

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

RECREATION PROGRAMS FUND

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

CITY OF CUPERTINO
 PROPRIETARY FUNDS
 STATEMENT OF NET POSITION
 JUNE 30, 2014

	Business-type Activities-Enterprise Funds				Totals	Governmental Activities- Internal Service Funds
	Resources Recovery	Blackberry Farm	Cupertino Sports Center	Recreation Programs		
ASSETS						
Current Assets:						
Cash and investments (Note 2)	\$6,367,056	\$784,409	\$1,071,262	\$3,382,955	\$11,605,682	\$17,051,498
Accounts receivable	293,279			38,227	331,506	
Interest receivable	2,971	370	498	1,532	5,371	7,983
Prepaid items						66,673
Total current assets	6,663,306	784,779	1,071,760	3,422,714	11,942,559	17,126,154
Noncurrent assets:						
Net OPEB asset (Note 11)						2,991,132
Capital Assets (Note 5):						
Depreciable, net of accumulated depreciation	27,132	56,554	80,261	946,467	1,110,414	1,515,117
Total noncurrent assets	27,132	56,554	80,261	946,467	1,110,414	4,506,249
Total Assets	6,690,438	841,333	1,152,021	4,369,181	13,052,973	21,632,403
LIABILITIES						
Current Liabilities:						
Accounts payable and accruals	391,362	26,600	197,443	121,823	737,228	154,911
Accrued payroll and benefits	14,009	6,729	14,506	47,959	83,203	54,763
Compensated absences (Note 1h)	8,419	14,123	2,846	31,017	56,405	36,052
Claims payable (Note 9)						478,051
Unearned revenue			120,187	576,841	697,028	
Total current liabilities	413,790	47,452	334,982	777,640	1,573,864	723,777
Non-current Liabilities:						
Compensated absences (Note 1h)	11,417	19,150	3,859	42,059	76,485	228,793
Claims payable (Note 9)						1,402,717
Total Liabilities	425,207	66,602	338,841	819,699	1,650,349	2,355,287
NET POSITION (Note 7)						
Net investment in capital assets	27,132	56,554	80,261	946,467	1,110,414	1,515,117
Unrestricted	6,238,099	718,177	732,919	2,603,015	10,292,210	17,761,999
Total Net Position	\$6,265,231	\$774,731	\$813,180	\$3,549,482	\$11,402,624	\$19,277,116

See accompanying notes to financial statements

CITY OF CUPERTINO
 PROPRIETARY FUNDS
 STATEMENT OF REVENUE, EXPENSES
 AND CHANGES IN FUND NET POSITION
 FOR THE YEAR ENDED JUNE 30, 2014

	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	\$2,058,410	\$290,609	\$2,186,741	\$2,480,207	\$7,015,967	\$3,802,391
Other	15,841	11,863	1,386	2	29,092	21,993
Total Operating Revenues	<u>2,074,251</u>	<u>302,472</u>	<u>2,188,127</u>	<u>2,480,209</u>	<u>7,045,059</u>	<u>3,824,384</u>
OPERATING EXPENSES						
Salaries and benefits	383,995	181,363	371,440	806,512	1,743,310	3,706,730
Materials and supplies	160,121	125,576	370,601	439,132	1,095,430	1,108,153
Contractual services	1,611,580	252,469	1,451,750	1,375,609	4,691,408	400,566
Insurance and claims and premium						566,859
Depreciation (Note 5)	3,351	11,592	27,912	109,512	152,367	467,392
Total Operating Expenses	<u>2,159,047</u>	<u>571,000</u>	<u>2,221,703</u>	<u>2,730,765</u>	<u>7,682,515</u>	<u>6,249,700</u>
Operating Income (Loss)	<u>(84,796)</u>	<u>(268,528)</u>	<u>(33,576)</u>	<u>(250,556)</u>	<u>(637,456)</u>	<u>(2,425,316)</u>
NONOPERATING REVENUES						
Investment income	6,490	763	957	3,028	11,238	21,105
Total Nonoperating Revenues	<u>6,490</u>	<u>763</u>	<u>957</u>	<u>3,028</u>	<u>11,238</u>	<u>21,105</u>
Income (Loss) Before Transfers	(78,306)	(267,765)	(32,619)	(247,528)	(626,218)	(2,404,211)
Transfers in (Note 4)		230,000	154,000	17,350	401,350	11,395,036
Transfers (out) (Note 4)						(907,536)
Change in net position	(78,306)	(37,765)	121,381	(230,178)	(224,868)	8,083,289
Net Position-Beginning of year	<u>6,343,537</u>	<u>812,496</u>	<u>691,799</u>	<u>3,779,660</u>	<u>11,627,492</u>	<u>11,193,827</u>
Net Position-End of year	<u>\$6,265,231</u>	<u>\$774,731</u>	<u>\$813,180</u>	<u>\$3,549,482</u>	<u>\$11,402,624</u>	<u>\$19,277,116</u>

See accompanying notes to financial statements

CITY OF CUPERTINO
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2014

	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	\$2,024,585	\$302,712	\$2,203,846	\$2,457,797	\$6,988,940	\$3,834,487
Cash payments to suppliers for goods and services	(1,513,808)	(359,585)	(1,799,797)	(1,791,762)	(5,464,952)	(1,521,137)
Cash payments to employees	(362,286)	(175,348)	(364,085)	(719,071)	(1,620,790)	(2,222,233)
Cash payments for judgment and claims						(563,640)
Net cash provided (used) by operating activities	<u>148,491</u>	<u>(232,221)</u>	<u>39,964</u>	<u>(53,036)</u>	<u>(96,802)</u>	<u>(472,523)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Advance from other funds						(560,564)
Transfers in		230,000	154,000	17,350	401,350	11,395,036
Transfers (out)						(907,536)
Cash Flows from Noncapital Financing Activities		<u>230,000</u>	<u>154,000</u>	<u>17,350</u>	<u>401,350</u>	<u>9,926,936</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Acquisition of capital assets		(5,999)		(494,769)	(500,768)	(517,917)
Cash Flows from Capital and Related Financing Activities		<u>(5,999)</u>		<u>(494,769)</u>	<u>(500,768)</u>	<u>(517,917)</u>
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest received	18,184	2,260	2,527	10,456	33,427	32,222
Cash Flows from Investing Activities	<u>18,184</u>	<u>2,260</u>	<u>2,527</u>	<u>10,456</u>	<u>33,427</u>	<u>32,222</u>
Net Cash Flows	166,675	(5,960)	196,491	(519,999)	(162,793)	8,968,718
Cash and investments at beginning of year	<u>6,200,381</u>	<u>790,369</u>	<u>874,771</u>	<u>3,902,954</u>	<u>11,768,475</u>	<u>8,082,780</u>
Cash and investments at end of year	<u>\$6,367,056</u>	<u>\$784,409</u>	<u>\$1,071,262</u>	<u>\$3,382,955</u>	<u>\$11,605,682</u>	<u>\$17,051,498</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:						
Operating income (loss)	(\$84,796)	(\$268,528)	(\$33,576)	(\$250,556)	(\$637,456)	(\$2,425,316)
Adjustments to reconcile operating income to net cash provided by operating activities:						
Depreciation	3,351	11,592	27,912	109,512	152,367	467,392
Change in assets and liabilities:						
Accounts receivable	(49,666)	240		(38,227)	(87,653)	
Prepaid expense						(534)
Net OPEB assets						1,268,765
Accounts payable and accruals	257,893	18,460	22,554	22,979	321,886	(18,266)
Accrued payroll and benefits	6,672	1,609	4,473	14,365	27,119	24,679
Deposits						207,538
Deferred revenue			15,719	15,815	31,534	
Claims payable						3,219
Compensated absences	<u>15,037</u>	<u>4,406</u>	<u>2,882</u>	<u>73,076</u>	<u>95,401</u>	
Net cash provided (used) by operating activities	<u>\$148,491</u>	<u>(\$232,221)</u>	<u>\$39,964</u>	<u>(\$53,036)</u>	<u>(\$96,802)</u>	<u>(\$472,523)</u>

See accompanying notes to financial statements

FIDUCIARY FUNDS

Fiduciary Funds include a private-purpose trust fund that accounts for the accumulation of resources to be used for payments at appropriate amounts and times in the future.

Fiduciary Funds also include agency funds that account for assets held by the City as an agent for individuals, private organizations, other governmental units, or other entities. Agency Funds are custodial in nature and do not involve measurement of operation results. Such funds have no equity since all assets are due to individuals or other entities in the future.

SUCCESSOR AGENCY TO FORMER REDEVELOPMENT AGENCY PRIVATE-PURPOSE TRUST FUND

This fund holds the net position of the City's former redevelopment agency. The net position is dedicated to remaining agency obligations.

AGENCY FUNDS

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

CITY OF CUPERTINO
 FIDUCIARY FUNDS
 STATEMENT OF NET POSITION
 JUNE 30, 2014

	Successor Agency to Redevelopment Agency Private-purpose Trust Fund	Agency Funds
ASSETS		
Cash and investments	\$0	\$0
Total Assets	\$0	\$0
 LIABILITIES		
Accrued payroll and benefits	\$0	
Deposits		\$0
Total Liabilities	0	\$0
 NET POSITION		
Held in trust for restricted purposes	\$0	

See accompanying notes to financial statements

CITY OF CUPERTINO
 FIDUCIARY FUND
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 FOR THE YEAR ENDED JUNE 30, 2014

	Successor Agency to Redevelopment Agency Private-purpose Trust Fund <u> </u>
DEDUCTIONS	
Community development activities	<u>\$773,727</u>
Total deductions	<u>773,727</u>
Change in net position	(773,727)
Net position - beginning of year	<u>773,727</u>
Net position - end of year	<u><u> </u></u>

See accompanying notes to financial statements

This Page Left Intentionally Blank

CITY OF CUPERTINO
Notes to Basic Financial Statements
For the Year Ended June 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Reporting Entity

The City of Cupertino, California (the City) was incorporated on October 3, 1955, under the laws of the State of California. The City operates under a Council - City Manager form of government and provides services through the following departments: Administrative Services, Community Development, City Manager, Parks and Recreation, Public and Environmental Affairs, and Public Works. Fire services are provided by the Santa Clara County Fire District, and the City contracts with the Santa Clara County Sheriff's Department for police services, and with Recology for garbage and recycling services.

The accompanying basic financial statements include all funds and boards and commissions that are controlled by the City Council. The basic financial statements include the City's blended component unit entity for which the City is considered to be financially accountable. A blended component unit, although a legally separate entity, is in substance, part of the City's operations and so data from this unit is combined with the City.

Blended component unit - The Cupertino Public Facilities Corporation (the Corporation) was incorporated in May 1986, under the Nonprofit Public Benefit Corporation Law of the State of California. The Corporation was organized as a nonprofit corporation for the purpose of assisting the City in the acquisition, construction, and financing of public improvements which are of public benefit to the City. The Corporation, after acquiring certain properties from the City, leases these back to the City. The lease money provides the funds for the debt service for the Certificates of Participation issued by the Corporation to acquire the properties.

The Corporation does not issue separate financial statements, since it is reported separately in the City's basic financial statements.

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

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

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

CITY OF CUPERTINO
Notes to Basic Financial Statements
For the Year Ended June 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

CITY OF CUPERTINO
Notes to Basic Financial Statements
For the Year Ended June 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

- The *General Fund* is the general operating fund of the City. It is used to account for all financial resources except those that are required to be accounted for in another fund.
- The *Public Facilities Corporation Debt Service Fund* accounts for the payments of principal and interest on certificates of participation issued to provide for the financing of City Hall, Library, Wilson Park, Memorial Park, and other City facilities.
- The *Stevens Creek Corridor Park Capital Projects Fund* accounts for the design and construction of the Stevens Creek Corridor Park projects.

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

- The *Resources Recovery Fund* accounts for activity related to the collection, disposal, and recycling of solid waste. A private company has been issued an exclusive franchise to perform these services.
- The *Blackberry Farm Fund* accounts for activities related to the municipal golf course.
- The *Cupertino Sports Center Fund* accounts for the operation and maintenance of the Cupertino Sports Center.
- The *Recreation Programs Fund* accounts for activities of the City's community centers and park facilities.

The City also reports the following fund types:

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

Fiduciary Fund Types. The financial activities of these funds are excluded from the Government-wide financial statements. The *Successor Agency to Redevelopment Agency Private-Purpose Trust Fund* accounts for net position restricted to satisfying the remaining obligations of the former Redevelopment Agency. See Note 14 for more information. The *Agency Fund* accounts for the City's role as an agent for repaying special assessment debt.

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

CITY OF CUPERTINO
Notes to Basic Financial Statements
For the Year Ended June 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

Fiduciary financial statements consist of a private-purpose trust fund and agency fund. The measurement focus and basis of accounting of the private-purpose trust fund is similar to a proprietary fund. The agency fund reports only assets and liabilities and therefore has no measurement focus. It recognizes 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. Other receipts and taxes are recognized as revenue when the cash is received. Sales taxes collected and held by the state at year end on behalf of the City are also recognized as revenue. Sales tax consultant payments which are contingent on revenues collected are netted against the related revenues.

Under the terms of grant agreements, the City may fund certain programs with a combination of cost-reimbursement grants, categorical block grants, and general revenue. The City's policy is to first apply restricted grant resources to such programs, followed by general revenues if necessary. Grant revenues are recognized after eligibility and billing occurs, but may be a deferred inflow if not received within sixty days of year-end. Because of the cost-reimbursement and recognition nature of some grants, certain capital project funds may carry deficit fund balances until billing and receipt of grants. The City may also front the capital outlays with cash advances from other funds.

Non-exchange transactions, in which the City gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants, entitlements, and donations. On the accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied or assessed. Revenue from grants is recognized as described above. Entitlement and donation revenues are recognized when cash is received.

CITY OF CUPERTINO
Notes to Basic Financial Statements
For the Year Ended June 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(c) *Budgetary Practices*

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

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

The City's legal level of budgetary control is at the functional level for the general fund and at the fund level for other funds. The City Manager is responsible for controlling the City's expenditures in accordance with the adopted budget. The City Manager is authorized to administer and transfer appropriations between budget accounts within the operating budget when in his opinion such transfers become necessary for administrative purposes. Any revision which increases total appropriations must be approved by the City Council. Requests for additional personnel or capital outlay also require the approval of the City Council.

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

(d) *Cash and Investments*

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

(e) *Capital Assets*

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

CITY OF CUPERTINO
Notes to Basic Financial Statements
For the Year Ended June 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Capital Assets (Continued)

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

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

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

(f) Claims and Judgment Payable

Claims and judgments payable are accrued when the liability is incurred and the amount can be reasonably estimated. Claims and judgments payable are recorded in an internal service fund for workers' compensation and long-term disability, and other claims and judgments are recorded in the General Fund or enterprise funds, as appropriate.

CITY OF CUPERTINO
Notes to Basic Financial Statements
For the Year Ended June 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) *Compensated Absences*

Compensated absences comprise vested accumulated vacation and sick leave. The City’s liability for compensated absences is recorded in governmental or business-type activities as appropriate. The liability for compensated absences is determined annually. For all governmental funds, amounts expected to be “permanently liquidated,” such as what is due to be paid because of a realized employment action, are recorded as fund liabilities; the long-term portion is recorded in the Statement of Net Position.

Compensated absences are liquidated by the fund that has recorded the liability. The long-term portion of governmental activities compensated absences are liquidated primarily by the General Fund, using the Compensated Absences and Long-Term Disability internal service fund to account for termination payouts.

The changes in compensated absences for the year ended June 30, 2014 were as follows:

	Governmental Activities	Business-Type Activities	Total
Beginning Balance	\$2,900,753	\$37,489	\$2,938,242
Additions	409,043	96,721	505,764
Payments	(267,038)	(1,320)	(268,358)
Ending Balance	<u>\$3,042,758</u>	<u>\$132,890</u>	<u>\$3,175,648</u>
Current Portion	<u>\$450,250</u>	<u>\$56,405</u>	<u>\$506,655</u>
Non-current Portion	<u>\$2,592,508</u>	<u>\$76,485</u>	<u>\$2,668,993</u>

(h) *Deferred Outflows/Inflows of Resources*

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

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

CITY OF CUPERTINO
Notes to Basic Financial Statements
For the Year Ended June 30, 2014

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) *Property Tax Calendar*

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

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

(j) *Interfund Transactions*

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

(k) *Statement of Cash Flows*

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

(l) *Prepaid Items*

Prepaid items are reported under the consumption method, which recognizes the expenditures/expense in the period associated with the service rendered or goods consumed.

(m) *Use of Estimates*

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

(n) *Closed Funds*

As of June 30, 2014, the Successor Agency to Redevelopment Agency Private-Purpose Trust Fund and the Agency Funds were closed.

(o) *General Fund Accounts Payable*

In January 2014, the City received a \$6.8 million prepayment for a construction project permit fees. However, in May 2014, when the building permit was issued, the City received another \$9.8 million which included the \$6.8 million construction tax that was already collected earlier in January 2014. Accordingly, on June 30, 2014, the City recorded the \$6.8 million overpayment as an accrued payable. The overpayment was refunded to the company on July 2014.

CITY OF CUPERTINO
Notes to Basic Financial Statements
For the Year Ended June 30, 2014

NOTE 2 – CASH AND INVESTMENTS

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

(a) Policies

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

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

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

(b) Classification

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

	Primary Government
Cash and Investments	\$114,701,045
Restricted Cash and Investments:	
Held by Fiscal Agent for Bond Repayments	4,193,199
Total Cash and Investments	\$118,894,244

CITY OF CUPERTINO
Notes to Basic Financial Statements
For the Year Ended June 30, 2014

NOTE 2 – CASH AND INVESTMENTS (Continued)

(c) Authorized Investments by the City

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

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
U.S. Treasury Obligations	5 years	N/A	None	None
U.S. Agency Securities *	5 years	N/A	None	None
California Local Agency Investment Fund (LAIF)	N/A	N/A	Up to \$50 million	None
Non-negotiable Certificates of Deposits (time deposits)	5 years	N/A	30% ***	10% of portfolio; 5% of issuer's net worth. **
State of California registered state warrants, treasury notes, or bonds	5 years	N/A	None	None
California local agency bonds, notes, warrants, or other obligations	5 years	N/A	None	None
Bond issued by the local agency	5 years	N/A	None	None
Bankers' Acceptances	180 days	N/A	40%	None
Commercial Paper	270 days	A-1+/P-1	25%	10% of portfolio; 5% of issuer's net worth; 10% of outstanding paper of issuer. **
Negotiable Certificates of Deposit	5 years	N/A	30%	10% of portfolio; 5% of issuer's net worth. **
Repurchase Agreements	1 year	N/A	None	10% of portfolio; 5% of issuer's net worth. **
Medium Term Corporate Notes	5 years	A or better	30%	10% of portfolio; 5% of issuer's net worth. **
Money market mutual funds investing in U.S. Treasury, Government Agency securities or repurchase agreements collateralized by U.S. Treasury or Government Agency securities	5 years	Aaa/AAA	20%	None

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

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

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

CITY OF CUPERTINO
Notes to Basic Financial Statements
For the Year Ended June 30, 2014

NOTE 2 – CASH AND INVESTMENTS (Continued)

(d) Authorized Investments by Debt Agreements

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

Authorized Investment Type	Maximum Maturity	Minimum Credit Quality	Maximum Percentage of Portfolio
Cash or obligations of the U.S. including U.S. Treasury obligations	N/A	N/A	None
Federal agencies obligations which represent full faith and credit of the U.S.	N/A	N/A	None
Direct federal agencies obligations which are not fully guaranteed by the full faith and credit of the U.S.	N/A	N/A	None
U.S. dollar denominated deposit accounts, federal funds and bankers' acceptances with domestic commercial banks	360 days	P-1, A-1+, A-1	None
Commercial Paper	270 days	P-1, A-1	None
Money market funds	N/A	Aaam or AAAM-G	None
Pre-refunded municipal obligations that are not callable prior to maturity or as to which irrevocable instructions have been given to call on the date specified in the notice	N/A	Highest rating category	None
Municipal obligations or General obligations of states	N/A	Aaa, AAA, A2, A	None
California Local Agency Investment Fund (LAIF)	N/A	N/A	Up to \$50 million
Shares in a California common law trust established pursuant to Title 1, Division 7, Chapter 5 of the California Government Code which invests exclusively in investments permitted by Section 53635 of Title 5, Division 2, Chapter of the California Government Code, as it may be amended.	N/A	N/A	None

CITY OF CUPERTINO
Notes to Basic Financial Statements
For the Year Ended June 30, 2014

NOTE 2 – CASH AND INVESTMENTS (Continued)

(e) Interest Rate Risk

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

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

<u>Investment Type</u>	<u>12 Months or less</u>	<u>13 to 24 Months</u>	<u>More than 24 Months</u>	<u>Total</u>
U.S. Treasury Securities		\$12,006,760	\$21,134,880	\$33,141,640
U.S. Agency Notes			29,597,750	29,597,750
Local Agency Investment Fund	\$30,929,247			30,929,247
Money Market Mutual Funds	17,267,899			17,267,899
Total Investments	<u>\$48,197,146</u>	<u>\$12,006,760</u>	<u>\$50,732,630</u>	110,936,536
Cash in banks and on hand				<u>7,957,708</u>
Total Cash and Investments				<u>\$118,894,244</u>

The City is a participant in the Local Agency Investment Fund (LAIF) that is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The Local Investment Advisory Board (Board) has oversight responsibility for LAIF. The Board consists of five members as designated by State Statute. The City reports its investment in LAIF at the fair value amount provided by LAIF, which is the same as the value of the pool share. The balance is available for withdrawal on demand, and is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis. Included in LAIF's investment portfolio are U.S. Treasuries, Federal Agency obligations, time deposits, negotiable certificates of deposits, commercial paper, corporate bonds, and security loans. These investments had weighted average maturity of 232 days.

Money market mutual funds are available for withdrawal on demand. At June 30, 2014, money market mutual funds, used for pooled investment and held by fiscal agent purposes, had a weighted average maturity of approximately 50 days.

CITY OF CUPERTINO
Notes to Basic Financial Statements
For the Year Ended June 30, 2014

NOTE 2 – CASH AND INVESTMENTS (Continued)

(f) Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the actual rating as of June 30, 2014 for each investment type, including those with fiscal agents, as provided by Moody's ratings:

Investment Type	Ratings	Total
Money Market Mutual Funds	AAA	\$17,267,899
U.S. Agency Notes	AAA	29,597,750
Exempt from Credit Rating Disclosure:		
U.S. Treasury Securities	Exempt	33,141,640
Not Rated:		
Local Agency Investment Fund	Not Rated	<u>30,929,247</u>
Total Investments		<u><u>\$110,936,536</u></u>

(g) Concentration of Credit Risk

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

Issuer	Investment Type	2014
Federal Home Loan Mortgage Corporation (FHLMC)	U.S. Agency Notes	\$7,185,740
Federal National Mortgage Association (FNMA)	U.S. Agency Notes	11,230,460
Federal Home Loan Banks (FHLB)	U.S. Agency Notes	6,147,330

CITY OF CUPERTINO
Notes to Basic Financial Statements
For the Year Ended June 30, 2014

NOTE 3 – LOANS RECEIVABLE

(a) *Related Party Loans*

In conjunction with the City's executive housing assistance program, a loan totaling \$584,360 has been provided to an executive manager. The 40-year loan bears an interest rate equal to the 11th District Cost of Funds at the time of the loan, and requires bi-weekly principal and interest payments. In addition, there is a two percent deferral on the interest rate for the first five years of the loan, at which time the interest rate may be adjusted to the current 11th District Cost of Funds for the remainder of the loan. At June 30, 2014, the balance remaining on the loan was \$427,447.

(b) *Housing Program Loans*

On June 30, 1995, the City loaned \$821,000 to Community Housing Developers, a California nonprofit public benefit corporation. The note bears interest at three percent per annum, compounded annually, payable to the extent of surplus cash, and all unpaid principal and interest due June 30, 2035. At June 30, 2014, the balance remaining on the loan was \$821,000.

On June 6, 1996, the City loaned \$320,000 to Cupertino Community Services, a California nonprofit public benefit corporation. The note bears interest at three percent per annum and due on July 14, 2026. At June 30, 2014, the balance on the loan was \$226,031.

In addition to these loans, the City has \$144,800 in housing and other loans receivable at June 30, 2014. These loans bear interest at 3 to 6 percent and are due by June 30, 2025.

CITY OF CUPERTINO
Notes to Basic Financial Statements
For the Year Ended June 30, 2014

NOTE 4 - INTERFUND TRANSACTIONS

Transfers between funds during the fiscal year ended June 30, 2014 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	\$3,079,000 (A)
	Blackberry Farm Enterprise Fund	230,000 (B)
	Sports Center Enterprise Fund	154,000 (C)
	Non-major governmental funds	8,941,304 (D)
	Internal service funds	10,487,500 (E)
Non-major governmental funds	Recreation Programs Enterprise Fund	17,350 (F)
	Non-major governmental funds	1,590,000 (G)
Internal service funds	Internal service funds	<u>907,536 (H)</u>
Total Interfund Transfers		<u><u>\$25,406,690</u></u>

The reasons for these transfers are set forth below:

- (A) For annual lease payment for 2012 Certificates of Participation debt service.
- (B) To fund the Golf Course Master Plan and cover increasing costs and declining revenues.
- (C) To fund the implementation of the City's Cost Allocation Plan (CAP).
- (D) To fund capital projects.
- (E) To fund retiree medical, support IT operations, and equipment replacement.
- (F) To fund additional dog park improvements needed to complete project.
- (G) To fund the Environmental Education Center.
- (H) To fund City Channel operational costs.

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.

Advance to and advance from other funds

During fiscal year ended June 30, 2014, the General Fund loaned the Stevens Creek Corridor Park Capital Project Fund \$2,264,362 to fund the Stevens Creek Corridor Park construction project. The Capital Project Fund is expected to repay the General Fund during fiscal year ended June 30, 2015 through various funding sources from other agencies.

CITY OF CUPERTINO
Notes to Basic Financial Statements
For the Year Ended June 30, 2014

NOTE 5 - CAPITAL ASSETS

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

	Balance at June 30, 2013	Additions	Retirements	Balance at June 30, 2014
<i>Governmental activities</i>				
Capital assets not being depreciated:				
Land	\$60,470,969	\$1,575,000		\$62,045,969
Easements	19,491,959			19,491,959
Total capital assets not being depreciated	79,962,928	1,575,000		81,537,928
Capital assets being depreciated:				
Buildings	40,864,254	169,630		41,033,884
Improvements other than buildings	41,787,921	4,210,617		45,998,538
Machinery and Equipment - governmental funds	2,141,820	73,308	(\$22,352)	2,192,776
Road, curbs, gutters, sidewalks, medians and bridges	129,899,114	3,266,857		133,165,971
Streetlights	8,543,894	89,875		8,633,769
Storm drain structure and mains	32,011,422	74,560		32,085,982
Traffic signals	6,143,610	11,699		6,155,309
Total capital assets being depreciated	261,392,035	7,896,546	(22,352)	269,266,229
Less accumulated depreciation for:				
Buildings	(19,822,656)	(1,518,194)		(21,340,850)
Improvements other than buildings	(26,846,578)	(1,503,984)		(28,350,562)
Machinery and Equipment - governmental funds	(1,844,191)	(86,672)	22,352	(1,908,511)
Road, curbs, gutters, sidewalks, medians and bridges	(96,096,554)	(1,699,422)		(97,795,976)
Streetlights	(6,708,800)	(102,195)		(6,810,995)
Storm drain structure and mains	(28,213,007)	(800,286)		(29,013,293)
Traffic signals	(4,923,851)	(114,013)		(5,037,864)
Total accumulated depreciation	(184,455,637)	(5,824,766)	22,352	(190,258,051)
Net governmental fund program				
Capital assets being depreciated	76,936,398	2,071,780		79,008,178
Internal service fund capital assets				
Machinery and equipment	6,633,667	517,917	(168,925)	6,982,659
Less Accumulated depreciation	(5,169,075)	(467,392)	168,925	(5,467,542)
Net internal service fund capital assets being depreciated	1,464,592	50,525		1,515,117
Governmental activity capital assets, net	\$158,363,918	\$3,697,305		\$162,061,223

CITY OF CUPERTINO
Notes to Basic Financial Statements
For the Year Ended June 30, 2014

NOTE 5 - CAPITAL ASSETS (Continued)

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

	Balance at June 30, 2013	Additions	Balance at June 30, 2014
<i>Business-type activities:</i>			
Capital assets being depreciated:			
Buildings	\$337,118	\$44,038	\$381,156
Improvements other than buildings	709,869	456,730	1,166,599
Machinery and Equipment	248,524		248,524
Total capital assets being depreciated	<u>1,295,511</u>	<u>500,768</u>	<u>1,796,279</u>
Less accumulated depreciation for:			
Buildings	(96,447)	(32,128)	(128,575)
Improvements other than buildings	(219,455)	(101,055)	(320,510)
Machinery and Equipment	(217,596)	(19,184)	(236,780)
Total accumulated depreciation	<u>(533,498)</u>	<u>(152,367)</u>	<u>(685,865)</u>
Total capital assets, being depreciated, net	<u>762,013</u>	<u>348,401</u>	<u>1,110,414</u>
Business-type activity capital assets, net	<u><u>\$762,013</u></u>	<u><u>\$348,401</u></u>	<u><u>\$1,110,414</u></u>

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

Depreciation expense was charged to governmental activities as follows:

Governmental Activities	Amount
Administration	\$237,838
Public and environment affairs	12,946
Administrative Services	22,892
Parks and Recreation	130,343
Public Works	5,420,747
Internal Service funds	467,392
Total	<u><u>\$6,292,158</u></u>

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

Resources Recovery	\$3,351
Blackberry Farms	11,592
Cupertino Sports Center	27,912
Recreation Program	109,512
Total	<u><u>\$152,367</u></u>

CITY OF CUPERTINO
Notes to Basic Financial Statements
For the Year Ended June 30, 2014

NOTE 6 - LONG-TERM DEBT

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

	Original Issue Amount	Balance June 30, 2013	Retirements	Balance June 30, 2014	Current Portion
2012 Refinancing Certificates of Participation					
0.350-3.125%, due 07/01/2030	\$43,940,000	<u>\$42,020,000</u>	<u>\$2,040,000</u>	<u>\$39,980,000</u>	<u>\$2,055,000</u>
Total long-term debt		<u>42,020,000</u>	<u>2,040,000</u>	<u>39,980,000</u>	<u>\$2,055,000</u>
Less current portions		<u>(2,040,000)</u>		<u>(2,055,000)</u>	
Non-current portions		<u>\$39,980,000</u>	<u>\$2,040,000</u>	<u>\$37,925,000</u>	

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

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

On May 9, 2012, \$43,940,000 principal amount of 2012 Refinancing Certificates of Participation (2012 COPs) were issued to refund the 2002 COPs, to fund a reserve fund for the 2012 COPS, and pay costs incurred in connection with issuance. This current refunding was undertaken to reduce debt service payments over the next 18 years by \$6,518,000, and resulted in an economic gain (difference between the present value of the debt service requirements on the old and new bonds discounted at the effective interest rate on the new debt and adjusted for any additional cash) of \$6,637,000.

The 2012 COPs are payable by a pledge of revenues from the lease payments payable by the City pursuant to the Lease Agreement between the Cupertino Public Facilities Corporation and the City for the use and possession of the Site and Facility as described in the Lease Agreement. The City also covenanted in the Lease Agreement to include all lease payments in its annual budget. Total debt service payments remaining on the 2012 COPs is \$53,898,337 payable through July 1, 2030. For the year-ended June 30, 2014, the bonds had \$2,040,000 principal and \$1,128,838 interest due.

CITY OF CUPERTINO
Notes to Basic Financial Statements
For the Year Ended June 30, 2014

NOTE 6 - LONG-TERM DEBT (Continued)

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

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

For the Year Ending June 30	Governmental Activities	
	Principal	Interest
2015	\$2,055,000	\$1,118,638
2016	2,090,000	1,077,538
2017	2,135,000	1,035,738
2018	2,180,000	993,038
2019	2,220,000	949,438
2020 - 2024	12,145,000	3,706,938
2025 - 2029	14,085,000	1,772,240
2030 - 2031	3,070,000	95,931
Total	\$39,980,000	\$10,749,499

NOTE 7 - NET POSITION AND FUND BALANCES

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

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

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

CITY OF CUPERTINO
Notes to Basic Financial Statements
For the Year Ended June 30, 2014

NOTE 7 - NET POSITION AND FUND BALANCES (Continued)

Restricted – This category represents net position that has external restrictions imposed by creditors, grantors, contributors or laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted – This category represents net position of the City that do not meet the definition of “net investment in capital assets” or “restricted.”

Fund Balances – As prescribed by GASB Statement No. 54, governmental funds report fund balance in classifications based primarily on the extent to which the City is bound to honor constraints on the specific purposes for which amounts in the funds can be spent. Fund balances for governmental funds are made up of the followings:

Nonspendable Fund Balance – includes amounts that are (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example: prepaid items, property held for resale and long-term notes receivable.

Restricted Fund Balance – includes amounts that can be spent only for the specific purposes stipulated by external resource providers, constitutionally or through enabling legislation. Restrictions may effectively be changed or lifted only with the consent of resource providers.

Committed Fund Balance – includes amounts that can only be used for the specific purposes determined by a formal action of the City’s highest level of decision-making authority, the City Council. Commitments may be changed or lifted only by the City taking the same formal action that imposed the constraint originally (for example: resolution and ordinance). The City has no amount in this category.

Assigned Fund Balance – comprises amounts intended to be used by the City for specific purposes that are neither restricted nor committed. Intent is expressed by the City Council or official to which the City Council has delegated the authority to assign amounts to be used for specific purposes. Through the adopted budget, the City Council establishes assigned fund balance policy levels and also sets the means and priority for the City Manager to fund these levels.

Unassigned Fund Balance – is the residual classification for the General Fund and includes all amounts not contained in the other classifications. Unassigned amounts are technically available for any purpose.

In circumstances when an expenditure may be made for which amounts are available in multiple fund balance classifications, the fund balance in General Fund will generally be used in the order of restricted, unassigned, and then assigned reserves. In other governmental funds, the order will generally be restricted and then assigned.

CITY OF CUPERTINO
Notes to Basic Financial Statements
For the Year Ended June 30, 2014

NOTE 7 - NET POSITION AND FUND BALANCES (Continued)

The City Council has established reserve policy levels for various capital and contingency purposes. These balances are reported as part of the governmental funds' assigned fund balance as follows:

Fund	Amount
General Fund:	
Economic uncertainty I	\$12,500,000
Economic uncertainty II	1,400,000
Economic fluctuation	2,000,000
PERS liability	500,000
Capital Project Funds:	
Capital Improvement reserve	200,113
Infrastructure Reserve	1,200,000
Budgeted projects	6,143,497
Designated project	75,924
Total assigned fund balances	\$24,019,534

Fund balances for all major and nonmajor governmental funds as of June 30, 2014, were distributed as follows:

	General	Public Facilities Corporation	Stevens Creek Corridor Park	Other Governmental Funds	Total
Nonspendable:					
Loans receivable	\$903,812				\$903,812
Prepaid items	194,891				194,891
Advances	2,264,362				2,264,362
Subtotal	3,363,065				3,363,065
Restricted for:					
Public access television					
Debt service		\$1,596,697			1,596,697
Storm drain system				\$2,701,630	2,701,630
Parks and open space				8,533,288	8,533,288
Environmental management				363,865	363,865
Streets and road projects				1,724,619	1,724,619
Housing programs				9,312,268	9,312,268
Subtotal		1,596,697		22,635,670	24,232,367
Assigned to:					
General government	16,400,000				16,400,000
Capital projects				7,619,534	7,619,534
Subtotal	16,400,000			7,619,534	24,019,534
Unassigned					
Total	25,917,331	\$1,596,697	(\$2,280,961)	\$30,255,204	23,636,370
	\$45,680,396	\$1,596,697	(\$2,280,961)	\$30,255,204	\$75,251,336

CITY OF CUPERTINO
Notes to Basic Financial Statements
For the Year Ended June 30, 2014

NOTE 8 - COMMITMENTS AND CONTINGENCIES

(a) Federal and State Grant

The City participates in a number of federal and state grant programs subject to financial and compliance audits by the grantors or their representatives. Audits of certain grant programs, including those for the year ended June 30, 2014, have yet to be conducted. The amount, if any, of expenditures that may be disallowed by the granting agencies cannot be determined at this time. Management believes that such disallowances, if any, would not have a material effect on the financial statements.

(b) Encumbrances

The City uses encumbrances to control expenditure commitments for the year. Encumbrances represent commitments related to executor contracts not yet performed and purchase orders not yet filled. Commitments for such expenditure of monies are encumbered to reserve a portion of applicable appropriations. Encumbrances still open at year end are not accounted for as expenditures and liabilities, but as restricted, or unassigned fund balance. As of June 30, 2014, the City had the following encumbrances outstanding:

Governmental Funds:	
General Fund	\$11,081,064
Stevens Creek Corridor Park	177,681
Other Governmental Funds	<u>4,419,378</u>
Total encumbrances	<u><u>\$15,678,123</u></u>

(c) Lease Agreement with County of Santa Clara

The City has an agreement, expiring in 2019, to lease a building to the County of Santa Clara for the purpose of providing library service to the City’s residents. The lease requires a minimum annual payment of \$120,000 adjusted for Cupertino’s portion of book circulation and increase of assessed valuation. This is an operating lease with a renewable option. At June 30, 2014, the cost and carrying value of the building which opened in October 2004, is \$21,935,325 and \$14,033,800 respectively, with \$7,901,525 in accumulated depreciation.

(d) Consulting Agreement for Sales Taxes

The City entered into agreements with two companies to provide services consisting of the assessment and creation of new sales and use tax revenue sources for the City. The City agreed to pay the companies based on a sliding scale payment schedule dependent on the level of new sales tax revenue realized by the City as defined in the consulting agreements.

CITY OF CUPERTINO
Notes to Basic Financial Statements
For the Year Ended June 30, 2014

NOTE 9 - LIABILITIES UNDER SELF-INSURANCE AND RISK MANAGEMENT

(a) *General and Property Liability*

The City is self-insured for the first \$250,000 of general and property liability for each occurrence, and the excess (up to \$10,000,000 for each occurrence and annual aggregate) is covered through the City's participation in the Association of Bay Area Governments Pooled Liability Assurance Network (ABAG PLAN). The risk pool consists of 30 agencies within the San Francisco Bay Area. The stated purpose of the ABAG PLAN is to provide certain levels of liability insurance coverage, claims management, risk management services, and legal defense to its participating members. ABAG PLAN is governed by a Board of Directors, which comprises officials appointed by each participating member. Premiums paid to ABAG are subject to possible refund based on the results of actuarial studies and approval by the Board of Directors. Complete financial statements for ABAG PLAN may be obtained from their offices at the following address: ABAG PLAN, Finance Department, P.O. Box 2050, Oakland, CA 94604. Premiums are revised each year based on the City's claims experience and risk exposure. For the year ended June 30, 2014, the City paid ABAG PLAN premiums of \$266,006.

(b) *Workers' Compensation Liability*

The City belongs to the CSAC Excess Insurance Authority (EIA), a joint power authority which provides excess workers' compensation liability claims coverage above the City's self-insured retention of \$500,000 per occurrence. Losses above the self-insured retention are pooled with excess reinsurance purchased to a \$50,000,000 statutory limit. EIA was established in 1979 for the purpose of creating a risk management pool for all California public entities. EIA is governed by a Board of Directors consisting of representatives of its member public entities. Complete financial statements for EIA may be obtained from their offices at the following address: CSAC Excess Insurance Authority, Finance Department, 75 Iron Point Circle, Suite 200, Folsom, CA 95630. For the year ended June 30, 2014, the City paid premiums of \$213,816 EIA.

It is the City's practice to obtain biennial actuarial studies for the self-insured workers' compensation liability. The claims liabilities included in the workers' compensation internal service fund is based on the results of actuarial studies and include amounts for claims incurred but not reported and loss adjustment expenses. Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends, including frequency and amount of payouts, and other economic and social factors. Inflation of 2.5%, annual rate of return of 2%, claim severity increase at 2.5% were assumed. In the current year, management used actuarial estimates based on a 90% confidence level.

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

CITY OF CUPERTINO
Notes to Basic Financial Statements
For the Year Ended June 30, 2014

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

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

	2014	2013
Claims liability, beginning of year	\$1,977,549	\$1,495,978
Incurred claims and changes in estimate	345,383	693,219
Claim payments and credits	(217,035)	(211,648)
Total claims liability, end of year	2,105,897	1,977,549
Less current portion	(478,051)	(436,636)
Non-current portion	\$1,627,846	\$1,540,913

NOTE 10 - 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 (Plan). Benefit provisions under the Plan 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.

(b) Funding Policy

The contribution requirements of plan members and the City are established and may be amended by CalPERS. The City is required to contribute at an actuarially determined rate for 2013-14 based on the June 30, 2012 actuarial report.

The City covered 56.25% of the employees' required payroll contributions for fiscal year 2013-14. The City uses the actuarially determined percentages of payroll to calculate and pay 100% of the required contributions to CalPERS. This results in no net pension obligations or unpaid contributions.

CITY OF CUPERTINO
Notes to Basic Financial Statements
For the Year Ended June 30, 2014

NOTE 10 - DEFINED BENEFIT PENSION PLAN (Continued)

(c) Annual Pension Cost

The required contribution was determined as part of June 30, 2012 actuarial valuations using the entry age normal method. The actuarial value of CalPERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a fifteen-year period. The excess of the total actuarial accrued liability over the actuarial value of plan assets is called the unfunded actuarial accrued liability. Funding requirements are determined by adding the normal cost and an amortization of the unfunded liability as a level percentage of assumed future payrolls. Initial unfunded liabilities are amortized over a closed period that depends on the plan's date of entry into CalPERS. Subsequent plan amendments are amortized as a level percentage of pay over a closed 20-year period. Gains and losses that occur in the operation of the plan are amortized over a 30-year rolling period, which results in an amortization of about 6% of unamortized gains or losses each year.

Recent Annual Pension Costs, which equal the Annual Required Contribution to CALPERS, were as follows:

Fiscal Year	Annual Pension Cost (APC)	Contribution
6/30/2012	\$2,657,476	100%
6/30/2013	2,880,647	100%
6/30/2014	2,962,493	100%

(d) Funded Status and Funding Progress

The significant actuarial assumptions used to prepare the City's June 30, 2012 actuarial valuation include the following:

Valuation date:	June 30, 2012
ARC:	Determined for fiscal year 2014/2015
Actuarial Cost Method:	Entry Age Normal Cost Method
Amortization Method:	Level percent of payroll
Average Remaining Period	20 Years as of Valuation Date
Asset Valuation Method:	15 Year Smoothed Market
Actuarial Assumptions:	
Investment Rate of Return:	7.50% (net of administrative expenses)
Projected Salary Increase:	3.30% to 14.20% depending on Age, Service and type of employment
Inflation:	2.75%
Payroll Growth:	3.00%
Individual Salary Growth:	A merit scale varying by duration of employment coupled with an assumed annual inflation growth of 2.75% and an annual production growth of 0.25%.

CITY OF CUPERTINO
Notes to Basic Financial Statements
For the Year Ended June 30, 2014

NOTE 10 - DEFINED BENEFIT PENSION PLAN (Continued)

CalPERS' latest available actuarial data and funding progress are set forth below at their actuarial valuation date as of June 30, 2012.

Actuarial accrued liability (AAL)	\$85,378,376
Actuarial value of plan assets	<u>(65,003,058)</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$20,375,318</u>
Funded ratio (actuarial value of plan assets/AAL)	76.1%
Covered payroll (active plan members)	\$12,449,203
UAAL as a percentage of covered payroll	163.7%

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

(e) *Public Employees' Pension Reform Act (PEPRA)*

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

The bill limits new members to a retirement package that provides for a 2% at 62, three year average. However, the City has negotiated a 2% at 60, three year average retirement benefit which would apply to any new Cupertino employee who had previously served with a CalPERS participating agency within the previous six month period.

CITY OF CUPERTINO
Notes to Basic Financial Statements
For the Year Ended June 30, 2014

NOTE 10 - DEFINED BENEFIT PENSION PLAN (Continued)

(e) Public Employees' Pension Reform Act (PEPRA) (Continued)

The Table below provides information on the benefit formula compensation information on the benefit formula, final compensation period and the employer and member contribution rates effective January 1, 2013 for the City employees under PEPRA.

Benefit Formula	2.7% at Age 55	2% at Age 60	2% at Age 62
Applies to	Current employees hired before 12/29/12	New employees to Cupertino hired after 12/29/12 and in the CalPERS system or a reciprocity	New Employees to Cupertino and CalPERS (or has not worked for 6months in CalPERS)
Employer Contribution Rate as a percentage payroll	21.777%	21.777%	21.777%
Member Contribution Rate as a percentage of payroll	8%	7%	6.25
Member Contribution Rate at 50% Normal Cost (12.5%)	N/A until 2018	N/A until 2018	6.25%
Final Compensation Period	Highest year	Highest 3 year average	Highest 3 year average
Benefit Vesting Schedule	5 years of service	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life	Monthly for life
Minimum retirement age	50	50	52

CITY OF CUPERTINO
Notes to Basic Financial Statements
For the Year Ended June 30, 2014

NOTE 11 - OTHER POST EMPLOYMENT BENEFITS (OPEB)

(a) Plan Description

Permanent employees who retire under the City's CalPERS retirement plan are, pursuant to their respective collective bargaining agreements, eligible to have their medical insurance premiums paid by the City. Retirees receive the amount necessary to pay the cost of his/her enrollment, including the enrollment of his/her family members, in a health benefit plan provided by CalPERS up to the maximum received by active employees in their respective bargaining unit.

The City contracts with CalPERS for this insured-benefit plan established under the state Public Employees' Medical and Hospital Care Act (PEMHCA). The plan offers employees and retirees three CalPERS' self-funded options, setup as insurance risk pools, or offers various third-party insured health plans. The plan's medical benefits and premium rates are established by CalPERS and the insurance providers. The City contribution is established by City resolution. Retirees and active employees pay the difference between the premium rate and the City's contribution. Premiums and City contributions are based on the plan and coverage selected by actives and retirees, with the City's potential contribution ranging from zero to \$1,515 per month per employee or retiree. The responsibility for benefit payments has transferred to the insurers and the City does not guarantee the benefits in the event of default by the insurers. A comprehensive annual financial report of CalPERS, inclusive of their benefit plans, is available at www.calpers.ca.gov.

The City participates in the Public Agency Retirement System (PARS) Public Agencies Post Retirement Health Care Plan Trust Program (PARS Trust), an agent-multiple employer irrevocable trust established to fund other postemployment benefits. The PARS Trust is approved by the Internal Revenue Code Section 115 and invests funds in equity, bond, and money market mutual funds. Copies of PARS Trust annual financial report is available at the City's Finance Department.

An employee is eligible for lifetime medical benefits under the OPEB Plan, along with his/her spouse or declared domestic partner at the time of retirement, if all criteria listed below are met:

- The employee was hired or the City Council member was elected prior to August 1, 2004, and the employee has five or more full-time years of service and the City Council member has five or more years of elected service with the City of Cupertino; or
- The employee was hired or the City Council member was elected on or after August 1, 2004, and the employee has ten or more full-time and/or elected years of CalPERS service, five years of which must be from the City of Cupertino; and
- The employee is eligible for retirement as defined under the CalPERS retirement system; and
- The employee retires from the City of Cupertino.

In addition, the eligible employee's dependent children at the time of retirement who are under 23 years old are eligible for medical benefits. In addition to extending the eligibility of dependents from age 23 to age 26 in accordance with the recent healthcare reform act, effective July 1, 2010, employees that retire or resign from service with the City of Cupertino and who are not eligible for retiree medical benefits can continue on the City's medical and dental plans provided that they pay the premiums in full.

CITY OF CUPERTINO
Notes to Basic Financial Statements
For the Year Ended June 30, 2014

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

(b) Funding Policy

OPEB Plan contributions are set by the adopted budget. The cost of the benefits provided by the OPEB Plan is currently being paid by the City on a fully pre-funded basis. The City has expressed intent to fully fund the annual required contribution (ARC) each year. Based on the actuarial valuation date of January 1, 2013, the annual required contribution rate is 15.40% of annual covered payroll. For the year ended June 30, 2014, the City contributed \$247,000 to the PARS Trust and paid \$779,967 in healthcare premium payments to pre-fund the OPEB Plan.

(c) Annual OPEB Cost and Funded Status

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

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

The other significant actuarial assumptions used to prepare the City's January 1, 2013 actuarial valuation include the following:

Valuation date:	January 1, 2013
Actuarial Cost Method:	Entry Age Normal
Amortization Method:	Level percent of pay close
Amortization Period:	15 year
Asset Valuation Method:	Market value
Actuarial Assumptions:	
Discount Rate	6.00%
Payroll Growth	3.00%
Ultimate Rate of Medical Inflation:	5.00%

The January 1, 2013 actuarial valuation also included implicit subsidy for the first time. Prior valuation as of January 1, 2011, did not include implicit subsidy.

CITY OF CUPERTINO
Notes to Basic Financial Statements
For the Year Ended June 30, 2014

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

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

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

Fiscal Year	OPEB Annual Cost (AOC)	Actual Contribution	Percentage of AOC Contributed	Net OPEB Obligation (Asset)
6/30/2012	\$1,900,000	\$1,622,549	85%	(\$4,287,955)
6/30/2013	2,214,719	2,186,661	99%	(4,259,897)
6/30/2014	2,295,732	1,026,967	45%	(2,991,132)

The City's Net OPEB asset is recorded in the Retiree Medical Internal Service Fund and is calculated as of June 30, 2014 as follows:

Annual required contribution	\$2,206,776
Interest on prior year net OPEB asset	(255,594)
Adjustment to annual required contribution	344,550
Annual OPEB cost	<u>2,295,732</u>
Insurance premiums paid on behalf of retirees	(779,967)
Implicit subsidy	<u>(247,000)</u>
Decrease in net OPEB asset	1,268,765
Net OPEB (asset) June 30, 2013	<u>(4,259,897)</u>
Net OPEB (asset) June 30, 2014	<u><u>(\$2,991,132)</u></u>

The latest available actuarial data and funding progress are set forth below at their actuarial valuation date of January 1, 2013.

Actuarial accrued liability (AAL)	\$24,791,457
Actuarial value of planned assets	<u>(12,835,681)</u>
Unfunded actuarial accrued liability (UAAL)	<u><u>\$11,955,776</u></u>
Funded Ratio (actuarial value of plan assets/AAL)	51.8%
Covered payroll (active plan members)	\$13,909,000
UAAL as a percentage of covered payroll	86.0%

NOTE 12 – CONCENTRATION RISK

The City has an economic dependency on revenues generated directly or indirectly from one company. For the year ended June 30, 2014, more than 10% of the City General Fund's total revenues are derived from the company. The City's operations would be adversely impacted if there are any significant declines in taxes received from the company.

CITY OF CUPERTINO
Notes to Basic Financial Statements
For the Year Ended June 30, 2014

NOTE 13 – SUCCESSOR AGENCY TO REDEVELOPMENT AGENCY PRIVATE-PURPOSE TRUST FUND (SUCCESSOR AGENCY)

The redevelopment agency dissolution acts, ABx1 26 and AB 1484 provide mechanisms for: a) state and county reviews of the activities of the former Redevelopment Agency and current Successor Agency (Agencies) to ultimately determine the amount available for distribution to other taxing entities; b) paying remaining obligations of the Agencies; c) management of remaining assets of the Agency; and d) effecting the eventual dissolution of the Successor Agency.

The County Auditor-Controller (CAC) completed the agreed-upon procedure and the due diligence reviews of all funds of the Agencies and concluded that there was no amount available for distribution to other taxing entities. On September 6, 2012, the Oversight Board of the Cupertino Successor to the Former Redevelopment Agency approved the reviews and authorized the transmission of the reviews to the State Department of Finance (DOF) and to the CAC. The DOF accepted the review conclusions on January 11, 2013 and March 27, 2013. The DOF subsequently issued a Finding of Completion letter to the Successor Agency on April 26, 2013, signifying the completion of the reviews. Because the reviews identified no real property assets for the Successor Agency, the Agency will not issue a long-range property management plan.

In addition, ABx1 26 and AB 1484 direct the State Controller Office (SCO) to review the activities of all redevelopment agencies to determine whether an asset transfer between an agency and any public agency occurred on or after January 1, 2011. If an asset transfer did occur and the public agency that received the asset is not contractually committed to a third party for the expenditure or encumbrance of the asset, the legislation purports to require the SCO to order the asset returned to the Successor Agency. On May 3, 2013, the SCO allowed the asset transfers that occurred during the review period.

AB 1484 directs the Successor Agency to dissolve within one year after the Agency's final payment obligation as shown in the Agency's final Recognized Obligation Payment Schedule (ROPS). With the final payment which occurred in July 2012, as per the ROPS, the DOF acknowledged the Agency's complete dissolution in an October 20, 2012 letter. In Fiscal Year 2013, the State Board of Equalization removed the Agency's tax rate area, the CAC apportioned its property taxes directly to other jurisdictions, and the Successor Agency dissolved. As of June 30, 2014, the Successor Agency to Redevelopment Agency Private-Purpose Trust Fund was closed.

CITY OF CUPERTINO
 Required Supplementary Information (Unaudited)
 For the Year Ended June 30, 2014

Schedule of Funding Progress – CalPERS Defined Benefit Retirement Miscellaneous Plan:

Valuation Date	Entry Age Accrued Liability	Value of Assets	Unfunded (Overfunded) Liability	Funded Ratio	Annual Covered Payroll	Unfunded (Overfunded) Liability as % of Payroll
6/30/2010	\$79,939,987	\$61,358,259	\$18,581,728	76.8%	\$12,428,055	149.5%
6/30/2011	85,378,376	65,003,058	20,375,318	76.1%	12,449,203	163.7%
6/30/2012	90,651,631	68,899,951	21,751,680	76.0%	12,118,641	179.5%

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

Actuarial Valuation Date	Actuarial Accrued Liability Entry Age	Actuarial Value of Assets	Unfunded Actuarial Accrued Liability	Funded Ratio	Covered Payroll	Unfunded Actuarial Liability as Percentage of Covered Payroll
1/1/2009	\$18,069,366		\$18,069,366	0.00%	\$11,892,000	151.95%
1/1/2011	20,869,058	\$7,438,341	13,430,717	35.64%	12,724,000	105.55%
1/1/2013	24,791,457	12,835,681	11,955,776	51.77%	13,909,000	85.96%

<p style="text-align: center;">MAJOR GOVERNMENTAL FUNDS OTHER THAN THE GENERAL FUND AND SPECIAL REVENUE FUNDS</p>
--

This section is provided for the presentation of budget-to-actual statements for the Public Facilities Corporation Debt Service Fund. Although the fund is considered to be a major government fund, budget-to-actual information in the basic financial statements is limited to the General Fund and major Special Revenue Funds. All other major governmental fund schedules with such information are therefore included as Supplemental Information.

PUBLIC FACILITIES CORPORATION DEBT SERVICE FUND

This fund accounts for the payments of principal and interest on certificates of participation issued to provide for the financing of the Civic Center, Library, Wilson Park, Memorial Park, and other City facilities.

CITY OF CUPERTINO
PUBLIC FACILITIES CORPORATION DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2014

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES			
Use of money and property		\$1,151	\$1,151
Total Revenues		1,151	1,151
EXPENDITURES			
Debt service:			
Principal	\$2,040,000	2,040,000	
Interest and fiscal charges	1,131,838	1,130,428	1,410
Total Expenditures	3,171,838	3,170,428	1,410
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(3,171,838)	(3,169,277)	2,561
OTHER FINANCING SOURCES (USES)			
Transfers in	3,079,000	3,079,000	
Total Other Financing Sources (Uses)	3,079,000	3,079,000	
NET CHANGE IN FUND BALANCE	(\$92,838)	(90,277)	\$2,561
BEGINNING FUND BALANCE		1,686,974	
ENDING FUND BALANCE		\$1,596,697	

NONMAJOR GOVERNMENTAL FUNDS

All funds not considered as major funds on the Fund Financial Statements are consolidated in one column entitled "Other Governmental Funds." These non-major funds are identified and included in this supplementary section and includes the City's Special Revenue Funds and Capital Project Funds.

The Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Storm Drain Improvement - Accounts for the construction and maintenance of storm drain facilities including drainage and sanitary sewer facilities. Revenues were collected from developers as a result of connections to the storm drainage sewer system.

Park Dedication - Accounts for the activity granted by the business and professions code of the State of California in accordance with the open space and conservation element of the City's General Plan. Revenues of this fund are restricted for the acquisition, improvement, expansion and implementation of the City's parks and recreation facilities.

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

Transportation - Accounts for the City's gas tax, vehicle registration fees and grant revenues and expenditures related to the maintenance and construction of City streets. All revenue in this fund is restricted exclusively for street and road purposes including related engineering and administrative expenditures.

Housing Development - Accounts for the Federal Housing and Community Development Grant Program activities administered through the County. Monies collected from developers that mitigate the impact of housing needs are also included. Monies in this fund are governed by the program's rules.

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

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

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

CITY OF CUPERTINO
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEETS
JUNE 30, 2014

	SPECIAL REVENUE FUNDS				
	Storm Drain Improvement	Park Dedication	Environmental Management/ Clean Creeks	Transportation	Housing Development
Assets					
Cash and investments	\$2,703,615	\$8,528,710	\$371,178	\$2,151,071	\$8,720,981
Accounts receivable		600	200	136,081	36,115
Interest receivable	1,263	3,978	174	1,009	4,067
Loans receivable					715,467
Total assets	\$2,704,878	\$8,533,288	\$371,552	\$2,288,161	\$9,476,630
Liabilities					
Accounts payable and accruals	\$3,248		\$2,290	\$536,277	\$67,852
Accrued payroll and benefits			5,397	27,265	3,935
Advance from other funds					
Total liabilities	3,248		7,687	563,542	71,787
Deferred Inflows of Resources					
Unavailable revenue - loans					92,575
Total deferred inflows of resources					92,575
Fund balances					
Restricted	2,701,630	\$8,533,288	363,865	1,724,619	9,312,268
Assigned					
Total fund balances	2,701,630	8,533,288	363,865	1,724,619	9,312,268
Total liabilities, deferred inflows of resources and fund balances	\$2,704,878	\$8,533,288	\$371,552	\$2,288,161	\$9,476,630

CAPITAL PROJECT FUNDS

<u>Capital Improvement Projects</u>	<u>Don Burnett Bicycle Pedestrian Bridge</u>	<u>Total Nonmajor Governmental Funds</u>
\$7,854,028	\$5,374	30,334,957 172,996 10,491 715,467
<u>\$7,854,028</u>	<u>\$5,374</u>	<u>\$31,233,911</u>
\$239,868		\$849,535 36,597
<u>239,868</u>		<u>886,132</u>
		<u>92,575</u>
		<u>92,575</u>
7,614,160	\$5,374	22,635,670 7,619,534
<u>7,614,160</u>	<u>5,374</u>	<u>30,255,204</u>
<u>\$7,854,028</u>	<u>\$5,374</u>	<u>\$31,233,911</u>

CITY OF CUPERTINO
NON-MAJOR GOVERNMENTAL FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2014

	SPECIAL REVENUE FUNDS				
	Storm Drain Improvement	Park Dedication	Environmental Management/ Clean Creeks	Transportation	Housing Development
REVENUES					
Taxes	\$1,524,575	\$8,369,259			\$7,227,409
Use of money and property	3,446	11,168	\$416	\$2,184	55,450
Intergovernmental				2,375,413	159,835
Charges for services		76,017	367,400	45,620	
Fines and forfeitures			1,804		
Total Revenues	<u>1,528,021</u>	<u>8,456,444</u>	<u>369,620</u>	<u>2,423,217</u>	<u>7,442,694</u>
EXPENDITURES					
Current:					
Community development					553,644
Public works	4,000		461,064	4,518,638	
Capital outlay	<u>70,560</u>	<u>1,575,000</u>		<u>229,115</u>	
Total Expenditures	<u>74,560</u>	<u>1,575,000</u>	<u>461,064</u>	<u>4,747,753</u>	<u>553,644</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>1,453,461</u>	<u>6,881,444</u>	<u>(91,444)</u>	<u>(2,324,536)</u>	<u>6,889,050</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	210,000		135,000	3,350,000	211,804
Transfers (out)		<u>(17,350)</u>			
Total Other Financing Sources (Uses)	<u>210,000</u>	<u>(17,350)</u>	<u>135,000</u>	<u>3,350,000</u>	<u>211,804</u>
NET CHANGE IN FUND BALANCES	1,663,461	6,864,094	43,556	1,025,464	7,100,854
BEGINNING FUND BALANCES	<u>1,038,169</u>	<u>1,669,194</u>	<u>320,309</u>	<u>699,155</u>	<u>2,211,414</u>
ENDING FUND BALANCES	<u><u>\$2,701,630</u></u>	<u><u>\$8,533,288</u></u>	<u><u>\$363,865</u></u>	<u><u>\$1,724,619</u></u>	<u><u>\$9,312,268</u></u>

CAPITAL PROJECT FUNDS

<u>Capital Improvement Projects</u>	<u>Don Burnett Bicycle Pedestrian Bridge</u>	<u>Total Nonmajor Governmental Funds</u>
		\$17,121,243
		72,664
\$8,000		2,543,248
		489,037
		1,804
<u>8,000</u>		<u>20,227,996</u>
		553,644
		4,983,702
<u>1,057,265</u>	<u>\$8,476</u>	<u>2,940,416</u>
<u>1,057,265</u>	<u>8,476</u>	<u>8,477,762</u>
<u>(1,049,265)</u>	<u>(8,476)</u>	<u>11,750,234</u>
6,624,500		10,531,304
<u>(1,590,000)</u>		<u>(1,607,350)</u>
<u>5,034,500</u>		<u>8,923,954</u>
3,985,235	(8,476)	20,674,188
<u>3,628,925</u>	<u>13,850</u>	<u>9,581,016</u>
<u>\$7,614,160</u>	<u>\$5,374</u>	<u>\$30,255,204</u>

CITY OF CUPERTINO
 BUDGETED NON-MAJOR FUNDS
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCES
 BUDGET AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2014

SPECIAL REVENUE FUNDS

	STORM DRAIN IMPROVEMENT			PARK DEDICATION		
	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
REVENUES						
Taxes	\$100,000	\$1,524,575	\$1,424,575	\$8,470,994	\$8,369,259	(\$101,735)
Use of money and property	1,000	3,446	2,446	1,000	11,168	10,168
Intergovernmental					76,017	
Charges for services						
Fines for forfeitures						
Total Revenues	101,000	1,528,021	1,427,021	8,471,994	8,456,444	(91,567)
EXPENDITURES						
Current:						
Community development						
Public works	135,000	4,000	131,000			
Capital outlay	1,103,771	70,560	1,033,211	1,575,000	1,575,000	
Total Expenditures	1,238,771	74,560	1,164,211	1,575,000	1,575,000	
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,137,771)	1,453,461	2,591,232	6,896,994	6,881,444	(15,550)
OTHER FINANCING SOURCES (USES)						
Transfers in	210,000	210,000				
Transfers (out)				(17,350)	(17,350)	
Total Other Financing Sources (Uses)	210,000	210,000		(17,350)	(17,350)	
NET CHANGE IN FUND BALANCES	(\$927,771)	1,663,461	\$2,591,232	\$6,879,644	6,864,094	(\$15,550)
BEGINNING FUND BALANCES		1,038,169			1,669,194	
ENDING FUND BALANCES		<u>\$2,701,630</u>			<u>\$8,533,288</u>	

SPECIAL REVENUE FUNDS

ENVIRONMENTAL MANAGEMENT/ CLEAN CREEKS			TRANSPORTATION			HOUSING DEVELOPMENT		
Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)	Final Budget	Actual	Variance Positive (Negative)
\$1,000	\$416	(\$584)	\$2,000	\$2,184	\$184	\$5,108,050	\$7,227,409	\$2,119,359
365,000	367,400	2,400	4,432,000	2,375,413	(2,056,587)	45,000	55,450	10,450
	1,804	1,804		45,620	45,620	310,000	159,835	(150,165)
<u>366,000</u>	<u>369,620</u>	<u>3,620</u>	<u>4,434,000</u>	<u>2,423,217</u>	<u>(2,010,783)</u>	<u>5,463,050</u>	<u>7,442,694</u>	<u>1,979,644</u>
						783,332	553,644	229,688
509,452	461,064	48,388	5,989,162	4,518,638	1,470,524			
			2,473,696	229,115	2,244,581			
<u>509,452</u>	<u>461,064</u>	<u>48,388</u>	<u>8,462,858</u>	<u>4,747,753</u>	<u>3,715,105</u>	<u>783,332</u>	<u>553,644</u>	<u>229,688</u>
<u>(143,452)</u>	<u>(91,444)</u>	<u>52,008</u>	<u>(4,028,858)</u>	<u>(2,324,536)</u>	<u>1,704,322</u>	<u>4,679,718</u>	<u>6,889,050</u>	<u>2,209,332</u>
135,000	135,000		3,350,000	3,350,000		211,804	211,804	
<u>135,000</u>	<u>135,000</u>		<u>3,350,000</u>	<u>3,350,000</u>		<u>211,804</u>	<u>211,804</u>	
<u>(\$8,452)</u>	43,556	<u>\$52,008</u>	<u>(\$678,858)</u>	1,025,464	<u>\$1,704,322</u>	<u>\$4,891,522</u>	7,100,854	<u>\$2,209,332</u>
	<u>320,309</u>			<u>699,155</u>			<u>2,211,414</u>	
	<u>\$363,865</u>			<u>\$1,724,619</u>			<u>\$9,312,268</u>	

This Page Left Intentionally Blank

INTERNAL SERVICE FUNDS

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

The concept of major funds does not extend to internal service funds because they do not do business with outside parties. For the Statement of Activities, the net revenues or expenses of each internal service fund are eliminated by netting them against the operations of the City departments that generated them. The remaining balance sheet items are consolidated with these same funds in the Statement of Net Position. However, internal service funds are still presented separately in the Fund financial statements.

Information Technology - Accounts for the activities related to the maintenance and replacement of the City's technology infrastructure.

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

Equipment Revolving - Accounts for the activities related to the maintenance and replacement of the City's vehicle fleet and other equipment.

Compensated Absences and Long-Term Disability - Accounts for accrued leave payouts and the City's long term disability insurance program.

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

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

CITY OF CUPERTINO
INTERNAL SERVICE FUNDS
COMBINING STATEMENT OF NET POSITION
JUNE 30, 2014

	<u>Information Technology</u>	<u>Workers' Compensation</u>	<u>Equipment Revolving</u>	<u>Compensated Absences and Long-Term Disability</u>	<u>Retiree Medical</u>
ASSETS					
Current Assets:					
Cash and investments	\$3,041,712	\$2,081,593	\$2,280,362	\$145,939	\$8,350,563
Interest receivable	1,419	970	1,062	98	3,897
Prepaid items	50,882				
Total current assets	<u>3,094,013</u>	<u>2,082,563</u>	<u>2,281,424</u>	<u>146,037</u>	<u>8,354,460</u>
Noncurrent Assets:					
Net OPEB assets					2,991,132
Capital assets, depreciable net of accumulated depreciation	<u>498,673</u>		<u>981,345</u>		
Total noncurrent assets	<u>498,673</u>		<u>981,345</u>		<u>2,991,132</u>
Total Assets	<u><u>\$3,592,686</u></u>	<u><u>\$2,082,563</u></u>	<u><u>\$3,262,769</u></u>	<u><u>\$146,037</u></u>	<u><u>\$11,345,592</u></u>
LIABILITIES					
Current Liabilities:					
Accounts payable and accruals	\$35,444	\$2,081	\$54,888		
Accrued payroll and benefits	23,370	1,063	12,038		
Compensated absences	6,639		1,573		
Claims payable		478,051			
Total current liabilities	<u>65,453</u>	<u>481,195</u>	<u>68,499</u>		
Non-current Liabilities:					
Compensated absences	42,133		9,984		
Claims payable		1,402,717			
Total non-current liabilities	<u>42,133</u>	<u>1,402,717</u>	<u>9,984</u>		
Total Liabilities	<u>107,586</u>	<u>1,883,912</u>	<u>78,483</u>		
NET POSITION					
Net investment in capital assets	498,673		981,345		
Unrestricted	<u>2,986,427</u>	<u>198,651</u>	<u>2,202,941</u>	<u>146,037</u>	<u>\$11,345,592</u>
Total Net Position	<u><u>\$3,485,100</u></u>	<u><u>\$198,651</u></u>	<u><u>\$3,184,286</u></u>	<u><u>\$146,037</u></u>	<u><u>\$11,345,592</u></u>

<u>City Channel/Web</u>	<u>Total</u>
\$1,151,329	\$17,051,498
537	7,983
<u>15,791</u>	<u>66,673</u>
<u>1,167,657</u>	<u>17,126,154</u>
	2,991,132
<u>35,099</u>	<u>1,515,117</u>
<u>35,099</u>	<u>4,506,249</u>
<u>\$1,202,756</u>	<u>\$21,632,403</u>
\$62,498	154,911
18,292	54,763
27,840	36,052
<u></u>	<u>478,051</u>
<u>108,630</u>	<u>723,777</u>
176,676	228,793
<u></u>	<u>1,402,717</u>
<u>176,676</u>	<u>1,631,510</u>
<u>285,306</u>	<u>2,355,287</u>
35,099	1,515,117
<u>882,351</u>	<u>17,761,999</u>
<u>\$917,450</u>	<u>\$19,277,116</u>

CITY OF CUPERTINO
INTERNAL SERVICE FUNDS
COMBINING STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
FOR THE YEAR ENDED JUNE 30, 2014

	Information Technology	Workers' Compensation	Equipment Revolving	Compensated Absences and Long-Term Disability	Retiree Medical
OPERATING REVENUES					
Charges for services	\$1,399,734	\$317,937	\$1,077,099	\$68,137	
Other			21,993		
Total Operating Revenues	1,399,734	317,937	1,099,092	68,137	
OPERATING EXPENSES					
Salaries and related expenses	569,292	27,789	337,090		\$2,048,732
Materials and supplies	513,991	3,595	354,740		
Contractual services	177,785	30	114,930		6,485
Insurance claims and premium		337,282		229,577	
Depreciation	185,263		268,371		
Total Operating Expenses	1,446,331	368,696	1,075,131	229,577	2,055,217
Operating Income (Loss)	(46,597)	(50,759)	23,961	(161,440)	(2,055,217)
NONOPERATING REVENUES (EXPENSES)					
Interest income	2,728	1,857	3,000	366	11,476
Total Nonoperating Revenues (Expenses)	2,728	1,857	3,000	366	11,476
Income (Loss) Before Transfers	(43,869)	(48,902)	26,961	(161,074)	(2,043,741)
Transfers in	344,000			300,000	9,700,000
Transfers (out)	(907,536)				
Change in Net Position	(607,405)	(48,902)	26,961	138,926	7,656,259
BEGINNING NET POSITION	4,092,505	247,553	3,157,325	7,111	3,689,333
ENDING NET POSITION	\$3,485,100	\$198,651	\$3,184,286	\$146,037	\$11,345,592

City Channel/Web	Total
\$939,484	\$3,802,391
	21,993
<u>939,484</u>	<u>3,824,384</u>
\$723,827	3,706,730
235,827	1,108,153
101,336	400,566
	566,859
<u>13,758</u>	<u>467,392</u>
<u>1,074,748</u>	<u>6,249,700</u>
<u>(135,264)</u>	<u>(2,425,316)</u>
<u>1,678</u>	<u>21,105</u>
<u>1,678</u>	<u>21,105</u>
(133,586)	(2,404,211)
1,051,036	11,395,036
	(907,536)
<u>917,450</u>	<u>8,083,289</u>
	<u>11,193,827</u>
<u>\$917,450</u>	<u>\$19,277,116</u>

CITY OF CUPERTINO
INTERNAL SERVICE FUNDS
COMBINING STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2014

	Information Technology	Workers' Compensation	Equipment	Compensated Absences and Long-Term Disability	Retiree Medical
CASH FLOWS FROM OPERATING ACTIVITIES					
Cash received from customers	\$1,399,734	\$321,807	\$1,099,092	\$74,370	
Cash payments to suppliers for goods and services	(780,005)	(11,534)	(426,676)	(12,466)	
Cash payments to employees	(562,109)	(27,627)	(335,026)		(\$796,452)
Cash payment for judgment and claims		(334,063)		(229,577)	
Cash Flows from (used for) Operating Activities	<u>57,620</u>	<u>(51,417)</u>	<u>337,390</u>	<u>(167,673)</u>	<u>(796,452)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Advance repayment from other funds					
Advance from other funds					(560,564)
Transfers in	344,000			300,000	9,700,000
Transfers (out)	(907,536)				
Cash Flows (used for) Noncapital Financing Activities	<u>(563,536)</u>			<u>300,000</u>	<u>9,139,436</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Purchase of capital assets	(141,025)		(328,035)		
Cash Flows from Capital and Related Financing Activities	<u>(141,025)</u>		<u>(328,035)</u>		
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest received	10,010	5,901	7,292	299	7,579
Cash Flows from Investing Activities	<u>10,010</u>	<u>5,901</u>	<u>7,292</u>	<u>299</u>	<u>7,579</u>
Net Cash Flows	(636,931)	(45,516)	16,647	132,626	8,350,563
Cash and investments at beginning of year	<u>3,678,643</u>	<u>2,127,109</u>	<u>2,263,715</u>	<u>13,313</u>	
Cash and investments at end of year	<u>\$3,041,712</u>	<u>\$2,081,593</u>	<u>\$2,280,362</u>	<u>\$145,939</u>	<u>\$8,350,563</u>
Reconciliation of operating income (loss) to net cash flows from operating activities:					
Operating income (loss)	(\$46,597)	(\$50,759)	\$23,961	(\$161,440)	(\$2,055,217)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities:					
Depreciation	185,263		268,371		
Change in assets and liabilities:					
Prepaid expenses	15,257				
Net OPEB asset					1,268,765
Accounts payable and accruals	(103,486)	(4,039)	42,994	(6,233)	(10,000)
Accrued payroll and benefits	4,861	162	1,364		
Compensated absences	2,322		700		
Claims Payable		3,219			
Cash Flows from Operating Activities	<u>\$57,620</u>	<u>(\$51,417)</u>	<u>\$337,390</u>	<u>(\$167,673)</u>	<u>(\$796,452)</u>

City Channel Web	Total
\$939,484	\$3,834,487
(290,456)	(1,521,137)
(501,019)	(2,222,233)
	(563,640)
<u>148,009</u>	<u>(472,523)</u>
	(560,564)
1,051,036	11,395,036
	(907,536)
<u>1,051,036</u>	<u>9,926,936</u>
<u>(48,857)</u>	<u>(517,917)</u>
<u>(48,857)</u>	<u>(517,917)</u>
<u>1,141</u>	<u>32,222</u>
<u>1,141</u>	<u>32,222</u>
1,151,329	8,968,718
	8,082,780
<u>\$1,151,329</u>	<u>\$17,051,498</u>
(\$135,264)	(\$2,425,316)
13,758	467,392
(15,791)	(534)
	1,268,765
62,498	(18,266)
18,292	24,679
204,516	207,538
	3,219
<u>\$148,009</u>	<u>(\$472,523)</u>

This Page Left Intentionally Blank

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.

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

CITY OF CUPERTINO

Statement of Changes in Assets and Liabilities

All Agency Funds

For the year ended June 30, 2014

	<u>Balance</u> <u>June 30, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2014</u>
<u>All Agency Funds</u>				
Assets				
Cash and investments	<u>\$81,403</u>	<u></u>	<u>\$81,403</u>	<u></u>
Liabilities				
Deposits	<u>\$81,403</u>	<u></u>	<u>\$81,403</u>	<u></u>

STATISTICAL SECTION

This Page Left Intentionally Blank

STATISTICAL SECTION

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

Financial Trends

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

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

Revenue Capacity

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

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

Debt Capacity

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

1. Ratios of Outstanding Debt by Type
2. 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 Assets Statistics by Function/Program

Other Property Tax and Sale Statistics

Sources

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

This Page Left Intentionally Blank

CITY OF CUPERTINO
Net Position/Assets by Component (1)
Last Ten Fiscal Years
(Accrual basis of accounting)
(Unaudited)

Fiscal Year Ended June 30

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Governmental Activities										
Invested in capital assets, net of related debt	\$ 86,530,017	\$ 83,064,879	\$ 80,343,053	\$ 85,173,998	\$ 103,341,905	\$ 120,405,290	\$ 120,724,205	\$ 117,440,257	\$ 116,343,918	\$ 122,081,223
Restricted	7,291,925	8,329,671	9,265,565	9,926,770	6,661,074	8,692,175	7,721,962	7,572,865	8,351,118	24,232,367
Unrestricted	21,202,795	26,916,679	39,243,717	43,242,639	33,290,050	31,087,861	33,185,903	38,117,361	47,558,701	65,870,501
Total governmental activities net position/assets	115,024,737	118,311,229	128,852,335	138,343,407	143,293,029	160,185,326	161,632,070	163,130,483	172,253,737	212,184,091
Business-Type Activities										
Invested in capital assets, net of related debt	578,962	497,681	467,416	84,126	136,127	788,213	777,521	824,687	762,013	1,110,414
Unrestricted	6,028,989	6,291,439	6,977,436	7,849,147	8,949,142	9,063,616	9,779,087	10,057,331	10,865,479	10,292,210
Total business-type activities net position/assets	6,607,951	6,789,120	7,444,852	7,933,273	9,085,269	9,851,829	10,556,608	10,882,018	11,627,492	11,402,624
Primary Government										
Invested in capital assets, net of related debt	87,108,979	83,562,560	80,810,469	85,258,124	103,478,032	121,193,503	121,501,726	118,264,944	117,105,931	123,191,637
Restricted	7,291,925	8,329,671	9,265,565	9,926,770	6,661,074	8,692,175	7,721,962	7,572,865	8,351,118	24,232,367
Unrestricted	27,231,784	33,208,118	46,221,153	51,091,786	42,239,192	40,151,477	42,964,990	48,174,692	58,424,180	76,162,711
(1)	\$ 121,632,688	\$ 125,100,349	\$ 136,297,187	\$ 146,276,680	\$ 152,378,298	\$ 170,037,155	\$ 172,188,678	\$ 174,012,501	\$ 183,881,229	\$ 223,586,715

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

CITY OF CUPERTINO
Change in Net Position/Assets (4)
Last Ten Fiscal Years
(Accrual basis of accounting)
(Unaudited)

	Fiscal Year Ended June 30									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Expenses										
Governmental activities:										
Administration	\$ 1,280,339	\$ 1,354,543	\$ 1,675,443	\$ 1,636,284	\$ 1,769,500	\$ 1,911,665	\$ 1,860,451	\$ 1,837,072	\$ 2,367,255	\$ 4,529,539
Law enforcement	6,179,326	6,577,199	7,148,187	7,679,467	8,804,195	8,385,476	8,434,885	8,776,633	9,274,536	10,062,192
Public and environmental affairs	824,317	914,024	1,186,929	1,216,164	1,624,210	1,653,034	1,625,876	1,743,151	1,595,982	512,895
Administrative services	3,750,174	4,208,389	3,874,003	3,923,217	4,001,738	4,080,134	3,993,654	4,309,503	4,171,440	2,662,008
Recreation services	2,173,936	2,359,966	2,517,725	3,845,873	4,206,343	4,444,536	4,528,968	4,772,243	4,473,861	4,866,974
Community development	3,269,475	4,541,965	4,090,959	4,059,740	6,177,879	4,351,975	5,961,714	4,922,237	4,676,273	9,108,949
Public works	14,585,232	16,384,026	16,230,274	16,569,310	18,104,649	19,320,151	20,224,662	20,387,508	22,149,063	21,143,331
Interest on long-term debt	2,289,526	2,262,913	2,239,657	2,183,403	2,118,714	2,076,264	2,032,464	1,837,655	1,256,922	1,130,428
Total governmental activities expense	34,352,325	38,603,025	38,963,177	41,113,458	46,807,228	46,223,235	48,662,734	48,391,002	49,965,332	54,016,316
Business-type activities:										
Resource recovery	2,927,060	2,101,198	2,122,805	2,056,061	1,998,184	2,018,147	1,801,599	1,566,229	1,764,993	2,159,047
Blackberry farm	1,341,712	1,302,855	975,064	450,206	495,845	457,169	457,065	460,698	463,336	571,000
Cupertino sports center	1,452,957	1,448,048	1,623,839	1,547,402	1,594,325	1,478,143	1,716,741	1,897,611	2,011,483	2,221,703
Recreation programs	1,689,436	1,729,194	1,830,401	1,853,217	1,739,892	1,854,648	1,753,156	1,985,618	2,025,416	2,730,765
Senior center	438,440	588,818	771,570	-	-	-	-	-	-	-
Total business-type activities expense	7,849,605	7,170,113	7,323,679	5,906,886	5,828,246	5,808,107	5,728,561	5,910,156	6,265,228	7,682,515
Total primary government expense	42,201,930	45,773,138	46,286,856	47,020,344	52,635,474	52,031,342	54,391,295	54,301,158	56,230,560	61,698,831
Program Revenues										
Governmental activities:										
Charges for services:										
Administration	-	23,201	3,618	10,711	2,240	21,873	15,801	6,454	5,676	1,087,393
Law enforcement	694,952	722,164	1,031,736	799,350	869,295	811,676	797,757	696,498	637,595	725,631
Administrative services	-	-	-	-	-	-	-	-	-	-
Recreation services	163,462	240,074	193,752	847,424	801,280	930,773	1,020,159	1,166,323	970,292	955,081
Community development	4,164,792	5,286,336	4,768,026	3,551,478	3,586,993	3,310,355	4,149,620	4,919,216	6,765,564	6,649,292
Public works	286,280	201,250	200,969	135,942	157,311	556,636	549,065	503,225	593,501	10,636,850
Operating grants and contributions	593,657	3,403,762	3,048,512	2,392,987	4,014,036	2,042,557	2,351,287	2,508,917	2,752,493	10,000,131
Capital grants and contributions	2,164,907	522,950	3,496,095	5,696,124	4,759,485	5,511,359	1,972,951	780,761	719,880	569,159
Total government activities program revenue	8,068,050	10,399,737	12,742,708	13,434,016	14,190,640	13,185,229	10,856,640	10,581,394	12,445,001	30,623,537
Business-type activities:										
Charges for services:										
Resource recovery	2,395,282	2,203,127	2,254,416	2,254,790	2,100,704	2,104,299	1,931,076	1,727,783	1,882,517	2,074,251
Blackberry farm	1,218,958	1,155,986	1,101,564	640,771	596,944	568,770	447,797	411,056	386,753	302,472
Cupertino sports center	1,385,837	1,419,672	1,655,169	1,605,545	1,732,282	1,578,330	1,722,282	1,965,684	2,150,139	2,188,127
Recreation programs	2,167,705	2,331,409	2,396,720	2,493,214	2,364,037	2,249,191	2,260,296	2,325,705	2,409,720	2,480,209
Senior center	473,787	704,390	690,603	-	-	-	-	-	-	-
Operating grants and contributions	28,860	135,539	14,343	14,309	14,471	6,895	-	-	-	-
Total business-type activities program revenue	7,670,429	7,950,123	8,112,815	7,008,629	6,808,438	6,507,485	6,361,869	6,430,228	6,829,129	7,045,059
Total primary government program revenue	15,738,479	18,349,860	20,855,523	20,442,645	20,999,078	19,692,714	17,218,509	17,011,622	19,274,130	37,668,596

(Continued)

CITY OF CUPERTINO
Change in Net Position/Assets (4)
Last Ten Fiscal Years
(Accrual basis of accounting)
(Unaudited)

	Fiscal Year Ended June 30									
	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Net (Expense) Revenue:										
Governmental activities	(26,284,275)	(28,203,288)	(26,220,469)	(27,679,442)	(32,616,588)	(33,038,006)	(37,806,094)	(37,809,608)	(37,520,331)	(23,392,779)
Business-type activities	(179,176)	780,010	789,136	1,101,743	980,192	699,378	633,308	520,072	563,901	(637,456)
Total primary government net expense	(26,463,451)	(27,423,278)	(25,431,333)	(26,577,699)	(31,636,396)	(32,338,628)	(37,172,786)	(37,289,536)	(36,956,430)	(24,030,235)
General Revenues and Transfers										
Governmental activities:										
Taxes:										
Property taxes	4,296,940	4,728,811	6,529,772	6,941,910	7,491,965	7,488,701	7,296,970	7,479,132	8,793,110	9,169,183
Property tax in lieu of motor vehicle fee (1)	2,930,000	3,569,300	3,652,509	3,894,502	4,299,902	4,420,912	4,404,795	4,487,412	4,772,355	5,289,476
Incremental property tax	15,974	185,676	187,276	220,267	1,211,128	1,322,925	1,251,777	202,793	-	-
Sales taxes	9,224,661	10,671,642	11,252,341	13,154,749	14,139,190	9,930,530	14,539,243	17,326,460	18,721,193	19,794,036
Transient occupancy tax	1,790,917	2,054,904	2,511,184	2,711,590	2,140,274	2,142,137	2,536,501	3,112,934	3,768,504	4,590,156
Utility user tax	2,705,888	2,809,587	3,011,755	3,175,724	3,205,073	3,271,452	3,227,942	3,264,896	2,994,526	3,098,639
Franchise tax	2,217,313	2,353,575	2,537,018	2,547,439	2,618,125	2,597,930	2,841,344	2,808,136	2,848,950	2,775,892
Other taxes	3,146,516	2,534,393	2,661,449	1,709,892	1,317,767	1,211,899	1,491,316	1,377,211	4,561,219	18,791,559
Intergovernmental (2)	978,059	(300,039)	364,261	266,789	171,621	166,440	259,289	29,064	30,256	25,294
Investment earnings	684,952	669,820	1,752,177	1,451,973	889,823	295,059	259,217	61,096	176,782	133,243
Miscellaneous	545,155	189,262	291,423	103,529	81,342	119,393	1,144,429	82,684	126,690	57,005
Gain on sale of land	-	1,222,849	1,510,410	-	-	-	-	-	-	-
Extraordinary items (3)	-	-	-	-	-	-	-	(1,130,797)	-	-
Transfers	1,388,000	800,000	500,000	992,150	-	-	15	207,000	(150,000)	(401,350)
Total Government Activities	29,924,375	31,489,780	36,761,575	37,170,514	37,566,210	32,967,378	39,252,838	39,308,021	46,643,585	63,323,133
Business-type activities:										
Investment earnings	215,769	201,159	366,596	378,828	171,804	67,182	71,486	12,338	31,573	11,238
Transfers	(1,388,000)	(800,000)	(500,000)	(992,150)	-	-	(15)	(207,000)	150,000	401,350
Total business-type activities	(1,172,231)	(598,841)	(133,404)	(613,322)	171,804	67,182	71,471	(194,662)	181,573	412,588
Total primary government	28,752,144	30,890,939	36,628,171	36,557,192	37,738,014	33,034,560	39,324,309	39,113,359	46,825,158	63,735,721
Change in Net Position/Assets (4)										
Government activities	3,640,100	3,286,492	10,541,106	9,491,072	4,949,622	(70,628)	1,446,744	1,498,413	9,123,254	39,930,354
Business-type activities	(1,351,407)	181,169	655,732	488,421	1,151,996	766,560	704,779	325,410	745,474	(224,868)
Total primary government	\$ 2,288,693	\$ 3,467,661	\$ 11,196,838	\$ 9,979,493	\$ 6,101,618	\$ 695,932	\$ 2,151,523	\$ 1,823,823	\$ 9,868,728	\$ 39,705,486

(1) Replaced the reduced motor vehicle license fee (an intergovernmental revenue) in 2005.
(2) The 2006 state take-away of sales taxes, property taxes, and vehicle license fees is reported in this category.
(3) Asset transfer to Successor to Redevelopment Agency fiduciary trust in 2012.
(4) Represents changes in net assets thru fiscal year ended June 30, 2012 and changes in net position after that.

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

	Fiscal Year Ended June 30									
	2005	2006	2007	2008	2009	2010	2005	2006	2007	2008
General Fund										
Reserved	\$ 3,864,969	\$ 2,931,046	\$ 2,711,586	\$ 2,668,914	\$ 2,325,283	\$ 2,308,290				
Unreserved	18,313,846	23,866,568	23,634,874	16,997,569	19,871,574	13,622,828				
Total General Fund	22,178,815	26,797,614	26,346,460	19,666,483	22,196,857	15,931,118				
All Other Governmental Funds										
Reserved	2,701,067	4,925,900	8,555,042	11,240,851	4,180,483	5,465,423				
Unreserved, reported in:										
Special Revenue Funds	3,618,814	6,249,004	6,844,632	7,270,331	3,692,187	5,113,020				
Capital Project Funds	1,663,033	(1,208,341)	(472,405)	7,631,866	968,077	3,788,810				
Total All Other Governmental Funds	7,982,914	9,966,563	14,927,269	26,143,048	8,840,747	14,367,253				
Total Governmental Funds	\$ 30,161,729	\$ 36,764,177	\$ 41,273,729	\$ 45,809,531	\$ 31,037,604	\$ 30,298,371				
2011 ⁽¹⁾		2012	2013	2014						
General Fund										
Nonspendable	\$ 1,023,950	\$ 1,003,438	\$ 956,827	\$ 3,363,065						
Restricted	663,254	695,564	725,903	-						
Assigned	14,739,394	17,729,297	16,400,000	16,400,000						
Unassigned	3,380,279	6,669,379	17,961,579	25,917,331						
Total General Fund	19,806,877	26,097,678	36,044,309	45,680,396						
All Other Governmental Funds										
Nonspendable	615,000	-	-	-						
Restricted	6,314,106	6,877,301	7,625,215	24,232,367						
Assigned	4,303,822	3,646,073	5,299,904	7,619,534						
Unassigned	-	-	-	(2,280,961)						
Total All Other Governmental Funds	11,232,928	10,523,374	12,925,119	29,570,940						
Total Governmental Funds	\$ 31,039,805	\$ 36,621,052	\$ 48,969,428	\$ 75,251,336						

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

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

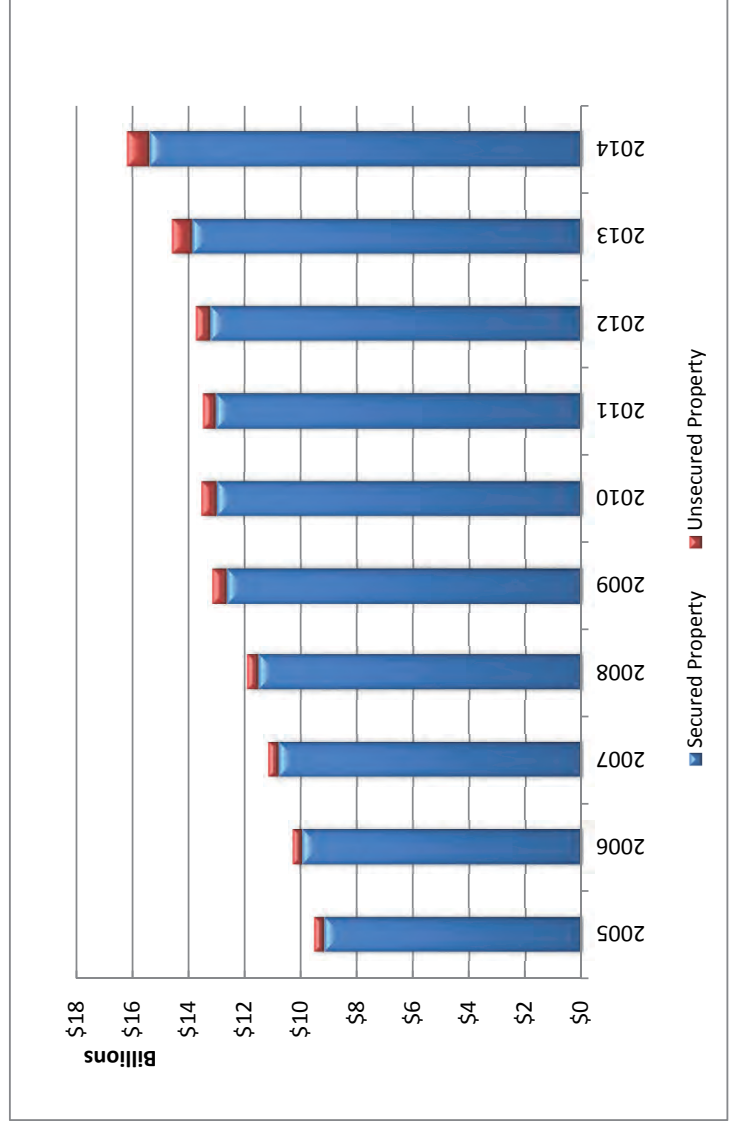
Fiscal Year Ended June 30

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Revenues										
Taxes	\$ 23,614,623	\$ 25,616,553	\$ 28,903,993	\$ 34,589,139	\$ 36,395,950	\$ 30,994,583	\$ 37,582,299	\$ 40,265,944	\$ 48,382,570	\$ 72,211,724
Use of money and property	1,119,399	1,607,837	2,169,977	2,490,444	1,300,508	774,219	792,035	661,602	744,196	764,299
Intergovernmental	5,567,266	5,896,167	8,200,519	8,285,280	6,896,394	7,539,835	3,543,641	2,678,888	2,841,407	3,069,400
Licenses and permits	2,896,000	3,614,953	3,325,844	2,656,017	2,740,463	2,583,131	2,901,944	2,900,936	3,502,617	3,679,943
Charges for services	1,568,935	2,143,729	2,062,067	1,728,099	1,707,533	1,701,157	2,311,216	3,273,946	4,515,066	13,464,066
Fines and forfeitures	559,791	629,586	926,310	722,087	761,320	736,239	695,666	661,899	560,417	616,889
Other	1,792,795	245,176	154,235	95,388	80,835	689,941	73,881	264,302	57,828	545,052
Total revenues	37,118,809	39,754,001	45,742,945	50,566,454	49,883,003	45,019,105	47,900,682	50,707,517	60,604,101	94,351,373
Expenditures										
Current:										
Administration	1,162,096	1,236,390	1,287,101	1,351,273	1,336,921	1,469,004	1,528,070	1,533,070	2,005,176	3,957,739
Law enforcement	6,144,695	6,499,911	6,975,517	7,456,661	8,133,168	8,384,310	8,434,885	8,445,917	8,783,885	9,626,121
Public and environmental affairs	758,314	853,484	1,121,437	1,169,247	1,486,443	1,487,265	1,497,263	1,659,856	1,486,910	477,852
Administrative services	3,671,303	4,103,497	3,715,994	3,797,156	3,634,043	3,733,414	3,695,076	4,103,982	3,772,714	2,444,670
Recreation services	2,121,366	2,302,995	2,403,296	3,745,244	3,789,260	4,003,764	4,117,477	4,319,983	4,083,822	4,536,519
Community development	3,156,908	4,467,655	3,969,837	3,931,055	5,841,428	4,125,739	5,693,541	4,762,229	4,395,601	8,424,254
Public works	9,637,314	10,386,055	10,477,727	11,137,935	11,914,584	11,961,218	12,234,726	12,528,194	13,996,516	17,469,627
Capital outlay	10,025,935	2,771,502	4,292,169	8,334,093	22,262,369	4,710,360	5,281,927	3,523,047	4,684,676	7,110,974
Debt service:										
Principal repayment	1,245,000	1,270,000	1,295,000	1,355,000	1,415,000	1,460,000	1,500,000	-	1,920,000	2,040,000
Interest and fiscal charges	2,289,526	2,262,913	2,239,657	2,183,403	2,118,714	2,076,264	2,032,464	1,837,655	1,256,922	1,130,428
Payment to refunded debt escrow agent	-	-	-	-	-	-	-	44,897,800	-	-
Total expenditures	40,212,457	36,154,402	37,777,735	44,461,067	61,931,930	43,411,338	46,015,429	87,611,733	46,386,222	57,218,184
Excess (deficiency) of revenues over (under) expenditures	(3,093,648)	3,599,599	7,965,210	6,105,387	(12,048,927)	1,607,767	1,885,253	(36,904,216)	14,217,879	37,133,189
Other Financing Sources (Uses)										
Bond proceeds	-	-	-	-	-	-	-	44,823,839	-	-
Proceeds from sale of capital assets	-	2,422,849	1,663,842	-	-	-	1,055,449	421	-	37,569
Transfers in	7,904,763	8,364,084	9,658,000	19,136,165	5,035,925	7,788,417	5,684,483	6,484,426	8,438,707	13,610,304
Transfers out	(6,936,763)	(7,784,084)	(14,777,500)	(20,705,750)	(7,758,925)	(10,135,417)	(7,883,751)	(7,692,426)	(10,308,210)	(24,499,154)
Total other financing sources	968,000	3,002,849	(3,455,658)	(1,569,585)	(2,723,000)	(2,347,000)	(1,143,819)	43,616,260	(1,869,503)	(10,851,281)
Extraordinary Item										
Assets transferred to Successor Agencies	-	-	-	-	-	-	-	(1,130,797)	-	-
Change in fund balances	(2,125,648)	6,602,448	4,509,552	4,535,802	(14,771,927)	(739,233)	741,434	5,581,247	12,348,376	26,281,908
Debt service as a percentage of noncapital expenditures (1)	11.7%	10.6%	10.6%	9.8%	8.9%	9.1%	8.7%	55.6%	7.6%	6.6%

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

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

Fiscal Year	Total Secured (a)	Unsecured (a)	State Board of Equalization Non-Unitary	Secured Exemptions	Total Assessed & Est. Full Market Valuation (a)	Direct Tax Rate
2005	\$ 9,159,184,070	\$ 367,378,773	\$ 278,536	\$ 80,678,889	\$ 9,526,841,379	1.66%
2006	9,942,314,157	350,391,447	259,809	88,612,732	10,292,965,413	4.37%
2007	10,794,991,704	381,307,801	213,610	94,957,979	11,176,513,115	5.74%
2008	11,512,949,952	417,564,226	-	96,690,910	11,930,514,178	5.87%
2009	12,637,622,059	533,413,208	1,390,000	99,950,894	13,172,425,287	6.26%
2010	12,979,346,158	564,277,611	1,390,000	99,947,559	13,545,013,769	6.51%
2011	13,017,910,372	476,332,025	1,390,000	96,704,811	13,495,632,397	6.51%
2012	13,219,574,367	527,310,319	1,390,000	96,081,912	13,748,274,686	6.24%
2013	13,882,147,291	738,243,050	1,390,000	108,468,872	14,621,780,341	6.20%
2014	15,391,656,690	813,117,019	1,390,000	113,744,809	16,206,163,709	10.84%



(a) Net of exemptions

Source: HdL, Coren & Cone

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

Agency	Last 10 Fiscal Years									
	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
Basic Levy¹	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000
County Bond 2008 Hospital Facility	0.00000	0.00000	0.00000	0.00000	0.00000	0.01220	0.00950	0.00470	0.00510	0.00350
County Library Retirement Levy	0.00240	0.00240	0.00240	0.00240	0.00240	0.00240	0.00240	0.00240	0.00240	0.00240
County Retirement Levy	0.03880	0.03880	0.03880	0.03880	0.03880	0.03880	0.03880	0.03880	0.03880	0.03880
Cupertino Elementary	0.03600	0.03500	0.02890	0.03370	0.03060	0.03120	0.03080	0.02900	0.05980	0.05250
El Camino Hospital 2003	0.00000	0.00000	0.01290	0.01290	0.01290	0.01290	0.01290	0.01290	0.01290	0.01290
Foothill De Anza College	0.01290	0.01190	0.03460	0.01130	0.01230	0.03220	0.03260	0.02970	0.02870	0.02900
Fremont High	0.02680	0.02600	0.02430	0.02410	0.03390	0.03060	0.03650	0.04150	0.03900	0.04050
Los Gatos-Saratoga High 1998	0.04090	0.03710	0.03510	0.03450	0.03300	0.03520	0.03770	0.03810	0.03680	0.03510
Santa Clara Unified	0.03440	0.08610	0.07970	0.02710	0.07430	0.07010	0.05190	0.08360	0.08190	0.07070
Santa Clara Valley Water District	0.00920	0.00780	0.00720	0.00710	0.00610	0.00740	0.00720	0.00640	0.00690	0.00700
Saratoga Elementary	0.03610	0.03560	0.03510	0.03630	0.03630	0.03880	0.04370	0.04440	0.04520	0.04500
West Valley College	0.00000	0.01400	0.01260	0.01180	0.00320	0.01400	0.01390	0.01370	0.02890	0.02550
Total Direct & Overlapping² Tax Rates	1.23750	1.29470	1.31160	1.24000	1.28380	1.32580	1.31790	1.34520	1.38640	1.36290
City's Share of 1% Levy Per Prop 13³	0.02234	0.04343	0.05725	0.05706	0.05661	0.05641	0.05644	0.05650	0.05652	0.05626
General Obligation Debt Rate										
Redevelopment Rate⁴	1.05040	1.04900	1.04840	1.04830	1.04730	1.04860	1.04840	1.04760		
Total Direct Rate⁵	0.01664	0.04374	0.05842	0.05870	0.06263	0.06510	0.06507	0.06238	0.06204	0.05623

Notes:

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

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

³City's Share of 1% Levy is based on the City's share of the general fund tax rate area with the largest net taxable value within the city. ERAF general fund tax shifts may not be ⁴Redevelopment Rate is based on the largest RDA tax rate area and only includes rate(s) from indebtedness adopted prior to 1989 per California State statute. RDA direct and overlapping rates are applied only to the incremental property values. The approval of ABX1 26 eliminated Redevelopment from the State of California for the fiscal year 2012/13 and years thereafter.

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

Data Source: Santa Clara County Assessor 2004/05 - 2013/14 Tax Rate Table
This report is not to be used in support of debt issuance or continuing disclosure statements without the written consent of HdL, Coren & Cone
 Prepared On 8/13/2014 By MV

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

Taxpayer	2014		2009		Percentage of	
	Assessed Valuation	Valuation	Assessed Valuation	Valuation	Total Assessed Valuation	Total Assessed Valuation
Apple Inc.	\$ 1,324,522,880		\$ 610,763,043		4.83%	
Campus Holdings Inc.	737,959,709		-		-	
Cupertino City Center Buildings	139,150,359		208,000,000		1.65%	
SVF Cupertino City Center Corp.	122,400,000		-		-	
Mission West Properties LP II ETAL	105,703,542		-		-	
Vallco Shopping Mall LLC	89,929,542		-		-	
Villa Serra Apartments	78,155,825		58,335,514		0.46%	
IAC At Cupertino LLC	73,878,779		-		-	
BVK Perimeter Square Retail LLC	65,823,879		-		-	
Cupertino Gateway Partners LLC	64,319,889		-		-	
Total	\$ 2,801,844,404		\$ 877,098,557		17.29%	6.94%

Source: HdL, Coren & Cone

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

Fiscal Year	Total Tax Levy	Current Tax Collections	Percent of Levy Collected (1)	Delinquent Tax Collections (1)	Total Tax Collections	Percent of Total Tax Collections to Tax Levy
2005	4,312,914	4,312,914	100.00%	-	4,312,914	100.00%
2006	4,914,487	4,914,487	100.00%	-	4,914,487	100.00%
2007	6,717,048	6,717,048	100.00%	-	6,717,048	100.00%
2008	7,162,177	7,162,177	100.00%	-	7,162,177	100.00%
2009	8,703,093	8,703,093	100.00%	-	8,703,093	100.00%
2010	8,760,881	8,760,881	100.00%	-	8,760,881	100.00%
2011	8,497,119	8,497,119	100.00%	-	8,497,119	100.00%
2012	7,681,925	7,681,925	100.00%	-	7,681,925	100.00%
2013	8,199,752	8,199,752	100.00%	-	8,199,752	100.00%
2014	9,169,183	9,169,183	100.00%	-	9,169,183	100.00%

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

Source: City of Cupertino

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

Fiscal Year	Certificates of Participation	Percentage of Estimated		Per Capita	% of Personal Income
		Actual Market Value of Taxable Property	Actual Market Value of Taxable Property		
2005	52,305,000	0.55%	995	2.01%	
2006	51,035,000	0.50%	963	1.82%	
2007	49,740,000	0.45%	929	1.60%	
2008	48,385,000	0.41%	886	1.44%	
2009	46,970,000	0.36%	853	1.36%	
2010	45,510,000	0.34%	815	1.36%	
2011	44,010,000	0.32%	755	1.70%	
2012	43,940,000	0.30%	744	1.56%	
2013	42,020,000	0.29%	705	1.41%	
2014	39,980,000	0.25%	667	1.35%	

Source: City of Cupertino

CITY OF CUPERTINO
Direct and Overlapping Bonded Debt
June 30, 2014
(Unaudited)

2013-14 Assessed Valuation \$ 16,206,163,709

<u>Overlapping Tax and Assessment Debt:</u>	Total Debt 6/30/2014	%	City's Share of Debt 6/30/14
	<u>6/30/2014</u>	<u>Applicable (1)</u>	
Santa Clara County	\$ 804,700,000	4.845%	\$ 38,987,715
Foothill-DeAnza Community College District	613,179,288	13.701%	84,011,694
West Valley Community College District	294,322,663	0.713%	2,098,521
Santa Clara Unified School District	416,910,000	1.840%	7,671,144
Fremont Union High School District	290,570,108	30.191%	87,726,021
Cupertino Union School District	261,223,462	50.007%	130,630,017
El Camino Hospital District	140,010,000	1.250%	1,750,125
Santa Clara Valley Water District Benefit Assessment	115,045,000	4.845%	5,573,930
Total Overlapping Tax and Assessment Debt	<u>2,935,960,521</u>		<u>358,449,167</u>

Direct and Overlapping General Fund Debt

Overlapping Debt:

Santa Clara County General Fund Obligations	757,814,320	4.845%	\$ 36,716,104
Santa Clara County Pension Obligations	375,419,144	4.845%	18,189,058
Santa Clara County Board of Education Certificates of Participation	9,730,000	4.845%	471,419
Foothill-De Anza Community College District Certificates of Participation	13,468,694	13.701%	1,845,346
West Valley-Mission Community College District General Fund Obligations	65,095,000	0.713%	464,127
Santa Clara Unified School District Certificates of Participation	13,430,000	1.840%	247,112
Santa Clara County Vector Control District Certificates of Participation	3,275,000	4.845%	158,674
Midpeninsula Regional Open Space Park District Certificates of Participation	133,209,717	7.758%	10,334,410
Subtotal Overlapping General Fund Debt	<u>1,371,441,875</u>		<u>68,426,249</u>

Direct Debt: City of Cupertino Certificates of Participation

Total Direct and Overlapping General Fund Debt	<u>1,411,421,875</u>	100.000%	<u>39,980,000</u>
--	----------------------	-----------------	-------------------

Totals by Category:

Total Direct Debt	39,980,000		39,980,000
Total Overlapping Debt	4,307,402,396		426,875,416
Combined Total Debt	<u>\$ 4,347,382,396</u>		<u>\$ 466,855,416</u> (2)

Ratios to 2013-14 Assessed Valuation:

Total Overlapping Tax and Assessment Debt	2.21%
Total Direct Debt (\$39,980,000)	0.25%
Combined Total Debt	2.88%

(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.

Source: MuniServices

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

Fiscal Year	Debt Limit	Total Net Debt Applicable to Limit	Legal Debt Margin	Total net debt applicable to the limit as a % of debt limit
2005	357,745,500	-	357,256,552	-
2006	376,159,758	-	376,159,752	-
2007	408,373,114	-	408,373,114	-
2008	431,735,623	-	431,735,623	-
2009	473,910,827	-	473,910,827	-
2010	486,725,480	-	486,725,480	-
2011	488,171,639	-	488,171,639	-
2012	495,734,039	-	495,734,039	-
2013	520,580,523	-	520,580,523	-
2014	577,187,126	-	577,187,126	-
Debt Limit:				
Secured property assessed value, net of exempt real property				
Adjusted valuation - 25% of assessed valuation				
Debt limit - 15% of adjusted valuation				
Amount of Debt Subject to Limit:				
Total Bonded Debt				
Less: Certificates of Participation not subject to debt limit				
Amount of debt subject to limit				
Legal Debt Margin				
				\$ 15,391,656,690
				3,847,914,173
				<u>577,187,126</u>
				39,980,000
				<u>(39,980,000)</u>
				-
				<u>577,187,126</u>

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

Source: City of Cupertino

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

Fiscal Year	Population	Assessed Value	General Bonded Debt	Bonded Debt Per Capita	Ratio of General Bonded Debt to Assessed Value	
					General Bonded Debt	Bonded Debt to Assessed Value
2005	52,590	\$ 9,526,841,379	\$ -	\$ -	-	-
2006	53,012	10,292,965,413	-	-	-	-
2007	53,549	11,176,513,115	-	-	-	-
2008	54,584	11,930,514,178	-	-	-	-
2009	55,045	13,172,425,287	-	-	-	-
2010	55,838	13,545,013,769	-	-	-	-
2011	58,302	13,495,632,397	-	-	-	-
2012	59,022	13,748,274,686	-	-	-	-
2013	59,620	14,621,780,341	-	-	-	-
2014	59,946	16,206,163,709	-	-	-	-

Sources: HdL, Coren & Cone
City of Cupertino

City of Cupertino

Demographic and Economic Statistics Last Ten Fiscal Years

Fiscal Year	City Population		City Personal Income ²	Per Capita Personal Income ²	City Unemployment		County Unemployment Rate (%) ³	Median Age ⁴	% of Population	
	Population ¹	% of County			Rate (%) ³	Rate (%) ³			Over 25 with High School Degree	Over 25 with Bachelor's Degree
2004-05	52,590	1,759,585	2,595,892,000	49,361	4.1%	-	-	-	-	
2005-06	53,012	1,773,258	2,805,559,000	52,923	3.4%	-	-	-	-	
2006-07	53,549	1,794,522	3,117,408,000	58,216	2.8%	-	-	-	-	
2007-08	54,584	1,748,976	3,369,668,000	61,734	3.0%	-	-	-	-	
2008-09	55,045	1,857,621	3,442,884,000	62,547	3.8%	-	-	-	-	
2009-10	55,838	1,800,876	3,350,250,000	59,999	7.2%	-	40.5	96.5%	69.3%	
2010-11	58,302	1,781,642	2,586,120,000	44,357	7.3%	-	39.1	96.3%	72.6%	
2011-12	59,022	1,809,378	2,818,655,000	47,756	6.3%	-	39.2	97.0%	74.7%	
2012-13	59,620	1,842,254	2,888,768,456	48,453	5.4%	8.4%	39.9	96.7%	75.5%	
2013-14	59,946	1,868,558	2,965,595,760	49,471	4.4%	6.8%	40.4	96.1%	75.0%	

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

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

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

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

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

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

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

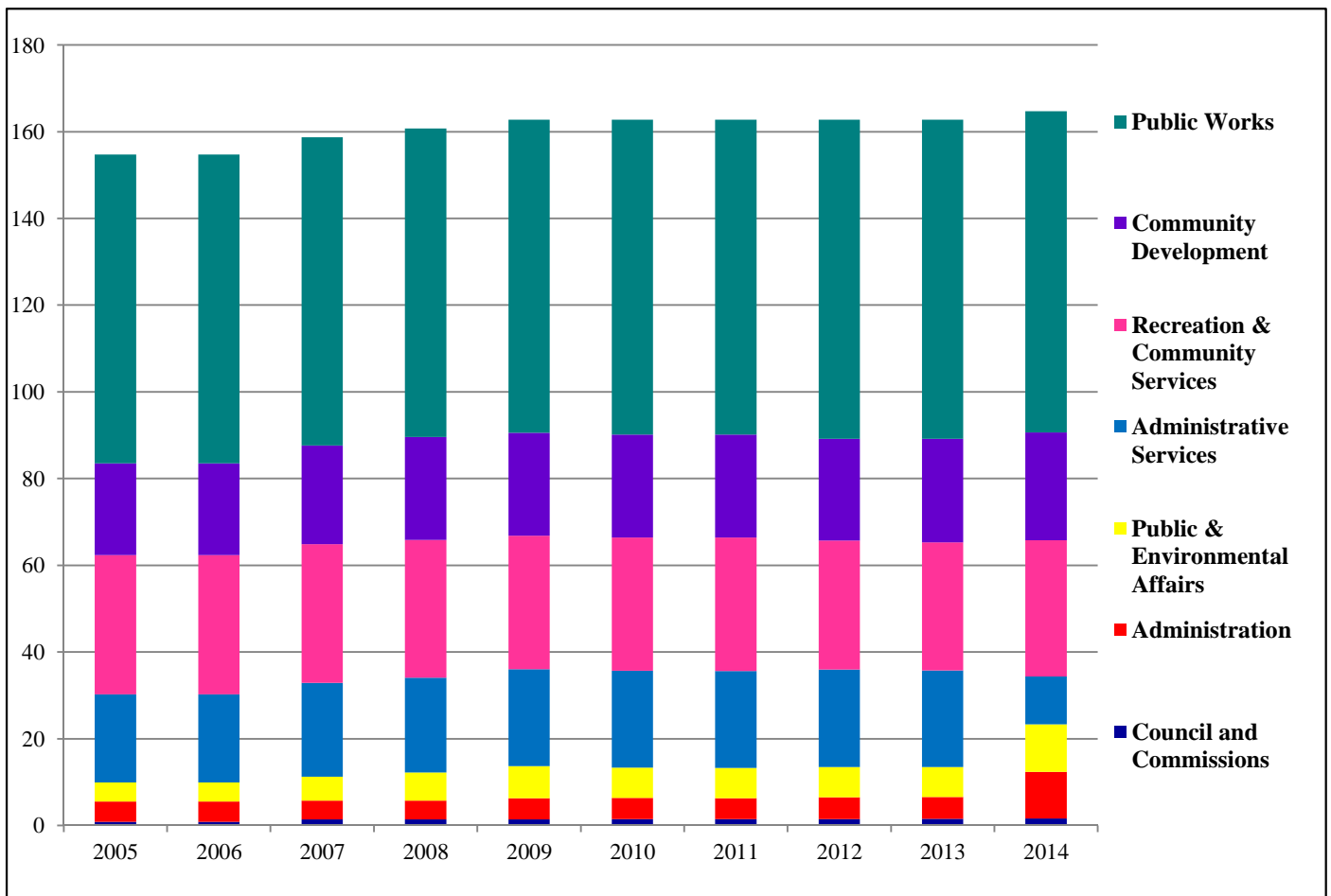
CITY OF CUPERTINO
2014 Employer Ranking
(Unaudited)

<u>Employer</u>	<u>Ranking</u>	<u>Employer</u>	<u>Ranking</u>
Apple	1	Sunnyview Retirement Cmnty	11
Seagate Technology	2	Insight solutions	12
CRC Health Corp	3	Macy's	13
Hewlett-Packard	4	Monta Vista High School	14
Chordiant Software	5	Ricoh America	15
Health Care Ctr At The Forum	6	Sugar CRM Inc	16
Trend Micro Inc.	7	Whole Foods Market	17
Target	8	Keller Williams Realty	18
Cupertino Health Care & Wellness	9	Cupertino High School	19
BJ's Restaurant & Brewhouse	10	Aemetis Inc.	20

Source: Report#1276448063, 8/18/14 from InfoUSA.com

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

Function/Program	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Council and Commissions	0.80	0.80	1.40	1.40	1.40	1.47	1.46	1.47	1.52	1.57
Administration	4.70	4.70	4.30	4.30	4.85	4.90	4.85	5.05	5.05	10.75
Public & Environmental Affairs	4.40	4.40	5.55	6.50	7.45	6.95	6.95	6.95	6.90	11.00
Administrative Services	20.35	20.35	21.63	21.88	22.33	22.33	22.34	22.48	22.26	11.00
Recreation & Community Services	32.13	32.13	31.96	31.76	30.77	30.78	30.78	29.78	29.53	31.48
Community Development	21.15	21.15	22.78	23.78	23.78	23.73	23.78	23.43	23.90	24.83
Public Works	71.22	71.22	71.13	71.13	72.17	72.59	72.59	73.59	73.59	74.12
Total	154.75	154.75	158.75	160.75	162.75	162.75	162.75	162.75	162.75	164.75



Source: City of Cupertino Budget

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

Function/Program	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Law Enforcement Sheriff Response										
Priority One-Respond within 5 minutes	5.37 Min.	4.94 Min.	4.94 Min.	5.83 Min.	3.88 Min.	3.95 Min.	4.49 Min.	4.84 Min.	3.76 Min.	4.30 Min.
Priority Two-Respond within 9 minutes	8.61 Min.	8.09 Min.	7.15 Min.	7.95 Min.	5.94 Min.	5.90 Min.	5.76 Min.	6.44 Min.	5.98 Min.	6.39 Min.
Priority Three-Respond within 20 minutes	18.92 Min.	16.74 Min.	15.82 Min.	15.73 Min.	9.40 Min.	9.77 Min.	9.79 Min.	10.62 Min.	10.29 Min.	10.76 Min.
Public Works										
Street Sweeping	696 Curb Miles	696 Curb Miles	696 Curb Miles	696 Curb Miles	696 Curb Miles	696 Curb Miles	696 Curb Miles	575 Curb Miles	575 Curb Miles	575 Curb Miles
Street Maintenance	24 Hrs of Call	24 Hrs of Call	24 Hrs of Call	24 Hrs of Call	24 Hrs of Call	24 Hrs of Call	24 Hrs of Call	24 Hrs of Call	24 Hrs of Call	24 Hrs of Call
Recreation Services										
Teen Center Memberships	441	550	510	444	400	447	492	576	564	684
Sports Center Memberships	916	1,021	1,336	1,419	1,700	1,385	1,598	1,776	1,852	1,950
Senior Center Memberships	2,000	3,100	1,935	2,110	2,243	2,287	2,387	2,470	2,456	2,623
Local Resident Rentals at Blackberry Farm (a)	-	-	-	-	28	91	120	135	141	148
Quinlan Community Center Rental Revenue (a)	-	-	-	-	\$80,000	\$71,000	\$91,000	\$133,000	\$120,000	\$109,342
Community Development										
Approved Building Plan Sets	Within 5 Days	Within 5 Days	Within 5 Days	Within 5 Days	91% Within 5 Days	96% Within 5 Days	97% Within 5 Days	93% Within 5 Days	92% Within 5 Days	95% Within 7 Work Days
Discretionary Land Use Applications	Within 21 Days	Within 21 Days	Within 21 Days	Within 21 Days	95% Within 21 Days	100% Within 21 Days	100% Within 21 Days	99% Within 21 Days	99% Within 21 Days	99% Within 21 Work Days
Public Notice of Upcoming Projects	Within 10 Days	Within 10 Days	Within 10 Days	Within 10 Days	100% Within 10 Days	100% Within 10 Days	100% Within 10 Days	100% Within 10 Days	100% Within 10 Days	100% Within 10 Days
Administrative Services										
Accounts Payable Processing	5 Days	5 Days	5 Days	5 Days	5 Days	5 Days	5 Days	7 Days	7 Days	7 Days
Business License Renewal Certificates	3 Days	3 Days	3 Days	3 Days	3 Days	3 Days	3 Days	3 Days	3 Days	3 Days

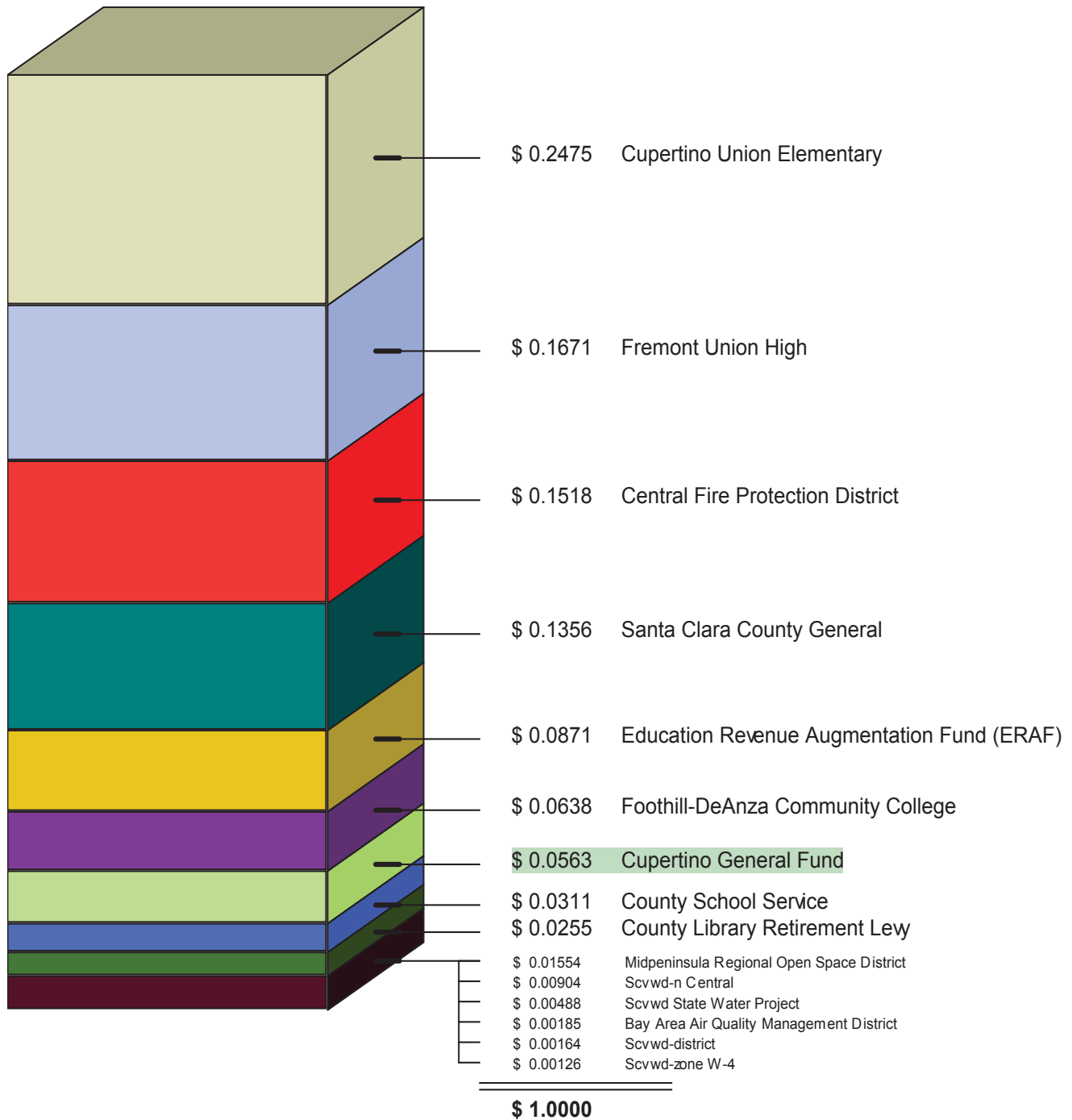
Source: City of Cupertino

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

Function/Program	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
Public Works										
Centerlane Miles of Streets	142	142	142	142	142	142	142	142	142	142
Streetlights	2,950	2,950	2,950	2,950	2,950	2,950	2,950	2,950	2,950	2,950
Traffic Signals	39	39	39	39	39	39	39	39	48	48
Culture & Recreation										
Parks and Open Spaces	17	17	17	17	17	18	19	19	19	21
Park and Landscape Acreage	150.8	150.8	150.8	150.8	150.8	151.4	152.0	152.0	152.0	159.0
City Trails	1	1	1	1	1	1	1	1	1	3
Golf Courses	1	1	1	1	1	1	1	1	1	1
Community Center	1	1	1	1	1	1	1	1	1	1
Community Hall	1	1	1	1	1	1	1	1	1	1
Senior Center	1	1	1	1	1	1	1	1	1	1
Sports Center	1	1	1	1	1	1	1	1	1	1
Swimming Pools	1	1	1	1	1	1	1	1	1	1
Tennis Courts	17	17	17	17	17	17	17	17	17	17
Sports Fields	1	1	1	1	1	1	1	1	1	41
City Library	1	1	1	1	1	1	1	1	1	1

Source: City of Cupertino

THE CITY OF CUPERTINO PROPERTY TAX DOLLAR BREAKDOWN



ATI (Annual Tax Increment) Ratios for Tax Rate Area 13-003, Excluding Redevelopment Factors & Additional Debt Service

Data Source: Santa Clara County Assessor 2013/14 Annual Tax Increment Tables

Prepared On 8/13/2014 By MV

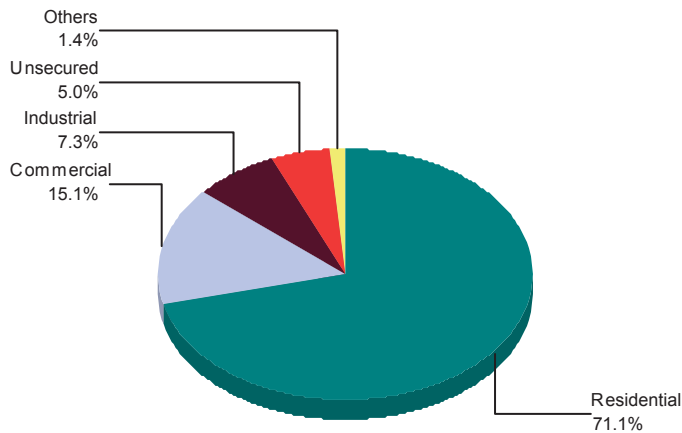
This report is not to be used in support of debt issuance or continuing disclosure statements without the written consent of HdL, Coren & Cone

THE CITY OF CUPERTINO 2013/14 USE CATEGORY SUMMARY

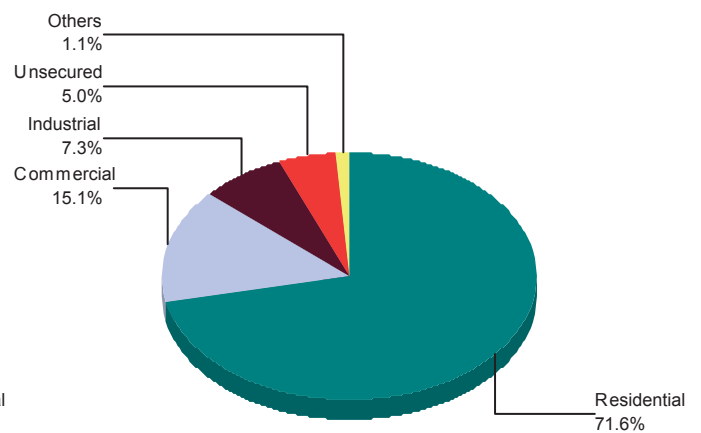
BASIC PROPERTY VALUE TABLE

Category	Parcels	Assessed Value	Net Taxable Value
Residential	15,699	\$11,618,017,466 (71.1%)	\$11,597,400,027 (71.6%)
Commercial	398	\$2,471,028,527 (15.1%)	\$2,441,451,526 (15.1%)
Industrial	58	\$1,188,812,697 (7.3%)	\$1,182,182,397 (7.3%)
Institutional	31	\$56,386,692 (0.3%)	\$5,267,163 (0.0%)
Irrigated	16	\$8,442,862 (0.1%)	\$6,447,142 (0.0%)
Miscellaneous	20	\$39,681,330 (0.2%)	\$39,673,472 (0.2%)
Recreational	4	\$12,808,172 (0.1%)	\$9,011,713 (0.1%)
Vacant	135	\$110,223,733 (0.7%)	\$110,223,240 (0.7%)
Exempt	189	\$0 (0.0%)	\$0 (0.0%)
SBE Nonunitary	[1]	\$1,390,000 (0.0%)	\$1,390,000 (0.0%)
Unsecured	[1,084]	\$824,448,756 (5.0%)	\$813,117,019 (5.0%)
Unknown	2	\$20 (0.0%)	\$10 (0.0%)
TOTALS	16,552	\$16,331,240,255	\$16,206,163,709

ASSESSED VALUE



NET TAXABLE VALUE



THE CITY OF CUPERTINO

ASSESSED VALUE OF TAXABLE PROPERTY

2004/05 - 2013/14 Taxable Property Values

Category	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14
Residential	6,954,800,194	7,735,785,382	8,400,080,413	8,991,356,023	9,594,054,693	9,825,745,796	9,951,423,830	10,215,680,777	10,648,202,958	11,597,400,027
Commercial	1,226,805,172	1,279,451,715	1,432,772,387	1,530,343,939	1,942,153,111	2,067,210,867	2,083,461,289	1,911,984,549	1,977,136,610	2,441,451,526
Industrial	838,198,629	762,265,356	789,204,640	822,398,615	902,651,117	859,338,975	824,591,075	924,371,893	1,094,900,038	1,182,182,397
Dry Farm	288	301	309	312	315	318				
Govt. Owned	2,065,109	1,719,544	1,753,933	1,926,108	2,785,056	736,261				
Institutional	14,217,676	12,961,511	17,541,590	17,835,038	23,240,739	24,362,385	8,865,032	9,259,200	3,978,804	5,267,163
Irrigated	785,995	801,714	96,621	98,553	100,523	102,532	4,334,427	6,106,705	6,146,672	6,447,142
Miscellaneous	5,373,617	11,108,998	11,711,521	11,412,050	15,137,616	17,429,379	20,000,941	43,676,939	44,907,459	39,673,472
Recreational	8,671,966	9,451,207	20,583,980	11,805,193	12,048,625	25,260,801	8,597,051	8,661,783	8,835,122	9,011,713
Vacant	79,825,778	123,638,714	111,998,960	101,745,339	139,382,534	157,212,975	116,636,727	99,832,521	98,039,628	110,223,240
SBE Nonunitary	278,536	259,809	213,610	0	1,390,000	1,390,000	1,390,000	1,390,000	1,390,000	1,390,000
Unsecured	367,378,773	350,391,447	381,307,801	417,564,226	533,413,228	564,277,611	476,332,025	527,310,319	738,243,050	813,117,019
Exempt	[10,564,467]	[800,679]	[0]	[0]	[0]	[0]	[0]	[0]	[0]	[0]
Unknown	28,439,646	5,129,715	9,247,350	24,028,782	6,067,730	1,945,869				10
TOTALS	9,526,841,379	10,292,965,413	11,176,513,115	11,930,514,178	13,172,425,287	13,545,013,769	13,495,632,397	13,748,274,686	14,621,780,341	16,206,163,709
Total Direct Rate	0.01664	0.04374	0.05842	0.05870	0.06263	0.06510	0.06507	0.06238	0.06204	0.05623

Notes:
Exempt values are not included in Total.

In 1978 the voters of the State of California passed Proposition 13 which limited taxes to a total maximum rate of 1%, based upon the assessed value of the property being taxed. Each year, the assessed value of property may be increased by an "inflation factor" (limited to a maximum of 2%). With few exceptions, property is only reassessed as a result of new construction activity or at the time it is sold to a new owner. At that point, the property is reassessed based upon the added value of the construction or at the purchase price (market value) or economic value of the property sold. The assessed valuation data shown above represents the only data currently available with respect to the actual market value of taxable property and is subject to the limitations described above.

Data Source: Santa Clara County Assessor 2004/05 - 2013/14 Combined Tax Rolls

This report is not to be used in support of debt issuance or continuing disclosure statements without the written consent of HdL, Coren & Cone

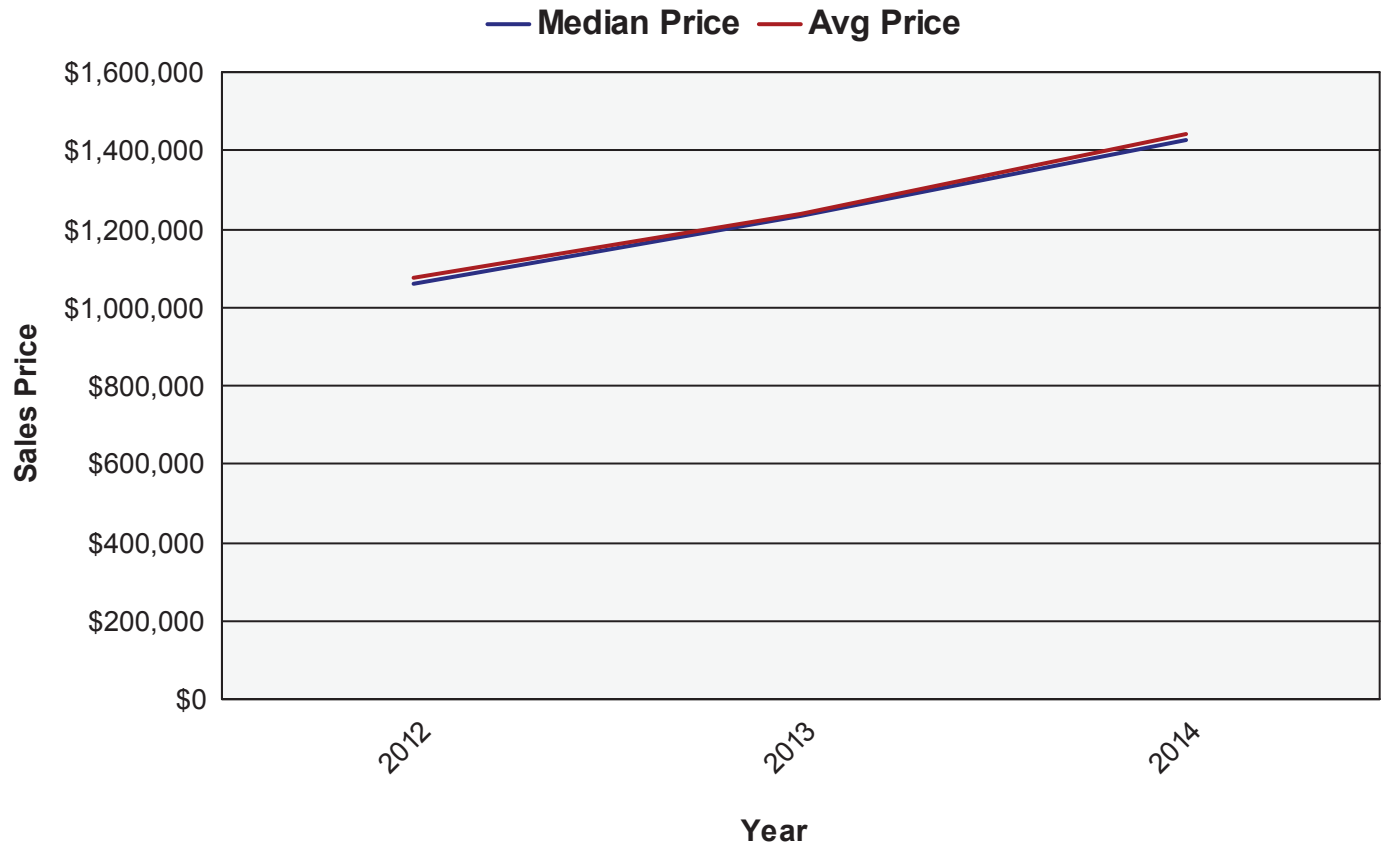
Prepared On 8/13/2014 By MV

THE CITY OF CUPERTINO

SALES VALUE HISTORY

Single Family Residential Full Value Sales (01/01/2012 - 6/30/2014)

Year	Full Value Sales	Average Price	Median Price	Median % Change
2012	476	\$1,076,875	\$1,061,000	
2013	456	\$1,238,015	\$1,231,750	16.09%
2014	233	\$1,441,342	\$1,428,000	15.93%



*Sales not included in the analysis are quitclaim deeds, trust transfers, timeshares, and partial sales.

Data Source: Santa Clara County Recorder

This report is not to be used in support of debt issuance or continuing disclosure statements without the written consent of HdL, Coren & Cone

Prepared On 8/13/2014 By MV

***COMMUNITY
PROFILE***

This Page Left Intentionally Blank

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.

2014 Community Economic Profile

Cupertino, with a population of 60,550 and city limits stretching across 13 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 city, which provides high-level opportunities, and services that create and help sustain a sense of community and quality of life. Public and private interests must be mutual so that successful partnerships are a direct reflection of a success community. The cornerstone of partnership is a cooperative and responsive government that fosters business and residential prosperity and strengthens working relationships among all sectors of the community.

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

Cupertino is home to many well-known high-tech companies, and offers a dynamic and exciting business climate. Apple Inc., CRC Health, Durect, Mirapath, Seagate Technology, Trend Micro, Bromium, and SugarCRM Inc. are headquartered in the city. DeAnza College, one of the largest single-campus community colleges in the country, is another major employer.



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

local companies through active outreach and an entitlement process that is responsive and customer oriented.

At the Vallco Shopping Mall, visitors can shop at its three anchor stores, enjoy the latest shows at the AMC 16-screen theater, skate at the mall's full-size ice rink, workout at the Bay Club Silicon Valley, and bowl at the chic and upscale BowlMor Lanes. They can begin or top off the evening with fine dining at the critically-acclaimed Alexander's Steakhouse or enjoy more casual cuisine at TGI Friday's, Benihana's, Dynasty Seafood Restaurant, Tatami, and the international food court. The city features many other stores, including Target, TJ Maxx and Home Goods, and Whole Foods, and over 160 restaurants to serve the local workforce and residents.

Five hotels occupy the city: Hilton Garden Inn, Marriott Courtyard, Cupertino Inn and the Cypress Hotel, operated by the Kimpton Group. The fifth hotel, The Aloft Cupertino Hotel, operated by Starwood Hotels & Resorts, opened in 2012.

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 its 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.

2014 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 165 authorized full-time benefited employee positions. City departments include Administration, Administrative Services, Community Development, Recreation and Community Services, and Public Works. 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, economic development, strategic planning, and public safety. Members of the volunteer boards are appointed by the City Council and vacancies are announced so that interested residents may apply for the positions. Residents are kept informed about city services and programs through the *Cupertino Scene*, a monthly newsletter; *The City Channel*, Cupertino's government access cable TV channel; and the city's website.

Housing

The average sales price of an existing single-family home is \$1,441,342 as of 2014.

Community Health Care Facilities

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

Utilities

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

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

Cable – Comcast, 800- 945-2288.

Solid Waste & Recycling – Recology, 408-725-0420.

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

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

Tax Rates

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: Cupertino 1%, State General Fund 3.9375%, State and Local Revenue Fund 1.0625%, State Local Public Safety 0.5%, State Local Revenue 0.5%, County Transportation 0.25%, Local District (Valley Transportation Authority) 1.125%. Grand Total = 8.7500%.

Assessed Valuation: (Secured and Unsecured)
Cupertino: \$16,206,163,709 (7/1/14)
County: \$357,339,245,945 (7/1/14)

Transportation

Rail – CalTrain service to Gilroy and San Francisco, with local station four miles north of city; Amtrak station is 10 miles south.

Air – Mineta San Jose International Airport 11 miles south; San Francisco International Airport 30 miles north.

Bus – Santa Clara Valley Transportation Authority.

Highways – Interstate Route 280, State Route 85.

Community Statistics

Facts and Figures

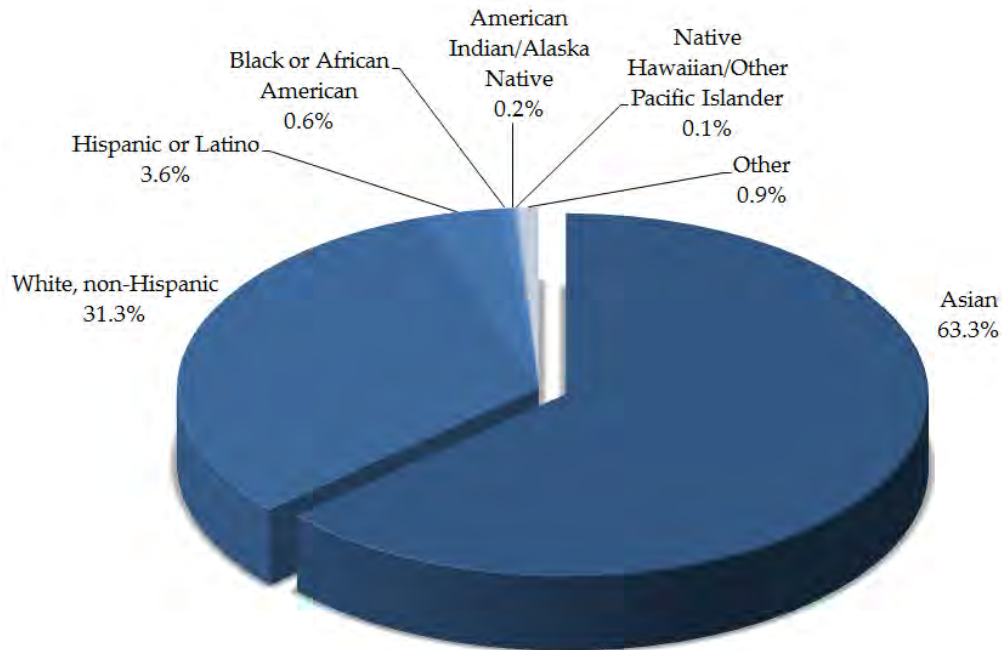
➤ Population in City Limits	60,550
➤ Median Household Income	\$140,034
➤ Median Age	40.4
➤ Registered Voters	20,049
▪ Democrats	7,386
▪ Republicans	4,121
▪ American Independent	285
▪ Other	173
▪ No Political Party designated	8,084

Top 25 Sales/Use Tax Contributors

The following are Cupertino's top 25 sales and use tax contributors for 2013-2014 in alphabetical order. Collectively, these contributors generate 84.9% of Cupertino's total sales and use tax revenue.

99 Ranch Market	Macy's Department Store
A2Z Development	Mirapath
Alexander's Steakhouse	Rotten Robbie Service Stations
Apple Computers Corporation	Scandinavian Designs
Argonaut Window & Door	Sears Roebuck & Company
BJ's Restaurant & Brewery	Shane Diamond Jewelers
California Dental Arts	Shell Service Stations
Chevron Service Stations	Skanska
Clark Pacific	Target Stores
Dynasty Chinese Seafood	TJ Maxx
Granite Rock Company	Valero Service Stations
Insight Direct USA	Whole Foods Market
JC Penney Company	

Demographic Information



Community and Recreation Services

Blackberry Farm

Blackberry Farm has been upgraded and restored to improve the natural habitat for native trees, animals, and fish. Improvements to the park include construction of a new ticket kiosk, replastered pools, a new water slide, bocce ball, horseshoe courts, and numerous upgrades to the west bank picnic area. The park is located at 21979 San Fernando Avenue, telephone 408-777-3140. The Blackberry Farm golf course is located at 22100 Stevens Creek Boulevard, telephone 408-253-9200.

The Quinlan Community Center

The City of Cupertino's Quinlan Community Center is a 27,000 square foot facility that provides a variety of recreational opportunities. Most prominent is the Cupertino Room - a multi-purpose

room that can accommodate 300 people in a banquet format. The community center is located at 10185 North Stelling Road, 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, 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 held in the Community Hall as well as Planning Commission and Parks and Recreation Commission sessions. 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.

Teen Center

This new facility has all of the latest gaming equipment and cool features that teens enjoy. Teens can pick from pool, foosball, pin ball, ping pong, Xbox 360, Wii, five computers, board games, two big screen televisions, movies, and more! The Teen Center is also the ideal place to host a birthday party or special occasion. The facility includes a kitchenette equipped with a refrigerator/freezer, a microwave, and a toaster oven. Tables and chairs are also available. The Teen Center is located at 21111 Stevens Creek Boulevard, telephone 408-777-1335.

Education

Winner of numerous state and national awards for excellence, Cupertino's schools are widely acknowledged to be models of quality instruction. Cupertino Union School District serves 18,000 students in a 26 square mile area that includes Cupertino and portions of five other cities. The district has 20 elementary schools and five middle schools, including several choice programs. Eighteen schools have received state and/or national awards for educational excellence.

Student achievement is exceptionally high. Historically, district test scores place Cupertino among the premier public school districts in California. The district is a leader in the development of 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 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. Many high schools in the district exceed their established achievement targets for the State Academic Performance Index. 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 two local institutions of higher education: DeAnza College and the University of San Francisco. In addition to these schools, Cupertino's location offers easy access to Stanford University, Santa Clara University and San Jose State University.

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

DeAnza College offers a wide range of quality programs and services to

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

Fujitsu Planetarium

Stargazers have a Cupertino facility catering to their interests, the Fujitsu 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. For more information, visit the website at <http://planetarium.deanza.edu> or call 408-864-8814.

Flint Center

The cultural life of the Peninsula and South Bay is enhanced by programs presented at the Flint Center for Performing Arts located at 21250 Stevens Creek Boulevard 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. Tuesday 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

The Cupertino Historical Society was founded in 1966 by a group of 177 longtime residents and is dedicated to the preservation and exhibition of the city's history. Their museum, located at the Quinlan Community Center, 10185 N. Stelling Road, attempts to develop and expand the learning opportunities that it offers to the ethnically diverse community of the City of Cupertino. Telephone: 408-973-1495.

Farmers' Market

Residents and visitors can visit the two farmers' markets on Friday from 9:00 a.m. to 1:00 p.m. at the Vallco Shopping Mall parking lot behind JCPenney, and every Sunday from 9:00 a.m. to 1:00 p.m. at the Cupertino Oaks Shopping Center, 21275 Stevens Creek Blvd.



California History Center

The California History Center and Foundation is located on the DeAnza College campus. The center has published 37 volumes on California history and has a changing exhibit program. The center's Stockmeir Library Archives 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 and natural history are offered by the center each quarter. For more information, call 408-864-8987.



This Page Left Intentionally Blank