



CYPRESS RECREATION AND PARK DISTRICT

FOR FISCAL YEAR ENDED JUNE 30, 2020

BASIC FINANCIAL STATEMENTS AND
INDEPENDENT AUDITORS' REPORT

Focused
on YOU



CYPRESS RECREATION AND PARK DISTRICT
BASIC FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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CYPRESS RECREATION AND PARK DISTRICT
 BASIC FINANCIAL STATEMENTS
 FOR THE FISCAL YEAR ENDED JUNE 30, 2020

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CYPRESS RECREATION AND PARK DISTRICT
 BASIC FINANCIAL STATEMENTS
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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Cypress Recreation and Park District
Cypress, California

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Cypress Recreation and Parks District, (the District), a component unit of the City of Cypress, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District'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 District'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.



To the Board of Directors
Cypress Recreation and Park District
Cypress, California

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance 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 the management's discussion and analysis, the budgetary comparison schedule for the General Fund, the schedule of changes in net pension liability and related ratios – defined benefit plan, the schedule of contributions – defined benefit plan, the schedule of proportionate share of the net pension liability – OCERS – defined benefit plan, the schedule of contributions – OCERS- defined benefit plan, and the schedule of change in the total OPEB liability and related ratios on pages 4-7 and 53-59 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 District's basic financial statements. The introductory section, combining and individual fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements are the responsibility of management and were derived from and relate 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 combining and individual fund financial statements are fairly stated, in all material respects in relation to the basic financial statements as a whole.



To the Board of Directors
Cypress Recreation and Park District
Cypress, California

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 2020, 2020, on our consideration of the District'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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's 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 District's internal control over financial reporting and compliance.

Lance, Solt & Lughard, LLP

Brea, California
December 29, 2020

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CYPRESS RECREATION AND PARK DISTRICT
Management's Discussion and Analysis
June 30, 2020

The discussion and analysis of the Cypress Recreation and Park District's (District's) financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2020. The intent of this discussion and analysis is to look at the District's financial performance as a whole. Readers should also review the basic financial statements, as well as the prior year's report ending June 30, 2019, to enhance their understanding of the District's financial performance.

The financial section of this report has been prepared to show the results of the financial administration, financial condition, and operations of the District. The combined financial statements in this report have been audited by the firm of Lance, Soll and Lunghard LLP, whose opinion is included.

BASIS OF ACCOUNTING AND FUND GROUPINGS

The government-wide financial statements are presented on an “*economic resources*” measurement focus and, accordingly, all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, including capital assets and long-term liabilities, are reflected in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. The government-wide financial statements also are structured to reflect the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

The governmental fund financial statements are presented on a spending or “current financial resources” measurement focus. Accordingly, only current assets and current liabilities are included on the Balance Sheet. The Statement of Revenues, Expenditures and Changes in Fund Balance present increases (revenue and other financing sources) and decreases (expenditures and other financing uses) in fund balances. The governmental fund statements are also presented using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to pay for expenditures of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to other long-term liabilities, are recorded only when payment is due. The District maintains funds in accordance with generally accepted accounting principles set forth by the GASB and other rule-making entities.

The District maintains two internal service funds. Internal service funds are an accounting device used to accumulate and allocate costs internally among the District's various functions. The District uses internal service funds to account for its central services and employee benefits. Because these services benefit governmental functions, they have been included within governmental activities in the government-wide financial statements.

The internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for each of the two internal service funds are provided in the form of combining statements elsewhere in this report. The basic proprietary fund financial statements can be found immediately following the basic governmental fund financial statements.

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the District's own programs.

CYPRESS RECREATION AND PARK DISTRICT
Management's Discussion and Analysis
June 30, 2020

The fiduciary fund financial statements can be found immediately following the basic proprietary fund financial statements.

FINANCIAL DISCUSSION

In the governmental fund financial statements, the District reported a deficiency in revenues and other financing sources over expenditures and other financing uses of \$1,703,378. At the end of the current fiscal year, the nonspendable fund balance of the District was \$3,242, the restricted fund balance was \$526,302 (compared to \$1,432,876 at the beginning of the year), the committed fund balance was \$2,532,600 (compared to \$3,111,022 at the beginning of the year), the assigned fund balance was \$8,655,928 (compared to \$8,855,928 at the beginning of the year), while total fund balance was \$11,948,618 (compared to \$13,651,996 at the beginning of the year). The total fund balance that is not restricted, committed or nonspendable (comprised of assigned and unassigned fund balance amounts) represents 179.7 percent (compared with 188.7 percent from the previous year) of the fund's total current expenditures. Since the bulk of the District's operations are funded with annual property tax revenues, a portion of the assigned fund balance is needed to meet cash flow shortages between property tax receipts. The majority of the remaining assigned fund balance amounts are available to cover potential contingency needs of the District, offset retiree pension liabilities and pay for future facility and park infrastructure improvement projects.

For the fiscal year ended June 30, 2020, the District's balance of cash and cash equivalents was \$12,958,083, a decrease of \$1,167,281 from the prior fiscal year. Total receivables at the end of the fiscal year were \$134,140, which is a decrease of \$117,193 from the prior year total of \$251,333.

Summary of Changes in Fund Balances
General Fund
For the fiscal year ended June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>	<u>Change</u>
Revenues			
Taxes	\$ 5,958,510	\$ 5,435,431	\$ 523,079
From other agencies	54,498	88,955	(34,457)
Charges for services	462,268	1,573,812	(1,111,544)
From use of property	414,657	468,158	(53,501)
Other revenue	3,649	9,763	(6,114)
Total Revenues	<u>6,893,582</u>	<u>7,576,119</u>	<u>(682,537)</u>
Expenditures			
Parks and recreation	3,945,307	4,158,365	(213,058)
Contribution to City for infrastructure set-aside	1,000,570	648,208	352,362
Capital outlay	3,457,210	1,169,309	2,287,901
Total Expenditures	<u>8,403,087</u>	<u>5,975,882</u>	<u>2,427,205</u>
Net Transfers	<u>(193,873)</u>	<u>(752,594)</u>	<u>(558,721)</u>
Increase (decrease) in fund balance	<u>\$ (1,703,378)</u>	<u>\$ 847,643</u>	<u>\$ (2,551,021)</u>

CYPRESS RECREATION AND PARK DISTRICT
Management's Discussion and Analysis
June 30, 2020

Total Recreation and Park District revenues for the fiscal year ended June 30, 2020 decreased by \$682,537 from the prior year. Individual changes during the past year to the District's major revenues are highlighted as follows:

- Property tax revenues, the District's largest revenue source, increased by \$523,079 due to two factors. The increase relates to both the positive impacts to property tax revenues resulting from rising real estate assessed values and the amount of residual property tax paid to the District. These residual amounts continue to increase as Successor Agency activities wind down and additional property tax amounts are allocated to the District.
- Charges for services decreased due to multiple factors. In March 2020, the COVID-19 pandemic halted traditional recreation programming for the remainder of the year causing sharp declines in revenues associated with this typically busy period. In addition, no park development fees were received in the fiscal year ended June 30, 2020 compared to \$652,000 received during the prior year. These fees vary year to year based on housing development activity within the City.
- Revenue from the use of property decreased due to lower interest earnings from declines in both the District's cash balances and the market interest rates earned on those cash balances.

Notable changes in expenditures and net transfers during the year ended June 30, 2020 follow:

- Parks and recreation expenditures decreased more than \$213,000 (5 percent) due to pandemic-related declines in part-time personnel and payments to contract class instructors.
- The District makes annual capital contributions to the City equal to the additional residual property tax amounts received that were previously apportioned to the former Redevelopment Agency. As part of the dissolution of the former Redevelopment Agency, the State disallowed loans from the City to the former Redevelopment Agency. Since the proceeds of these disallowed loans had been used to pay for several recreation projects (including the construction of the Senior Center and the remodel of the Community Center), the City Council established a policy whereby the District would repay the City for these improvements by transferring any former Redevelopment Agency property tax revenues the District receives. The contributions have increased from the prior year due to additional revenues passing through to the District due to the wind down of Successor Agency activities. These expenditure amounts are reported as a contribution to the City for infrastructure set-aside.
- Capital expenditures were \$2.3 million higher due to several facility enhancements being completed or initiated in the most recent fiscal year. These improvements included the final design of the new sports park, ADA compliant playground resurfacing at seven parks, a new restroom and concession building at Oak Knoll Park and Senior Center skylight and roof improvements.
- Net transfers out were \$558,721 less than the prior year. The large change is a result of a one-time \$740,000 transfer to the District's Employee Benefits Internal Service Fund occurring in the prior fiscal year. The amount transferred was used to pay the Orange County Employees Retirement System (OCERS) for the unfunded pension liability resulting from the District providing pension benefits to all eligible employees through OCERS prior to 2001.

**CYPRESS RECREATION AND PARK DISTRICT
Management's Discussion and Analysis
June 30, 2020**

District General Fund Budgetary Highlights

Net increases between the original appropriations budget and the final amended budget totaled \$2,348,476. These budget increases are primarily related to the annual carryover of appropriations to the new fiscal year for encumbrances and purchases not completed in the prior fiscal year, with the majority of these carryovers related to a variety of capital improvements at the Senior Center, the design of a new sports park and restroom improvements at Oak Knoll Park.

REQUEST FOR INFORMATION

This financial report is designed to provide our citizens, taxpayers, creditors and investors with a general overview of the District's finances and to show the City's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the City of Cypress, Finance Department, 5275 Orange Avenue, Cypress, California 90630.

BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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CYPRESS RECREATION AND PARK DISTRICT

STATEMENT OF NET POSITION

JUNE 30, 2020

	<u>Primary Government Governmental Activities</u>
Assets	
Current Assets:	
Cash and cash equivalents	\$ 14,576,203
Receivables:	
Accounts	56,827
Taxes	64,569
Accrued interest	52,326
Prepaid costs	16,495
Inventories	488
Total Current Assets	<u>14,766,908</u>
Noncurrent Assets:	
Capital assets:	
Non-depreciable assets	11,239,182
Depreciable assets, net	12,687,274
Total Capital Assets	<u>23,926,456</u>
Total Assets	<u>38,693,364</u>
Deferred Outflows of Resources	
Deferred amounts from pension plans	3,236,564
Deferred amounts from OPEB	119,390
Total Deferred Outflows of Resources	<u>3,355,954</u>
Liabilities	
Current Liabilities:	
Accounts payable and accrued liabilities	688,803
Unearned revenue	89,829
Accrued leave payable	28,800
Advances from other funds	423,396
Total Current Liabilities	<u>1,230,828</u>
Noncurrent Liabilities:	
Accrued leave payable	86,182
Total OPEB liability	796,309
Net pension liability	3,142,756
Total Noncurrent Liabilities	<u>4,025,247</u>
Total Liabilities	<u>5,256,075</u>
Deferred Inflows of Resources	
Deferred amounts from pension plans	2,120,926
Deferred amounts from OPEB	22,106
Total Deferred Inflows of Resources	<u>2,143,032</u>
Net Position	
Investment in capital assets	23,926,456
Restricted	526,302
Unrestricted	10,197,453
Total Net Position	<u>\$ 34,650,211</u>

CYPRESS RECREATION AND PARK DISTRICT

STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

Functions/Programs	Expenses	Program Revenues		Net (Expenses)
		Charges for Services	Operating Grants and Contributions	Revenue and Changes in Net Position
				Governmental Activities
Primary government:				
Governmental activities:				
Recreation	\$ 5,944,643	\$ 462,268	\$ 54,498	\$ (5,427,877)
Total governmental activities	\$ 5,944,643	\$ 462,268	\$ 54,498	(5,427,877)
General revenues:				
				5,958,510
				414,657
				3,649
			Total general revenues	6,376,816
			Change in net position	948,939
			Net position at beginning of year	33,701,272
			Net position at end of year	\$ 34,650,211

FUND FINANCIAL STATEMENTS

Governmental Fund Financial Statements

Proprietary Fund Financial Statements

Fiduciary Fund Financial Statements

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GOVERNMENTAL FUND FINANCIAL STATEMENTS

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CYPRESS RECREATION AND PARK DISTRICT

**BALANCE SHEET
GOVERNMENTAL FUND
JUNE 30, 2020**

	<u>General Fund</u>
Assets	
Cash and cash equivalents	\$ 12,958,083
Receivables:	
Accounts	17,245
Taxes	64,569
Interest	52,326
Prepaid costs	2,754
Inventories	488
	<hr/>
Total Assets	<u><u>\$ 13,095,465</u></u>
 Liabilities and Fund Balance	
Liabilities	
Accounts payable and accrued liabilities	\$ 633,622
Unearned revenues	89,829
Advances from other funds	423,396
	<hr/>
Total Liabilities	<u>1,146,847</u>
 Fund Balance	
Nonspendable	3,242
Restricted	526,302
Committed	2,532,600
Assigned	8,655,928
Unassigned	230,546
	<hr/>
Total Fund Balance	<u>11,948,618</u>
 Total Liabilities and Fund Balance	<u><u>\$ 13,095,465</u></u>

CYPRESS RECREATION AND PARK DISTRICT

RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2020

Fund balance - total governmental fund \$ 11,948,618

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental funds are not current financial resources and therefore are not reported in the Governmental Fund Balance Sheet. This amount does not include the internal service funds amounts of \$181,622:

Non-depreciable	\$ 11,239,182	
Depreciable, net	<u>12,505,652</u>	23,744,834

Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Government-Wide Statement of Net Position.

(1,043,241)

Net Position of Governmental Activities

\$ 34,650,211

CYPRESS RECREATION AND PARK DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
 GOVERNMENTAL FUND
 FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	<u>General Fund</u>
Revenues	
Taxes	\$ 5,958,510
From other agencies	54,498
Charges for services	462,268
From use of property	414,657
Other revenue	3,649
	<hr/>
Total Revenues	6,893,582
	<hr/>
Expenditures	
Current:	
Parks and recreation	3,945,307
Contribution to City for infrastructure set-aside	1,000,570
Capital outlay	3,457,210
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Total Expenditures	8,403,087
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Excess of Expenditures Over Revenues	(1,509,505)
	<hr/>
Other Financing Uses	
Transfers out	(193,873)
	<hr/>
Total Other Financing Uses	(193,873)
	<hr/>
Net Change in Fund Balance	(1,703,378)
	<hr/>
Fund Balance - Beginning of Year	13,651,996
	<hr/>
Fund Balance - End of Year	\$ 11,948,618
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CYPRESS RECREATION AND PARK DISTRICT

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES TO FUND BALANCE OF THE GOVERNMENTAL FUND
TO THE STATEMENT OF ACTIVITIES
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

Net change in fund balance - total governmental fund \$ (1,703,378)

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

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the costs of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital outlay	3,457,210
Loss on disposal of capital assets	(1,646)

Depreciation expense on capital assets is reported in the Government-Wide Statement of Activities, but it does not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in the Governmental Fund. This amount does not include the depreciation expense for internal service funds in the amount of \$16,410.

(588,806)

Internal service funds are used by management to charge the costs of certain activities such as insurance and fleet management, to individual funds. The change in net position of the internal service fund is reported with governmental activities.

(214,441)

Change in Net Position of Governmental Activities

\$ 948,939

PROPRIETARY FUND FINANCIAL STATEMENTS

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CYPRESS RECREATION AND PARK DISTRICT

STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 JUNE 30, 2020

	Governmental Activities- Internal Service Funds
Assets	
Current:	
Cash and cash equivalents	\$ 1,618,120
Other receivables	
Accounts	39,582
Prepaid costs	13,741
	<u>1,671,443</u>
Total Current Assets	1,671,443
Noncurrent:	
Capital assets - net of accumulated depreciation	181,622
	<u>181,622</u>
Total Noncurrent Assets	181,622
Total Assets	1,853,065
Deferred Outflows of Resources:	
Deferred amounts from pension plans	3,236,564
Deferred amounts from OPEB	119,390
	<u>3,355,954</u>
Total Deferred Outflows of Resources	3,355,954
Liabilities, Deferred Inflows of Resources, and Net Position:	
Liabilities:	
Current:	
Accounts payable	55,181
Accrued compensated absences	28,800
	<u>83,981</u>
Total Current Liabilities	83,981
Noncurrent:	
Accrued compensated absences	86,182
Total OPEB liability	796,309
Net pension liability	3,142,756
	<u>4,025,247</u>
Total Noncurrent Liabilities	4,025,247
Total Liabilities	4,109,228
Deferred Inflows of Resources:	
Deferred amounts from pension plans	2,120,926
Deferred amounts from OPEB	22,106
	<u>2,143,032</u>
Total Deferred Inflows of Resources	2,143,032
Net Position:	
Investment in capital assets	181,622
Unrestricted	(1,224,863)
	<u>(1,043,241)</u>
Total Net Position	\$ (1,043,241)

CYPRESS RECREATION AND PARK DISTRICT

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
YEAR ENDED JUNE 30, 2020

	Governmental Activities- Internal Service Funds
Operating Revenues:	
Charges for services	\$ 902,278
Total Operating Revenues	902,278
Operating Expenses:	
Contractual services	954,561
Supplies and other services	339,621
Depreciation expense	16,410
Total Operating Expenses	1,310,592
Income Before Transfers	(408,314)
Transfers in	193,873
Changes in Net Position	(214,441)
Net Position:	
Beginning of Year	(828,800)
End of Fiscal Year	\$ (1,043,241)

CYPRESS RECREATION AND PARK DISTRICT

STATEMENT OF CASH FLOWS
 PROPRIETARY FUNDS
 YEAR ENDED JUNE 30, 2020

	Governmental Activities- Internal Service Funds
Cash Flows from Operating Activities:	
Receipts from user departments	\$ 897,226
Payments to supplies for goods and services	(1,280,182)
Cash received from others	459,675
	<hr/>
Net Cash Provided (Used) by Operating Activities	76,719
	<hr/>
Cash Flows from Non-Capital Financing Activities:	
Cash transfers in	193,873
	<hr/>
Net Cash Provided (Used) by Non-Capital Financing Activities	193,873
	<hr/>
Cash Flows from Capital and Related Financing Activities:	
Acquisition and construction of capital assets	(114,651)
	<hr/>
Net Cash Provided (Used) by Capital and Related Financing Activities	(114,651)
	<hr/>
Net Increase (Decrease) in Cash and Cash Equivalents	155,941
	<hr/>
Cash and Cash Equivalents at Beginning of Year	1,462,179
	<hr/>
Cash and Cash Equivalents at End of Year	\$ 1,618,120
	<hr/> <hr/>
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:	
Operating income (loss)	\$ (408,314)
	<hr/>
Adjustments to Reconcile Operating Income (loss) Net Cash Provided (used) by Operating Activities:	
Depreciation	16,410
(Increase) decrease in accounts receivable	(5,052)
(Increase) decrease in prepaid expense	(13,741)
(Increase) decrease in deferred outflows amounts from OPEB	(86,791)
(Increase) decrease in deferred outflows amounts from pension plans	712,249
Increase (decrease) in accounts payable and accrued liabilities	53,493
Increase (decrease) in accrued leave payable	(4,707)
Increase (decrease) in total OPEB liability	115,849
Increase (decrease) in deferred inflows amounts from OPEB	5,710
Increase (decrease) in net pension liability	165,507
Increase (decrease) in deferred inflows amounts from pension plans	(473,894)
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Total Adjustments	485,033
Net Cash Provided (Used) by Operating Activities	\$ 76,719
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FIDUCIARY FUND FINANCIAL STATEMENTS

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CYPRESS RECREATION AND PARK DISTRICT

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUND
JUNE 30, 2020

	<u>Agency Fund</u>
Assets	
Cash and cash equivalents	<u>\$ 12,488</u>
Liabilities	
Deposits	<u>\$ 12,488</u>

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NOTES TO BASIC FINANCIAL STATEMENTS

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CYPRESS RECREATION AND PARK DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2020

Note 1: Summary of Significant Accounting Policies

a. Description of Reporting Entity

The Cypress Recreation and Park District (the "District") was formed in 1949 to provide park and recreational facilities for the area now known as the Cities of Cypress and La Palma and adjacent unincorporated areas plus small portions of the adjacent Cities of Los Alamitos, Buena Park and Anaheim. The District was under the control of the Orange County Board of Supervisors until 1971, when the Cities of Cypress and La Palma withdrew from the District. On June 29, 1971, the District was reestablished as a subsidiary district of the City of Cypress ("City"), effective July 1, 1971.

The Governmental Accounting Standards Board ("GASB") defines the reporting entity as the primary government and those component units for which the primary government is, or has the potential to be, financially accountable. Financial accountability is defined as appointment of a voting majority of the component unit's Board and either (a) the primary government has the ability to impose its will or (b) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the primary government. Since the City Council of the City also serves as the Board of Directors of the District, the City, in effect, has the ability to influence and control operations. Therefore, the City has oversight responsibility for the District. Accordingly, in applying the criteria of GASB, the financial statements of the District are included in the City's Comprehensive Annual Financial Report. The District has the same fiscal year as the City. The Comprehensive Annual Financial Report of the City can be obtained from the Finance Department of the City.

b. Measurement Focus, Basis of Accounting and Basis of Presentation

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity with its own self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues and expenditures or expenses. These funds are established for the purpose of carrying out specific activities or certain objectives in accordance with specific regulations, restrictions or limitations. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Government-Wide Financial Statements

The District's Government-Wide Financial Statements include a Statement of Net Position and a Statement of Activities. These statements present summaries of Governmental Activities for the District. Fiduciary Activities of the District are not included in these statements.

The government-wide financial statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, including capital assets and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

CYPRESS RECREATION AND PARK DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED JUNE 30, 2020

Note 1: Summary of Significant Accounting Policies (Continued)

Certain types of transactions reported as program revenues for the District are reported in two categories:

- Charges for services
- Operating grants and contributions

Certain eliminations have been made in regards to interfund activities, payables and receivables. All internal balances in the Statement of Net Position have been eliminated. The following interfund activities have been eliminated:

- Transfers in/out

Governmental Fund Financial Statements

Governmental fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balance. An accompanying schedule is presented to reconcile and explain the differences in fund balance as presented in these statements to the net position presented in the Government-Wide Financial Statements.

All governmental funds are accounted for on a spending or "current financial resources" measurement focus and the modified accrual basis of accounting. Accordingly, only current assets, deferred outflows of resources, current liabilities, and deferred inflows of resources are included on the Balance Sheet. The Statement of Revenues, Expenditures and Changes in Fund Balance presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in fund balance. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period.

Revenues are recorded when received in cash, except that revenues subject to accrual (generally 60 days after year-end) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the District, are property taxes, grant revenues and earnings on investments. Expenditures are recorded in the accounting period in which the related liability is incurred.

The reconciliations of the Fund Financial Statements to the Government-Wide Financial Statements are provided to explain the differences created by the integrated approach of GASB Statement No. 34.

Proprietary Fund Financial Statements

Internal service funds are used to account for the financing of goods or services provided by one department of the District to other departments or agencies of the District on a cost-reimbursement basis. The District uses internal service funds for employees' benefits and central services (which includes print shop, information systems, phone and equipment maintenance, building and grounds maintenance, fleet maintenance, and for accumulating and expending monies for capital equipment acquisition and replacement).

CYPRESS RECREATION AND PARK DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED JUNE 30, 2020

Note 1: Summary of Significant Accounting Policies (Continued)

Proprietary funds are accounted for using the "economic resources" measurement focus and use the accrual basis of accounting. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred. All proprietary funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets, deferred outflows of resources, all liabilities, and deferred inflows of resources (whether current or noncurrent) associated with their activity are included on the statement of net position. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in net position.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the internal service funds are charges to departments in the governmental funds of the District for services. Operating expenses for the internal service funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The District's internal service funds are presented in the proprietary fund financial statements. Because the principal users of the internal services are the District's governmental activities, the financial statements of the internal service funds are consolidated into the governmental column, within the recreation function, when presented in the government-wide financial statements.

Fiduciary Fund Financial Statements

Agency funds are used to account for various activities in which the District acts as an agent. The agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency fund includes amounts held for facility rental deposits.

c. New Accounting Pronouncements

GASB Current Year Standards

There were no new GASB statements implemented in the fiscal year ended June 30, 2020.

Pending Accounting Pronouncements

GASB has issued the following statements which may impact the District's financial reporting requirements in the future:

- GASB Statement No. 84 – "*Fiduciary Activities*", effective for periods beginning after December 15, 2019.
- GASB Statement No. 87 – "*Leases*", becomes effective for fiscal years beginning after June 15, 2021.
- GASB Statement No. 89 – "*Accounting for Interest Cost Incurred before the End of a Construction Period*", effective for periods beginning after December 15, 2020.

CYPRESS RECREATION AND PARK DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED JUNE 30, 2020

Note 1: Summary of Significant Accounting Policies (Continued)

- GASB Statement No. 90 – “*Majority Equity Interests an amendment of GASB Statement No. 14 and No, 61*”, becomes effective for fiscal years beginning after December 15, 2019.
- GASB Statement No. 91 – “*Conduit Debt Obligations*”, becomes effective for fiscal years beginning after December 15, 2021.

d. Capital Assets

Capital assets, which include land, machinery and equipment (vehicles, computers, etc.), and buildings and improvements, are reported in the Government-Wide Financial Statements. Capital assets are defined by the District as all land and buildings, vehicles, computers, and equipment with an initial individual cost of more than \$1,000; and improvements with costs of more than \$10,000 with a useful life of greater than one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated or annexed capital assets are recorded at estimated market value at the date of donation or annexation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Depreciation is recorded in the Government-Wide Financial Statements on a straight-line basis over the estimated useful life of the assets as follows:

Building and improvements	10 to 40 years
Vehicles, computers, and equipment	3 to 10 years

e. Cash, Cash Equivalents, and Investments

The District's cash and investments are pooled with the City to maximize the yield.

The City pools its available cash for investment purposes. The City considers pooled cash and investment amounts, with original maturities of three months or less, to be cash equivalents.

Investments are reported in the accompanying balance sheet at fair value which is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Investments that are not traded on a market, such as investments in external pools, are valued based on the stated fair value represented by the external pool.

The City participates in an investment pool managed by the State of California titled Local Agency Investment Fund (LAIF), which has invested a portion of the pooled funds in Structured Notes and Asset-Backed Securities. The investment in LAIF is carried at fair value based on the value of each participating dollar as provided by LAIF.

For purposes of the statement of cash flows, all pooled cash and investments in the proprietary fund type are considered to be short-term and, accordingly, are classified as cash and cash equivalents.

CYPRESS RECREATION AND PARK DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED JUNE 30, 2020

Note 1: Summary of Significant Accounting Policies (Continued)

Certain disclosure requirements, if applicable, for Deposits and Investment Risks are provided in the following areas:

- > Interest Rate Risk
- > Credit Risk
 - Overall
 - Custodial Credit Risk
 - Concentrations of Credit Risk
- > Foreign Currency Risk
- > Fair Value Measurements

In addition, other disclosures are specified including use of certain methods to present deposits and investments, highly sensitive investments, credit quality at year-end, and other disclosures.

f. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position and the Governmental Fund 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 that applies to future periods and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The District has the following items that qualify for reporting in this category:

Deferred outflow related to pensions or other post-employment benefits (OPEB) equal to employer contributions made after the measurement date, which are recognized as a reduction to the net pension liability or total OPEB liability, respectfully.

Deferred outflow related to pensions or OPEB are amortized over a closed period equal to the average of the expected remaining services lives of all employees that are provided with the pension and OPEB plans, except for deferred outflows relating to the net difference between projected and actual earnings on plan investments, which is amortized straight line over 5 years.

In addition to liabilities, the statement of net position and governmental fund 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 that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time. The District reported two items in this category.

The first item is a deferred inflow related to pensions. For CalPERS pensions, the deferred inflow is the result of differences in expected and actual experience, changes in actuarial assumptions, adjustments due to changes in proportions, and differences between employer's contributions, the proportionate share of contributions, and differences between projected and actual earnings. The changes in projected and actual investment earnings are recognized over five years, beginning with the year in which they occur. The remaining items are amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions. For CalPERS pensions, the remaining service life as determined for the June 30, 2019, measurement date is 3.8 years.

CYPRESS RECREATION AND PARK DISTRICT

**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2020**

Note 1: Summary of Significant Accounting Policies (Continued)

The deferred inflow related to the OCERS pension plan is the net difference between projected and actual earnings on pension plan investments, which will be recognized over a period of five years, beginning with the year in which they occur.

The second item is a deferred inflow related to other postemployment benefits. The deferred inflow is the result of changes in actuarial assumptions. This amount is amortized over a closed period equal to the average expected remaining active and inactive service lives as of the June 30, 2020 measurement date, which is 5.68 years.

g. Net Position Flow Assumption

Sometimes the District will fund outlays for a particular purpose from both restricted (e.g., restricted grant proceeds or developer fees) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied.

It is the District's practice to consider restricted - net position to have been depleted before unrestricted - net position is applied (if eligible).

h. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund.

Since unexpended and encumbered appropriations of the governmental funds automatically lapse at the end of the fiscal year, they are not included in reported expenditures and the authorization for expenditure must be re-established through inclusion in the subsequent year's appropriation.

i. Net Position

In the Government-Wide Financial Statements, net position may be classified in the following categories:

Investment in Capital Assets - This amount consists of capital assets net of accumulated depreciation.

Restricted Net Position - This amount is restricted by external creditors, grantors, contributors, laws or regulations of other governments.

Unrestricted Net Position - This amount is all net position that does not meet the definition of "investment in capital assets" or "restricted net position" as defined above.

CYPRESS RECREATION AND PARK DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED JUNE 30, 2020

Note 1: Summary of Significant Accounting Policies (Continued)

j. Fund Balances

In the Governmental Fund Financial Statements, fund balances are classified in the following categories:

Nonspendable - Items that cannot be spent because they are not in spendable form, such as prepaid items and inventories, items that are legally or contractually required to be maintained intact, such as principal of an endowment or revolving loan funds.

Restricted - Restricted fund balances encompass the portion of net fund resources subject to externally enforceable legal restrictions. This includes externally imposed restrictions by creditors, such as through debt covenants, grantors, contributors, laws or regulations of other governments, as well as restrictions imposed by law through constitutional provisions or enabling legislation.

Committed - Committed fund balances encompass the portion of net fund resources, the use of which is constrained by limitations that the government imposes upon itself at its highest level of decision making, normally the governing body through council resolutions, etc., and that remain binding unless removed in the same manner. The Board of Directors, comprised of the Cypress City Council members, is considered the highest authority for the District.

Assigned - Assigned fund balances encompass the portion of net fund resources reflecting the government's intended use of resources. Assignment of resources can be done by the highest level of decision making or by a committee or official designated for that purpose. The City Council has authorized the Director of Finance for that purpose.

Unassigned - This category is for any balances that have no restrictions placed upon them.

k. Spending Policy

Governmental Fund Financial Statements

When expenditures are incurred for purposes for which all restricted, committed, assigned, and unassigned fund balances are available, the District's policy is to apply in the following order, except for instances wherein an ordinance specifies the fund balance:

- > Nonspendable
- > Restricted
- > Committed
- > Assigned
- > Unassigned

l. Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the District's participation in the City's California Public Employees' Retirement

CYPRESS RECREATION AND PARK DISTRICT

**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2020**

Note 1: Summary of Significant Accounting Policies (Continued)

System ("CalPERS") Miscellaneous plans ("Plans") and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

GASB 68 requires that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following time frames are used:

Valuation Date:	June 30, 2018
Measurement Date:	June 30, 2019
Measurement Period:	July 1, 2018 to June 30, 2019

m. Other Post-Employment Benefits (OPEB)

For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and the OPEB expense have been determined by an independent actuary. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms.

Generally accepted accounting principles require that the reported results must pertain to liability and asset information within certain defined timeframes. For this report, the following timeframes are used:

Valuation Date	July 1, 2019
Measurement Date	June 30, 2020
Measurement Period	July 1, 2019 to June 30, 2020

n. Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities. In addition, estimates affect the reported amount of expenses. Actual results could differ from these estimates and assumptions.

CYPRESS RECREATION AND PARK DISTRICT

**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2020**

Note 2: Cash and Cash Equivalents

The District's cash and investments are pooled with the City. The District does not own specifically identifiable securities in the City's pool. Investment income earned on pooled cash and investments is allocated quarterly to the various funds based on the average cash balance in each fund. At June 30, 2020, the cash and investments balance of the District was as follows:

	Government- Wide Statement of Net Position Governmental Activities
Cash and cash equivalents	\$ 14,576,203
	\$ 14,576,203

Authorized Investments

Under provision of the City's annually adopted investment policy, and in accordance with Section 53601 of the California Government Code, the City may deposit and invest in the following:

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
United States Treasury Bills and Notes	5 years	None	N/A
Federal Agency Issues	5 years	None	None
Certificates of Deposit (or Time Deposits) placed with commercial banks and/or savings and loan companies	1 year	25%	N/A
Bankers' Acceptances	180 days	25%	10%
Negotiable Certificates of Deposit	5 years	25%	10%
Commercial Paper	270 days	25%	10%
Local Agency Investment Fund	None	\$75 million*	N/A
Investment Trust of California (CalTRUST)	None	\$20 million*	N/A
Money Market Mutual Funds	None	20%	10%
Medium-term Notes	5 years	25%	10%

* Limit is per entity.

N/A - Not Applicable

CYPRESS RECREATION AND PARK DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED JUNE 30, 2020

Note 2: Cash and Cash Equivalents (Continued)

Deposits and Risks

The California Government Code requires California banks and savings and loans associations to secure a City's deposit by pledging government securities with a value of 110% of a City's deposits, or by pledging first trust deed mortgage notes having a total value of 150% of the City's total deposits.

Interest Rate Risk - As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investment policy provides that final maturities of securities cannot exceed five years. At June 30, 2020, approximately 100% of the City's entire pooled cash and cash equivalents had a maturity of less than one year with an average life of the portfolio being slightly more than 3 days.

Credit Risk - State law limits investments in commercial paper and corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations (NRSROs). It is the City's practice to limit its investments in these investment types to the top rating issued by NRSROs, including raters Standard & Poor's and Moody's Investors Service. The California Local Agency Investment Fund ("LAIF") is not rated, but has a separate investment policy governed by Government Code Sections 16480-16481.2 that provides credit standards for its investments.

External Investment Pool

The City is a voluntary participant in LAIF, which is an external investment pool regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California through which local governments may pool investments. The City and the District each may invest up to \$65,000,000 in the fund. Investments in LAIF are considered highly liquid, as deposits can be converted to cash within 24 hours without loss of interest.

LAIF determines fair value on its investment portfolio based on market quotations for those securities where market quotations are readily available, and on amortized cost or best estimate for those securities where market value is not readily available.

The City values its investments in LAIF at a fair market value provided by LAIF. At June 30, 2020 the factor used was 1.004912795. The City's investment with LAIF includes a portion of pool funds invested in structured notes and asset-backed securities. At June 30, 2020, the City invested in LAIF, which had invested 0.57% of the pool's funds in structured notes and asset-backed securities.

Fair Value Measurements

The District categorizes its fair value measurement within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the relative inputs used to measure the fair value of the investments. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The District's investment in the City investment pool is not subject to the fair value hierarchy.

CYPRESS RECREATION AND PARK DISTRICT

**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2020**

Note 3: Capital Assets

The following is a summary of capital assets for governmental activities for the year ended June 30, 2020:

	Balance at June 30, 2019	Transfers of CIP	Additions	Deletions	Balance at June 30, 2020
Capital assets, not being depreciated:					
Land	\$ 9,201,564	\$ -	\$ -	\$ -	\$ 9,201,564
Construction in progress	870,628	(554,455)	1,721,445	-	2,037,618
Total Capital Assets Not being Depreciated	10,072,192	(554,455)	1,721,445	-	11,239,182
Capital assets, being depreciated:					
Buildings and improvements	20,294,331	552,914	1,735,765	6,575	22,576,435
Internal Service - Equipment	520,284	1,541	114,650	18,511	617,964
Total Capital Assets, being Depreciated	20,814,615	554,455	1,850,415	25,086	23,194,399
Accumulated depreciation for:					
Buildings and improvements	9,486,907	-	588,805	4,929	10,070,783
Internal Service - Equipment	438,443	-	16,410	18,511	436,342
Total Accumulated Depreciation	9,925,350	-	605,215	23,440	10,507,125
Total Capital Assets, Being Depreciated, Net	10,889,265	554,455	1,245,200	1,646	12,687,274
Capital Assets, Net	\$ 20,961,457	\$ -	\$ 2,966,645	\$ 1,646	\$ 23,926,456

Depreciation expense for capital assets for the year ended June 30, 2020, is comprised of the following:

Governmental funds	\$ 588,805
Internal service funds	16,410
Total depreciation expense	<u>\$ 605,215</u>

Depreciation expense of \$588,805 is allocated to recreation activities on the statement of activities.

CYPRESS RECREATION AND PARK DISTRICT

**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2020**

Note 4: Property Taxes

Property taxes include assessments on both secured and unsecured property. Secured property taxes attach as an enforceable lien on property as of January 1. Taxes are levied on July 1 and are payable in two installments on December 10 and April 10. The County of Orange (the "County") bills and collects the property taxes and remits them to the District in installments during the year. District property tax revenues are recognized when levied to the extent that they result in current receivables, defined as being received within 60 days after year-end.

The County is permitted by State Law (Proposition 13) to levy taxes at 1% of full market value (at time of purchase) and can increase the property tax rate no more than 2% per year. The District receives a share of this basic levy proportionate to what it received in the 1976 to 1978 period, adjusted by state mandated transfers to the Educational Revenue Augmentation Fund in fiscal years 1992-93 and 1993-94.

Note 5: Accrued Leave Payable

The Employees' Benefits Internal Service Fund pays accrued leave for all permanent employees. The accrued leave payable represents the estimated liability for all vacation, compensatory time, and 50% of the sick leave, as noted below, for all employees of the reporting entity. The Employees' Benefits Fund is reimbursed through payroll charges to other funds based on benefits earned during the fiscal year.

Accrued leave payable at June 30, 2020, consisted of \$28,800 in short-term and \$86,182 in long-term liabilities.

Permanent employees may accumulate sick leave with no limitation as to the number of hours of accumulation. However, the accumulation of vacation leave is generally limited to two times their annual accrual. Employees who are terminated for any reason are paid for 100% of their accumulated vacation pay. Employees, terminated for any reason, with 5 years of service and having 60 days or more of accumulated sick leave (equal to 480 hours) will be paid for 50% of their accumulated sick leave. Employees, terminated for any reason, with 5 years of service and having between 240 hours and 480 hours will be paid for 50% of their accumulated leave for their hours only in excess of 240 hours. All other terminated employees will not be paid for their accumulated sick leave.

Note 6: Interfund Transactions

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>
Internal Service Funds	General Fund	<u>\$ 193,873</u>

The transfer to the Internal Service Fund provides resources for the initial purchase of capital outlay items in the Central Services Fund and for future pensions costs in the Employees' Benefit Fund.

CYPRESS RECREATION AND PARK DISTRICT

**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2020**

Note 7: Classification of Net Position and Fund Balance

Government-Wide Financial Statements

At June 30, 2020, classifications of net position were as follows:

Investment in capital assets	<u>\$ 23,926,456</u>
Restricted net position:	
Open Space	418,333
Senior Center Enhancements	30,077
Youth League renovations	<u>77,892</u>
Total restricted net position	<u>526,302</u>
Unrestricted net position	<u>10,197,452</u>
Total Net Position	<u><u>\$ 34,650,210</u></u>

Restricted for Open Space – These restrictions represent funds received from developers for open space use.

Senior Center Enhancements – These restrictions represent funds required for the use of improvements to the City Senior Center.

Restricted for Youth League Renovations – This restriction represents amounts required to be used for future renovations of youth league facilities.

Fund Financial Statements

Classifications of fund balances are based largely upon the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The governmental fund statements fund balances are summarized as follows:

CYPRESS RECREATION AND PARK DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2020

Note 7: Classification of Net Position and Fund Balance (Continued)

	General Fund
Nonspendable	
Prepaid items	\$ 2,754
Inventory	488
Total nonspendable	3,242
Restricted	
Open space	418,333
Senior center enhancements	30,077
Youth League renovations	77,892
Total restricted	526,302
Committed	
Future capital improvements	2,200,000
Playground Resurfacing	170,622
Sports park design	161,978
Total restricted	2,532,600
Assigned	
OCERS retirement (unfunded)	150,000
Cash flow	2,000,000
Art in public places	5,928
Infrastructure/amenities	5,500,000
Contingency	1,000,000
Total assigned	8,655,928
Unassigned	230,546
Total Fund Balances	\$ 11,948,618

Note 8: Pension Plans

As of June 30, 2020, the District had the following net pension liabilities and related deferred inflows and outflows of resources:

	Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources
CalPERS Miscellaneous Plan	\$ 2,880,341	\$ 701,674	\$ 276,136
Orange County Employees Retirement System Plan (OCERS)	262,415	2,534,890	1,844,790
Total	<u>\$ 3,142,756</u>	<u>\$ 3,236,564</u>	<u>\$ 2,120,926</u>

CYPRESS RECREATION AND PARK DISTRICT

**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2020**

Note 8: Pension Plans (Continued)

CalPERS

a. General Information about the Pension Plans

Plan Descriptions

The District participates in the City's Miscellaneous Employee Defined Benefit Pension Plans (the "Miscellaneous Plans") and the District's share of the net pension liability is reported as a cost-sharing plan in these financial statements.

All qualified permanent and probationary employees are eligible to participate in the City's 2% at 55 (Tier I) and 2% at 62 (PEPRA) Miscellaneous Employee Pension Plans, cost-sharing multiple employer defined benefit pension plans administered by the California Public Employees' Retirement System (CalPERS). Benefit provisions under the Plans are established by State statute and City resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees or beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 to 62 with statutorily reduced benefits. All members are eligible for nonindustrial disability benefits after 5 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The Miscellaneous Plans' provisions and benefits in effect at the June 30, 2020, reporting date, are summarized as follows:

	Miscellaneous	
	Prior to January 1, 2013	On or After January 1, 2013
Hire date	2.0% at 55	2.0% at 62
Benefit formula	5 years of service	5 years of service
Benefit vesting schedule	monthly for life	monthly for life
Benefit payments	50 - 63	52 - 67
Retirement age	1.426% to 2.418%	1.000% - 2.500%
Monthly benefits, as a % of eligible compensation	7.000%	6.750%
Required employee contribution rates	10.176%	10.176%
Required employer contribution rates	\$ 1,427,573	\$ 1,427,573
Employer payment of unfunded liability		

CYPRESS RECREATION AND PARK DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED) FOR THE YEAR ENDED JUNE 30, 2020

Note 8: Pension Plans (Continued)

Contributions

Section 20814(c) of the California Public Employees' Retirement Law (PERL) requires that the employer contribution rates for all public employers be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. The total plan contributions are determined through CalPERS' annual actuarial valuation process. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. The employer is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Employer contribution rates may change if plan contracts are amended.

b. Actuarial Methods and Assumptions Used to Determine Total Pension Liability

For the measurement period ended June 30, 2019 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2018 total pension liability. The June 30, 2019 total pension liabilities were based on the following actuarial methods and assumptions:

Valuation date	June 30, 2018
Measurement date	June 30, 2019
Actuarial cost method	Entry age normal
Actuarial assumptions:	
Discount rate	7.15%
Inflation	2.50%
Payroll Growth	3.00%
Projected Salary Increase	Varies by Entry Age and Service
Investment Rate of Return	7.50 Net of Pension Plan Investment and Administrative Expenses; includes Inflation
Mortality rate table *	Derived using CalPERS' membership data for all funds

*The mortality table used was developed based on CalPERS-specific data. The table includes 15 years of mortality improvements using the Society of Actuaries Scale 90% of scale MP 2016. For more details on this table, please refer to the December 2017 experience study report (based on CalPERS demographic data from 1997 to 2015) that can be found on the CalPERS website.

c. Discount Rate

The discount rate used to measure the total pension liability was 7.15 percent. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.15 percent discount rate is adequate, and the use of the municipal bond rate calculation is not necessary. The long-term expected discount rate of 7.15 percent is applied to all plans in the Public Employees Retirement Fund. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS' website under the GASB 68 section.

CYPRESS RECREATION AND PARK DISTRICT

**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2020**

Note 8: Pension Plans (Continued)

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

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

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

Asset Class	New Strategic Allocation	Real Return Years 1 - 10 (1)	Real Return Years 11+ (2)
Global Equity	50.00%	4.80%	5.98%
Global Fixed Income	28.00	1.00	2.62
Inflation Sensitive	0.00	0.77	1.81
Private Equity	8.00	6.30	7.23
Real Estate	13.00	3.75	4.96
Liquidity	1.00	0.00	-0.92

(1) An expected inflation of 2.00% used for this period.

(2) An expected inflation of 2.92% used for this period.

d. Change of Assumptions

No changes of assumptions were noted.

e. Changes in the Net Pension Liability

The District is a portion of the City's Miscellaneous Plan. See the City of Cypress Agent-Multiple Employer Miscellaneous Plan for changes in the net pension liability.

CYPRESS RECREATION AND PARK DISTRICT

**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2020**

Note 8: Pension Plans (Continued)

f. Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability for the Plan as of the measurement date, calculated using the discount rate of 7.15 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.15 percent) or 1 percentage-point higher (8.15 percent) than the current rate:

	<u>Miscellaneous</u>
1% Decrease	6.15%
Net Pension Liability	\$ 4,485,903
Current Discount Rate	7.15%
Net Pension Liability	\$ 2,880,341
1% Increase	8.15%
Net Pension Liability	\$ 1,555,063

g. Deferred Outflows and Deferred Inflows of Resources Related to Pensions

For year ended June 30, 2020, the District incurred a pension expense of \$672,726.

As of June 30, 2020, the following were the reported deferred outflows of resources and deferred inflows of resources related to pensions:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions subsequent to measurement date	\$ 273,209	\$ -
Differences between actual and expected experience	200,052	15,500
Change in assumptions	137,348	48,689
Change in District's proportion and differences between the District's contributions and the District's proportionate share of contributions	-	161,590
Net differences between projected and actual Differences in Proportions	-	50,357
	91,065	-
Total	<u>\$ 701,674</u>	<u>\$ 276,136</u>

The amount reported as deferred outflows of resources related to contributions subsequent to the measurement date, \$273,209, will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<u>Ending June 30,</u>	<u>Amount</u>
2021	\$ 185,045
2022	(49,048)
2023	6,156
2024	10,176
2025	-
Thereafter	-
	<u>\$ 152,329</u>

CYPRESS RECREATION AND PARK DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2020

Note 8: Pension Plans (Continued)

Terminated Orange County Employees Retirement System Defined Benefit Pension Plan (OCERS)

a. General Information about the Pension Plans

Plan Description: The Cypress Recreation and Park District (District) participated in the Orange County Employees' Retirement System (OCERS), a cost-sharing multiple-employer defined benefit pension plan, for employees' service prior to October 12, 2000.

OCERS was established in 1945, under the provisions of the County Employees Retirement Law of 1937. OCERS is governed by a ten-member Board of Retirement comprised of nine voting members and one alternate member. Board membership consists of four members appointed by the County of Orange Board of Supervisors and five members elected by the members of the pension system – two by the general members, two by the safety members (one voting and one alternate), and one by the retired members. The County of Orange Treasurer-Tax Collector, who is elected by the voters registered in the County, serves as an ex-officio member. The OCERS Board of Retirement is responsible for establishing policies governing the administration of the retirement plan, making disability determinations, assuring benefit payments, establishing investment policies, and monitoring execution of its policies.

OCERS issues a publicly available financial report that includes financial statements and required supplementary information for the cost-sharing plans administered by OCERS.

The report can be obtained online at www.ocers.org, or from its executive office at 2223 Wellington Avenue, Santa Ana, California 92701.

Benefits Provided: OCERS provides retirement, disability, and death benefits to safety and general members. Safety membership includes those members serving in active law enforcement, fire suppression, and probation officers. General membership applies to all other occupations, including all eligible District employees. Plan retirement benefits are tiered based upon date of OCERS membership. Members employed prior to September 21, 1979 are designated as Tier I members and will have their highest one-year average salary used to determine their retirement allowance. Tier II members, hired on or after September 21, 1979 will have their highest three-year average salary used to determine their retirement allowance. Member rate groups are determined by the employer, bargaining unit, and benefit plan. The benefit plan represents the benefits formula and tier that will be used in calculating a retirement benefit.

Employees Covered: The plan was closed to new members as of October 12, 2000. After that date, all existing and new District employees were enrolled in the CalPERS Miscellaneous Plan. At December 31, 2019, the following employees were covered by the benefit terms of the OCERS Plan:

Retired members or beneficiaries currently receiving benefits	23
Vested terminated members entitled to, but not yet receiving benefits	5
Active members	0
	<hr/>
	28
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CYPRESS RECREATION AND PARK DISTRICT

**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2020**

Note 8: Pension Plans (Continued)

Contributions: The participating entities in OCERS share proportionately in all risks and costs, including benefit costs. The District's discontinuance of the OCERS plan precludes the District from sharing the risks and costs of the plan in the same manner as actively participating entities, but the District remains liable for its share of pension liabilities. To ensure the District pays its fair share of the costs associated with its eligible employees, OCERS and the District entered into a Withdrawing Employer and Continuing Contribution Agreement (Agreement) on October 15, 2018.

Per the terms of the Agreement, the District paid OCERS \$740,000 on October 16, 2018 to satisfy the estimated net pension liability as of December 31, 2016 and interest accrued on that liability through October 16, 2018. Beginning December 31, 2020 and at least every three years thereafter, OCERS will recalculate the then current unfunded actuarial accrued liability attributable to the District. For purposes of the recalculation, the District's employees are treated as a closed group and the District's assets and liabilities will be segregated from the remaining assets of the retirement system. Based on the recalculation, in the event there is any new pension liability, the District shall satisfy the obligation to OCERS within three years following the effective date of the recalculation, including accrued interest. If the recalculation determines there is a surplus attributable to the District, it shall remain with OCERS as a credit against future pension liabilities.

b. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources

As of December 31, 2019, the District reported a net pension liability for the OCERS plan of \$262,415. The net pension liability was measured as of December 31, 2019, and 2018. The Plan's Fiduciary Net Position (plan assets) was valued as of the measurement date while the Total Pension Liability (TPL) was determined based upon rolling forward the TPL from actuarial valuations as of December 31, 2017 and 2016, respectively.

The District's net pension liability as of December 31, 2018 and 2019 was as follows:

	<u>OCERS</u>
Net pension liability - December 31, 2018	\$ 408,781
Net pension liability - December 31, 2019	262,415
Change - Increase (Decrease)	<u>\$ (146,366)</u>

Actuarial Assumptions: The actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	December 31, 2019
Measurement Date	June 30, 2020, rolled forward on an actuarial basis
Actuarial Experience Study	Three-year period ended December 31, 2016 and dated August 14, 2017.
Actuarial Cost Method	Entry age normal
Actuarial Assumptions:	
Inflation	2.75%
Salary increases	General: 4.25% to 12.25%, varies by service, including inflation
Investment rate of return	7.00%, net of pension plan investment expense, including inflation.
Discount Rate	7.00%

CYPRESS RECREATION AND PARK DISTRICT

**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2020**

Note 8: Pension Plans (Continued)

Mortality Assumptions: The underlying mortality assumptions used in the actuarial valuation were based on the results of the actuarial experience study for the period January 1, 2014 through December 31, 2016 using the Headcount-Weighted RP-2014 Healthy Annuitant Mortality Table, projected generationally with the two-dimensional MP-2016 projections scale, with age adjustments, and adjusted separately for healthy and disabled members.

Discount Rate: The discount rate used to measure the TPL was 7.00% as of December 31, 2019 and 2018. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and employer contributions will be made at rates equal to the actuarially determined contribution rates. For this purpose, only employer contributions intended to fund benefits for current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the Plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments for current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL as of both December 31, 2019 and 2018.

Long-Term Expected Rate of Return: The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of inflation) are developed for each major asset class. These returns are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adding expected inflation and subtracting expected investment expenses and a risk margin. The target allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation but before deducting investment expenses are shown in the following table. This information was used in the derivation of the long-term expected investment rate of return assumption for the December 31, 2018 and 2017 actuarial valuations. This information will change every three years based on the actuarial experience study.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	35.0%	6.38%
Core Bonds	13.0%	1.03%
High Yield Bonds	4.0%	3.52%
Bank Loan	2.0%	2.86%
TIPS	4.0%	0.96%
Emerging Market Debt	4.0%	3.78%
Real Estate	10.0%	4.33%
Core Infrastructure	2.0%	5.48%
Natural Resources	10.0%	7.86%
Risk Mitigation	5.0%	4.66%
Mezzanine/Distressed Debts	3.0%	6.53%
Private Equity	<u>8.0%</u>	9.48%
Total	100.0%	

CYPRESS RECREATION AND PARK DISTRICT

NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2020

Note 8: Pension Plans (Continued)

Sensitivity of the Net Pension Liability to Changes in the Discount Rate: The following presents the net pension liability of the OCERS plan, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

Net Pension Liability		
Discount Rate		
1% Decrease	Current Rate	1% Increase
6.00%	7.00%	8.00%
\$ 1,631,167	\$ 262,415	\$ (850,935)

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

c. Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions

For the year ended June 30, 2020, the District recognized pension expense of \$4,345 in the OCERS Plan. At June 30, 2020, the District reported deferred outflows and deferred inflows of resources related to pensions as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experiences	\$ 2,252,572	\$ -
Net difference between projected and actual earnings on plan investments	211,982	1,844,790
Changes of assumptions	70,336	-
Total	\$ 2,534,890	\$ 1,844,790

The amounts reported as deferred inflows, net of the remaining deferred outflows, will be recognized as pension expense as follows:

June 30,	Amount
2021	\$ (32,765)
2022	(32,764)
2023	767,695
2024	(29,879)
2025	17,813
Thereafter	-
	<u>\$ 690,100</u>

d. Payable to the Pension Plan

At June 30, 2020, the City had no outstanding contributions to the pension plan required for the year ended June 30, 2020.

CYPRESS RECREATION AND PARK DISTRICT

**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2020**

Note 9: Retirees' Health Benefits

a. General Information about the OPEB Plan

Plan Description - The District provides medical benefits to eligible retirees through the CalPERS healthcare program (PEMHCA) as a part of the City's plan. The District pays the PEMHCA minimum amount (\$133 per month in 2019 and \$139 per month in 2020) for all eligible retirees who choose to continue with their coverage through PEMHCA. All eligible employees become participants in PEMHCA on their date of hire. A portion of the liability attributable to the District, based on the percent of payroll of District employees, has been recorded on the financial statements of the District.

All District employees are members of the City's Retiree Health Savings Plan (the "RHS") in which the District contributes monthly amounts on behalf of the employee to an account in the employee's name. These monthly contributions are \$75 per month or \$185 per month for full-time employees based on employee association.

As of June 30, 2020, the date of the most recent actuarial valuation, the District's plan has 16 active employees.

	PEMHCA Minimum	RHS
Active Employees	16	14
Eligible Retirees - Enrolled	1	N/A
Eligible Retirees - Not Enrolled	0	N/A

Funding Policy - The contribution for PEMHCA are established and amended by CalPERS. The District pays the monthly contribution for all employees and retirees. The contribution requirements for the supplemental post-employment health care plan are established and amended by the District. The required contribution is based on projected pay-as-you-go financing requirements. The contribution requirements for the RHS are established and amended by the District. The required contribution is based on pay-as-you-go financing requirements. The payments of the benefits are recognized as expenditures when the payments are made.

b. Total OPEB Liability

The District's Total OPEB Liability of \$796,309 was based on an actuarial valuation as of July 1, 2019, a measurement date of June 30, 2020, and a discount rate of 2.20%.

CYPRESS RECREATION AND PARK DISTRICT

**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2020**

Note 9: Retirees' Health Benefits (Continued)

c. Actuarial Assumptions

The total OPEB liability was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Actuarial Cost Method	Entry Age, Level Percent of Pay
Amortization Valuation	20-year amortization (as a level percent of pay)
Asset Valuation Method	Market value
Inflation	2.25%
Payroll Growth	3.00%, average, including inflation
Discount rate	
As of 6/30/17:	3.60%, net of investment expense, including inflation
As of 6/30/18:	3.90%, net of investment expense, including inflation
As of 6/30/19:	3.50%, net of investment expense, including inflation
As of 6/30/20:	2.20%, net of investment expense, including inflation
Healthcare cost-trend rates	8.00% initial, decreasing to 4.50% for 2022-23 and after
Retirement Age	The District offers the same plans to its retirees as to its active employees, with the general exception that upon reaching age 65 and becoming eligible for Medicare, the retiree must join one of the Medicare Supplement coverages offered under PEMHCA.
Mortality	Mortality rates were based on the RP-2014 Employee and Healthy Annuitant Mortality Tables for Males or Females, as appropriate, projected using a generational projection based on 100% of scale MP-2016 for years 2014 through 2029, 50% of MP-2016 for years 2030 through 2049, and 20% of MP-2016 for 2050 and thereafter.

d. Discount Rate

GASB 75 requires a discount rate that reflects the following:

- a) The long-term expected rate of return on OPEB plan investments – to the extent that the OPEB plan's fiduciary net position (if any) is projected to be sufficient to make projected benefit payments and assets are expected to be invested using a strategy to achieve that return;
- b) A yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher – to the extent that the conditions in (a) are not met.

CYPRESS RECREATION AND PARK DISTRICT

**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2020**

Note 9: Retirees' Health Benefits (Continued)

e. Changes in the Total OPEB Liability

The changes in the Total OPEB liability for the Plan are as follows:

	Total OPEB Liability
Balance at June 30, 2019	\$ 680,460
Changes recognized for the measurement period:	
Service Cost	27,817
Interest	17,461
Difference between expected and actual experience	(11,634)
Changes of assumptions	111,828
Benefit payments, including implicit subsidy	(29,623)
Net Changes	115,849
Balance at June 30, 2020	<u>\$ 796,309</u>

f. Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (1.20 percent) or 1-percentage-point higher (3.20 percent) than the current discount rate:

	Discount Rate - 1% (1.20%)	Current Discount Rate (2.20%)	Discount Rate +1% (3.20%)
Total OPEB Liability	\$ 919,599	\$ 796,309	\$ 697,890

g. Sensitivity of the Total OPEB Liability to Changes in the Health Care Cost Trend Rates

The following presents the total OPEB liability of the District if it were calculated using health care cost trend rates that are one percentage point lower (5.0% grading down to 3.5%) or one percentage point higher (7.0% grading down to 5.5%) than the current healthcare cost trend rates:

	1% Decrease (5.0% decreasing to 3.5%)	Current Healthcare Cost Trend Rates (6.0% decreasing to 4.5%)	1% Increase (7.0% decreasing to 5.5%)
Total OPEB Liability	\$ 759,188	\$ 796,309	\$ 841,875

CYPRESS RECREATION AND PARK DISTRICT

**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2020**

Note 9: Retirees' Health Benefits (Continued)

h. OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB

For the fiscal year ended June 30, 2020, the District recognized OPEB expense of \$492,011. As of fiscal year ended June 30, 2020, the District reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experiences	\$ 3,595	\$ 9,695
Changes of assumptions	115,795	12,411
Total	\$ 119,390	\$ 22,106

Amounts reported as deferred outflows and deferred inflows of resources will be recognized in OPEB expense as follows:

Year ended June 30:	Deferred Outflows of Resources	Deferred Inflows of Resources	Total Net Amount
2021	\$ 25,036	\$ (5,924)	\$ 19,112
2022	25,036	(5,924)	19,112
2023	25,036	(5,924)	19,112
2024	24,924	(2,397)	22,527
2025	19,358	(1,937)	17,421
Thereafter	-	-	-
Total	\$ 119,390	\$ (22,106)	\$ 97,284

Note 10: Commitments and Contingencies

The District is a defendant in certain other legal actions arising in the normal course of operations. In the opinion of management and legal counsel, any liability resulting from these actions will not result in a material adverse effect on the District's financial position.

As of June 30, 2020, in the opinion of District management, there were no additional outstanding matters that would have a significant effect on the financial position of the funds of the District.

Note 11: Risk Management

At June 30, 2020, the District was covered under the City's Risk Management program. The City was self-insured for workers' compensation and general liability. The self-insured portion for workers' compensation and general liability is limited to the first \$300,000 and \$150,000 respectively, of liability per occurrence. Coverage in excess of these amounts is maintained in layers to a maximum of \$42,000,000 for general liability and the statutory limit for workers compensation (of which \$3,000,000 per occurrence is for each employee accident or disease) through the California Insurance Pool Authority (CIPA).

CIPA is a consortium of 13 cities in Southern California, established to pool resources, share risks, purchase excess insurance and to share costs for professional risk management and claims administration. Member agencies make payments based on underwriting estimates.

CYPRESS RECREATION AND PARK DISTRICT

**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2020**

Note 11: Risk Management (Continued)

Each agency may be assessed the difference between funds available and the \$42,000,000 annual aggregate in proportion to their annual premiums.

The Governing Board is comprised of one member from each City and is responsible for the selection of management and for the budgeting and financial management of CIPA. No determination has been made as to each participant's proportionate share of the fund equity as of June 30, 2020. Upon termination of CIPA, and after settlement of all claims, any excess or deficit will be divided among the cities in proportion to the amount of their contributions.

Note 12: Deficit Net Position

The Employees' Benefits Internal Service Funds had a deficit of \$1,923,569 as of June 30, 2020, due to the net pension liability associated with the District's CalPERS pension plan and the retirees' health liability (see further details at Note 9). The District has made all required annual contributions toward this long-term liability, and the City has committed to set-aside additional monies in the form of a trust to reduce or offset the liability. It is expected the deficit will be eliminated over the next several years as required payments to CalPERS increase.

Note 13: Subsequent Events

Management has evaluated subsequent events through December 29, 2020, the date the financial statements were available for issuance. No events were identified that would require recognition or disclosure in the financial statements.

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REQUIRED SUPPLEMENTARY INFORMATION

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CYPRESS RECREATION AND PARK DISTRICT

**SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
CALIFORNIA PUBLIC EMPLOYEES RETIREMENT SYSTEMS (CALPERS) DEFINED BENEFIT PENSION PLAN
AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS (1)**

MEASUREMENT PERIOD	2020	2019	2018	2017	2016	2015
TOTAL PENSION LIABILITY						
Service Cost	\$ 554,259	\$ 1,158,087	\$ 196,966	\$ 381,914	\$ 88,500	\$ 96,100
Interest	1,603,520	3,236,655	852,392	1,915,403	448,707	430,059
Changes of Benefits Terms	1,697	1,901	-	-	-	-
Difference Between expected and Actual Experience	332,356	558,285	(115,257)	65,115	(22,424)	-
Changes in Assumptions	-	(406,546)	715,153	-	(112,169)	-
Benefit Payments, Including Refunds of employee Contributions	(1,046,277)	(2,060,225)	(561,239)	(1,138,953)	(261,811)	(251,083)
Net Change in Total Pension Liability	1,445,555	2,488,157	1,088,015	1,223,479	140,803	275,076
Total Pension Liability - Beginning	11,027,140	8,538,983	7,450,968	6,227,489	6,086,686	5,811,610
Total Pension Liability - Ending (a)	\$ 12,472,695	\$ 11,027,140	\$ 8,538,983	\$ 7,450,968	\$ 6,227,489	\$ 6,086,686
PLAN FIDUCIARY NET POSITION						
Contribution - Employer	\$ 766,083	\$ 1,422,013	\$ 205,970	\$ 455,184	\$ 89,741	\$ 77,311
Contribution - Employee	244,223	503,065	87,588	228,036	47,623	47,624
Net Investment Income	1,144,802	2,935,110	982,011	100,413	112,821	761,102
Benefit Payments, Including Refunds of Employee Contributions	(1,046,277)	(2,060,225)	(561,239)	(1,138,953)	(261,811)	(251,083)
Net Plan to Plan Resources Movement	37,354	334,394	-	-	-	-
Administrative Expense	(12,503)	(52,805)	(12,886)	(12,512)	(5,714)	-
Net Change in Fiduciary Net Position	1,133,682	3,081,552	701,444	(367,832)	(17,340)	634,954
Plan Fiduciary Net Position - Beginning	8,458,672	5,377,120	4,675,676	5,043,508	5,060,848	4,425,894
Plan Fiduciary Net Position - Ending (b)	\$ 9,592,354	\$ 8,458,672	\$ 5,377,120	\$ 4,675,676	\$ 5,043,508	\$ 5,060,848
Plan Net Pension Liability/(Assets) - Ending (a) - (b)	\$ 2,880,341	\$ 2,568,468	\$ 3,161,863	\$ 2,775,292	\$ 1,183,981	\$ 1,025,838
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	76.91%	76.71%	62.97%	62.75%	80.99%	83.15%
Covered Payroll	\$ 782,395	\$ 921,221	\$ 1,032,930	\$ 642,560	\$ 588,511	\$ 607,040
Plan Net Pension Liability/(Asset) as a Percentage of Covered Payroll	368.14%	278.81%	306.11%	431.91%	201.18%	168.99%

(1) Historical information is required only for measurement years for which GASB 68 is applicable. Fiscal Year 2015 was the first year of implementation, therefore only six years are shown.

Notes to Schedule:

Benefit Changes: There were no changes to benefit terms. However, the figures above do not include any liability impact that may have resulted from plan changes which occurred after the measurement dates. This applies for voluntary benefit changes as well as any offers of Two Years Additional Service Credit (a.k.a. Golden Handshakes).

Changes of Assumptions: In 2018, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017.

CYPRESS RECREATION AND PARK DISTRICT

**SCHEDULE OF CONTRIBUTIONS
CALIFORNIA PUBLIC EMPLOYEES RETIREMENT SYSTEMS (CALPERS) DEFINED BENEFIT PENSION PLAN
LAST TEN FISCAL YEARS (1)**

	2020	2019	2018	2017	2016	2015
Miscellaneous Plan						
Actuarially Determined Contribution	\$ 273,209	\$ 238,408	\$ 199,697	\$ 205,971	\$ 185,768	\$ 153,046
Contribution in Relation to the Actuarially Determined Contribution	(273,209)	(238,408)	(199,697)	(205,971)	(185,768)	(153,046)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 842,114	\$ 782,395	\$ 921,221	\$ 1,032,930	\$ 642,560	\$ 588,511
Contributions as a Percentage of Covered Payroll	32.44%	30.47%	21.68%	19.94%	28.91%	26.01%

(1) Historical information is required only for measurement for which GASB 68 is applicable. Fiscal Year 2015 was the first year of implementation, therefore only six years are shown.

Note to Schedule:

Valuation Date:	June 30, 2017
Methods and assumptions used to determine contribution rates:	
Actuarial cost method	Entry Age Normal Cost Method
Amortization method/period	Level percentage of payroll, closed
Asset valuation method	Direct rate smoothing
Inflation	2.75%
Salary increases	Varies by Entry Age and Service
Payroll growth	3.00%
Investment rate of return	7.375% (net of pension plan investment and administrative expenses, includes inflation)
Retirement age	All other actuarial assumptions used in the June 30, 2016 valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report may be accessed on the CalPERS website at www.calpers.ca.gov under Forms and Publications.
Mortality	The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 experience study report.

CYPRESS RECREATION AND PARK DISTRICT

**OCERS RETIREMENT PLAN - A COST-SHARING, MULTIPLE-EMPLOYER DEFINED BENEFIT PENSION PLAN
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS (1)**

	<u>2020</u>	<u>2019</u>
OCERS:		
Proportion of the Net Pension Liability	0.00500%	0.00700%
Proportionate Share of the Net Pension Liability	\$ 262,415	\$ 408,781
Covered Payroll	\$ -	\$ -
Proportionate Share of the Net Pension Liability as Percentage of Covered Payroll	0.00000%	0.00000%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	94.23%	90.81%

Notes to Schedule:

(1) The Cypress Recreation and Park District (the District) withdrew from OCERS in October 2000. At that time, OCERS did not have a policy addressing how the District's liability would be funded, nor was a liability recognized by the District. The District and OCERS entered into a Withdrawing Employer and Continuing Contribution Agreement on October 15, 2018, therefore fiscal year 2018-19 is the first year reporting the OCERS pension liability.

CYPRESS RECREATION AND PARK DISTRICT

**OCERS RETIREMENT PLAN - A COST-SHARING, MULTIPLE-EMPLOYER DEFINED BENEFIT PENSION PLAN
SCHEDULE OF CONTRIBUTIONS
AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS (1)**

	<u>2020</u>	<u>2019</u>
OCERS:		
Actuarially Determined Contribution	\$ -	\$ 739,966
Contribution in Relation to the Actuarially Determined Contributions	-	(739,966)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ -	\$ -
Contributions as a Percentage of Covered Payroll	0.00000%	0.00000%

(1) The Cypress Recreation and Park District (the District) withdrew from OCERS in October 2000. At that time, OCERS did not have a policy addressing how the District's liability would be funded, nor was a liability recognized by the District. The District and OCERS entered into a Withdrawing Employer and Continuing Contribution Agreement on October 15, 2018, therefore fiscal year 2018-19 is the first reporting the OCERS pension liability.

Note to Schedule:

Methods and assumptions used to establish "actuarially determined contribution" rates:

Valuation Date	Actuarially determined contribution rates for the first six months of calendar year 2019 or the second half of fiscal year 18-19 are calculated based on the December 31, 2016 valuation. Actuarially determined contribution rates for the last six months of calendar year 2019 or the first half of fiscal year 2019-20 are calculated based on the December 31, 2017 valuation.
Actuarial Cost Method	Entry Age Actuarial Cost Method
Amortization method	Level percentage of payroll for total unfunded actuarial accrued liability
Remaining amortization period	Effective December 31, 2013, the outstanding balance of the UAAL from the December 31, 2012 valuation was combined and re-amortized over a declining 20-year period. Any changes in UAAL due to actuarial gains or losses or due to changes in assumptions or methods will be amortized over separate 20-year periods. Any changes in UAAL due to plan amendments will be amortized over separate 15-year periods and any change in UAAL due to early retirement incentive programs will be amortized over a separate period of up to 5 years.
Asset valuation method	The Actuarial Value of Assets is determined by recognizing any difference between the actual and the expected market return over a five-year period. The Valuation of Assets is the Actuarial Value of Assets reduced by the value of the non-valuation reserves.
Investment rate of return	7.00% net of pension plan investment expense, including inflation
Inflation rate	2.75%
Real across-the-board salary increase	0.50%
Projected salary increase	General: 4.25% to 12.25% and Safety: 4.75% to 17.25%, vary by service, including
Cost of living adjustments	2.75% of retirement income
Other assumptions	Same as those used in the December 31, 2017 funding actuarial valuation

CYPRESS RECREATION AND PARK DISTRICT

**SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS
AS OF JUNE 30, FOR THE LAST TEN FISCAL YEARS (1)**

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability			
Service cost	\$ 27,817	\$ 22,006	\$ 22,868
Interest on the total OPEB liability	17,461	24,752	22,987
Actual and expected experience difference	(11,634)	4,755	776
Changes in assumptions	111,828	33,594	(24,366)
Changes in benefit terms	-	-	-
Benefit payments	(29,623)	(29,847)	(24,684)
Net change in total OPEB liability	115,849	55,260	(2,419)
Total OPEB liability - beginning	680,460	625,200	627,619
Total OPEB liability - ending	\$ 796,309	\$ 680,460	\$ 625,200
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%	0.00%
Covered-employee payroll	\$ 983,633	\$ 882,824	\$ 1,110,496
Net OPEB liability as a percentage of covered-employee payroll	80.96%	77.08%	56.30%

(1) Historical information is required only for the measurement periods for which GASB 75 is applicable. Fiscal Year 2018 was the first year of implementation. Future years' information will be displayed up to 10 years as information becomes available.

Notes to Schedule: None

Changes in assumptions: Change in discount rate from 3.50% as of June 30, 2019 to 2.20% as of June 30, 2020.

CYPRESS RECREATION AND PARK DISTRICT

**BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020**

	Budget Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
Budgetary Fund Balance, July 1	\$ 13,651,996	\$ 13,651,996	\$ 13,651,996	\$ -
Revenues:				
Taxes	5,469,500	5,469,500	5,958,510	489,010
From other agencies	95,550	95,550	54,498	(41,052)
Charges for services	952,272	952,272	462,268	(490,004)
Investment and rental income	390,849	390,849	414,657	23,808
Other revenue	5,000	5,000	3,649	(1,351)
Total Revenues	<u>6,913,171</u>	<u>6,913,171</u>	<u>6,893,582</u>	<u>(19,589)</u>
Expenditures:				
Current:				
Recreation	5,013,501	5,081,878	3,945,307	1,136,571
Contribution to City for infrastructure	657,900	657,900	1,000,570	(342,670)
Capital outlay	<u>2,797,000</u>	<u>5,077,099</u>	<u>3,457,210</u>	<u>1,619,889</u>
Total Expenditures:	<u>8,468,401</u>	<u>10,816,877</u>	<u>8,403,087</u>	<u>2,413,790</u>
Excess of Revenues Over (Under) Expenditures	<u>(1,555,230)</u>	<u>(3,903,706)</u>	<u>(1,509,505)</u>	<u>2,394,201</u>
Other Financing Uses:				
Transfers out	<u>(150,000)</u>	<u>(201,250)</u>	<u>(193,873)</u>	<u>7,377</u>
Total Other Financing Uses	<u>(150,000)</u>	<u>(201,250)</u>	<u>(193,873)</u>	<u>7,377</u>
Net Change in Fund Balance	<u>(1,705,230)</u>	<u>(4,104,956)</u>	<u>(1,703,378)</u>	<u>2,401,578</u>
Budgetary Fund Balance, June 30	<u>\$ 11,946,766</u>	<u>\$ 9,547,040</u>	<u>\$ 11,948,618</u>	<u>\$ 2,401,578</u>

CYPRESS RECREATION AND PARK DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED JUNE 30, 2020

Note 1: Budgets and Budgetary Accounting

Annual budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for all governmental funds. The District follows the City procedures in establishing the budgetary data reflected in the financial statements: After January 1, department heads prepare estimates for required appropriations for the fiscal year commencing on the following July 1. The proposed budget includes estimated expenditures and forecasted revenues for the fiscal year. The data is presented to the City Manager for review. Prior to June 1, the City Manager submits to the City Council (acting as the ex-officio Board of Directors of the District) a proposed operating budget for the fiscal year commencing on the following July 1. The operating budget includes a summary of the proposed expenditures and financial resources of the District, as well as historical data for the preceding two fiscal periods. Prior year operating appropriations lapse unless they are re-appropriated through City Council approval. Encumbered appropriations from the previous year are not included in the adopted budget for the current year. Prior to July 1, the budget is legally enacted through passage of an adopting resolution.

The City Manager is authorized to transfer budgeted amounts within a department or activity and capital outlay may be transferred between accounts within a department. Transfers of appropriations between departments or activities and funds, and additional appropriations of fund balances, may be made only if authorized by the Board of Directors. Formal budgetary integration is employed as a management control device during the fiscal year for governmental fund types. The District maintains legally adopted budgets for all governmental funds. The budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Budgeted amounts presented are as originally adopted or as amended (if applicable) by the Board of Directors.

Note 2: Pension Required Supplementary Information

The pension liability is 13.78% of the City of Cypress Agent-Multiple Employer Plan. The schedule of change to the net pension liability and related ratios can be obtained in the comprehensive annual financial report of the City of Cypress. The Cypress Recreation and Park District has provided the contribution schedules which the District was actuarially required to contribute.

Note 3: Other Post-Employment Benefits Required Supplementary Information

The other post-employment benefits obligation is combined with the benefits of the City of Cypress.

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SUPPLEMENTARY INFORMATION

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INTERNAL SERVICE FUNDS

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CYPRESS RECREATION AND PARK DISTRICT

COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
JUNE 30, 2020

	Central Services	Employees' Benefit	Totals
Assets			
Current Assets			
Cash and cash equivalents	\$ 725,998	\$ 892,122	\$ 1,618,120
Other receivables			
Accounts	-	39,582	39,582
Prepaid costs	-	13,741	13,741
Total Current Assets	725,998	945,445	1,671,443
Noncurrent Assets			
Capital assets:			
Depreciable, net	181,622	-	181,622
Total Noncurrent Assets	181,622	-	181,622
Total Assets	907,620	945,445	1,853,065
Deferred Outflows of Resources			
Deferred amounts from pension plans	-	3,236,564	3,236,564
Deferred amounts from OPEB	-	119,390	119,390
Total Deferred Outflows of Resources	-	3,355,954	3,355,954
Liabilities, Deferred Inflows of Resources, and Net Position			
Liabilities			
Current Liabilities			
Accounts payable and accrued liabilities	27,293	27,888	55,181
Accrued compensated absences	-	28,800	28,800
Total Current Liabilities	27,293	56,688	83,981
Noncurrent Liabilities			
Accrued compensated absences	-	86,182	86,182
Total OPEB liability	-	796,309	796,309
Net pension liability	-	3,142,756	3,142,756
Total Noncurrent Liabilities	-	4,025,247	4,025,247
Total Liabilities	27,293	4,081,935	4,109,228
Deferred Inflows of Resources			
Deferred amounts from pension plans	-	2,120,926	2,120,926
Deferred amounts from OPEB	-	22,106	22,106
Total Deferred Inflows of Resources	-	2,143,032	2,143,032
Net Position			
Investment in capital assets	181,622	-	181,622
Unrestricted	698,705	(1,923,568)	(1,224,863)
Total Net Position	\$ 880,327	\$ (1,923,568)	\$ (1,043,241)

CYPRESS RECREATION AND PARK DISTRICT

COMBINING STATEMENT OF
REVENUES, EXPENSES AND CHANGES IN NET POSITION
INTERNAL SERVICE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Central Services	Employees' Benefit	Totals
Operating Revenues			
Charges for services	\$ 31,839	\$ 870,439	\$ 902,278
Total Operating Revenues	31,839	870,439	902,278
Operating Expenses			
Contractual services	7,693	946,868	954,561
Supplies and other services	-	339,621	339,621
Depreciation expense	16,410	-	16,410
Total Operating Expenses	24,103	1,286,489	1,310,592
Income Before Transfers	7,736	(416,050)	(408,314)
Transfers in	43,873	150,000	193,873
Changes in Net Position	51,609	(266,050)	(214,441)
Net Position at Beginning of Year	828,718	(1,657,518)	(828,800)
Net Position at End of Year	\$ 880,327	\$ (1,923,568)	\$ (1,043,241)

CYPRESS RECREATION AND PARK DISTRICT

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	Central Services	Employees' Benefit	Totals
Cash Flows from Operating Activities:			
Receipts from user departments	\$ 31,839	\$ 865,387	\$ 897,226
Payments to suppliers for goods and services	(7,693)	(1,272,489)	(1,280,182)
Cash received from others	25,752	433,923	459,675
Net Cash Provided (Used) by Operating Activities	49,898	26,821	76,719
Cash Flows from Noncapital Financing Activities:			
Transfers in	43,873	150,000	193,873
Net Cash Provided (Used) by Non-Capital Financing Activities	43,873	150,000	193,873
Cash Flows from Capital and Related Financing Activities:			
Acquisition of capital assets	(114,651)	-	(114,651)
Net Cash Provided (Used) by Capital and Related Financing Activities	(114,651)	-	(114,651)
Net Increase (Decrease) in Cash and Cash Equivalents	(20,880)	176,821	155,941
Cash and Cash Equivalents - Beginning of Year	746,878	715,301	1,462,179
Cash and Cash Equivalents - End of year	\$ 725,998	\$ 892,122	\$ 1,618,120
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:			
Operating income (loss)	\$ 7,736	\$ (416,050)	\$ (408,314)
Adjustments to Reconcile Operating Income (loss) Net Cash Provided (used) by Operating Activities:			
Depreciation	16,410	-	16,410
(Increase) decrease in other receivables	-	(5,052)	(5,052)
(Increase) decrease in prepaid expense	-	(13,741)	(13,741)
(Increase) decrease in deferred outflows amounts from OPEB	-	(86,791)	(86,791)
(Increase) decrease in deferred outflows amounts from pension plans	-	712,249	712,249
Increase (decrease) in accounts payable and accrued liabilities	25,752	27,741	53,493
Increase (decrease) in accrued leave payable	-	(4,707)	(4,707)
Increase (decrease) in total OPEB liability	-	115,849	115,849
Increase (decrease) in deferred inflows amounts from OPEB	-	5,710	5,710
Increase (decrease) in net pension liability	-	165,507	165,507
Increase (decrease) in deferred inflows amounts from pension plans	-	(473,894)	(473,894)
Total Adjustments	42,162	442,871	485,033
Net Cash Provided (Used) by Operating Activities	\$ 49,898	\$ 26,821	\$ 76,719

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AGENCY FUND

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CYPRESS RECREATION AND PARK DISTRICT

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUND
FOR THE FISCAL YEAR ENDED JUNE 30, 2020

	<u>Balance July 1, 2019</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance June 30, 2020</u>
<u>Agency Fund</u>				
Assets				
Cash and cash equivalents	<u>\$ 21,338</u>	<u>\$ 16,800</u>	<u>\$ 25,650</u>	<u>\$ 12,488</u>
Liabilities				
Deposits payable	<u>\$ 21,338</u>	<u>\$ 25,900</u>	<u>\$ 34,750</u>	<u>\$ 12,488</u>

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
Cypress Recreation and Park District
Cypress, California

We have audited, in accordance with the 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, the financial statements of the governmental activities, , the major fund, and the aggregate remaining fund information of the Cypress Recreation and Park District (the District), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 29, 2020.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.





To the Board of Directors
Cypress Recreation and Park District
Cypress, California

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Lance, Soll & Lingham, LLP

Brea, California
December 29, 2020