

City of Cypress, California Annual Comprehensive Financial Report

For the Fiscal Year Ended June 30, 2022



For the Fiscal Year
Ended June 30, 2022

Annual Comprehensive Financial Report

Prepared by the
Department of Finance &
Administrative Services

CITY OF CYPRESS

Annual Comprehensive Financial Report

Year ended June 30, 2022

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Introductory Section



CITY of CYPRESS

5275 Orange Avenue, Cypress, California 90630

Phone 714-229-6700 www.cypressca.org

December 21, 2022

To the City Manager, Honorable Mayor, Members of the City Council and Residents of the City of Cypress, California:

We are pleased to submit to you the Annual Comprehensive Financial Report (ACFR) of the City of Cypress for the fiscal year ended June 30, 2022. This report is published in accordance with local ordinance and state law requirements that financial statements be presented in conformity with accounting principles generally accepted in the United States of America and audited in accordance with auditing standards generally accepted in the United States of America by a firm of licensed certified public accountants.

This ACFR consists of management's representations concerning the finances of the City of Cypress. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City of Cypress has established a comprehensive internal control framework designed both to protect the City's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City of Cypress' financial statements. Because the cost of internal controls should not outweigh their benefits, the City of Cypress' comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects. The report is presented in three sections: Introductory, Financial and Statistical. While there have been no significant changes in the City's fiscal policies that impact the current year financial statements, we urge readers of the report to pay particular attention to the overview and analysis presented in the Management's Discussion and Analysis (MD&A) found in the financial section of the ACFR.

City policy requires its financial statements be audited by independent certified public accountants. The firm of Lance, Soll, and Lunghard, LLP has performed the audit for the fiscal year ended June 30, 2022. The goal of the independent audit was to provide reasonable assurance the financial statements of the City of Cypress are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded there was a reasonable basis for rendering an unmodified opinion that the City of Cypress' financial statements for fiscal year ended June 30, 2022 are fairly presented in conformity with accounting principles generally accepted in the United States of America. The Independent Auditors' Report is presented as the first component of the financial section of this report.

As a recipient of federal, state and county financial assistance, the City of Cypress is responsible for having an adequate internal control structure in place to ensure compliance with applicable laws and regulations related to such programs. This internal control structure is subject to periodic evaluation by management. In years when over \$750,000 is expended on Federal financial assistance programs, the City is required to undergo an annual single audit in conformity with the provisions of the Federal Single Audit Act Amendments of 1996 and the Office of Management and Budget Circular A-133 regulating Single Audits, and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. For the year ended June 30, 2022, more than \$750,000 was expended on Federal financial assistance programs and a single audit was required. Information related to this single audit will be available in the City of Cypress' separately issued Single Audit Report.

CITY OF CYPRESS PROFILE

The City of Cypress, incorporated in July 1956, is located in the northwestern part of Orange County, California, where two of the nation's largest metropolitan areas, Los Angeles and Orange counties, meet. Cypress is primarily a residential community occupying 6.7 square miles of land and serving a population of 49,810. In addition to its residential communities, Cypress has an 800-acre business park that includes a diverse array of well-known companies. People are drawn to Cypress for its quality housing, business park, educational facilities, citizen-oriented social and recreational activities, and progressive City government. Some of the major attractions in Cypress include: Los Alamitos Race Course, Forest Lawn Memorial Park, and Cypress Community College.

The City of Cypress is a charter city and operates under the Council-Manager form of government. Policymaking and legislative authority are vested in the City Council, which consists of a Mayor, Mayor Pro Tem, and three Council Members. The City Council, among other things, is responsible for the City's ordinances, operating resolutions, adoption of the annual budget, appointing commissions and committees, and hiring the City Manager, the City Clerk and the City Attorney. The City Manager is responsible for implementing the policies, ordinances and directives of the City Council, for overseeing the day-to-day operations of the City, and for appointing the Directors of the City's departments. The City Council is elected on a nonpartisan basis. Council Members are elected to four-year staggered terms and may serve a maximum of two terms. The Mayor and Mayor Pro Tem are selected annually by the Council Members.

The City of Cypress provides a full range of services, including police protection; the construction and maintenance of streets, public facilities and other infrastructure; sanitary sewer; building safety regulations and inspections; and recreational activities and cultural events. The City is a member of the Orange County Fire Authority which provides fire protection and emergency medical aid services. Independent special districts provide educational and library services, while private entities offer utility services to Cypress residents.

The annual budget serves as the foundation for the City of Cypress' financial planning and control. The City operates on a fiscal year basis, beginning July 1 and ending June 30. The budget is prepared under the supervision of the City Manager and submitted to the City Council for deliberation and adoption prior to the beginning of the fiscal year.

The City follows these procedures in establishing the budgetary data reflected in the financial statements: After January 1, department directors prepare estimates for required appropriations for the fiscal year commencing 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. The operating budget includes a summary of the proposed expenditures and financial resources, as well as data for the preceding fiscal period. Prior to July 1, the budget is legally enacted through passage of an adopting resolution. Upon adoption by the City Council, the City maintains budgetary controls to ensure compliance with legal provisions embodied in the annual budget. The City Manager may make transfers of appropriations within a department if within the same fund. However, appropriation transfers between departments, funds or relating to personnel costs or capital purchases require approval by the City Council, as do any supplemental appropriations.

Budget to actual comparisons are provided in this report for each individual government fund for which an appropriated annual budget has been adopted. With the exception of the General fund, where budgetary control is maintained at the department level, budgetary control is maintained at the fund level. Additional budget information is presented in the Notes to the Basic Financial Statements and Required Supplementary Information Sections of the financial section of this report.

FACTORS AFFECTING FINANCIAL CONDITION

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the City of Cypress operates.

Local economy. Cypress is home to a wide range of businesses, particularly in the 800-acre Cypress Business Park, which has historically generated a significant percentage of City General fund revenues. Major industries with headquarters or divisions located within the City's boundaries include electronic equipment, managed healthcare, horseracing and flooring distribution. A variety of professional businesses, aerospace, hotels, and other retail businesses are also based in Cypress.

Over the last decade, the local economy in Orange County had experienced strong economic growth and job creation. While the COVID-19 pandemic brought with it huge uncertainties that have now lingered for over two years, the local economy has proved resilient. The negative toll on Cypress' revenue base has been far less than feared, but the long-term economic impacts of the pandemic, and associated recovery period, will likely continue in the Orange County region for the foreseeable future.

Since the end of the great recession, the City has focused on building up its reserves and limiting growth in operations in order to be in a position to effectively handle periods of

uncertainty. This strategy served Cypress well during the pandemic as the City has been able to keep a balanced budget while maintaining service levels. Property taxes remain a stable source of income, while sales tax revenues are more volatile and unpredictable. Sales tax concerns have existed for well over a decade due to significant revenue declines (when compared to inflation), and were further exacerbated in 2020 which saw the departure of one of the City's major generators and the start of the COVID-19 pandemic. While sales tax revenues over the past two years have not declined as much as feared, City leaders will continue to monitor revenue trends to best determine methods for strengthening the City's economic base.

The losses incurred by the financial markets as part of the Great Recession continue to have a direct impact on the City, most significantly in the form of required annual pension costs associated with being a member of the California Public Employees' Retirement System (CalPERS). The substantial decrease in the value of CalPERS assets during the financial crisis, and subsequent changes in actuarial assumptions and the discount rates since that time, have been passed on to members of CalPERS in the form of higher payments for the foreseeable future. Cypress, like most other California cities, has seen its annual required contributions nearly double over the last five-years. While healthy investment returns in FY 2020-21 favorably impacted the City's unfunded accrued liability, CalPERS portfolio losses in the last 18 month have eroded those gains and the unfunded liability calculated in the next actuarial report will likely increase significantly.

It seems that just when you get a handle on one financial challenge, another new challenge comes onto the scene. In the past year, inflation has taken center stage as the latest threat to the City's financial health as increases to the Consumer Price Index (CPI) have risen to levels not seen in over 40 years. The potential impacts to City expenditures cannot be overstated, as cost increase for all City services and projects are expected to far outpace revenue growth. While the move out of the pandemic phase of COVID-19 is a laudable event, it appears the certainty of uncertainty will accompany our return to normalcy.

Despite being subjected to all the aforementioned issues outside the control of the City's decision makers, the City has effectively managed its budget and used the positive results of past economic growth to build up fund balances and net position. It has been the City's practice to set-aside a portion of these fund balances and net position for potential future budget shortfalls and contingencies, and to offset significant long-term liabilities. Nearly \$13.4 million has been accumulated in the General fund for contingencies and budget stabilization at June 30, 2022. In addition, a pension trust was established in 2017 in response to pension and budget stabilization concerns, and \$20.2 million is invested in the trust at June 30, 2022. The pension trust provides a vehicle to restrict and invest monies for future pension obligations, while maintaining asset control at the local level.

The remaining fund balances and net position are available for use on non-operating expenditures and provide for the payment of any other long-term obligations. Assuming the City continues making sound budget decisions in the future, accumulated fund balance and net position amounts are at a level which should allow the City to withstand negative short-term economic impacts without affecting the primary service levels currently provided to its residents and businesses. However, the City's long-term ability to maintain the current high-

levels of service remain in a state of uncertainty due to economic instability and risk of recession, inflation, sales tax volatility and rising pension costs.

Another ongoing financial challenge remains funding the necessary maintenance and improvements required for the City's facilities and infrastructure systems. The seven-year capital funding plan is updated annually based on the most recent condition assessments of the various infrastructure systems and facilities. While significant progress has been made in the last quarter century by way of improvements and setting aside reserves, there are still a significant number of improvements necessary to improve aging city and park facilities and storm drainage infrastructure. The funding plans for these assets, as well as the other infrastructure components (sidewalks, trees, streets, traffic signals), indicates a need for additional revenue sources to achieve the City's goal of maintaining its infrastructure systems and facilities at high standards. One of the largest concerns continues to be the lack of a dedicated revenue source (outside the General fund) to pay for facilities and storm drainage improvements identified in the condition assessments. For the reasons discussed previously related to economic concerns, sales tax uncertainty, inflation and pension challenges, it continues to be necessary to identify viable future funding solutions (other than the General fund) in order to address the issues facing aging infrastructure systems and facilities.

Long-term financial planning. The City of Cypress seeks to assure a high quality of life for its residents and businesses. As such, strategic planning is utilized to establish major goals and objectives of the City which provide principal guidance for the budget established by the City Council. The three year goals established for 2019 through 2022 include the following (not in priority order):

- Maintain financial stability and promote economic activity.
- Maintain high quality and high value services for the community.
- Maintain infrastructure and facilities.
- Enhance and maintain public safety.
- Enhance recreation facilities and programs.

The City's pursuit of these goals has resulted in establishing strategic objectives, which are incorporated into the annual budget. Most of these strategic objectives were completed during the past year and included developing plans for both American Rescue Plan Act (ARPA) monies and pandemic recovery, an update to the community survey to assess satisfaction with city services and public engagement, creation of a citizen's academy to educate residents, establishing the new full-time classification of Business Development Manager, launching the residential organics recycling program, and celebrating the opening of Lexington Park and the reopening of the modernized Police Department.

The City of Cypress maintains a seven-year Capital Improvement Program to plan for capital and infrastructure needs, and evaluates its annual budget in coordination with longer-term revenue projections. It is the City's policy to fund capital projects by accumulating and setting aside a portion of excess General fund revenues over General fund expenditures, for future infrastructure needs in the City's Capital Projects fund. However, due to the factors discussed in detail earlier, the ability to continue setting aside General fund amounts for future capital needs will become increasingly difficult over the next several years.

In addition, a five-year forecast for the General fund is included in the budget. This forecast provides a longer term analysis, which when viewed in conjunction with the current year budget, creates parameters for charting a prudent and sustainable financial course. When compared to where we feared we might be at the outset of the pandemic, the forecast has improved greatly but future challenges (both those that we are aware of and those that are currently unknown) make it difficult to create a reliable five-year forecast.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Cypress for its Annual Comprehensive Financial Report for the fiscal year ended June 30, 2021. This is the 36th consecutive year that the City has received this prestigious award. The Certificate of Achievement is a national award that recognizes conformance with the highest standards for preparation of state and local government financial reports.

In order to receive a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized ACFR. The report must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement Program requirements, and we will be submitting it to GFOA to determine its eligibility for another certificate.

The preparation of this report could not have been accomplished without the dedicated service of the entire staff of the City's Finance Division. The challenges and uncertainty associated with the last few years is unprecedented, and I want to extend my thanks to all the Finance staff that assisted and contributed to the preparation of this report. Appreciation must also be extended to the Cypress City Council for their ongoing commitment to plan ahead and put the City in a position to be financially prepared for unforeseen challenges. This strategic approach has greatly benefited Cypress residents and businesses during the pandemic and will continue to do so during the ongoing recovery period. I look forward to working with the City Manager and the newly-elected City Council on ensuring the City's short-term and long-term fiscal health continues to be strong and it remains the highest priority so that Cypress will be able to flourish for generations to come.

Respectfully submitted,



Matt Burton
Director of Finance and Administrative Services

City of Cypress, California

Directory of City Officials

For the Fiscal Year Ended June 30, 2022

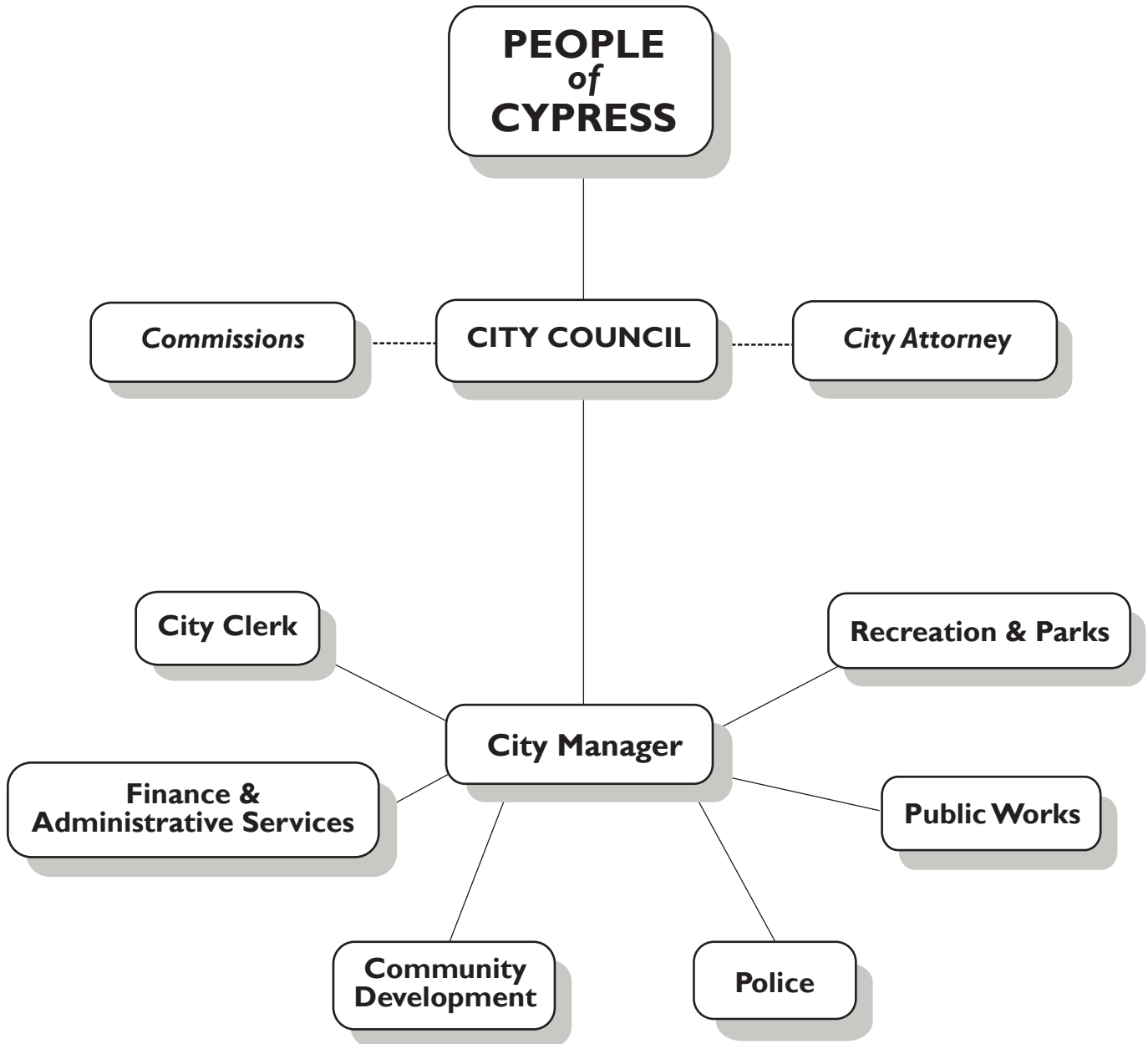
Legislative Body

Paulo Morales Mayor
Anne Hertz-Mallari Mayor Pro-Tem
Frances Marquez, PhD Council Member
Scott Minikus Council Member
Jon Peat Council Member

Staff Members

Peter Grant City Manager
Matt Burton Director of Finance & Admin. Services
Mark Lauderback Chief of Police
Doug Dancs Director of Public Works
Alicia Velasco Director of Planning
Jeff Draper Director of Rec. & Comm. Services
Alisha Farnell City Clerk

City of Cypress ORGANIZATIONAL CHART





Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Cypress
California**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2021

Christopher P. Morill

Executive Director/CEO

Financial Section



INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members of the City Council
City of Cypress, California

Report on the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Cypress, California, (the "City") as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2022, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management 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; and for 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.



To the Honorable Mayor and Members of the City Council
City of Cypress, California

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if, there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Reporting Responsibilities

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison schedules for General Fund and major special revenue funds, and the required pension and other post-employment benefits schedules, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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



To the Honorable Mayor and Members of the City Council
City of Cypress, California

reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual fund financial statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 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 supplementary information is fairly stated, in all material respects in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory section and statistical section but does not include the basic financial statements and our auditor's report thereon. Our opinions on the financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2022 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 City'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 City's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Lance, Solt & Lughard, LLP". The signature is written in a cursive, flowing style.

Brea, California
December 21, 2022

CITY OF CYPRESS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022

As management of the City of Cypress (City), we offer readers of the City's financial statements this overview and analysis of the financial activities for the fiscal year ended June 30, 2022. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found in the introductory section of this report, and with the City's financial statements, which follow this discussion.

Financial Highlights

- The assets and deferred outflows of resources of the City exceed its liabilities and deferred inflows of resources at the close of the fiscal year ended June 30, 2022 by \$334,485,147 (*net position*). Of this amount, \$95,515,524 (*unrestricted net position*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$17,983,910 during the fiscal year.
- As of June 30, 2022, the City's governmental funds reported combined ending fund balances of \$144,498,266, an increase of \$11,138,302 in comparison with the prior year. A total of \$1,043,486 is unassigned within the General fund and is available for spending at the government's discretion, while a deficit fund balance of \$163,885 is included in the nonmajor governmental funds (*unassigned fund balance of the governmental funds*).
- As of June 30, 2022, the total fund balance of the General fund was \$31,417,525. Of this total, \$8.9 million has been committed by the City Council as part of a stabilization agreement to be used should General fund revenues decrease or expenditures increase unexpectedly due to unforeseen factors or emergencies. In addition to these commitments, a total of \$21.2 million of the fund balance has been assigned – including for use on future capital improvements, investment in the City's pension trust, potential budget shortfalls, pandemic recovery programs and storm drainage purposes. While these assigned amounts are not legally restricted, it continues to be the City Council's practice to set-aside and annually transfer surplus amounts (if available) both to the City's Capital Project Fund for future infrastructure improvement projects as outlined in the City's Seven-Year Capital Improvement Plan and for investment to offset the City's unfunded pension liabilities.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements, which are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (which includes the required supplementary information). This report also contains other supplementary information in addition to the basic financial statements themselves.

CITY OF CYPRESS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the City's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference between assets/deferred outflows and liabilities/deferred inflows reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of Cypress is improving or deteriorating.

The *statement of activities* presents how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. unpaid accrued interest).

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all, or a significant portion, of their costs through user fees and charges (*business-type activities*). The governmental activities of the City include general government, community development, public safety, public works and recreation. The business-type activities of the City are related to the sanitary sewer system.

The government-wide financial statements include not only the City itself (known as the *primary government*), but also two legally separate entities: the Cypress Recreation and Park District (District), and the Cypress Recreation and Community Services Foundation (Foundation). The City is financially accountable for both the District and the Foundation, and the financial information for these *blended component units* is reported within the financial information presented for the primary government itself.

The government-wide financial statements can be found in the financial section of this report immediately following Management's Discussion and Analysis (MD&A).

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable*

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resources, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds and governmental activities*.

The City maintains various individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General fund, the Pandemic Response Special Revenue Fund, the Recreation and Park District Special Revenue fund, and the City Capital Projects fund, all of which are considered to be major funds. Also presented is the Streets Special Revenue fund which management has designated as a major fund. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of the *nonmajor* governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City adopts an annual appropriated budget for each of its major funds. The required supplementary information section of the basic financial statements includes budgetary comparison schedules for the General fund, the Pandemic Response Special Revenue Fund, the Recreation and Park District Special Revenue fund and the Streets Special Revenue fund to demonstrate budgetary compliance with the annual budget. A budgetary comparison schedule has been provided elsewhere in this report for the other major governmental fund, the City Capital Projects fund.

The basic governmental fund financial statements can be found in the financial section of this report immediately following the government-wide financial statements.

As part of this annual discussion and analysis, management will discuss financial highlights of the City's General fund, all other major funds, and any funds experiencing a significant change in fund balances or any other noteworthy activity.

Proprietary funds. The City maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses an enterprise fund to account for its sanitary sewer system. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its central services, the District's central

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services, employee benefits, liability insurance and workers' compensation insurance. Because these services benefit governmental functions, they have been included in *governmental activities* within the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the *business-type activities* of the Sewer fund, which is considered a major fund of the City. The *internal service funds* are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is 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. 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 City's own programs. The City's two types of fiduciary funds are *custodial funds* and a *private-purpose trust fund*. The *custodial funds* are used for assets held in a custodial capacity and cannot be used to support the City's own programs, the West Cities Police Communications Joint Powers Authority and the Business and Professional Assessment District. The *private-purpose trust fund* is used to account for the activities of the Successor Agency to the Cypress Redevelopment Agency (Successor Agency) which was established upon the dissolution of the Cypress Redevelopment Agency (Agency). The basic fiduciary fund financial statements can be found immediately following the basic proprietary fund financial statements.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found in the financial section of this report immediately following the basic fiduciary fund financial statements.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information*. The required supplementary information section includes the City's progress in funding its obligation to provide pension benefits and post-retirement health care benefits to its employees, and the previously discussed budgetary comparison schedules for the General fund, the Pandemic Response Special Revenue fund, the Recreation and Park District Special Revenue fund and the Streets Special Revenue fund. Required supplementary information can be found immediately following the notes to the basic financial statements.

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The combining statements (referred to previously in connection with nonmajor governmental funds and the internal service funds) are presented immediately following the required supplementary information.

The *blended component units* (referred to earlier in connection with the government-wide financial statements), although legally separate, function at the discretion and direction of the City's management. Their financial position and results of operations, therefore, have been included as an integral part of the primary government, and are presented in the fund financial statements.

Government-wide Financial Analysis

The government-wide financial statements provide long-term and short-term information about the City's overall financial condition. This analysis addresses the financial statements of the City as a whole.

CITY OF CYPRESS
Summary of Net Position
As of June 30, 2022 and 2021

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Assets:						
Current and other assets	\$ 205,414,223	\$ 193,239,901	\$ 6,700,860	\$ 5,363,075	\$ 212,115,083	\$ 198,602,976
Capital assets	172,804,367	166,272,625	18,876,494	19,322,767	191,680,861	185,595,392
Total assets	378,218,590	359,512,526	25,577,354	24,685,842	403,795,944	384,198,368
Deferred Outflows of Resources:						
Deferred outflows - pension & OPEB	14,230,921	15,161,001	-	-	14,230,921	15,161,001
Total deferred outflows	14,230,921	15,161,001	-	-	14,230,921	15,161,001
Liabilities:						
Long-term liabilities outstanding	13,910,689	15,203,699	-	-	13,910,689	15,203,699
Net pension liability	32,737,065	53,272,251	-	-	32,737,065	53,272,251
Other liabilities	7,867,424	9,554,930	62,488	109,282	7,929,912	9,664,212
Total liabilities	54,515,178	78,030,880	62,488	109,282	54,577,666	78,140,162
Deferred Inflows of Resources:						
Deferred inflows - pension & OPEB	28,964,052	4,717,970	-	-	28,964,052	4,717,970
Total deferred inflows	28,964,052	4,717,970	-	-	28,964,052	4,717,970
Net Position:						
Invested in capital assets	172,804,367	166,272,625	18,876,494	19,322,767	191,680,861	185,595,392
Restricted	40,650,390	37,532,553	6,638,372	5,253,793	47,288,762	42,786,346
Unrestricted	95,515,524	88,119,499	-	-	95,515,524	88,119,499
Total net position	<u>\$ 308,970,281</u>	<u>\$ 291,924,677</u>	<u>\$ 25,514,866</u>	<u>\$ 24,576,560</u>	<u>\$ 334,485,147</u>	<u>\$ 316,501,237</u>

Net position of the City increased by nearly \$18.0 million (5.7 percent) to \$334.5 million at June 30, 2022, of which \$191.7 million is invested in capital assets such as land, buildings and improvements, equipment, and infrastructure. Of the remaining total, \$47.3 million is restricted as to use by specifically stipulated spending agreements originated by law, contract or other agreements with external parties. The remaining \$95.5 million classified as unrestricted net position increased by \$7.4 million (8.4 percent) from \$88.1 million at June 30, 2021, and while subject to being designated for specific purposes as approved by the City Council and management, these amounts may be used to meet the

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City's ongoing obligations. The increase in unrestricted net position is due to many factors, including: tax revenues exceeding estimates, the receipt of one-time American Rescue Plan Act (ARPA) monies made available to local governments for pandemic response and recovery, and realizing budget savings associated with personnel vacancies throughout all departments of the City.

The City's investment in capital assets (less any related outstanding debt used to acquire those assets) is the largest portion of the City's net position and represents 57.3 percent of total net position, which is a modest decrease from the percentage of overall net position at the conclusion of the prior year. While the City uses these capital assets to provide services to citizens; these assets are *not* available for future spending.

CITY OF CYPRESS
Changes in Net Position
For the fiscal year ended June 30, 2022 and 2021

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Revenues						
Program Revenues:						
Charges for services	\$ 10,505,192	\$ 3,719,781	\$ 1,779,495	\$ 1,861,974	\$ 12,284,687	\$ 5,581,755
Operating grants and contributions	16,061,186	3,862,387	35	37	16,061,221	3,862,424
Capital grants and contributions	1,638,108	1,869,583	-	-	1,638,108	1,869,583
General Revenues:						
Sales tax	13,292,177	11,249,720	-	-	13,292,177	11,249,720
Property taxes	19,500,488	18,720,345	32,508	30,499	19,532,996	18,750,844
Other taxes	6,369,071	5,221,855	-	-	6,369,071	5,221,855
Other	(4,695,002)	2,282,935	28,657	27,924	(4,666,345)	2,310,859
Total Revenues	<u>62,671,220</u>	<u>46,926,606</u>	<u>1,840,695</u>	<u>1,920,434</u>	<u>64,511,915</u>	<u>48,847,040</u>
Expenses						
General government	5,477,433	6,295,641	-	-	5,477,433	6,295,641
Community development	2,333,245	2,100,332	-	-	2,333,245	2,100,332
Public safety	19,494,326	19,428,392	-	-	19,494,326	19,428,392
Public works	12,737,505	13,865,043	-	-	12,737,505	13,865,043
Recreation	5,583,107	5,303,581	-	-	5,583,107	5,303,581
Sewer	-	-	902,389	888,283	902,389	888,283
Total Expenses	<u>45,625,616</u>	<u>46,992,989</u>	<u>902,389</u>	<u>888,283</u>	<u>46,528,005</u>	<u>47,881,272</u>
Excess of revenues over expenses before special item	<u>17,045,604</u>	<u>(66,383)</u>	<u>938,306</u>	<u>1,032,151</u>	<u>17,983,910</u>	<u>965,768</u>
Special Item						
Gain on sale of land held for resale	-	2,053,172	-	-	-	2,053,172
Total Special Item	<u>-</u>	<u>2,053,172</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,053,172</u>
Increase (Decrease) in Net Position	<u>17,045,604</u>	<u>1,986,789</u>	<u>938,306</u>	<u>1,032,151</u>	<u>17,983,910</u>	<u>3,018,940</u>
Net Position						
Beginning Net Position	<u>291,924,677</u>	<u>289,937,888</u>	<u>24,576,560</u>	<u>23,544,409</u>	<u>316,501,237</u>	<u>313,482,297</u>
Ending Net Position	<u>\$ 308,970,281</u>	<u>\$ 291,924,677</u>	<u>\$ 25,514,866</u>	<u>\$ 24,576,560</u>	<u>\$ 334,485,147</u>	<u>\$ 316,501,237</u>

The following revenue impacts contributed to the change in net position for governmental activities for the fiscal year ended June 30, 2022:

- The City's program revenues totaled 46.5 percent of total revenues and nearly tripled from the prior year. Charges for services (which include items such as planning and building fees, city services, and recreation user fees) experienced large increases due to activity levels bouncing back to pre-pandemic levels (especially in development and recreation activities) and receiving nearly \$6.2 million of park development fees. These park development fees were over \$6.1 million more than the prior year and tend to fluctuate year to year based on development activity. In FY 2021-22, a few large developments in the area of the Los Alamitos Race Track paid significant fees which must be used to build new or

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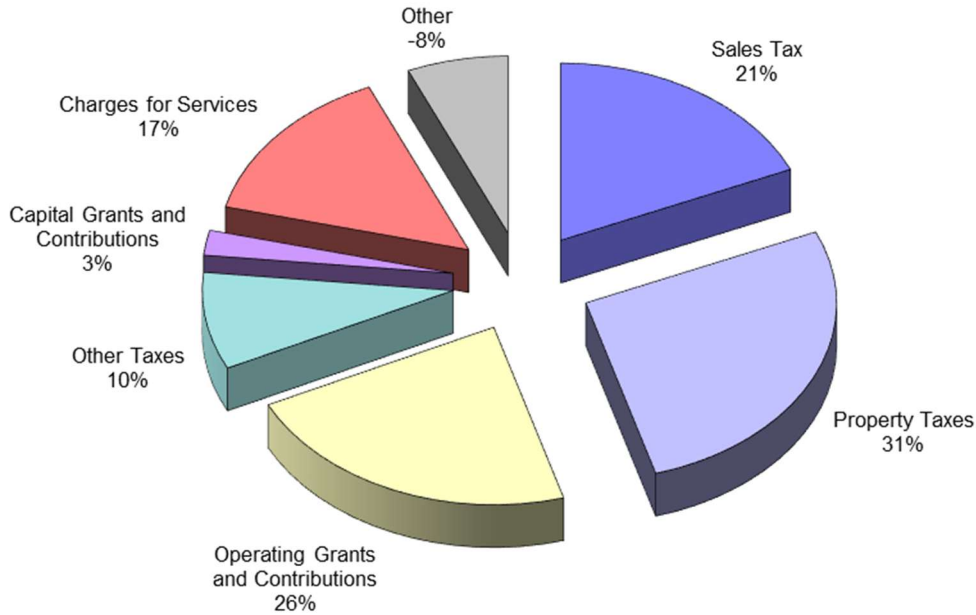
enhanced parks. Operating grants and contributions also far exceed prior year totals, in most part due to the one-time receipt of \$11.7 million of American Rescue Plan Act (ARPA) monies provided by the Federal government which replace pandemic-related revenue losses. While grants and contributions tend to fluctuate year-to-year based on availability and project timing, the increases experienced in the past year due to ARPA receipts are unprecedented.

- The City's general revenues represent 53.5 percent of total revenues. General revenues decreased by just over \$3.0 million (8.0 percent) from the prior year. Sales taxes, which represent 38.5 percent of total general revenues and experienced declines due to the pandemic and the loss of a major generator in October 2020, experienced healthy increases in FY 2021-22. The resiliency of the economy despite the threat of recession, rising gasoline prices and the highest inflation seen in over 40 years, as well as strong business to business sales all helped propel sales tax revenues up by over \$2.0 million. Property tax revenues, the City's largest revenue source, continued to grow due to the stable real estate market and its impact on assessed values. Growth in other taxes, including a strong post-pandemic rebound in transient occupancy taxes, resulted in a \$1.1 million year over year increase. However, other general revenues totaled a negative \$4.7 million for the year due to experiencing \$6.0 million of fair market value adjustments in accordance with generally accepted accounting principles. These adjustment includes \$3.1 million in paper losses to the City's investment portfolio that will never be realized since the City's practice is to hold all investments to maturity, and a \$2.9 million adjustment to the City's pension trust which is not expected to be realized due to the long-term nature of pension trust investments.

All revenues from governmental activities are summarized in the following graph.

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Revenues by Source – Governmental Activities



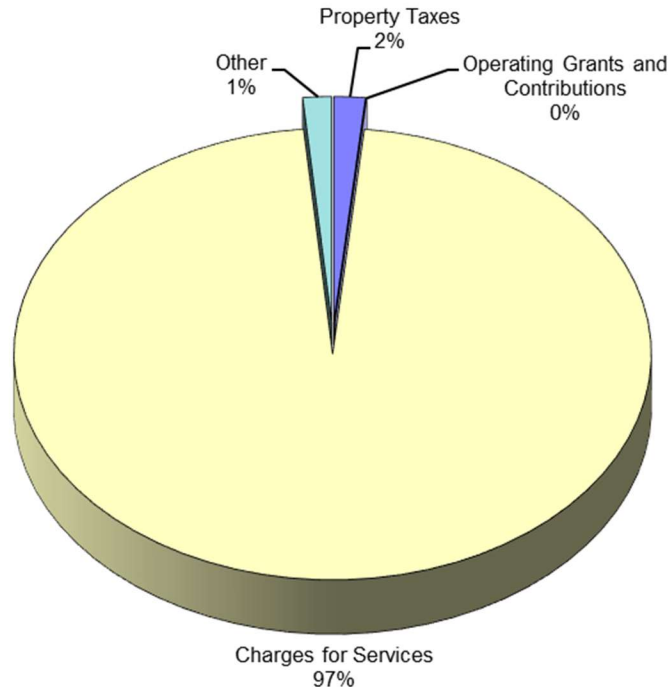
The following revenue items contributed to the change in net position for business-type activities for the fiscal year ended June 30, 2022:

- Program revenues for the sewer system are the major revenue source for the City's lone business-type activity. Charges for sewer services comprised 97 percent of total revenues and decreased by 4.2 percent from the prior year. Since sewer fees are directly tied to water consumption, any significant annual change can likely be attributed to precipitation levels and drought restrictions experienced throughout the last year. The current sewer fee collections represent a dedicated revenue source which provides full-funding for ongoing maintenance and annual capital improvements to the City's sewer system.
- General revenues for business-type activities are largely limited to investment earnings on cash balances and a small amount of property tax that is allocated to the City and is restricted to use for sewer purposes.

All revenues from business-type activities are summarized in the following graph.

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Revenues by Source – Business-type Activities



Total expenses for governmental activities decreased by nearly \$1.4 million for the fiscal year ended June 30, 2022, (2.9 percent), compared to the prior year.

- General government expenses decreased due to higher activity levels in the prior fiscal year associated with pandemic response and recovery related programs to assist local business, non-profit organizations and a hot meal program for eligible residents. While recovery efforts are ongoing, FY 2021-22 pandemic expenditures to assist the community fell well below the levels established in the two previous years.
- Community Development expenses increased 11.1 percent due to contract costs associated with state-mandated housing element update and implementation which is required every eight years.
- Public safety (police) continues to account for the largest portion (42.7 percent) of total expenses related to governmental activities. Public safety expenses increased slightly from the prior year, and the increases are attributed to personnel cost increases related to the impacts of labor agreements with the Cypress Police Officers' Association and the Cypress Police Management Association. The department continued to have several police officer vacancies throughout the year, which limited year over year increases.
- Public works expenses decreased over \$1.1 million due primarily to incurring lower costs for recurring street maintenance projects. These project costs, which include roadway paving and curb and sidewalk maintenance, tend to vary year to year based the scale and timing of projects.

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- Recreation expenses increased 5.3 percent due to fully reinstating many programs which had been halted or scaled back due to the pandemic. These lower levels of programming reduced part-time staffing costs and payments for contract class instructors.
- Total expenses for business-type activities increased \$14,106 (1.6 percent). Ongoing investments to improve the sewer system occur each year, and the modest increase in expenses is largely attributable to increased personnel and consulting costs associated with sewer operations.

Financial Analysis of the Governmental Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of the City's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information may be useful in assessing the City's financing requirements and operating needs.

As of the end of the current fiscal year, the City's governmental funds reported total combined ending fund balances of \$144,498,266, an increase of \$11,138,302 over total fund balances at June 30, 2021. The increase can be attributed to the receipt of one-time federal ARPA monies and park development fees related to large development projects in the City.

Total fund balance is broken down into five categories – ranging from nonspendable to unassigned. Restricted fund balance amounts total \$20.3 million and increased by \$1.1 million from the prior year and equal 14.1 percent of total fund balance. The increase in restricted fund balance is due to the accumulation of additional fund balance in the streets fund which will be used for future capital improvements. The restricted amounts at June 30, 2022 can only be used for specific purposes, with the major restrictions being limited for recreation uses, street maintenance and improvements and street lighting. Committed fund balance amounts total \$20.5 million (14.2 percent) and decreased by just over \$0.6 million in the past year. The small decrease in committed fund balance is due to having a lower amount of City Council approved contracts outstanding at the end of the most recent fiscal year than the prior fiscal year. These unexpended contract amounts tend to vary from year to year depending on the status of major capital projects (such as improvements to the City's streets and facilities) at the end of the fiscal year, and the current year decrease is largely attributed to declines in the outstanding contract balances associated with the police department remodel and Lexington Park. An additional \$102.5 million of fund balance is categorized as assigned. These assignments of fund balance are made by City management for specific purposes – with the large majority of the assignments being for future capital improvements, pension trust investment, potential future budget shortfalls and future pandemic recovery programs. It continues to be the City's strategy to set aside available resources in order to provide a funding mechanism

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to pay for future improvements to the City's infrastructure and public facilities, as well as accumulating monies to offset unfunded pension liabilities. The remaining amount of fund balance is categorized as unassigned and is available in the General fund for any purpose the City Council deems appropriate.

Proprietary funds. The City's *proprietary funds* provide the same type of information found in the government-wide financial statements, but in more detail. The City's major proprietary fund is the Sewer enterprise fund. Net position of the Sewer fund at the end of the fiscal year ending June 30, 2022 totaled \$25.5 million, which is just over \$938,000 higher than the prior year. The increase in net position is largely attributed to allocating resources for the ongoing investment in the sanitary sewer system through capital improvement projects.

Major Fund Financial Highlights

General Fund

The General fund is the primary operating fund of the City. At June 30, 2022, the total fund balance of the General fund was \$31,417,525 (compared to \$25,192,662 at the beginning of the year). The fund balance of the General fund is composed of five different categories – nonspendable, restricted, committed, assigned and unassigned. The City continues to implement the practice of accumulating monies for future infrastructure improvements in the City Capital Projects fund through transfers out of the General fund, as well as setting aside monies to invest in the City's pension trust. A total of \$4.5 million was transferred out for future infrastructure and facility needs, and an additional \$4.5 million for pension trust investment, during the fiscal year ended June 30, 2022. It is important to note the annual General Fund monies transferred to the City Capital Projects fund for the intended purpose of providing infrastructure and facility improvements are available for other uses at the City Council's discretion should the need arise.

As a measure of the General fund's liquidity, it may be useful to compare the total of assigned and unassigned fund balances to total fund expenditures since assigned and unassigned amounts are essentially available for any purpose. Total assigned and unassigned fund balance represents 72.1 percent (up from 54.5 percent the previous year) of the total expenditures in the General fund. As mentioned, the largest component of assigned fund balance is for future capital infrastructure investments. Despite the City Council's and management's policy to actively set-aside monies for future infrastructure needs, the annual General fund amounts expected to be available for transfer to the City's Capital Project fund will likely be insufficient to pay for all future capital needs due to projected expenditure growth outpacing projected revenue growth.

For the fiscal year ended June 30, 2022, cash and investments in the General fund totaled \$26,251,338, a decrease of \$348,523 from the prior fiscal year. The net decrease to cash is due to the one-time American Rescue Plan Act monies transferred into the General Fund for eligible revenue replacement being offset by the transfer out of prior year

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accumulations for capital projects and pension trust investments. These transfers for capital and pension investment had been deferred for a year due to budget uncertainties associated with the pandemic.

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Summary of Changes in Fund Balances - General Fund
For the fiscal year ended June 30, 2022 and 2021

	<u>2022</u>	<u>2021</u>	<u>Change</u>
Revenues			
Taxes:			
Sales	\$ 13,292,177	\$ 11,579,445	\$ 1,712,732
Property	11,852,927	11,398,114	454,813
Other	6,751,658	5,568,782	1,182,876
Total taxes	<u>31,896,762</u>	<u>28,546,341</u>	<u>3,350,421</u>
Licenses and permits	1,326,104	884,938	441,166
Fines and forfeitures	167,159	257,141	(89,982)
From use of property	(2,894,980)	(547,569)	(2,347,411)
From other agencies	667,581	240,412	427,169
Charges for services	3,540,366	3,481,808	58,558
Other	363,434	419,100	(55,666)
Total Revenues	<u>35,066,426</u>	<u>33,282,171</u>	<u>1,784,255</u>
Expenditures			
General government	4,833,262	5,291,414	(458,152)
Community development	2,099,379	1,852,108	247,271
Public safety	17,746,963	17,222,083	524,880
Public works	6,189,563	5,869,347	320,216
Total Expenditures	<u>30,869,167</u>	<u>30,234,952</u>	<u>634,215</u>
Net Transfers	<u>2,027,604</u>	<u>(898,347)</u>	<u>2,925,951</u>
Increase (decrease) in fund balance	<u>\$ 6,224,863</u>	<u>\$ 2,148,872</u>	<u>\$ 4,075,991</u>

Total General fund revenues for the fiscal year ended June 30, 2022 increased by nearly \$1.8 million from the prior year. Individual components of this change are highlighted as follows:

- Sales tax receipts, historically the largest revenue source of the General fund, increased by \$1.7 million from the prior year. The ongoing rebound from the pandemic's negative impact on sales tax revenue, combined with rising gasoline prices and inflationary pressures, contributed to the 14.8 percent year over year revenue increase.
- Annual property tax revenue continued to grow due to increases in the City's secured property tax base resulting from the ongoing strength of the real estate market. The General fund also received over \$5.3 million in property taxes in lieu of Motor Vehicle License Fees (MVLFF), which represented an increase over the prior year.

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- Other taxes were up significantly due to several factors, with the impacts on post-pandemic non-essential travel and transient occupancy tax receipts accounting for the majority of the increase.
- Licenses and permit revenues, as well as charges for services, increased due to higher building development activity when compared to the prior year. These revenues tend to vary year to year, and while development activity in the City remained strong throughout the pandemic, activity levels increased further in the past year.
- Revenue from use of property experienced another year over year decline, resulting in a second consecutive year of recognizing negative amounts for this revenue source due to investment earnings. While the market interest rate earned on the City's cash and investment reserves rose throughout the year, the market value of the underlying assets was less than their purchase price. Accounting standards require all investments be recorded at their fair market value on June 30, 2022, which caused total annual revenues from the use of property to be negative. It should be noted that the City's investment policy provides for all investments to be held to maturity, so the \$3.1 million of losses required to be recorded at year end will never be realized.
- Revenue from other agencies increased due to receiving a one-time pandemic-related \$105,000 meal gap services grant from the County and the first year of a three year State tobacco grant to fund the City's new school resource officer in the Police Department. This State grant will provide up to \$710,000 of funding over three years for tobacco education and compliance purposes.

Changes in General fund expenditures, by function, occurred as follows during the year ended June 30, 2022:

- General government expenditures decreased by \$458,152 (8.7 percent). The decrease is attributed to a higher volume of one-time pandemic response expenditures incurred in the previous fiscal year. In the fiscal year ended June 30, 2021, the City expended \$950,000 of General fund monies for additional small business resiliency grants and business recovery programs, a hot community hot meal program and support for local non-profit partners. While meal assistance programs continued into FY 2021-22, total expenditures for pandemic response and recovery declined to \$300,000.
- Community development expenditures increased due primarily to incurring higher contract costs to provide support for the preparation and implementation of the City's Housing Element. The Housing Element is a State-mandated document that establishes housing programs and zoning amendments and is required to be updated every eight years. Implementing the components of the housing element will take several years and is expected to cost over \$1 million.
- Public safety (police) expenditures increased by \$524,880 (3.0 percent) when compared to the prior fiscal year. Cost increases associated with implementing negotiated salary and benefit increases for sworn officers, and contract cost

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increases brought on by inflationary impacts, accounted for the majority of the additional expenditures.

- Public works expenditures rose by \$320,216 (5.5 percent) due to many factors, including having more engineering plan check contract costs due to high activity levels, as well as higher park maintenance costs. Specifically, the cost to irrigate the City's parks continue to increase due to higher water prices and dry weather conditions. All costs associated with park maintenance is reimbursed to the City's General fund by the Park District.

General fund net transfers in increased by over \$2.9 million as compared to the prior fiscal year and are summarized as follows:

- The General fund transferred \$1,550,000, as compared to \$725,000 in the prior year, to the City's Capital Projects fund for current year projects. Additionally, \$4.5 million of accumulated fund balance, up from \$1.3 million in the prior year, was transferred from the General fund to the City's Capital Projects fund for future infrastructure projects.
- \$4.5 million was transferred to the City's Internal Service Employee Benefits fund during the past year, compared to \$150,000 in the prior year. This annual transfer is used to fund the City's pension trust which was established in 2017 to help offset the City's growing pension liabilities.
- As discussed above, the increases to transfers from the General fund for future capital and pension trust investments were significantly higher than the prior year. The increases were a result of overcoming two pandemic-related factors: \$1.9 million of available fund balance amounts were allocated for pandemic response efforts and approximately \$2.1 million was set-aside to offset projected budget deficits in the prior fiscal year. Fortunately, no additional pandemic response efforts were necessary in the past year and the projected budget deficits never materialized which resulted in additional General fund amounts being available to set-aside for future capital and pension trust investment.
- \$11.7 million of American Rescue Plan Act (ARPA) monies were transferred to the General fund during the fiscal year ended June 30, 2022. In accordance with eligibility guidelines, the City elected to use these one-time amounts to replace revenue losses brought on by the pandemic.

General Fund Budgetary Highlights

Differences between the original appropriations budget and the final amended budget totaled a net increase of \$2,935,210. The annual carryover of appropriations to the new fiscal year for encumbrances and services not completed in the prior fiscal year accounted for \$1,713,545 of the change. The majority of the carryover appropriations related to unexpended contingency amounts, unexpended grant awards and planning services for the State-mandated update to the City's housing element. The remaining major changes in appropriations are summarized as follows:

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- \$37,500 increase in Legislative for consulting assistance to further community outreach and public engagement related to the California Voting Rights Act and the format Cypress uses to elect Council Members.
- \$105,000 increase in Administration for a grant from the County of Orange for meal gap support initiatives in response to the COVID-19 pandemic.
- \$78,000 in the Police Department for a State Office of Traffic Safety grant for a selective traffic enforcement program which aims to reduce collisions involving alcohol, speed and red light violations.
- \$666,610 of contract cost increases in Planning for the State-mandated update of the Housing Element and associated implementation, business park modernization and integration project, and a neighborhood preservation pilot program for code enforcement issues.
- \$211,000 of contract costs increases in Building associated with providing inspection and plan check services. Inspection and plan check services tend to fluctuate year-to-year based on many factors, including the strength of the local economy and housing market. The additional inspection and plan check appropriations were fully offset by increases in revenues in the General fund.
- \$50,000 in Public Works for a solid waste low-income assistance program for eligible residents designed to help offset higher solid waste fees resulting from the implementation of a new State-mandated organics recycling program.

Total actual General fund revenues fell below the final amended revenue budget by \$370,014. Tax revenue exceeded the amended budget by over \$3.3 million due to several factors, with sales tax being the largest impact and exceeding initial estimates by \$2.0 million. This sales tax overage was driven by the ongoing strength of the City's largest sales tax generators, inflationary impacts including rising gas prices, and a post-pandemic rebound in business to business sales. Other tax sources contributed to the overage and include property tax, transient occupancy tax and franchise taxes. Several revenue sources fell below budget, which more than offset the tax overages. The most significant revenue shortfall was from the use of property (which includes interest earnings on the City's investments). Accounting requirements mandate all investments are adjusted to their fair market value at fiscal year end, which resulted in \$3.1 million of markdowns in FY 2021-22. While the rate earned on cash balances increased from historic lows in the prior year, rising interest rates caused the market value of assets to fall below their purchase price. Since the City's investment policy provides for all investments to be held to maturity, these additional losses will never be realized. So in many ways, the negative amount recorded as revenue from use of property is misleading and gives a false impression to the reader of the financial statement. Other revenue sources that fell short of the amended budget include revenue from other agencies which consists primarily of grant allocations which remained unexpended at the end of fiscal year.

Total operating expenditures were nearly \$6.1 million below the final amended budget (before any carryover amounts to the fiscal year ended June 30, 2023) and these savings were attributed across all departments throughout the City. The reason for the large

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budget variance is similar to prior fiscal years, in that the largest component is related to personnel savings and the periods with staffing vacancies during the course of the year. The bulk of these staffing vacancies are associated with positions (such as police officers) in which active recruitments are ongoing and the periods of vacancy are temporary. Further savings were realized due to one-time amounts budgeted for contingency purposes and COVID-19 recovery not being expended prior to June 30, 2022. These unexpended amounts have been carried over and are expected to be expended in the new fiscal year.

Other Major Funds and Other Funds

Management annually discusses financial highlights of the City's major funds and any other funds experiencing significant changes in fund balance during the year. Also included in the annual discussion are any activities management considers relevant to the operations of the City.

Pandemic Response Special Revenue Fund

The Pandemic Response and Recovery Fund accounts for receipts and expenditures of money received from federal, state and county sources in response to the COVID-19 pandemic. Included in this fund are Coronavirus Aid, Relief, and Economic Security (CARES) act and American Rescue Plan Act (ARPA) monies used to respond to the pandemic in accordance with established guidelines.

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Summary of Changes in Fund Balances
Pandemic Response Fund
For the fiscal year ended June 30, 2022 and 2021

	2022	2021	Change
Revenues			
From use of property	\$ -	\$ 505	\$ (505)
From other agencies	11,717,000	675,035	11,041,965
Other revenue	-	611	(611)
Total Revenues	<u>11,717,000</u>	<u>676,151</u>	<u>11,040,849</u>
Expenditures			
General Government	-	194,355	(194,355)
Total Expenditures	<u>-</u>	<u>194,355</u>	<u>(194,355)</u>
Net Transfers	<u>(11,717,000)</u>	<u>(481,796)</u>	<u>(11,235,204)</u>
Increase (decrease) in fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Total revenues for the fiscal year ended June 30, 2022 increased over \$11 million from the prior fiscal year due to the one-time allocation of Coronavirus State and Local Fiscal Recovery Funds through ARPA. In January 2022, the City Council approved a spending

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plan which uses the full allocation as revenue replacement to the maximum extent allowed by U.S. Treasury guidelines. Eligible revenue losses total \$11,717,000 through June 30, 2021 and were transferred out during the fiscal year ended June 30, 2022. Coronavirus State and Local Fiscal Recovery Funds of \$6,277 remain unexpended at June 30, 2022 and are anticipated to be available for revenue replacement in future fiscal years.

Recreation and Park District Special Revenue Fund

The Recreation and Park District special revenue fund is the sole operating fund of the Cypress Recreation and Park District. At the end of the current fiscal year, total fund balance was \$6,406,514 as compared to \$6,342,546 at the beginning of the year. The fund balance represents 141.4 percent (compared with 151.7 percent from the previous year) of the fund's total current Recreation operating expenditures and the large majority of the fund balance is categorized as restricted. The fund balance restrictions at June 30, 2022 are separated into amounts that are required to be used for improvements to open space, for use on youth league renovations and those amounts that may be used for general recreation activities. Since the bulk of the District's operations are funded with annual property tax revenues, a portion of the restricted fund balance for general recreation usage is needed to meet cash flow shortages between property tax receipts. The remaining restricted amounts (for both open space and recreation) are being accumulated for future non-recurring expenditures such as facility and infrastructure improvements. During the fiscal year ended June 30, 2018, the City Council approved the transfer of \$2.2 million to the District for use on future capital facility improvements. To date, no improvements have been applied against the \$2.2 million and it is categorized as committed fund balance of the District since these monies were transferred from the General Fund of the City and are not legally restricted.

For the fiscal year ended June 30, 2022, the cash and investments balance in the Recreation and Park District special revenue fund was \$13,769,669, a decrease of \$1,053,886 from the prior fiscal year. Total receivables at the end of the fiscal year were \$127,734, a decrease from the prior year total of \$147,048. The decrease in receivables is attributed to more registration fees outstanding in the prior year partially offset by larger interest receivable. The change to interest receivables is a direct result of higher market rates earned on cash balances at June 30, 2022 than the prior year.

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Summary of Changes in Fund Balances
Recreation and Park District Special Revenue Fund
For the fiscal year ended June 30, 2022 and 2021

	2022	2021	Change
Revenues			
Taxes:			
Property	\$ 6,222,354	\$ 5,958,449	\$ 263,905
From use of property	190,760	101,041	89,719
From other agencies	53,076	32,300	20,776
Charges for services	6,831,408	468,056	6,363,352
Other	27,104	4,938	22,166
Total Revenues	<u>13,324,702</u>	<u>6,564,784</u>	<u>6,759,918</u>
Expenditures			
Recreation	4,532,507	4,181,884	350,623
Capital outlay	7,648,236	6,894,042	754,194
Total Expenditures	<u>12,180,743</u>	<u>11,075,926</u>	<u>1,104,817</u>
Excess of revenues over expenditures	1,143,959	(4,511,142)	5,655,101
Net transfers	(1,079,991)	(1,094,928)	14,937
Increase in fund balance	<u>\$ 63,968</u>	<u>\$ (5,606,070)</u>	<u>\$ 5,670,038</u>

Total Recreation and Park District Special Revenue fund revenues for the fiscal year ended June 30, 2022 more than doubled from the prior year. Individual components of this change are highlighted as follows:

- Property tax revenues, the District's largest recurring revenue source, were 4.4 percent more than the prior year. The District continues to benefit from the positive impacts to property tax revenues resulting from rising assessed values.
- Revenues from the use of property increased due to higher facility rentals resulting from the easing of COVID-19 pandemic restrictions which had severely limited facility rentals throughout the prior fiscal year.
- The huge increase to charges for services is two-fold. First, traditional recreation programming, which had been significantly curtailed while dealing with a variety of pandemic-related challenges and caused sharp declines in fee revenues, largely returned to normal during the fiscal year ended June 30, 2022. The second, more significant factor, relates to park development fee receipts. These receipts are difficult to predict due to uncertainties associated with development activity and economic conditions, and can fluctuate drastically from year to year. Three major developments, consisting of over 340 new units, generated fees totaling nearly \$6.2 million in the fiscal year ended June 30, 2022 while prior year receipts were just under \$100,000.

Notable changes in expenditures during the fiscal year ended June 30, 2022 follow:

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- Recreation expenditures increased just over \$350,000 (8.4 percent) due to the rebound from pandemic-related declines in recreation activities which yielded lower costs for part-time personnel and contract class instructors. Also contributing to the increase are cost of living salary and benefit increases for all full-time employees.
- Capital expenditures rose by \$754,194 due primarily to the completion of the multi-year construction of Lexington Park. This project created two large sports fields and other amenities with a total cost of approximately \$13 million. In addition to the investment in Lexington Park, amounts were expended for the initial redesign of Arnold Cypress Park ADA and a variety of enhancements at six parks.

District net transfers decreased slightly and totaled a net outflow of nearly \$1.1 million. These transfers occur each year and are comprised of multiple components. First, the District annually transfers additional property tax amounts to the City that were previously apportioned to the Agency. The City Council established this repayment when the State disallowed loans from the City to the Agency which had been used to pay for several recreation capital projects (including the construction of the Senior Center and the remodel of the Community Center). The other recurring component relates to a \$150,000 annual transfer to the employees' benefits internal service fund to help offset any unfunded pension liability owed to the Orange County Employees Retirement System (OCERS). This liability represents monies owed on behalf of vested District employees who earned OCERS pension benefits prior to 2000 when all employees were transitioned to CalPERS.

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Streets Special Revenue Fund

The Streets Special Revenue Fund accounts for receipts and expenditures of money apportioned under Streets and Highway Code (Highway Users' Tax), the Road Repair and Accountability Act of 2017, Measure M2 sales tax revenues, and Traffic Mitigation Fees charged by the City. These funds are used to maintain and improve streets and traffic signals.

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Summary of Changes in Fund Balances
Streets Special Revenue Fund
For the fiscal year ended June 30, 2022 and 2021**

	<u>2022</u>	<u>2021</u>	<u>Change</u>
Revenues			
From use of property	\$ 23,603	\$ 32,765	\$ (9,162)
From other agencies	3,420,933	2,929,680	491,253
Charges for services	404,131	8,789	395,342
Other revenue	-	65,673	(65,673)
Total Revenues	<u>3,848,667</u>	<u>3,036,907</u>	<u>811,760</u>
Expenditures			
Public works	842,875	2,228,221	(1,385,346)
Capital outlay	713,140	111,922	601,218
Total Expenditures	<u>1,556,015</u>	<u>2,340,143</u>	<u>(784,128)</u>
Net Transfers	<u>(979,727)</u>	<u>(1,906,455)</u>	<u>926,728</u>
Increase (decrease) in fund balance	<u>\$ 1,312,925</u>	<u>\$ (1,209,691)</u>	<u>\$ 2,522,616</u>

Total revenues for the fiscal year ended June 30, 2022 increased \$811,760 from the prior fiscal year. The largest recurring income source in this fund is revenue from other agencies which includes State Gas Tax, Road Repair and Accountability Act of 2017 and County Measure M2 allocations. All these allocations experienced increases from the prior year, which were likely the result of the overall rebound from the pandemic and its positive impact on the activities that generate these revenues. In addition, traffic mitigation fees increased \$363,729 year over year and these annual receipts tend to fluctuate based on development activity in the City.

Total expenditures and net transfers also tend to vary from year-to-year depending on resource availability and the specific timing and scope of recurring projects such as the arterial and residential street rehabilitation and concrete/sidewalk improvements. Expenditures for street rehabilitation and concrete/sidewalk improvements decreased in the past year. Also, extensive median improvements in the prior year along Lincoln Avenue utilized \$535,000 of restricted Gas Tax monies resulting in the year over year decrease to net transfers.

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City Capital Projects Fund

The City Capital Projects Fund provides a cost center for City projects funded (either partially or in full) with General fund monies. In accordance with City Council policy, an annual transfer is made from the General fund to the Capital Projects Fund to pay for a portion of the projects approved as part of the Seven-Year Capital Improvement Program. Annual transfers are also made from the General fund to accumulate monies for future projects. The following table summarizes the activity during the past two years.

CITY OF CYPRESS
Summary of Changes in Fund Balances
City Capital Projects Fund
For the fiscal year ended June 30, 2022 and 2021

	2022	2021	Change
Revenues			
From use of property	\$ 373,338	\$ 443,888	\$ (70,550)
From other agencies	225,000	-	225,000
Total Revenues	<u>598,338</u>	<u>443,888</u>	<u>154,450</u>
Expenditures			
Public works	1,083,215	940,847	142,368
Capital outlay	3,958,855	4,642,503	(683,648)
Total Expenditures	<u>5,042,070</u>	<u>5,583,350</u>	<u>(541,280)</u>
Net Transfers	<u>8,186,370</u>	<u>6,363,157</u>	<u>1,823,213</u>
Special Item			
Gain on sale of land held for resale	-	2,053,172	(2,053,172)
Increase (decrease) in fund balance	<u>\$ 3,742,638</u>	<u>\$ 3,276,867</u>	<u>\$ 465,771</u>

Total revenues for the fiscal year ended June 30, 2022 increased \$154,450 from the prior fiscal year. The increase is a result of earning a higher interest rate on idle cash balances and receiving \$225,000 of Community Development Block Grant monies for a portion of residential street resurfacing project costs. It is common for the City's revenues from other agencies (grant monies) to fluctuate from year to year based on eligibility and availability.

Total expenditures tend to vary from year-to-year depending on the status of non-recurring projects such as public facility renovations, median improvements and other major infrastructure improvements such as storm drainage construction. During each of the last two fiscal years, expenditures have been higher than typical years due to median improvements on Katella Avenue as well as incurring nearly \$6.5 million on the multi-year Police Department building modernization project.

The annual amounts shown as net transfers are comprised of transfers in from various restricted funds of the City and two transfers from the General fund. Total net transfers

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from restricted funds decreased year over year, due to using over \$2 million of one-time federal asset seizure monies to pay for a portion of the Police Department building modernization project in FY 2020-21. The two annual General fund transfers represent the annual funding requirement approved by the City Council to fund current year projects, while the other component allocates monies for future infrastructure improvements that will be appropriated in upcoming years. The amount available for future improvements is directly tied to available General fund surplus amounts from the prior fiscal year. Available surplus amounts from FY 2020-21, and transferred to the City Capital Projects fund in FY 2021-22, were \$4.3 million higher than the prior year. This increase is partially attributed to pandemic impacts limiting the prior year transfer due to the City Council's decision to utilize a large portion of FY 2019-20 General fund surpluses for community pandemic response programs.

Changes to fund balance were also impacted by the sale of land held for resale during the fiscal year ended June 30, 2021. The sale of the 13 acres of land held in the City Capital Projects fund resulted in a one-time, extraordinary gain of more than \$2 million. The proceeds of the sale of the land will be used for future infrastructure and facility improvements.

Sewer Enterprise Fund

The Sewer Enterprise fund accounts for the maintenance and improvements made to the City's sewer system. The primary revenue source associated with this fund is fees collected from users of the sewer system. The Sewer fund is an enterprise fund in accordance with the requirements of GASB Statement No. 54 and all infrastructure assets associated with the sanitary sewer system are recorded as assets in the Sewer fund and the full-accrual method of accounting is used to account for sewer activities within the fund. The net position increased by nearly \$940,000 during the year and the following is a comparison of the enterprise activity in the fund for the past two years:

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CITY OF CYPRESS
Summary of Changes in Net Position
Business-type Activities - Sewer Enterprise Fund
For the fiscal year ended June 30, 2022 and 2021

	2022	2021	Change
Operating Revenues			
Charges for services	\$ 1,779,495	\$ 1,861,974	\$ (82,479)
Other	2,442	2,779	(337)
Total Operating Revenues	<u>1,781,937</u>	<u>1,864,753</u>	<u>(82,816)</u>
Operating Expenditures			
Sewer Maintenance	308,534	298,261	10,273
Depreciation	593,855	590,022	3,833
Total Operating Expenditures	<u>902,389</u>	<u>888,283</u>	<u>14,106</u>
Non-Operating Revenues (Expenses)			
Property Taxes	32,508	30,499	2,009
From other agencies	35	37	(2)
Interest income	26,215	25,145	1,070
Total Non-operating Revenues	<u>58,758</u>	<u>55,681</u>	<u>3,077</u>
Increase (Decrease) in net position	<u>\$ 938,306</u>	<u>\$ 1,032,151</u>	<u>\$ (93,845)</u>

Total Sewer fund operating revenues for the fiscal year ended June 30, 2022 are comprised primarily of sewer fee revenues, which decreased by \$82,479 from the prior year. Sewer fees are charged to both residential and commercial accounts based on water consumption and can fluctuate year to year based on many factors, including precipitation levels and drought restrictions.

Maintenance expenditures tend to be consistent from year to year except in years in which the comprehensive update to the Sewer System Management Plan (SSMP) is required. This update occurs every five years and was last performed in the fiscal year ended June 30, 2020 with a cost of nearly \$100,000.

All non-operating revenues and expenses have remained consistent over the past two years. However, interest income can vary year to year due to changes in the City's investment portfolio earnings rate of return and average cash balances held for sewer purposes.

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets as of June 30, 2022 amounts to \$191,680,861 (net of accumulated depreciation) and consists of \$172,804,367 for governmental activities and \$18,876,494 for business-type activities. The investment in capital assets for governmental activities includes land, buildings and improvements, vehicles and equipment, furniture and fixtures, roads, storm drains, sidewalks, street lights, and construction in progress. The investment in business-type activities is limited

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to the City's sanitary sewer system. The City's overall investment in capital assets increased during the past fiscal year by \$12.9 million (3.8 percent) before depreciation. The following table summarizes capital asset activity for the fiscal year ended June 30, 2022.

Summary of Capital Assets
As of June 30, 2022 and 2021

	Governmental Activities		Business-type Activities		Total	
	2022	2021	2022	2021	2022	2021
Governmental Activities:						
Capital Assets, Not Depreciated:						
Land	\$ 9,734,882	\$ 9,734,882	\$ -	\$ -	\$ 9,734,882	\$ 9,734,882
Construction in Progress	23,701,600	13,185,847	253,324	105,742	23,954,924	13,291,589
Total, Not Depreciated	<u>33,436,482</u>	<u>22,920,729</u>	<u>253,324</u>	<u>105,742</u>	<u>33,689,806</u>	<u>23,026,471</u>
Capital Assets, Being Depreciated:						
Buildings and Improvements	40,222,966	38,390,119	-	-	40,222,966	38,390,119
Machinery and Equipment	11,352,637	11,209,381	-	-	11,352,637	11,209,381
Infrastructure	233,968,226	233,683,122	34,445,054	34,445,054	268,413,280	268,128,176
Total, Being Depreciated	<u>285,543,829</u>	<u>283,282,622</u>	<u>34,445,054</u>	<u>34,445,054</u>	<u>319,988,883</u>	<u>317,727,676</u>
Less Accumulated Depreciation:						
Buildings and Improvements	(21,311,078)	(20,093,724)	-	-	(21,311,078)	(20,093,724)
Machinery and Equipment	(8,341,912)	(7,720,733)	-	-	(8,341,912)	(7,720,733)
Infrastructure	(116,522,954)	(112,116,269)	(15,821,884)	(15,228,029)	(132,344,838)	(127,344,298)
Total Accumulated Depreciation	<u>(146,175,944)</u>	<u>(139,930,726)</u>	<u>(15,821,884)</u>	<u>(15,228,029)</u>	<u>(161,997,828)</u>	<u>(155,158,755)</u>
Total Depreciated, Net	<u>139,367,885</u>	<u>143,351,896</u>	<u>18,623,170</u>	<u>19,217,025</u>	<u>157,991,055</u>	<u>162,568,921</u>
Governmental Activities Capital Assets, Net	<u>\$ 172,804,367</u>	<u>\$ 166,272,625</u>	<u>\$ 18,876,494</u>	<u>\$ 19,322,767</u>	<u>\$ 191,680,861</u>	<u>\$ 185,595,392</u>

Major governmental activities capital asset transactions during the fiscal year ended June 30, 2022 included the following:

- The large increase to construction in progress is due to the ongoing construction associated with Lexington Park and the Police Department modernization and seismic retrofit project. These two large-scale, multi-year projects were completed soon after June 30, 2022 and were recorded as construction in progress at the end of the current fiscal year.
- Additions to buildings and improvements of \$1.8 million include Americans with Disabilities Act (ADA) playground surfacing upgrades at several parks, and restroom improvements at the Senior Center, maintenance yard and Evergreen Park.
- The increase to machinery and equipment is attributed to the purchase of one tractor loader backhoe, a new wood chipper, and the replacement of information technology firewalls at all City locations.
- Infrastructure additions of \$285,000 are comprised of capitalizing prior year construction in progress amounts as well as street name sign upgrades incurred in the fiscal year ended June 30, 2022.

Major business-type activities capital asset transactions during the most recent fiscal year included the following:

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- Nearly \$148,000 was invested in sewer capacity and condition improvement projects at various locations and recorded as construction in progress at June 30, 2022.

Additional information on the City's capital assets can be found in the Capital Assets and Depreciation note (7) in the notes to the basic financial statements section of this report.

Long-Term debt. The City had total debt outstanding of \$46,544,375 at June 30, 2022. The following schedule summarizes the City's long-term liabilities.

Summary of Long-Term Debt
As of June 30, 2022 and 2021

	2022	2021	Change
Claims Payable	\$ 2,490,415	\$ 2,301,334	\$ 189,081
Compensated Absences	2,405,207	2,295,261	109,946
Retiree's Health Benefits	9,015,067	10,607,104	(1,592,037)
Accrued Pension Liability	32,737,065	53,272,251	(20,535,186)
Total	\$ 46,647,754	\$ 68,475,950	\$ (21,828,196)

Long-term debt activity during the fiscal year ended June 30, 2022 included:

- The claims payable increase is a result of two offsetting factors. Outstanding general liability claims declined by \$400,000 in the past year, while workers' compensation claims rose by \$590,000 due to several new workers' compensation cases remaining open at June 30, 2022. This is the second straight year workers' compensation claims have experienced large increases.
- Compensated absences increased by \$109,946. Compensated absence liabilities tend to grow modestly in years where there are few retirements or resignations of long-term employees, such as in the past year.
- In conjunction with GASB 75, the City had an actuarial valuation performed to determine the liability for other postemployment benefit (OPEB) plans as of June 30, 2022. The results of the actuarial valuation resulted in a decrease to the City's liability for retiree's health benefits due to an increase in the required discount rate used to calculate future benefits. Any changes in liability from year to year are due to many factors, including adjustment of the discount rate, as well as the ongoing impact of the actuarial requirement of an "implied subsidy" which results when the premiums paid by both active employees and retirees are the same. In these situations, such as with the City, the underlying assumption is the value of benefits to retirees exceeds those provided to active employees.
- The City's pension liability associated with its defined benefit plans decreased by over \$20.5 million during the fiscal year ended June 30, 2022. These decreases are directly attributable to the results of the annual actuarial valuations performed by the plan's administrators, CalPERS and OCERS.

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JUNE 30, 2022

The City has set aside nearly \$3 million in the Employees Benefits Internal Service Fund to offset and pay a portion of both the OPEB and pension liabilities. However, these monies have not been placed in an irrevocable trust and therefore are not considered funded assets for actuarial purposes. In addition to these cash balances, \$20.2 million is invested in the City's pension trust as of June 30, 2022. These trust amounts are legally restricted and may only be used to pay pension obligations.

Additional information on the City's long-term debt, pension plans and other postemployment retirement benefits can be found in the Long-Term Debt note (8), the Other Long-Term Liabilities note (9), the Public Employees' Retirement System (CalPERS) note (10), the Terminated Orange County Employees Retirement System (OCERS) Defined Benefit Pension Plan note (12) and the Post-Employment Health Care Benefits note (13) in the notes to the basic financial statements section of this report.

Economic Factors and their impact on future City Budgets

Cypress has achieved enviable fiscal health through strategic financial management and oversight. Its long history of fiscal discipline has enabled Cypress to weather economic downturns; maintain a commitment to first class infrastructure; and see Cypress repeatedly recognized as one of Southern California's best cities for families and businesses.

The City's long-term financial position remains remarkably strong and benefits from the \$11.7 million Coronavirus State and Local Fiscal Recovery Funds windfall through the American Rescue Plan Act (ARPA). The FY 2022-23 Budget is effectively balanced, but dogged by a modest, stubborn structural deficit that limits the City's options to absorb cost increases or enhance community service levels. The structural deficit is a function of the City ongoing commitment of a \$1.5 million annual contribution toward capital and infrastructure projects using General Fund operating revenues. The deficit is expected to be resolved by drawing on reserves established to bridge small budget deficits, or more likely, be rectified through operational efficiencies and prior fiscal year end savings.

While the City has proficiently addressed small budget deficits for several years, Cypress must remain financially vigilant. In particular, City operations are heavily dependent on Sales Tax – a volatile revenue source that is not generated evenly throughout the business community. Rather, Cypress relies on a handful of businesses for the majority of its Sales Tax, which means a disruption to any of these major producers could jeopardize City operations.

The discipline and foresight to preserve the commitment of annual General fund operating revenue for capital and infrastructure investment; creation of reserves for budget

**CITY OF CYPRESS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022**

stabilization purposes; and the development of prudent Fiscal Strategies to ensure the City's long-term health are hallmarks of Cypress' financial management practices. Our financial management practices are also a justifiable source of community pride and industry leadership. Cypress is the only city to be recognized twice by former State Senator (and Certified Public Accountant) John Moorlach for having the largest unrestricted net position per capita of Orange County's 34 cities.

After two tumultuous Budgets, FY 2022-23 finds the City's short-term financial condition largely untroubled by the pandemic, but facing a variety of challenges due to inflation skyrocketing to 40-year highs.

Runaway inflation will challenge the City across the board:

- The cost to provide municipal services will increase. Everything from supplies, to gasoline, to service contracts will cost more.
- The cost of capital projects will go up. Annual projects, like residential street resurfacing and rehabilitation, may see their scope of work reduced compared to prior years. Fortunately, Cypress' strong financial management practices enable the City to avoid higher borrowing costs by continuing to fund CIP projects on a pay-as-you basis.
- There will be pressure to increase employee compensation as the City works to retain and attract employees in a tight labor market. While some City revenues will increase due to inflation, those increases cannot keep pace with historically large CPI increases, which also limit the City's ability to preserve employee wages relative to the cost of living.
- Employer pension costs are likely to increase as CalPERS navigates soaring interest rates, volatile financial markets, and rising employee wages.

The potential for a recession in the next 12-18 months appears to have increased significantly since the start of 2022. California State University, Fullerton's recent midyear economic forecast presented a decidedly grim outlook, "The confluence of an escalating war, rapid rate hikes, unprecedented labor shortages, persistent supply disruptions, higher energy costs, a multi-decade spike in inflation and continued flare-ups in a once-in-a-century pandemic are bound to dim even the most Pollyannaish outlook." Many economists peg the risk of a recession by 2023 as high as the impacts of the cumulative Federal Reserve rate hikes used to attack inflation further weigh on mortgage payments and monthly payments.

**CITY OF CYPRESS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022**

While Cypress is exceedingly well prepared to weather a typical recession/business cycle, the risk of recession must be a consideration in the City's planning and operational decisions for the foreseeable future.

Revenues. The City's projected revenues for Fiscal Year 2022-23 are \$44.8 million and do not include any tax rate increases from the previous year. The Fiscal Year 2022-23 revenues included in the budget are 7.5 percent higher than the Fiscal Year 2021-22 adopted revenue budget.

The City's largest General fund revenue sources remain sales tax (\$12.4 million) and property tax (\$12.0 million including State backfills). Together, these two sources comprise over two-thirds of General Fund revenues. Budgeted sales tax revenues have increased by nearly \$1.2 million (10.2 percent) from the FY 2021-22 Budget. The increase is attributed to the lingering impacts of the pandemic not being as severe as initially feared.

While not nearly as large as property taxes and sales tax, transient occupancy tax (TOT) is a major component of Other Taxes in the General Fund. The TOT declines due to COVID-19 were significant, but have rebounded well and TOT revenues are projected to increase by \$750,000 (39%) when compared to the FY 2021-22 Budget.

Expenditures. Fiscal Year 2022-23 expenditures accomplish Strategic Plan goals and operating costs grow in response to a variety of factors largely outside the City's control (higher pension contributions, state mandates, contract and personnel increases due to inflation, etc.) Major expenditure highlights in the Fiscal Year 2022-23 Budget are as follows:

- ◆ Maintaining current service levels.
- ◆ Funding required CalPERS pension cost increases.
- ◆ Incorporating negotiated employee salary and benefit increases.
- ◆ Year one of the City's updated Seven Year Capital Improvement Program which totals \$10.2 million.
- ◆ Capital Outlay funding of slightly more than \$1.1 million to acquire and/or replace computer software/hardware items, vehicles and various tools and equipment. Most capital outlay amounts are being funded with accumulated monies specifically set-aside for these purchases.

Requests for Information

**CITY OF CYPRESS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2022**

This financial report is designed to provide a general overview of the financial position of the City for all interested parties. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Department, 5275 Orange Avenue, Cypress, CA 90630.

BASIC FINANCIAL STATEMENTS

CITY OF CYPRESS
STATEMENT OF NET POSITION

June 30, 2022

ASSETS	Governmental Activities	Business-type Activities	Total
Cash and investments	\$ 172,147,287	\$ 6,549,537	\$ 178,696,824
Restricted cash and investments	20,198,541	-	20,198,541
Receivables:			
Taxes	3,798,725	122	3,798,847
Interest	268,734	9,969	278,703
Notes, net of allowance	152,801	-	152,801
Accounts	7,214,741	141,232	7,355,973
Prepaid items	103,250	-	103,250
Inventory	5,057	-	5,057
Net Pension Asset	103,379	-	103,379
Assets available for resale	1,421,708	-	1,421,708
Capital assets			
Non-depreciable:			
Land	9,734,882	-	9,734,882
Construction in progress	23,701,600	253,324	23,954,924
Depreciable, net of accumulated depreciation:			
Building and improvements	18,911,888	-	18,911,888
Machinery and equipment	3,010,725	-	3,010,725
Infrastructure	117,445,272	18,623,170	136,068,442
TOTAL ASSETS	378,218,590	25,577,354	403,795,944
DEFERRED OUTFLOWS OF RESOURCES			
Deferred amount from pension plans	12,006,762	-	12,006,762
Deferred amount from OPEB	1,253,299	-	1,253,299
Deferred amount from OCERS	970,860	-	970,860
TOTAL DEFERRED OUTFLOWS OF RESOURCES	14,230,921	-	14,230,921
LIABILITIES			
Accounts payable and other accrued liabilities	5,387,762	62,488	5,450,250
Deposits	1,332,884	-	1,332,884
Unclaimed property	64,417	-	64,417
Unearned revenue	853,950	-	853,950
Due to bondholders	153,575	-	153,575
Due to other governments	74,836	-	74,836
Long-term liabilities:			
Due within one year			
Claims payable	622,600	-	622,600
Compensated absences	601,300	-	601,300
Due in more than one year			
Claims payable	1,867,815	-	1,867,815
Retirees' health payable	9,015,067	-	9,015,067
Compensated absences	1,803,907	-	1,803,907
Net pension liability	32,737,065	-	32,737,065
TOTAL LIABILITIES	54,515,178	62,488	54,577,666
DEFERRED INFLOWS OF RESOURCES			
Deferred amount from pension plans	26,391,420	-	26,391,420
Deferred amount from OPEB	2,061,388	-	2,061,388
Deferred amount from OCERS	511,244	-	511,244
TOTAL DEFERRED INFLOWS OF RESOURCES	28,964,052	-	28,964,052
NET POSITION			
Invested in capital assets	172,804,367	18,876,494	191,680,861
Restricted:			
Pension trust	20,198,541	-	20,198,541
Public safety	1,041,827	-	1,041,827
Public works	12,819,497	-	12,819,497
Recreation	4,206,514	-	4,206,514
Sanitary sewer	-	6,638,372	6,638,372
Other	2,410,929	-	2,410,929
Unrestricted	95,488,606	-	95,488,606
TOTAL NET POSITION	\$ 308,970,281	\$ 25,514,866	\$ 334,485,147

See Accompanying Notes to the Basic Financial Statements.

CITY OF CYPRESS

STATEMENT OF ACTIVITIES

For the fiscal year ended June 30, 2022

	Program Revenues				Net (Expense) Revenues and Changes in Net Position		Total
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
Governmental Activities:							
General government	\$ 5,477,433	\$ 420,799	\$ 11,781,951	\$ 75,610	\$ 6,800,927	\$ -	\$ 6,800,927
Community development	2,333,245	1,985,828	171,877	-	(175,540)	-	(175,540)
Public safety	19,494,326	277,816	1,374,444	-	(17,842,066)	-	(17,842,066)
Public works	12,737,505	873,072	2,578,243	1,562,498	(7,723,692)	-	(7,723,692)
Recreation	5,583,107	6,947,677	154,671	-	1,519,241	-	1,519,241
Total Governmental Activities	45,625,616	10,505,192	16,061,186	1,638,108	(17,421,130)	-	(17,421,130)
Business-type Activities:							
Sewer	902,389	1,779,495	35	-	-	877,141	877,141
Total	\$ 46,528,005	\$ 12,284,687	\$ 16,061,221	\$ 1,638,108	\$ (17,421,130)	\$ 877,141	\$ (16,543,989)
General Revenues:							
Taxes:							
Property tax, levied for general purpose					6,530,911	-	6,530,911
Property tax, levied for recreation purposes					6,222,354	-	6,222,354
Property tax, levied for lighting purposes					1,425,207	-	1,425,207
Property tax, levied for sewer purposes					-	32,508	32,508
Property tax, backfill of vehicle license fees					5,322,016	-	5,322,016
Sales tax					13,292,177	-	13,292,177
Transient occupancy tax					2,602,233	-	2,602,233
Franchise tax					1,801,173	-	1,801,173
Other taxes					1,965,665	-	1,965,665
Total taxes					39,161,736	32,508	39,194,244
Investment earnings (loss)					(4,733,571)	26,215	(4,707,356)
Miscellaneous					38,569	2,442	41,011
Total General Revenues					34,466,734	61,165	34,527,899
Change in Net Position					17,045,604	938,306	17,983,910
Net Position at Beginning of Year					291,924,677	24,576,560	316,501,237
Net Position at End of Year					\$ 308,970,281	\$ 25,514,866	\$ 334,485,147

See Accompanying Notes to the Basic Financial Statements.

CITY OF CYPRESS

BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2022

	Major Funds		
	General	Special Revenue	
		Pandemic Response	Recreation and Park District
ASSETS			
Cash and investments	\$ 26,251,338	\$ 662	\$ 13,769,669
Receivables:			
Taxes	3,231,708	-	79,568
Interest	82,870	-	27,839
Notes, net of allowance	79,973	-	-
Accounts	616,310	5,855,362	20,327
Prepays	26,738	-	26,759
Inventory	-	-	159
Due from other funds	5,932,954	-	-
Advances to other funds	163,885	-	-
Assets available for resale	-	-	-
TOTAL ASSETS	\$ 36,385,776	\$ 5,856,024	\$ 13,924,321
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
LIABILITIES:			
Accounts payable and other accrued liabilities	\$ 2,618,291	\$ -	\$ 915,319
Deposits	1,315,984	-	16,900
Unclaimed property	64,117	-	300
Unearned revenue	596,922	-	220,028
Due to other funds	-	5,856,024	-
Advances from other funds	-	-	6,365,260
Due to bondholders	153,575	-	-
Due to other governments	74,836	-	-
TOTAL LIABILITIES	4,823,725	5,856,024	7,517,807
DEFERRED INFLOWS OF RESOURCES:			
Unavailable revenue	144,526	-	-
TOTAL DEFERRED INFLOWS OF RESOURCES	144,526	-	-
FUND BALANCES:			
Nonspendable	270,596	-	-
Restricted	28,944	-	4,206,514
Committed	8,862,296	-	-
Assigned	21,212,203	-	2,200,000
Unassigned	1,043,486	-	-
TOTAL FUND BALANCES	31,417,525	-	6,406,514
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 36,385,776	\$ 5,856,024	\$ 13,924,321

See Accompanying Notes to the Basic Financial Statements.

Major Funds (Continued)				
Special Revenue	City	Nonmajor		
Streets	Capital Projects	Governmental		Total
Fund	Fund	Funds		
\$ 5,865,200	\$ 85,330,768	\$ 8,599,195	\$	139,816,832
469,226	-	18,223		3,798,725
9,020	127,421	13,631		260,781
-	-	72,828		152,801
-	-	47,398		6,539,397
-	-	-		53,497
-	-	-		159
-	-	-		5,932,954
-	6,365,260	-		6,529,145
-	-	1,421,708		1,421,708
<u>\$ 6,343,446</u>	<u>\$ 91,823,449</u>	<u>\$ 10,172,983</u>	<u>\$</u>	<u>164,505,999</u>
\$ 87,836	\$ 1,058,302	\$ 240,207	\$	4,919,955
-	-	-		1,332,884
-	-	-		64,417
-	37,000	-		853,950
54,979	-	21,951		5,932,954
-	-	163,885		6,529,145
-	-	-		153,575
-	-	-		74,836
<u>142,815</u>	<u>1,095,302</u>	<u>426,043</u>		<u>19,861,716</u>
-	-	1,491		146,017
-	-	1,491		146,017
-	-	-		270,596
6,200,631	-	9,909,334		20,345,423
-	11,600,177	-		20,462,473
-	79,127,970	-		102,540,173
-	-	(163,885)		879,601
<u>6,200,631</u>	<u>90,728,147</u>	<u>9,745,449</u>		<u>144,498,266</u>
<u>\$ 6,343,446</u>	<u>\$ 91,823,449</u>	<u>\$ 10,172,983</u>	<u>\$</u>	<u>164,505,999</u>

CITY OF CYPRESS

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION

June 30, 2022

Fund Balances of Governmental Funds \$ 144,498,266

Amounts reported for governmental funds in the Balance Sheet differ from the amounts reported in the Statement of Net Position for governmental activities due to the following:

Capital assets of governmental activities are not financial resources and, therefore, are not reported in the governmental funds. Except for the internal service fund amount of \$3,226,460 which is included in the amount reported below, the capital assets net of accumulated depreciation were equal to the following amount. 169,577,907

Unavailable revenue is comprised of long-term receivables, which are not current available resources, and grants, which are resources not received within the proper revenue recognition period, and are therefore offset by deferred inflow of resources amounts equal to the receivable in the governmental funds. 146,017

Internal service funds are used by management to charge the costs of certain activities (including central services, employee benefits, liability insurance, and workers compensation insurance) to individual funds. The assets, deferred outflows of resources, liabilities, and deferred inflows of resources of the internal service funds are included in the Statement of Net Position for governmental activities. (5,251,909)

Net Position of Governmental Activities \$ 308,970,281

See Accompanying Notes to the Basic Financial Statements.

CITY OF CYPRESS

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

For the fiscal year ended June 30, 2022

	Major Funds		
	General	Special Revenue	
		Pandemic Response	Recreation and Park District
REVENUES:			
Taxes	\$ 31,896,762	\$ -	\$ 6,222,354
Licenses and permits	1,326,104	-	-
Fines and forfeitures	167,159	-	-
From use of property	(2,894,980)	-	190,760
From other agencies	667,581	11,717,000	53,076
Charges for services	3,540,366	-	6,831,408
Other revenue	363,434	-	27,104
TOTAL REVENUES	35,066,426	11,717,000	13,324,702
EXPENDITURES:			
Current:			
General government	4,833,262	-	-
Community development	2,099,379	-	-
Public safety	17,746,963	-	-
Public works	6,189,563	-	-
Recreation	-	-	4,532,507
Capital outlay	-	-	7,648,236
TOTAL EXPENDITURES	30,869,167	-	12,180,743
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	4,197,259	11,717,000	1,143,959
OTHER FINANCING SOURCES (USES):			
Transfers in	12,602,563	-	-
Transfers out	(10,574,959)	(11,717,000)	(1,079,991)
TOTAL OTHER FINANCING SOURCES (USES)	2,027,604	(11,717,000)	(1,079,991)
NET CHANGE IN FUND BALANCES	6,224,863	-	63,968
FUND BALANCE - BEGINNING OF YEAR	25,192,662	-	6,342,546
FUND BALANCES - END OF YEAR	\$ 31,417,525	\$ -	\$ 6,406,514

See Accompanying Notes to the Basic Financial Statements.

Major Funds (Continued)			
Special Revenue	City Capital Projects	Nonmajor Governmental	
Streets	Fund	Funds	Total
\$ -	\$ -	\$ 1,500,817	\$ 39,619,933
-	-	-	1,326,104
-	-	83,255	250,414
23,603	373,338	50,835	(2,256,444)
3,420,933	225,000	228,945	16,312,535
404,131	-	303,442	11,079,347
-	-	355,883	746,421
<u>3,848,667</u>	<u>598,338</u>	<u>2,523,177</u>	<u>67,078,310</u>
-	-	-	4,833,262
-	-	60,300	2,159,679
-	-	192,375	17,939,338
842,875	1,083,215	1,146,597	9,262,250
-	-	-	4,532,507
713,140	3,958,855	207,548	12,527,779
<u>1,556,015</u>	<u>5,042,070</u>	<u>1,606,820</u>	<u>51,254,815</u>
<u>2,292,652</u>	<u>(4,443,732)</u>	<u>916,357</u>	<u>15,823,495</u>
326,288	8,186,370	-	21,115,221
(1,306,015)	-	(1,122,449)	(25,800,414)
<u>(979,727)</u>	<u>8,186,370</u>	<u>(1,122,449)</u>	<u>(4,685,193)</u>
1,312,925	3,742,638	(206,092)	11,138,302
4,887,706	86,985,509	9,951,541	133,359,964
<u>\$ 6,200,631</u>	<u>\$ 90,728,147</u>	<u>\$ 9,745,449</u>	<u>\$ 144,498,266</u>

CITY OF CYPRESS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

For the fiscal year ended June 30, 2022

Net Change in Fund Balances - Total Governmental Funds \$ 11,138,302

Amounts reported for governmental activities in the Statement of Activities differ from the amounts reported in the Statement of Revenues, Expenditures, and Changes in Fund Balances as follows:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense, or are allocated to the appropriate functional expense when the cost is below the capitalization threshold. This activity is reconciled as follow:

Cost of assets capitalized	12,527,779
Depreciation expense (less \$759,982 recorded in the Internal Service Funds)	(5,624,039)

Certain revenues in the governmental funds are classified as deferred inflows of resources because they are not collected within the prescribed time period after year-end to provide for current operations. However, the revenues are included under the accrual basis used in the government-wide statements and are as follows:

Unavailable revenue	(371,645)
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Internal service funds are used by management to charge the costs of certain activities (including central services, employee benefits, liability insurance, and workers compensation insurance) to individual funds. The changes in net position of the internal service funds are reported with governmental activities.

	<u>(624,793)</u>
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Change in Net Position of Governmental Activities	<u>\$ 17,045,604</u>
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See Accompanying Notes to the Basic Financial Statements.

CITY OF CYPRESS

STATEMENT OF NET POSITION
PROPRIETARY FUNDS

June 30, 2022

	Business-type Activities - Enterprise Funds	Governmental Activities - Internal Service Funds
	Sewer Fund	Funds
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 6,549,537	\$ 32,330,455
Restricted cash and cash equivalents	-	20,198,541
Receivables:		
Taxes	122	-
Interest	9,969	7,953
Accounts	141,232	675,344
Prepaid items	-	49,753
Inventory	-	4,898
TOTAL CURRENT ASSETS	6,700,860	53,266,944
NON-CURRENT ASSETS:		
Net pension asset	-	103,379
Construction in progress	253,324	215,735
Equipment (Net)	-	3,010,725
Infrastructure (Net)	18,623,170	-
TOTAL NON-CURRENT ASSETS	18,876,494	3,329,839
TOTAL ASSETS	25,577,354	56,596,783
DEFERRED OUTFLOWS OF RESOURCES		
Deferred amount from pension plans	-	12,006,762
Deferred amount from OPEB	-	1,253,299
Deferred amount from OCERS	-	970,860
TOTAL DEFERRED OUTFLOWS OF RESOURCES	-	14,230,921
LIABILITIES		
CURRENT LIABILITIES:		
Accounts payable and other accrued liabilities	62,488	467,807
Claims payable	-	622,600
Compensated absences, current portion	-	601,300
TOTAL CURRENT LIABILITIES	62,488	1,691,707
LONG-TERM LIABILITIES:		
Claims payable	-	1,867,815
Retirees' health payable	-	9,015,067
Compensated absences	-	1,803,907
Net pension liability	-	32,737,065
TOTAL LONG-TERM LIABILITIES	-	45,423,854
TOTAL LIABILITIES	62,488	47,115,561
DEFERRED INFLOWS OF RESOURCES		
Deferred amount from pension plans	-	26,391,420
Deferred amount from OPEB	-	2,061,388
Deferred amount from OCERS	-	511,244
TOTAL DEFERRED INFLOWS OF RESOURCES	-	28,964,052
NET POSITION		
Invested in capital assets	18,876,494	3,226,460
Restricted:		
Pension trust	-	20,198,541
Sanitary sewer	6,638,372	-
Unrestricted	-	(28,676,910)
TOTAL NET POSITION	\$ 25,514,866	\$ (5,251,909)

See Accompanying Notes to the Basic Financial Statements.

CITY OF CYPRESS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION PROPRIETARY FUNDS

For the fiscal year ended June 30, 2022

	Business-type Activities - Enterprise Funds	Governmental Activities - Internal Service Funds
	Sewer Fund	Funds
OPERATING REVENUES:		
From other agencies	\$ -	\$ 29,965
Charges for services	1,779,495	17,948,682
Other revenue	2,442	494,054
TOTAL OPERATING REVENUES	1,781,937	18,472,701
OPERATING EXPENSES:		
Personnel services	-	1,148,246
Contractual services	-	12,991,345
Supplies and other services	-	5,781,955
Claim payments and changes in estimates	-	897,538
Sewer maintenance	308,534	-
Depreciation	593,855	759,982
TOTAL OPERATING EXPENSES	902,389	21,579,066
OPERATING INCOME	879,548	(3,106,365)
NON-OPERATING REVENUES (EXPENSES):		
Taxes	32,508	-
From other agencies	35	-
Interest income (loss)	26,215	(2,197,632)
Gain (loss) on disposal of equipment	-	(5,989)
TOTAL NON-OPERATING REVENUES (EXPENSES)	58,758	(2,203,621)
INCOME BEFORE TRANSFERS	938,306	(5,309,986)
TRANSFERS:		
Transfers in	-	4,685,193
TOTAL TRANSFERS	-	4,685,193
CHANGE IN NET POSITION	938,306	(624,793)
NET POSITION - BEGINNING OF YEAR	24,576,560	(4,627,116)
NET POSITION - END OF YEAR	\$ 25,514,866	\$ (5,251,909)

See Accompanying Notes to the Basic Financial Statements.

CITY OF CYPRESS

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS

For the fiscal year ended June 30, 2022

	Business-type Activities - Enterprise Funds	Governmental Activities - Internal Service Funds
	Sewer Fund	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from users	\$ 1,789,618	\$ 18,071,216
Cash payments to suppliers for goods and services	(247,225)	(16,533,089)
Cash payments to employees	(108,102)	(1,141,040)
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,434,291	397,087
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
From taxes and other agencies	32,543	-
Transfers in	-	4,685,193
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	32,543	4,685,193
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Proceeds from disposal of capital assets	-	13,848
Acquisition of capital assets	(147,582)	(407,823)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(147,582)	(393,975)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest on investments	26,215	(2,197,632)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	26,215	(2,197,632)
INCREASE (DECREASE) IN CASH AND INVESTMENTS	1,345,467	2,490,673
CASH AND INVESTMENTS - BEGINNING OF YEAR	5,204,070	50,038,323
CASH AND INVESTMENTS - END OF YEAR	\$ 6,549,537	\$ 52,528,996
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income	\$ 879,548	\$ (3,106,365)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	593,855	759,982
Changes in assets and liabilities:		
Accounts receivable decreased (increased)	7,682	(18,749)
Prepaid items decreased (increased)	-	(19,244)
Inventory decreased (increased)	-	(3,201)
Deferred outflows decreased (increased)	-	930,080
Accounts payable and other accrued liabilities increased (decreased)	(46,794)	(459,924)
Insurance claims payable increased (decreased)	-	189,081
Accrued retirees' health payable increased (decreased)	-	(1,592,037)
Accrued leave payable increased (decreased)	-	109,947
Accrued pension liability increased (decreased)	-	(20,638,565)
Deferred inflows increased (decreased)	-	24,246,082
TOTAL ADJUSTMENTS	554,743	3,503,452
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 1,434,291	\$ 397,087
NON-CASH CAPITAL ACTIVITIES:		
Gain/(loss) on disposition of capital assets	\$ -	\$ (5,989)

See Accompanying Notes to the Basic Financial Statements.

CITY OF CYPRESS

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS

June 30, 2022

	Successor Agency to the City of Cypress Redevelopment Agency Private Purpose Trust Fund	Custodial Funds
ASSETS		
Cash and cash equivalents	\$ 225,186	\$ 3,616,142
Restricted cash and investments	-	161,793
Interest receivable	345	5,766
Accounts receivable		46,670
Prepaid items	-	20,866
Notes receivable	437,690	-
TOTAL ASSETS	663,221	3,851,237
LIABILITIES		
Current liabilities		
Accounts payable and other accrued liabilities	-	177,737
Unearned revenue	-	37,383
Bonds payable	-	170,000
Accrued leave payable	-	68,216
Noncurrent liabilities		
Accrued leave payable	-	204,646
Retirees' health payable	-	611,017
Due to other governments	-	1,114,616
TOTAL LIABILITIES	-	2,383,615
NET POSITION		
Restricted for:		
Other governments	663,221	-
Assessment district improvements	-	10,156
Member agencies	-	1,457,466
TOTAL NET POSITION	\$ 663,221	\$ 1,467,622

See Accompanying Notes to the Basic Financial Statements.

CITY OF CYPRESS

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2022

(1) Summary of Significant Accounting Policies

A. Reporting Entity

The City of Cypress (City) is a municipal corporation, incorporated in 1956, and governed by an elected five-member council which, along with the Cypress Recreation and Park District (District), and Cypress Recreation and Community Services Foundation (Foundation), comprise the reporting entity. As required by generally accepted accounting principles, these financial statements present the City and its component units, entities for which the City is considered to be financially accountable. The District, although a legally separate entity, is in substance part of the City's operations and, accordingly, District data are combined with the data of the City within these financial statements. The balances and transactions of the District and Foundation are blended within this report in all fund types except the General Fund. Separate financial statements are prepared for the District and are available from the City. A description of the District and Foundation and discussion of the criteria used for inclusion in the reporting entity follows.

Cypress Recreation and Park District

The Cypress Recreation and Park District was formed in 1949 to provide park and recreational facilities for the areas 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 City of La Palma and the other aforementioned cities withdrew from the District. On June 29, 1971, the District was established as a subsidiary district of the City, effective July 1, 1971. The members of the City Council act as the governing board of the District. The District is managed by employees of the City and overhead expenses are billed to the District each year. The fiscal year-end is June 30, the same as the City.

Cypress Recreation and Community Services Foundation

The Cypress Recreation and Community Services Foundation was created in 2019 to support and enhance safe, attractive, and high quality recreation facilities, programs, and services in the City of Cypress. The Foundation is organized and operates under section 501(c)(3) of the Internal Revenue Code as a charitable organization. The members of the City Council act as the Board of Directors for the Foundation. The Foundation is managed by employees of the City. The fiscal year-end is also June 30.

B. Accounting and Reporting Policies

The City has conformed to the pronouncements of the Governmental Accounting Standards Board (GASB), which are primary authoritative statements of accounting principles generally accepted in the United States of America applicable to state and local governments.

C. Basis of Accounting, Measurement Focus and Financial Statement Presentation

Government-Wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary activities of the primary government and its component units. Generally, the effect of interfund activity has been removed from the government-wide financial statements, except for interfund services provided and used. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

CITY OF CYPRESS

Notes to the Basic Financial Statements, Continued

For the Fiscal Year Ended June 30, 2022

(1) Summary of Significant Accounting Policies (Continued)

C. Basis of Accounting, Measurement Focus, Financial Statement Presentation (Continued)

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are expenses that are clearly identifiable with a specific program, project, function or segment. Program revenues of the City include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment of the City. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes and other items that are properly not included among program revenues.

The government-wide financial statements are reported using the flow of economic resources measurement focus and the accrual basis of accounting. With the flow of economic resources measurement focus, all assets, deferred outflows of resources, liabilities, and deferred inflows of resources associated with the government are included on the statement of net position. Net position is segregated into three primary components: net investment in capital assets, restricted net position and unrestricted net position. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the providers have been met.

Governmental Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With the current financial resources measurement focus, only current assets and deferred outflows of resources, and current liabilities and deferred inflows of resources, are generally included on the balance sheet. Under the modified accrual basis of accounting, revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal 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.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual, and are therefore recognized as revenues of the current fiscal period. Grant funds earned but not received are reported as a receivable and deferred inflow of resources, and grant funds received before the revenue recognition criteria have been met are reported as unearned revenue. Other revenue items are considered to be measurable and available only when cash is received by the City.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

CITY OF CYPRESS

Notes to the Basic Financial Statements, Continued

For the Fiscal Year Ended June 30, 2022

(1) Summary of Significant Accounting Policies (Continued)

C. Basis of Accounting, Measurement Focus, Financial Statement Presentation (Continued)

The City reports the following major governmental funds:

The General Fund – The General Fund is the City’s primary operating fund and accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The Pandemic Response Fund – This fund accounts for the Coronavirus Aid Relief, and Economic Security (CARES) Act and the American Rescue Plan Act revenues received from county, state and federal sources in response to the COVID-19 pandemic.

The Recreation and Park District Special Revenue Fund – This fund accounts for all resources, and operating and capital project activity of the Cypress Recreation and Park District. The primary resources of the District include a portion of the base property tax rate and user fee revenues.

The Streets Special Revenue Fund – This fund accounts for receipts and expenditures of money apportioned under the State of California Streets and Highway Code Sections 2103, 2105, 2106, 2107 and 2107.5 (Gas Tax) and Section 2032(h) (Road Maintenance and Rehabilitation Act); Measure “M2” money from Orange County; and Traffic Mitigation Fees charged by the City.

The City Capital Projects Fund – This fund accounts for construction of major transportation infrastructure and public facilities. The resources of the fund are limited to transfers from the City’s General fund and grant reimbursements for eligible projects.

The City reports the following major proprietary fund:

The Sewer Fund – This fund accounts for all of the operating and capital project activities associated with the City’s sanitary sewer system. The resources of the fund are primarily fees charged to the users of the system.

Additionally, the City reports the following fund types:

Governmental Funds

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

Proprietary Funds

Internal Service Funds – Internal Service Funds are used to account for the financing of goods and services provided by one department of the City to other departments or agencies of the City on a pro-rata cost-sharing basis. The City currently uses internal service funds for the following activities: central services (which includes print shop, information systems, phone and equipment maintenance, building and grounds maintenance for the City’s Civic Center and Corporate Yard, fleet maintenance for City vehicles and equipment, and for accumulating and expending monies for capital equipment acquisition and replacement), recreation central services (which includes the District’s maintenance of equipment and the accumulation and expending of monies for the acquisition and replacement of District capital equipment items), employees’ benefits, general liability insurance, and workers’ compensation.

CITY OF CYPRESS

Notes to the Basic Financial Statements, Continued

For the Fiscal Year Ended June 30, 2022

(1) Summary of Significant Accounting Policies (Continued)

C. Basis of Accounting, Measurement Focus, Financial Statement Presentation (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 economic resources measurement focus. This means that all assets, deferred outflows of resources, 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 total net position.

Proprietary funds distinguish operating revenues and expenses from non-operating 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 enterprise fund are charges to customers for use of the sanitary sewer system, while the principal operating revenues of the internal service funds are charges to departments in the governmental funds of the City for services. Operating expenses for the enterprise fund and the internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The City's internal service funds are presented in the proprietary funds financial statements. Because the principal users of the internal services are the City's governmental activities, the financial statements of the internal service funds are consolidated into the governmental activities column when presented in the government-wide financial statements. To the extent possible, the cost of these services is reported in the appropriate functional activity (general government, public safety, public works, etc.)

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are reported in a separate Statement of Fiduciary Net Position. These funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City's operations. Fiduciary funds are reported using the accrual basis of accounting.

Custodial Funds – Custodial funds are used to report fiduciary activities in which the City acts as an agent. These funds do not involve measurement of the results of City operations. The City's custodial funds include the Cypress Business and Professional Center Assessment District and amounts held on behalf of the West Cities Communication Center Joint Powers Authority.

Private-Purpose Trust Funds – A Private-Purpose Trust fund is used to account for the activities of the Successor Agency to the Cypress Redevelopment Agency in which the City acts as an agent. Net position is reported as net position held in trust. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

D. Cash and Investments

Investments are classified within the financial statements as "Cash and investments" and are stated 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. All investment income, including changes in the fair value of investments, is recognized as revenue in the operating statement.

CITY OF CYPRESS

Notes to the Basic Financial Statements, Continued

For the Fiscal Year Ended June 30, 2022

(1) Summary of Significant Accounting Policies (Continued)

D. Cash and Investments (Continued)

All cash and investments of proprietary funds are held in the City's investment pool. Therefore, all cash and investments in the proprietary funds are considered cash and cash equivalents for purposes of the statement of cash flows as these cash pools have the general characteristics of a demand deposit account.

Restricted Cash and Investments

The City established a Post-Employment Benefits Trust (Trust) as a tax-exempt trust within the meaning of Section 115 of the Internal Revenue Service Code to accumulate resources for the CalPERS pension obligations. The trust may also be used to stabilize the amount of General Fund resources needed to meet future required contributions to CalPERS. The balances and activities of the Trust are irrevocably dedicated to funding future obligations to CalPERS. These amounts are reflected as restricted cash and investments in the Employees' Benefit Internal Service Fund.

E. Inventories and Prepaid Amounts

Inventories are valued at average cost and consist primarily of fuel and postage. The City follows the consumption method for inventory control whereby inventory items are reported as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to a future accounting period and are recorded as prepaid items in both government-wide and fund financial statements. Prepaid items are recorded as expenditures/expenses when consumed rather than when purchased.

F. Advances to Other Funds

Long-term interfund advances are reported as a receivable in the advancing fund, and a long-term liability is recorded in the fund receiving the advance.

G. Capital Assets

Capital assets, which include land, machinery and equipment (vehicles, computers, etc.), buildings and improvements, and infrastructure assets (street systems, storm drains, sewer systems, etc.), are reported in governmental activities column of the government-wide financial statements. Capital assets are defined by the City as all land and buildings, vehicles, computers and equipment with an initial individual cost of more than \$1,000; and improvements and infrastructure assets with costs of more than \$10,000, and a life in excess of one year. Purchased or constructed assets are recorded at historical cost or estimated historical cost. Donated or annexed capital assets are recorded at acquisition 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
Machinery and Equipment	3 to 10 years
Infrastructure	20 to 65 years

CITY OF CYPRESS

Notes to the Basic Financial Statements, Continued

For the Fiscal Year Ended June 30, 2022

(1) Summary of Significant Accounting Policies (Continued)

H. Compensated Absences

Compensated leave for all permanent employees is paid by the Employees' Benefit Internal Service Fund. The accrued leave payable represents the estimated liability for all accrued vacation, compensatory time, and 50% of the sick leave, as noted below, for all employees of the reporting entity. However, amounts greater than 50% of the sick leave have been accrued for certain Police Association members eligible for Service Retirement. The Employee Benefit Fund is funded by payroll charges to other funds based on benefits earned during that year. Compensated absences are primarily considered a long-term liability, as accruals earned in each fiscal year are generally sufficient to cover leave taken during the same fiscal year. An estimate has been made for the portion of the liability at fiscal year-end that will be due within one year for any employees terminating employment and receiving a payoff of their accrued leave balances.

Permanent employees may accumulate unlimited sick leave hours. Employees with 5 or more years of service terminated for any reason, 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 with 5 or more years of service terminated for any reason, and having between 240 hours and 480 hours, will be paid for 50% of their accumulated sick leave in excess of 240 hours. Employees having less than 240 hours will not be paid for their accumulated sick leave. The accumulation of vacation leave is generally limited to twice an employees' annual accrual. Employees who terminate for any reason are paid 100% of their accumulated vacation pay.

I. Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities or proprietary fund type statement of net position. Bond premiums and discounts are amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

J. Other Postemployment Benefits (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB and 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. The Employees' Benefit Internal Service Fund, which is funded primarily through charges from the General Fund, is typically used to liquidate OPEB liabilities.

CITY OF CYPRESS

Notes to the Basic Financial Statements, Continued

For the Fiscal Year Ended June 30, 2022

(1) Summary of Significant Accounting Policies (Continued)

J. Other Postemployment Benefits (OPEB) (Continued)

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	June 30, 2021
Measurement Date	June 30, 2022
Measurement Period	July 1, 2021 to June 30, 2022

Gains and losses related to changes in total OPEB liability are recognized in OPEB expense systematically over time. Amounts are first recognized in OPEB expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources related to OPEB and are to be recognized in future OPEB expense.

The recognition period may differ depending on the source of the gain or loss. The net difference between projected and actual earnings on OPEB plan investments are amortized over a closed 5-year period. The City, however, does not have an OPEB trust, so there are no deferred inflows or outflows related to this item. All other amounts are amortized over the expected average remaining service lifetime of plan participants.

K. Net Position and Fund Equity

In the government-wide financial statements and the proprietary fund financial statements, net position is classified in the following categories:

Net Investment in Capital Assets – This component of net position consists of capital assets, net of accumulated depreciation, and reduced by outstanding debt attributed to the acquisition, construction, or improvement of the assets.

Restricted Net Position – This component of net position is restricted by external creditors, grantors, contributors, or laws or regulations of other governments.

Unrestricted Net Position – This component of net position consists of all net position that does not meet the definition of “net investment in capital assets” or “restricted net position.”

In the governmental fund financial statements, fund balances are classified in the following categories in accordance with GASB Statement No. 54:

Nonspendable – Nonspendable fund balances encompass items that cannot be spent because they are not in spendable form, such as prepaid items, inventories, and long-term receivables, and 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.

CITY OF CYPRESS

Notes to the Basic Financial Statements, Continued

For the Fiscal Year Ended June 30, 2022

(1) Summary of Significant Accounting Policies (Continued)

K. Net Position and Fund Equity (Continued)

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, and that remain binding unless removed in the same manner. The City Council is considered the highest authority for the City and the adoption of a formal resolution or the formal award of a contract by the City Council is required to establish a fund balance commitment. Additionally, commitments (other than those associated with the award of a contract) can only be modified or rescinded by the adoption of a formal resolution of the City Council.

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 an official designated for that purpose. The City Council has adopted a resolution that authorizes the Director of Finance to assign fund balances.

Unassigned – Unassigned fund balances encompass the residual balance for the City's General Fund and includes all spendable amounts not contained in other classifications. In other funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

L. Spending Policy

In the government-wide financial statements, when expenses are incurred for purposes for which both restricted and unrestricted net position are available, the City's policy is to apply restricted net position first.

In the governmental fund financial statements, when expenditures are incurred for purposes for which all categories of fund balances are available, the City's general policy is to apply the expenditures against fund balance in the following order: restricted, committed, assigned, and unassigned.

M. Use of Estimates

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

CITY OF CYPRESS

Notes to the Basic Financial Statements, Continued

For the Fiscal Year Ended June 30, 2022

(1) Summary of Significant Accounting Policies (Continued)

N. New Accounting Pronouncements

Current Year Standards:

The City adopted the following new accounting pronouncements:

- 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.
- GASB Statement No. 91 – “Conduit Debt Obligations” becomes effective for fiscal years beginning after December 15, 2021.
- GASB Statement No. 92 – “Omnibus 2020” becomes effective for fiscal year ending June 30, 2022.
-

Pending Accounting Pronouncements:

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

- GASB Statement No. 94 – “Public-Private and Public-Public Partnerships and Availability Payment Arrangements” becomes effective for fiscal years beginning after June 15, 2022.
- GASB Statement No. 96 – “Subscription-Based Information Technology Arrangements” becomes effective for fiscal years beginning after June 15, 2022.

O. Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position and governmental funds’ Balance Sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represent a consumption of net assets that applies to future periods and so will not be recognized as an outflow of resources (expenditure) until that time. The deferred outflows of resources relate to pensions and other postemployment benefits.

There are various deferred outflow amounts related to CalPERS pensions. First is the amount of employer contributions made after the measurement date of the net pension liability, which will be recognized in the following fiscal year. The second item is a deferred outflow related to pensions for the net difference between projected and actual earnings on pension plan investments, which will be amortized over five years. Other items include the difference between expected and actual experience, changes in assumptions, and the adjustments due to differences in proportions. These amounts are amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions determined for the June 30, 2021 measurement date, which is 3.7 years for both Safety Plan and Miscellaneous Plan members.

CITY OF CYPRESS

Notes to the Basic Financial Statements, Continued

For the Fiscal Year Ended June 30, 2022

(1) Summary of Significant Accounting Policies (Continued)

O. Deferred Outflows/Inflows of Resources (Continued)

The deferred outflows related to the OCERS pension plan is the combined difference between expected and actual experience and assumption changes, which will be recognized over the average expected remaining service lives of all employees that are provided with pensions through OCERS, which for this measurement period is 5.45 years.

The deferred outflows related to other postemployment benefits is combined of the difference between expected and actual experience and assumption changes. These amounts are amortized over the average expected remaining active and inactive service lives as of the June 30, 2022 measurement date, which is 8.4 years.

In addition to liabilities, the Statement of Net Position and governmental funds' Balance Sheet may report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net assets that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

The City reported three items in this category. The first item, which arises only under the modified accrual basis of accounting, is *unavailable revenues*, which is reported only in the governmental funds' Balance Sheet. The governmental funds report unavailable revenues from one source, accounts receivable. Unavailable revenues are primarily capital project grants, or other revenues, which have been earned, but not received within 60 days after year-end. This amount is deferred and recognized as an inflow of resources in the period that the amounts become available.

The second item is a deferred inflow related to pensions. For CalPERS pensions, the deferred inflow is the result of differences in expected and actual actuarial 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, 2021 measurement date is 3.7 years for both the Safety Plan and the Miscellaneous Plan.

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 third 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 expected average remaining service lives of plan participants.

CITY OF CYPRESS

Notes to the Basic Financial Statements, Continued

For the Fiscal Year Ended June 30, 2022

(1) Summary of Significant Accounting Policies (Continued)

P. Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the City's fiduciary net position in the California Public Employees' Retirement System (CalPERS) and Orange County Employees Retirement System (OCERS) plans and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS and OCERS, respectively. 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. The Employees' Benefit Internal Service Fund, which is funded primarily through charges from the General Fund and the Recreation and Park District General Fund, is typically used to liquidate CalPERS and OCERS pension liabilities, respectively.

(2) 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 (County) bills and collects the property taxes and remits them to the City in installments during the year. City 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 City 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 various school districts in fiscal years ended June 30, 1993 and June 30, 1994.

(3) Cash and Investments

The City follows the practice of pooling cash and investments for all funds. Certain restricted funds that are held and invested by independent outside custodians through contractual bond indenture agreements are not pooled, and are reported as restricted cash and investments.

Investment income earned on pooled cash and investments is allocated quarterly to the various funds based on the average cash balance in each fund. Investment income from cash and investments with fiscal agents is credited directly to the fund earning the income.

CITY OF CYPRESS

Notes to the Basic Financial Statements, Continued

For the Fiscal Year Ended June 30, 2022

(3) Cash and Investments (Continued)

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:

- Securities of the U.S. Government
- Federal Agency Issues
- Certificates of Deposit (or Time Deposits) placed with commercial banks and/or savings and loan companies
- Bankers' Acceptances
- Commercial Paper
- Negotiable Certificates of Deposit
- Medium-term Corporate Notes
- Local Agency Investment Fund (LAIF)
- Investment Trust of California (CalTRUST)
- Money Market Mutual Fund
- Passbook Savings Account Demand Deposits

A five-year maximum maturity for each investment is allowed unless an extension of maturity is expressly permitted by the City Council, with the exception of Certificates of Deposit, Bankers' Acceptances, and Commercial Paper, which are one year, 180 days, and 270 days respectively.

The above policy does not address investments of debt proceeds held by bond trustees that are governed by the provisions of debt agreements of the City, rather than the general provisions of the California Government Code or the City's Investment Policy.

Deposits and Risks

At June 30, 2022, the carrying amount of the City's demand deposits was \$5,084,196. The bank balances of these funds totaled \$5,166,525 and were either covered by federal depository insurance or were held in collateralized accounts. If there were amounts not covered by federal depository insurance, 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.

CITY OF CYPRESS

Notes to the Basic Financial Statements, Continued

For the Fiscal Year Ended June 30, 2022

(3) Cash and Investments (Continued)

Deposits and Risks (Continued)

The following is a summary of pooled cash and investments, including restricted cash and investments, as of June 30, 2022:

	Government Wide Statement of Net Position		Fiduciary Funds	Totals
	Governmental Activities	Business-type Activities	Statement of Net Position	
Cash and investments	\$ 172,147,287	\$ 6,549,537	\$ 3,841,328	\$ 182,538,152
Restricted cash and investments	20,198,541	-	161,793	20,360,334
Totals	\$ 192,345,828	\$ 6,549,537	\$ 4,003,121	\$ 202,898,486

Restricted cash and investments held by the fiscal agent which are reported in governmental activities include the pension trust fund, which includes restricted pension obligations. In the fiduciary agency fund, restricted cash and investments relate to monies held by fiscal agents for special assessment bonds.

Cash and investments, as of June 30, 2022, consist of the following deposits, and investments and maturities:

	Amount	Remaining Maturity		
		12 Months or Less	13 to 24 Months	25 to 60 Months
Deposits:				
Demand Deposits	5,084,196	\$ 5,084,196		
Restricted Deposits	1,668	1,668		
Investments:				
State of California Local Agency Investment Fund	130,300,555	130,300,555		
CalTrust Short Term Fund	1,991,678	1,991,678		
CalTrust Medium Term Fund	21,236,258	21,236,258		
Federal Farm Credit Bank	3,746,160			\$ 3,746,160
Federal Home Loan Bank	15,254,505		12,434,295	2,820,210
United States Treasury	4,924,800	4,924,800		
Restricted Cash and Investments:				
Money Market Accounts	160,125	160,125		
PARS Mutual Funds	20,198,541	20,198,541		
Total Cash and Investments	\$202,898,486	\$183,897,821	\$12,434,295	\$ 6,566,370

The City's investment policy and the California Government Code generally limit the amount that can be invested in any one issuer, except for U.S. Treasury securities and U.S. government-sponsored enterprises. At June 30, 2022, investments in Federal Home Loan Bank securities totaling \$15,254,505 represented 7.52% of the City's investments (other than external investment pools). The Federal Home Loan Bank is a government-sponsored enterprise and there is no limit on the percentage of the portfolio that can be invested in this category.

CITY OF CYPRESS

Notes to the Basic Financial Statements, Continued

For the Fiscal Year Ended June 30, 2022

(3) Cash and Investments (Continued)

Deposits and Risks (Continued)

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, 2022, the City's pooled cash and investment portfolio had a maturity of less than one year with an average life of the portfolio of approximately 87 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. At June 30, 2022, the City's money market mutual accounts were rated AAAM by Standard & Poor's. The Federal Farm Credit Bank and Federal Home Loan Bank investments were rated AA+ rated by Standard & Poor's and Aaa by Moody's. 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. There is no minimum legal rating.

Custodial Credit Risk. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. All securities owned by the City with the exception of LAIF and CalTRUST are deposited in trust for safekeeping with a custodial bank. Securities are not held in broker accounts. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: California Government Code requires a financial institution to secure deposits made by local governments by pledging securities in an undivided collateral pool held by a depository regulated under state law. The fair value of pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the governments. The investment in a Repurchase Agreement is uninsured with the collateral for the repurchase agreement held in the name of the bank but not the name of the City. For investments identified herein as held by a fiscal agent, the trustee selects the investment under the terms of the applicable trust agreement, acquires the investment, and holds the investment on behalf of the City.

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 \$75,000,000 in the fund. Investments in LAIF are considered highly liquid, as deposits can be converted to cash within 24 hours without loss of interest.

The City values its investments in LAIF at a fair value provided by LAIF. 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. At June 30, 2022 the factor used was 0.987125414. The City's investment with LAIF includes a portion of pool funds invested in structured notes and asset-backed securities. As of June 30, 2022, the City had total deposits of \$132,000,000 invested in LAIF, with a fair value of \$130,300,555. LAIF had invested 1.88% of its portfolio in structured notes and medium-term asset-backed securities.

CITY OF CYPRESS

Notes to the Basic Financial Statements, Continued

For the Fiscal Year Ended June 30, 2022

(3) Cash and Investments (Continued)

External Investment Pool (Continued)

The City also participates in the Investment Trust of California (CalTrust), a joint powers authority and public agency established by its members under the provisions of Section 6509.7 of the California Government Code. Members and participants are limited to California public agencies. CalTrust is governed by a Board of Trustees comprised of experienced local agency finance professionals, members of the governing body, or officers or personnel of public agency CalTrust members. The City reports its investment in CalTrust at the fair value amount provided by CalTrust, which is the same as the value of the pool shares. There is no legal minimum or maximum investment in CalTrust, however, the City has set a policy limit of \$50,000,000.

Fair Value Measurements

The City 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 three levels of the fair value hierarchy are described as follows:

- Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets in active markets that the City has the ability to access.
- Level 2: Inputs to the valuation methodology include:
- Quoted prices for similar assets in active markets;
 - Quoted prices for identical or similar assets in inactive markets;
 - Inputs other than quoted prices that are observable for the asset;
 - Inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement. Unobservable inputs reflect the City's own assumptions about the inputs market participants would use in pricing the asset (including assumptions about risk). Unobservable inputs are developed based on the best information available in the circumstances and may include the City's own data.

The asset's level within the hierarchy is based on the lowest level of input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The determination of what constitutes observable requires judgment by the City's management. City management considers observable data to be that market data which is readily available, regularly distributed or updated, reliable, and verifiable, not proprietary, and provided by multiple independent sources that are actively involved in the relevant market.

The categorization of an investment within the hierarchy is based upon the relative observability of the inputs to its fair value measurement and does not necessarily correspond to City management's perceived risk of that investment.

CITY OF CYPRESS

Notes to the Basic Financial Statements, Continued

For the Fiscal Year Ended June 30, 2022

(3) Cash and Investments (Continued)

Fair Value Measurements (Continued)

The methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. The use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

When available, quoted prices are used to determine fair value. When quoted prices in active markets are available, investments are classified within Level 1 of the fair value hierarchy. When quoted prices in active markets are not available, fair values are based on evaluated prices received by the City's asset broker or custodian.

The following is a description of the recurring valuation methods and assumptions used by the City to estimate the fair value of its investments.

The City's management has valued the Federal Farm Credit Bank and Federal Home Loan Bank in Level 2 based on quoted prices for similar assets. LAIF, Money Market and Mutual Funds are uncategorized.

(4) Notes Receivable

Changes in Notes Receivable

The following is a summary of note receivable transactions for governmental activities for the year ended June 30, 2022:

Description	Balance			Balance June 30, 2022	Classification	
	July 1, 2021	Additions	Deletions		Due Within One Year	Due in More than One Year
Home Loans	\$ 582,098	\$ 67,727	\$ (134,409)	\$ 515,416	\$ 10,000	\$ 505,416
Housing Covenants	10,193,888	238,342	-	10,432,230	-	10,432,230
Other Notes	5,566	-	(428)	5,138	428	4,710
Subtotal	10,781,552	306,069	(134,837)	10,952,784	10,428	10,942,356
Less: Allowance	(10,573,171)	(306,069)	79,257	(10,799,983)	-	(10,799,983)
Total	\$ 208,381	\$ -	\$ (55,580)	\$ 152,801	\$ 10,428	\$ 142,373

Home Loans

The dissolved Cypress Redevelopment Agency (Agency) administered two loan programs to assist qualified low and/or moderate income applicants. Upon dissolution of the Agency, the administration and the outstanding notes associated with these two loan programs were transferred to the City's Low and Moderate Housing Assets Special Revenue Fund. The Home Equity Loan Program (HELP I) provided loans in the form of notes up to \$25,000 for down payment assistance to eligible first time homebuyers. Payments on the notes were deferred for the first five (5) years with no interest during the deferral period. The loan becomes due and payable on a monthly basis in years 6 through 30 with a 5% interest rate assessed during the amortization period. Effective with the dissolution of the Agency on February 1, 2012, the HELP I program assets were transferred to the City's Low and Moderate Housing Assets Fund and no new HELP I loans are expected to be issued.

CITY OF CYPRESS

Notes to the Basic Financial Statements, Continued

For the Fiscal Year Ended June 30, 2022

(4) Notes Receivable (Continued)

Home Loans (Continued)

The Home Enhancement Loan Program (HELP II) provides loans to assist single family homeowners with home improvement costs. Moderate income applicants are eligible for loans of up to \$20,000 with a 5% interest rate and payment deferred for the full 15-year term of the loan. The loans become due and payable in full upon sale, transfer of title, cash out refinances, or the end of the loan term, whichever comes first. Lower income applicants can qualify for no interest, forgivable loans of up to \$20,000. The principal amounts for the forgivable loans are reduced by ten percent (10%) annually and are completely forgiven after ten years. Some of the HELP II notes are eligible for federal grant reimbursement to the City upon issuance and are recorded in the General Fund. Effective with the dissolution of the Agency on February 1, 2012, the HELP II program assets previously funded by the Agency were transferred to the City's Low and Moderate Housing Assets Special Revenue Fund. Any new loan issuances will be limited to those that are funded with federal grant reimbursements and recorded in the General Fund.

In the fund financial statements and government-wide statements for all loans, a note receivable is recorded when issued to the homeowner and is decreased upon repayment. The City holds notes due from homeowners totaling \$217,525 (which is net of an allowance of \$297,891 for forgivable loans) at June 30, 2022 in both the fund financial statements and the government-wide statements.

Housing Covenants

The City holds notes receivable totaling \$10,432,230 (including accrued interest) related to affordability covenants entered into by the dissolved Agency associated with the following five projects described below. Upon dissolution of the Agency on February 1, 2012, the notes were transferred to the City and are recorded in the Low and Moderate Housing Assets Special Revenue Fund.

In 2004, the 13-unit Lincoln Glen townhome project was constructed in the Lincoln Avenue Redevelopment Project Area. To address the inclusionary affordability requirement triggered by the development, five (5) units were restricted for sale to affordable households. Silent second first-time homebuyer loans were provided to secure long term (45 year) affordability covenants on these units. The loans provide for interest to accrue at a rate of 7% per year. Two (2) units received \$57,700 loans and were reserved for low income households (80% or less of County median income), and three (3) units received \$37,350 loans and were reserved for moderate income households (up to 120% of County median income). Four of the loans (and their associated affordability covenants) were recorded in late 2004 and the remaining loan closed in early 2005. These loans, totaling \$227,450 plus accrued interest of \$491,023 at June 30, 2022, will be forgiven at the end of the 45 year covenant term.

To address the inclusionary affordability requirement triggered by the construction of the 63-unit Lincoln Square town project in 2007, ten (10) units received \$35,000 silent second loans which covenanted them as affordable to moderate income households for a period of 45 years. All the loans were recorded in 2007 and provide for interest to accrue at a rate of 7% per year. All of the loans, totaling \$350,000 plus accrued interest of \$577,756 at June 30, 2022, are forgivable at the end of the covenant term.

CITY OF CYPRESS

Notes to the Basic Financial Statements, Continued

For the Fiscal Year Ended June 30, 2022

(4) Notes Receivable (Continued)

Housing Covenants (Continued)

In 2004, the Agency entered into an affordable housing agreement to provide a \$774,473 loan to Habitat for Humanity of Orange County to acquire a property and build seven (7) townhome units known as the Cypress Heather development. The units were sold to very low income families (with incomes not exceeding 50% of the County’s median). Each family assumed one-seventh of the Agency’s loan with Habitat and these loans were recorded in 2007 and secured 45 year affordability covenants on the units. The loans provide for interest to accrue at a rate of 7% and be added to the loan principal each year. The loans, totaling \$774,473 plus accrued interest of \$1,222,532 at June 30, 2022, are forgivable at the end of the 45 year term.

In 2009, the Agency entered into an agreement to purchase long-term affordability covenants at the Tara Village apartment complex. The agreement provided a \$6,788,996 loan to the owner of the apartment complex in exchange for reserving 80 units for rental to lower income households for 55 years, with 40 units reserved for very low income families and 40 units reserved for low income families. The loan is forgivable at the end of the covenant term.

In the fund financial statements, a note receivable is recorded upon initial funding of the loan with a corresponding amount recorded as an allowance for uncollectable amount since these notes will likely be forgiven prior to payment being due. This results in no impact to the fund balance reported in the fund financial statements. Similarly, in the government-wide statements, a note receivable is recorded when issued to the homeowner and would be decreased upon a repayment. However since all the loans associated with covenants are forgivable and will likely never be repaid, an allowance for forgivable loans of \$10,432,230 has fully offset the amount reported as notes receivable in the government-wide statements at June 30, 2022.

Other Notes

The City receives an annual refund from Golden State Water related to the extension of a main water line in 1994. This annual payment of \$428 will end in 2034.

(5) Interfund Transactions

Interfund Balances

The following summarizes the total due to and from other funds as of June 30, 2022:

		Due To	
		General Fund	Total
Due From	Pandemic Response Fund	\$ 5,856,024	\$ 5,856,024
	Streets Special Revenue Funds	54,979	54,979
	Non-major Governmental Funds	21,951	21,951
	Total	\$ 5,932,954	\$ 5,932,954

The outstanding balances between funds result from interfund borrowings and to cover cash flow deficits resulting from annual operating transfers to other funds.

CITY OF CYPRESS

Notes to the Basic Financial Statements, Continued

For the Fiscal Year Ended June 30, 2022

(5) Interfund Transactions (Continued)

Interfund Advances

		Advances to		
		Nonmajor Governmental	Special Revenue	
		AB 2766 Trip Reduction Fund	Recreation and Park District Fund	Total
Advances from	General Fund	\$ 163,885	\$ -	\$ 163,885
	Capital Projects Fund	-	6,365,260	6,365,260
	Total	\$ 163,885	\$ 6,365,260	\$ 6,529,145

On February 26, 2018, the City approved an advance of \$490,874 from the General Fund to the AB 2766 Trip Reduction Fund for the purchase of a compressed natural gas sewer cleaning truck. The advance occurred on May 3, 2019 after the sewer truck was received and payment was made. The advance is to be repaid, at zero percent interest, by annual payments from the Assembly Bill 2766 revenues which are to be used to reduce air pollution from motor vehicles. The use of this funding was approved by the South Coast Air Quality Management District. During fiscal year 2021-22, \$62,419 was repaid, leaving a remaining balance of \$163,885 at June 30, 2022. It is anticipated the advance will be fully repaid by fiscal year 2024-25.

On January 28, 2019, the City approved an advance of up to \$900,000 from the City Capital Projects Fund to the Cypress Recreation and Park District Special Revenue Fund for the design of a 9-acre sports park. The District pays interest annually on June 30 at the California Local Agency Investment Fund (LAIF) rate, with repayment to occur on or before June 30, 2024 from park development fees. The preliminary design was completed in fiscal year 2020-21 at a total cost of \$426,409. On February 14, 2022, the advance was repaid in full from park development fees. Interest of \$592, based on an average LAIF rate of 0.222%, was earned through the payoff date and paid at the same time.

On February 8, 2021, the City approved an advance of up to \$12,800,000 from the City Capital Projects Fund to the Cypress Recreation and Park District Special Revenue Fund for the construction of the 9-acre sports park, subsequently named Lexington Park. The District will pay interest annually on June 30 at the California LAIF rate. The principal will be repaid from anticipated park development fees (if available) on or before June 30, 2025, and the five-year term can be extended by mutual agreement. During fiscal year 2021-22, additional advances for construction costs were \$6,839,779, bringing total construction costs to \$12,258,065. Repayments of \$4,785,916 and \$1,106,889 were made from park development fees during the year. Interest of \$27,120 was earned and paid on the outstanding balance, based on an average LAIF rate of 0.522%. The remaining balance at June 30, 2022 is \$6,365,260.

CITY OF CYPRESS

Notes to the Basic Financial Statements, Continued

For the Fiscal Year Ended June 30, 2022

(5) Interfund Transactions (Continued)

Interfund Transfers

With City Council approval, resources may be transferred from one City fund to another. The purpose of transfers is to move funding from its original source to the fund in which the authorized expenditures occur. Transfers between funds during the fiscal year ended June 30, 2022 are as follows:

		Transfers Out					
		General Fund	Pandemic Response Fund	Recreation and Park District Fund	Streets Fund	Non-major Governmental Funds	Totals
Transfers In	General Fund	\$ -	\$ 11,717,000	\$ -	\$ 599,186	\$ 286,377	\$ 12,602,563
	Capital Projects						
	Fund - City	6,050,000	-	919,757	706,829	509,784	8,186,370
	Special Revenue						
	Funds - Streets	-	-	-	-	326,288	326,288
	Internal Service Funds	4,524,959	-	160,234	-	-	4,685,193
	Totals	<u>\$ 10,574,959</u>	<u>\$ 11,717,000</u>	<u>\$ 1,079,991</u>	<u>\$ 1,306,015</u>	<u>\$ 1,122,449</u>	<u>\$ 25,800,414</u>

The transfer to the General Fund from the Streets Fund provided resources for street maintenance.

The transfer to the General Fund from the non-major Governmental Funds provided resources for Traffic Safety, administrative costs associated with the Stanton Channel Maintenance District and Lighting District funds, and American Rescue Plan Act reimbursements for COVID-19 revenue losses.

The transfers to the Capital Projects Fund – City from the General Fund were for capital projects approved by City Council as part of the first year of the Seven-Year Capital Improvement Program and for the set-aside of monies for future capital improvement projects.

The transfer to the Capital Projects Fund – City from the Recreation and Park District Fund are former Agency property tax increment amounts that are now allocated to the District due to the dissolution of the Agency. These amounts are being transferred to repay capital project expenditures benefitting the District.

The transfer to the Capital Projects Fund – City from the Streets Fund provided funding for eligible capital improvements for residential street resurfacing and median restoration.

The transfer to the Capital Projects Fund – City from the non-major Governmental Funds provided funding for the Police Modernization/Seismic Retrofit project and a Civic Center energy study.

CITY OF CYPRESS

Notes to the Basic Financial Statements, Continued

For the Fiscal Year Ended June 30, 2022

(5) Interfund Transactions (Continued)

Interfund Transfers (Continued)

The transfer from the General Fund to the Internal Service Funds provided \$4,500,000 to the Employees' Benefit Fund for investment in the pension trust, and \$24,959 for information technology and capital equipment.

The transfers to the Internal Service Funds from the Recreation and Park District fund provided \$150,000 for future OCERS pension costs and resources for the initial purchase of capital outlay items in the City's Central Services Funds.

(6) Assets Available for Resale

During the fiscal year ended June 30, 2004, the former Redevelopment Agency acquired a parcel of land with a cost of \$1,421,708 located at 5732 Lincoln Avenue. At the time of purchase, it was the intent of the Agency to resell this parcel for the development of low and moderate income housing units. The parcel was transferred to the City upon dissolution of the Agency on February 1, 2012. As of June 30, 2022, the City maintains ownership of the parcel of land and \$1,421,708 is classified as assets available for resale in the Low and Moderate Housing Assets Fund.

(7) Capital Assets and Depreciation

In accordance with GASB 34, the City has reported all capital assets including infrastructure in the Government-Wide Statement of Net Position. The City elected to use the basic approach (as defined by GASB 34) for all infrastructure reporting in which depreciation expense and accumulated depreciation has been recorded. At June 30 2022, the City's capital assets consisted of the following:

CITY OF CYPRESS

Notes to the Basic Financial Statements, Continued

For the Fiscal Year Ended June 30, 2022

(7) Capital Assets and Depreciation (Continued)

	Governmental Activities	Business-type Activities	Total
Capital Assets, Not Depreciated:			
Land	\$ 9,734,882	\$ -	\$ 9,734,882
Construction in Progress	23,701,600	253,324	23,954,924
Total, Not Depreciated	<u>33,436,482</u>	<u>253,324</u>	<u>33,689,806</u>
Capital Assets, Being Depreciated:			
Buildings and Improvements	40,222,966	-	40,222,966
Machinery and Equipment	11,352,637	-	11,352,637
Infrastructure	233,968,226	34,445,054	268,413,280
Total, Being Depreciated	<u>285,543,829</u>	<u>34,445,054</u>	<u>319,988,883</u>
Less Accumulated Depreciation:			
Buildings and Improvements	(21,311,078)	-	(21,311,078)
Machinery and Equipment	(8,341,912)	-	(8,341,912)
Infrastructure	(116,522,954)	(15,821,884)	(132,344,838)
Total Accumulated Depreciation	<u>(146,175,944)</u>	<u>(15,821,884)</u>	<u>(161,997,828)</u>
Total Depreciated, Net	139,367,885	18,623,170	157,991,055
Total Capital Assets, Net	<u>\$ 172,804,367</u>	<u>\$ 18,876,494</u>	<u>\$ 191,680,861</u>

The following is a summary of changes in the capital assets for governmental activities during the fiscal year:

	Governmental Activities			Balance June 30, 2022
	Balance June 30, 2021	Additions	Deletions	
Capital Assets, Not Depreciated:				
Land	\$ 9,734,882	\$ -	\$ -	\$ 9,734,882
Construction in Progress	13,185,847	12,093,044	(1,577,291)	23,701,600
Total, Not Depreciated	<u>22,920,729</u>	<u>12,093,044</u>	<u>(1,577,291)</u>	<u>33,436,482</u>
Capital Assets, Being Depreciated:				
Buildings and Improvements	38,390,119	1,832,847	-	40,222,966
Machinery and Equipment	11,209,381	301,897	(158,641)	11,352,637
Infrastructure	233,683,122	285,104	-	233,968,226
Total, Being Depreciated	<u>283,282,622</u>	<u>2,419,848</u>	<u>(158,641)</u>	<u>285,543,829</u>
Less Accumulated Depreciation:				
Buildings and Improvements	(20,093,724)	(1,217,354)	-	(21,311,078)
Machinery and Equipment	(7,720,733)	(759,983)	138,804	(8,341,912)
Infrastructure	(112,116,269)	(4,406,685)	-	(116,522,954)
Total Accumulated Depreciation	<u>(139,930,726)</u>	<u>(6,384,022)</u>	<u>138,804</u>	<u>(146,175,944)</u>
Total Depreciated, Net	143,351,896	(3,964,174)	(19,837)	139,367,885
Governmental Activities Capital Assets, Net	<u>\$ 166,272,625</u>	<u>\$ 8,128,870</u>	<u>\$ (1,597,128)</u>	<u>\$ 172,804,367</u>

CITY OF CYPRESS

Notes to the Basic Financial Statements, Continued

For the Fiscal Year Ended June 30, 2022

(7) Capital Assets and Depreciation (Continued)

Depreciation expense was charged to functions/programs of governmental activities for the fiscal year ended June 30, 2022 as follows:

General Government	\$ 398,390
Recreation	686,339
Public Safety	113,267
Public Works	4,426,044
Internal Service Funds Depreciation (Charged to Programs Based on Usage)	<u>759,982</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 6,384,022</u>

Construction Commitments

The City has active construction projects as of June 30, 2022. The projects include traffic signals, streets, and sewers. At fiscal year-end, the City's encumbrances with contractors were as follows:

	<u>Remaining Commitment</u>
Streets Fund	\$ 74,663
Lighting Fund	11,050
Capital Projects Fund - City	180,304
Sewer Fund	<u>74,454</u>
Totals	<u>\$ 340,471</u>

The following is a summary of changes in the capital assets for business-type activities during the fiscal year:

	<u>Business-type Activities</u>			
	<u>Balance June 30, 2021</u>	<u>Additions</u>	<u>Deletions</u>	
Capital Assets, Not Depreciated:				
Construction in Progress	\$ 105,742	\$ 147,582	\$ -	\$ 253,324
Total, Not Depreciated	<u>105,742</u>	<u>147,582</u>	<u>-</u>	<u>253,324</u>
Capital Assets, Being Depreciated:				
Infrastructure	34,445,054	-	-	34,445,054
Total, Being Depreciated	<u>34,445,054</u>	<u>-</u>	<u>-</u>	<u>34,445,054</u>
Less Accumulated Depreciation:				
Infrastructure	(15,228,029)	(593,855)	-	(15,821,884)
Total Accumulated Depreciation	<u>(15,228,029)</u>	<u>(593,855)</u>	<u>-</u>	<u>(15,821,884)</u>
Total Depreciated, Net	<u>19,217,025</u>	<u>(593,855)</u>	<u>-</u>	<u>18,623,170</u>
Business-type Activities Capital Assets, Net	<u>\$ 19,322,767</u>	<u>\$ (446,273)</u>	<u>\$ -</u>	<u>\$ 18,876,494</u>

CITY OF CYPRESS

Notes to the Basic Financial Statements, Continued

For the Fiscal Year Ended June 30, 2022

(7) Capital Assets and Depreciation (Continued)

Depreciation expense for business-type activities for the fiscal year ended June 30, 2022 was charged as follows:

Sewer	\$ 593,855
Total Depreciation Expense - Business-type Activities	<u>\$ 593,855</u>

(8) Long-Term Debt

There is no City-obligated debt outstanding as of June 30, 2022, nor was there any activity related to City-obligated debt during fiscal year 2021-22.

Non-City Obligations - Cypress Business and Professional Center Limited Obligation Improvement Bonds

On February 18, 1998, \$2,160,000 of Limited Obligation Improvement Bonds were issued to finance the acquisition of certain improvements within the Cypress Business and Professional Center Assessment District (Assessment District) of the City. Assessments to secure the bonds are to be levied only on parcels within the Assessment District for the cost of improvements with these assessments being payable over 25 years (term of debt issued). The bonds are limited obligations of the Assessment District payable solely from the special assessment or funds held pursuant to the trust indenture. Neither the faith and credit, nor the taxing power of the City, is pledged to the payment of the bonds. The City has no obligation beyond the cash balances in the Agency Fund for any delinquent Assessment District bond payments. The City acts solely as an agent for levying the assessments and paying the bondholders. At June 30, 2022, the District held in the Custodial Fund cash and investments totaling \$180,125, including \$160,125 held in bond reserves and \$20,000 held for future improvements and other costs. The outstanding assessment bonds at June 30, 2022 totaled \$170,000.

(9) Other Long-Term Liabilities

During the year ended June 30, 2022, in addition to the lease revenue bonds in Note 8, net pension liability in Notes 10 and 12, other postemployment benefits in Note 13, and claims payable in Note 15, the City had the following changes in Other Long-Term Liabilities:

<u>Description</u>	<u>Balance</u>			<u>Balance</u> <u>June 30, 2022</u>	<u>Classification</u>	
	<u>July 1, 2021</u>	<u>Additions</u>	<u>Deletions</u>		<u>Due Within</u> <u>One Year</u>	<u>Due in More</u> <u>than One Year</u>
Compensated Absences	\$ 2,295,261	\$ 1,495,967	\$ (1,386,021)	\$ 2,405,207	\$ 601,300	\$ 1,803,907
	<u>\$ 2,295,261</u>	<u>\$ 1,495,967</u>	<u>\$ (1,386,021)</u>	<u>\$ 2,405,207</u>	<u>\$ 601,300</u>	<u>\$ 1,803,907</u>

All compensated absence amounts above relate to the internal service funds and are generally liquidated by the General Fund through charges from the internal service funds.

CITY OF CYPRESS

Notes to the Basic Financial Statements, Continued

For the Fiscal Year Ended June 30, 2022

(10) Public Employees' Retirement System (CalPERS)

Pension Plan Summaries

	Net Pension Liability/(Asset)	Deferred Outflows	Deferred Inflows
CalPERS			
Safety	\$ 19,580,447	\$ 7,750,960	\$ 13,527,591
Miscellaneous	13,156,618	4,255,802	12,863,829
	<u>32,737,065</u>	<u>12,006,762</u>	<u>26,391,420</u>
OCERS *	(103,379)	970,860	511,244
Total Pension	<u>\$ 32,633,686</u>	<u>\$ 12,977,622</u>	<u>\$ 26,902,664</u>

* See Note 12 for information on the OCERS Pension Plan

A. General Information about the Pension Plan

Plan Descriptions: All qualified permanent and probationary employees are eligible to participate in the City's Safety (Police) or the Miscellaneous (all other employees) cost-sharing multiple-employer defined benefit pension plan, administered by the California Public Employees Retirement System (CalPERS). CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements 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 and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 to 62 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 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 the plan are applied as specified by the Public Employees' Retirement Law. The plans' provisions and benefits in effect at June 30, 2022, are summarized as follows:

CITY OF CYPRESS

Notes to the Basic Financial Statements, Continued

For the Fiscal Year Ended June 30, 2022

(10) Public Employees' Retirement System (CalPERS) (Continued)

A. General Information about the Pension Plan (Continued)

	Miscellaneous	
	Prior to January 1, 2013	On or After January 1, 2013
Hire date		
Benefit formula	2.0% at 55	2.0% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life
Retirement age	50-63	52-67
Monthly benefits, as a percentage of eligible compensation	1.426% - 2.418%	1.000% - 2.500%
Required employee contribution rates	7.000%	7.250%
Required employer contribution rates:		
Normal cost rate	11.180%	9.590%
Payment of unfunded liability	\$1,864,295	\$7,153

	Safety	
	Prior to January 1, 2013	On or After January 1, 2013
Hire date		
Benefit formula	3.0% at 50	2.7% at 57
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life
Retirement age	50	50-57
Monthly benefits, as a percentage of eligible compensation	3.00%	2.00% - 2.70%
Required employee contribution rates	9.000%	13.750%
Required employer contribution rates:		
Normal cost rate	25.590%	13.980%
Payment of unfunded liability	\$2,267,644	\$5,010

Contributions: Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employees 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 necessary to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. Employer rates may change if plan contracts are amended. Payments made by the City to satisfy contribution requirements identified by the pension plan as member contributions are classified as plan member contributions.

CITY OF CYPRESS

Notes to the Basic Financial Statements, Continued

For the Fiscal Year Ended June 30, 2022

(10) Public Employees' Retirement System (CalPERS) (Continued)

B. Net Pension Liability

The City's net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each Plan is measured as of June 30, 2021, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2020 rolled forward to June 30, 2021 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

Actuarial Assumptions: The total pension liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	June 30, 2020
Measurement Date	June 30, 2021
Actuarial Cost Method	Entry-Age Normal Cost Method

Actuarial Assumptions:

Discount Rate	7.15%
Inflation	2.50%
Salary Increases	Varies by entry age and service
Mortality Rate Table ⁽¹⁾	Derived using CalPERS membership data for all funds
Post Retirement Benefit Increase	The lesser of contract COLA or 2.50% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.50% thereafter

(1) The mortality table used was developed based on the CalPERS-specific data. The table includes 15 years of mortality improvements using 90% of scale MP-2016 published by the Society of Actuaries. For more details on this table, please refer to the CalPERS Experience Study and Review of Actuarial Assumptions report from December 2017 that can be found on the CalPERS website.

Change of Assumptions: There were no changes in assumptions.

Discount Rate: The discount rate used to measure the total pension liability was 7.15 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

CITY OF CYPRESS

Notes to the Basic Financial Statements, Continued

For the Fiscal Year Ended June 30, 2022

(10) Public Employees' Retirement System (CalPERS) (Continued)

B. Net Pension Liability (Continued)

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 pension plan investment expense and inflation) are developed for each major asset class.

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund (Public Employees' Retirement Fund) cash flows. Taking into account 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+ 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 rounded 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 equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

The expected real rates of return by asset class are as follows:

Asset Class	Assumed Asset Allocation	Real Return Years 1-10 (a)	Real Return Years 11+ (b)
Global equity	50.00%	4.80%	5.98%
Fixed Income	28.00%	1.00%	2.62%
Inflation assets	0.00%	0.77%	1.81%
Private equity	8.00%	6.30%	7.23%
Real assets	13.00%	3.75%	4.93%
Liquidity	1.00%	0.00%	(0.92%)
Total	100.00%		

(a) An expected inflation of 2.00 percent was used for this period.

(b) An expected inflation of 2.92 percent was used for this period.

C. Changes in the Net Pension Liability

Proportionate Share of Net Pension Liability: As of June 30, 2021, the City reported net pension liabilities for its proportionate shares of the net pension liability of each Plan as follows:

	Proportionate Share of Net Pension Liability
Safety Plan	\$ 19,580,447
Miscellaneous Plan	13,156,618
Total Net Pension Liability	\$ 32,737,065

CITY OF CYPRESS

Notes to the Basic Financial Statements, Continued

For the Fiscal Year Ended June 30, 2022

(10) Public Employees' Retirement System (CalPERS) (Continued)

C. Changes in the Net Pension Liability (Continued)

The City's net pension liability for both the Safety and Miscellaneous Plans is measured as the proportionate share of the net pension liability. The net pension liability is measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2020 rolled forward to June 30, 2021 using standard update procedures. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the Plans relative to the projected contributions of all participating employers, as actuarially determined. The City's proportionate share of the net pension liability for the Plans as of June 30, 2020 and 2021 was as follows:

	<u>Miscellaneous</u>	<u>Safety</u>
Proportion - June 30, 2020	0.20786%	0.28006%
Proportion - June 30, 2021	<u>0.24327%</u>	<u>0.36205%</u>
Change - Increase (Decrease)	0.03541%	0.08199%

Sensitivity of the Net Pension Liability to Changes in the Discount Rate: The following presents the net pension liability of each 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:

	<u>Discount Rate</u>	<u>Net Pension Liability</u>		
		<u>Miscellaneous Plan</u>	<u>Safety Plan</u>	<u>Total</u>
1 % Decrease	6.15%	\$25,281,430	\$34,271,619	\$59,553,049
Current Discount Rate	7.15%	13,156,618	19,580,447	32,737,065
1 % Increase	8.15%	3,133,209	7,513,465	10,646,674

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

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

For the year ended June 30, 2022, the City recognized pension expense of \$4,858,077 in the Miscellaneous Plan; \$4,086,938 in the Safety Plan; and (\$105,942) in the Terminated OCERS Plan (Note 12) for a total of \$8,839,073. At June 30, 2022, the City reported deferred outflows and deferred inflows of resources related to CalPERS pensions as follows:

CITY OF CYPRESS

Notes to the Basic Financial Statements, Continued

For the Fiscal Year Ended June 30, 2022

(10) Public Employees' Retirement System (CalPERS) (Continued)

D. Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

<u>Miscellaneous Plan</u>	Deferred Outflows of Resources	Deferred Inflows of Resources
City contributions subsequent to measurement date	\$ 2,447,524	\$ -
Differences between expected and actual experience	1,475,373	-
Net difference between projected and actual earnings on pension plan investments	-	(11,485,031)
Adjustments due to differences in proportions	332,905	(75,969)
Changes in proportion and differences between contributions and proportionate share of	-	(1,302,829)
Total	<u>\$ 4,255,802</u>	<u>\$ (12,863,829)</u>
<u>Safety Plan</u>	Deferred Outflows of Resources	Deferred Inflows of Resources
City contributions subsequent to measurement date	\$ 3,558,957	\$ -
Differences between expected and actual experience	3,345,303	-
Net difference between projected and actual earnings on pension plan investments	-	(11,654,130)
Adjustments due to differences in proportions	846,700	-
Changes in proportion and differences between contributions and proportionate share of	-	(1,873,461)
Total	<u>\$ 7,750,960</u>	<u>\$ (13,527,591)</u>
<u>Total PERS Pension Plans</u>	Deferred Outflows of Resources	Deferred Inflows of Resources
City contributions subsequent to measurement date	\$ 6,006,481	\$ -
Differences between expected and actual experience	4,820,676	-
Net difference between projected and actual earnings on pension plan investments	-	(23,139,161)
Adjustments due to differences in proportions	1,179,605	(75,969)
Changes in proportion and differences between contributions and proportionate share of	-	(3,176,290)
Total	<u>\$ 12,006,762</u>	<u>\$ (26,391,420)</u>

CITY OF CYPRESS

Notes to the Basic Financial Statements, Continued

For the Fiscal Year Ended June 30, 2022

(10) Public Employees' Retirement System (CalPERS) (Continued)

D. Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions (Continued)

The amount reported as deferred outflows of resources related to contributions subsequent to the measurement date of \$2,447,524 for the Miscellaneous Plan and \$3,558,957 for the Safety Plan, totaling \$6,006,481, will be recognized as a reduction of the net pension liability in the year ending June 30, 2023. The amount reported as deferred inflows, net of the remaining deferred outflows, will be recognized as pension expense as follows:

Measurement Periods	Deferred Outflows/(Inflows) of Resources			
	Ending June 30,	Miscellaneous Plan	Safety Plan	Total
2022	\$	(2,577,319)	\$(1,628,858)	\$ (4,206,177)
2023		(2,585,416)	(1,968,109)	(4,553,525)
2024		(2,718,946)	(2,531,567)	(5,250,513)
2025		(3,173,870)	(3,207,054)	(6,380,924)
Thereafter		-	-	-
	\$	<u>(11,055,551)</u>	<u>\$(9,335,588)</u>	<u>\$(20,391,139)</u>

E. Payable to the Pension Plan

At June 30, 2022, the City had no outstanding contributions to the pension plan required for the year ended June 30, 2022.

(11) Other Defined Contribution Pension Plans

Nationwide Retirement Solutions Deferred Compensation Plan

Under the Omnibus Budget Reconciliation Act of 1990 (OBRA), the City is required to provide a retirement plan to all City employees, including part-time temporary and seasonal employees. OBRA law allows the City to provide any retirement plan in which benefits are comparable to those provided under Social Security and meet certain criteria or "safe harbor formulas" for defined benefit retirement systems. To comply with this Federal law, the City currently provides a 457 deferred compensation plan through Nationwide Retirement Solutions for part-time temporary and seasonal employees. These employees pay a mandatory contribution of 7.5% of their compensation to the plan, which may be withdrawn upon employment separation.

For the year ended June 30, 2022, the City's payroll covered by the plan was \$714,950. Employee contributions to the plan totaled \$53,622. The City does not contribute to the plan.

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

A. General Information about the Pension Plan

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.

CITY OF CYPRESS

Notes to the Basic Financial Statements, Continued

For the Fiscal Year Ended June 30, 2022

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

A. General Information about the Pension Plan (Continued)

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, CA 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, 2021, the following employees were covered by the benefit terms of the OCERS Plan:

Retired members or beneficiaries currently receiving benefits	22
Vested terminated members entitled to, but not yet receiving	4
Active members	0
Total	<u>26</u>

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.

CITY OF CYPRESS

Notes to the Basic Financial Statements, Continued

For the Fiscal Year Ended June 30, 2022

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

A. General Information about the Pension Plan (Continued)

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.

The recalculated unfunded actuarial liability attributable to the District as of December 31, 2020 is \$536,775. The District has until December 31, 2023 to pay OCERS, but elected to make the payment, plus accrued interest of \$58,825, on July 15, 2022.

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

As of December 31, 2021, the District reported a net pension asset for the OCERS plan of \$103,379. The net pension liability was measured as of December 31, 2021, and 2020. 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, 2020 and 2019, respectively.

The District's net pension liability as of December 31, 2020 and 2021 was as follows:

	<u>OCERS</u>
Net Pension Liability - December 31, 2020	185,117
Net Pension Liability (Asset) - December 31, 2021	<u>(103,379)</u>
Change - Increase (Decrease)	(288,496)

CITY OF CYPRESS

Notes to the Basic Financial Statements, Continued

For the Fiscal Year Ended June 30, 2022

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

B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources (Continued)

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

Valuation Date	December 31, 2020
Measurement Date	December 31, 2021, rolled forward on an actuarial basis
Actuarial Experience Study	Three-year period ended December 31, 2019 and dated August 6, 2020.
Actuarial Cost Method	Entry age normal
Actuarial Assumptions:	
Inflation	2.50%
Salary increases	General: 4.0% to 11.0%, varies by service, including inflation
Investment rate of return	7.00%, net of pension plan investment expense, including inflation.
Discount Rate	7.00%

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, 2017 through December 31, 2019 using the Public Retirement Plans Mortality tables (Pub-2010) published by the Society of Actuaries. Within the Pub-2010 family of mortality tables, OCERS has adopted both the General and Safety Amount-Weighted Above-Median Mortality Tables (adjusted for OCERS experience), projected generationally with the two-dimensional mortality improvement scale MP-2019, and adjusted separately for healthy and disabled for both general and safety members.

Discount Rate: The discount rate used to determine the total pension liability was 7.00% as of December 31, 2021 and 2020. 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 total pension liability as of December 31, 2021.

CITY OF CYPRESS

Notes to the Basic Financial Statements, Continued

For the Fiscal Year Ended June 30, 2022

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

B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources (Continued)

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, 2020 actuarial valuation. This information will change every three years based on the actuarial experience study.

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large Cap Equity	23.10%	5.43%
Small Cap Equity	1.90%	6.21%
International Developed Equity	13.00%	6.67%
Emerging Markets Equity	9.00%	8.58%
Core Bonds	9.00%	1.10%
High Yield Bonds	1.50%	2.91%
TIPS	2.00%	0.65%
Emerging Market Debt	2.00%	3.25%
Corporate Credit	1.00%	0.53%
Long Duration Fixed Income	2.50%	1.44%
Real Estate	3.01%	4.42%
Private Equity	13.00%	9.41%
Value Added Real Estate	3.01%	7.42%
Opportunistic Real Estate	0.98%	10.18%
Energy	2.00%	9.68%
Infrastructure (Core Private)	1.50%	5.08%
Infrastructure (Non-Core Private)	1.50%	8.92%
CTA – Trend Following	2.50%	2.38%
Global Macro	2.50%	2.13%
Private Credit	2.50%	5.47%
Alternative Risk Premia	<u>2.50%</u>	2.50%
Total	100.0%	

CITY OF CYPRESS

Notes to the Basic Financial Statements, Continued

For the Fiscal Year Ended June 30, 2022

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

B. Pension Liabilities, Pension Expenses, and Deferred Outflows/Inflows of Resources (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%
\$1,261,728	(\$103,379)	(\$1,216,068)

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, 2022, the District recognized pension income of \$105,942 in the OCERS Plan. At June 30, 2022, the District reported deferred outflows and deferred inflows of resources related to pensions as follows:

OCERS Plan	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 947,260	\$ -
Net difference between projected and actual earnings on pension plan investments		(501,465)
Changes of assumptions	23,600	(9,779)
Total	\$ 970,860	\$ (511,244)

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

Measurement Periods	OCERS Plan Deferred Outflows/ (Inflows) of Resources
Ending June 30,	
2023	\$ 681,559
2024	(116,015)
2025	(68,323)
2026	(45,355)
2027	7,750
Thereafter	-
	\$ 459,616

CITY OF CYPRESS

Notes to the Basic Financial Statements, Continued

For the Fiscal Year Ended June 30, 2022

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

D. Payable to the Pension Plan

At June 30, 2022, the City had no outstanding contributions to the pension plan required for the year ended June 30, 2022.

(13) Post-Employment Health Care Benefits

Plan Description

The City, through a single-employer defined benefit plan, provides post-employment health care benefits to eligible retirees through the CalPERS healthcare program entitled Public Employees' Medical and Hospital Care Act (PEMHCA). All eligible employees become participants in PEMHCA in the month following their date of hire. Upon retirement, the City pays the PEMHCA minimum amount (\$149 per month in 2022) for all eligible retirees who choose to continue with their coverage through PEMHCA. Retired PEMHCA members receiving benefits make contributions at premium rates identical to active City employees, less the PEMHCA minimum.

In addition to the PEMHCA minimum amount, certain members of all retiree groups with at least ten years of continuous service receive a Supplemental Health Care Benefit directly from the City. The benefits are based on negotiated memorandums of understanding with the various employee associations. The City provides a monthly contribution from \$100 to \$300 based on years of continuous service and employee classification, which can be used by the retiree to either continue their health care benefits as may be available under the City's current health care contract through PEMHCA or to use the monthly contribution amount to purchase alternative health care benefits. The Supplemental Health Care Benefit terminates for retirees on the date the retiree reaches age 65 or becomes Medicare eligible whichever comes first. This plan is closed to new members. New employees are only eligible for the PEMHCA benefit and the Retiree Health Savings plan.

All other City employees that are either ineligible or have elected out of the above Supplemental Health Care Benefit are members of the City's Retiree Health Savings defined-contribution plan in which the City 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.

Employees Covered

As of the June 30, 2022 actuarial valuation, the following current and former employees were covered by the benefit terms under the OPEB plans:

	Defined Benefit Plans		Defined Contribution
	PEMHCA Minimum	Supplemental Health Care Benefit	Retiree Health Savings
Active Employees	120	10	113
Eligible Retirees - Enrolled	71	31	n/a
Eligible Retirees - Not Enrolled	82	0	n/a

CITY OF CYPRESS

Notes to the Basic Financial Statements, Continued

For the Fiscal Year Ended June 30, 2022

(13) Post-Employment Health Care Benefits (Continued)

Contributions

The minimum contribution for PEMHCA is established and amended by CalPERS. The City's contribution towards the Supplemental Health Care Benefit and Retiree Health Savings OPEB plans are established by Memoranda of Understanding with the applicable employee bargaining units and may be amended by agreements between the City and the bargaining units.

The City pays the monthly contribution for all employees and retirees on a pay-as-you-go basis. As of June 30, 2022, 71 retirees were receiving the PEMHCA benefit and the cost to the City for the year ended June 30, 2022 was \$122,795. The City paid an additional \$104,059 to 35 retirees during the year for the Supplemental Health Care Benefit. For the measurement date ended June 30, 2022, the City's cash contributions were \$226,854, which were recognized as a reduction to the OPEB liability.

While the City does not directly make contributions above the required pay-as-you-go amounts, the ability of the retiree to obtain health insurance at an active employee rate constitutes a significant economic benefit to the retiree, called an implicit subsidy. The implicit subsidy is considered to be an other post-employment benefit (OPEB) of the City. For the year ended June 30, 2022, the City's contribution towards the implicit subsidy was \$336,060.

The Retiree Health Savings Plan (RHS) is a defined contribution plan. Eligible employees receive either \$85 or \$175 per month, depending on bargaining unit, deposited in an individual Retiree Health Savings Account. During the fiscal year ended June 30, 2022, the City paid \$124,655 into RHS accounts for eligible employees. The monthly payments are recognized as expenditures when the payments are made into the RHS. Because the RHS is a defined contribution plan there is no unfunded liability associated with it.

Total OPEB Liability

The City's total OPEB liability of \$9,015,067 was based on an actuarial valuation as of June 30, 2021, a measurement date of June 30, 2022 and a discount rate of 3.54%. The total OPEB liability was determined using the following assumptions:

CITY OF CYPRESS

Notes to the Basic Financial Statements, Continued

For the Fiscal Year Ended June 30, 2022

(13) Post-Employment Health Care Benefits (Continued)

Total OPEB Liability (Continued)

Actuarial Cost Method Actuarial Assumptions	Entry Age, Level Percent of Pay
Discount Rate ⁽¹⁾	
As of 6/30/22	3.54%, net of investment expenses
Inflation	2.50%
Salary increases	2.75%
Mortality rate	(2)
Healthcare cost trend rates	4.00%
Medical CPI	4.00% (used to project CalPERS statutory minimum benefit)
Retirees' share of cost	Retirees pay the balance of the premium after statutory minimum benefit, Supplemental Health Care Benefits, if any, and PEMHCA administrative fees contributed by the City.

Notes:

- (1) The discount rate was based on the Bond Buyer 20-year bond General Obligation Index.
- (2) Mortality rates were based on the 2017 CalPERS Mortality Tables for Safety and Miscellaneous Employees, as appropriate for the population.

Changes in the OPEB Liability

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

Balance at June 30, 2021 (measurement date 6/30/21)	\$10,607,104
Changes recognized for the measurement period:	
Service cost	411,807
Interest	227,512
Difference between expected and actual experience	2,850
Changes of assumptions *	(1,671,292)
Benefit payments, including implicit subsidy	(562,914)
Net changes	<u>(1,592,037)</u>
Balance at June 30, 2021	<u><u>\$9,015,067</u></u>

* The interest assumption changed from 2.16% to 3.54%.

CITY OF CYPRESS

Notes to the Basic Financial Statements, Continued

For the Fiscal Year Ended June 30, 2022

(13) Post-Employment Health Care Benefits (Continued)

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

The following presents the total OPEB liability as of June 30, 2022 calculated using the discount rate of 3.54%, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.54%) or one percentage point higher (4.54%) than the current rate:

	1% Decrease 2.54%	Current Rate 3.54%	1% Increase 4.54%
Total OPEB Liability	<u>\$10,206,118</u>	<u>\$9,015,067</u>	<u>\$8,191,630</u>

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

The following presents the total OPEB liability as of June 30, 2022, as well as what the total OPEB liability would be if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates:

	1% Decrease 3.00%	Current Rates 4.00%	1% Increase 5.00%
Total OPEB Liability	<u>\$7,851,442</u>	<u>\$9,015,067</u>	<u>\$10,390,322</u>

OPEB Expense

The annual OPEB expense can be calculated as the change in the amounts reported on the Statement of Net Position that are not attributable to employer contributions. It is the change in total liability minus the changes in deferred outflows plus the changes in deferred inflows. For the fiscal year ended June 30, 2022, the City recognized OPEB expense of \$675,883.

Deferred Outflows/Inflows of Resources Related to OPEB

As of the fiscal year ended June 30, 2022, the City reported deferred outflows and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 352,857	\$ 77,558
Changes of assumptions	900,442	1,983,830
Total	<u>\$ 1,253,299</u>	<u>\$ 2,061,388</u>

CITY OF CYPRESS

Notes to the Basic Financial Statements, Continued

For the Fiscal Year Ended June 30, 2022

(13) Post-Employment Health Care Benefits (Continued)

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

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

Fiscal Year Ending June 30,	Deferred Outflows/ (Inflows) of Resources
2023	\$ 36,564
2024	82,079
2025	14,007
2026	(218,269)
2027	(218,269)
Thereafter	(504,201)

(14) Public Agency Retirement Services (PARS) Post-Employment Benefits Trust

The City established the PARS Post-Employment Benefits Trust (Trust) as a tax-exempt trust within the meaning of Section 115 of the Internal Revenue Service Code to accumulate resources to “stabilize” the amount of General Fund resources that it will need to meet future contribution requirements to the California Public Employees Retirement System (PERS). The balances and activities of the Trust are not part of the pension plan. Instead, the assets will benefit the employer through reduced future cash flow demands on the General Fund resources and continue to be assets of the City. At June 30, 2022, \$20,198,541 in restricted cash and investment in the Employees’ Benefit Internal Service Fund is restricted for pension contribution stabilization.

(15) Self Insurance

At June 30, 2022 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 \$43,000,000 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. Each agency may be assessed the difference between funds available and the \$33,000,000 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, 2022. 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.

CITY OF CYPRESS

Notes to the Basic Financial Statements, Continued

For the Fiscal Year Ended June 30, 2022

(15) Self Insurance (Continued)

Liabilities associated with the self-insurance program area are accrued when incurred in the internal service funds (using the accrual basis of accounting). The amount accrued represents estimates of amounts to be paid for reported claims and incurred-but-not-yet-reported claims based upon past experience, modified for current trends and information. While the ultimate amount of losses incurred through June 30, 2022 is dependent on future developments, based upon information from the City Attorney, the City's claims administrators and others involved with the administration of programs, City management believes the accrual is adequate to cover such losses. Settled claims have not exceeded commercial coverage during the last three years. There have been no significant reductions in insurance coverage from the prior year.

All City departments participate in the self-insurance program. Payments made to the Liability Insurance and Workers' Compensation Internal Service Funds are based on estimates of amounts needed to pay prior and current year claims and to establish a reserve for catastrophic losses. At June 30, 2022, the Liability Insurance Fund and the Workers' Compensation Fund had reserves for catastrophic losses of \$2,970,718 and \$94,880, respectively, which are reported as net position in these funds. The claims liabilities of \$196,094 and \$2,294,321 reported in the Liability Insurance and Workers' Compensation Funds, respectively, at June 30, 2022, are based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that the liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

Changes in the claims liability amounts during the fiscal years ended June 30, 2021 and June 30, 2022 are as follows:

	<u>Liability Insurance</u>	<u>Workers' Compensation</u>	<u>Total</u>
Balance at July 1, 2020	\$ 328,490	\$ 1,010,433	\$ 1,338,923
Current year claims	316,659	134,697	451,356
Changes in estimates	271,034	691,377	962,411
Claims payments	<u>(316,659)</u>	<u>(134,697)</u>	<u>(451,356)</u>
Balance at June 30, 2021	<u>\$ 599,524</u>	<u>\$ 1,701,810</u>	<u>\$ 2,301,334</u>
Balance at July 1, 2021	\$ 599,524	\$ 1,701,810	\$ 2,301,334
Current year claims	19,545	180,954	200,499
Changes in estimates	(403,430)	592,511	189,081
Claims payments	<u>(19,545)</u>	<u>(180,954)</u>	<u>(200,499)</u>
Balance at June 30, 2022	<u>\$ 196,094</u>	<u>\$ 2,294,321</u>	<u>\$ 2,490,415</u>

Copies of CIPA's annual financial statements may be obtained from its offices located at 366 San Miguel Drive, Suite 312, Newport Beach, CA 92660.

CITY OF CYPRESS

Notes to the Basic Financial Statements, Continued

For the Fiscal Year Ended June 30, 2022

(16) Classification of Net Position

Net Position

The City's Net Position at June 30, 2022 is summarized as follows:

	Government Wide Statement of Net Position		Totals
	Governmental Activities	Business-type Activities	
Capital Assets	\$ 318,980,311	\$ 34,698,378	\$ 353,678,689
Less: Accumulated Depreciation	(146,175,944)	(15,821,884)	(161,997,828)
Net Invested in Capital Assets	<u>172,804,367</u>	<u>18,876,494</u>	<u>191,680,861</u>
Restricted for:			
Public Safety	<u>1,041,827</u>	<u>-</u>	<u>1,041,827</u>
Public Works-Street Maintenance and Improvements	6,200,631	-	6,200,631
Public Works-Street Lighting	5,401,064	-	5,401,064
Public Works-Local Drainage Improvements	1,050,302	-	1,050,302
Public Works-Other	167,500	-	167,500
Total - Public Works	<u>12,819,497</u>	<u>-</u>	<u>12,819,497</u>
Sanitary Sewer System	<u>-</u>	<u>6,638,372</u>	<u>6,638,372</u>
Recreation	4,158,242	-	4,158,242
Recreation-Open Space Improvements	1,697	-	1,697
Recreation-Facility and Service Enhancements	19,657	-	19,657
Total-Recreation	<u>4,179,596</u>	<u>-</u>	<u>4,179,596</u>
Other-Pension Trust	<u>20,198,541</u>	<u>-</u>	<u>20,198,541</u>
Other-Promotional Activities	28,944	-	28,944
Other-Low and Moderate Income Housing	1,546,397	-	1,546,397
Other-Cable Television Equipment	703,735	-	703,735
Other-LEAP Grant	48,037	-	48,037
Other-Tobacco Grant	56,935	-	56,935
Other-Community Development Block Grant	1,800	-	1,800
Other-Office of Traffic Safety Grant	19,370	-	19,370
Other-Department of Justice Grant	5,711	-	5,711
Total-Other	<u>2,410,929</u>	<u>-</u>	<u>2,410,929</u>
Unrestricted	<u>95,515,524</u>	<u>-</u>	<u>95,515,524</u>
Total Net Position	<u>\$ 308,970,281</u>	<u>\$ 25,514,866</u>	<u>\$ 334,485,147</u>

CITY OF CYPRESS

Notes to the Basic Financial Statements, Continued

For the Fiscal Year Ended June 30, 2022

(16) Classification of Net Position (Continued)

Net Invested in Capital Assets – This net position amount represents capital assets, net of accumulated depreciation and reduced by outstanding debt attributed to acquisition, construction, or improvement of the assets.

Restricted for Public Safety – These funds are restricted for law enforcement purposes, supplementing but not supplanting other public safety funding.

Restricted for Public Works – Street Maintenance and Improvements – This restriction represents amounts received from State and Local governments and developers that are required to be used for the construction and maintenance of streets within the City.

Restricted for Public Works – Street Lighting – This restriction represents property tax amounts assessed for expenditures for streetlights, traffic signal maintenance and construction.

Restricted for Public Works – Local Drainage Improvements – These amounts received from developers are restricted for expenditures for master planned drainage projects.

Restricted for Public Works – Other Purposes – These amounts are restricted to support a variety of grant funded and special programs as designated by law, the grant terms, or administrative regulations.

Restricted for Sanitary Sewer System – These amounts received from system users are restricted for maintenance and capital expenditures for the City's sanitary sewer system.

Restricted for Recreation – This restriction represents amounts required to be used for future Recreation and Park District operating and capital activities.

Restricted for Recreation - Open Space Improvements – This restriction represents amounts received from developers that are required to be used for Recreation and Park District open space use.

Restricted for Recreation – Facility and Service Enhancements – This restriction represents amounts received from grants or other funding that are required to be used for the support of Recreation and Park District facilities, programs and services.

Restricted for Other – Pension Trust – This restriction represent the balance of the Pension Trust, a tax-exempt, irrevocable pension trust designed to pre-fund retirement plan obligations.

Restricted for Other - Promotional Activities – This restriction represents amounts contributed to the City by developers for the promotion of the City.

Restricted for Other - Low and Moderate Income Housing – This restriction represents amounts received to the City from the Agency upon dissolution that are required to be used for the rehabilitation and/or replacement of low and moderate income housing within the City.

Restricted for Other - Cable Television Equipment – These amounts are restricted to provide enhancements to the City's equipment used for video PEG access services as designated by the terms of the cable franchise transfer agreement.

Restricted for Other – LEAP Grant – This restriction represents Local Early Action Planning grant funds to pay for online permitting software.

Restricted for Other – Tobacco Grant – This restriction represents grant funds to be used for the School Resource Officer position and related activities.

CITY OF CYPRESS

Notes to the Basic Financial Statements, Continued

For the Fiscal Year Ended June 30, 2022

(16) Classification of Net Position (Continued)

Restricted for Other – Community Development Block Grant – This restriction represents federal grant funds to be used for housing loans.

Restricted for Other – Office of Traffic Safety Grant – This restriction represents federal grant funds to be used to prevent serious injuries and deaths resulting from vehicle crashes on California highways.

Restricted for Other – Department of Justice Grant – This restriction represents federal grant funds to be used for the purchase of bulletproof vests for public safety personnel.

(17) Classifications of Fund Balances

The City has adopted the provisions of GASB Statement No. 54, “Fund Balance and Governmental Fund Type Definitions”. GASB 54 establishes fund balance classifications 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 conform to the new classification and are summarized as follows.

	General Fund	Pandemic Response Fund	Recreation and Park District Fund	Streets Fund	City Capital Projects Fund	Nonmajor Governmental Funds	Totals
Nonspendable							
Prepays	\$ 26,738	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 26,738
Notes Receivable	79,973	-	-	-	-	-	79,973
Advances from Other Funds	163,885	-	-	-	-	-	163,885
Total Nonspendable	270,596	-	-	-	-	-	270,596
Restricted							
Notes Receivable	-	-	-	-	-	72,828	72,828
Prepays	-	-	26,759	-	-	-	26,759
Inventory	-	-	159	-	-	-	159
Community Promotion	28,944	-	-	-	-	-	28,944
Open Space	-	-	1,697	-	-	-	1,697
Youth League Renovations	-	-	67,596	-	-	-	67,596
Senior Center Enhancements	-	-	30,077	-	-	-	30,077
Facility and Service Enhancements	-	-	19,657	-	-	-	19,657
Recreation	-	-	4,060,569	-	-	-	4,060,569
Streets	-	-	-	6,200,631	-	-	6,200,631
Local Drainage	-	-	-	-	-	1,050,302	1,050,302
Landscape Maintenance	-	-	-	-	-	166,009	166,009
Street Lighting	-	-	-	-	-	5,401,064	5,401,064
Cable Television Equipment	-	-	-	-	-	703,735	703,735
Police	-	-	-	-	-	1,041,827	1,041,827
Low and Moderate Income Housing	-	-	-	-	-	1,473,569	1,473,569
Total Restricted	28,944	-	4,206,514	6,200,631	-	9,909,334	20,345,423
Committed							
Stabilization Agreement	8,862,296	-	-	-	-	-	8,862,296
Capital Improvements	-	-	-	-	11,600,177	-	11,600,177
Total Committed	8,862,296	-	-	-	11,600,177	-	20,462,473
Assigned							
Future Capital Improvements	3,200,000	-	2,200,000	-	79,127,970	-	84,527,970
Pension Investment	1,400,000	-	-	-	-	-	1,400,000
Business Relocation Stabilization	2,500,000	-	-	-	-	-	2,500,000
Budget Stabilization	2,000,000	-	-	-	-	-	2,000,000
Pandemic Recovery Plan	9,305,552	-	-	-	-	-	9,305,552
Storm Drainage	1,185,360	-	-	-	-	-	1,185,360
Carryover Appropriations	1,621,291	-	-	-	-	-	1,621,291
Total Assigned	21,212,203	-	2,200,000	-	79,127,970	-	102,540,173
Unassigned	1,043,486	-	-	-	-	(163,885)	879,601
Total Fund Balances	\$ 31,417,525	\$ -	\$ 6,406,514	\$ 6,200,631	\$ 90,728,147	\$ 9,745,449	\$ 144,498,266

CITY OF CYPRESS

Notes to the Basic Financial Statements, Continued

For the Fiscal Year Ended June 30, 2022

(17) Classifications of Fund Balances (Continued)

The stabilization agreement amount of \$8,862,296 presented as committed fund balance in the General Fund has been formally approved by the City Council and is for unforeseen situations (such as a temporary revenue interruption due to business activity or disaster). The amount is equal to 25% of the General Fund's original annual operating budget for the upcoming fiscal year and may only be used should annual estimated revenues decrease by a minimum of 10 percent or annual expenditures are estimated to increase by over 10 percent. In addition to these variances in revenues or expenditures, it is further established that in order for these fund balance amounts to be expended such variances must create a situation in which the City's ability to provide basic services (as defined by the City Council) is threatened. Further, City Council authorization is required for use of this amount.

(18) Contingent Liabilities

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the Federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial. The City is a defendant in various other lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the City attorney, the resolution of these matters will not have a material adverse effect on the financial condition of the City.

(19) Joint Venture

On December 23, 1996, the West Cities Communications Center Joint Powers Authority (JPA) was created under a joint exercise of powers agreement. It was formed to consolidate law enforcement communications for the cities of Cypress, Los Alamitos and Seal Beach. The governing board consists of one member appointed from each participating agency. The approval of budget and assumption of financial obligations must be approved by all members. The participant contributions are City of Cypress 45.3%, City of Los Alamitos 24.4% and the City of Seal Beach 30.3%.

The purpose of the JPA is to save the participants some individual expense through the sharing of communication obligations. The JPA intends to utilize the personnel and resources of the member agencies to provide financial, legal, personnel, risk management and other services as needed. The City of Cypress provides the JPA with financial and human resources services. The City has no equity interest in the JPA and does not receive a share of the operating results. Accordingly, the assets and liabilities of the JPA are shown in the City's Custodial Fund. Separate audited financial statements of the West Cities Communications Center Joint Powers Authority are available by contacting the City of Cypress, P.O. Box 609, Cypress, CA 90630.

CITY OF CYPRESS

Notes to the Basic Financial Statements, Continued

For the Fiscal Year Ended June 30, 2022

(20) Successor Agency

The Cypress Redevelopment Agency (Agency) was activated in May 1979 by the City and dissolved as of February 1, 2012. The primary purpose of the Agency was to eliminate blighted areas within the City by encouraging development of residential, commercial, industrial, recreational and public facilities. The City's Council members acted as the Agency directors and City staff acted as the Agency's staff. The City and Agency were financially interdependent. The City made loans to the Agency to use on redevelopment projects and property tax revenues of the Agency were used to repay the loans. The fiscal year-end was June 30, the same as the City. As a result of legislation that dissolved all redevelopment agencies in the State, all assets and liabilities of the former Agency were transferred to either the City of Cypress or the Successor Agency to the City of Cypress Redevelopment Agency on February 1, 2012.

The non-housing assets and liabilities of the dissolved Redevelopment Agency were transferred to the Successor Agency to the Dissolved Cypress Redevelopment Agency on February 1, 2012 as a result of the dissolution of the former Redevelopment Agency. The City is acting in a fiduciary capacity for these non-housing assets and liabilities. All outstanding liabilities of the Successor Agency were satisfied during the previous fiscal year, 2019-20, and therefore the Successor Agency has no outstanding liabilities as of June 30, 2022.

Notes Receivable

The following is a summary of notes receivable transactions for Successor Agency activities for the fiscal year ended June 30, 2022:

Description	Balance July 1, 2021	Additions	Deletions	Balance June 30, 2022	Classification	
					Due Within One Year	Due in More than One Year
Other Notes	\$ 428,092	\$ 9,598	\$ -	\$ 437,690	\$ -	\$ 437,690
Total	\$ 428,092	\$ 9,598	\$ -	\$ 437,690	\$ -	\$ 437,690

The Redevelopment Agency had a promissory note from National Church Residences of Cypress, California for payment of offsite improvements and construction costs relating to the Cypress Sunrise Apartments. Upon dissolution of the Agency on February 1, 2012, the note was transferred to the Successor Agency. The promissory note was initially issued for up to \$192,455 in September 1987 and due to mature February 1, 2029. On September 24, 1987, an amount of \$120,384 was issued based on actual required assistance followed by a payment of \$16,573 (September 29, 1987) leaving a net principal outstanding of \$103,761. The note is not payable, in whole or in part, either to principal or interest, prior to February 1, 2029. The interest rate on the note is 9.25% per annum and is not compounded. The outstanding interest accrued on the note though June 30, 2022 is \$333,929. The total combined principal and interest outstanding on the note at June 30, 2022 is \$437,690.

Upon maturity and repayment of the note, the amount received will be remitted to the County of Orange for distribution to the affected taxing entities. At that time, the Successor Agency can be dissolved.

CITY OF CYPRESS

Notes to the Basic Financial Statements, Continued

For the Fiscal Year Ended June 30, 2022

(21) Economic Assistance Agreement – Tax Abatement

On November 27, 2017 the City Council adopted Ordinance No. 1171, approving a Third Amendment to a development agreement with a commercial landlord located in the City. The purpose of the amendment is to provide a sales tax reimbursement to the landlord in exchange for attracting and retaining a tenant who can provide significant employment opportunities to Cypress residents and increase sales tax revenue to the City.

To be eligible for a sales tax reimbursement the landlord was required to enter into a lease with a qualified tenant who could reasonably be expected to generate gross sales tax revenue to the City of at least \$10 million over any 10-year period during the term of the lease.

Effective January 1, 2018, the City pays a monthly sales tax reimbursement payment to the landlord, who in turn credits the amount toward the tenant’s lease. The payment amount is based on annual sales tax generated by the tenant as follows:

<u>Annual Sales Tax Generated</u>	<u>Annual Reimbursement Payment to Landlord</u>
\$0 - \$699,999	\$0
\$700,000 - \$799,999	\$360,000
\$800,000 and up	\$450,000

If the sales tax generated falls below the \$700,000 minimum annual threshold, the reimbursement payments are suspended until sales tax meets or exceeds the minimum annual threshold. The agreement also includes periodic cumulative review periods to ensure the City receives sufficient sales tax revenue to meet predefined minimum thresholds over defined time periods. If the sales tax received during these review periods does not meet the minimum threshold, the tenant is required to pay the City the amount of the shortfall in accordance with the following schedule:

<u>Cumulative Review Period</u>	<u>Minimum Cumulative Threshold</u>
January 1, 2018 - June 30, 2019	\$1,500,000
July 1, 2019 - June 30, 2024	\$5,000,000
July 1, 2024 - June 30, 2029	\$5,000,000

During the fiscal year ended June 30, 2022, the landlord received \$450,000 in economic assistance under this Third Amendment.

(22) Other Required Fund Disclosures

The Employees’ Benefit Internal Service Fund had a deficit net position of (\$32,817,723) at June 30, 2022 primarily due to the net pension liability associated with the City’s CalPERS pension plans. The City has made all required annual contributions toward this long-term liability, and has committed to set-aside additional monies in the form of a trust to reduce or offset the liability.

The AB 2766 Special Revenue Fund had a deficit fund balance of (\$163,885) at June 30, 2022 due to the purchase of a compressed natural gas sewer cleaning truck. The General Fund advanced \$490,874 to the AB 2766 Fund for the purchase. The AB 2766 Fund will repay the advance with annual payments from the AB 2766 revenues, which are to be used to reduce air pollution from motor vehicles. The remaining balance of the advance at June 30, 2022 was (\$163,885).

CITY OF CYPRESS

Notes to the Basic Financial Statements, Continued

For the Fiscal Year Ended June 30, 2022

(23) Subsequent Event

On August 15, 2022, National Church Residences paid off the Note Receivable identified in Note 20 as part of a refinancing transaction. Full principal of \$437,690 plus interest of \$1,210 was received and subsequently remitted to the County for distribution to the taxing entities in accordance with redevelopment dissolution law.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF CYPRESS

Required Supplementary Information

For the Fiscal Year Ended June 30, 2022

(1) Budgets and Budgetary Accounting

A. Budgetary Control and Budgetary Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. The City follows these 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 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 a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes a summary of the proposed expenditures and financial resources of the City, as well as historical data for the preceding two fiscal periods. Prior to July 1, the budget is legally enacted through passage of an adopting resolution. All of the Governmental Funds have legally adopted budgets.

The City Manager is authorized to transfer budgeted amounts as follows: (1) Appropriations budgeted within a department or activity and capital outlay, may be transferred between accounts within the department; (2) Transfers of appropriations between departments and funds, and additional appropriation of fund balances may be made only by authority of the City Council. For budgeting purposes, the general fund is composed of several departments with budgetary control at the department level, while all other budgeted funds are considered a single department with budgetary control at the fund level. Formal budgetary integration is employed as a management control device during the fiscal year for governmental fund types. The budgets are adopted on a basis consistent with generally accepted accounting principles. Budgeted amounts contained within this report are the original and final amended amounts, as approved by the City Council. No budgetary comparisons are presented for the Internal Service and Fiduciary funds.

B. 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, Special Revenue Funds, and the Capital Projects Fund. Encumbrances outstanding at year-end do not constitute expenditures or liabilities.

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 reestablished through inclusion in the subsequent year's appropriation.

C. Budgetary Comparison Schedules

The following are the budget comparison schedules for the General Fund, the Pandemic Response Fund, the Recreation and Park District Special Revenue Fund, and the Streets Special Revenue Fund.

CITY OF CYPRESS

Required Supplementary Information, Continued

For the Fiscal Year Ended June 30, 2022

Budgetary Comparison Schedule, General Fund

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 28,567,200	\$ 28,567,200	\$ 31,896,762	\$ 3,329,562
Licenses and permits	808,890	1,234,090	1,326,104	92,014
Fines and forfeitures	210,000	210,000	167,159	(42,841)
From use of property	302,803	302,803	(2,894,980)	(3,197,783)
From other agencies	862,804	1,307,161	667,581	(639,580)
Charges for services	3,484,551	3,757,851	3,540,366	(217,485)
Other revenue	57,335	57,335	363,434	306,099
TOTAL REVENUES	34,293,583	35,436,440	35,066,426	(370,014)
EXPENDITURES:				
Current:				
General government - Legislative	778,521	870,880	802,657	68,223
General government - Administration	1,906,696	3,126,602	2,015,337	1,111,265
General government - Finance	2,119,287	2,144,287	2,015,268	129,019
Community development - Planning	1,520,018	2,506,043	1,245,046	1,260,997
Community development - Building	771,476	982,476	854,333	128,143
Public safety - Police	20,010,041	20,133,826	17,746,963	2,386,863
Public works - Engineering	1,592,188	1,836,000	1,622,647	213,353
Public works - Maintenance	5,303,560	5,336,883	4,566,916	769,967
TOTAL EXPENDITURES	34,001,787	36,936,997	30,869,167	6,067,830
EXCESS OF REVENUES OVER EXPENDITURES	291,796	(1,500,557)	4,197,259	5,697,816
OTHER FINANCING SOURCES (USES):				
Transfers in	1,245,160	12,772,160	12,602,563	(169,597)
Transfers out	(1,596,842)	(10,623,842)	(10,574,959)	48,883
TOTAL OTHER FINANCING SOURCES (USES)	(351,682)	2,148,318	2,027,604	(120,714)
NET CHANGE IN FUND BALANCE	\$ (59,886)	\$ 647,761	6,224,863	\$ 5,577,102
FUND BALANCE - BEGINNING OF YEAR			25,192,662	
FUND BALANCE - END OF YEAR			\$ 31,417,525	

CITY OF CYPRESS

Required Supplementary Information, Continued

For the Fiscal Year Ended June 30, 2022

Budgetary Comparison Schedule, Pandemic Response Fund

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES:				
From other agencies	\$ -	\$ -	\$ 11,717,000	\$ 11,717,000
TOTAL REVENUES	<u>-</u>	<u>-</u>	<u>11,717,000</u>	<u>11,717,000</u>
OTHER FINANCING USES:				
Transfers out	<u>(625,000)</u>	<u>(11,767,000)</u>	<u>(11,717,000)</u>	<u>50,000</u>
TOTAL OTHER FINANCING USES	<u>(625,000)</u>	<u>(11,767,000)</u>	<u>(11,717,000)</u>	<u>50,000</u>
NET CHANGE IN FUND BALANCE	<u>\$ (625,000)</u>	<u>\$ (11,767,000)</u>	-	<u>\$ 11,767,000</u>
FUND BALANCE - BEGINNING OF YEAR			-	
FUND BALANCE - END OF YEAR			<u>\$ -</u>	

CITY OF CYPRESS

Required Supplementary Information, Continued

For the Fiscal Year Ended June 30, 2022

Budgetary Comparison Schedule, Recreation and Park District Special Revenue Fund

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Taxes	\$ 6,192,000	\$ 6,192,000	\$ 6,222,354	\$ 30,354
From use of property	370,410	370,410	190,760	(179,650)
From other agencies	72,000	72,000	53,076	(18,924)
Charges for services	862,255	862,255	6,831,408	5,969,153
Other revenue	-	-	27,104	27,104
	<u>7,496,665</u>	<u>7,496,665</u>	<u>13,324,702</u>	<u>5,828,037</u>
TOTAL REVENUES				
EXPENDITURES:				
Current:				
Recreation	5,610,468	5,648,651	4,532,507	1,116,144
Capital outlay	3,612,500	11,605,372	7,648,236	3,957,136
	<u>9,222,968</u>	<u>17,254,023</u>	<u>12,180,743</u>	<u>5,073,280</u>
TOTAL EXPENDITURES				
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(1,726,303)</u>	<u>(9,757,358)</u>	<u>1,143,959</u>	<u>10,901,317</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	<u>(1,299,718)</u>	<u>(1,309,718)</u>	<u>(1,079,991)</u>	<u>229,727</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(1,299,718)</u>	<u>(1,309,718)</u>	<u>(1,079,991)</u>	<u>229,727</u>
NET CHANGE IN FUND BALANCE	<u>\$ (3,026,021)</u>	<u>\$ (11,067,076)</u>	63,968	<u>\$ 11,131,044</u>
FUND BALANCE - BEGINNING OF YEAR			<u>6,342,546</u>	
FUND BALANCE - END OF YEAR			<u>\$ 6,406,514</u>	

CITY OF CYPRESS

Required Supplementary Information, Continued

For the Fiscal Year Ended June 30, 2022

Budgetary Comparison Schedule, Streets Special Revenue Fund

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
From use of property	\$ 11,500	\$ 11,500	\$ 23,603	\$ 12,103
From other agencies	3,115,931	3,251,412	3,420,933	169,521
Charges for services	500	500	404,131	403,631
Other revenue	-	-	-	-
TOTAL REVENUES	<u>3,127,931</u>	<u>3,263,412</u>	<u>3,848,667</u>	<u>585,255</u>
EXPENDITURES:				
Current:				
Public works	1,200,000	1,204,300	842,875	361,425
Capital outlay	100,000	1,018,485	713,140	305,345
TOTAL EXPENDITURES	<u>1,300,000</u>	<u>2,222,785</u>	<u>1,556,015</u>	<u>666,770</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>1,827,931</u>	<u>1,040,627</u>	<u>2,292,652</u>	<u>1,252,025</u>
OTHER FINANCING USES:				
Operating transfers in	-	343,605	326,288	(17,317)
Transfers out	(1,407,888)	(1,852,127)	(1,306,015)	546,112
TOTAL OTHER FINANCING USES	<u>(1,407,888)</u>	<u>(1,508,522)</u>	<u>(979,727)</u>	<u>528,795</u>
NET CHANGE IN FUND BALANCE	<u>\$ 420,043</u>	<u>\$ (467,895)</u>	1,312,925	<u>\$ 1,780,820</u>
FUND BALANCE - BEGINNING OF YEAR			<u>4,887,706</u>	
FUND BALANCE - END OF YEAR			<u>\$ 6,200,631</u>	

CITY OF CYPRESS

Required Supplementary Information, Continued

For the Fiscal Year Ended June 30, 2022

(2) California Public Employees' Retirement System (CalPERS)

City of Cypress Miscellaneous Plan

Schedule of Proportionate Share of the Net Pension Liability
Last Ten Fiscal Years ⁽¹⁾

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Plan's proportion of the net pension liability	0.24327%	0.20786%	0.20394%	0.19859%
Plan's proportionate share of the net pension liability	\$ 13,156,618	\$ 22,615,628	\$ 20,897,731	\$ 19,136,711
Plan's Covered Payroll	\$ 6,135,709	\$ 6,072,109	\$ 6,385,921	\$ 6,863,694
Plan's proportionate share of the net pension liability as a percentage of covered payroll	214.43%	372.45%	327.25%	278.81%
Plan's proportionate share of the fiduciary net position as a percentage of the Plan's total pension liability	85.67%	74.68%	75.87%	76.84%
Plan's proportionate share of aggregate employer contributions	\$ 3,094,471	\$ 2,980,733	\$ 2,722,708	\$ 2,418,263

Notes to Schedule:

Benefit Changes: There were no changes to benefits.

Changes in Assumptions:

Fiscal year ended June 30, 2016:

Amounts reported reflect an adjustment of the discount rate from 7.50% (net of administrative expenses) to 7.65% (without a reduction for pension plan administrative expense).

Fiscal year ended June 30, 2018:

The discount rate was reduced from 7.65% to 7.15%.

Fiscal year ended June 30, 2019:

Demographic assumptions and the inflation rate were changed in accordance with the CalPERS Experience Study and Review of Actuarial Assumptions – December 2017.

⁽¹⁾ The City's CalPERS Miscellaneous Plan was previously administered and reported as an agent multiple-employer plan, however, because the number of active members in the plan fell below 100, it is now administered as a cost-sharing multiple-employer plan, effective with the reporting for the fiscal year ended June 30, 2019.

CITY OF CYPRESS

Required Supplementary Information, Continued

For the Fiscal Year Ended June 30, 2022

(2) California Public Employees' Retirement System (CalPERS) (Continued)

City of Cypress Miscellaneous Plan (Continued)

Schedule of Changes in the Net Pension Liability and Related Ratios

Last Ten Fiscal Years ⁽¹⁾

	2018	2017	2016	2015
Total Pension Liability:				
Service cost	\$ 1,241,908	\$ 1,042,402	\$ 983,336	\$ 1,067,782
Interest on total pension liability	5,374,496	5,227,927	4,985,622	4,778,432
Differences between expected and actual experience	(726,719)	177,725	(249,155)	-
Changes in assumptions	4,509,183	-	(1,246,317)	-
Changes in benefits	-	-	-	-
Benefit payments, including refunds of employee contributions	<u>(3,538,721)</u>	<u>(3,108,674)</u>	<u>(2,909,007)</u>	<u>(2,789,811)</u>
Net Change in Total Pension Liability	6,860,147	3,339,380	1,564,479	3,056,403
Total Pension Liability - Beginning of Year	<u>72,533,703</u>	<u>69,194,323</u>	<u>67,629,844</u>	<u>64,573,441</u>
Total Pension Liability - End of Year (a)	<u>\$ 79,393,850</u>	<u>\$ 72,533,703</u>	<u>\$ 69,194,323</u>	<u>\$ 67,629,844</u>
Plan Fiduciary Net Position:				
Contributions - employer	\$ 1,298,683	\$ 1,242,386	\$ 997,118	\$ 859,007
Contributions - employee	552,260	622,404	529,141	529,155
Net investment income	6,191,774	274,070	1,253,565	8,456,694
Benefit payments	(3,538,721)	(3,108,674)	(2,909,007)	-
Administrative expense	(81,255)	(34,153)	(63,073)	-
Plan to plan resource movement	-	-	(406)	(2,789,811)
Net Change in Plan Fiduciary Net Position	4,422,741	(1,003,967)	(192,662)	7,055,045
Plan Fiduciary Net Position - Beginning of Year	<u>55,035,012</u>	<u>56,038,979</u>	<u>56,231,641</u>	<u>49,176,596</u>
Plan Fiduciary Net Position - End of Year (b)	<u>\$ 59,457,753</u>	<u>\$ 55,035,012</u>	<u>\$ 56,038,979</u>	<u>\$ 56,231,641</u>
Net Pension Liability - Ending (a)-(b)	<u>\$ 19,936,097</u>	<u>\$ 17,498,691</u>	<u>\$ 13,155,344</u>	<u>\$ 11,398,203</u>
Plan fiduciary net position as a percentage of the total pension liability	74.89%	75.88%	80.99%	83.15%
Covered Payroll	\$ 6,994,962	\$ 7,139,555	\$ 6,539,007	\$ 6,744,885
Net pension liability as percentage of covered payroll	285.01%	245.09%	201.18%	168.99%

Notes to Schedule:

Benefit Changes: There were no changes to benefits.

Changes in Assumptions:

Fiscal year ended June 30, 2016:

Amounts reported reflect an adjustment of the discount rate from 7.50% (net of administrative expenses) to 7.65% (without a reduction for pension plan administrative expense).

Fiscal year ended June 30, 2018:

The discount rate was reduced from 7.65% to 7.15%.

Fiscal year ended June 30, 2019:

Demographic assumptions and the inflation rate were changed in accordance with the CalPERS Experience Study and Review of Actuarial Assumptions – December 2017.

CITY OF CYPRESS

Required Supplementary Information, Continued

For the Fiscal Year Ended June 30, 2022

(2) California Public Employees' Retirement System (CalPERS) (Continued)

City of Cypress Miscellaneous Plan (Continued)

Schedule of Plan Contributions

Last Ten Fiscal Years ⁽¹⁾

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 2,447,524	\$ 2,230,654	\$ 2,002,390	\$ 1,729,721	\$ 1,487,869	\$ 1,298,683	\$ 1,244,868	\$ 1,001,586
Contributions in relation to the actuarially determined contributions	<u>(2,447,524)</u>	<u>(2,230,654)</u>	<u>(2,002,390)</u>	<u>(1,729,721)</u>	<u>(1,487,869)</u>	<u>(1,298,683)</u>	<u>(1,244,868)</u>	<u>(1,001,586)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 5,866,594	\$ 6,135,709	\$ 6,072,109	\$ 6,385,921	\$ 6,863,694	\$ 6,994,942	\$ 7,139,555	\$ 6,539,007
Contributions as a percentage of covered payroll	41.72%	36.36%	32.98%	27.09%	21.68%	18.57%	17.44%	15.32%

(1) Historical information is required only for measurement periods for which GASB 68 is applicable. The fiscal year ended June 30, 2015 was the first year of implementation.

CITY OF CYPRESS

Required Supplementary Information, Continued

For the Fiscal Year Ended June 30, 2022

(2) California Public Employees' Retirement System (CalPERS) (Continued)

City of Cypress Miscellaneous Plan (Continued)

SCHEDULE OF PLAN CONTRIBUTIONS

Last Ten Fiscal Years *

Notes to Schedule:

Valuation Date	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013	June 30, 2012
Methods and Assumptions Used to Determine Contribution Rates:								
Actuarial cost method	Entry age	Entry age	Entry age	Entry age	Entry age	Entry age	Entry age	Entry age
Amortization method	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Asset valuation method	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	15-Year Smoothed Market
Inflation	2.50%	2.50%	2.75%	2.75%	2.75%	2.75%	2.75%	2.75%
Salary increases	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)
Investment rate of return	7.15% (3)	7.15% (3)	7.375% (3)	7.375% (3)	7.50% (3)	7.50% (3)	7.50% (3)	7.50% (3)
Retirement age	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)
Mortality	(5)	(5)	(5)	(5)	(5)	(5)	(5)	(5)

(1) Level percentage of payroll, closed

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

(3) Net of pension plan investment expense, including inflation

(4) 50 (3.0% at 50); 50 - 57 (2.7% at 57)

(5) Mortality assumption are based on mortality rates resulting from the most recent CalPERS Experience Study adopted by the CalPERS Board.

*Historical information is required only for measurement periods for which GASB 68 is applicable. The fiscal year ended June 30, 2015 was the first year of implementation.

CITY OF CYPRESS

Required Supplementary Information, Continued

For the Fiscal Year Ended June 30, 2022

(2) California Public Employees' Retirement System (CalPERS) (Continued)

City of Cypress Safety Plan

Schedule of Proportionate Share of the Net Pension Liability
Last Ten Fiscal Years (*)

	2022	2021	2020	2019	2018	2017	2016	2015
Plan's proportion of the net pension liability	0.36205%	0.28006%	0.27150%	0.26653%	0.25531%	0.25420%	0.24622%	0.23884%
Plan's proportionate share of the net pension liability	\$ 19,580,447	\$ 30,471,506	\$ 27,821,165	\$ 25,683,654	\$ 25,320,193	\$ 21,996,187	\$ 16,900,538	\$ 14,861,787
Plan's Covered Payroll	\$ 5,651,021	\$ 5,590,681	\$ 5,953,364	\$ 5,823,413	\$ 5,539,232	\$ 5,634,190	\$ 5,200,954	\$ 5,075,058
Plan's proportionate share of the net pension liability as a percentage of covered payroll	346.49%	545.04%	467.32%	441.04%	457.11%	390.41%	324.95%	292.84%
Plan's proportionate share of the fiduciary net position as a percentage of the Plan's total pension liability	82.06%	71.35%	72.54%	73.38%	72.73%	73.87%	79.00%	80.99%
Plan's proportionate share of aggregate employer contributions	\$ 4,784,748	\$ 3,927,236	\$ 3,222,885	\$ 2,986,119	\$ 2,331,004	\$ 2,149,038	\$ 2,163,119	\$ 1,792,684

*Historical information is required only for measurement periods for which GASB 68 is applicable. The fiscal year ended June 30, 2015 was the first year of implementation.

CITY OF CYPRESS

Required Supplementary Information, Continued

For the Fiscal Year Ended June 30, 2022

(2) California Public Employees' Retirement System (CalPERS) (Continued)

City of Cypress Safety Plan (Continued)

Schedule of Proportionate Share of the Net Pension Liability
Last Ten Fiscal Years (*)

Notes to Schedule:

Benefit Changes: There were no changes to benefits.

Changes in Assumptions:

Fiscal year ended June 30, 2016:

Amounts reported reflect an adjustment of the discount rate from 7.50% (net of administrative expenses) to 7.65% (without a reduction for pension plan administrative expense).

Fiscal year ended June 30, 2018:

The discount rate was reduced from 7.65% to 7.15%.

Fiscal year ended June 30, 2019:

Demographic assumptions and the inflation rate were changed in accordance with the CalPERS Experience Study and Review of Actuarial Assumptions – December 2017.

*Historical information is required only for measurement periods for which GASB 68 is applicable. The fiscal year ended June 30, 2015 was the first year of implementation.

CITY OF CYPRESS

Required Supplementary Information, Continued

For the Fiscal Year Ended June 30, 2022

(2) California Public Employees' Retirement System (CalPERS) (Continued)

City of Cypress Safety Plan (Continued)

SCHEDULE OF CONTRIBUTIONS

Last Ten Fiscal Years*

	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution (actuarially determined)	\$ 3,558,957	\$ 3,130,711	\$ 2,821,054	\$ 2,546,099	\$ 2,222,915	\$ 1,967,405	\$ 1,807,579	\$ 1,503,960
Contributions in relation to the actuarially determined contributions	<u>(3,558,957)</u>	<u>(3,130,711)</u>	<u>(2,821,054)</u>	<u>(2,546,099)</u>	<u>(2,222,915)</u>	<u>(1,967,405)</u>	<u>(1,807,579)</u>	<u>(1,503,960)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 6,228,738	\$ 5,651,021	\$ 5,590,681	\$ 5,953,364	\$ 5,823,413	\$ 5,539,232	\$ 5,634,190	\$ 5,200,954
Contributions as a percentage of covered payroll	57.14%	55.40%	50.46%	42.77%	38.17%	35.52%	32.08%	28.92%

*Historical information is required only for measurement periods for which GASB 68 is applicable. The fiscal year ended June 30, 2015 was the first year of implementation.

CITY OF CYPRESS
 Required Supplementary Information, Continued
 For the Fiscal Year Ended June 30, 2022

(2) California Public Employees' Retirement System (CalPERS) (Continued)

City of Cypress Safety Plan (Continued)

SCHEDULE OF CONTRIBUTIONS (Continued)
 Last Ten Fiscal Years*

Notes to Schedule:

Valuation Date	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2013	June 30, 2012
Methods and Assumptions Used to Determine Contribution Rates:								
Actuarial cost method	Entry age	Entry age	Entry age	Entry age	Entry age	Entry age	Entry age	Entry age
Amortization method	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Asset valuation method	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	Fair Value	15-Year Smoothed Market
Inflation	2.50%	2.50%	2.75%	2.75%	2.75%	2.75%	2.75%	2.75%
Salary increases	(2)	(2)	(2)	(2)	(2)	(2)	(2)	(2)
Investment rate of return	7.15% (3)	7.15% (3)	7.375% (3)	7.375% (3)	7.50% (3)	7.50% (3)	7.50% (3)	7.50% (3)
Retirement age	(4)	(4)	(4)	(4)	(4)	(4)	(4)	(4)
Mortality	(5)	(5)	(5)	(5)	(5)	(5)	(5)	(5)

⁽¹⁾ Level percentage of payroll, closed

⁽²⁾ Depending on age, service, and type of employment

⁽³⁾ Net of pension plan investment expense, including inflation

⁽⁴⁾ 50 (3.0% at 50); 50 - 57 (2.7% at 57)

⁽⁵⁾ Mortality assumption are based on mortality rates resulting from the most recent CalPERS Experience Study adopted by the CalPERS Board.

*Historical information is required only for measurement periods for which GASB 68 is applicable. The fiscal year ended June 30, 2015 was the first year of implementation.

CITY OF CYPRESS

Required Supplementary Information

For the Fiscal Year Ended June 30, 2022

(3) Terminated Orange County Employees Retirement System Plan (OCERS)

Schedule of Proportionate Share of the Net Pension Liability

Last Ten Fiscal Years ⁽¹⁾

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Plan's proportion of the net pension liability	-0.00500%	0.00400%	0.00500%	0.00700%
Plan's proportionate share of the net pension liability/(asset)	\$ (103,379)	\$ 185,117	\$ 262,415	\$ 408,781
Plan's Covered Payroll	\$ -	\$ -	\$ -	\$ -
Plan's proportionate share of the net pension liability as a percentage of covered payroll	n/a	n/a	n/a	n/a
Plan's proportionate share of the fiduciary net position as a percentage of the Plan's total pension liability	102.18%	96.03%	94.23%	90.81%
Plan's proportionate share of aggregate employer contributions	n/a	n/a	n/a	n/a

Notes to Schedule:

⁽¹⁾ The Cypress Recreation and Park District (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.

CITY OF CYPRESS

Required Supplementary Information, Continued

For the Fiscal Year Ended June 30, 2022

**(3) Terminated Orange County Employees Retirement System Plan (OCERS)
(Continued)**

Schedule of Plan Contributions

Last Ten Fiscal Years ⁽¹⁾

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Contractually required contribution (actuarially determined)	\$ -	\$ -	\$ -	\$ 739,966
Contributions in relation to the actuarially determined contributions	-	-	-	(739,966)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ -	\$ -	\$ -	\$ -
Contributions as a percentage of covered	n/a	n/a	n/a	n/a
Valuation Date	12/31/2019	12/31/2018	12/31/2017	12/31/2016

Methods and Assumptions Used to Determine Contribution Rates:

In accordance with the Withdrawing Employer and Continuing Contribution Agreement between the Cypress Recreation and Park District (District) and OCERS, OCERS will recalculate the District's unfunded accrued actuarial liability commencing December 31, 2020, and every three years thereafter. Based on this recalculation, the District shall satisfy any new obligation required within three years of the recalculation date. The next UAAL payment is due on or before December 31, 2023.

In determining the net pension liability, the valuation value of assets (VVA) as of December 31, 2019 is rolled forward to December 31, 2020 for the actual contributions, benefit payments and return on the VVA during 2020. The VVA is then marked to the Plan's Fiduciary Net Position as of December 31, 2020. The total pension liability is obtained from internal valuation results by rolling forward the total pension liability from December 31, 2019.

CITY OF CYPRESS

Required Supplementary Information, Continued

For the Fiscal Year Ended June 30, 2022

(4) Post-Employment Health Care Benefits

Schedule of Changes in the Total OPEB Liability and Related Ratios
for the Measurement Period Ended June 30

Last Ten Fiscal Years ⁽¹⁾

	2022	2021	2020	2019	2018
Total OPEB Liability:					
Service cost	\$ 411,807	\$ 382,033	\$ 370,906	\$ 293,425	\$ 304,903
Interest on the total OPEB liability	227,512	232,699	232,807	330,023	306,496
Actual and expected experience difference	2,850	428,577	(155,120)	63,400	10,351
Changes in assumptions	(1,671,292)	(593,595)	1,491,035	447,917	(324,881)
Changes in benefit terms	-	-	-	-	-
Benefit payments, including implicit subsidy	<u>(562,914)</u>	<u>(460,068)</u>	<u>(394,969)</u>	<u>(397,959)</u>	<u>(329,123)</u>
Net Change in Total OPEB Liability	(1,592,037)	(10,354)	1,544,659	736,806	(32,254)
Total OPEB Liability - Beginning of Year	<u>10,607,104</u>	<u>10,617,458</u>	<u>9,072,799</u>	<u>8,335,993</u>	<u>8,368,247</u>
Total OPEB Liability - End of Year (a)	<u>\$ 9,015,067</u>	<u>\$ 10,607,104</u>	<u>\$ 10,617,458</u>	<u>\$ 9,072,799</u>	<u>\$ 8,335,993</u>
Plan fiduciary net position as a percentage of the Total OPEB liability	0.00%	0.00%	0.00%	0.00%	0.00%
Covered-employee payroll	\$ 14,464,271	\$ 13,846,871	\$ 14,180,802	\$ 14,518,971	\$ 14,482,504
Total OPEB liability as percentage of covered- employee payroll	62.33%	76.60%	74.87%	62.49%	57.56%

Notes to Schedule:

Benefit Changes: None

Changes in Assumptions: The discount rate, which is based on the Bond Buyer 20-year bond General Obligation Index, changed as follows for the fiscal year ended:

- June 30, 2022 – increased from 2.16% to 3.54%
- June 30, 2021 – decreased from 2.20% to 2.16%
- June 30, 2020 – decreased from 3.50% to 2.20%
- June 30, 2019 – decreased from 3.90% to 3.50%

(1) Historical information is required only for 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.

GASB 75 also requires the presentation of a 10-year schedule of contributions if an actuarially determined contribution is calculated. The City's plan is not funded by an OPEB trust; therefore, an actuarially determined contribution is not calculated nor presented here.

Supplemental Schedules

CITY OF CYPRESS

Budgetary Comparison Schedules for Other Major Governmental Fund

June 30, 2022

Budgetary comparison schedules are presented as part of the basic financial statements for the General Fund and all Major Special Revenue Funds as provided for by GASB 34. The budgetary comparison schedules for the remaining Major Fund is presented to aid in additional analysis and is not a required part of the basic financial statements. The other Major Fund is as follows:

City Capital Projects – To account for construction of major transportation infrastructure and public facilities.

CITY OF CYPRESS

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
CITY CAPITAL PROJECTS FUND

For the fiscal year ended June 30, 2022

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES:				
From use of property	\$ 350,000	\$ 350,000	\$ 373,338	\$ 23,338
From other agencies	224,000	449,000	225,000	(224,000)
TOTAL REVENUES	<u>574,000</u>	<u>799,000</u>	<u>598,338</u>	<u>(200,662)</u>
EXPENDITURES:				
Current:				
Public works	2,024,000	2,204,002	1,083,215	1,120,787
Capital outlay	1,785,000	6,386,391	3,958,855	2,427,536
TOTAL EXPENDITURES	<u>3,809,000</u>	<u>8,590,393</u>	<u>5,042,070</u>	<u>3,548,323</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(3,235,000)</u>	<u>(7,791,393)</u>	<u>(4,443,732)</u>	<u>3,347,661</u>
OTHER FINANCING SOURCES:				
Transfers in	3,419,000	8,817,011	8,186,370	(630,641)
TOTAL OTHER FINANCING SOURCES	<u>3,419,000</u>	<u>8,817,011</u>	<u>8,186,370</u>	<u>(630,641)</u>
NET CHANGE IN FUND BALANCE	<u>\$ 184,000</u>	<u>\$ 1,025,618</u>	<u>3,742,638</u>	<u>\$ 2,717,020</u>
FUND BALANCE - BEGINNING OF YEAR			<u>86,985,509</u>	
FUND BALANCE - END OF YEAR			<u>\$ 90,728,147</u>	

CITY OF CYPRESS

Nonmajor Governmental Funds

June 30, 2022

The combining statements for Nonmajor Governmental Funds represent a consolidation of the information for specific funds contained in the Supplementary Financial Statements. These statements, along with the budgetary comparison schedules, summarize the financial information contained in the other Special Revenue Funds.

Special Revenue Fund Descriptions

Special Revenue Funds are used to account for taxes and other revenues required to be set aside in accordance with law or administrative regulation for a specific purpose. A brief description of each of the City's Special Revenue Funds follows:

Local Drainage – To account for developer receipts and expenditures for master planned drainage projects.

Stanton Channel Maintenance District – To account for a special assessment for maintenance of the Stanton Channel landscaped berm in the business park.

Lighting District – To account for property taxes assessed specifically for expenditures for city street lights, traffic signal maintenance and construction.

CATV PEG Grant - To account for monies received from the City's cable franchise transfer agreement that are restricted to use for costs associated with the City's video PEG access services.

AB 2766 – To account for receipts and expenditures of money funded under AB 2766 legislation for emission reduction.

Traffic Safety – To account for receipts of vehicle code violation fines and expenditures for traffic safety.

Supplemental Law Enforcement – To account for receipts and expenditures of money funded under AB 3229 legislation for law enforcement.

Narcotics Asset Seizure – To account for funds seized by the Police Department during narcotic investigations and allocated to the City.

Low and Moderate Housing Assets – To account for housing assets transferred to the City upon the dissolution of the Redevelopment Agency on February 1, 2012.

CITY OF CYPRESS

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

June 30, 2022

	Special Revenue Funds			
	Local Drainage	Stanton Channel Maintenance District	Lighting District	CATV Peg Grant
ASSETS				
Cash and investments	\$ 1,048,693	\$ 170,448	\$ 5,556,519	\$ 684,346
Receivables:				
Taxes	-	-	18,223	-
Interest	1,609	-	9,411	-
Notes, net of allowance	-	-	-	-
Accounts	-	-	5,700	19,389
Land Held for Resale	-	-	-	-
TOTAL ASSETS	<u>\$ 1,050,302</u>	<u>\$ 170,448</u>	<u>\$ 5,589,853</u>	<u>\$ 703,735</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES:				
Accounts payable and other accrued liabilities	\$ -	\$ 4,439	\$ 187,298	\$ -
Due to other funds	-	-	-	-
Advances to other funds	-	-	-	-
TOTAL LIABILITIES	<u>-</u>	<u>4,439</u>	<u>187,298</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES:				
Unavailable revenue	-	-	1,491	-
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>-</u>	<u>-</u>	<u>1,491</u>	<u>-</u>
FUND BALANCE:				
Restricted	1,050,302	166,009	5,401,064	703,735
Unassigned	-	-	-	-
TOTAL FUND BALANCES	<u>1,050,302</u>	<u>166,009</u>	<u>5,401,064</u>	<u>703,735</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,050,302</u>	<u>\$ 170,448</u>	<u>\$ 5,589,853</u>	<u>\$ 703,735</u>

Special Revenue Funds (Continued)

AB 2766	Traffic Safety	Supplemental Law Enforcement	Narcotics Asset Seizure	Low & Moderate Housing Assets	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ 8,599	\$ 1,073,540	\$ 57,050	\$ 8,599,195
-	-	-	-	-	18,223
-	-	78	2,405	128	13,631
-	-	-	-	72,828	72,828
15,962	5,989	-	144	214	47,398
-	-	-	-	1,421,708	1,421,708
<u>\$ 15,962</u>	<u>\$ 5,989</u>	<u>\$ 8,677</u>	<u>\$ 1,076,089</u>	<u>\$ 1,551,928</u>	<u>\$ 10,172,983</u>
\$ -	\$ -	\$ 8,677	\$ 34,262	\$ 5,531	\$ 240,207
15,962	5,989	-	-	-	21,951
<u>163,885</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>163,885</u>
<u>179,847</u>	<u>5,989</u>	<u>8,677</u>	<u>34,262</u>	<u>5,531</u>	<u>426,043</u>
-	-	-	-	-	1,491
-	-	-	-	-	1,491
-	-	-	1,041,827	1,546,397	9,909,334
<u>(163,885)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(163,885)</u>
<u>(163,885)</u>	<u>-</u>	<u>-</u>	<u>1,041,827</u>	<u>1,546,397</u>	<u>9,745,449</u>
<u>\$ 15,962</u>	<u>\$ 5,989</u>	<u>\$ 8,677</u>	<u>\$ 1,076,089</u>	<u>\$ 1,551,928</u>	<u>\$ 10,172,983</u>

CITY OF CYPRESS

COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS

For the fiscal year ended June 30, 2022

	Special Revenue Funds			
	Local Drainage	Stanton Channel Maintenance District	Lighting District	CATV Peg Grant
REVENUES:				
Taxes	\$ -	\$ -	\$ 1,425,207	\$ 75,610
Fines and forfeitures	-	-	-	-
From use of property	4,116	-	25,429	-
From other agencies	-	-	5,241	-
Charges for services	214,616	88,826	-	-
Other revenue	-	-	17,040	-
TOTAL REVENUES	<u>218,732</u>	<u>88,826</u>	<u>1,472,917</u>	<u>75,610</u>
EXPENDITURES:				
Current:				
Community development	-	-	-	-
Public safety	-	-	-	-
Public works	-	82,412	1,064,185	-
Capital outlay	-	-	207,548	-
TOTAL EXPENDITURES	<u>-</u>	<u>82,412</u>	<u>1,271,733</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>218,732</u>	<u>6,414</u>	<u>201,184</u>	<u>75,610</u>
OTHER FINANCING USES:				
Transfers out	-	(12,362)	(528,060)	-
TOTAL OTHER FINANCING USES	<u>-</u>	<u>(12,362)</u>	<u>(528,060)</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	218,732	(5,948)	(326,876)	75,610
FUND BALANCE - BEGINNING OF YEAR	<u>831,570</u>	<u>171,957</u>	<u>5,727,940</u>	<u>628,125</u>
FUND BALANCES - END OF YEAR	<u>\$ 1,050,302</u>	<u>\$ 166,009</u>	<u>\$ 5,401,064</u>	<u>\$ 703,735</u>

Special Revenue Funds (Continued)

AB 2766	Traffic Safety	Supplemental Law Enforcement	Narcotics Asset Seizure	Low & Moderate Housing Assets	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,500,817
-	83,255	-	-	-	83,255
-	-	191	5,109	15,990	50,835
62,419	-	161,285	-	-	228,945
-	-	-	-	-	303,442
-	-	-	332,468	6,375	355,883
<u>62,419</u>	<u>83,255</u>	<u>161,476</u>	<u>337,577</u>	<u>22,365</u>	<u>2,523,177</u>
-	-	-	-	60,300	60,300
-	-	161,476	30,899	-	192,375
-	-	-	-	-	1,146,597
-	-	-	-	-	207,548
<u>-</u>	<u>-</u>	<u>161,476</u>	<u>30,899</u>	<u>60,300</u>	<u>1,606,820</u>
<u>62,419</u>	<u>83,255</u>	<u>-</u>	<u>306,678</u>	<u>(37,935)</u>	<u>916,357</u>
<u>-</u>	<u>(83,255)</u>	<u>-</u>	<u>(498,772)</u>	<u>-</u>	<u>(1,122,449)</u>
<u>-</u>	<u>(83,255)</u>	<u>-</u>	<u>(498,772)</u>	<u>-</u>	<u>(1,122,449)</u>
62,419	-	-	(192,094)	(37,935)	(206,092)
<u>(226,304)</u>	<u>-</u>	<u>-</u>	<u>1,233,921</u>	<u>1,584,332</u>	<u>9,951,541</u>
<u>\$ (163,885)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,041,827</u>	<u>\$ 1,546,397</u>	<u>\$ 9,745,449</u>

CITY OF CYPRESS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
LOCAL DRAINAGE SPECIAL REVENUE FUND

For the fiscal year ended June 30, 2022

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES:				
From use of property	\$ 1,500	\$ 1,500	\$ 4,116	\$ 2,616
Charges for services	5,000	5,000	214,616	209,616
TOTAL REVENUES	\$ 6,500	\$ 6,500	218,732	\$ 212,232
 FUND BALANCE - BEGINNING OF YEAR			831,570	
 FUND BALANCE - END OF YEAR			\$ 1,050,302	

CITY OF CYPRESS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
STANTON CHANNEL MAINTENANCE DISTRICT SPECIAL REVENUE FUND

For the fiscal year ended June 30, 2022

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Charges for services	\$ 87,000	\$ 87,000	\$ 88,826	\$ 1,826
TOTAL REVENUES	<u>87,000</u>	<u>87,000</u>	<u>88,826</u>	<u>1,826</u>
EXPENDITURES:				
Current:				
Public works	77,477	92,777	82,412	10,365
TOTAL EXPENDITURES	<u>77,477</u>	<u>92,777</u>	<u>82,412</u>	<u>10,365</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>9,523</u>	<u>(5,777)</u>	<u>6,414</u>	<u>12,191</u>
OTHER FINANCING USES:				
Transfers out	(11,622)	(11,622)	(12,362)	(740)
TOTAL OTHER FINANCING USES	<u>(11,622)</u>	<u>(11,622)</u>	<u>(12,362)</u>	<u>(740)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND OTHER FINANCING USES	<u>\$ (2,099)</u>	<u>\$ (17,399)</u>	(5,948)	<u>\$ 11,451</u>
FUND BALANCE - BEGINNING OF YEAR			<u>171,957</u>	
FUND BALANCE - END OF YEAR			<u>\$ 166,009</u>	

CITY OF CYPRESS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL LIGHTING DISTRICT SPECIAL REVENUE FUND

For the fiscal year ended June 30, 2022

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 1,303,010	\$ 1,303,010	\$ 1,425,207	\$ 122,197
From use of property	25,000	25,000	25,429	429
From other agencies	5,820	5,820	5,241	(579)
Other revenue	10,000	10,000	17,040	7,040
TOTAL REVENUES	<u>1,343,830</u>	<u>1,343,830</u>	<u>1,472,917</u>	<u>129,087</u>
EXPENDITURES:				
Current:				
Public works	974,327	1,161,978	1,064,185	97,793
Capital outlay	610,000	945,836	207,548	738,288
TOTAL EXPENDITURES	<u>1,584,327</u>	<u>2,107,814</u>	<u>1,271,733</u>	<u>836,081</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>(240,497)</u>	<u>(763,984)</u>	<u>201,184</u>	<u>965,168</u>
OTHER FINANCING USES:				
Transfers out	<u>(207,650)</u>	<u>(581,255)</u>	<u>(528,060)</u>	<u>53,195</u>
TOTAL OTHER FINANCING USES	<u>(207,650)</u>	<u>(581,255)</u>	<u>(528,060)</u>	<u>53,195</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND OTHER FINANCING USES	<u>\$ (448,147)</u>	<u>\$ (1,345,239)</u>	<u>(326,876)</u>	<u>\$ 1,018,363</u>
FUND BALANCE - BEGINNING OF YEAR			<u>5,727,940</u>	
FUND BALANCE - END OF YEAR			<u>\$ 5,401,064</u>	

CITY OF CYPRESS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
CABLE TV PEG GRANT SPECIAL REVENUE FUND

For the fiscal year ended June 30, 2022

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 80,000	\$ 80,000	\$ 75,610	\$ (4,390)
TOTAL REVENUES	<u>80,000</u>	<u>80,000</u>	<u>75,610</u>	<u>(4,390)</u>
OTHER FINANCING USES:				
Transfers out	(43,000)	(43,000)	-	43,000
TOTAL OTHER FINANCING USES	<u>(43,000)</u>	<u>(43,000)</u>	<u>-</u>	<u>43,000</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING USES	<u>\$ 37,000</u>	<u>\$ 37,000</u>	75,610	<u>\$ 38,610</u>
FUND BALANCE - BEGINNING OF YEAR			<u>628,125</u>	
FUND BALANCE - END OF YEAR			<u>\$ 703,735</u>	

CITY OF CYPRESS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
AB 2766 SPECIAL REVENUE FUND

For the fiscal year ended June 30, 2022

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES:				
From other agencies	\$ 63,000	\$ 63,000	\$ 62,419	\$ (581)
TOTAL REVENUES	<u>63,000</u>	<u>63,000</u>	<u>62,419</u>	<u>(581)</u>
OTHER FINANCING USES:				
Transfers out	<u>(63,000)</u>	<u>(63,000)</u>	-	<u>63,000</u>
TOTAL OTHER FINANCING USES	<u>(63,000)</u>	<u>(63,000)</u>	-	<u>63,000</u>
 EXCESS (DEFICIENCY) OF REVENUES OVER OTHER FINANCING USES	 <u>\$ -</u>	 <u>\$ -</u>	 62,419	 <u>\$ 62,419</u>
 FUND BALANCE - BEGINNING OF YEAR			 <u>(226,304)</u>	
 FUND BALANCE - END OF YEAR			 <u>\$ (163,885)</u>	

CITY OF CYPRESS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
TRAFFIC SAFETY SPECIAL REVENUE FUND

For the fiscal year ended June 30, 2022

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES:				
Fines and forfeitures	\$ 120,000	\$ 120,000	\$ 83,255	\$ (36,745)
TOTAL REVENUES	<u>120,000</u>	<u>120,000</u>	<u>83,255</u>	<u>(36,745)</u>
OTHER FINANCING USES:				
Transfers out	(120,000)	(120,000)	(83,255)	36,745
TOTAL OTHER FINANCING USES	<u>(120,000)</u>	<u>(120,000)</u>	<u>(83,255)</u>	<u>36,745</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING USES	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
FUND BALANCE - BEGINNING OF YEAR			-	
FUND BALANCE - END OF YEAR			<u>\$ -</u>	

CITY OF CYPRESS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
SUPPLEMENTAL LAW ENFORCEMENT SPECIAL REVENUE FUND

For the fiscal year ended June 30, 2022

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES:				
From use of property	\$ 100	\$ 100	\$ 191	\$ 91
From other agencies	129,096	161,377	161,285	(92)
TOTAL REVENUES	<u>129,196</u>	<u>161,477</u>	<u>161,476</u>	<u>(1)</u>
EXPENDITURES:				
Current:				
Public safety	129,196	161,477	161,476	1
TOTAL EXPENDITURES	<u>129,196</u>	<u>161,477</u>	<u>161,476</u>	<u>1</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
FUND BALANCE - BEGINNING OF YEAR			<u>-</u>	
FUND BALANCE - END OF YEAR			<u>\$ -</u>	

CITY OF CYPRESS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
NARCOTICS ASSET SEIZURE SPECIAL REVENUE FUND

For the fiscal year ended June 30, 2022

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
From use of property	\$ 1,500	\$ 1,500	\$ 5,109	\$ 3,609
Other revenue	10,000	10,000	332,468	322,468
TOTAL REVENUES	<u>11,500</u>	<u>11,500</u>	<u>337,577</u>	<u>326,077</u>
EXPENDITURES:				
Current:				
Public safety	65,632	68,732	30,899	37,833
TOTAL EXPENDITURES	<u>65,632</u>	<u>68,732</u>	<u>30,899</u>	<u>37,833</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(54,132)</u>	<u>(57,232)</u>	<u>306,678</u>	<u>363,910</u>
OTHER FINANCING USES:				
Transfers out	-	(498,772)	(498,772)	-
TOTAL OTHER FINANCING USES	<u>-</u>	<u>(498,772)</u>	<u>(498,772)</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND OTHER FINANCING USES	<u>\$ (54,132)</u>	<u>\$ (556,004)</u>	<u>(192,094)</u>	<u>\$ 363,910</u>
FUND BALANCE - BEGINNING OF YEAR			<u>1,233,921</u>	
FUND BALANCE - END OF YEAR			<u>\$ 1,041,827</u>	

CITY OF CYPRESS

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
LOW AND MODERATE HOUSING ASSETS SPECIAL REVENUE FUND

For the fiscal year ended June 30, 2022

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES:				
From use of property	\$ 1,500	\$ 1,500	\$ 15,990	\$ 14,490
Other revenue	6,480	6,480	6,375	(105)
TOTAL REVENUES	<u>7,980</u>	<u>7,980</u>	<u>22,365</u>	<u>14,385</u>
EXPENDITURES:				
Current:				
Community Development	<u>28,037</u>	<u>60,337</u>	<u>60,300</u>	<u>(37)</u>
TOTAL EXPENDITURES	<u>28,037</u>	<u>60,337</u>	<u>60,300</u>	<u>(37)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ (20,057)</u>	<u>\$ (52,357)</u>	(37,935)	<u>\$ 14,422</u>
FUND BALANCE - BEGINNING OF YEAR			<u>1,584,332</u>	
FUND BALANCE - END OF YEAR			<u>\$ 1,546,397</u>	

CITY OF CYPRESS

Internal Service Funds

June 30, 2022

The Internal Service Funds are used to finance and account for goods and services provided by one City department to other City departments on a cost-reimbursement basis, including depreciation.

Central Services – To account for the costs of the strategic technology plan, building maintenance, vehicle and equipment maintenance, print production, and accumulated equipment replacement funds.

Recreation District Central Services – To account for the costs of building maintenance, vehicle and equipment maintenance, and accumulated equipment replacement funds for the Recreation District.

Employees' Benefit – To account for employee fringe benefits.

Liability Insurance – To account for the cost of the City's public liability/risk management program.

Workers' Compensation Insurance – To account for the cost of the City's workers' compensation insurance program.

CITY OF CYPRESS

COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS

June 30, 2021

	<u>Central Services</u>	<u>Recreation District Central Services</u>
ASSETS		
CURRENT ASSETS:		
Cash and investments	\$ 20,711,730	\$ 702,711
Restricted cash and investments	-	-
Receivables:		
Interest	-	-
Accounts	1,663	-
Prepaid items	41,742	-
Inventory	4,898	-
TOTAL CURRENT ASSETS	<u>20,760,033</u>	<u>702,711</u>
NON-CURRENT ASSETS:		
Net pension asset	-	-
Equipment (Net)	2,942,225	284,235
TOTAL NON-CURRENT ASSETS	<u>2,942,225</u>	<u>284,235</u>
TOTAL ASSETS	<u>23,702,258</u>	<u>986,946</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred amount from pension plans	-	-
Deferred amount from OPEB	-	-
Deferred amount from OCERS	-	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>-</u>	<u>-</u>
LIABILITIES		
CURRENT LIABILITIES:		
Accounts payable and other accrued liabilities	188,988	-
Claims payable	-	-
Compensated absences	-	-
TOTAL CURRENT LIABILITIES	<u>188,988</u>	<u>-</u>
LONG-TERM LIABILITIES:		
Claims payable	-	-
Retirees' health payable	-	-
Compensated absences	-	-
Net pension liability	-	-
TOTAL LONG-TERM LIABILITIES	<u>-</u>	<u>-</u>
TOTAL LIABILITIES	<u>188,988</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred amount from pension plans	-	-
Deferred amount from OPEB	-	-
Deferred amount from OCERS	-	-
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>-</u>	<u>-</u>
NET POSITION:		
Invested in capital assets	2,942,225	284,235
Restricted:		
Pension trust	-	-
Unrestricted	20,571,045	702,711
TOTAL NET POSITION	<u>\$ 23,513,270</u>	<u>\$ 986,946</u>

<u>Employees' Benefit</u>	<u>Liability Insurance</u>	<u>Workers' Compensation</u>	<u>Total</u>
\$ 5,359,215	\$ 3,166,812	\$ 2,389,987	\$ 32,330,455
20,198,541	-	-	20,198,541
7,953	-	-	7,953
671,185	-	2,496	675,344
8,011	-	-	49,753
-	-	-	4,898
<u>26,244,905</u>	<u>3,166,812</u>	<u>2,392,483</u>	<u>53,266,944</u>
103,379	-	-	103,379
-	-	-	3,226,460
<u>103,379</u>	<u>-</u>	<u>-</u>	<u>3,329,839</u>
<u>26,348,284</u>	<u>3,166,812</u>	<u>2,392,483</u>	<u>56,596,783</u>
12,006,762	-	-	12,006,762
1,253,299	-	-	1,253,299
970,860	-	-	970,860
<u>14,230,921</u>	<u>-</u>	<u>-</u>	<u>14,230,921</u>
275,537	-	3,282	467,807
-	49,000	573,600	622,600
601,300	-	-	601,300
<u>876,837</u>	<u>49,000</u>	<u>576,882</u>	<u>1,691,707</u>
-	147,094	1,720,721	1,867,815
9,015,067	-	-	9,015,067
1,803,907	-	-	1,803,907
32,737,065	-	-	32,737,065
<u>43,556,039</u>	<u>147,094</u>	<u>1,720,721</u>	<u>45,423,854</u>
<u>44,432,876</u>	<u>196,094</u>	<u>2,297,603</u>	<u>47,115,561</u>
26,391,420	-	-	26,391,420
2,061,388	-	-	2,061,388
511,244	-	-	511,244
<u>28,964,052</u>	<u>-</u>	<u>-</u>	<u>28,964,052</u>
-	-	-	3,226,460
20,198,541	-	-	20,198,541
(53,016,264)	2,970,718	94,880	(28,676,910)
<u>\$ (32,817,723)</u>	<u>\$ 2,970,718</u>	<u>\$ 94,880</u>	<u>\$ (5,251,909)</u>

CITY OF CYPRESS

COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION INTERNAL SERVICE FUNDS

For the fiscal year ended June 30, 2022

	Central Services	Recreation District Central Services
OPERATING REVENUES:		
From other agencies	\$ -	\$ 29,965
Charges for services	3,746,595	29,020
Other revenue	21,914	-
TOTAL OPERATING REVENUES	3,768,509	58,985
OPERATING EXPENSES:		
Personnel services	1,126,849	-
Contractual services	338,910	11,645
Supplies and other services	1,167,415	-
Claim payments and changes in estimates	-	-
Depreciation	711,303	48,679
TOTAL OPERATING EXPENSES	3,344,477	60,324
OPERATING INCOME (LOSS)	424,032	(1,339)
NON-OPERATING REVENUES (EXPENSES):		
Interest income (loss)	-	-
Gain (loss) on disposal of equipment	(5,130)	(859)
TOTAL NON-OPERATING REVENUES (EXPENSES)	(5,130)	(859)
INCOME (LOSS) BEFORE TRANSFERS	418,902	(2,198)
TRANSFERS:		
Transfers in	24,959	10,234
TOTAL TRANSFERS	24,959	10,234
CHANGE IN NET POSITION	443,861	8,036
NET POSITION - BEGINNING OF YEAR	23,069,409	978,910
NET POSITION - END OF YEAR	\$ 23,513,270	\$ 986,946

Employees' Benefit	Liability Insurance	Workers' Compensation	Total
\$ -	\$ -	\$ -	\$ 29,965
12,859,335	586,000	727,732	17,948,682
-	460,812	11,328	494,054
<u>12,859,335</u>	<u>1,046,812</u>	<u>739,060</u>	<u>18,472,701</u>
-	-	21,397	1,148,246
12,463,454	-	177,336	12,991,345
3,952,390	489,721	172,429	5,781,955
-	-	897,538	897,538
-	-	-	759,982
<u>16,415,844</u>	<u>489,721</u>	<u>1,268,700</u>	<u>21,579,066</u>
<u>(3,556,509)</u>	<u>557,091</u>	<u>(529,640)</u>	<u>(3,106,365)</u>
(2,197,632)	-	-	(2,197,632)
-	-	-	(5,989)
<u>(2,197,632)</u>	<u>-</u>	<u>-</u>	<u>(2,203,621)</u>
(5,754,141)	557,091	(529,640)	(5,309,986)
<u>4,650,000</u>	<u>-</u>	<u>-</u>	<u>4,685,193</u>
<u>4,650,000</u>	<u>-</u>	<u>-</u>	<u>4,685,193</u>
(1,104,141)	557,091	(529,640)	(624,793)
<u>(31,713,582)</u>	<u>2,413,627</u>	<u>624,520</u>	<u>(4,627,116)</u>
<u>\$ (32,817,723)</u>	<u>\$ 2,970,718</u>	<u>\$ 94,880</u>	<u>\$ (5,251,909)</u>

CITY OF CYPRESS

COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS

For the fiscal year ended June 30, 2022

	<u>Central Services</u>	<u>Recreation District Central Services</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from users	\$ 3,869,171	\$ 58,985
Cash payments to suppliers for goods and services	(1,488,620)	(102,833)
Cash payments to employees	(1,119,785)	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>1,260,766</u>	<u>(43,848)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Transfers in	24,959	10,234
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	<u>24,959</u>	<u>10,234</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Proceeds from disposal of capital assets	13,848	-
Acquisition of capital assets	(358,561)	(49,262)
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(344,713)</u>	<u>(49,262)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest on investments	-	-
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>-</u>	<u>-</u>
INCREASE IN CASH AND CASH EQUIVALENTS	941,012	(82,876)
CASH AND INVESTMENTS - BEGINNING OF YEAR	<u>19,770,718</u>	<u>785,587</u>
CASH AND INVESTMENTS - END OF YEAR	<u>\$ 20,711,730</u>	<u>\$ 702,711</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating income (loss)	\$ 424,032	\$ (1,339)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	711,303	48,679
Changes in assets and liabilities:		
Accounts receivable decreased (increased)	96,223	4,257
Prepaid items decreased (increased)	(20,211)	-
Inventory decreased (increased)	(3,201)	-
Deferred outflows decreased (increased)	-	-
Accounts payable and other accrued liabilities increased (decreased)	52,620	(95,445)
Insurance claims payable increased (decreased)	-	-
Accrued retirees' health payable increased (decreased)	-	-
Accrued leave payable increased (decreased)	-	-
Accrued pension liability increased (decreased)	-	-
Deferred inflows increased (decreased)	-	-
TOTAL ADJUSTMENTS	<u>836,734</u>	<u>(42,509)</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 1,260,766</u>	<u>\$ (43,848)</u>
NON-CASH CAPITAL ACTIVITIES:		
Gain/(loss) on disposition of capital assets	<u>\$ (5,130)</u>	<u>\$ (859)</u>

Employees' Benefit	Liability Insurance	Workers' Compensation	Total
\$ 12,739,756	\$ 662,926	\$ 740,378	\$ 18,071,216
(13,758,850)	(518,738)	(664,048)	(16,533,089)
-	-	(21,255)	(1,141,040)
(1,019,094)	144,188	55,075	397,087
4,650,000	-	-	4,685,193
4,650,000	-	-	4,685,193
-	-	-	13,848
-	-	-	(407,823)
-	-	-	(393,975)
(2,197,632)	-	-	(2,197,632)
(2,197,632)	-	-	(2,197,632)
1,433,274	144,188	55,075	2,490,673
24,124,482	3,022,624	2,334,912	50,038,323
<u>\$ 25,557,756</u>	<u>\$ 3,166,812</u>	<u>\$ 2,389,987</u>	<u>\$ 52,528,996</u>
\$ (3,556,509)	\$ 557,091	\$ (529,640)	\$ (3,106,365)
-	-	-	759,982
(120,547)	-	1,318	(18,749)
967	-	-	(19,244)
-	-	-	(3,201)
930,080	-	-	930,080
(398,512)	(9,473)	(9,114)	(459,924)
-	(403,430)	592,511	189,081
(1,592,037)	-	-	(1,592,037)
109,947	-	-	109,947
(20,638,565)	-	-	(20,638,565)
24,246,082	-	-	24,246,082
2,537,415	(412,903)	584,715	3,503,452
<u>\$ (1,019,094)</u>	<u>\$ 144,188</u>	<u>\$ 55,075</u>	<u>\$ 397,087</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (5,989)</u>

CITY OF CYPRESS

Fiduciary Funds

June 30, 2022

The Fiduciary Funds are used to report assets held in a trustee or custodial capacity for others and therefore cannot be used to support the City's own programs.

Custodial Funds – To account for assets that are held in a custodial relationship. The City's custodial funds include cash held with fiscal agents for non-city debt obligations, and amounts held on behalf of the West Cities Communication Center Joint Powers Authority.

CITY OF CYPRESS

COMBINING STATEMENT OF FIDUCIARY NET POSITION CUSTODIAL FUNDS

June 30, 2022

	Business and Professional Center Assessment District	West Cities Police Communications Center Joint Powers Authority	Total Custodial Funds
ASSETS			
Cash and cash equivalents	\$ 20,001	\$ 3,596,141	\$ 3,616,142
Restricted cash and investments	160,125	1,668	161,793
Interest receivable	30	5,736	5,766
Accounts receivable	-	46,670	46,670
Prepaid items	-	20,866	20,866
	180,156	3,671,081	3,851,237
LIABILITIES			
Current liabilities			
Accounts payable and other accrued liabilities	-	177,737	177,737
Unearned revenue	-	37,383	37,383
Bonds payable	170,000	-	170,000
Accrued leave payable	-	68,216	68,216
Noncurrent liabilities			
Accrued leave payable	-	204,646	204,646
Retirees' health payable	-	611,017	611,017
Due to other governments	-	1,114,616	1,114,616
	170,000	2,213,615	2,383,615
NET POSITION			
Restricted for:			
Assessment district improvements	10,156	-	10,156
Member agencies	-	1,457,466	1,457,466
	\$ 10,156	\$ 1,457,466	\$ 1,467,622

CITY OF CYPRESS

COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
CUSTODIAL FUNDS

For the fiscal year ended June 30, 2022

	Business and Professional Center Assessment District	West Cities Police Communications Center Joint Powers Authority	Total Custodial Funds
ADDITIONS:			
Member contributions	\$ -	\$ 2,885,055	\$ 2,885,055
Investment income	182	15,597	15,779
Other revenue	-	149,266	149,266
TOTAL ADDITIONS	<u>182</u>	<u>3,049,918</u>	<u>3,050,100</u>
DEDUCTIONS:			
Dispatch services	-	2,435,520	2,435,520
Debt service	14,392	-	14,392
Other expenses	5,580	-	5,580
TOTAL DEDUCTIONS	<u>19,972</u>	<u>2,435,520</u>	<u>2,455,492</u>
CHANGE IN NET POSITION	(19,790)	614,398	594,608
NET POSITION - BEGINNING OF YEAR	<u>29,946</u>	<u>843,068</u>	<u>873,014</u>
NET POSITION - END OF YEAR	<u>\$ 10,156</u>	<u>\$ 1,457,466</u>	<u>\$ 1,467,622</u>

Statistical Section

CITY OF CYPRESS
Statistical Section
Year ended June 30, 2022
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This part of the City of Cypress' annual comprehensive report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

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Sources: Unless otherwise noted, the information in these schedules was derived from the City's comprehensive annual financial reports for the relevant year.

Note: The City of Cypress did not have General Bonded Debt Outstanding or Pledged Revenue during the Fiscal Year Ended June 30, 2022.

CITY OF CYPRESS

NET POSITION BY COMPONENT

LAST TEN FISCAL YEARS

Schedule 1

	Fiscal Year			
	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
GOVERNMENTAL ACTIVITIES				
Invested in capital assets	\$ 172,804,367	\$ 166,272,625	\$ 160,408,903	\$ 162,147,445
Restricted for:				
Debt service	-	-	-	-
Specific projects and programs	40,650,390	37,532,553	43,597,947	39,458,651
Total restricted	<u>40,650,390</u>	<u>37,532,553</u>	<u>43,597,947</u>	<u>39,458,651</u>
Unrestricted	<u>95,515,524</u>	<u>88,119,499</u>	<u>85,931,038</u>	<u>82,530,908</u>
Total governmental activities net position	<u>\$ 308,970,281</u>	<u>\$ 291,924,677</u>	<u>\$ 289,937,888</u>	<u>\$ 284,137,004</u>
BUSINESS-TYPE ACTIVITIES				
Invested in capital assets	\$ 18,876,495	\$ 19,322,767	\$ 19,672,894	\$ 19,764,241
Restricted for:				
Specific projects and programs	<u>6,638,371</u>	<u>5,253,793</u>	<u>3,871,515</u>	<u>2,820,977</u>
Total business-type activities net position	<u>\$ 25,514,866</u>	<u>\$ 24,576,560</u>	<u>\$ 23,544,409</u>	<u>\$ 22,585,218</u>
TOTAL GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES				
Invested in capital assets	\$ 191,680,862	\$ 185,595,392	\$ 180,081,797	\$ 181,911,686
Restricted for:				
Debt service	-	-	-	-
Specific projects and programs	47,288,761	42,786,346	47,469,462	42,279,628
Total restricted	<u>47,288,761</u>	<u>42,786,346</u>	<u>47,469,462</u>	<u>42,279,628</u>
Unrestricted	<u>95,515,524</u>	<u>88,119,499</u>	<u>85,931,038</u>	<u>82,530,908</u>
Total governmental and business-type activities net position	<u>\$ 334,485,147</u>	<u>\$ 316,501,237</u>	<u>\$ 313,482,297</u>	<u>\$ 306,722,222</u>

Notes: 1) Restricted net position amounts related to land held for resale in Governmental Activities have been reclassified to unrestricted net position as of June 30, 2013 to more properly reflect how the proceeds may be used by the City.

<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
\$ 162,818,741	\$ 161,714,951	\$ 153,270,346	\$ 154,805,926	\$ 154,957,177	\$ 154,793,254
522,200	979,010	420,185	400,000	380,000	360,000
36,012,698	25,872,294	26,169,565	24,651,239	24,407,720	23,839,841
36,534,898	26,851,304	26,589,750	25,051,239	24,787,720	24,199,841
75,803,724	89,651,389	107,623,380	101,970,622	111,781,610	110,120,627
<u>\$ 275,157,363</u>	<u>\$ 278,217,644</u>	<u>\$ 287,483,476</u>	<u>\$ 281,827,787</u>	<u>\$ 291,526,507</u>	<u>\$ 289,113,722</u>
\$ 20,004,444	\$ 19,788,397	\$ 18,245,712	\$ 15,801,861	\$ 14,516,549	\$ 13,330,876
1,463,331	524,701	930,903	2,281,112	2,174,616	1,864,593
<u>\$ 21,467,775</u>	<u>\$ 20,313,098</u>	<u>\$ 19,176,615</u>	<u>\$ 18,082,973</u>	<u>\$ 16,691,165</u>	<u>\$ 15,195,469</u>
\$ 182,823,185	\$ 181,503,348	\$ 171,516,058	\$ 170,607,787	\$ 169,473,726	\$ 168,124,130
522,200	979,010	420,185	400,000	380,000	360,000
37,476,029	26,396,995	27,100,468	26,932,351	26,582,336	25,704,434
37,998,229	27,376,005	27,520,653	27,332,351	26,962,336	26,064,434
75,803,724	89,651,389	107,623,380	101,970,622	111,781,610	110,120,627
<u>\$ 296,625,138</u>	<u>\$ 298,530,742</u>	<u>\$ 306,660,091</u>	<u>\$ 299,910,760</u>	<u>\$ 308,217,672</u>	<u>\$ 304,309,191</u>

CITY OF CYPRESS
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS
Schedule 2

	Fiscal Year			
	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
EXPENSES - GOVERNMENTAL ACTIVITIES:				
General government	\$ 5,477,433	\$ 6,295,641	\$ 6,082,701	\$ 4,683,324
Community development	2,333,245	2,100,332	1,915,912	2,200,508
Public safety	19,494,326	19,428,392	19,357,512	17,423,654
Public works	12,737,505	13,865,043	11,597,788	10,800,313
Recreation	5,583,107	5,303,581	5,003,445	5,042,590
Interest on long-term debt	-	-	-	1,300
Total government activities expenses	<u>45,625,616</u>	<u>46,992,989</u>	<u>43,957,358</u>	<u>40,151,689</u>
PROGRAM REVENUES - GOVERNMENTAL ACTIVITIES:				
Charges for services:				
General government	420,799	498,954	154,716	388,378
Community development	1,985,828	1,557,209	899,680	1,156,997
Public safety	277,816	406,077	268,225	324,497
Public works	873,072	770,403	741,487	740,542
Recreation	6,947,677	487,138	573,479	1,727,459
Operating grants and contributions	16,061,186	3,862,387	5,998,794	3,728,589
Capital grants and contributions	1,638,108	1,869,583	1,488,480	1,299,265
Total governmental activities program revenues	<u>28,204,486</u>	<u>9,451,751</u>	<u>10,124,861</u>	<u>9,365,727</u>
NET (EXPENSE/REVENUE) - GOVERNMENTAL ACTIVITIES	(17,421,130)	(37,541,238)	(33,832,497)	(30,785,962)
GENERAL REVENUES AND OTHER CHANGES IN NET POSITION - GOVERNMENTAL ACTIVITIES:				
Taxes				
Property taxes, levied for general purpose	6,530,911	6,261,310	6,273,159	5,703,464
Property taxes, levied for recreation purposes	6,222,354	5,958,450	5,958,511	5,435,431
Property taxes, levied for lighting purposes	1,425,207	1,363,781	1,358,550	1,240,367
Property taxes, backfill of vehicle license fees	5,322,016	5,136,804	4,942,234	4,708,074
Sales tax	13,292,177	11,249,720	11,969,246	12,616,015
Transient occupancy tax	2,602,233	1,648,030	2,185,978	2,761,917
Franchise tax	1,801,173	1,753,459	1,727,101	1,686,218
Other taxes	1,965,665	1,820,366	1,742,289	1,750,241
Total taxes	<u>39,161,736</u>	<u>35,191,920</u>	<u>36,157,068</u>	<u>35,901,727</u>
Investment earnings	(4,733,571)	2,245,090	3,423,255	3,806,673
Contributed capital	-	-	-	-
Miscellaneous	38,569	37,845	53,058	57,203
Total governmental activities	<u>34,466,734</u>	<u>37,474,855</u>	<u>39,633,381</u>	<u>39,765,603</u>
SPECIAL ITEMS:				
Market value adjustment - land held for resale	-	-	-	-
Gain on sale of land held for resale	-	2,053,172	-	-
Total special items	<u>-</u>	<u>2,053,172</u>	<u>-</u>	<u>-</u>
EXTRAORDINARY ITEMS:				
Gain on approval of repayment agreement	-	-	-	-
Loss on disallowance of interest on advance to former Redevelopment Agency	-	-	-	-
Loss on re-entered loan settlement agreement	-	-	-	-
Total extraordinary items	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES	<u>\$ 17,045,604</u>	<u>\$ 1,986,789</u>	<u>\$ 5,800,884</u>	<u>\$ 8,979,641</u>
EXPENSES - BUSINESS-TYPE ACTIVITIES:				
Sewer	\$ 902,389	\$ 888,283	\$ 871,750	\$ 897,761
Total business-type activities expenses	<u>902,389</u>	<u>888,283</u>	<u>871,750</u>	<u>897,761</u>
PROGRAM REVENUES - BUSINESS-TYPE ACTIVITIES:				
Charges for services	1,779,495	1,861,974	1,733,202	1,721,787
Operating grants and contributions	35	37	39	98,050
Capital grants and contributions	-	-	-	-
Total business-type activities program revenues	<u>1,779,530</u>	<u>1,862,011</u>	<u>1,733,241</u>	<u>1,819,837</u>
NET (EXPENSE/REVENUE) - BUSINESS-TYPE ACTIVITIES	877,141	973,728	861,491	922,076
GENERAL REVENUES AND OTHER CHANGES IN NET POSITION - BUSINESS TYPE ACTIVITIES:				
Taxes				
Property taxes, levied for sewer purposes	32,508	30,499	30,076	29,978
Total taxes	<u>32,508</u>	<u>30,499</u>	<u>30,076</u>	<u>29,978</u>
Investment earnings	26,215	25,145	66,013	162,156
Miscellaneous	2,442	2,779	1,611	3,233
Total business-type activities	<u>61,165</u>	<u>58,423</u>	<u>97,700</u>	<u>195,367</u>
CHANGE IN NET POSITION - BUSINESS-TYPE ACTIVITIES	<u>\$ 938,306</u>	<u>\$ 1,032,151</u>	<u>\$ 959,191</u>	<u>\$ 1,117,443</u>
CHANGE IN NET POSITION - TOTAL PRIMARY GOVERNMENT	<u>\$ 17,983,910</u>	<u>\$ 3,018,940</u>	<u>\$ 6,760,075</u>	<u>\$ 10,097,084</u>

2018	2017	2016	2015	2014	2013
\$ 4,634,173	\$ 4,688,064	\$ 4,186,025	\$ 3,762,129	\$ 4,037,449	\$ 3,844,511
2,545,902	2,092,444	2,045,322	1,792,626	1,717,272	1,658,699
17,185,826	15,793,707	14,193,759	13,823,314	14,119,456	14,079,824
13,608,594	11,949,123	11,467,198	11,818,556	11,971,891	11,554,300
5,296,640	5,077,877	4,659,025	4,675,847	4,857,577	4,664,614
25,145	48,597	70,731	89,610	107,166	123,439
<u>43,296,280</u>	<u>39,649,812</u>	<u>36,622,060</u>	<u>35,962,082</u>	<u>36,810,811</u>	<u>35,925,387</u>
477,787	517,051	247,368	155,590	98,802	46,683
1,125,447	957,395	1,038,354	767,379	663,525	604,456
221,319	217,567	190,861	229,721	223,771	284,904
723,444	773,597	820,048	854,062	832,916	836,641
1,509,692	1,489,518	1,499,750	1,160,898	1,389,596	1,303,395
3,625,304	4,550,919	4,474,668	3,549,872	3,648,027	3,822,397
1,029,329	1,462,551	693,977	856,247	1,315,906	1,071,101
<u>8,712,322</u>	<u>9,968,598</u>	<u>8,965,026</u>	<u>7,573,769</u>	<u>8,172,543</u>	<u>7,969,577</u>
(34,583,958)	(29,681,214)	(27,657,034)	(28,388,313)	(28,638,268)	(27,955,810)
5,373,717	4,838,954	4,634,994	4,735,392	4,589,439	4,847,103
5,133,137	4,598,132	4,420,347	4,450,954	4,224,593	4,778,959
1,173,368	1,055,329	1,015,521	1,013,028	962,631	1,086,568
4,429,211	4,241,925	4,061,360	3,835,515	3,678,802	3,560,389
11,141,720	11,346,462	12,435,166	11,891,754	11,846,002	10,827,664
2,836,842	2,711,306	2,558,974	2,209,939	1,980,228	1,926,322
1,660,665	1,607,621	1,728,236	1,724,232	1,650,481	1,629,706
1,728,281	1,745,849	1,647,782	1,678,288	1,617,097	1,656,695
33,476,941	32,145,578	32,502,380	31,539,102	30,549,273	30,313,406
1,281,234	694,455	748,457	344,668	439,186	218,964
1,460,026	-	-	-	-	-
55,078	69,209	61,886	65,861	62,594	348,499
<u>36,273,279</u>	<u>32,909,242</u>	<u>33,312,723</u>	<u>31,949,631</u>	<u>31,051,053</u>	<u>30,880,869</u>
-	-	-	(6,308,460)	-	-
-	-	-	-	-	-
-	-	-	(6,308,460)	-	-
-	-	-	25,323,775	-	-
-	-	-	-	-	(1,196,000)
-	(12,493,860)	-	-	-	-
-	(12,493,860)	-	25,323,775	-	(1,196,000)
<u>\$ 1,689,321</u>	<u>\$ (9,265,832)</u>	<u>\$ 5,655,689</u>	<u>\$ 22,576,633</u>	<u>\$ 2,412,785</u>	<u>\$ 1,729,059</u>
\$ 795,737	\$ 706,843	\$ 757,503	\$ 724,257	\$ 740,444	\$ 704,109
795,737	706,843	757,503	724,257	740,444	704,109
1,829,427	1,768,183	1,714,658	2,025,759	2,197,154	2,131,506
43	46	66,716	46,387	55	55
-	-	-	-	4,990	3,055
<u>1,829,470</u>	<u>1,768,229</u>	<u>1,781,374</u>	<u>2,072,146</u>	<u>2,202,199</u>	<u>2,134,616</u>
1,033,733	1,061,386	1,023,871	1,347,889	1,461,755	1,430,507
30,885	24,060	27,651	14,232	10,879	73,185
30,885	24,060	27,651	14,232	10,879	73,185
84,346	48,316	34,865	26,886	23,062	26,980
5,713	2,721	7,255	2,801	-	-
<u>120,944</u>	<u>75,097</u>	<u>69,771</u>	<u>43,919</u>	<u>33,941</u>	<u>100,165</u>
<u>\$ 1,154,677</u>	<u>\$ 1,136,483</u>	<u>\$ 1,093,642</u>	<u>\$ 1,391,808</u>	<u>\$ 1,495,696</u>	<u>\$ 1,530,672</u>
<u>\$ 2,843,998</u>	<u>\$ (8,129,349)</u>	<u>\$ 6,749,331</u>	<u>\$ 23,968,441</u>	<u>\$ 3,908,481</u>	<u>\$ 3,259,731</u>

CITY OF CYPRESS
FUND BALANCES - GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
Schedule 3

	Fiscal Year			
	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
GENERAL FUND				
Nonspendable	\$ 270,596	\$ 400,475	\$ 4,106	\$ 8,105
Restricted	28,944	28,944	140,521	51,035
Committed	8,862,296	8,277,669	7,752,199	7,399,045
Assigned	21,212,203	15,425,574	14,086,964	13,827,127
Unassigned	1,043,486	1,060,000	1,060,000	1,060,000
Total General Fund	<u>\$ 31,417,525</u>	<u>\$ 25,192,662</u>	<u>\$ 23,043,790</u>	<u>\$ 22,345,312</u>
ALL OTHER GOVERNMENTAL FUNDS				
Nonspendable	\$ -	\$ 5,915,695	\$ 3,242	\$ 28,946
Restricted	20,316,479	19,174,097	27,679,541	27,277,048
Committed	11,600,177	12,824,144	11,600,900	9,332,740
Assigned	81,327,970	70,479,670	74,307,742	70,811,712
Unassigned	(163,885)	(226,304)	(290,643)	-
Total all other Governmental Funds	<u>\$ 113,080,741</u>	<u>\$ 108,167,302</u>	<u>\$ 113,300,782</u>	<u>\$ 107,450,446</u>

Notes: 1) Nonspendable fund balance amounts related to land held for resale in All Other Governmental Funds have been reclassified to assigned fund balance as of June 30, 2013 to more properly reflect how the proceeds may be used by the City.

<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
\$ 54,299	\$ 57,474	\$ 8,759	\$ 6,411	\$ 9,387	\$ 14,359
73,252	73,252	73,252	73,252	73,252	73,252
7,152,556	6,982,083	6,885,909	6,520,344	6,299,394	6,075,680
8,018,278	11,199,276	11,766,464	13,078,088	11,116,273	8,011,729
860,000	921,728	289,297	170,783	121,919	115,976
<u>\$ 16,158,385</u>	<u>\$ 19,233,813</u>	<u>\$ 19,023,681</u>	<u>\$ 19,848,878</u>	<u>\$ 17,620,225</u>	<u>\$ 14,290,996</u>
\$ 26,013	\$ 71,608	\$ 59,660	\$ 56,300	\$ 11,233	\$ 10,602
26,328,454	26,466,768	27,039,278	25,513,795	24,960,766	24,331,702
10,568,404	9,174,885	17,680,891	9,437,504	11,908,872	14,378,531
67,828,083	62,830,965	71,429,444	76,745,521	55,006,639	54,988,809
-	-	-	-	-	-
<u>\$ 104,750,954</u>	<u>\$ 98,544,226</u>	<u>\$ 116,209,273</u>	<u>\$ 111,753,120</u>	<u>\$ 91,887,510</u>	<u>\$ 93,709,644</u>

CITY OF CYPRESS

CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS

Schedule 4

	Fiscal Year			
	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
REVENUES:				
Taxes				
Property tax	\$ 19,500,488	\$ 18,720,344	\$ 18,532,454	\$ 17,087,338
Sales tax	13,292,177	11,579,445	12,252,711	12,332,551
Transient occupancy tax	2,602,233	1,648,030	2,185,978	2,761,917
Franchise tax	1,876,783	1,829,542	1,806,177	1,766,326
Other taxes	2,348,252	2,167,293	2,063,126	2,095,035
Licenses and permits	1,326,104	884,938	628,630	806,907
Fines and forfeitures	250,414	345,986	277,716	390,365
From use of property	(2,256,444)	88,710	3,511,171	3,890,564
From other agencies	16,312,535	4,103,799	5,300,369	3,878,871
Charges for services	11,079,347	4,051,764	3,293,571	4,317,800
Other revenues	746,421	811,084	652,143	673,986
Total Revenues	<u>67,078,310</u>	<u>46,230,935</u>	<u>50,504,046</u>	<u>50,001,660</u>
EXPENDITURES:				
General government	4,833,262	5,485,769	5,206,978	4,131,110
Community development	2,159,679	1,892,213	1,714,979	2,056,311
Public safety	17,939,338	17,401,215	17,225,985	16,174,228
Public works	9,262,250	10,056,426	7,732,879	7,394,724
Recreation	4,532,507	4,181,884	3,951,650	4,158,366
Capital outlay	12,527,779	11,805,601	4,495,945	4,251,602
Debt service				
Principal retired	-	-	-	475,000
Interest and charges	-	-	-	13,175
Total expenditures	<u>51,254,815</u>	<u>50,823,108</u>	<u>40,328,416</u>	<u>38,654,516</u>
Excess of revenues over (under) expenditures	15,823,495	(4,592,173)	10,175,630	11,347,144
OTHER FINANCING SOURCES (USES):				
Transfers in	21,115,221	7,692,812	8,335,896	6,468,442
Transfers out	(25,800,414)	(8,138,419)	(11,962,712)	(8,929,167)
Total other financing sources (uses)	<u>(4,685,193)</u>	<u>(445,607)</u>	<u>(3,626,816)</u>	<u>(2,460,725)</u>
Net change in fund balances before extraordinary items	11,138,302	(5,037,780)	6,548,814	8,886,419
SPECIAL ITEMS:				
Market value adjustment - land held for resale	-	-	-	-
Gain on sale of land held for resale	-	2,053,172	-	-
Total special items	<u>-</u>	<u>2,053,172</u>	<u>-</u>	<u>-</u>
EXTRAORDINARY ITEMS:				
Gain on approval of repayment agreement	-	-	-	-
Loss on disallowance of interest on advance to former Redevelopment Agency	-	-	-	-
Loss on re-entered loan settlement agreement	-	-	-	-
Total extraordinary items	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>\$ 11,138,302</u>	<u>\$ (2,984,608)</u>	<u>\$ 6,548,814</u>	<u>\$ 8,886,419</u>
Debt service as a percentage of noncapital expenditures	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>1.4%</u>

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
\$	16,109,436	\$ 14,734,339	\$ 14,132,221	\$ 14,034,888	\$ 13,455,467	\$ 15,485,431
	11,141,720	11,451,407	12,540,112	11,681,865	11,846,003	10,827,665
	2,836,842	2,711,306	2,558,974	2,209,939	1,980,228	1,926,322
	1,740,802	1,665,820	1,774,268	1,770,259	1,693,524	1,671,897
	2,052,850	2,061,297	1,957,223	1,986,873	1,909,589	1,899,759
	675,894	700,437	700,510	455,781	381,992	380,256
	275,909	289,271	239,845	254,997	270,593	336,389
	1,660,035	1,027,004	1,044,996	594,030	659,310	478,573
	3,856,558	3,113,673	3,021,416	3,178,481	3,886,307	3,438,718
	4,700,201	4,397,340	4,376,424	3,963,964	4,244,710	4,125,461
	701,596	1,585,339	1,401,191	788,618	695,557	1,226,084
	<u>45,751,843</u>	<u>43,737,233</u>	<u>43,747,180</u>	<u>40,919,695</u>	<u>41,023,280</u>	<u>41,796,555</u>
	4,037,765	4,380,176	4,147,614	3,555,118	3,802,168	3,570,736
	2,351,459	2,070,995	2,160,255	1,772,835	1,776,411	1,646,044
	15,762,018	15,508,454	14,861,961	13,905,373	14,073,067	13,868,047
	10,081,750	9,541,509	9,630,040	9,625,309	9,789,620	9,183,658
	4,498,225	4,612,076	4,450,788	4,305,974	4,452,120	4,206,914
	2,275,198	11,813,186	2,295,678	4,386,607	5,079,667	2,328,613
	445,000	420,000	400,000	380,000	360,000	340,000
	36,826	59,622	80,131	98,350	115,266	130,749
	<u>39,488,241</u>	<u>48,406,018</u>	<u>38,026,467</u>	<u>38,029,566</u>	<u>39,448,319</u>	<u>35,274,761</u>
	6,263,602	(4,668,785)	5,720,713	2,890,129	1,574,961	6,521,794
	9,020,684	8,189,632	7,466,801	7,991,193	5,725,391	25,579,555
	(12,152,986)	(8,481,902)	(9,556,558)	(8,098,884)	(5,793,257)	(25,622,970)
	<u>(3,132,302)</u>	<u>(292,270)</u>	<u>(2,089,757)</u>	<u>(107,691)</u>	<u>(67,866)</u>	<u>(43,415)</u>
	3,131,300	(4,961,055)	3,630,956	2,782,438	1,507,095	6,478,379
	-	-	-	(6,308,460)	-	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	25,323,775	-	-
	-	-	-	-	-	(1,196,000)
	-	(12,493,860)	-	-	-	-
	<u>-</u>	<u>(12,493,860)</u>	<u>-</u>	<u>25,323,775</u>	<u>-</u>	<u>(1,196,000)</u>
\$	<u>3,131,300</u>	<u>\$ (17,454,915)</u>	<u>\$ 3,630,956</u>	<u>\$ 28,106,213</u>	<u>\$ 1,507,095</u>	<u>\$ 5,282,379</u>
	<u>1.3%</u>	<u>1.3%</u>	<u>1.3%</u>	<u>1.4%</u>	<u>1.4%</u>	<u>1.4%</u>

CITY OF CYPRESS
ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS
Schedule 5

Fiscal Year Ended June 30,	Secured *	Public Utility *	Unsecured Valuation *	Total Taxable Assessed Value *	Total Direct Tax Rate
2022	\$ 8,136,669	\$ 2,268	\$ 331,045	\$ 8,469,982	1.0000
2021	\$ 7,872,105	\$ 2,268	\$ 300,844	\$ 8,175,217	1.0000
2020	\$ 7,516,002	\$ 2,268	\$ 347,290	\$ 7,865,560	1.0000
2019	\$ 7,181,037	\$ 2,268	\$ 309,590	\$ 7,492,895	1.0000
2018	\$ 6,755,533	\$ 595	\$ 292,957	\$ 7,049,085	1.0000
2017	\$ 6,452,310	\$ 792	\$ 297,917	\$ 6,751,019	1.0000
2016	\$ 6,180,488	\$ 792	\$ 282,370	\$ 6,463,650	1.0000
2015	\$ 5,831,344	\$ 1,371	\$ 271,503	\$ 6,104,218	1.0000
2014	\$ 5,581,655	\$ 1,371	\$ 271,782	\$ 5,854,808	1.0000
2013	\$ 5,389,098	\$ 1,371	\$ 275,885	\$ 5,666,354	1.0000

Source: Orange County Assessor's Office

Note: In 1978, the voters of the State of California passed Proposition 13 which limited property taxes to a total maximum rate of 1% based on the assessed value of the property being taxes. Each year, the assessed value of property may be increased by an inflation factor (up to 2%). However, property is re-assessed to its current value when a change of ownership occurs. Other factors that may cause re-assessment include new construction, tenant improvements and appeals of value by the owner.

The assessed value data shown above represents the only data currently available with respect to the actual market value of taxable property and are subject to the limitations described above.

* Amount in Thousands

CITY OF CYPRESS
DIRECT AND OVERLAPPING PROPERTY TAX RATES
LAST TEN FISCAL YEARS
Schedule 6

Fiscal Year Ended June 30,	City Direct Rates			Overlapping Rates *	
	Basic Rate	General Obligation Debt Service	Total Direct	School Districts	Water District
2022	1.0000	-	1.0000	0.0973	0.0035
2021	1.0000	-	1.0000	0.1049	0.0035
2020	1.0000	-	1.0000	0.0933	0.0035
2019	1.0000	-	1.0000	0.1002	0.0035
2018	1.0000	-	1.0000	0.0822	0.0035
2017	1.0000	-	1.0000	0.0950	0.0035
2016	1.0000	-	1.0000	0.1045	0.0035
2015	1.0000	-	1.0000	0.0642	0.0035
2014	1.0000	-	1.0000	0.0700	0.0035
2013	1.0000	-	1.0000	0.0731	0.0035

Source: Orange County Assessor's Office

Note: The City's basic property tax rate may only be increased by a majority vote of the City's residents. Rates for debt service are set based on each year's requirements.

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

CITY OF CYPRESS
PRINCIPAL PROPERTY TAX PAYERS
CURRENT YEAR AND NINE YEARS AGO
Schedule 7

Taxpayer	2022			2013		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Warland Investments Ltd	\$ 249,034,536	1	2.95%	\$ 226,236,088	1	4.04%
Katella Holder Street LLC	96,600,000	2	1.14%	--		--
Cypress Corporate Center	82,649,350	3	0.98%	70,588,202	3	1.26%
G & IX Cypress Campus LP	78,699,634	4	0.93%	--		--
Duke Realty LP	72,205,058	5	0.85%	--		--
Inland American Cypress Katella	51,540,683	6	0.61%	35,052,842	7	0.63%
Yamaha Motor Corp USA Inc	37,662,284	7	0.45%	35,275,313	6	0.63%
Los Alamitos Racecourse	36,452,108	8	0.43%	37,881,292	5	0.68%
IHP Los Alamitos Owner LLC	35,033,806	9	0.41%	--		--
Cadigan Peppertree LLC	34,531,082	10	0.41%	--		--
Mitsubishi Motor Sales	--		--	94,179,352	2	1.68%
RREEF America REIT	--		--	60,667,415	4	1.08%
CRP-2 Holdings Cypress	--		--	31,824,000	8	0.57%
UHC of California	--		--	29,686,552	9	0.53%
USA Build LLC	--		--	25,642,800	10	0.46%
Total	\$ 774,408,541		9.16%	\$ 647,033,856		11.56%

Source: California Municipal Statistics, Inc. and Orange County Assessor's Office

CITY OF CYPRESS
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS
Schedule 8

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Delinquent Tax Collections	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2022	\$ 23,758,834	\$ 23,586,865	99.28%	\$ 134,014	\$ 23,720,879	99.84%
2021	\$ 22,876,805	\$ 22,743,440	99.42%	\$ 174,530	\$ 22,917,970	100.18%
2020	\$ 21,444,968	\$ 21,202,595	98.87%	\$ 90,515	\$ 21,293,110	99.29%
2019	\$ 20,072,714	\$ 19,889,386	99.09%	\$ 137,711	\$ 20,027,097	99.77%
2018	\$ 18,670,282	\$ 18,516,004	99.17%	\$ 89,692	\$ 18,605,696	99.65%
2017	\$ 17,883,255	\$ 17,742,578	99.21%	\$ 100,982	\$ 17,843,560	99.78%
2016	\$ 17,146,468	\$ 16,994,275	99.11%	\$ 144,980	\$ 17,139,255	99.96%
2015	\$ 16,102,137	\$ 15,896,810	98.72%	\$ 159,324	\$ 16,056,134	99.71%
2014	\$ 15,425,028	\$ 15,239,350	98.80%	\$ 299,068	\$ 15,538,418	100.74%
2013	\$ 14,687,798	\$ 14,475,122	98.55%	\$ 202,617	\$ 14,677,739	99.93%

Source: County of Orange Auditor-Controller

Notes: Includes General, Special Revenue and Debt Service Funds.

These amounts consist of "prior year" taxes (excluding penalties and interest) remitted in the subsequent fiscal year from Fiscal Year 2004-05 forward; the Orange County Auditor Controller's Office aggregates these payments and does not provide detail on allocations to particular years. Penalties and interest were not recorded separately prior to Fiscal Year 2004-05.

CITY OF CYPRESS
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS
Schedule 9

Fiscal Year Ended June 30,	Governmental Activities		
	Lease Revenue Bonds	Percentage of Personal Income *	Per Capita **
2022	\$ -	0.00%	\$ -
2021	\$ -	0.00%	\$ -
2020	\$ -	0.00%	\$ -
2019	\$ -	0.00%	\$ -
2018	\$ 475,000	0.03%	\$ 10
2017	\$ 920,000	0.06%	\$ 19
2016	\$ 1,340,000	0.08%	\$ 27
2015	\$ 1,740,000	0.11%	\$ 36
2014	\$ 2,120,000	0.14%	\$ 43
2013	\$ 2,480,000	0.16%	\$ 51

Notes: Details regarding the City's outstanding debt can be found in the notes to the financial statement.

* See Schedule 12 for personal income.

** See Schedule 12 for population data.

CITY OF CYPRESS

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

Schedule 10

Direct and Overlapping Tax and Assessment Debt:	Debt Outstanding	Estimated Percentage Applicable (1)	Sharing of Overlapping Debt
Metropolitan Water District	\$ 20,175,000	0.249%	\$ 50,236
North Orange County Joint Community College District	209,339,039	5.614%	11,752,294
Garden Grove Unified School District	532,420,000	3.571%	19,012,718
Los Alamitos USD School Facilities Improvement District No. 1	197,835,227	2.331%	4,611,539
Anaheim Union High School District	256,268,955	13.625%	34,916,645
Centralia School District	38,387,336	2.423%	930,125
Cypress School District	35,162,739	85.569%	30,088,404
Savanna School District	39,432,464	12.881%	5,079,296
City of Cypress 1915 Act Bonds	170,000	100.000%	170,000
Total Direct and Overlapping Tax and Assessment Debt			\$ 106,611,257
<u>Direct and Overlapping General Fund Debt:</u>			
Orange County General Fund Obligations	\$ 376,780,000	1.243%	\$ 4,683,375
Orange County Pension Obligation Bonds	521,784,000	1.243%	6,485,775
Orange County Board of Education General Fund Obligations	11,620,000	1.243%	144,437
North O.C. Regional Occupational Program Certificates of Part.	8,200,000	5.026%	412,132
Anaheim Union High School District Certificates of Participation	30,670,000	13.625%	4,178,788
Los Alamitos Unified School District Certificates of Participation	34,632,040	2.096%	725,888
Cypress School District Certificates of Participation	3,922,000	85.569%	3,356,016
City of Cypress	-	100.000%	-
Total Gross Direct and Overlapping Tax and Assessment Debt			\$ 19,986,411
<u>Overlapping Tax Increment Debt (Successor Agency):</u>	\$ 790,000	7.242%	57,212
Total Direct Debt			\$ -
Total Overlapping Debt			\$ 126,654,880
Combined Total Debt			\$ 126,654,880 (2)

Source: California Municipal Statistics, Inc.

(1) The percentage of overlapping debt applicable to the City is estimated using taxable assessed property value. Applicable percentages were estimated by determining the portion of the overlapping District's assessed value that is within the boundaries of the City divided by the District's total taxable assessed value.

(2) Excludes tax and revenue anticipation notes, enterprise revenue, mortgage revenue and non-bonded capital lease obligations. Qualified Zone Academy Bonds are included based on principal due at maturity.

CITY OF CYPRESS

LEGAL DEBT MARGIN INFORMATION

Schedule 11
(In thousands)

	Fiscal Year			
	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
LEGAL DEBT MARGIN CALCULATION:				
Assessed valuation	\$ 8,469,982	\$ 8,175,217	\$ 7,865,560	\$ 7,492,895
Conversion percentage	25%	25%	25%	25%
Adjusted assessed valuation	\$ 2,117,496	\$ 2,043,804	\$ 1,966,390	\$ 1,873,224
Debt limit percentage	15%	15%	15%	15%
Debt limit	<u>317,624</u>	<u>306,571</u>	<u>294,959</u>	<u>280,984</u>
Total Net Debt Applicable to Limit	-	-	-	-
Legal debt margin	<u>\$ 317,624</u>	<u>\$ 306,571</u>	<u>\$ 294,959</u>	<u>\$ 280,984</u>
Total Net Debt Applicable to Limit as a percentage of Debt Limit	0.00%	0.00%	0.00%	0.00%

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

<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
\$ 7,049,085	\$ 6,751,019	\$ 6,463,650	\$ 6,104,218	\$ 5,854,808	\$ 5,666,354
25%	25%	25%	25%	25%	25%
\$ 1,762,271	\$ 1,687,755	\$ 1,615,913	\$ 1,526,055	\$ 1,463,702	\$ 1,416,589
15%	15%	15%	15%	15%	15%
<u>264,341</u>	<u>253,163</u>	<u>242,387</u>	<u>228,908</u>	<u>219,555</u>	<u>212,488</u>
-	-	-	-	-	-
<u>\$ 264,341</u>	<u>\$ 253,163</u>	<u>\$ 242,387</u>	<u>\$ 228,908</u>	<u>\$ 219,555</u>	<u>\$ 212,488</u>
0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

CITY OF CYPRESS
DEMOGRAPHIC AND ECONOMIC STATISTICS
LAST TEN FISCAL YEARS
Schedule 12

<u>Fiscal Year Ended June 30,</u>	<u>Population</u>	<u>Personal Income (thousands of dollars)</u>	<u>Per Capita Personal Income</u>	<u>Median Age</u>	<u>School Enrollment **</u>	<u>Unemployment Rate</u>
2022	49,810	\$ 2,308,023	\$ 46,337	41.8 *	3,414	2.4%
2021	48,531	\$ 1,957,777	\$ 40,341	41.8 *	3,540	9.5%
2020	49,272	\$ 1,841,471	\$ 37,374	41.7 *	3,813	15.4%
2019	49,833	\$ 1,790,699	\$ 35,934	41.7 *	3,923	2.4%
2018	49,978	\$ 1,713,796	\$ 34,291	41.9 *	3,957	3.4%
2017	49,655	\$ 1,645,120	\$ 33,131	41.7 *	3,969	2.4%
2016	49,535	\$ 1,642,473	\$ 33,019	41.1 *	3,942	3.0%
2015	48,874	\$ 1,568,904	\$ 32,101	40.6 *	3,990	3.8%
2014	48,886	\$ 1,553,597	\$ 31,780	40.4 *	3,916	5.3%
2013	48,547	\$ 1,562,340	\$ 32,182	39.9 *	3,879	6.0%

Source: MuniServices, LLC/an Avenu Insights & Analytics Company, California Dept of Finance, U.S. Census Bureau, California Department of Education, and Employment Development Department

* Amount is estimated based on latest available information.

** Includes Cypress Elementary enrollment only. Cypress residents enrolled in middle and high schools are enrolled through the Anaheim Union High School District and the enrollment breakdown by individual city is not available.

CITY OF CYPRESS
PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO
Schedule 13

Employer	2022			2013		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Amazon	1,300	1	5.28%	--		--
Siemens Corporation	839	2	3.41%	375	4	1.35%
Cypress School District	607	3	2.47%	--		--
UnitedHealth Group	458	4	1.86%	2,234	1	8.06%
Cypress College	457	5	1.86%	874	2	3.16%
Costco - Cypress	392	6	1.59%	275	8	0.99%
Yamaha Motors Corporation	310	7	1.26%	318	6	1.15%
Hybrid Apparel	306	8	1.24%	--		--
Safran Cabin (frmly C&D Zodiac)	301	9	1.22%	--		--
Christie Digital Sysys USA	296	10	1.20%	409	3	1.48%
Vans	--		--	357	5	1.29%
Mitsubishi Motor Sales	--		--	275	7	0.99%
Manhattan Beachwear	--		--	235	9	0.85%
Siemens Industries	--		--	234	10	0.84%
Total	5,266		21.39%	5,586		20.16%

Source: MuniServices, LLC/an Avenu Insights & Analytics Company, City Planning Department and State of California Employment Development Department

CITY OF CYPRESS
FULL-TIME EQUIVALENT CITY GOVERNMENT EMPLOYEES
BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS
Schedule 14

Function/Program	Fiscal Years as of June 30									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
General Government										
Administrative	5.3	5.3	5.3	5.3	5.3	6.0	6.0	6.0	8.9	8.9
Finance	14.3	14.3	14.3	14.3	14.3	15.0	15.0	15.0	13.0	13.0
Community Development	6.5	5.5	5.5	5.5	6.5	7.5	7.5	8.0	8.0	9.0
Police										
Officers	58.0	58.0	58.0	57.0	57.0	57.0	57.0	57.0	55.0	55.0
Civilians	23.8	23.8	22.8	22.8	22.8	23.4	24.4	24.4	23.9	23.4
Public Works										
Engineering	9.0	9.0	9.0	8.5	10.5	10.1	10.1	10.0	10.0	10.0
Maintenance	19.5	19.5	20.1	20.1	26.4	27.0	27.0	28.6	27.7	30.7
Parks and Recreation	29.6	28.8	29.2	30.0	28.2	28.4	28.4	28.8	28.8	28.8
Total	<u>166.0</u>	<u>164.2</u>	<u>164.2</u>	<u>163.5</u>	<u>171.0</u>	<u>174.4</u>	<u>175.4</u>	<u>177.8</u>	<u>175.3</u>	<u>178.8</u>

Source: City of Cypress adopted budget.

CITY OF CYPRESS
 OPERATING INDICATORS BY FUNCTION/PROGRAM
 LAST TEN FISCAL YEARS
Schedule 15

Function/Program	Fiscal Years as of June 30									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Police										
Physical arrests	1,505	778	834	1,232	1,091	1,130	856	856	913	1,237
Parking violations	4,485	8,675	4,436	6,264	5,287	3,660	4,587	4,818	3,752	5,999
Traffic violations	2,099	2,368	2,353	3,754	4,260	3,290	2,878	1,830	2,626	3,445
Public Works - Maintenance										
Potholes repaired	259	235	108	59	13	109	53	56	72	213
Parks and Recreation										
Athletic field permits issued	2,486	2,698	4,812	6,783	7,197	8,383	7,975	8,786	9,175	10,541
Class participants	6,991	3,738	6,370	13,319	13,823	10,739	12,110	11,796	13,233	13,308
Facility rentals	1,277	10	653	895	1,127	1,225	1,334	1,255	1,460	1,559

Source: Various City Departments

CITY OF CYPRESS

CAPITAL ASSETS STATISTICS BY FUNCTION/PROGRAM

LAST TEN FISCAL YEARS

Schedule 16

Function/Program	Fiscal Years as of June 30									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	18	19	19	19	19	19	19	19	19	19
Public Works - Maintenance										
Streets (miles)	111	111	111	111	111	111	111	111	111	111
Streetlights	302	302	302	302	302	303	303	303	303	303
Traffic signals	61	61	61	61	61	60	60	57	57	57
Parks and Recreation										
Acreage	95	95	95	95	95	87	84	84	84	84
Playgrounds	20	19	19	19	19	19	18	18	18	18
Baseball/softball diamonds	9	9	9	9	8	8	8	8	8	8
Soccer/football fields	4	2	2	1	1	1	1	1	1	1
Pickleball fields	8	6	-	-	-	-	-	-	-	-
Community centers	1	1	1	1	1	1	1	1	1	1
Senior centers	1	1	1	1	1	1	1	1	1	1

Source: Various City Departments



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 Honorable Mayor and Members of the City Council
City of 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 business-type activities, each major fund, and the aggregate remaining fund information of the City of Cypress, California (the "City"), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 21, 2022.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City'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 City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City'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 or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City'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 the 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 Honorable Mayor and Members of the City Council
City of 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 City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Lance, Solt & Lughard, LLP

Brea, California
December 21, 2022