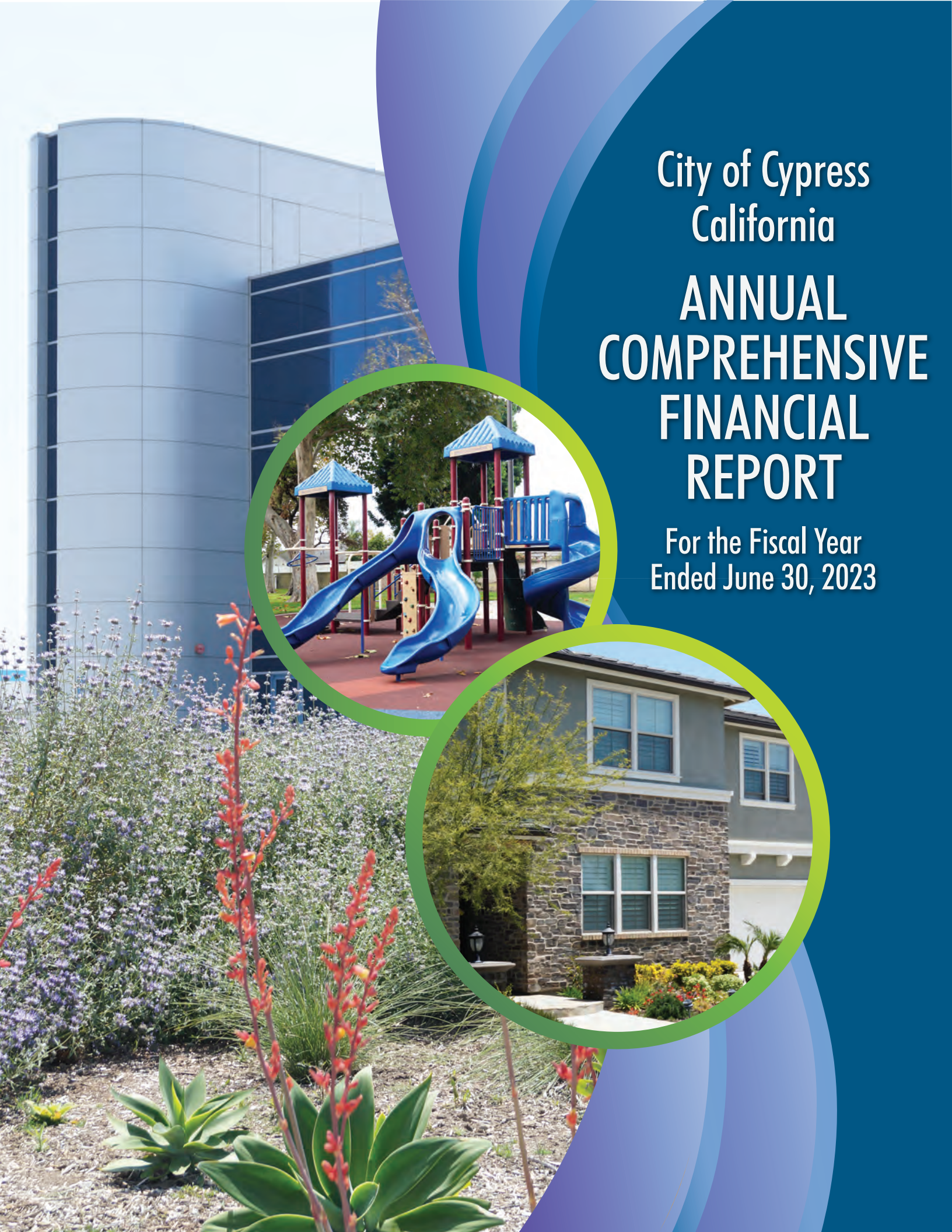


City of Cypress  
California

# ANNUAL COMPREHENSIVE FINANCIAL REPORT

For the Fiscal Year  
Ended June 30, 2023

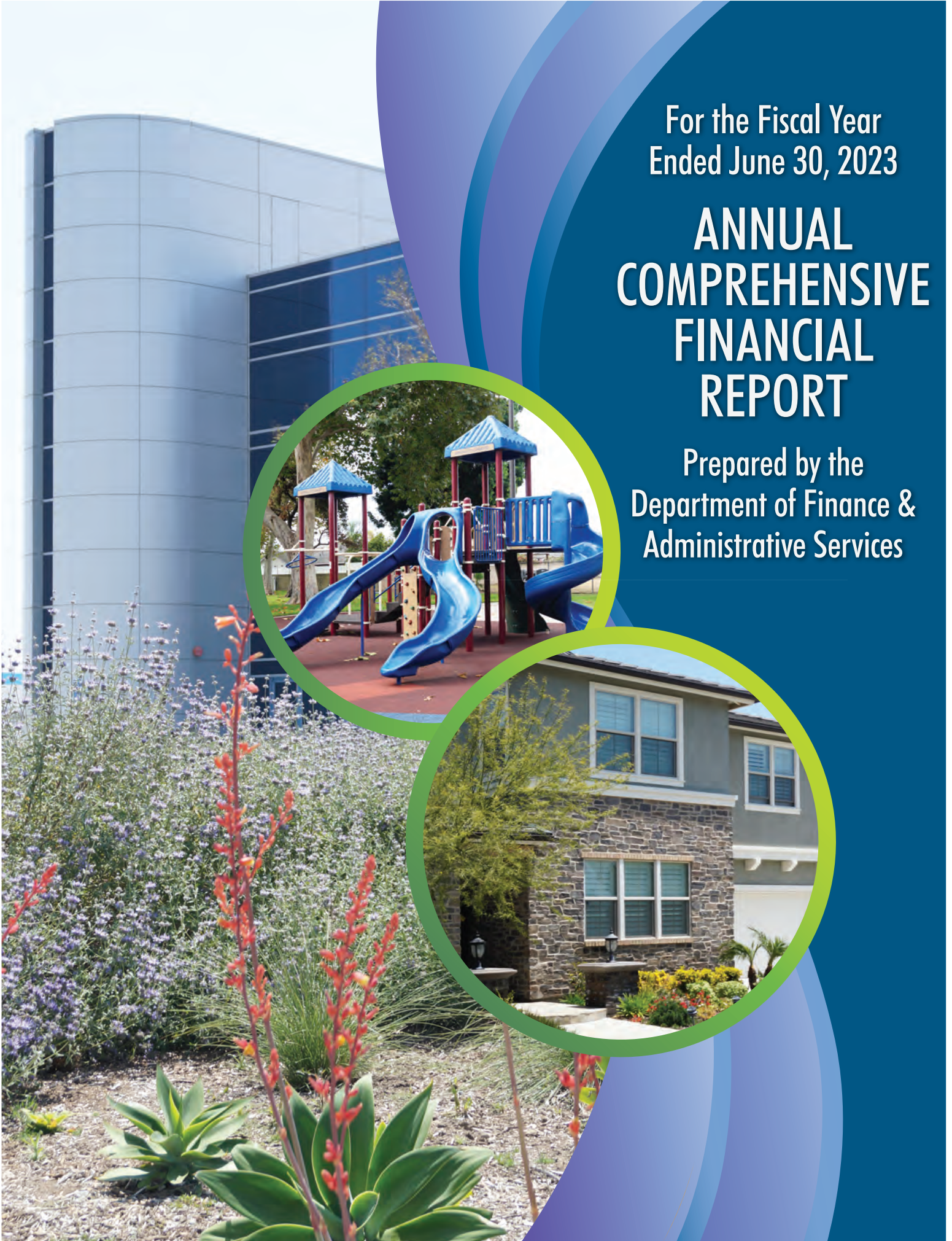




For the Fiscal Year  
Ended June 30, 2023

# ANNUAL COMPREHENSIVE FINANCIAL REPORT

Prepared by the  
Department of Finance &  
Administrative Services





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CITY OF CYPRESS  
Annual Comprehensive Financial Report  
For the Year Ended June 30, 2023

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February 22, 2024

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, 2023. 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, 2023. The goal of the independent audit is 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, 2023 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, 2023, less than \$750,000 was expended on Federal financial assistance programs and a single audit was not required.

## 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 49,818. 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.

The local economy in Orange County has experienced strong economic growth and job creation for well over a decade. While the pandemic brought great economic uncertainties, the local economy proved resilient. The negative toll on Cypress' revenue base was far less than feared, but the long-term economic impacts and the ongoing recovery period from the pandemic, will continue to be felt in the Orange County region for the foreseeable future.

The City has been financially vigilant and 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 has served Cypress well in the past decade 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 exist due to relying on a small number of businesses to generate the majority of sales tax receipts, and experiencing significant revenue declines over the last fifteen years (when

compared to inflation). City leaders will continue to monitor revenue trends to best determine methods for strengthening the City's economic base.

Ongoing volatility in the financial markets 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). Substantial decreases in value of CalPERS assets during periods of financial instability, combined with changes in actuarial assumptions and the discount rates to strengthen the pension system over the long-term, 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 six years.

In the last few years, inflation has taken center stage as the latest threat to the City's financial health. The potential impacts to City expenditures cannot be overstated, as cost increases for all City services and projects have outpaced revenue growth and are expected to continue to do so.

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 \$13.9 million has been accumulated in the General fund for contingencies and budget stabilization at June 30, 2023. In addition, a pension trust was established in 2017 in response to pension and budget stabilization concerns, and \$23.0 million is invested in the trust at June 30, 2023. 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 remains fiscally responsible with regards to 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 high-level of services currently offered to its residents and businesses is uncertain 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 necessary investments 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. Due to all the uncertainties discussed previously regarding the City's long-term financial health, 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 2023 through 2026 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 is achieved by establishing strategic objectives, which are incorporated into the annual budget. Most of the identified strategic objectives were completed during the past year and included rolling out a new online budget book, replacing the City's telephone system with cloud-based technology, developing plans for the reconstruction of Arnold Cypress Park, initiating housing element implementation and associated public outreach, presenting options to accelerate pension trust funding to further offset CalPERS pension plan unfunded actuarial liabilities, implementing the first phase of the pandemic recovery plan's business recovery and support program, and approving an agreement for security upgrades at city facilities.

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 sufficient General fund amounts to meet future capital needs will become increasingly difficult in the coming 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. Despite seeing improvements in the most recent forecast brought on by higher interest earnings, Cypress remains dogged by a modest, stubborn structural deficit. While these deficits are expected to be manageable, future challenges (both those that we are aware of and those that are currently unknown) make it difficult to create a five-year forecast that can be relied on with confidence.



## 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, 2022. This is the 37th 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 and I want to extend my thanks to all the Finance staff involved in the process. Appreciation must also be extended to the Cypress City Council for their ongoing commitment to fiscal prudence and helping to put the City in a position to be financially prepared for unforeseen challenges. This strategic approach has greatly benefited Cypress residents and businesses through the years and will continue to do so as new threats to the City's fiscal stability evolve. I look forward to working with the City Manager and the 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 thrive 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, 2023

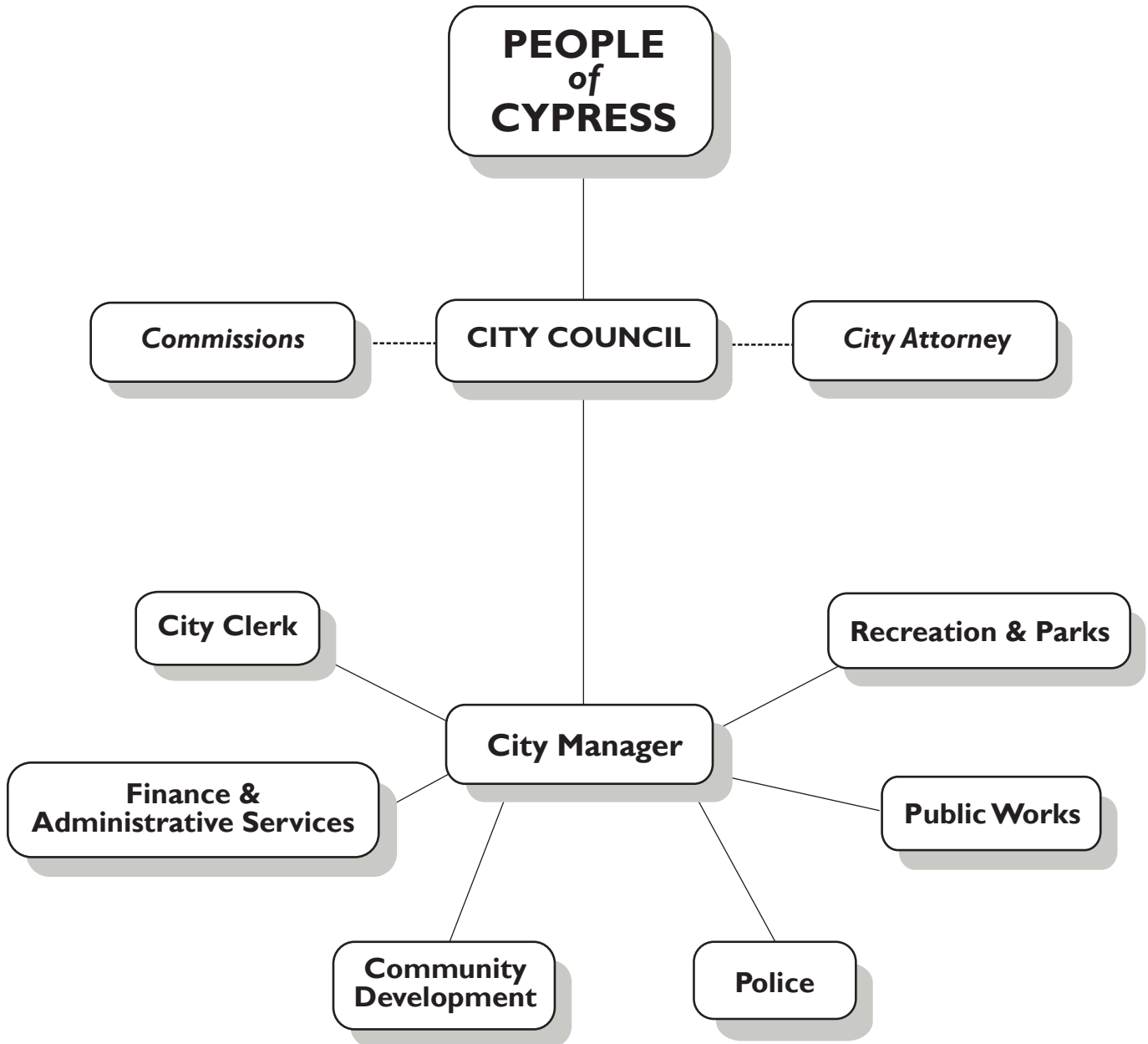
## Legislative Body

Anne Hertz-Mallari	Mayor
Scott Minikus	Mayor Pro-Tem
David Burke	Council Member
Frances Marquez, PhD	Council Member
Bonnie 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, 2022

*Christopher P. Morrill*

Executive Director/CEO





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# FINANCIAL SECTION



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## INDEPENDENT AUDITORS' REPORT

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

### Report on the Audit of 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, 2023, 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, 2023, 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 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 audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### **Emphasis of Matter**

##### *Change in Accounting Principle*

As described in Note 1 to the financial statements, in 2023, the City adopted new accounting guidance, GASB Statement No. 96, *Subscription Based Information Technology Arrangements*. Our opinion is not modified with respect to this matter.

#### **Responsibilities of Management for the Financial Statements**

Management is responsible for the preparation and fair presentation of the 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 opinions. 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 generally accepted auditing standards 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 generally accepted auditing standards 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.

### ***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 the General Fund and major special revenue funds, and the required pension and other postemployment benefits schedules, as listed on the table of contents, 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 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.



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

***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 accompanying combining and individual fund financial statements and schedules (supplementary information) 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 basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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 and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do 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 basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic 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 February 20, 2024, 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 City's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Lance, Soll &amp; Lughard, LLP".

Brea, California  
February 20, 2024



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## CITY OF CYPRESS MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEAR ENDED JUNE 30, 2023

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, 2023. 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, 2023 by \$357,187,909 (*net position*). Of this amount, \$109,374,298 (*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 \$22,702,762 during the fiscal year.
- As of June 30, 2023, the City's governmental funds reported combined ending fund balances of \$158,215,197, an increase of \$13,716,931 in comparison with the prior year. A total of \$1,840,440 is unassigned within the General fund and is available for spending at the government's discretion, while a deficit fund balance of \$98,133 is included in the nonmajor governmental funds (*unassigned fund balance of the governmental funds*).
- As of June 30, 2023, the total fund balance of the General fund was \$34,992,008. Of this total, \$9.4 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, nearly \$23.6 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 pension 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.

**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.

**CITY OF CYPRESS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2023**

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 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 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 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 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.

**CITY OF CYPRESS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2023**

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 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.

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  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2023**

**CITY OF CYPRESS**  
Summary of Net Position  
As of June 30, 2023 and 2022

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
<b>Assets:</b>						
Current and other assets	\$ 221,787,974	\$ 205,414,223	\$ 7,721,594	\$ 6,700,860	\$ 229,509,568	\$ 212,115,083
Capital assets	171,325,019	172,804,367	18,871,533	18,876,494	190,196,552	191,680,861
Total assets	393,112,993	378,218,590	26,593,127	25,577,354	419,706,120	403,795,944
<b>Deferred Outflows of Resources:</b>						
Deferred outflows	28,432,314	14,230,921	-	-	28,432,314	14,230,921
Total deferred outflows	28,432,314	14,230,921	-	-	28,432,314	14,230,921
<b>Liabilities:</b>						
Long-term liabilities outstanding	14,796,311	13,910,689	-	-	14,796,311	13,910,689
Net pension liability	61,876,486	32,737,065	-	-	61,876,486	32,737,065
Other liabilities	7,096,386	7,867,424	121,615	62,488	7,218,001	7,929,912
Total liabilities	83,769,183	54,515,178	121,615	62,488	83,890,798	54,577,666
<b>Deferred Inflows of Resources:</b>						
Deferred inflows	7,059,727	28,964,052	-	-	7,059,727	28,964,052
Total deferred outflows	7,059,727	28,964,052	-	-	7,059,727	28,964,052
<b>Net Position:</b>						
Invested in capital assets	170,286,779	172,804,367	18,871,533	18,876,494	189,158,312	191,680,861
Restricted	51,055,320	40,650,390	7,599,979	6,638,372	58,655,299	47,288,762
Unrestricted	109,374,298	95,515,524	-	-	109,374,298	95,515,524
Total net position	\$ 330,716,397	\$ 308,970,281	\$ 26,471,512	\$ 25,514,866	\$ 357,187,909	\$ 334,485,147

Net position of the City increased by \$22.7 million (6.8 percent) to nearly \$357.2 million at June 30, 2023, of which \$189.2 million is invested in capital assets such as land, buildings and improvements, equipment, and infrastructure. Of the remaining total, \$58.7 million is restricted as to use by specifically stipulated spending agreements originated by law, contract or other agreements with external parties. The remaining \$109.4 million classified as unrestricted net position increased by \$13.9 million (14.5 percent) from \$95.5 million at June 30, 2022, 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 City's ongoing obligations. The increase in unrestricted net position is due to many factors, including: tax revenues exceeding estimates, recording the financial impacts of the latest pension plan actuarial valuations, 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 53.0 percent of total net position, which is a slight 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  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2023**

**CITY OF CYPRESS**

Changes in Net Position

For the fiscal year ended June 30, 2023 and 2022

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
<b>Revenues</b>						
Program Revenues:						
Charges for services	\$ 6,877,076	\$ 10,505,192	\$ 1,632,171	\$ 1,779,495	\$ 8,509,247	\$ 12,284,687
Operating grants and contributions	4,789,491	16,061,186	36	35	4,789,527	16,061,221
Capital grants and contributions	2,153,338	1,638,108	-	-	2,153,338	1,638,108
General Revenues:						
Sales tax	13,561,206	13,292,177	-	-	13,561,206	13,292,177
Property taxes	21,868,125	19,500,488	36,250	32,508	21,904,375	19,532,996
Other taxes	6,743,014	6,369,071	-	-	6,743,014	6,369,071
Other	5,519,425	(4,695,002)	180,972	28,657	5,700,397	(4,666,345)
Total Revenues	61,511,675	62,671,220	1,849,429	1,840,695	63,361,104	64,511,915
<b>Expenses</b>						
General government	4,434,609	5,477,433	-	-	4,434,609	5,477,433
Community development	2,109,834	2,333,245	-	-	2,109,834	2,333,245
Public safety	16,762,572	19,494,326	-	-	16,762,572	19,494,326
Public works	11,321,069	12,737,505	-	-	11,321,069	12,737,505
Recreation	5,137,475	5,583,107	-	-	5,137,475	5,583,107
Sewer	-	-	892,783	902,389	892,783	902,389
Total Expenses	39,765,559	45,625,616	892,783	902,389	40,658,342	46,528,005
Increase (Decrease) in Net Position	21,746,116	17,045,604	956,646	938,306	22,702,762	17,983,910
<b>Net Position</b>						
Beginning Net Position	308,970,281	291,924,677	25,514,866	24,576,560	334,485,147	316,501,237
Ending Net Position	\$ 330,716,397	\$ 308,970,281	\$ 26,471,512	\$ 25,514,866	\$ 357,187,909	\$ 334,485,147

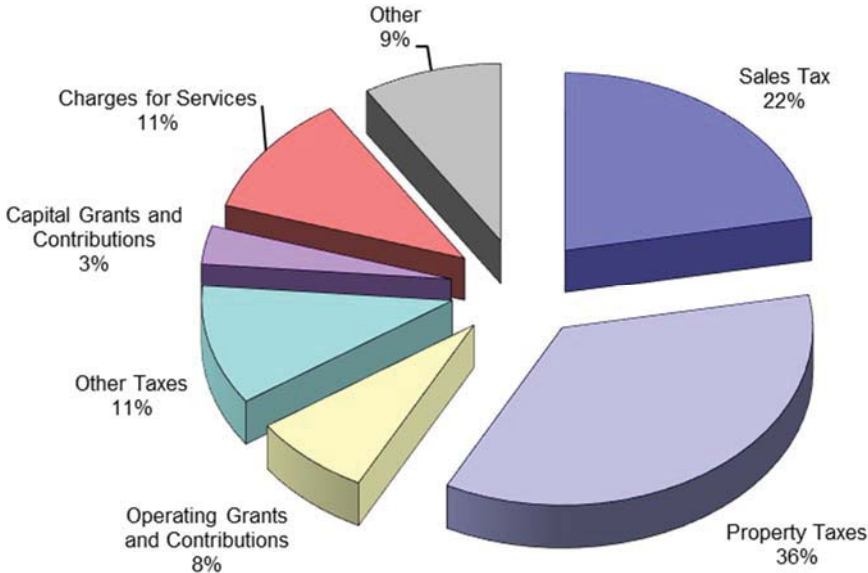
The following revenue impacts contributed to the change in net position for governmental activities for the fiscal year ended June 30, 2023:

- City program revenues accounted for 22.5 percent of total revenues and were less than half of the prior year total. Charges for services (which include items such as planning and building fees, city services, and recreation user fees) experienced large decreases due to receiving nearly \$6.2 million of park development fees in the prior year. These park development fees declined \$4.1 million 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 one-time fees that must be used for new park facilities. Operating grants and contributions also decreased significantly, in most part due to the prior year one-time receipt of \$11.7 million of American Rescue Plan Act (ARPA) monies provided by the Federal government to replace pandemic-related revenue losses. While grants and contributions tend to fluctuate annually based on availability and project timing, the year over year volatility experienced in the past two years due to ARPA receipts is unprecedented.
- The City's general revenues represent 77.5 percent of total revenues. General revenues increased by \$13.2 million (38.4 percent) from the prior year. Sales taxes, which represent 28.4 percent of total general revenues, experienced modest increases in FY 2022-23 due to the resiliency of the economy despite the threat of recession. Property tax revenues, the City's largest revenue source, experienced robust growth due to new developments, property sales, and the strength of a strong real estate market and its impact on assessed values. Growth in other taxes, including the ongoing rebound in post-pandemic transient occupancy tax receipts, resulted in a \$0.4 million year over year increase. Other general revenues totaled \$5.5 million, which is \$10.2 million more than the prior year. The large year over year turnaround relates primarily to investment earnings and changes in market value. Significantly higher interest rate earned on cash balances in FY 2022-23, combined with increases to investment market values during the year, resulted in the highest investment revenues recorded in over a decade. This is in stark contrast to the prior year, which saw fair market value declines recorded in accordance with generally accepted accounting principles result in a loss of \$6.0 million. These adjustment included \$3.1 million in paper losses to the City's investment portfolio that would 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 also is not expected to be realized due to the long-term nature of pension trust investments.

**CITY OF CYPRESS  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2023**

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

**Revenues by Source – Governmental Activities**



Total expenses for governmental activities decreased by nearly \$5.9 million for the fiscal year ended June 30, 2023, (12.8 percent), compared to the prior year. The largest contributing factor to the overall decrease, approximately \$10.5 million, is attributed to allocating increases to the internal service funds’ net position for the year. These changes in net position are primarily the result of recording the impacts of the latest actuarial valuations on pensions at fiscal year end June 30, 2023. The expense offsets associated with the higher net position for employee benefits are allocated across all departments throughout the City, resulting in year over year expense declines in all departments. In addition to these allocations of net position, there are other factors impacting FY 2022-23 expenses associated with governmental activities.

- General government expenses included significantly higher city attorney costs due to a greater volume of litigation activities and higher hourly rates approved by the City Council. Expenses for the biennial City Council election and contract animal control services were also higher than the prior year. These increases were partially offset by a decline in pandemic response program spending.
- Community Development expenses included non-recurring costs for the implementation of the State-mandated Housing Element and the first phase of the business recovery and support plan approved by the City Council in early 2023 to assist the business community in its post-pandemic recovery efforts.
- Public safety (police) continues to account for the largest portion (42.1 percent) of total expenses related to governmental activities. While overall public safety expenses decreased due to the net position allocation discussed earlier, public safety expenses in FY 2022-23 include large increases associated with implementing the first year of a newly negotiated labor agreement covering sworn police officers’ salary and benefits. Contract cost increases brought on by inflationary impacts also accounted for higher year over year expenses.
- Public works expenses include higher employee costs associated with cost of living adjustments and higher park maintenance costs associated with the newly constructed Lexington Park. Public works also experienced lower activity levels for engineering plan checks, which tend to vary year to year based the scale and timing of private development projects in the City.
- Recreation expenses include cost of living salary and benefit increases and a full return to pre-pandemic recreation program offerings by contract class instructors.

**CITY OF CYPRESS  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2023**

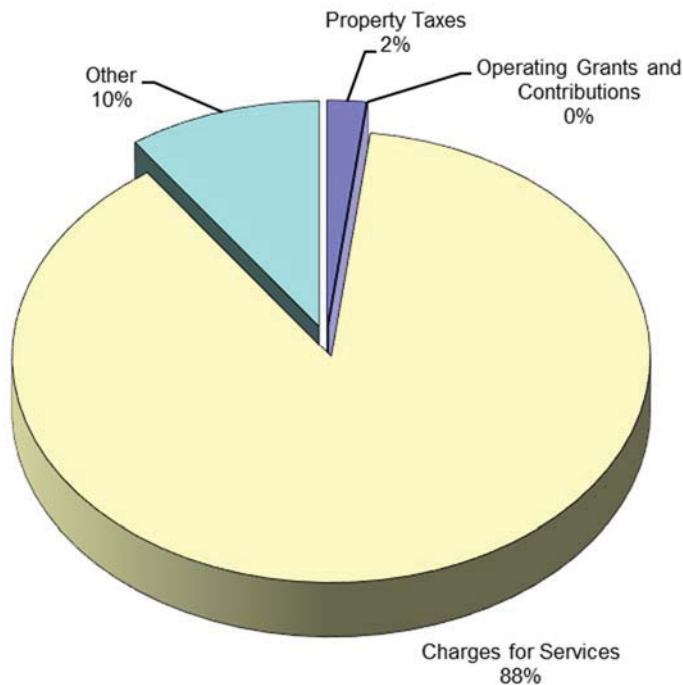
- Total expenses for business-type activities decreased \$9,606 (1.1 percent). Ongoing investments to improve the sewer system occur each year, and the modest change in expenses is largely attributable to personnel and consulting charges associated with sewer operations.

The following revenue items contributed to the change in net position for business-type activities for the fiscal year ended June 30, 2023:

- Program revenues for the sewer system are the major revenue source for the City’s lone business-type activity. Charges for sewer services comprised over 88 percent of total revenues and decreased by 8.3 percent from the prior year. Since sewer fees are directly tied to water consumption, the annual revenue fluctuation can likely be attributed to higher than normal precipitation levels experienced in 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. Higher interest rates earned on cash balances yielded considerably larger investment earnings in the past year.

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

**Revenues by Source – Business-type Activities**



**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.

**CITY OF CYPRESS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2023**

As of the end of the current fiscal year, the City's governmental funds reported total combined ending fund balances of \$158,215,197, an increase of \$13,716,931 over total fund balances at June 30, 2023. The growth in fund balance is the result of a variety of factors, which will be highlighted in the discussion of each of the City's major funds.

Total fund balance is broken down into five categories – ranging from nonspendable to unassigned. Restricted fund balance amounts total \$27.9 million and increased by \$7.6 million from the prior year and equal 17.6 percent of total fund balance. The increase in restricted fund balance is due to the accumulation of resources in both the Recreation and Park District fund and the Streets fund, which will be used for future capital improvements. The restricted amounts at June 30, 2023 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 \$22.3 million (14.1 percent) and grew by \$1.8 million in the past year. The increase to committed fund balance is directly attributed to contingency set-asides established by the City Council which are tied to budgeted expenditures in the General fund and grow annually in conjunction with the budget. An additional \$106.1 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 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, 2023 totaled \$26.5 million, which is just over \$956,000 higher than the prior year. The increase in net position is largely attributed to allocating resources for the ongoing investment in capital improvement projects for the sanitary sewer system.

### **Major Fund Financial Highlights**

#### **General Fund**

The General fund is the primary operating fund of the City. At June 30, 2023, the total fund balance of the General fund was \$34,992,008 (compared to \$31,417,522 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 \$2.15 million was transferred out for future infrastructure and facility needs, and an additional \$1.75 million for pension trust investment, during the fiscal year ended June 30, 2023. 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 75.1 percent (up from 72.1 percent the previous year) of the total expenditures in the General fund. The two largest components of assigned fund balance are amounts set-aside for the City's one-time Pandemic Recovery Plan and future capital infrastructure investments. Despite the City Council's and management's policy to actively set-aside monies for future infrastructure and facility 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 expenditure growth outpacing projected revenue growth.

**CITY OF CYPRESS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2023**

For the fiscal year ended June 30, 2023, cash and investments in the General fund totaled \$35,134,808, an increase of \$8,883,470 from the prior fiscal year, and is primarily the result of two factors. The receipt of the second half of accrued one-time American Rescue Plan Act revenues for eligible revenue replacement in July 2022, along with tax revenues and interest earnings exceeding budget estimates, combined to significantly increase cash balances during the fiscal year.

**CITY OF CYPRESS  
Summary of Changes in Fund Balances - General Fund  
For the fiscal year ended June 30, 2023 and 2022**

	2023	2022	Change
<b>Revenues</b>			
Taxes:			
Sales	\$ 13,561,206	\$ 13,292,177	\$ 269,029
Property	13,169,426	11,852,927	1,316,499
Other	7,149,006	6,751,658	397,348
Total taxes	<u>33,879,638</u>	<u>31,896,762</u>	<u>1,982,876</u>
Licenses and permits	1,437,526	1,326,104	111,422
Fines and forfeitures	228,114	167,159	60,955
From use of property	2,068,635	(2,894,980)	4,963,615
From other agencies	715,738	667,581	48,157
Charges for services	3,596,365	3,540,366	55,999
Other	823,017	363,434	459,583
Total Revenues	<u>42,749,033</u>	<u>35,066,426</u>	<u>7,682,607</u>
<b>Expenditures</b>			
General government	5,071,688	4,833,262	238,426
Community development	2,497,289	2,099,379	397,910
Public safety	19,863,447	17,746,963	2,116,484
Public works	6,395,623	6,189,563	206,060
Total Expenditures	<u>33,828,047</u>	<u>30,869,167</u>	<u>2,958,880</u>
<b>Net Transfers</b>	<u>(5,346,503)</u>	<u>2,027,604</u>	<u>(7,374,107)</u>
<b>Increase (decrease) in fund balance</b>	<u>\$ 3,574,483</u>	<u>\$ 6,224,863</u>	<u>\$ (2,650,380)</u>

Total General fund revenues for the fiscal year ended June 30, 2023 increased by nearly \$7.7 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, saw a modest increase of \$269,030 when compared to the prior year. Despite the uncertainties surrounding the economy, the City's sales tax base remained strong during the pandemic and experienced healthy post-pandemic growth. However, growth appears to have slowed in the past year.
- Annual property tax revenue grew 11.1 percent due to increases in the City's secured property tax base related to new development, changes in ownership and the dissolution of the Successor Agency to the former Redevelopment Agency. Included in General fund property tax revenue is \$5.7 million of in lieu Motor Vehicle License Fees (MVLFF), which represents an increase over the prior year.
- Other taxes increased due to several factors, including higher receipts for transient occupancy tax, businesses licenses and franchise fees.
- Revenue from use of property experienced large year over year growth brought on by both significantly higher yields earned on City cash balances as well as market value increases to the underlying investments. Due to rising interest rates on government-backed securities, the average market interest rate earned on the City's cash and investment reserves rose from just under one percent to close to four and a half percent during the year. In addition, accounting standards require all investments be recorded at their fair market value on June 30, 2023, which caused revenues to increase dramatically when compared to the prior year when the



**CITY OF CYPRESS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2023**

year-end adjustment resulted in a large negative revenue total for the year. It should be noted that the City's investment policy provides for all investments to be held to maturity, so any gain or loss required to be recorded at year end will never be realized.

- Other revenue increased due to the receipt of a \$582,967 one-time class action settlement with the Monsanto Company for potential waterway contamination occurring over the last several decades. These amounts have been set-aside for the future funding of water quality and storm water related programs.

Changes in General fund expenditures, by function, occurred as follows during the year ended June 30, 2023:

- General government expenditures rose by \$238,426 (4.9 percent) and is a result of several increases and decreases in several programs. City attorney expenditures nearly doubled in the past year due to a higher volume of litigation activities, as well as the City Council approving a contract amendment which provides higher hourly rates for legal services. Expenditures for the biennial City Council election and higher contract animal control services also contributed to the increase. These increases were offset by a decline in pandemic response spending. The City expended \$304,000 of General fund monies for resident meal assistance programs in the fiscal year ended June 30, 2022, which was the last year the program was offered.
- Community development expenditures increased primarily due to two factors. Higher contract costs were incurred to provide support for the implementation of the City's Housing Element which was certified by the State in late 2022. 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 more than \$1 million. Additionally, in early 2023 the City Council approved the first phase of the business recovery and support plan, which is part of the City's overall pandemic recovery plan, and creates new programs designed to assist the business community in its post-pandemic recovery efforts. The programs approved in 2023 include development and permit fee refunds for eligible businesses, as well as a local catering program for the business park to promote efforts to support local restaurants.
- Public safety (police) expenditures increased by \$2,116,484 (11.9 percent) when compared to the prior fiscal year. Large cost increases associated with implementing the first year of newly negotiated salary and benefit increases for sworn officers, and contract cost increases brought on by inflationary impacts, accounted for the majority of the additional expenditures.
- Public works expenditures rose by \$206,060 (3.3 percent) due to many offsetting factors, including higher employee costs associated with cost of living adjustments, having fewer engineering plan check contract costs due to lower activity levels, as well as realizing higher park maintenance costs. Specifically, the fiscal year ended June 30, 2023 represented the first full year of costs incurred to maintain Lexington Park. All costs associated with park maintenance is reimbursed to the City's General fund by the Park District.

The difference in General fund net transfers are nearly \$7.4 million when compared to the prior fiscal year and are summarized as follows:

- The General fund transferred \$1,655,562, as compared to \$1,550,000 in the prior year, to the City's Capital Projects fund for current year projects. Additionally, \$2.15 million of accumulated fund balance, down from \$4.5 million in the prior year, was transferred from the General fund to the City's Capital Projects fund for future infrastructure projects.
- \$1.75 million was transferred to the City's Internal Service Employee Benefits fund during the past year, compared to \$4.5 million in the prior year. This annual transfer is based on available prior year budget savings which are used to fund the City's pension trust. The pension trust was established in 2017 to help offset the City's growing pension liabilities and had a balance of \$23 million at June 30, 2023.
- \$11.7 million of one-time 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.

**CITY OF CYPRESS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2023**

General Fund Budgetary Highlights

Differences between the original appropriations budget and the final amended budget totaled a net increase of \$3,480,343. The annual carryover of appropriations to the new fiscal year for encumbrances and services not completed in the prior fiscal year accounted for \$1,621,291 of the change. The majority of the carryover appropriations related to contingency amounts, unexpended grant awards, one-time allocations to businesses for pandemic recovery, and planning services for the State-mandated implementation of the City's housing element. The remaining major changes in appropriations are summarized as follows:

- \$274,400 for two increases in Legislative for legal services. First, the City Council approved an amendment to the City Attorney's contract to increase hourly billing rates by approximately 20 percent. In addition, the volume of litigation activities and associated costs were significantly higher than in a typical year.
- \$64,900 increase in Administration for contract animal control services with the County of Orange. The additional costs are due to inflation and the County providing more field services in Cypress than a typical year.
- \$555,000 in the Police Department for costs in excess of the adopted budget due to the approval of a new four year contract with the Cypress Police Officers Association. The agreement includes substantial pay and benefit increases attributable to market changes which in recent years has made hiring and retaining police officers more difficult.
- \$81,000 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.
- \$365,000 in Planning for the first phase of a Pandemic Recovery Plan's Business Recovery and Support Program designed to stimulate business growth, encourage employees to return to offices in Cypress, and attract and retain businesses in the City.
- \$247,500 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.
- \$44,536 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 exceeded the final amended revenue budget by over \$4.8 million. Tax revenue exceeded the amended budget by nearly \$2.9 million due to several factors, with property tax and sales tax being the largest impacts and exceeding initial estimates by \$1.2 million and \$1.1 million respectively. Property tax growth is a product of new development, parcel turnover and the ongoing resiliency of the real estate market. The sales tax overage was driven by tempered expectations when preparing the budget and the continued strength of the City's largest sales tax generators and ongoing inflationary impacts. Other tax sources contributed to the overage and include business license tax, transient occupancy tax and franchise taxes. Another major contributor to the overall budget excess is revenue from the use of property (which includes interest earnings on the City's investments). Actions by the Federal Reserve to drastically raise interest rates resulted in the average rate of return earned on the City's portfolio to increase throughout the year from just under one percent to well over four percent by the end of the year. These increases were not anticipated during budget development and provided over \$1.8 million of additional revenues to the City's General fund.

Total operating expenditures were \$6.0 million below the final amended budget (before any carryover amounts to the fiscal year ended June 30, 2024) and these savings were across all departments throughout the City. The reason for the large budget variance is similar to prior fiscal years, in that a portion is related to personnel savings during periods with staffing vacancies throughout 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. Significant further savings were realized due to one-time amounts budgeted for contingency purposes, implementation of components of the City's pandemic recovery plan, and contract housing element implementation services not being expended prior to June 30, 2023. These unexpended amounts have been carried over and appropriated in FY 2023-24 budget and are expected to be expended prior to June 30, 2024.

**CITY OF CYPRESS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2023**

**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.

**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 \$10,247,330 as compared to \$6,406,514 at the beginning of the year. The fund balance represents 194.8 percent (compared with 141.4 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, 2023 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. Through June 30, 2023, no improvements had 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, 2023, the cash and investments balance in the Recreation and Park District special revenue fund was \$16,175,927, an increase of \$2,406,258 from the prior fiscal year. Total receivables at the end of the fiscal year were \$267,268, an increase from the prior year total of \$127,734. The change is attributed to interest receivable and is a direct result of higher market rates earned on cash balances at June 30, 2023 than the prior year.

**CITY OF CYPRESS  
Summary of Changes in Fund Balances  
Recreation and Park District Special Revenue Fund  
For the fiscal year ended June 30, 2023 and 2022**

	2023	2022	Change
<b>Revenues</b>			
Taxes:			
Property	\$ 7,080,645	\$ 6,222,354	\$ 858,291
From use of property	752,083	190,760	561,323
From other agencies	62,665	53,076	9,589
Charges for services	2,890,860	6,831,408	(3,940,548)
Other	21,063	27,104	(6,041)
Total Revenues	<u>10,807,316</u>	<u>13,324,702</u>	<u>(2,517,386)</u>
<b>Expenditures</b>			
Recreation	5,260,829	4,532,507	728,322
Capital outlay	1,070,103	7,648,236	(6,578,133)
Total Expenditures	<u>6,330,932</u>	<u>12,180,743</u>	<u>(5,849,811)</u>
Excess of revenues over expenditures	4,476,384	1,143,959	3,332,425
<b>Other Uses - Transfers</b>	<u>(635,571)</u>	<u>(1,079,991)</u>	<u>444,420</u>
<b>Increase in fund balance</b>	<u>\$ 3,840,813</u>	<u>\$ 63,968</u>	<u>\$ 3,776,845</u>

**CITY OF CYPRESS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2023**

Total Recreation and Park District Special Revenue fund revenues for the fiscal year ended June 30, 2023 declined by over \$2.5 million from the prior year. Individual components of this change are highlighted as follows:

- Property tax revenues, the District's largest recurring revenue source, were 13.8 percent more than the prior year. In the past year, the District benefitted from several new developments being added to the tax roll, the sale of several large properties and the final dissolution of the Successor Agency to the former Cypress Redevelopment Agency.
- Revenues from the use of property nearly quadrupled due to the higher market interest rate earned on District cash balances throughout the year.
- The large decline to charges for services was anticipated and 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 prior fiscal year while receipts for the fiscal year ended June 30, 2023 were still strong at \$2.1 million, but paled in comparison to the prior year. All eligible park development fee receipts are used to pay down the District's outstanding advances from the City's General fund associated with the construction of Lexington Park.

Notable changes in expenditures during the fiscal year ended June 30, 2023 follow:

- Recreation expenditures increased \$728,322 (16.1 percent) due to multiple factors, including the impacts of cost of living salary and benefit increases for all full-time employees and experiencing fewer full-time staffing vacancies than the prior year. Also contributing to expenditure growth was the full return to pre-pandemic recreation program offerings which yielded additional costs for part-time personnel and contract class instructors when compared to the last several years.
- Capital expenditures declined by nearly \$6.6 million due to completing construction of the multi-year Lexington Park project in the prior fiscal year. This project created two large sports fields and other amenities with a total cost of approximately \$13 million. While the year over year decline was large, the District continued to invest in its facilities as amounts were expended in the fiscal year ended June 30, 2023 for the final redesign of Arnold Cypress Park, the replacement of the Manzanita Park shade structure, and a variety of enhancements at six parks and the senior center.

District net transfers decreased by \$444,420 and totaled a net outflow of \$635,571. These District transfers occur each year and are comprised of multiple components. First, for the last decade 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 final repayment under the terms of this agreement occurred in the fiscal year ended June 30, 2023 and was \$537,000 less than the prior year. 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. The final component of net transfers is for new and replacement capital outlay acquisitions, which tend to be fairly small in a typical year. However, in the fiscal year ended June 30, 2023 the District took delivery of a replacement mobile stage and canopy used for community events (showmobile) which was partially paid for with a \$103,411 transfer out of the District's operating fund.

**CITY OF CYPRESS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2023**

**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.

**CITY OF CYPRESS**  
Summary of Changes in Fund Balances  
Streets Special Revenue Fund  
For the fiscal year ended June 30, 2023 and 2022

	2023	2022	Change
<b>Revenues</b>			
From use of property	\$ 157,020	\$ 23,603	\$ 133,417
From other agencies	3,398,480	3,420,933	(22,453)
Charges for services	106,752	404,131	(297,379)
Total Revenues	<u>3,662,252</u>	<u>3,848,667</u>	<u>(186,415)</u>
<b>Expenditures</b>			
Public works	39,136	842,875	(803,739)
Capital outlay	389,572	713,140	(323,568)
Total Expenditures	<u>428,708</u>	<u>1,556,015</u>	<u>(1,127,307)</u>
<b>Other Uses - Transfers</b>	<u>(316,396)</u>	<u>(979,727)</u>	<u>663,331</u>
<b>Increase (decrease) in fund balance</b>	<u>\$ 2,917,148</u>	<u>\$ 1,312,925</u>	<u>\$ 1,604,223</u>

Total revenues for the fiscal year ended June 30, 2023 decreased \$186,415 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. These allocations held steady during the year, with the overall decrease attributed to a portion of FY 2022-23 Measure M2 allocations being unavailable. Charges for services, which includes traffic mitigation fees and regional traffic impact fees, declined \$297,379 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 and net transfers out decreased in the past year as the funding for the arterial rehabilitation project and street maintenance was shifted to the City General fund to ensure Maintenance of Effort requirements were met.



**CITY OF CYPRESS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2023**

**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, 2023 and 2022**

	2023	2022	Change
<b>Revenues</b>			
From use of property	\$ 2,222,575	\$ 373,338	\$ 1,849,237
From other agencies	-	225,000	(225,000)
Other revenue	8,040	-	8,040
Total Revenues	<u>2,230,615</u>	<u>598,338</u>	<u>1,632,277</u>
<b>Expenditures</b>			
Public works	2,741,998	1,083,215	1,658,783
Capital outlay	1,474,939	3,958,855	(2,483,916)
Total Expenditures	<u>4,216,937</u>	<u>5,042,070</u>	<u>(825,133)</u>
<b>Other Sources - Transfers</b>	4,504,118	8,186,370	(3,682,252)
<b>Increase (decrease) in fund balance</b>	<u>\$ 2,517,796</u>	<u>\$ 3,742,638</u>	<u>\$ (1,224,842)</u>

Total revenues for the fiscal year ended June 30, 2023 increased over \$1.6 million from the prior fiscal year. The increase is due exclusively to significantly higher interest earnings generated from maintaining larger cash balances in the fund and earning a much higher interest rate on these idle cash balances. While no revenues were generated in the past year, 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. These amounts were driven by median improvements on Katella Avenue and Police Department building modernization project costs incurred in the prior year and shifting arterial rehabilitation costs from the Streets fund to the City Capital Projects fund in the fiscal year ended June 30, 2023 to meet Maintenance of Effort requirements.

The amounts recorded as net transfers are comprised of annual transfers in from various restricted funds of the City and two transfers from the General fund. Total net transfers from restricted funds decreased year over year, due to using nearly \$500,000 of one-time federal asset seizure monies to pay for a portion of the Police Department building modernization project and almost \$1.2 million of restricted Street funds on median improvements and residential street resurfacing projects in FY 2021-22. The two annual General fund transfers are for 1) the annual funding requirement approved by the City Council to fund current year projects, and 2) an allocation 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 and these amounts can fluctuate greatly from year to year due to a variety of factors. As such, available surplus amounts from FY 2021-22, and transferred to the City Capital Projects fund in FY 2022-23, declined \$2.35 million from the prior year.



**CITY OF CYPRESS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2023**

**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. The Pandemic Response and Recovery Fund was deemed a major fund in the fiscal year ended June 30, 2022, but beginning with the fiscal year ended June 30, 2023, the fund is no longer considered a major fund. However, management has chosen to discuss and analyze the activities in the fund over the past two years below.

**CITY OF CYPRESS**  
Summary of Changes in Fund Balances  
Pandemic Response Fund  
For the fiscal year ended June 30, 2023 and 2022

	2023	2022	Change
<b>Revenues</b>			
From use of property	\$ -	\$ -	\$ -
From other agencies	-	11,717,000	(11,717,000)
Other revenue	-	-	-
Total Revenues	-	11,717,000	(11,717,000)
<b>Expenditures</b>			
General Government	-	-	-
Total Expenditures	-	-	-
<b>Net Transfers</b>	-	(11,717,000)	11,717,000
<b>Increase (decrease) in fund balance</b>	\$ -	\$ -	\$ -

Total revenues for the fiscal year ended June 30, 2023 decreased to zero. The \$11.7 million of revenue in the prior fiscal year was a one-time allocation of Coronavirus State and Local Fiscal Recovery Funds through ARPA that was used as revenue replacement to the maximum extent allowed by U.S. Treasury guidelines. Coronavirus State and Local Fiscal Recovery Funds of \$6,277 remain unexpended at June 30, 2023 and may be available for revenue replacement in future fiscal years if actual revenue growth is within U.S. Treasury eligibility guidelines.

**CITY OF CYPRESS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2023**

**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 \$957,000 during the year and the following is a comparison of the enterprise activity in the fund for the past two years:

**CITY OF CYPRESS  
Summary of Changes in Net Position  
Business-type Activities - Sewer Enterprise Fund  
For the fiscal year ended June 30, 2023 and 2022**

	2023	2022	Change
<b>Operating Revenues</b>			
Charges for services	\$ 1,632,171	\$ 1,779,495	\$ (147,324)
Other	7,397	2,442	4,955
Total Operating Revenues	<u>1,639,568</u>	<u>1,781,937</u>	<u>(142,369)</u>
<b>Operating Expenditures</b>			
Sewer Maintenance	298,928	308,534	(9,606)
Depreciation	593,855	593,855	-
Total Operating Expenditures	<u>892,783</u>	<u>902,389</u>	<u>(9,606)</u>
<b>Non-Operating Revenues (Expenses)</b>			
Property Taxes	36,250	32,508	3,742
From other agencies	36	35	1
Interest income	173,575	26,215	147,360
Total Non-operating Revenues	<u>209,861</u>	<u>58,758</u>	<u>151,103</u>
<b>Increase (Decrease) in net position</b>	<u>\$ 956,646</u>	<u>\$ 938,306</u>	<u>\$ 18,340</u>

Total Sewer fund operating revenues for the fiscal year ended June 30, 2023 are comprised primarily of sewer fee revenues, which decreased by \$147,324 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. The 8.3 percent year over year decline appears reasonable given the wet winter experienced in FY 2022-23.

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.

Most non-operating revenues and expenses remain consistent over a typical two year period. 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. The City saw across the board increases in interest earnings brought on by unprecedented rate hikes during the fiscal year ended June 30, 2023.

**Capital Asset and Debt Administration**

**Capital assets.** The City's investment in capital assets as of June 30, 2023 amounts to \$190,196,552 (net of accumulated depreciation) and consists of \$171,325,019 for governmental activities and \$18,871,533 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

**CITY OF CYPRESS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2023**

construction in progress. The investment in business-type activities is limited to the City's sanitary sewer system. The City's overall investment in capital assets increased during the past fiscal year by \$4.8 million (1.5 percent) before depreciation. The following table summarizes capital asset activity for the fiscal year ended June 30, 2023.

Summary of Capital Assets  
As of June 30, 2023 and 2022

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Governmental Activities:						
Capital Assets, Not Depreciated:						
Land	\$ 9,734,882	\$ 9,734,882	\$ -	\$ -	\$ 9,734,882	\$ 9,734,882
Construction in Progress	1,867,115	23,701,600	146,810	253,324	2,013,925	23,954,924
Total, Not Depreciated	11,601,997	33,436,482	146,810	253,324	11,748,807	33,689,806
Capital Assets, Being Depreciated:						
Buildings and Improvements	62,107,516	40,222,966	-	-	62,107,516	40,222,966
Machinery and Equipment	11,774,630	11,352,637	-	-	11,774,630	11,352,637
Infrastructure	236,931,361	233,968,226	35,140,462	34,445,054	272,071,823	268,413,280
Lease and Subscription Assets	1,343,515	-	-	-	1,343,515	-
Total, Being Depreciated	312,157,022	285,543,829	35,140,462	34,445,054	347,297,484	319,988,883
Less Accumulated Depreciation/Amortization:						
Buildings and Improvements	(22,553,255)	(21,311,078)	-	-	(22,553,255)	(21,311,078)
Machinery and Equipment	(8,722,991)	(8,341,912)	-	-	(8,722,991)	(8,341,912)
Infrastructure	(120,937,785)	(116,522,954)	(16,415,739)	(15,821,884)	(137,353,524)	(132,344,838)
Lease and Subscription Assets	(219,969)	-	-	-	(219,969)	-
Total Accumulated Depreciation	(152,434,000)	(146,175,944)	(16,415,739)	(15,821,884)	(168,849,739)	(161,997,828)
Total Depreciated, Net	159,723,022	139,367,885	18,724,723	18,623,170	178,447,745	157,991,055
Governmental Activities Capital Assets, Net	\$ 171,325,019	\$ 172,804,367	\$ 18,871,533	\$ 18,876,494	\$ 190,196,552	\$ 191,680,861

Major governmental activities capital asset transactions during the fiscal year ended June 30, 2023 included the following:

- The large decrease to construction in progress is due to finalizing Lexington Park and the Police Department modernization and seismic retrofit projects. These two large-scale, multi-year projects were completed in FY 2022-23 and the \$23 million of total costs were reclassified to building and improvements during that period.
- The increase to machinery and equipment is attributed to the purchase of new copiers, replacement mobile data computers for the Police department, a new replacement chipper truck, two pick-up trucks and a forklift for Public Works, the replacement of seven Police vehicles and a mobile stage and canopy for Recreation community events.
- Infrastructure additions of nearly \$3.0 million are comprised of capitalizing prior year construction in progress amounts as well as street widening associated with the Lexington Park project, system upgrades to the signal traffic cameras, and median improvements incurred in the fiscal year ended June 30, 2023.

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

- Nearly \$336,000 was invested in sewer capacity and condition improvement projects at various locations and recorded as capital asset additions to the sewer system at June 30, 2023.

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.

**CITY OF CYPRESS  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2023**

**Long-Term debt.** The City had total debt outstanding of \$75,634,558 at June 30, 2023. The following schedule summarizes the City’s long-term liabilities.

Summary of Long-Term Debt  
As of June 30, 2023 and 2022

	2023	2022	Change
Claims Payable	\$ 2,145,872	\$ 2,490,415	\$ (344,543)
Compensated Absences	2,433,267	2,405,207	28,060
Retiree's Health Benefits	9,178,933	9,015,067	163,866
Accrued Pension Liability	61,876,486	32,737,065	29,139,421
<b>Total</b>	<b>\$ 75,634,558</b>	<b>\$ 46,647,754</b>	<b>\$ 28,986,804</b>

Long-term debt activity during the fiscal year ended June 30, 2023 included:

- The change in claims payable is a result of workers’ compensation claims decreases due to several outstanding workers’ compensation cases being closed out prior to June 30, 2023. The decrease in claims payable comes on the heels of two straight years in which workers’ compensation claims experienced large increases.
- Compensated absences increased by \$28,060. 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, 2023. The results of the actuarial valuation resulted in a modest increase to the City’s liability for retiree’s health 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 increased by over \$29.1 million during the fiscal year ended June 30, 2023. Year to year fluctuations in the pension liability can be large, and the most recent increases are directly attributable to the results of the annual actuarial valuations performed by the plan’s administrators, CalPERS and OCERS. Both plans experienced significant losses during the most recent valuation period.

The City has set aside over \$2 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, \$23 million is invested in the City’s pension trust as of June 30, 2023. 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 (10), the Other Long-Term Liabilities note (11), the Public Employees’ Retirement System (CalPERS) note (12), the Terminated Orange County Employees Retirement System (OCERS) Defined Benefit Pension Plan note (14) and the Post-Employment Health Care Benefits note (15) 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 successfully handle economic downturns; maintain a commitment to first class infrastructure; and further establish its reputation as one of Southern California’s best cities for families and businesses.

**CITY OF CYPRESS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2023**

The City's long-term financial position remains strong and continues to make productive use of the additional resources from the \$11.7 million Coronavirus State and Local Fiscal Recovery Funds windfall through the American Rescue Plan Act (ARPA). Thanks to interest earnings, the FY 2023-24 Budget is balanced, but as the Five Year forecast in the Budget highlights, Cypress remains dogged by a modest, stubborn structural deficit that limits the City's options to absorb cost increases or enhance community service levels.

The projected structural deficit is a function of the City Council's laudable \$1.55 million annual contribution toward capital and infrastructure projects from General Fund operating revenues, and unavoidable upward pressure on employee compensation caused by a tight labor market and inflation. The projected future deficits can likely be offset by drawing on reserves established to bridge small budget deficits that are expected to 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 those businesses could imperil City operations. To mitigate the risk the City faces from its reliance on sales tax, the City Council updated its Fiscal Strategies during the FY 2022-23 Budget process with a new sales tax estimating and budgeting practice.

The recent spike in interest earnings resulting from efforts to contain inflation will require future budgets to consider a similar risk management strategy to manage investment revenues that can fluctuate greatly from one year to the next.

Our industry leading financial management practices are a justifiable source of community pride. Cypress is the only city to be recognized twice by former State Senator (and Certified Public Accountant) John Moorlach for having the strongest unrestricted net (fiscal) position of Orange County's 34 cities. The City also continues to earn recognition from the Government Finance Officers Association for its Budget presentation and performance measurement program.

FY 2023-24 finds the City's short-term financial condition healthy, but facing a variety of inflation-related challenges and the reality that a U.S. recession may begin before the end of the fiscal year.

Some of the challenges high inflation continues to present the City include:

- The cost to provide municipal services has increased. Everything from supplies, to gasoline, to service contracts costs significantly more than it did two years ago. In many cases, the Budget includes an inflation allowance, but costs can rise so quickly that these allowances may be insufficient or may be needed more broadly.
- Capital project costs continue to go up. The City has had to adjust nearly every CIP project because of inflation and associated product, equipment, and commodity shortages. Annual projects, like residential street resurfacing have had their scope of work reduced compared to prior years. Fortunately, Cypress' strong financial management practices have enabled the City to fund CIP projects on a pay-as-you-go basis and avoid high borrowing costs.
- The cost to retain and attract employees in a tight labor market has increased. While some City revenues grow with inflation, overall revenue growth cannot keep pace with historically large Consumer Price Index (CPI) increases. Surging CPI also limits the City's ability to preserve employee wages relative to the cost of living. Reflecting fierce competition for employees, the FY 2023-24 Budget includes recommendations to help retain employees and advance succession planning. These investments are key to ensuring Cypress is served by highly capable professionals who understand and are committed to our organization, and are rooted in what makes this community so special.

**CITY OF CYPRESS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2023**

- Employer pension costs are likely to increase as CalPERS navigates soaring interest rates, international crises, and rising employee wages. To ensure Cypress continues to responsibly manage its pension liabilities, the City Council established a Strategic Plan objective to develop options to further offset CalPERS unfunded pension plan actuarial liabilities.

While Cypress is exceedingly well prepared to weather a typical recession/business cycle, the risk of recession has been a consideration throughout the past fiscal year and is a risk around which the FY 2023-24 Budget is built.

**Revenues.** The City's projected revenues for Fiscal Year 2023-24 are nearly \$51 million and do not include any tax rate increases from the previous year. The Fiscal Year 2023-24 revenues included in the budget are 13.7 percent higher than the Fiscal Year 2022-23 adopted revenue budget.

The City's largest General fund revenue sources remain property tax (\$13 million including State backfills) and sales tax (\$12.6 million). Together, these two sources comprise nearly two-thirds of General Fund revenues. Budgeted property tax revenues have increased by almost \$1 million (8.3 percent) from the FY 2022-23 Budget. The increase is attributed to recent changes in ownership and construction of apartments and senior living communities, as well as the final dissolution of the Successor Agency to the former Redevelopment Agency. Sales tax receipts remained stronger than expected during the pandemic, and more recently have benefitted from inflation. While sales tax receipts can be volatile, especially during periods of economic uncertainty, recent forecasts indicate modest growth for FY 2023-24.

While not nearly as large as property taxes and sales tax, investment earnings are expected to be more than \$1.5 million higher than the prior budget. While the interest rate hikes by the Federal Reserve in the last two years are generally viewed as economically risky with the potential for negative short-term financial impacts to residents, local businesses and the City's revenue base, higher interest paid on Treasury-backed securities does positively impact the City's revenue base in the short-term. Simply put, these additional investment earnings are responsible for the FY 2023-24 Budget being balanced without the use of reserves.

**Expenditures.** Fiscal Year 2023-24 expenditures accomplish Strategic Plan goals and operating costs grow in response to a variety of factors, which includes inflation. Major expenditure highlights in the Fiscal Year 2023-24 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 \$39.9 million.
- ◆ Capital Outlay funding of nearly \$2.2 million to acquire and/or replace computer software/hardware items, vehicles and various tools and equipment.

**Requests for Information**

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, California 90630.





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# BASIC FINANCIAL STATEMENTS



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**CITY OF CYPRESS**  
**Statement of Net Position**  
**June 30, 2023**

**Primary Government**

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>Assets:</b>			
Cash and investments	\$ 190,632,385	\$ 7,526,523	\$ 198,158,908
Restricted cash and investments	23,046,407	-	23,046,407
Receivables:			
Accounts	950,163	135,421	1,085,584
Taxes	3,961,653	145	3,961,798
Notes and loans	128,545	-	128,545
Accrued interest	1,510,700	59,505	1,570,205
Leases	54,198	-	54,198
Prepaid costs	70,428	-	70,428
Inventories	11,787	-	11,787
Assets available for resale	1,421,708	-	1,421,708
Capital assets not being depreciated/amortized	11,601,997	146,810	11,748,807
Capital assets, net of depreciation/amortized	159,723,022	18,724,723	178,447,745
<b>Total Assets</b>	<b>393,112,993</b>	<b>26,593,127</b>	<b>419,706,120</b>
<b>Deferred Outflows of Resources:</b>			
Deferred amount from CalPERS pension plans	26,970,953	-	26,970,953
Deferred amount from OPEB	1,028,986	-	1,028,986
Deferred amount from OCERS pension plan	432,375	-	432,375
<b>Total Deferred Outflows of Resources</b>	<b>28,432,314</b>	<b>-</b>	<b>28,432,314</b>
<b>Liabilities:</b>			
Accounts payable	4,337,180	121,543	4,458,723
Unearned revenue	896,132	72	896,204
Deposits payable	1,248,566	-	1,248,566
Due to other governments	384,366	-	384,366
Unclaimed property	76,567	-	76,567
Due to bondholders	153,575	-	153,575
Noncurrent liabilities:			
Due within one year	1,376,255	-	1,376,255
Due in more than one year	4,241,124	-	4,241,124
Retirees' health payable	9,178,932	-	9,178,932
Net pension liability	61,876,486	-	61,876,486
<b>Total Liabilities</b>	<b>83,769,183</b>	<b>121,615</b>	<b>83,890,798</b>
<b>Deferred Inflows of Resources:</b>			
Deferred amount from CalPERS pension plans	5,070,484	-	5,070,484
Deferred amount from OPEB	1,898,143	-	1,898,143
Deferred amount from OCERS pension plan	37,384	-	37,384
Deferred amount from leases	53,716	-	53,716
<b>Total Deferred Inflows of Resources</b>	<b>7,059,727</b>	<b>-</b>	<b>7,059,727</b>
<b>Net Position:</b>			
Net investment in capital assets	170,286,779	18,871,533	189,158,312
Restricted	51,019,690	7,599,979	58,619,669
Unrestricted	109,409,928	-	109,409,928
<b>Total Net Position</b>	<b>\$ 330,716,397</b>	<b>\$ 26,471,512</b>	<b>\$ 357,187,909</b>

**CITY OF CYPRESS**  
**Statement of Activities**  
**Year Ended June 30, 2023**

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Contributions and Grants</u>	<u>Capital Contributions and Grants</u>
<b>Functions/Programs</b>				
<b>Primary Government:</b>				
Governmental Activities:				
General government	\$ 4,434,609	\$ 187,818	\$ 259,515	\$ 74,661
Public safety	16,762,572	498,827	1,388,839	-
Community development	2,109,834	1,628,632	126,628	-
Recreation and parks	5,137,475	2,890,860	83,728	-
Public works	11,321,069	1,540,795	2,269,213	2,014,926
<b>Total Governmental Activities</b>	<b>39,765,559</b>	<b>6,746,932</b>	<b>4,127,923</b>	<b>2,089,587</b>
Business-Type Activities:				
Sewer Fund	892,783	1,632,171	36	-
<b>Total Business-Type Activities</b>	<b>892,783</b>	<b>1,632,171</b>	<b>36</b>	<b>-</b>
<b>Total Primary Government</b>	<b>\$ 40,658,342</b>	<b>\$ 8,379,103</b>	<b>\$ 4,127,959</b>	<b>\$ 2,089,587</b>

**General Revenues:**

Taxes:  
Property taxes, levied for general purpose  
Transient occupancy taxes  
Sales taxes  
Franchise taxes  
Other taxes  
Use of money and property  
Other  
Gain on sale of capital asset

**Total General Revenues, Contributions,  
Extraordinary Items and Transfers**

Change in Net Position

Net Position at Beginning of Year

**Net Position at End of Year**

<b>Net (Expenses) Revenues and Changes in Net Position Primary Government</b>		
<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
\$ (3,912,615)	\$ -	\$ (3,912,615)
(14,874,906)	-	(14,874,906)
(354,574)	-	(354,574)
(2,162,887)	-	(2,162,887)
(5,496,135)	-	(5,496,135)
<b>(26,801,117)</b>	<b>-</b>	<b>(26,801,117)</b>
-	739,424	739,424
-	<b>739,424</b>	<b>739,424</b>
<b>(26,801,117)</b>	<b>739,424</b>	<b>(26,061,693)</b>
21,868,125	36,250	21,904,375
2,849,004	-	2,849,004
13,561,206	-	13,561,206
1,972,342	-	1,972,342
1,870,017	-	1,870,017
6,356,790	173,575	6,530,365
37,271	7,397	44,668
32,478	-	32,478
<b>48,547,233</b>	<b>217,222</b>	<b>48,764,455</b>
21,746,116	956,646	22,702,762
308,970,281	25,514,866	334,485,147
<b>\$ 330,716,397</b>	<b>\$ 26,471,512</b>	<b>\$ 357,187,909</b>



**CITY OF CYPRESS**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2023**

	Special Revenue Funds			Capital Projects Fund
	General	Recreation and Park District	Streets	City Capital Projects Fund
<b>Assets:</b>				
Cash and investments	\$ 35,134,808	\$ 16,175,927	\$ 8,887,074	\$ 87,978,325
Receivables:				
Accounts	678,223	3,822	-	351
Taxes	3,518,519	109,138	309,217	-
Notes and loans	59,545	-	-	-
Accrued interest	505,549	154,308	53,381	697,671
Lease	54,198	-	-	-
Prepays	18,424	33,916	-	-
Due from other funds	20,701	-	-	-
Advances to other funds	98,583	-	-	5,023,162
Inventory	-	1,714	-	-
Land held for resale	-	-	-	-
<b>Total Assets</b>	<b>\$ 40,088,550</b>	<b>\$ 16,478,825</b>	<b>\$ 9,249,672</b>	<b>\$ 93,699,509</b>
<b>Liabilities:</b>				
Accounts payable	\$ 2,533,164	\$ 939,451	\$ 131,893	\$ 363,332
Unearned revenues	548,172	253,982	-	87,000
Deposits payable	1,233,966	14,600	-	-
Unclaimed property	76,267	300	-	-
Due to other governments	384,366	-	-	-
Due to other funds	-	-	-	-
Advances from other funds	-	5,023,162	-	-
Due to bondholders	153,575	-	-	-
<b>Total Liabilities</b>	<b>4,929,510</b>	<b>6,231,495</b>	<b>131,893</b>	<b>450,332</b>
<b>Deferred inflows of resources:</b>				
Unavailable revenues	113,316	-	-	3,234
Leases	53,716	-	-	-
<b>Total Deferred inflows of Resources</b>	<b>167,032</b>	<b>-</b>	<b>-</b>	<b>3,234</b>
<b>Fund Balances:</b>				
Nonspendable	176,552	35,630	-	-
Restricted	28,944	8,011,700	9,117,779	-
Committed	9,395,654	-	-	12,863,857
Assigned	23,550,418	2,200,000	-	80,382,086
Unassigned	1,840,440	-	-	-
<b>Total Fund Balances</b>	<b>34,992,008</b>	<b>10,247,330</b>	<b>9,117,779</b>	<b>93,245,943</b>
<b>Total Liabilities, deferred inflows of resources, and Fund Balances</b>	<b>\$ 40,088,550</b>	<b>\$ 16,478,825</b>	<b>\$ 9,249,672</b>	<b>\$ 93,699,509</b>

**CITY OF CYPRESS**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2023**

	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Assets:</b>		
Cash and investments	\$ 9,288,093	\$ 157,464,227
Receivables:		
Accounts	40,582	722,978
Taxes	24,779	3,961,653
Notes and loans	69,000	128,545
Accrued interest	68,076	1,478,985
Lease	-	54,198
Prepays	-	52,340
Due from other funds	-	20,701
Advances to other funds	-	5,121,745
Inventory	-	1,714
Land held for resale	1,421,708	1,421,708
<b>Total Assets</b>	<b>\$ 10,912,238</b>	<b>\$ 170,428,794</b>
<b>Liabilities:</b>		
Accounts payable	\$ 174,541	\$ 4,142,381
Unearned revenues	6,276	895,430
Deposits payable	-	1,248,566
Unclaimed property	-	76,567
Due to other governments	-	384,366
Due to other funds	20,701	20,701
Advances from other funds	98,583	5,121,745
Due to bondholders	-	153,575
<b>Total Liabilities</b>	<b>300,101</b>	<b>12,043,331</b>
<b>Deferred inflows of resources:</b>		
Unavailable revenues	-	116,550
Leases	-	53,716
<b>Total Deferred inflows of Resources</b>	<b>-</b>	<b>170,266</b>
<b>Fund Balances:</b>		
Nonspendable	-	212,182
Restricted	10,710,270	27,868,693
Committed	-	22,259,511
Assigned	-	106,132,504
Unassigned	(98,133)	1,742,307
<b>Total Fund Balances</b>	<b>10,612,137</b>	<b>158,215,197</b>
<b>Total Liabilities, deferred inflows of resources, and Fund Balances</b>	<b>\$ 10,912,238</b>	<b>\$ 170,428,794</b>



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**CITY OF CYPRESS**  
**Reconciliation of the Balance Sheet of Governmental Funds**  
**to the Statement of Net Position**  
**June 30, 2023**

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Fund balances of governmental funds		\$ 158,215,197
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets net of depreciation have not been included as financial resources in governmental fund activity.		167,368,791
Revenues reported as unavailable revenue in the governmental funds and recognized in the statement of activities. These are included in the intergovernmental revenues in the governmental fund activity.		116,550
Long-term liabilities that are not due and payable uin the current period, and therefore, are not reported in the funds.		
Subscriptions payable	\$ (336,455)	
Leases payable	<u>(42,894)</u>	(379,349)
Internal service funds are used by management to charge the costs of certain activities, such as equipment management and self-insurance, to individual funds. The assets and liabilities of the internal service funds must be added to the statement of net position.		<u>5,395,208</u>
<b>Net Position of governmental activities</b>		<b><u>\$ 330,716,397</u></b>

**CITY OF CYPRESS**  
**Statement of Revenues,**  
**Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**Year Ended June 30, 2023**

	General	Special Revenue Funds		Capital Projects Fund
		Recreation and Park District	Streets	City Capital Projects Fund
<b>Revenues:</b>				
Taxes	\$ 33,879,638	\$ 7,080,645	\$ -	\$ -
Licenses and permits	1,437,526	-	-	-
Intergovernmental	715,738	62,665	3,398,480	-
Charges for services	3,596,365	2,890,860	106,752	-
Use of money and property	2,068,635	752,086	157,020	2,222,575
Fines and forfeitures	228,114	-	-	-
Miscellaneous	823,017	21,063	-	8,040
<b>Total Revenues</b>	<b>42,749,033</b>	<b>10,807,319</b>	<b>3,662,252</b>	<b>2,230,615</b>
<b>Expenditures:</b>				
Current:				
General government	5,071,688	-	-	-
Public safety	19,863,447	-	-	-
Community development	2,497,289	-	-	-
Parks and recreation	-	5,260,829	-	-
Public works	6,395,623	-	39,136	2,741,998
Capital outlay	-	1,070,103	389,572	1,474,939
<b>Total Expenditures</b>	<b>33,828,047</b>	<b>6,330,932</b>	<b>428,708</b>	<b>4,216,937</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	8,920,986	4,476,387	3,233,544	(1,986,322)
<b>Other Financing Sources (Uses):</b>				
Transfers in	236,814	-	-	4,504,118
Transfers out	(5,583,317)	(635,571)	(316,396)	-
<b>Total Other Financing Sources (Uses)</b>	<b>(5,346,503)</b>	<b>(635,571)</b>	<b>(316,396)</b>	<b>4,504,118</b>
Net Change in Fund Balances	3,574,483	3,840,816	2,917,148	2,517,796
Fund Balances, Beginning of Year	31,417,525	6,406,514	6,200,631	90,728,147
<b>Fund Balances, End of Year</b>	<b>\$ 34,992,008</b>	<b>\$ 10,247,330</b>	<b>\$ 9,117,779</b>	<b>\$ 93,245,943</b>

**CITY OF CYPRESS**  
**Statement of Revenues,**  
**Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**Year Ended June 30, 2023**

	<b>Other Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>Revenues:</b>		
Taxes	\$ 1,692,715	\$ 42,652,998
Licenses and permits	-	1,437,526
Intergovernmental	379,844	4,556,727
Charges for services	95,310	6,689,287
Use of money and property	57,516	5,257,832
Fines and forfeitures	57,259	285,373
Miscellaneous	423,847	1,275,967
<b>Total Revenues</b>	<b>2,706,491</b>	<b>62,155,710</b>
<b>Expenditures:</b>		
Current:		
General government	-	5,071,688
Public safety	236,197	20,099,644
Community development	44,222	2,541,511
Parks and recreation	-	5,260,829
Public works	1,197,121	10,373,878
Capital outlay	67,601	3,002,215
<b>Total Expenditures</b>	<b>1,545,141</b>	<b>46,349,765</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,161,350	15,805,945
<b>Other Financing Sources (Uses):</b>		
Transfers in	-	4,740,932
Transfers out	(294,662)	(6,829,946)
<b>Total Other Financing Sources (Uses)</b>	<b>(294,662)</b>	<b>(2,089,014)</b>
Net Change in Fund Balances	866,688	13,716,931
Fund Balances, Beginning of Year	9,745,449	144,498,266
<b>Fund Balances, End of Year</b>	<b>\$ 10,612,137</b>	<b>\$ 158,215,197</b>



**CITY OF CYPRESS**  
**Reconciliation of the Statement of Revenues, Expenditures,**  
**and Changes in Fund Balances of Governmental Funds**  
**to the Statement of Activities**  
**Year Ended June 30, 2023**

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Net change in fund balances - total governmental funds \$ 13,716,931

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

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

Capital outlay	\$ 3,814,135	
Depreciation/amortization	(5,767,907)	
Gain/(loss) on sale of capital assets	<u>(717,201)</u>	(2,670,973)

Revenues reported as unavailable revenue in the governmental funds and recognized in the statement of activities. These are included in the intergovernmental revenues in the governmental fund activity. (29,467)

Bond and other debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of bond and other debt principal is an expenditure in the governmental funds, but repayment reduces long-term liabilities in the Statement of Net Position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.

Subscriptions entered into	(419,953)	
Principal payments on subscriptions	228,764	
Leases entered into	(53,896)	
Principal payments on leases	11,002	
Interest on leases and subscriptions	<u>316,591</u>	82,508

Internal service funds are used by management to charge the costs of certain activities, such as equipment management and self-insurance, to individual funds. The net revenues (expenses) of the internal service funds is reported with governmental activities. 10,647,117

**Change in net position of governmental activities \$ 21,746,116**

CITY OF CYPRESS  
Statement of Net Position  
Proprietary Funds  
June 30, 2023

	Business-Type Activities - Enterprise Funds	Governmental Activities- Internal Service Funds
	Sewer Fund	Service Funds
<b>Assets:</b>		
Current:		
Cash and investments	\$ 7,526,523	\$ 33,168,158
Receivables:		
Accounts	135,421	227,185
Taxes	145	-
Accrued interest	59,505	31,715
Prepaid items	-	18,088
Inventory	-	10,073
Restricted:		
Cash with fiscal agent	-	23,046,407
<b>Total Current Assets</b>	<b>7,721,594</b>	<b>56,501,626</b>
Noncurrent:		
Construction in progress	146,810	242,900
Capital assets - net of accumulated depreciation/amortization	18,724,723	3,713,328
<b>Total Noncurrent Assets</b>	<b>18,871,533</b>	<b>3,956,228</b>
<b>Total Assets</b>	<b>26,593,127</b>	<b>60,457,854</b>
<b>Deferred Outflows of Resources:</b>		
Deferred amount from PERS pension plans	-	26,970,953
Deferred amount from OPEB	-	1,028,986
Deferred amount from OCERS pension plans	-	432,375
<b>Total Deferred Outflows of Resources</b>	<b>-</b>	<b>28,432,314</b>
<b>Liabilities, Deferred Inflows of Resources, and Net Position:</b>		
<b>Liabilities:</b>		
Current:		
Accounts payable	121,543	194,799
Unearned revenues	72	702
Subscriptions	-	124,556
Accrued compensated absences	-	608,520
Accrued claims and judgments	-	536,468
<b>Total Current Liabilities</b>	<b>121,615</b>	<b>1,465,045</b>
Noncurrent:		
Subscriptions	-	534,335
Accrued compensated absences	-	1,824,747
Accrued claims and judgments	-	1,609,404
Retiree's health payable	-	9,178,932
Net pension liability	-	61,876,486
<b>Total Noncurrent Liabilities</b>	<b>-</b>	<b>75,023,904</b>
<b>Total Liabilities</b>	<b>121,615</b>	<b>76,488,949</b>
<b>Deferred Inflows of Resources:</b>		
Deferred amount from PERS pension plans	-	5,070,484
Deferred amount from OCERS pension plan	-	37,384
Deferred amount from OPEB	-	1,898,143
<b>Total Deferred Inflows of Resources</b>	<b>-</b>	<b>7,006,011</b>
<b>Net Position:</b>		
Investment in capital assets	18,871,533	3,297,337
Restricted for sanitary sewer	7,599,979	-
Restricted for PARS trust	-	23,046,407
Unrestricted	-	(20,948,536)
<b>Total Net Position</b>	<b>26,471,512</b>	<b>5,395,208</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Net Position</b>	<b>\$ 26,593,127</b>	<b>\$ 88,890,168</b>

**CITY OF CYPRESS**  
**Statement of Revenues, Expenses**  
**and Changes in Fund Net Position**  
**Proprietary Funds**  
**Year Ended June 30, 2023**

	<b>Business-Type</b>	
	<b>Activities -</b>	
	<b>Enterprise</b>	
	<b>Funds</b>	<b>Governmental</b>
	<b>Sewer Fund</b>	<b>Activities- Internal Service Funds</b>
<b>Operating Revenues:</b>		
Charges for services	\$ 1,632,171	\$ 19,843,408
Miscellaneous	7,397	248,338
<b>Total Operating Revenues</b>	<b>1,639,568</b>	<b>20,091,746</b>
<b>Operating Expenses:</b>		
Personnel services	-	1,277,676
Contractual services	-	4,183,229
Supplies and other services	-	6,214,801
Claims payments and changes in estimates	-	208,084
Depreciation/amortization expense	593,855	845,085
Sewer maintenance	298,928	-
<b>Total Operating Expenses</b>	<b>892,783</b>	<b>12,728,875</b>
Operating Income (Loss)	746,785	7,362,871
<b>Nonoperating Revenues (Expenses):</b>		
Taxes	36,250	-
From other agencies	36	-
Interest income (expense)	173,575	1,162,754
Gain (loss) on disposal of capital assets	-	32,478
<b>Total Nonoperating Revenues (Expenses)</b>	<b>209,861</b>	<b>1,195,232</b>
Income (Loss) Before Transfers	956,646	8,558,103
Transfers in	-	3,119,294
Transfers out	-	(1,030,280)
Changes in Net Position	956,646	10,647,117
<b>Net Position:</b>		
Beginning of Year	25,514,866	(5,251,909)
<b>End of Fiscal Year</b>	<b>\$ 26,471,512</b>	<b>\$ 5,395,208</b>

CITY OF CYPRESS  
Statement of Cash Flows  
Proprietary Funds  
Year Ended June 30, 2023

	Business-Type Activities - Enterprise Funds	
	Sewer Fund	Governmental Activities- Internal Service Funds
<b>Cash Flows from Operating Activities:</b>		
Cash received from customers and users	\$ 1,645,450	\$ 20,540,608
Cash paid to suppliers for goods and services	(232,096)	(10,643,911)
Cash paid to employees for services	(7,779)	(8,555,651)
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>1,405,575</b>	<b>1,341,046</b>
<b>Cash Flows from Non-Capital Financing Activities:</b>		
Cash transfers out	-	(1,030,280)
Cash transfers in	-	3,119,294
From taxes and other agencies	36,263	-
<b>Net Cash Provided (Used) by Non-Capital Financing Activities</b>	<b>36,263</b>	<b>2,089,014</b>
<b>Cash Flows from Capital and Related Financing Activities:</b>		
Acquisition and construction of capital assets	(588,894)	(939,968)
Proceeds from sales of capital assets	-	56,486
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	<b>(588,894)</b>	<b>(883,482)</b>
<b>Cash Flows from Investing Activities:</b>		
Interest received	124,041	1,138,989
<b>Net Cash Provided (Used) by Investing Activities</b>	<b>124,041</b>	<b>1,138,989</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>976,985</b>	<b>3,685,567</b>
Cash and Cash Equivalents at Beginning of Year	6,549,538	52,528,998
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ 7,526,523</b>	<b>\$ 56,214,565</b>
<b>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:</b>		
Operating income (loss)	\$ 746,785	\$ 7,362,871
<b>Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities:</b>		
Depreciation/amortization	593,855	845,085
(Increase) decrease in accounts receivable	5,810	448,160
(Increase) decrease in inventories	-	(5,176)
(Increase) decrease in prepaid expense	-	31,664
Increase (decrease) in accounts payable	66,832	(117,490)
Increase (decrease) in accrued liabilities	(7,779)	(155,519)
(Increase) decrease in pension-related deferred outflows	-	(14,425,706)
(Increase) decrease in pension-related deferred inflows	-	(21,794,796)
(Increase) decrease in pension-related liability	-	29,242,800
(Increase) decrease in OPEB-related deferred outflows	-	224,313
(Increase) decrease in OPEB-related deferred inflows	-	(163,245)
(Increase) decrease in OPEB-related liability	-	163,865
Increase (decrease) in unearned revenue	72	702
Increase (decrease) in claims and judgments	-	(81,901)
Increase (decrease) in compensated absences	-	(234,581)
<b>Total Adjustments</b>	<b>658,790</b>	<b>(6,021,825)</b>
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>\$ 1,405,575</b>	<b>\$ 1,341,046</b>
<b>Non-Cash Investing, Capital, and Financing Activities:</b>		
Gain/(Loss) on disposition of capital assets	\$ -	\$ 24,009

**CITY OF CYPRESS**  
**Statement of Fiduciary Net Position**  
**Fiduciary Funds**  
**June 30, 2023**

	<b>Successor Agency to the City of Cypress Redevelopment Agency Private Purpose Trust Fund</b>	<b>Custodial Funds</b>
<b>Assets:</b>		
Cash and cash equivalents	\$ -	\$ 4,051,791
Receivables:		
Accounts	-	20,043
Accrued interest	-	33,860
Prepaid items	-	20,614
<b>Total Assets</b>	<b>-</b>	<b>4,126,308</b>
<b>Liabilities:</b>		
<b>Current liabilities:</b>		
Accounts payable	-	63,322
Unearned revenues	-	39,131
Due to other governments	-	987,005
Accrued leave payable	-	78,253
<b>Total current liabilities</b>	<b>-</b>	<b>1,167,711</b>
<b>Noncurrent liabilities:</b>		
Retirees' health payable	-	918,751
Accrued leave payable	-	234,761
<b>Total noncurrent liabilities</b>	<b>-</b>	<b>1,153,512</b>
<b>Total Liabilities</b>	<b>-</b>	<b>2,321,223</b>
<b>Net Position:</b>		
Restricted for member agencies	-	1,805,085
<b>Total Net Position</b>	<b>\$ -</b>	<b>\$ 1,805,085</b>

**CITY OF CYPRESS**  
**Statement of Changes in Fiduciary Net Position**  
**Fiduciary Funds**  
**Year Ended June 30, 2023**

	<b>Successor Agency to the City of Cypress Redevelopment Agency Private Purpose Trust Fund</b>	<b>Custodial Funds</b>
<b>Additions:</b>		
Contributions:		
Investment Income	\$ 5,403	\$ 103,896
Member contributions	-	3,104,429
Other Revenue	-	154,507
<b>Total Additions</b>	<b>5,403</b>	<b>3,362,832</b>
<b>Deductions:</b>		
Dispatch services	-	3,014,656
Debt service	-	4,845
Other expenses	668,624	5,868
<b>Total Deductions</b>	<b>668,624</b>	<b>3,025,369</b>
<b>Changes in Net Position</b>	<b>(663,221)</b>	<b>337,463</b>
Net Position - Beginning of the Year	663,221	1,467,622
<b>Net Position - End of the Year</b>	<b>\$ -</b>	<b>\$ 1,805,085</b>





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**NOTE 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.

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

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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.

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 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.

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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.

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.)

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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 use the economic resources measurement focus and are used to report fiduciary activities in which the City acts as an agent. 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.

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.

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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
Subscriptions	3 to 5 years

**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.



**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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.

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, 2023
Measurement Date	June 30, 2023
Measurement Period	July 1, 2021 to June 30, 2023

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.

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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.

**N. New Accounting Pronouncements**

Current Year Standards:

The City adopted the following new accounting pronouncements:

GASB Statement No. 94 – "Public-Private and Public-Public Partnerships and Availability Payment Arrangements" becomes effective for fiscal years beginning after June 15, 2023.

GASB Statement No. 96 – "Subscription-Based Information Technology Arrangements" becomes effective for fiscal years beginning after June 15, 2023.

**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.

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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, 2022 measurement date, which is 3.7 years for both Safety Plan and Miscellaneous Plan members.

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 5.41 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, 2023 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 four 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, 2022 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.

The fourth item is a deferred inflow related to leases. The deferred inflow is the result of leases due to the City where revenue is not yet earned and available. For further information see note 9.

**NOTE 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.

**E. Leases**

Lessee: The City of Cypress is a lessee for a noncancellable lease of equipment. The City of Cypress recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements. The City of Cypress recognizes lease liabilities with an initial, individual value of \$5,000 or more.

At the commencement of a lease, the City initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made on or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life. Key estimates and judgments related to leases include how the City determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The City uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the City is reasonably certain to exercise.

The City monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

Lessor: The City is a lessor for a noncancellable lease of a land. The City recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements.

At the commencement of a lease, the City initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term.

Key estimates and judgments include how the City determines (1) the discount rate it uses to discount the expected lease receipts to present value, (2) lease term, and (3) lease receipts.

- The City uses its estimated incremental borrowing rate as the discount rate for leases.

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

- The lease term includes the noncancellable period of the lease. Lease receipts included in the measurement of the lease receivable is composed of fixed payments from the lessee.

The City monitors changes in circumstances that would require a remeasurement of its lease, and will remeasure the lease receivable and deferred inflows of resources if certain changes occur that are expected to significantly affect the amount of the lease receivable.

**F. Subscription-Based Information Technology Arrangements (SBITAs)**

For The City of Cypress recognizes a subscription liability and an intangible right-to-use lease asset (subscription asset) in the government-wide financial statements. The City recognizes subscription liabilities with an initial, individual value of \$5,000 or more.

At the commencement of a subscription, the City initially measures the subscription liability at the present value of payments expected to be made during the subscription term. Subsequently, the subscription liability is reduced by the principal portion of subscription payments made. The subscription asset is initially measured as the initial amount of the subscription liability, adjusted for subscription payments made on or before the subscription commencement date, plus certain initial direct costs. Subsequently, the subscription asset is amortized on a straight-line basis over its useful life. Key estimates and judgments related to subscriptions include how the City determines (1) the discount rate it uses to discount the expected subscription payments to present value, (2) subscription term, and (3) subscription payments.

- The City uses the interest rate charged by the vendor as the discount rate. When the interest rate charged by the vendor is not provided, the City generally uses its estimated incremental borrowing rate as the discount rate for subscriptions.
- The subscription term includes the noncancellable period of the subscription. Subscription payments included in the measurement of the subscription liability are composed of fixed payments and purchase option price that the City is reasonably certain to exercise.

The City monitors changes in circumstances that would require a remeasurement of its subscription and will remeasure the subscription asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Subscription assets are reported with other capital assets and subscription liabilities are reported with long-term debt on the statement of net position.

**NOTE 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.

**NOTE 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.

**CITY OF CYPRESS**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2023**

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**NOTE 3: CASH AND INVESTMENTS (CONTINUED)**

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.

**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, 2023, the carrying amount of the City’s demand deposits was \$2,736,783. The bank balances of these funds totaled \$3,032,368 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.

The following is a summary of pooled cash and investments, including restricted cash and investments, as of June 30, 2023:

	Governmental Activities	Business-type Activities	Fiduciary Funds	Total
Cash and Investments	\$ 190,632,385	\$ 7,526,523	\$ 4,051,791	\$ 202,210,699
Restricted assets:				
Cash and investments	23,046,407	-	-	23,046,407
<b>Total Cash and Investments</b>	<b>\$ 213,678,792</b>	<b>\$ 7,526,523</b>	<b>\$ 4,051,791</b>	<b>\$ 225,257,106</b>



**CITY OF CYPRESS**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2023**

**NOTE 3: CASH AND INVESTMENTS (CONTINUED)**

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, 2023, consist of the following deposits, and investments and maturities:

Investment Type	Total	Remaining Maturity (in Months)		
		12 Months or Less	13 to 36 Months	37 to 60 Months
Deposits:				
Demand Deposits	\$ 2,736,783	\$ 2,736,783	\$ -	\$ -
Investments:				
State of California Local Agency Investment Fund	20,681,398	20,681,398	-	-
Federal Home Loan Mortgage Corp	47,054,567	-	32,160,467	14,894,100
Federal Farm Credit Bank	38,455,730	-	21,535,380	16,920,350
Federal Home Loan Bank	49,792,041	32,226,205	7,754,640	9,811,196
United States Treasury	43,490,180	43,490,180	-	-
Restricted Cash and Investments:				
PARS Mutual Funds	23,046,407	23,046,407	-	-
<b>Total</b>	<b>\$ 225,257,106</b>	<b>\$ 122,180,973</b>	<b>\$ 61,450,487</b>	<b>\$ 41,625,646</b>

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, 2023 the follow investments totaled more than 5% of the City portfolio:

	Percentage of City investments
Federal Home Loan Bank	22.10%
Federal Farm Credit Bank	19.31%
Federal Home Loan Mortgage Corp.	17.07%

**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, 2023, 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 471 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, 2023, the City's money market mutual accounts were rated AAA by Standard & Poor's. The Federal Farm Credit Bank, Federal Home Loan Mortgage Corp., 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



**NOTE 3: CASH AND INVESTMENTS (CONTINUED)**

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, 2023 the factor used was 0.984828499. The City's investment with LAIF includes a portion of pool funds invested in structured notes and asset-backed securities. As of June 30, 2023, the City had total deposits of \$21,000,000 invested in LAIF, with a fair value of \$20,681,398. LAIF had invested 2.78% of its portfolio in structured notes and medium-term asset-backed securities.

The City may participate 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.

**CITY OF CYPRESS**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2023**

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**NOTE 3: CASH AND INVESTMENTS (CONTINUED)**

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.

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.

**NOTE 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, 2023:

Description	Balance			Balance June 30, 2023	Amounts Due Within One Year	Amounts Due in More than One Year
	June 30, 2022	Additions	Deletions			
Home Loans	\$ 515,416	\$ 12,000	\$ 113,136	\$ 414,280	\$ 56,873	\$ 357,406
Housing Covenants	10,432,230	255,026	-	10,687,256	-	10,687,256
Other Notes	5,138	-	428	4,710	428	4,282
Subtotal	10,952,784	267,026	113,564	11,106,246	57,301	11,048,944
Less: Allowance	(10,799,983)	(267,026)	(89,308)	(10,977,701)	-	(10,977,701)
Total	\$ 152,801	\$ -	\$ 24,256	\$ 128,545	\$ 57,301	\$ 71,243

**NOTE 4: NOTES RECEIVABLE (CONTINUED)**

**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) 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.

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 \$123,836 (which is net of an allowance of \$290,444 for forgivable loans) at June 30, 2023 in both the fund financial statements and the government-wide statements.

**Housing Covenants**

The City holds notes receivable totaling \$10,687,256 (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 \$541,316 at June 30, 2023, 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 \$642,700 at June 30, 2023, are forgivable at the end of the covenant term.

**CITY OF CYPRESS**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2023**

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**NOTE 4: NOTES RECEIVABLE (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 \$1,362,222 at June 30, 2023, 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 \$10,687,256 has fully offset the amount reported as notes receivable in the government-wide statements at June 30, 2023.

**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.

**NOTE 5: INTERFUND TRANSACTIONS**

**Interfund Balances**

The following summarizes the total due to and from other funds as of June 30, 2023:

Receivable Fund	Payable Fund	Amount
General fund	Nonmajor governmental funds	\$ 20,701
	Total	\$ 20,701

**Interfund Advances**

Receivable Fund	Payable Fund	Amount
General fund	Nonmajor governmental funds	\$ 98,583
Capital projects fund	Recreation and Park District	5,023,162
	Total	\$ 5,121,745

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

**CITY OF CYPRESS**  
**Notes to the Financial Statements**  
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**NOTE 5: INTERFUND TRANSACTIONS (CONTINUED)**

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 2022-23, \$65,302 was repaid, leaving a remaining balance of \$98,583 at June 30, 2023. It is anticipated the advance will be fully repaid by fiscal year 2024-25.

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 Lexington Park. Note repayment will use eligible park development fee revenues, with the majority of revenues available for repayment expected to be associated with the development of the Los Alamitos Race Course. The note has an initial repayment term of five years, with the understanding the note will be renewed and repayment deferred until sufficient park development receipts are available. The District will pay annual interest to the City on the outstanding note balance at the rate earned by the California Local Agency Investment Fund (LAIF).

Since note issuance, a total of \$12,278,000 has been loaned to the District for Lexington Park construction, and repayments to the City using available park development fees total \$7,993,667 through June 30, 2023. All interest has been paid through the end of the fiscal year and the outstanding balance on the note totaled \$4,284,333 at June 30, 2023.

While an additional \$522,000 is authorized to loan to the District for Lexington Park construction, it is not anticipated the majority of these remaining amounts will be needed since the project was largely complete as of June 30, 2023. Future repayments will be determined based on the availability of park development revenues.

On February 13, 2023, the City approved an advance of up to \$1,275,000 from the City Capital Projects Fund to the Cypress Recreation and Park District Special Revenue Fund for design costs associated with the reconstruction of Arnold Cypress Park. The note establishes an applicable interest rate equal to the amount earned on the California Local Agency Investment Fund. An initial repayment of \$1,000,000, plus accrued interest, is due on June 30, 2024 and any remaining outstanding balance will be repaid by June 30, 2025. Repayment will use available District General Fund resources allocated for facility improvements.

A total of \$735,594 has been loaned to the District since the note was approved and \$3,234 of accrued interest is outstanding at year-end. The total outstanding balance on the note was \$738,828 at June 30, 2023.

Additional proceeds not to exceed \$539,406, which represents the remaining authorized limit on the note, may occur in the coming year.

**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, 2023 are as follows:

	Transfers out					Total
	General Fund	Recreation and Park District Fund	Streets Fund	Internal service Funds	Nonmajor Governmental Funds	
Transfers in						
General Fund	\$ -	\$ -	\$ -	\$ -	\$ 236,814	\$ 236,814
Capital Projects Fund	3,805,562	382,160	316,396	-	-	4,504,118
Internal service funds	1,777,755	253,411	-	1,030,280	57,848	3,119,294
<b>Total</b>	<b>\$ 5,583,317</b>	<b>\$ 635,571</b>	<b>\$ 316,396</b>	<b>\$ 1,030,280</b>	<b>\$ 294,662</b>	<b>\$ 7,860,226</b>

The transfer to the General Fund from the non-major Governmental Funds provided resources for Traffic Safety and administrative costs associated with the Stanton Channel Maintenance District and Lighting District funds.

**NOTE 5: INTERFUND TRANSACTIONS (CONTINUED)**

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 Redevelopment 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 concrete and sidewalk improvements.

The transfer from the General Fund to the Internal Service Funds provided \$1,750,000 to the Employees' Benefit Fund for investment in the pension trust, and \$27,755 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.

The transfer to the Internal Service Funds from the non-major Governmental Funds provided for the purchase of police department capital outlay items.

The transfer between Internal Service Funds provided \$1,000,000 to the Workers' Compensation Fund from the General Liability Fund and \$30,280 for the purchase of capital outlay using general liability amounts.

**NOTE 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, 2023, 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, however, the City is actively seeking a developer to purchase the property.



**CITY OF CYPRESS**  
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**NOTE 7: CAPITAL ASSETS AND DEPRECIATION/AMORTIZATION**

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 2023, the City's capital assets consisted of the following:

	Balance July 1, 2022	Adjustments	Additions	Deletions	Transfers	Balance June 30, 2023
Governmental activities:						
Capital assets, not being depreciated/amortized						
Land	\$ 9,734,882	\$ -	\$ -	\$ -	\$ -	\$ 9,734,882
Construction-in-progress	23,701,600	-	370,695	-	(22,205,180)	1,867,115
Total capital assets, not being depreciated/amortized	<u>33,436,482</u>	<u>-</u>	<u>370,695</u>	<u>-</u>	<u>(22,205,180)</u>	<u>11,601,997</u>
Capital assets, being depreciated/amortized						
Buildings and Improvements	40,222,966	-	1,551,652	(16,179)	20,349,077	62,107,516
Machinery and Equipment	11,352,637	-	634,896	(362,763)	149,860	11,774,630
Infrastructure	233,968,226	-	1,256,892	-	1,706,243	236,931,361
Lease assets	-	-	53,896	-	-	53,896
Subscription assets	-	820,987	468,632	-	-	1,289,619
Total capital assets, being depreciated/amortized	<u>285,543,829</u>	<u>820,987</u>	<u>3,965,968</u>	<u>(378,942)</u>	<u>22,205,180</u>	<u>312,157,022</u>
Less accumulated depreciation/amortization						
Buildings and Improvements	(21,311,078)	-	(1,258,356)	16,179	-	(22,553,255)
Machinery and Equipment	(8,341,909)	-	(719,836)	338,754	-	(8,722,991)
Infrastructure	(116,522,954)	-	(4,414,831)	-	-	(120,937,785)
Lease assets	-	-	(2,455)	-	-	(2,455)
Subscription assets	-	-	(217,514)	-	-	(217,514)
Total accumulated depreciation/amortization	<u>(146,175,941)</u>	<u>-</u>	<u>(6,612,992)</u>	<u>354,933</u>	<u>-</u>	<u>(152,434,000)</u>
Total capital assets, being depreciated/amortized, net	<u>139,367,888</u>	<u>820,987</u>	<u>(2,647,024)</u>	<u>(24,009)</u>	<u>22,205,180</u>	<u>159,723,022</u>
Total governmental activities capital assets	<u>\$ 172,804,370</u>	<u>\$ 820,987</u>	<u>\$ (2,276,329)</u>	<u>\$ (24,009)</u>	<u>\$ -</u>	<u>\$ 171,325,019</u>

Depreciation expense was charged to functions/programs of governmental activities for the fiscal year ended June 30, 2023 as follows:

General government	\$ 482,007
Public safety	76,891
Public works	4,438,809
Culture and recreation	770,200
Internal service funds	845,085
Total depreciation/amortization expense	<u>\$ 6,612,992</u>



**CITY OF CYPRESS**  
**Notes to the Financial Statements**  
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**NOTE 7: CAPITAL ASSETS AND DEPRECIATION/AMORTIZATION (CONTINUED)**

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

	Balance July 1, 2022	Adjustments	Additions	Deletions	Transfers	Balance June 30, 2023
Business-type activities:						
Capital assets, not being depreciated						
Construction-in-progress	\$ 253,324	-	\$ 146,811	\$ -	\$ (253,325)	\$ 146,810
Total capital assets, not being depreciated	253,324	-	146,811	-	(253,325)	146,810
Capital assets, being depreciated						
Infrastructure	34,445,054	-	442,083	-	253,325	35,140,462
Total capital assets, being depreciated	34,445,054	-	442,083	-	253,325	35,140,462
Less accumulated depreciation						
Infrastructure	(15,821,884)	-	(593,855)	-	-	(16,415,739)
Total accumulated depreciation	(15,821,884)	-	(593,855)	-	-	(16,415,739)
Total capital assets, being depreciated, net	18,623,170	-	(151,772)	-	253,325	18,724,723
Total business-type activities capital assets	\$ 18,876,494	\$ -	\$ (4,961)	\$ -	\$ -	\$ 18,871,533

Depreciation expense for business-type activities for the fiscal year ended June 30, 2023 was charged as follows:

Sewer	\$ 593,855
Total depreciation expense	<u>\$ 593,855</u>

Construction Commitments

The City has active construction projects as of June 30, 2023. The projects include traffic signals, streets, and sewers. At fiscal year-end, the City's encumbrances with contractors were as follows:

Project	Spent-to-Date	Remaining Commitment
Residential Street Rehabilitation	\$ -	\$ 1,042,269
Senior Center Interior Improvements	-	1,033,000
Community Center HVAC and Roof Replacement	-	753,000
Design Services for Arnold Cypress Park	584,661	410,839
Arterial Rehab Intersections	-	341,753
Total	<u>\$ 584,661</u>	<u>\$ 3,580,862</u>

Capital Projects Fund - City	\$ 1,042,269
Recreation and Park District Fund	2,196,839
Streets Fund	341,753
Total	<u>\$ 3,580,862</u>

**CITY OF CYPRESS**  
**Notes to the Financial Statements**  
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**NOTE 8: SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS**

For the year ended June 30, 2023, the financial statements include the adoption of GASB Statement No. 96, Subscription-Based Information Technology Arrangements. The primary objective of this statement is to enhance the relevance and consistency of information about governments' subscription activities. This statement establishes a single model for subscription accounting based on the principle that subscriptions are financings of the right to use an underlying asset. Under this Statement, an organization is required to recognize a subscription liability and an intangible right-to-use subscription asset. For additional information, refer to the disclosures below.

Information on the subscription asset and liability as of June 30, 2023 are as follows:

Major Class of Underlying Asset	Amount of Leased Capital Assets	Accumulated Amortization
Software as a service	<u>\$ 1,289,619</u>	<u>\$ 217,514</u>

Description	Balance July 1, 2022, as restated	Additions	Deletions	Balance June 30, 2023	Due Within One Year	Due In More than One Year
Subscriptions	<u>\$ 804,157</u>	<u>\$ 419,953</u>	<u>\$ 228,764</u>	<u>\$ 995,346</u>	<u>\$ 220,939</u>	<u>\$ 774,407</u>

The future principal and interest lease payments as of June 30, 2023, were as follows:

Fiscal Year	Principal Payments	Interest Payments	Total Payments
2024	\$ 220,939	\$ 13,926	\$ 234,865
2025	194,228	10,219	204,447
2026	196,413	7,044	203,456
2027	147,365	3,881	151,246
2028	127,729	3,775	131,505
2029 - 2030	108,673	1,043	109,716
Total	<u>\$ 995,346</u>	<u>\$ 39,888</u>	<u>\$ 1,035,234</u>

**NOTE 9: LEASES**

For the year ended June 30, 2023, the City reported the following leases under GASB Statement No. 87, *Leases*.

On April 9, 2023, the City entered into a 60 month lease as Lessee for the use of Big Belly Solar. An initial lease liability was recorded in the amount of \$53,896. As of June 30, 2023, the value of the lease liability is \$42,894. The City is required to make annual fixed payments of \$11,272. The lease has an implicit interest rate of 2.23%. The value of the right to use asset as of June 30, 2023 of \$53,896 with accumulated amortization of \$2,455, and is included on the Lease activities table found on the following page.

**CITY OF CYPRESS**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2023**

**NOTE 9: LEASES (CONTINUED)**

Major Class of Underlying Asset	Amount of Leased Capital Assets	Accumulated Amortization
Lease	\$ 53,896	\$ 2,455

Description	Balance July 1, 2022, as restated	Additions	Deletions	Balance June 30, 2023	Due Within One Year	Due In More than One Year
Leases	\$ -	\$ 53,896	\$ 11,002	\$ 42,894	\$ 10,531	\$ 32,363

Fiscal Year	Principal Payments	Interest Payments	Total Payments
2024	\$ 10,531	\$ 741	\$ 11,272
2025	10,551	722	11,273
2026	10,786	486	11,272
2027	11,026	246	11,272
Total	\$ 42,894	\$ 2,195	\$ 45,089

**NOTE 10: LONG-TERM DEBT**

There is no City-obligated debt outstanding as of June 30, 2023, nor was there any activity related to City-obligated debt during fiscal year 2022-23.

**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. The bonds were fully repaid as of September 2, 2022.

**NOTE 11: OTHER LONG-TERM LIABILITIES**

During the year ended June 30, 2023, in addition to the subscription-based information technology arrangements 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:

Description	Balance July 1, 2022	Additions	Deletions	Balance June 30, 2023	Due Within One Year	Due In More than One Year
Compensated Absences	\$ 2,405,207	\$ 1,472,247	\$ 1,444,187	\$ 2,433,267	\$ 608,317	\$ 1,824,950

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 Financial Statements**  
**For the Year Ended June 30, 2023**

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**NOTE 12: PUBLIC EMPLOYEES' RETIREMENT SYSTEM (CALPERS)**

Pension Plan Summaries

	Net Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense
Miscellaneous Plan	\$ 26,433,257	\$ 10,911,865	\$ 2,300,238	\$ 1,224,591
Safety Plan	35,382,213	16,059,088	2,770,246	605,828
OCERS *	61,016	432,375	37,384	824,620
Total pension plans	<u>\$ 61,876,486</u>	<u>\$ 27,403,328</u>	<u>\$ 5,107,868</u>	<u>\$ 2,655,039</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, 2023, are summarized as follows:

**NOTE 12: PUBLIC EMPLOYEES' RETIREMENT SYSTEM (CALPERS) (CONTINUED)**

	<b>Miscellaneous</b>	
	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	7.00%	7.25%
Required employer contribution rates:		
Normal cost rate	11.330%	9.000%
Payment of unfunded liability	\$ 2,119,480	\$ 7,950

	<b>Safety</b>	
	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	3.00%	2.00% - 2.70%
Required employee contribution rates	9.00%	13.750%
Required employer contribution rates:		
Normal cost rate	25.590%	13.660%
Payment of unfunded liability	\$ 2,589,176	\$ 7,602

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.

**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, 2022, 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, 2021 rolled forward to June 30, 2022 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, 2021 actuarial valuation was determined using the following actuarial assumptions:

**CITY OF CYPRESS**  
**Notes to the Financial Statements**  
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**NOTE 12: PUBLIC EMPLOYEES' RETIREMENT SYSTEM (CALPERS) (CONTINUED)**

Valuation Date	June 30, 2021
Measurement Date	June 30, 2022
Actuarial Cost Method	Entry-Age Normal Cost Method

Actuarial Assumptions:

Discount Rate	6.90%
Inflation	2.50%
Salary Increases	Varies by entry age and service
Mortality Rate Table	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 6.90 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.

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.

**CITY OF CYPRESS**  
**Notes to the Financial Statements**  
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**NOTE 12: PUBLIC EMPLOYEES' RETIREMENT SYSTEM (CALPERS) (CONTINUED)**

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

Asset Class	Assumed Asset Allocation	Real Return <sup>1, 2</sup>
Global equity-cap-weighted	30.00%	4.54%
Global equity-non-cap-weighted	12.00%	3.84%
Private equity	13.00%	7.28%
Treasury	5.00%	0.27%
Mortgage-backed securities	5.00%	0.50%
Investment grade corporates	10.00%	1.56%
High yield	5.00%	2.27%
Emerging market debt	5.00%	2.48%
Private debt	5.00%	3.57%
Real assets	15.00%	3.21%
Leverage	-5.00%	-0.59%

<sup>1</sup> An expected inflation of 2.30% used for this period.

<sup>2</sup> Figures are based on the 2021 Asset Liability Management study

(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, 2022, 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
Miscellaneous Plan	\$ 26,433,257
Safety Plan	35,382,213
Total Net Pension Liability	\$ 61,815,470

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, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2021 rolled forward to June 30, 2022 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, 2021 and 2022 was as follows:

	Miscellaneous	Safety
Proportion - June 30, 2021	0.2433%	0.3621%
Proportion - June 30, 2022	0.2288%	0.1887%
Change	-0.0144%	-0.1734%



**CITY OF CYPRESS**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2023**

**NOTE 12: PUBLIC EMPLOYEES' RETIREMENT SYSTEM (CALPERS) (CONTINUED)**

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:

	Discount Rate		
	1% Decrease (5.90%)	Current Rate (6.90%)	1% Increase (7.90%)
Miscellaneous Plan	\$ 39,533,689	\$ 26,433,257	\$ 15,654,852
Safety Plan	51,587,231	35,382,213	22,138,272
Proportionate share of net pension liability/(asset)	<u>\$ 91,120,920</u>	<u>\$ 61,815,470</u>	<u>\$ 37,793,124</u>

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, 2023, the City recognized pension expense/(income) of (\$1,224,591) in the Miscellaneous Plan; \$605,828 in the Safety Plan; and \$824,620 in the Terminated OCERS Plan (Note 12) for a total of \$205,857. At June 30, 2023, the City reported deferred outflows and deferred inflows of resources related to CalPERS pensions as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Miscellaneous Plan		
Contributions subsequent to the measurement date	\$ 2,718,424	\$ -
Changes of assumptions	2,708,640	-
Differences between expected and actual experience	530,832	355,528
Net difference between projected and actual earnings on pension plan investments	4,841,870	-
Adjustment due to differences in proportions	112,099	490,809
Difference in actual to proportionate share contribution	-	1,453,901
Total	<u>\$ 10,911,865</u>	<u>\$ 2,300,238</u>

Fiscal year ended June 30,	Deferred Outflows/(Inflows) of Resources
2024	\$ 1,180,187
2025	1,103,155
2026	648,407
2027	2,961,454
Total	<u>\$ 5,893,203</u>

**CITY OF CYPRESS**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2023**

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**NOTE 12: PUBLIC EMPLOYEES' RETIREMENT SYSTEM (CALPERS) (CONTINUED)**

Safety Plan	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions subsequent to the measurement date	\$ 3,869,536	\$ -
Changes of assumptions	3,567,598	-
Differences between expected and actual experience	1,464,341	384,223
Net difference between projected and actual earnings on pension plan investments	5,587,346	-
Adjustment due to differences in proportions	1,570,267	-
Difference in actual to proportionate share contribution	-	2,386,023
<b>Total</b>	<b>\$ 16,059,088</b>	<b>\$ 2,770,246</b>

Fiscal year ended June 30,	Deferred Outflows/(Inflows) of Resources
2024	\$ 2,653,037
2025	2,146,397
2026	1,211,520
2027	3,408,352
<b>Total</b>	<b>\$ 9,419,306</b>

**A. Payable to the Pension Plan**

At June 30, 2023, the City had no outstanding contributions to the pension plan required for the year ended June 30, 2023.

**NOTE 13: 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, 2023, the City's payroll covered by the plan was \$891,457. Employee contributions to the plan totaled \$66,860. The City does not contribute to the plan.

**NOTE 14: 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.

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](http://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, 2022, the following employees were covered by the benefit terms of the OCERS Plan:

Retired members of beneficiaries currently receiving benefits	21
Vested terminated members entitled to, but not yet receiving benefits	4
Active members	-
Total	<u>25</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.

Per the terms of the Agreement, OCERS will recalculate the unfunded actuarial accrued liability (UAAL) attributable to the District every three years beginning December 31, 2020, and at least every three years thereafter. 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

**NOTE 14: TERMINATED ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM DEFINED BENEFIT PENSION PLAN (CONTINUED)**

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 last unfunded actuarial liability attributable to the District was calculated as of December 31, 2020 in the amount of \$536,775. The District was required to make this payment, plus accrued interest, prior to December 31, 2023. The District elected to make the payment, including accrued interest of \$58,825, for a total of \$595,600 on July 15, 2022. The next unfunded actuarial liability will be calculated as of December 31, 2023, with any payment due by December 31, 2026.

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

As of December 31, 2022, the District reported a net pension liability for the OCERS plan of \$61,016. 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, 2021 and 2020, respectively.

The District's net pension liability as of December 31, 2021 and 2022 was as follows:

	<u>OCERS</u>
Net Pension Liability (Asset) - December 31, 2021	\$ (103,379)
Net Pension Liability (Asset) - December 31, 2022	61,016
Change	<u>\$ 164,395</u>

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

Valuation Date	December 31, 2021
Measurement Date	December 31, 2022
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: 4.00% to 11.00% and Safety: 4.60% to 15.00%
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, 2022 and 2021. 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

**CITY OF CYPRESS**  
**Notes to the Financial Statements**  
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**NOTE 14: TERMINATED ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM DEFINED BENEFIT PENSION PLAN (CONTINUED)**

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.

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, 2021 actuarial valuation. This information will change every three years based on the actuarial experience study.

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Arithmetic Real Rate of Return</b>
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	2.50%	2.50%
<b>Total</b>	<b>100.00%</b>	

**CITY OF CYPRESS**  
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**NOTE 14: TERMINATED ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM DEFINED BENEFIT PENSION PLAN (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 (6.00%)	Current Rate (7.00%)	1% Increase (8.00%)
\$ 1,182,480	\$ 61,016	\$ (853,728)

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, 2023, the District recognized pension expense of \$824,620 in the OCERS Plan. At June 30, 2023, 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	\$ 172,485	\$ 30,171
Net difference between projected and actual earnings	259,658	-
Changes of assumptions	232	7,213
Total	<u>\$ 432,375</u>	<u>\$ 37,384</u>

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

Fiscal year ended June 30,	OCERS Plan Deferred Outflows/(Inflows) of Resources
2024	\$ 38,920
2025	86,612
2026	109,580
2027	162,686
Thereafter	(2,807)
Total	<u>\$ 394,991</u>

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

At June 30, 2023, the City had no outstanding contributions to the pension plan required for the year ended June 30, 2023.

**NOTE 15: POSTEMPLOYMENT 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 (\$151 per month in 2023) 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 \$75 to \$185 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, 2023 actuarial valuation, the following current and former employees were covered by the benefit terms under the OPEB plans:

Inactive plan members or beneficiaries currently receiving benefit payments	22
Inactive plan members or beneficiaries entitled to but currently not receiving benefit payments	4
Active members	131
Total	157

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, 2023, 70 retirees were receiving the PEMHCA benefit and the cost to the City for the year ended June 30, 2023 was \$127,951. The City paid an additional \$93,731 to 23 retirees during the year for the Supplemental Health Care Benefit. For the measurement date ended June 30, 2023, the City’s cash contributions were \$221,682, 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, 2023, the City’s contribution towards the implicit subsidy was \$272,514.



**CITY OF CYPRESS**  
**Notes to the Financial Statements**  
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**NOTE 15: POSTEMPLOYMENT HEALTH CARE BENEFITS (CONTINUED)**

The Retiree Health Savings Plan (RHS) is a defined contribution plan. Eligible employees receive either \$75 or \$185 per month, depending on bargaining unit, deposited in an individual Retiree Health Savings Account. During the fiscal year ended June 30, 2023, the City paid \$130,050 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 \$9,178,932 was based on an actuarial valuation as of June 30, 2023, a measurement date of June 30, 2023 and a discount rate of 3.86%. The total OPEB liability was determined using the following assumptions

Actuarial Cost Method Actuarial Assumptions	Entry Age, Level Percent of Pay
Discount rate	
As of 6/30/23:	3.86%, net of investment expense, including inflation
Inflation	2.50%
Salary increases	2.75%
Healthcare cost-trend rates	4.00%
Medical CPI	4.00% (used to project CalPERS statutory minimum benefit)
Retiree's 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.

(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	\$ 9,015,067
Changes recognized for the measurement period:	
Service cost	362,667
Interest	323,301
Differences between expected and actual experience	(211,113)
Changes of assumptions	183,206
Benefit payments, including implicit subsidy	(494,196)
Net changes	<u>163,865</u>
Balance at June 30, 2023	<u>\$ 9,178,932</u>

**NOTE 15: POSTEMPLOYMENT 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, 2023 calculated using the discount rate of 3.86%, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.86%) or one percentage point higher (4.86%) than the current rate:

	1% Decrease (2.86%)	Current Rate (3.86%)	1% Increase (4.86%)
Plan's net OPEB liability/(asset)	\$ 10,327,638	\$ 9,178,932	\$ 8,220,001

**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, 2023, 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	Current Healthcare Trend Rate	1% Increase
Plan's net OPEB liability/(asset)	\$ 7,979,318	\$ 9,178,932	\$ 10,344,016

**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, 2023, the City recognized OPEB expense of \$719,129.

**Deferred Outflows/Inflows of Resources Related to OPEB**

As of the fiscal year ended June 30, 2023, 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	\$ 289,434	\$ 237,072
Changes of assumptions	739,552	1,661,071
Total	\$ 1,028,986	\$ 1,898,143

**CITY OF CYPRESS**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2023**

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**NOTE 15: POSTEMPLOYMENT 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 ended June 30,	Deferred Outflows/(Inflows) of Resources
2024	\$ 78,676
2025	10,604
2026	(221,672)
2027	(221,672)
2028	(221,672)
Thereafter	(293,421)
Total	<u>\$ (869,157)</u>

**NOTE 16: 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, 2023, \$23,046,407 in restricted cash and investment in the Employees’ Benefit Internal Service Fund is restricted for pension contribution stabilization.

**NOTE 17: SELF INSURANCE**

At June 30, 2023 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, 2023. 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.

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, 2023 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.

**CITY OF CYPRESS**  
**Notes to the Financial Statements**  
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**NOTE 17: SELF INSURANCE (CONTINUED)**

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, 2023, the Liability Insurance Fund and the Workers' Compensation Fund had reserves for catastrophic losses of \$2,055,540 and \$1,502,069, respectively, which are reported as net position in these funds. The claims liabilities of \$201,740 and \$1,944,132 reported in the Liability Insurance and Workers' Compensation Funds, respectively, at June 30, 2023, 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, 2022 and June 30, 2023 are as follows:

	Liability Insurance	Workers' Compensation	Total Claims
Liability - June 30, 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	(19,545)	(180,954)	(200,499)
Liability - June 30, 2022	196,094	2,294,321	2,490,415
Current year claims	47,259	313,014	360,273
Changes in estimates	5,646	(350,189)	(344,543)
Claims payments	(47,259)	(313,014)	(360,273)
Liability - June 30, 2023	<u>\$ 201,740</u>	<u>\$ 1,944,132</u>	<u>\$ 2,145,872</u>
Due within one year	<u>50,435</u>	<u>486,033</u>	<u>536,468</u>

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

**CITY OF CYPRESS**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2023**

**NOTE 18: CLASSIFICATION OF NET POSITION**

	Government Wide Statement of Net Position		
	Governmental Activities	Business-type Activities	Totals
Capital Assets	\$ 323,759,019	\$35,287,272	\$ 359,046,291
Less: Accumulated Depreciation/Amortization	(152,434,000)	(16,415,739)	(168,849,739)
Less: Subscriptions and Leases Payable	(1,038,240)	-	-
Net Invested in Capital Assets	170,286,779	18,871,533	189,158,312
Restricted for:			
Public Safety	1,328,623	-	1,328,623
Public Works-Street Maintenance and Improvements	9,117,779	-	9,117,779
Public Works-Street Lighting	5,836,860	-	5,836,860
Public Works-Local Drainage Improvements	1,075,756	-	1,075,756
Public Works-Other	184,371	-	184,371
Total - Public Works	16,214,766	-	16,214,766
Sanitary Sewer System	-	7,599,979	7,599,979
Recreation	8,009,932	-	8,009,932
Recreation-Open Space Improvements	4,152	-	4,152
Recreation-Facility and Service Enhancements	33,245	-	33,245
Total-Recreation	8,047,329	-	8,047,329
Other-Pension Trust	23,046,407	-	23,046,407
Other-Promotional Activities	28,944	-	28,944
Other-Low and Moderate Income Housing	1,509,499	-	1,509,499
Other-Cable Television Equipment	778,396	-	778,396
Other-LEAP Grant	52,383	-	52,383
Other-Tobacco Grant	42,541	-	42,541
Other-Office of Traffic Safety Grant	827	-	827
Other-Department of Justice Grant	5,605	-	5,605
Total-Other	2,418,195	-	2,418,195
Total Restricted	51,055,320	7,599,979	58,655,299
Unrestricted	109,374,298	-	109,374,298
Total Net Position	\$ 330,716,397	\$26,471,512	\$ 357,187,909

**Net Position**

The City's Net Position at June 30, 2023 is summarized as follows:

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.

**NOTE 18: CLASSIFICATION OF NET POSITION (CONTINUED)**

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.

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.

**CITY OF CYPRESS**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2023**

**NOTE 19: 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	Recreation and Park District Fund	Streets Fund	City Capital Projects Fund	Nonmajor Governmental Funds	Totals
Nonspendable						
Prepays	\$ 18,424	\$ 33,916	\$ -	\$ -	\$ -	\$ 52,340
Notes Receivable	59,545	-	-	-	-	59,545
Inventory	-	1,714	-	-	-	1,714
Advances from Other Funds	98,583	-	-	-	-	98,583
Total Nonspendable	<u>176,552</u>	<u>35,630</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>212,182</u>
Restricted						
Notes Receivable	-	-	-	-	69,000	69,000
Prepays	-	-	-	-	-	-
Inventory	-	-	-	-	-	-
Community Promotion	28,944	-	-	-	-	28,944
Open Space	-	4,152	-	-	-	4,152
Youth League Renovations	-	71,803	-	-	-	71,803
Senior Center Enhancements	-	30,077	-	-	-	30,077
Facility and Service Enhancements	-	33,246	-	-	-	33,246
Recreation	-	7,872,422	-	-	-	7,872,422
Streets	-	-	9,117,779	-	-	9,117,779
Local Drainage	-	-	-	-	1,075,756	1,075,756
Landscape Maintenance	-	-	-	-	181,137	181,137
Street Lighting	-	-	-	-	5,836,859	5,836,859
Cable Television Equipment	-	-	-	-	778,396	778,396
Police	-	-	-	-	1,328,623	1,328,623
Low and Moderate Income Housing	-	-	-	-	1,440,499	1,440,499
Total Restricted	<u>28,944</u>	<u>8,011,700</u>	<u>9,117,779</u>	<u>-</u>	<u>10,710,270</u>	<u>27,868,693</u>
Committed						
Stabilization Agreement	9,395,654	-	-	-	-	9,395,654
Capital Improvements	-	-	-	12,863,857	-	12,863,857
Total Committed	<u>9,395,654</u>	<u>-</u>	<u>-</u>	<u>12,863,857</u>	<u>-</u>	<u>22,259,511</u>
Assigned						
Future Capital Improvements	4,550,000	2,200,000	-	80,382,086	-	87,132,086
Pension Investment	3,000,000	-	-	-	-	3,000,000
Business Relocation Stabilization	2,500,000	-	-	-	-	2,500,000
Budget Stabilization	2,000,000	-	-	-	-	2,000,000
Pandemic Recovery Plan	8,477,299	-	-	-	-	8,477,299
Storm Drainage	1,912,336	-	-	-	-	1,912,336
Carryover Appropriations	1,110,783	-	-	-	-	1,110,783
Total Assigned	<u>23,550,418</u>	<u>2,200,000</u>	<u>-</u>	<u>80,382,086</u>	<u>-</u>	<u>106,132,504</u>
Unassigned	<u>1,840,440</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(98,133)</u>	<u>1,742,307</u>
<b>Total Fund Balances</b>	<u>\$ 34,992,008</u>	<u>\$ 10,247,330</u>	<u>\$ 9,117,779</u>	<u>\$ 93,245,943</u>	<u>\$ 10,612,137</u>	<u>\$ 158,215,197</u>

The stabilization agreement amount of \$9,395,654 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.

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



**CITY OF CYPRESS**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2023**

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**NOTE 19: CLASSIFICATIONS OF FUND BALANCES (CONTINUED)**

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.

**NOTE 20: 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.

**NOTE 21: 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. All remaining assets of the Successor Agency were paid to the County for distribution to the taxing entities in December 2022, and the Successor Agency was subsequently dissolved with the concurrence of the Oversight Board and the State Department of Finance in February 2023

**Notes Receivable**

The following is a summary of notes receivable transactions for Successor Agency activities for the fiscal year ended June 30, 2023:

<b>Description</b>	Balance July 1, 2022	Additions	Deletions	Balance June 30, 2023	Amount Due Within One Year
Other Notes	\$ 437,690	\$ -	\$ 437,690	\$ -	\$ -

**CITY OF CYPRESS**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2023**

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**NOTE 21: SUCCESSOR AGENCY (CONTINUED)**

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. At June 30, 2023, the City had no principal and interest outstanding on the note.

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.

**NOTE 22: 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:

Annual Sales Tax Generated	Annual Reimbursement Payment to Landlord
\$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:

Cumulative Review Period	Minimum Cumulative Threshold
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, 2023, the landlord received \$450,000 in economic assistance under this Third Amendment.

**NOTE 23: OTHER REQUIRED FUND DISCLOSURES**

The Employees' Benefit Internal Service Fund had a deficit net position of (\$23,261,132) at June 30, 2023 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 (\$98,133) at June 30, 2023 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, 2023 was \$98,133.

**NOTE 24: SUBSEQUENT EVENT**

Management has evaluated subsequent events through January xx, 2024, the date the financial statements were available for issuance. One event has been identified that would require recognition or disclosure in the financial statements.

Advance to the Cypress Recreation and Park District

On November 13, 2023, the City entered into a promissory note with the Cypress Recreation and Park District to advance up to \$33.5 million to pay for costs associated with the reconstruction of Arnold Cypress Park. The note establishes an applicable interest rate equal to two percent and annual repayments to the City are due starting June 30, 2024. An initial interest only payment is due on June 30, 2024, based on the outstanding loan balance as of that date. Beginning June 30, 2025, the District will repay the City \$2 million annually (inclusive of interest) until the loan is fully repaid. Full repayment will occur within 20 years of the first principal payment and would be no later than June 30, 2045. The exact date for final repayment ultimately depends on how much of the \$33.5 million authorized is expended for construction and loaned to the District.

The loan repayments will be made with District General Funds. In the event park development fees or additional property tax revenues are available during the repayment term, the District may apply these revenues to some, or all, of the outstanding loan balance without any prepayment penalty. The City and District may modify the terms of the note at any time should the parties identify the need.



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# REQUIRED SUPPLEMENTARY INFORMATION



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## **CITY OF CYPRESS**

### **Notes to the Required Supplementary Information For the Year Ended June 30, 2023**

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#### **NOTE 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, the Park District Fund and the Streets Fund.



**CITY OF CYPRESS**  
**General Fund**  
**Schedule of Revenues, Expenditures, and Changes in**  
**Fund Balance - Budget and Actual**  
**For the Year Ended June 30, 2023**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 30,996,500	\$ 30,996,500	\$ 33,879,638	\$ 2,883,138
Licenses and permits	883,070	1,312,270	1,437,526	125,256
Intergovernmental	587,274	974,711	715,738	(258,973)
Charges for services	3,886,439	4,092,239	3,596,365	(495,874)
Use of money and property	254,239	254,239	2,068,635	1,814,396
Fines and forfeitures	215,000	215,000	228,114	13,114
Miscellaneous	55,335	55,335	823,017	767,682
<b>Total revenues</b>	<b>36,877,857</b>	<b>37,900,294</b>	<b>42,749,033</b>	<b>4,848,739</b>
<b>EXPENDITURES</b>				
Current:				
General government	5,344,219	6,259,061	5,071,688	1,187,373
Public safety	21,195,386	21,942,065	19,863,447	2,078,618
Community development	2,529,854	4,108,587	2,497,289	1,611,298
Public works	7,279,971	7,445,060	6,395,623	1,049,437
<b>Total expenditures</b>	<b>36,349,430</b>	<b>39,754,773</b>	<b>33,828,047</b>	<b>5,926,726</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>528,427</b>	<b>(1,854,479)</b>	<b>8,920,986</b>	<b>(1,077,987)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	1,040,876	1,040,876	236,814	(804,062)
Transfers out	(2,596,840)	(6,279,111)	(5,583,317)	(695,794)
Total other financing sources (uses)	(1,555,964)	(5,238,235)	(5,346,503)	(1,499,856)
<b>Net change in fund balance</b>	<b>\$ (1,027,537)</b>	<b>\$ (7,092,714)</b>	<b>3,574,483</b>	<b>\$ (2,577,843)</b>
Fund Balances, Beginning of Year			31,417,522	
<b>Fund Balances, End of Year</b>			<b>\$ 34,992,008</b>	

**CITY OF CYPRESS**  
**Recreation and Park District Special Revenue Fund**  
**Schedule of Revenues, Expenditures, and Changes in**  
**Fund Balance - Budget and Actual**  
**For the Year Ended June 30, 2023**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 6,218,000	\$ 6,218,000	\$ 7,080,645	\$ 862,645
Intergovernmental	497,681	497,681	62,665	(435,016)
Charges for services	673,892	832,392	2,890,860	2,058,468
Miscellaneous	-	-	21,063	21,063
<b>Total revenues</b>	<b>7,760,673</b>	<b>7,919,173</b>	<b>10,807,319</b>	<b>2,888,146</b>
<b>EXPENDITURES</b>				
Current:				
Parks and recreation	5,915,796	6,080,996	5,260,829	820,167
Capital outlay	2,215,000	5,723,587	1,070,103	4,653,484
<b>Total expenditures</b>	<b>8,130,796</b>	<b>11,804,583</b>	<b>6,330,932</b>	<b>5,473,651</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(370,123)</b>	<b>(3,885,410)</b>	<b>4,476,387</b>	<b>(2,585,505)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(561,918)	(667,161)	(635,571)	(31,590)
Total other financing sources (uses)	(561,918)	(667,161)	(635,571)	(31,590)
<b>Net change in fund balance</b>	<b>\$ (932,041)</b>	<b>\$ (4,552,571)</b>	<b>3,840,816</b>	<b>\$ (2,617,095)</b>
Fund Balances, Beginning of Year			6,406,517	
<b>Fund Balances, End of Year</b>			<b>\$ 10,247,330</b>	

**CITY OF CYPRESS**  
**Streets Special Revenue Fund**  
**Schedule of Revenues, Expenditures, and Changes in**  
**Fund Balance - Budget and Actual**  
**For the Year Ended June 30, 2023**

	<b>Budget Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Intergovernmental	\$ 3,805,249	\$ 3,805,249	\$ 3,398,480	\$ (406,769)
<b>Total revenues</b>	<b>3,812,249</b>	<b>3,812,249</b>	<b>3,662,252</b>	<b>(149,997)</b>
<b>EXPENDITURES</b>				
Current:				
Public works	2,190,000	1,018,083	39,136	978,947
Capital outlay	360,000	647,438	389,572	257,866
<b>Total expenditures</b>	<b>2,550,000</b>	<b>1,665,521</b>	<b>428,708</b>	<b>1,236,813</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>1,262,249</b>	<b>2,146,728</b>	<b>3,233,544</b>	<b>(1,386,810)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(1,671,880)	(2,153,365)	(316,396)	(1,836,969)
Total other financing sources (uses)	(1,671,880)	(2,153,365)	(316,396)	(1,836,969)
<b>Net change in fund balance</b>	<b>\$ (409,631)</b>	<b>\$ (6,637)</b>	<b>2,917,148</b>	<b>\$ (3,223,779)</b>
Fund Balances, Beginning of Year			6,200,631	
<b>Fund Balances, End of Year</b>			<b>\$ 9,117,779</b>	

**CITY OF CYPRESS**  
**Schedule of Changes in Net Pension Liability and Related Ratios**  
**Miscellaneous Plan**  
**As of June 30, for the Last Ten Fiscal Years**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Measurement Date	6/30/2017	6/30/2016	6/30/2015	6/30/2014
<b>TOTAL PENSION LIABILITY</b>				
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
Changes of assumptions	4,509,183	-	(1,246,317)	-
Difference between expected and actual experience	(726,719)	177,725	(249,155)	-
Benefit payments, including refunds of employee contributions	(3,538,721)	(3,108,674)	(2,909,007)	(2,789,811)
<b>Net change in total pension liability</b>	<b>6,860,147</b>	<b>3,339,380</b>	<b>1,564,479</b>	<b>3,056,403</b>
Total pension liability-beginning	72,533,703	69,194,323	67,629,844	64,573,441
<b>Total pension liability-ending (a)</b>	<b>79,393,850</b>	<b>72,533,703</b>	<b>69,194,323</b>	<b>67,629,844</b>
<b>PLAN FIDUCIARY NET POSITION</b>				
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, including refunds of employee contributions	(3,538,721)	(3,108,674)	(2,909,007)	-
Net plan to plan resource movement	-	-	(406)	(2,789,811)
Administrative expense	(81,255)	(34,153)	(63,073)	-
<b>Net change in fiduciary net position</b>	<b>4,422,741</b>	<b>(1,003,967)</b>	<b>(192,662)</b>	<b>7,055,045</b>
Plan fiduciary net position-beginning	55,035,012	56,038,979	56,231,641	49,176,596
<b>Plan fiduciary net position-ending (b)</b>	<b>59,457,753</b>	<b>55,035,012</b>	<b>56,038,979</b>	<b>56,231,641</b>
<b>Net pension liability/(asset) (a) - (b)</b>	<b>\$ 19,936,097</b>	<b>\$ 17,498,691</b>	<b>\$ 13,155,344</b>	<b>\$ 11,398,203</b>
<b>Plan fiduciary net position as a percentage of the total pension liability</b>	<b>74.9%</b>	<b>75.9%</b>	<b>81.0%</b>	<b>83.1%</b>
Covered payroll	\$ 6,994,962	\$ 7,139,555	\$ 6,359,007	\$ 6,744,885
<b>Plan net pension liability/(asset) as a percentage of covered payroll</b>	<b>285.0%</b>	<b>245.1%</b>	<b>206.9%</b>	<b>169.0%</b>

**Notes to Schedule of Changes in the Net Pension Liability and Related Ratios:**

*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**  
**Schedules of Proportionate Share of Net Pension Liability**  
**As of June 30, for the Last Ten Fiscal Years <sup>1</sup>**

<b>Reporting Date <sup>2</sup> as of June 30,</b>	<b>Proportion of the Net Pension Liability</b>	<b>Proportionate Share of Net Pension Liability</b>	<b>Covered Payroll</b>	<b>Proportionate Share of the Net Pension Liability as a % of Covered Payroll</b>	<b>Plan's Fiduciary Net Position as a % of the Total Pension Liability</b>	<b>Proportionate Share of Aggregate Employer Contributions</b>
<b><u>Miscellaneous Plan</u></b>						
2023	0.2288%	\$ 26,433,257	\$ 5,866,594	450.6%	76.7%	\$ 3,613,771
2022	0.2433%	13,156,618	6,135,709	214.4%	85.7%	3,094,471
2021	0.2079%	22,615,628	6,072,109	372.5%	74.7%	2,980,733
2020	0.2039%	20,897,731	6,385,921	327.2%	75.9%	2,722,708
2019	0.1986%	19,136,711	6,863,694	278.8%	76.8%	2,418,263
<b><u>Safety Plan</u></b>						
2023	0.1887%	\$ 35,382,213	\$ 6,228,738	568.0%	76.7%	\$ 5,468,129
2022	0.3621%	19,580,447	5,651,021	346.5%	82.1%	4,784,748
2021	0.2801%	30,471,506	5,590,681	545.0%	71.4%	3,927,236
2020	0.2715%	27,821,165	5,953,364	467.3%	72.5%	3,222,885
2019	0.2665%	25,683,654	5,823,413	441.0%	73.4%	2,986,119
2018	0.2553%	25,320,193	5,539,232	457.1%	72.7%	2,331,004
2017	0.2542%	21,996,187	5,634,190	390.4%	73.9%	2,149,038
2016	0.2462%	16,900,538	5,200,954	325.0%	79.0%	2,163,119
2015	0.2388%	14,861,787	5,075,058	292.8%	81.0%	1,792,684
<b><u>Terminated Orange County Employees Retirement System Plan (OCERS)</u></b>						
2023	0.0010%	\$ 61,016	\$ -	N/A	98.7%	N/A
2022	-0.0050%	(103,379)	-	N/A	102.2%	N/A
2021	0.0040%	185,117	-	N/A	96.0%	N/A
2020	0.0050%	262,415	-	N/A	94.2%	N/A
2019	0.0070%	408,781	-	N/A	90.8%	N/A

**Notes to Schedule of Proportionate Share of the Net Pension Liability:**

*Benefit Changes* : None

*Changes of Assumptions* : None

<sup>1</sup> 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. The City's CalPERS Safety Plan's 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. 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.

<sup>2</sup> The proportions and proportionate share of the net pension liability are measured as of one year behind the reporting date. Refer to notes to basic financial statements.



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**CITY OF CYPRESS**  
**Schedule of Changes in Net OPEB Liability and Related Ratios**  
**As of June 30, for the Last Ten Fiscal Years <sup>1</sup>**

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Measurement Date	6/30/2023	6/30/2022	6/30/2021
<b>TOTAL OPEB LIABILITY</b>			
Service cost	362,667	411,807	382,033
Interest on total pension liability	323,301	227,512	232,699
Changes of benefit terms	-	-	-
Changes of assumptions	183,206	(1,671,292)	(593,595)
Difference between expected and actual experience	(211,113)	2,850	428,577
Benefit payments, including refunds of employee contributions	(494,196)	(562,914)	(460,068)
<b>Net change in total OPEB liability</b>	<b>163,865</b>	<b>(1,592,037)</b>	<b>(10,354)</b>
Total OPEB liability-beginning	9,015,067	10,607,104	10,617,458
<b>Total OPEB liability-ending (a)</b>	<b>9,178,932</b>	<b>9,015,067</b>	<b>10,607,104</b>
<b>Plan fiduciary net position as a percentage of the total OPEB liability</b>	<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>
Covered-employee payroll	\$ 14,021,323	\$ 14,464,271	\$ 13,846,871
<b>Plan net OPEB liability/(asset) as a percentage of covered-employee payroll</b>	<b>65.5%</b>	<b>62.3%</b>	<b>76.6%</b>

**Notes to Schedule of Changes in the Net OPEB Liability and Related Ratios:**

*Benefit Changes:* None

*Changes in Assumptions:* Change in discount rate from 3.54% as of June 30, 2022 to 3.86% as of June 30, 2023.

<sup>1</sup> Fiscal year 2018 was the first year of GASB Statement No. 75 implementation; therefore only six years are shown.



<b>2020</b>	<b>2019</b>	<b>2018</b>
<u>6/30/2020</u>	<u>6/30/2019</u>	<u>6/30/2018</u>
370,906	293,425	304,903
232,807	330,023	306,496
-	-	-
1,491,035	447,917	(324,881)
(155,120)	63,400	10,351
<u>(394,969)</u>	<u>(397,959)</u>	<u>(329,123)</u>
<b>1,544,659</b>	<b>736,806</b>	<b>(32,254)</b>
<u>9,072,799</u>	<u>8,335,993</u>	<u>8,368,247</u>
<b>10,617,458</b>	<b>9,072,799</b>	<b>8,335,993</b>
<b>0.0%</b>	<b>0.0%</b>	<b>0.0%</b>
\$ 14,180,802	\$ 14,518,971	\$ 14,482,504
<b>74.9%</b>	<b>62.5%</b>	<b>57.6%</b>

**CITY OF CYPRESS**  
**Schedules of Plan Contributions**  
**As of June 30, for the Last Ten Fiscal Years <sup>1</sup>**

<b>Fiscal Year Ending June 30,</b>	<b>Actuarially Determined Contribution</b>	<b>Actual Employer Contributions</b>	<b>Contribution Deficiency (Excess)</b>	<b>Covered/ Covered- Employee Payroll</b>	<b>Contribution as a % of Covered/ Covered Employee Payroll</b>
<b><u>Miscellaneous Cost-Sharing, Multiple-Employer Pension Plan</u></b>					
2023	\$ 2,718,424	\$ (2,718,424)	\$ -	\$ 5,217,795	52.1%
2022	2,447,524	(2,447,524)	-	5,866,594	41.7%
2021	2,230,654	(2,230,654)	-	6,135,709	36.4%
2020	2,002,390	(2,002,390)	-	6,072,109	33.0%
2019	1,729,721	(1,729,721)	-	6,385,921	27.1%
2018	1,487,869	(1,487,869)	-	6,863,694	21.7%
2017	1,298,683	(1,298,683)	-	6,994,942	18.6%
2016	1,244,868	(1,244,868)	-	7,139,555	17.4%
2015	1,001,586	(1,001,586)	-	6,539,007	15.3%
<b><u>Safety Cost-Sharing, Multiple-Employer Pension Plan</u></b>					
2023	\$ 3,869,536	\$ (3,869,536)	\$ -	\$ 6,596,839	58.7%
2022	3,558,957	(3,558,957)	-	6,228,738	57.1%
2021	3,130,711	(3,130,711)	-	5,651,021	55.4%
2020	2,821,054	(2,821,054)	-	5,590,681	50.5%
2019	2,546,099	(2,546,099)	-	5,953,364	42.8%
2018	2,222,915	(2,222,915)	-	5,823,413	38.2%
2017	1,967,405	(1,967,405)	-	5,539,232	35.5%
2016	1,807,579	(1,807,579)	-	5,634,190	32.1%
2015	1,503,960	(1,503,960)	-	5,200,954	28.9%
<b><u>Terminated Orange County Employees Retirement System Plan (OCERS)</u></b>					
2023	\$ -	\$ -	\$ -	\$ -	N/A
2022	-	-	-	-	N/A
2021	-	-	-	-	N/A
2020	-	-	-	-	N/A
2019	739,966	(739,966)	-	-	N/A

**1 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. Refer to notes to basic financial statements.*

*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.*

# SUPPLEMENTAL SCHEDULES



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## CITY OF CYPRESS

### Budgetary Comparison Schedules for Other Major Governmental Fund

June 30, 2023

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**  
**City Capital Projects Fund**  
**Schedule of Revenues, Expenditures, and Changes in**  
**Fund Balance - Budget and Actual**  
**For the Year Ended June 30, 2023**

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Use of money and property	\$ 250,000	\$ 250,000	\$ 2,222,575	\$ 1,972,575
Miscellaneous	-	-	8,040	8,040
<b>Total revenues</b>	<b>250,000</b>	<b>250,000</b>	<b>2,230,615</b>	<b>1,980,615</b>
<b>EXPENDITURES</b>				
Current:				
Public works	1,700,419	4,320,531	2,741,998	1,578,533
Capital outlay	2,554,581	4,114,805	1,474,939	2,639,866
<b>Total expenditures</b>	<b>4,255,000</b>	<b>8,435,336</b>	<b>4,216,937</b>	<b>4,218,399</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(4,005,000)</b>	<b>(8,185,336)</b>	<b>(1,986,322)</b>	<b>(2,237,784)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	5,281,918	6,133,403	4,504,118	(1,629,285)
Transfers out	(1,380,000)	-	-	-
Total other financing sources (uses)	3,901,918	6,133,403	4,504,118	(1,629,285)
<b>Net change in fund balance</b>	<b>\$ (103,082)</b>	<b>\$ (2,051,933)</b>	<b>2,517,796</b>	<b>\$ (3,867,069)</b>
Fund Balances, Beginning of Year			90,728,147	
<b>Fund Balances, End of Year</b>			<b>\$ 93,245,943</b>	

## CITY OF CYPRESS

### Nonmajor Governmental Funds

June 30, 2023

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:

Pandemic Response – To account 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.

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, 2023**

	<b>Special Revenue Funds</b>			
	<b>Local Drainage</b>	<b>Stanton Channel Maintenance District</b>	<b>Lighting District</b>	<b>CATV Peg Grant</b>
<b>Assets:</b>				
Pooled cash and investments	\$ 1,067,277	\$ 193,945	\$ 5,894,488	\$ 760,473
Receivables:				
Accounts	-	-	1,610	17,923
Taxes	-	-	24,779	-
Notes and loans	-	-	-	-
Accrued interest	8,479	-	48,700	-
Land held for resale	-	-	-	-
<b>Total Assets</b>	<b>\$ 1,075,756</b>	<b>\$ 193,945</b>	<b>\$ 5,969,577</b>	<b>\$ 778,396</b>
<b>Liabilities:</b>				
Accounts payable	-	\$ 12,808	\$ 132,718	-
Unearned revenues	-	-	-	-
Due to other funds	-	-	-	-
Advances from other funds	-	-	-	-
<b>Total Liabilities</b>	<b>-</b>	<b>12,808</b>	<b>132,718</b>	<b>-</b>
<b>Fund Balances:</b>				
Restricted	1,075,756	181,137	5,836,859	778,396
Unassigned	-	-	-	-
<b>Total Fund Balances</b>	<b>1,075,756</b>	<b>181,137</b>	<b>5,836,859</b>	<b>778,396</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 1,075,756</b>	<b>\$ 193,945</b>	<b>\$ 5,969,577</b>	<b>\$ 778,396</b>

CITY OF CYPRESS  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2023

Special Revenue Funds

	AB 2766	Traffic Safety	Supplemental Law Enforcement	Narcotics Asset Seizure
<b>Assets:</b>				
Pooled cash and investments	\$ -	\$ 102	\$ 2,312	\$ 1,343,600
Receivables:				
Accounts	16,612	4,437	-	-
Taxes	-	-	-	-
Notes and loans	-	-	-	-
Accrued interest	-	-	130	10,602
Land held for resale	-	-	-	-
<b>Total Assets</b>	<b>\$ 16,612</b>	<b>\$ 4,539</b>	<b>\$ 2,442</b>	<b>\$ 1,354,202</b>
<b>Liabilities:</b>				
Accounts payable	\$ -	\$ -	\$ 2,442	\$ 25,579
Unearned revenues	-	-	-	-
Due to other funds	16,162	4,539	-	-
Advances from other funds	98,583	-	-	-
<b>Total Liabilities</b>	<b>114,745</b>	<b>4,539</b>	<b>2,442</b>	<b>25,579</b>
<b>Fund Balances:</b>				
Restricted	-	-	-	1,328,623
Unassigned	(98,133)	-	-	-
<b>Total Fund Balances</b>	<b>(98,133)</b>	<b>-</b>	<b>-</b>	<b>1,328,623</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 16,612</b>	<b>\$ 4,539</b>	<b>\$ 2,442</b>	<b>\$ 1,354,202</b>

**CITY OF CYPRESS**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2023**

	<u>Special Revenue Funds</u>		Total Governmental Funds
	Low & Moderate Housing Assets	Pandemic Response Fund	
<b>Assets:</b>			
Pooled cash and investments	\$ 19,620	\$ 6,276	\$ 9,288,093
Receivables:			
Accounts	-	-	40,582
Taxes	-	-	24,779
Notes and loans	69,000	-	69,000
Accrued interest	165	-	68,076
Land held for resale	1,421,708	-	1,421,708
<b>Total Assets</b>	<b>\$ 1,510,493</b>	<b>\$ 6,276</b>	<b>\$ 10,912,238</b>
<b>Liabilities:</b>			
Accounts payable	\$ 994	\$ -	\$ 174,541
Unearned revenues	-	6,276	6,276
Due to other funds	-	-	20,701
Advances from other funds	-	-	98,583
<b>Total Liabilities</b>	<b>994</b>	<b>6,276</b>	<b>300,101</b>
<b>Fund Balances:</b>			
Restricted	1,509,499		10,710,270
Unassigned	-	-	(98,133)
<b>Total Fund Balances</b>	<b>1,509,499</b>	<b>-</b>	<b>10,612,137</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 1,510,493</b>	<b>\$ 6,276</b>	<b>\$ 10,912,238</b>



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**CITY OF CYPRESS**  
**Combining Statement of Revenues,**  
**Expenditures and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**Year Ended June 30, 2023**

	<b>Special Revenue Funds</b>			
	<b>Local Drainage</b>	<b>Channel Maintenance District</b>	<b>Lighting District</b>	<b>CATV Peg Grant</b>
<b>Revenues:</b>				
Taxes	\$ -	\$ -	\$ 1,618,054	\$ 74,661
Intergovernmental	-	-	148,821	-
Use of money and property	25,454	-	-	-
Miscellaneous	-	-	33,015	-
<b>Total Revenues</b>	<b>25,454</b>	<b>95,310</b>	<b>1,799,890</b>	<b>74,661</b>
<b>Expenditures:</b>				
Current:				
Public safety	-	-	-	-
Community development	-	-	-	-
Public works	-	69,628	1,127,493	-
Capital outlay	-	-	67,601	-
<b>Total Expenditures</b>	<b>-</b>	<b>69,628</b>	<b>1,195,094</b>	<b>-</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	25,454	25,682	604,796	74,661
<b>Other Financing Sources (Uses):</b>				
Transfers out	-	(10,554)	(169,001)	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>(10,554)</b>	<b>(169,001)</b>	<b>-</b>
Net Change in Fund Balances	25,454	15,128	435,795	74,661
Fund Balances, Beginning of Year	1,050,302	166,009	5,401,064	703,735
<b>Fund Balances, End of Year</b>	<b>\$ 1,075,756</b>	<b>\$ 181,137</b>	<b>\$ 5,836,859</b>	<b>\$ 778,396</b>

**CITY OF CYPRESS**  
**Combining Statement of Revenues,**  
**Expenditures and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**Year Ended June 30, 2023**

	<b>Special Revenue Funds</b>			
	<b>AB 2766</b>	<b>Traffic Safety</b>	<b>Supplemental Law Enforcement</b>	<b>Narcotics Asset Seizure</b>
<b>Revenues:</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	65,752	-	165,271	-
Use of money and property	-	-	1,010	30,033
Miscellaneous	-	-	-	384,527
<b>Total Revenues</b>	<b>65,752</b>	<b>57,259</b>	<b>166,281</b>	<b>414,560</b>
<b>Expenditures:</b>				
Current:				
Public safety	-	-	166,281	69,916
Community development	-	-	-	-
Public works	-	-	-	-
Capital outlay	-	-	-	-
<b>Total Expenditures</b>	<b>-</b>	<b>-</b>	<b>166,281</b>	<b>69,916</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	65,752	57,259	-	344,644
<b>Other Financing Sources (Uses):</b>				
Transfers out	-	(57,259)	-	(57,848)
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>(57,259)</b>	<b>-</b>	<b>(57,848)</b>
Net Change in Fund Balances	65,752	-	-	286,796
Fund Balances, Beginning of Year	(163,885)	-	-	1,041,827
<b>Fund Balances, End of Year</b>	<b>\$ (98,133)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,328,623</b>

**CITY OF CYPRESS**  
**Combining Statement of Revenues,**  
**Expenditures and Changes in Fund Balances**  
**Nonmajor Governmental Funds**  
**Year Ended June 30, 2023**

	<b>Special Revenue Funds</b>		<b>Total Governmental Funds</b>
	<b>Moderate Housing Assets</b>	<b>Pandemic Response Fund</b>	
<b>Revenues:</b>			
Taxes	\$ -	\$ -	\$ 1,692,715
Intergovernmental	-	-	379,844
Use of money and property	1,019	-	57,516
Miscellaneous	6,305	-	423,847
<b>Total Revenues</b>	<b>7,324</b>	<b>-</b>	<b>2,706,491</b>
<b>Expenditures:</b>			
Current:			
Public safety	-	-	236,197
Community development	44,222	-	44,222
Public works	-	-	1,197,121
Capital outlay	-	-	67,601
<b>Total Expenditures</b>	<b>44,222</b>	<b>-</b>	<b>1,545,141</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(36,898)	-	1,161,350
<b>Other Financing Sources (Uses):</b>			
Transfers out	-	-	(294,662)
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>(294,662)</b>
Net Change in Fund Balances	(36,898)	-	866,688
Fund Balances, Beginning of Year	1,546,397	-	9,745,449
<b>Fund Balances, End of Year</b>	<b>\$ 1,509,499</b>	<b>\$ -</b>	<b>\$ 10,612,137</b>

**CITY OF CYPRESS**  
**Local Drainage Special Revenue Fund**  
**Schedule of Revenues, Expenditures, and Changes in**  
**Fund Balance - Budget and Actual**  
**For the Year Ended June 30, 2023**

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	<b>Budget Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
Charges for services	5,000	5,000	-	(5,000)
<b>Total revenues</b>	<b>6,000</b>	<b>6,000</b>	<b>25,454</b>	<b>19,454</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>6,000</b>	<b>6,000</b>	<b>25,454</b>	<b>19,454</b>
<b>Net change in fund balance</b>	<b>\$ 6,000</b>	<b>\$ 6,000</b>	<b>25,454</b>	<b>\$ 19,454</b>
Fund Balances, Beginning of Year			1,050,302	
<b>Fund Balances, End of Year</b>			<b>\$ 1,075,756</b>	



**CITY OF CYPRESS**  
**Stanton Channel Maintenance District Special Revenue Fund**  
**Schedule of Revenues, Expenditures, and Changes in**  
**Fund Balance - Budget and Actual**  
**For the Year Ended June 30, 2023**

	<b>Budget Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
<b>Total revenues</b>	<b>93,270</b>	<b>93,270</b>	<b>95,310</b>	<b>2,040</b>
<b>EXPENDITURES</b>				
Current:				
Public works	74,792	74,792	69,628	5,164
<b>Total expenditures</b>	<b>74,792</b>	<b>74,792</b>	<b>69,628</b>	<b>5,164</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>18,478</b>	<b>18,478</b>	<b>25,682</b>	<b>(3,124)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(13,582)	(13,582)	(10,554)	(3,028)
<b>Total other financing sources (uses)</b>	<b>(13,582)</b>	<b>(13,582)</b>	<b>(10,554)</b>	<b>(3,028)</b>
<b>Net change in fund balance</b>	<b>\$ 4,896</b>	<b>\$ 4,896</b>	<b>15,128</b>	<b>\$ (6,152)</b>
Fund Balances, Beginning of Year			166,009	
<b>Fund Balances, End of Year</b>			<b>\$ 181,137</b>	

**CITY OF CYPRESS**  
**Lighting District Special Revenue Fund**  
**Schedule of Revenues, Expenditures, and Changes in**  
**Fund Balance - Budget and Actual**  
**For the Year Ended June 30, 2023**

	<b>Budget Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Taxes	\$ 1,465,400	\$ 1,465,400	\$ 1,618,054	\$ 152,654
Intergovernmental	20,780	20,780	148,821	128,041
<b>Total revenues</b>	<b>1,496,180</b>	<b>1,496,180</b>	<b>1,799,890</b>	<b>303,710</b>
<b>EXPENDITURES</b>				
Current:				
Public works	1,160,914	1,191,553	1,127,493	64,060
Capital outlay	930,000	1,444,650	67,601	1,377,049
<b>Total expenditures</b>	<b>2,090,914</b>	<b>2,636,203</b>	<b>1,195,094</b>	<b>1,441,109</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(594,734)</b>	<b>(1,140,023)</b>	<b>604,796</b>	<b>(1,137,399)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(174,137)	(174,137)	(169,001)	(5,136)
<b>Total other financing sources (uses)</b>	<b>(174,137)</b>	<b>(174,137)</b>	<b>(169,001)</b>	<b>(5,136)</b>
<b>Net change in fund balance</b>	<b>\$ (768,871)</b>	<b>\$ (1,314,160)</b>	<b>435,795</b>	<b>\$ (1,142,535)</b>
Fund Balances, Beginning of Year			5,401,064	
<b>Fund Balances, End of Year</b>			<b>\$ 5,836,859</b>	

CITY OF CYPRESS  
 CATV Peg Grant Special Revenue Fund  
 Schedule of Revenues, Expenditures, and Changes in  
 Fund Balance - Budget and Actual  
 For the Year Ended June 30, 2023

	Budget Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 77,500	\$ 77,500	\$ 74,661	\$ (2,839)
<b>Total revenues</b>	<u>77,500</u>	<u>77,500</u>	<u>74,661</u>	<u>(2,839)</u>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<u>77,500</u>	<u>77,500</u>	<u>74,661</u>	<u>(2,839)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(35,000)	(35,000)	-	(35,000)
<b>Total other financing sources (uses)</b>	<u>(35,000)</u>	<u>(35,000)</u>	<u>-</u>	<u>(35,000)</u>
<b>Net change in fund balance</b>	<u>\$ 42,500</u>	<u>\$ 42,500</u>	<u>74,661</u>	<u>\$ (37,839)</u>
Fund Balances, Beginning of Year			703,735	
<b>Fund Balances, End of Year</b>			<u>\$ 778,396</u>	

**CITY OF CYPRESS**  
**AB 2766 Trip Reduction Special Revenue Fund**  
**Schedule of Revenues, Expenditures, and Changes in**  
**Fund Balance - Budget and Actual**  
**For the Year Ended June 30, 2023**

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	<b>Budget Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Intergovernmental	\$ 63,000	\$ 63,000	\$ 65,752	\$ 2,752
<b>Total revenues</b>	<b>63,000</b>	<b>63,000</b>	<b>65,752</b>	<b>2,752</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>63,000</b>	<b>63,000</b>	<b>65,752</b>	<b>2,752</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(63,000)	(63,000)	-	(63,000)
<b>Total other financing sources (uses)</b>	<b>(63,000)</b>	<b>(63,000)</b>	<b>-</b>	<b>(63,000)</b>
<b>Net change in fund balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>65,752</b>	<b>\$ (60,248)</b>
Fund Balances, Beginning of Year			(163,885)	
<b>Fund Balances, End of Year</b>			<b>\$ (98,133)</b>	

**CITY OF CYPRESS**  
**Traffic Safety Special Revenue Fund**  
**Schedule of Revenues, Expenditures, and Changes in**  
**Fund Balance - Budget and Actual**  
**For the Year Ended June 30, 2023**

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	<b>Budget Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
<b>Total revenues</b>	<b>100,000</b>	<b>100,000</b>	<b>57,259</b>	<b>(42,741)</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>100,000</b>	<b>100,000</b>	<b>57,259</b>	<b>(42,741)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(100,000)	(100,000)	(57,259)	(42,741)
<b>Total other financing sources (uses)</b>	<b>(100,000)</b>	<b>(100,000)</b>	<b>(57,259)</b>	<b>(42,741)</b>
<b>Net change in fund balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>-</b>	<b>\$ (85,482)</b>
Fund Balances, Beginning of Year			-	
<b>Fund Balances, End of Year</b>			<b>\$ -</b>	

**CITY OF CYPRESS**  
**Supplemental Law Enforcement Special Revenue Fund**  
**Schedule of Revenues, Expenditures, and Changes in**  
**Fund Balance - Budget and Actual**  
**For the Year Ended June 30, 2023**

	<b>Budget Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Intergovernmental	\$ 130,301	\$ 166,231	\$ 165,271	\$ (960)
<b>Total revenues</b>	<b>130,351</b>	<b>166,281</b>	<b>166,281</b>	<b>-</b>
<b>EXPENDITURES</b>				
Current:				
Public safety	130,351	166,281	166,281	-
<b>Total expenditures</b>	<b>130,351</b>	<b>166,281</b>	<b>166,281</b>	<b>-</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net change in fund balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>-</b>	<b>\$ -</b>
Fund Balances, Beginning of Year			-	
<b>Fund Balances, End of Year</b>			<b>\$ -</b>	

**CITY OF CYPRESS**  
**Narcotics Asset Seizure Special Revenue Fund**  
**Schedule of Revenues, Expenditures, and Changes in**  
**Fund Balance - Budget and Actual**  
**For the Year Ended June 30, 2023**

	<b>Budget Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Use of money and property	\$ 550	\$ 550	\$ 30,033	\$ 29,483
Miscellaneous	10,000	10,000	384,527	374,527
<b>Total revenues</b>	<b>10,550</b>	<b>10,550</b>	<b>414,560</b>	<b>404,010</b>
<b>EXPENDITURES</b>				
Current:				
Public safety	61,516	92,246	69,916	22,330
<b>Total expenditures</b>	<b>61,516</b>	<b>92,246</b>	<b>69,916</b>	<b>22,330</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(50,966)</b>	<b>(81,696)</b>	<b>344,644</b>	<b>381,680</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(74,550)	(101,550)	(57,848)	(43,702)
Total other financing sources (uses)	(74,550)	(101,550)	(57,848)	(43,702)
<b>Net change in fund balance</b>	<b>\$ (125,516)</b>	<b>\$ (183,246)</b>	<b>286,796</b>	<b>\$ 337,978</b>
Fund Balances, Beginning of Year			1,041,827	
<b>Fund Balances, End of Year</b>			<b>\$ 1,328,623</b>	

**CITY OF CYPRESS**  
**Low & Moderate Housing Assets Special Revenue Fund**  
**Schedule of Revenues, Expenditures, and Changes in**  
**Fund Balance - Budget and Actual**  
**For the Year Ended June 30, 2023**

	<b>Budget Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
Miscellaneous	6,480	6,480	6,305	(175)
<b>Total revenues</b>	<b>6,580</b>	<b>6,580</b>	<b>7,324</b>	<b>744</b>
<b>EXPENDITURES</b>				
Current:				
Community development	62,774	65,774	44,222	21,552
<b>Total expenditures</b>	<b>62,774</b>	<b>65,774</b>	<b>44,222</b>	<b>21,552</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>(56,194)</b>	<b>(59,194)</b>	<b>(36,898)</b>	<b>(20,808)</b>
<b>Net change in fund balance</b>	<b>\$ (56,194)</b>	<b>\$ (59,194)</b>	<b>(36,898)</b>	<b>\$ (20,808)</b>
Fund Balances, Beginning of Year			1,546,397	
<b>Fund Balances, End of Year</b>			<b>\$ 1,509,499</b>	



**CITY OF CYPRESS**  
**Pandemic Response Fund Special Revenue Fund**  
**Schedule of Revenues, Expenditures, and Changes in**  
**Fund Balance - Budget and Actual**  
**For the Year Ended June 30, 2023**

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	<b>Budget Amounts</b>		<b>Actual Amounts</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Intergovernmental	\$ 6,277	\$ 6,277	\$ -	\$ (6,277)
<b>Total revenues</b>	<b>6,277</b>	<b>6,277</b>	<b>-</b>	<b>(6,277)</b>
<b>Excess (deficiency) of revenues over (under) expenditures</b>	<b>6,277</b>	<b>6,277</b>	<b>-</b>	<b>(6,277)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers out	(6,277)	(6,277)	-	(6,277)
<b>Total other financing sources (uses)</b>	<b>(6,277)</b>	<b>(6,277)</b>	<b>-</b>	<b>(6,277)</b>
<b>Net change in fund balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>-</b>	<b>\$ (12,554)</b>
Fund Balances, Beginning of Year			-	
<b>Fund Balances, End of Year</b>			<b>\$ -</b>	

## CITY OF CYPRESS

### Internal Service Funds

June 30, 2023

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, 2023**

	<b>Governmental Activities - Internal Service Funds</b>			
	<b>Central Services</b>	<b>Recreation District Central Services</b>	<b>Employees' Benefit</b>	<b>Liability Insurance</b>
<b>Assets:</b>				
Current:				
Cash and investments	\$ 21,253,220	\$ 686,161	\$ 5,555,175	\$ 2,257,280
Receivables:				
Accounts	460	-	196,385	-
Accrued interest	-	-	31,715	-
Prepaid items	18,088	-	-	-
Inventory	10,073	-	-	-
Restricted:				
Cash with fiscal agent	-	-	23,046,407	-
<b>Total Current Assets</b>	<b>21,281,841</b>	<b>686,161</b>	<b>28,829,682</b>	<b>2,257,280</b>
Noncurrent:				
Construction in Progress	242,900	-	-	-
Capital assets - net of accumulated depreciation/amortization	3,305,791	407,537	-	-
<b>Total Noncurrent Assets</b>	<b>3,548,691</b>	<b>407,537</b>	<b>-</b>	<b>-</b>
<b>Total Assets</b>	<b>24,830,532</b>	<b>1,093,698</b>	<b>28,829,682</b>	<b>2,257,280</b>
<b>Deferred Outflows of Resources:</b>				
Deferred amount from PERS pension plans	-	-	26,970,953	-
Deferred amount from OPEB	-	-	1,028,986	-
Deferred amount from OCERS pension plan	-	-	432,375	-
<b>Total Deferred Outflows of Resources</b>	<b>-</b>	<b>-</b>	<b>28,432,314</b>	<b>-</b>
<b>Liabilities:</b>				
Current:				
Accounts payable	166,932	-	27,406	-
Unearned revenues	-	-	702	-
Subscriptions	124,556	-	-	-
Accrued compensated absences	-	-	608,520	-
Accrued claims and judgments	-	-	-	50,435
<b>Total Current Liabilities</b>	<b>291,488</b>	<b>-</b>	<b>636,628</b>	<b>50,435</b>
Noncurrent:				
Subscriptions	534,335	-	-	-
Accrued compensated absences	-	-	1,824,747	-
Accrued claims and judgments	-	-	-	151,305
Retiree's health payable	-	-	9,178,932	-
Net pension liability	-	-	61,876,486	-
<b>Total Noncurrent Liabilities</b>	<b>534,335</b>	<b>-</b>	<b>72,880,165</b>	<b>151,305</b>
<b>Total Liabilities</b>	<b>825,823</b>	<b>-</b>	<b>73,516,793</b>	<b>201,740</b>
<b>Deferred Inflows of Resources:</b>				
Deferred amount from PERS pension plans	-	-	5,070,484	-
Deferred amount from OCERS pension plan	-	-	37,384	-
Deferred amount from OPEB	-	-	1,898,143	-
<b>Total Deferred Inflows of Resources</b>	<b>-</b>	<b>-</b>	<b>7,006,011</b>	<b>-</b>
<b>Net Position:</b>				
Investment in capital assets	2,889,800	407,537	-	-
Restricted for PARS trust	-	-	23,046,407	-
Unrestricted	21,114,909	686,161	(46,307,215)	2,055,540
<b>Total Net Position</b>	<b>24,004,709</b>	<b>1,093,698</b>	<b>(23,260,808)</b>	<b>2,055,540</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Net Position</b>	<b>\$ 24,830,532</b>	<b>\$ 1,093,698</b>	<b>\$ 57,261,996</b>	<b>\$ 2,257,280</b>

**CITY OF CYPRESS**  
**Combining Statement of Net Position**  
**Internal Service Funds**  
**June 30, 2023**

	<u>Governmental Activities - Internal Service Funds</u>	
	<u>Workers' Compensation</u>	<u>Totals</u>
<b>Assets:</b>		
Current:		
Cash and investments	\$ 3,416,322	\$ 33,168,158
Receivables:		
Accounts	30,340	227,185
Accrued interest	-	31,715
Prepaid items	-	18,088
Inventory	-	10,073
Restricted:		
Cash with fiscal agent	-	23,046,407
<b>Total Current Assets</b>	<b>3,446,662</b>	<b>56,501,626</b>
Noncurrent:		
Construction in Progress	-	242,900
Capital assets - net of accumulated depreciatio	-	3,713,328
<b>Total Noncurrent Assets</b>	<b>-</b>	<b>3,956,228</b>
<b>Total Assets</b>	<b>3,446,662</b>	<b>60,457,854</b>
<b>Deferred Outflows of Resources:</b>		
Deferred amount from PERS pension plans	-	26,970,953
Deferred amount from OPEB	-	1,028,986
Deferred amount from OCERS pension plan	-	432,375
<b>Total Deferred Outflows of Resources</b>	<b>-</b>	<b>28,432,314</b>
<b>Liabilities:</b>		
Current:		
Accounts payable	461	194,799
Unearned revenues	-	702
Subscriptions	-	124,556
Accrued compensated absences	-	608,520
Accrued claims and judgments	486,033	536,468
<b>Total Current Liabilities</b>	<b>486,494</b>	<b>1,465,045</b>
Noncurrent:		
Subscriptions	-	534,335
Accrued compensated absences	-	1,824,747
Accrued claims and judgments	1,458,099	1,609,404
Retiree's health payable	-	9,178,932
Net pension liability	-	61,876,486
<b>Total Noncurrent Liabilities</b>	<b>1,458,099</b>	<b>75,023,904</b>
<b>Total Liabilities</b>	<b>1,944,593</b>	<b>76,488,949</b>
<b>Deferred Inflows of Resources:</b>		
Deferred amount from PERS pension plans	-	5,070,484
Deferred amount from OCERS pension plan	-	37,384
Deferred amount from OPEB	-	1,898,143
<b>Total Deferred Inflows of Resources</b>	<b>-</b>	<b>7,006,011</b>
<b>Net Position:</b>		
Investment in capital assets	-	3,297,337
Restricted for PARS trust	-	23,046,407
Unrestricted	1,502,069	(20,948,536)
<b>Total Net Position</b>	<b>1,502,069</b>	<b>5,395,208</b>
<b>Total Liabilities, Deferred Inflows of Resourc</b>	<b>\$ 3,446,662</b>	<b>\$ 88,890,168</b>

**CITY OF CYPRESS**  
**Combining Statement of Revenues, Expenses**  
**and Changes in Fund Net Position**  
**Internal Service Funds**  
**Year Ended June 30, 2023**

	<b>Governmental Activities - Internal Service Funds</b>			
	<b>Central Services</b>	<b>Recreation District Central Services</b>	<b>Employees' Benefit</b>	<b>Liability Insurance</b>
<b>Operating Revenues:</b>				
Charges for services	\$ 3,788,294	\$ 67,400	\$ 14,601,126	\$ 617,000
Miscellaneous	11,757	-	-	5,204
<b>Total Operating Revenues</b>	<b>3,800,051</b>	<b>67,400</b>	<b>14,601,126</b>	<b>622,204</b>
<b>Operating Expenses:</b>				
Personnel services	1,254,136	-	-	-
Contractual services	222,803	9,193	3,743,387	-
Supplies and other services	1,189,544	-	4,363,850	453,897
Claims payments and changes in estimates	-	-	-	53,205
Depreciation/amortization expense	790,217	54,868	-	-
<b>Total Operating Expenses</b>	<b>3,456,700</b>	<b>64,061</b>	<b>8,107,237</b>	<b>507,102</b>
Operating Income (Loss)	343,351	3,339	6,493,889	115,102
<b>Nonoperating Revenues (Expenses):</b>				
Interest income (expense)	(272)	-	1,163,026	-
Gain (loss) on disposal of capital assets	32,478	-	-	-
<b>Total Nonoperating Revenues (Expenses)</b>	<b>32,206</b>	<b>-</b>	<b>1,163,026</b>	<b>-</b>
Income (Loss) Before Transfers	375,557	3,339	7,656,915	115,102
Transfers in	115,883	103,411	1,900,000	-
Transfers out	-	-	-	(1,030,280)
Changes in Net Position	491,440	106,750	9,556,915	(915,178)
<b>Net Position:</b>				
Beginning of Year	23,513,269	986,948	(32,817,723)	2,970,718
<b>End of Fiscal Year</b>	<b>\$ 24,004,709</b>	<b>\$ 1,093,698</b>	<b>\$ (23,260,808)</b>	<b>\$ 2,055,540</b>

**CITY OF CYPRESS**  
**Combining Statement of Revenues, Expenses**  
**and Changes in Fund Net Position**  
**Internal Service Funds**  
**Year Ended June 30, 2023**

	<b>Governmental Activities - Internal Service Funds</b>	
	<b>Workers' Compensation</b>	<b>Totals</b>
<b>Operating Revenues:</b>		
Charges for services	\$ 769,588	\$ 19,843,408
Miscellaneous	231,377	248,338
<b>Total Operating Revenues</b>	<b>1,000,965</b>	<b>20,091,746</b>
<b>Operating Expenses:</b>		
Personnel services	23,540	1,277,676
Contractual services	207,846	4,183,229
Supplies and other services	207,510	6,214,801
Claims payments and changes in estimates	154,879	208,084
Depreciation/amortization expense	-	845,085
<b>Total Operating Expenses</b>	<b>593,775</b>	<b>12,728,875</b>
Operating Income (Loss)	407,190	7,362,871
<b>Nonoperating Revenues (Expenses):</b>		
Interest income (expense)	-	1,162,754
Gain (loss) on disposal of capital assets	-	32,478
<b>Total Nonoperating Revenues (Expenses)</b>	<b>-</b>	<b>1,195,232</b>
Income (Loss) Before Transfers	407,190	8,558,103
Transfers in	1,000,000	3,119,294
Transfers out	-	(1,030,280)
Changes in Net Position	1,407,190	10,647,117
<b>Net Position:</b>		
Beginning of Year	94,879	(5,251,909)
<b>End of Fiscal Year</b>	<b>\$ 1,502,069</b>	<b>\$ 5,395,208</b>

CITY OF CYPRESS  
Combining Statement of Cash Flows  
Internal Service Funds  
Year Ended June 30, 2023

	<u>Governmental Activities - Internal Service Funds</u>			
	<u>Central Services</u>	<u>Recreation District Central Services</u>	<u>Employees' Benefit</u>	<u>Liability Insurance</u>
<b>Cash Flows from Operating Activities:</b>				
Cash received from customers and users	\$ 3,801,255	\$ 67,400	\$ 15,076,628	\$ 622,204
Cash paid to suppliers for goods and services	(1,363,210)	(9,193)	(8,245,389)	(453,897)
Cash paid to employees for services	(1,306,852)	-	(6,826,676)	(47,559)
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>1,131,193</b>	<b>58,207</b>	<b>4,563</b>	<b>120,748</b>
<b>Cash Flows from Non-Capital Financing Activities:</b>				
Cash transfers out	-	-	-	(1,030,280)
Cash transfers in	115,883	103,411	1,900,000	-
<b>Net Cash Provided (Used) by Non-Capital Financing Activities</b>	<b>115,883</b>	<b>103,411</b>	<b>1,900,000</b>	<b>(1,030,280)</b>
<b>Cash Flows from Capital and Related Financing Activities:</b>				
Acquisition and construction of capital assets	(761,800)	(178,168)	-	-
Proceeds from sales of capital assets	56,486	-	-	-
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	<b>(705,314)</b>	<b>(178,168)</b>	<b>-</b>	<b>-</b>
<b>Cash Flows from Investing Activities:</b>				
Interest received	(272)	-	1,139,261	-
<b>Net Cash Provided (Used) by Investing Activities</b>	<b>(272)</b>	<b>-</b>	<b>1,139,261</b>	<b>-</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>541,490</b>	<b>(16,550)</b>	<b>3,043,824</b>	<b>(909,532)</b>
Cash and Cash Equivalents at Beginning of Year	20,711,730	702,711	25,557,758	3,166,812
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ 21,253,220</b>	<b>\$ 686,161</b>	<b>\$ 28,601,582</b>	<b>\$ 2,257,280</b>
<b>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:</b>				
Operating income (loss)	\$ 343,351	\$ 3,339	\$ 6,493,889	\$ 115,102
<b>Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities:</b>				
Depreciation/amortization	790,217	54,868	-	-
(Increase) decrease in accounts receivable	1,204	-	474,800	-
(Increase) decrease in inventories	(5,176)	-	-	-
(Increase) decrease in prepaid expense	23,654	-	8,010	-
Increase (decrease) in accounts payable	30,659	-	(146,162)	-
Increase (decrease) in accrued liabilities	(52,716)	-	(101,968)	-
(Increase) decrease in pension-related deferred outflows	-	-	(14,425,706)	-
(Increase) decrease in pension-related deferred inflows	-	-	(21,794,796)	-
(Increase) decrease in pension-related liability	-	-	29,242,800	-
(Increase) decrease in OPEB-related deferred outflows	-	-	224,313	-
(Increase) decrease in OPEB-related deferred inflows	-	-	(163,245)	-
(Increase) decrease in OPEB-related liability	-	-	163,865	-
(Increase) decrease in unearned revenue	-	-	702	-
Increase (decrease) in claims and judgments	-	-	-	5,646
Increase (decrease) in compensated absences	-	-	28,061	-
<b>Total Adjustments</b>	<b>787,842</b>	<b>54,868</b>	<b>(6,489,326)</b>	<b>5,646</b>
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>\$ 1,131,193</b>	<b>\$ 58,207</b>	<b>\$ 4,563</b>	<b>\$ 120,748</b>
<b>Non-Cash Investing, Capital, and Financing Activities:</b>				
Gain/(Loss) on disposition of capital assets	\$ 24,009	\$ -	\$ -	\$ -

CITY OF CYPRESS  
Combining Statement of Cash Flows  
Internal Service Funds  
Year Ended June 30, 2023

	<b>Governmental Activities - Internal Service Funds</b>	
	<b>Workers' Compensation</b>	<b>Totals</b>
<b>Cash Flows from Operating Activities:</b>		
Cash received from customers and users	\$ 973,121	\$ 20,540,608
Cash paid to suppliers for goods and services	(572,222)	(10,643,911)
Cash paid to employees for services	(374,564)	(8,555,651)
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>26,335</b>	<b>1,341,046</b>
<b>Cash Flows from Non-Capital Financing Activities:</b>		
Cash transfers out	-	(1,030,280)
Cash transfers in	1,000,000	3,119,294
<b>Net Cash Provided (Used) by Non-Capital Financing Activities</b>	<b>1,000,000</b>	<b>2,089,014</b>
<b>Cash Flows from Capital and Related Financing Activities:</b>		
Acquisition and construction of capital assets	-	(939,968)
Proceeds from sales of capital assets	-	56,486
<b>Net Cash Provided (Used) by Capital and Related Financing Activities</b>	<b>-</b>	<b>(883,482)</b>
<b>Cash Flows from Investing Activities:</b>		
Interest received	-	1,138,989
<b>Net Cash Provided (Used) by Investing Activities</b>	<b>-</b>	<b>1,138,989</b>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>1,026,335</b>	<b>3,685,567</b>
Cash and Cash Equivalents at Beginning of Year	2,389,987	52,528,998
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ 3,416,322</b>	<b>\$ 56,214,565</b>
<b>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:</b>		
Operating income (loss)	\$ 407,190	\$ 7,362,871
<b>Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities:</b>		
Depreciation/amortization	-	845,085
(Increase) decrease in accounts receivable	(27,844)	448,160
(Increase) decrease in inventories	-	(5,176)
(Increase) decrease in prepaid expense	-	31,664
Increase (decrease) in accounts payable	(1,987)	(117,490)
Increase (decrease) in accrued liabilities	(835)	(155,519)
(Increase) decrease in pension-related deferred outflows	-	(14,425,706)
(Increase) decrease in pension-related deferred inflows	-	(21,794,796)
(Increase) decrease in pension-related liability	-	29,242,800
(Increase) decrease in OPEB-related deferred outflows	-	224,313
(Increase) decrease in OPEB-related deferred inflows	-	(163,245)
(Increase) decrease in OPEB-related liability	-	163,865
(Increase) decrease in unearned revenue	-	702
Increase (decrease) in claims and judgments	(87,547)	(81,901)
Increase (decrease) in compensated absences	(262,642)	(234,581)
<b>Total Adjustments</b>	<b>(380,855)</b>	<b>(6,021,825)</b>
<b>Net Cash Provided (Used) by Operating Activities</b>	<b>\$ 26,335</b>	<b>\$ 1,341,046</b>
<b>Non-Cash Investing, Capital, and Financing Activities:</b>		
Gain/(Loss) on disposition of capital assets	\$ -	\$ 24,009





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## **CITY OF CYPRESS**

### Fiduciary Funds

June 30, 2023

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**  
**Combing Statement of Net Position**  
**Custodial Funds**  
**June 30, 2023**

	<b>Business and Professional Center Assessment District</b>	<b>West Cities Police Communications Center Joint Powers Authority</b>	<b>Total Custodial Funds</b>
<b>Assets:</b>			
Cash and cash equivalents	\$ -	\$ 4,051,791	\$ 4,051,791
Receivables:			
Accounts	-	20,043	20,043
Interest	-	33,860	33,860
Prepaid items	-	20,614	20,614
<b>Total Assets</b>	<b>-</b>	<b>4,126,308</b>	<b>4,126,308</b>
<b>Liabilities:</b>			
<b>Current liabilities:</b>			
Accounts payable	-	63,322	63,322
Unearned revenues	-	39,131	39,131
Due to other governments	-	987,005	987,005
Accrued leave payable	-	78,253	78,253
<b>Total current liabilities:</b>	<b>-</b>	<b>1,089,458</b>	<b>1,089,458</b>
<b>Noncurrent liabilities:</b>			
Retirees' health payable	-	918,751	918,751
Accrued leave payable	-	234,761	234,761
<b>Total noncurrent liabilities:</b>	<b>-</b>	<b>1,153,512</b>	<b>1,153,512</b>
<b>Total Liabilities</b>	<b>-</b>	<b>2,321,223</b>	<b>2,321,223</b>
<b>Net Position:</b>			
Restricted for member agencies	-	1,805,085	1,805,085
<b>Total Net Position</b>	<b>\$ -</b>	<b>\$ 1,805,085</b>	<b>\$ 1,805,085</b>

**CITY OF CYPRESS**  
**Combining Statement of Changes in Fiduciary Net Position**  
**Custodial Funds**  
**Year Ended June 30, 2023**

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	<b>Business and Professional Center Assessment District</b>	<b>West Cities Police Communications Center Joint Powers Authority</b>	<b>Total Custodial Funds</b>
<b>Additions:</b>			
Contributions:			
Investment Income	\$ 557	\$ 103,339	\$ 103,896
Member contributions	-	3,104,429	3,104,429
Other Revenue	-	154,507	154,507
	<u>557</u>	<u>3,362,275</u>	<u>3,362,832</u>
<b>Total Additions</b>	<b>557</b>	<b>3,362,275</b>	<b>3,362,832</b>
<b>Deductions:</b>			
Dispatch services	-	3,014,656	3,014,656
Debt service	4,845	-	4,845
Other expenses	5,868	-	5,868
	<u>10,713</u>	<u>3,014,656</u>	<u>3,025,369</u>
<b>Total Deductions</b>	<b>10,713</b>	<b>3,014,656</b>	<b>3,025,369</b>
<b>Changes in Net Position</b>	<b>(10,156)</b>	<b>347,619</b>	<b>337,463</b>
Net Position - Beginning of the Year	10,156	1,457,466	1,467,622
<b>Net Position - End of the Year</b>	<b>\$ -</b>	<b>\$ 1,805,085</b>	<b>\$ 1,805,085</b>



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# STATISTICAL SECTION



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**CITY OF CYPRESS**  
Statistical Section  
Year ended June 30, 2023  
Table of Contents

This part of the City of Cypress' annual comprehensive financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

**Financial Trends**

These schedules contain information to help the reader to understand how the City's financial performance and well-being have changed over time.

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**Revenue Capacity**

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**Demographic and Economic Information**

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

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**Operating Information**

These schedules contain services and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.

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Sources: Unless otherwise noted, the information in these schedules was derived from the City's annual comprehensive 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, 2023.



**CITY OF CYPRESS**

NET POSITION BY COMPONENT

LAST TEN FISCAL YEARS

Schedule 1

	Fiscal Year			
	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
<b>GOVERNMENTAL ACTIVITIES</b>				
Invested in capital assets	\$ 170,286,779	\$ 172,804,367	\$ 166,272,625	\$ 160,408,903
Restricted for:				
Debt service	-	-	-	-
Specific projects and programs	51,055,320	40,650,390	37,532,553	43,597,947
Total restricted	51,055,320	40,650,390	37,532,553	43,597,947
Unrestricted	109,374,298	95,515,524	88,119,499	85,931,038
Total governmental activities net position	<u>\$ 330,716,397</u>	<u>\$ 308,970,281</u>	<u>\$ 291,924,677</u>	<u>\$ 289,937,888</u>
<b>BUSINESS-TYPE ACTIVITIES</b>				
Invested in capital assets	\$ 18,871,533	\$ 18,876,495	\$ 19,322,767	\$ 19,672,894
Restricted for:				
Specific projects and programs	7,599,979	6,638,371	5,253,793	3,871,515
Total business-type activities net position	<u>\$ 26,471,512</u>	<u>\$ 25,514,866</u>	<u>\$ 24,576,560</u>	<u>\$ 23,544,409</u>
<b>TOTAL GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES</b>				
Invested in capital assets	\$ 189,158,312	\$ 191,680,862	\$ 185,595,392	\$ 180,081,797
Restricted for:				
Debt service	-	-	-	-
Specific projects and programs	58,655,299	47,288,761	42,786,346	47,469,462
Total restricted	58,655,299	47,288,761	42,786,346	47,469,462
Unrestricted	109,374,298	95,515,524	88,119,499	85,931,038
Total governmental and business-type activities net position	<u>\$ 357,187,909</u>	<u>\$ 334,485,147</u>	<u>\$ 316,501,237</u>	<u>\$ 313,482,297</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>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
\$ 162,147,445	\$ 162,818,741	\$ 161,714,951	\$ 153,270,346	\$ 154,805,926	\$ 154,957,177
-	522,200	979,010	420,185	400,000	380,000
<u>39,458,651</u>	<u>36,012,698</u>	<u>25,872,294</u>	<u>26,169,565</u>	<u>24,651,239</u>	<u>24,407,720</u>
39,458,651	36,534,898	26,851,304	26,589,750	25,051,239	24,787,720
<u>82,530,908</u>	<u>75,803,724</u>	<u>89,651,389</u>	<u>107,623,380</u>	<u>101,970,622</u>	<u>111,781,610</u>
<u>\$ 284,137,004</u>	<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>
\$ 19,764,241	\$ 20,004,444	\$ 19,788,397	\$ 18,245,712	\$ 15,801,861	\$ 14,516,549
<u>2,820,977</u>	<u>1,463,331</u>	<u>524,701</u>	<u>930,903</u>	<u>2,281,112</u>	<u>2,174,616</u>
<u>\$ 22,585,218</u>	<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>
\$ 181,911,686	\$ 182,823,185	\$ 181,503,348	\$ 171,516,058	\$ 170,607,787	\$ 169,473,726
-	522,200	979,010	420,185	400,000	380,000
<u>42,279,628</u>	<u>37,476,029</u>	<u>26,396,995</u>	<u>27,100,468</u>	<u>26,932,351</u>	<u>26,582,336</u>
42,279,628	37,998,229	27,376,005	27,520,653	27,332,351	26,962,336
<u>82,530,908</u>	<u>75,803,724</u>	<u>89,651,389</u>	<u>107,623,380</u>	<u>101,970,622</u>	<u>111,781,610</u>
<u>\$ 306,722,222</u>	<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>

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

	Fiscal Year			
	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
<b>EXPENSES - GOVERNMENTAL ACTIVITIES:</b>				
General government	\$ 4,434,609	\$ 5,477,433	\$ 6,295,641	\$ 6,082,701
Community development	2,109,834	2,333,245	2,100,332	1,915,912
Public safety	16,762,572	19,494,326	19,428,392	19,357,512
Public works	11,321,069	12,737,505	13,865,043	11,597,788
Recreation	5,137,475	5,583,107	5,303,581	5,003,445
Interest on long-term debt	-	-	-	-
Total government activities expenses	<u>39,765,559</u>	<u>45,625,616</u>	<u>46,992,989</u>	<u>43,957,358</u>
<b>PROGRAM REVENUES - GOVERNMENTAL ACTIVITIES:</b>				
Charges for services:				
General government	290,454	420,799	498,954	154,716
Community development	1,628,632	1,985,828	1,557,209	899,680
Public safety	455,417	277,816	406,077	268,225
Public works	1,305,718	873,072	770,403	741,487
Recreation	3,196,855	6,947,677	487,138	573,479
Operating grants and contributions	4,789,491	16,061,186	3,862,387	5,998,794
Capital grants and contributions	2,153,338	1,638,108	1,869,583	1,488,480
Total governmental activities program revenues	<u>13,819,905</u>	<u>28,204,486</u>	<u>9,451,751</u>	<u>10,124,861</u>
<b>NET (EXPENSE/REVENUE) - GOVERNMENTAL ACTIVITIES</b>	<b>(25,945,654)</b>	<b>(17,421,130)</b>	<b>(37,541,238)</b>	<b>(33,832,497)</b>
<b>GENERAL REVENUES AND OTHER CHANGES IN NET POSITION - GOVERNMENTAL ACTIVITIES:</b>				
Taxes				
Property taxes, levied for general purpose	7,470,455	6,530,911	6,261,310	6,273,159
Property taxes, levied for recreation purposes	7,080,645	6,222,354	5,958,450	5,958,511
Property taxes, levied for lighting purposes	1,618,054	1,425,207	1,363,781	1,358,550
Property taxes, backfill of vehicle license fees	5,698,971	5,322,016	5,136,804	4,942,234
Sales tax	13,561,206	13,292,177	11,249,720	11,969,246
Transient occupancy tax	2,849,004	2,602,233	1,648,030	2,185,978
Franchise tax	1,972,342	1,801,173	1,753,459	1,727,101
Other taxes	1,921,668	1,965,665	1,820,366	1,742,289
Total taxes	<u>42,172,345</u>	<u>39,161,736</u>	<u>35,191,920</u>	<u>36,157,068</u>
Investment earnings	5,420,204	(4,733,571)	2,245,090	3,423,255
Contributed capital	-	-	-	-
Miscellaneous	99,221	38,569	37,845	53,058
Total governmental activities	<u>47,691,770</u>	<u>34,466,734</u>	<u>37,474,855</u>	<u>39,633,381</u>
<b>SPECIAL ITEMS:</b>				
Market value adjustment - land held for resale	-	-	-	-
Gain on sale of land held for resale	-	-	2,053,172	-
Total special items	<u>-</u>	<u>-</u>	<u>2,053,172</u>	<u>-</u>
<b>EXTRAORDINARY ITEMS:</b>				
Gain on approval of repayment agreement	-	-	-	-
Loss on re-entered loan settlement agreement	-	-	-	-
Total extraordinary items	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES</b>	<b>\$ 21,746,116</b>	<b>\$ 17,045,604</b>	<b>\$ 1,986,789</b>	<b>\$ 5,800,884</b>
<b>EXPENSES - BUSINESS-TYPE ACTIVITIES:</b>				
Sewer	\$ 892,783	\$ 902,389	\$ 888,283	\$ 871,750
Total business-type activities expenses	<u>892,783</u>	<u>902,389</u>	<u>888,283</u>	<u>871,750</u>
<b>PROGRAM REVENUES - BUSINESS-TYPE ACTIVITIES:</b>				
Charges for services	1,632,171	1,779,495	1,861,974	1,733,202
Operating grants and contributions	36	35	37	39
Capital grants and contributions	-	-	-	-
Total business-type activities program revenues	<u>1,632,207</u>	<u>1,779,530</u>	<u>1,862,011</u>	<u>1,733,241</u>
<b>NET (EXPENSE/REVENUE) - BUSINESS-TYPE ACTIVITIES</b>	<b>739,424</b>	<b>877,141</b>	<b>973,728</b>	<b>861,491</b>
<b>GENERAL REVENUES AND OTHER CHANGES IN NET POSITION - BUSINESS TYPE ACTIVITIES:</b>				
Taxes				
Property taxes, levied for sewer purposes	36,250	32,508	30,499	30,076
Total taxes	<u>36,250</u>	<u>32,508</u>	<u>30,499</u>	<u>30,076</u>
Investment earnings	173,575	26,215	25,145	66,013
Miscellaneous	7,397	2,442	2,779	1,611
Total business-type activities	<u>217,222</u>	<u>61,165</u>	<u>58,423</u>	<u>97,700</u>
<b>CHANGE IN NET POSITION - BUSINESS-TYPE ACTIVITIES</b>	<b>\$ 956,646</b>	<b>\$ 938,306</b>	<b>\$ 1,032,151</b>	<b>\$ 959,191</b>
<b>CHANGE IN NET POSITION - TOTAL PRIMARY GOVERNMENT</b>	<b>\$ 22,702,762</b>	<b>\$ 17,983,910</b>	<b>\$ 3,018,940</b>	<b>\$ 6,760,075</b>

2019	2018	2017	2016	2015	2014
\$ 4,683,324	\$ 4,634,173	\$ 4,688,064	\$ 4,186,025	\$ 3,762,129	\$ 4,037,449
2,200,508	2,545,902	2,092,444	2,045,322	1,792,626	1,717,272
17,423,654	17,185,826	15,793,707	14,193,759	13,823,314	14,119,456
10,800,313	13,608,594	11,949,123	11,467,198	11,818,556	11,971,891
5,042,590	5,296,640	5,077,877	4,659,025	4,675,847	4,857,577
1,300	25,145	48,597	70,731	89,610	107,166
<u>40,151,689</u>	<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>
388,378	477,787	517,051	247,368	155,590	98,802
1,156,997	1,125,447	957,395	1,038,354	767,379	663,525
324,497	221,319	217,567	190,861	229,721	223,771
740,542	723,444	773,597	820,048	854,062	832,916
1,727,459	1,509,692	1,489,518	1,499,750	1,160,898	1,389,596
3,728,589	3,625,304	4,550,919	4,474,668	3,549,872	3,648,027
1,299,265	1,029,329	1,462,551	693,977	856,247	1,315,906
<u>9,365,727</u>	<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>
(30,785,962)	(34,583,958)	(29,681,214)	(27,657,034)	(28,388,313)	(28,638,268)
5,703,464	5,373,717	4,838,954	4,634,994	4,735,392	4,589,439
5,435,431	5,133,137	4,598,132	4,420,347	4,450,954	4,224,593
1,240,367	1,173,368	1,055,329	1,015,521	1,013,028	962,631
4,708,074	4,429,211	4,241,925	4,061,360	3,835,515	3,678,802
12,616,015	11,141,720	11,346,462	12,435,166	11,891,754	11,846,002
2,761,917	2,836,842	2,711,306	2,558,974	2,209,939	1,980,228
1,686,218	1,660,665	1,607,621	1,728,236	1,724,232	1,650,481
1,750,241	1,728,281	1,745,849	1,647,782	1,678,288	1,617,097
<u>35,901,727</u>	<u>33,476,941</u>	<u>32,145,578</u>	<u>32,502,380</u>	<u>31,539,102</u>	<u>30,549,273</u>
3,806,673	1,281,234	694,455	748,457	344,668	439,186
-	1,460,026	-	-	-	-
57,203	55,078	69,209	61,886	65,861	62,594
<u>39,765,603</u>	<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>
-	-	-	-	(6,308,460)	-
-	-	-	-	-	-
-	-	-	-	(6,308,460)	-
-	-	-	-	25,323,775	-
-	-	(12,493,860)	-	-	-
-	-	(12,493,860)	-	25,323,775	-
<u>\$ 8,979,641</u>	<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>
\$ 897,761	\$ 795,737	\$ 706,843	\$ 757,503	\$ 724,257	\$ 740,444
897,761	795,737	706,843	757,503	724,257	740,444
1,721,787	1,829,427	1,768,183	1,714,658	2,025,759	2,197,154
98,050	43	46	66,716	46,387	55
-	-	-	-	-	4,990
<u>1,819,837</u>	<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>
922,076	1,033,733	1,061,386	1,023,871	1,347,889	1,461,755
29,978	30,885	24,060	27,651	14,232	10,879
29,978	30,885	24,060	27,651	14,232	10,879
162,156	84,346	48,316	34,865	26,886	23,062
3,233	5,713	2,721	7,255	2,801	-
<u>195,367</u>	<u>120,944</u>	<u>75,097</u>	<u>69,771</u>	<u>43,919</u>	<u>33,941</u>
<u>\$ 1,117,443</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>\$ 10,097,084</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>

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

	Fiscal Year			
	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
<b>GENERAL FUND</b>				
Nonspendable	\$ 176,552	\$ 270,596	\$ 400,475	\$ 4,106
Restricted	28,944	28,944	28,944	140,521
Committed	9,395,654	8,862,296	8,277,669	7,752,199
Assigned	23,550,418	21,212,203	15,425,574	14,086,964
Unassigned	<u>1,840,440</u>	<u>1,043,486</u>	<u>1,060,000</u>	<u>1,060,000</u>
Total General Fund	<u>\$ 34,992,008</u>	<u>\$ 31,417,525</u>	<u>\$ 25,192,662</u>	<u>\$ 23,043,790</u>
<b>ALL OTHER GOVERNMENTAL FUNDS</b>				
Nonspendable	\$ -	\$ -	\$ 5,915,695	\$ 3,242
Restricted	27,875,379	20,316,479	19,174,097	27,679,541
Committed	12,863,857	11,600,177	12,824,144	11,600,900
Assigned	82,582,086	81,327,970	70,479,670	74,307,742
Unassigned	<u>(98,133)</u>	<u>(163,885)</u>	<u>(226,304)</u>	<u>(290,643)</u>
Total all other Governmental Funds	<u>\$ 123,223,189</u>	<u>\$ 113,080,741</u>	<u>\$ 108,167,302</u>	<u>\$ 113,300,782</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>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
\$ 8,105	\$ 54,299	\$ 57,474	\$ 8,759	\$ 6,411	\$ 9,387
51,035	73,252	73,252	73,252	73,252	73,252
7,399,045	7,152,556	6,982,083	6,885,909	6,520,344	6,299,394
13,827,127	8,018,278	11,199,276	11,766,464	13,078,088	11,116,273
1,060,000	860,000	921,728	289,297	170,783	121,919
<u>\$ 22,345,312</u>	<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>
\$ 28,946	\$ 26,013	\$ 71,608	\$ 59,660	\$ 56,300	\$ 11,233
27,277,048	26,328,454	26,466,768	27,039,278	25,513,795	24,960,766
9,332,740	10,568,404	9,174,885	17,680,891	9,437,504	11,908,872
70,811,712	67,828,083	62,830,965	71,429,444	76,745,521	55,006,639
-	-	-	-	-	-
<u>\$ 107,450,446</u>	<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>

**CITY OF CYPRESS**

CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS

Schedule 4

	Fiscal Year			
	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
<b>REVENUES:</b>				
Taxes				
Property tax	\$ 21,868,125	\$ 19,500,488	\$ 18,720,344	\$ 18,532,454
Sales tax	13,561,206	13,292,177	11,579,445	12,252,711
Transient occupancy tax	2,849,004	2,602,233	1,648,030	2,185,978
Franchise tax	2,047,004	1,876,783	1,829,542	1,806,177
Other taxes	2,327,660	2,348,252	2,167,293	2,063,126
Licenses and permits	1,437,527	1,326,104	884,938	628,630
Fines and forfeitures	285,374	250,414	345,986	277,716
From use of property	5,400,358	(2,256,444)	88,710	3,511,171
From other agencies	4,348,451	16,312,535	4,103,799	5,300,369
Charges for services	6,689,289	11,079,347	4,051,764	3,293,571
Other revenues	1,341,712	746,421	811,084	652,143
Total Revenues	<u>62,155,710</u>	<u>67,078,310</u>	<u>46,230,935</u>	<u>50,504,046</u>
<b>EXPENDITURES:</b>				
General government	5,071,688	4,833,262	5,485,769	5,206,978
Community development	2,541,511	2,159,679	1,892,213	1,714,979
Public safety	20,099,644	17,939,338	17,401,215	17,225,985
Public works	10,373,878	9,262,250	10,056,426	7,732,879
Recreation	5,260,829	4,532,507	4,181,884	3,951,650
Capital outlay	3,002,215	12,527,779	11,805,601	4,495,945
Debt service				
Principal retired	-	-	-	-
Interest and charges	-	-	-	-
Total expenditures	<u>46,349,765</u>	<u>51,254,815</u>	<u>50,823,108</u>	<u>40,328,416</u>
Excess of revenues over (under) expenditures	15,805,945	15,823,495	(4,592,173)	10,175,630
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	4,740,932	21,115,221	7,692,812	8,335,896
Transfers out	(6,829,946)	(25,800,414)	(8,138,419)	(11,962,712)
Total other financing sources (uses)	<u>(2,089,014)</u>	<u>(4,685,193)</u>	<u>(445,607)</u>	<u>(3,626,816)</u>
Net change in fund balances before extraordinary items	13,716,931	11,138,302	(5,037,780)	6,548,814
<b>SPECIAL ITEMS:</b>				
Market value adjustment - land held for resale	-	-	-	-
Gain on sale of land held for resale	-	-	2,053,172	-
Total special items	-	-	2,053,172	-
<b>EXTRAORDINARY ITEMS:</b>				
Gain on approval of repayment agreement	-	-	-	-
Loss on re-entered loan settlement agreement	-	-	-	-
Total extraordinary items	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>\$ 13,716,931</u>	<u>\$ 11,138,302</u>	<u>\$ (2,984,608)</u>	<u>\$ 6,548,814</u>
Debt service as a percentage of noncapital expenditures	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
\$	17,087,338	\$ 16,109,436	\$ 14,734,339	\$ 14,132,221	\$ 14,034,888	\$ 13,455,467
	12,332,551	11,141,720	11,451,407	12,540,112	11,681,865	11,846,003
	2,761,917	2,836,842	2,711,306	2,558,974	2,209,939	1,980,228
	1,766,326	1,740,802	1,665,820	1,774,268	1,770,259	1,693,524
	2,095,035	2,052,850	2,061,297	1,957,223	1,986,873	1,909,589
	806,907	675,894	700,437	700,510	455,781	381,992
	390,365	275,909	289,271	239,845	254,997	270,593
	3,890,564	1,660,035	1,027,004	1,044,996	594,030	659,310
	3,878,871	3,856,558	3,113,673	3,021,416	3,178,481	3,886,307
	4,317,800	4,700,201	4,397,340	4,376,424	3,963,964	4,244,710
	673,986	701,596	1,585,339	1,401,191	788,618	695,557
	<u>50,001,660</u>	<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>
	4,131,110	4,037,765	4,380,176	4,147,614	3,555,118	3,802,168
	2,056,311	2,351,459	2,070,995	2,160,255	1,772,835	1,776,411
	16,174,228	15,762,018	15,508,454	14,861,961	13,905,373	14,073,067
	7,394,724	10,081,750	9,541,509	9,630,040	9,625,309	9,789,620
	4,158,366	4,498,225	4,612,076	4,450,788	4,305,974	4,452,120
	4,251,602	2,275,198	11,813,186	2,295,678	4,386,607	5,079,667
	475,000	445,000	420,000	400,000	380,000	360,000
	13,175	36,826	59,622	80,131	98,350	115,266
	<u>38,654,516</u>	<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>
	11,347,144	6,263,602	(4,668,785)	5,720,713	2,890,129	1,574,961
	6,468,442	9,020,684	8,189,632	7,466,801	7,991,193	5,725,391
	(8,929,167)	(12,152,986)	(8,481,902)	(9,556,558)	(8,098,884)	(5,793,257)
	<u>(2,460,725)</u>	<u>(3,132,302)</u>	<u>(292,270)</u>	<u>(2,089,757)</u>	<u>(107,691)</u>	<u>(67,866)</u>
	8,886,419	3,131,300	(4,961,055)	3,630,956	2,782,438	1,507,095
	-	-	-	-	(6,308,460)	-
	-	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	25,323,775	-
	-	-	(12,493,860)	-	-	-
	-	-	(12,493,860)	-	25,323,775	-
\$	<u>8,886,419</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>1.4%</u>	<u>1.3%</u>	<u>1.3%</u>	<u>1.3%</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
2023	\$ 8,701,907	\$ 2,072	\$ 365,927	\$ 9,069,906	1.0000
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

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 taxed. 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
2023	1.0000	-	1.0000	0.0900	0.0035
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

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	2023			2014		
	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	\$ 254,455,337	1	2.81%	\$ 217,402,445	1	3.76%
GLC Cypress LLC	128,271,132	2	1.42%	-	-	-
Katella Holder Street LLC	99,814,595	3	1.10%	-	-	-
Cypress Corporate Center	84,310,724	4	0.93%	72,074,450	3	1.25%
Duke Realty LP	72,238,195	5	0.80%	-	-	-
Inland American Cypress Katella	61,886,972	6	0.68%	35,753,898	6	0.62%
Los Alamitos Racecourse	44,320,735	7	0.49%	38,638,911	5	0.67%
Yamaha Motor Corp USA Inc	39,217,871	8	0.43%	35,377,033	7	0.61%
Cadigan Peppertree LLC	35,221,703	9	0.39%	-	-	-
Costco Wholesale Corporation	34,187,174	10	0.38%	-	-	-
Mitsubishi Motor Sales	-	-	-	81,917,538	2	1.42%
RREEF America REIT	-	-	-	61,880,762	4	1.07%
Prologis LP	-	-	-	32,564,451	8	0.56%
CRP-2 Holdings Cypress	-	-	-	32,460,480	9	0.56%
Time Warner Cable LLC	-	-	-	28,497,722	10	0.49%
<b>Total</b>	<b>\$ 853,924,438</b>		<b>9.43%</b>	<b>\$ 636,567,690</b>		<b>11.01%</b>

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
2023	\$ 14,675,706	\$ 14,506,750	98.85%	\$ 91,094	\$ 14,597,844	99.47%
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%

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 **
2023	\$ -	0.00%	\$ -
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

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

	Debt Outstanding	Estimated Percentage Applicable (1)	Sharing of Overlapping Debt
<b>Direct and Overlapping Tax and Assessment Debt:</b>			
Metropolitan Water District	\$ 19,215,000	0.249%	\$ 47,845
North Orange County Joint Community College District	324,914,503	5.651%	18,360,919
Garden Grove Unified School District	524,835,000	3.592%	18,852,073
Los Alamitos USD School Facilities Improvement District No. 1	218,445,227	2.347%	5,126,909
Anaheim Union High School District	245,578,955	13.678%	33,590,289
Centralia School District	43,507,443	2.342%	1,018,944
Cypress School District	33,550,521	85.835%	28,798,090
Savanna School District	38,250,262	12.601%	4,819,916
Total Direct and Overlapping Tax and Assessment Debt			110,614,985
<b>Direct and Overlapping General Fund Debt:</b>			
Orange County General Fund Obligations	\$ 451,165,000	1.251%	5,644,074
Orange County Pension Obligation Bonds	-	0.000%	-
Orange County Board of Education General Fund Obligations	10,860,000	1.251%	135,859
North O.C. Regional Occupational Program Certificates of Part.	7,790,000	5.062%	394,330
Anaheim Union High School District Certificates of Participation	29,580,000	13.678%	4,045,952
Los Alamitos Unified School District Certificates of Participation	32,572,186	2.109%	686,947
Cypress School District Certificates of Participation	3,335,000	85.835%	2,862,597
City of Cypress	-	100.000%	-
Total Gross Direct and Overlapping Tax and Assessment Debt			13,769,759
Total Overlapping Debt			124,384,744
Combined Total Debt			\$ 124,384,744 (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>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
LEGAL DEBT MARGIN CALCULATION:				
Assessed valuation	\$ 9,069,906	\$ 8,469,982	\$ 8,175,217	\$ 7,865,560
Conversion percentage	25%	25%	25%	25%
Adjusted assessed valuation	\$ 2,267,477	\$ 2,117,496	\$ 2,043,804	\$ 1,966,390
Debt limit percentage	15%	15%	15%	15%
Debt limit	<u>\$ 340,121</u>	<u>\$ 317,624</u>	<u>\$ 306,571</u>	<u>\$ 294,959</u>
Legal debt margin	<u>\$ 340,121</u>	<u>\$ 317,624</u>	<u>\$ 306,571</u>	<u>\$ 294,959</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.

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<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
\$ 7,492,895	\$ 7,049,085	\$ 6,751,019	\$ 6,463,650	\$ 6,104,218	\$ 5,854,808
25%	25%	25%	25%	25%	25%
\$ 1,873,224	\$ 1,762,271	\$ 1,687,755	\$ 1,615,913	\$ 1,526,055	\$ 1,463,702
15%	15%	15%	15%	15%	15%
<u>\$ 280,984</u>	<u>\$ 264,341</u>	<u>\$ 253,163</u>	<u>\$ 242,387</u>	<u>\$ 228,908</u>	<u>\$ 219,555</u>
<u>\$ 280,984</u>	<u>\$ 264,341</u>	<u>\$ 253,163</u>	<u>\$ 242,387</u>	<u>\$ 228,908</u>	<u>\$ 219,555</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>
2023	49,818	\$ 2,692,508	\$ 54,047	39.0 *	3,389	3.4%
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%

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	2023			2014		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Cypress School District	612	1	2.46%			
UnitedHealth Group	471	2	1.89%	2,198	1	8.05%
Cypress College	471	3	1.89%	907	2	3.32%
Costco - Cypress	412	4	1.65%	316	7	1.16%
Yamaha Motors Corporation USA	341	5	1.37%	380	5	1.39%
Safran Group	320	6	1.29%			0.00%
Christie Digital Systems USA Inc	267	7	1.07%	400	4	1.47%
Hybrid Apparel	246	8	0.99%			
Primary Color	229	9	0.92%			0.00%
Amazon Warehouse	184	10	0.74%			
Siemens Corporation*				650	3	2.38%
Vans				375	6	1.37%
Manhattan Beachware				225	8	0.82%
Mitsubishi Motor Sales				225	9	0.82%
Home Depot				197	10	0.72%
<b>Total</b>	<b>3,553</b>		<b>14.27%</b>	<b>5,873</b>		<b>21.50%</b>

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									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
General Government										
Administrative	5.8	5.3	5.3	5.3	5.3	5.3	6.0	6.0	6.0	8.9
Finance	14.8	14.3	14.3	14.3	14.3	14.3	15.0	15.0	15.0	13.0
Community Development	6.5	6.5	5.5	5.5	5.5	6.5	7.5	7.5	8.0	8.0
Police										
Officers	58.0	58.0	58.0	58.0	57.0	57.0	57.0	57.0	57.0	55.0
Civilians	23.8	23.8	23.8	22.8	22.8	22.8	23.4	24.4	24.4	23.9
Public Works										
Engineering	9.0	9.0	9.0	9.0	8.5	10.5	10.1	10.1	10.0	10.0
Maintenance	19.5	19.5	19.5	20.1	20.1	26.4	27.0	27.0	28.6	27.7
Parks and Recreation	29.4	29.6	28.8	29.2	30.0	28.2	28.4	28.4	28.8	28.8
Total	<u>166.8</u>	<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>

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									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Police										
Physical arrests	1,636	1,505	778	834	1,232	1,091	1,130	856	856	913
Parking violations	6,328	4,485	8,675	4,436	6,264	5,287	3,660	4,587	4,818	3,752
Traffic violations	2,376	2,099	2,368	2,353	3,754	4,260	3,290	2,878	1,830	2,626
Public Works - Maintenance										
Potholes repaired	212	259	235	108	59	13	109	53	56	72
Parks and Recreation										
Athletic field permits issued	6,130	2,486	2,698	4,812	6,783	7,197	8,383	7,975	8,786	9,175
Class participants	10,968	6,991	3,738	6,370	13,319	13,823	10,739	12,110	11,796	13,233
Facility rentals	1,134	1,277	10	653	895	1,127	1,225	1,334	1,255	1,460

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									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	18	18	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	302	303	303	303	303
Traffic signals	61	61	61	61	61	61	60	60	57	57
Parks and Recreation										
Acreage	95	95	95	95	95	95	87	84	84	84
Playgrounds	20	20	19	19	19	19	19	18	18	18
Baseball/softball diamonds	9	9	9	9	9	8	8	8	8	8
Soccer/football fields	4	4	2	2	1	1	1	1	1	1
Pickleball courts	8	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, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated February 20, 2024.

### 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  
February 20, 2024