CYPRESS RECREATION AND PARK DISTRICT

FOR THE FISCAL YEAR ENDED JUNE 30, 2023

BASIC FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT

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CYPRESS RECREATION AND PARK DISTRICT

Basic Financial Statements and Independent Auditors’ Report

June 30, 2023

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CYPRESS RECREATION AND PARK DISTRICT

Basic Financial Statements and Independent Auditors' Report

June 30, 2023

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CYPRESS RECREATION AND PARK DISTRICT

Basic Financial Statements and Independent Auditors' Report

For the Fiscal Year Ended June 30, 2023

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INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the governmental activities, the general fund and aggregate remaining fund information of the Cypress Recreation and Park District (the "District"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District'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 general fund and aggregate remaining fund information of the District as of June 30, 2023, and the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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 District 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

Component Unit Reporting

As discussed in Note 1, the financial statements of the District are intended to present the financial position, the changes in financial position of only that portion of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City that is attributable to the transactions of the District. They do not purport to, and do not, present fairly the financial position of the City, as of June 30, 2023, the changes in its financial position, or, where applicable, its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

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

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.

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 District'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 District'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 District'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.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion, budgetary comparison schedules for the general fund, and analysis 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 6, 2024, on our consideration of the City's internal control over the District's 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 the District's 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 the District's financial reporting and compliance.

Lance, Soll & Lunghard, LLP

Brea, California
March 6, 2024

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The discussion and analysis of the Cypress Recreation and Park District's (District's) financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2023. The intent of this discussion and analysis is to look at the District's financial performance as a whole. Readers should also review the basic financial statements, as well as the prior year's report ending June 30, 2022, to enhance their understanding of the District's financial performance.

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

BASIS OF ACCOUNTING AND FUND GROUPINGS

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

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

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

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

FINANCIAL DISCUSSION

In the governmental fund financial statements, the District reported an excess of revenues and other financing sources over expenditures and other financing uses of $2,498,715. At the end of the current fiscal year, the nonspendable fund balance of the District was $35,630, the restricted fund balance was $139,278 (compared to $119,028 at the beginning of the year), the committed fund balance was $4,912,766 (compared to $3,220,210 at the beginning of the year), the assigned fund balance was $9,955,928 (compared to $9,281,371 at the beginning of the year), while total fund balance was $15,270,492 (compared to $12,771,777 at the beginning of the year). The total fund balance that is not restricted, committed or nonspendable (comprised of assigned and unassigned fund balance amounts) represents 180.5 percent (compared with 172.5 percent from the previous year) of the fund's total current expenditures. Since the bulk of the District's operations are funded with annual property tax revenues, a portion of the assigned fund balance is needed to meet cash flow shortages between property tax receipts. The majority of the remaining assigned fund balance amounts are available to cover potential contingency needs of the District, offset retiree pension liabilities and pay for future facility and park infrastructure improvement projects.

For the fiscal year ended June 30, 2023, the District's balance of cash and cash equivalents was $16,175,927, an increase of $2,406,257 from the prior fiscal year. Total receivables at the end of the fiscal year were $267,268, which is an increase of $139,530 from the prior year total of $127,738.

Summary of Changes in Fund Balances
General Fund
For the fiscal year ended June 30, 2023 and 2022

	2023	2022	Change
Revenues			
Taxes	$ 7,080,645	$ 6,222,355	$ 858,290
From other agencies	62,665	53,076	9,589
Changes for services	2,890,860	6,831,409	(3,940,549)
From use of property	752,086	190,760	561,326
Other revenue	21,063	27,105	(6,042)
Total Revenues	10,807,319	13,324,705	(2,517,386)
Expenditures			
Parks and recreation	5,260,832	4,532,508	728,324
Contribution to City from infrastructure set-aside	382,160	919,757	(537,597)
Capital outlay	1,070,103	7,648,236	(6,578,133)
Debt Service - Note repayment to City	2,100,861	6,319,214	(4,218,353)
Total Expenditures	8,813,956	19,419,715	(10,605,759)
Other Financing Uses'			
Note proceeds from the City of Cypress	758,763	6,839,779	(6,081,016)
Transfers out	(253,411)	(160,234)	(93,177)
Total Other Financing Uses	505,352	6,679,545	(6,174,193)
Increase (decrease) in fund balance	$ 2,498,715	$ 584,535	$ 1,914,180

Total Recreation and Park District revenues for the fiscal year ended June 30, 2023 declined by over $2.5 million from the prior year. Individual changes during the past year to the District's major revenues are highlighted as follows:

- Property tax revenues, the District's largest recurring revenue source, grew 13.7 percent over 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.
- 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 strong at $2.1 million, they paled in comparison to the prior year. All eligible park development fee receipts are used to pay down the outstanding note payable to the City of Cypress as reimbursement for the construction costs of Lexington Park.
- Revenues from the use of property nearly quadrupled due to higher market interest rates earned on District cash balances throughout the year. Due to rising interest rates on government-backed securities, the average rate of return on the District's cash and investment reserves rose from just under one percent to close to four and a half percent during the year.

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

- Recreation expenditures increased just over $728,000 (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.
- Since FY 2012-13, the District has annually contributed residual property tax amounts previously apportioned to the former Redevelopment Agency to the City of Cypress. This repayment was established when the State disallowed loans from the City to the former Redevelopment 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 payment on this $7.2 million repayment agreement with the City was made during the fiscal year ended June 30, 2023 which accounted for the year over year decline.
- Capital outlay expenditures declined by nearly $6.6 million due to the completion of the multi-year construction of Lexington Park 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.
- Park development fees of $2.1 million were available to repay a portion of the notes due to the City for the construction of Lexington Park. Through June 30, 2023, nearly $12.3 million has been advanced to the District for Lexington Park construction and $8.0 million in park development fees have been used to repay to the City, leaving an outstanding note balance of $4.3 million due to the City.

Notable changes in other financing sources and uses during the year ended June 30, 2023 follow:

- Note proceeds loaned to the District from the City declined by nearly $6.1 million from the prior year. These note proceeds are used to pay costs associated with Lexington Park construction and the final design for the rehabilitation of Arnold Cypress Park. The year over year decline was expected since the majority of the $12.3 million in costs for Lexington Park construction were incurred prior to June 30, 2022. A separate note of up to $1,275,000 was approved for Arnold Cypress design costs, and nearly $740,000 of note proceeds were received by the District in the last year. The outstanding balance on the Lexington Park note will be repaid using available park development revenues generated over the next several years. The Arnold Cypress note will be repaid utilizing newly available cash flows from residual property tax revenues. These revenues were previously pledged by the District to repay the City for disallowed loans brought on by the dissolution of the Cypress Redevelopment Agency. These disallowed loans were used to make improvements to District facilities and the final payment on the outstanding balance owed the City was made by the District in the fiscal year ended June 30, 2023.
- Transfers out were $93,177 more than the prior year and are comprised of two recurring transfers, including 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 the CalPERS pension system. The balance of the annual transfers pay for new capital outlay items purchased in the District's Central Services Internal Service Fund. In the fiscal year ended June 30, 2023 the District acquired a replacement mobile stage and canopy used for community events (showmobile) which was partially paid for with a $103,411 transfer from the District's General fund.

District General Fund Budgetary Highlights

Net increases between the original appropriations budget and the final amended budget totaled $5,774,648. Nearly $2.8 million of these budget increases are related to the annual carryover of appropriations to the new fiscal year for encumbrances and purchases not completed in the prior fiscal year on a variety of capital projects. An additional $2.1 million relates to debt repayments to the City on the Lexington Park which are determined based on the availability of park development fees during the year. One major supplemental appropriation ($720,290) was approved during the year for Senior Center interior improvements resulting from an expanded project scope and the impact of inflation on capital project costs.

REQUEST FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

CYPRESS RECREATION AND PARK DISTRICT
Statement of Net Position
June 30, 2023

	Primary Government
	Governmental Activities
Assets	
Current Assets:	
Cash and cash equivalents	$ 17,835,441
Receivables:	
Accounts	19,581
Taxes	109,138
Accrued interest	154,308
Prepaid costs	33,916
Inventories	1,714
Total Current Assets	**18,154,098**
Noncurrent Assets:	
Capital assets:	
Non-depreciable assets	10,254,248
Depreciable assets, net	27,392,218
Total Capital Assets	**37,646,466**
Total Assets	**55,800,564**
Deferred Outflows of Resources	
Deferred amounts from pension plans	1,922,491
Deferred amounts from OPEB	51,450
Total Deferred Outflows of Resources	**1,973,941**
Liabilities	
Current Liabilities:	
Accounts payable and accrued liabilities	940,673
Unearned revenue	253,982
Accrued leave payable	27,797
Deposits payable	14,600
Unclaimed property	300
Total Current Liabilities	**1,237,352**
Noncurrent Liabilities:	
Notes payable to the City of Cypress	5,023,162
Accrued leave payable	83,390
Total OPEB liability	459,151
Net pension liability	3,619,562
Total Noncurrent Liabilities	**9,185,265**
Total Liabilities	**10,422,617**
Deferred Inflows of Resources	
Deferred amounts from pension plans	347,050
Deferred amounts from OPEB	94,908
Total Deferred Inflows of Resources	**441,958**
Net Position	
Net investment in capital assets	32,623,304
Restricted	139,278
Unrestricted	14,147,348
Total Net Position	**$ 46,909,930**

See Notes to Financial Statements.

CYPRESS RECREATION AND PARK DISTRICT
Statement of Activities
For the Fiscal Year Ended June 30, 2023

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expenses) Revenue and Changes in Net Position: Governmental Activities
Primary government:				
Governmental activities:				
Recreation	$ 6,483,662	$ 2,890,860	$ 62,665	$ (3,530,137)
Total governmental activities	**$ 6,483,662**	**$ 2,890,860**	**$ 62,665**	**(3,530,137)**
General revenues:				
Property taxes				7,080,645
Investment income				752,086
Other revenue				21,063
Total general revenues				**7,853,794**
Change in net position				4,323,657
Net position at beginning of year				42,586,273
Net position at end of year				**$ 46,909,930**

See Notes to Financial Statements.

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FUND FINANCIAL STATEMENTS

Governmental Fund Financial Statements

Proprietary Fund Financial Statements

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GOVERNMENTAL FUND FINANCIAL STATEMENTS

CYPRESS RECREATION AND PARK DISTRICT
Balance Sheet
Governmental Fund
June 30, 2023

	General Fund
Assets	
Cash and cash equivalents	$ 16,175,927
Receivables:	
Accounts	3,822
Taxes	109,138
Interest	154,308
Prepaid costs	33,916
Inventories	1,714
Total Assets	**$ 16,478,825**
Liabilities and Fund Balance	
Liabilities	
Accounts payable and accrued liabilities	$ 939,451
Unearned revenues	253,982
Deposits payable	14,600
Unclaimed property	300
Total Liabilities	**1,208,333**
Fund Balance	
Nonspendable	35,630
Restricted	139,278
Committed	4,912,766
Assigned	9,955,928
Unassigned	226,890
Total Fund Balance	**15,270,492**
Total Liabilities and Fund Balance	**$ 16,478,825**

See Notes to Financial Statements.

CYPRESS RECREATION AND PARK DISTRICT
Reconciliation of the Governmental Fund Balance Sheet
to the Statement of Net Position
June 30, 2023

Fund balance - total governmental fund		$ 15,270,492
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental funds are not current financial resources and therefore are not reported in the Governmenal Fund Balance Sheet. This amount does not inlcude the internal service funds amounts of $407,537:		
Non-depreciable	$ 10,254,248	
Depreciable, net	26,984,681	37,238,929
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Government-Wide Statement of Net Position.		(576,329)
Long-term liabilities are not due and payable in the current period, and therefore not reported in the Governmental Fund Balance Sheet		
Notes payable to the City of Cypress		(5,023,162)
Net Position of Governmental Activities		**$ 46,909,930**

CYPRESS RECREATION AND PARK DISTRICT
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Fund
For the Fiscal Year Ended June 30, 2023

	General Fund
Revenues	
Taxes	$ 7,080,645
From other agencies	62,665
Charges for services	2,890,860
From use of property	752,086
Other revenue	21,063
Total Revenues	**10,807,319**
Expenditures	
Current:	
Parks and recreation	5,260,832
Contribution to City for infrastucture set-aside	382,160
Capital outlay	1,070,103
Debt service (See Note 13)	2,100,861
Total Expenditures	**8,813,956**
Excess (Deficiency) of Revenues Over Expenditures	1,993,363
Other Financing Uses	
Issuance of Notes Payable (See Note 13)	758,763
Transfers out	(253,411)
Total Other Financing Uses	**505,352**
Net Change in Fund Balance	**2,498,715**
Fund Balance - Beginning of Year	12,771,777
Fund Balance - End of Year	**$ 15,270,492**

See Notes to Financial Statements.

CYPRESS RECREATION AND PARK DISTRICT
Reconciliation of the Statement of Revenues, Expenditures and Changes to Fund Balance of the Governmental Fund
For the Fiscal Year Ended June 30, 2023

Net change in fund balance - total governmental fund		$ 2,498,715
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the costs of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		
Capital outlay		1,070,100
Depreciation expense on capital assets is reported in the Government-Wide Statement of Activities, but it does not require the use of current finacial resources. Therefore, depreciation expense is not reported as expenditures in the Governmental Fund. This amount does not include the depreciation expense for internal service funds in the amount of $54,868.		(770,200)
Internal service funds are used by management to charge the costs of certain activities such as insurance and fleet management, to individual funds. The change in net position of the internal service fund is reported with governmental activities.		182,944
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position,		
Payment of Notes Payable	2,100,861	
Issuance of Notes Payable	(758,763)	1,342,098
Change in Net Position of Governmental Activities		**$ 4,323,657**

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PROPRIETARY FUND FINANCIAL STATEMENTS

CYPRESS RECREATION AND PARK DISTRICT
Statement of Net Position
Proprietary Funds
June 30, 2023

	Governmental Activities- Internal Service Funds
Assets	
Current:	
Cash and cash equivalents	$ 1,659,514
Other receivables	
Accounts	15,759
Total Current Assets	**1,675,273**
Noncurrent:	
Capital assets - net of accumulated depreciation	407,537
Total Noncurrent Assets	**407,537**
Total Assets	**2,082,810**
Deferred amounts from pension plans	1,922,491
Deferred amounts from OPEB	51,450
Total Deferred Outflows of Resources	**1,973,941**
Liabilities:	
Current:	
Accounts payable	1,222
Accrued compensated absences	27,797
Total Current Liabilities	**29,019**
Noncurrent:	
Accrued compensated absences	83,390
Total OPEB liability	459,151
Net pension liability	3,619,562
Total Noncurrent Liabilities	**4,162,103**
Total Liabilities	**4,191,122**
Deferred Inflows of Resources:	
Deferred amounts from pension plans	347,050
Deferred amounts from OPEB	94,908
Total Deferred Inflows of Resources	**441,958**
Net Position:	
Invested in capital assets	407,537
Unrestricted	(983,866)
Total Net Position	**$ (576,329)**

See Notes to Financial Statements.

CYPRESS RECREATION AND PARK DISTRICT
Statement of Revenues, Expenses
and Changes in Net Position
Proprietary Funds
For the Fiscal Year Ended June 30, 2023

	Governmental Activities- Internal Service Funds
Operating Revenues:	
Charges for services	$ 1,132,074
Total Operating Revenues	**1,132,074**
Operating Expenses:	
Contractual services	887,599
Supplies and other services	260,074
Depreciation expense	54,868
Total Operating Expenses	**1,202,541**
Operating Income (Loss)	(70,467)
Transfers in	253,411
Changes in Net Position	182,944
Net Position:	
Beginning of Year	(759,273)
End of Fiscal Year	**$ (576,329)**

See Notes to Financial Statements.

CYPRESS RECREATION AND PARK DISTRICT
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2023

	Governmental Activities-Internal Service Funds
Cash Flows from Operating Activities:	
Receipts from user departments	$ 1,175,932
Payments to suppliers for goods and services	(1,592,607)
Net Cash Provided (Used) by Operating Activities	**(416,675)**
Cash Flows from Non-Capital Financing Activities:	
Cash transfers in	253,411
Net Cash Provided (Used) by Non-Capital Financing Activities	**253,411**
Cash Flows from Capital and Related Financing Activities:	
Acquisition and construction of capital assets	(178,168)
Net Cash Provided (Used) by Capital and Related Financing Activities	**(178,168)**
Net Increase (Decrease) in Cash and Cash Equivalents	**(341,432)**
Cash and Cash Equivalents at Beginning of Year	2,000,946
Cash and Cash Equivalents at End of Year	**$ 1,659,514**
Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities:	
Operating income (loss)	$ (70,467)
Adjustments to Reconcile Operating Income (loss) Net Cash Provided (used) by Operating Activities:	
Depreciation	54,868
(Increase) decrease in accounts receivable	42,981
(Increase) decrease in prepaid expense	877
(Increase) decrease in deferred outflows amounts from OPEB	24,521
(Increase) decrease in deferred outflows amounts from pension plans	(377,074)
Increase (decrease) in accounts payable and accrued liabilities	(2,285)
Increase (decrease) in accrued leave payable	(8,943)
Increase (decrease) in total OPEB liability	(83,497)
Increase (decrease) in deferred inflows amounts from OPEB	(30,046)
Increase (decrease) in net pension liability	1,939,922
Increase (decrease) in deferred inflows amounts from pension plans	(1,907,532)
Total Adjustments	**(346,208)**
Net Cash Provided (Used) by Operating Activities	**$ (416,675)**

NOTES TO BASIC FINANCIAL STATEMENTS

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NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Reporting Entity

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

The Cypress Recreation and Community Services Foundation (the “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 Cypress City Council act as the Board of Directors for the Foundation. The Foundation is managed by employees of the City and operates under the District, and the Foundation’s financial activities are included in the District’s basic financial statements. The City, District and Foundation all have a fiscal year-end of June 30.

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

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

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

Government-Wide Financial Statements

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

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

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

Charges for services
Operating grants and contributions

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Transfers in/out

Governmental Fund Financial Statements

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

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

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

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

Proprietary Fund Financial Statements

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

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

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

C. New Accounting Pronouncements

GASB Current Year Standards

- GASB Statement No. 91, Conduit Debt Obligations.
- GASB Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangement.
- GASB Statement No. 96, Subscription-Based Information Technology Arrangements.

Pending Accounting Pronouncements

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

- GASB Statement No. 99, Omnibus 2022.

Fiscal year 2025:

- GASB Statement No. 101, Compensated Absences.
- GASB Statement No. 100, Accounting Changes and Error Corrections.

D. Capital Assets

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

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

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

E. Cash, Cash Equivalents, and Investments

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

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

F. <u>Deferred Outflows/Inflows of Resources</u>

In addition to assets, the Statement of Net Position and the Governmental Fund Balance Sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to future periods and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The District has the following items that qualify for reporting in this category:

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

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

In addition to liabilities, the statement of net position and governmental fund balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time. The District reported two items in this category.

The first item is a deferred inflow related to pensions. For CalPERS pensions, the deferred inflow is the result of differences in expected and actual experience, changes in actuarial assumptions, adjustments due to changes in proportions, and differences between employer's contributions, the proportionate share of contributions, and differences between projected and actual earnings. The changes in projected and actual investment earnings are recognized over five years, beginning with the year in which they occur. The remaining items are amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions. For CalPERS pensions, the remaining service life as determined for the June 30, 2022 measurement date is 3.7 years.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The second item is a deferred inflow related to other postemployment benefits. The deferred inflow is the result of changes in actuarial assumptions. This amount is amortized over a closed period equal to the average expected remaining active and inactive service lives as of the December 31, 2022 measurement date, which is 5.41 years.

G. Net Position Flow Assumption

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

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

H. Encumbrances

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

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

I. Net Position

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

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

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

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

J. Fund Balances

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

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

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

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 through council resolutions, etc., and that remain binding unless removed in the same manner. The Board of Directors, comprised of the Cypress City Council members, is considered the highest authority for the District.

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

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

K. Spending Policy

Governmental Fund Financial Statements

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

- Nonspendable
- Restricted
- Committed
- Assigned
- Unassigned

L. Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the District's participation in the City's California Public Employees' Retirement System ("CalPERS") Miscellaneous plans ("Plans") and additions to/deductions from the Plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

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

M. Other Post-Employment Benefits (OPEB)

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

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

Valuation Date	June 30, 2023
Measurement Date	June 30, 2023
Measurement Period	July 1, 2022 to June 30, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

N. Use of Estimates

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

NOTE 2: CASH AND CASH EQUIVALENTS

The District's cash and investments are pooled with the City. The District does not own specifically identifiable securities in the City's pool. Investment income earned on pooled cash and investments is allocated quarterly to the various funds based on the average cash balance in each fund. At June 30, 2023, the cash and investments balance of the District was as follows:

	Government-Wide Statement of Net Position Governmental Activities
Cash and cash equivalents	$ 17,835,441

Authorized Investments

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

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
United States Treasury Bills and Notes	5 years	None	N/A
Federal Agency Issues	5 years	None	None
Certificates of Deposit (or Time Deposits) placed with commercial banks and/or savings and loan companies	1 year	25%	N/A
Bankers' Acceptances	180 days	25%	10%
Negotiable Certificates of Deposit	5 years	25%	10%
Commercial Paper	270 days	25%	10%
Local Agency Investment Fund	None	$75 million*	N/A
Investment Trust of California (CalTRUST)	None	$50 million*	N/A
Money Market Mutual Funds	None	20%	10%
Medium-term Notes	5 years	25%	10%

* Limit is per entity.

N/A - Not Applicable

NOTE 2: CASH AND CASH EQUIVALENTS (CONTINUED)

Deposits and Risks

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

Interest Rate Risk - As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investment policy provides that final maturities of securities cannot exceed five years. At June 30, 2023, approximately 49% of the City's entire pooled cash and cash equivalents had a maturity of less than one year with an average life of the portfolio being slightly more than 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. The California Local Agency Investment Fund ("LAIF") is not rated, but has a separate investment policy governed by Government Code Sections 16480-16481.2 that provides credit standards for its investments.

External Investment Pool

The City is a voluntary participant in LAIF, which is an external investment pool regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California through which local governments may pool investments. The City and the District each may invest up to $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.

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

The City values its investments in LAIF at a fair market value provided by LAIF. At June 30, 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. At June 30, 2023, the City invested in LAIF, which had invested 2.78% of the pool's funds in structured notes and asset-backed securities.

Fair Value Measurements

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

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

NOTE 3: CAPITAL ASSETS

The following is a summary of capital assets for governmental activities for the year ended June 30, 2023:

	Balance at June 30, 2022	Additions	Deletions	Transfers of CIP	Balance at June 30, 2023
Capital assets, not being depreciated:					
Land	$ 9,201,564	$ -	$ -	$ -	$ 9,201,564
Construction in progress	14,374,815	-	-	(13,322,131)	1,052,684
Total Capital Assets Not being Depreciated	23,576,379	-	-	(13,322,131)	10,254,248
Capital assets, being depreciated:					
Buildings and improvements	24,781,516	1,070,100	16,179	13,322,131	39,157,568
Internal Service - Equipment	753,372	178,168	2,325	-	929,215
Total Capital Assets, being Depreciated	25,534,888	1,248,268	18,504	13,322,131	40,086,783
Less accumulated depreciation for:					
Buildings and improvements	11,418,866	770,200	16,179	-	12,172,887
Internal Service - Equipment	469,135	54,868	2,325	-	521,678
Total Accumulated Depreciation	11,888,001	825,068	18,504	-	12,694,565
Total Capital Assets, Being Depreciated, Net	13,646,887	423,200	-	13,322,131	27,392,218
Capital Assets, Net	$ 37,223,266	$ 423,200	$ -	$ -	$ 37,646,466

Depreciation expense for capital assets for the year ended June 30, 2023, is comprised of the following:

Governmental funds	$ 770,200
Internal service funds	54,868
Total depreciation expense	$ 825,068

Depreciation expense of $770,200 is allocated to recreation activities on the statement of activities.

NOTE 4: PROPERTY TAXES

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

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

NOTE 5: ACCRUED LEAVE PAYABLE

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

Accrued leave payable at June 30, 2023, consisted of $27,797 in short-term and $83,390 in long-term liabilities.

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

NOTE 6: INTERFUND TRANSACTIONS

Transfers In	Transfers Out	Amount
Internal Service Funds	General Fund	$ 253,411

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

NOTE 7: NET POSITION AND FUND BALANCE

Government-Wide Financial Statements

At June 30, 2023, classifications of net position were as follows:

Net investment in capital assets	$ 32,623,304
Restricted net position:	
Open Space	4,152
Senior Center Enhancements	30,077
Youth League renovations	71,803
Facility & Service Enhancements	33,246
Total restricted net position	139,278
Unrestricted net position	14,147,348
Total Net Position	$ 46,909,930

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

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

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

Restricted for Facility & Service Enhancements – This restriction represents funds donated to the Cypress Recreation and Community Services Foundation to support and enhance safe, attractive, and high quality recreation facilities, programs, and services within the City.

NOTE 7: NET POSITION AND FUND BALANCE (CONTINUED)

Fund Financial Statements

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

	General Fund
Nonspendable	
Prepaid items	$ 33,916
Inventory	1,714
Total nonspendable	**35,630**
Restricted	
Open space	4,152
Senior center enhancements	30,077
Youth League renovations	71,803
Facility & Service Enhancements	33,246
Total restricted	**139,278**
Committed	
Future capital improvements	2,200,000
Arnold Cypress Park rehabilitation	437,457
Lexington Park Improvements	222,617
Other Park Improvements	2,052,692
Total restricted	**4,912,766**
Assigned	
OCERS retirement (unfunded)	150,000
Cash flow	2,000,000
Art in public places	5,928
Infrastructure/Amenities	6,800,000
Contingency	1,000,000
Total assigned	**9,955,928**
Unassigned	**226,890**
Total Fund Balances	**$ 15,270,492**

Net Investment in Capital Assets

Net Position invested in capital assets as of June 30, 2023 is as follows:

Total capital assets, net of depreciation	$ 37,646,466
Less: capital related debt	(5,023,162)
Total net investment in capital assets	$ 32,623,304

NOTE 8: PENSION PLANS

As of June 30, 2023, the District had the following net pension liabilities and related deferred inflows and outflows of resources:

	Net Pension Liability/(Asset)	Deferred Outflows of Resources	Deferred Inflows of Resources
CalPERS Miscellaneous Plan	$ 3,558,546	$ 1,490,116	$ 309,666
Orange County Employees Retirement System Plan (OCERS)	61,016	432,375	37,384
Total	$ 3,619,562	$ 1,922,491	$ 347,050

CalPERS

A. General Information about the Pension Plans

Plan Descriptions

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

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

Benefits Provided

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

The Miscellaneous Plans' provisions and benefits in effect at the June 30, 2023, reporting date, are summarized as follows:

	Miscellaneous	
Hire date	Prior to January 1, 2013	On or After January 1, 2013
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 % of eligible compensation	1.426% to 2.418%	1.000% - 2.500%
Required employee contribution rates	7.000%	7.250%
Required employer contribution rates	11.330%	9.000%
Employer payment of unfunded liability	$ 2,119,480	$ 7,950

NOTE 8: PENSION PLANS (CONTINUED)

Contributions

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

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

For the measurement period ended June 30, 2022 (the measurement date), the total pension liability was determined by rolling forward the June 30, 2021 total pension liability. The June 30, 2022 total pension liabilities were based on the following actuarial methods and assumptions:

Valuation date	June 30, 2021
Measurement date	June 30, 2022
Actuarial cost method	Entry age normal
Actuarial assumptions:	
Discount rate	6.90%
Inflation	2.50%
Payroll Growth	3.00%
Projected Salary Increase	Varies by Entry Age and Service
Investment Rate of Return	6.90% Net of Pension Plan Investment and Administrative Expenses; includes Inflation
Mortality rate table *	Derived using CalPERS' membership data for all funds

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

C. Discount Rate

The discount rate used to measure the total pension liability was 6.90 percent. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 6.90 percent discount rate is adequate, and the use of the municipal bond rate calculation is not necessary. The long-term expected discount rate of 6.90 percent is applied to all plans in the Public Employees Retirement Fund. The stress test results are presented in a detailed report called "GASB Crossover Testing Report" that can be obtained at CalPERS' website under the GASB 68 section.

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

NOTE 8: PENSION PLANS (CONTINUED)

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

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

Asset Class	Assumed asset allocation	Real return (1,2)
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-back 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%

(1) An expected inflation of 2.30% used for this period.
(2) Figures are based on the 2021 Asset Liability Management Study

D. Change of Assumptions

No changes of assumptions were noted.

E. Changes in the Net Pension Liability

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

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

The following presents the net pension liability for the Plan as of the measurement date, calculated using the discount rate of 6.90 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (5.90 percent) or 1 percentage-point higher (7.90 percent) than the current rate:

NOTE 8: PENSION PLANS (CONTINUED)

	Miscellaneous
1% Decrease	5.90%
Net Pension Liability	$ 5,322,176
Current Discount Rate	6.90%
Net Pension Liability	$ 3,558,546
1% Increase	7.90%
Net Pension Liability	$ 2,107,516

G. <u>Deferred Outflows and Deferred Inflows of Resources Related to Pensions</u>

For year ended June 30, 2023, the District incurred a pension expense of $186,619.

As of June 30, 2023, the following were the reported deferred outflows of resources and deferred inflows of resources related to pensions:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions subsequent to the measurement date	$ 387,084	$ -
Changes of assumptions	364,647	-
Differences between expected and actual experience	71,463	47,863
Net difference between projected and actual earnings on pension plan investments	651,831	-
Adjustments due to Differences in Proportions	15,091	66,075
Difference in actual to proportionate share contribution	-	195,728
Total	$ 1,490,116	$ 309,666

The amount reported as deferred outflows of resources related to contributions subsequent to the measurement date, $387,084, will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

NOTE 8: PENSION PLANS (CONTINUED)

Fiscal year ended June 30,	Deferred Outflows/(Inflows) of Resources
2024	$ 158,881
2025	148,511
2026	87,291
2027	398,683
Thereafter	-
Total	$ 793,366

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

H. <u>General Information about the Pension Plans</u>

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

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

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

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

<u>Benefits Provided</u>: 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.

NOTE 8: PENSION PLANS (CONTINUED)

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 or beneficiaries currently receiving benefits	22
Vested terminated members entitled to, but not yet receiving benefits	4
Active members	-
	26

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

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

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

As of December 31, 2022, the District reported a net pension liability/(asset) for the OCERS plan of $61,016. The net pension liability/(asset) was measured as of December 31, 2022, and 2021. 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, 2022 and 2021, respectively.

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

	OCERS
Net pension asset - December 31, 2021	$ (103,379)
Net pension liability - December 31, 2022	61,016
Change - Increase (Decrease)	$ 164,395

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%, varies by service, including inflation
Investment rate of return	7.00%, net of investment expenses
Discount Rate	7.00%

NOTE 8: PENSION PLANS (CONTINUED)

Mortality Assumptions: The underlying mortality assumptions used in the actuarial valuation were based on the results of the actuarial experience study for the period January 1, 2017 through December 31, 2019 using the Pub-2010 General Health Retiree Amount-Weighted Above Median Table, projected generationally with the two-dimensional MP-2019 projections scale, with age adjustments, and adjusted separately for healthy and disabled members.

Discount Rate: The discount rate used to measure the TPL was 7.00% as of December 31, 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 to fund benefits for current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the Plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments for current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the TPL as of both December 31, 2021 and 2020.

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 and 2020 actuarial valuations. This information will change every three years based on the actuarial experience study.

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:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experiences	$ 172,485	$ 30,171
Net difference between projected and actual earnings on plan investments	259,658	-
Changes of assumptions	232	7,213
Total	**$ 432,375**	**$ 37,384**

NOTE 8: PENSION PLANS (CONTINUED)

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

Year Ending June 30,	Amount
2024	$ 38,920
2025	86,612
2026	109,580
2027	162,686
Thereafter	(2,807)
	$ 394,991

D. 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 9: RETIREES' HEALTH BENEFITS

A. General Information about the OPEB Plan

Plan Description - The District provides medical benefits to eligible retirees through the CalPERS healthcare program (PEMHCA) as a part of the City's plan. The District pays the PEMHCA minimum amount ($149 per month in 2022 and $151 per month in 2023) for all eligible retirees who choose to continue with their coverage through PEMHCA. All eligible employees become participants in PEMHCA on their date of hire. A portion of the liability attributable to the District, based on the percent of payroll of District employees, has been recorded on the financial statements of the District.

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

As of June 30, 2023, the date of the most recent actuarial valuation, the District's plan has 13 active employees.

Active plan members	13
Inactive plan members or beneficiaries currently receiving benefit payments	N/A
Inactive plan members or beneficiaries entitled to but currently not receiving benefit payments	N/A

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

B. Total OPEB Liability

The District's Total OPEB Liability of $459,151 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%.

NOTE 9: RETIREES' HEALTH BENEFITS (CONTINUED)

C. Actuarial Assumptions

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

Actuarial Cost Method	Entry Age, Level Percent of Pay
Amortization Valuation	20-year amortization (as a level percent of pay)
Asset Valuation Method	Market value
Inflation	2.50%
Payroll Growth	2.75%, average, including inflation
Discount rate	
As of 6/30/23:	3.86%, net of investment expense, including inflation
Healthcare cost-trend rates	4.00%
Retirement Age	The District offers the same plans to its retirees as to its active employees, with the general exception that upon reaching age 65 and becoming eligible for Medicare, the retiree must join one of the Medicare Supplement coverages

D. Discount Rate

GASB 75 requires a discount rate that reflects the following:

a) The long-term expected rate of return on OPEB plan investments – to the extent that the OPEB plan's fiduciary net position (if any) is projected to be sufficient to make projected benefit payments and assets are expected to be invested using a strategy to achieve that return;

b) A yield or index rate for 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher – to the extent that the conditions in (a) are not met.

E. Changes in the Total OPEB Liability

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

	Total OPEB Liability
Balance at June 30, 2022	$ 542,648
Changes recognized for the measurement period:	
Service Cost	25,795
Interest	19,511
Difference between expected and actual experience	(34,865)
Changes of assumptions	(91,208)
Benefit payments, including implicit subsidy	(2,730)
Net Changes	(83,497)
Balance at June 30, 2023	$ 459,151

NOTE 9: RETIREES' HEALTH BENEFITS (CONTINUED)

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

The following presents the net OPEB liability, as well as what the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (2.86 percent) or 1-percentage-point higher (4.86 percent) than the current discount rate:

	Discount Rate - 1% (2.86%)	Current Discount Rate (3.86%)	Discount Rate +1% (4.86%)
Total OPEB Liability	$ 516,612	$ 459,151	$ 411,183

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

The following presents the total OPEB liability of the District if it were calculated using health care cost trend rates that are one percentage point lower (6.0% grading down to 5.0%) or one percentage point higher (6.0% grading up to 7.0%) than the current healthcare cost trend rates:

	1% Decrease (5.00%)	**Current Healthcare Cost Trent Rates** (6.00%)	**1% Increase** (7.00%)
Total OPEB Liability	$ 399,144	$ 459,151	$ 516,931

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

For the fiscal year ended June 30, 2023, the District recognized OPEB expense/(revenue) of ($89,022). As of fiscal year ended June 30, 2023, the District reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	**Deferred Inflows of Resources**
Difference between expected and actual experiences	$ 14,472	$ 11,854
Changes of assumptions	36,978	83,054
Total	**$ 51,450**	**$ 94,908**

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

Year ended June 30:	**Deferred Outflows of Resources**	**Deferred Inflows of Resources**	**Total Net Amount**
2024	$ 20,301	$ (16,367)	$ 3,934
2025	16,592	(16,061)	531
2026	3,685	(14,769)	(11,084)
2027	3,685	(14,769)	(11,084)
2028	3,685	(14,769)	(11,084)
Thereafter	3,502	(18,173)	(14,671)
Total	$ 51,450	$ (94,908)	$ (43,458)

NOTE 10: COMMITMENTS AND CONTINGENCIES

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

As of June 30, 2023, in the opinion of District management, there were no additional outstanding matters that would have a significant effect on the financial position of the funds of the District.

NOTE 11: RISK MANAGEMENT

At June 30, 2023, the District was covered under the City's Risk Management program. The City was self-insured for workers' compensation and general liability. The self-insured portion for workers' compensation and general liability is limited to the first $300,000 and $150,000 respectively, of liability per occurrence. Coverage in excess of these amounts is maintained in layers to a maximum of $42,000,000 for general liability and the statutory limit for workers compensation (of which $3,000,000 per occurrence is for each employee accident or disease) through the California Insurance Pool Authority (CIPA).

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

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

The Governing Board is comprised of one member from each City and is responsible for the selection of management and for the budgeting and financial management of CIPA. No determination has been made as to each participant's proportionate share of the fund equity as of June 30, 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.

NOTE 12: DEFICIT NET POSITION

The Employees' Benefits Internal Service Funds had a deficit of $1,670,027 as of June 30, 2023, due to the net pension liability associated with the District’s CalPERS pension plan and the retirees’ health liability (see further details at Note 9). The District has made all required annual contributions toward this long-term liability. It is expected the deficit will be eliminated over the next several years as required payments to CalPERS increase.

NOTE 13: LONG-TERM NOTES PAYABLE FROM THE CITY OF CYPRESS

Lexington Park

On February 8, 2021, the District entered into a promissory note with the City of Cypress to borrow up to $12.8 million 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 $7,993,666 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.

NOTE 13: LONG-TERM NOTES PAYABLE FROM THE CITY OF CYPRESS (CONTINUED)

While an additional $1,058,172 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.

Arnold Cypress Park

On February 13, 2023, the District entered into a promissory note with the City of Cypress to borrow up to $1,250,000 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 (LAIF). 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.

The outstanding balance on the notes totaled $4,284,333 at June 30, 2023. The full balance is considered non-current as repayments will not begin until after project completion.

	Balance at June 30, 2022	Additions	Deletions	Balance at June 30, 2023
Lexington Construction	$ 6,365,260	$ -	$ 2,100,861	$ 4,264,399
Arnold Design & Construction	-	758,763	-	758,763
Total:	$ 6,365,260	$ 758,763	$ 2,100,861	$ 5,023,162

All interest has been paid through June 30, 2023. Additional proceeds not to exceed $1,441,935, which represents the remaining authorized limit on the note for final design and construction, are expected in the coming year. Future repayments will be determined based on the availability of park development revenues.

NOTE 14: SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 6, 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.

Issuance of Note Payable from the City of Cypress

On November 13, 2023, the District entered into a promissory note with the City of Cypress to borrow 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

CYPRESS RECREATION AND PARK DISTRICT
California Public Employees Retirement Systems (CalPERS) Defined Benefit Pension Plan
Schedule of Proportiante Share of the Net Pension Liability
As of June 30, for the Last Ten Fiscal Years (1)

	2023	2022	2021
Proportion of the Net Pension Liability	0.07605%	0.09390%	0.07315%
Proportionate Share of the Net Pension Liability	$ 3,558,546	$ 1,783,019	$ 3,085,709
Covered-Employee Payroll	$ 971,433	$ 783,017	$ 842,114
Proportionate Share of the Net Pension Liability as Percentage of Covered-Employee Payroll	27.30%	43.92%	27.29%
Plan's proportionate share of the fiduciary net position as a percentage of the Plan's total pension liability	78.19%	74.71%	74.71%
Plan's proportionate share of aggregate employer contributions	$ 783,017	$ 783,017	$ 842,114

Notes to Schedule:

Benefit Changes: There were no changes to benefits

Changes of Assumptions:

Fiscal year ended June 30, 2016:

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

Fiscal year ended June 30, 2018:

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

Fiscal year ended June 30, 2019:

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

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

2020		2019	
	0.07193%		0.06815%
$	2,880,341	$	2,568,468
$	782,395	$	921,221
	27.16%		35.87%
	75.87%		76.84%
$	782,395	$	921,221

CYPRESS RECREATION AND PARK DISTRICT
Schedule of Change in Net Pension Liability and Related Ratios
California Public Employees Retirement Systems (CalPERS) Defined Benefit Pension Plan
As of June 30, for the Last Ten Fiscal Years (1)

MEASUREMENT PERIOD	**2022**	**2021**	**2020**	**2019**
TOTAL PENSION LIABILITY				
Service Cost	$ 314,040	$ 415,794	$ 554,259	$ 1,158,087
Interest	894,212	1,227,448	1,603,520	3,236,655
Changes of Benefits Terms	2,370	866	1,697	1,901
Difference Between expected and Actual Experience	(55,075)	74,406	332,356	558,285
Changes in Assumptions	419,594	-	-	(406,546)
Benefit Payments, Including Refunds of employee Contributions	(626,654)	(818,244)	(1,046,277)	(2,060,225)
Net Change in Total Pension Liability	**948,487**	**900,270**	**1,445,555**	**2,488,157**
Total Pension Liability - Beginning	**13,372,965**	**12,472,695**	**11,027,140**	**8,538,983**
Total Pension Liability - Ending (a)	**$ 14,321,452**	**$ 13,372,965**	**$ 12,472,695**	**$ 11,027,140**
PLAN FIDUCIARY NET POSITION				
Contribution - Employer	$ 555,507	$ 631,652	$ 766,083	$ 1,422,013
Contribution - Employee	133,553	190,123	244,223	503,065
Net Investment Income	(876,834)	671,575	1,144,802	2,935,110
Benefit Payments, Including Refunds of Employee Contributions	(626,654)	(818,244)	(1,046,277)	(2,060,225)
Net Plan to Plan Resources Movement	(5,343)	38,705	37,354	334,394
Administrative Expense	(7,269)	(18,909)	(12,503)	(52,805)
Net Change in Fiduciary Net Position	**(827,040)**	**694,902**	**1,133,682**	**3,081,552**
Plan Fiduciary Net Position - Beginning	**10,287,256**	**9,592,354**	**8,458,672**	**5,377,120**
Plan Fiduciary Net Position - Ending (b)	**$ 9,460,216**	**$ 10,287,256**	**$ 9,592,354**	**$ 8,458,672**
Plan Net Pension Liability/(Assets) - Ending (a) - (b)	**$ 4,861,236**	**$ 3,085,709**	**$ 2,880,341**	**$ 2,568,468**
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	**66.06%**	**76.93%**	**76.91%**	**76.71%**
Covered Payroll	**$ 844,200**	**$ 842,114**	**$ 782,395**	**$ 921,221**
Plan Net Pension Liability/(Asset) as a Percentage of Covered Payroll	**575.84%**	**366.42%**	**368.14%**	**278.81%**

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

Notes to Schedule:

Benefit Changes: There were no changes to benefit terms. However, the figures above do not include any liability impact that may have resulted from plan changes which occurred after the measurement dates.

Changes of Assumptions: Effective with the June 30, 2021 valuation date (2022 measurement date), the accounting discount rate was reduced from 7.15% to 6.90%.

2018	2017	2016	2015
$ 196,966	$ 381,914	$ 88,500	$ 96,100
852,392	1,915,403	448,707	430,059
-	-	-	-
(115,257)	65,115	(22,424)	-
715,153	-	(112,169)	-
(561,239)	(1,138,953)	(261,811)	(251,083)
1,088,015	**1,223,479**	**140,803**	**275,076**
7,450,968	**6,227,489**	**6,086,686**	**5,811,610**
$ 8,538,983	**$ 7,450,968**	**$ 6,227,489**	**$ 6,086,686**
$ 205,970	$ 455,184	$ 89,741	$ 77,311
87,588	228,036	47,623	47,624
982,011	100,413	112,821	761,102
(561,239)	(1,138,953)	(261,811)	(251,083)
-	-	-	-
(12,886)	(12,512)	(5,714)	-
701,444	**(367,832)**	**(17,340)**	**634,954**
4,675,676	**5,043,508**	**5,060,848**	**4,425,894**
$ 5,377,120	**$ 4,675,676**	**$ 5,043,508**	**$ 5,060,848**
$ 3,161,863	**$ 2,775,292**	**$ 1,183,981**	**$ 1,025,838**
62.97%	**62.75%**	**80.99%**	**83.15%**
$ 1,032,930	**$ 642,560**	**$ 588,511**	**$ 607,040**
306.11%	**431.91%**	**201.18%**	**168.99%**

CYPRESS RECREATION AND PARK DISTRICT
Schedule of Contributions
California Public Employees Retirement Systems (CalPERS) Defined Benefit Pension Plan
Last Ten Fiscal Years (1)

	2023	2022	2021	2020	2019
Miscellaneous Plan					
Actuarially Determined Contribution	$ 387,084	$ 329,495	$ 302,304	$ 273,209	$ 238,408
Contribution in Relation to the Actuarially Determined Contribution	(387,084)	(329,495)	(302,304)	(273,209)	(238,408)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$ 971,433	$ 783,017	$ 844,200	$ 842,114	$ 782,395
Contributions as a Percentage of Covered Payroll	39.85%	42.08%	35.81%	32.44%	30.47%

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

Note to Schedule:

Valuation Date:	June 30, 2021
Methods and assumptions used to determine contribution rates:	
Actuarial cost method	Entry Age Normal Cost Method
Amortization method/period	Level percentage of payroll, closed
Asset valuation method	Direct rate smoothing
Inflation	2.50%
Salary increases	Varies by Entry Age and Service
Payroll growth	3.00%
Investment rate of return	6.90% (net of pension plan investment and administrative expenses, includes inflation)
Retirement age	All other actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from 1997 to 2015, including updates to salary increase, mortality and retirement rates. The Experience Study report may be accessed on the CalPERS website at www.calpers.ca.gov under Forms and Publications.
Mortality	The mortality table used was developed based on CalPERS' specific data. The table includes 15 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2017 experience study report

2018	2017	2016	2015
$ 199,697	$ 205,971	$ 185,768	$ 153,046
(199,697)	(205,971) #	(185,768)	(153,046)
$ -	$ -	$ -	$ -
$ 921,221	$ 1,032,930	$ 642,560	$ 588,511
21.68%	19.94%	28.91%	26.01%

CYPRESS RECREATION AND PARK DISTRICT
OCERS Retirement Plan - A Cost-Sharing, Multiple-Employer Defined Benefit Pension Plan
Schedule of Proportionate Share of the Net Pension Liability
As of June 30, for the Last Ten Fiscal Years (1)

	2023	2022	2021
OCERS:			
Proportion of the Net Pension Liability	0.00100%	0.00500%	0.00400%
Proportionate Share of the Net Pension Liability	$ 61,016	$ (103,379)	$ 185,117
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	78.51%	91.45%	96.03%

Notes to Schedule:

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

2020		2019	
	0.00500%		0.00700%
$	262,415	$	408,781
	94.23%		90.81%

CYPRESS RECREATION AND PARK DISTRICT
OCERS Retirement Plan - A Cost Sharing, Multiple-Employer Defined Benefit Pension Plan
Schedule of Contributions
As of June 30, for the Last Ten Fiscal Years (1)

	2023	2022	2021
OCERS:			
Actuarially Determined Contribution	$ 595,600	$ -	$ -
Contribution in Relation to the Actuarially Determined Contributions	(595,600)	-	-
Contribution Deficiency (Excess)	$ -	$ -	$ -

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

Note to Schedule:

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

Valuation Date	Actuarially determined contribution rates are calculated based on the December 31, 2018 valuation.
Actuarial Cost Method	Entry Age Actuarial Cost Method
Amortization method	Level percentage of payroll for total unfunded actuarial accrued liability
Remaining amortization period	Effective December 31, 2013, the outstanding balance of the UAAL from the December 31, 2012 valuation was combined and re-amortized over a declining 20-year period. Any changes in UAAL due to actuarial gains or losses or due to changes in assumptions or methods will be amortized over separate 20-year periods. Any changes in UAAL due to plan amendments will be amortized over separate 15 year periods and any change in UAAL due to early retirement incentive programs will be amortized over a separate period of up to 5 years.
Asset valuation method	The Actuarial Value of Assets is determined by recognizing any difference between the actual and the expected market return over a five-year period. The Valuation Value of Assets is the Actuarial Value of Assets reduced by the value of the non-valuation reserves.
Investment rate of return	7.00% net of pension plan investment expense, including inflation
Inflation rate	2.50%
Real across-the-board salary increase	4.00%
Projected salary increase	to 11.00%
Cost of living adjustments	2.75% of retirement income
Other assumptions	Same as those used in the December 31, 2020 funding actuarial valuation

2020	2019
$ -	$ 739,966
-	(739,966)
$ -	$ -

CYPRESS RECREATION AND PARK DISTRICT
Schedule of Changes in the Total OPEB Liability and Related Ratios
As of June 30, for the Last Ten Fiscal Years (1)

	2023	2022	2021
Total OPEB Liability			
Service cost	$ 25,795	$ 24,962	$ 24,299
Interest on the total OPEB liability	19,511	13,791	14,801
Actual and expected experience difference	(34,865)	(14,251)	12,835
Changes in assumptions	(91,208)	(101,308)	(37,755)
Benefit payments	(2,730)	(23,512)	(14,838)
Net change in total OPEB liability	**(83,497)**	**(100,318)**	**(658)**
Total OPEB liability - beginning (2)	**542,648**	**642,966**	**675,314**
Total OPEB liability - ending	**$ 459,151**	**$ 542,648**	**$ 674,656**
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%	0.00%
Covered-employee payroll	$ 1,182,033	$ 960,668	$ 1,023,903
Net OPEB liability as a percentage of covered-employee payroll	38.84%	56.49%	65.89%

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

(2) For the fiscal year ended June 30, 2023, the District began using a new actuary. The new actuary used new assumptions and revalued the ending OPEB Liability that is used for fiscal year ended June 30, 2021 and June 30, 2022 beginning OPEB Liabilities.

Notes to Schedule: None

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

	2020	2019	2018
	$ 27,817	$ 22,006	$ 22,868
	17,461	24,752	22,987
	(11,634)	4,755	776
	111,828	33,594	(24,366)
	(29,623)	(29,847)	(24,684)
	115,849	**55,260**	**(2,419)**
	680,460	**625,200**	**627,619**
	$ 796,309	**$ 680,460**	**$ 625,200**
	0.00%	0.00%	0.00%
	$ 983,633	$ 882,824	$ 1,110,496
	80.96%	77.08%	56.30%

CYPRESS RECREATION AND PARK DISTRICT
Budgetary Comparison Schedule
General Fund
For the Fiscal Year Ended June 30, 2023

	Budget Amounts			Variance with Final Budget- Positive
	Original	Final	Actual	(Negative)
Budgetary Fund Balance, July 1	**$ 12,771,774**	**$ 12,771,774**	**$ 12,771,774**	**$ -**
Revenues:				
Taxes	6,218,000	6,218,000	7,080,645	862,645
From other agencies	497,681	497,681	62,665	(435,016)
Charges for services	673,892	832,392	2,890,860	2,058,468
Investment and rental income	371,100	371,100	752,086	380,986
Other revenue	-	-	21,063	21,063
Total Revenues	7,760,673	7,919,173	10,807,319	2,888,146
Expenditures:				
Current:				
Recreation	5,915,796	6,080,996	5,260,829	820,167
Contribution to City for infrastructure	401,918	401,918	382,160	19,758
Capital outlay	2,215,000	5,723,587	1,070,103	4,653,484
Debt service (See Note 13)	-	2,100,861	2,100,861	-
Total Expenditures:	8,532,714	14,307,362	8,813,953	5,493,409
Excess of Revenues Over (Under) Expenditures	(772,041)	(6,388,189)	1,993,366	8,381,555
Other Financing Uses:				
Issuance of Notes Payable (See Note 13)	-	1,816,935	758,763	(1,058,172)
Transfers out	(160,000)	(265,243)	(253,411)	11,832
Total Other Financing Uses	(160,000)	1,551,692	505,352	(1,046,340)
Net Change in Fund Balance	(932,041)	(4,836,497)	2,498,718	7,335,215
Budgetary Fund Balance, June 30	**$ 11,839,733**	**$ 7,935,277**	**$ 15,270,492**	**$ 7,335,215**

NOTE 1: BUDGETS AND BUDGETARY ACCOUNTING

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

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

NOTE 2: PENSION REQUIRED SUPPLEMENTARY INFORMATION

The pension liability is 13.46% of the City of Cypress Agent-Multiple Employer Plan. The schedule of change to the net pension liability and related ratios can be obtained in the comprehensive annual financial report of the City of Cypress. The Cypress Recreation and Park District has provided the contribution schedules which the District was actuarially required to contribute.

NOTE 3: OTHER POST-EMPLOYMENT BENEFITS REQUIRED SUPPLEMENTARY INFORMATION

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

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INTERNAL SERVICE FUNDS

CYPRESS RECREATION AND PARK DISTRICT
Combining Statement of Net Position
Internal Service Funds
June 30, 2023

	Central Services	Employees' Benefit	Totals
Assets			
Current Assets			
Cash and cash equivalents	$ 686,161	$ 973,353	$ 1,659,514
Other receivables			
Accounts	-	15,759	15,759
Total Current Assets	**686,161**	**989,112**	**1,675,273**
Noncurrent Assets			
Capital assets:			
Depreciable, net	407,537	-	407,537
Total Noncurrent Assets	**407,537**	**-**	**407,537**
Total Assets	**1,093,698**	**989,112**	**2,082,810**
Deferred Outflows of Resources			
Deferred amounts from pension plans	-	1,922,491	1,922,491
Deferred amounts from OPEB	-	51,450	51,450
Total Deferred Outflows of Resources	**-**	**1,973,941**	**1,973,941**
Liabilities			
Current Liabilities			
Accounts payable and accrued liabilities	-	1,222	1,222
Accrued compensated absences	-	27,797	27,797
Total Current Liabilities	**-**	**29,019**	**29,019**
Noncurrent Liabilities			
Accrued compensated absences	-	83,390	83,390
Total OPEB liability	-	459,151	459,151
Net pension liability	-	3,619,562	3,619,562
Total Noncurrent Liabilities	-	4,162,103	4,162,103
Total Liabilities	**-**	**4,191,122**	**4,191,122**
Deferred Inflows of Resources			
Deferred amounts from pension plans	-	347,050	347,050
Deferred amounts from OPEB	-	94,908	94,908
Total Deferred Inflows of Resources	**-**	**441,958**	**441,958**
Net Position			
Net investment in capital assets	407,537	-	407,537
Unrestricted	686,161	(1,670,027)	(983,866)
Total Net Position	**$ 1,093,698**	**$ (1,670,027)**	**$ (576,329)**

See Notes to Financial Statements.

CYPRESS RECREATION AND PARK DISTRICT
Combining Statement of
Revenues, Expenses and Changes in Net Position
Internal Service Funds
For the Fiscal Year Ended June 30, 2023

	Central Services	Employees' Benefit	Totals
Operating Revenues			
Charges for services	$ 67,400	$ 1,064,674	$ 1,132,074
Total Operating Revenues	**67,400**	**1,064,674**	**1,132,074**
Operating Expenses			
Contractual services	-	887,599	887,599
Supplies and other services	9,193	250,881	260,074
Depreciation expense	54,868	-	54,868
Total Operating Expenses	**64,061**	**1,138,480**	**1,202,541**
Operating Income (loss)	3,339	(73,806)	(70,467)
Income Before Transfers	3,339	(73,806)	(70,467)
Transfers in	103,411	150,000	253,411
Changes in Net Position	106,750	76,194	182,944
Net Position at Beginning of Year	986,948	(1,746,221)	(759,273)
Net Position at End of Year	**$ 1,093,698**	**$ (1,670,027)**	**$ (576,329)**

CYPRESS RECREATION AND PARK DISTRICT
Combining Statement of Cash Flows
Internal Service Funds
For the Fiscal Year Ended June 30, 2023

	Central Services	Employees' Benefit	Totals
Cash Flows from Operating Activities:			
Receipts from user departments	$ 67,400	$ 1,108,532	$ 1,175,932
Payments to suppliers for goods and services	(9,193)	(1,583,414)	(1,592,607)
Net Cash Provided (Used) by Operating Activities	**58,207**	**(474,882)**	**(416,675)**
Cash Flows from Noncapital Financing Activities:			
Transfers in	103,411	150,000	253,411
Net Cash Provided (Used) by Non-Capital Financing Activities	**103,411**	**150,000**	**253,411**
Cash Flows from Capital and Related Financing Activities:			
Acquisition of capital assets	(178,168)	-	(178,168)
Net Cash Provided (Used) by Capital and Related Financing Activities	**(178,168)**	**-**	**(178,168)**
Net Increase (Decrease) in Cash and Cash Equivalents	**(16,550)**	**(324,882)**	**(341,432)**
Cash and Cash Equivalents - Beginning of Year	702,711	1,298,235	2,000,946
Cash and Cash Equivalents - End of year	**$ 686,161**	**$ 973,353**	**$ 1,659,514**
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:			
Operating income (loss)	$ 3,339	$ (73,806)	$ (70,467)
Adjustments to Reconcile Operating Income (loss) Net Cash Provided (used) by Operating Activities:			
Depreciation	54,868	-	54,868
(Increase) decrease in other receivables	-	42,981	42,981
(Increase) decrease in prepaid expense	-	877	877
(Increase) decrease in deferred outflows amounts from retiree health benefits	-	24,521	24,521
(Increase) decrease in deferred outflows amounts from pension plans	-	(377,074)	(377,074)
Increase (decrease) in accounts payable and acrrued liabilities	-	(2,285)	(2,285)
Increase (decrease) in accrued leave payable	-	(8,943)	(8,943)
Increase (decrease) in total retiree health benefits	-	(83,497)	(83,497)
Increase (decrease) in deferred inflows amounts from retiree health benefits	-	(30,046)	(30,046)
Increase (decrease) in net pension liability	-	1,939,922	1,939,922
Increase (decrease) in deferred inflows amounts from pension plans	-	(1,907,532)	(1,907,532)
Total Adjustments	**54,868**	**(401,076)**	**(346,208)**
Net Cash Provided (Used) by Operating Activities	**$ 58,207**	**$ (474,882)**	**$ (416,675)**

See Notes to Financial Statements.

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Cypress Recreation and Park District (the "District"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated March 6, 2024.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on 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 Board of Directors
Cypress Recreation and Park District
Cypress, California

Purpose of This Report

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

Lance, Soll & Lunghard, LLP

Brea, California
March 6, 2024