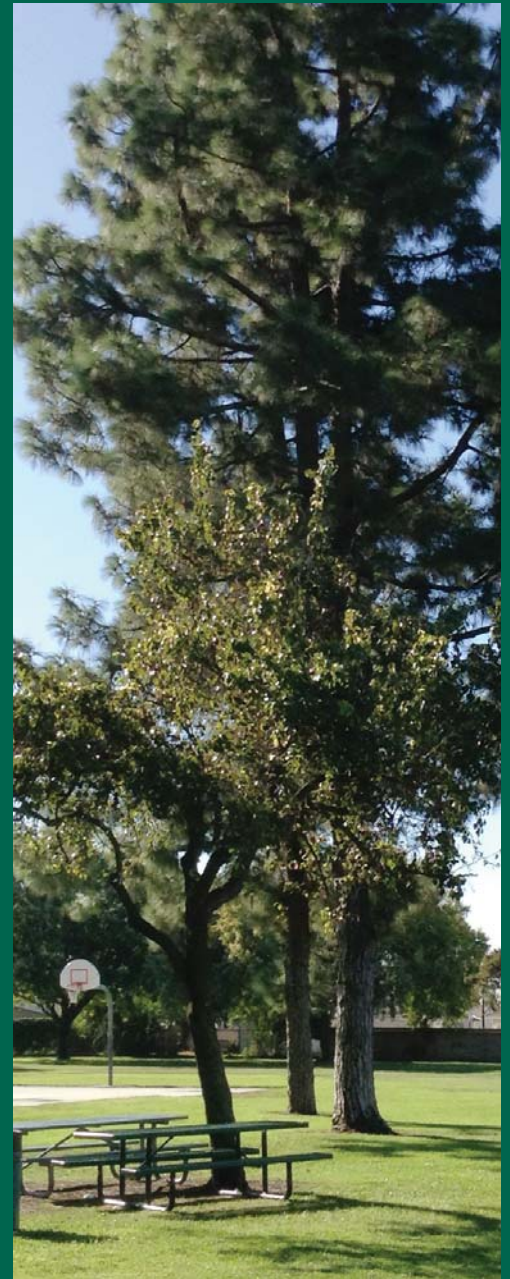


City of Cypress, California  
Comprehensive Annual  
Financial Report

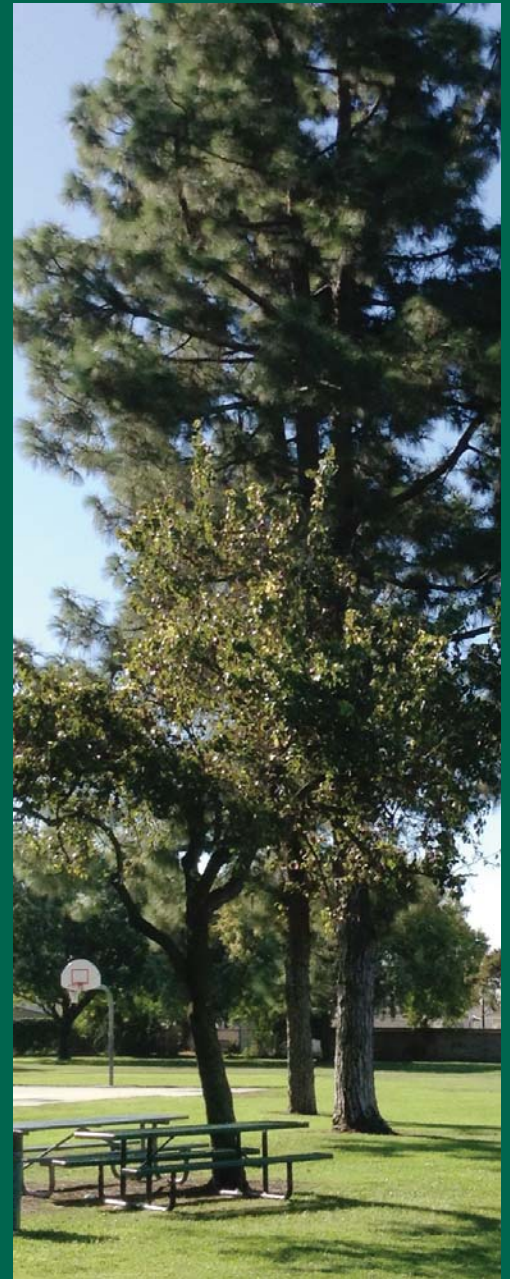
For the Fiscal Year Ended June 30, 2015



# COMPREHENSIVE ANNUAL FINANCIAL REPORT

For the Fiscal Year Ended June 30, 2015

Prepared by the Department of  
Finance & Administrative Services



# CITY OF CYPRESS

## Comprehensive Annual Financial Report

Year ended June 30, 2015

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# CITY OF CYPRESS

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# CITY OF CYPRESS

## Comprehensive Annual Financial Report

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**CITY OF CYPRESS**

Comprehensive Annual Financial Report

Year ended June 30, 2015

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FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER  
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING  
STANDARDS***



# CITY of CYPRESS

5275 Orange Avenue, Cypress, California 90630

Phone 714-229-6700 [www.ci.cypress.ca.us](http://www.ci.cypress.ca.us)

January 27, 2016

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

We are pleased to submit to you the Comprehensive Annual Financial Report (CAFR) of the City of Cypress for the fiscal year ended June 30, 2015. This report is published in accordance with local ordinance and state law requirements that financial statements be presented in conformity with accounting principles generally accepted in the United States of America and audited in accordance with auditing standards generally accepted in the United States of America by a firm of licensed certified public accountants.

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

City policy requires its financial statements be audited by independent certified public accountants. The firm of White Nelson Diehl Evans LLP has performed the audit for the fiscal year ended June 30, 2015. The goal of the independent audit was to provide reasonable assurance that the fiscal year end financial statements of the City of Cypress are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded that there was a reasonable basis for rendering an unqualified opinion that the City of Cypress' financial statements for fiscal year ended June 30, 2015 are fairly presented in conformity with accounting principles generally accepted in the United States of America. The Independent Auditors' Report is presented as the first component of the financial section of this report.

**Mariellen Yarc, Mayor**

**Paulo M. Morales, Mayor Pro Tem**

**Stacy Berry, Council Member**

**Rob Johnson, Council Member**

**Jon E. Peat, Council Member**

As a recipient of federal, state and county financial assistance, the City of Cypress is responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable laws and regulations related to such programs. This internal control structure is subject to periodic evaluation by management. In years when over \$500,000 is expended on Federal financial assistance programs, the City is required to undergo an annual single audit in conformity with the provisions of the Federal Single Audit Act Amendments of 1996 and the Office of Management and Budget Circular A-133 regulating Single Audits, and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. For the year ended June 30, 2015, less than \$500,000 was expended on Federal financial assistance programs; and therefore, a single audit was not required.

### CITY OF CYPRESS PROFILE

The City of Cypress, incorporated in July 1956, is located in the northwestern part of Orange County, California, where two of the nation's largest metropolitan areas, Los Angeles and Orange counties, meet. Cypress is primarily a residential community occupying 6.7 square miles of land and serving a population of 49,184. In addition to its residential communities, Cypress has an 800-acre business park that includes a diverse array of well-known companies. People are drawn to Cypress for its quality housing, business park, educational facilities, citizen oriented social and recreational activities, and progressive City government. Some of the major attractions in Cypress include: Los Alamitos Race Course, Forest Lawn Memorial Park, and Cypress Community College.

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

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

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



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

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

#### FACTORS AFFECTING FINANCIAL CONDITION

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

**Local economy.** Cypress is home to a wide range of businesses, particularly in the 800-acre Cypress Business Park, which typically provides over 50% of the City's general fund revenues. Major industries with headquarters or divisions located within the City's boundaries include electronic equipment, medical devices, cosmetics, managed healthcare, horseracing, automotive/recreational design, toy/video design, clothing apparel and carpet distribution. Also based in Cypress are a variety of professional businesses, aerospace, hotels, and other retail businesses.

Despite a slow rebound in annual revenue streams due to the ongoing impact of the Great Recession, the health of the local economy has remained relatively stable. New businesses and the strength of the real estate market have helped to offset any revenue declines associated with the departures and/or cutbacks associated with established businesses. While the Orange County economy has continued to grow and outperform much of California, City revenue sources linked to the economy continue to be filled with uncertainties. It is expected that any growth in revenues to the City will be modest in the foreseeable future, including the fiscal year that is currently upon us.

Another issue that the City continues to deal with relates to the adverse impacts of actions taken by the State that have taken revenues away from local governments. The City is still dealing with the fallout from the dissolution of Redevelopment Agencies in 2012 which shifted significant annual property tax revenues away from the City.

Additionally the losses incurred by the financial markets as part of the Great Recession continue to have a direct impact on the City, most significantly in the form of the required annual pension costs associated with being a member of the California Public Employees' Retirement System (PERS). The substantial decrease in the value of PERS assets during the financial crisis, and recent changes in actuarial assumptions, will be passed on (in the form of higher contribution rates) to all member cities over the course of the foreseeable future. These contribution increases will occur despite the Public Employees' Pension Reform Act (PEPRA) which took effect for new PERS members hired on or after January 1, 2013. While the PEPRA legislation will eventually yield lower pension obligations to PERS member cities, these impacts (and associated savings) are not expected to be significant in the near term – and pale in comparison to the ongoing increases resulting from market losses and changes in actuarial assumptions. It has been the City's practice to accumulate monies to offset significant liabilities and, with the City now being required to record the pension liability in the financial statements, the City will be analyzing options to determine how the pension liability can be pre-funded.

Despite all of these issues outside the control of the City's decision makers, the City has effectively managed its budget and used the positive results of past economic growth within the City to build up fund balances and net assets. These amounts are available for use on non-operating expenditures and to provide for the payment of long-term obligations. Assuming the City continues making sound budget decisions going forward, these accumulated amounts are at a level which should allow the City to withstand any further negative economic impacts without affecting the primary service levels currently provided to its residents and businesses.

The City's other economic uncertainty continues to relate to funding the necessary maintenance and improvements required of the City's infrastructure system. City staff annually updates the seven year funding plan for its infrastructure needs based on the most recent condition assessments of the various infrastructure systems. While significant progress has been made over the last decade by way of improvements and setting aside reserves, the condition assessments indicate there are still a significant number of improvements needed in order to maintain both the sanitary sewer and storm drainage systems at their optimal levels. The funding plans for these systems, as well as the City's other infrastructure components (sidewalks, trees, streets, traffic signals) indicates a need for additional revenue sources to achieve the City's long-term goal of maintaining its infrastructure system at optimal levels. The largest concern continues to be the City's lack of a dedicated revenue source (outside the City's General fund) to pay for any storm drainage improvements identified in the condition assessments. Also, despite a multi-step increase to sewer rates implemented over several years, it remains highly unlikely that these increases will be sufficient to fund all the necessary sewer improvement projects and repay the outstanding notes to the City. It will continue to be necessary to identify viable future funding solutions (other than the General fund), and to identify the sufficiency of current reserves, in order to address the issues facing an aging infrastructure system.

**Long-term financial planning.** The City of Cypress seeks to assure a high quality of life for its residents and businesses. As such, strategic planning is utilized to establish major goals and objectives of the City which provide principal guidance for the budget established by the City Council. The three year goals established for 2015 through 2018 include the following (not in priority order):

- Strengthen organizational effectiveness and efficiency.
- Enhance economic development.
- Maintain and enhance the infrastructure.
- Maintain our safe community.

The City's pursuit of these goals has resulted in establishing strategic objectives which are incorporated into the annual budget. The objectives related to strengthening the City's effectiveness and efficiency include a website redesign, transitioning to a new banking institution and creating a succession plan. In addition to the ongoing development of the property around the Los Alamitos Race Track (which includes the 13 acres currently owned by the City that will eventually be developed for retail purposes), the City will also be reviewing the commercial zoning code, the Lincoln Avenue Specific Plan, and identifying ways to enhance retail development. The City of Cypress maintains a seven year Capital Improvement Program to plan for capital and infrastructure needs and evaluates its annual budget in coordination with longer-term revenue projections. Additionally, it is the City's current policy to fund capital projects by accumulating and setting aside excess General fund revenues over General fund expenditures for future infrastructure needs in an Infrastructure Reserve Capital Project Fund. There are also several strategic objectives to help ensure the safe community is maintained through enhanced public awareness of policing activities. These objectives help comprise some of the major components of the City's long term financial planning.

#### AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Cypress for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2014. This is the twenty-ninth consecutive year that the City has received this prestigious award. The Certificate of Achievement is a prestigious national award that recognizes conformance with the highest standards for preparation of state and local government financial reports.

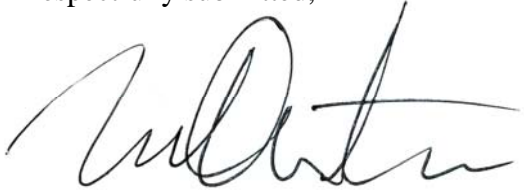
In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized CAFR. The report must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements.

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

The preparation of this report could not have been accomplished without the efficient and dedicated service of the entire staff of the City's Finance Division. I want to express my appreciation to all the Finance staff that assisted and contributed to the preparation of this report.

Credit also must continue to be given to the Cypress City Council for their ongoing commitment and support for maintaining the highest standards of professionalism in the management of the City's finances. I look forward to working with the City Manager and the City Council in maintaining the conservative, successful and firmly-established financial course of the City.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Matt Burton". The signature is fluid and cursive, with a large initial "M" and "B".

Matt Burton  
Director of Finance and Administrative Services

City of Cypress, California

# Directory of City Officials

For the Fiscal Year Ended June 30, 2015

## Legislative Body

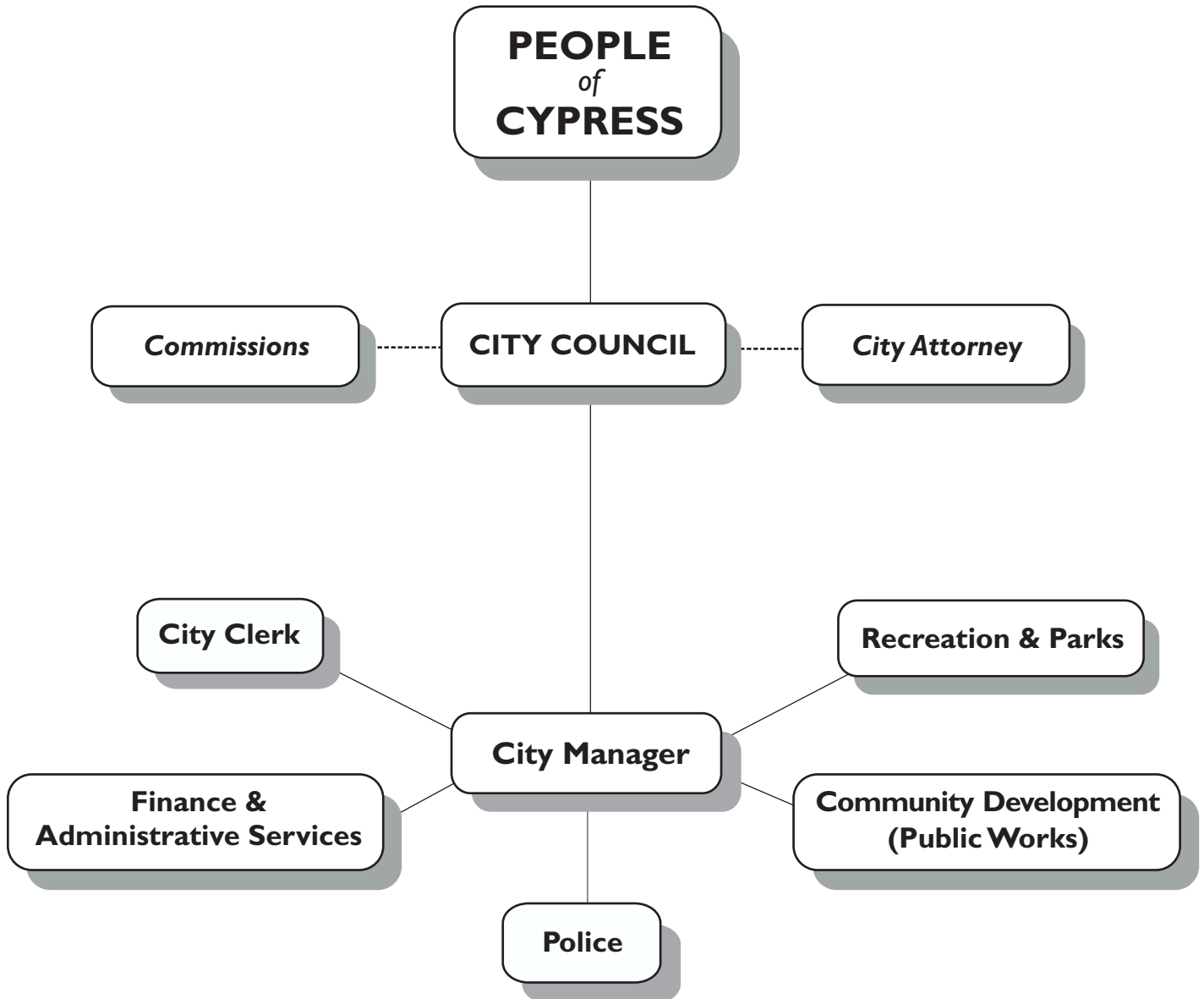
Rob Johnson	Mayor
Mariellen Yarc	Mayor Pro-Tem
Stacy Berry	Council Member
Paulo Morales	Council Member
Jon Peat	Council Member

## Staff Members

Peter Grant	City Manager
Matt Burton	Director of Finance & Admin. Services
Rod Cox	Chief of Police
Doug Dancs	Director of Community Development
June Liu	Director of Recreation & Community Svcs.
Denise Basham	City Clerk

# City of Cypress

## ORGANIZATIONAL CHART





Government Finance Officers Association

Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting

Presented to

**City of Cypress  
California**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2014**

Executive Director/CEO

## INDEPENDENT AUDITORS' REPORT

Honorable Mayor and City Council  
City of Cypress  
Cypress, California

### **Report on the Financial Statements**

We have audited the accompanying basic financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Cypress, California (the City), as of and for the year ended June 30, 2015, and the related notes to the basic financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditors' Responsibility**

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

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

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



## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## **Emphasis of Matters**

As discussed in Notes 1M and 19 to the financial statements, the City adopted Governmental Accounting Standards Board's Statement No. 68, "*Accounting and Financial Reporting for Pensions*" and Statement No. 71, "*Pension Transition for Contributions Made Subsequent to the Measurement Date, an Amendment of GASB Statement No. 68*". The adoption of these standards required retrospective application resulting in a reduction of previously reported governmental activities and internal service funds net position. Also, as discussed in Note 19 to the financial statements, the net position of the governmental activities and the fund balance of the other governmental funds were restated as of July 1, 2014. Our opinions are not modified with respect to these matters.

## **Other Matters**

### *Report on Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the CalPERS pension plans schedule of changes in the net pension liability and related ratios and the schedule of contributions for the miscellaneous plan, the CalPERS pension plans schedule of proportionate share of the net pension liability and the schedule of contributions for the safety plan, the schedule of funding progress - other post-employment benefit plan, and the budgetary comparison schedules, identified as Required Supplementary Information (RSI) in the accompanying table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the RSI 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 the audit of the basic financial statements. We do not express an opinion or provide any assurance on the RSI because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual fund financial statements and schedules (supplementary information), and statistical section, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

## **Other Matters (Continued)**

### *Other Information (Continued)*

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

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

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 27, 2016, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

*White Nelson Nick Evans LLP*

Irvine, California  
January 27, 2016

**CITY OF CYPRESS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2015**

As management of the City of Cypress (City), we offer readers of the City of Cypress' financial statements this overview and analysis of the financial activities for the fiscal year ended June 30, 2015. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found in the introductory section of this report, and with the City's financial statements, which follow this discussion.

**Financial Highlights**

- The assets of the City exceed its liabilities at the close of the fiscal year ended June 30, 2015 by \$299,910,760 (*net position*). Of this amount, \$101,970,622 (*unrestricted net position*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$23,968,441 during the fiscal year.
- As of June 30, 2015, the City's governmental funds reported combined ending fund balances of \$131,601,998, an increase of \$21,797,753 in comparison with the prior year. A total of \$170,783 is unassigned within the General fund and is available for spending at the government's discretion (*unassigned fund balance of the governmental funds*).
- As of June 30, 2015, the total fund balance of the General fund was \$19,848,878. Of this total, slightly more than \$6.5 million has been committed by the City Council as part of a stabilization agreement to be used should General fund revenues decrease or expenditures increase unexpectedly due to unforeseen factors or emergencies. In addition to these commitments, a total of \$13,078,088 of the fund balance has been assigned – primarily for use on future capital improvements. While these assigned amounts are not legally restricted, it continues to be the City Council's policy to set-aside and annually transfer amounts to the City's Capital Project Fund for future infrastructure improvement projects as identified in the various infrastructure master plans and outlined in the City's Seven-Year Capital Improvement Plan.

**Overview of the Financial Statements**

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

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

The *statement of net position* presents information on all of the City's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference between assets/deferred outflows and liabilities/deferred inflows reported as *net position*. Over time,

**CITY OF CYPRESS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**JUNE 30, 2015**

increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of Cypress is improving or deteriorating.

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

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

The government-wide financial statements include not only the City itself (known as the *primary government*), but also one legally separate entity, the Cypress Recreation and Park District (District). The City is financially accountable for the District and the financial information for this *blended component unit* is reported within the financial information presented for the primary government itself.

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

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

**Governmental funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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

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

The City adopts an annual appropriated budget for each of its major funds. The required supplementary information section of the basic financial statements include budgetary comparison statements for the General fund, the Recreation and Park District Special Revenue fund and the Streets Special Revenue fund to demonstrate budgetary compliance with the annual budget. Budgetary comparison statements have been provided elsewhere in this report for the other major fund.

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

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

**Proprietary funds.** The City maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses an enterprise fund to account for its sanitary sewer system. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its central services, the Recreation District's central services, employee benefits, liability insurance and workers' compensation insurance. Because these services benefit governmental functions, they have been included in *governmental activities* within the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the *business-type activities* of the Sewer fund, which is considered a major fund of the City. The *internal service funds* are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of *combining statements* elsewhere in this report.

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

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

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programs. The City's two types of fiduciary funds are *agency funds* and a *private-purpose trust fund*. The *agency funds* are used to hold various deposits and other monies which are not eligible to be used at the City's discretion. The *private-purpose trust fund* is used to account for the activities of the Successor Agency to the Cypress Redevelopment Agency (Successor Agency) which was established upon the dissolution of the Cypress Redevelopment Agency (Agency). The basic fiduciary fund financial statements can be found immediately following the basic proprietary fund financial statements.

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

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

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

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

### **Government-wide Financial Analysis**

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

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Summary of Net Position  
As of June 30, 2015 and 2014

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
<b>Assets:</b>						
Current and other assets	\$ 169,518,876	\$ 146,214,656	\$ 7,407,732	\$ 7,288,826	\$ 176,926,608	\$ 153,503,482
Capital assets	156,545,926	157,077,177	15,801,861	14,516,549	172,347,787	171,593,726
Total assets	326,064,802	303,291,833	23,209,593	21,805,375	349,274,395	325,097,208
<b>Deferred Outflows of Resources:</b>						
Deferred outflows - pension	2,603,272	-	-	-	2,603,272	-
Total deferred outflows	2,603,272	-	-	-	2,603,272	-
<b>Liabilities:</b>						
Long-term liabilities outstanding	8,243,516	7,900,233	5,000,000	5,000,000	13,243,516	12,900,233
Net pension liability	26,259,990	-	-	-	26,259,990	-
Other liabilities	4,107,693	3,865,093	126,620	114,210	4,234,313	3,979,303
Total liabilities	38,611,199	11,765,326	5,126,620	5,114,210	43,737,819	16,879,536
<b>Deferred Inflows of Resources:</b>						
Deferred inflows - pension	8,229,088	-	-	-	8,229,088	-
Total deferred outflows	8,229,088	-	-	-	8,229,088	-
<b>Net Position:</b>						
Net investment in capital assets	154,805,926	154,957,177	15,801,861	14,516,549	170,607,787	169,473,726
Restricted	25,051,239	24,787,720	2,281,112	2,174,616	27,332,351	26,962,336
Unrestricted	101,970,622	111,781,610	-	-	101,970,622	111,781,610
Total net position	\$ 281,827,787	\$ 291,526,507	\$ 18,082,973	\$ 16,691,165	\$ 299,910,760	\$ 308,217,672

With the application of GASB Statement No. 68, the City restated beginning net position for Fiscal Year 2014-15 for governmental activities. The significant impact to the City of implementing Statement No. 68 is the reporting of the City's unfunded pension liability and its impact on unrestricted net position at June 30, 2015. More information on GASB Statement No. 68 can be found in the notes to the basic financial statements. GASB Statement No. 68 does not change pension policies or contribution rates required of the City.

Net position of the City decreased by over \$8.3 million (2.7 percent) to \$299.9 million, of which \$170.6 million is invested in capital assets such as land, buildings and improvements, equipment, and infrastructure. Of the remaining total, \$27.3 million is restricted to specifically stipulated spending agreements originated by law, contract or other agreements with external parties. The remaining \$102.0 million classified as unrestricted net position decreased by 8.8 percent from \$111.8 million, and while subject to being designated for specific purposes as approved by the City Council and management, these amounts may be used to meet the City's ongoing obligations.

The City's investment in capital assets (less any related outstanding debt used to acquire those assets) is the largest portion of the City's net position and represents 56.9 percent of total net position, which is a slight increase as compared to the percentage of overall net position at the conclusion of the prior year. While the City uses these capital assets to provide services to citizens; these assets are *not* available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay

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this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Changes in Net Position  
For the fiscal year ended June 30, 2015 and 2014

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
<b>Revenues</b>						
Program Revenues:						
Charges for services	\$ 3,167,650	\$ 3,208,610	\$ 2,025,759	\$ 2,197,154	\$ 5,193,409	\$ 5,405,764
Operating grants and contributions	3,549,872	3,648,027	46,387	55	3,596,259	3,648,082
Capital grants and contributions	856,247	1,315,906	-	4,990	856,247	1,320,896
General Revenues:						
Sales tax	11,891,754	11,846,002	-	-	11,891,754	11,846,002
Property taxes	14,034,889	13,455,465	14,232	10,879	14,049,121	13,466,344
Other taxes	5,612,459	5,247,806	-	-	5,612,459	5,247,806
Other	410,529	501,780	29,687	23,062	440,216	524,842
Total Revenues	<u>39,523,400</u>	<u>39,223,596</u>	<u>2,116,065</u>	<u>2,236,140</u>	<u>41,639,465</u>	<u>41,459,736</u>
<b>Expenses</b>						
General government	3,762,129	4,037,449	-	-	3,762,129	4,037,449
Community development	1,792,626	1,717,272	-	-	1,792,626	1,717,272
Public safety	13,823,314	14,119,456	-	-	13,823,314	14,119,456
Public works	11,818,556	11,971,891	-	-	11,818,556	11,971,891
Recreation	4,675,847	4,857,577	-	-	4,675,847	4,857,577
Interest on long-term debt	89,610	107,166	-	-	89,610	107,166
Sewer	-	-	724,257	740,444	724,257	740,444
Total Expenses	<u>35,962,082</u>	<u>36,810,811</u>	<u>724,257</u>	<u>740,444</u>	<u>36,686,339</u>	<u>37,551,255</u>
<b>Special Items</b>						
Market value adjustment - land held for resale	(6,308,460)	-	-	-	(6,308,460)	-
Total Special Items	<u>(6,308,460)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(6,308,460)</u>	<u>-</u>
<b>Extraordinary Items</b>						
Gain on approval of repayment agreement	25,323,775	-	-	-	25,323,775	-
Total Extraordinary Items	<u>25,323,775</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>25,323,775</u>	<u>-</u>
Increase (Decrease) in Net Position	22,576,633	2,412,785	1,391,808	1,495,696	23,968,441	3,908,481
Beginning Net Position (as Restated)	259,251,154	289,113,722	16,691,165	15,195,469	275,942,319	304,309,191
Ending Net Position	<u>\$ 281,827,787</u>	<u>\$ 291,526,507</u>	<u>\$ 18,082,973</u>	<u>\$ 16,691,165</u>	<u>\$ 299,910,760</u>	<u>\$ 308,217,672</u>

The following revenue impacts contributed to the change in net position for governmental activities for the fiscal year ended June 30, 2015:

- The City's program revenues totaled 19.2 percent of total revenues and decreased by 7.6 percent from the prior year. Capital grants tend to fluctuate from year-to-year based on availability. These capital grants decreased by 34.9 percent from the prior year and include grants used to maintain the City's capital assets. The City was the recipient of a couple non-recurring state capital grants during the fiscal year ended June 30, 2014, which exceeded the amount awarded and received in the current fiscal year. Those grant amounts in the prior year were expended for various street improvement projects (including intersection widening) in the City. Charges for services (which include such items as planning and building fees, city services, and recreation user fees) remained flat when compared to the prior year. Total operating grants also tend to fluctuate each year based on the receipt of narcotic asset seizure monies and State grants used to maintain the City's streets and infrastructure.

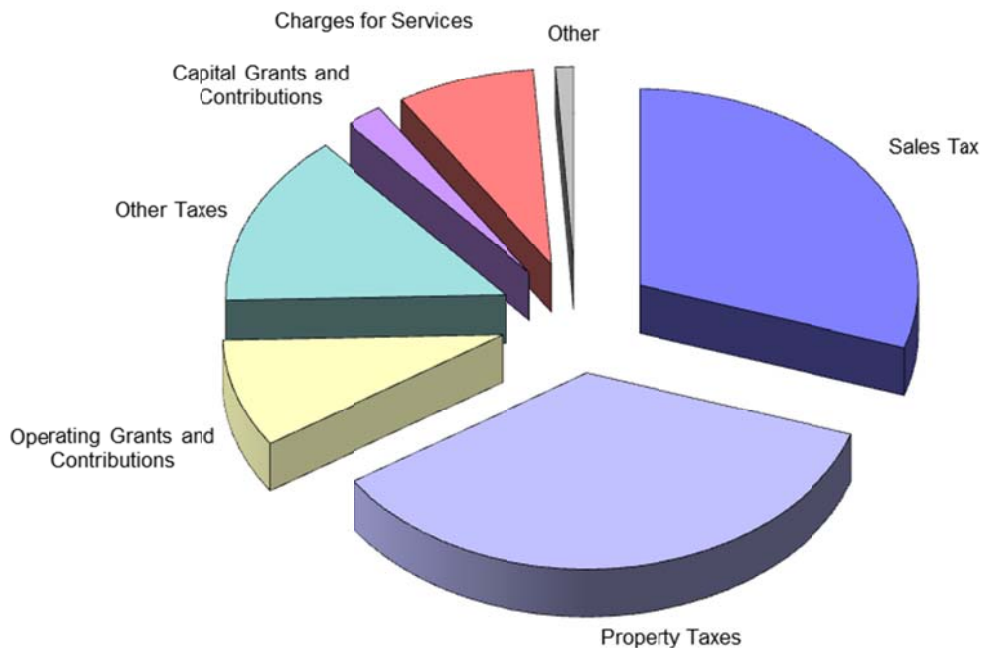


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- The City's general revenues represent 80.8 percent of total revenues. General revenues increased approximately 2.9 percent from the prior year, largely due to increases in property tax revenues and other taxes. Sales taxes, the largest general revenue, accounted for nearly 30.1 percent of total revenues, and increased slightly from the past year. The modest overall increase in sales tax revenue can be attributed to solid growth in the current year being offset for comparison purposes by the City receiving a one-time State adjustment of \$302,000 in the prior year based on a misallocation. Property tax revenues experienced a significant increase as assessed values in the City continue to rebound from the Great Recession. Total other taxes experienced an overall increase from the prior year due to increases in the following: transient occupancy taxes, the State backfill of vehicle license fees, franchise taxes and business license taxes.

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

**Revenues by Source – Governmental Activities**



The following significant revenue items contributed to the change in net position for business-type activities for the fiscal year ended June 30, 2015:

- Program revenues for the City's sewer system are the major revenue source for the City's lone business-type activity. Charges for sewer services comprised 95.7 percent of total revenues and decreased by 7.8 percent from the prior year. Since sewer fees are directly tied to water consumption, the decrease is likely the result of mandated cuts to water

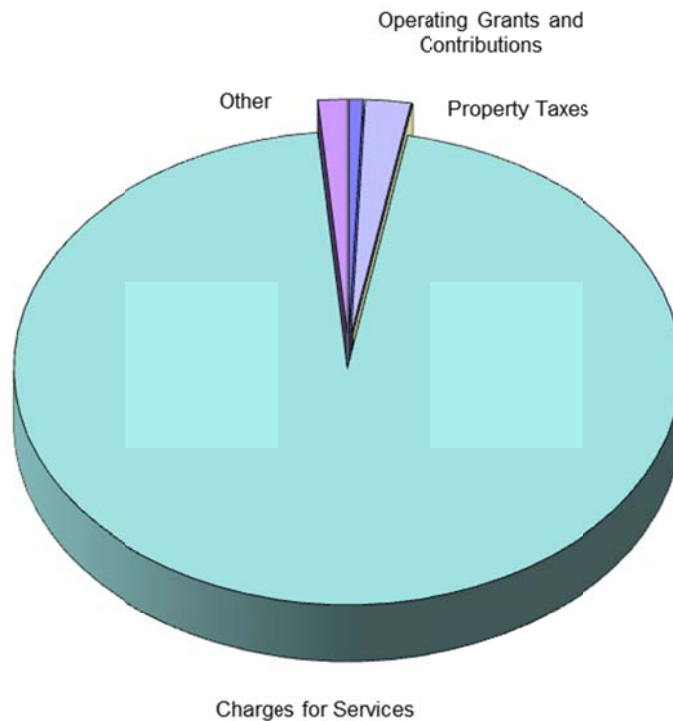
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usage due to the ongoing drought. The current sewer fee collections represent a dedicated revenue source to provide full-funding for the ongoing maintenance and a portion of future capital improvements associated with the City's sewer system.

- General revenues for business-type activities are primarily limited to investment earnings on cash balances and a small amount of property tax that is allocated to the City and is restricted to use for sewer purposes.

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

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



Total expenses for governmental activities decreased by approximately \$849,000 (2.3 percent) compared to the prior year. The decline is a result of having several non-recurring items in the prior year which yielded year over year decreases in various expense categories. General government expenses decreased by nearly \$193,000 due to higher attorney fees associated with several legal matters and the use of the City Manager's contingency for an unanticipated contract settlement occurring in the prior year. Public safety (police) continues to account for the largest percentage (38.5 percent) of total expenses related to governmental activities. Public safety expenses decreased by \$296,000 (2.1 percent). Higher employee costs resulting from implementing the second year of a three year labor agreement with the Cypress Police Officers' Association was offset by staffing vacancies in the department and a one year decrease in

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required pension contributions. Public works expenses went down approximately \$153,000 over the prior year. This represents a 1.3 percent decrease and is due mostly to incurring fewer street maintenance expenses on arterial roadways in the current fiscal year. Annual maintenance expenses tend to fluctuate from year to year due to a variety of factors, including the availability of grant funding.

Total expenses for business-type activities decreased by \$16,187 (2.2 percent) due to several factors. The most significant decrease in expenses relates to incurring lower interest charges on the loan from the City due to paying off a portion of the principal in the prior fiscal year.

In addition to the aforementioned implementation of GASB Statement No. 68 for pension liabilities, the City experienced two non-recurring events in the last fiscal year with significant financial impact. First, the market value of land held by the City for resale was determined to have decreased from the time of purchase resulting in a special item adjustment for \$6.3 million. In addition, the State approved the outstanding repayment agreement between the City and Successor Agency. This resulted in a "one-time" extraordinary gain of \$25.3 million. While this gain is a significant impact on the net position of the City, it is important to remind readers the City incurred an extraordinary loss a few years ago when this repayment agreement was originally disallowed by the State. The Successor Agency was established to wind down the activities of the former Agency and the activities of the Successor Agency are considered a fiduciary responsibility of the City and as such, are not reported as part of the governmental activities of the City.

### **Financial Analysis of the Government's Funds**

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

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

As of the end of the current fiscal year, the City's governmental funds reported total combined ending fund balances of \$131,601,998, an increase of \$21,797,753 over the fund balances at June 30, 2014. The increase in fund balances is the result of several offsetting factors, including the ongoing fallout associated with the dissolution of the Agency (including the write-down of land held by the City for resale and approval of the repayment agreement between the City and Successor Agency) and the activities related to the first year of the City's Seven Year Capital Improvement Program.

Total fund balance is broken down into five categories – ranging from nonspendable to unassigned. A very small percent of the City's total fund balance at June 30 2015 is classified as nonspendable and relate to prepaid expenses. Restricted fund balance amounts increased by over \$553,000 from the prior year and totaled 19.4 percent of total fund balance. These restricted amounts can only be used for specific purposes, with the major restrictions being limited for

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recreation uses, street maintenance and improvements and street lighting. Committed fund balance amounts total nearly \$16.0 million (12.1 percent) and have decreased by \$2.2 million in the past year. The decrease in committed fund balance relates to having fewer City Council approved contracts outstanding at the end of the fiscal year. These unexpended contract amounts tend to vary from year to year depending on the status of major capital projects (such as improvements to the City's streets and storm drainage system) at the end of the fiscal year. An additional \$89.8 million of fund balance is categorized as assigned. These assignments of fund balance are made by City management for specific purposes – with the large majority of the assignments being for future capital improvements. It continues to be the City's policy to set-aside available resources in order to provide a funding mechanism to pay for future improvements to the City's infrastructure and public facilities, and the recording of available fund balance amounts as assigned achieves this policy. The remaining amount of fund balance is categorized as unassigned and relates to a small amount that is available in the General fund and can be used for any purpose the City Council deems appropriate.

**Proprietary funds.** The City's *proprietary funds* provide the same type of information found in the government-wide financial statements, but in more detail. The City's major proprietary fund is the Sewer enterprise fund. Net position of the Sewer fund at the end of the fiscal year totaled nearly \$18.1 million, which is nearly a \$1.4 million increase from the prior year. The increase in net position can be attributed to investing almost \$1.7 million in the past year in ongoing capital improvement project needs related to the sanitary sewer system.

### **Major Fund Financial Highlights**

#### **General Fund**

The General fund is the primary operating fund of the City. At June 30, 2015, the total fund balance of the General fund was \$19,848,878 (compared to \$17,620,225 at the beginning of the year). The fund balance of the General fund is composed of five different categories – nonspendable, restricted, committed, assigned and unassigned. The overall increase in fund balance exceeded projections and is largely a result of receiving more revenues and incurring fewer expenditures than estimated in the original budget. The City continues to implement the policy of accumulating monies for future infrastructure improvements in the City Capital Projects fund through transfers out of the General fund. A total of \$3.725 million was transferred out for future infrastructure needs during the fiscal year ended June 30, 2015. It is important to note that these annual General Fund monies have been transferred to the City Capital Projects fund for the intended purpose of providing infrastructure improvements but would be available for other uses at the City Council's discretion should the need arise. As a measure of the General fund's liquidity, it may be useful to compare the total of assigned and unassigned fund balances to total fund expenditures since assigned and unassigned amounts are essentially available for any purpose. Total assigned and unassigned fund balance represents 55.7 percent (up from 46.5 percent the previous year) of the total expenditures in the General fund. Despite the City Council's and management's policy to actively set-aside monies for future infrastructure needs, the annual amount expected to be accumulated in the General Fund and annually transferred to the City's Capital Project Fund will likely be insufficient to fund all

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infrastructure and other capital needs of the City due to the projected expenditure growth outpacing the projected revenue growth.

For the fiscal year ended June 30, 2015, the cash and investments balance in the General fund was \$18,818,150, an increase of \$2,140,903 from the prior fiscal year. The increase is related to expending less on personnel and other budgeted items and receiving more tax revenues than originally projected.

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Summary of Changes in Fund Balances - General Fund  
For the fiscal year ended June 30, 2015 and 2014**

	2015	2014	Change
<b>Revenues</b>			
Taxes:			
Sales	\$ 11,681,865	\$ 11,846,002	\$ (164,137)
Property	4,735,392	4,589,440	145,952
Other	9,756,558	9,219,102	537,456
Total taxes	26,173,815	25,654,544	519,271
Licenses and permits	455,781	381,992	73,789
Fines and forfeitures	180,025	164,896	15,129
From use of property	349,770	447,967	(98,197)
From other agencies	156,677	372,949	(216,272)
Charges for services	2,834,153	2,876,716	(42,563)
Other	174,983	133,462	41,521
Total Revenues	30,325,204	30,032,526	292,678
<b>Expenditures</b>			
General government	3,555,118	3,802,168	(247,050)
Community development	1,691,151	1,682,442	8,709
Public safety	13,604,407	13,719,135	(114,728)
Public works	4,937,726	4,978,749	(41,023)
Total Expenditures	23,788,402	24,182,494	(394,092)
<b>Net Transfers</b>	(4,308,149)	(2,520,803)	(1,787,346)
<b>Increase in fund balance</b>	\$ 2,228,653	\$ 3,329,229	\$ (1,100,576)

Total general fund revenues for the fiscal year ended June 30, 2015 increased by nearly \$293,000 from the prior year. Individual components of this change are highlighted as follows:

- Sales tax revenue, the largest revenue source of the General fund, decreased by \$164,137 from the prior year. The overall decrease was attributed to receiving a one-time adjustment of \$302,000 in the prior year from the State based on a misallocation and approving a deferred repayment of a \$209,000 reallocation in the current fiscal year.

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- Property tax revenues increased due to the continued growth in the City's secured property tax base of approximately 3.3 percent.
- Other taxes were higher in the past year due to many components (including transient occupancy, franchise and business licenses) experiencing increases.
- The general fund received over \$3.8 million in State backfill monies for Motor Vehicle License Fees (MVLFF) which is recorded as taxes. These backfill amounts were approximately \$157,000 more than the prior year and offset a portion of the annual decrease in MVLFF revenues resulting from the State takeaway that dates back about a decade.
- The market interest rates earned on much of the City's cash reserves remained low during the fiscal year ended June 30, 2015, causing idle cash balances to generate interest earnings approximating the prior year. However, a negative market value adjustment at June 30, 2015 (as opposed to a positive adjustment in the prior year) resulted in lower revenues from the use of property being reported when compared to the prior year.
- Other revenues increased due to receiving a "one-time" reimbursement of \$116,134 from the City's new solid waste franchisee for administrative costs incurred by the City during the procurement process.

Changes in general fund expenditures, by function, occurred as follows during the year ended June 30, 2015:

- General government expenditures decreased by \$247,050 (7.0 percent) due to a variety of factors. In the prior year, the City experienced higher attorney fees and a significant portion of the City Manager's contingency was used to pay for an unanticipated contract settlement. These decreases were partially offset by the additional costs of holding an election in November 2014.
- Community development expenditures remained flat as development activity in the City remained strong in the most recent year.
- Public safety (police) expenditures were down \$114,728 (0.5 percent) from the prior fiscal year. While there were cost increases associated with the implementation of the second year of a three-year contract with sworn officers, there continued to be significant staffing vacancies during the course of the year which yielded the overall decrease in the cost of police services.
- Public works expenditures were down slightly from the prior year, due largely to the ongoing efforts to limit water consumption at City parks and facilities in response to the drought. The City continues to see ongoing savings in several areas, due to eliminating several positions in the maintenance and engineering divisions in the past several fiscal years as the positions have become vacant. The job duties associated with these positions have been absorbed by other positions within the department or have been contracted out, resulting in significant ongoing salary and benefits savings to the City.

Net transfers in the General Fund increased by nearly \$1.8 million as compared to the prior fiscal year and are summarized as follows:

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- In accordance with City policy, the General fund transferred \$1,750,000 to the City's Capital Projects fund for projects budgeted in each of the last two years. Additionally, during the past year a total of \$3,725,000 million of monies accumulated in the General fund were transferred to the City's Capital Projects fund for future infrastructure projects – as compared to \$2.0 million in the prior year.
- Beginning with the dissolution of the Agency on February 1, 2012, the City's General fund receives additional property tax increment revenues that were previously allocated to the Agency. It is the City's policy to transfer these additional revenues to the City's Capital Projects fund to "repay" the note between the City and Agency that has been disallowed by the State.

General Fund Budgetary Highlights

Differences between the original appropriations budget and the final amended budget totaled a net increase of \$898,551. The annual carryover of appropriations to the new fiscal year for encumbrances and services not completed in the prior fiscal year accounted for \$563,959 of the change. The majority of the carryover appropriations related to unexpended grant awards (\$421,253) and unexpended contingency amounts (\$123,956). The remaining changes in appropriations are summarized as follows:

- \$51,500 increase in the City Manager's office for County contract costs associated with animal control services provided to the City.
- \$64,178 in increases in public safety activities related to the police department's implementation of a strategic plan, recruitment training costs associated with newly-hired police officer trainees, and awarding a contract for enhanced communication services.
- \$178,500 in increases in Community Development for contract costs associated with providing building inspection and plan check services during the past year. These costs tend to fluctuate year-to-year based on many factors, including the overall health of the economy. These increases in appropriations were more than fully offset by increases in revenues in the General fund.
- \$38,046 of increases in Public Works for additional permit inspection contract services and repairs to the air conditioning system at the Senior Center. The increases associated the inspection services were fully offset by revenues in the General fund.

Total actual General fund revenues exceeded the final amended revenue budget by \$964,487 as a result of several factors. The largest positive revenue impact related to property and sales taxes (including State backfill amounts), which were \$642,000 over budget estimates. These excess property tax and sales tax revenues are partially a reflection of the ongoing rebound of the economy. Transient occupancy tax and real property transfer tax receipts also continued to exceed budget estimates, largely due to the impact of the strong local economy. These excess revenues from taxes were partially offset by a few General fund revenue categories that were less than the amended budget. The most significant budget shortfall related to proximately \$532,000 in grant monies (classified as revenues from other agencies) which were approved by the City Council during the year had not been "earned" as of fiscal year end. The majority of the

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unearned grant revenues, along with associated expenditures, will be carried over and are expected to be earned in future fiscal years.

Total operating expenditures were nearly \$3.1 million below the final amended budget (before any carryover amounts to the fiscal year ended June 30, 2016) and these savings were attributed to all departments throughout the City. A large portion of the savings were similar to prior fiscal years, and related to having staffing vacancies throughout the year in various departments of the City. The majority of these staffing vacancies were temporary vacancies associated with positions (such as police officers) in which active recruitments are ongoing. As discussed earlier, the impact of unexpended grant amounts that will be carried over to the next fiscal year further account for the budget savings associated with operations.

**Other Major Funds and Other Funds**

Management annually discusses financial highlights of the City's major funds and any other funds that experience significant changes in fund balance during the year or have activities that management considers relevant to the operations of the City.

**Recreation and Park District Special Revenue Fund**

The Recreation and Park District special revenue fund is the sole operating fund of the Cypress Recreation and Park District (District). At the end of the current fiscal year, total fund balance was \$9,882,856 as compared to \$8,920,147 at the beginning of the year. The fund balance represents 228.3 percent (compared with 193.7 percent from the previous year) of the fund's total expenditures and nearly all the fund balance is categorized as restricted. These restrictions are separated into amounts that are required to be used for improvements to open space, for use on youth league renovations and those amounts that may be used for general recreation activities. Since the bulk of the District's operations are funded with annual property tax revenues, a portion of the restricted fund balance for general recreation usage is needed to meet cash flow shortages between property tax receipts. The remaining restricted amounts (for both open space and recreation) are being accumulated for future non-recurring expenditures such as facility and infrastructure improvements.

For the fiscal year ended June 30, 2015, the cash and investments balance in the Recreation and Park District special revenue fund was \$9,987,040, an increase of \$962,887 from the prior fiscal year. As mentioned above, amounts continue to be accumulated for future capital improvement expenditures. Total receivables at the end of the fiscal year were \$92,991, which is a small decrease from the prior year total \$94,071.



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Summary of Changes in Fund Balances  
Recreation and Park District Special Revenue Fund  
For the fiscal year ended June 30, 2015 and 2014

	2015	2014	Change
<b>Revenues</b>			
Taxes:			
Property	\$ 4,450,954	\$ 4,224,594	\$ 226,360
From use of property	167,104	143,787	23,317
From other agencies	95,117	96,476	(1,359)
Charges for services	1,022,738	1,263,497	(240,759)
Other	39,504	4,552	34,952
Total Revenues	<u>5,775,417</u>	<u>5,732,906</u>	<u>42,511</u>
<b>Expenditures</b>			
Recreation	4,305,974	4,452,120	(146,146)
Capital outlay	23,732	153,711	(129,979)
Total Expenditures	<u>4,329,706</u>	<u>4,605,831</u>	<u>(276,125)</u>
Excess of revenues over expenditures	1,445,711	1,127,075	318,636
Net transfers	(483,002)	(385,925)	(97,077)
<b>Increase in fund balance</b>	<u>\$ 962,709</u>	<u>\$ 741,150</u>	<u>\$ 221,559</u>

Total Recreation and Park District Special Revenue fund revenues for the fiscal year ended June 30, 2015 increased by \$42,511 from the prior year. Individual components of this change are highlighted as follows:

- Property tax revenues, the District's largest revenue source, increased by \$226,360 due to the positive impact on assessed valuations resulting from the ongoing rebound of the real estate market.
- The higher average cash balances being held by the District during the year resulted in investment income (classified as revenue from use of property) increasing over the prior year.
- Charges for services decreased due to receiving a total of \$288,000 in park development fees in the prior fiscal year compared to \$112,000 received during the fiscal year ended June 30, 2015. These development fees tend to fluctuate year to year based on housing activity within the City.

Notable changes in expenditures during the fiscal year ended June 30, 2015 follow:

- Recreation expenditures decreased by \$146,146 (3.3 percent) due to several factors, including a decline in water usage at park sites and athletic fields in response to the ongoing drought. Also, a snack bar was constructed at Oak Knoll Park for youth baseball in the prior fiscal year.

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- Capital outlay expenditures have been budgeted and incurred in accordance with the results of an infrastructure needs analysis approved by the City Council several years ago. Capital expenditures decreased to \$23,732 in the last year and a several budgeted projects were put on hold pending a revised study of the District's infrastructure needs. It is expected that a revised study will be commissioned in the coming year, which will impact capital improvement budgets and spending in upcoming fiscal years.

District transfers totaled a net outflow \$483,002, which related almost exclusively to the District transferring to the City the additional property tax amounts received during the year that were previously apportioned to the Agency. As part of the dissolution, the State disallowed loans from the City to the Agency. Since the proceeds of these loans had been used to pay for several recreation projects (including the construction of the Senior Center and the remodel of the Community Center), the City Council established a policy that the District would repay the City for these improvements by transferring any former Agency property tax revenues that the District receives. With the State recently approving the funding of the loans from the Successor Agency, the amount of property tax revenues available to the District will likely decrease and these repayments may not be necessary in future periods

**Streets Special Revenue Fund**

The Streets Special Revenue Fund accounts for receipts and expenditures of money apportioned under Streets and Highway Code (Highway Users' Tax), Measure M sales tax revenues, and Traffic Mitigation Fees charged by the City. These funds are used to maintain and improve our streets and traffic signals. Under GASB Statement No. 34 reporting requirements, this Fund became a major fund in fiscal year 2014-15. The fund balance as of June 30, 2015 was \$5,596,603.

**City Capital Projects Fund**

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

**CITY OF CYPRESS  
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Summary of Changes in Fund Balances  
City Capital Projects Fund  
For the fiscal year ended June 30, 2015 and 2014

	2015	2014	Change
<b>Revenues</b>			
From other agencies	\$ -	\$ 79,275	\$ (79,275)
Other revenue	5,560	10,176	(4,616)
Total Revenues	<u>5,560</u>	<u>89,451</u>	<u>(83,891)</u>
<b>Expenditures</b>			
Public works	3,032,329	2,644,729	387,600
Capital outlay	3,256,306	4,380,264	(1,123,958)
Total Expenditures	<u>6,288,635</u>	<u>7,024,993</u>	<u>(736,358)</u>
<b>Net Transfers</b>	<u>6,574,342</u>	<u>4,485,361</u>	<u>2,088,981</u>
<b>Special Item</b>			
Market value adjustment - land held for resale	<u>(6,308,460)</u>	<u>-</u>	<u>(6,308,460)</u>
<b>Extraordinary Item</b>			
Gain on approval of repayment agreement	<u>25,323,775</u>	<u>-</u>	<u>25,323,775</u>
<b>Increase (decrease) in fund balance</b>	<u>\$ 19,306,582</u>	<u>\$ (2,450,181)</u>	<u>\$ 21,756,763</u>

Total revenues for the fiscal year ended June 30, 2015 decreased \$83,891 from the prior fiscal year. The decrease is largely due to receiving a grant for the installation of storm drainage retractable screens in the prior year. The City's revenues from other agencies (grant monies) tend to fluctuate from year to year based on eligibility and availability.

In addition to inevitable project delays caused by a variety of issues, total expenditures will tend to vary from year-to-year depending on the status of non-recurring projects such as public facility renovations and major infrastructure improvements such as storm drainage construction. During the current fiscal year approximately \$3.2 million was expended on the City's storm drainage system as compared to \$4.3 million in the prior year. The decrease relates to completing work on a large-scale pump station improvement project that carried over into multiple fiscal years.

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In a typical year, such as the past year, the amount shown as net transfers is comprised of transfers in from various funds of the City and two transfers from the General Fund. The two annual General Fund transfers represent the annual funding requirement approved by the City Council to fund current year projects, while the other component relates to monies allocated for infrastructure improvements that will be appropriated in future years. The increase in net transfers over the prior year is due to allocating \$3.7 million for future capital improvements as compared to \$2.0 million in the prior year.

In addition to the recurring activities associated with City Capital Project Fund, there were two other major events in the past year with significant impacts on fund balance. First, the fair market value of the 13.3 acres of land held by the City was determined to have decreased from its cost basis of \$18.8 million to \$12.5 million as of June 30, 2015. The decrease in value necessitated a write-down of \$6.3 million which is recorded as a special item. On the positive side of fund balance impact, after many years of denying the validity of the notes between the City and Successor Agency, the State Department of Finance formally approved the repayment of the notes. The impact increases fund balance by \$25.1 million in principal (plus accrued interest) which will be repaid over the next decade. As mentioned previously, it is important to remind readers that the Capital Projects Fund recognized an extraordinary loss of nearly \$24 million a few years ago when these loans were initially disallowed by the State as part of the legislation that dissolved redevelopment agencies.

**Sewer Enterprise Fund**

The Sewer Enterprise fund accounts for the maintenance and improvements made to the City's sewer system. The primary revenue source associated with this fund is fees collected from users of the sewer system. The Sewer fund is an enterprise fund in accordance with the requirements of GASB Statement No. 54 and all infrastructure assets associated with the sanitary sewer system are recorded as assets in the Sewer fund and the full-accrual method of accounting is used to account for sewer activities within the fund. The net position increased nearly \$1.4 million during the year. The following is a comparison of the enterprise activity in the fund for the past two years:

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Summary of Changes in Net Position  
Business-type Activities - Sewer Enterprise Fund  
For the fiscal year ended June 30, 2015 and 2014

	2015	2014	Change
<b>Operating Revenues</b>			
From other agencies	\$ 46,387	\$ 55	\$ 46,332
Charges for services	2,025,759	2,197,154	(171,395)
Other	2,801	4,990	(2,189)
Total Operating Revenues	<u>2,074,947</u>	<u>2,202,199</u>	<u>(127,252)</u>
<b>Operating Expenditures</b>			
Sewer Maintenance	289,060	299,098	(10,038)
Depreciation	396,571	396,571	-
Total Operating Expenditures	<u>685,631</u>	<u>695,669</u>	<u>(10,038)</u>
<b>Non-Operating Revenues (Expenses)</b>			
Property Taxes	14,232	10,879	3,353
Interest income	26,886	23,062	3,824
Interest expense	(38,626)	(44,775)	(6,149)
Total Non-operating Revenues	<u>2,492</u>	<u>(10,834)</u>	<u>(13,326)</u>
<b>Increase (Decrease) in net position</b>	<u>\$ 1,391,808</u>	<u>\$ 1,495,696</u>	<u>\$ (103,888)</u>

Total Sewer fund revenues for the fiscal year ended June 30, 2015 decreased by \$123,899 over the prior year mostly due to a decline in sewer fees. Sewer fees are charged to both residential and commercial accounts based on water consumption, and given the ongoing drought and the public campaign to conserve water; it appears the fee decreases may be related to users limiting water usage.

Both maintenance expenditures and depreciation expense associated with sewer infrastructure assets remained flat. With the City implementing many of the improvements outlined in the sewer master plan, it is expected that depreciation expense will increase as these additions to the sewer system are completed and go "online" and are capitalized as depreciable assets.

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**Capital Asset and Debt Administration**

**Capital assets.** The City's investment in capital assets as of June 30, 2015 amounts to \$172,347,787 (net of accumulated depreciation) and consists of \$156,545,926 for governmental activities and \$15,801,861 for business-type activities. The investment in capital assets for governmental activities includes land, buildings and improvements, vehicles and equipment, furniture and fixtures, roads, storm drains, sidewalks, street lights, and construction in progress. The investment in business-type activities is limited to the City's sanitary sewer system. The City's overall investment in capital assets during the past fiscal year increased by just over \$5.7 million (0.9 percent) before depreciation. The following table summarizes capital asset activity for the fiscal year ended June 30, 2015.

Summary of Capital Assets  
As of June 30, 2015 and 2014

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Governmental Activities:						
Capital Assets, Not Depreciated:						
Land	\$ 7,793,597	\$ 7,793,597	\$ -	\$ -	\$ 7,793,597	\$ 7,793,597
Construction in Progress	13,604,140	11,898,864	4,214,944	2,533,061	17,819,084	14,431,925
Total, Not Depreciated	21,397,737	19,692,461	4,214,944	2,533,061	25,612,681	22,225,522
Capital Assets, Being Depreciated:						
Buildings and Improvements	30,130,985	30,281,602	-	-	30,130,985	30,281,602
Machinery and Equipment	9,412,916	9,597,477	-	-	9,412,916	9,597,477
Infrastructure	205,004,076	202,368,101	23,792,340	23,792,340	228,796,416	226,160,441
Total, Being Depreciated	244,547,977	242,247,180	23,792,340	23,792,340	268,340,317	266,039,520
Less Accumulated Depreciation:						
Buildings and Improvements	(14,149,073)	(13,374,066)	-	-	(14,149,073)	(13,374,066)
Machinery and Equipment	(8,227,255)	(8,323,878)	-	-	(8,227,255)	(8,323,878)
Infrastructure	(87,023,460)	(83,164,520)	(12,205,423)	(11,808,852)	(99,228,883)	(94,973,372)
Total Accumulated Depreciation	(109,399,788)	(104,862,464)	(12,205,423)	(11,808,852)	(121,605,211)	(116,671,316)
Total Depreciated, Net	135,148,189	137,384,716	11,586,917	11,983,488	146,735,106	149,368,204
Governmental Activities Capital Assets, Net	\$ 156,545,926	\$ 157,077,177	\$ 15,801,861	\$ 14,516,549	\$ 172,347,787	\$ 171,593,726

Major governmental activities capital asset transactions during the fiscal year ended June 30, 2015 included the following:

- Additions to construction in progress include storm drainage pump station improvements of \$3.0 million. Also, approximately \$1.3 million expended in the prior year for closed circuit television upgrades at various intersections in the City were capitalized this past year when the system upgrade was finalized.
- The additions to buildings and improvements include Americans with Disabilities Act (ADA) improvements at the Civic Center and Senior Center facilities.
- Machinery and equipment additions consist primarily of new and replacement police equipment, and includes 12 handheld citation devices, a radar trailer message board, a Digital Imaging System (DIMS), and five SWAT tactical vests.

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- Infrastructure additions totaled approximately \$2.6 million and related primarily to the previously discussed closed circuit television upgrade at various intersections throughout the City.

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

- Additions to construction in progress for infrastructure improvements of approximately \$1.7 million for sewer capacity and condition improvement projects at various locations which had not been completed as of fiscal year end.

Additional information on the City's capital assets can be found in the notes to the basic financial statements section of this report.

**Long-Term debt.** The City had total debt outstanding of \$34,503,506 at June 30, 2015. The following schedule summarizes the City's long-term liabilities.

Summary of Long-Term Debt  
As of June 30, 2015 and 2014

	2015	2014	Change
Claims Payable	\$ 1,324,217	\$ 1,299,041	\$ 25,176
Compensated Absences	2,575,299	2,398,192	177,107
Retiree's Health Benefits	2,604,000	2,083,000	521,000
Lease Revenue Bonds	1,740,000	2,120,000	(380,000)
Accrued Pension Liability	26,259,990	-	26,259,990
Total	\$ 34,503,506	\$ 7,900,233	\$ 26,603,273

Long-term debt activity during the fiscal year ended June 30, 2015 included:

- Claims payable increased slightly despite closing out and settling multiple outstanding workers' compensation claims during the year. A modest increase in general liability claims during the year accounted for the overall increase at June 30, 2015.
- An increase of \$177,107 in compensated absences due to accruals earned during the year and the impact of negotiated pay raises exceeding leave usage and payoffs for the year. Increases in compensated absences tend to occur in years where there are few retirements or resignations of long-term employees, such as in the past year.
- In accordance with GASB 45, the City had an actuarial valuation performed to determine the liability for other postemployment benefit (OPEB) plans as of June 30, 2015. The results of this actuarial valuation, and the subsequent adjustment to the net OPEB obligation in the past year, resulted in the City's liability for retiree's health benefits increasing to \$2,604,000. The increase is attributed to a new actuarial requirement to add the value of an "implied subsidy" which results when the premiums paid by both active

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employees and retirees are the same. In these situations, such as with the City, the underlying assumption is the cost of benefits to retirees exceeds those provided to active employees.

- The scheduled principal payment on the 2001 Lease Revenue Bonds of \$380,000.
- The City implemented GASB 68, which records the pension liability associated with defined benefit plans, during the fiscal year ended June 30, 2015. This is the first year the pension liability has been required to be reflected in the financial statements, therefore no comparison information is presented. The liability for all defined benefit plans totals slightly less than \$26.3 million.

The City has set aside sufficient monies in the Employees Benefits Internal Service Fund to pay for the entire OPEB obligation of \$2,604,000. Additional monies have been set-aside to cover a portion of the entire Unfunded Actuarial Accrued Liability of \$8,357,000. However, these monies have not been placed in an irrevocable trust and therefore are not considered funded assets for actuarial and GASB 45 purposes.

Additional information on both the City's long-term debt and the City's pension plans can be found in the notes to the basic financial statements section of this report.

**Economic Factors and their impact on future City Budgets**

Cypress has achieved enviable fiscal health through prudent management and oversight. The City's long history of fiscal discipline helped weather the Great Recession; maintain a commitment to first class infrastructure; and see Cypress named one of the 10 Best Places to Raise a Family in Southern California. Future annual budgets will continue the City's commitment to strategic financial management as illustrated by the organization's ability to deliver services with 29 fewer positions than FY 2006-07.

Guided by the City Council's Strategic Plan, budget growth is modest in FY 2015-16. Revenues are bolstered by consumer consumption and housing appreciation. Despite a healthy economy, adjusted for inflation, City revenues remain 12% below their pre-recessionary high, and economic development and diversifying Cypress' tax base remain priorities.

The budget takes into account a number of factors with the potential to impact the City's finances. In addition to international, national and state economic trends, much attention is paid to California's state government; the ports of Los Angeles and Long Beach; CalPERS rates and Board actions; and the employment markets. Budgets will be developed recognizing the economy may be primed for another downturn and that the City sustained massive revenue losses during the Great Recession that will take years to recover.

Historically, the City has prudently limited the operating budget's growth and funded reserve accounts with the goal of withstanding an on-going economic downturn without drastic service reductions. This approach served the community well during the Great Recession, when unlike most cities, Cypress avoided employee lay-offs and furloughs and continued to provide first class services. However, behind the scenes the depth of the economic crisis necessitated the



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elimination of vacant positions, reorganizations and deferred investments in technology and capital equipment. Future budgets will address these issues through a financially sustainable approach designed to yield a high return on the City's investments in people, projects and technology.

**Revenues.** The City's projected revenues for FY 2015-16 are \$36.7 million and do not include any tax rate increases from the previous year. The FY 2015-16 revenue budget is approximately five percent greater than the FY 2014-15 adopted revenue budget.

Revenues have been projected conservatively and realistically, taking into account the best information available from the City's sales tax consultant, the League of California Cities, the State Department of Finance, year-to-date receipts, and economic forecasts.

The City's largest General Fund revenue source is projected to transition from Property Tax (\$10 million including State backfills) to Sales Tax (\$10.7 million) in FY 2015-16. There are two reasons for this change: (1) the long standing impacts of Proposition 13 limit the increase in assessed value of property; and (2) the end of a revenue reallocation scheme the State perpetrated to bolster its revenues that, for a decade, which traded municipal Sales Tax revenue for Property Tax revenue.

Together, Property Tax (including State backfills) and Sales Tax comprise 70% of General Fund revenues. The City's revenues are largely healthy and benefiting from the long post-crisis economic recovery, however it is important to note the City must continue to diversify its revenue base and anticipate the next change in the business cycle.

**Expenditures.** FY 2015-16 expenditures accomplish Strategic Plan goals and begin the organization's recovery and realignment from the Great Recession. Other major highlights in the expenditures for the FY 2015-16 Budget are as follows:

- ◆ Maintaining current basic service levels.
- ◆ Year one of the City's updated Seven Year Capital Improvement Program totals \$16.9 million, of which \$13.3 million is being funded with General Fund/Infrastructure Reserve Fund/CIP Fund monies, \$2.5 million is funded with legally restricted monies and \$1.1 million is funded by Sewer Fund monies.
- ◆ Capital Outlay funding of \$1.1 million to acquire and/or replace computer software/hardware items, various tools and equipment, and the replacement of 13 vehicles. All capital outlay amounts are being funded with restricted special revenue funds and/or accumulated monies set-aside in the equipment replacement fund or the newly established technology investment fund.
- ◆ The operating portion of the General Fund budget increased \$0.9 million (3.5%) from the prior year. The most significant factor causing operating cost to rise includes incorporating negotiated/projected salary and benefit increases for all employee groups.

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**Requests for Information**

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



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## BASIC FINANCIAL STATEMENTS

## CITY OF CYPRESS

## STATEMENT OF NET POSITION

June 30, 2015

<b>ASSETS</b>	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
Cash and investments	\$ 120,110,639	\$ 7,254,220	\$ 127,364,859
Restricted cash and investments	1,101,030	-	1,101,030
Receivables:			
Taxes	2,487,703	76	2,487,779
Interest	76,894	4,592	81,486
Notes, net of allowance	415,896	-	415,896
Other	967,882	148,594	1,116,476
Prepaid items	69,586	250	69,836
Inventory	43,763	-	43,763
Due from Successor Agency	25,323,775	-	25,323,775
Assets available for resale	13,921,708	-	13,921,708
Internal balances	5,000,000	(5,000,000)	-
Capital assets			
Non-depreciable:			
Land	7,793,597	-	7,793,597
Construction in progress	13,604,140	4,214,944	17,819,084
Depreciable, net of accumulated depreciation:			
Building and improvements	15,981,912	-	15,981,912
Machinery and equipment	1,185,661	-	1,185,661
Infrastructure	117,980,616	11,586,917	129,567,533
TOTAL ASSETS	<u>326,064,802</u>	<u>18,209,593</u>	<u>344,274,395</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred amount from pension plans	2,603,272	-	2,603,272
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>2,603,272</u>	<u>-</u>	<u>2,603,272</u>
<b>LIABILITIES</b>			
Accounts payable and other accrued liabilities	3,467,560	126,620	3,594,180
Unearned revenue	462,852	-	462,852
Due to other governments	133,300	-	133,300
Accrued interest	43,981	-	43,981
Long-term liabilities:			
Due within one year			
Claims payable	332,000	-	332,000
Bonds payable	400,000	-	400,000
Compensated absences	643,700	-	643,700
Due in more than one year			
Claims payable	992,217	-	992,217
Bonds payable	1,340,000	-	1,340,000
Retiree's health payable	2,604,000	-	2,604,000
Compensated absences	1,931,599	-	1,931,599
Net Pension Liability	26,259,990	-	26,259,990
TOTAL LIABILITIES	<u>38,611,199</u>	<u>126,620</u>	<u>38,737,819</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred amount from pension plans	8,229,088	-	8,229,088
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>8,229,088</u>	<u>-</u>	<u>8,229,088</u>
<b>NET POSITION</b>			
Net investment in capital assets	154,805,926	15,801,861	170,607,787
Restricted:			
Public safety	1,788,565	-	1,788,565
Public works	10,678,120	-	10,678,120
Recreation	9,882,856	-	9,882,856
Sanitary Sewer	-	2,281,112	2,281,112
Other	2,701,698	-	2,701,698
Unrestricted	101,970,622	-	101,970,622
TOTAL NET POSITION	<u>\$ 281,827,787</u>	<u>\$ 18,082,973</u>	<u>\$ 299,910,760</u>

See Accompanying Notes to the Basic Financial Statements.

CITY OF CYPRESS

STATEMENT OF ACTIVITIES

For the fiscal year ended June 30, 2015

	Program Revenues				Net (Expense) Revenues and Changes in Net Position		Total
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
Governmental Activities:							
General government	\$ 3,762,129	\$ 155,590	\$ 486,912	\$ 46,027	\$ (3,073,600)	\$ -	\$ (3,073,600)
Community development	1,792,626	767,379	72,329	-	(952,918)	-	(952,918)
Public safety	13,823,314	229,721	1,073,003	-	(12,520,590)	-	(12,520,590)
Public works	11,818,556	854,062	1,754,062	810,220	(8,400,212)	-	(8,400,212)
Recreation	4,675,847	1,160,898	163,566	-	(3,351,383)	-	(3,351,383)
Interest on long-term debt	89,610	-	-	-	(89,610)	-	(89,610)
Total Governmental Activities	<u>35,962,082</u>	<u>3,167,650</u>	<u>3,549,872</u>	<u>856,247</u>	<u>(28,388,313)</u>	<u>-</u>	<u>(28,388,313)</u>
Business-type Activities:							
Sewer	<u>724,257</u>	<u>2,025,759</u>	<u>46,387</u>	<u>-</u>	<u>-</u>	<u>1,347,889</u>	<u>1,347,889</u>
Total	<u>\$ 36,686,339</u>	<u>\$ 5,193,409</u>	<u>\$ 3,596,259</u>	<u>\$ 856,247</u>	<u>\$ (28,388,313)</u>	<u>\$ 1,347,889</u>	<u>\$ (27,040,424)</u>
General Revenues:							
Taxes:							
Property tax, levied for general purpose					4,735,392	-	4,735,392
Property tax, levied for recreation purposes					4,450,954	-	4,450,954
Property tax, levied for lighting purposes					1,013,028	-	1,013,028
Property tax, levied for sewer purposes					-	14,232	14,232
Property tax, backfill of vehicle license fees					3,835,515	-	3,835,515
Sales tax					11,891,754	-	11,891,754
Transient occupancy tax					2,209,939	-	2,209,939
Franchise tax					1,724,232	-	1,724,232
Other taxes					1,678,288	-	1,678,288
Total taxes					<u>31,539,102</u>	<u>14,232</u>	<u>31,553,334</u>
Investment earnings					344,668	26,886	371,554
Miscellaneous					65,861	2,801	68,662
Total General Revenues					<u>31,949,631</u>	<u>43,919</u>	<u>31,993,550</u>
Change in Net Position, Before Special and Extraordinary Items					<u>3,561,318</u>	<u>1,391,808</u>	<u>4,953,126</u>
Special Items:							
Market value adjustment - land held for resale (Note 6)					(6,308,460)	-	(6,308,460)
Total Special Items					<u>(6,308,460)</u>	<u>-</u>	<u>(6,308,460)</u>
Extraordinary Items:							
Gain on approval of repayment agreement (Note 4)					25,323,775	-	25,323,775
Total Extraordinary Items					<u>25,323,775</u>	<u>-</u>	<u>25,323,775</u>
Change in Net Assets					22,576,633	1,391,808	23,968,441
Net Position at Beginning of Year, as Restated					<u>259,251,154</u>	<u>16,691,165</u>	<u>275,942,319</u>
Net Position at End of Year					<u>\$ 281,827,787</u>	<u>\$ 18,082,973</u>	<u>\$ 299,910,760</u>

See Accompanying Notes to the Basic Financial Statements.

CITY OF CYPRESS

BALANCE SHEET  
GOVERNMENTAL FUNDS

June 30, 2015

	<b>Major Funds</b>	
	<b>General</b>	<b>Special Revenue Recreation and Park District</b>
<b>ASSETS</b>		
Cash and investments	\$ 18,818,150	\$ 9,987,040
Restricted cash and investments	-	-
Receivables:		
Taxes	2,309,060	39,629
Interest	54,869	7,662
Prepays	6,411	18,800
Notes, net of allowance	141,434	-
Other	380,205	26,900
Due from other funds	69,833	-
Advances to other funds	-	-
Due from Successor Agency	-	-
Assets available for resale	-	-
<b>TOTAL ASSETS</b>	<b>\$ 21,779,962</b>	<b>\$ 10,080,031</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>		
<b>LIABILITIES:</b>		
Accounts payable and other accrued liabilities	\$ 1,201,486	\$ 149,598
Unearned revenue	378,275	47,577
Due to other funds	-	-
Due to other governments	133,300	-
<b>TOTAL LIABILITIES</b>	<b>1,713,061</b>	<b>197,175</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>		
Unavailable revenue	218,023	-
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>218,023</b>	<b>-</b>
<b>FUND BALANCES:</b>		
Nonspendable	6,411	18,800
Restricted	73,252	9,864,056
Committed	6,520,344	-
Assigned	13,078,088	-
Unassigned	170,783	-
<b>TOTAL FUND BALANCES</b>	<b>19,848,878</b>	<b>9,882,856</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b>\$ 21,779,962</b>	<b>\$ 10,080,031</b>

See Accompanying Notes to the Basic Financial Statements.

<b>Major Funds (Continued)</b>			
<b>Special Revenue</b>	<b>Capital Projects</b>	<b>Nonmajor Governmental Funds</b>	<b>Total</b>
<b>Streets</b>	<b>City</b>		
\$ 6,010,835	\$ 43,479,042	\$ 8,250,411	\$ 86,545,478
-	146,422	954,608	1,101,030
129,932	-	9,082	2,487,703
4,033	-	4,882	71,446
	37,500	-	62,711
-	-	274,462	415,896
246,394	-	35,224	688,723
-	-	-	69,833
-	5,000,000	-	5,000,000
-	25,323,775	-	25,323,775
-	12,500,000	1,421,708	13,921,708
<u>\$ 6,391,194</u>	<u>\$ 86,486,739</u>	<u>\$ 10,950,377</u>	<u>\$ 135,688,303</u>
\$ 731,845	\$ 1,071,222	\$ 48,146	\$ 3,202,297
-	37,000	-	462,852
62,746	-	7,087	69,833
-	-	-	133,300
<u>794,591</u>	<u>1,108,222</u>	<u>55,233</u>	<u>3,868,282</u>
-	-	-	218,023
-	-	-	218,023
-	37,500	-	62,711
5,596,603	-	10,053,136	25,587,047
-	9,437,504	-	15,957,848
-	75,903,513	842,008	89,823,609
-	-	-	170,783
<u>5,596,603</u>	<u>85,378,517</u>	<u>10,895,144</u>	<u>131,601,998</u>
<u>\$ 6,391,194</u>	<u>\$ 86,486,739</u>	<u>\$ 10,950,377</u>	<u>\$ 135,688,303</u>





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# CITY OF CYPRESS

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

June 30, 2015

Fund Balances of Governmental Funds	\$ 131,601,998
Amounts reported for governmental funds in the Balance Sheet differ from the amounts reported in the Statement of Net Position for governmental activities due to the following:	
Capital assets of governmental activities are not financial resources and, therefore, are not reported in the governmental funds. Except for the internal service fund amount of \$1,166,867 which is included in the amount reported below, the capital assets net of accumulated depreciation were equal to the following amount.	155,379,059
Interest expenditures are recognized when due, and therefore, accrued interest payable is not recorded in the governmental funds.	(43,981)
Long-term receivables are not current available resources and, therefore, are offset by a deferred inflow of resources amounts equal to the receivable in the governmental funds.	218,023
Long-term liabilities are not reported in the governmental funds.	(1,740,000)
Internal service funds are used by management to charge the costs of certain activities (including central services, employee benefits, liability insurance, and workers compensation insurance) to individual funds. The assets, deferred outflows of resources, liabilities, and deferred inflows of resources of the internal service funds are included in the Statement of Net Position for governmental activities.	<u>(3,587,312)</u>
Net Position of Governmental Activities	<u><u>\$ 281,827,787</u></u>

See Accompanying Notes to the Basic Financial Statements.

CITY OF CYPRESS

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

For the fiscal year ended June 30, 2015

	Major Funds	
	General	Special Revenue
REVENUES:		
Taxes	\$ 26,173,815	\$ 4,450,954
Licenses and permits	455,781	-
Fines and forfeitures	180,025	-
From use of property	349,770	167,104
From other agencies	156,677	95,117
Charges for services	2,834,153	1,022,738
Other revenue	174,983	39,504
<b>TOTAL REVENUES</b>	<b>30,325,204</b>	<b>5,775,417</b>
EXPENDITURES:		
Current:		
General government	3,555,118	-
Community development	1,691,151	-
Public safety	13,604,407	-
Public works	4,937,726	-
Recreation	-	4,305,974
Capital outlay	-	23,732
Debt service:		
Principal retired	-	-
Interest and charges	-	-
<b>TOTAL EXPENDITURES</b>	<b>23,788,402</b>	<b>4,329,706</b>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	6,536,802	1,445,711
OTHER FINANCING SOURCES (USES):		
Transfers in	1,416,851	-
Transfers out	(5,725,000)	(483,002)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(4,308,149)</b>	<b>(483,002)</b>
<b>NET CHANGE IN FUND BALANCES BEFORE SPECIAL AND EXTRAORDINARY ITEMS</b>	<b>2,228,653</b>	<b>962,709</b>
SPECIAL ITEM:		
Market value adjustment - land held for resale	-	-
<b>TOTAL SPECIAL ITEM</b>	<b>-</b>	<b>-</b>
EXTRAORDINARY ITEM:		
Gain on approval of repayment agreement	-	-
<b>TOTAL EXTRAORDINARY ITEM</b>	<b>-</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>2,228,653</b>	<b>962,709</b>
FUND BALANCES - BEGINNING OF YEAR (AS RESTATED)	17,620,225	8,920,147
<b>FUND BALANCES - END OF YEAR</b>	<b>\$ 19,848,878</b>	<b>\$ 9,882,856</b>

See Accompanying Notes to the Basic Financial Statements.

<b>Major Funds (Continued)</b>			
<b>Special Revenue</b>	<b>Capital Projects</b>	<b>Nonmajor Governmental Funds</b>	<b>Total</b>
<b>Streets</b>	<b>City</b>	<b>Funds</b>	
\$ -	\$ -	\$ 1,059,055	\$ 31,683,824
-	-	-	455,781
-	-	74,972	254,997
23,888	-	53,268	594,030
2,292,043	-	634,644	3,178,481
16,164	-	90,909	3,963,964
31,500	5,560	537,071	788,618
<u>2,363,595</u>	<u>5,560</u>	<u>2,449,919</u>	<u>40,919,695</u>
-	-	-	3,555,118
-	-	81,684	1,772,835
-	-	300,966	13,905,373
841,134	3,032,329	814,120	9,625,309
-	-	-	4,305,974
1,096,727	3,256,306	9,842	4,386,607
-	-	380,000	380,000
-	-	98,350	98,350
<u>1,937,861</u>	<u>6,288,635</u>	<u>1,684,962</u>	<u>38,029,566</u>
<u>425,734</u>	<u>(6,283,075)</u>	<u>764,957</u>	<u>2,890,129</u>
-	6,574,342	-	7,991,193
<u>(1,470,880)</u>	<u>-</u>	<u>(420,002)</u>	<u>(8,098,884)</u>
<u>(1,470,880)</u>	<u>6,574,342</u>	<u>(420,002)</u>	<u>(107,691)</u>
<u>(1,045,146)</u>	<u>291,267</u>	<u>344,955</u>	<u>2,782,438</u>
-	<u>(6,308,460)</u>	-	<u>(6,308,460)</u>
-	<u>(6,308,460)</u>	-	<u>(6,308,460)</u>
-	<u>25,323,775</u>	-	<u>25,323,775</u>
-	<u>25,323,775</u>	-	<u>25,323,775</u>
<u>(1,045,146)</u>	<u>19,306,582</u>	<u>344,955</u>	<u>21,797,753</u>
<u>6,641,749</u>	<u>66,071,935</u>	<u>10,550,189</u>	<u>109,804,245</u>
<u>\$ 5,596,603</u>	<u>\$ 85,378,517</u>	<u>\$ 10,895,144</u>	<u>\$ 131,601,998</u>



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CITY OF CYPRESS

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

For the fiscal year ended June 30, 2015

Net Change in Fund Balances - Total Governmental Funds \$ 21,797,753

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

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

Cost of assets capitalized 4,340,841  
Depreciation expense (less \$445,719 recorded in the Internal Service Funds) (4,793,783)

Bond proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the Statement of Net Position, however, issuing debt increases long-term liabilities and does not affect the Statement of Activities. Similarly, repayment of principal is an expenditure in the governmental funds but merely reduces the liability in the Statement of Net Position. This amount represents the net change in bonds payable. 380,000

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

Accounts receivable 209,461

In the Statement of Activities, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. This amount represents the net change in the interest payable. 8,740

Internal service funds are used by management to charge the costs of certain activities (including central services, employee benefits, liability insurance, and workers compensation insurance) to individual funds. The changes in net position of the internal service funds are reported with governmental activities. 633,621

Change in Net Position of Governmental Activities \$ 22,576,633

See Accompanying Notes to the Basic Financial Statements.

**CITY OF CYPRESS**

STATEMENT OF NET POSITION  
PROPRIETARY FUNDS

June 30, 2015

	<b>Business-type Activities - Enterprise Funds</b>	<b>Governmental Activities - Internal Service Funds</b>
	<b>Sewer Fund</b>	
	<u>          </u>	<u>          </u>
<b>ASSETS</b>		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 7,254,220	\$ 33,565,161
Receivables:		
Taxes	76	-
Interest	4,592	5,448
Other	148,594	279,159
Prepaid items	250	6,875
Inventory	-	43,763
TOTAL CURRENT ASSETS	<u>7,407,732</u>	<u>33,900,406</u>
NON-CURRENT ASSETS:		
Construction in progress	4,214,944	-
Equipment (Net)	-	1,166,867
Infrastructure (Net)	11,586,917	-
TOTAL NON-CURRENT ASSETS	<u>15,801,861</u>	<u>1,166,867</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred amount from pension plans	-	2,603,272
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>-</u>	<u>2,603,272</u>
<b>LIABILITIES</b>		
CURRENT LIABILITIES:		
Accounts payable and other accrued liabilities	126,620	265,263
Claims payable	-	332,000
Compensated absences, current portion	-	643,700
TOTAL CURRENT LIABILITIES	<u>126,620</u>	<u>1,240,963</u>
LONG-TERM LIABILITIES:		
Advances from other funds	5,000,000	-
Claims payable	-	992,217
Retiree's health payable	-	2,604,000
Compensated absences	-	1,931,599
Net pension liability	-	26,259,990
TOTAL LONG-TERM LIABILITIES	<u>5,000,000</u>	<u>31,787,806</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred amount from pension plans	-	8,229,088
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>-</u>	<u>8,229,088</u>
<b>NET POSITION</b>		
Investment in capital assets	15,801,861	1,166,867
Restricted:		
Sanitary sewer	2,281,112	-
Unrestricted	-	(4,754,179)
TOTAL NET POSITION	<u>\$ 18,082,973</u>	<u>\$ (3,587,312)</u>

See Accompanying Notes to the Basic Financial Statements.

**CITY OF CYPRESS**

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

For the fiscal year ended June 30, 2015

	<b>Business-type Activities - Enterprise Funds Sewer Fund</b>	<b>Governmental Activities - Internal Service Funds</b>
<b>OPERATING REVENUES:</b>		
Charges for services	\$ 2,025,759	\$ 13,963,736
Other revenue	2,801	277,271
TOTAL OPERATING REVENUES	2,028,560	14,241,007
<b>OPERATING EXPENSES:</b>		
Personnel services	-	1,182,161
Contractual services	-	6,367,588
Supplies and other services	-	5,398,823
Claim payments and changes in estimates	-	349,651
Sewer maintenance	289,060	-
Depreciation	396,571	445,719
TOTAL OPERATING EXPENSES	685,631	13,743,942
OPERATING INCOME	1,342,929	497,065
<b>NON-OPERATING REVENUES (EXPENSES):</b>		
Taxes	14,232	
From other agencies	46,387	
Interest income	26,886	32,005
Interest expense	(38,626)	-
Loss on disposal of equipment	-	(3,140)
TOTAL NON-OPERATING REVENUES (EXPENSES)	48,879	28,865
INCOME BEFORE TRANSFERS	1,391,808	525,930
<b>TRANSFERS:</b>		
Transfers in	-	107,691
TOTAL TRANSFERS	-	107,691
CHANGE IN NET POSITION	1,391,808	633,621
NET POSITION - BEGINNING OF YEAR (AS RESTATED)	16,691,165	(4,220,933)
NET POSITION - END OF YEAR	\$ 18,082,973	\$ (3,587,312)

See Accompanying Notes to the Basic Financial Statements.



**CITY OF CYPRESS**

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS

For the fiscal year ended June 30, 2015

	<b>Business-type Activities - Enterprise Funds Sewer Fund</b>	<b>Governmental Activities - Internal Service Funds</b>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from users	\$ 2,073,776	\$ 14,373,672
Cash payments to suppliers for goods and services	(88,967)	(11,918,829)
Cash payments to employees	(187,683)	(1,173,605)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>1,797,126</u>	<u>1,281,238</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
From taxes and other agencies	60,619	-
Transfers in	-	107,691
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	<u>60,619</u>	<u>107,691</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition of capital assets	(1,681,883)	(345,952)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(1,681,883)</u>	<u>(345,952)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest on investments	26,886	32,005
Interest expense	(38,626)	-
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>(11,740)</u>	<u>32,005</u>
INCREASE IN CASH AND INVESTMENTS	164,122	1,074,982
CASH AND INVESTMENTS - BEGINNING OF YEAR	<u>7,090,098</u>	<u>32,490,179</u>
CASH AND INVESTMENTS - END OF YEAR	<u><u>\$ 7,254,220</u></u>	<u><u>\$ 33,565,161</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income	\$ 1,342,929	\$ 497,065
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	396,571	445,719
Changes in assets and liabilities:		
Accounts receivable decreased (increased)	45,466	(4,921)
Prepaid items decreased (increased)	(250)	48,750
Inventory decreased (increased)	-	2,892
Deferred outflows decreased (increased)	-	45,535
Accounts payable and other accrued liabilities increased (decreased)	12,410	(42,003)
Insurance claims payable increased (decreased)	-	25,176
Accrued retirees health payable increased (decreased)	-	514,570
Accrued leave payable increased (decreased)	-	183,537
Accrued pension liability increased (decreased)	-	(8,664,170)
Deferred inflows increased (decreased)	-	8,229,088
TOTAL ADJUSTMENTS	<u>454,197</u>	<u>784,173</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 1,797,126</u></u>	<u><u>\$ 1,281,238</u></u>

See Accompanying Notes to the Basic Financial Statements.

**CITY OF CYPRESS**

STATEMENT OF FIDUCIARY NET POSITION  
FIDUCIARY FUNDS

June 30, 2015

	<b>Successor Agency to the City of Cypress Redevelopment Agency Private Purpose Trust Fund</b>	<b>Agency Funds</b>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 266,654	\$ 2,616,053
Restricted cash and investments	-	2,316,556
Accounts receivable	386	30,753
Prepaid items	-	63,342
Notes receivable	370,505	-
	637,545	-
TOTAL ASSETS	637,545	\$ 5,026,704
<b>LIABILITIES</b>		
Accounts payable and other accrued liabilities	66	\$ 430,851
Deposits	-	671,145
Due to other governments	-	989,582
Due to bondholders	-	2,935,126
Long-term liabilities		
Due within one year	8,207,775	-
Due in more than one year	17,116,000	-
	25,323,841	-
TOTAL LIABILITIES	25,323,841	\$ 5,026,704
<b>NET POSITION HELD IN TRUST</b>	<b>\$ (24,686,296)</b>	

See Accompanying Notes to the Basic Financial Statements.

**CITY OF CYPRESS**

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS

For the fiscal year ended June 30, 2015

	<b>Successor Agency to the City of Cypress Redevelopment Agency Private Purpose Trust Fund</b>
	<hr/>
ADDITIONS:	
Taxes	\$ 636,456
Investment Income	10,882
TOTAL ADDITIONS	<hr/> 647,338 <hr/>
DEDUCTIONS:	
Personal Services	23,229
Reimbursement to City for Lease Revenue Bonds	464,741
Interest	67,686
TOTAL DEDUCTIONS	<hr/> 555,656 <hr/>
CHANGE IN NET POSITION	91,682
NET POSITION - BEGINNING OF YEAR	<hr/> (24,777,978) <hr/>
NET POSITION - END OF YEAR	<hr/> \$ (24,686,296) <hr/>

See Accompanying Notes to the Basic Financial Statements.

## CITY OF CYPRESS

Notes to the Basic Financial Statements, Continued

For the Fiscal Year Ended June 30, 2015

### (1) Summary of Significant Accounting Policies

#### A. Reporting Entity

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

#### Cypress Recreation and Park District

The Cypress Recreation and Park District was formed in 1949 to provide park and recreational facilities for the areas now known as the Cities of Cypress and La Palma and adjacent unincorporated areas plus small portions of the adjacent cities of Los Alamitos, Buena Park and Anaheim. The District was under the control of the Orange County Board of Supervisors until 1971, when the City of La Palma and the other aforementioned cities withdrew from the District. On June 29, 1971, the District was established as a subsidiary district of the City, effective July 1, 1971. The members of the City Council act as the governing board of the District. The District is managed by employees of the City and overhead expenses are billed to the District each year. The fiscal year-end is June 30, the same as the City.

#### B. Accounting and Reporting Policies

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

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

##### Government –Wide Financial Statements

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

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

## CITY OF CYPRESS

Notes to the Basic Financial Statements, Continued

For the Fiscal Year Ended June 30, 2015

### (1) Summary of Significant Accounting Policies (Continued)

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

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

#### Governmental Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With the current financial resources measurement focus, only current assets and deferred outflows of resources, and current liabilities and deferred inflows of resources, are generally included on the balance sheet. Under the modified accrual basis of accounting, revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to other long-term liabilities, are recorded only when payment is due.

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

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

The City reports the following major governmental funds:

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

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

The Streets Special Revenue Fund – This fund accounts for receipts and expenditures of money apportioned under the State of California Streets and Highway Code Sections 2103, 2105, 2106, 2107 and 2107.5; Measure “M” money from Orange County; and Traffic Mitigation Fees charged by the City.

## CITY OF CYPRESS

Notes to the Basic Financial Statements, Continued

For the Fiscal Year Ended June 30, 2015

### (1) Summary of Significant Accounting Policies (Continued)

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

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

The City reports the following major proprietary fund:

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

Additionally, the City reports the following fund types:

#### **Governmental Funds**

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

Debt Service Fund – The Debt Service fund is used to account for the servicing of long-term debt of the City that is being reimbursed by the Successor Agency.

#### **Proprietary Funds**

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

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund’s principal ongoing operations. The principal operating revenues of the enterprise fund are charges to customers for use of the sanitary sewer system, while the principal operating revenues of the internal service funds are charges to departments in the governmental funds of the City for services. Operating expenses for the enterprise fund and the internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

## CITY OF CYPRESS

Notes to the Basic Financial Statements, Continued

For the Fiscal Year Ended June 30, 2015

### (1) Summary of Significant Accounting Policies (Continued)

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

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

#### Fiduciary Funds

Agency Funds – Agency funds are used to account for various activities in which the City acts as an agent. The Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The City's agency funds include amounts held for developer deposits, cash held with fiscal agent for non-city debt obligations, and amounts held on behalf of the West Cities Communication Center Joint Powers Authority.

Private-Purpose Trust Funds – Private-Purpose Trust funds are used to account for the activities of the Successor Agency to the Cypress Redevelopment Agency in which the City acts as an agent. The private-purpose fiduciary fund is accounted for using the economic resources measurement focus and uses the accrual basis of accounting. With the flow of economic resources measurement focus, all assets and liabilities associated with the Successor Agency are included on the statement of net position. Net position is reported as net position held in trust. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

#### D. Cash and Investments

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

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

#### E. Inventory

Inventories are valued at average cost and consist primarily of central stores, automotive parts and equipment, fuels, lubricants and other miscellaneous materials and supplies. The City follows the consumption method for inventory control whereby inventory items are reported as expenditures when consumed rather than when purchased.

#### F. Advances to Other Funds

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

**CITY OF CYPRESS**

Notes to the Basic Financial Statements, Continued

For the Fiscal Year Ended June 30, 2015

**(1) Summary of Significant Accounting Policies (Continued)**

**G. Capital Assets**

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

**H. Compensated Absences**

Compensated leave for all permanent employees is paid by the Employees' Benefit Internal Service Fund. The accrued leave payable represents the estimated liability for all accrued vacation, compensatory time, and 50% of the sick leave, as noted below, for all employees of the reporting entity. However, 100% of the sick leave has been accrued for Police Association members eligible for Service Retirement. The Employee Benefit Fund is funded by payroll charges to other funds based on benefits earned during that year. Compensated absences are primarily considered a long-term liability, as accruals earned in each fiscal year are generally sufficient to cover leave taken during the same fiscal year. An estimate has been made for the portion of the liability at fiscal year end that will be due within one year for any employees terminating employment and receiving a payoff of their accrued leave balances.

Permanent employees may accumulate unlimited sick leave hours. Employees with 5 years of service terminated for any reason, and having 60 days or more of accumulated sick leave (equal to 480 hours), will be paid for 50% of their accumulated sick leave. Employees with more than 5 years of service terminated for any reason, and having between 240 hours and 480 hours, will be paid for 50% of their accumulated sick leave in excess of 240 hours. Employees having less than 240 hours will not be paid for their accumulated sick leave. The accumulation of vacation leave is generally limited to twice an employees' annual accrual. Employees who terminate for any reason are paid 100% of their accumulated vacation pay.

**I. Long-Term Obligations**

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



## CITY OF CYPRESS

### Notes to the Basic Financial Statements, Continued

For the Fiscal Year Ended June 30, 2015

#### (1) Summary of Significant Accounting Policies (Continued)

##### I. Long-Term Obligations (Continued)

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

##### J. Net Position and Fund Equity

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

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

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

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

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

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

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

Committed – Committed fund balances encompass the portion of net fund resources, the use of which is constrained by limitations that the government imposes upon itself at its highest level of decision making, normally the governing body, and that remain binding unless removed in the same manner. The City Council is considered the highest authority for the City and the adoption of a formal resolution or the formal award of a contract by the City Council is required to establish a fund balance commitment. Additionally, commitments (other than those associated with the award of a contract) can only be modified or rescinded by the adoption of a formal resolution of the City Council.

Assigned – Assigned fund balances encompass the portion of net fund resources reflecting the government’s intended use of resources. Assignment of resources can be done by the highest level of decision making or by an official designated for that purpose. The City Council has adopted a resolution that authorizes the Director of Finance to assign fund balances.

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

## CITY OF CYPRESS

Notes to the Basic Financial Statements, Continued

For the Fiscal Year Ended June 30, 2015

### (1) Summary of Significant Accounting Policies (Continued)

#### K. Spending Policy

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

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

#### L. Use of Estimates

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

#### M. New Accounting Pronouncements

##### Current Year Standards:

In fiscal year 2014-15, the City implemented Governmental Accounting Standards Board (GASB) Statement No. 68, "*Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27*", and GASB Statement No. 71, "*Pension Transition for Contributions Made Subsequent to the Measurement Date, an Amendment of GASB Statement No. 68*". These Statements establish standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenses. For defined benefit pension plans, these Statements identify the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Accounting changes adopted to conform to the provisions of these statements should be applied retroactively. The result of the implementation of these standards decreased the governmental activities and internal service funds net position at July 1, 2014 by \$32,275,353.

GASB Statement No. 69 - "*Government Combinations and Disposals of Government Operations*" was required to be implemented in the current fiscal year and did not impact the City.

##### Pending Accounting Standards:

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

GASB Statement No. 72 - "*Fair Value Measurement and Applications*", effective for periods beginning after June 15, 2015.

GASB Statement No. 73 - "*Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*", effective for periods beginning after June 15, 2015 - except for those provisions that address employers and governmental non-employer contributing entities for pensions that are not within the scope of Statement 68, which are effective for periods beginning after June 15, 2016.

## CITY OF CYPRESS

Notes to the Basic Financial Statements, Continued

For the Fiscal Year Ended June 30, 2015

### (1) Summary of Significant Accounting Policies (Continued)

#### M. New Accounting Pronouncements (Continued)

GASB Statement No. 74 – “*Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*”, effective for periods beginning after June 15, 2016.

GASB Statement No. 75 – “*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*”, effective for periods beginning after June 15, 2017.

GASB Statement No. 76 – “*The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*”, effective for periods beginning after June 15, 2015.

#### N. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and governmental funds balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expenditure) until that time. The City has two items that qualify for reporting in this category. The first item is a deferred outflow related to pensions. This amount is equal to employer contributions made after the measurement date of the net pension liability. The second item is a deferred outflow related to pensions for the changes in proportion and differences between employer’s contributions and the proportionate share of contributions. This amount is amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions through the Plans determined as of June 30, 2013 (the beginning of the measurement period ended June 30, 2014), which is 3.8 years.

In addition to liabilities, the statement of net position and governmental funds balance sheet may report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City reported two items in this category. The first item, which arises only under the modified accrual basis of accounting, *unavailable revenues*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from one source, accounts receivable. This amount is deferred and recognized as an inflow of resources in the period that the amounts become available. The second item is a deferred inflow related to pensions resulting from the difference in projected and actual earnings on investments of the pension plan fiduciary net position. This amount is amortized over five years.

#### O. 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 City’s California Public Employees’ Retirement System (CalPERS) 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.

## CITY OF CYPRESS

### Notes to the Basic Financial Statements, Continued

For the Fiscal Year Ended June 30, 2015

#### (2) **Property Taxes**

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

The County is permitted by State Law (Proposition 13) to levy taxes at 1% of full market value (at time of purchase) and can increase the property tax rate no more than 2% per year. The City receives a share of this basic levy proportionate to what it received in the 1976 to 1978 period adjusted by State mandated transfers to the various school districts in fiscal years ended June 30, 1993 and June 30, 1994.

#### (3) **Cash and Investments**

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

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

#### **Authorized Investments**

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

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

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

**CITY OF CYPRESS**

Notes to the Basic Financial Statements, Continued

For the Fiscal Year Ended June 30, 2015

**(3) Cash and Investments**

**Deposits and Risks**

At June 30, 2015, the carrying amount of the City's demand deposits was \$5,190,862. The bank balances of these funds totaled \$5,439,537 and were either covered by federal depository insurance or were held in collateralized accounts. If there were amounts not covered by federal depository insurance, the California Government Code requires California banks and savings and loans associations to secure a City's deposit by pledging government securities with a value of 110% of a City's deposits, or by pledging first trust deed mortgage notes having a total value of 150% of the City's total deposits.

The following is a summary of pooled cash and investments, including restricted cash and investments, as of June 30, 2015:

	Government Wide Statement of Net Assets		Fiduciary Funds	Totals
	Governmental Activities	Business-type Activities	Statement of Net Assets	
Cash and investments	\$ 120,110,639	\$ 7,254,220	\$ 2,882,707	\$ 130,247,566
Restricted cash and investments	1,101,030	-	2,316,556	3,417,586
<b>Totals</b>	<b>\$ 121,211,669</b>	<b>\$ 7,254,220</b>	<b>\$ 5,199,263</b>	<b>\$ 133,665,152</b>

Restricted cash and investments held by the fiscal agent which are reported in governmental activities are restricted for the payment of principal and interest on the City's 2001 Lease Revenue Bonds. In the fiduciary agency fund, restricted cash and investments relate to monies held by fiscal agents for special assessment bonds.

As of June 30, 2015, the City had the following investments and maturities:

	Fair Value	Maturity
<b>Deposits:</b>		
Demand Deposits	\$ 5,190,862	One Year or Less
Escrow Deposits	146,422	One Year or Less
<b>Investments:</b>		
Money Market Accounts	1,801,918	One Year or Less
Federal Home Loan Bank	2,003,172	One Year or Less
Federal Home Loan Bank	6,994,416	Between Two and Five Years
Federal Farm Credit Bank	16,021,514	Between One and Five Years
Guaranteed Investment Contracts	970,500	Between Two and Five Years
Repurchase Agreement	498,750	More than 10 Years
State of California Local Agency Investment Fund	100,037,598	One Year or Less
<b>Total Cash and Investments</b>	<b>\$ 133,665,152</b>	

## CITY OF CYPRESS

Notes to the Basic Financial Statements, Continued

For the Fiscal Year Ended June 30, 2015

### (3) Cash and Investments (Continued)

#### Deposits and Risks (Continued)

The investment policy of the City contains no limitations on the amount that can be invested in one issuer beyond that stipulated by the California Government Code. Investments in any one issuer that represent 5% or more of the total City's investments (other than external investment pools) are Federal Home Loan Bank securities totaling \$8,997,588 and Federal Farm Credit Bank securities totaling \$16,021,514 at June 30, 2015.

*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, 2015, approximately 80% of the City's pooled cash and investments had a maturity of less than one year with an average life of the portfolio slightly more than 202 days.

*Credit Risk.* State law limits investments in commercial paper and corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations (NRSROs). It is the City's practice to limit its investments in these investment types to the top rating issued by NRSROs, including raters Standard & Poor's and Moody's Investors Service. At June 30, 2015, the City's credit risk for the money market accounts were AAA rated by Standard & Poor's and the City's credit risk for the Federal Farm Credit Bank and Federal Home Loan Bank securities were all AA+ rated by Standard & Poor's. The amounts invested in guaranteed investment contracts were not rated at June 30, 2015. 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. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments.

#### 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 \$50,000,000 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, 2015 the factor used was 1.000375979. The City's investment with LAIF includes a portion of pool funds invested in structured notes and asset-backed securities. As of June 30, 2015, the City had total deposits of \$100,000,000 invested in LAIF, with a fair market value of \$100,037,598. LAIF had invested 2.08% of the pool's funds in structured notes and asset-backed securities.

**CITY OF CYPRESS**

Notes to the Basic Financial Statements, Continued

For the Fiscal Year Ended June 30, 2015

**(4) Notes Receivable**

**Changes in Notes Receivable**

The following is a summary of note receivable transactions for governmental activities for the year ended June 30, 2015:

Description	Balance			Balance June 30, 2015	Classification	
	July 1, 2014	Additions	Deletions		Due Within One Year	Due in More than One Year
Home Loans	\$ 1,024,326	\$ 60,000	\$ (132,605)	\$ 951,721	\$ 6,600	\$ 945,121
Housing Covenants	10,364,391	148,428	-	10,512,819	-	10,512,819
Other Notes	8,562	-	(428)	8,134	450	7,684
Subtotal	11,397,279	208,428	(133,033)	11,472,674	7,050	11,465,624
Less: Allowance	(10,958,406)	(208,428)	110,056	(11,056,778)	-	(11,056,778)
Total	\$ 438,873	\$ -	\$ (22,977)	\$ 415,896	\$ 7,050	\$ 408,846

**Home Loans**

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

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

In the fund financial statements and government-wide statements for all loans, a note receivable is recorded when issued to the homeowner and is decreased upon repayment. The City holds notes due from homeowners totaling \$407,763 (which is net of an allowance of \$543,958 for forgivable loans) at June 30, 2015 in both the fund financial statements and the government-wide statements.

## CITY OF CYPRESS

### Notes to the Basic Financial Statements, Continued

For the Fiscal Year Ended June 30, 2015

#### (4) Notes Receivable (Continued)

##### Housing Covenants

The City holds notes receivable totaling \$10,512,819 (including accrued interest) related to affordability covenants entered into by the dissolved Agency associated with the following five projects described below. Upon dissolution of the Agency on February 1, 2012, the notes were transferred to the City and are recorded in the Low and Moderate Housing Assets Special Revenue Fund.

In 2004, the 13 unit Lincoln Glen townhome project was constructed in the Lincoln Avenue Redevelopment Project Area. To address the inclusionary affordability requirement triggered by the development, five (5) units were restricted for sale to affordable households. Silent second first-time homebuyer loans were provided to secure long term (45 year) affordability covenants on these units. The loans provide for interest to accrue at a rate of 7% per year. Two (2) units received \$57,700 loans and were reserved for low income households (80% or less of County median income) and three (3) units received \$37,350 loans and were reserved for moderate income households (up to 120% of County median income). Four of the loans (and their associated affordability covenants) were recorded in late 2004 and the remaining loan closed in early 2005. These loans, totaling \$227,450 plus accrued interest of \$219,979 at June 30, 2015, will be forgiven at the end of the 45 year covenant term.

To address the inclusionary affordability requirement triggered by the construction of the 63 unit Lincoln Square town project in 2007, ten (10) units received \$35,000 silent second loans which covenanted them as affordable to moderate income households for a period of 45 years. All the loans were recorded in 2007 and provide for interest to accrue at a rate of 7% per year. All of the loans, totaling \$350,000 plus accrued interest of \$227,760 at June 30, 2015, are forgivable at the end of the covenant term.

In 2004, the Agency entered into an affordable housing agreement to provide a \$774,473 loan to Habitat for Humanity of Orange County to acquire a property and build seven (7) townhome units known as the Cypress Heather development. The units were sold to very low income families (with incomes not exceeding 50% of the County's median). Each family assumed one-seventh of the Agency's loan with Habitat and these loans were recorded in 2007 and secured 45 year affordability covenants on the units. The loans provide for interest to accrue at a rate of 7% and be added to the loan principal each year. The loans, totaling \$774,473 plus accrued interest of \$469,161 at June 30, 2015, are forgivable at the end of the 45 year term.

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

In 2011, the Agency entered into a disposition and development agreement with Habitat for Humanity of Orange County to sell the Agency's property located at 6122 Lincoln Avenue to Habitat for the development of 15 townhome units restricted for sale to income qualified households. The agreement stipulated that the Agency would provide Habitat a loan for \$1,455,000 in exchange for the development of six (6) moderate income units, four (4) low income units and five (5) very low income units. The units must remain affordable at these income levels for at least 45 years. The Agency's loan to Habitat will be forgiven following Habitat's sale of the last unit to an income qualified household. Unit construction has commenced and project completion is anticipated to occur in 2015.



## CITY OF CYPRESS

### Notes to the Basic Financial Statements, Continued

For the Fiscal Year Ended June 30, 2015

#### (4) Notes Receivable (Continued)

##### Housing Covenants (Continued)

In the fund financial statements, a note receivable is recorded upon initial funding of the loan with a corresponding amount recorded as an allowance for uncollectable amount since these notes will likely be forgiven prior to payment being due. This results in no impact to the fund balance reported in the fund financial statements. Similarly in the government-wide statements, a note receivable is recorded when issued to the homeowner and would be decreased upon a repayment. However since all the loans associated with covenants are forgivable and will likely never be repaid, an allowance for forgivable loans of \$10,512,819 has fully offset the amount reported as notes receivable in the government-wide statements at June 30, 2015.

##### Due from Successor Agency

On May 22, 2012 the City and Successor Agency approved and entered into a restated and re-entered repayment agreement which approved a note between the City and Successor Agency for \$23,920,000 plus accrued interest of \$1,196,000 through June 30, 2012. This note replaced the previous note reported as an interfund advance between the City and the Agency that had an outstanding principal balance of \$23,920,000 at the time of the dissolution of the Agency. The terms of the restated and re-entered repayment agreement provide for \$23,920,000 (plus accrued interest through June 30, 2012 of \$1,196,000) to be repaid by the Successor Agency in increments of \$2,000,000 beginning on June 30, 2013 and continuing through June 30, 2024. The remaining balance of \$1,116,000 will be repaid on June 25, 2025. In addition to the annual payments of principal, interest on the unpaid principal balance will be paid to the City each June 30<sup>th</sup> at a rate equal to the amount earned on the State's Local Agency Investment Fund (LAIF).

Repayment of both the principal and accrued interest was contingent upon the State of California Department of Finance (DOF) approving this restated and re-entered repayment agreement as an "enforceable obligation". The DOF had previously disallowed the restated and re-entered agreement between the City and Successor Agency, which had resulted in recording extraordinary losses totaling \$25,116,000 in prior periods. The DOF recently approved the agreement for \$25,116,000 plus accrued interest of 207,775 which will be repaid between January 2016 and June 2025. The approval covered three years of past due principal totaling \$6,000,000, the \$2,000,000 principal payment due June 30, 2016 and accrued interest through June 30, 2016. Repayment on the agreement for current and past due amounts is expected to begin in January 2016 and will be equal to amounts available for funding by the Successor Agency.

A total of \$207,775 in accrued and unpaid interest has been added to the outstanding note balance during the last three fiscal years, which resulted in a total outstanding balance of \$25,323,775 at June 30, 2015. An extraordinary gain on the approval of the repayment agreement totaling \$25,323,775 has been recorded in both the government-wide financial statements and the City's Capital Projects Fund in the fund financial statements.

**CITY OF CYPRESS**

Notes to the Basic Financial Statements, Continued

For the Fiscal Year Ended June 30, 2015

**(5) Interfund Transactions**

**Interfund Balances**

The following summarizes the total due to and from other funds as of June 30, 2015:

		Due To	
		General Fund	Total
Due From	Non-major Governmental Funds	\$ 69,833	\$ 69,833
	<b>Total</b>	<u>\$ 69,833</u>	<u>\$ 69,833</u>

**Interfund Advances**

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

The following summarizes the total outstanding advances to and from other funds as of June 30, 2015:

		Advances to	
		Proprietary Funds	Total
Advances from	Enterprise - Sewer Fund		
	Capital Projects Fund - City	\$ 5,000,000	\$ 5,000,000
	<b>Total</b>	<u>\$ 5,000,000</u>	<u>\$ 5,000,000</u>

On March 23, 2009, the City approved the execution of a \$6.0 million promissory note between the City's General Fund and the City's Sewer Fund effective on June 30, 2009. The terms of the note provide for repayment in five-years on June 30, 2014 with interest paid annually at a rate equal to the rate earned on the State's Local Agency Investment Fund (LAIF) plus one-half of one percent. The purpose of the note was to provide immediate cash flow to fund necessary capital projects identified in the master plan prepared for the City's sanitary sewer system. Repayment will be made through gradual sewer user rate increases which were approved during the fiscal year ended June 30, 2008. Effective on July 1, 2009, the outstanding note was transferred from the General Fund to the City's Capital Projects Fund. On June 30, 2015, the \$6.0 million note matured and the Sewer Fund repaid the City's Capital Projects Fund a total of \$1.0 million and the balance of \$5.0 million was renewed for an additional five-year term with the same terms as the original note.

**CITY OF CYPRESS**

Notes to the Basic Financial Statements, Continued

For the Fiscal Year Ended June 30, 2015

**(5) Interfund Transactions (Continued)**

**Interfund Transfers**

With City Council approval, resources may be transferred from one City fund to another. The purpose of transfers is to move funding from its original source to the fund in which the authorized expenditures are expected to occur. Transfers between funds during the fiscal year ended June 30, 2015 are as follows:

		<b>Transfers Out</b>				
		General Fund	Recreation and Park District Fund	Streets Fund	Non-major Governmental Funds	Totals
<b>Transfers In</b>	General Fund	\$ -	\$ -	\$ 1,135,956	\$ 280,895	\$ 1,416,851
	Capital Projects Fund - City	5,725,000	481,176	334,924	33,242	6,574,342
	Internal Service Funds	-	1,826		105,865	107,691
	<b>Totals</b>	<u>\$ 5,725,000</u>	<u>\$ 483,002</u>	<u>\$ 1,470,880</u>	<u>\$ 420,002</u>	<u>\$ 8,098,884</u>

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

The transfer to the General Fund from the non-major Governmental Funds provided resources for Traffic Safety, Narcotics Asset Seizure eligible expenditures, as well as administrative costs associated with the Stanton Channel Maintenance District and Lighting District funds.

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

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

The transfer to the Capital Projects Fund – City from the Streets Fund provided funding for eligible capital improvements for residential street resurfacing and bikeway projects and from the Narcotics Asset Seizure Fund (Non-major Governmental Funds) for upgrades to the police department’s emergency operations center.

The transfers to the Internal Service Funds from the various City operating funds provided resources for the initial purchase of capital outlay items out of the City’s Central Services Funds.

**(6) Assets Available for Resale**

During the fiscal year ended June 30, 2004, the former redevelopment Agency acquired a parcel of land with a cost of \$1,421,708 located at 5732 Lincoln. At the time of purchase, it was the intent of the Agency to resell this parcel for the development of low and moderate income housing units. The parcel was transferred to the City upon dissolution of the Agency on February 1, 2012. As of June 30, 2015, the City retained ownership of the parcel of land and \$1,421,708 is classified as assets available for resale in the Low and Moderate Housing Assets Fund.

**CITY OF CYPRESS**

Notes to the Basic Financial Statements, Continued

For the Fiscal Year Ended June 30, 2015

**(6) Assets Available for Resale (Continued)**

On November 15, 2006, the Agency purchased approximately 13.33 acres of land located at the northwest corner of Winners Circle and Katella Avenue. The basis of the land was \$20,257,703 and it was the intent of the Agency to enter a Development and Disposition Agreement with a developer for retail development that was consistent with the goals of the Agency. On March 8, 2011, the Agency sold the land to the City for its appraised value of \$18,580,000. The cost basis of the land had grown to \$18,808,460, however, the land was written down to its fair market value of \$12,500,000 as of June 30, 2015, based on a recent broker opinion of value. A special item for \$6,308,460 due to the market value adjustment has been recorded in both the government-wide financial statements and the City's Capital Projects Fund in the fund financial statements.

The City intends to explore retail development opportunities for the property; however, no development agreements had been entered into as of June 30, 2015.

**(7) Capital Assets and Depreciation**

In accordance with GASB 34, the City has reported all capital assets including infrastructure in the Government-Wide Statement of Net Position. The City elected to use the basic approach (as defined by GASB 34) for all infrastructure reporting in which depreciation expense and accumulated depreciation has been recorded. At June 30, 2015, the City's capital assets consisted of the following:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Capital Assets, Not Depreciated:			
Land	\$ 7,793,597	\$ -	\$ 7,793,597
Construction in Progress	13,604,140	4,214,944	17,819,084
Total, Not Depreciated	<u>21,397,737</u>	<u>4,214,944</u>	<u>25,612,681</u>
Capital Assets, Being Depreciated:			
Buildings and Improvements	30,130,985	-	30,130,985
Machinery and Equipment	9,412,916	-	9,412,916
Infrastructure	<u>205,004,076</u>	<u>23,792,340</u>	<u>228,796,416</u>
Total, Being Depreciated	<u>244,547,977</u>	<u>23,792,340</u>	<u>268,340,317</u>
Less Accumulated Depreciation:			
Buildings and Improvements	(14,149,073)	-	(14,149,073)
Machinery and Equipment	(8,227,255)	-	(8,227,255)
Infrastructure	<u>(87,023,460)</u>	<u>(12,205,423)</u>	<u>(99,228,883)</u>
Total Accumulated Depreciation	<u>(109,399,788)</u>	<u>(12,205,423)</u>	<u>(121,605,211)</u>
Total Depreciated, Net	<u>135,148,189</u>	<u>11,586,917</u>	<u>146,735,106</u>
Total Capital Assets, Net	<u>\$ 156,545,926</u>	<u>\$ 15,801,861</u>	<u>\$ 172,347,787</u>

**CITY OF CYPRESS**

Notes to the Basic Financial Statements, Continued

For the Fiscal Year Ended June 30, 2015

**(7) Capital Assets and Depreciation (Continued)**

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

	Governmental Activities			Balance June 30, 2015
	Balance June 30, 2014	Additions	Deletions	
Capital Assets, Not Depreciated:				
Land	\$ 7,793,597	\$ -	\$ -	\$ 7,793,597
Construction in Progress	11,898,864	4,383,243	(2,677,967)	13,604,140
Total, Not Depreciated	<u>19,692,461</u>	<u>4,383,243</u>	<u>(2,677,967)</u>	<u>21,397,737</u>
Capital Assets, Being Depreciated:				
Buildings and Improvements	30,281,602	-	(150,617)	30,130,985
Machinery and Equipment	9,597,477	406,191	(590,752)	9,412,916
Infrastructure	202,368,101	2,635,975	-	205,004,076
Total, Being Depreciated	<u>242,247,180</u>	<u>3,042,166</u>	<u>(741,369)</u>	<u>244,547,977</u>
Less Accumulated Depreciation:				
Buildings and Improvements	(13,374,066)	(925,624)	150,617	(14,149,073)
Machinery and Equipment	(8,323,878)	(454,938)	551,561	(8,227,255)
Infrastructure	(83,164,520)	(3,858,940)	-	(87,023,460)
Total Accumulated Depreciation	<u>(104,862,464)</u>	<u>(5,239,502)</u>	<u>702,178</u>	<u>(109,399,788)</u>
Total Depreciated, Net	<u>137,384,716</u>	<u>(2,197,336)</u>	<u>(39,191)</u>	<u>135,148,189</u>
Governmental Activities Capital Assets, Net	<u>\$ 157,077,177</u>	<u>\$ 2,185,907</u>	<u>\$ (2,717,158)</u>	<u>\$ 156,545,926</u>

Depreciation expense was charged to functions/programs of governmental activities for the fiscal year ended June 30, 2015 as follows:

General Government	\$ 334,958
Recreation and Parks	434,002
Public Safety	125,036
Public Works	3,899,787
Internal Service Funds Depreciation (Charged to Programs Based on Usage)	<u>445,719</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 5,239,502</u>

**CITY OF CYPRESS**

Notes to the Basic Financial Statements, Continued

For the Fiscal Year Ended June 30, 2015

**(7) Capital Assets and Depreciation (Continued)**

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

	Business-type Activities			
	Balance June 30, 2014	Additions	Deletions	Balance June 30, 2015
Capital Assets, Not Depreciated:				
Construction in Progress	\$ 2,533,061	\$ 1,681,883	\$ -	\$ 4,214,944
Total, Not Depreciated	2,533,061	1,681,883	-	4,214,944
Capital Assets, Being Depreciated:				
Infrastructure	23,792,340	-	-	23,792,340
Total, Being Depreciated	23,792,340	-	-	23,792,340
Less Accumulated Depreciation:				
Infrastructure	(11,808,852)	(396,571)	-	(12,205,423)
Total Accumulated Depreciation	(11,808,852)	(396,571)	-	(12,205,423)
Total Depreciated, Net	11,983,488	(396,571)	-	11,586,917
Business-type Activities Capital Assets, Net	<u>\$ 14,516,549</u>	<u>\$ 1,285,312</u>	<u>\$ -</u>	<u>\$ 15,801,861</u>

Depreciation expense for business-type activities for the fiscal year ended June 30, 2015 was charged as follows:

Sewer	<u>\$ 396,571</u>
Total Depreciation Expense - Business-type Activities	<u>\$ 396,571</u>

**(8) Long-Term Debt**

**Changes in Long-Term Liabilities**

The following is a summary of changes in long-term liabilities for governmental activities for the year ended June 30, 2015:

Description	Balance			Balance June 30, 2015	Classification	
	July 1, 2014 (As Restated)	Additions	Deletions		Due Within One Year	Due in More than One Year
Claims Payable	\$ 1,299,041	\$ 226,219	\$ (201,043)	\$ 1,324,217	\$ 332,000	\$ 992,217
Lease Revenue Bonds	2,120,000	-	(380,000)	1,740,000	400,000	1,340,000
Compensated Absences	2,398,192	1,647,021	(1,469,914)	2,575,299	643,700	1,931,599
	<u>\$ 5,817,233</u>	<u>\$ 1,873,240</u>	<u>\$ (2,050,957)</u>	<u>\$ 5,639,516</u>	<u>\$ 1,375,700</u>	<u>\$ 4,263,816</u>

**CITY OF CYPRESS**

Notes to the Basic Financial Statements, Continued

For the Fiscal Year Ended June 30, 2015

**(8) Long-Term Debt (Continued)**

**Changes in Long-Term Liabilities (Continued)**

Internal service funds serve the governmental funds. All compensated absence amounts above relate to the internal service funds and are generally liquidated by the general fund through charges from the internal service funds. Claims payable are recorded in the internal service funds and are discussed in more detail in Note 12.

In July 2001, the City issued \$5,505,000 in Lease Revenue Bonds (Civic Center Refinancing and Improvement Projects) and the proceeds of the debt were used to refinance the City's 1991 Certificates of Participation. The proceeds of the Certificates of Participation funded the construction of the Senior Citizens' Center and provided monies to the Agency to repay outstanding debt. The Lease Revenue Bonds were issued in connection with the lease-leaseback of certain real property and civic center buildings located thereon. The site was leased to the Agency under a base lease then leased back to the City by the Agency. The terms of the lease-leaseback agreement with the Lease Revenue Bonds were identical to the terms under the Certificates of Participation whereby the annual lease amount was equal to the annual debt service requirement less any investment earnings during the year. The bonds were sold at interest rates ranging between 3.0% and 5.0%, with maturities from July 1, 2002 through July 1, 2021, and were expected to be repaid from future tax increment monies collected by the Agency. However upon the dissolution of the Agency, the Successor Agency assumed the responsibility for reimbursing the City in connection with the lease-leaseback agreement and a total of \$464,741 was paid by the Successor Agency to the City during the fiscal year ended June 30, 2015. These payments by the Successor Agency relate to the required debt payments on the Lease Revenue Bonds due January 1, 2015 and July 1, 2015 and have been approved by the California Department of Finance as enforceable obligations. The future reimbursement of debt service expenditures associated with the Lease Revenue Bonds will be subject to the annual approval by the California Department of Finance. The outstanding principal of the Lease Revenue Bonds at June 30, 2015 totaled \$1,740,000.

The total principal and interest remaining to be paid on the bonds is \$1,924,005 as of June 30, 2015. The annual requirements to amortize the Lease Revenue Bonds as of June 30, 2015 are as follows:

<b>Year Ending June 30:</b>	<b>Interest</b>	<b>Principal</b>	<b>Total</b>
2016	\$78,562	\$400,000	\$478,562
2017	58,137	420,000	478,137
2018	35,431	445,000	480,431
2019	11,875	475,000	486,875
	<u>\$184,005</u>	<u>\$1,740,000</u>	<u>\$1,924,005</u>

The Lease Revenue Bonds are subject to federal arbitrage regulations. The City calculated no arbitrage rebate due as of November 2011 and will next calculate arbitrage in November 2016.

**Non-City Obligations - Community Facilities District Special Tax Bonds**

On November 20, 1990, \$13,590,000 of Special Tax Bonds were issued to provide improvements within the Community Facilities District No. 1 (Sorrento Homes) of the City (hereafter referred to as the CFD). Properties located in the CFD are assessed through a special tax for the cost of improvements with these assessments being payable over 25 years (term of debt issued). The bonds are limited obligations of the CFD payable solely from the special tax or funds held pursuant to the trust indenture. Neither the faith and credit nor the taxing power of the City is pledged to the payment of the bonds. The City has no obligation beyond the cash balances in the Agency Fund for any delinquent CFD bond payments. The City acts solely as an agent for levying the assessments and paying the bondholders.

## CITY OF CYPRESS

Notes to the Basic Financial Statements, Continued

For the Fiscal Year Ended June 30, 2015

### (8) Long-Term Debt (Continued)

#### Changes in Long-Term Liabilities (Continued)

The CFD advance refunded the 1990 issue in 1994 in order to obtain more favorable interest rates. The 1994 issue was for \$14,425,000. In June 2004, the CFD subsequently refunded the 1994 issue to once again lower interest costs. At June 30, 2015, the CFD held cash and investments on behalf on the bondholders in the Agency Fund totaling \$2,156,381. The outstanding CFD bonds at June 30, 2015 totaled \$1,980,000. No additional special taxes will be levied for this CFD.

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

On February 18, 1998, \$2,160,000 of Limited Obligation Improvement Bonds were issued to finance the acquisition of certain improvements within the Cypress Business and Professional Center Assessment District (Assessment District) of the City. Assessments to secure the bonds are to be levied only on parcels within the Assessment District for the cost of improvements with these assessments being payable over 25 years (term of debt issued). The bonds are limited obligations of the Assessment District payable solely from the special assessment or funds held pursuant to the trust indenture. Neither the faith and credit nor the taxing power of the City is pledged to the payment of the bonds. The City has no obligation beyond the cash balances in the Agency Fund for any delinquent Assessment District bond payments. The City acts solely as an agent for levying the assessments and paying the bondholders. At June 30, 2015, the District held in the Agency Fund cash and investments totaling \$778,354 including \$160,175 held for the bondholders and \$618,179 held for future improvements and other costs. The outstanding assessment bonds at June 30, 2015 totaled \$1,145,000.

### (9) Public Employees' Retirement System (CalPERS)

#### A. General Information about the Pension Plan

Plan Descriptions: All qualified permanent and probationary employees are eligible to participate in the City's Safety (Police) cost sharing defined benefit pension plan or the Miscellaneous (all other employees) agent multiple-employer pension plan, both administered by the California Public Employees Retirement System (CalPERS). CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute and city resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Benefits Provided: CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for the plan are applied as specified by the Public Employees' Retirement Law. The plans' provisions and benefits in effect at June 30, 2015, are summarized as follows:



**CITY OF CYPRESS**

Notes to the Basic Financial Statements, Continued

For the Fiscal Year Ended June 30, 2015

**(9) Public Employees' Retirement System (CalPERS) (Continued)**

**A. General Information about the Pension Plan (Continued)**

	Miscellaneous	
	Prior to January 1, 2013	On or After January 1, 2013
Hire date		
Benefit formula	2.0% at 55	2.0% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life
Retirement age	50-63	52-67
Monthly benefits, as a percentage of eligible compensation	1.426% - 2.418%	1.000% - 2.500%
Required employee contribution rates	7.000%	6.750%
Required employer contribution rates	12.968%	12.968%

	Safety	
	Prior to January 1, 2013	On or After January 1, 2013
Hire date		
Benefit formula	3.0% at 50	2.7% at 57
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life
Retirement age	50	50-57
Monthly benefits, as a percentage of eligible compensation	3.00%	2.00% - 2.70%
Required employee contribution rates	9.000%	12.250%
Required employer contribution rates	34.606%	12.250%

Employees Covered: At June 30, 2015, the following employees were covered by the benefit terms of the Miscellaneous Plan:

	<u>Miscellaneous</u>
Inactive employees or beneficiaries currently receiving benefits	189
Inactive employees entitled to but not yet receiving benefits	147
Active employees	102
Total	438

Contributions: Section 20814(c) of the California Public Employees' Retirement Law requires that the employer contribution rates for all public employees be determined on an annual basis by the actuary and shall be effective on the July 1 following notice of a change in the rate. Funding contributions for both plans are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount necessary to finance any unfunded accrued liability. The City is required to contribute the difference between the actuarially determined rate and the contribution rate of employees.

**CITY OF CYPRESS**

Notes to the Basic Financial Statements, Continued

For the Fiscal Year Ended June 30, 2015

**(9) Public Employees' Retirement System (CalPERS) (Continued)**

**B. Net Pension Liability**

The City's net pension liability for each Plan is measured as the total pension liability, less the fiduciary net position. The net pension liability of each Plan is measured as of June 30, 2014, using an annual actuarial valuation as of June 30, 2013 rolled forward to June 30, 2014 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

Actuarial Assumptions: The total pension liability in the June 30, 2013 actuarial valuation was determined using the following actuarial assumptions:

	Miscellaneous	Safety
Valuation Date	June 30, 2013	June 30, 2013
Measurement Date	June 30, 2014	June 30, 2014
Actuarial Cost Method	Entry-Age Normal Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:		
Discount Rate	7.50%	7.50%
Inflation	2.75%	2.75%
Payroll Growth	3.00%	3.00%
Projected Salary Increases	3.3% - 14.2% (1)	3.3% - 14.2% (1)
Investment Rate of Return	7.5% (2)	7.5% (2)
Mortality	(3)	(3)

- (1) Depending on age, service and type of employment
- (2) Net of Pension Plan investment and administrative expenses; includes inflation
- (3) The probabilities of mortality are derived using CalPERS' membership data for all funds. The mortality table used was developed based on CalPERS' specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 "CalPERS Experience Study" that can be obtained from the CalPERS website.

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2013 valuation were based on the results of an actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can be found on the CalPERS' website under Forms and Publications.

Discount Rate: The discount rate used to measure the total pension liability was 7.50 percent for each Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate, 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 ran out of assets. Therefore, the current 7.50 percent discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long-term expected discount rate of 7.50 percent will be applied to all plans in the Public Employees Retirement Fund. The stress test results are presented in a detailed report called "GASB 68 Crossover Testing Report" that can be obtained from the CalPERS website.

**CITY OF CYPRESS**

Notes to the Basic Financial Statements, Continued

For the Fiscal Year Ended June 30, 2015

**(9) Public Employees' Retirement System (CalPERS) (Continued)**

**B. Net Pension Liability (Continued)**

According to Paragraph 30 of Statement 68, the long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.50 percent investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.65 percent. Using the lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability. CalPERS checked the materiality threshold for the difference in calculation and did not find it to be a material difference.

CalPERS is scheduled to review all actuarial assumptions as part of its regular Asset Liability Management review cycle, scheduled to be completed in February 2018. Any changes to the discount rate will require a CalPERS Board action and proper stakeholder outreach. For these reasons, CalPERS expects to continue using a discount rate net of administrative expenses for GASB 67 and 68 calculations through at least the 2017-18 fiscal year. CalPERS will continue to check the materiality of the difference in calculation until such time a change in methodology occurs.

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. 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 the 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 rates of return are net of administrative expenses.

Asset Class	New Strategic Allocation	Real Return Years 1-10 (a)	Real Return Years 11+ (b)
Global Equity	47.00%	5.25%	5.71%
Global Fixed Income	19.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	12.00%	6.83%	6.95%
Real Estate	11.00%	4.50%	5.13%
Infrastructure and Forestland	3.00%	4.50%	5.09%
Liquidity	2.00%	(0.55%)	(1.05%)
Total	<u>100.00%</u>		

- (a) An expected inflation of 2.5 percent was used for this period
- (b) An expected inflation of 3.0 percent was used for this period.

**CITY OF CYPRESS**

Notes to the Basic Financial Statements, Continued

For the Fiscal Year Ended June 30, 2015

**(9) Public Employees' Retirement System (CalPERS) (Continued)**

**C. Changes in the Net Pension Liability**

The changes in the net pension liability for the Miscellaneous Plan are as follows:

	Total Pension Liability	Increase (Decrease) Plan Fiduciary Net Position	Net Pension Liability (Asset)
Balance at June 30, 2014	<u>\$ 64,573,441</u>	<u>\$ 49,176,596</u>	<u>\$ 15,396,845</u>
Changes in the Year:			
Service cost	1,067,782	-	1,067,782
Interest on the total pension liability	4,778,432	-	4,778,432
Contributions-employer	-	859,007	(859,007)
Contributions-employee	-	529,155	(529,155)
Net investment income	-	8,456,694	(8,456,694)
Benefit payments, including refunds of employee contributions	<u>(2,789,811)</u>	<u>(2,789,811)</u>	<u>-</u>
Net changes	<u>3,056,403</u>	<u>7,055,045</u>	<u>(3,998,642)</u>
Balance at June 30, 2015	<u>\$ 67,629,844</u>	<u>\$ 56,231,641</u>	<u>\$ 11,398,203</u>

Proportionate Share of Net Pension Liability: As of June 30, 2015, the City reported a net pension liability for its proportionate share of the net pension liability of the Safety Plan as follows:

	<u>Proportionate Share of Net Pension Liability</u>
Safety Plan	<u>\$ 14,861,787</u>

The City's net pension liability for the Safety Plan is measured as the proportionate share of the net pension liability. The net pension liability of the Safety Plan is measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013 rolled forward to June 30, 2014 using standard update procedures. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the Safety Plan relative to the projected contributions of all participating employers, as actuarially determined. The City's proportionate share of the net pension liability for the Safety Plan as of June 30, 2013 and 2014 was as follows:

	<u>Safety</u>
Proportion - June 30, 2013	0.40815%
Proportion - June 30, 2014	<u>0.39621%</u>
Change - Increase (Decrease)	(0.01194%)

**CITY OF CYPRESS**

Notes to the Basic Financial Statements, Continued

For the Fiscal Year Ended June 30, 2015

**(9) Public Employees' Retirement System (CalPERS) (Continued)**

**C. Changes in the Net Pension Liability (Continued)**

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

	Discount Rate	Net Pension Liability	
		Miscellaneous Plan	Safety Plan
1 % Decrease	6.50%	\$20,429,844	\$25,334,141
Current Discount Rate	7.50%	11,398,203	14,861,787
1 % Increase	8.50%	3,929,826	6,233,019

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

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

For the year ended June 30, 2015, the City recognized pension expense of \$2,115,999. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 2,505,546	\$ -
Net Difference between Projected and Actual Earnings on Pension Plan Investments	-	(8,229,088)
Changes in proportion and differences between employer contributions and proportionate share of contributions	97,726	
<b>Total</b>	<b>\$ 2,603,272</b>	<b>\$ (8,229,088)</b>

The amount reported as deferred outflows of resources related to contributions subsequent to the measurement date of \$2,505,546 will be recognized as a reduction of the net pension liability in the year ending June 30, 2016. The amount reported as deferred inflows will be recognized as pension expense as follows:

Year Ending June 30,	Amount
2016	\$ (2,022,370)
2017	(2,022,370)
2108	(2,029,350)
2019	(2,057,272)

**CITY OF CYPRESS**

Notes to the Basic Financial Statements, Continued

For the Fiscal Year Ended June 30, 2015

**(9) Public Employees' Retirement System (CalPERS) (Continued)**

**E. Payable to the Pension Plan**

At June 30, 2015, the City had no outstanding contributions to the pension plan required for the year ended June 30, 2015.

**(10) Other Defined Contribution Pension Plans**

**Public Agency Retirement System Supplemental Retirement Plan**

Effective July 1, 2012, the City adopted a Supplemental Retirement Plan (SRP) administered by the Public Agency Retirement System. The SRP was created pursuant to section 401(a) of the Internal Revenue Code as an early retirement incentive, providing eligible employees supplemental retirement benefits in addition to the benefits those employees receive from CalPERS. The plan is closed and all 5 eligible retirees are receiving benefits.

The City's contribution to the SRP was determined based on the annual salary of the participants, and the contribution was funded with the purchase of an annuity with Pacific Life Insurance Company. Annuity premiums are payable in five equal annual installments, beginning in fiscal year 2012-13. At June 30, 2015, the remaining balance to be paid is \$209,486. The payments will be made pursuant to the following schedule:

<u>Fiscal Year</u>	<u>Payment</u>
2015-16	104,743
2016-17	104,743

**Nationwide Retirement Solutions Deferred Compensation Plan**

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

For the year ended June 30, 2015, the City's payroll covered by the plan was \$523,183. Employee contributions to the plan totaled \$39,239. The City does not contribute to the plan.

**CITY OF CYPRESS**

Notes to the Basic Financial Statements, Continued

For the Fiscal Year Ended June 30, 2015

**(11) Post-Employment Health Care Benefits**

**Plan Description**

The City, through a single-employer defined benefit plan, provides post-employment health care benefits to eligible retirees through the CalPERS healthcare program entitled Public Employees' Medical and Welfare Trust Medical Plan (PEMHCA). The City pays the PEMHCA minimum amount (\$122 per month in 2015) 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. The following is a summary of eligible participants as of June 30, 2015, which is the date of the most recent actuarial valuation.

Active Employees	139
Eligible Retirees - Enrolled	47
Eligible Retirees - Not Enrolled	64
Total	250

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

All other City employees that are either ineligible or have elected out of the above supplemental post-employment health care plan are members of the City's Retiree Health Savings defined-contribution plan in which the City contributes monthly amounts on behalf of the employee to an account in the employee's name. These monthly contributions range between \$75 per month to \$185 per month for full-time employees based on employee association. The following is a summary of participants as of June 30, 2015.

Supplemental Post-Employment Healthcare Plan:	
-Active Employees	37
-Retirees	18
Retiree Health Savings Plan	98
Total	153

**Funding Policy**

The contribution for PEMHCA is established and amended by CalPERS. The City pays the monthly contribution for all employees and retirees. As of June 30, 2015, 47 retirees were receiving this benefit and the total cost to the City for the year ended June 30, 2015 was \$66,897.

The contribution requirements for the Supplemental Post-employment Health care plan are established and amended by the City. The required contribution is based on projected pay-as-you-go financing requirements. During the fiscal year ended June 30, 2015, the City paid \$74,859 to 22 retirees.

**CITY OF CYPRESS**

Notes to the Basic Financial Statements, Continued

For the Fiscal Year Ended June 30, 2015

**(11) Post-Employment Health Care Benefits (Continued)**

**Funding Policy (Continued)**

The contribution requirements for the Retirees Health Savings Plan (RHS) are established and amended by the City. The required contribution is based on pay-as-you-go financing requirements. During the fiscal year ended June 30, 2015, the City paid \$116,806 into the RHS for eligible employees. The payments of the benefits are recognized as expenditures when the payments are made.

**Annual OPEB Cost and Net OPEB Obligation**

The City's annual Other Postemployment Benefit (OPEB) cost (expense) is calculated based on the Annual Required Contribution of the Employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excesses) over a period not to exceed thirty years.

The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB Obligation to the Plan:

Annual Required Contribution (ARC)	\$ 814,000
Interest on net OPEB Obligation	83,000
Adjustment to Annual Required Contribution	<u>(152,000)</u>
Annual OPEB Cost (Expense)	745,000
Contributions Made	<u>(224,000)</u>
Increase in Net OPEB Obligation	521,000
Net OPEB Obligation - Beginning of Year	<u>2,083,000</u>
Net OPEB Obligation - End of Year	<u><u>\$ 2,604,000</u></u>

The portion of Net OPEB Obligation in the above table that is attributable to the Cypress Recreation and Park District is estimated at \$161,000, with the balance of the liability associated with employees of the City. The City is currently funding the PEMHCA and Supplemental Post-employment Health care plans on a pay-as-you-go basis and records a liability for the difference between pay-as-you-go and the actuarially determined ARC cost. The City has set aside monies in excess of the ending net OPEB obligation in its internal service fund for the purpose of offsetting the OPEB obligation. However, because the City has chosen not to transfer the required contributions to an irrevocable trust or equivalent arrangement, these monies do not qualify as pre-funding under GASB 45.

The City's annual OPEB costs, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation is as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Annual Contribution</u>	<u>Percent of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
6/30/2013	462,249	117,249	25%	1,725,000
6/30/2014	490,000	132,000	27%	2,083,000
6/30/2015	745,000	224,000	30%	2,604,000



## CITY OF CYPRESS

Notes to the Basic Financial Statements, Continued

For the Fiscal Year Ended June 30, 2015

### (11) Post-Employment Health Care Benefits (Continued)

#### Annual OPEB Cost and Net OPEB Obligation (Continued)

##### Funded Status and Funding Progress

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

##### Actuarial Methods and Assumptions

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

For the June 30, 2015 actuarial valuation, the entry age normal actuarial cost method was used. The assumptions include a 4.00% investment rate of return which is based on the expected long-term return on funds invested by the City, inflation of 3.00%, and projected salary increases of 3.25%. The annual health care cost trend rate of 7.0% was used initially and reduced by decrements of less than 1% per year to an ultimate rate of 5% in the year 2021. It is not anticipated that the plan benefit amounts paid on behalf of retirees will be increased or changed in the future. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments, if any, over multi-year periods. The UAAL is being amortized as a level percent of payroll over a 30 year closed period.

##### Funding Status as of the Most Recent Actuarial Date

As of June 30, 2015, the most recent actuarial valuation date, the plan was 0.0% funded. The actuarial accrued liability for benefits was \$8,357,000 and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability of (UAAL) of \$8,357,000. The covered payroll (annual payroll of active employees covered by the plan) was \$11.4 million, and the ratio of the UAAL to the covered payroll was 73.0%.

The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liability for the benefits.

## CITY OF CYPRESS

### Notes to the Basic Financial Statements, Continued

For the Fiscal Year Ended June 30, 2015

#### (12) Self-Insurance

At June 30, 2015 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, 2015. Upon termination of CIPA, and after settlement of all claims, any excess or deficit will be divided among the cities in proportion to the amount of their contributions.

Liabilities associated with the self-insurance program area are accrued when incurred in the internal service funds (using the accrual basis of accounting). The amount accrued represents estimates of amounts to be paid for reported claims and incurred-but-not-yet-reported claims based upon past experience, modified for current trends and information. While the ultimate amount of losses incurred through June 30, 2015 is dependent on future developments, based upon information from the City Attorney, the City's claims administrators and others involved with the administration of programs, City management believes the accrual is adequate to cover such losses. Settled claims have not exceeded commercial coverage during the last three years. There have been no significant reductions in insurance coverage from the prior year.

All City departments participate in the self-insurance program. Payments made to the Liability Insurance and Workers' Compensation Internal Service Funds are based on estimates of amounts needed to pay prior and current year claims and to establish a reserve for catastrophic losses. At June 30, 2015, the Liability Insurance Fund and the Workers' Compensation Fund had reserves for catastrophic losses of \$3,024,851 and \$3,419,650, respectively, which are reported as net position in these funds. The claims liabilities of \$186,112 and \$1,138,105 reported in the Liability Insurance and Workers' Compensation Funds, respectively, at June 30, 2015, are based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that the liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

**CITY OF CYPRESS**

Notes to the Basic Financial Statements, Continued

For the Fiscal Year Ended June 30, 2015

**(12) Self-Insurance (Continued)**

Changes in the claims liability amounts during the fiscal years ended June 30, 2014 and June 30, 2015 are as follows:

	<u>Liability Insurance</u>	<u>Workers' Compensation</u>	<u>Total</u>
Balance at July 1, 2013	\$ 243,880	\$ 1,608,557	\$ 1,852,437
Current year claims	45,889	389,819	435,708
Changes in estimates	(104,778)	(448,618)	(553,396)
Claims payments	<u>(45,889)</u>	<u>(389,819)</u>	<u>(435,708)</u>
 Balance at June 30, 2014	 <u>\$ 139,102</u>	 <u>\$ 1,159,939</u>	 <u>\$ 1,299,041</u>
 Balance at July 1, 2014	\$ 139,102	\$ 1,159,939	\$ 1,299,041
Current year claims	35,000	191,219	226,219
Changes in estimates	47,010	(21,834)	25,176
Claims payments	<u>(35,000)</u>	<u>(191,219)</u>	<u>(226,219)</u>
 Balance at June 30, 2015	 <u>\$ 186,112</u>	 <u>\$ 1,138,105</u>	 <u>\$ 1,324,217</u>

Copies of CIPA's annual financial statements may be obtained from their offices located at 240 Newport Center Drive, Suite 210, Newport Beach, CA 92660.

**CITY OF CYPRESS**

Notes to the Basic Financial Statements, Continued

For the Fiscal Year Ended June 30, 2015

**(13) Classifications of Net Position**

**Net Position**

The City's Net Position at June 30, 2015 is summarized as follows:

	Government Wide Statement of Net Position		
	Governmental Activities	Business-type Activities	Totals
Net Investment in Capital Assets	\$ 154,805,926	\$ 15,801,861	\$ 170,607,787
Restricted for:			
Public Safety	1,788,565	-	1,788,565
Public Works-Street Maintenance and Improvements	5,596,603	-	5,596,603
Public Works-Street Lighting	4,160,952	-	4,160,952
Public Works-Clean Air Act Programs	391,892	-	391,892
Public Works-Local Drainage Improvements	469,766	-	469,766
Public Works-Other	58,907	-	58,907
Total - Public Works	<u>10,678,120</u>	-	<u>10,678,120</u>
Sanitary Sewer System	-	2,281,112	<u>2,281,112</u>
Recreation	9,038,266	-	9,038,266
Recreation-Open Space Improvements	844,590	-	<u>844,590</u>
Total-Recreation	9,882,856	-	9,882,856
Other-Debt Service	400,000	-	400,000
Other-Promotional Activities	73,252	-	73,252
Other-Low and Moderate Income Housing	1,728,165	-	1,728,165
Other-Cable Television Equipment	500,281	-	<u>500,281</u>
Total-Other	2,701,698	-	2,701,698
Unrestricted	<u>101,970,622</u>	-	<u>101,970,622</u>
Total Net Position	<u>\$ 281,827,787</u>	<u>\$ 18,082,973</u>	<u>\$ 299,910,760</u>

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

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

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

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

## CITY OF CYPRESS

### Notes to the Basic Financial Statements, Continued

For the Fiscal Year Ended June 30, 2015

#### (13) Classifications of Net Position (Continued)

Restricted for Public Works - Clean Air Act Programs – This restriction represents amounts used to provide for the City’s programs implementing AB 2766, the California Clean Air Act of 1988, which mandates that the fees collected fund expenditures for the reduction of air pollution from motor vehicles.

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

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

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

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

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

Restricted for Other - Debt Service – This restriction represent amounts paid by the Successor Agency and accumulated in the debt service fund to be used for future debt service, including amounts held in accordance with bond indentures or similar covenants.

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

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

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

#### (14) Classifications of Fund Balances

The City has adopted the provisions of GASB Statement No. 54, “Fund Balance and Governmental Fund Type Definitions”. GASB 54 establishes fund balance classifications based largely upon the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The governmental fund statements conform to the new classification and are summarized as follows.

**CITY OF CYPRESS**

Notes to the Basic Financial Statements, Continued

For the Fiscal Year Ended June 30, 2015

**(14) Classifications of Fund Balances (Continued)**

	<b>General Fund</b>	<b>Recreation and Park District Fund</b>	<b>Streets</b>	<b>City Capital Projects Fund</b>	<b>Non-major Governmental Funds</b>	<b>Totals</b>
Nonspendable						
Prepays	\$ -	\$ 18,800	\$ -	\$ 37,500	\$ -	\$ 56,300
Total Nonspendable	<u>-</u>	<u>18,800</u>	<u>-</u>	<u>37,500</u>	<u>-</u>	<u>56,300</u>
Restricted						
Community Promotion	73,252	-	-	-	-	73,252
Open Space	-	844,590	-	-	-	844,590
Youth League Renovations	-	63,198	-	-	-	63,198
Recreation	-	8,956,268	-	-	-	8,956,268
Streets	-	-	5,596,603	-	-	5,596,603
Local Drainage	-	-	-	-	469,766	469,766
Landscape Maintenance	-	-	-	-	58,907	58,907
Street Lighting	-	-	-	-	4,160,952	4,160,952
Cable Television Equipment	-	-	-	-	500,281	500,281
Clean Air Act Programs	-	-	-	-	391,892	391,892
Police	-	-	-	-	1,788,565	1,788,565
Low and Moderate Income Housing	-	-	-	-	1,728,165	1,728,165
Debt Service Requirements	-	-	-	-	954,608	954,608
Total Restricted	<u>73,252</u>	<u>9,864,056</u>	<u>5,596,603</u>	<u>-</u>	<u>10,053,136</u>	<u>25,587,047</u>
Committed						
Stabilization Agreement	6,520,344	-	-	7,824,413	-	14,344,757
Capital Improvements	-	-	-	1,613,091	-	1,613,091
Total Committed	<u>6,520,344</u>	<u>-</u>	<u>-</u>	<u>9,437,504</u>	<u>-</u>	<u>15,957,848</u>
Assigned						
Future Capital Improvements	9,766,395	-	-	75,903,513	-	85,669,908
Storm Drainage	720,472	-	-	-	-	720,472
Business Relocation Stabilization	2,500,000	-	-	-	-	2,500,000
Carryover Appropriations	97,632	-	-	-	-	97,632
Debt Service Requirements	-	-	-	-	842,008	842,008
Total Assigned	<u>13,084,499</u>	<u>-</u>	<u>-</u>	<u>75,903,513</u>	<u>842,008</u>	<u>89,830,020</u>
Unassigned	<u>170,783</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>170,783</u>
<b>Total Fund Balances</b>	<u><u>\$ 19,848,878</u></u>	<u><u>\$ 9,882,856</u></u>	<u><u>\$ 5,596,603</u></u>	<u><u>\$ 85,378,517</u></u>	<u><u>\$ 10,895,144</u></u>	<u><u>\$ 131,601,998</u></u>

The stabilization agreement amount of \$6,520,344 presented as committed fund balance in the General Fund has been formally approved by the City Council and is for unforeseen situations (such as a temporary revenue interruption due to business activity or disaster). The amount is equal to 25% of the General Fund's original annual operating budget for the upcoming fiscal year and may only be used should annual estimated revenues decrease by a minimum of 10 percent or annual expenditures are estimated to increase by over 10 percent. In addition to these variances in revenues or expenditures, it is further established that in order for these fund balance amounts to be expended such variances must create a situation in which the City's ability to provide basic services (as defined by the City Council) is threatened. Further, City Council authorization is required for use of this amount.

## CITY OF CYPRESS

### Notes to the Basic Financial Statements, Continued

For the Fiscal Year Ended June 30, 2015

#### **(14) Classifications of Fund Balances (Continued)**

The stabilization agreement amount of \$7,824,413 presented as committed fund balance in the City Capital Project Fund has been formally approved by the City Council and is for emergency capital needs (such as a natural disaster that damages City assets). The amount is equal to 30% of the General Fund's original annual operating budget for the upcoming fiscal year and may be expended only in the event such an emergency is deemed to occur and with City Council's authorization.

#### **(15) Contingent Liabilities**

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

#### **(16) Joint Venture**

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

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

#### **(17) Recent Changes in Legislation Affecting California Redevelopment Agencies**

On June 29, 2011, Assembly Bills 1x 26 (the "Dissolution Act") and 1x 27 were enacted as part of the FY 2011-12 State budget package which dissolved redevelopment agencies.

On June 27, 2012, as part of the FY 2012-13 State budget package, the Legislature passed and the Governor signed AB 1484, which made technical and substantive amendments to the Dissolution Act based on experience to-date at the State and local level in implementing the Dissolution Act.

Under the Dissolution Act, each California redevelopment agency (each a "Dissolved RDA") was dissolved as of February 1, 2012, and the sponsoring community that formed the Dissolved RDA, together with other designated entities, have initiated the process under the Dissolution Act to unwind the affairs of the Dissolved RDA. A Successor Agency was created for each Dissolved RDA which is the sponsoring community of the Dissolved RDA unless it elected not to serve as the Successor Agency. On January 9, 2012, the City elected to serve as the Successor Agency of the Cypress Redevelopment Agency. On February 1, 2012, the City became the Successor Agency of the Dissolved Cypress Redevelopment Agency by operation of law in accordance with the Dissolution Act and AB 1484.

## CITY OF CYPRESS

### Notes to the Basic Financial Statements, Continued

For the Fiscal Year Ended June 30, 2015

#### **(17) Recent Changes in Legislation Affecting California Redevelopment Agencies (Continued)**

The Dissolution Act also created oversight boards which monitor the activities of the successor agencies. The roles of the successor agencies and the oversight boards are to administer the wind down of each Dissolved RDA which includes making payments due on enforceable obligations, disposing of the assets (other than housing assets) and remitting the unencumbered balances of the Dissolved RDAs to the County Auditor-Controller for distribution to the affected taxing entities.

The Dissolution Act allowed the sponsoring community that formed the Dissolved RDA to elect to assume the housing functions and take over certain housing assets of the Dissolved RDA. If the sponsoring community did not elect to become the Successor Housing Agency and assume the Dissolved RDA's housing functions, such housing functions and all related housing assets would be transferred to the local housing authority in the jurisdiction. AB 1484 modified and provided some clarifications on the treatment of housing assets under the Dissolution Act. On January 9, 2012, the City of Cypress elected to serve as the Housing Successor Agency.

Effective February 1, 2012, the housing assets, obligations, and activities of the Dissolved RDA were transferred to the Housing Successor Agency and are reported in the Low and Moderate Housing Assets Special Revenue Fund in the financial statements of the City. All other assets, obligations, and activities of the Dissolved RDA were transferred and are reported in a fiduciary fund (private-purpose trust fund) in the financial statements of the City.

The Dissolution Act and AB 1484 also established roles for the County Auditor-Controller (the "CAC"), the California Department of Finance (the "DOF") and the California State Controller's Office (the "SCO") in the dissolution process and the satisfaction of enforceable obligations of the Dissolved RDAs.

The CAC is charged with establishing a Redevelopment Property Tax Trust Fund (the "RPTTF") for each Successor Agency and depositing into the RPTTF for each six-month period the amount of property taxes that would have been redevelopment property tax increment had the Dissolved RDA not been dissolved. The deposit in the RPTTF fund is to be used to pay to the Successor Agency the amounts due on the Successor Agency's enforceable obligations for the upcoming six-month period.

The Successor Agency is required to prepare a recognized obligation payment schedule (the "ROPS") approved by the oversight board setting forth the amounts due for each enforceable obligation during each six month period. The ROPS is submitted to the DOF for approval. The CAC will make payments to the Successor Agency from the RPTTF fund based on the ROPS amount approved by the DOF. The ROPS is prepared in advance for the enforceable obligations due over the next six months.

The process of making RPTTF deposits to be used to pay enforceable obligations of the Dissolved RDA will continue until all enforceable obligations have been paid in full and all non-housing assets of the Dissolved RDA have been liquidated.

#### **(18) Successor Agency**

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



**CITY OF CYPRESS**

Notes to the Basic Financial Statements, Continued

For the Fiscal Year Ended June 30, 2015

**(18) Successor Agency (Continued)**

The non-housing assets and liabilities of the dissolved Redevelopment Agency were transferred to the Successor Agency to the Dissolved Cypress Redevelopment Agency on February 1, 2012 as a result of the dissolution of the former Redevelopment Agency. The City is acting in a fiduciary capacity for these non-housing assets and liabilities. Disclosures related to these transactions are as follows:

**Notes Receivable**

The following is a summary of notes receivable transactions for Successor Agency activities for the fiscal year ended June 30, 2015:

Description	Balance			Balance June 30, 2015	Classification	
	July 1, 2014	Additions	Deletions		Due Within One Year	Due in More than One Year
Other Notes	\$ 360,907	\$ 9,598	\$ -	\$ 370,505	\$ -	\$ 370,505
Total	\$ 360,907	\$ 9,598	\$ -	\$ 370,505	\$ -	\$ 370,505

The Redevelopment Agency had a promissory note from National Church Residences of Cypress, California for payment of offsite improvements and construction costs relating to the Cypress Sunrise Apartments. Upon dissolution of the Agency on February 1, 2012, the note was transferred to the Successor Agency. The promissory note was initially issued for up to \$192,455 in September 1987 and due to mature February 1, 2029. On September 24, 1987, an amount of \$120,384 was issued based on actual required assistance followed by a payment of \$16,573 (September 29, 1987) leaving a net principal outstanding of \$103,761. The note is not payable, in whole or in part either to principal or interest, prior to February 1, 2029. The interest rate on the note is 9.25% per annum and is not compounded. The outstanding interest accrued on the note through June 30, 2015 is \$266,744. The total combined principal and interest outstanding on the note at June 30, 2015 is \$370,505.

**Advances To/From the City of Cypress**

The following is a summary of note receivable transactions for Successor Agency activities for the fiscal year ended June 30, 2015:

Description	Balance			Balance June 30, 2015	Classification	
	July 1, 2014	Additions	Deletions		Due Within One Year	Due in More than One Year
Advance from City	\$ 25,256,089	\$ 67,686	\$ -	\$ 25,323,775	\$ 8,207,775	\$ 17,116,000
	\$ 25,256,089	\$ 67,686	\$ -	\$ 25,323,775	\$ 8,207,775	\$ 17,116,000

On June 30, 2009, the former Redevelopment Agency and the City's General Fund consolidated seven outstanding promissory notes totaling \$42,500,000 into a single promissory note for the same amount. This note refinanced seven promissory notes previously entered into by the Agency and City which had differing maturation dates and interest rates. These promissory notes had provided cash flow for ongoing redevelopment assistance activities and the acquisition of land within the three project areas located within the Agency. The newly established promissory note had a term of three years with interest paid annually on June 30<sup>th</sup> at a rate equal to 5% and provided for repayment of all, or a portion of the note, should resources become available. On March 8, 2011 the Agency sold 13 acres of land held for resale to the City for its appraised value of \$18,580,000. The Agency used the proceeds from the sale of the land to repay the City \$18,580,000 of the outstanding note principal. A total of \$23,920,000 in principal (plus accrued interest of \$697,668) remained outstanding and payable to the City at the time the Agency was dissolved on February 1, 2012 and a liability totaling \$24,617,668 was transferred to the Successor Agency.

## CITY OF CYPRESS

### Notes to the Basic Financial Statements, Continued

For the Fiscal Year Ended June 30, 2015

#### (18) Successor Agency (Continued)

##### Advances To/From the City of Cypress (Continued)

On May 22, 2012 the City and Successor Agency approved and entered into a restated and re-entered repayment agreement which approved a note between the City and Successor Agency for \$23,920,000 plus accrued interest of \$1,196,000 through June 30, 2012. The terms of the note provided for the \$25,116,000 to be repaid by the Successor Agency in increments of \$2,000,000 beginning June 30, 2013 and continuing through June 30, 2024. The remaining balance of \$1,116,000 will be repaid on June 25, 2025. In addition to the annual payments of principal, interest on the unpaid principal balance will be paid to the City each June 30<sup>th</sup> at a rate equal to the amount earned on the State's Local Agency Investment Fund (LAIF).

AB 1484 specifies the actions to be taken and the method of repayment for advances by the Successor Agency to the City. Upon application and approval by the Successor Agency and approval by the Oversight Board of the Successor Agency, loan agreements (advances) entered into by the former Redevelopment Agency and the City shall be deemed to be enforceable obligations provided that the Oversight Board makes a finding that the advances were for legitimate redevelopment purposes.

The advances are to be repaid with a defined schedule over a reasonable term of years at an interest rate not to exceed the interest rate earned by the funds deposited into LAIF. The annual advances repayments are subject to certain limitations. Management has believed, in consultation with legal counsel, that the obligations of the dissolved Redevelopment Agency due to the City are valid enforceable obligations payable by the Successor Agency under the requirements of the Dissolution Act and AB 1484. The California Department of Finance (the "DOF") had disputed the City's position until October 2015. At that time, the DOF approved the validity of the advances and repayment for current and past due amounts will start in January 2016. Prior to the DOF's approval, the City has recorded an allowance for uncollectible amounts associated with the amount due from the Successor Agency due to the uncertainty of repayment. This allowance was equal to the full amount of the outstanding balance due to the City from the Successor Agency. Upon approval by the DOF, the allowance was removed which resulted in an extraordinary gain totaling \$25,323,775 during the fiscal year ended June 30, 2015.

The \$6,000,000 in principal and \$207,775 in interest that was scheduled to be paid by the Successor Agency to the City from the inception of the restated and re-entered repayment agreement through June 30, 2015 has not yet been paid. As a result, the unpaid interest of \$207,775 has been added to the principal balance outstanding at fiscal year. The total principal outstanding at June 30, 2015 totals \$25,323,775.

#### (19) Restatement

The City implemented GASB Statement No. 68, Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27. Accounting changes adopted to conform to the provisions of this statement were applied retroactively by restating the City's beginning net position for its governmental activities, as well as the Employees' Benefit Internal Service Fund. The restatement decreased Net Position by \$34,924,160 as a result of recording the Net Pension Liability as of June 30, 2013.

In addition, the City implemented GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68, which addresses an issue regarding application of the transition provisions of GASB 68. The statement requires that, in the year of implementation of GASB 68, a government recognize a beginning deferred outflow of resources for its pension contributions made subsequent to the measurement date of the beginning Net Pension Liability. The restatement increased Net Position for the governmental activities and Employees' Benefits Internal Service Fund by \$2,648,807 as a result of reporting actual contributions made during fiscal year 2013-14 as deferred outflows of resources. Additional information about the pension plans is found in Note 9.

**CITY OF CYPRESS**

Notes to the Basic Financial Statements, Continued

For the Fiscal Year Ended June 30, 2015

**(19) Restatement (Continued)**

In the Other Governmental Funds (Low and Moderate Housing Asset Fund), the City previously recorded a deferred inflow of resources for long-term notes receivable as the funds were not available to fund current resources. The Governmental Accounting Standards Board recently clarified long-term receivables should not be offset by a deferred inflow of resources. As a result, the City increased the beginning fund balance of the Low and Moderate Housing Asset Fund by the value of the long-term notes receivable as of July 1, 2014.

The Streets Special Revenue Fund was previously reported in the Non-Major Governmental Funds category, however, it became a Major Fund in Fiscal Year 2014-15. The change was primarily the result of an increase in accounts payable due to street overlay work completed in June and paid in July. The beginning fund balance of the Other Governmental Funds has been reduced to reflect this reclassification of reporting category.

The table below summarizes the net position/fund balance restatements as of July 1, 2014:

	<b>Governmental Activities Net Position</b>	<b>Other Governmental Funds Fund Balance</b>	<b>Employees' Benefit Fund Net Position</b>
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Balance as of June 30, 2014, as Previously Reported	\$ 291,526,507	\$ 16,895,428	\$ 4,949,732
GASB Statement No. 68 Adjustments:			
Establish Net Pension Liability	(34,924,160)	-	(34,924,160)
Reverse fiscal year 2013-14 Employer Contributions	2,648,807	-	2,648,807
Low and Moderate Housing Asset Fund Adjustment:			
Adjust deferred inflow for long-term receivables		296,510	-
The Streets Special Revenue Fund became a			
Major Fund for Fiscal Year 2014-15		(6,641,749)	
Balance as of July 1, 2014, as Restated	<u>\$ 259,251,154</u>	<u>\$ 10,550,189</u>	<u>\$ (27,325,621)</u>

**(20) Subsequent Events**

Management has evaluated subsequent events to determine if events or transactions occurring through January 27, 2016, the date the basic financial statements were available to be issued, require adjustment to, or disclosure in the basic financial statements. No such events or transactions were identified.

REQUIRED SUPPLEMENTARY INFORMATION

## CITY OF CYPRESS

### Required Supplementary Information

For the Fiscal Year Ended June 30, 2015

#### 1. Budgets and Budgetary Accounting

##### A. Budgetary Control and Budgetary Accounting

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. The City follows these procedures in establishing the budgetary data reflected in the financial statements: After January 1, department heads prepare estimates for required appropriations for the fiscal year commencing the following July 1. The proposed budget includes estimated expenditures and forecasted revenues for the fiscal year. The data is presented to the City Manager for review. Prior to June 1, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes a summary of the proposed expenditures and financial resources of the City, as well as historical data for the preceding two fiscal periods. Prior to July 1, the budget is legally enacted through passage of an adopting resolution. All of the Governmental Funds have legally adopted budgets.

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

##### B. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund, Special Revenue Funds, and the Capital Projects Fund. Encumbrances outstanding at year-end do not constitute expenditures or liabilities.

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

##### C. Budgetary Comparison Schedules

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

CITY OF CYPRESS

Required Supplementary Information, Continued

For the Fiscal Year Ended June 30, 2015

**Budgetary Comparison Schedule, General Fund**

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 24,721,818	\$ 24,721,818	\$ 26,173,815	\$ 1,451,997
Licenses and permits	309,280	472,480	455,781	(16,699)
Fines and forfeitures	175,000	175,000	180,025	5,025
From use of property	281,970	281,970	349,770	67,800
From other agencies	239,700	660,953	156,677	(504,276)
Charges for services	2,817,087	2,953,733	2,834,153	(119,580)
Other revenue	94,763	94,763	174,983	80,220
	<u>28,639,618</u>	<u>29,360,717</u>	<u>30,325,204</u>	<u>964,487</u>
TOTAL REVENUES				
EXPENDITURES:				
Current:				
General government - Legislative	630,955	628,610	607,021	21,589
General government - Administration	1,554,480	2,106,129	1,471,932	634,197
General government - Finance	1,688,461	1,696,961	1,476,165	220,796
Community development - Planning	1,180,335	1,189,712	1,002,007	187,705
Community development - Building	513,481	691,981	689,144	2,837
Public safety - Police	14,821,535	14,932,419	13,604,407	1,328,012
Public works - Engineering	891,031	911,031	835,275	75,756
Public works - Maintenance	4,697,494	4,719,480	4,102,451	617,029
	<u>25,977,772</u>	<u>26,876,323</u>	<u>23,788,402</u>	<u>3,087,921</u>
TOTAL EXPENDITURES				
EXCESS OF REVENUES OVER EXPENDITURES	<u>2,661,846</u>	<u>2,484,394</u>	<u>6,536,802</u>	<u>4,052,408</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	1,362,685	1,362,685	1,416,851	54,166
Transfers out	(5,725,000)	(5,725,000)	(5,725,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(4,362,315)</u>	<u>(4,362,315)</u>	<u>(4,308,149)</u>	<u>54,166</u>
NET CHANGE IN FUND BALANCE	<u>\$ (1,700,469)</u>	<u>\$ (1,877,921)</u>	2,228,653	<u>\$ 4,106,574</u>
FUND BALANCE - BEGINNING OF YEAR			<u>17,620,225</u>	
FUND BALANCE - END OF YEAR			<u>\$ 19,848,878</u>	

CITY OF CYPRESS

Required Supplementary Information, Continued

For the Fiscal Year Ended June 30, 2015

**Budgetary Comparison Schedule, Recreation and Park District Special Revenue Fund**

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 4,037,000	\$ 4,037,000	\$ 4,450,954	\$ 413,954
From use of property	140,896	140,896	167,104	26,208
From other agencies	98,768	98,768	95,117	(3,651)
Charges for services	959,738	963,563	1,022,738	59,175
Other revenue	4,000	9,120	39,504	30,384
TOTAL REVENUES	<u>5,240,402</u>	<u>5,249,347</u>	<u>5,775,417</u>	<u>526,070</u>
EXPENDITURES:				
Current:				
Recreation	4,699,095	4,747,817	4,305,974	441,843
Capital outlay	423,408	2,753,602	23,732	2,729,870
TOTAL EXPENDITURES	<u>5,122,503</u>	<u>7,501,419</u>	<u>4,329,706</u>	<u>3,171,713</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>117,899</u>	<u>(2,252,072)</u>	<u>1,445,711</u>	<u>3,697,783</u>
OTHER FINANCING USES:				
Transfers out	(318,386)	(318,386)	(483,002)	(164,616)
TOTAL OTHER FINANCING USES	<u>(318,386)</u>	<u>(318,386)</u>	<u>(483,002)</u>	<u>(164,616)</u>
NET CHANGE IN FUND BALANCE	<u>\$ (200,487)</u>	<u>\$ (2,570,458)</u>	962,709	<u>\$ 3,533,167</u>
FUND BALANCE - BEGINNING OF YEAR			<u>8,920,147</u>	
FUND BALANCE - END OF YEAR			<u>\$ 9,882,856</u>	

CITY OF CYPRESS

Required Supplementary Information, Continued

For the Fiscal Year Ended June 30, 2015

**Budgetary Comparison Schedule, Streets Special Revenue Fund**

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES:				
From use of property	\$ 9,500	\$ 9,500	\$ 23,888	\$ 14,388
From other agencies	2,081,000	2,151,700	2,292,043	140,343
Charges for services	500	500	16,164	15,664
Other revenue	-	34,500	31,500	(3,000)
TOTAL REVENUES	<u>2,091,000</u>	<u>2,196,200</u>	<u>2,363,595</u>	<u>167,395</u>
EXPENDITURES:				
Current:				
Public works	860,000	2,052,497	841,134	1,211,363
Capital outlay	264,886	1,543,487	1,096,727	446,760
TOTAL EXPENDITURES	<u>1,124,886</u>	<u>3,595,984</u>	<u>1,937,861</u>	<u>1,658,123</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>966,114</u>	<u>(1,399,784)</u>	<u>425,734</u>	<u>1,825,518</u>
OTHER FINANCING USES:				
Transfers out	<u>(1,565,000)</u>	<u>(1,565,000)</u>	<u>(1,470,880)</u>	<u>94,120</u>
TOTAL OTHER FINANCING USES	<u>(1,565,000)</u>	<u>(1,565,000)</u>	<u>(1,470,880)</u>	<u>94,120</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	<u>\$ (598,886)</u>	<u>\$ (2,964,784)</u>	<u>(1,045,146)</u>	<u>\$ 1,919,638</u>
FUND BALANCE - BEGINNING OF YEAR			<u>6,641,749</u>	
FUND BALANCE - END OF YEAR			<u>\$ 5,596,603</u>	



**CITY OF CYPRESS**

Required Supplementary Information, Continued

For the Fiscal Year Ended June 30, 2015

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

**City of Cypress Miscellaneous Plan**

Schedule of Changes in the Net Pension Liability and Related Ratios

Last Ten Fiscal Years <sup>(1)</sup>

	<u>2015</u>
Total Pension Liability:	
Service cost	\$ 1,067,782
Interest on total pension liability	4,778,432
Differences between expected and actual experience	-
Changes in assumptions	-
Changes in benefits	-
Benefit payments, including refunds of employee contributions	<u>(2,789,811)</u>
Net Change in Total Pension Liability	3,056,403
Total Pension Liability - Beginning of Year	<u>64,573,441</u>
Total Pension Liability - End of Year (a)	<u>\$ 67,629,844</u>
Plan Fiduciary Net Position:	
Contributions - employer	\$ 859,007
Contributions - employee	529,155
Net investment income	8,456,694
Benefit payments	<u>(2,789,811)</u>
Net Change in Plan Fiduciary Net Position	7,055,045
Plan Fiduciary Net Position - Beginning of Year	<u>49,176,596</u>
Plan Fiduciary Net Position - End of Year (b)	<u>\$ 56,231,641</u>
Net Pension Liability - Ending (a)-(b)	<u>\$ 11,398,203</u>
Plan fiduciary net position as a percentage of the total pension liability	83.15%
Covered - employee payroll	\$ 6,744,885
Net pension liability as percentage of covered- employee payroll	168.99%

**Notes to Schedule:**

Benefit Changes: There were no changes to benefits.

Changes in Assumptions: There were no change in assumptions.

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

**CITY OF CYPRESS**

Required Supplementary Information, Continued

For the Fiscal Year Ended June 30, 2015

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

**City of Cypress Miscellaneous Plan (Continued)**

Schedule of Plan Contributions

Last Ten Fiscal Years <sup>(1)</sup>

	<u>2015</u>
Actuarially determined contribution	\$ 1,001,586
Contributions in relation to the actuarially determined contributions	<u>(1,001,586)</u>
Contribution deficiency (excess)	<u>\$ -</u>
Covered - employee payroll	\$ 6,558,213
Contributions as a percentage of covered - employee payroll	15.27%

**Notes to Schedule:**

Valuation Date June 30, 2012

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	18 years (2% at 55) and 30 years (2% at 62)
Asset valuation method	15-year smoothed market
Inflation	2.75%
Salary increases	3.3% to 14.2% depending on age, service and type of employment
Investment rate of return	7.50%, net of pension plan investment expenses
Retirement age	50 - 63 (2.0% at 50) 52 - 67 (2.0% at 62)
Mortality rate table	Mortality assumptions are based on mortality rates resulting from the most recent CalPERS Experience Study adopted by the CalPERS Board, first used in the June 30, 2009 valuation. For purposes of the post-retirement mortality rates, those revised rates include 5 years of projected on-going mortality improvement using Scale AA published by the Society of Actuaries until June 30, 2010. There is no margin for future mortality improvement beyond the valuation date.

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

**CITY OF CYPRESS**

Required Supplementary Information, Continued

For the Fiscal Year Ended June 30, 2015

**3. California Public Employees' Retirement System (CalPERS)**

**City of Cypress Safety Plan**

Schedule of Proportionate Share of the Net Pension Liability

Last Ten Fiscal Years <sup>(1)</sup>

	<u>2015</u>
Plan's proportion of the net pension liability	0.23884%
Plan's proportionate share of the net pension liability	\$ 14,861,787
Plan's covered - employee payroll	\$ 5,075,058
Plan's proportionate share of the net pension liability as a percentage of covered - employee payroll	292.84%
Plan's proportionate share of the fiduciary net position as a percentage of the Plan's total pension liability	80.99%
Plan's proportionate share of aggregate employer contributions	\$ 1,792,684

**Notes to Schedule:**

Benefit Changes: There were no changes to benefits.

Changes in Assumptions: There were no changes in assumptions.

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

**CITY OF CYPRESS**

Required Supplementary Information, Continued

For the Fiscal Year Ended June 30, 2015

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

**City of Cypress Safety Plan (Continued)**

Schedule of Plan Contributions

Last Ten Fiscal Years <sup>(1)</sup>

	<u>2015</u>
Contractually required contribution (actuarially determined)	\$ 1,503,960
Contributions in relation to the actuarially determined contributions	<u>1,503,960</u>
Contribution deficiency (excess)	<u>\$ -</u>
Covered - employee payroll	\$ 5,200,954
Contributions as a percentage of covered - employee payroll	28.92%

**Notes to Schedule:**

Valuation Date June 30, 2012

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	19 years (3% at 50) and 30 years (2.7% at 57)
Asset valuation method	15-year smoothed market
Inflation	2.75%
Salary increases	3.3% to 14.2% depending on age, service and type of employment
Investment rate of return	7.50%, net of pension plan investment expenses
Retirement age	50 (3.0% at 50)
	50 - 57 (2.7% at 57)
Mortality rate table	Mortality assumptions are based on mortality rates resulting from the most recent CalPERS Experience Study adopted by the CalPERS Board, first used in the June 30, 2009 valuation. For purposes of the post-retirement mortality rates, those revised rates include 5 years of projected on-going mortality improvement using Scale AA published by the Society of Actuaries until June 30, 2010. There is no margin for future mortality improvement beyond the valuation date.

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

**CITY OF CYPRESS**

Required Supplementary Information, Continued

For the Fiscal Year Ended June 30, 2015

**4. Post-Employment Health Care Benefits**

**City of Cypress Plan**

**SCHEDULE OF FUNDING PROGRESS (\$ Amount in Thousands) - (UNAUDITED)**

	(A)	(B)	(C)	(D)	(E)	(F)
<b>Actuarial Valuation Date</b>	<b>Actuarial Asset Value</b>	<b>Entry Age Actuarial Accrued Liability</b>	<b>Unfunded Liability (Excess Assets) [(B)-(A)]</b>	<b>Funded Ratio [(A)/(B)]</b>	<b>Covered Payroll</b>	<b>Unfunded Actuarial Liability as Percentage of Covered Payroll [(C)/(E)]</b>
06/30/11	\$ -	\$ 5,005	\$ 5,005	0.0%	\$ 11,840	42.3%
06/30/13	-	5,642	5,642	0.0%	11,098	50.8%
06/30/15	-	8,357	8,357	0.0%	11,447	73.0%

## CITY OF CYPRESS

### Budgetary Comparison Schedules for Other Major Governmental Fund

June 30, 2015

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

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

CITY OF CYPRESS

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

For the fiscal year ended June 30, 2015

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES:				
From other agencies	\$ 570,701	\$ 946,191	\$ -	\$ (946,191)
Other revenue	-	-	5,560	5,560
TOTAL REVENUES	570,701	946,191	5,560	(940,631)
EXPENDITURES:				
Current:				
Public works	4,279,701	6,638,039	3,032,329	3,605,710
Capital outlay	4,378,358	13,891,689	3,256,306	10,635,383
TOTAL EXPENDITURES	8,658,059	20,529,728	6,288,635	14,241,093
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(8,087,358)	(19,583,537)	(6,283,075)	13,300,462
OTHER FINANCING SOURCES:				
Transfers in	6,686,000	7,032,150	6,574,342	(457,808)
TOTAL OTHER FINANCING SOURCES	6,686,000	7,032,150	6,574,342	(457,808)
NET CHANGE IN FUND BALANCE BEFORE SPECIAL AND EXTRAORDINARY ITEMS	(1,401,358)	(12,551,387)	291,267	12,842,654
SPECIAL ITEM				
Market value adjustment - Land held for resale	-	-	(6,308,460)	(6,308,460)
EXTRAORDINARY ITEM:				
Gain on approval of repayment agreement	-	-	25,323,775	25,323,775
NET CHANGE IN FUND BALANCE	<u>\$ (1,401,358)</u>	<u>\$ (12,551,387)</u>	19,306,582	<u>\$ 31,857,969</u>
FUND BALANCE - BEGINNING OF YEAR			66,071,935	
FUND BALANCE - END OF YEAR			<u>\$ 85,378,517</u>	

## CITY OF CYPRESS

### Nonmajor Governmental Funds

June 30, 2015

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

#### Special Revenue Fund Descriptions

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

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

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

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

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

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

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

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

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

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

#### Debt Service Fund Description

Debt Service Funds are used to account for financial resources used for the servicing of long-term debt not being financed by proprietary funds. The Debt Service Fund is described below.

Civic Center Debt Service – To account for receipts and payments of debt service on the refinancing of the Civic Center.



CITY OF CYPRESS

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS

June 30, 2015

	Special Revenue Funds				
	Local Drainage	Stanton Channel Maintenance District	Lighting District	CATV Peg Grant	AB 2766
<b>ASSETS</b>					
Cash and investments	\$ 469,472	\$ 65,591	\$ 4,166,504	\$ 488,421	\$ 375,742
Restricted cash and investments	-	-	-	-	-
Receivables:					
Taxes	-	-	9,082	-	-
Interest	294	-	2,736	-	234
Notes, net of allowance	-	-	-	-	-
Other	-	-	-	11,860	15,916
Land Held for Resale	-	-	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 469,766</b>	<b>\$ 65,591</b>	<b>\$ 4,178,322</b>	<b>\$ 500,281</b>	<b>\$ 391,892</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES:</b>					
Accounts payable and other accrued liabilities	\$ -	\$ 6,684	\$ 17,370	\$ -	\$ -
Due to other funds	-	-	-	-	-
<b>TOTAL LIABILITIES</b>	<b>-</b>	<b>6,684</b>	<b>17,370</b>	<b>-</b>	<b>-</b>
<b>FUND BALANCE:</b>					
Restricted	469,766	58,907	4,160,952	500,281	391,892
Assigned	-	-	-	-	-
<b>TOTAL FUND BALANCES</b>	<b>469,766</b>	<b>58,907</b>	<b>4,160,952</b>	<b>500,281</b>	<b>391,892</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 469,766</b>	<b>\$ 65,591</b>	<b>\$ 4,178,322</b>	<b>\$ 500,281</b>	<b>\$ 391,892</b>

				Debt Service Fund		
Traffic Safety	Supplemental Law Enforcement	Narcotics Asset Seizure	Low & Moderate Housing Assets	Civic Center Debt Service		Total Nonmajor Governmental Funds
\$ -	\$ 2,109	\$ 1,804,996	\$ 35,568	\$ 842,008		\$ 8,250,411
-	-	-	-	954,608		954,608
-	-	-	-	-		9,082
-	15	1,236	367	-		4,882
-	-	-	274,462	-		274,462
7,087	-	-	361	-		35,224
-	-	-	1,421,708	-		1,421,708
<u>\$ 7,087</u>	<u>\$ 2,124</u>	<u>\$ 1,806,232</u>	<u>\$ 1,732,466</u>	<u>\$ 1,796,616</u>		<u>\$ 10,950,377</u>
\$ -	\$ 2,124	\$ 17,667	\$ 4,301	\$ -		\$ 48,146
7,087	-	-	-	-		7,087
<u>7,087</u>	<u>2,124</u>	<u>17,667</u>	<u>4,301</u>	<u>-</u>		<u>55,233</u>
-	-	1,788,565	1,728,165	954,608		10,053,136
-	-	-	-	842,008		842,008
-	-	1,788,565	1,728,165	1,796,616		10,895,144
<u>\$ 7,087</u>	<u>\$ 2,124</u>	<u>\$ 1,806,232</u>	<u>\$ 1,732,466</u>	<u>\$ 1,796,616</u>		<u>\$ 10,950,377</u>

**CITY OF CYPRESS**

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

For the fiscal year ended June 30, 2015

	<b>Special Revenue Funds</b>				
	<b>Local Drainage</b>	<b>Stanton Channel Maintenance District</b>	<b>Lighting District</b>	<b>CATV Peg Grant</b>	<b>AB 2766</b>
REVENUES:					
Taxes	\$ -	\$ -	\$ 1,013,028	\$ 46,027	\$ -
Fines and forfeitures	-	-	-	-	-
From use of property	1,752	-	15,545	-	1,308
From other agencies	-	-	6,204	-	60,654
Charges for services	15,483	75,426	-	-	-
Other revenue	-	-	18,756	-	-
<b>TOTAL REVENUES</b>	<b>17,235</b>	<b>75,426</b>	<b>1,053,533</b>	<b>46,027</b>	<b>61,962</b>
EXPENDITURES:					
Current:					
Community development	-	-	-	-	-
Public safety	-	-	-	-	-
Public works	-	48,450	765,670	-	-
Capital outlay	9,842	-	-	-	-
Debt service:					
Principal retired	-	-	-	-	-
Interest and charges	-	-	-	-	-
<b>TOTAL EXPENDITURES</b>	<b>9,842</b>	<b>48,450</b>	<b>765,670</b>	<b>-</b>	<b>-</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>7,393</b>	<b>26,976</b>	<b>287,863</b>	<b>46,027</b>	<b>61,962</b>
OTHER FINANCING USES:					
Transfers out	-	(7,267)	(114,851)	-	-
<b>TOTAL OTHER FINANCING USES</b>	<b>-</b>	<b>(7,267)</b>	<b>(114,851)</b>	<b>-</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>7,393</b>	<b>19,709</b>	<b>173,012</b>	<b>46,027</b>	<b>61,962</b>
FUND BALANCES - BEGINNING OF OF YEAR (AS RESTATED)	462,373	39,198	3,987,940	454,254	329,930
<b>FUND BALANCES - END OF YEAR</b>	<b>\$ 469,766</b>	<b>\$ 58,907</b>	<b>\$ 4,160,952</b>	<b>\$ 500,281</b>	<b>\$ 391,892</b>

				Debt Service Fund	
Traffic Safety	Supplemental Law Enforcement	Narcotics Asset Seizure	Low & Moderate Housing Assets	Civic Center Refinancing	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,059,055
74,972	-	-	-	-	74,972
-	40	7,020	4,382	23,221	53,268
-	103,045	-	-	464,741	634,644
-	-	-	-	-	90,909
-	-	512,315	6,000	-	537,071
<u>74,972</u>	<u>103,085</u>	<u>519,335</u>	<u>10,382</u>	<u>487,962</u>	<u>2,449,919</u>
-	-	-	81,684	-	81,684
-	103,085	197,881	-	-	300,966
-	-	-	-	-	814,120
-	-	-	-	-	9,842
-	-	-	-	380,000	380,000
-	-	-	-	98,350	98,350
<u>-</u>	<u>103,085</u>	<u>197,881</u>	<u>81,684</u>	<u>478,350</u>	<u>1,684,962</u>
<u>74,972</u>	<u>-</u>	<u>321,454</u>	<u>(71,302)</u>	<u>9,612</u>	<u>764,957</u>
<u>(74,972)</u>	<u>-</u>	<u>(222,912)</u>	<u>-</u>	<u>-</u>	<u>(420,002)</u>
<u>(74,972)</u>	<u>-</u>	<u>(222,912)</u>	<u>-</u>	<u>-</u>	<u>(420,002)</u>
-	-	98,542	(71,302)	9,612	344,955
-	-	1,690,023	1,799,467	1,787,004	10,550,189
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,788,565</u>	<u>\$ 1,728,165</u>	<u>\$ 1,796,616</u>	<u>\$ 10,895,144</u>

**CITY OF CYPRESS**

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

For the fiscal year ended June 30, 2015

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES:				
From use of property	\$ 200	\$ 200	\$ 1,752	\$ 1,552
Charges for services	5,000	5,000	15,483	10,483
TOTAL REVENUES	5,200	5,200	17,235	12,035
EXPENDITURES:				
Capital outlay	-	205,804	9,842	195,962
TOTAL EXPENDITURES	-	205,804	9,842	195,962
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 5,200	\$ (200,604)	7,393	\$ 207,997
FUND BALANCE - BEGINNING OF YEAR			462,373	
FUND BALANCE - END OF YEAR			\$ 469,766	

**CITY OF CYPRESS**

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

For the fiscal year ended June 30, 2015

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget- Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES:</b>				
Charges for services	\$ 75,000	\$ 75,000	\$ 75,426	\$ 426
<b>TOTAL REVENUES</b>	<b>75,000</b>	<b>75,000</b>	<b>75,426</b>	<b>426</b>
<b>EXPENDITURES:</b>				
Current:				
Public works	65,200	65,200	48,450	16,750
<b>TOTAL EXPENDITURES</b>	<b>65,200</b>	<b>65,200</b>	<b>48,450</b>	<b>16,750</b>
<b>EXCESS OF REVENUES OVER EXPENDITURES</b>				
	<b>9,800</b>	<b>9,800</b>	<b>26,976</b>	<b>17,176</b>
<b>OTHER FINANCING USES:</b>				
Transfers out	(9,780)	(9,780)	(7,267)	2,513
<b>TOTAL OTHER FINANCING USES</b>	<b>(9,780)</b>	<b>(9,780)</b>	<b>(7,267)</b>	<b>2,513</b>
<b>EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES</b>				
	<b>\$ 20</b>	<b>\$ 20</b>	<b>19,709</b>	<b>\$ 19,689</b>
<b>FUND BALANCE - BEGINNING OF YEAR</b>			<b>39,198</b>	
<b>FUND BALANCE - END OF YEAR</b>			<b>\$ 58,907</b>	

**CITY OF CYPRESS**

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

For the fiscal year ended June 30, 2015

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 886,600	\$ 886,600	\$ 1,013,028	\$ 126,428
From use of property	12,000	12,000	15,545	3,545
From other agencies	6,400	6,400	6,204	(196)
Other revenue	3,500	3,500	18,756	15,256
TOTAL REVENUES	908,500	908,500	1,053,533	145,033
EXPENDITURES:				
Current:				
Public works	784,022	784,022	765,670	18,352
TOTAL EXPENDITURES	784,022	784,022	765,670	18,352
EXCESS OF REVENUES OVER EXPENDITURES	124,478	124,478	287,863	163,385
OTHER FINANCING USES:				
Transfers out	(117,600)	(117,600)	(114,851)	2,749
TOTAL OTHER FINANCING USES	(117,600)	(117,600)	(114,851)	2,749
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	\$ 6,878	\$ 6,878	173,012	\$ 166,134
FUND BALANCE - BEGINNING OF YEAR			3,987,940	
FUND BALANCE - END OF YEAR			\$ 4,160,952	

**CITY OF CYPRESS**

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

For the fiscal year ended June 30, 2015

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget- Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
REVENUES:				
Taxes	\$ 40,000	\$ 40,000	\$ 46,027	\$ 6,027
TOTAL REVENUES	\$ 40,000	\$ 40,000	46,027	\$ 6,027
 FUND BALANCE - BEGINNING OF YEAR			454,254	
 FUND BALANCE - END OF YEAR			\$ 500,281	



**CITY OF CYPRESS**

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

For the fiscal year ended June 30, 2015

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget- Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
REVENUES:				
From use of property	\$ 600	\$ 600	\$ 1,308	\$ 708
From other agencies	58,000	58,000	60,654	2,654
TOTAL REVENUES	<u>58,600</u>	<u>58,600</u>	<u>61,962</u>	<u>3,362</u>
EXPENDITURES:				
Current:				
Public works	-	-	-	-
TOTAL EXPENDITURES	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ 58,600</u>	<u>\$ 58,600</u>	<u>61,962</u>	<u>\$ 3,362</u>
FUND BALANCE - BEGINNING OF YEAR			<u>329,930</u>	
FUND BALANCE - END OF YEAR			<u>\$ 391,892</u>	

**CITY OF CYPRESS**

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

For the fiscal year ended June 30, 2015

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget- Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
REVENUES:				
Fines and forfeitures	\$ 117,500	\$ 117,500	\$ 74,972	\$ (42,528)
TOTAL REVENUES	<u>117,500</u>	<u>117,500</u>	<u>74,972</u>	<u>(42,528)</u>
OTHER FINANCING USES:				
Transfers out	<u>(117,500)</u>	<u>(117,500)</u>	<u>(74,972)</u>	<u>42,528</u>
TOTAL OTHER FINANCING USES	<u>(117,500)</u>	<u>(117,500)</u>	<u>(74,972)</u>	<u>42,528</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
FUND BALANCE - BEGINNING OF YEAR			<u>-</u>	
FUND BALANCE - END OF YEAR			<u>\$ -</u>	

**CITY OF CYPRESS**

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

For the fiscal year ended June 30, 2015

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget- Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
REVENUES:				
From use of property	\$ 45	\$ 45	\$ 40	\$ (5)
From other agencies	100,000	103,100	103,045	(55)
TOTAL REVENUES	100,045	103,145	103,085	(60)
EXPENDITURES:				
Current:				
Public safety	100,045	103,145	103,085	60
TOTAL EXPENDITURES	100,045	103,145	103,085	60
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ -	\$ -	-	\$ -
FUND BALANCE - BEGINNING OF YEAR			-	
FUND BALANCE - END OF YEAR			\$ -	

**CITY OF CYPRESS**

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

For the fiscal year ended June 30, 2015

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget- Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
REVENUES:				
From use of property	\$ 4,000	\$ 4,000	\$ 7,020	\$ 3,020
Other revenue	440,000	440,000	512,315	72,315
TOTAL REVENUES	444,000	444,000	519,335	75,335
EXPENDITURES:				
Current:				
Public safety	317,773	342,170	197,881	144,289
TOTAL EXPENDITURES	317,773	342,170	197,881	144,289
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	126,227	101,830	321,454	219,624
OTHER FINANCING USES:				
Transfers out	(280,011)	(712,625)	(222,912)	489,713
TOTAL OTHER FINANCING USES	(280,011)	(712,625)	(222,912)	489,713
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING SOURCES OVER EXPENDITURES AND OTHER FINANCING USES	\$ (153,784)	\$ (610,795)	98,542	\$ 709,337
FUND BALANCE - BEGINNING OF YEAR			1,690,023	
FUND BALANCE - END OF YEAR			\$ 1,788,565	

**CITY OF CYPRESS**

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

For the fiscal year ended June 30, 2015

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget- Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
REVENUES:				
From use of property	\$ 5,000	\$ 5,000	\$ 4,382	\$ (618)
From other agencies	10,000	10,000	-	(10,000)
Other revenue	6,000	6,000	6,000	-
TOTAL REVENUES	21,000	21,000	10,382	(10,618)
EXPENDITURES:				
Current:				
Community Development	87,122	87,122	81,684	(5,438)
TOTAL EXPENDITURES	87,122	87,122	81,684	(5,438)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ (66,122)	\$ (66,122)	(71,302)	\$ (5,180)
FUND BALANCE - BEGINNING OF YEAR			1,799,467	
FUND BALANCE - END OF YEAR			\$ 1,728,165	

**CITY OF CYPRESS**

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES - BUDGET AND ACTUAL  
CIVIC CENTER REFINANCING DEBT SERVICE FUND

For the fiscal year ended June 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
From use of property	\$ 23,100	\$ 23,100	\$ 23,221	\$ 121
From other agencies	455,377	455,377	464,741	9,364
TOTAL REVENUES	<u>478,477</u>	<u>478,477</u>	<u>487,962</u>	<u>9,485</u>
EXPENDITURES:				
Debt service:				
Principal retired	380,000	380,000	380,000	-
Interest and charges	98,477	98,477	98,350	127
TOTAL EXPENDITURES	<u>478,477</u>	<u>478,477</u>	<u>478,350</u>	<u>127</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ -</u>	<u>\$ -</u>	9,612	<u>\$ 9,612</u>
FUND BALANCE - BEGINNING OF YEAR			<u>1,787,004</u>	
FUND BALANCE - END OF YEAR			<u>\$ 1,796,616</u>	



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## **CITY OF CYPRESS**

### Internal Service Funds

June 30, 2015

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

Central Services – To account for the costs of printing, data processing, building maintenance, vehicle and equipment maintenance, and accumulated equipment replacement funds.

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

Employees' Benefit – To account for employee fringe benefits.

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

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



**CITY OF CYPRESS**

COMBINING STATEMENT OF NET POSITION  
INTERNAL SERVICE FUNDS

June 30, 2015

	<u>Central Services</u>	<u>Recreation District Central Services</u>
ASSETS		
CURRENT ASSETS:		
Cash and investments	\$ 15,495,499	\$ 695,345
Receivables:		
Interest	-	-
Other	90	-
Prepaid items	467	-
Inventory	43,763	-
TOTAL CURRENT ASSETS	<u>15,539,819</u>	<u>695,345</u>
NON-CURRENT ASSETS:		
Equipment (Net)	1,084,890	81,977
TOTAL NON-CURRENT ASSETS	<u>1,084,890</u>	<u>81,977</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred amount from pension plans	-	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>-</u>	<u>-</u>
LIABILITIES		
CURRENT LIABILITIES:		
Accounts payable and other accrued liabilities	166,290	14,892
Claims payable	-	-
Compensated absences	-	-
TOTAL CURRENT LIABILITIES	<u>166,290</u>	<u>14,892</u>
LONG-TERM LIABILITIES:		
Claims payable	-	-
Retiree's health payable	-	-
Compensated absences	-	-
Net pension liability	-	-
TOTAL LONG-TERM LIABILITIES	<u>-</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred amount from pension plans	-	-
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>-</u>	<u>-</u>
NET POSITION:		
Net investment in capital assets	1,084,890	81,977
Unrestricted	15,373,529	680,453
TOTAL NET POSITION	<u>\$ 16,458,419</u>	<u>\$ 762,430</u>

<u>Employees' Benefit</u>	<u>Liability Insurance</u>	<u>Workers' Compensation</u>	<u>Total</u>
\$ 9,596,750	\$ 3,214,370	\$ 4,563,197	\$ 33,565,161
5,448	-	-	5,448
278,713	343	13	279,159
6,408	-	-	6,875
-	-	-	43,763
<u>9,887,319</u>	<u>3,214,713</u>	<u>4,563,210</u>	<u>33,900,406</u>
-	-	-	1,166,867
-	-	-	1,166,867
2,603,272	-	-	2,603,272
<u>2,603,272</u>	<u>-</u>	<u>-</u>	<u>2,603,272</u>
74,876	3,750	5,455	265,263
-	47,000	285,000	332,000
643,700	-	-	643,700
<u>718,576</u>	<u>50,750</u>	<u>290,455</u>	<u>1,240,963</u>
-	139,112	853,105	992,217
2,604,000	-	-	2,604,000
1,931,599	-	-	1,931,599
26,259,990	-	-	26,259,990
<u>30,795,589</u>	<u>139,112</u>	<u>853,105</u>	<u>31,787,806</u>
8,229,088	-	-	8,229,088
<u>8,229,088</u>	<u>-</u>	<u>-</u>	<u>8,229,088</u>
-	-	-	1,166,867
(27,252,662)	3,024,851	3,419,650	(4,754,179)
<u>\$ (27,252,662)</u>	<u>\$ 3,024,851</u>	<u>\$ 3,419,650</u>	<u>\$ (3,587,312)</u>

**CITY OF CYPRESS**

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

For the fiscal year ended June 30, 2015

	<b>Central Services</b>	<b>Recreation District Central Services</b>
OPERATING REVENUES:		
Charges for services	\$ 3,096,804	\$ 33,395
Other revenue	175,865	-
TOTAL OPERATING REVENUES	3,272,669	33,395
OPERATING EXPENSES:		
Personnel services	1,128,704	-
Contractual services	245,797	7,809
Supplies and other services	1,063,503	-
Claim payments and changes in estimates	-	-
Depreciation	416,015	29,704
TOTAL OPERATING EXPENSES	2,854,019	37,513
OPERATING INCOME (LOSS)	418,650	(4,118)
NON-OPERATING REVENUES (EXPENSES):		
Interest income	-	-
Loss on disposal of equipment	(3,140)	-
TOTAL NON-OPERATING REVENUES (EXPENSES)	(3,140)	-
INCOME (LOSS) BEFORE TRANSFERS	415,510	(4,118)
TRANSFERS:		
Transfers in	105,865	1,826
TOTAL TRANSFERS	105,865	1,826
CHANGE IN NET POSITION	521,375	(2,292)
NET POSITION - BEGINNING OF YEAR (AS RESTATED)	15,937,044	764,722
NET POSITION - END OF YEAR	\$ 16,458,419	\$ 762,430

<b>Employees' Benefit</b>	<b>Liability Insurance</b>	<b>Workers' Compensation</b>	<b>Total</b>
\$ 9,871,070	\$ 346,100	\$ 616,367	\$ 13,963,736
-	95,505	5,901	277,271
<u>9,871,070</u>	<u>441,605</u>	<u>622,268</u>	<u>14,241,007</u>
-	-	53,457	1,182,161
5,977,035	-	136,947	6,367,588
3,853,081	324,101	158,138	5,398,823
-	82,010	267,641	349,651
-	-	-	445,719
<u>9,830,116</u>	<u>406,111</u>	<u>616,183</u>	<u>13,743,942</u>
<u>40,954</u>	<u>35,494</u>	<u>6,085</u>	<u>497,065</u>
32,005	-	-	32,005
-	-	-	(3,140)
<u>32,005</u>	<u>-</u>	<u>-</u>	<u>28,865</u>
72,959	35,494	6,085	525,930
-	-	-	107,691
-	-	-	107,691
72,959	35,494	6,085	633,621
<u>(27,325,621)</u>	<u>2,989,357</u>	<u>3,413,565</u>	<u>(4,220,933)</u>
<u>\$ (27,252,662)</u>	<u>\$ 3,024,851</u>	<u>\$ 3,419,650</u>	<u>\$ (3,587,312)</u>

**CITY OF CYPRESS**

COMBINING STATEMENT OF CASH FLOWS  
INTERNAL SERVICE FUNDS

For the fiscal year ended June 30, 2015

	<u>Central Services</u>	<u>Recreation District Central Services</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from users	\$ 3,361,711	\$ 33,395
Cash payments to suppliers for goods and services	(1,425,472)	(17,514)
Cash payments to employees	(1,120,870)	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>815,369</u>	<u>15,881</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Transfers in	<u>105,865</u>	<u>1,826</u>
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	<u>105,865</u>	<u>1,826</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Acquisition of capital assets	(345,952)	-
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(345,952)</u>	<u>-</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest on investments	<u>-</u>	<u>-</u>
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>-</u>	<u>-</u>
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	575,282	17,707
CASH AND INVESTMENTS - BEGINNING OF YEAR	<u>14,920,217</u>	<u>677,638</u>
CASH AND INVESTMENTS - END OF YEAR	<u>\$ 15,495,499</u>	<u>\$ 695,345</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating income (loss)	\$ 418,650	\$ (4,118)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	416,015	29,704
Changes in assets and liabilities:	-	-
Accounts receivable decreased (increased)	-	-
Prepaid items decreased (increased)	205	-
Inventory decreased (increased)	2,892	-
Deferred outflows decreased (increased)	-	-
Accounts payable and other accrued liabilities increased (decreased)	(22,393)	(9,705)
Insurance claims payable increased (decreased)	-	-
Accrued retirees health payable increased (decreased)	-	-
Accrued leave payable increased (decreased)	-	-
Accrued pension liability increased (decreased)	-	-
Deferred inflows increased (decreased)	-	-
TOTAL ADJUSTMENTS	<u>396,719</u>	<u>19,999</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>\$ 815,369</u>	<u>\$ 15,881</u>

	Employees' Benefit	Liability Insurance	Workers' Compensation	Total
\$	9,915,049	\$ 441,262	\$ 622,255	\$ 14,373,672
	(9,523,549)	(355,351)	(596,943)	(11,918,829)
	-	-	(52,735)	(1,173,605)
	391,500	85,911	(27,423)	1,281,238
	-	-	-	107,691
	-	-	-	107,691
	-	-	-	(345,952)
	-	-	-	(345,952)
	32,005	-	-	32,005
	32,005	-	-	32,005
	423,505	85,911	(27,423)	1,074,982
	9,173,245	3,128,459	4,590,620	32,490,179
\$	9,596,750	\$ 3,214,370	\$ 4,563,197	\$ 33,565,161
\$	40,954	\$ 35,494	\$ 6,085	\$ 497,065
	-	-	-	445,719
	-	-	-	-
	(4,565)	(343)	(13)	(4,921)
	48,545	-	-	48,750
	-	-	-	2,892
	45,535	-	-	45,535
	(1,994)	3,750	(11,661)	(42,003)
	-	47,010	(21,834)	25,176
	514,570	-	-	514,570
	183,537	-	-	183,537
	(8,664,170)	-	-	(8,664,170)
	8,229,088	-	-	8,229,088
	350,546	50,417	(33,508)	784,173
\$	391,500	\$ 85,911	\$ (27,423)	\$ 1,281,238



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**CITY OF CYPRESS**

Fiduciary Funds

June 30, 2015

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

Agency Fund – To account for various activities in which the City acts as an agent. The City's agency funds include amounts held for developer deposits, cash held with fiscal agents for non-city debt obligations, and amounts held on behalf of the West Cities Communication Center Joint Powers Authority.



**CITY OF CYPRESS**

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES  
FIDUCIARY FUNDS

For the fiscal year ended June 30, 2015

	<u>Balance</u> <u>July 1, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2015</u>
<b>AGENCY FUND</b>				
<b>ASSETS</b>				
Cash and investments	\$ 2,366,707	\$ 4,177,475	\$ (3,928,129)	2,616,053
Restricted cash and investments	2,376,590	978,657	(1,038,691)	2,316,556
Accounts receivable	70,588	40,944	(80,779)	30,753
Prepaid items	73,280	50,252	(60,190)	63,342
	<u>\$ 4,887,165</u>	<u>\$ 5,247,328</u>	<u>\$ (5,107,789)</u>	<u>\$ 5,026,704</u>
<b>LIABILITIES</b>				
Accounts payable and other accrued liabilities	\$ 476,804	\$ 4,450,632	\$ (4,496,585)	\$ 430,851
Deposits	658,231	273,093	(260,179)	671,145
Due to other governments	764,361	3,443,703	(3,218,482)	989,582
Due to bondholders	2,987,769	1,954,645	(2,007,288)	2,935,126
	<u>\$ 4,887,165</u>	<u>\$ 10,122,073</u>	<u>\$ (9,982,534)</u>	<u>\$ 5,026,704</u>

# CITY OF CYPRESS

Statistical Section

Year ended June 30, 2015

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

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### **Demographic and Economic Information**

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

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

Note: The City of Cypress did not have General Bonded Debt Outstanding or Pledged Revenue during the Fiscal Year Ended June 30, 2015.

**CITY OF CYPRESS**

NET POSITION BY COMPONENT

LAST TEN FISCAL YEARS

Schedule 1

	Fiscal Year			
	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
<b>GOVERNMENTAL ACTIVITIES</b>				
Net investment in capital assets	\$ 154,805,926	\$ 154,957,177	\$ 154,793,254	\$ 157,517,879
Restricted for:				
Debt service	400,000	380,000	360,000	340,000
Capital projects	-	-	-	24,637,468
Specific projects and programs	24,651,239	24,407,720	23,839,841	23,039,847
Total restricted	<u>25,051,239</u>	<u>24,787,720</u>	<u>24,199,841</u>	<u>48,017,315</u>
Unrestricted	<u>101,970,622</u>	<u>111,781,610</u>	<u>110,120,627</u>	<u>81,849,469</u>
Total governmental activities net position	<u>\$ 281,827,787</u>	<u>\$ 291,526,507</u>	<u>\$ 289,113,722</u>	<u>\$ 287,384,663</u>
<b>BUSINESS-TYPE ACTIVITIES</b>				
Net investment in capital assets	\$ 15,801,861	\$ 14,516,549	\$ 13,330,876	\$ 11,598,019
Restricted for:				
Specific projects and programs	<u>2,281,112</u>	<u>2,174,616</u>	<u>1,864,593</u>	<u>2,066,778</u>
Total business-type activities net position	<u>\$ 18,082,973</u>	<u>\$ 16,691,165</u>	<u>\$ 15,195,469</u>	<u>\$ 13,664,797</u>
<b>TOTAL GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES</b>				
Net investment in capital assets	\$ 170,607,787	\$ 169,473,726	\$ 168,124,130	\$ 169,115,898
Restricted for:				
Debt service	400,000	380,000	360,000	340,000
Capital projects	-	-	-	24,637,468
Specific projects and programs	26,932,351	26,582,336	25,704,434	25,106,625
Total restricted	<u>27,332,351</u>	<u>26,962,336</u>	<u>26,064,434</u>	<u>50,084,093</u>
Unrestricted	<u>101,970,622</u>	<u>111,781,610</u>	<u>110,120,627</u>	<u>81,849,469</u>
Total governmental and business-type activities net position	<u>\$ 299,910,760</u>	<u>\$ 308,217,672</u>	<u>\$ 304,309,191</u>	<u>\$ 301,049,460</u>

- Notes: 1) Restricted net position amounts related to land held for resale in Governmental Activities have been reclassified to unrestricted net position as of June 30, 2013 to more properly reflect how the proceeds may be used by the City.
- 2) Business-type activities were not reported as governmental activities prior to the implementation of GASB 54. Therefore, no business-type activities prior to 2010 are presented.

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$	156,103,382	\$ 163,015,631	\$ 166,527,654	\$ 166,782,783	\$ 166,729,200	\$ 162,260,453
	470,640	8,649,734	9,136,580	5,871,042	5,871,042	6,514,928
	31,447,995	27,912,921	31,007,553	35,746,032	35,746,032	16,731,910
	20,458,949	14,002,304	20,427,733	20,819,957	20,819,957	20,086,232
	<u>52,377,584</u>	<u>50,564,959</u>	<u>60,571,866</u>	<u>62,437,031</u>	<u>62,437,031</u>	<u>43,333,070</u>
	<u>77,249,756</u>	<u>71,202,506</u>	<u>67,433,924</u>	<u>69,556,249</u>	<u>57,115,357</u>	<u>64,755,463</u>
\$	<u>285,730,722</u>	<u>284,783,096</u>	<u>294,533,444</u>	<u>298,776,063</u>	<u>286,281,588</u>	<u>270,348,986</u>
\$	4,097,512	\$ 3,110,878				
	<u>8,325,661</u>	<u>5,898,014</u>				
\$	<u>12,423,173</u>	<u>9,008,892</u>				
\$	160,200,894	\$ 166,126,509	\$ 166,527,654	\$ 166,782,783	\$ 166,729,200	\$ 162,260,453
	470,640	8,649,734	9,136,580	5,871,042	5,871,042	6,514,928
	31,447,995	27,912,921	31,007,553	35,746,032	35,746,032	16,731,910
	28,784,610	19,900,318	20,427,733	20,819,957	20,819,957	20,086,232
	<u>60,703,245</u>	<u>56,462,973</u>	<u>60,571,866</u>	<u>62,437,031</u>	<u>62,437,031</u>	<u>43,333,070</u>
	<u>77,249,756</u>	<u>71,202,506</u>	<u>67,433,924</u>	<u>69,556,249</u>	<u>57,115,357</u>	<u>64,755,463</u>
\$	<u>298,153,895</u>	<u>293,791,988</u>	<u>294,533,444</u>	<u>298,776,063</u>	<u>286,281,588</u>	<u>270,348,986</u>

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

	Fiscal Year			
	2015	2014	2013	2012
<b>EXPENSES - GOVERNMENTAL ACTIVITIES:</b>				
General government	\$ 3,762,129	\$ 4,037,449	\$ 3,844,511	\$ 3,857,195
Community development	1,792,626	1,717,272	1,658,699	3,320,115
Public safety	13,823,314	14,119,456	14,079,824	13,587,310
Public works	11,818,556	11,971,891	11,554,300	13,566,497
Recreation	4,675,847	4,857,577	4,664,614	4,682,406
Interest on long-term debt	89,610	107,166	123,439	835,794
<b>Total government activities expenses</b>	<b>35,962,082</b>	<b>36,810,811</b>	<b>35,925,387</b>	<b>39,849,317</b>
<b>PROGRAM REVENUES - GOVERNMENTAL ACTIVITIES:</b>				
Charges for services:				
General government	155,590	98,802	46,683	80,389
Community development	767,379	663,525	604,456	505,215
Public safety	229,721	223,771	284,904	279,847
Public works	854,062	832,916	836,641	851,917
Recreation	1,160,898	1,389,596	1,303,395	1,323,717
Operating grants and contributions	3,549,872	3,648,027	3,822,397	3,691,857
Capital grants and contributions	856,247	1,315,906	1,071,101	2,500,542
<b>Total governmental activities program revenues</b>	<b>7,573,769</b>	<b>8,172,543</b>	<b>7,969,577</b>	<b>9,233,484</b>
<b>NET (EXPENSE/REVENUE) - GOVERNMENTAL ACTIVITIES</b>	<b>(28,388,313)</b>	<b>(28,638,268)</b>	<b>(27,955,810)</b>	<b>(30,615,833)</b>
<b>GENERAL REVENUES AND OTHER CHANGES IN NET POSITION - GOVERNMENTAL ACTIVITIES:</b>				
Taxes				
Property taxes, levied for general purpose	4,735,392	4,589,439	4,847,103	4,344,609
Property taxes, levied for recreation purposes	4,450,954	4,224,593	4,778,959	4,066,201
Property taxes, levied for lighting purposes	1,013,028	962,631	1,086,568	919,917
Property taxes, levied for sewer purposes	-	-	-	-
Property taxes, backfill of vehicle license fees	3,835,515	3,678,802	3,560,389	3,493,682
Tax increment for redevelopment activities	-	-	-	2,291,317
Sales tax	11,891,754	11,846,002	10,827,664	11,361,495
Transient occupancy tax	2,209,939	1,980,228	1,926,322	2,098,309
Franchise tax	1,724,232	1,650,481	1,629,706	1,616,534
Other taxes	1,678,288	1,617,097	1,656,695	1,642,429
<b>Total taxes</b>	<b>31,539,102</b>	<b>30,549,273</b>	<b>30,313,406</b>	<b>31,834,493</b>
Investment earnings	344,668	439,186	218,964	300,116
Miscellaneous	65,861	62,594	348,499	32,293
<b>Total governmental activities</b>	<b>31,949,631</b>	<b>31,051,053</b>	<b>30,880,869</b>	<b>32,166,902</b>
<b>TRANSFERS - GOVERNMENTAL ACTIVITIES:</b>				
Transfers out				
<b>Total government activities transfers</b>				
<b>SPECIAL ITEM:</b>				
Market value adjustment - land held for resale	(6,308,460.00)			
<b>Total special item</b>	<b>(6,308,460.00)</b>			
<b>EXTRAORDINARY ITEMS:</b>				
Gain (Loss) on Dissolution of Redevelopment Agency	-	-	-	19,125,525.00
Gain on approval of repayment agreement	25,323,775.00	-	-	-
Loss on dissolution of interfund advance	-	-	-	(23,920,000.00)
Loss on disallowance of interest on advance to former Redevelopment Agency	-	-	(1,196,000.00)	-
<b>Total extraordinary items</b>	<b>25,323,775.00</b>	<b>-</b>	<b>(1,196,000.00)</b>	<b>(4,794,475.00)</b>
<b>CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES</b>	<b>\$ 22,576,633</b>	<b>\$ 2,412,785</b>	<b>\$ 1,729,059</b>	<b>\$ (3,243,406)</b>
<b>EXPENSES - BUSINESS-TYPE ACTIVITIES:</b>				
Sewer	\$ 724,257	\$ 740,444	\$ 704,109	\$ 675,977
<b>Total business-type activities expenses</b>	<b>724,257</b>	<b>740,444</b>	<b>704,109</b>	<b>675,977</b>
<b>PROGRAM REVENUES - BUSINESS-TYPE ACTIVITIES:</b>				
Charges for services	2,025,759	2,197,154	2,131,506	1,869,452
Operating grants and contributions	46,387	55	55	58
Capital grants and contributions	-	4,990	3,055	6,727
<b>Total business-type activities program revenues</b>	<b>2,072,146</b>	<b>2,202,199</b>	<b>2,134,616</b>	<b>1,876,237</b>
<b>NET (EXPENSE/REVENUE) - BUSINESS-TYPE ACTIVITIES</b>	<b>1,347,889</b>	<b>1,461,755</b>	<b>1,430,507</b>	<b>1,200,260</b>
<b>GENERAL REVENUES AND OTHER CHANGES IN NET POSITION - BUSINESS TYPE ACTIVITIES:</b>				
Taxes				
Property taxes, levied for sewer purposes	14,232	10,879	73,185	10,866
Total taxes	14,232	10,879	73,185	10,866
Investment earnings	26,886	23,062	26,980	30,498
Miscellaneous	2,801	-	-	-
<b>Total business-type activities</b>	<b>43,919</b>	<b>33,941</b>	<b>100,165</b>	<b>41,364</b>
<b>TRANSFERS - BUSINESS-TYPE ACTIVITIES:</b>				
Transfers in				
<b>Total business-type activities transfers</b>				
<b>CHANGE IN NET POSITION - BUSINESS-TYPE ACTIVITIES</b>	<b>\$ 1,391,808</b>	<b>\$ 1,495,696</b>	<b>\$ 1,530,672</b>	<b>\$ 1,241,624</b>

Note: Due to the implementation of GASB 54, the Sewer Fund has been reclassified as a business-type activity as of June 30, 2010. Prior to 2010, the Sewer Fund was included in governmental activities.

	2011	2010	2009	2008	2007	2006
\$	3,599,445	\$ 3,650,493	\$ 3,778,292	\$ 3,248,108	\$ 2,895,715	\$ 2,788,353
	3,856,480	2,938,808	8,489,193	1,633,868	1,164,115	2,437,252
	14,140,187	13,982,176	15,328,778	13,788,777	13,116,996	11,682,639
	12,129,841	12,977,516	14,278,709	13,325,888	11,397,579	10,524,367
	4,432,552	4,350,280	4,847,931	4,274,032	4,082,021	3,616,324
	215,658	218,001	230,809	230,368	240,262	242,854
	<u>38,374,163</u>	<u>38,117,274</u>	<u>46,953,712</u>	<u>36,501,041</u>	<u>32,896,688</u>	<u>31,291,789</u>
	56,669	57,126	37,459	35,966	51,639	37,119
	461,901	493,624	611,310	527,894	745,715	569,922
	336,412	450,057	405,373	422,093	397,269	369,030
	849,720	816,863	1,276,768	1,316,580	1,308,454	1,284,037
	1,094,355	962,828	922,673	1,016,516	849,832	770,883
	3,662,451	3,420,628	3,927,654	4,795,378	5,378,157	5,442,099
	1,236,994	1,796,783	966,016	2,527,048	2,373,110	1,033,851
	<u>7,698,502</u>	<u>7,997,909</u>	<u>8,147,253</u>	<u>10,641,475</u>	<u>11,104,176</u>	<u>9,506,941</u>
	(30,675,661)	(30,119,365)	(38,806,459)	(25,859,566)	(21,792,512)	(21,784,848)
	3,885,682	3,083,124	4,027,823	3,951,272	3,626,135	2,895,608
	3,623,027	3,376,902	3,733,286	3,634,608	3,414,553	3,028,769
	826,958	768,515	848,396	825,916	779,856	748,665
	-	-	7,800	8,372	6,725	6,847
	3,465,238	3,474,172	3,525,535	3,430,491	3,354,575	3,333,133
	3,910,971	3,010,741	4,285,462	4,198,252	3,740,998	3,463,323
	11,464,617	10,018,391	11,641,788	13,150,804	13,773,896	12,167,166
	1,760,047	1,514,374	1,669,648	2,041,670	1,935,704	1,734,613
	1,606,593	1,522,553	1,587,404	1,558,787	1,544,516	1,437,927
	1,795,750	1,828,920	1,976,433	2,119,653	2,447,943	2,392,585
	<u>32,338,883</u>	<u>28,597,692</u>	<u>33,303,575</u>	<u>34,919,825</u>	<u>34,624,901</u>	<u>31,208,636</u>
	439,874	479,262	1,842,686	2,796,323	3,067,879	2,172,670
	27,660	32,113	24,647	30,825	32,334	38,496
	<u>32,806,417</u>	<u>29,109,067</u>	<u>35,170,908</u>	<u>37,746,973</u>	<u>37,725,114</u>	<u>33,419,802</u>
	(2,395,542.00)					
	<u>(2,395,542.00)</u>					
\$	<u>(264,786)</u>	\$ <u>(1,010,298)</u>	\$ <u>(3,635,551)</u>	\$ <u>11,887,407</u>	\$ <u>15,932,602</u>	\$ <u>11,634,954</u>
\$	634,165	\$ 592,049				
	634,165	592,049				
	1,262,636	704,287				
	59	63				
	350,397	108,006				
	<u>1,613,092</u>	<u>812,356</u>				
	978,927	220,307				
	7,319	7,198				
	7,319	7,198				
	32,493	41,337				
	<u>39,812</u>	<u>48,535</u>				
	2,395,542.00	-				
	<u>2,395,542.00</u>	<u>-</u>				
\$	<u>3,414,281</u>	\$ <u>268,842</u>				

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

	Fiscal Year			
	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
<b>GENERAL FUND</b>				
Reserved				
Unreserved				
Nonspendable	\$ 6,411	\$ 9,387	\$ 14,359	\$ -
Restricted	73,252	73,252	73,252	73,252
Committed	6,520,344	6,299,394	6,075,680	6,548,929
Assigned	13,078,088	11,116,273	8,011,729	23,946,209
Unassigned	170,783	121,919	115,976	141,412
Total General Fund	<u>\$ 19,848,878</u>	<u>\$ 17,620,225</u>	<u>\$ 14,290,996</u>	<u>\$ 30,709,802</u>
<b>ALL OTHER GOVERNMENTAL FUNDS</b>				
Reserved				
Unreserved, reported in:				
Special revenue funds				
Capital projects funds				
Debt service funds				
Nonspendable	\$ 56,300	\$ 11,233	\$ 10,602	\$ 26,059,176
Restricted	25,513,795	24,960,766	24,331,702	21,157,903
Committed	9,437,504	11,908,872	14,378,531	9,600,496
Assigned	76,745,521	55,006,639	54,988,809	15,190,884
Unassigned	-	-	-	-
Total all other Governmental Funds	<u>\$ 111,753,120</u>	<u>\$ 91,887,510</u>	<u>\$ 93,709,644</u>	<u>\$ 72,008,459</u>

- Notes: 1) Nonspendable fund balance amounts related to land held for resale in All Other Governmental Funds have been reclassified to assigned fund balance as of June 30, 2013 to more properly reflect how the proceeds may be used by the City.
- 2) Fund balances have been restated as of June 30, 2010 in accordance with GASB 54, and include the reclassification of the Special Revenue Sewer Fund to the Enterprise Sewer Fund.

<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
		\$ 49,029,833	\$ 43,230,432	\$ 43,048,498	\$ 23,168,667
		30,987,460	28,798,113	21,023,432	30,853,726
\$ -	\$ -				
73,252	107,178				
10,534,594	6,030,892				
16,745,555	15,294,623				
34,545	22,925				
<u>\$ 27,387,946</u>	<u>\$ 21,455,618</u>	<u>\$ 80,017,293</u>	<u>\$ 72,028,545</u>	<u>\$ 64,071,930</u>	<u>\$ 54,022,393</u>
		\$ 33,656,507	\$ 36,115,357	\$ 36,043,412	\$ 13,641,271
		19,896,905	23,222,608	19,908,519	19,430,048
		11,531,792	13,042,466	13,239,024	14,846,355
		(39,363,420)	(37,352,533)	(36,628,958)	(15,985,072)
\$ 51,121,708	\$ 71,397,143				
23,342,426	23,556,765				
10,997,978	8,826,876				
16,835,369	20,576,017				
(23,374,566)	(40,989,011)				
<u>\$ 78,922,915</u>	<u>\$ 83,367,790</u>	<u>\$ 25,721,784</u>	<u>\$ 35,027,898</u>	<u>\$ 32,561,997</u>	<u>\$ 31,932,602</u>



**CITY OF CYPRESS**

CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS

Schedule 4

	Fiscal Year			
	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
<b>REVENUES:</b>				
Taxes				
Property tax	\$ 10,199,373	\$ 9,776,665	\$ 11,925,042	\$ 11,622,044
Sales tax	11,681,865	11,846,003	10,827,665	11,361,494
Transient occupancy tax	2,209,939	1,980,228	1,926,322	2,098,309
Franchise tax	1,770,259	1,693,524	1,671,897	1,653,857
Other taxes	5,822,388	5,588,391	5,460,148	5,358,382
Licenses and permits	455,781	381,992	380,256	293,642
Fines and forfeitures	254,997	270,593	336,389	316,412
From use of property	594,030	659,310	478,573	507,151
From other agencies	3,178,481	3,886,307	3,438,718	4,741,322
Charges for services	3,963,964	4,244,710	4,125,461	4,045,603
Other revenues	788,618	695,557	1,226,084	1,067,188
Total Revenues	<u>40,919,695</u>	<u>41,023,280</u>	<u>41,796,555</u>	<u>43,065,404</u>
<b>EXPENDITURES:</b>				
General government	3,555,118	3,802,168	3,570,736	3,515,586
Community development	1,772,835	1,776,411	1,646,044	2,947,396
Public safety	13,905,373	14,073,067	13,868,047	13,099,957
Public works	9,625,309	9,789,620	9,183,658	11,010,797
Recreation	4,305,974	4,452,120	4,206,914	4,112,982
Capital outlay	4,386,607	5,079,667	2,328,613	5,851,169
Debt service				
Principal retired	380,000	360,000	340,000	325,000
Interest and charges	98,350	115,266	130,749	842,457
Total expenditures	<u>38,029,566</u>	<u>39,448,319</u>	<u>35,274,761</u>	<u>41,705,344</u>
Excess of revenues over (under) expenditures	2,890,129	1,574,961	6,521,794	1,360,060
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	7,991,193	5,725,391	25,579,555	13,613,644
Transfers out	(8,098,884)	(5,793,257)	(25,622,970)	(13,771,829)
Total other financing sources (uses)	<u>(107,691)</u>	<u>(67,866)</u>	<u>(43,415)</u>	<u>(158,185)</u>
Net change in fund balances before extraordinary items	2,782,438	1,507,095	6,478,379	1,201,875
<b>SPECIAL ITEM:</b>				
Market value adjustment - land held for resale	<u>(6,308,460)</u>			
Total special item	<u>(6,308,460)</u>			
<b>EXTRAORDINARY ITEMS:</b>				
Gain (loss) on dissolution of Redevelopment Agency	-	-	-	19,125,525
Gain on approval of repayment agreement	25,323,775	-	-	-
Loss on disallowance of interfund advance	-	-	-	(23,920,000)
Loss on disallowance of interest on advance to former Redevelopment Agency	-	-	(1,196,000)	-
Total extraordinary items	<u>25,323,775</u>	<u>-</u>	<u>(1,196,000)</u>	<u>(4,794,475)</u>
Net change in fund balances	<u>\$ 21,797,753</u>	<u>\$ 1,507,095</u>	<u>\$ 5,282,379</u>	<u>\$ (3,592,600)</u>
Debt service as a percentage of noncapital expenditures	<u>1.4%</u>	<u>1.4%</u>	<u>1.4%</u>	<u>3.3%</u>

Note: Due to the implementation of GASB 54, the Sewer Fund has been reclassified as a business-type activity as of June 30, 2010. Prior to 2010, the Sewer Fund was included in governmental activities.

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
\$	12,246,638	\$ 10,239,282	\$ 12,902,765	\$ 12,618,420	\$ 11,568,267	\$ 10,143,212
	11,464,617	10,018,391	11,641,688	13,150,804	13,773,896	12,167,166
	1,760,047	1,514,374	1,669,648	2,041,670	1,935,704	1,734,613
	1,642,607	1,560,278	1,629,896	1,558,787	1,544,516	1,437,927
	5,256,780	5,371,489	5,569,323	5,639,438	6,007,485	5,675,406
	288,787	294,903	340,498	316,271	404,836	300,532
	388,880	476,556	470,079	511,013	515,061	473,632
	2,451,602	2,918,527	8,030,609	7,086,853	5,360,543	4,317,110
	3,645,199	4,088,178	3,106,936	4,921,575	4,799,097	4,144,868
	3,757,760	3,503,706	4,065,621	4,405,539	4,281,040	4,248,535
	921,880	694,195	548,311	357,167	327,466	210,812
	<u>43,824,797</u>	<u>40,679,879</u>	<u>49,975,374</u>	<u>52,607,537</u>	<u>50,517,911</u>	<u>44,853,813</u>
	3,338,194	3,564,623	3,335,181	3,157,603	2,835,426	2,796,129
	3,984,213	3,138,050	7,858,472	1,771,442	1,684,775	2,672,652
	13,933,379	14,117,599	14,042,030	14,028,924	12,962,427	11,744,300
	9,697,155	10,831,715	10,761,938	11,341,018	9,002,324	6,546,936
	3,954,218	3,967,218	4,088,082	4,145,568	3,838,411	3,429,866
	3,509,432	2,485,507	4,929,680	3,615,319	7,582,680	6,346,928
	305,000	295,000	280,000	270,000	245,000	245,000
	<u>2,056,631</u>	<u>2,348,606</u>	<u>5,943,489</u>	<u>3,636,093</u>	<u>1,413,380</u>	<u>1,421,464</u>
	<u>40,778,222</u>	<u>40,748,318</u>	<u>51,238,872</u>	<u>41,965,967</u>	<u>39,564,423</u>	<u>35,203,275</u>
	3,046,575	(68,439)	(1,263,498)	10,641,570	10,953,488	9,650,538
	31,429,086	78,285,952	8,980,012	8,088,517	31,312,035	8,514,160
	<u>(34,012,555)</u>	<u>(78,027,466)</u>	<u>(9,033,880)</u>	<u>(8,307,571)</u>	<u>(31,586,591)</u>	<u>(9,050,491)</u>
	<u>(2,583,469)</u>	<u>258,486</u>	<u>(53,868)</u>	<u>(219,054)</u>	<u>(274,556)</u>	<u>(536,331)</u>
\$	<u>463,106</u>	\$ <u>190,047</u>	\$ <u>(1,317,366)</u>	\$ <u>10,422,516</u>	\$ <u>10,678,932</u>	\$ <u>9,114,207</u>
	<u>6.3%</u>	<u>6.9%</u>	<u>13.4%</u>	<u>10.2%</u>	<u>5.2%</u>	<u>5.8%</u>

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

Fiscal Year Ended June 30,	Secured *	Public Utility *	Unsecured Valuation *	Total Taxable Assessed Value *	Total Direct Tax Rate
2015	\$ 5,831,344	\$ 1,371	\$ 271,503	\$ 6,104,218	1.0000
2014	\$ 5,581,655	\$ 1,371	\$ 271,782	\$ 5,854,808	1.0000
2013	\$ 5,389,098	\$ 1,371	\$ 275,885	\$ 5,666,354	1.0000
2012	\$ 5,314,822	\$ 1,371	\$ 243,997	\$ 5,560,190	1.0000
2011	\$ 5,250,124	\$ 1,371	\$ 263,299	\$ 5,514,794	1.0000
2010	\$ 5,254,031	\$ 1,371	\$ 273,603	\$ 5,529,005	1.0000
2009	\$ 5,273,752	\$ 1,371	\$ 329,554	\$ 5,604,677	1.0000
2008	\$ 5,147,775	\$ 1,362	\$ 272,749	\$ 5,421,886	1.0000
2007	\$ 4,808,148	\$ 1,514	\$ 275,465	\$ 5,085,127	1.0000
2006	\$ 4,434,105	\$ 1,547	\$ 268,914	\$ 4,704,566	1.0000

Source: County of Orange Auditor-Controller

Note: Property in the City is reassessed each year. Property tax is assessed at actual value; therefore the assessed values are equal to actual value. Tax rates are per \$1,000 of assessed value.

City assessed value details for residential, commercial and industrial property are not available.

\* Amount in Thousands

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

Fiscal Year Ended June 30,	City Direct Rates			Overlapping Rates *	
	Basic Rate	General Obligation Debt Service	Total Direct	School Districts	Water District
2015	1.0000	-	1.0000	0.0642	0.0035
2014	1.0000	-	1.0000	0.0700	0.0035
2013	1.0000	-	1.0000	0.0731	0.0035
2012	1.0000	-	1.0000	0.0593	0.0037
2011	1.0000	-	1.0000	0.0712	0.0037
2010	1.0000	-	1.0000	0.0647	0.0043
2009	1.0000	-	1.0000	0.0386	0.0043
2008	1.0000	-	1.0000	0.0402	0.0045
2007	1.0000	-	1.0000	0.0380	0.0047
2006	1.0000	-	1.0000	0.0411	0.0052

Source: County of Orange Auditor-Controller

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

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

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

Taxpayer	2015			2006		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Warland Investments	\$ 241,217,093	1	4.00%	\$ 191,523,863	1	4.07%
Mitsubishi Motor Sales	77,708,324	2	1.29%	74,340,340	2	1.58%
Cypress Corporate Center	63,166,866	3	1.05%	55,318,294	4	1.18%
RREEF America REIT II Corp	62,161,699	4	1.03%	41,743,568	6	0.89%
Inland American Cypress Katella	40,000,000	5	0.66%	--		--
Los Alamitos Racecourse	38,814,326	6	0.64%	34,715,592	8	0.74%
Yamaha Motor Corp USA Inc	37,362,814	7	0.62%	32,864,068	9	0.70%
CSKB Cypress LLC	33,059,000	8	0.55%	--		--
CRP-2 Holdings Cypress LLC	32,607,850	9	0.54%	--		--
ROIC Cypress West LLC	26,352,612	10	0.44%	--		--
PacifiCare Health Systems	--		--	69,942,407	3	1.49%
Mammoth Equities Cypress	--		--	51,144,000	5	1.09%
Matsushita Electric Corp (Panasonic)	--		--	37,742,149	7	0.80%
IBM Credit LLC	--		--	27,287,364	10	0.58%
<b>Total</b>	<b>\$ 652,450,584</b>		<b>10.82%</b>	<b>\$ 616,621,645</b>		<b>13.12%</b>

Source: MBIA MuniServices Company and Orange County Assessor's Office

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

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy			Total Collections to Date	
		Amount	Percentage of Levy	Delinquent Tax Collections	Amount	Percentage of Levy
2015	\$ 16,102,137	\$ 15,896,810	98.72%	\$ 159,324	\$ 16,056,134	99.71%
2014	\$ 15,425,028	\$ 15,239,350	98.80%	\$ 299,068	\$ 15,538,418	100.74%
2013	\$ 14,687,798	\$ 14,475,122	98.55%	\$ 202,617	\$ 14,677,739	99.93%
2012	\$ 14,424,137	\$ 14,107,672	97.81%	\$ 245,320	\$ 14,352,992	99.51%
2011	\$ 14,254,417	\$ 13,911,476	97.59%	\$ 287,770	\$ 14,199,246	99.61%
2010	\$ 14,314,105	\$ 12,798,670	89.41%	\$ 498,609	\$ 13,297,279	92.90%
2009	\$ 14,414,279	\$ 13,929,907	96.64%	\$ 385,617	\$ 14,315,524	99.31%
2008	\$ 13,896,310	\$ 13,469,044	96.93%	\$ 211,194	\$ 13,680,238	98.45%
2007	\$ 12,929,115	\$ 12,526,288	96.88%	\$ 133,196	\$ 12,659,484	97.91%
2006	\$ 12,026,127	\$ 11,592,693	96.40%	\$ 143,614	\$ 11,736,307	97.59%

Source: County of Orange Auditor-Controller

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

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

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

Fiscal Year Ended June 30,	Governmental Activities		
	Lease Revenue Bonds	Percentage of Personal Income *	Per Capita **
2015	\$ 1,740,000	0.11%	\$ 35
2014	\$ 2,120,000	0.13%	\$ 43
2013	\$ 2,480,000	0.16%	\$ 51
2012	\$ 2,820,000	0.18%	\$ 58
2011	\$ 3,145,000	0.21%	\$ 66
2010	\$ 3,450,000	0.21%	\$ 69
2009	\$ 3,745,000	0.23%	\$ 75
2008	\$ 4,025,000	0.17%	\$ 81
2007	\$ 4,295,000	0.20%	\$ 88
2006	\$ 4,550,000	0.22%	\$ 93

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

\* See Schedule 12 for personal income.

\*\* See Schedule 12 for population data.

**CITY OF CYPRESS**

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

Schedule 10

	Debt Outstanding	Estimated Percentage Applicable (1)	Sharing of Overlapping Debt
<b>Direct and Overlapping Tax and Assessment Debt:</b>			
Metropolitan Water District	\$ 110,420,000	0.263%	\$ 290,405
North Orange County Joint Community College District	187,039,001	5.659%	10,584,537
Garden Grove Unified School District	243,995,160	3.586%	8,749,666
Los Alamitos USD School Facilities Improvement District No. 1	100,560,124	2.219%	2,231,429
Anaheim Union High School District	151,308,955	13.873%	20,991,091
Centralia School District	13,159,644	1.900%	250,033
Cypress School District	39,819,929	86.151%	34,305,267
Savanna School District	41,708,730	12.837%	5,354,150
City of Cypress Community Facilities District No. 1	1,980,000	100.000%	1,980,000
City of Cypress 1915 Act Bonds	1,145,000	100.000%	1,145,000
Total Direct and Overlapping Tax and Assessment Debt			\$ 85,881,578
<b>Direct and Overlapping General Fund Obligation Debt:</b>			
Orange County General Fund Obligations	\$ 98,906,000	1.296%	\$ 1,281,822
Orange County Pension Obligations	366,854,623	1.296%	4,754,436
Orange County Board of Education Certificates of Participation	15,190,000	1.296%	196,862
Municipal Water District of Orange County Water Facilities Corp	5,360,000	1.548%	82,973
North O.C. Regional Occupational Program Certificates of Participation	10,450,000	5.066%	529,397
Anaheim Union High School District Certificates of Participation	35,478,095	13.873%	4,921,876
Los Alamitos Unified School District Certificates of Participation	43,516,874	2.018%	878,171
Centralia School District Certificates of Participation	7,365,000	86.151%	6,345,021
City of Cypress General Fund Obligations	1,740,000	100.000%	1,740,000
Total Gross Direct and Overlapping Tax and Assessment Debt			\$ 20,730,558
Less: MWDOC Water Facilities Corporation (100% self-supporting)			82,973
Total Net Direct and Overlapping Tax and Assessment Debt			\$ 20,647,585
Total Direct Debt			\$ 1,740,000
Total Gross Overlapping Debt			\$ 104,872,136
Total Net Overlapping Debt			\$ 104,789,163
Gross Combined Total Debt			\$ 106,612,136 (2)
Net Combined Total Debt			\$ 106,529,163

Source: California Municipal Statistics, Inc.

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

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



# CITY OF CYPRESS

## LEGAL DEBT MARGIN INFORMATION

### Schedule 11

#### LEGAL DEBT MARGIN CALCULATION FOR FISCAL YEAR ENDED JUNE 30, 2015

Assessed valuation	\$ 6,104,217,916
Conversion percentage	25%
Adjusted assessed valuation	\$ 1,526,054,479
Debt limit percentage	15%
Debt limit	<u>228,908,172</u>
Total Net Debt Applicable to Limit	-
Legal debt margin	<u>\$ 228,908,172</u>
Total Net Debt Applicable to Limit as a percentage of Debt Limit	0.00%

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

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

Fiscal Year Ended June 30,	Population	Personal Income (thousands of dollars)	Per Capita Personal Income	Median Age	School Enrollment **	Unemployment Rate
2015	49,184	\$ 1,595,726	\$ 32,444	40.6 *	3,990	2.7%
2014	48,886	\$ 1,582,733	\$ 32,376	40.4 *	3,916	6.1%
2013	48,547	\$ 1,593,070	\$ 32,815	39.9 *	3,879	6.5%
2012	48,273	\$ 1,561,052	\$ 32,338	39.9 *	3,916	7.6%
2011	47,802	\$ 1,500,887	\$ 31,398	39.9	3,950	9.5%
2010	49,981	\$ 1,624,033	\$ 32,493	39.7	4,007	10.1%
2009	49,647	\$ 1,613,180	\$ 32,493	39.7	4,082	10.1%
2008	49,541	\$ 2,388,322	\$ 48,209	35.9	4,101	6.1%
2007	48,938	\$ 2,110,402	\$ 43,124	35.3	4,202	4.2%
2006	48,854	\$ 2,045,419	\$ 41,868	34.7	4,288	3.4%

Source: Population - California Dept of Finance; Per Capita Income/Median Age/Unemployment Rate - U.S. Census Bureau;  
School Enrollment - California Dept of Education

\* Amount is estimated based on latest available information.

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

**CITY OF CYPRESS**  
**PRINCIPAL EMPLOYERS**  
**LAST TEN FISCAL YEARS**  
Schedule 13

Employer	2015			2014			2013			2012			2011		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
UnitedHealth Group	2,400	1	9.56%	2,198	1	8.05%	2,234	1	8.06%	2,311	1	8.37%	2,211	1	8.25%
Cypress College	945	2	3.76%	907	2	3.32%	874	2	3.16%	824	2	2.99%	863	2	3.22%
Siemens	650	3	2.59%	650	3	2.38%	375	4	1.35%	700	3	2.54%	300	6	1.12%
Los Alamitos Race Course	450	4	1.79%	--	--	--	--	--	--	--	--	--	--	--	--
Vans	425	5	1.69%	375	6	1.37%	357	5	1.29%	300	7	1.09%	--	--	--
Yamaha Motors Corp	372	6	1.48%	380	5	1.39%	318	6	1.15%	380	5	1.38%	408	4	1.52%
Costco - Cypress	358	7	1.43%	316	7	1.16%	275	8	0.99%	261	8	0.95%	355	5	1.32%
GES	300	8	1.20%	--	--	--	--	--	--	--	--	--	--	--	--
Manhattan Beachwear	275	9	1.10%	225	8	0.82%	235	9	0.85%	228	9	0.83%	228	7	0.85%
Christie Digital	230	10	0.92%	400	4	1.47%	409	3	1.48%	405	4	1.47%	--	--	--
Mitsubishi Motor Sales	--	--	--	225	9	0.82%	275	7	0.99%	350	6	1.27%	430	3	1.60%
Home Depot	--	--	--	197	10	0.72%	--	--	--	--	--	--	178	9	0.66%
Siemens Industries	--	--	--	--	--	--	234	10	0.84%	--	--	--	--	--	--
Target - Cypress	--	--	--	--	--	--	--	--	--	160	10	0.58%	195	8	0.73%
Toyo Tire Company	--	--	--	--	--	--	--	--	--	--	--	--	138	10	0.51%
Continental Graphics Corp	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
Jacobs Engineering	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
Matsushita Electric Corp	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
Mitsubishi Motor Credits	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
Shurflo	--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
<b>Total</b>	<b>6,405</b>		<b>25.52%</b>	<b>5,873</b>		<b>21.50%</b>	<b>5,586</b>		<b>20.16%</b>	<b>5,919</b>		<b>21.47%</b>	<b>5,306</b>		<b>19.78%</b>

Source: City Planning Department

2010			2009			2008			2007			2006		
Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
2,565	1	9.36%	2,565	1	9.26%	2,129	1	8.13%	2,129	1	8.03%	2,129	1	8.03%
880	2	3.21%	880	2	3.18%	912	2	3.48%	912	2	3.44%	912	2	3.44%
300	8	1.09%	200	8	0.72%	--	--	--	--	--	--	--	--	--
--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
408	5	1.49%	408	5	1.47%	380	7	1.45%	380	8	1.43%	380	8	1.43%
355	6	1.30%	355	6	1.28%	359	8	1.37%	359	9	1.35%	359	9	1.35%
--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
430	4	1.57%	430	4	1.55%	523	4	2.00%	523	4	1.97%	523	4	1.97%
178	10	0.65%	178	10	0.64%	--	--	--	--	--	--	--	--	--
--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
195	9	0.71%	195	9	0.70%	195	10	0.74%	--	--	--	--	--	--
--	--	--	--	--	--	--	--	--	--	--	--	--	--	--
475	3	1.73%	475	3	1.71%	475	5	1.81%	475	5	1.79%	475	5	1.79%
350	7	1.28%	350	7	1.26%	570	3	2.18%	570	3	2.15%	570	3	2.15%
--	--	--	--	--	--	250	9	0.95%	250	10	0.94%	250	10	0.94%
--	--	--	--	--	--	404	6	1.54%	404	7	1.52%	404	7	1.52%
--	--	--	--	--	--	--	--	--	430	6	1.62%	430	6	1.62%
<b>6,136</b>		<b>22.39%</b>	<b>6,036</b>		<b>21.77%</b>	<b>6,197</b>		<b>23.65%</b>	<b>6,432</b>		<b>24.24%</b>	<b>6,432</b>		<b>24.24%</b>

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

<u>Function/Program</u>	<u>Full-time Equivalent Employees as of June 30, 2015</u>	<u>Full-time Equivalent Employees as of June 30, 2014</u>	<u>Full-time Equivalent Employees as of June 30, 2013</u>	<u>Full-time Equivalent Employees as of June 30, 2012</u>
General Government				
Administrative	6.0	8.9	8.9	9.9
Finance	15.0	13.0	13.0	13.0
Community Development	8.0	8.0	9.0	10.0
Police				
Officers	57.0	55.0	55.0	55.0
Civilians	24.4	23.9	23.4	23.4
Public Works				
Engineering	10.0	10.0	10.0	11.0
Maintenance	28.6	27.7	30.7	32.7
Parks and Recreation	28.8	28.8	28.8	28.5
Total	<u>177.8</u>	<u>175.3</u>	<u>178.8</u>	<u>183.5</u>

Source: City of Cypress adopted budget.

Full-time Equivalent Employees as of June 30, 2011	Full-time Equivalent Employees as of June 30, 2010	Full-time Equivalent Employees as of June 30, 2009	Full-time Equivalent Employees as of June 30, 2008	Full-time Equivalent Employees as of June 30, 2007	Full-time Equivalent Employees as of June 30, 2006
9.9	9.9	9.9	9.9	9.9	9.7
13.0	13.0	13.0	13.0	13.0	13.0
11.0	11.0	13.0	13.0	13.0	13.0
58.0	58.0	58.0	58.0	58.0	58.0
22.9	22.9	25.7	27.8	27.8	27.8
10.5	10.5	12.5	13.2	11.2	11.2
32.7	33.7	41.8	41.1	41.0	44.1
28.4	29.4	31.9	33.3	34.3	34.3
<u>186.4</u>	<u>188.4</u>	<u>205.8</u>	<u>209.3</u>	<u>208.2</u>	<u>211.1</u>

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

Function/Program	Fiscal Year 2015	Fiscal Year 2014	Fiscal Year 2013	Fiscal Year 2012
Police				
Physical arrests	856	913	1,237	1,123
Parking violations	4,818	3,752	5,999	3,738
Traffic violations	1,830	2,626	3,445	2,860
Public Works - Maintenance				
Potholes repaired	56	72	213	200
Parks and Recreation				
Athletic field permits issued	8,786	9,175	10,541	9,731
Class participants	11,796	13,233	13,308	13,380
Facility rentals	1,255	1,460	1,559	1,255

Source: Various City Departments

<u>Fiscal Year</u>	<u>Fiscal Year</u>	<u>Fiscal Year</u>	<u>Fiscal Year</u>	<u>Fiscal Year</u>	<u>Fiscal Year</u>
<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
1,069	920	1,035	1,231	1,651	1,743
5,718	7,590	7,827	5,721	8,633	6,327
4,023	5,263	5,474	6,189	6,190	7,305
57	21	35	75	41	108
8,531	9,200	9,599	8,012	8,000	8,000
13,298	12,735	13,471	10,499	5,500	5,500
1,247	1,038	1,387	1,082	358	432



**CITY OF CYPRESS**

**CAPITAL ASSETS STATISTICS BY FUNCTION/PROGRAM**

**LAST TEN FISCAL YEARS**

Schedule 16

Function/Program	Fiscal Year 2015	Fiscal Year 2014	Fiscal Year 2013	Fiscal Year 2012
Police				
Stations	1	1	1	1
Patrol units	19	19	19	19
Public Works - Maintenance				
Streets (miles)	111	111	111	111
Streetlights	303	303	303	303
Traffic signals	57	57	57	57
Parks and Recreation				
Acreage	82	82	82	82
Playgrounds	18	18	18	18
Baseball/softball diamonds	8	8	8	8
Soccer/football fields	1	1	1	1
Community centers	1	1	1	1
Senior centers	1	1	1	1

Source: Various City Departments

<u>Fiscal Year</u>	<u>Fiscal Year</u>	<u>Fiscal Year</u>	<u>Fiscal Year</u>	<u>Fiscal Year</u>	<u>Fiscal Year</u>
<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
1	1	1	1	1	1
19	19	19	19	19	19
111	111	122	122	122	122
303	303	300	300	300	300
56	55	55	55	54	51
82	82	82	82	82	82
18	18	18	18	18	18
8	8	8	8	8	8
1	1	1	1	1	1
1	1	1	1	1	1
1	1	1	1	1	1



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

City Council  
City of Cypress  
Cypress, California

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Cypress, California (the City), as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated January 27, 2016.

**Internal Control over Financial Reporting**

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

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

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

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. 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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described below.

### **Compliance with Senate Bill 341**

#### Auditors' Comment and Recommendation

Senate Bill 341 (SB 341) requires all successor housing entities, starting with the fiscal year ended 2014, to comply with annual report requirements within six months after the end of each fiscal year. The annual report must be posted to the City's website and contain all of the required items as described in health and safety code section 34176.1 beginning with subsection (f). We noted the City did not prepare the annual report for the successor housing entity and, therefore, did not post the report to the City's website for fiscal year 2013-2014. We recommend the City implement policies and procedures to ensure the preparation and posting to the City's website of the annual report required by SB 341.

#### Management's Response

Management agrees with the auditors' comment and recommendation. The City is currently working on establishing policies and procedures to ensure all reporting requirements are met in the future. Additionally, the past due annual report required by SB 341 will soon be completed and posted on the City's website.

### **City's Response to the Finding**

The City's response to the finding identified in our audit is described above. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

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

*White Nelson Dick Evans LLP*

Irvine, California  
January 27, 2016