



City of Cypress, California Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2020





For the Fiscal Year Ended June 30, 2020

Comprehensive Annual Financial Report

Prepared by the Department of
Finance & Administrative Services



CITY OF CYPRESS

Comprehensive Annual Financial Report

Year ended June 30, 2020

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Introductory Section



CITY of CYPRESS

5275 Orange Avenue, Cypress, California 90630

Phone 714-229-6700 www.cypressca.org

December 29, 2020

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, 2020. 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 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 Lance, Soll, and Lunghard, LLP has performed the audit for the fiscal year ended June 30, 2020. The goal of the independent audit was to provide reasonable assurance the financial statements of the City of Cypress are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded there was a reasonable basis for rendering an unmodified opinion that the City of Cypress' financial statements for fiscal year ended June 30, 2020 are fairly presented in conformity with accounting principles generally accepted in the United States of America. The Independent Auditors' Report is presented as the first component of the financial section of this report.

As a recipient of federal, state and county financial assistance, the City of Cypress is responsible for having an adequate internal control structure in place to ensure compliance with applicable laws and regulations related to such programs. This internal control structure is subject to periodic evaluation by management. In years when over \$750,000 is expended on Federal financial assistance programs, the City is required to undergo an annual single audit in conformity with the provisions of the Federal Single Audit Act Amendments of 1996 and the Office of Management and Budget Circular A-133 regulating Single Audits, and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. For the year ended June 30, 2020, more than \$750,000 was expended on Federal financial assistance programs and a single audit was required. Information related to this single audit will be available in the City of Cypress' separately issued Single Audit Report.

CITY OF CYPRESS PROFILE

The City of Cypress, incorporated in July 1956, is located in the northwestern part of Orange County, California, where two of the nation's largest metropolitan areas, Los Angeles and Orange counties, meet. Cypress is primarily a residential community occupying 6.7 square miles of land and serving a population of 49,272. In addition to its residential communities, Cypress has an 800-acre business park that includes a diverse array of well-known companies. People are drawn to Cypress for its quality housing, business park, educational facilities, citizen-oriented social and recreational activities, and progressive City government. Some of the major attractions in Cypress include: Los Alamitos Race Course, Forest Lawn Memorial Park, and Cypress Community College.

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

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

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

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

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

FACTORS AFFECTING FINANCIAL CONDITION

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

Local economy. Cypress is home to a wide range of businesses, particularly in the 800-acre Cypress Business Park, which has historically provided over 50% of the City's General fund revenues. Major industries with headquarters or divisions located within the City's boundaries include electronic equipment, cosmetics, managed healthcare, horseracing and flooring distribution. Also based in Cypress are a variety of professional businesses, aerospace, hotels, and other retail businesses.

Over the last decade, the local economy in Orange County had experienced strong economic growth and job creation. That ended abruptly in March 2020 with the arrival of the COVID-19 pandemic and all the uncertainties it brought with it. The ongoing economic impacts of the pandemic, and associated recovery period, will likely last years in the Orange County region.

During the period between the great recession and the start of the pandemic, the City had focused on building up its reserves and limiting growth in operations which will serve us well during this period of great uncertainty. Property taxes are expected to remain a stable

source of income, while sales tax is more volatile and unpredictable. Previous sales tax concerns existed due to significant revenue declines (when compared to inflation) over the last dozen years, and were further exacerbated by the events of 2020 which saw one of the City's major generators relocating out of State and the unprecedented impact of the COVID-19 pandemic. City leaders continue to monitor these trends and are determining methods for strengthening the City's economic development efforts. It also remains to be seen how other City tax revenues important to the General fund budget (such as transient occupancy tax) rebound from the pandemic's economic fallout.

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 (CalPERS). The substantial decrease in the value of CalPERS assets during the financial crisis, and subsequent changes in actuarial assumptions and expected returns since that time, will be passed on to members of CalPERS in the form of higher payments for the foreseeable future. Cypress, like most other California cities, will at a minimum see their annual required contributions nearly double over a five-year period which began in FY 2017-18. Even before the pandemic, these increases had severely limited many governments' service levels and had the potential to create an industry-wide recession in the government sector.

Despite being subjected to all the aforementioned issues outside the control of the City's decision makers, the City has effectively managed its budget and used the positive results of past economic growth to build up fund balances and net position. It has been the City's practice to set-aside a portion of these fund balances and net position for potential future budget shortfalls and contingencies, and to offset significant long-term liabilities. Over \$14.3 million has been accumulated in the General fund for contingencies and budget stabilization at June 30, 2020. Also, a pension trust was established in 2017 in response to the pension challenges, and over \$15.4 million is invested in the trust at June 30, 2020. The pension trust provides a vehicle to restrict and invest monies for future pension obligations, while maintaining asset control at the local level.

The remaining fund balances and net position are available for use on non-operating expenditures and provide for the payment of any other long-term obligations. Assuming the City continues making sound budget decisions going forward, accumulated fund balance and net position amounts are at a level which should allow the City to withstand any short-term negative economic impacts without affecting the primary service levels currently provided to its residents and businesses. However, the City's long-term ability to maintain the current high-levels of service are jeopardized due to the uncertainty associated with the pandemic's economic contraction, declining sales tax receipts and rising pension costs.

Another financial challenge remains funding the necessary maintenance and improvements required for the City's facilities and infrastructure systems. The seven-year funding plan is updated annually based on the most recent condition assessments of the various infrastructure systems and facilities. While significant progress has been made in the last 20 years by way of improvements and setting aside reserves, there are still a significant number of improvements necessary to improve aging city and park facilities and storm drainage infrastructure. The funding plans for these assets, as well as the other

infrastructure components (sidewalks, trees, streets, traffic signals), indicates a need for additional revenue sources to achieve the City's goal of maintaining its infrastructure systems and facilities at high standards. One of the largest concerns continues to be the lack of a dedicated revenue source (outside the General fund) to pay for facilities and storm drainage improvements identified in the condition assessments. For the reasons discussed previously related to negative pandemic economic impacts, sales tax uncertainty and pension challenges, it continues to be necessary to identify viable future funding solutions (other than the General fund) in order to address the issues facing aging infrastructure systems and facilities.

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

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

The City's pursuit of these goals has resulted in establishing strategic objectives, which are incorporated into the annual budget. In the past year, the City received the Government Finance Officers Association's distinguished budget presentation award for the first time. The enhanced budget reporting is intended to shed further light on the Cypress' financial condition and the high quality services provided to the Community. Also, in early 2020 the City unveiled its new mobile app, which assists and provides value to the community by offering information to the public in a convenient, easy-to-use format. To further the goals for facilities, public safety and enhancing recreation, design work continues on two major projects, with construction expected to start on both before the end of 2020: a new nine-acre sports park and the police department modernization and seismic retrofit project. An objective promoting economic development relates to the recent sale, in accordance with a disposition and development agreement, of 13 acres of land the City has been actively trying to develop since it was purchased in 2006.

The City of Cypress maintains a seven-year Capital Improvement Program to plan for capital and infrastructure needs, and evaluates its annual budget in coordination with longer-term revenue projections. It is the City's policy to fund capital projects by accumulating and setting aside a portion of excess General fund revenues over General fund expenditures, for future infrastructure needs in the City's Capital Projects fund. However, due to the sales tax concerns and higher required pension contributions discussed earlier, the ability to continue setting aside General fund amounts for future capital needs was uncertain prior to the pandemic, and it will only get more difficult over the next several years.

In addition, a five-year forecast for the General fund is included in the budget. This forecast provides a longer term analysis, which when viewed in conjunction with the current year budget, creates parameters for charting a prudent and sustainable financial course.

However, over the last nine months the uncertainties associated with the pandemic have challenged us in our ability to project where we will be in a month or two, much less be able to create a reliable five-year forecast.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Cypress for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2019. This is the 34th consecutive year that the City has received this prestigious award. The Certificate of Achievement is a national award that recognizes conformance with the highest standards for preparation of state and local government financial reports.

In order to receive a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized 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 dedicated service of the entire staff of the City's Finance Division. This has been a year of unique challenges and unprecedented uncertainty, and I want to express my appreciation to all the Finance staff that assisted and contributed to the timely preparation of this report. Credit also must continue to be extended to the Cypress City Council for their ongoing commitment to maintaining the highest standards of professionalism in the management of the City's finances. Their foresight to plan ahead and put the City in a position to be financially prepared for an economic catastrophe such as the COVID-19 pandemic, will greatly benefit Cypress residents and its businesses during the recovery period. I look forward to working with the City Manager and the new City Council on ensuring the City's fiscal health remains strong both in the short-term and long-term.

Respectfully submitted,



Matt Burton
Director of Finance and Administrative Services

City of Cypress, California

Directory of City Officials

For the Fiscal Year Ended June 30, 2020

Legislative Body

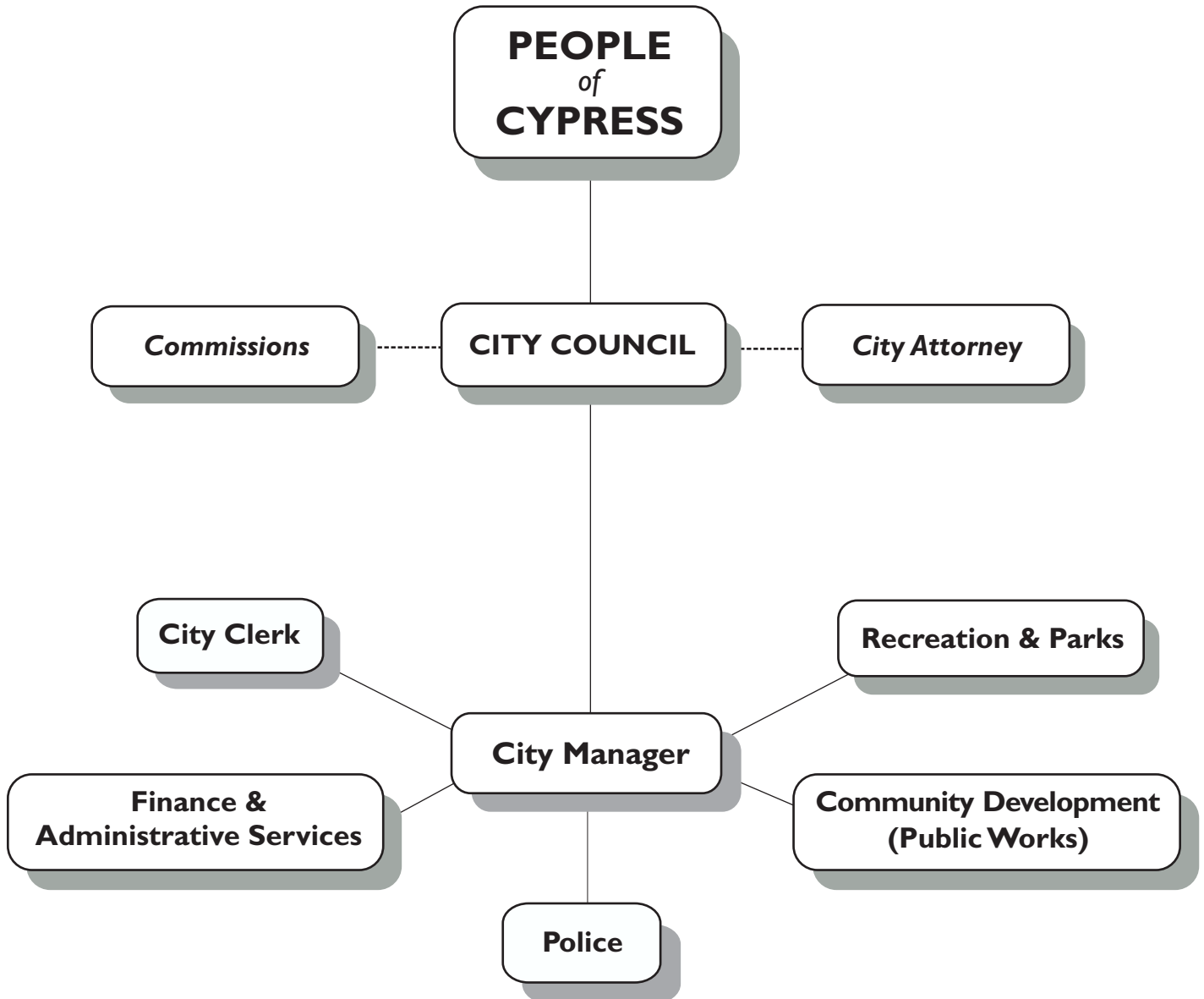
Rob Johnson Mayor
Mariellen Yarc Mayor Pro-Tem
Stacy Berry Council Member
Paulo Morales Council Member
Jon Peat Council Member

Staff Members

Peter Grant City Manager
Matt Burton Director of Finance & Admin. Services
Rod Cox Acting Chief of Police
Doug Dancs Director of Community Development
Cameron Harding Director of Recreation & Community Svcs.
Alisha Farnell City Clerk

City of Cypress

ORGANIZATIONAL CHART





Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Cypress
California**

For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

June 30, 2019

Christopher P. Morill

Executive Director/CEO

Financial Section



INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Cypress, California, (the City) as of and for the year ended June 30, 2020, and the related notes to the 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.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity'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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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



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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Cypress, California, as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison schedules for the general fund and recreation and park district special revenue fund, and streets special revenue fund, the schedule of changes in net pension liability and related ratios, the schedules of plan contributions, the schedules of proportionate share of the net pension liability, and the schedule of changes in total OPEB liability and related ratios on pages 21-47 and 112-126 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, budgetary schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and schedules are fairly stated, in all material respects in relation to the basic financial statements 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.



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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 29, 2020 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Lance, Solt & Lingham, LLP

Brea, California
December 29, 2020

**CITY OF CYPRESS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020**

As management of the City of Cypress (City), we offer readers of the City's financial statements this overview and analysis of the financial activities for the fiscal year ended June 30, 2020. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found in the introductory section of this report, and with the City's financial statements, which follow this discussion.

Financial Highlights

- The assets and deferred outflows of resources of the City exceed its liabilities and deferred inflows of resources at the close of the fiscal year ended June 30, 2020 by \$313,482,297 (*net position*). Of this amount, \$85,931,038 (*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 \$6,760,075 during the fiscal year.
- As of June 30, 2020, the City's governmental funds reported combined ending fund balances of \$136,344,572, an increase of \$6,548,814 in comparison with the prior year. A total of \$1,060,000 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, 2020, the total fund balance of the General fund was \$23,043,790. Of this total, \$7.8 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 \$14.1 million of the fund balance has been assigned – including for use on future capital improvements, investment in the City's pension trust, and potential future budget shortfalls. While these assigned amounts are not legally restricted, it continues to be the City Council's practice to set-aside and annually transfer surplus amounts (if available) both to the City's Capital Project Fund for future infrastructure improvement projects as outlined in the City's Seven-Year Capital Improvement Plan and to invest in the City's pension trust.

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.

CITY OF CYPRESS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020

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

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

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

The government-wide financial statements include not only the City itself (known as the *primary government*), but also 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.

CITY OF CYPRESS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020

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

The City maintains various individual governmental funds. Information is presented separately in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures, and changes in fund balances for the General fund, the Recreation and Park District Special Revenue fund, 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 *nonmajor* governmental funds is provided in the form of *combining statements* elsewhere in this report.

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

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

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

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

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

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MANAGEMENT'S DISCUSSION AND ANALYSIS
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considered a major fund of the City. The *internal service funds* are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds is provided in the form of *combining statements* elsewhere in this report.

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

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

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Government-wide Financial Analysis

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

**CITY OF CYPRESS
Summary of Net Position
As of June 30, 2020 and 2019**

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Assets:						
Current and other assets	\$ 186,713,423	\$ 174,409,925	\$ 3,907,597	\$ 2,942,589	\$ 190,621,020	\$ 177,352,514
Capital assets	160,408,903	162,147,445	19,672,894	19,764,241	180,081,797	181,911,686
Total assets	347,122,326	336,557,370	23,580,491	22,706,830	370,702,817	359,264,200
Deferred Outflows of Resources:						
Deferred outflows - pension & OPEB	15,511,309	15,402,566	-	-	15,511,309	15,402,566
Total deferred outflows	15,511,309	15,402,566	-	-	15,511,309	15,402,566
Liabilities:						
Long-term liabilities outstanding	14,016,790	13,479,101	-	-	14,016,790	13,479,101
Net pension liability	48,981,312	45,229,146	-	-	48,981,312	45,229,146
Other liabilities	4,160,852	3,768,884	36,082	121,612	4,196,934	3,890,496
Total liabilities	67,158,954	62,477,131	36,082	121,612	67,195,036	62,598,743
Deferred Inflows of Resources:						
Deferred inflows - pension & OPEB	5,536,793	5,345,801	-	-	5,536,793	5,345,801
Total deferred inflows	5,536,793	5,345,801	-	-	5,536,793	5,345,801
Net Position:						
Net investment in capital assets	160,408,903	162,147,445	19,672,894	19,764,241	180,081,797	181,911,686
Restricted	43,597,947	39,458,651	3,871,515	2,820,977	47,469,462	42,279,628
Unrestricted	85,931,038	82,530,908	-	-	85,931,038	82,530,908
Total net position	\$ 289,937,888	\$ 284,137,004	\$ 23,544,409	\$ 22,585,218	\$ 313,482,297	\$ 306,722,222

Net position of the City increased by nearly \$6.8 million (2.2 percent) to \$313.5 million at June 30, 2020, of which \$180.1 million is invested in capital assets such as land, buildings and improvements, equipment, and infrastructure. Of the remaining total, \$47.5 million is restricted to specifically stipulated spending agreements originated by law, contract or other agreements with external parties. The remaining \$85.9 million classified as unrestricted net position increased by \$3.4 million (4.1 percent) from \$82.5 million at June 30, 2019, and while subject to being designated for specific purposes as approved by the City Council and management, these amounts may be used to meet the City's ongoing obligations. The increase in unrestricted net position is due to several factors, including tax revenues exceeding estimates and realizing budget savings associated with personnel vacancies as well as delays in several street maintenance projects due to the COVID-19 pandemic.

The City's investment in capital assets (less any related outstanding debt used to acquire those assets) is the largest portion of the City's net position and represents 57.5 percent of total net position, which is down slightly from the percentage of overall net position at the conclusion of the prior year. While the City uses these capital assets to provide services to citizens; these assets are *not* available for future spending.

**CITY OF CYPRESS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020**

CITY OF CYPRESS
Changes in Net Position
For the fiscal year ended June 30, 2020 and 2019

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenues						
Program Revenues:						
Charges for services	\$ 2,637,587	\$ 4,337,873	\$ 1,733,202	\$ 1,721,787	\$ 4,370,789	\$ 6,059,660
Operating grants and contributions	5,998,794	3,728,589	39	98,050	5,998,833	3,826,639
Capital grants and contributions	1,488,480	1,299,265	-	-	1,488,480	1,299,265
General Revenues:						
Sales tax	11,969,246	12,616,015	-	-	11,969,246	12,616,015
Property taxes	18,532,454	17,087,336	30,076	29,978	18,562,530	17,117,314
Other taxes	5,655,368	6,198,376	-	-	5,655,368	6,198,376
Other	3,476,313	3,863,876	67,624	165,389	3,543,937	4,029,265
Total Revenues	<u>49,758,242</u>	<u>49,131,330</u>	<u>1,830,941</u>	<u>2,015,204</u>	<u>51,589,183</u>	<u>51,146,534</u>
Expenses						
General government	6,082,701	4,683,324	-	-	6,082,701	4,683,324
Community development	1,915,912	2,200,508	-	-	1,915,912	2,200,508
Public safety	19,357,512	17,423,654	-	-	19,357,512	17,423,654
Public works	11,597,788	10,800,313	-	-	11,597,788	10,800,313
Recreation	5,003,445	5,042,590	-	-	5,003,445	5,042,590
Interest on long-term debt	-	1,300	-	-	-	1,300
Sewer	-	-	871,750	897,761	871,750	897,761
Total Expenses	<u>43,957,358</u>	<u>40,151,689</u>	<u>871,750</u>	<u>897,761</u>	<u>44,829,108</u>	<u>41,049,450</u>
Increase (Decrease) in Net Position	5,800,884	8,979,641	959,191	1,117,443	6,760,075	10,097,084
Net Position						
Beginning Net Position, as previously reported	284,137,004	275,157,363	22,585,218	21,467,775	306,722,222	296,625,138
Beginning Net Position	284,137,004	275,157,363	22,585,218	21,467,775	306,722,222	296,625,138
Ending Net Position	<u>\$ 289,937,888</u>	<u>\$ 284,137,004</u>	<u>\$ 23,544,409</u>	<u>\$ 22,585,218</u>	<u>\$ 313,482,297</u>	<u>\$ 306,722,222</u>

The following revenue impacts contributed to the change in net position for governmental activities for the fiscal year ended June 30, 2020:

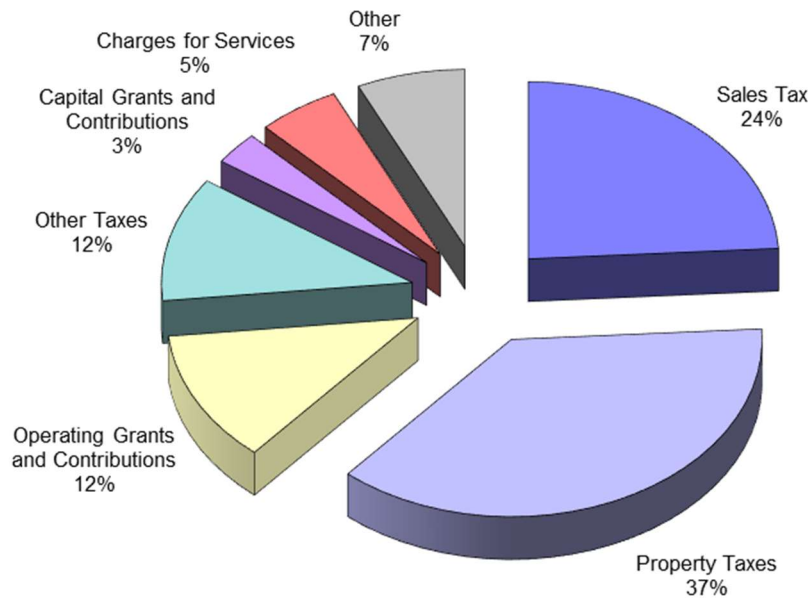
- The City's program revenues totaled 20.3 percent of total revenues and increased by 8.1 percent from the prior year. Charges for services (which include items such as planning and building fees, city services, and recreation user fees) experienced decreases largely due to the COVID-19 pandemic which curtailed programming for the last 15 weeks of the fiscal year. Grants and contributions tend to fluctuate year-to-year based on availability and project timing. This past year, operating grants and contributions increased primarily due to the availability of \$1.7 million in federal CARES Act monies for use in responding to the pandemic and providing grants to local businesses.
- The City's general revenues represent 79.7 percent of total revenues. General revenues decreased slightly (0.3 percent) from the prior year. Sales taxes, which represent 24.1 percent of total revenues and experienced declines due to the pandemic, were not as negatively impacted by COVID-19 as initially feared. The resiliency of the economy, the government's stimulus and the positive impact of online sales all contributed to these better than expected results. Property tax revenues, the City's largest revenue source, had another year of healthy increases due to the continued strong real estate market and its impact on assessed values, as well as additional tax increment allocations associated with winding down redevelopment/Successor Agency activities. Other general revenues experienced declines for a several reasons, including the pandemic and lower interest rates earned on cash balances throughout the year which resulted in lower interest

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MANAGEMENT’S DISCUSSION AND ANALYSIS
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earnings. Transient Occupancy Taxes (TOT), which are classified as other taxes, were particularly hard hit by the pandemic. Due to the lack of tourism and business travel during the last quarter of the fiscal year, these TOT revenues decreased by \$575,000 when compared to the prior year.

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

Revenues by Source – Governmental Activities



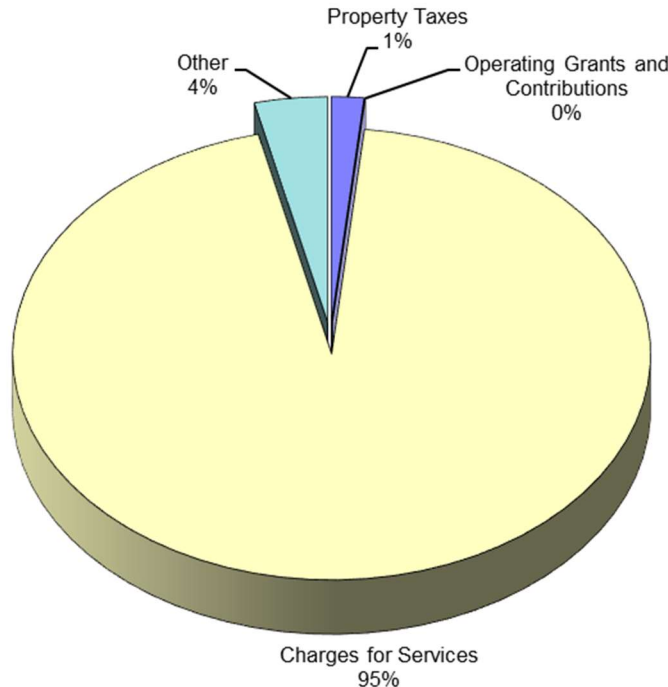
The following revenue items contributed to the change in net position for business-type activities for the fiscal year ended June 30, 2020:

- Program revenues for the sewer system are the major revenue source for the City’s lone business-type activity. Charges for sewer services comprised 94.7 percent of total revenues and increased by 0.7 percent from the prior year. Since sewer fees are directly tied to water consumption, any significant annual change can likely be attributed to precipitation levels experienced throughout the last year. The current sewer fee collections represent a dedicated revenue source which provides full-funding for ongoing maintenance and annual capital improvements to the City’s sewer system.
- General revenues for business-type activities are largely limited to investment earnings on cash balances and a small amount of property tax that is allocated to the City and is restricted to use for sewer purposes.

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

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MANAGEMENT'S DISCUSSION AND ANALYSIS
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Revenues by Source – Business-type Activities



Total expenses for governmental activities increased by approximately \$3.8 million for the fiscal year ended June 30, 2020, (9.5 percent), compared to the prior year. Nearly half of the overall increase, approximately \$1.8 million, is attributed to allocating larger declines experienced in the internal service funds' net position for the year. These changes in net position are largely the result of realizing higher net pension and retirees' health liabilities at fiscal year end June 30, 2020 than the prior year. The expenses associated with these rising employee benefit costs are allocated across all departments throughout the City. There are many other factors impacting City expenses.

- General government expenses experienced a large increase due to developing a \$1.2 million business grant program with federal CARES Act monies received from the County of Orange to assist local businesses impacted by the COVID-19 pandemic.
- Community Development expenses decreased as necessary contract plan check and inspection services for development activity declined year over year due to both the pandemic and a lower volume of development activity occurring within the City.
- Public safety (police) continues to account for the largest portion (44.0 percent) of total expenses related to governmental activities. Public safety expenses increased by over \$1.9 million (11.1 percent). In addition to the impacts of the internal service fund allocation for rising employee benefit liabilities discussed

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MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020

previously, the public safety increase is attributed to personnel cost increases related to the impacts of labor agreements with the Cypress Police Officers' Association and the Cypress Police Management Association and higher required pension contributions than in the prior year. The department continued to have several police officer vacancies throughout the year, which helped curtail the year over year increases.

- Public works increases relates to the employee benefits allocation and higher contract street maintenance projects. These projects, which include roadway paving and maintenance, tend to fluctuate year to year based the scale and timing of projects. Delays can occur due to multiple factors, including wet weather. While the pandemic caused some delays later in the year, prior year weather delays resulted in several large projects being carried over and completed in the first half of the fiscal year ended June 30, 2020.
- Recreation expenses decreased 0.8 percent due to the pandemic necessitating the stoppage of all programming in March 2020. This stoppage eliminated part-time staffing costs, payments for contract class instructors and decreased the need for some facility maintenance. The year over year decline in expenses was partially offset by having fewer full-time staffing vacancies than the prior year and the additional employee benefit internal service fund allocation discussed previously.
- Total expenses for business-type activities decreased \$26,011 (2.9 percent) due to multiple factors. The Sewer fund paid off the full principal balance on loans due the City as of June 30, 2019, resulting in no interest expense in the most recent fiscal year as compared to the \$138,138 incurred in the prior year. This decline was partially offset by increased maintenance expenses due to performing a comprehensive update to the Sewer System Management Plan (SSMP) during the fiscal year ended June 30, 2020. This required update occurs every five years with a cost of nearly \$100,000.

Financial Analysis of the Governmental Funds

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

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

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As of the end of the current fiscal year, the City's governmental funds reported total combined ending fund balances of \$136,344,572, an increase of \$6,548,814 over the fund balances at June 30, 2019. The increase in fund balances is the result of a variety of factors, with one-time budget savings and delays to capital projects brought on by the COVID-19 pandemic and allocating amounts for future capital and pension trust investment, having the most significant impacts.

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, 2020 is classified as nonspendable and relates mostly to prepaid expenses. Restricted fund balance amounts total \$27.8 million and increased by \$500,000 from the prior year and equal 20.4 percent of total fund balance. These restricted amounts can only be used for specific purposes, with the major restrictions being limited for recreation uses, street maintenance and improvements and street lighting. Committed fund balance amounts total nearly \$19.4 million (14.2 percent) and have increased by over \$2.6 million in the past year. The increase in committed fund balance is due to having more City Council approved contracts outstanding at the end of the fiscal year. While these unexpended contract amounts tend to vary from year to year depending on the status of major capital projects (such as improvements to the City's streets and facilities) at the end of the fiscal year, the current year increase is largely attributed to project delays brought on by the pandemic. An additional \$88.4 million of fund balance is categorized as assigned. These assignments of fund balance are made by City management for specific purposes – with the large majority of the assignments being for future capital improvements, pension trust investment and projected future budget shortfalls. It continues to be the City's strategy to set aside available resources in order to provide a funding mechanism to pay for future improvements to the City's infrastructure and public facilities, as well as accumulating monies to offset unfunded pension liabilities. The remaining amount of fund balance is categorized as unassigned and is available in the General fund for any purpose the City Council deems appropriate.

Proprietary funds. The City's *proprietary funds* provide the same type of information found in the government-wide financial statements, but in more detail. The City's major proprietary fund is the Sewer enterprise fund. Net position of the Sewer fund at the end of the fiscal year ending June 30, 2020 totaled \$23.5 million, which is nearly \$1.0 million higher than the prior year. The increase in net position is largely attributed to allocating resources for the ongoing investment in the sanitary sewer system through capital improvement projects.

Major Fund Financial Highlights

General Fund

The General fund is the primary operating fund of the City. At June 30, 2020, the total fund balance of the General fund was \$23,043,790 (compared to \$22,345,312 at the beginning of the year). The fund balance of the General fund is composed of five different

**CITY OF CYPRESS
MANAGEMENT'S DISCUSSION AND ANALYSIS
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categories – nonspendable, restricted, committed, assigned and unassigned. The City continues to implement the practice of accumulating monies for future infrastructure improvements in the City Capital Projects fund through transfers out of the General fund, as well as setting aside monies to invest in the City's pension trust. A total of \$4.3 million was transferred out for future infrastructure needs, and an additional \$3.4 million for pension trust investment, during the fiscal year ended June 30, 2020. It is important to note the annual General Fund monies transferred to the City Capital Projects fund for the intended purpose of providing infrastructure improvements are available for other uses at the City Council's discretion should the need arise.

As a measure of the General fund's liquidity, it may be useful to compare the total of assigned and unassigned fund balances to total fund expenditures since assigned and unassigned amounts are essentially available for any purpose. Total assigned and unassigned fund balance represents 51.6 percent (down from 54.5 percent the previous year) of the total expenditures in the General fund. As mentioned, the largest component of assigned fund balance is for future capital infrastructure investments. Despite the City Council's and management's policy to actively set-aside monies for future infrastructure needs, the annual General fund amounts expected to be available for transfer to the City's Capital Project fund will likely be insufficient to pay for all future capital needs due to projected expenditure growth outpacing projected revenue growth.

For the fiscal year ended June 30, 2020, the cash and investments balance in the General fund was \$21,755,597, an increase of \$2,569,579 from the prior fiscal year. The increase was largely due to revenues exceeding budget and realizing personnel-related budget savings due to staffing vacancies throughout the year, as well as other budget savings over the final four months of the year due to facility closures stemming from the pandemic.

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MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2020**

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

	2020	2019	Change
Revenues			
Taxes:			
Sales	\$ 12,252,711	\$ 12,332,551	\$ (79,840)
Property	11,215,393	10,411,538	803,855
Other	5,976,206	6,543,170	(566,964)
Total taxes	<u>29,444,310</u>	<u>29,287,259</u>	<u>157,051</u>
Licenses and permits	628,630	806,907	(178,277)
Fines and forfeitures	191,122	242,029	(50,907)
From use of property	1,428,560	3,014,598	(1,586,038)
From other agencies	2,086,190	493,787	1,592,403
Charges for services	2,536,320	2,635,266	(98,946)
Other	196,465	211,748	(15,283)
Total Revenues	<u>36,511,597</u>	<u>36,691,594</u>	<u>(179,997)</u>
Expenditures			
General government	5,206,978	4,131,110	1,075,868
Community development	1,680,340	2,018,319	(337,979)
Public safety	17,035,531	15,967,074	1,068,457
Public works	5,428,655	5,197,333	231,322
Total Expenditures	<u>29,351,504</u>	<u>27,313,836</u>	<u>2,037,668</u>
Net Transfers	<u>(6,461,615)</u>	<u>(3,190,831)</u>	<u>(3,270,784)</u>
Increase (decrease) in fund balance	<u>\$ 698,478</u>	<u>\$ 6,186,927</u>	<u>\$ (5,488,449)</u>

Total General fund revenues for the fiscal year ended June 30, 2020 decreased by nearly \$200,000 from the prior year. Individual components of this change are highlighted as follows:

- Sales tax receipts, historically the largest revenue source of the General fund, decreased by nearly \$80,000 from the prior year. Prior to the pandemic, sales tax revenues were tracking to significantly exceed budget due to a healthy economy and strong performance by many of the largest sales tax generators in the City. However the pandemic's negative impact on sales tax revenue over the last four months of the fiscal year was significant, although not as dramatic as initially feared.
- Annual property tax revenue continued to grow due to two factors: increases in the City's secured property tax base resulting from the ongoing strength of the real estate market and the City receiving additional amounts which were previously allocated to the Redevelopment Agency and Successor Agency. The General fund also received over \$4.9 million in property taxes in lieu of Motor Vehicle License Fees (MVLFF). This was an increase of approximately \$234,000 over the prior year.

CITY OF CYPRESS
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- Other taxes were down primarily due to transient occupancy receipts plummeting during the last quarter from COVID-19 travel impacts.
- Licenses and permit revenues declined due to lower building development activity when compared to the prior year. These revenues tend to vary year to year, and while development activity in the City remains strong, the impact of the pandemic certainly was felt during the last quarter of the fiscal year.
- Significant decreases to revenue from use of property resulted from lower interest earnings on the City's cash reserves. In addition to market interest rates decreasing from over two percent to below one percent during the year, a change was made as part of the budget regarding the allocation of interest earned on amounts set-aside for future infrastructure improvements. Prior to the fiscal year ended June 30, 2020, all interest earned on infrastructure reserves was allocated to the General fund. These interest earnings are now allocated directly to the City's Capital Projects Fund to ensure infrastructure cash balances continue to grow, even in years the General fund does not have sufficient resources to allocate for future investment.

Changes in General fund expenditures, by function, occurred as follows during the year ended June 30, 2020:

- General government expenditures increased by \$1,075,868 (26.0 percent) due to expending slightly over \$1.1 million of federal CARES Act monies for a small business grant assistance program. The program was designed to immediately assist local businesses impacted by the COVID-19 pandemic and over 150 Cypress businesses received grants of up to \$7,500.
- Community development expenditures decreased due to incurring lower contract costs to provide building inspections and plan check services. As mentioned in the discussion on revenue impacts, development activity declined from the prior year partially due to the pandemic. Additionally, a new contract for building inspections and plan check services went into effect January 1, 2020 which results in lower costs to the City than the previous agreement. While development activity in the City remains high despite the impacts of the pandemic, the actual costs necessary to provide these services tend to vary from year to year based on the regional economy and its impact on development in the City, as well as the actual timing of providing services on major individual projects within the City.
- Public safety (police) expenditures were up \$1,068,457 (6.7 percent) from the prior fiscal year. Cost increases associated with implementing negotiated salary and benefit increases for sworn officers, combined with higher required pension payments to CalPERS, accounted for the majority of the additional expenditures.
- Public works expenditures rose by \$231,322 (4.5 percent) due to several factors, including incorporating salary and pension cost increases, more engineering plan check contract costs due to increased activity levels and adjusting internal service fund allocations for liability insurance to better reflect claims history.

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General fund net transfers out increased by nearly \$3.3 million as compared to the prior fiscal year and are summarized as follows:

- The General fund transferred \$500,000, the same as the prior year, to the City's Capital Projects fund for current year projects. Additionally, \$4.3 million of accumulated fund balance, up from \$2.6 million in the prior year, was transferred from the General fund to the City's Capital Projects fund for future infrastructure projects.
- \$3.4 million was transferred to the City's Internal Service Employee Benefits fund during the past year, compared to \$1,050,000 in the prior year. This annual transfer is used to fund the City's pension trust which was established in 2017 to help offset the City's growing pension liabilities.
- The Civic Center Refinancing and Improvement Project Lease Revenue Bonds were paid off in full in Fiscal Year 2018-19. The debt service fund held \$871,929 of reserves originally established with City General fund monies. With the debt being extinguished, the debt service fund was closed in FY 2019-20 and the residual fund balance was transferred back to the General fund.

General Fund Budgetary Highlights

Differences between the original appropriations budget and the final amended budget totaled a net increase of \$1,953,891. The annual carryover of appropriations to the new fiscal year for encumbrances and services not completed in the prior fiscal year accounted for \$388,251 of the change. The majority of the carryover appropriations related to unexpended contingency amounts and contract costs for traffic engineering studies and a police staffing study. The remaining major changes in appropriations are summarized as follows:

- \$60,000 increase in Administration for construction and operating costs associated with a memorandum of understanding between the City and the North Orange County Service Planning Area Homeless Navigation Centers.
- \$1,160,000 increase in Administration for the creation of a Small Business Grant program using federal CARES Act monies provided by the County of Orange for assisting local businesses negatively impacted by the COVID-19 pandemic. Within a month of developing the program, a total of 158 Cypress businesses had been awarded grants of up to \$7,500.
- \$105,500 of increases in Community Development for contract costs associated with providing building inspection and plan check services. Inspection and plan check services tend to fluctuate year-to-year based on many factors, including the overall health of the economy. The additional inspection and plan check appropriations were fully offset by increases in revenues in the General fund.

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Total actual General fund revenues exceeded the final amended revenue budget by \$1,694,185. Overall, significant tax overages for sales tax, property tax and interest earnings on cash balances were partially offset by revenues from other agencies (grants) and charges for services being less than the amended budget. Initial forecasts called for sales taxes to decline for the fiscal year ended June 30, 2020, but revenues remained strong throughout the year despite the impacts of the pandemic and exceeded budget by more than \$1.1 million. Interest earnings (classified as revenues from use of property) on idle General fund cash balances exceeded budget by nearly \$800,000. However, the majority of this overage is a result of adjusting investments to their market value at June 30, 2020 as required by accounting guidelines. Since the City's investment policy provides for all investments to be held to maturity, these additional revenues will never be realized. Revenue from other agencies consist primarily of grants and the City was awarded nearly \$2.2 million of federal CARES Act monies for COVID-19 response. A portion of this CARES Act allocation, just over \$500,000, was unexpended as of June 30, 2020 and will be carried over and fully expended in the fiscal year ended June 30, 2021. Charges for services, which includes reimbursements the Cypress Recreation and Park District makes to the City for providing facility and park maintenance services, were nearly \$300,000 less than the final budget. These savings were directly attributed to the District ceasing regular recreation programming in March due to COVID-19, resulting in fewer maintenance needs for the balance of the fiscal year.

Total operating expenditures were \$3.0 million below the final amended budget (before any carryover amounts to the fiscal year ended June 30, 2021) and these savings were attributed across all departments throughout the City. The reason for the budget variance is similar to prior fiscal years, in that the largest component is related to personnel savings and the periods departments had staffing vacancies during the course of the year. The bulk of these staffing vacancies are associated with positions (such as police officers) in which active recruitments are ongoing and the periods of vacancy are temporary. Further savings were realized due to the impacts of COVID-19 which caused staffing and overall service levels to be brought down to a minimum starting in March 2020.

Other Major Funds and Other Funds

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

Recreation and Park District Special Revenue Fund

The Recreation and Park District special revenue fund is the sole operating fund of the Cypress Recreation and Park District. At the end of the current fiscal year, total fund balance was \$11,948,616 as compared to \$13,651,996 at the beginning of the year. The fund balance represents 302.4 percent (compared with 328.3 percent from the previous year) of the fund's total current Recreation operating expenditures and the large majority of the fund balance is categorized as restricted. These restrictions are separated into

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amounts that are required to be used for improvements to open space, for use on youth league renovations and those amounts that may be used for general recreation activities. Since the bulk of the District's operations are funded with annual property tax revenues, a portion of the restricted fund balance for general recreation usage is needed to meet cash flow shortages between property tax receipts. The remaining restricted amounts (for both open space and recreation) are being accumulated for future non-recurring expenditures such as facility and infrastructure improvements. During the fiscal year ended June 30, 2018, the City Council approved the transfer of \$2.2 million to the District for use on future capital facility improvements. No improvements have been applied against the \$2.2 million and it is categorized as committed fund balance of the District since these monies were transferred from the General Fund of the City and are not legally restricted.

For the fiscal year ended June 30, 2020, the cash and investments balance in the Recreation and Park District special revenue fund was \$12,958,082, a decrease of \$1,167,282 from the prior fiscal year. The decrease in cash was expected due to several budgeted capital projects not being completed by June 30, 2019 which were carried over and completed in the fiscal year ending June 30, 2020. Total receivables at the end of the fiscal year were \$134,140, which decreased from the prior year total of \$251,333 due primarily to lower interest receivable amounts resulting from declines in the market rate earned on cash balances.

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Summary of Changes in Fund Balances
Recreation and Park District Special Revenue Fund
For the fiscal year ended June 30, 2020 and 2019

	2020	2019	Change
Revenues			
Taxes:			
Property	\$ 5,958,510	\$ 5,435,432	\$ 523,078
From use of property	414,655	468,159	(53,504)
From other agencies	54,498	88,955	(34,457)
Charges for services	462,268	1,573,811	(1,111,543)
Other	3,649	9,763	(6,114)
Total Revenues	<u>6,893,580</u>	<u>7,576,120</u>	<u>(682,540)</u>
Expenditures			
Recreation	3,951,650	4,158,366	(206,716)
Capital outlay	3,450,867	1,169,309	2,281,558
Total Expenditures	<u>7,402,517</u>	<u>5,327,675</u>	<u>2,074,842</u>
Excess of revenues over expenditures	(508,937)	2,248,445	(2,757,382)
Net transfers	(1,194,443)	(1,400,802)	206,359
Increase in fund balance	<u>\$ (1,703,380)</u>	<u>\$ 847,643</u>	<u>\$ (2,551,023)</u>

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Total Recreation and Park District Special Revenue fund revenues for the fiscal year ended June 30, 2020 decreased by \$682,540 from the prior year. Individual components of this change are highlighted as follows:

- Property tax revenues, the District's largest revenue source, increased by \$523,078 due to two factors. The increase relates to both the positive impacts to property tax revenues resulting from rising assessed values and the amount of residual property tax paid to the District. These residual amounts continue to increase as Successor Agency activities wind down.
- Revenues from the use of property decreased due to lower interest earnings from declines in both the District's cash reserves and the market interest rates earned on those reserves.
- Charges for services decreased due to multiple factors. In March 2020, the COVID-19 pandemic halted traditional recreation programming for the remainder of the year causing sharp declines in revenues associated with this typically busy period of the year. In addition, no park development fees were received in the fiscal year ended June 30, 2020 compared to \$652,000 received during the prior year. These fees vary year to year based on housing development activity within the City.

Notable changes in expenditures during the fiscal year ended June 30, 2020 follow:

- Recreation expenditures decreased nearly \$207,000 (5.0 percent) due to pandemic-related declines in part-time personnel and payments to contract class instructors.
- Capital expenditures rose by \$2,281,558 due to several facility enhancements being completed or initiated in the most recent fiscal year. These improvements included the final design of a new sports park, ADA compliant playground resurfacing at seven parks, a new restroom and concession building at Oak Knoll Park and Senior Center skylight and roof improvements.

District transfers totaled a net outflow of nearly \$1.2 million which is comprised of multiple transfers. First, the District annually transfers additional property tax amounts to the City that were previously apportioned to the Agency. The City Council established this repayment due to the State disallowing loans from the City to the Agency which had been used to pay for several recreation projects (including the construction of the Senior Center and the remodel of the Community Center). The other significant component relates to a \$150,000 annual transfer to the employees' benefits internal service fund to help offset any unfunded pension liability owed to the Orange County Employees Retirement System (OCERS). This liability represents monies owed on behalf of vested District employees who earned OCERS pension benefits prior to 2000 when all employees were enrolled in CalPERS.

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Streets Special Revenue Fund

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

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

	<u>2020</u>	<u>2019</u>	<u>Change</u>
Revenues			
From use of property	\$ 110,712	\$ 124,579	\$ (13,867)
From other agencies	2,933,107	2,887,506	45,601
Charges for services	139,501	18,034	121,467
Other revenue	-	48,000	(48,000)
Total Revenues	<u>3,183,320</u>	<u>3,078,119</u>	<u>105,201</u>
Expenditures			
Public works	810,546	90,465	720,081
Capital outlay	152,828	263,504	(110,676)
Total Expenditures	<u>963,374</u>	<u>353,969</u>	<u>609,405</u>
Net Transfers	<u>(1,423,498)</u>	<u>(2,504,797)</u>	<u>1,081,299</u>
Increase (decrease) in fund balance	<u>\$ 796,448</u>	<u>\$ 219,353</u>	<u>\$ 577,095</u>

Total revenues for the fiscal year ended June 30, 2020 increased \$105,201 from the prior fiscal year. The largest recurring income source in this fund is revenue from other agencies which includes State Gas Tax, Road Repair and Accountability Act of 2017 and County Measure M2 allocations. The City also received \$139,501 of fees for traffic mitigation and these receipts tend to fluctuate year to year based on development activity in the City.

Total expenditures and net transfers also tend to vary from year-to-year depending on resource availability and the specific timing and scope of recurring projects such as the arterial and residential street rehabilitation and concrete/sidewalk improvements. Expenditures for street rehabilitation and concrete/sidewalk improvements increased from \$90,465 to \$810,546 in the past year. However, extensive median improvements along Valley View Street in the prior year, with a cost of nearly \$850,000, utilized restricted Gas Tax monies resulting in the year over year decrease to net transfers.

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City Capital Projects Fund

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

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Summary of Changes in Fund Balances
City Capital Projects Fund
For the fiscal year ended June 30, 2020 and 2019**

	2020	2019	Change
Revenues			
From use of property	\$ 1,364,592	\$ 88,003	\$ 1,276,589
From other agencies	-	189,423	(189,423)
Other revenue	-	51,732	(51,732)
Total Revenues	<u>1,364,592</u>	<u>329,158</u>	<u>1,035,434</u>
Expenditures			
Public works	688,699	1,326,193	(637,494)
Capital outlay	608,532	2,818,789	(2,210,257)
Total Expenditures	<u>1,297,231</u>	<u>4,144,982</u>	<u>(2,847,751)</u>
Net Transfers	<u>6,576,863</u>	<u>5,521,584</u>	<u>1,055,279</u>
Increase (decrease) in fund balance	<u>\$ 6,644,224</u>	<u>\$ 1,705,760</u>	<u>\$ 4,938,464</u>

Total revenues for the fiscal year ended June 30, 2020 increased over \$1.0 million from the prior fiscal year. The increase is primarily due to shifting interest received on idle cash balances set-aside for future infrastructure from the General fund to the City Capital Projects Fund. This reallocation was approved as part of the FY 2019-20 budget and provides an annual funding mechanism for growing cash balances specifically set-aside for future investment in facilities and infrastructure. No other revenues were received in the past year. It is not uncommon for the City's revenues from other agencies (grant monies) to fluctuate from year to year based on eligibility and availability.

While there were substantial project delays caused the pandemic in the fiscal year ended June 30, 2020, total expenditures tend to vary from year-to-year depending on the status of non-recurring projects such as public facility renovations, median improvements and other major infrastructure improvements such as storm drainage construction. The year over year decrease is attributable to the Valley View median improvements discussed previously, as well as nearly \$1 million of HVAC improvements to the Civic Center occurring in the prior year.

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

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General fund transfers represent the annual funding requirement approved by the City Council to fund current year projects, while the other component allocates monies for future infrastructure improvements that will be appropriated in upcoming years. The amount available for future improvements is directly tied to available General fund surplus amounts from the prior fiscal year. Available surplus amounts from FY 2018-19, and transferred to the City Capital Projects fund in FY 2019-20, were \$1.3 million higher than the prior year.

Sewer Enterprise Fund

The Sewer Enterprise fund accounts for the maintenance and improvements made to the City's sewer system. The primary revenue source associated with this fund is fees collected from users of the sewer system. The Sewer fund is an enterprise fund in accordance with the requirements of GASB Statement No. 54 and all infrastructure assets associated with the sanitary sewer system are recorded as assets in the Sewer fund and the full-accrual method of accounting is used to account for sewer activities within the fund. The net position increased by slightly less than \$1.0 million during the year. The following is a comparison of the enterprise activity in the fund for the past two years:

CITY OF CYPRESS
Summary of Changes in Net Position
Business-type Activities - Sewer Enterprise Fund
For the fiscal year ended June 30, 2020 and 2019

	2020	2019	Change
Operating Revenues			
Charges for services	\$ 1,733,202	\$ 1,721,787	\$ 11,415
Other	1,611	3,233	(1,622)
Total Operating Revenues	<u>1,734,813</u>	<u>1,725,020</u>	<u>9,793</u>
Operating Expenditures			
Sewer Maintenance	325,269	213,143	112,126
Depreciation	546,481	546,480	1
Total Operating Expenditures	<u>871,750</u>	<u>759,623</u>	<u>112,127</u>
Non-Operating Revenues (Expenses)			
Property Taxes	30,076	29,978	98
From other agencies	39	98,050	(98,011)
Interest income	66,013	162,156	(96,143)
Interest expense	-	(138,138)	138,138
Total Non-operating Revenues	<u>96,128</u>	<u>152,046</u>	<u>(55,918)</u>
Increase (Decrease) in net position	<u>\$ 959,191</u>	<u>\$ 1,117,443</u>	<u>\$ (158,252)</u>

Total Sewer fund operating revenues for the fiscal year ended June 30, 2020 are comprised primarily of sewer fee revenues, which increased slightly from the prior year. Sewer fees are charged to both residential and commercial accounts based on water consumption.

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Maintenance expenditures increased due to performing the comprehensive update to the Sewer System Management Plan (SSMP) during the fiscal year ended June 30, 2020. This required update occurs every five years with cost of nearly \$100,000.

Non-operating revenues and expenses have fluctuated over the past two years. Community Development Block Grant monies of \$98,011 were received in the prior year for eligible sewer improvements. In addition, the Sewer fund repaid the \$5 million loan to the City on June 30, 2019 which resulted in lower interest earning on cash balances and no interest paid on the loan in FY 2019-20.

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets as of June 30, 2020 amounts to \$180,081,797 (net of accumulated depreciation) and consists of \$160,408,903 for governmental activities and \$19,672,894 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 increased during the past fiscal year by nearly \$4.8 million (1.5 percent) before depreciation. The following table summarizes capital asset activity for the fiscal year ended June 30, 2020.

Summary of Capital Assets
As of June 30, 2020 and 2019

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2018
Governmental Activities:						
Capital Assets, Not Depreciated:						
Land	\$ 9,734,882	\$ 9,734,882	\$ -	\$ -	\$ 9,734,882	\$ 9,734,882
Construction in Progress	4,245,096	2,945,140	-	1,068,805	4,245,096	4,013,945
Total, Not Depreciated	13,979,978	12,680,022	-	1,068,805	13,979,978	13,748,827
Capital Assets, Being Depreciated:						
Buildings and Improvements	36,677,316	34,364,819	-	-	36,677,316	34,364,819
Machinery and Equipment	11,173,408	11,142,596	-	-	11,173,408	11,142,596
Infrastructure	232,446,976	231,562,724	34,310,901	32,786,962	266,757,877	264,349,686
Total, Being Depreciated	280,297,700	277,070,139	34,310,901	32,786,962	314,608,601	309,857,101
Less Accumulated Depreciation:						
Buildings and Improvements	(18,961,658)	(17,907,969)	-	-	(18,961,658)	(17,907,969)
Machinery and Equipment	(7,162,215)	(6,293,249)	-	-	(7,162,215)	(6,293,249)
Infrastructure	(107,744,902)	(103,401,498)	(14,638,007)	(14,091,526)	(122,382,909)	(117,493,024)
Total Accumulated Depreciation	(133,868,775)	(127,602,716)	(14,638,007)	(14,091,526)	(148,506,782)	(141,694,242)
Total Depreciated, Net	146,428,925	149,467,423	19,672,894	18,695,436	166,101,819	168,162,859
Governmental Activities Capital Assets, Net	\$ 160,408,903	\$ 162,147,445	\$ 19,672,894	\$ 19,764,241	\$ 180,081,797	\$ 181,911,686

Major governmental activities capital asset transactions during the fiscal year ended June 30, 2020 included the following:

- The increase to construction in progress at year end is due to Americans with Disabilities Act (ADA) playground surfacing upgrades at several parks, final design

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and construction of the nine-acre sports park and the Police Department modernization and seismic retrofit project not being completed at June 30, 2020.

- Additions to buildings and improvements of \$2.3 million include a new restroom/concession building at Oak Knoll Park, several improvements at the Senior Center including a new roof and skylight as well as heating, air conditioning and ventilation system replacements, and the installation of fire sprinklers to the Boys and Girls Club building located at Cedar Glen Park.
- The increase to machinery and equipment is attributed to the implementation of an online business licensing system, the implementation of a digital plan review workstation, the purchase of Senior Center fitness equipment, as well as the acquisition of lobby furniture at both the Community and Senior Centers.
- Infrastructure additions of \$884,000 are comprised of both capitalizing prior year construction in progress amounts as well as current year expenditures for storm drain capacity and traffic signal improvement projects.

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

- The completion of \$1.5 million of sewer capacity and condition improvement projects at various locations. The majority of these project costs, nearly \$1.1 million, were incurred in the prior fiscal year and recorded as construction in progress at June 30, 2019.

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

Long-Term debt. The City had total debt outstanding of \$62,998,102 at June 30, 2020. The following schedule summarizes the City's long-term liabilities.

Summary of Long-Term Debt			
As of June 30, 2020 and 2019			
	2020	2019	Change
Claims Payable	\$ 1,338,923	\$ 2,055,683	\$ (716,760)
Compensated Absences	2,060,409	2,350,619	(290,210)
Retiree's Health Benefits	10,617,458	9,072,799	1,544,659
Accrued Pension Liability	48,981,312	45,229,146	3,752,166
Total	\$ 62,998,102	\$ 58,708,247	\$ 4,289,855

Long-term debt activity during the fiscal year ended June 30, 2020 included:

- Claims payable declined significantly due to resolving several workers' compensation and general liability claims during the fiscal year ended June 30, 2020.

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- Compensated absences decreased by \$290,210 (12.3 percent). The decrease is attributable to the COVID-19 pandemic which forced the City to close facilities between March and June 2020. These closures resulted in many employees using accrued leave time since they were unable to perform their regular job duties. Typically, compensated absence liabilities tend to remain largely unchanged in years where there are few retirements or resignations of long-term employees which offset the growth in leave balances for current employees, however the most recent fiscal year was an exception.
- In conjunction with GASB 75, the City had an actuarial valuation performed to determine the liability for other postemployment benefit (OPEB) plans as of June 30, 2020. The results of this actuarial valuation resulted in the City's liability for retiree's health benefits increasing to \$10,617,458. The change in liability from year to year is attributed to many factors, including the lowering of the discount rate, as well as the ongoing impact of the actuarial requirement of an "implied subsidy" which results when the premiums paid by both active employees and retirees are the same. In these situations, such as with the City, the underlying assumption is the value of benefits to retirees exceeds those provided to active employees.
- The City's pension liability associated with its defined benefit plans increased by just short of \$3.8 million during the fiscal year ended June 30, 2020. These increases are directly attributable to the results of the annual actuarial valuations performed by the plan's administrators, CalPERS and OCERS.

The City has set aside approximately \$3 million in the Employees Benefits Internal Service Fund to offset and pay a portion of both the OPEB and pension liabilities. However, these monies have not been placed in an irrevocable trust and therefore are not considered funded assets for actuarial purposes. In addition to these cash balances, \$15.4 million is invested in the City's pension trust as of June 30, 2020. These trust amounts are legally restricted and may only be used to pay annual pension obligations.

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

Economic Factors and their impact on future City Budgets

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

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However, the last nine months have been extraordinarily uncertain times. National, state and local understanding of the COVID-19 pandemic changes daily, as does the response to it. How and when our communities and economy complete reopening remains undetermined.

COVID-19 and the shut-down ordered by the federal, state and county governments in an effort to contain the pandemic have the potential to devastate our economy. The State of California will likely face massive future deficits, unemployment rates are projected to peak at levels rivaling the worst period of the Great Depression and the long-term impacts on the economy, consumer behavior and public health are unknown.

What we do know is, that thanks to the City Council's leadership and our employees' dedication and commitment, Cypress will weather this storm.

Through the long economic recovery that followed the Great Recession, Cypress carefully managed its finances, built a more efficient and effective organization, invested in our employees and prepared for the next economic downturn or emergency. We focused on core municipal services to keep our residents safe and promote our high quality of life and we invested in protecting our community and city government from calamity.

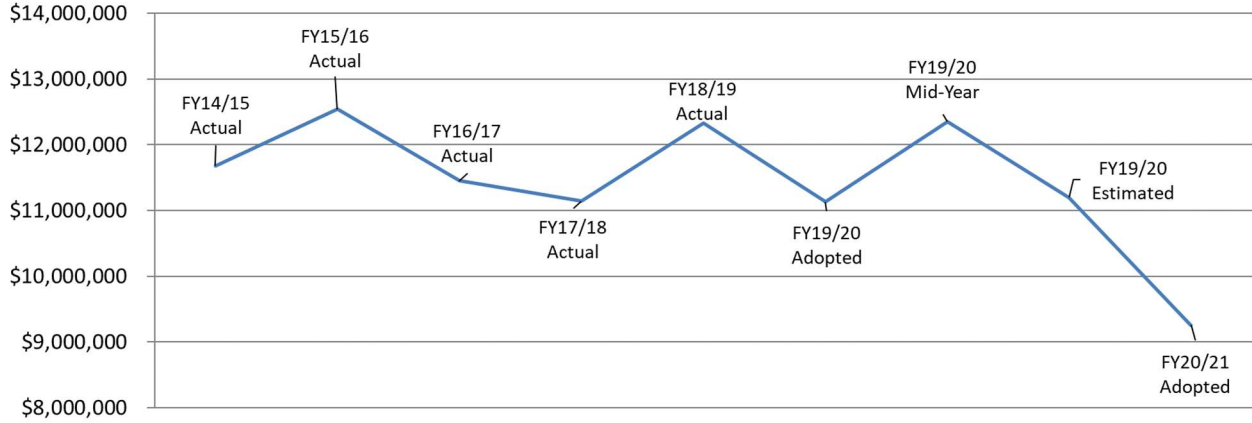
The City's reserves, carefully assembled over decades, ensures Cypress experiences little disruption to city services in FY 2020-21.

Thanks to prudent decisions made over the last decade, the City's financial condition was especially strong prior to the pandemic and we are in a position to temporarily use reserves totaling \$2.1 million to balance the FY 2020-21 Budget. It is anticipated these reserves will be fully replenished prior to the end of FY 2020-21 with the additional revenues and cost savings available from FY 2019-20. This means the City is projected to begin preparations for its *next* budget (FY 2021-22) with the *same (or greater) reserves* than are available at the beginning of FY 2020-21.

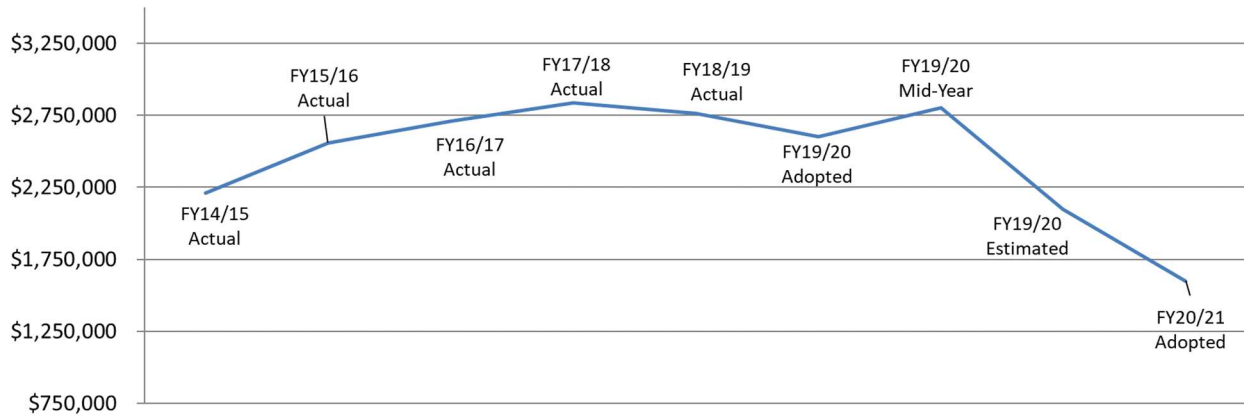
However, foresight and preparation cannot insulate our community from a pandemic. Shuttering all but essential businesses initiated a series of cascading impacts on the regional and local economies that are, inevitably and directly, degrading the City's financial position. The earliest damage is already seen in badly disrupted Sales Tax and Transient Occupancy Tax receipts that undermines years of economic development and business outreach efforts. These two revenue sources are projected to decline nearly \$2.9 million between FY 2019-20 and FY 2020-21. How and when they recover is one of a seemingly endless list of unknowns.

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**Sales Tax Revenues
FY 2014-15 through 2020-21**



**Transient Occupancy Tax
FY 2014-15 through 2020-21**



Longer-term worries cloud forecasts into FY 2020-21 and beyond, with considerable concern surrounding residential and commercial property values, business licenses, pension costs, and interest and investment earnings. The City's on-going Sales Tax projections also reflect a major Sales Tax generator's decision to close its western distribution facility after 25 years of business in Cypress and consolidate its operations out of state by the end of 2020.

The City has prepared for the risk of a major Sales Tax generator leaving Cypress by maintaining a Business Relocation reserve and by making an annual contribution from the General Fund for capital (infrastructure) projects that is roughly equivalent to revenue generated by this major Sales Tax generator. The reserve and capital commitment serve

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to absorb an economic shock to the operating budget that would otherwise impair the City's ability to serve the community.

Especially in the face of a once-in-a-life time catastrophe, our conservative financial management has made Cypress one of California's most financially stable cities and remains the foundation of our Budget. This rigorous approach, guided by the Strategic Plan, has enabled the City to maintain service levels during previous economic difficulties, and supported by reserves, will see us through these unprecedented times.

Revenues. The City's projected revenues for Fiscal Year 2020-21 are \$37.9 million and do not include any tax rate increases from the previous year. The Fiscal Year 2020-21 revenues included in the budget are 6.0 percent less than the Fiscal Year 2019-20 adopted revenue budget.

The revenue uncertainties associated with the COVID-19 pandemic, especially in regards to forecasting sales tax and transient occupancy tax, made developing the Fiscal Year 2020-21 budget challenging in a way never seen before. However, 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 sources remain Property Tax (\$11.2 million including State backfills) and Sales Tax (\$9.3 million). Together, these two sources comprise over two-thirds of General Fund revenues. Budgeted sales tax revenues have decreased by nearly \$1.9 million (16.8 percent) from the FY 2019-20 Budget. The decrease is the result of the pandemic and the anticipated loss of one of the City's largest generators by the end of 2020.

While not nearly as large as Property Taxes and Sales Tax, Transient Occupancy Tax (TOT) is a major component of Other Taxes in the General Fund. The TOT declines due to COVID-19 are drastic and it is difficult to predict how and when TOT revenues may rebound. TOT is projected to decrease by \$1 million (38%) when compared to the FY 2019-20 Budget.

Aside from the ongoing concerns regarding Sales Tax and Transient Occupancy Tax, the City's revenues remain largely healthy but the uncertainties associated with the pandemic obviously remain a large concern.

Expenditures. Fiscal Year 2020-21 expenditures accomplish Strategic Plan goals and operating costs grow modestly in response to the challenges and uncertainties associated with the pandemic. Major expenditure highlights in the Fiscal Year 2020-21 Budget are as follows:

- ◆ Maintaining current service levels.

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- ◆ Funding required CalPERS pension cost increases of \$650,000.
- ◆ Incorporating negotiated employee salary and benefit increases.
- ◆ Year one of the City's updated Seven Year Capital Improvement Program which totals \$6.2 million.
- ◆ Capital Outlay funding of \$873,799 to acquire and/or replace computer software/hardware items and various tools and equipment, the majority of which is utilized by the Police Department. The large majority of capital outlay amounts are being funded with restricted special revenue funds and/or accumulated monies previously set-aside in the equipment replacement/technology investment internal service funds.

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.

BASIC FINANCIAL STATEMENTS

CITY OF CYPRESS

STATEMENT OF NET POSITION

June 30, 2020

ASSETS	Governmental Activities	Business-type Activities	Total
Cash and investments	\$ 151,614,553	\$ 3,747,949	\$ 155,362,502
Restricted cash and investments	15,419,620	-	15,419,620
Receivables:			
Taxes	2,894,656	104	2,894,760
Interest	496,078	11,842	507,920
Notes, net of allowance	247,199	-	247,199
Other	1,661,693	-	1,661,693
Prepaid items	252,067	147,702	399,769
Inventory	12,247	-	12,247
Assets available for resale	14,115,310	-	14,115,310
Capital assets			
Non-depreciable:			
Land	9,734,882	-	9,734,882
Construction in progress	4,245,096	-	4,245,096
Depreciable, net of accumulated depreciation:			
Building and improvements	17,715,658	-	17,715,658
Machinery and equipment	4,011,193	-	4,011,193
Infrastructure	124,702,074	19,672,894	144,374,968
TOTAL ASSETS	347,122,326	23,580,491	370,702,817
DEFERRED OUTFLOWS OF RESOURCES			
Deferred amount from pension plans	11,596,515	-	11,596,515
Deferred amount from OPEB	1,591,886	-	1,591,886
Deferred amount from OCERS	2,322,908	-	2,322,908
TOTAL DEFERRED OUTFLOWS OF RESOURCES	15,511,309	-	15,511,309
LIABILITIES			
Accounts payable and other accrued liabilities	3,677,853	36,082	3,713,935
Unearned revenue	265,751	-	265,751
Due to other governments	217,248	-	217,248
Long-term liabilities:			
Due within one year			
Claims payable	335,200	-	335,200
Compensated absences	515,200	-	515,200
Due in more than one year			
Claims payable	1,003,723	-	1,003,723
Retirees' health payable	10,617,458	-	10,617,458
Compensated absences	1,545,209	-	1,545,209
Net pension liability	48,981,312	-	48,981,312
TOTAL LIABILITIES	67,158,954	36,082	67,195,036
DEFERRED INFLOWS OF RESOURCES			
Deferred amount from pension plans	3,609,221	-	3,609,221
Deferred amount from OPEB	294,764	-	294,764
Deferred amount from OCERS	1,632,808	-	1,632,808
TOTAL DEFERRED INFLOWS OF RESOURCES	5,536,793	-	5,536,793
NET POSITION			
Net investment in capital assets	160,408,903	19,672,894	180,081,797
Restricted:			
Pension trust	15,419,225	-	15,419,225
Public safety	3,088,775	-	3,088,775
Public works	12,673,493	-	12,673,493
Recreation	9,745,374	-	9,745,374
Sanitary sewer		3,871,515	3,871,515
Other	2,671,080	-	2,671,080
Unrestricted	85,931,038	-	85,931,038
TOTAL NET POSITION	\$ 289,937,888	\$ 23,544,409	\$ 313,482,297

See Accompanying Notes to the Basic Financial Statements.

CITY OF CYPRESS

STATEMENT OF ACTIVITIES

For the fiscal year ended June 30, 2020

	Program Revenues				Net (Expense) Revenues and Changes in Net Position		Total
	Expenses	Charges for Services	Operating	Capital	Governmental Activities	Business-type Activities	
			Grants and Contributions	Grants and Contributions			
Governmental Activities:							
General government	\$ 6,082,701	\$ 154,716	\$ 2,057,841	\$ 79,076	\$ (3,791,068)	\$ -	\$ (3,791,068)
Community development	1,915,912	899,680	64,109	-	(952,123)	-	(952,123)
Public safety	19,357,512	268,225	1,355,949	-	(17,733,338)	-	(17,733,338)
Public works	11,597,788	741,487	2,159,304	1,409,404	(7,287,593)	-	(7,287,593)
Recreation	5,003,445	573,479	361,591	-	(4,068,375)	-	(4,068,375)
Total Governmental Activities	43,957,358	2,637,587	5,998,794	1,488,480	(33,832,497)	-	(33,832,497)
Business-type Activities:							
Sewer	871,750	1,733,202	39	-	-	861,491	861,491
Total	\$ 44,829,108	\$ 4,370,789	\$ 5,998,833	\$ 1,488,480	\$ (33,832,497)	\$ 861,491	\$ (32,971,006)
General Revenues:							
Taxes:							
Property tax, levied for general purpose					6,273,159	-	6,273,159
Property tax, levied for recreation purposes					5,958,511	-	5,958,511
Property tax, levied for lighting purposes					1,358,550	-	1,358,550
Property tax, levied for sewer purposes					-	30,076	30,076
Property tax, backfill of vehicle license fees					4,942,234	-	4,942,234
Sales tax					11,969,246	-	11,969,246
Transient occupancy tax					2,185,978	-	2,185,978
Franchise tax					1,727,101	-	1,727,101
Other taxes					1,742,289	-	1,742,289
Total taxes					36,157,068	30,076	36,187,144
Investment earnings					3,423,255	66,013	3,489,268
Miscellaneous					53,058	1,611	54,669
Total General Revenues					39,633,381	97,700	39,731,081
Change in Net Position					5,800,884	959,191	6,760,075
Net Position at Beginning of Year					284,137,004	22,585,218	306,722,222
Net Position at End of Year					\$ 289,937,888	\$ 23,544,409	\$ 313,482,297

See Accompanying Notes to the Basic Financial Statements.

CITY OF CYPRESS

BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2020

	Major Funds	
	General	Special Revenue Recreation and Park District
ASSETS		
Cash and investments	\$ 21,755,597	\$ 12,958,082
Restricted cash and investments	395	-
Receivables:		
Taxes	2,573,032	64,569
Interest	155,887	52,326
Notes, net of allowance	111,785	-
Other	1,034,174	17,245
Prepays	4,106	2,754
Inventory	-	488
Due from other funds	18,800	-
Advances to other funds	290,643	-
Due from Successor Agency	-	-
Assets available for resale	-	-
TOTAL ASSETS	\$ 25,944,419	\$ 13,095,464
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES		
LIABILITIES:		
Accounts payable and other accrued liabilities	\$ 2,179,805	\$ 633,623
Unearned revenue	138,922	89,829
Due to other funds	-	-
Advances from other funds	-	423,396
Due to other governments	217,248	-
TOTAL LIABILITIES	2,535,975	1,146,848
DEFERRED INFLOWS OF RESOURCES:		
Unavailable revenue	364,654	-
TOTAL DEFERRED INFLOWS OF RESOURCES	364,654	-
FUND BALANCES:		
Nonspendable	4,106	3,242
Restricted	140,521	9,745,374
Committed	7,752,199	-
Assigned	14,086,964	2,200,000
Unassigned	1,060,000	-
TOTAL FUND BALANCES	23,043,790	11,948,616
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 25,944,419	\$ 13,095,464

See Accompanying Notes to the Basic Financial Statements.

Major Funds (Continued)			
<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Nonmajor Governmental</u>	<u>Total</u>
<u>Streets</u>	<u>City</u>	<u>Funds</u>	
\$ 5,878,374	\$ 70,606,899	\$ 10,345,654	\$ 121,544,606
-	-	-	395
242,277	-	14,778	2,894,656
19,915	218,242	31,972	478,342
-	-	135,414	247,199
-	(37,500)	40,109	1,054,028
-	37,500	-	44,360
-	-	-	488
-	-	-	18,800
-	423,396	-	714,039
-	-	-	-
-	12,693,602	1,421,708	14,115,310
<u>\$ 6,140,566</u>	<u>\$ 83,942,139</u>	<u>\$ 11,989,635</u>	<u>\$ 141,112,223</u>
\$ 43,169	\$ 196,497	\$ 134,065	\$ 3,187,159
-	37,000	-	265,751
-	-	18,800	18,800
-	-	290,643	714,039
-	-	-	217,248
<u>43,169</u>	<u>233,497</u>	<u>443,508</u>	<u>4,402,997</u>
-	-	-	364,654
-	-	-	364,654
-	-	-	7,348
6,097,397	-	11,836,770	27,820,062
-	11,600,900	-	19,353,099
-	72,107,742	-	88,394,706
-	-	(290,643)	769,357
<u>6,097,397</u>	<u>83,708,642</u>	<u>11,546,127</u>	<u>136,344,572</u>
<u>\$ 6,140,566</u>	<u>\$ 83,942,139</u>	<u>\$ 11,989,635</u>	<u>\$ 141,112,223</u>

CITY OF CYPRESS

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

June 30, 2020

Fund Balances of Governmental Funds \$ 136,344,572

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 \$4,869,370 which is included in the amount reported below, the capital assets net of accumulated depreciation were equal to the following amount. 156,371,999

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. 364,654

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. (3,143,337)

Net Position of Governmental Activities \$ 289,937,888

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, 2020

	Major Funds	
	General	Special Revenue
REVENUES:		
Taxes	\$ 29,444,310	\$ 5,958,510
Licenses and permits	628,630	-
Fines and forfeitures	191,122	-
From use of property	1,428,560	414,655
From other agencies	2,086,190	54,498
Charges for services	2,536,320	462,268
Other revenue	196,465	3,649
TOTAL REVENUES	36,511,597	6,893,580
EXPENDITURES:		
Current:		
General government	5,206,978	-
Community development	1,680,340	-
Public safety	17,035,531	-
Public works	5,428,655	-
Recreation	-	3,951,650
Capital outlay	-	3,450,867
Debt service:		
Principal retired	-	-
Interest and charges	-	-
TOTAL EXPENDITURES	29,351,504	7,402,517
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	7,160,093	(508,937)
OTHER FINANCING SOURCES (USES):		
Transfers in	1,759,033	-
Transfers out	(8,220,648)	(1,194,443)
TOTAL OTHER FINANCING SOURCES (USES)	(6,461,615)	(1,194,443)
NET CHANGE IN FUND BALANCES	698,478	(1,703,380)
FUND BALANCES - BEGINNING OF YEAR	22,345,312	13,651,996
FUND BALANCES - END OF YEAR	\$ 23,043,790	\$ 11,948,616

See Accompanying Notes to the Basic Financial Statements.

Major Funds (Continued)			
Special Revenue	Capital Projects	Nonmajor Governmental Funds	Total
Streets	City		
\$ -	\$ -	\$ 1,437,626	\$ 36,840,446
-	-	-	628,630
-	-	86,594	277,716
110,712	1,364,592	192,652	3,511,171
2,933,107	-	226,574	5,300,369
139,501	-	155,482	3,293,571
-	-	452,029	652,143
<u>3,183,320</u>	<u>1,364,592</u>	<u>2,550,957</u>	<u>50,504,046</u>
-	-	-	5,206,978
-	-	34,639	1,714,979
-	-	190,454	17,225,985
810,546	688,699	804,979	7,732,879
-	-	-	3,951,650
152,828	608,532	283,718	4,495,945
-	-	-	-
-	-	-	-
<u>963,374</u>	<u>1,297,231</u>	<u>1,313,790</u>	<u>40,328,416</u>
<u>2,219,946</u>	<u>67,361</u>	<u>1,237,167</u>	<u>10,175,630</u>
-	6,576,863	-	8,335,896
(1,423,498)	-	(1,124,123)	(11,962,712)
<u>(1,423,498)</u>	<u>6,576,863</u>	<u>(1,124,123)</u>	<u>(3,626,816)</u>
796,448	6,644,224	113,044	6,548,814
5,300,949	77,064,418	11,433,083	129,795,758
<u>\$ 6,097,397</u>	<u>\$ 83,708,642</u>	<u>\$ 11,546,127</u>	<u>\$ 136,344,572</u>

CITY OF CYPRESS

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

For the fiscal year ended June 30, 2020

Net Change in Fund Balances - Total Governmental Funds	\$	6,548,814
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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 follows:

Cost of assets capitalized		4,497,591
Depreciation expense (less \$1,042,418 recorded in the Internal Service Funds)		(5,402,024)

Governmental funds only report the disposal of capital assets to the extent proceeds are received from the sale. In the Statement of Activities, a gain or loss is reported for each disposal.		(1,644)
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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		71,971
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Internal service funds are used by management to charge the costs of certain activities (including central services, employee benefits, liability insurance, and workers compensation insurance) to individual funds. The changes in net position of the internal service funds are reported with governmental activities.

86,176

Change in Net Position of Governmental Activities	\$	<u>5,800,884</u>
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See Accompanying Notes to the Basic Financial Statements.

CITY OF CYPRESS

STATEMENT OF NET POSITION PROPRIETARY FUNDS

June 30, 2020

	Business-type Activities - Enterprise Funds	Governmental Activities - Internal Service Funds
	Sewer Fund	Funds
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 3,747,949	\$ 30,069,947
Restricted cash and cash equivalents	-	15,419,225
Receivables:		
Taxes	104	-
Interest	11,842	17,736
Other	-	607,665
Prepaid items	147,702	207,707
Inventory	-	11,759
TOTAL CURRENT ASSETS	3,907,597	46,334,039
NON-CURRENT ASSETS:		
Construction in progress	-	25,711
Equipment (Net)	-	4,011,193
Infrastructure (Net)	19,672,894	-
TOTAL NON-CURRENT ASSETS	19,672,894	4,036,904
TOTAL ASSETS	23,580,491	50,370,943
DEFERRED OUTFLOWS OF RESOURCES		
Deferred amount from pension plans	-	11,596,515
Deferred amount from OPEB	-	1,591,886
Deferred amount from OCERS	-	2,322,908
TOTAL DEFERRED OUTFLOWS OF RESOURCES	-	15,511,309
LIABILITIES		
CURRENT LIABILITIES:		
Accounts payable and other accrued liabilities	36,082	490,694
Claims payable	-	335,200
Compensated absences, current portion	-	515,200
TOTAL CURRENT LIABILITIES	36,082	1,341,094
LONG-TERM LIABILITIES:		
Claims payable	-	1,003,723
Retirees' health payable	-	10,617,458
Compensated absences	-	1,545,209
Net pension liability	-	48,981,312
TOTAL LONG-TERM LIABILITIES	-	62,147,702
TOTAL LIABILITIES	36,082	63,488,796
DEFERRED INFLOWS OF RESOURCES		
Deferred amount from pension plans	-	3,609,221
Deferred amount from OPEB	-	294,764
Deferred amount from OCERS	-	1,632,808
TOTAL DEFERRED INFLOWS OF RESOURCES	-	5,536,793
NET POSITION		
Investment in capital assets	19,672,894	4,036,904
Restricted:		
Pension trust	-	15,419,225
Sanitary sewer	3,871,515	-
Unrestricted	-	(22,599,466)
TOTAL NET POSITION	\$ 23,544,409	\$ (3,143,337)

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, 2020

	Business-type Activities - Enterprise Funds	Governmental Activities - Internal Service Funds
	Sewer Fund	Funds
OPERATING REVENUES:		
Charges for services	\$ 1,733,202	\$ 17,033,405
Other revenue	1,611	298,137
TOTAL OPERATING REVENUES	1,734,813	17,331,542
OPERATING EXPENSES:		
Personnel services	-	1,292,685
Contractual services	-	13,621,190
Supplies and other services	-	5,442,512
Claim payments and changes in estimates	-	133,463
Sewer maintenance	325,269	-
Depreciation	546,481	1,042,418
TOTAL OPERATING EXPENSES	871,750	21,532,268
OPERATING INCOME	863,063	(4,200,726)
NON-OPERATING REVENUES (EXPENSES):		
Taxes	30,076	-
From other agencies	39	-
Interest income	66,013	657,624
Gain (loss) on disposal of equipment	-	2,462
TOTAL NON-OPERATING REVENUES (EXPENSES)	96,128	660,086
INCOME BEFORE TRANSFERS	959,191	(3,540,640)
TRANSFERS:		
Transfers in	-	3,626,816
TOTAL TRANSFERS	-	3,626,816
CHANGE IN NET POSITION	959,191	86,176
NET POSITION - BEGINNING OF YEAR	22,585,218	(3,229,513)
NET POSITION - END OF YEAR	\$ 23,544,409	\$ (3,143,337)

See Accompanying Notes to the Basic Financial Statements.

CITY OF CYPRESS

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS

For the fiscal year ended June 30, 2020

	Business-type Activities - Enterprise Funds Sewer Fund	Governmental Activities - Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from users	\$ 1,851,294	\$ 16,925,160
Cash payments to suppliers for goods and services	(265,714)	(14,557,066)
Cash payments to employees	(145,086)	(1,293,743)
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,440,494	1,074,351
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
From taxes and other agencies	30,115	-
Transfers in	-	3,626,816
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	30,115	3,626,816
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Proceeds from disposal of capital assets	-	7,214
Acquisition of capital assets	(455,134)	(187,411)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(455,134)	(180,197)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest on investments	66,013	657,624
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	66,013	657,624
INCREASE (DECREASE) IN CASH AND INVESTMENTS	1,081,488	5,178,594
CASH AND INVESTMENTS - BEGINNING OF YEAR	2,666,461	40,310,578
CASH AND INVESTMENTS - END OF YEAR	\$ 3,747,949	\$ 45,489,172
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income	\$ 863,063	\$ (4,200,726)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	546,481	1,042,419
Changes in assets and liabilities:		
Accounts receivable decreased (increased)	116,481	(150,722)
Prepaid items decreased (increased)	-	(118,385)
Inventory decreased (increased)	-	39,746
Deferred outflows decreased (increased)	-	(108,743)
Accounts payable and other accrued liabilities increased (decreased)	(85,531)	117,206
Capital asset addition in accounts payable increased (decreased)	-	(27,293)
Insurance claims payable increased (decreased)	-	(716,760)
Accrued retirees' health payable increased (decreased)	-	1,544,659
Accrued leave payable increased (decreased)	-	(290,208)
Accrued pension liability increased (decreased)	-	3,752,166
Deferred inflows increased (decreased)	-	190,992
TOTAL ADJUSTMENTS	577,431	5,275,077
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 1,440,494	\$ 1,074,351

See Accompanying Notes to the Basic Financial Statements.

CITY OF CYPRESS

STATEMENT OF FIDUCIARY NET POSITION FIDUCIARY FUNDS

June 30, 2020

	Successor Agency to the City of Cypress Redevelopment Agency Private Purpose Trust Fund	Agency Funds
ASSETS		
Cash and cash equivalents	\$ 223,230	\$ 4,836,254
Restricted cash and investments	-	163,003
Interest receivable	4,868	9,757
Accounts receivable		45,148
Prepaid items	-	54,722
Notes receivable	418,495	-
	<u>646,593</u>	<u>\$ 5,108,884</u>
TOTAL ASSETS		
LIABILITIES		
Accounts payable and other accrued liabilities	4,785	\$ 1,384,665
Deposits	-	1,628,261
Due to other governments	-	1,458,175
Due to bondholders	-	637,783
	<u>4,785</u>	<u>\$ 5,108,884</u>
TOTAL LIABILITIES		
NET POSITION HELD IN TRUST		
	<u>\$ 641,808</u>	

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, 2020

	Successor Agency to the City of Cypress Redevelopment Agency Private Purpose Trust Fund
ADDITIONS:	
Investment Income	\$ 50,220
TOTAL ADDITIONS	<u>50,220</u>
DEDUCTIONS:	
Personal Services	8,698
Interest	36,646
TOTAL DEDUCTIONS	<u>45,344</u>
CHANGE IN NET POSITION	4,876
NET POSITION - BEGINNING OF YEAR	<u>636,932</u>
NET POSITION - END OF YEAR	<u>\$ 641,808</u>

See Accompanying Notes to the Basic Financial Statements.

CITY OF CYPRESS

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2020

(1) Summary of Significant Accounting Policies

A. Reporting Entity

The City of Cypress (City) is a municipal corporation, incorporated in 1956, and governed by an elected five-member council which, along with the Cypress Recreation and Park District (District), and Cypress Recreation and Community Services Foundation (Foundation), comprise the reporting entity. As required by generally accepted accounting principles, these financial statements present the City and 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 and Foundation are blended within this report in all fund types except the General Fund. Separate financial statements are prepared for the District and are available from the City. A description of the District and Foundation and discussion of the criteria used for inclusion in the reporting entity follows.

Cypress Recreation and Park District

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

Cypress Recreation and Community Services Foundation

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

B. Accounting and Reporting Policies

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

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

Government –Wide Financial Statements

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

CITY OF CYPRESS

Notes to the Basic Financial Statements, Continued

For the Fiscal Year Ended June 30, 2020

(1) Summary of Significant Accounting Policies (Continued)

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

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

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

Governmental Fund Financial Statements

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

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

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

CITY OF CYPRESS

Notes to the Basic Financial Statements, Continued

For the Fiscal Year Ended June 30, 2020

(1) Summary of Significant Accounting Policies (Continued)

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

The City reports the following major governmental funds:

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

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

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

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

The City reports the following major proprietary fund:

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.

CITY OF CYPRESS

Notes to the Basic Financial Statements, Continued

For the Fiscal Year Ended June 30, 2020

(1) Summary of Significant Accounting Policies (Continued)

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

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

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

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

Fiduciary Funds

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, which is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. All investment income, including changes in the fair value of investments, is recognized as revenue in the operating statement.

CITY OF CYPRESS

Notes to the Basic Financial Statements, Continued

For the Fiscal Year Ended June 30, 2020

(1) Summary of Significant Accounting Policies (Continued)

D. Cash and Investments (Continued)

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

Restricted Cash and Investments

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

E. Inventories and Prepaid Amounts

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.

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

F. Advances to Other Funds

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

G. Capital Assets

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

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

Building and Improvements	10 to 40 years
Machinery and Equipment	3 to 10 years
Infrastructure	20 to 65 years

CITY OF CYPRESS

Notes to the Basic Financial Statements, Continued

For the Fiscal Year Ended June 30, 2020

(1) Summary of Significant Accounting Policies (Continued)

H. Compensated Absences

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

Permanent employees may accumulate unlimited sick leave hours. Employees with 5 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.

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

J. Other Postemployment Benefits (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB and OPEB expense have been determined by an independent actuary. For this purpose, benefit payments are recognized when currently due and payable in accordance with the benefit terms. The Employees' Benefit Internal Service Fund, which is funded primarily through charges from the General Fund, is typically used to liquidate OPEB liabilities.

CITY OF CYPRESS

Notes to the Basic Financial Statements, Continued

For the Fiscal Year Ended June 30, 2020

(1) Summary of Significant Accounting Policies (Continued)

J. Other Postemployment Benefits (OPEB) (Continued)

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

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

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

The recognition period may differ depending on the source of the gain or loss. The net difference between projected and actual earnings on OPEB plan investments are amortized over a closed 5-year period. The City, however, does not have an OPEB trust, so there are no deferred inflows or outflows related to this item. All other amounts are amortized over the expected average remaining service lifetime (EARSL), rounded to 6.0 years at June 30, 2020.

K. Net Position and Fund Equity

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

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

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

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

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

Nonspendable – 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.

CITY OF CYPRESS

Notes to the Basic Financial Statements, Continued

For the Fiscal Year Ended June 30, 2020

(1) Summary of Significant Accounting Policies (Continued)

K. Net Position and Fund Equity (Continued)

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

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

Unassigned – 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.

L. Spending Policy

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

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

M. Use of Estimates

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

N. New Accounting Pronouncements

Current Year Standards:

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

CITY OF CYPRESS

Notes to the Basic Financial Statements, Continued

For the Fiscal Year Ended June 30, 2020

(1) Summary of Significant Accounting Policies (Continued)

N. New Accounting Pronouncements (Continued)

Pending Accounting Pronouncements:

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

GASB Statement No. 84 – "*Fiduciary Activities*", effective for periods beginning after December 15, 2019.

GASB Statement No. 87 – "*Leases*" becomes effective for fiscal years beginning after June 15, 2021.

GASB Statement No. 89 – "*Accounting for Interest Cost Incurred before the End of a Construction Period*", effective for periods beginning after December 15, 2020.

GASB Statement No. 90 – "*Majority Equity Interests – an amendment of GASB Statement No. 14 and No. 61*" becomes effective for fiscal years beginning after December 15, 2019.

GASB Statement No. 91 – "*Conduit Debt Obligations*" becomes effective for fiscal years beginning after December 15, 2021.

O. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position and governmental funds balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, 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 deferred outflows of resources relate to pensions and other postemployment benefits.

There are various deferred outflow amounts related to CalPERS pensions. First is the amount of employer contributions made after the measurement date of the net pension liability, which will be recognized in the following fiscal year. The second item is a deferred outflow related to pensions for the net difference between projected and actual earnings on pension plan investments, which will be amortized over five years. Other items include the difference between expected and actual experience, changes in assumptions, and the adjustments due to differences in proportions. These amounts are amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions determined for the June 30, 2019 measurement date, which is 3.8 years for both Safety Plan and Miscellaneous Plan members.

The deferred outflows related to the OCERS pension plan is combined of the difference between expected and actual experience and assumption changes, which will be recognized over the average of the expected remaining service lives of all employees that are provided with pensions through OCERS, which for this measurement period is 5.86 years.

The deferred outflows related to other postemployment benefits is combined of the difference between expected and actual experience and assumption changes. These amounts are amortized over the average expected remaining active and inactive service lives as of the June 30, 2020 measurement date, which is 5.68 years.

CITY OF CYPRESS

Notes to the Basic Financial Statements, Continued

For the Fiscal Year Ended June 30, 2020

(1) Summary of Significant Accounting Policies (Continued)

O. Deferred Outflows/Inflows of Resources (Continued)

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 three 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. Unavailable revenues are primarily capital project grants, or other revenues, which have been earned, but not received within 60 days after year-end. This amount is deferred and recognized as an inflow of resources in the period that the amounts become available.

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

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

The third item is a deferred inflow related to other postemployment benefits. The deferred inflow is the result of changes in actuarial assumptions. This amount is amortized over a closed period equal to the average expected remaining active and inactive service lives as of the June 30, 2020 measurement date, which is 6.0 years.

P. Pensions

For purposes of measuring the net pension liability and deferred outflows/inflows of resources related to pensions, and pension expense, information about the City's fiduciary net position in the California Public Employees' Retirement System (CalPERS) and Orange County Employees Retirement System (OCERS) plans and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by CalPERS and OCERS, respectively. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The Employees' Benefit Internal Service Fund, which is funded primarily through charges from the General Fund and the Recreation and Park District General Fund, is typically used to liquidate CalPERS and OCERS pension liabilities, respectively.

CITY OF CYPRESS

Notes to the Basic Financial Statements, Continued

For the Fiscal Year Ended June 30, 2020

(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
- Commercial Paper
- Negotiable Certificates of Deposit
- Medium-term Corporate Notes
- Local Agency Investment Fund (LAIF)
- Investment Trust of California (CalTRUST)
- Money Market Mutual Fund
- Passbook Savings Account Demand Deposits

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

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

CITY OF CYPRESS

Notes to the Basic Financial Statements, Continued

For the Fiscal Year Ended June 30, 2020

(3) Cash and Investments (Continued)

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
- Commercial Paper
- Negotiable Certificates of Deposit
- Medium-term Corporate Notes
- Local Agency Investment Fund (LAIF)
- Investment Trust of California (CalTRUST)
- Money Market Mutual Fund
- Passbook Savings Account Demand Deposits

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

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

Deposits and Risks

At June 30, 2020, the carrying amount of the City's demand deposits was \$6,674,388. The bank balances of these funds totaled \$7,175,298 and were either covered by federal depository insurance or were held in collateralized accounts. If there were amounts not covered by federal depository insurance, the California Government Code requires California banks and savings and loans associations to secure a City's deposit by pledging government securities with a value of 110% of a City's deposits, or by pledging first trust deed mortgage notes having a total value of 150% of the City's total deposits.

CITY OF CYPRESS

Notes to the Basic Financial Statements, Continued

For the Fiscal Year Ended June 30, 2020

(3) Cash and Investments (Continued)

Deposits and Risks (Continued)

The following is a summary of pooled cash and investments, including restricted cash and investments, as of June 30, 2020:

	Government Wide Statement of Net Position		Fiduciary Funds	Totals
	Governmental Activities	Business-type Activities	Statement of Net Position	
Cash and investments	\$ 151,614,553	\$ 3,747,949	\$ 5,059,484	\$ 160,421,986
Restricted cash and investments	15,419,620	-	163,003	15,582,623
Totals	\$ 167,034,173	\$ 3,747,949	\$ 5,222,487	\$ 176,004,609

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

Cash and investments, as of June 30, 2020, consist of the following deposits, and investments and maturities:

	Amount	Remaining Maturity			
		12 Months or Less	13 to 24 Months	25 to 60 Months	More than 60 Months
Deposits:					
Demand Deposits	6,674,388	\$ 6,674,388			
Restricted Deposits	2,063	2,063			
Investments:					
State of California Local Agency Investment Fund	150,736,919	150,736,919			
Federal Farm Credit Bank	-	-			
Federal Home Loan Mortgage Corporation	3,010,680	3,010,680			
Federal Home Loan Bank	-	-			
Federal National Mortgage Association	-	-			
United States Treasury	-	-			
Restricted Cash and Investments:					
Money Market Accounts	161,335	161,335			
PARS Mutual Funds	15,419,224	15,419,224			
Total Cash and Investments	\$176,004,609	\$176,004,609	\$ -	\$ -	\$ -

CITY OF CYPRESS

Notes to the Basic Financial Statements, Continued

For the Fiscal Year Ended June 30, 2020

(3) Cash and Investments (Continued)

Deposits and Risks (Continued)

The City's investment policy and the California Government Code generally limit the amount that can be invested in any one issuer, except for U.S. Treasury securities and U.S. government-sponsored enterprises. At June 30, 2020, there were no investments in one issuer representing 5% or more of the total City's investments (other than external investment pools).

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

Credit Risk. State law limits investments in commercial paper and corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations (NRSROs). It is the City's practice to limit its investments in these investment types to the top rating issued by NRSROs, including raters Standard & Poor's and Moody's Investors Service. At June 30, 2020, the City's credit risk for the money market mutual accounts were AAAM rated by Standard & Poor's and the City's credit risk for the Federal Farm Credit Bank, Federal Home Loan Bank, Federal Home Loan Mortgage Corporation, and Federal National Mortgage Association securities were all AA+ rated by Standard & Poor's. The California Local Agency Investment Fund (LAIF) is not rated, but has a separate investment policy governed by Government Code Sections 16480-16481.2 that provides credit standards for its investments.

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

External Investment Pool

The City is a voluntary participant in LAIF, which is an external investment pool regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California through which local governments may pool investments. The City and the District each may invest up to \$75,000,000 in the fund. Investments in LAIF are considered highly liquid, as deposits can be converted to cash within 24 hours without loss of interest.

CITY OF CYPRESS

Notes to the Basic Financial Statements, Continued

For the Fiscal Year Ended June 30, 2020

(3) Cash and Investments (Continued)

External Investment Pool (Continued)

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 value provided by LAIF. At June 30, 2020 the factor used was 1.004912795. As of June 30, 2020, the City had total deposits of \$150,000,000 invested in LAIF, with a fair value of \$150,736,919.

Fair Value Measurements

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

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

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

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

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

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

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

CITY OF CYPRESS

Notes to the Basic Financial Statements, Continued

For the Fiscal Year Ended June 30, 2020

(3) Cash and Investments (Continued)

Fair Value Measurements (Continued)

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

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

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

(4) Notes Receivable

Changes in Notes Receivable

The following is a summary of note receivable transactions for governmental activities for the year ended June 30, 2020:

Description	Balance			Balance June 30, 2020	Classification	
	July 1, 2019	Additions	Deletions		Due Within One Year	Due in More than One Year
Home Loans	\$ 774,056	\$ 39,605	\$ (106,382)	\$ 707,279	\$ 10,000	\$ 697,279
Housing Covenants	9,762,960	208,178	-	9,971,138	-	9,971,138
Other Notes	6,422	-	(428)	5,994	428	5,566
Subtotal	10,543,438	247,783	(106,810)	10,684,411	10,428	10,673,983
Less: Allowance	(10,287,566)	(247,783)	98,137	(10,437,212)	-	(10,437,212)
Total	\$ 255,872	\$ -	\$ (8,673)	\$ 247,199	\$ 10,428	\$ 236,771

Home Loans

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

CITY OF CYPRESS

Notes to the Basic Financial Statements, Continued

For the Fiscal Year Ended June 30, 2020

(4) Notes Receivable (Continued)

Home Loans (Continued)

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

In the fund financial statements and government-wide statements for all loans, a note receivable is recorded when issued to the homeowner and is decreased upon repayment. The City holds notes due from homeowners totaling \$241,205 (which is net of an allowance of \$466,073 for forgivable loans) at June 30, 2020 in both the fund financial statements and the government-wide statements.

Housing Covenants

The City holds notes receivable totaling \$9,971,138 (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 \$400,092 at June 30, 2020, 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 \$460,339 at June 30, 2020, are forgivable at the end of the covenant term.

CITY OF CYPRESS

Notes to the Basic Financial Statements, Continued

For the Fiscal Year Ended June 30, 2020

(4) Notes Receivable (Continued)

Housing Covenants (Continued)

In 2004, the Agency entered into an affordable housing agreement to provide a \$774,473 loan to Habitat for Humanity of Orange County to acquire a property and build seven (7) townhome units known as the Cypress Heather development. The units were sold to very low income families (with incomes not exceeding 50% of the County's median). Each family assumed one-seventh of the Agency's loan with Habitat and these loans were recorded in 2007 and secured 45 year affordability covenants on the units. The loans provide for interest to accrue at a rate of 7% and be added to the loan principal each year. The loans, totaling \$774,473 plus accrued interest of \$969,788 at June 30, 2020, are forgivable at the end of the 45 year term.

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

In the fund financial statements, a note receivable is recorded upon initial funding of the loan with a corresponding amount recorded as an allowance for uncollectable amount since these notes will likely be forgiven prior to payment being due. This results in no impact to the fund balance reported in the fund financial statements. Similarly in the government-wide statements, a note receivable is recorded when issued to the homeowner and would be decreased upon a repayment. However since all the loans associated with covenants are forgivable and will likely never be repaid, an allowance for forgivable loans of \$9,971,138 has fully offset the amount reported as notes receivable in the government-wide statements at June 30, 2020.

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, with the remaining balance of \$1,116,000 to 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 30th 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, but approved the agreement in October, 2015. Payments made after the approval brought the remaining balance to \$20,882,539 at June 30, 2016.

CITY OF CYPRESS

Notes to the Basic Financial Statements, Continued

For the Fiscal Year Ended June 30, 2020

(4) Notes Receivable (Continued)

Due from Successor Agency (Continued)

On February 2, 2017, the City, Successor Agency, California Department of Finance, and the State Controller's Office entered into a Settlement Agreement to resolve an outstanding dispute regarding the ownership of 13 acres of land sold by the former Redevelopment Agency to the City on March 8, 2011 (see Note 6). As a result of the settlement, the City retained ownership of the land in exchange for reducing the outstanding balance of the restated and re-entered repayment agreement to \$5,882,539. Repayment terms of \$2 million per year, plus annual interest, remain in effect until the balance is fully paid. The final payment of \$1,929,537 was made in fiscal year 2019-20 resulting in an outstanding balance of \$0 at June 30, 2020.

(5) Interfund Transactions

Interfund Balances

The following summarizes the total due to and from other funds as of June 30, 2020:

		Due To	
		General Fund	Total
Due From	Non-major Governmental Funds	\$ 18,800	\$ 18,800
	Total	\$ 18,800	\$ 18,800

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

Interfund Advances

		Advances to		
		Special Revenue Funds		
		AB 2766 Trip Reduction Fund	Recreation and Park District Fund	Total
Advances from	General Fund	\$ 290,643	\$ -	\$ 290,643
	Capital Projects Fund	-	423,396	423,396
	Total	\$ 290,643	\$ 423,396	\$ 714,039

CITY OF CYPRESS

Notes to the Basic Financial Statements, Continued

For the Fiscal Year Ended June 30, 2020

(5) Interfund Transactions (Continued)

Interfund Advances (Continued)

On February 26, 2018, the City approved an advance of \$490,874 from the General Fund to the AB 2766 Trip Reduction Fund for the purchase of a compressed natural gas sewer cleaning truck. The advance occurred on May 3, 2019 after the sewer truck was received and payment was made. The advance is to be repaid, at zero percent interest, by annual payments from the Assembly Bill 2766 revenues which are to be used to reduce air pollution from motor vehicles. The use of this funding was approved by the South Coast Air Quality Management District. During fiscal year 2019-20, \$63,060 was repaid, leaving a remaining balance of \$290,643 at June 30, 2020. It is anticipated the advance will be fully repaid by fiscal year 2024-25.

On January 28, 2019, the City approved an advance of up to \$900,000 from the Infrastructure Reserve Fund to the Cypress Recreation and Park District for the design of a 9-acre sports park. The District will pay interest annually on June 30 at the California Local Agency Investment Fund rate. The principal will be repaid on or before June 30, 2024. During fiscal year 2019-20, additional advances for design costs totaled \$107,222, bringing the total outstanding advance to \$423,396. Interest of \$6,756 was earned and paid on the outstanding balance.

Interfund Transfers

With City Council approval, resources may be transferred from one City fund to another. The purpose of transfers is to move funding from its original source to the fund in which the authorized expenditures occur. Transfers between funds during the fiscal year ended June 30, 2020 are as follows:

		Transfers Out				
		General Fund	Recreation and Park District Fund	Streets Fund	Non-major Governmental Funds	Totals
Transfers In	General Fund	\$ -	\$ -	\$ 637,205	\$ 1,121,828	\$ 1,759,033
	Capital Projects Fund - City	4,790,000	1,000,570	786,293	-	6,576,863
	Internal Service Funds	3,430,648	193,873	-	2,295	3,626,816
	Totals	\$ 8,220,648	\$ 1,194,443	\$ 1,423,498	\$ 1,124,123	\$ 11,962,712

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

The transfer to the General Fund from the non-major Governmental Funds provided resources for Traffic Safety, administrative costs associated with the Stanton Channel Maintenance District and Lighting District funds, and returned surplus City funds from the Civic Center Debt Service Fund.

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.

CITY OF CYPRESS

Notes to the Basic Financial Statements, Continued

For the Fiscal Year Ended June 30, 2020

(5) Interfund Transactions (Continued)

Interfund Transfers (Continued)

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

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

The transfer from the General Fund to the Internal Service Funds provided \$3.41 million to the Employees' Benefit Fund for investment in the pension trust and other costs, and \$18,780 for capital equipment.

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

(6) Assets Available for Resale

During the fiscal year ended June 30, 2004, the former Redevelopment Agency acquired a parcel of land with a cost of \$1,421,708 located at 5732 Lincoln Avenue. At the time of purchase, it was the intent of the Agency to resell this parcel for the development of low and moderate income housing units. The parcel was transferred to the City upon dissolution of the Agency on February 1, 2012. As of June 30, 2020, the City maintains ownership of the parcel of land and \$1,421,708 is classified as assets available for resale in the Low and Moderate Housing Assets Fund.

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, however, the land was written down to its fair market value of \$12,500,000 in fiscal year 2014-15, based on a broker opinion of value. Due to additional investments in the property, the cost basis has grown to \$12,693,602 as of June 30, 2020.

In November 2019, the City entered into a Disposition and Development Agreement for the sale of the property to SP Acquisition, LLC for a mixed-use development project. The sale is expected to be completed in fiscal year 2020-21.

(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, 2020, the City's capital assets consisted of the following:

CITY OF CYPRESS

Notes to the Basic Financial Statements, Continued

For the Fiscal Year Ended June 30, 2020

(7) Capital Assets and Depreciation (Continued)

	Governmental Activities	Business-type Activities	Total
Capital Assets, Not Depreciated:			
Land	\$ 9,734,882	\$ -	\$ 9,734,882
Construction in Progress	4,245,096	-	4,245,096
Total, Not Depreciated	<u>13,979,978</u>	<u>-</u>	<u>13,979,978</u>
Capital Assets, Being Depreciated:			
Buildings and Improvements	36,677,316	-	36,677,316
Machinery and Equipment	11,173,408	-	11,173,408
Infrastructure	232,446,976	34,310,901	266,757,877
Total, Being Depreciated	<u>280,297,700</u>	<u>34,310,901</u>	<u>314,608,601</u>
Less Accumulated Depreciation:			
Buildings and Improvements	(18,961,658)	-	(18,961,658)
Machinery and Equipment	(7,162,215)	-	(7,162,215)
Infrastructure	(107,744,902)	(14,638,007)	(122,382,909)
Total Accumulated Depreciation	<u>(133,868,775)</u>	<u>(14,638,007)</u>	<u>(148,506,782)</u>
Total Depreciated, Net	<u>146,428,925</u>	<u>19,672,894</u>	<u>166,101,819</u>
Total Capital Assets, Net	<u>\$ 160,408,903</u>	<u>\$ 19,672,894</u>	<u>\$ 180,081,797</u>

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

	Governmental Activities			Balance June 30, 2020
	Balance June 30, 2019	Additions	Deletions	
Capital Assets, Not Depreciated:				
Land	\$ 9,734,882	\$ -	\$ -	\$ 9,734,882
Construction in Progress	2,945,140	2,616,863	(1,316,907)	4,245,096
Total, Not Depreciated	<u>12,680,022</u>	<u>2,616,863</u>	<u>(1,316,907)</u>	<u>13,979,978</u>
Capital Assets, Being Depreciated:				
Buildings and Improvements	34,364,819	2,319,070	(6,573)	36,677,316
Machinery and Equipment	11,142,596	209,018	(178,206)	11,173,408
Infrastructure	231,562,724	884,252	-	232,446,976
Total, Being Depreciated	<u>277,070,139</u>	<u>3,412,340</u>	<u>(184,779)</u>	<u>280,297,700</u>
Less Accumulated Depreciation:				
Buildings and Improvements	(17,907,969)	(1,058,618)	4,929	(18,961,658)
Machinery and Equipment	(6,293,249)	(1,042,420)	173,454	(7,162,215)
Infrastructure	(103,401,498)	(4,343,404)	-	(107,744,902)
Total Accumulated Depreciation	<u>(127,602,716)</u>	<u>(6,444,442)</u>	<u>178,383</u>	<u>(133,868,775)</u>
Total Depreciated, Net	<u>149,467,423</u>	<u>(3,032,102)</u>	<u>(6,396)</u>	<u>146,428,925</u>
Governmental Activities Capital Assets, Net	<u>\$ 162,147,445</u>	<u>\$ (415,239)</u>	<u>\$ (1,323,303)</u>	<u>\$ 160,408,903</u>

CITY OF CYPRESS

Notes to the Basic Financial Statements, Continued

For the Fiscal Year Ended June 30, 2020

(7) Capital Assets and Depreciation (Continued)

Depreciation expense was charged to functions/programs of governmental activities for the fiscal year ended June 30, 2020 as follows:

General Government	\$ 340,657
Recreation and Parks	588,805
Public Safety	113,267
Public Works	4,359,295
Internal Service Funds Depreciation (Charged to Programs Based on Usage)	<u>1,042,418</u>
Total Depreciation Expense - Governmental Activities	<u><u>\$ 6,444,442</u></u>

Construction Commitments

The City has active construction projects as of June 30, 2020. The projects include traffic signals, streets, and sewers. At fiscal year-end, the City's encumbrances with contractors were as follows:

	<u>Remaining Commitment</u>
Streets Fund	\$ 914,592
Capital Projects Fund - City	<u>2,298,261</u>
Totals	<u><u>\$ 3,212,853</u></u>

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

	<u>Business-type Activities</u>			
	<u>Balance June 30, 2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2020</u>
Capital Assets, Not Depreciated:				
Construction in Progress	\$ 1,068,805	\$ -	\$ (1,068,805)	\$ -
Total, Not Depreciated	<u>1,068,805</u>	<u>-</u>	<u>(1,068,805)</u>	<u>-</u>
Capital Assets, Being Depreciated:				
Infrastructure	32,786,962	1,523,939	-	34,310,901
Total, Being Depreciated	<u>32,786,962</u>	<u>1,523,939</u>	<u>-</u>	<u>34,310,901</u>
Less Accumulated Depreciation:				
Infrastructure	(14,091,526)	(546,481)	-	(14,638,007)
Total Accumulated Depreciation	<u>(14,091,526)</u>	<u>(546,481)</u>	<u>-</u>	<u>(14,638,007)</u>
Total Depreciated, Net	<u>18,695,436</u>	<u>977,458</u>	<u>-</u>	<u>19,672,894</u>
Business-type Activities Capital Assets, Net	<u><u>\$ 19,764,241</u></u>	<u><u>\$ 977,458</u></u>	<u><u>\$ (1,068,805)</u></u>	<u><u>\$ 19,672,894</u></u>

CITY OF CYPRESS

Notes to the Basic Financial Statements, Continued

For the Fiscal Year Ended June 30, 2020

(7) Capital Assets and Depreciation (Continued)

Depreciation expense for business-type activities for the fiscal year ended June 30, 2020 was charged as follows:

Sewer	<u>\$ 546,481</u>
Total Depreciation Expense - Business-type Activities	<u><u>\$ 546,481</u></u>

(8) Long-Term Debt

There is no City-obligated debt outstanding as of June 30, 2020, nor was there any activity related to City-obligated debt during fiscal year 2019-20.

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, 2020, the District held in the Agency Fund cash and investments totaling \$580,656, including \$161,335 held for the bondholders and \$321,837 held for future improvements and other costs. The outstanding assessment bonds at June 30, 2020 totaled \$490,000.

(9) Other Long-Term Liabilities

During the year ended June 30, 2020, in addition to the lease revenue bonds in Note 8, net pension liability in Notes 10 and 12, other postemployment benefits in Note 13, and claims payable in Note 15, the City had the following changes in Other Long-Term Liabilities:

<u>Description</u>	<u>Balance</u>			<u>Balance</u> <u>June 30, 2020</u>	<u>Classification</u>	
	<u>July 1, 2019</u>	<u>Additions</u>	<u>Deletions</u>		<u>Due Within</u> <u>One Year</u>	<u>Due in More</u> <u>than One Year</u>
Compensated Absences	\$ 2,350,618	\$ 1,469,334	\$ (1,759,543)	\$ 2,060,409	\$ 515,200	\$ 1,545,209
	<u>\$ 2,350,618</u>	<u>\$ 1,469,334</u>	<u>\$ (1,759,543)</u>	<u>\$ 2,060,409</u>	<u>\$ 515,200</u>	<u>\$ 1,545,209</u>

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

CITY OF CYPRESS

Notes to the Basic Financial Statements, Continued

For the Fiscal Year Ended June 30, 2020

(10) 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) or the Miscellaneous (all other employees) cost-sharing multiple-employer defined benefit pension plan, administered by the California Public Employees Retirement System (CalPERS). CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute and city resolution. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website.

Benefits Provided: CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 to 62 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for the plan are applied as specified by the Public Employees' Retirement Law. The plans' provisions and benefits in effect at June 30, 2020, are summarized as follows:

	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:		
Normal cost rate	10.176%	10.176%
Payment of unfunded liability	\$1,427,573	\$6,194
	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%	12.750%
Required employer contribution rates:		
Normal cost rate	23.654%	13.786%
Payment of unfunded liability	\$1,628,347	\$1,640

CITY OF CYPRESS

Notes to the Basic Financial Statements, Continued

For the Fiscal Year Ended June 30, 2020

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

A. General Information about the Pension Plan (Continued)

Employees Covered: At June 30, 2018, the following employees were covered by the benefit terms of the Plan:

	<u>Miscellaneous</u>	<u>Safety</u>
Active Members	82	55
Retired Members and Beneficiaries	224	116
Transferred Members	86	27
Terminated Members	67	21
Total	<u>459</u>	<u>219</u>

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

B. Net Pension Liability

The City's net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each Plan is measured as of June 30, 2019, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018 rolled forward to June 30, 2019 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, 2018 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	June 30, 2018
Measurement Date	June 30, 2019
Actuarial Cost Method	Entry-Age Normal Cost Method

Actuarial Assumptions:

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

CITY OF CYPRESS

Notes to the Basic Financial Statements, Continued

For the Fiscal Year Ended June 30, 2020

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

B. Net Pension Liability (Continued)

(1) The mortality table used was developed based on CalPERS-specific date. The probabilities of mortality are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015. Pre-retirement and post-retirement mortality rates include 15 years of projected mortality improvement using 90% of scale MP-2016 published by the Society of Actuaries. For more details on this table, please refer to the CalPERS Experience Study and Review of Actuarial Assumptions report from December 2017 that can be found on the CalPERS website.

Change of Assumptions: There were no changes in assumptions.

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

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund (Public Employees' Retirement Fund) cash flows. Taking into account historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

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

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

CITY OF CYPRESS

Notes to the Basic Financial Statements, Continued

For the Fiscal Year Ended June 30, 2020

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

B. Net Pension Liability (Continued)

- (a) An expected inflation of 2.00 percent was used for this period.
- (b) An expected inflation of 2.92 percent was used for this period.

C. Changes in the Net Pension Liability

Proportionate Share of Net Pension Liability: As of June 30, 2019, the City reported net pension liabilities for its proportionate shares of the net pension liability of each Plan as follows:

	Proportionate Share of Net Pension Liability
Safety Plan	\$ 27,821,165
Miscellaneous Plan	20,897,732
Total Net Pension Liability	<u>\$ 48,718,897</u>

The City's net pension liability for both the Safety and Miscellaneous Plans is measured as the proportionate share of the net pension liability. The net pension liability is measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018 rolled forward to June 30, 2019 using standard update procedures. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the Plans relative to the projected contributions of all participating employers, as actuarially determined. The City's proportionate share of the net pension liability for the Plans as of June 30, 2018 and 2019 was as follows:

	<u>Miscellaneous</u>	<u>Safety</u>
Proportion - June 30, 2018	0.48915%	0.43742%
Proportion - June 30, 2019	<u>0.48157%</u>	<u>0.43217%</u>
Change - Increase (Decrease)	(0.00758%)	(0.00525%)

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

		<u>Net Pension Liability</u>		
	<u>Discount Rate</u>	<u>Miscellaneous Plan</u>	<u>Safety Plan</u>	<u>Total</u>
1 % Decrease	6.15%	\$32,546,564	\$41,705,090	\$74,251,654
Current Discount Rate	7.15%	20,897,732	27,821,165	48,718,897
1 % Increase	8.15%	11,282,443	16,438,521	27,720,964

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

CITY OF CYPRESS

Notes to the Basic Financial Statements, Continued

For the Fiscal Year Ended June 30, 2020

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

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

For the year ended June 30, 2020, the City recognized pension expense of \$4,432,789 in the Miscellaneous Plan and \$5,301,807 in the Safety Plan for a total of \$9,734,596. At June 30, 2020, the City reported deferred outflows and deferred inflows of resources related to pensions as follows:

Miscellaneous Plan	Deferred Outflows of Resources	Deferred Inflows of Resources
City contributions subsequent to measurement date	\$ 2,002,390	\$ -
Changes of assumptions	996,500	(353,251)
Differences between expected and actual experience	1,451,436	(112,457)
Net difference between projected and actual earnings on pension plan investments	-	(365,357)
Adjustments due to differences in proportions	660,704	-
Changes in proportion and differences between contributions and proportionate share of	-	(1,172,387)
Total	<u>\$ 5,111,030</u>	<u>\$ (2,003,452)</u>

Safety Plan	Deferred Outflows of Resources	Deferred Inflows of Resources
City contributions subsequent to measurement date	\$ 2,821,054	\$ -
Changes of assumptions	1,140,341	(222,537)
Differences between expected and actual experience	1,816,471	-
Net difference between projected and actual earnings on pension plan investments	-	(382,727)
Adjustments due to differences in proportions	707,619	(63,756)
Changes in proportion and differences between contributions and proportionate share of	-	(936,749)
Total	<u>\$ 6,485,485</u>	<u>\$ (1,605,769)</u>

Total PERS Pension Plans	Deferred Outflows of Resources	Deferred Inflows of Resources
City contributions subsequent to measurement date	\$ 4,823,444	\$ -
Changes of assumptions	2,136,841	(575,788)
Differences between expected and actual experience	3,267,907	(112,457)
Net difference between projected and actual earnings on pension plan investments	-	(748,084)
Adjustments due to differences in proportions	1,368,323	(63,756)
Changes in proportion and differences between contributions and proportionate share of	-	(2,109,136)
Total	<u>\$ 11,596,515</u>	<u>\$ (3,609,221)</u>

CITY OF CYPRESS

Notes to the Basic Financial Statements, Continued

For the Fiscal Year Ended June 30, 2020

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

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

The amount reported as deferred outflows of resources related to contributions subsequent to the measurement date of \$2,002,390 for the Miscellaneous Plan and \$2,821,054 for the Safety Plan, totaling \$4,823,444, will be recognized as a reduction of the net pension liability in the year ending June 30, 2021. The amount reported as deferred inflows, net of the remaining deferred outflows, will be recognized as pension expense as follows:

Measurement Periods Ending June 30,	Miscellaneous Plan Deferred Outflows/ (Inflows) of Resources	Safety Plan Deferred Outflows/ (Inflows) of Resources	Total Deferred Outflows/ (Inflows) of Resources
2020	\$ 1,342,556	\$ 1,843,993	\$ 3,186,549
2021	(355,856)	(123,326)	(479,182)
2022	44,660	263,528	308,188
2023	73,828	74,467	148,295
Thereafter	-	-	-
	<u>\$ 1,105,188</u>	<u>\$ 2,058,662</u>	<u>\$ 3,163,850</u>

E. Payable to the Pension Plan

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

(11) Other Defined Contribution Pension Plans

Nationwide Retirement Solutions Deferred Compensation Plan

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

For the year ended June 30, 2020, the City's payroll covered by the plan was \$539,929. Employee contributions to the plan totaled \$40,495. The City does not contribute to the plan.

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

A. General Information about the Pension Plan

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

CITY OF CYPRESS

Notes to the Basic Financial Statements, Continued

For the Fiscal Year Ended June 30, 2020

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

A. General Information about the Pension Plan (Continued)

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

OCERS issues a publicly available financial report that includes financial statements and required supplementary information for the cost-sharing plans administered by OCERS. The report can be obtained online at www.ocers.org, or from its executive office at 2223 Wellington Avenue, Santa Ana, CA 92701.

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

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

Retired members or beneficiaries currently receiving benefits	23
Vested terminated members entitled to, but not yet receiving	5
Active members	0
Total	<u>28</u>

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

CITY OF CYPRESS

Notes to the Basic Financial Statements, Continued

For the Fiscal Year Ended June 30, 2020

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

A. General Information about the Pension Plan (Continued)

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

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

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

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

	<u>OCERS</u>
Net Pension Liability - December 31, 2018	408,781
Net Pension Liability - December 31, 2019	<u>262,415</u>
Change - Increase (Decrease)	(146,366)

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

Valuation Date	December 31, 2018
Measurement Date	December 31, 2019, rolled forward on an actuarial basis
Actuarial Experience Study	Three-year period ended December 31, 2016 and dated August 14, 2017.
Actuarial Cost Method	Entry age normal
Actuarial Assumptions:	
Inflation	2.75%
Salary increases	General: 4.25% to 12.25%, varies by service, including inflation
Investment rate of return	7.00%, net of pension plan investment expense, including inflation.
Discount Rate	7.00%

CITY OF CYPRESS

Notes to the Basic Financial Statements, Continued

For the Fiscal Year Ended June 30, 2020

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

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

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

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

Long-Term Expected Rate of Return: The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of inflation) are developed for each major asset class. These returns are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adding expected inflation and subtracting expected investment expenses and a risk margin. The target allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation but before deducting investment expenses are shown in the following table. This information was used in the derivation of the long-term expected investment rate of return assumption for the December 31, 2019 and 2018 actuarial valuations. This information will change every three years based on the actuarial experience study.

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

CITY OF CYPRESS

Notes to the Basic Financial Statements, Continued

For the Fiscal Year Ended June 30, 2020

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

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

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

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

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

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

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

OCERS Plan	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,252,572	\$ -
Net difference between projected and actual earnings on pension plan investments		(1,632,808)
Changes of assumptions	70,336	-
Total	<u>\$ 2,322,908</u>	<u>\$ (1,632,808)</u>

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

Measurement Periods	OCERS Plan Deferred Outflows/ (Inflows) of Resources
Ending June 30,	
2021	\$ (32,765)
2022	(32,764)
2023	767,695
2024	(29,879)
2025	17,813
Thereafter	-
	<u>\$ 690,100</u>

CITY OF CYPRESS

Notes to the Basic Financial Statements, Continued

For the Fiscal Year Ended June 30, 2020

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

D. Payable to the Pension Plan

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

(13) Post-Employment Health Care Benefits

Plan Description

The City, through a single-employer defined benefit plan, provides post-employment health care benefits to eligible retirees through the CalPERS healthcare program entitled Public Employees' Medical and Hospital Care Act (PEMHCA). All eligible employees become participants in PEMHCA in the month following their date of hire. Upon retirement, the City pays the PEMHCA minimum amount (\$139 per month in 2020) for all eligible retirees who choose to continue with their coverage through PEMHCA. Retired PEMHCA members receiving benefits make contributions at premium rates identical to active City employees, less the PEMHCA minimum.

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

All other City employees that are either ineligible or have elected out of the above Supplemental Health Care Benefit are members of the City's Retiree Health Savings defined-contribution plan in which the City contributes monthly amounts on behalf of the employee to an account in the employee's name. These monthly contributions are \$75 per month or \$185 per month for full-time employees based on employee association.

Employees Covered

As of the July 1, 2018 actuarial valuation, the following current and former employees were covered by the benefit terms under the OPEB plans:

	Defined Benefit Plans		Defined Contribution
	PEMHCA Minimum	Supplemental Health Care Benefit	Retiree Health Savings
Active Employees	146	30	106
Eligible Retirees - Enrolled	57	23	n/a
Eligible Retirees - Not Enrolled	75	0	n/a

CITY OF CYPRESS

Notes to the Basic Financial Statements, Continued

For the Fiscal Year Ended June 30, 2020

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

Contributions

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

The City pays the monthly contribution for all employees and retirees on a pay-as-you-go basis. As of June 30, 2020, 68 retirees were receiving the PEMHCA benefit and the cost to the City for the year ended June 30, 2020 was \$108,776. The City paid an additional \$98,607 to 30 retirees during the year for the Supplemental Health Care Benefit. For the measurement date ended June 30, 2020, the City's cash contributions were \$207,383, which were recognized as a reduction to the OPEB liability.

While the City does not directly make contributions above the required pay-as-you-go amounts, the ability of the retiree to obtain health insurance at an active employee rate constitutes a significant economic benefit to the retiree, called an implicit subsidy. The implicit subsidy is considered to be an other post-employment benefit (OPEB) of the City. For the year ended June 30, 2020, the City's contribution towards the implicit subsidy was \$187,586.

The Retiree Health Savings Plan (RHS) is a defined contribution plan. Eligible employees receive either \$85 or \$175 per month, depending on bargaining unit, deposited in an individual Retiree Health Savings Account. During the fiscal year ended June 30, 2020, the City paid \$120,440 into RHS accounts for eligible employees. The monthly payments are recognized as expenditures when the payments are made into the RHS. Because the RHS is a defined contribution plan there is no unfunded liability associated with it.

Total OPEB Liability

The City's total OPEB liability of \$10,617,458 was based on an actuarial valuation as of July 1, 2019, a measurement date of June 30, 2020, and a discount rate of 2.20%. The results of the July 1, 2019 actuarial valuation were used to determine the total OPEB liability as of the June 30, 2020 measurement date, without adjustment.

The total OPEB liability was determined using an actuarial valuation as of July 1, 2019, using the following assumptions:

Actuarial Cost Method	Entry Age, Level Percent of Pay
Actuarial Assumptions	
Discount Rate ⁽¹⁾	
As of 6/30/20	2.20%, net of investment expenses
Inflation	2.25%
Salary increases	3.00%, average, including inflation
Mortality rate	(2)
Healthcare cost trend rates	6.00% for 2019-20, decreasing to 4.50% for 2022-23 and after
Medical CPI	3.50% (used to project CalPERS statutory minimum benefit)
Retirees' share of cost	Retirees pay the balance of the premium after statutory minimum benefit, Supplemental Health Care Benefits, if any, and PEMHCA administrative fees contributed by the City.

CITY OF CYPRESS

Notes to the Basic Financial Statements, Continued

For the Fiscal Year Ended June 30, 2020

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

Total OPEB Liability (Continued)

Notes:

- (1) The discount rate was based on the Bond Buyer 20-year bond General Obligation Index.
- (2) Mortality rates were based on the RP-2014 Employee and Healthy Annuitant Mortality Tables for Males or Females, as appropriate, projected using a generational projection based on 100% of scale MP-2016 for years 2014 through 2029, 50% of MP-2016 for years 2030 through 2049, and 20% of MP-2016 for 2050 and thereafter.

Changes in the OPEB Liability

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

Balance at June 30, 2019	\$9,072,799
Changes recognized for the measurement period:	
Service cost	370,906
Interest	232,807
Change of benefit terms	-
Difference between expected and actual experience	(155,120)
Changes of assumptions *	1,491,035
Benefit payments, including implicit subsidy	<u>(394,969)</u>
Net changes	<u>1,544,659</u>
Balance at June 30, 2020 (measurement date 6/30/20)	<u><u>\$10,617,458</u></u>

* Change in discount rate from 3.50% as of July 1, 2019 to 2.20% as of June 30, 2020.

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

The following presents the total OPEB liability as of June 30, 2020 calculated using the discount rate of 2.20%, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (1.20%) or one percentage point higher (3.20%) than the current rate:

	1% Decrease 1.20%	Current Rate 2.20%	1% Increase 3.20%
Total OPEB Liability	<u>\$12,261,317</u>	<u>\$10,617,458</u>	<u>\$9,305,203</u>

CITY OF CYPRESS

Notes to the Basic Financial Statements, Continued

For the Fiscal Year Ended June 30, 2020

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

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

The following presents the total OPEB liability as of June 30, 2020, as well as what the total OPEB liability would be if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates:

	1% Decrease (5.0% decreasing to 3.5%)	Current Rates (6.0% decreasing to 4.5%)	1% Increase (7.0% decreasing to 5.5%)
Total OPEB Liability	<u>\$10,122,506</u>	<u>\$10,617,458</u>	<u>\$11,225,002</u>

OPEB Expense

The annual OPEB expense can be calculated as the change in the amounts reported on the Statement of Net Position that are not attributable to employer contributions. It is the change in total liability minus the changes in deferred outflows plus the changes in deferred inflows. For the fiscal year ended June 30, 2020, the City recognized OPEB expense of \$858,547.

Deferred Outflows/Inflows of Resources Related to OPEB

As of the fiscal year ended June 30, 2020, the City reported deferred outflows and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 47,936	\$ 129,267
Changes of assumptions	1,543,950	165,497
Total	<u>\$ 1,591,886</u>	<u>\$ 294,764</u>

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

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

Fiscal Year Ending June 30,	Deferred Outflows/ (Inflows) of Resources
2021	\$ 254,834
2022	254,834
2023	254,834
2024	300,349
2025	232,271
2026	-
Thereafter	-

CITY OF CYPRESS

Notes to the Basic Financial Statements, Continued

For the Fiscal Year Ended June 30, 2020

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

The City established the PARS Post-Employment Benefits Trust (Trust) as a tax-exempt trust within the meaning of Section 115 of the Internal Revenue Service Code to accumulate resources to “stabilize” the amount of General Fund resources that it will need to meet future contribution requirements to the California Public Employees Retirement System (PERS). The balances and activities of the Trust are not part of the pension plan. Instead, the assets will benefit the employer through reduced future cash flow demands on the General Fund resources and continue to be assets of the City. At June 30, 2020, \$15,419,225 in restricted cash and investment in the Employees’ Benefit Fund is restricted for pension contribution stabilization.

(15) Self Insurance

At June 30, 2020 the City was self-insured for workers’ compensation and general liability. The self-insured portion for workers’ compensation and general liability is limited to the first \$300,000 and \$150,000 respectively, of liability per occurrence. Coverage in excess of these amounts is maintained in layers to a maximum of \$43,000,000 for general liability and the statutory limit for workers compensation (of which \$3,000,000 per occurrence is for each employee accident or disease) through the California Insurance Pool Authority (CIPA). CIPA is a consortium of 13 cities in Southern California, established to pool resources, share risks, purchase excess insurance and to share costs for professional risk management and claims administration. Member agencies make payments based on underwriting estimates. Each agency may be assessed the difference between funds available and the \$33,000,000 annual aggregate in proportion to their annual premiums.

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

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, 2020 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, 2020, the Liability Insurance Fund and the Workers’ Compensation Fund had reserves for catastrophic losses of \$2,590,875 and \$1,120,754, respectively, which are reported as net position in these funds. The claims liabilities of \$328,490 and \$1,010,433 reported in the Liability Insurance and Workers’ Compensation Funds, respectively, at June 30, 2020, 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, 2020

(15) Self Insurance (Continued)

Changes in the claims liability amounts during the fiscal years ended June 30, 2019 and June 30, 2020 are as follows:

	<u>Liability Insurance</u>	<u>Workers' Compensation</u>	<u>Total</u>
Balance at July 1, 2018	\$ 248,941	\$ 1,371,255	\$ 1,620,196
Current year claims	65,557	472,796	538,353
Changes in estimates	210,142	225,345	435,487
Claims payments	<u>(65,557)</u>	<u>(472,796)</u>	<u>(538,353)</u>
Balance at June 30, 2019	<u>\$ 459,083</u>	<u>\$ 1,596,600</u>	<u>\$ 2,055,683</u>
Balance at July 1, 2019	\$ 459,083	\$ 1,596,600	\$ 2,055,683
Current year claims	264,056	138,430	402,486
Changes in estimates	(130,593)	(586,167)	(716,760)
Claims payments	<u>(264,056)</u>	<u>(138,430)</u>	<u>(402,486)</u>
Balance at June 30, 2020	<u>\$ 328,490</u>	<u>\$ 1,010,433</u>	<u>\$ 1,338,923</u>

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

CITY OF CYPRESS

Notes to the Basic Financial Statements, Continued

For the Fiscal Year Ended June 30, 2020

(16) Classification of Net Position

Net Position

The City's Net Position at June 30, 2020 is summarized as follows:

	Government Wide Statement of Net Position		Totals
	Governmental Activities	Business-type Activities	
Net Investment in Capital Assets	\$ 160,408,903	\$ 19,672,894	\$ 180,081,797
Restricted for:			
Public Safety	3,088,775	-	3,088,775
Public Works-Street Maintenance and Improvem	6,097,397	-	6,097,397
Public Works-Street Lighting	5,600,640	-	5,600,640
Public Works-Local Drainage Improvements	819,542	-	819,542
Public Works-Other	155,914	-	155,914
Total - Public Works	12,673,493	-	12,673,493
Sanitary Sewer System	-	3,871,515	3,871,515
Recreation	9,327,041	-	9,327,041
Recreation-Open Space Improvements	418,333	-	418,333
Total-Recreation	9,745,374	-	9,745,374
Other-Pension Trust	15,419,225	-	15,419,225
Other-Promotional Activities	28,944	-	28,944
Other-Low and Moderate Income Housing	1,615,360	-	1,615,360
Other-Cable Television Equipment	556,539	-	556,539
Other-Community Development Block Grant	27,766	-	27,766
Other-CARES Act Grant	441,300	-	441,300
Other-Office of Traffic Safety Grant	1,171	-	1,171
Total-Other	18,090,305	-	18,090,305
Unrestricted	85,931,038	-	85,931,038
Total Net Position	\$ 289,937,888	\$ 23,544,409	\$ 313,482,297

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.

CITY OF CYPRESS

Notes to the Basic Financial Statements, Continued

For the Fiscal Year Ended June 30, 2020

(16) Classification of Net Position (Continued)

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

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

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

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

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

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

Restricted for Other – CARES Act Grant – This restriction represents federal grant funds to be used for necessary expenditures incurred due to the public health emergency with respect to the Coronavirus Disease 2019 (COVID-19).

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

CITY OF CYPRESS

Notes to the Basic Financial Statements, Continued

For the Fiscal Year Ended June 30, 2020

(17) Classifications of Fund Balances

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

	<u>General Fund</u>	<u>Recreation and Park District Fund</u>	<u>Streets Fund</u>	<u>City Capital Projects Fund</u>	<u>Non-major Governmental Funds</u>	<u>Totals</u>
Nonspendable						
Prepays	\$ 4,106	\$ 2,754	\$ -	\$ -	\$ -	\$ 6,860
Inventory	-	488	-	-	-	488
Total Nonspendable	<u>4,106</u>	<u>3,242</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,348</u>
Restricted						
Community Promotion	28,944	-	-	-	-	28,944
Open Space	-	418,333	-	-	-	418,333
Youth League Renovations	-	77,892	-	-	-	77,892
Senior Center Enhancements	-	30,077	-	-	-	30,077
Recreation	-	9,219,072	-	-	-	9,219,072
Streets	-	-	6,097,397	-	-	6,097,397
Local Drainage	-	-	-	-	819,542	819,542
Landscape Maintenance	-	-	-	-	155,914	155,914
Street Lighting	-	-	-	-	5,600,640	5,600,640
Cable Television Equipment	-	-	-	-	556,539	556,539
Police	-	-	-	-	3,088,775	3,088,775
Low and Moderate Income Housing	-	-	-	-	1,615,360	1,615,360
Grants	111,577	-	-	-	-	111,577
Total Restricted	<u>140,521</u>	<u>9,745,374</u>	<u>6,097,397</u>	<u>-</u>	<u>11,836,770</u>	<u>27,820,062</u>
Committed						
Stabilization Agreement	7,752,199	-	-	-	-	7,752,199
Capital Improvements	-	-	-	11,600,900	-	11,600,900
Total Committed	<u>7,752,199</u>	<u>-</u>	<u>-</u>	<u>11,600,900</u>	<u>-</u>	<u>19,353,099</u>
Assigned						
Future Capital Improvements	4,971,295	2,200,000	-	71,107,742	-	78,279,037
Investment in Pension Trust	950,000	-	-	-	-	950,000
Business Relocation Stabilization	2,500,000	-	-	-	-	2,500,000
Budget Stabilization	4,100,000	-	-	-	-	4,100,000
Storm Drainage	967,474	-	-	-	-	967,474
Clean Air Act Programs	-	-	-	-	(290,643)	(290,643)
Carryover Appropriations	598,195	-	-	-	-	598,195
Total Assigned	<u>14,086,964</u>	<u>2,200,000</u>	<u>-</u>	<u>71,107,742</u>	<u>(290,643)</u>	<u>87,104,063</u>
Unassigned	1,060,000	-	-	-	-	1,060,000
Total Fund Balances	<u>\$ 23,043,790</u>	<u>\$ 11,948,616</u>	<u>\$ 6,097,397</u>	<u>\$ 82,708,642</u>	<u>\$ 11,546,127</u>	<u>\$ 135,344,572</u>

The stabilization agreement amount of \$7,752,199 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, 2020

(18) Contingent Liabilities

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

(19) Joint Venture

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

The purpose of the JPA is to save the participants some individual expense through the sharing of communication obligations. The JPA intends to utilize the personnel and resources of the member agencies to provide financial, legal, personnel, risk management and other services as needed. The City of Cypress provides the JPA with financial and human resources services. The City has no equity interest in the JPA and does not receive a share of the operating results. Accordingly, the assets and liabilities of the JPA are shown in the City's 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.

(20) 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. In September 2015, the Legislature passed and the Governor signed SB107, which made additional change to 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, 2020

(20) 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 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.

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. 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.

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.

From the date of dissolution through June 30, 2018, each Successor Agency had its own Oversight Board. Effective July 1, 2018, the County of Orange is responsible for a county-wide Oversight Board for all Successor Agencies in Orange County.

CITY OF CYPRESS

Notes to the Basic Financial Statements, Continued

For the Fiscal Year Ended June 30, 2020

(21) Successor Agency

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

The non-housing assets and liabilities of the dissolved Redevelopment Agency were transferred to the Successor Agency to the Dissolved Cypress Redevelopment Agency on February 1, 2012 as a result of the dissolution of the former Redevelopment Agency. The City is acting in a fiduciary capacity for these non-housing assets and liabilities. 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, 2020:

Description	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020	Classification	
					Due Within One Year	Due in More than One Year
Other Notes	\$ 408,897	\$ 9,598	\$ -	\$ 418,495	\$ -	\$ 418,495
Total	\$ 408,897	\$ 9,598	\$ -	\$ 418,495	\$ -	\$ 418,495

The Redevelopment Agency had a promissory note from National Church Residences of Cypress, California for payment of offsite improvements and construction costs relating to the Cypress Sunrise Apartments. Upon dissolution of the Agency on February 1, 2012, the note was transferred to the Successor Agency. The promissory note was initially issued for up to \$192,455 in September 1987 and due to mature February 1, 2029. On September 24, 1987, an amount of \$120,384 was issued based on actual required assistance followed by a payment of \$16,573 (September 29, 1987) leaving a net principal outstanding of \$103,761. The note is not payable, in whole or in part, either to principal or interest, prior to February 1, 2029. The interest rate on the note is 9.25% per annum and is not compounded. The outstanding interest accrued on the note though June 30, 2020 is \$314,734. The total combined principal and interest outstanding on the note at June 30, 2020 is \$418,495.

CITY OF CYPRESS

Notes to the Basic Financial Statements, Continued

For the Fiscal Year Ended June 30, 2020

(21) Successor Agency (Continued)

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, 2020:

Description	Balance			Balance June 30, 2020	Classification	
	July 1, 2019	Additions	Deletions		Due Within One Year	Due in More than One Year
Advance from City	\$ 1,882,539	\$ 36,646	\$ (1,919,185)	\$ -	\$ -	\$ -
Total	\$ 1,882,539	\$ 36,646	\$ (1,919,185)	\$ -	\$ -	\$ -

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 30th 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.

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, with the remaining balance of \$1,116,000 to 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 30th 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.

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, but approved the agreement in October, 2015. Payments made after the approval brought the remaining balance to \$20,882,539 at June 30, 2016.

CITY OF CYPRESS

Notes to the Basic Financial Statements, Continued

For the Fiscal Year Ended June 30, 2020

(21) Successor Agency (Continued)

Advances To/From the City of Cypress (Continued)

On February 2, 2017, the City, Successor Agency, California Department of Finance, and State Controller's Office entered into a Settlement Agreement to resolve an outstanding dispute regarding the ownership of 13 acres of land sold by the former Redevelopment Agency to the City on March 8, 2011 (see Note 6). As a result of the settlement, the City retains ownership of the land in exchange for reducing the outstanding balance of the restated and re-entered repayment agreement to \$5,882,539. Repayment terms of \$2 million per year remain in effect until the balance is fully paid. During fiscal year 2019-20, the final payment of \$1,929,537, including \$46,998 of interest, was paid. As of June 30, 2020, the agreement was fully repaid.

(22) Economic Assistance Agreement – Tax Abatement

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

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

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

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

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

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

During the fiscal year ended June 30, 2020, the landlord received \$450,000 in economic assistance under this Third Amendment.

CITY OF CYPRESS

Notes to the Basic Financial Statements, Continued

For the Fiscal Year Ended June 30, 2020

(23) Other Required Fund Disclosures

The Employees' Benefit Internal Service Fund had a deficit net position of (\$30,291,558) at June 30, 2020 primarily due to the net pension liability associated with the City's CalPERS pension plans. The City has made all required annual contributions toward this long-term liability, and has committed to set-aside additional monies in the form of a trust to reduce or offset the liability.

The AB 2766 Special Revenue Fund had a deficit fund balance of (\$290,643) at June 30, 2020 due to the purchase of a compressed natural gas sewer cleaning truck. The General Fund advanced \$490,874 to the AB 2766 Fund for the purchase. The AB 2766 Fund will repay the advance with annual payments from the AB 2766 revenues, which are to be used to reduce air pollution from motor vehicles. The remaining balance of the advance at June 30, 2019 was (\$290,643).

(24) Subsequent Events

The City sold the 13.33 acres of land, referenced in Note 6, on November 23, 2020. The land was recorded as land held for resale since its acquisition in 2006. The sale generated \$14.37 million in net proceeds for the City.

On March 27, 2020, in response to the economic fallout of the Coronavirus pandemic in the United States, Congress passed the Coronavirus Aid, Relief, and Economic Security Act, also known as the CARES Act, which provided \$2.2 trillion in economic stimulus funding through a variety of channels. The State of California received a \$500 million allocation to provide cities which did not receive a direct federal allocation through the CARES Act. The City entered into an agreement with the State of California in July 2020 to receive an allocation of the CARES Act funding for reimbursement of costs incurred by the City due to the pandemic. The funding, totaling \$608,368, was received in four installments between July and October 2020.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF CYPRESS

Required Supplementary Information

For the Fiscal Year Ended June 30, 2020

(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, 2020

Budgetary Comparison Schedule, General Fund

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 27,867,000	\$ 27,867,000	\$ 29,444,310	\$ 1,577,310
Licenses and permits	455,260	580,760	628,630	47,870
Fines and forfeitures	161,000	161,000	191,122	30,122
From use of property	645,268	645,268	1,428,560	783,292
From other agencies	277,568	2,672,735	2,086,190	(586,545)
Charges for services	2,727,499	2,834,699	2,536,320	(298,379)
Other revenue	55,950	55,950	196,465	140,515
TOTAL REVENUES	32,189,545	34,817,412	36,511,597	1,694,185
EXPENDITURES:				
Current:				
General government - Legislative	704,791	704,791	674,803	29,988
General government - Administration	1,806,247	3,206,042	2,593,672	612,370
General government - Finance	1,940,519	1,978,544	1,938,503	40,041
Community development - Planning	1,481,260	1,582,325	1,089,719	492,606
Community development - Building	591,172	683,572	590,621	92,951
Public safety - Police	17,968,862	18,126,173	17,035,531	1,090,642
Public works - Engineering	1,336,939	1,482,634	1,410,926	71,708
Public works - Maintenance	4,574,431	4,594,031	4,017,729	576,302
TOTAL EXPENDITURES	30,404,221	32,358,112	29,351,504	3,006,608
EXCESS OF REVENUES OVER EXPENDITURES	1,785,324	2,459,300	7,160,093	4,700,793
OTHER FINANCING SOURCES (USES):				
Transfers in	1,037,034	1,037,034	1,759,033	721,999
Transfers out	(2,620,600)	(8,361,706)	(8,220,648)	141,058
TOTAL OTHER FINANCING SOURCES (USES)	(1,583,566)	(7,324,672)	(6,461,615)	863,057
NET CHANGE IN FUND BALANCE	\$ 201,758	\$ (4,865,372)	698,478	\$ 5,563,850
FUND BALANCE - BEGINNING OF YEAR			22,345,312	
FUND BALANCE - END OF YEAR			\$ 23,043,790	

CITY OF CYPRESS

Required Supplementary Information, Continued

For the Fiscal Year Ended June 30, 2020

Budgetary Comparison Schedule, Recreation and Park District Special Revenue Fund

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Taxes	\$ 5,469,500	\$ 5,469,500	\$ 5,958,510	\$ 489,010
From use of property	390,849	390,849	414,655	23,806
From other agencies	95,550	95,550	54,498	(41,052)
Charges for services	952,272	952,272	462,268	(490,004)
Other revenue	5,000	5,000	3,649	(1,351)
	<u>6,913,171</u>	<u>6,913,171</u>	<u>6,893,580</u>	<u>(19,591)</u>
TOTAL REVENUES				
EXPENDITURES:				
Current:				
Recreation	5,013,501	5,081,878	3,951,650	1,130,228
Capital outlay	2,797,000	5,077,099	3,450,867	1,626,232
	<u>7,810,501</u>	<u>10,158,977</u>	<u>7,402,517</u>	<u>2,756,460</u>
TOTAL EXPENDITURES				
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(897,330)</u>	<u>(3,245,806)</u>	<u>(508,937)</u>	<u>2,736,869</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	<u>(807,900)</u>	<u>(859,150)</u>	<u>(1,194,443)</u>	<u>(335,293)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(807,900)</u>	<u>(859,150)</u>	<u>(1,194,443)</u>	<u>(335,293)</u>
NET CHANGE IN FUND BALANCE	<u>\$ (1,705,230)</u>	<u>\$ (4,104,956)</u>	<u>(1,703,380)</u>	<u>\$ 2,401,576</u>
FUND BALANCE - BEGINNING OF YEAR			<u>13,651,996</u>	
FUND BALANCE - END OF YEAR			<u>\$ 11,948,616</u>	

CITY OF CYPRESS

Required Supplementary Information, Continued

For the Fiscal Year Ended June 30, 2020

Budgetary Comparison Schedule, Streets Special Revenue Fund

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
From use of property	\$ 57,500	\$ 57,500	\$ 110,712	\$ 53,212
From other agencies	3,066,779	3,066,779	2,933,107	(133,672)
Charges for services	500	500	139,501	139,001
TOTAL REVENUES	<u>3,124,779</u>	<u>3,124,779</u>	<u>3,183,320</u>	<u>58,541</u>
EXPENDITURES:				
Current:				
Public works	917,293	1,755,393	810,546	944,847
Capital outlay	42,707	231,773	152,828	78,945
TOTAL EXPENDITURES	<u>960,000</u>	<u>1,987,166</u>	<u>963,374</u>	<u>1,023,792</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>2,164,779</u>	<u>1,137,613</u>	<u>2,219,946</u>	<u>1,082,333</u>
OTHER FINANCING USES:				
Transfers out	<u>(2,770,504)</u>	<u>(3,472,017)</u>	<u>(1,423,498)</u>	<u>2,048,519</u>
TOTAL OTHER FINANCING USES	<u>(2,770,504)</u>	<u>(3,472,017)</u>	<u>(1,423,498)</u>	<u>2,048,519</u>
NET CHANGE IN FUND BALANCE	<u>\$ (605,725)</u>	<u>\$ (2,334,404)</u>	796,448	<u>\$ 3,130,852</u>
FUND BALANCE - BEGINNING OF YEAR			<u>5,300,949</u>	
FUND BALANCE - END OF YEAR			<u>\$ 6,097,397</u>	

CITY OF CYPRESS

Required Supplementary Information, Continued

For the Fiscal Year Ended June 30, 2020

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

City of Cypress Miscellaneous Plan

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

	<u>2020</u>	<u>2019</u>
Plan's proportion of the net pension liability	0.52186%	0.50778%
Plan's proportionate share of the net pension liability	\$ 20,897,731	\$ 19,136,711
Plan's Covered Payroll	\$ 6,385,921	\$ 6,863,694
Plan's proportionate share of the net pension liability as a percentage of covered payroll	327.25%	278.81%
Plan's proportionate share of the fiduciary net position as a percentage of the Plan's total pension liability	75.83%	76.84%
Plan's proportionate share of aggregate employer contributions	\$ 2,722,708	\$ 2,418,263

Notes to Schedule:

Benefit Changes: There were no changes to benefits.

Changes in Assumptions:

Fiscal year ended June 30, 2016:

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

Fiscal year ended June 30, 2018:

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

Fiscal year ended June 30, 2019:

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

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

CITY OF CYPRESS

Required Supplementary Information, Continued

For the Fiscal Year Ended June 30, 2020

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

City of Cypress Miscellaneous Plan (Continued)

Schedule of Changes in the Net Pension Liability and Related Ratios

Last Ten Fiscal Years ⁽¹⁾

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

Notes to Schedule:

Benefit Changes: There were no changes to benefits.

Changes in Assumptions:

Fiscal year ended June 30, 2016:

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

Fiscal year ended June 30, 2018:

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

Fiscal year ended June 30, 2019:

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

CITY OF CYPRESS

Required Supplementary Information, Continued

For the Fiscal Year Ended June 30, 2020

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

City of Cypress Miscellaneous Plan (Continued)

Schedule of Plan Contributions

Last Ten Fiscal Years ⁽¹⁾

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

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

CITY OF CYPRESS

Required Supplementary Information, Continued

For the Fiscal Year Ended June 30, 2020

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

City of Cypress Miscellaneous Plan (Continued)

SCHEDULE OF PLAN CONTRIBUTIONS

Last Ten Fiscal Years *

Notes to Schedule:

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

⁽¹⁾ Level percentage of payroll, closed

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

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

⁽⁴⁾ 50 - 63 (2.0% at 55); 52 - 67 (2.0% at 62)

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

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

CITY OF CYPRESS

Required Supplementary Information, Continued

For the Fiscal Year Ended June 30, 2020

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

City of Cypress Safety Plan

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Plan's proportion of the net pension liability	0.44567%	0.43772%	0.42375%	0.42470%	0.41016%	0.39621%
Plan's proportionate share of the net pension liability	\$ 27,821,165	\$ 25,683,654	\$ 25,320,193	\$ 21,996,187	\$ 16,900,538	\$ 14,861,787
Plan's Covered Payroll	\$ 5,953,364	\$ 5,823,413	\$ 5,539,232	\$ 5,634,190	\$ 5,200,954	\$ 5,075,058
Plan's proportionate share of the net pension liability as a percentage of covered payroll	467.32%	441.04%	457.11%	390.41%	324.95%	292.84%
Plan's proportionate share of the fiduciary net position as a percentage of the Plan's total	72.54%	73.38%	72.73%	73.87%	79.00%	80.99%
Plan's proportionate share of aggregate employer contributions	\$ 3,222,885	\$ 2,986,119	\$ 2,331,004	\$ 2,149,038	\$ 2,163,119	\$ 1,792,684

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

CITY OF CYPRESS

Required Supplementary Information, Continued

For the Fiscal Year Ended June 30, 2020

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

City of Cypress Safety Plan (Continued)

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

Notes to Schedule:

Benefit Changes: There were no changes to benefits.

Changes in Assumptions:

Fiscal year ended June 30, 2016:

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

Fiscal year ended June 30, 2018:

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

Fiscal year ended June 30, 2019:

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

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

CITY OF CYPRESS

Required Supplementary Information, Continued

For the Fiscal Year Ended June 30, 2020

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

City of Cypress Safety Plan (Continued)

SCHEDULE OF CONTRIBUTIONS

Last Ten Fiscal Years*

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

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

CITY OF CYPRESS

Required Supplementary Information, Continued

For the Fiscal Year Ended June 30, 2020

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

City of Cypress Safety Plan (Continued)

SCHEDULE OF CONTRIBUTIONS (Continued)

Last Ten Fiscal Years

Notes to Schedule:

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

⁽¹⁾ Level percentage of payroll, closed

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

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

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

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

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

CITY OF CYPRESS

Required Supplementary Information, Continued

For the Fiscal Year Ended June 30, 2020

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

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

	<u>2020</u>	<u>2019</u>
Plan's proportion of the net pension liability	0.00500%	0.00700%
Plan's proportionate share of the net pension liability	\$ 262,415	\$ 408,781
Plan's Covered Payroll	\$ -	\$ -
Plan's proportionate share of the net pension liability as a percentage of covered payroll	n/a	n/a
Plan's proportionate share of the fiduciary net position as a percentage of the Plan's total pension liability	94.23%	90.81%
Plan's proportionate share of aggregate employer contributions	n/a	n/a

Notes to Schedule:

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

CITY OF CYPRESS

Required Supplementary Information, Continued

For the Fiscal Year Ended June 30, 2020

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

Schedule of Plan Contributions

Last Ten Fiscal Years ⁽¹⁾

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

Methods and Assumptions Used to Determine Contribution Rates:

After the December 31, 2017 funding valuation, OCERS applied the Board's withdrawing employer policy to allocate a portion of the Unfunded Actuarial Accrued Liability to the Cypress Recreation and Park District as of December 31, 2017.

In determining the net pension liability, the valuation value of assets (VVA) as of December 31, 2018 is rolled forward to December 31, 2019 for the actual contributions, benefit payments and return on the VVA during 2019. The VVA is then marked to the Plan's Fiduciary Net Position as of December 31, 2019. The total pension liability is obtained from internal valuation results by rolling forward the total pension liability from December 31, 2018.

CITY OF CYPRESS

Required Supplementary Information, Continued

For the Fiscal Year Ended June 30, 2020

(4) Post-Employment Health Care Benefits

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

Last Ten Fiscal Years ⁽¹⁾

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability:			
Service cost	\$ 370,906	\$ 293,425	\$ 304,903
Interest on the total OPEB liability	232,807	330,023	306,496
Actual and expected experience difference	(155,120)	63,400	10,351
Changes in assumptions	1,491,035	447,917	(324,881)
Changes in benefit terms	-	-	-
Benefit payments, including implicit subsidy	<u>(394,969)</u>	<u>(397,959)</u>	<u>(329,123)</u>
Net Change in Total OPEB Liability	1,544,659	736,806	(32,254)
Total OPEB Liability - Beginning of Year	<u>9,072,799</u>	<u>8,335,993</u>	<u>8,368,247</u>
Total OPEB Liability - End of Year (a)	<u>\$ 10,617,458</u>	<u>\$ 9,072,799</u>	<u>\$ 8,335,993</u>
Plan fiduciary net position as a percentage of the Total OPEB liability	0.00%	0.00%	0.00%
Covered-employee payroll	\$ 14,180,802	\$ 14,518,971	\$ 14,482,504
Total OPEB liability as percentage of covered- employee payroll	74.87%	62.49%	57.56%

Notes to Schedule:

Benefit Changes: None

Changes in Assumptions: The discount rate, which is based on the Bond Buyer 20-year bond General Obligation Index, decreased from 3.50% to 2.20%.

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

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

Supplemental Schedules

CITY OF CYPRESS

Budgetary Comparison Schedules for Other Major Governmental Fund

June 30, 2020

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, 2020

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES:				
From use of property	\$ 1,272,536	\$ 1,272,536	\$ 1,364,592	\$ 92,056
From other agencies	-	225,000	-	(225,000)
TOTAL REVENUES	<u>1,272,536</u>	<u>1,497,536</u>	<u>1,364,592</u>	<u>(132,944)</u>
EXPENDITURES:				
Current:				
Public works	1,390,000	1,799,870	688,699	1,111,171
Capital outlay	5,425,000	8,176,819	608,532	7,568,287
TOTAL EXPENDITURES	<u>6,815,000</u>	<u>9,976,689</u>	<u>1,297,231</u>	<u>8,679,458</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(5,542,464)</u>	<u>(8,479,153)</u>	<u>67,361</u>	<u>8,546,514</u>
OTHER FINANCING SOURCES:				
Transfers in	7,142,900	10,651,770	6,576,863	(4,074,907)
TOTAL OTHER FINANCING SOURCES	<u>7,142,900</u>	<u>10,651,770</u>	<u>6,576,863</u>	<u>(4,074,907)</u>
NET CHANGE IN FUND BALANCE	<u>\$ 1,600,436</u>	<u>\$ 2,172,617</u>	<u>6,644,224</u>	<u>\$ 4,471,607</u>
FUND BALANCE - BEGINNING OF YEAR			<u>77,064,418</u>	
FUND BALANCE - END OF YEAR			<u>\$ 83,708,642</u>	

CITY OF CYPRESS

Nonmajor Governmental Funds

June 30, 2020

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, 2020

	Special Revenue Funds				
	Local Drainage	Stanton Channel Maintenance District	Lighting District	CATV Peg Grant	AB 2766
ASSETS					
Cash and investments	\$ 816,908	\$ 162,576	\$ 5,628,773	\$ 537,834	\$ -
Receivables:					
Taxes	-	-	14,778	-	-
Interest	2,634	-	18,697	-	-
Notes, net of allowance	-	-	-	-	-
Other	-	-	1,600	18,705	15,596
Land Held for Resale	-	-	-	-	-
TOTAL ASSETS	<u>\$ 819,542</u>	<u>\$ 162,576</u>	<u>\$ 5,663,848</u>	<u>\$ 556,539</u>	<u>\$ 15,596</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES:					
Accounts payable and other accrued liabilities	\$ -	\$ 6,662	\$ 63,208	\$ -	\$ -
Due to other funds	-	-	-	-	15,596
Advances to other funds	-	-	-	-	290,643
TOTAL LIABILITIES	<u>-</u>	<u>6,662</u>	<u>63,208</u>	<u>-</u>	<u>306,239</u>
FUND BALANCE:					
Restricted	819,542	155,914	5,600,640	556,539	-
Unassigned	-	-	-	-	(290,643)
TOTAL FUND BALANCES	<u>819,542</u>	<u>155,914</u>	<u>5,600,640</u>	<u>556,539</u>	<u>(290,643)</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 819,542</u>	<u>\$ 162,576</u>	<u>\$ 5,663,848</u>	<u>\$ 556,539</u>	<u>\$ 15,596</u>

				Debt Service Fund		
Traffic Safety	Supplemental Law Enforcement	Narcotics Asset Seizure	Low & Moderate Housing Assets	Civic Center Debt Service		Total Nonmajor Governmental Funds
\$ -	\$ 3,400	\$ 3,137,106	\$ 59,057	\$ -		\$ 10,345,654
-	-	-	-	-		14,778
-	202	10,100	339	-		31,972
-	-	-	135,414	-		135,414
3,204	-	-	1,004	-		40,109
-	-	-	1,421,708	-		1,421,708
<u>\$ 3,204</u>	<u>\$ 3,602</u>	<u>\$ 3,147,206</u>	<u>\$ 1,617,522</u>	<u>\$ -</u>		<u>\$ 11,989,635</u>
\$ -	\$ 3,602	\$ 58,431	\$ 2,162	\$ -		\$ 134,065
3,204	-	-	-	-		18,800
-	-	-	-	-		290,643
<u>3,204</u>	<u>3,602</u>	<u>58,431</u>	<u>2,162</u>	<u>-</u>		<u>443,508</u>
-	-	3,088,775	1,615,360	-		11,836,770
-	-	-	-	-		(290,643)
-	-	3,088,775	1,615,360	-		11,546,127
<u>\$ 3,204</u>	<u>\$ 3,602</u>	<u>\$ 3,147,206</u>	<u>\$ 1,617,522</u>	<u>\$ -</u>		<u>\$ 11,989,635</u>

CITY OF CYPRESS

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

For the fiscal year ended June 30, 2020

	Special Revenue Funds				
	Local Drainage	Stanton Channel Maintenance District	Lighting District	CATV Peg Grant	AB 2766
REVENUES:					
Taxes	\$ -	\$ -	\$ 1,358,550	\$ 79,076	\$ -
Fines and forfeitures	-	-	-	-	-
From use of property	15,630	-	110,485	-	-
From other agencies	-	-	5,508	-	63,060
Charges for services	70,348	85,134	-	-	-
Other revenue	-	-	21,704	-	-
TOTAL REVENUES	85,978	85,134	1,496,247	79,076	63,060
EXPENDITURES:					
Current:					
Community development	-	-	-	-	-
Public safety	-	-	-	-	-
Public works	-	39,382	765,597	-	-
Capital outlay	-	54,648	229,070	-	-
TOTAL EXPENDITURES	-	94,030	994,667	-	-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	85,978	(8,896)	501,580	79,076	63,060
OTHER FINANCING USES:					
Transfers out	-	(14,105)	(149,200)	-	-
TOTAL OTHER FINANCING USES	-	(14,105)	(149,200)	-	-
NET CHANGE IN FUND BALANCES	85,978	(23,001)	352,380	79,076	63,060
FUND BALANCES - BEGINNING OF YEAR	733,564	178,915	5,248,260	477,463	(353,703)
FUND BALANCES - END OF YEAR	\$ 819,542	\$ 155,914	\$ 5,600,640	\$ 556,539	\$ (290,643)

				Debt Service Fund	
Traffic Safety	Supplemental Law Enforcement	Narcotics Asset Seizure	Low & Moderate Housing Assets	Civic Center Refinancing	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,437,626
86,594	-	-	-	-	86,594
-	1,110	61,300	4,127	-	192,652
-	156,006	-	2,000	-	226,574
-	-	-	-	-	155,482
-	-	423,841	6,484	-	452,029
<u>86,594</u>	<u>157,116</u>	<u>485,141</u>	<u>12,611</u>	<u>-</u>	<u>2,550,957</u>
-	-	-	34,639	-	34,639
-	157,116	33,338	-	-	190,454
-	-	-	-	-	804,979
-	-	-	-	-	283,718
<u>-</u>	<u>157,116</u>	<u>33,338</u>	<u>34,639</u>	<u>-</u>	<u>1,313,790</u>
86,594	-	451,803	(22,028)	-	1,237,167
(86,594)	-	(2,295)	-	(871,929)	(1,124,123)
<u>(86,594)</u>	<u>-</u>	<u>(2,295)</u>	<u>-</u>	<u>(871,929)</u>	<u>(1,124,123)</u>
-	-	449,508	(22,028)	(871,929)	113,044
-	-	2,639,267	1,637,388	871,929	11,433,083
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,088,775</u>	<u>\$ 1,615,360</u>	<u>\$ -</u>	<u>\$ 11,546,127</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, 2020

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES:				
From use of property	\$ 13,000	\$ 13,000	\$ 15,630	\$ 2,630
Charges for services	5,000	5,000	70,348	65,348
TOTAL REVENUES	\$ 18,000	\$ 18,000	85,978	\$ 67,978
 FUND BALANCE - BEGINNING OF YEAR			733,564	
 FUND BALANCE - END OF YEAR			\$ 819,542	

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, 2020

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES:				
Charges for services	\$ 84,200	\$ 84,200	\$ 85,134	\$ 934
TOTAL REVENUES	<u>84,200</u>	<u>84,200</u>	<u>85,134</u>	<u>934</u>
EXPENDITURES:				
Current:				
Public works	52,795	52,795	39,382	13,413
Capital outlay	80,414	80,414	54,648	25,766
TOTAL EXPENDITURES	<u>133,209</u>	<u>133,209</u>	<u>94,030</u>	<u>39,179</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>(49,009)</u>	<u>(49,009)</u>	<u>(8,896)</u>	<u>40,113</u>
OTHER FINANCING USES:				
Transfers out	(19,982)	(19,982)	(14,105)	5,877
TOTAL OTHER FINANCING USES	<u>(19,982)</u>	<u>(19,982)</u>	<u>(14,105)</u>	<u>5,877</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND OTHER FINANCING USES	<u>\$ (68,991)</u>	<u>\$ (68,991)</u>	(23,001)	<u>\$ 45,990</u>
FUND BALANCE - BEGINNING OF YEAR			<u>178,915</u>	
FUND BALANCE - END OF YEAR			<u>\$ 155,914</u>	

CITY OF CYPRESS

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

For the fiscal year ended June 30, 2020

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget- Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
Taxes	\$ 1,243,720	\$ 1,243,720	\$ 1,358,550	\$ 114,830
From use of property	95,000	95,000	110,485	15,485
From other agencies	5,500	5,500	5,508	8
Other revenue	10,000	10,000	21,704	11,704
TOTAL REVENUES	<u>1,354,220</u>	<u>1,354,220</u>	<u>1,496,247</u>	<u>142,027</u>
EXPENDITURES:				
Current:				
Public works	900,787	900,787	765,597	135,190
Capital outlay	332,550	432,124	229,070	203,054
TOTAL EXPENDITURES	<u>1,233,337</u>	<u>1,332,911</u>	<u>994,667</u>	<u>338,244</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>120,883</u>	<u>21,309</u>	<u>501,580</u>	<u>480,271</u>
OTHER FINANCING USES:				
Transfers out	<u>(201,548)</u>	<u>(201,548)</u>	<u>(149,200)</u>	<u>52,348</u>
TOTAL OTHER FINANCING USES	<u>(201,548)</u>	<u>(201,548)</u>	<u>(149,200)</u>	<u>52,348</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND OTHER FINANCING USES	<u>\$ (80,665)</u>	<u>\$ (180,239)</u>	352,380	<u>\$ 532,619</u>
FUND BALANCE - BEGINNING OF YEAR			<u>5,248,260</u>	
FUND BALANCE - END OF YEAR			<u>\$ 5,600,640</u>	

CITY OF CYPRESS

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

For the fiscal year ended June 30, 2020

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 82,000	\$ 82,000	\$ 79,076	\$ (2,924)
TOTAL REVENUES	82,000	82,000	79,076	(2,924)
FUND BALANCE - BEGINNING OF YEAR			477,463	
FUND BALANCE - END OF YEAR			\$ 556,539	

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, 2020

	<u>Budgeted Amounts</u>			Variance with Final Budget- Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES:				
From other agencies	\$ 62,500	\$ 62,500	\$ 63,060	\$ 560
TOTAL REVENUES	<u>62,500</u>	<u>62,500</u>	<u>63,060</u>	<u>560</u>
OTHER FINANCING USES:				
Transfers out	<u>(62,500)</u>	<u>(62,500)</u>	-	<u>62,500</u>
TOTAL OTHER FINANCING USES	<u>(62,500)</u>	<u>(62,500)</u>	-	<u>62,500</u>
EXCESS (DEFICIENCY) OF REVENUES OVER OTHER FINANCING USES	<u>\$ -</u>	<u>\$ -</u>	63,060	<u>\$ 63,060</u>
FUND BALANCE - BEGINNING OF YEAR			<u>(353,703)</u>	
FUND BALANCE - END OF YEAR			<u>\$ (290,643)</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, 2020

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES:				
Fines and forfeitures	\$ 140,000	\$ 140,000	\$ 86,594	\$ (53,406)
TOTAL REVENUES	<u>140,000</u>	<u>140,000</u>	<u>86,594</u>	<u>(53,406)</u>
OTHER FINANCING USES:				
Transfers out	(140,000)	(140,000)	(86,594)	53,406
TOTAL OTHER FINANCING USES	<u>(140,000)</u>	<u>(140,000)</u>	<u>(86,594)</u>	<u>53,406</u>
 EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING USES	 <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, 2020

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES:				
From use of property	\$ 400	\$ 400	\$ 1,110	\$ 710
From other agencies	142,000	156,716	156,006	(710)
TOTAL REVENUES	<u>142,400</u>	<u>157,116</u>	<u>157,116</u>	<u>-</u>
EXPENDITURES:				
Current:				
Public safety	142,400	157,116	157,116	-
TOTAL EXPENDITURES	<u>142,400</u>	<u>157,116</u>	<u>157,116</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ -</u>	<u>\$ -</u>	-	<u>\$ -</u>
FUND BALANCE - BEGINNING OF YEAR			-	
FUND BALANCE - END OF YEAR			<u>\$ -</u>	

CITY OF CYPRESS

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

For the fiscal year ended June 30, 2020

	<u>Budgeted Amounts</u>			Variance with Final Budget- Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>(Negative)</u>
REVENUES:				
From use of property	\$ 17,000	\$ 17,000	\$ 61,300	\$ 44,300
Other revenue	20,000	20,000	423,841	403,841
TOTAL REVENUES	<u>37,000</u>	<u>37,000</u>	<u>485,141</u>	<u>448,141</u>
EXPENDITURES:				
Current:				
Public safety	90,552	90,552	33,338	57,214
TOTAL EXPENDITURES	<u>90,552</u>	<u>90,552</u>	<u>33,338</u>	<u>57,214</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(53,552)</u>	<u>(53,552)</u>	451,803	505,355
OTHER FINANCING USES:				
Transfers out	(2,452,400)	(2,452,400)	(2,295)	2,450,105
TOTAL OTHER FINANCING USES	<u>(2,452,400)</u>	<u>(2,452,400)</u>	<u>(2,295)</u>	<u>2,450,105</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND OTHER FINANCING USES	<u>\$ (2,505,952)</u>	<u>\$ (2,505,952)</u>	449,508	<u>\$ 2,955,460</u>
FUND BALANCE - BEGINNING OF YEAR			<u>2,639,267</u>	
FUND BALANCE - END OF YEAR			<u>\$ 3,088,775</u>	

CITY OF CYPRESS

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

For the fiscal year ended June 30, 2020

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
REVENUES:				
From use of property	\$ 5,500	\$ 5,500	\$ 4,127	\$ (1,373)
From other agencies	-	-	2,000	2,000
Other revenue	6,320	6,320	6,484	164
TOTAL REVENUES	<u>11,820</u>	<u>11,820</u>	<u>12,611</u>	<u>791</u>
EXPENDITURES:				
Current:				
Community Development	44,695	44,695	34,639	(10,056)
TOTAL EXPENDITURES	<u>44,695</u>	<u>44,695</u>	<u>34,639</u>	<u>(10,056)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ (32,875)</u>	<u>\$ (32,875)</u>	(22,028)	<u>\$ 10,847</u>
FUND BALANCE - BEGINNING OF YEAR			<u>1,637,388</u>	
FUND BALANCE - END OF YEAR			<u>\$ 1,615,360</u>	

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, 2020

	Budgeted Amounts		Actual	Variance with Final Budget- Positive (Negative)
	Original	Final		
OTHER FINANCING SOURCES (USES):				
Transfers out	\$ -	\$ -	\$ (871,929)	\$ (871,929)
TOTAL OTHER FINANCING SOURCES (USES)	<u>\$ -</u>	<u>\$ -</u>	(871,929)	<u>\$ (871,929)</u>
FUND BALANCE - BEGINNING OF YEAR			<u>871,929</u>	
FUND BALANCE - END OF YEAR			<u>\$ -</u>	

CITY OF CYPRESS

Internal Service Funds

June 30, 2020

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

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

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

Employees' Benefit – To account for employee fringe benefits.

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

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

CITY OF CYPRESS

COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS

June 30, 2020

	<u>Central Services</u>	<u>Recreation District Central Services</u>
ASSETS		
CURRENT ASSETS:		
Cash and investments	\$ 18,773,156	\$ 725,998
Restricted cash and investments	-	-
Receivables:		
Interest	-	-
Other	1,459	-
Prepaid items	52,141	-
Inventory	11,759	-
TOTAL CURRENT ASSETS	<u>18,838,515</u>	<u>725,998</u>
NON-CURRENT ASSETS:		
Equipment (Net)	3,855,282	181,622
TOTAL NON-CURRENT ASSETS	<u>3,855,282</u>	<u>181,622</u>
TOTAL ASSETS	<u>22,693,797</u>	<u>907,620</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred amount from pension plans	-	-
Deferred amount from OPEB	-	-
Deferred amount from OCERS	-	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>-</u>	<u>-</u>
LIABILITIES		
CURRENT LIABILITIES:		
Accounts payable and other accrued liabilities	136,732	27,293
Claims payable	-	-
Compensated absences	-	-
TOTAL CURRENT LIABILITIES	<u>136,732</u>	<u>27,293</u>
LONG-TERM LIABILITIES:		
Claims payable	-	-
Retirees' health payable	-	-
Compensated absences	-	-
Net pension liability	-	-
TOTAL LONG-TERM LIABILITIES	<u>-</u>	<u>-</u>
TOTAL LIABILITIES	<u>136,732</u>	<u>27,293</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred amount from pension plans	-	-
Deferred amount from OPEB	-	-
Deferred amount from OCERS	-	-
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>-</u>	<u>-</u>
NET POSITION:		
Net investment in capital assets	3,855,282	181,622
Restricted:		
Pension trust	-	-
Unrestricted	18,701,783	698,705
TOTAL NET POSITION	<u>\$ 22,557,065</u>	<u>\$ 880,327</u>

<u>Employees' Benefit</u>	<u>Liability Insurance</u>	<u>Workers' Compensation</u>	<u>Total</u>
\$ 5,468,315	\$ 3,004,365	\$ 2,098,113	\$ 30,069,947
15,419,225	-	-	15,419,225
17,736	-	-	17,736
573,132	-	33,074	607,665
155,566	-	-	207,707
-	-	-	11,759
<u>21,633,974</u>	<u>3,004,365</u>	<u>2,131,187</u>	<u>46,334,039</u>
-	-	-	4,036,904
-	-	-	4,036,904
<u>21,633,974</u>	<u>3,004,365</u>	<u>2,131,187</u>	<u>50,370,943</u>
11,596,515	-	-	11,596,515
1,591,886	-	-	1,591,886
2,322,908	-	-	2,322,908
<u>15,511,309</u>	<u>-</u>	<u>-</u>	<u>15,511,309</u>
240,869	85,000	800	490,694
-	82,200	253,000	335,200
515,200	-	-	515,200
<u>756,069</u>	<u>167,200</u>	<u>253,800</u>	<u>1,341,094</u>
-	246,290	757,433	1,003,723
10,617,458	-	-	10,617,458
1,545,209	-	-	1,545,209
48,981,312	-	-	48,981,312
<u>61,143,979</u>	<u>246,290</u>	<u>757,433</u>	<u>62,147,702</u>
<u>61,900,048</u>	<u>413,490</u>	<u>1,011,233</u>	<u>63,488,796</u>
3,609,221	-	-	3,609,221
294,764	-	-	294,764
1,632,808	-	-	1,632,808
<u>5,536,793</u>	<u>-</u>	<u>-</u>	<u>5,536,793</u>
-	-	-	4,036,904
15,419,225	-	-	15,419,225
(45,710,783)	2,590,875	1,119,954	(22,599,466)
<u>\$ (30,291,558)</u>	<u>\$ 2,590,875</u>	<u>\$ 1,119,954</u>	<u>\$ (3,143,337)</u>

CITY OF CYPRESS

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

For the fiscal year ended June 30, 2020

	Central Services	Recreation District Central Services
	<u> </u>	<u> </u>
OPERATING REVENUES:		
Charges for services	\$ 3,440,952	\$ 31,840
Other revenue	278	-
TOTAL OPERATING REVENUES	<u>3,441,230</u>	<u>31,840</u>
OPERATING EXPENSES:		
Personnel services	1,273,168	-
Contractual services	246,731	7,692
Supplies and other services	1,014,558	-
Claim payments and changes in estimates	-	-
Depreciation	1,026,007	16,411
TOTAL OPERATING EXPENSES	<u>3,560,464</u>	<u>24,103</u>
OPERATING INCOME (LOSS)	<u>(119,234)</u>	<u>7,737</u>
NON-OPERATING REVENUES (EXPENSES):		
Interest income	-	-
Gain (loss) on disposal of equipment	2,462	-
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>2,462</u>	<u>-</u>
INCOME (LOSS) BEFORE TRANSFERS	(116,772)	7,737
TRANSFERS:		
Transfers in	21,075	43,873
TOTAL TRANSFERS	<u>21,075</u>	<u>43,873</u>
CHANGE IN NET POSITION	(95,697)	51,610
NET POSITION - BEGINNING OF YEAR	<u>22,652,762</u>	<u>828,717</u>
NET POSITION - END OF YEAR	<u>\$ 22,557,065</u>	<u>\$ 880,327</u>

Employees' Benefit	Liability Insurance	Workers' Compensation	Total
\$ 12,355,330	\$ 543,000	\$ 662,283	\$ 17,033,405
-	34,260	263,599	298,137
<u>12,355,330</u>	<u>577,260</u>	<u>925,882</u>	<u>17,331,542</u>
-	-	19,517	1,292,685
13,278,048	-	88,719	13,621,190
3,819,546	448,621	159,787	5,442,512
-	133,463	-	133,463
-	-	-	1,042,418
<u>17,097,594</u>	<u>582,084</u>	<u>268,023</u>	<u>21,532,268</u>
<u>(4,742,264)</u>	<u>(4,824)</u>	<u>657,859</u>	<u>(4,200,726)</u>
657,624	-	-	657,624
-	-	-	2,462
<u>657,624</u>	<u>-</u>	<u>-</u>	<u>660,086</u>
(4,084,640)	(4,824)	657,859	(3,540,640)
<u>3,561,868</u>	<u>-</u>	<u>-</u>	<u>3,626,816</u>
<u>3,561,868</u>	<u>-</u>	<u>-</u>	<u>3,626,816</u>
(522,772)	(4,824)	657,859	86,176
<u>(29,768,786)</u>	<u>2,595,699</u>	<u>462,095</u>	<u>(3,229,513)</u>
<u>\$ (30,291,558)</u>	<u>\$ 2,590,875</u>	<u>\$ 1,119,954</u>	<u>\$ (3,143,337)</u>

CITY OF CYPRESS

COMBINING STATEMENT OF CASH FLOWS INTERNAL SERVICE FUNDS

For the fiscal year ended June 30, 2020

	Central Services	Recreation District Central Services
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from users	\$ 3,569,083	\$ 31,840
Cash payments to suppliers for goods and services	(1,302,864)	(9,233)
Cash payments to employees	(1,274,467)	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	991,752	22,607
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Transfers in	21,075	43,873
Transfers out	-	-
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	21,075	43,873
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Proceeds from disposal of capital assets	7,214	-
Acquisition of capital assets	(100,051)	(87,360)
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	(92,837)	(87,360)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest on investments	-	-
NET CASH PROVIDED BY INVESTING ACTIVITIES	-	-
INCREASE IN CASH AND CASH EQUIVALENTS	919,990	(20,880)
CASH AND INVESTMENTS - BEGINNING OF YEAR	17,853,166	746,878
CASH AND INVESTMENTS - END OF YEAR	\$ 18,773,156	\$ 725,998
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating income (loss)	\$ (119,234)	\$ 7,737
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	1,026,008	16,411
Changes in assets and liabilities:		
Accounts receivable decreased (increased)	-	-
Prepaid items decreased (increased)	35,147	-
Inventory decreased (increased)	39,746	-
Deferred outflows decreased (increased)	-	-
Accounts payable and other accrued liabilities increased (decreased)	10,085	25,752
Capital asset addition in accounts payable increased (decreased)	-	(27,293)
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	1,110,986	14,870
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ 991,752	\$ 22,607

Employees' Benefit	Liability Insurance	Workers' Compensation	Total
\$ 12,032,903	\$ 577,260	\$ 714,074	\$ 16,925,160
(12,003,347)	(630,237)	(611,385)	(14,557,066)
-	-	(19,276)	(1,293,743)
<u>29,556</u>	<u>(52,977)</u>	<u>83,413</u>	<u>1,074,351</u>
3,561,868	-	-	3,626,816
-	-	-	-
<u>3,561,868</u>	<u>-</u>	<u>-</u>	<u>3,626,816</u>
-	-	-	7,214
-	-	-	(187,411)
-	-	-	(180,197)
657,624	-	-	657,624
<u>657,624</u>	<u>-</u>	<u>-</u>	<u>657,624</u>
4,249,048	(52,977)	83,413	5,178,594
<u>16,638,492</u>	<u>3,057,342</u>	<u>2,014,700</u>	<u>40,310,578</u>
<u>\$ 20,887,540</u>	<u>\$ 3,004,365</u>	<u>\$ 2,098,113</u>	<u>\$ 45,489,172</u>
<u>\$ (4,742,264)</u>	<u>\$ (4,824)</u>	<u>\$ 657,859</u>	<u>\$ (4,200,726)</u>
-	-	-	1,042,419
(168,894)	-	18,172	(150,722)
(153,532)	-	-	(118,385)
-	-	-	39,746
(108,743)	-	-	(108,743)
5,380	82,440	(6,451)	117,206
-	-	-	(27,293)
-	(130,593)	(586,167)	(716,760)
1,544,659	-	-	1,544,659
(290,208)	-	-	(290,208)
3,752,166	-	-	3,752,166
190,992	-	-	190,992
<u>4,771,820</u>	<u>(48,153)</u>	<u>(574,446)</u>	<u>5,275,077</u>
<u>\$ 29,556</u>	<u>\$ (52,977)</u>	<u>\$ 83,413</u>	<u>\$ 1,074,351</u>

CITY OF CYPRESS

Fiduciary Funds

June 30, 2020

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, 2020

	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020
AGENCY FUND				
ASSETS				
Cash and investments	\$ 3,995,228	\$ 5,237,666	\$ (4,396,640)	\$ 4,836,254
Restricted cash and investments	164,105	1,834	(2,936)	163,003
Interest receivable	14,754	9,757	(14,754)	9,757
Accounts receivable	40,125	58,153	(53,130)	45,148
Prepaid items	88,105	47,154	(80,537)	54,722
	\$ 4,302,317	\$ 5,354,564	\$ (4,547,997)	\$ 5,108,884
LIABILITIES				
Accounts payable and other accrued liabilities	\$ 1,063,536	\$ 3,557,691	\$ (3,236,562)	\$ 1,384,665
Deposits	1,281,557	1,077,122	(730,418)	1,628,261
Due to other governments	1,220,764	5,315,813	(5,078,402)	1,458,175
Due to bondholders	736,460	274,159	(372,836)	637,783
	\$ 4,302,317	\$ 10,224,785	\$ (9,418,218)	\$ 5,108,884

Statistical Section

CITY OF CYPRESS
Statistical Section
Year ended June 30, 2020
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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.

Financial Trends

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

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Demographic and Economic Information

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

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Operating Information

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

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Sources: Unless otherwise noted, the information in these schedules was derived from the City's 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, 2020.

CITY OF CYPRESS

NET POSITION BY COMPONENT

LAST TEN FISCAL YEARS

Schedule 1

	Fiscal Year			
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
GOVERNMENTAL ACTIVITIES				
Net investment in capital assets	\$ 160,408,903	\$ 162,147,445	\$ 162,818,741	\$ 161,714,951
Restricted for:				
Debt service	-	-	522,200	979,010
Capital projects	-	-	-	-
Specific projects and programs	<u>43,597,947</u>	<u>39,458,651</u>	<u>36,012,698</u>	<u>25,872,294</u>
Total restricted	<u>43,597,947</u>	<u>39,458,651</u>	<u>36,534,898</u>	<u>26,851,304</u>
Unrestricted	<u>85,931,038</u>	<u>82,530,908</u>	<u>75,803,724</u>	<u>89,651,389</u>
Total governmental activities net position	<u>\$ 289,937,888</u>	<u>\$ 284,137,004</u>	<u>\$ 275,157,363</u>	<u>\$ 278,217,644</u>
BUSINESS-TYPE ACTIVITIES				
Net investment in capital assets	\$ 19,672,894	\$ 19,764,241	\$ 20,004,444	\$ 19,788,397
Restricted for:				
Specific projects and programs	<u>3,871,515</u>	<u>2,820,977</u>	<u>1,463,331</u>	<u>524,701</u>
Total business-type activities net position	<u>\$ 23,544,409</u>	<u>\$ 22,585,218</u>	<u>\$ 21,467,775</u>	<u>\$ 20,313,098</u>
TOTAL GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES				
Net investment in capital assets	\$ 180,081,797	\$ 181,911,686	\$ 182,823,185	\$ 181,503,348
Restricted for:				
Debt service	-	-	522,200	979,010
Capital projects	-	-	-	-
Specific projects and programs	<u>47,469,462</u>	<u>42,279,628</u>	<u>37,476,029</u>	<u>26,396,995</u>
Total restricted	<u>47,469,462</u>	<u>42,279,628</u>	<u>37,998,229</u>	<u>27,376,005</u>
Unrestricted	<u>85,931,038</u>	<u>82,530,908</u>	<u>75,803,724</u>	<u>89,651,389</u>
Total governmental and business-type activities net position	<u>\$ 313,482,297</u>	<u>\$ 306,722,222</u>	<u>\$ 296,625,138</u>	<u>\$ 298,530,742</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>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
\$ 153,270,346	\$ 154,805,926	\$ 154,957,177	\$ 154,793,254	\$ 157,517,879	\$ 156,103,382
420,185	400,000	380,000	360,000	340,000	470,640
-	-	-	-	24,637,468	31,447,995
<u>26,169,565</u>	<u>24,651,239</u>	<u>24,407,720</u>	<u>23,839,841</u>	<u>23,039,847</u>	<u>20,458,949</u>
26,589,750	25,051,239	24,787,720	24,199,841	48,017,315	52,377,584
<u>107,623,380</u>	<u>101,970,622</u>	<u>111,781,610</u>	<u>110,120,627</u>	<u>81,849,469</u>	<u>77,249,756</u>
<u>\$ 287,483,476</u>	<u>\$ 281,827,787</u>	<u>\$ 291,526,507</u>	<u>\$ 289,113,722</u>	<u>\$ 287,384,663</u>	<u>\$ 285,730,722</u>
\$ 18,245,712	\$ 15,801,861	\$ 14,516,549	\$ 13,330,876	\$ 11,598,019	\$ 4,097,512
930,903	2,281,112	2,174,616	1,864,593	2,066,778	8,325,661
<u>\$ 19,176,615</u>	<u>\$ 18,082,973</u>	<u>\$ 16,691,165</u>	<u>\$ 15,195,469</u>	<u>\$ 13,664,797</u>	<u>\$ 12,423,173</u>
\$ 171,516,058	\$ 170,607,787	\$ 169,473,726	\$ 168,124,130	\$ 169,115,898	\$ 160,200,894
420,185	400,000	380,000	360,000	340,000	470,640
-	-	-	-	24,637,468	31,447,995
<u>27,100,468</u>	<u>26,932,351</u>	<u>26,582,336</u>	<u>25,704,434</u>	<u>25,106,625</u>	<u>28,784,610</u>
27,520,653	27,332,351	26,962,336	26,064,434	50,084,093	60,703,245
<u>107,623,380</u>	<u>101,970,622</u>	<u>111,781,610</u>	<u>110,120,627</u>	<u>81,849,469</u>	<u>77,249,756</u>
<u>\$ 306,660,091</u>	<u>\$ 299,910,760</u>	<u>\$ 308,217,672</u>	<u>\$ 304,309,191</u>	<u>\$ 301,049,460</u>	<u>\$ 298,153,895</u>

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

	Fiscal Year			
	2020	2019	2018	2017
EXPENSES - GOVERNMENTAL ACTIVITIES:				
General government	\$ 6,082,701	\$ 4,683,324	\$ 4,634,173	\$ 4,688,064
Community development	1,915,912	2,200,508	2,545,902	2,092,444
Public safety	19,357,512	17,423,654	17,185,826	15,793,707
Public works	11,597,788	10,800,313	13,608,594	11,949,123
Recreation	5,003,445	5,042,590	5,296,640	5,077,877
Interest on long-term debt	-	1,300	25,145	48,597
Total government activities expenses	<u>43,957,358</u>	<u>40,151,689</u>	<u>43,296,280</u>	<u>39,649,812</u>
PROGRAM REVENUES - GOVERNMENTAL ACTIVITIES:				
Charges for services:				
General government	154,716	388,378	477,787	517,051
Community development	899,680	1,156,997	1,125,447	957,395
Public safety	268,225	324,497	221,319	217,567
Public works	741,487	740,542	723,444	773,597
Recreation	573,479	1,727,459	1,509,692	1,489,518
Operating grants and contributions	5,998,794	3,728,589	3,625,304	4,550,919
Capital grants and contributions	1,488,480	1,299,265	1,029,329	1,462,551
Total governmental activities program revenues	<u>10,124,861</u>	<u>9,365,727</u>	<u>8,712,322</u>	<u>9,968,598</u>
NET (EXPENSE/REVENUE) - GOVERNMENTAL ACTIVITIES	(33,832,497)	(30,785,962)	(34,583,958)	(29,681,214)
GENERAL REVENUES AND OTHER CHANGES IN NET POSITION - GOVERNMENTAL ACTIVITIES:				
Taxes				
Property taxes, levied for general purpose	6,273,159	5,703,464	5,373,717	4,838,954
Property taxes, levied for recreation purposes	5,958,511	5,435,431	5,133,137	4,598,132
Property taxes, levied for lighting purposes	1,358,550	1,240,367	1,173,368	1,055,329
Property taxes, backfill of vehicle license fees	4,942,234	4,708,074	4,429,211	4,241,925
Tax increment for redevelopment activities	-	-	-	-
Sales tax	11,969,246	12,616,015	11,141,720	11,346,462
Transient occupancy tax	2,185,978	2,761,917	2,836,842	2,711,306
Franchise tax	1,727,101	1,686,218	1,660,665	1,607,621
Other taxes	1,742,289	1,750,241	1,728,281	1,745,849
Total taxes	<u>36,157,068</u>	<u>35,901,727</u>	<u>33,476,941</u>	<u>32,145,578</u>
Investment earnings	3,423,255	3,806,673	1,281,234	694,455
Contributed capital	-	-	1,460,026	-
Miscellaneous	53,058	57,203	55,078	69,209
Total governmental activities	<u>39,633,381</u>	<u>39,765,603</u>	<u>36,273,279</u>	<u>32,909,242</u>
TRANSFERS - GOVERNMENTAL ACTIVITIES:				
Transfers out	-	-	-	-
Total government activities transfers	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
SPECIAL ITEM:				
Market value adjustment - land held for resale	-	-	-	-
Total special item	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXTRAORDINARY ITEMS:				
Gain (Loss) on Dissolution of Redevelopment Agency	-	-	-	-
Gain on approval of repayment agreement	-	-	-	-
Loss on dissolution of interfund advance	-	-	-	-
Loss on disallowance of interest on advance to former Redevelopment Agency	-	-	-	-
Loss on re-entered loan settlement agreement	-	-	-	(12,493,860)
Total extraordinary items	<u>-</u>	<u>-</u>	<u>-</u>	<u>(12,493,860)</u>
CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES	<u>\$ 5,800,884</u>	<u>\$ 8,979,641</u>	<u>\$ 1,689,321</u>	<u>\$ (9,265,832)</u>
EXPENSES - BUSINESS-TYPE ACTIVITIES:				
Sewer	\$ 871,750	\$ 897,761	\$ 795,737	\$ 706,843
Total business-type activities expenses	<u>871,750</u>	<u>897,761</u>	<u>795,737</u>	<u>706,843</u>
PROGRAM REVENUES - BUSINESS-TYPE ACTIVITIES:				
Charges for services	1,733,202	1,721,787	1,829,427	1,768,183
Operating grants and contributions	39	98,050	43	46
Capital grants and contributions	-	-	-	-
Total business-type activities program revenues	<u>1,733,241</u>	<u>1,819,837</u>	<u>1,829,470</u>	<u>1,768,229</u>
NET (EXPENSE/REVENUE) - BUSINESS-TYPE ACTIVITIES	861,491	922,076	1,033,733	1,061,386
GENERAL REVENUES AND OTHER CHANGES IN NET POSITION - BUSINESS TYPE ACTIVITIES:				
Taxes				
Property taxes, levied for sewer purposes	30,076	29,978	30,885	24,060
Total taxes	<u>30,076</u>	<u>29,978</u>	<u>30,885</u>	<u>24,060</u>
Investment earnings	66,013	162,156	84,346	48,316
Miscellaneous	1,611	3,233	5,713	2,721
Total business-type activities	<u>97,700</u>	<u>195,367</u>	<u>120,944</u>	<u>75,097</u>
TRANSFERS - BUSINESS-TYPE ACTIVITIES:				
Transfers in	-	-	-	-
Total business-type activities transfers	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
CHANGE IN NET POSITION - BUSINESS-TYPE ACTIVITIES	<u>\$ 959,191</u>	<u>\$ 1,117,443</u>	<u>\$ 1,154,677</u>	<u>\$ 1,136,483</u>
CHANGE IN NET POSITION - TOTAL PRIMARY GOVERNMENT	<u>\$ 6,760,075</u>	<u>\$ 10,097,084</u>	<u>\$ 2,843,998</u>	<u>\$ (8,129,349)</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.

	2016	2015	2014	2013	2012	2011
\$	4,186,025	\$ 3,762,129	\$ 4,037,449	\$ 3,844,511	\$ 3,857,195	\$ 3,599,445
	2,045,322	1,792,626	1,717,272	1,658,699	3,320,115	3,856,480
	14,193,759	13,823,314	14,119,456	14,079,824	13,587,310	14,140,187
	11,467,198	11,818,556	11,971,891	11,554,300	13,566,497	12,129,841
	4,659,025	4,675,847	4,857,577	4,664,614	4,682,406	4,432,552
	70,731	89,610	107,166	123,439	835,794	215,658
	<u>36,622,060</u>	<u>35,962,082</u>	<u>36,810,811</u>	<u>35,925,387</u>	<u>39,849,317</u>	<u>38,374,163</u>
	247,368	155,590	98,802	46,683	80,389	56,669
	1,038,354	767,379	663,525	604,456	505,215	461,901
	190,861	229,721	223,771	284,904	279,847	336,412
	820,048	854,062	832,916	836,641	851,917	849,720
	1,499,750	1,160,898	1,389,596	1,303,395	1,323,717	1,094,355
	4,474,668	3,549,872	3,648,027	3,822,397	3,691,857	3,662,451
	693,977	856,247	1,315,906	1,071,101	2,500,542	1,236,994
	<u>8,965,026</u>	<u>7,573,769</u>	<u>8,172,543</u>	<u>7,969,577</u>	<u>9,233,484</u>	<u>7,698,502</u>
	(27,657,034)	(28,388,313)	(28,638,268)	(27,955,810)	(30,615,833)	(30,675,661)
	4,634,994	4,735,392	4,589,439	4,847,103	4,344,609	3,885,682
	4,420,347	4,450,954	4,224,593	4,778,959	4,066,201	3,623,027
	1,015,521	1,013,028	962,631	1,086,568	919,917	826,958
	4,061,360	3,835,515	3,678,802	3,560,389	3,493,682	3,465,238
	-	-	-	-	2,291,317	3,910,971
	12,435,166	11,891,754	11,846,002	10,827,664	11,361,495	11,464,617
	2,558,974	2,209,939	1,980,228	1,926,322	2,098,309	1,760,047
	1,728,236	1,724,232	1,650,481	1,629,706	1,616,534	1,606,593
	<u>1,647,782</u>	<u>1,678,288</u>	<u>1,617,097</u>	<u>1,656,695</u>	<u>1,642,429</u>	<u>1,795,750</u>
	32,502,380	31,539,102	30,549,273	30,313,406	31,834,493	32,338,883
	748,457	344,668	439,186	218,964	300,116	439,874
	-	-	-	-	-	-
	61,886	65,861	62,594	348,499	32,293	27,660
	<u>33,312,723</u>	<u>31,949,631</u>	<u>31,051,053</u>	<u>30,880,869</u>	<u>32,166,902</u>	<u>32,806,417</u>
	-	-	-	-	-	(2,395,542)
	-	-	-	-	-	(2,395,542)
	-	(6,308,460)	-	-	-	-
	-	(6,308,460)	-	-	-	-
	-	-	-	-	19,125,525	-
	-	25,323,775	-	-	-	-
	-	-	-	-	(23,920,000)	-
	-	-	-	(1,196,000)	-	-
	-	-	-	-	-	-
	-	25,323,775	-	(1,196,000)	(4,794,475)	-
\$	<u>5,655,689</u>	<u>22,576,633</u>	<u>2,412,785</u>	<u>1,729,059</u>	<u>(3,243,406)</u>	<u>(264,786)</u>
\$	757,503	\$ 724,257	\$ 740,444	\$ 704,109	\$ 675,977	\$ 634,165
	757,503	724,257	740,444	704,109	675,977	634,165
	1,714,658	2,025,759	2,197,154	2,131,506	1,869,452	1,262,636
	66,716	46,387	55	55	58	59
	-	-	4,990	3,055	6,727	350,397
	<u>1,781,374</u>	<u>2,072,146</u>	<u>2,202,199</u>	<u>2,134,616</u>	<u>1,876,237</u>	<u>1,613,092</u>
	1,023,871	1,347,889	1,461,755	1,430,507	1,200,260	978,927
	27,651	14,232	10,879	73,185	10,866	7,319
	27,651	14,232	10,879	73,185	10,866	7,319
	34,865	26,886	23,062	26,980	30,498	32,493
	7,255	2,801	-	-	-	-
	<u>69,771</u>	<u>43,919</u>	<u>33,941</u>	<u>100,165</u>	<u>41,364</u>	<u>39,812</u>
	-	-	-	-	-	2,395,542.00
	-	-	-	-	-	2,395,542.00
\$	<u>1,093,642</u>	<u>1,391,808</u>	<u>1,495,696</u>	<u>1,530,672</u>	<u>1,241,624</u>	<u>3,414,281</u>
\$	<u>6,749,331</u>	<u>23,968,441</u>	<u>3,908,481</u>	<u>3,259,731</u>	<u>(2,001,782)</u>	<u>3,149,495</u>

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

	Fiscal Year			
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
GENERAL FUND				
Nonspendable	\$ 4,106	\$ 8,105	\$ 54,299	\$ 57,474
Restricted	140,521	51,035	73,252	73,252
Committed	7,752,199	7,399,045	7,152,556	6,982,083
Assigned	14,086,964	13,827,127	8,018,278	11,199,276
Unassigned	1,060,000	1,060,000	860,000	921,728
Total General Fund	<u>\$ 23,043,790</u>	<u>\$ 22,345,312</u>	<u>\$ 16,158,385</u>	<u>\$ 19,233,813</u>
ALL OTHER GOVERNMENTAL FUNDS				
Nonspendable	\$ 3,242	\$ 28,946	\$ 26,013	\$ 71,608
Restricted	27,679,541	27,277,048	26,328,454	26,466,768
Committed	11,600,900	9,332,740	10,568,404	9,174,885
Assigned	74,307,742	70,811,712	67,828,083	62,830,965
Unassigned	(290,643)	-	-	-
Total all other Governmental Funds	<u>\$ 113,300,782</u>	<u>\$ 107,450,446</u>	<u>\$ 104,750,954</u>	<u>\$ 98,544,226</u>

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

<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
\$ 8,759	\$ 6,411	\$ 9,387	\$ 14,359	\$ -	\$ -
73,252	73,252	73,252	73,252	73,252	73,252
6,885,909	6,520,344	6,299,394	6,075,680	6,548,929	10,534,594
11,766,464	13,078,088	11,116,273	8,011,729	23,946,209	16,745,555
289,297	170,783	121,919	115,976	141,412	34,545
<u>\$ 19,023,681</u>	<u>\$ 19,848,878</u>	<u>\$ 17,620,225</u>	<u>\$ 14,290,996</u>	<u>\$ 30,709,802</u>	<u>\$ 27,387,946</u>
\$ 59,660	\$ 56,300	\$ 11,233	\$ 10,602	\$ 26,059,176	\$ 51,121,708
27,039,278	25,513,795	24,960,766	24,331,702	21,157,903	23,342,426
17,680,891	9,437,504	11,908,872	14,378,531	9,600,496	10,997,978
71,429,444	76,745,521	55,006,639	54,988,809	15,190,884	16,835,369
-	-	-	-	-	(23,374,566)
<u>\$ 116,209,273</u>	<u>\$ 111,753,120</u>	<u>\$ 91,887,510</u>	<u>\$ 93,709,644</u>	<u>\$ 72,008,459</u>	<u>\$ 78,922,915</u>

CITY OF CYPRESS
CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
Schedule 4

	Fiscal Year			
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
REVENUES:				
Taxes				
Property tax	\$ 18,532,454	\$ 17,087,338	\$ 16,109,436	\$ 14,734,339
Sales tax	12,252,711	12,332,551	11,141,720	11,451,407
Transient occupancy tax	2,185,978	2,761,917	2,836,842	2,711,306
Franchise tax	1,806,177	1,766,326	1,740,802	1,665,820
Other taxes	2,063,126	2,095,035	2,052,850	2,061,297
Licenses and permits	628,630	806,907	675,894	700,437
Fines and forfeitures	277,716	390,365	275,909	289,271
From use of property	3,511,171	3,890,564	1,660,035	1,027,004
From other agencies	5,300,369	3,878,871	3,856,558	3,113,673
Charges for services	3,293,571	4,317,800	4,700,201	4,397,340
Other revenues	652,143	673,986	701,596	1,585,339
Total Revenues	<u>50,504,046</u>	<u>50,001,660</u>	<u>45,751,843</u>	<u>43,737,233</u>
EXPENDITURES:				
General government	5,206,978	4,131,110	4,037,765	4,380,176
Community development	1,714,979	2,056,311	2,351,459	2,070,995
Public safety	17,225,985	16,174,228	15,762,018	15,508,454
Public works	7,732,879	7,394,724	10,081,750	9,541,509
Recreation	3,951,650	4,158,366	4,498,225	4,612,076
Capital outlay	4,495,945	4,251,602	2,275,198	11,813,186
Debt service				
Principal retired	-	475,000	445,000	420,000
Interest and charges	-	13,175	36,826	59,622
Total expenditures	<u>40,328,416</u>	<u>38,654,516</u>	<u>39,488,241</u>	<u>48,406,018</u>
Excess of revenues over (under) expenditures	10,175,630	11,347,144	6,263,602	(4,668,785)
OTHER FINANCING SOURCES (USES):				
Transfers in	8,335,896	6,468,442	9,020,684	8,189,632
Transfers out	(11,962,712)	(8,929,167)	(12,152,986)	(8,481,902)
Total other financing sources (uses)	<u>(3,626,816)</u>	<u>(2,460,725)</u>	<u>(3,132,302)</u>	<u>(292,270)</u>
Net change in fund balances before extraordinary items	6,548,814	8,886,419	3,131,300	(4,961,055)
SPECIAL ITEM:				
Market value adjustment - land held for resale	-	-	-	-
Total special item	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXTRAORDINARY ITEMS:				
Gain (loss) on dissolution of Redevelopment Agency	-	-	-	-
Gain on approval of repayment agreement	-	-	-	-
Loss on disallowance of interfund advance	-	-	-	-
Loss on disallowance of interest on advance to former Redevelopment Agency	-	-	-	-
Loss on re-entered loan settlement agreement	-	-	-	(12,493,860)
Total extraordinary items	<u>-</u>	<u>-</u>	<u>-</u>	<u>(12,493,860)</u>
Net change in fund balances	<u>\$ 6,548,814</u>	<u>\$ 8,886,419</u>	<u>\$ 3,131,300</u>	<u>\$ (17,454,915)</u>
Debt service as a percentage of noncapital expenditures	<u>0.0%</u>	<u>1.4%</u>	<u>1.3%</u>	<u>1.3%</u>

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
\$	14,132,221	\$ 14,034,888	\$ 13,455,467	\$ 15,485,431	\$ 15,115,726	\$ 15,711,876
	12,540,112	11,681,865	11,846,003	10,827,665	11,361,494	11,464,617
	2,558,974	2,209,939	1,980,228	1,926,322	2,098,309	1,760,047
	1,774,268	1,770,259	1,693,524	1,671,897	1,653,857	1,642,607
	1,957,223	1,986,873	1,909,589	1,899,759	1,864,700	1,791,542
	700,510	455,781	381,992	380,256	293,642	288,787
	239,845	254,997	270,593	336,389	316,412	388,880
	1,044,996	594,030	659,310	478,573	507,151	2,451,602
	3,021,416	3,178,481	3,886,307	3,438,718	4,741,322	3,645,199
	4,376,424	3,963,964	4,244,710	4,125,461	4,045,603	3,757,760
	1,401,191	788,618	695,557	1,226,084	1,067,188	921,880
	<u>43,747,180</u>	<u>40,919,695</u>	<u>41,023,280</u>	<u>41,796,555</u>	<u>43,065,404</u>	<u>43,824,797</u>
	4,147,614	3,555,118	3,802,168	3,570,736	3,515,586	3,338,194
	2,160,255	1,772,835	1,776,411	1,646,044	2,947,396	3,984,213
	14,861,961	13,905,373	14,073,067	13,868,047	13,099,957	13,933,379
	9,630,040	9,625,309	9,789,620	9,183,658	11,010,797	9,697,155
	4,450,788	4,305,974	4,452,120	4,206,914	4,112,982	3,954,218
	2,295,678	4,386,607	5,079,667	2,328,613	5,851,169	3,509,432
	400,000	380,000	360,000	340,000	325,000	305,000
	80,131	98,350	115,266	130,749	842,457	2,056,631
	<u>38,026,467</u>	<u>38,029,566</u>	<u>39,448,319</u>	<u>35,274,761</u>	<u>41,705,344</u>	<u>40,778,222</u>
	5,720,713	2,890,129	1,574,961	6,521,794	1,360,060	3,046,575
	7,466,801	7,991,193	5,725,391	25,579,555	13,613,644	31,429,086
	(9,556,558)	(8,098,884)	(5,793,257)	(25,622,970)	(13,771,829)	(34,012,555)
	<u>(2,089,757)</u>	<u>(107,691)</u>	<u>(67,866)</u>	<u>(43,415)</u>	<u>(158,185)</u>	<u>(2,583,469)</u>
	3,630,956	2,782,438	1,507,095	6,478,379	1,201,875	463,106
	-	(6,308,460)	-	-	-	-
	-	(6,308,460)	-	-	-	-
	-	-	-	-	19,125,525	-
	-	25,323,775	-	-	-	-
	-	-	-	-	(23,920,000)	-
	-	-	-	(1,196,000)	-	-
	-	-	-	-	-	-
	-	25,323,775	-	(1,196,000)	(4,794,475)	-
\$	<u>3,630,956</u>	<u>\$ 28,106,213</u>	<u>\$ 1,507,095</u>	<u>\$ 5,282,379</u>	<u>\$ 1,201,875</u>	<u>\$ 463,106</u>
	<u>1.3%</u>	<u>1.4%</u>	<u>1.4%</u>	<u>1.4%</u>	<u>3.3%</u>	<u>6.3%</u>

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

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

Source: Orange County Assessor's Office

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

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

* Amount in Thousands

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

Fiscal Year Ended June 30,	City Direct Rates			Overlapping Rates *	
	Basic Rate	General Obligation Debt Service	Total Direct	School Districts	Water District
2020	1.0000	-	1.0000	0.0933	0.0035
2019	1.0000	-	1.0000	0.1002	0.0035
2018	1.0000	-	1.0000	0.0822	0.0035
2017	1.0000	-	1.0000	0.0950	0.0035
2016	1.0000	-	1.0000	0.1045	0.0035
2015	1.0000	-	1.0000	0.0642	0.0035
2014	1.0000	-	1.0000	0.0700	0.0035
2013	1.0000	-	1.0000	0.0731	0.0035
2012	1.0000	-	1.0000	0.0593	0.0037
2011	1.0000	-	1.0000	0.0712	0.0037

Source: Orange County Assessor's Office

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

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

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

Taxpayer	2020			2011		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Warland Investments	\$ 267,288,284	1	3.56%	\$ 220,045,196	1	4.04%
Mitsubishi Motor Sales	84,034,194	2	1.12%	77,238,905	2	1.42%
Cypress Corporate Center	80,197,938	3	1.07%	68,764,104	3	1.26%
G & IX Cypress Campus LP	76,365,360	4	1.02%	--	--	--
Cypress Distribution Center Inc	66,484,517	5	0.88%	--	--	--
Barton Place Owner LLC	51,199,152	6	0.68%	--	--	--
Inland American Cypress Katella	50,011,958	7	0.67%	34,015,000	7	0.62%
Los Alamitos Racecourse	41,634,071	8	0.55%	37,488,184	5	0.69%
Yamaha Motor Corp USA Inc	37,558,938	9	0.50%	34,946,201	6	0.64%
IHP Los Alamitos Owner LLC	35,548,464	10	0.47%	--	--	--
RREEF America REIT II	--	--	--	59,033,338	4	1.08%
CRP-2 Holdings Cypress	--	--	--	33,919,420	8	0.62%
USA Build LLC	--	--	--	26,850,000	9	0.49%
Costco Wholesale Group	--	--	--	25,027,198	10	0.46%
Total	\$ 790,322,876		10.52%	\$ 617,327,546		11.32%

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

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

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

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 **
2020	\$ -	0.00%	\$ -
2019	\$ -	0.00%	\$ -
2018	\$ 475,000	0.03%	\$ 10
2017	\$ 920,000	0.06%	\$ 19
2016	\$ 1,340,000	0.08%	\$ 27
2015	\$ 1,740,000	0.11%	\$ 36
2014	\$ 2,120,000	0.14%	\$ 43
2013	\$ 2,480,000	0.16%	\$ 51
2012	\$ 2,820,000	0.18%	\$ 58
2011	\$ 3,145,000	0.21%	\$ 63

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

* See Schedule 12 for personal income.

** See Schedule 12 for population data.

CITY OF CYPRESS

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

Schedule 10

Direct and Overlapping Tax and Assessment Debt:	Debt Outstanding	Estimated Percentage Applicable (1)	Sharing of Overlapping Debt
Metropolitan Water District	\$ 37,300,000	0.254%	\$ 94,742
North Orange County Joint Community College District	284,769,001	5.666%	16,135,012
Garden Grove Unified School District	403,257,300	3.574%	14,412,416
Los Alamitos USD School Facilities Improvement District No. 1	157,180,227	2.289%	3,597,855
Anaheim Union High School District	283,473,955	13.878%	39,340,515
Centralia School District	30,365,584	2.566%	779,181
Cypress School District	37,984,590	85.647%	32,532,662
Savanna School District	40,077,633	12.962%	5,194,863
City of Cypress 1915 Act Bonds	490,000	100.000%	490,000
Total Direct and Overlapping Tax and Assessment Debt			\$ 112,577,246
<u>Direct and Overlapping General Fund Debt:</u>			
Orange County General Fund Obligations	\$ 386,745,000	1.257%	\$ 4,861,385
Orange County Pension Obligations	466,863,754	1.257%	5,868,477
Orange County Board of Education Certificates of Participation	12,930,000	1.257%	162,530
North O.C. Regional Occupational Program Certificates of Participa	8,950,000	5.080%	454,660
Anaheim Union High School District Certificates of Participation	32,400,000	13.878%	4,496,472
Los Alamitos Unified School District Certificates of Participation	38,286,024	2.057%	787,544
Cypress School District Certificates of Participation	4,990,000	85.647%	4,273,785
City of Cypress General Fund Obligations	-	100.000%	-
Total Gross Direct and Overlapping Tax and Assessment Debt			\$ 20,904,853
<u>Overlapping Tax Increment Debt (Successor Agency):</u>	4,460,000	7.437%	331,690
Total Direct Debt			\$ -
Total Overlapping Debt			\$ 133,813,789
Combined Total Debt			\$ 133,813,789 (2)

Source: California Municipal Statistics, Inc.

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

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

CITY OF CYPRESS

LEGAL DEBT MARGIN INFORMATION

Schedule 11
(In thousands)

	Fiscal Year			
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
LEGAL DEBT MARGIN CALCULATION:				
Assessed valuation	\$ 7,865,560	\$ 7,492,895	\$ 7,049,085	\$ 6,751,019
Conversion percentage	25%	25%	25%	25%
Adjusted assessed valuation	\$ 1,966,390	\$ 1,873,224	\$ 1,762,271	\$ 1,687,755
Debt limit percentage	15%	15%	15%	15%
Debt limit	<u>294,959</u>	<u>280,984</u>	<u>264,341</u>	<u>253,163</u>
Total Net Debt Applicable to Limit	-	-	-	-
Legal debt margin	<u>\$ 294,959</u>	<u>\$ 280,984</u>	<u>\$ 264,341</u>	<u>\$ 253,163</u>
Total Net Debt Applicable to Limit as a percentage of Debt Limit	0.00%	0.00%	0.00%	0.00%

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

<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
\$ 6,463,650	\$ 6,104,218	\$ 5,854,808	\$ 5,666,354	\$ 5,560,190	\$ 5,514,794
25%	25%	25%	25%	25%	25%
\$ 1,615,913	\$ 1,526,055	\$ 1,463,702	\$ 1,416,589	\$ 1,390,048	\$ 1,378,699
15%	15%	15%	15%	15%	15%
<u>242,387</u>	<u>228,908</u>	<u>219,555</u>	<u>212,488</u>	<u>208,507</u>	<u>206,805</u>
-	-	-	-	-	-
<u>\$ 242,387</u>	<u>\$ 228,908</u>	<u>\$ 219,555</u>	<u>\$ 212,488</u>	<u>\$ 208,507</u>	<u>\$ 206,805</u>
0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

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

<u>Fiscal Year Ended June 30,</u>	<u>Population</u>	<u>Personal Income (thousands of dollars)</u>	<u>Per Capita Personal Income</u>	<u>Median Age</u>	<u>School Enrollment **</u>	<u>Unemployment Rate</u>
2020	49,272	\$ 1,841,471	\$ 37,374	41.7 *	3,813	15.4%
2019	49,833	\$ 1,790,699	\$ 35,934	41.7 *	3,923	2.4%
2018	49,978	\$ 1,713,796	\$ 34,291	41.9 *	3,957	3.4%
2017	49,655	\$ 1,645,120	\$ 33,131	41.7 *	3,969	2.4%
2016	49,535	\$ 1,642,473	\$ 33,019	41.1 *	3,942	3.0%
2015	48,874	\$ 1,568,904	\$ 32,101	40.6 *	3,990	3.8%
2014	48,886	\$ 1,553,597	\$ 31,780	40.4 *	3,916	5.3%
2013	48,547	\$ 1,562,340	\$ 32,182	39.9 *	3,879	6.0%
2012	48,273	\$ 1,530,013	\$ 31,695	39.8 *	3,916	9.2%
2011	49,981	\$ 1,470,941	\$ 29,430	39.3	3,950	10.1%

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

* Amount is estimated based on latest available information.

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

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

Employer	2020			2011		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
UnitedHealth Group	1,998	1	8.26%	2,211	1	8.25%
Siemens Corporation	728	2	3.01%	300	6	1.12%
Cypress School District	504	3	2.08%	--		--
Cypress College	450	4	1.86%	863	2	3.22%
Christie Digital Sysys USA	378	5	1.56%	--		--
Hybrid Apparel	362	6	1.50%	--		--
Costco - Cypress	361	7	1.49%	355	5	1.32%
Safran Cabin (frmly C&D Zodiac)	350	8	1.45%	--		--
Los Alamitos Race Course	315	9	1.30%	--		--
Yamaha Motors Corporation	312	10	1.29%	408	4	1.52%
Mitsubishi Motor Sales	--		--	430	3	1.60%
Manhattan Beachwear	--		--	228	7	0.85%
Target	--		--	195	8	0.73%
Home Depot	--		--	178	9	0.66%
Toyo Tire Company	--		--	138	10	0.51%
Total	5,758		23.80%	5,306		19.78%

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

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

Function/Program	Fiscal Years as of June 30									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
General Government										
Administrative	5.3	5.3	5.3	6.0	6.0	6.0	8.9	8.9	9.9	9.9
Finance	14.2	14.2	14.2	15.0	15.0	15.0	13.0	13.0	13.0	13.0
Community Development	5.5	5.5	6.5	7.5	7.5	8.0	8.0	9.0	10.0	11.0
Police										
Officers	58.0	57.0	57.0	57.0	57.0	57.0	55.0	55.0	55.0	58.0
Civilians	22.8	22.8	22.8	23.4	24.4	24.4	23.9	23.4	23.4	22.9
Public Works										
Engineering	9.0	8.5	10.5	10.1	10.1	10.0	10.0	10.0	11.0	10.5
Maintenance	20.1	20.1	26.4	27.0	27.0	28.6	27.7	30.7	32.7	32.7
Parks and Recreation	29.2	30.0	28.2	28.4	28.4	28.8	28.8	28.8	28.5	28.4
Total	<u>164.1</u>	<u>163.4</u>	<u>170.9</u>	<u>174.4</u>	<u>175.4</u>	<u>177.8</u>	<u>175.3</u>	<u>178.8</u>	<u>183.5</u>	<u>186.4</u>

Source: City of Cypress adopted budget.

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

Function/Program	Fiscal Years as of June 30									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Police										
Physical arrests	834	1,232	1,091	1,130	856	856	913	1,237	1,123	1,069
Parking violations	4,436	6,264	5,287	3,660	4,587	4,818	3,752	5,999	3,738	5,718
Traffic violations	2,353	3,754	4,260	3,290	2,878	1,830	2,626	3,445	2,860	4,023
Public Works - Maintenance										
Potholes repaired	108	59	13	109	53	56	72	213	200	57
Parks and Recreation										
Athletic field permits issued	4,812	6,783	7,197	8,383	7,975	8,786	9,175	10,541	9,731	8,531
Class participants	6,370	13,319	13,823	10,739	12,110	11,796	13,233	13,308	13,380	13,298
Facility rentals	653	895	1,127	1,225	1,334	1,255	1,460	1,559	1,255	1,247

Source: Various City Departments

CITY OF CYPRESS

CAPITAL ASSETS STATISTICS BY FUNCTION/PROGRAM

LAST TEN FISCAL YEARS

Schedule 16

Function/Program	Fiscal Years as of June 30									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	19	19	19	19	19	19	19	19	19	19
Public Works - Maintenance										
Streets (miles)	111	111	111	111	111	111	111	111	111	111
Streetlights	302	302	302	303	303	303	303	303	303	303
Traffic signals	61	61	61	60	60	57	57	57	57	56
Parks and Recreation										
Acreage	93	93	93	85	82	82	82	82	82	82
Playgrounds	19	19	19	19	18	18	18	18	18	18
Baseball/softball diamonds	9	9	8	8	8	8	8	8	8	8
Soccer/football fields	2	1	1	1	1	1	1	1	1	1
Community centers	1	1	1	1	1	1	1	1	1	1
Senior centers	1	1	1	1	1	1	1	1	1	1

Source: Various City Departments



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Cypress, California (the City), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 29, 2020.

Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.





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

Purpose of this Report

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

Lance, Soll & Lughard, LLP

Brea, California
December 29, 2020