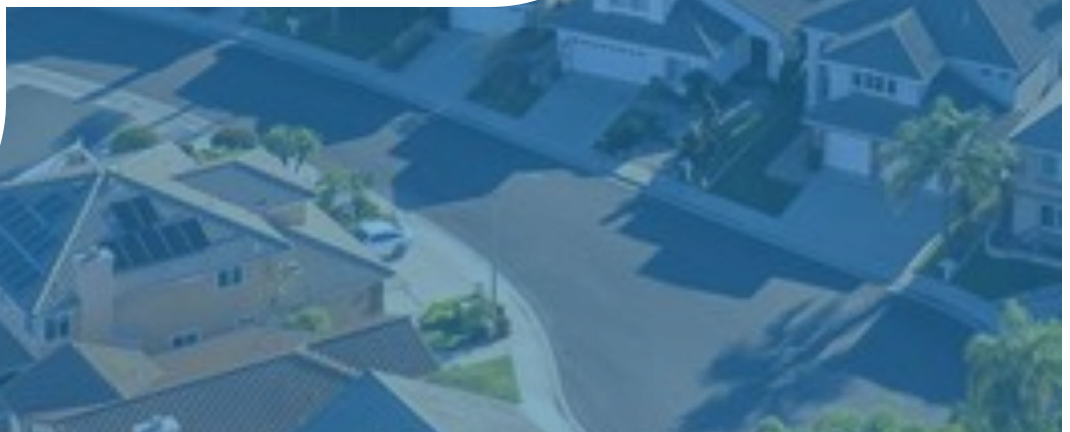
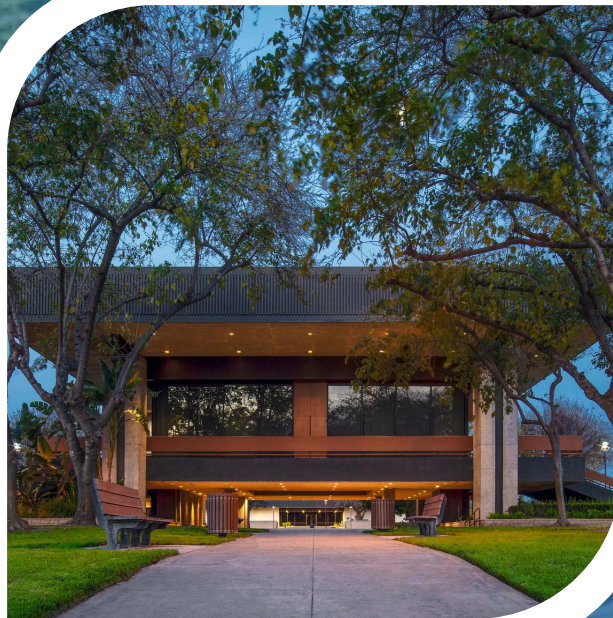


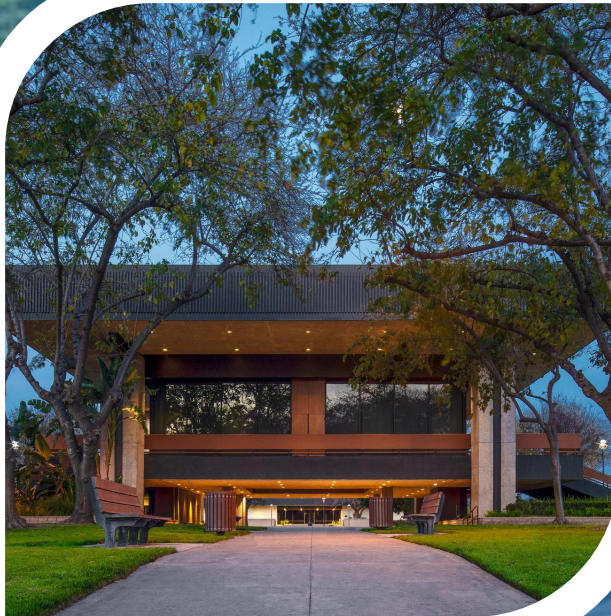
Annual Comprehensive **FINANCIAL** **REPORT**

For Fiscal Year Ended June 30, 2024



Annual Comprehensive **FINANCIAL** **REPORT**

For Fiscal Year Ended June 30, 2024



Prepared by the
Department of Finance & Administrative Services

CITY OF CYPRESS

Annual Comprehensive Financial Report

Year ended June 30, 2024

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CITY OF CYPRESS

Annual Comprehensive Financial Report

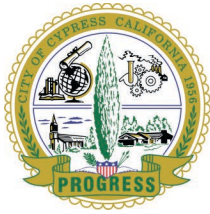
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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
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INTRODUCTORY SECTION



CITY of CYPRESS

5275 Orange Avenue, Cypress, California 90630

Phone 714-229-6700

www.cypressca.org

March 20, 2025

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

We are pleased to submit to you the Annual Comprehensive Financial Report (ACFR) of the City of Cypress for the fiscal year ended June 30, 2024. This report is published in accordance with local ordinance and state law requirements that financial statements be presented in conformity with accounting principles generally accepted in the United States of America and audited in accordance with auditing standards generally accepted in the United States of America by a firm of licensed certified public accountants.

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

City policy requires its financial statements be audited by independent certified public accountants. The firm of LSL, LLP has performed the audit for the fiscal year ended June 30, 2024. The goal of the independent audit is to provide reasonable assurance the financial statements of the City of Cypress are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded there was a reasonable basis for rendering an unmodified opinion that the City of Cypress' financial statements for fiscal year ended June 30, 2024 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, 2024, less than \$750,000 was expended on Federal financial assistance programs and a single audit was not required.

CITY OF CYPRESS PROFILE

The City of Cypress, incorporated in July 1956, is located in the northwestern part of Orange County, California, where two of the nation's largest metropolitan areas, Los Angeles and Orange counties, meet. Cypress is primarily a residential community occupying 6.7 square miles of land and serving a population of 49,345. 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. The General fund departments are General government, Community development, Public safety, and Public works. Additional budget information is presented in the Notes to the Basic Financial Statements and Required Supplementary Information Sections of the financial section of this report.

FACTORS AFFECTING FINANCIAL CONDITION

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

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

The local economy in Orange County has experienced steady economic growth and job creation for the better part of the last two decades. While a handful of events created great economic uncertainties during this time, the local economy has proved resilient and the ongoing negative impacts to Cypress' revenue base have been less than feared. Inevitably, new economic uncertainties will continue to pop up and have an impact on the Orange County region, including Cypress, for the foreseeable future.

The City has been financially vigilant and focused on building up its reserves and limiting growth in operations in order to be in a position to effectively handle periods of uncertainty. This strategy has served Cypress well over the past decades as the City has been able to keep a balanced budget while maintaining service levels. Property taxes remain a stable source of income, while sales tax revenues are more volatile and unpredictable. Sales tax

concerns exist due to relying on a small number of businesses to generate the majority of sales tax receipts, and experiencing significant revenue declines over the last fifteen years (when compared to inflation). City leaders will continue to monitor revenue trends to best determine methods for strengthening the City's economic base.

Volatility in the financial markets will continue to have a direct impact on the City, most significantly in the form of required annual pension costs associated with being a member of the California Public Employees' Retirement System (CalPERS). Substantial decreases in value of CalPERS assets during periods of financial instability, combined with changes in actuarial assumptions and the discount rates to strengthen the pension system over the long-term, have been passed on to members of CalPERS in the form of higher payments for the foreseeable future. Cypress, like most other California cities, has seen its annual required contributions more than double over the last seven years.

In recent years, inflation has become the latest threat to the City's financial health. The evolving impact on City expenditures cannot be overstated, as cost increases for all City services and projects have far outpaced revenue growth and have yet to stabilize. Particularly concerning are the staggering increases in the costs associated with capital project investment.

Despite being subjected to all the aforementioned issues outside the control of the City's decision makers, the City has effectively managed its budget and used the positive results of past economic growth to build up fund balances and net position. It has been the City's practice to set-aside a portion of these fund balances and net position for potential future budget shortfalls and contingencies, and to offset significant long-term liabilities. Nearly \$14.5 million has been accumulated in the General fund for contingencies and budget stabilization at June 30, 2024. In addition, a pension trust was set-up in 2017 in response to pension and budget stabilization concerns and in early 2024, the City Council established a goal and funding plan for pension trust assets to fully offset unfunded CalPERS pension liabilities by 2030. The pension trust provides a vehicle to restrict and invest monies for future pension obligations, while maintaining asset control at the local level. More than \$31.9 million is invested in the trust at June 30, 2024, and is projected to grow to \$53.1 million in 2030.

The remaining fund balances and net position are available for use on non-operating expenditures and provide for the payment of any other long-term obligations. Assuming the City remains fiscally responsible and disciplined with regards to budget decisions in the future, accumulated fund balance and net position amounts are at a level which should allow the City to withstand negative short-term economic impacts without affecting the primary service levels currently provided to its residents and businesses. However, the City's long-term ability to maintain the high-level of services currently offered to its residents and businesses is uncertain due to economic instability and risk of recession, inflation, sales tax stagnation and rising pension costs brought on by market volatility.

Another ongoing financial challenge remains funding the necessary maintenance and improvements required for the City's facilities and infrastructure systems. The seven-year capital funding plan is updated annually based on the most recent condition assessments of the various infrastructure systems and facilities. While significant progress has been

made in the last quarter century by way of improvements and setting aside reserves, there are still significant investments 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. Due to all the uncertainties discussed previously regarding the City's long-term financial health, it continues to be necessary to identify viable future funding solutions (other than the General fund) in order to address the issues facing aging infrastructure systems and facilities.

Long-term financial planning. The City of Cypress seeks to assure a high quality of life for its residents and businesses. As such, strategic planning is utilized to establish major goals and objectives of the City which provide principal guidance for the budget established by the City Council. The three year goals established for 2023 through 2026 include the following (not in priority order):

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

The City's pursuit of these goals is achieved by establishing strategic objectives, which are incorporated into the annual budget. Most of the identified strategic objectives were completed during the past year and included transitioning City Council elections to districts, adopting a pension trust funding plan to fully offset CalPERS unfunded pension liabilities by 2030, approving a Housing Element implementation public outreach plan, presenting the Cypress Business Park Specific Plan modernization to the City Council, implementing the use of body-worn cameras by Police department patrol personnel, and awarding a construction contract for the rehabilitation of Arnold Cypress Park.

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 many capital projects by accumulating and setting aside a portion of excess General fund revenues over General fund expenditures for future infrastructure needs in the City's Capital Projects fund. However, due to the factors discussed in detail earlier, the ability to continue setting aside sufficient General fund amounts to meet future capital needs will become increasingly difficult in the coming years.

In addition, a five-year forecast for the General fund is included in the budget. This forecast provides a longer term analysis, which when viewed in conjunction with the current year budget, creates parameters for charting a prudent and sustainable financial course. Despite seeing improvements in the last two annual forecasts brought on by higher interest earnings, Cypress remains dogged by a modest, stubborn structural deficit. While these deficits are expected to be manageable, future challenges (both those that we are aware of and those

that are currently unknown) make it difficult to create a five-year forecast that can be relied on with confidence.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Cypress for its Annual Comprehensive Financial Report for the fiscal year ended June 30, 2023. This is the 38th consecutive year that the City has received this prestigious award. The Certificate of Achievement is a national award that recognizes conformance with the highest standards for preparation of state and local government financial reports.

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

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

The preparation of this report could not have been accomplished without the dedicated service of the entire staff of the City's Finance Division and I want to extend my thanks to all the Finance staff involved in the process. Appreciation must also be extended to the Cypress City Council for their ongoing commitment to fiscal prudence and allowing the City to remain financially prepared for future challenges. This strategic and disciplined approach has greatly benefited Cypress residents and businesses through the years and continues to be more important than ever as a variety of threats to the City's fiscal stability evolve. I look forward to working with the City Manager and the City Council on ensuring the strength of Cypress' short-term and long-term fiscal health remains the highest priority so that future generations will be put in a position to thrive.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Matt Burton", with a stylized, cursive script.

Matt Burton
Director of Finance and Administrative Services

City of Cypress, California

Directory of City Officials

For the Fiscal Year Ended June 30, 2024

Legislative Body

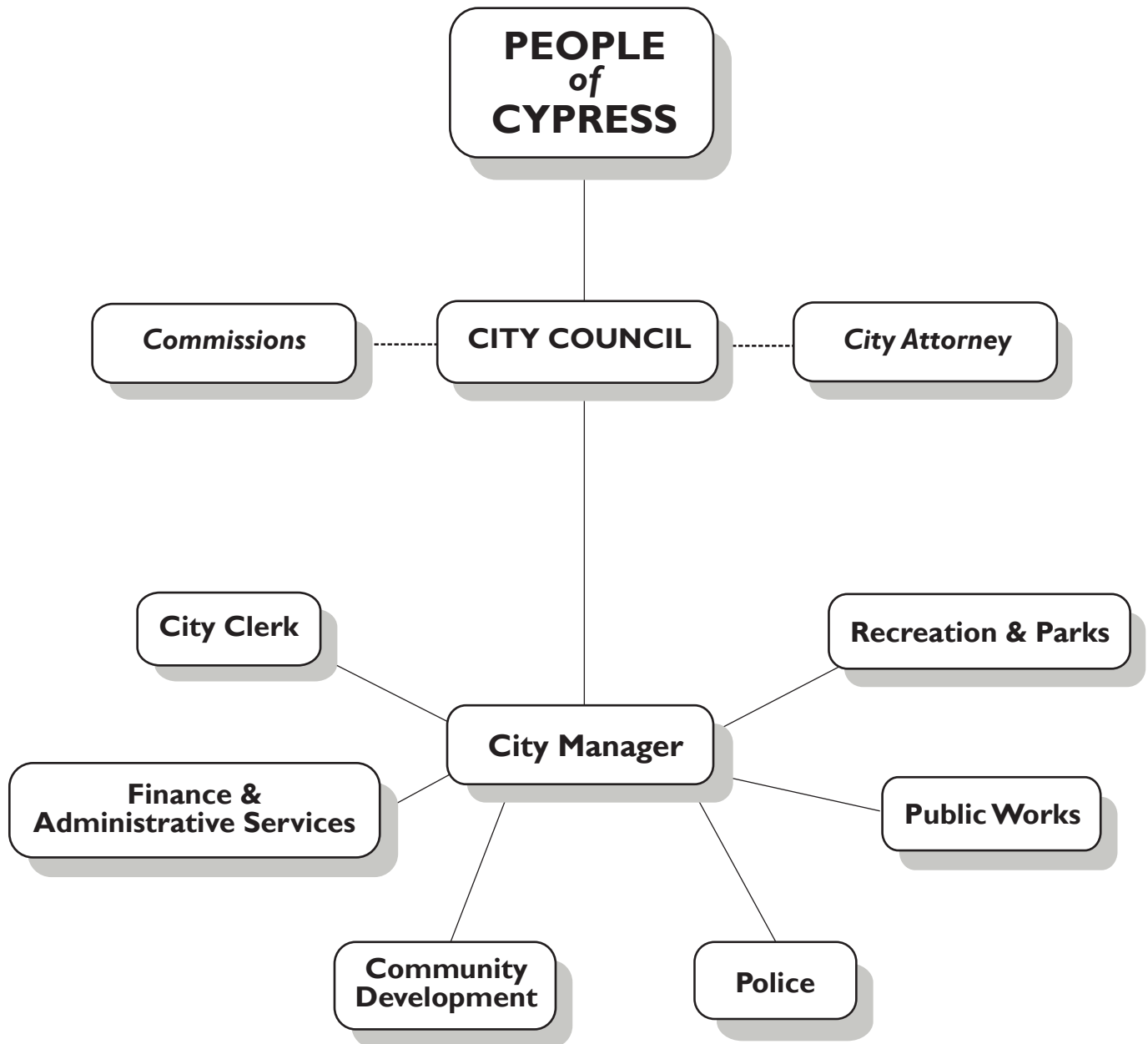
Scott Minikus	Mayor
Bonnie Peat	Mayor Pro-Tem
David Burke	Council Member
Anne Mallari	Council Member
Frances Marquez, PhD	Council Member

Staff Members

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

City of Cypress

ORGANIZATIONAL CHART





Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**City of Cypress
California**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2023

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 Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, 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, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2024, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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



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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and required pension and other postemployment benefits schedules, as listed on the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying combining and individual fund financial statements and schedules ("supplementary information") are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 21, 2025, 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.

LSL, LLP

Irvine, California
March 21, 2025

CITY OF CYPRESS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2024

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, 2024. 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, 2024 by \$366,660,046 (*net position*). Of this amount, \$92,395,384 (*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 \$9,472,137 during the fiscal year.
- As of June 30, 2024, the City's governmental funds reported combined ending fund balances of \$147,318,113, a decrease of \$10,897,084 in comparison with the prior year. A total of \$1,697,062 is unassigned within the General fund and is available for spending at the government's discretion, while a deficit fund balance of \$2,911,297 is included in the Recreation and Park District major governmental fund and a \$31,122 deficit fund balance is included in the nonmajor governmental funds (*unassigned fund balance of the governmental funds*).
- As of June 30, 2024, the total fund balance of the General fund was \$32,354,846. Of this total, \$10.0 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, over \$20.5 million of the fund balance has been assigned – including for use on future capital improvements, investment in the City's pension trust, potential budget shortfalls, pandemic recovery programs and storm drainage purposes. While these assigned amounts are not legally restricted, it continues to be the City Council's practice to set-aside and annually transfer surplus amounts (if available) both to the City's Capital Project Fund for future infrastructure improvement projects as outlined in the City's Seven-Year Capital Improvement Plan and for pension investment to offset the City's unfunded pension liabilities.

Overview of the Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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Because these services benefit governmental functions, they have been included in *governmental activities* within the government-wide financial statements.

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

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

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are *not* available to support the City's own programs. The City's lone type of fiduciary fund is classified as *custodial funds*, which are used for assets held in a custodial capacity that cannot be used to support the City's own programs. These custodial funds include amounts held on behalf of the West Cities Police Communications Joint Powers Authority, which is provided administrative support by the City. 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

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the City's management. Their financial position and results of operations, therefore, have been included as an integral part of the primary government, and are presented in the fund financial statements.

Government-wide Financial Analysis

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

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Summary of Net Position
As of June 30, 2024 and 2023

	Governmental Activities		Business-type Activities		Total	
	2024	2023	2024	2023	2024	2023
Assets:						
Current and other assets	\$ 226,200,456	\$ 221,787,974	\$ 9,134,368	\$ 7,721,594	\$ 235,334,824	\$ 229,509,568
Capital assets	183,996,942	171,325,019	18,490,199	18,871,533	202,487,141	190,196,552
Total assets	410,197,398	393,112,993	27,624,567	26,593,127	437,821,965	419,706,120
Deferred Outflows of Resources:						
Deferred outflows	26,745,944	28,432,314		-	26,745,944	28,432,314
Total deferred outflows	26,745,944	28,432,314	-	-	26,745,944	28,432,314
Liabilities:						
Long-term liabilities outstanding	15,784,354	14,796,311		-	15,784,354	14,796,311
Net pension liability	66,097,882	61,876,486		-	66,097,882	61,876,486
Other liabilities	10,892,104	7,096,386	43,694	121,615	10,935,798	7,218,001
Total liabilities	92,774,340	83,769,183	43,694	121,615	92,818,034	83,890,798
Deferred Inflows of Resources:						
Deferred inflows	5,089,829	7,059,727		-	5,089,829	7,059,727
Total deferred outflows	5,089,829	7,059,727	-	-	5,089,829	7,059,727
Net Position:						
Net investment in capital assets	182,784,606	170,286,779	18,490,199	18,871,533	201,274,805	189,158,312
Restricted	64,540,657	51,055,320	9,090,674	7,599,979	73,631,331	58,655,299
Unrestricted	91,753,910	109,374,298		-	91,753,910	109,374,298
Total net position	\$ 339,079,173	\$ 330,716,397	\$ 27,580,873	\$ 26,471,512	\$ 366,660,046	\$ 357,187,909

Net position of the City increased by nearly \$9.5 million (2.7 percent) to \$366.7 million at June 30, 2024, of which \$201.3 million is invested in capital assets such as land, buildings and improvements, equipment, and infrastructure. Of the remaining total, \$73.6 million is restricted as to use by specifically stipulated spending agreements originated by law, contract or other agreements with external parties. The remaining \$91.8 million classified as unrestricted net position decreased \$17.6 million (16.1 percent) from \$109.4 million at June 30, 2023, 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 decrease in unrestricted net position is due to many factors, with the most impact related to the City's ongoing commitment to invest available unrestricted net position amounts in capital assets. For FY 2023-24, this commitment includes the first year of costs for a major park renovation which is expected to be completed in FY 2024-25. Other factors that tend to annually impact unrestricted net position include: tax revenues exceeding estimates, recording the financial impacts of the latest pension plan

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actuarial valuations, and realizing budget savings associated with personnel vacancies throughout all departments of the City.

The City's investment in capital assets (less any related outstanding debt used to acquire those assets) is the largest portion of the City's net position and represents 54.9 percent of total net position, which is an increase from the percentage of overall net position at the conclusion of the prior year. While the City uses these capital assets to provide services to citizens; these assets are *not* available for future spending.

CITY OF CYPRESS						
Changes in Net Position						
For the fiscal year ended June 30, 2024 and 2023						
	Governmental Activities		Business-type Activities		Total	
	2024	2023	2024	2023	2024	2023
Revenues						
Program Revenues:						
Charges for services	\$ 4,682,667	\$ 6,877,076	\$ 1,593,387	\$ 1,632,171	\$ 6,276,054	\$ 8,509,247
Operating grants and contributions	5,541,054	4,789,491	39	36	5,541,093	4,789,527
Capital grants and contributions	2,271,831	2,153,338	-	-	2,271,831	2,153,338
General Revenues:						
Sales tax	12,930,992	13,561,206	-	-	12,930,992	13,561,206
Property taxes	22,738,100	21,868,125	42,876	36,250	22,780,976	21,904,375
Other taxes	6,833,479	6,743,014	-	-	6,833,479	6,743,014
Other	9,672,762	5,519,425	381,847	180,972	10,054,609	5,700,397
Total Revenues	<u>64,670,885</u>	<u>61,511,675</u>	<u>2,018,149</u>	<u>1,849,429</u>	<u>66,689,034</u>	<u>63,361,104</u>
Expenses						
General government	7,620,519	4,434,609	-	-	7,620,519	4,434,609
Community development	2,566,292	2,109,834	-	-	2,566,292	2,109,834
Public safety	22,380,579	16,762,572	-	-	22,380,579	16,762,572
Public works	16,733,394	11,321,069	-	-	16,733,394	11,321,069
Recreation	7,007,325	5,137,475	-	-	7,007,325	5,137,475
Sewer	-	-	908,788	892,783	908,788	892,783
Total Expenses	<u>56,308,109</u>	<u>39,765,559</u>	<u>908,788</u>	<u>892,783</u>	<u>57,216,897</u>	<u>40,658,342</u>
Increase (Decrease) in Net Position	8,362,776	21,746,116	1,109,361	956,646	9,472,137	22,702,762
Net Position						
Beginning Net Position	330,716,397	308,970,281	26,471,512	25,514,866	357,187,909	334,485,147
Ending Net Position	<u>\$ 339,079,173</u>	<u>\$ 330,716,397</u>	<u>\$ 27,580,873</u>	<u>\$ 26,471,512</u>	<u>\$ 366,660,046</u>	<u>\$ 357,187,909</u>

The following revenue impacts contributed to the change in net position for governmental activities for the fiscal year ended June 30, 2024:

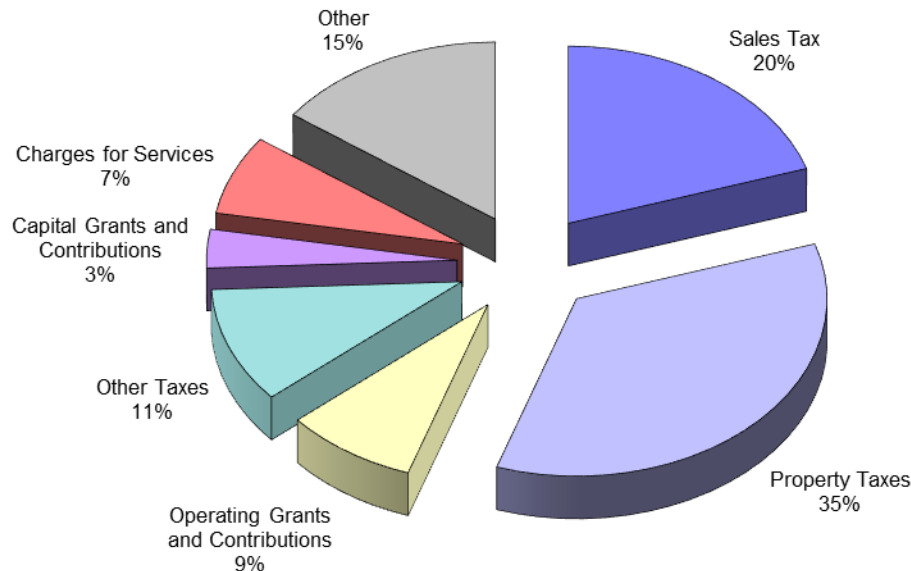
- City program revenues accounted for 19.3 percent of total revenues and were \$1.3 million less than the prior year total. Charges for services (which include items such as planning and building fees, city services, and recreation user fees) experienced a 31.9 percent decrease due to receiving \$2.1 million of park development fees in the prior year. These park development fees declined over \$1.6 million and tend to fluctuate year to year based on development activity. Grants and contributions tend to fluctuate annually based on availability and project timing. In the past year, operating grants and contributions increased by just over \$750,000, in most part due to the receipt of additional Measure M2 tax revenue restricted for use on transportation purposes and higher interest earnings received on restricted cash balances held as net position throughout the year.
- The City's general revenues represent 80.7 percent of total revenues. General revenues increased by \$4.5 million (9.4 percent) from the prior year. Sales taxes, which represent 24.8 percent of total general revenues, stagnated across several sectors in FY 2023-24 despite the overall resiliency of the economy. Property tax

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revenues, the City's largest revenue source, experienced solid year-over-year growth due to new development, turnover of existing properties, and the impacts of Proposition 13 growth and their impacts on assessed values. Other general revenues totaled nearly \$9.7 million, which is almost \$4.2 million more than the prior year. The large jump relates almost exclusively to investment earnings and the impacts of earning an average interest rate of 4.4 percent on cash balances in FY 2023-24, compared to 2.7 percent in the prior year.

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

Revenues by Source – Governmental Activities



Total expenses for governmental activities increased by \$16.5 million for the fiscal year ended June 30, 2024, (41.6 percent), compared to the prior year. The largest contributing factor to the overall rise in expenses, approximately \$7.1 million, is attributed to the annual allocation of changes in the internal service funds' net position. These changes can fluctuate drastically from one year to the next due to recording the impacts of the latest actuarial valuations on pensions, net of any transfers from the City for pension trust investment. In years where net pension liabilities decrease significantly and net transfers to the City are modest, such as in the prior year, the expense offsets allocated across all departments throughout the City are significant, resulting in year over year expense fluctuations in all departments. In addition to these allocations of net position, there are other factors impacting FY 2023-24 expenses associated with governmental activities.

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- General government expenses increased due to a significantly higher volume of city attorney litigation activities, including a large settlement payment to reimburse for attorney costs and fees on a lawsuit.
- Community Development expenses included non-recurring costs for the ongoing implementation of the State-mandated Housing Element which was certified in late 2022.
- Public safety (police) continues to account for the largest portion (39.7 percent) of total expenses related to governmental activities. In addition to the increases to overall public safety expenses resulting from the net position allocation discussed earlier, public safety expenses in FY 2023-24 include the impacts of implementing the second year of a four-year labor agreement covering sworn police officers' salary and benefits. The ongoing impacts of contract cost increases brought on by inflation also contributed to higher year-over-year expenses.
- Public works expenses include higher employee costs associated with cost-of-living adjustments and higher right-of-way and park maintenance costs associated with the new contract costs.
- Recreation expenses include cost of living salary and benefit increases and higher contract costs brought on by inflation for landscape and facility maintenance.
- Total expenses for business-type activities increased \$16,005 (1.8 percent). Ongoing investments to improve the sewer system occur each year, and the modest change in expenses is largely attributable to small fluctuations in costs for personnel and consulting charges associated with sewer operations.

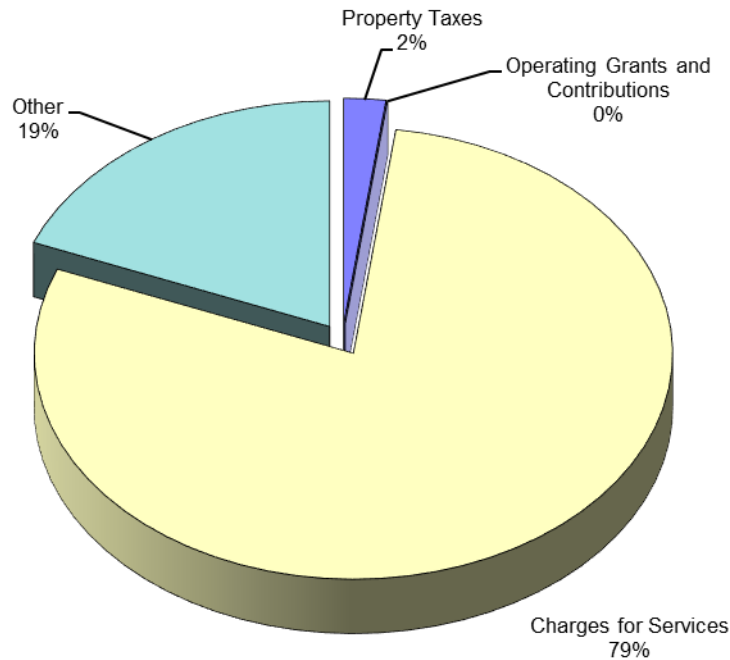
The following revenue items contributed to the change in net position for business-type activities for the fiscal year ended June 30, 2024:

- Program revenues for the sewer system are the major revenue source for the City's lone business-type activity. Charges for sewer services comprise nearly 80 percent of total revenues and decreased by 2.4 percent from the prior year. Since sewer fees are directly tied to water consumption, any annual revenue fluctuations can reasonably be attributed to relatively high precipitation levels experienced in the last year. The current sewer fee collections represent a dedicated revenue source which provides full funding for ongoing maintenance and annual capital improvements to the City's sewer system.
- General revenues for business-type activities are largely limited to investment earnings on cash balances and a small amount of property tax that is allocated to the City and is restricted to use for sewer purposes. Higher interest rates earned throughout the entire year on cash balances yielded larger investment earnings than in the prior year.

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

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Revenues by Source – Business-type Activities



Financial Analysis of the Governmental Funds

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

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

As of the end of the current fiscal year, the City's governmental funds reported total combined ending fund balances of \$147,318,113, a decrease of \$10,897,084 over total fund balances at June 30, 2023. The decline in fund balance is the result of a variety of factors, which will be highlighted in the discussion of each of the City's major funds.

Total fund balance is broken down into five categories – ranging from nonspendable to unassigned. Restricted fund balance totals \$20.4 million and decreased by \$7.5 million from the prior year end and equals 13.8 percent of total fund balance. The restricted amounts at June 30, 2024 can only be used for specific purposes, with the major restrictions being limited for street maintenance and improvements and street lighting. The decrease in restricted fund balance is directly attributed to Recreation amounts which are required to be netted against the outstanding interfund loans due to the City capital

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projects fund. Committed fund balance amounts total \$24.8 million (16.8 percent) and are \$2.5 million higher than the prior year. The increase to committed fund balance is directly attributed to contingency set-asides established by the City Council which are tied to budgeted expenditures in the General fund and grow annually in conjunction with the budget. An additional \$88.8 million of fund balance is categorized as assigned. These assignments of fund balance are made by City management for specific purposes – with the vast majority of the assignments being for future capital improvements, potential future budget shortfalls and future pandemic recovery programs. It continues to be the City's strategy to set aside available resources 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, while two negative amounts are recorded across other funds of the City.

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, 2024 total \$27.6 million, which is just over \$1.1 million higher than the prior year. The increase in net position is largely attributed to allocating resources for the ongoing investment in capital improvement projects for the sanitary sewer system.

Major Fund Financial Highlights

General Fund

The General fund is the primary operating fund of the City. At June 30, 2024, the total fund balance of the General fund was \$32,354,846 (compared to \$34,992,008 at the beginning of the year). The fund balance of the General fund is composed of five different categories – nonspendable, restricted, committed, assigned and unassigned. The City continues to implement the practice of accumulating monies for future infrastructure improvements in the City Capital Projects fund through transfers out of the General fund, as well as setting aside monies to invest in the City's pension trust. A total of \$2.67 million was transferred out for future infrastructure and facility needs, and an additional \$5.05 million for pension trust investment, during the fiscal year ended June 30, 2024. It is important to note the annual General Fund monies transferred to the City Capital Projects fund for the intended purpose of providing infrastructure and facility improvements are available for other uses at the City Council's discretion should the need arise. Additionally, the amount transferred for pension trust investment was significantly higher than a typical year due to the City Council establishing a goal to have pension trust assets equal net pension liabilities by 2030. This goal required a one-time infusion of \$4.5 million from the General Fund (\$2.5 million) and the City Capital Projects Fund (\$2.0 million) for pension trust investment in FY 2023-24.

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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 59.8 percent (down from 75.1 percent the previous year) of the total expenditures in the General fund. The major components of assigned fund balance include amounts set-aside for the City's one-time Pandemic Recovery Plan, future capital infrastructure and pension trust investments, and budget stabilization purposes. Despite the City Council's and management's policy to actively set-aside monies for future infrastructure and facility needs, the annual General fund amounts expected to be available for transfer to the City's Capital Project fund will likely be insufficient to pay for all future capital needs due to expenditure growth outpacing projected revenue growth.

For the fiscal year ended June 30, 2024, cash and investments in the General fund totaled \$32,911,226, a decrease of \$2,223,582 from the prior fiscal year, and is primarily the result of making an additional one-time transfer out for pension trust investment to meet the City Council's goal of fully offsetting net pension liabilities by 2030.

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Summary of Changes in Fund Balances - General Fund
For the fiscal year ended June 30, 2024 and 2023

	2024	2023	Change
Revenues			
Taxes:			
Sales	\$ 12,930,992	\$ 13,561,206	\$ (630,214)
Property	13,736,036	13,169,426	566,610
Other	7,229,311	7,149,006	80,305
Total taxes	33,896,339	33,879,638	16,701
Licenses and permits	1,029,241	1,437,526	(408,285)
Fines and forfeitures	251,811	228,114	23,697
From use of property	3,414,359	2,068,635	1,345,724
From other agencies	595,210	715,738	(120,528)
Charges for services	3,785,592	3,596,365	189,227
Other	253,885	823,017	(569,132)
Total Revenues	43,226,437	42,749,033	477,404
Expenditures			
General government	6,914,401	5,071,688	1,842,713
Community development	2,424,114	2,497,289	(73,175)
Public safety	20,738,949	19,863,447	875,502
Public works	7,117,062	6,395,623	721,439
Capital Outlay	10,918	-	10,918
Total Expenditures	37,205,444	33,828,047	3,377,397
Other Financing Sources/(Uses)			
Net Transfers	(8,669,073)	(5,346,503)	(3,322,570)
Inception of Lease	10,918	-	-
Total Other Financing Sources/(Uses)	(8,658,155)	(5,346,503)	(3,322,570)
Increase (decrease) in fund balance	\$ (2,637,162)	\$ 3,574,483	\$ (6,222,563)

Total General fund revenues for the fiscal year ended June 30, 2024 increased by nearly \$0.5 million from the prior year. Individual components of this change are highlighted as follows:

- Sales tax receipts, historically the largest revenue source of the General fund, saw a decrease of \$630,214 when compared to the prior year. Despite the overall strength of the economy, the City's sales tax growth across all sectors has largely stagnated. In addition, recent declines by one of the City's largest generators and the County pool allocation have further contributed to lower revenues.
- Annual property tax revenue grew 4.3 percent due to increases in the City's secured property tax base related to new development, changes in ownership, and the annual growth associated with the Proposition 13 inflation adjustment. Included in General fund property tax revenue is \$6.0 million of in lieu Motor Vehicle License Fees (MVLFF), which represents an increase over the prior year.

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- Other taxes increased due to several factors, including higher receipts for transient occupancy tax, real property tax and franchise fees.
- Licenses and permit revenues increased 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 remained fairly strong throughout the year, new development activity levels were down when compared to the prior year.
- Revenue from use of property experienced another large year over year growth brought on by both higher yields earned on City cash balances for the entire fiscal year as well as market value increases to the underlying investments. The big jump in interest rates on government-backed securities experienced in the prior fiscal year, carried over into FY 2023-24 and resulted in a full 12 months of earnings based on rates significantly higher than prior years. In addition, accounting standards require all investments be recorded at their fair market value on June 30, 2024, which yielded \$540,000 of revenues. It should be noted that the City's investment policy provides for all investments to be held to maturity, so any gain or loss required to be recorded at year end will never be realized.
- Other revenue decreased due to the prior year receipt of a \$582,967 one-time class action settlement with the Monsanto Company for potential waterway contamination occurring over the last several decades. These amounts are set-aside for the future funding of water quality and storm water related programs.

Changes in General fund expenditures, by function, occurred as follows during the year ended June 30, 2024:

- General government expenditures rose by \$1.8 million (36.3 percent) and is a result of increases in several programs. City attorney expenditures increased by \$945,000 from the prior year, which is a result of a higher volume of litigation activities, as well as the City Council approving an \$835,000 settlement payment for the reimbursement of fees and litigation expenses associated with a lawsuit. Higher contract animal control services and required contributions to regional homeless outreach efforts also contributed to the large year over year increase.
- Community development expenditures declined slightly due to two offsetting factors. Higher contract costs were incurred to provide support for the implementation of the City's state-mandated Housing Element which was certified in late 2022. Implementing the components of the housing element will take several years and is expected to cost in excess of \$1 million. In the prior year, significant costs were incurred in the implementation of the first phase of the business recovery and support plan, which assisted the business community in its post-pandemic recovery efforts. These programs included development and permit fee refunds for eligible businesses, as well as a local catering program for the business park to promote efforts to support local restaurants.
- Public safety (police) expenditures increased by \$875,502 (4.4 percent) when compared to the prior fiscal year. Cost increases associated with implementing the second year of a four-year labor agreement, which provided healthy salary and

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benefit increases for sworn officers, and inflationary impacts driving contract cost increases, accounted for the change in expenditures.

- Public works expenditures were \$721,439 (11.3 percent) higher than the prior year due to many factors, including higher employee costs associated with cost of living adjustments, implementing the first year of a new contract for right-of-way and park landscaping which cost nearly 50 percent more than the previous contract, and higher water costs for irrigation.

The difference in General fund net transfers are slightly over \$3.3 million higher when compared to the prior fiscal year and are summarized as follows:

- The General fund transferred \$1,606,912, as compared to \$1,655,562 in the prior year, to the City's Capital Projects fund for current year projects. Additionally, \$2.67 million of accumulated fund balance, up from \$2.15 million in the prior year, was transferred from the General fund to the City's Capital Projects fund for future infrastructure projects.
- \$5.05 million was transferred to the City's Internal Service Employee Benefits fund during the past year, compared to \$1.75 million in the prior year. This annual transfer is typically limited to available prior year budget savings which are used to fund the City's pension trust. The pension trust was established in 2017 to help offset the City's growing pension liabilities and in March 2024 the City Council established a goal to have pension trust assets fully offset unfunded pension liabilities by 2030. In response to this new goal, an additional \$2.5 million of General fund monies were transferred for pension trust investment in the Employees' Benefit Internal Service fund.

General Fund Budgetary Highlights

Differences between the original appropriations budget and the final amended budget totaled a net increase of \$4,290,907. The annual carryover of appropriations to the new fiscal year for encumbrances and services not completed in the prior fiscal year accounted for \$1,783,618 of the change. The majority of the carryover appropriations related to contingency amounts, unexpended grant awards, one-time allocations to businesses for pandemic recovery support, and planning services for the State-mandated implementation of the City's housing element. The remaining major changes in appropriations are summarized as follows:

- \$1,142,000 increase in Legislative for legal services which tend to fluctuate based on the legal matters that arise during the year. Litigation activity was significantly higher than in a typical year due to several lawsuits, including the California Voting Rights Act (CVRA). The resulting CVRA settlement agreement included an \$835,000 reimbursement by the City for attorney fees and litigation expenses.
- \$208,500 increase in Administration for contract animal control services with the County of Orange. The additional costs are due to higher overall costs to provide

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services throughout the County, higher animal in-takes in Cypress, and an isolated hoarding incident in Cypress which resulted in one-time charges of \$147,000.

- \$324,900 increase in Administration for higher required contributions for regional homelessness efforts. The City contributes a portion of the annual costs to operate two navigation centers in the County, and these charges vary each year depending on cash flow needs and available State funding.
- \$180,000 in Administration to extend the development fee waiver program as part of the second phase of the City's Pandemic Recovery Plan. The program is designed to attract and encourage business investment by reducing city fees, and has been remarkably successful. The initial \$500,000 committed for the program has been fully expended and the City Council approved additional funding through the end of 2024.
- \$325,000 in Planning for the second phase of a Pandemic Recovery Plan's Business Recovery and Support Program designed to stimulate business growth, and attract and retain businesses in the City through the creation of Cypress University to assist small businesses.

Total actual General fund revenues exceeded the final amended revenue budget by over \$2.1 million. Tax revenue exceeded the amended budget by \$1.5 million due to several factors, with property tax and sales tax being the largest impacts and exceeding initial estimates by \$780,000 and \$325,000 respectively. Property tax growth is a product of new development, parcel turnover and the overall strength of the housing market. The relatively modest sales tax overage was driven by our ongoing approach to conservatively, but realistically, estimate revenues directly tied to the overall economy. Other tax sources contributed to the overage and include real property transfer tax, transient occupancy tax and franchise taxes. Another major contributor to the overall budget excess is revenue from the use of property (which includes interest earnings on the City's investments). Actions by the Federal Reserve over the last two years drastically raised the interest rate earned on the City's investment portfolio, and FY 2023-24 saw a full year of earnings at a much higher average rate of return than earned in prior years. The impacts of these increases were not fully-known during budget development and provided over \$1.6 million of additional revenues to the City's General fund.

Total operating expenditures were \$5.6 million below the final amended budget (before any carryover amounts to the fiscal year ended June 30, 2025) and these savings were across all departments throughout the City. The reason for the large budget variance is similar to prior fiscal years, in that a portion is related to personnel savings during periods with staffing vacancies throughout the course of the year. The bulk of these staffing vacancies are associated with positions (such as police officers) in which active recruitments are ongoing and the periods of vacancy are temporary. Further savings were realized due to one-time amounts budgeted for contingency purposes, the City's pandemic recovery plan, and contract housing element implementation services not being expended prior to June 30, 2024. These unexpended amounts have been carried over and appropriated in FY 2024-25 budget and are expected to be expended prior to June 30, 2025.

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Other Major Funds and Other Funds

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

Recreation and Park District Special Revenue Fund

The Recreation and Park District special revenue fund is the sole operating fund of the Cypress Recreation and Park District. At the end of the current fiscal year, total fund balance was a negative \$2,905,952 as compared to a positive \$10,247,330 at the beginning of the year. This represents a \$13.1 million turnaround and gives the impression the District's financial health has greatly deteriorated over the past year – which is both misleading and inaccurate. The reason for the large decrease is solely the result of a GASB accounting pronouncement that requires loans between the City and District be recorded as a liability on the District's books. During the past year, the City and District approved a \$33.5 million project to reconstruct the aging Arnold Cypress Park that will be funded by loans from the City. These loans are long-term and will be repaid over the next 20 years using available property tax revenues. If the District had used other forms of financing to pay for this \$33.5 million project, the long-term debt would not be presented as a liability in the District's governmental funds. However, since the loan is considered an advance between funds of the City and District (a component unit) GASB requires the full amount of the advance is recorded as a liability even though its repayment will be made over the next two decades. The outstanding amount of the advance (\$14.4 million) is required to be recorded as a negative amount, netted against unassigned fund balance. While this results in an inaccurate portrayal of the District's financial condition on the face of the financial statements, it is important to understand the underlying health of the District remains strong and is essentially unchanged from the prior year.

For fund balance analysis purposes, it is probably best to remove the negative \$14.4 million netted against unassigned fund balance from the calculations to yield a useful comparison. By doing so, fund balance represents 207.4 percent (compared with 194.8 percent from the previous year) of the fund's total current Recreation operating expenditures and the adjusted, remaining fund balance would be properly categorized as restricted since these amounts can legally only be used for recreation purposes. These adjusted fund balance amounts at June 30, 2024 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 fund balance for general recreation usage is needed to meet cash flow shortages between property tax receipts. The remaining amounts (for both open space and recreation) are being

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accumulated for future non-recurring expenditures such as facility and infrastructure improvements.

For the fiscal year ended June 30, 2024, the cash and investments balance in the Recreation and Park District special revenue fund was \$14,804,481, a decrease of \$1,371,446 from the prior fiscal year. Total receivables at the end of the fiscal year were \$600,136, an increase from the prior year total of \$267,268. These balances tend to fluctuate from year to year based on the timing of receipts and disbursements.

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Summary of Changes in Fund Balances
Recreation and Park District Special Revenue Fund
For the fiscal year ended June 30, 2024 and 2023

	2024	2023	Change
Revenues			
Taxes:			
Property	\$ 7,326,746	\$ 7,080,645	\$ 246,101
From use of property	1,029,302	752,086	277,216
From other agencies	113,618	62,665	50,953
Charges for services	1,202,161	2,890,860	(1,688,699)
Other	57,093	21,063	36,030
Total Revenues	<u>9,728,920</u>	<u>10,807,319</u>	<u>(1,078,399)</u>
Expenditures			
Recreation	5,775,792	5,260,829	514,963
Capital outlay	16,950,867	1,070,103	15,880,764
Total Expenditures	<u>22,726,659</u>	<u>6,330,932</u>	<u>16,395,727</u>
Excess of revenues over expenditures	(12,997,739)	4,476,387	(17,474,126)
Other Uses - Transfers	<u>(155,543)</u>	<u>(635,571)</u>	<u>480,028</u>
Increase/(decrease) in fund balance	<u><u>\$ (13,153,282)</u></u>	<u><u>\$ 3,840,816</u></u>	<u><u>\$ (16,994,098)</u></u>

Total Recreation and Park District Special Revenue fund revenues for the fiscal year ended June 30, 2024 declined by nearly \$1.1 million from the prior year. Individual components of this change are highlighted as follows:

- Property tax revenues, the District's largest recurring revenue source, were 3.5 percent more than the prior year. The District continues to benefit from higher assessed values and new developments being added to the tax roll.
- Revenues from the use of property increased due to a full year of earning higher interest rates on District cash balances than the prior year.
- The large decline to charges for services was anticipated and relates to park development fee receipts. These receipts are difficult to predict due to uncertainties associated with development activity and economic conditions, and revenues can fluctuate drastically from year to year. A few major developments generated fees totaling nearly \$2.1 million in the prior fiscal year while receipts for

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the fiscal year ended June 30, 2024 declined to \$445,000. All eligible park development fee receipts are used to pay down the District's outstanding advances from the City's General fund associated with the construction of Lexington Park.

Notable changes in expenditures during the fiscal year ended June 30, 2024 follow:

- Recreation expenditures increased \$514,963 (9.8 percent) due to multiple factors, including the impacts of cost of living salary and benefit increases for all full-time employees and the impacts of inflation on contract costs for facility and landscape maintenance.
- Capital expenditures rose by nearly \$15.9 million due primarily to a \$2.7 million one-time purchase of land for the expansion of Baroldi Sycamore Park and incurring \$10.9 million on the rehabilitation of Arnold Cypress Park. The Arnold Cypress Park project will completely rebuild the 74 year-old, 14.5 acre park at a cost of \$33.5 million. The new park will provide a variety of sports courts and softball fields, and is expected to be completed in the first half of 2025. In addition to these one-time major projects, the District continued to invest in other park facility improvements as amounts were expended in the fiscal year ended June 30, 2024 for extensive interior upgrades at the Senior Center, the replacement of the Community Center's HVAC system and roof, sports lighting replacement at Oak Knoll Park, and a variety of other enhancements at park sites throughout the Cypress.

District net transfers decreased by \$480,028 and totaled a net outflow of \$155,543. These District transfers occur each year and are comprised of multiple components. First, for the last decade the District annually transferred additional property tax amounts to the City that were previously apportioned to the Agency. The City Council established this repayment when the State disallowed loans from the City to the Agency which had been used to pay for several recreation capital projects (including the construction of the Senior Center and the remodel of the Community Center). The final repayment of \$382,160 under the terms of this agreement occurred in the fiscal year ended June 30, 2023. The other recurring component relates to a \$150,000 annual transfer to the employees' benefits internal service fund to help offset any unfunded pension liability owed to the Orange County Employees Retirement System (OCERS). This liability represents monies owed on behalf of vested District employees who earned OCERS pension benefits prior to 2000 when all employees were transitioned to CalPERS. The final component of net transfers is for new and replacement capital outlay acquisitions, which tend to be fairly small in a typical year like the fiscal year ended June 30, 2024. However, in the prior fiscal year the District took delivery of a replacement mobile stage and canopy used for community events (showmobile) which was partially paid for with a \$103,411 transfer out of the District's operating fund.

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Streets Special Revenue Fund

The Streets Special Revenue Fund accounts for receipts and expenditures of amounts 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.

Summary of Changes in Fund Balances
Streets Special Revenue Fund
For the fiscal year ended June 30, 2024 and 2023

	2024	2023	Change
Revenues			
From use of property	\$ 386,288	\$ 157,020	\$ 229,268
From other agencies	4,061,577	3,398,480	663,097
Charges for services	380,373	106,752	273,621
Other revenue	157,871	-	157,871
Total Revenues	<u>4,986,109</u>	<u>3,662,252</u>	<u>1,323,857</u>
Expenditures			
Public works	2,726,741	39,136	2,687,605
Capital outlay	205,394	389,572	(184,178)
Total Expenditures	<u>2,932,135</u>	<u>428,708</u>	<u>2,503,427</u>
Other Uses - Transfers	<u>(1,867,079)</u>	<u>(316,396)</u>	<u>(1,550,683)</u>
Increase (decrease) in fund balance	<u><u>\$ 186,895</u></u>	<u><u>\$ 2,917,148</u></u>	<u><u>\$ (2,730,253)</u></u>

Total revenues for the fiscal year ended June 30, 2024 increased by more than \$1.3 million from the prior fiscal year. Like other funds of the City, the Streets fund saw increases in interest revenue due to higher yields earned on idle cash balances. The largest recurring income source in this fund is revenue from other agencies which includes State Gas Tax, Road Repair and Accountability Act of 2017 and County Measure M2 allocations. These allocations increased during the year due to a portion of FY 2022-23 Measure M2 allocations, which were unavailable during the prior year, becoming available during FY 2023-24. Charges for services, which includes traffic mitigation fees and regional traffic impact fees, increased \$273,621 year over year and these annual receipts tend to fluctuate based on development activity in the City.

Total expenditures and net transfers also tend to vary from year-to-year depending on resource availability and the specific timing and scope of recurring projects such as the arterial and residential street rehabilitation and concrete/sidewalk improvements. Expenditures and net transfers out increased in the past year as annual funding for the arterial rehabilitation project and street maintenance was shifted back to the Streets fund. In the prior year, a higher level of funding for these programs came from the City General fund to ensure Maintenance of Effort requirements were met.

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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, 2024 and 2023

	2024	2023	Change
Revenues			
From use of property	\$ 4,219,295	\$ 2,222,575	\$ 1,996,720
Other revenue	-	8,040	(8,040)
Total Revenues	<u>4,219,295</u>	<u>2,230,615</u>	<u>1,988,680</u>
Expenditures			
Public works	2,393,478	2,741,998	(348,520)
Capital outlay	977,238	1,474,937	(497,699)
Total Expenditures	<u>3,370,716</u>	<u>4,216,935</u>	<u>(846,219)</u>
Other Sources - Transfers	3,458,734	4,504,118	(1,045,384)
Increase (decrease) in fund balance	<u><u>\$ 4,307,314</u></u>	<u><u>\$ 2,517,798</u></u>	<u><u>\$ 1,789,516</u></u>

Total revenues for the fiscal year ended June 30, 2024 increased nearly \$2.0 million from the prior fiscal year. The increase is due largely to higher interest income resulting from a full-year of earning a significantly higher interest rate on available cash balances than the rate earned in the prior year. Also contributing to the increase are the interest amounts paid by the Recreation and Park District on the outstanding loans from the City for the construction of Lexington Park and Arnold Cypress Park.

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. Expenditures declined year over year due to the acquisition of land in the prior year for an upcoming major storm drain project, which will rebuild a 60 year-old pump station to meet current design standards and prevent flooding along Myra Avenue.

The amounts recorded as net transfers are typically comprised of annual transfers in from various restricted funds of the City and two transfers from the General fund. These recurring transfers were over \$1.0 million higher than the prior year. However, a \$2.0

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million non-recurring transfer out in FY 2023-24 accounted for the year over year decline. The individual components of net transfers are discussed below:

- Total net transfers from restricted funds increased year over year, due to using \$550,000 more of restricted Street funds on residential street resurfacing projects in FY 2023-24 than the prior year.
- The two annual General fund transfers are for 1) the annual funding requirement approved by the City Council to fund current year projects, and 2) an allocation for future infrastructure improvements that will be appropriated in upcoming years. The amount available for future improvements is directly tied to available General fund surplus amounts from the prior fiscal year and these amounts can fluctuate greatly from year to year due to a variety of factors. The available surplus amounts from FY 2022-23, and transferred to the City Capital Projects fund in FY 2023-24, increased nearly \$500,000 from the prior year.
- The City Council approved additional funding for the City's pension trust in FY 2023-24 to reach a goal of having pension trust assets fully offset pension liabilities by 2030. Two million dollars of the additional funding required to meet this goal took set-asides for future capital improvements in the City's Capital Projects fund and transferred them to the Employees' Benefits Internal Service fund for investment in the pension trust.

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 just over \$1.1 million during the year and the following is a comparison of the enterprise activity in the fund for the past two years:

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Summary of Changes in Net Position
Business-type Activities - Sewer Enterprise Fund
For the fiscal year ended June 30, 2024 and 2023

	2024	2023	Change
Operating Revenues			
Charges for services	\$ 1,593,387	\$ 1,632,171	\$ (38,784)
Other	-	7,397	(7,397)
Total Operating Revenues	<u>1,593,387</u>	<u>1,639,568</u>	<u>(46,181)</u>
Operating Expenditures			
Sewer Maintenance	323,082	298,928	24,154
Depreciation	585,706	593,855	(8,149)
Total Operating Expenditures	<u>908,788</u>	<u>892,783</u>	<u>16,005</u>
Non-Operating Revenues (Expenses)			
Property Taxes	42,876	36,250	6,626
From other agencies	39	36	3
Interest income	381,847	173,575	208,272
Total Non-operating Revenues	<u>424,762</u>	<u>209,861</u>	<u>214,901</u>
Increase (decrease) in net position	<u><u>\$ 1,109,361</u></u>	<u><u>\$ 956,646</u></u>	<u><u>\$ 152,715</u></u>

Total Sewer fund operating revenues for the fiscal year ended June 30, 2024 are comprised primarily of sewer fee revenues, which decreased by \$38,784 from the prior year. Sewer fees are charged to both residential and commercial accounts based on water consumption and can change year over year based on many factors, including precipitation levels and drought restrictions. The 2.4 percent year over year decline appears reasonable given the extremely wet winter experienced in FY 2023-24.

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

Most non-operating revenues and expenses remain consistent over a typical two year period. However, interest income can vary year to year due to changes in the City's investment portfolio earnings rate of return and average cash balances held for sewer purposes. The City experienced a full year of earning a higher market rate than the average rate earned in the prior fiscal year.

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets as of June 30, 2024 amounts to \$202,487,143 (net of accumulated depreciation) and consists of \$183,996,994 for governmental activities and \$18,490,199 for business-type activities. The investment in

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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 investment in capital assets for governmental activities increased during the past fiscal year by \$18.2 million (5.6 percent) before depreciation. The following table summarizes capital asset activity for the fiscal year ended June 30, 2024.

Summary of Capital Assets
As of June 30, 2024 and 2023

	Governmental Activities		Business-type Activities		Total	
	2024	2023	2024	2023	2024	2023
Governmental Activities:						
Capital Assets, Not Depreciated:						
Land	\$ 12,442,593	\$ 9,734,882	\$ -	\$ -	\$ 12,442,593	\$ 9,734,882
Construction in Progress	14,203,403	1,867,115	23,042	146,810	14,226,445	2,013,925
Total, Not Depreciated	26,645,996	11,601,997	23,042	146,810	26,669,038	11,748,807
Capital Assets, Being Depreciated:						
Buildings and Improvements	63,665,962	62,107,516	-	-	63,665,962	62,107,516
Machinery and Equipment	12,499,613	11,774,630	-	-	12,499,613	11,774,630
Infrastructure	237,297,391	236,931,361	35,468,602	35,140,462	272,765,993	272,071,823
Lease Assets	65,484	53,896	-	-	65,484	53,896
Subscription Assets	1,800,688	1,289,619	-	-	1,800,688	1,289,619
Total, Being Depreciated	315,329,138	312,157,022	35,468,602	35,140,462	350,797,740	347,297,484
Less Accumulated Depreciation/Amortization:						
Buildings and Improvements	(23,076,834)	(22,553,255)	-	-	(23,076,834)	(22,553,255)
Machinery and Equipment	(8,950,251)	(8,722,991)	-	-	(8,950,251)	(8,722,991)
Infrastructure	(125,434,719)	(120,937,785)	(17,001,445)	(16,415,739)	(142,436,164)	(137,353,524)
Lease Assets	(15,397)	(2,455)	-	-	(15,397)	(2,455)
Subscription Assets	(500,989)	(217,514)	-	-	(500,989)	(217,514)
Total Accumulated Depreciation	(157,978,190)	(152,434,000)	(17,001,445)	(16,415,739)	(174,979,635)	(168,849,739)
Total Depreciated, Net	157,350,948	159,723,022	18,467,157	18,724,723	175,818,105	178,447,745
Governmental Activities Capital Assets, Net	\$ 183,996,944	\$ 171,325,019	\$ 18,490,199	\$ 18,871,533	\$ 202,487,143	\$ 190,196,552

Major governmental activities capital asset transactions during the fiscal year ended June 30, 2024 included the following:

- The large increase to construction in progress is due to starting construction on the rehabilitation of Arnold Cypress Park in late 2023. This \$33.5 million, multi-year project was less than half complete at June 30, 2024 and is expected to be completed and reopened in Spring 2025.
- The increase to machinery and equipment is attributed to the purchase of new copiers, a new phone system, a city-wide computer replacement, a new in-car police audio video system, and new gym equipment for the police department. In addition, ten replacement vehicles were purchased and included a replacement dump truck, a new boom truck, a forklift and several unmarked police vehicles.
- Infrastructure additions of nearly \$0.4 million are comprised mostly of traffic signal improvements, including the city-wide illuminated street sign upgrade project.

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

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- Just over \$328,000 was invested in sewer capacity and condition improvement projects at various locations and recorded as capital asset additions to the sewer system at June 30, 2024.

Additional information on the City's capital assets can be found in the Capital Assets and Depreciation note (7) and the Subscription-Based Information Technology Arrangements note (8) in the notes to the basic financial statements section of this report.

Long-Term debt. The City had total debt outstanding of \$81,882,236 at June 30, 2024. The following schedule summarizes the City's long-term liabilities.

Summary of Long-Term Debt As of June 30, 2024 and 2023			
	2024	2023	Change
Claims Payable	\$ 2,683,169	\$ 2,145,872	\$ 537,297
Compensated Absences	2,588,237	2,433,267	154,970
Retirees' Health Payable	9,300,612	9,178,933	121,679
Accrued Pension Liability	66,097,882	61,876,486	4,221,396
Subscription/Lease Liabilities	1,212,336	1,038,240	174,096
Total	<u>\$ 81,882,236</u>	<u>\$ 76,672,798</u>	<u>\$ 5,209,438</u>

Long-term debt activity during the fiscal year ended June 30, 2024 included:

- The change in claims payable is a result of higher outstanding claims for both workers' compensation and general liability matters when compared to the prior year. These amounts tend to fluctuate from year to year based on the timing of when claims are filed and eventually finalized. In recent years workers compensation claims, especially those involving police officers, have trended upward and total nearly \$2.4 million at June 30, 2024.
- Compensated absences increased by \$154,970. Compensated absence liabilities experience growth in years where there are few retirements or resignations of long-term employees, and when there are significant impacts related to negotiated cost of living wage adjustments, such as in the past year.
- In conjunction with GASB 75, the City had an actuarial valuation performed to determine the liability for other postemployment benefit (OPEB) plans as of June 30, 2024. The results of the actuarial valuation resulted in a modest increase to the City's liability for retiree's health benefits. Any changes in liability from year to year are due to many factors, including adjustment of the discount rate, as well as the ongoing impact of the actuarial requirement of an "implied subsidy" which results when the premiums paid by both active employees and retirees are the same. In these situations, such as with the City, the underlying assumption is the value of benefits to retirees exceeds those provided to active employees.

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- The City's pension liability associated with its defined benefit plans increased by over \$4.2 million during the fiscal year ended June 30, 2024. Year to year fluctuations in the pension liability can be large, and the most recent increases are directly attributable to the results of the annual actuarial valuations performed by the plan's administrators, CalPERS and OCERS.

The City has set aside over \$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, \$31.9 million is invested in the City's pension trust as of June 30, 2024. These trust amounts are legally restricted and may only be used to pay pension obligations.

Additional information on the City's long-term debt, pension plans and other postemployment retirement benefits can be found in the Subscription-Based Information Technology Arrangements note (8), the Other Long-Term Liabilities note (10), the Public Employees' Retirement System (CalPERS) note (11), the Terminated Orange County Employees Retirement System (OCERS) Defined Benefit Pension Plan note (13) and the Post-Employment Health Care Benefits note (14) in the notes to the basic financial statements section of this report.

Economic Factors and their impact on future City Budgets

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

The City's long-term financial position remains strong amidst a challenging, confused economy, high interest rates, and rising personnel costs. As was the case in FY 2023-24, the FY 2024-25 Budget is balanced thanks to interest earnings, but as the Five Year forecast included in the Budget highlights, Cypress remains dogged by a stubborn structural deficit that limits the City's options to absorb cost increases or enhance community service levels.

The projected deficits have two primary causes. The first cause is one that all California cities face: costs – especially personnel costs – increase faster than revenues and cities have very little ability to raise revenue. The second cause is unique to Cypress: the annual \$1.55 million of General Fund operating revenue dedicated to capital and infrastructure projects. City Councils have made this important annual investment for more than 20 years and Cypress' high-quality infrastructure and public facilities reflect it. However, this commitment is funded with revenues that would otherwise be available for operations and budget balancing.

CITY OF CYPRESS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2024

The \$1.55 million investment in capital and infrastructure is highlighted to underscore its importance to Cypress' success – not to suggest the City Council should abandon or decrease it. In fact, adjusting for inflation, the \$1.55 million investment has less than half the buying power it did in 2004. The community would be well served to increase the investment of operating revenue in capital and infrastructure projects if it could be accomplished without reducing services or staffing.

Fortunately, the deficits projected in the Five-Year Forecast can likely be offset by using amounts set-aside in the Budget Stabilization Reserve, which was established to bridge small budget deficits that are anticipated to rectify through operational efficiencies and prior fiscal year end budget savings.

The City has experienced small, projected budget deficits for the past several years. Fortunately, the deficits have proven to be *on paper only* and resolved when revenues exceeded sensible projections and/or some planned spending and projects did not come to pass.

Nonetheless, Cypress' long-term financial future must remain a top consideration for the City Council. In particular, City operations are heavily dependent on sales tax – a volatile revenue that is not generated evenly throughout the business community. Cypress relies on a handful of businesses for the majority of its sales tax, which means a disruption to any of those businesses could imperil City operations. To mitigate this risk, the City Council updated the City's sales tax estimating and budgeting practice a few years ago to limit reliance on sales tax funding for annual operations.

While the City's ability to generate additional revenue is limited, preserving Cypress' strong financial position requires the City Council to do all it can to support the success and vitality of Cypress' business parks and the Katella Avenue commercial corridor.

The result of a visionary public-private partnership more than 40 years ago that deftly blended Cypress' residential and commercial land uses, the business parks are Cypress' economic engine. The City's ongoing role in this partnership is to provide the regulatory environment and flexibility our business community needs to succeed. As the first generation of business park buildings are modernized and their uses evolve with the regional economy, the City must approach projects focused on the whole community and balance competing interests with an eye to the horizon.

City Councils, past and present, recognize the value of a balanced residential and commercial community and have approved many business support initiatives. These initiatives present the community the opportunity to bolster City revenues without increasing taxes. Cypress is one of just a few established, fully-developed cities in

CITY OF CYPRESS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2024

southern California that have not increased its local sales tax rate and does not have a utility user tax.

Investing in the business community to avoid higher taxes benefits residents and makes Cypress more attractive to businesses - a success sustaining cycle results in a community that is less likely to need to consider new taxes.

Our industry leading financial management practices are a justifiable source of community pride. Cypress is the only city to be recognized twice by former State Senator (and Certified Public Accountant) John Moorlach for having the strongest unrestricted net (fiscal) position of Orange County's 34 cities.

FY 2024-25 finds the City's short-term financial condition healthy, but navigating a variety of inflation-related challenges, an extraordinarily difficult employment market, and wobbling sales tax.

Inflation has hit capital projects especially hard. The estimated cost for every CIP project has increased dramatically because of inflation and supply shortages. Annual projects, like residential street resurfacing, have had their scope of work reduced compared to prior years or rely on funding from accumulated General Fund set-asides in the City's Infrastructure Bank. Fortunately, Cypress' strong financial management practices enable the City to fund CIP projects on a pay-as-you-go basis and avoid high borrowing costs.

Personnel costs are up \$2 million from FY 2023-24 and place considerable strain on City finances. While spending on personnel is an important investment in ensuring Cypress is served by highly capable professionals who are committed to preserving and promoting our community, the costs will be a challenge to sustain.

Employer pension costs are forecasted to continue to increase as CalPERS navigates high interest rates, international crises, and rising employee wages. Fortunately, the City Council recently approved a plan to fully offset Cypress' unfunded pension liabilities by 2030, likely making Cypress one of the first cities in the state with a public safety department to fully offset its pension liability without issuing debt. This remarkable accomplishment not only strengthens the City's financial position, it is an indelible commitment to our employees and their retirement security.

Revenues. The City's projected revenues for Fiscal Year 2024-25 are \$53.5 million and do not include any tax rate increases from the previous year. The Fiscal Year 2024-25 revenues included in the budget are five percent higher than the Fiscal Year 2023-24 adopted revenue budget.

The City's largest General fund revenue sources remain property tax (\$14 million including State backfills) and sales tax (\$12.9 million). Together, these two sources

CITY OF CYPRESS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2024

comprise nearly two-thirds of General Fund revenues. Budgeted property tax revenues have increased by \$1 million (7.9 percent) from the FY 2023-24 Budget. The increase is primarily attributed to higher assessed property values due to ownership turnover and the new construction of apartments and senior living dwellings. Sales tax receipts continue to grow year over year, which can be attributed to the ongoing impacts of inflation on the cost of taxable goods. While sales tax receipts can be volatile, especially during periods of economic uncertainty, the latest forecasts indicate modest growth for FY 2024-25.

Until about two years ago, investment earnings received on cash balances, had not been a major revenue source in the General Fund for well over a decade. However, Federal Reserve actions resulted in unprecedented interest rate hikes in 2022 which have held steady into 2024. While these increases are generally viewed as economically risky with the potential for negative short-term financial impacts to residents, local businesses and the City's revenue base, higher interest paid on Treasury-backed securities generates significant additional revenues to the City. Over the last few years, interest rates on Treasury notes have gone from close to zero to well over four percent. As such, investment earnings in FY 2024-25 continue to increase and are expected to be \$450,000 higher than the prior budget and nearly \$2 million more than the FY 2022-23 adopted budget. In short, the growth in investment earnings have been responsible for the FY 2023-24 Budget and FY 2024-25 Proposed Budget being balanced without the use of reserves.

Expenditures. Fiscal Year 2024-25 expenditures accomplish Strategic Plan goals and operating costs grow in response to a variety of factors, which includes the ongoing impacts inflation has on the cost of goods and services. Major expenditure highlights in the Fiscal Year 2024-25 Budget are as follows:

- ♦ Maintaining current service levels.
- ♦ Funding required CalPERS unfunded pension liability amortization increases.
- ♦ Incorporating negotiated and anticipated employee salary and benefit increases.
- ♦ Year one of the City's updated Seven Year Capital Improvement Program which totals \$14.6 million.
- ♦ Capital Outlay funding of just over \$0.7 million to acquire and/or replace computer software/hardware items, six vehicles and various tools and equipment.

**CITY OF CYPRESS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2024**

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, 2024

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and investments	\$ 184,885,757	\$ 8,916,384	\$ 193,802,141
Restricted cash and investments	31,931,565	-	31,931,565
Receivables:			
Taxes	3,397,030	965	3,397,995
Interest	1,729,156	75,572	1,804,728
Notes, net of allowance	125,846	-	125,846
Accounts	1,851,566	141,447	1,993,013
Leases	39,497	-	39,497
Prepaid items	169,864	-	169,864
Inventory	6,992	-	6,992
Net Pension Asset	641,475	-	641,475
Assets available for resale	1,421,708	-	1,421,708
Capital assets	26,645,994	23,042	26,669,036
Capital assets, net of depreciation/amortization	157,350,948	18,467,157	175,818,105
TOTAL ASSETS	<u>410,197,398</u>	<u>27,624,567</u>	<u>437,821,965</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred amount from pension plans	25,895,640	-	25,895,640
Deferred amount from OPEB	622,967	-	622,967
Deferred amount from OCERS	227,337	-	227,337
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>26,745,944</u>	<u>-</u>	<u>26,745,944</u>
LIABILITIES			
Accounts payable and other accrued liabilities	7,782,283	43,694	7,825,977
Deposits	1,683,121	-	1,683,121
Unclaimed property	101,931	-	101,931
Unearned revenue	1,115,507	-	1,115,507
Due to bondholders	153,575	-	153,575
Due to other governments	55,687	-	55,687
Long-term liabilities:			
Due within one year			
Subscriptions/Leases payable	326,770	-	326,770
Claims payable	670,792	-	670,792
Retirees' health payable (OPEB liability)	523,500	-	523,500
Compensated absences	647,059	-	647,059
Due in more than one year			
Subscriptions/Leases payable	885,566	-	885,566
Claims payable	2,012,377	-	2,012,377
Retirees' health payable (OPEB liability)	8,777,112	-	8,777,112
Compensated absences	1,941,178	-	1,941,178
Net pension liability	66,097,882	-	66,097,882
TOTAL LIABILITIES	<u>92,774,340</u>	<u>43,694</u>	<u>92,818,034</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred amount from leases	38,725	-	38,725
Deferred amount from CalPERS Pensions	2,933,670	-	2,933,670
Deferred amount from OPEB	1,674,355	-	1,674,355
Deferred amount from OCERS	443,079	-	443,079
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>5,089,829</u>	<u>-</u>	<u>5,089,829</u>
NET POSITION			
Net investment in capital assets	182,784,606	18,490,199	201,274,805
Restricted:			
Pension trust	31,931,565	-	31,931,565
Net Pension Asset	641,475	-	641,475
Public safety	1,368,339	-	1,368,339
Public works	16,628,687	-	16,628,687
Recreation	11,514,880	-	11,514,880
Sanitary sewer	-	9,090,674	9,090,674
Other	2,455,711	-	2,455,711
Unrestricted	91,753,910	-	91,753,910
TOTAL NET POSITION	<u>\$ 339,079,173</u>	<u>\$ 27,580,873</u>	<u>\$ 366,660,046</u>

See Accompanying Notes to the Basic Financial Statements.

CITY OF CYPRESS

STATEMENT OF ACTIVITIES

For the fiscal year ended June 30, 2024

		Program Revenues			Net (Expense) Revenues and Changes in Net Position		Total
		Charges for	Operating	Capital	Governmental	Business-type	
	Expenses	Services	Grants and Contributions	Grants and Contributions	Activities	Activities	
Governmental Activities:							
General government	\$ 7,620,519	\$ 284,795	\$ 82,423	\$ 67,958	\$ (7,185,343)	\$ -	\$ (7,185,343)
Community development	2,566,292	1,152,110	31,823	-	(1,382,359)	-	(1,382,359)
Public safety	22,380,579	408,438	1,210,954	-	(20,761,187)	-	(20,761,187)
Public works	16,733,394	1,322,443	3,328,561	2,203,873	(9,878,517)	-	(9,878,517)
Recreation	7,007,325	1,514,881	887,293	-	(4,605,151)	-	(4,605,151)
Total Governmental Activities	56,308,109	4,682,667	5,541,054	2,271,831	(43,812,557)	-	(43,812,557)
Business-type Activities:							
Sewer	908,788	1,593,387	39	-	-	684,638	684,638
Total	\$ 57,216,897	\$ 6,276,054	\$ 5,541,093	\$ 2,271,831	\$ (43,812,557)	\$ 684,638	\$ (43,127,919)
General Revenues:							
Taxes:							
Property tax, levied for general purpose					7,711,466	-	7,711,466
Property tax, levied for recreation purposes					7,326,746	-	7,326,746
Property tax, levied for lighting purposes					1,675,318	-	1,675,318
Property tax, levied for sewer purposes					-	42,876	42,876
Property tax, backfill of vehicle license fees					6,024,570	-	6,024,570
Sales tax					12,930,992	-	12,930,992
Transient occupancy tax					2,892,555	-	2,892,555
Franchise tax					2,112,395	-	2,112,395
Other taxes					1,828,529	-	1,828,529
Total taxes					42,502,571	42,876	42,545,447
Investment earnings (loss)					9,618,170	381,847	10,000,017
Miscellaneous					54,592	-	54,592
Total General Revenues					52,175,333	424,723	52,600,056
Change in Net Position					8,362,776	1,109,361	9,472,137
Net Position at Beginning of Year					330,716,397	26,471,512	357,187,909
Net Position at End of Year					\$ 339,079,173	\$ 27,580,873	\$ 366,660,046

See Accompanying Notes to the Basic Financial Statements.

CITY OF CYPRESS

BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2024

	Major Funds	
	General	Special Revenue
		Recreation and Park District
ASSETS		
Cash and investments	\$ 32,911,226	\$ 14,804,481
Receivables:		
Taxes	3,266,372	92,991
Accrued interest	648,920	134,147
Notes, net of allowance	59,117	-
Accounts	620,411	372,998
Leases	39,497	
Prepays	27,445	3,130
Inventory	-	2,215
Due from other funds	21,848	-
Advances to other funds	31,122	-
Land available for resale	-	-
TOTAL ASSETS	\$ 37,625,958	\$ 15,409,962
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES		
LIABILITIES:		
Accounts payable and other accrued liabilities	\$ 2,533,542	\$ 3,629,259
Deposits	1,664,726	18,395
Unclaimed property	101,631	300
Unearned revenue	634,503	247,128
Due to other funds	-	-
Advances from other funds	-	14,420,832
Due to bondholders	153,575	-
Due to other governments	55,687	-
TOTAL LIABILITIES	5,143,664	18,315,914
DEFERRED INFLOWS OF RESOURCES:		
Unavailable revenue	88,723	-
Leases	38,725	-
TOTAL DEFERRED INFLOWS OF RESOURCES	127,448	-
FUND BALANCES:		
Nonspendable	117,684	5,345
Restricted	28,944	-
Committed	9,983,343	-
Assigned	20,527,813	-
Unassigned	1,697,062	(2,911,297)
TOTAL FUND BALANCES	32,354,846	(2,905,952)
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 37,625,958	\$ 15,409,962

See Accompanying Notes to the Basic Financial Statements.

Major Funds (Continued)			
Special Revenue	City Capital Projects	Nonmajor Governmental	
Streets	Fund	Funds	Total
\$ 9,584,342	\$ 82,714,015	\$ 9,829,080	\$ 149,843,144
-	-	37,667	3,397,030
74,143	738,694	76,642	1,672,546
-	-	66,729	125,846
537,077	55,766	41,884	1,628,136
-	-	-	39,497
-	-	-	30,575
-	-	-	2,215
-	-	-	21,848
-	14,420,832	-	14,451,954
-	-	1,421,708	1,421,708
<u>\$ 10,195,562</u>	<u>\$ 97,929,307</u>	<u>\$ 11,473,710</u>	<u>\$ 172,634,499</u>
\$ 890,888	\$ 289,050	\$ 262,576	\$ 7,605,315
-	-	-	1,683,121
-	-	-	101,931
-	87,000	146,876	1,115,507
-	-	21,848	21,848
-	-	31,122	14,451,954
-	-	-	153,575
-	-	-	55,687
<u>890,888</u>	<u>376,050</u>	<u>462,422</u>	<u>25,188,938</u>
-	-	-	88,723
-	-	-	38,725
<u>-</u>	<u>-</u>	<u>-</u>	<u>127,448</u>
-	14,420,832	-	14,543,861
9,304,674	-	11,042,410	20,376,028
-	14,820,800	-	24,804,143
-	68,311,625	-	88,839,438
-	-	(31,122)	(1,245,357)
<u>9,304,674</u>	<u>97,553,257</u>	<u>11,011,288</u>	<u>147,318,113</u>
<u>\$ 10,195,562</u>	<u>\$ 97,929,307</u>	<u>\$ 11,473,710</u>	<u>\$ 172,634,499</u>

CITY OF CYPRESS

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

June 30, 2024

Fund Balances of Governmental Funds	\$ 147,318,113
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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 \$4,570,177 which is included in the amount reported below, the capital assets net of accumulated depreciation were equal to the following amount.

179,426,765

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

88,723

Long-term liabilities are not reported in the governmental funds.

Leases payable

(41,189)

Subscriptions payable

(240,072)

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.

12,526,833

Net Position of Governmental Activities

\$ 339,079,173

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, 2024

	Major Funds	
		Special Revenue
	General	Recreation and Park District
REVENUES:		
Taxes	\$ 33,896,339	\$ 7,326,746
Licenses and permits	1,029,241	-
Fines and forfeitures	251,811	-
Use of property	3,414,359	1,029,302
From other agencies	595,210	113,618
Charges for services	3,785,592	1,202,161
Other revenue	253,885	57,093
TOTAL REVENUES	43,226,437	9,728,920
EXPENDITURES:		
Current:		
General government	6,914,401	-
Community development	2,424,114	-
Public safety	20,738,949	-
Public works	7,117,062	-
Recreation	-	5,775,792
Capital outlay	10,918	16,950,867
TOTAL EXPENDITURES	37,205,444	22,726,659
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	6,020,993	(12,997,739)
OTHER FINANCING SOURCES (USES):		
Transfers in	940,237	-
Transfers out	(9,609,310)	(155,543)
Leases (as lessee)	10,918	-
TOTAL OTHER FINANCING SOURCES (USES)	(8,658,155)	(155,543)
NET CHANGE IN FUND BALANCES	(2,637,162)	(13,153,282)
FUND BALANCE - BEGINNING OF YEAR	34,992,008	10,247,330
FUND BALANCES - END OF YEAR	\$ 32,354,846	\$ (2,905,952)

Major Funds (Continued)			
Special Revenue	City Capital Projects	Nonmajor Governmental	
Streets	Fund	Funds	Total
\$ -	\$ -	\$ 1,743,276	\$ 42,966,361
-	-	-	1,029,241
-	-	59,107	310,918
386,288	4,219,295	393,001	9,442,245
4,061,577	-	259,276	5,029,681
380,373	-	98,789	5,466,915
157,871	-	123,556	592,405
<u>4,986,109</u>	<u>4,219,295</u>	<u>2,677,005</u>	<u>64,837,766</u>
-	-	-	6,914,401
-	-	12,970	2,437,084
-	-	269,088	21,008,037
2,726,741	2,393,478	1,305,822	13,543,103
-	-	-	5,775,792
205,394	977,238	407,323	18,551,740
<u>2,932,135</u>	<u>3,370,716</u>	<u>1,995,203</u>	<u>68,230,157</u>
<u>2,053,974</u>	<u>848,579</u>	<u>681,802</u>	<u>(3,392,391)</u>
-	5,458,734	-	6,398,971
(1,867,079)	(2,000,000)	(282,651)	(13,914,583)
-	-	-	10,918
<u>(1,867,079)</u>	<u>3,458,734</u>	<u>(282,651)</u>	<u>(7,504,694)</u>
186,895	4,307,314	399,151	(10,897,084)
<u>9,117,779</u>	<u>93,245,943</u>	<u>10,612,137</u>	<u>158,215,197</u>
<u>\$ 9,304,674</u>	<u>\$ 97,553,257</u>	<u>\$ 11,011,288</u>	<u>\$ 147,318,113</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, 2024

Net Change in Fund Balances - Total Governmental Funds	\$ (10,897,084)
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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 follow:

Cost of assets capitalized	18,551,740
Depreciation/amortization expense (less \$894,490 recorded in the Internal Service Funds)	(6,441,386)

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.	(52,380)
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The issuance of long-term debt, including leases and subscription-based information technology arrangements, provides current financial resources to governmental funds, while repayment of the principal of long-term debt consumes the current financial resources of the governmental funds.

Principal payments on subscriptions	96,383
Leases entered into	(10,918)
Principal payments on leases	12,623

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

Unavailable revenue	(27,827)
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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.

7,131,625

Change in Net Position of Governmental Activities	<u>\$ 8,362,776</u>
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See Accompanying Notes to the Basic Financial Statements.

CITY OF CYPRESS

STATEMENT OF NET POSITION PROPRIETARY FUNDS

June 30, 2024

	Business-type Activities - Enterprise Funds	Governmental Activities - Internal Service Funds
	Sewer Fund	
ASSETS		
CURRENT ASSETS:		
Cash and investments	\$ 8,916,384	\$ 35,042,613
Restricted cash with fiscal agents	-	31,931,565
Receivables:		
Taxes	965	-
Accrued interest	75,572	56,610
Accounts	141,447	223,430
Prepaid items	-	139,289
Inventory	-	4,777
TOTAL CURRENT ASSETS	9,134,368	67,398,284
NON-CURRENT ASSETS:		
Net pension asset	-	641,475
Construction in progress	23,042	17,257
Equipment (Net)	-	3,543,820
Subscription assets (Net)	-	1,009,100
Infrastructure (Net)	18,467,157	-
TOTAL NON-CURRENT ASSETS	18,490,199	5,211,652
TOTAL ASSETS	27,624,567	72,609,936
DEFERRED OUTFLOWS OF RESOURCES		
Deferred amount from PERS pension plans	-	25,895,640
Deferred amount from OPEB	-	622,967
Deferred amount from OCERS pension plans	-	227,337
TOTAL DEFERRED OUTFLOWS OF RESOURCES	-	26,745,944
LIABILITIES		
CURRENT:		
Accounts payable and other accrued liabilities	43,694	176,967
Subscriptions		229,571
Accrued claims and judgments	-	670,792
Retiree's health payable	-	523,500
Accrued compensated absences	-	647,059
TOTAL CURRENT LIABILITIES	43,694	2,247,889
NONCURRENT:		
Subscriptions	-	701,504
Accrued claims and judgments	-	2,012,377
Retirees' health payable	-	8,777,112
Accrued compensated absences	-	1,941,178
Net pension liability	-	66,097,882
TOTAL NONCURRENT LIABILITIES	-	79,530,053
TOTAL LIABILITIES	43,694	81,777,942
DEFERRED INFLOWS OF RESOURCES		
Deferred amount from PERS pension plans	-	2,933,670
Deferred amount from OPEB	-	1,674,355
Deferred amount from OCERS pension plan	-	443,079
TOTAL DEFERRED INFLOWS OF RESOURCES	-	5,051,104
NET POSITION		
Net investment in capital assets	18,490,199	3,639,102
Restricted:		
PARS trust	-	31,931,565
Net Pension Asset	-	641,475
Sanitary sewer	9,090,674	-
Unrestricted	-	(23,685,309)
TOTAL NET POSITION	\$ 27,580,873	\$ 12,526,833

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, 2024

	Business-type Activities - Enterprise Funds	Governmental Activities - Internal Service Funds
	Sewer Fund	
OPERATING REVENUES:		
Charges for services	\$ 1,593,387	\$ 19,724,730
Other revenue	-	1,366,214
TOTAL OPERATING REVENUES	<u>1,593,387</u>	<u>21,090,944</u>
OPERATING EXPENSES:		
Personnel services	-	1,410,633
Contractual services	-	14,232,668
Supplies and other services	-	6,334,047
Claim payments and changes in estimates	-	856,958
Sewer maintenance	323,082	-
Depreciation/amortization	585,706	894,490
TOTAL OPERATING EXPENSES	<u>908,788</u>	<u>23,728,796</u>
OPERATING INCOME	<u>684,599</u>	<u>(2,637,852)</u>
NON-OPERATING REVENUES (EXPENSES):		
Taxes	42,876	-
From other agencies	39	-
Interest income (loss)	381,847	2,238,667
Gain (loss) on disposal of equipment	-	15,198
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>424,762</u>	<u>2,253,865</u>
INCOME BEFORE TRANSFERS	<u>1,109,361</u>	<u>(383,987)</u>
TRANSFERS:		
Transfers in	-	7,587,356
Transfers out	-	(71,744)
TOTAL TRANSFERS	<u>-</u>	<u>7,515,612</u>
CHANGE IN NET POSITION	1,109,361	7,131,625
NET POSITION - BEGINNING OF YEAR	<u>26,471,512</u>	<u>5,395,208</u>
NET POSITION - END OF YEAR	<u>\$ 27,580,873</u>	<u>\$ 12,526,833</u>

See Accompanying Notes to the Basic Financial Statements.

CITY OF CYPRESS

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS

For the fiscal year ended June 30, 2024

	Business-type Activities - Enterprise Funds Sewer Fund	Governmental Activities - Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from users	\$ 1,593,387	\$ 20,966,743
Cash payments to suppliers for goods and services	(260,058)	(17,057,229)
Cash payments to employees	(140,943)	(1,413,155)
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>1,192,386</u>	<u>2,496,359</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
From taxes and other agencies	42,915	-
Transfers in	-	7,587,356
Transfers out	-	(71,744)
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	<u>42,915</u>	<u>7,515,612</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Proceeds from disposal of capital assets	-	19,336
Acquisition of capital assets	(204,372)	(1,518,786)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(204,372)</u>	<u>(1,499,450)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest on investments	381,847	2,247,092
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>381,847</u>	<u>2,247,092</u>
INCREASE (DECREASE) IN CASH AND INVESTMENTS	1,412,776	10,759,613
CASH AND INVESTMENTS - BEGINNING OF YEAR	<u>7,526,523</u>	<u>56,214,565</u>
CASH AND INVESTMENTS - END OF YEAR	<u><u>\$ 8,939,299</u></u>	<u><u>\$ 66,974,178</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income	\$ 684,599	\$ (2,637,852)
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation/amortization	585,706	894,490
Changes in assets and liabilities:		
Accounts receivable decreased (increased)	-	(21,141)
Prepaid items decreased (increased)	-	(121,201)
Inventory decreased (increased)	-	5,296
Deferred outflows decreased (increased)	-	1,686,370
Accounts payable and other accrued liabilities increased (decreased)	(77,919)	(18,532)
Other accrued liabilities increased (decreased)	-	269,967
Insurance claims payable increased (decreased)	-	537,297
Accrued retirees' health payable increased (decreased)	-	121,680
Accrued leave payable increased (decreased)	-	154,971
Accrued pension liability increased (decreased)	-	3,579,921
Deferred inflows increased (decreased)	-	(1,954,907)
TOTAL ADJUSTMENTS	<u>507,787</u>	<u>5,134,211</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u><u>\$ 1,192,386</u></u>	<u><u>\$ 2,496,359</u></u>

See Accompanying Notes to the Basic Financial Statements.

CITY OF CYPRESS

STATEMENT OF FIDUCIARY NET POSITION FIDUCIARY FUNDS

June 30, 2024

	Custodial Funds
ASSETS	
Cash and cash equivalents	\$ 4,571,407
Receivables:	
Accrued interest	40,671
Accounts	24,078
Prepaid items	38,528
TOTAL ASSETS	4,674,684
LIABILITIES	
Current liabilities	
Accounts payable and other accrued liabilities	125,964
Unearned revenue	40,965
Accrued leave payable	77,908
Total current liabilities	244,837
Noncurrent liabilities	
Accrued leave payable	233,724
Retirees' health payable	946,947
Due to other governments	1,208,342
Total noncurrent liabilities	2,389,013
TOTAL LIABILITIES	2,633,850
NET POSITION	
Restricted for:	
Member agencies	2,040,834
TOTAL NET POSITION	\$ 2,040,834

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, 2024

	Custodial Funds
ADDITIONS:	
Member contributions	\$ 3,174,994
Investment income	214,367
Other revenue	161,532
TOTAL ADDITIONS	<u>3,550,893</u>
DEDUCTIONS:	
Dispatch services	<u>3,315,144</u>
TOTAL DEDUCTIONS	<u>3,315,144</u>
CHANGE IN NET POSITION	235,749
NET POSITION - BEGINNING OF YEAR,	<u>1,805,085</u>
NET POSITION - END OF YEAR	<u><u>\$ 2,040,834</u></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, 2024

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

Cypress Recreation and Park District

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

Cypress Recreation and Community Services Foundation

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

B. Accounting and Reporting Policies

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

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

Government-Wide Financial Statements

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

CITY OF CYPRESS

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2024

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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.

The City reports the following major governmental funds:

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

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

CITY OF CYPRESS

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2024

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

The City reports the following major proprietary fund:

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

Additionally, the City reports the following fund types:

Governmental Funds

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

Proprietary Funds

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

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

CITY OF CYPRESS

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2024

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

statements. To the extent possible, the cost of these services is reported in the appropriate functional activity (general government, public safety, public works, etc.)

Fiduciary Funds

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

Custodial Funds – Custodial funds are used to report fiduciary activities in which the City acts as an agent.. The City's only custodial funds are the amounts held on behalf of the West Cities Communication Center Joint Powers Authority.

D. Cash and Investments

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

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

Restricted Cash and Investments

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

E. Inventories and Prepaid Items

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

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

F. Advances to Other Funds

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

CITY OF CYPRESS

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2024

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

G. Capital Assets

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

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Depreciation/amortization 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	Leased assets	2 to 10 years
Machinery and Equipment	3 to 10 years	Subscription assets	2 to 10 years
Infrastructure	20 to 65 years		

H. Compensated Absences

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

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

I. Long-Term Obligations

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources.

Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

CITY OF CYPRESS

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2024

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

J. Other Postemployment Benefits (OPEB)

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

The Employees' Benefit Internal Service Fund, which is funded primarily through charges from the General Fund, is typically used to liquidate OPEB liabilities.

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

Valuation Date	June 30, 2024
Measurement Date	June 30, 2024
Measurement Period	July 1, 2023 to June 30, 2024

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

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

K. Net Position and Fund Equity

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

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

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

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

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

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

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

CITY OF CYPRESS

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2024

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

L. Spending Policy

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

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

M. Use of Estimates

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

N. New Accounting Pronouncements

Current Year Standards:

The City adopted the following new accounting pronouncements:

- GASB Statement No. 99 – "Omnibus 2022" effective for fiscal years beginning after June 15, 2023.
- GASB Statement No. 100 – "Accounting Changes and Error Corrections" effective for fiscal years beginning after June 15, 2023.

CITY OF CYPRESS

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2024

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

O. Deferred Outflows/Inflows of Resources

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

There are various deferred outflow amounts related to CalPERS pensions. First is the amount of employer contributions made after the measurement date of the net pension liability, which will be recognized in the following fiscal year. The second item is a deferred outflow related to pensions for the net difference between projected and actual earnings on pension plan investments, which will be amortized over five years. Other items include the difference between expected and actual experience, changes in assumptions, and the adjustments due to differences in proportions. These amounts are amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions determined for the June 30, 2023 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 the combined difference between expected and actual experience and assumption changes, which will be recognized over the average expected remaining service lives of all employees that are provided with pensions through OCERS, which for this measurement period is 5.35 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, 2024 measurement date, which is 8.4 years.

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

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

The second item is a deferred inflow related to pensions. For CalPERS pensions, the deferred inflow is the result of differences in expected and actual actuarial experience, changes in actuarial assumptions, adjustments due to changes in proportions, and differences between employer's contributions, the proportionate share of contributions, and differences between projected and actual earnings. The changes in projected and actual investment earnings are recognized over five years, beginning with the year in which they occur. The remaining items are amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions. For CalPERS pensions, the remaining service life as determined for the June 30, 2024 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 expected average remaining service lives of plan participants.

CITY OF CYPRESS

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2024

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

P. Pensions

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

NOTE 2: PROPERTY TAXES

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

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

NOTE 3: CASH AND INVESTMENTS

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

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)

CITY OF CYPRESS

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2024

NOTE 3: CASH AND INVESTMENTS (continued)

- 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, 2024, the carrying amount of the City's demand deposits was \$1,550,364. The bank balances of these funds totaled \$2,276,553 and were either covered by federal depository insurance or were held in collateralized accounts. If there were amounts not covered by federal depository insurance, the California Government Code requires California banks and savings and loans associations to secure a City's deposit by pledging government securities with a value of 110% of a City's deposits, or by pledging first trust deed mortgage notes having a total value of 150% of the City's total deposits.

The following is a summary of pooled cash and investments, including restricted cash and investments, as of June 30, 2024:

	Government Wide Statement of Net Position		Fiduciary Funds	
	Governmental Activities	Business-type Activities	Statement of Net Position	Totals
Cash and investments	\$ 184,885,757	\$ 8,916,384	\$ 4,571,407	\$ 198,373,548
Restricted cash and investments	31,931,565	-	-	31,931,565
Totals	<u>\$ 216,817,322</u>	<u>\$ 8,916,384</u>	<u>\$ 4,571,407</u>	<u>\$ 230,305,113</u>

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

CITY OF CYPRESS

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2024

NOTE 3: CASH AND INVESTMENTS (continued)

Cash and investments, as of June 30, 2024, consist of the following deposits, and investments and maturities:

	Total	12 Months or Less	13 to 24 Months	25 to 60 Months
Deposits:				
Demand Deposits	\$ 1,550,364	\$ 1,550,364	\$ -	\$ -
Investments:				
State of California Local Agency Investment Fund	53,801,066	53,801,066	-	-
Federal Farm Credit Bank	41,574,646	21,833,330	4,806,766	14,934,550
Federal Home Loan Mortgage Corporation	37,415,682	32,439,632	4,976,050	-
Federal Home Loan Bank	54,436,940	2,909,940	16,923,470	34,603,530
United States Treasury	9,594,850	-	-	9,594,850
Restricted Cash and Investments:				
PARS Mutual Funds	31,931,565	31,931,565	-	-
Total Cash and Investments	<u>\$230,305,113</u>	<u>\$144,465,897</u>	<u>\$26,706,286</u>	<u>\$ 59,132,930</u>

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, 2024, investments in one issuer representing 5% or more of the City's total investments were as follows:

Issuer	Investment Type	Fair Value
Federal Farm Credit Bank	U.S. Government-Sponsored Enterprise Securities	\$ 41,574,646
Federal Home Loan Bank	U.S. Government-Sponsored Enterprise Securities	\$ 54,436,940
Federal Home Loan Mortgage Corp	U.S. Government-Sponsored Enterprise Securities	\$ 37,415,682

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, 2024, 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 566 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, 2024, the City's money market mutual accounts were rated AA+ by Standard & Poor's. The Federal Farm Credit Bank and Federal Home Loan Bank investments were rated AA+ rated by Standard & Poor's and Aaa by Moody's. The California Local Agency Investment Fund (LAIF) is not rated, but has a separate investment policy governed by Government Code Sections 16480-16481.2 that provides credit standards for its investments. There is no minimum legal rating.

Custodial Credit Risk. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. All securities owned by the City with the exception of LAIF and CalTRUST are deposited in trust for safekeeping with a custodial bank. Securities are

CITY OF CYPRESS

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2024

NOTE 3: CASH AND INVESTMENTS (continued)

not held in broker accounts. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: California Government Code requires a financial institution to secure deposits made by local governments by pledging securities in an undivided collateral pool held by a depository regulated under state law. The fair value of pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the governments. The investment in a Repurchase Agreement is uninsured with the collateral for the repurchase agreement held in the name of the bank but not the name of the City. For investments identified herein as held by a fiscal agent, the trustee selects the investment under the terms of the applicable trust agreement, acquires the investment, and holds the investment on behalf of the City.

External Investment Pool

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

The City values its investments in LAIF at a fair value provided by LAIF. LAIF determines fair value on its investment portfolio based on market quotations for those securities where market quotations are readily available, and on amortized cost or best estimate for those securities where market value is not readily available. At June 30, 2024 the factor used was 0.996316042. The City's investment with LAIF includes a portion of pool funds invested in structured notes and asset-backed securities. As of June 30, 2024, the City had total deposits of \$54,000,000 invested in LAIF, with a fair value of \$53,801,066. LAIF had invested 1.40% of its portfolio in structured notes and medium-term asset-backed securities.

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

Fair Value Measurements

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

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

Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets in active markets that the City has the ability to access.

Level 2: Inputs to the valuation methodology include:

- Quoted prices for similar assets in active markets;
- Quoted prices for identical or similar assets in inactive markets;
- Inputs other than quoted prices that are observable for the asset;
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

CITY OF CYPRESS

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2024

NOTE 3: CASH AND INVESTMENTS (continued)

Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement. Unobservable inputs reflect the City's own assumptions about the inputs market participants would use in pricing the asset (including assumptions about risk). Unobservable inputs are developed based on the best information available in the circumstances and may include the City's own data.

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

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

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

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

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

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

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

NOTE 4: NOTES RECEIVABLE

Changes in Notes Receivable

The following is a summary of note receivable transactions for governmental activities for the year ended June 30, 2024:

Description	Balance July 1, 2023	Additions	Deletions	Balance June 30, 2024	Classification	
					Due Within One Year	Due in More than One Year
Home Loans	\$ 414,280	\$ -	\$ (62,890)	\$ 351,390	\$ 10,000	\$ 341,390
Housing Covenants	10,687,256	272,879	-	10,960,135	-	10,960,135
Other Notes	4,710	-	(429)	4,281	428	3,853
Subtotal	11,106,246	272,879	(63,319)	11,315,806	10,428	11,305,378
Less: Allow ance	(10,977,700)	(272,879)	60,619	(11,189,960)	-	(11,189,960)
Total	\$ 128,546	\$ -	\$ (2,700)	\$ 125,846	\$ 10,428	\$ 115,418

CITY OF CYPRESS

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2024

NOTE 4: NOTES RECEIVABLE (continued)

Home Loans

The dissolved Cypress Redevelopment Agency (Agency) administered two loan programs to assist qualified low and/or moderate income applicants. Upon dissolution of the Agency, the administration and the outstanding notes associated with these two loan programs were transferred to the City's Low and Moderate Housing Assets Special Revenue Fund. The Home Equity Loan Program (HELP 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.

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 \$121,565 (which is net of an allowance of \$229,825 for forgivable loans) at June 30, 2024 in both the fund financial statements and the government-wide statements.

Housing Covenants

The City holds notes receivable totaling \$10,960,135 (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 \$595,129 at June 30, 2024, 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 \$712,189 at June 30, 2024, are forgivable at the end of the covenant term.

CITY OF CYPRESS

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2024

NOTE 4: NOTES RECEIVABLE (continued)

In 2004, the Agency entered into an affordable housing agreement to provide a \$774,473 loan to Habitat for Humanity of Orange County to acquire a property and build seven (7) townhome units known as the Cypress Heather development. The units were sold to very low income families (with incomes not exceeding 50% of the County's median). Each family assumed one-seventh of the Agency's loan with Habitat and these loans were recorded in 2007 and secured 45 year affordability covenants on the units. The loans provide for interest to accrue at a rate of 7% and be added to the loan principal each year. The loans, totaling \$774,473 plus accrued interest of \$1,511,898 at June 30, 2024, are forgivable at the end of the 45 year term.

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

In the fund financial statements, a note receivable is recorded upon initial funding of the loan with a corresponding amount recorded as an allowance for uncollectable amount since these notes will likely be forgiven prior to payment being due. This results in no impact to the fund balance reported in the fund financial statements. Similarly, in the government-wide statements, a note receivable is recorded when issued to the homeowner and would be decreased upon a repayment. However since all the loans associated with covenants are forgivable and will likely never be repaid, an allowance for forgivable loans of \$10,960,135 has fully offset the amount reported as notes receivable in the government-wide statements at June 30, 2024.

Other Notes

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

NOTE 5: INTERFUND TRANSACTIONS

Interfund Balances

The following summarizes the total due and due from other funds as of June 30, 2024:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Nonmajor Governmental Funds	\$ 21,848
		<u>\$ 21,848</u>

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

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Nonmajor Governmental Funds	\$ 31,122
Capital Projects Fund	Recreation and Park District	14,420,832
		<u>\$ 14,451,954</u>

CITY OF CYPRESS

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2024

NOTE 5: INTERFUND TRANSACTIONS (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 2023-24, \$67,461 was repaid, leaving a remaining balance of \$31,122 at June 30, 2024. It is anticipated the advance will be fully repaid by fiscal year 2024-25.

On February 8, 2021, the City approved an advance of up to \$12,800,000 from the City Capital Projects Fund to the Cypress Recreation and Park District Special Revenue Fund for the construction of Lexington Park. Note repayment will use eligible park development fee revenues, with the majority of revenues available for repayment expected to be associated with the development of the Los Alamitos Race Course. The note has an initial repayment term of five years, with the understanding the note will be renewed and repayment deferred until sufficient park development receipts are available. The District will pay annual interest to the City on the outstanding note balance at the rate earned by the California Local Agency Investment Fund (LAIF)

A total of \$12,293,975 was loaned to the District for Lexington Park construction, and repayments to the City using available park development fees total \$8,484,563 through June 30, 2024. All interest has been paid through the end of the fiscal year and the outstanding balance on the note totaled \$3,809,413 at June 30, 2024. The project is complete and no further advances will be made. Future repayments will be determined based on the availability of park development revenues.

On February 13, 2023, the City approved an advance of up to \$1,275,000 from the City Capital Projects Fund to the Cypress Recreation and Park District Special Revenue Fund for design costs associated with the reconstruction of Arnold Cypress Park. The note establishes an applicable interest rate equal to the amount earned on the California Local Agency Investment Fund. A total of \$874,206 was advanced for the design. This advance was fully repaid on June 30, 2024, including interest of \$36,001, in accordance with the terms of the note.

On November 13, 2023, the City approved an advance of up to \$33,500,000 from the City Capital Projects Fund to the Cypress Recreation and Park District Special Revenue Fund for the reconstruction of Arnold Cypress Park. The note establishes an interest rate of 2.0% per annum. Annual payments of \$2 million per year, inclusive of interest, will be made from District resources beginning June 30, 2025. Fiscal Year 2023-24 advances totaled \$10,611,419, which equals the outstanding balance at June 30, 2024. Additional proceeds up to \$22,888,581, which represents the remaining authorized limit on the note, will occur in the coming year.

Interfund Transfers

With City Council approval, resources may be transferred from one City fund to another. The purpose of transfers is to move funding from its original source to the fund in which the authorized expenditures occur. Transfers between funds during the fiscal year ended June 30, 2024 are as follows:

CITY OF CYPRESS

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2024

NOTE 5: INTERFUND TRANSACTIONS (continued)

		Transfers Out						
		General Fund	Recreation and Park District Fund	Streets Fund	Capital Projects Fund - City	Internal Services Funds	Non-major Governmental Funds	Totals
Transfers In	General Fund	\$ -	\$ -	\$ 685,257	\$ -	\$ -	\$ 254,980	\$ 940,237
	Capital Projects Fund - City	4,276,912	-	1,181,822	-	-		5,458,734
	Internal Service Funds	5,332,398	155,543	-	2,000,000	71,744	27,671	7,587,356
	Totals	\$ 9,609,310	\$ 155,543	\$ 1,867,079	\$ 2,000,000	\$ 71,744	\$ 282,651	\$ 13,986,327

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 and administrative costs associated with the Stanton Channel Maintenance District and Lighting District funds.

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

The transfer to the Capital Projects Fund – City from the Streets Fund provided funding for eligible capital improvements for residential street resurfacing, frontage road landscape improvements, and a water conservation study.

The transfer to the Internal Service Funds from the General Fund provided \$4,850,000 to the Employees' Benefit Fund for investment in the pension trust and \$282,000 for information technology and capital equipment.

The transfers to the Internal Service Funds from the Recreation and Park District fund provided \$150,000 for future OCERS pension costs and \$5,543 for the purchase of capital outlay items in the City's Central Services Funds.

The transfer to the Internal Service Funds from the Capital Projects Fund - City provided additional funds for the investment in the pension trust.

The transfer within the Internal Service Funds moved proceeds received in the Liability Self-Insurance Fund from a vehicle accident to the Central Services Internal Service Fund for the replacement of the vehicle.

The transfer to the Internal Service Funds from the Non-major Governmental Funds provided funds for the purchase of Police equipment.

CITY OF CYPRESS

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2024

NOTE 6: ASSETS AVAILABLE FOR RESALE

During the fiscal year ended June 30, 2004, the former Redevelopment Agency acquired a parcel of land with a cost of \$1,421,708 located at 5732 Lincoln Avenue. At the time of purchase, it was the intent of the Agency to resell this parcel for the development of low and moderate income housing units. The parcel was transferred to the City upon dissolution of the Agency on February 1, 2012. In March 2024, the City entered into an agreement to sell the property. The sale is expected to be completed in FY 2024-25. As of June 30, 2024, 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.

NOTE 7: CAPITAL ASSETS AND DEPRECIATION/AMORTIZATION

In accordance with GASB 34, the City has reported all capital assets including infrastructure in the Government-Wide Statement of Net Position. The City elected to use the basic approach (as defined by GASB 34) for all infrastructure reporting in which depreciation expense and accumulated depreciation/amortization has been recorded. At June 30 2024, the City's capital assets consisted of the following:

	Governmental Activities				Balance June 30, 2024
	Balance June 30, 2023	Additions	Deletions	Transfers	
Capital Assets, Not Depreciated/Amortized:					
Land	\$ 9,734,882	\$ 2,707,711	\$ -	\$ -	\$ 12,442,593
Construction in Progress	1,867,115	12,970,288	-	(634,002)	14,203,401
Total, Not Depreciated/Amortized	11,601,997	15,677,999	-	(634,002)	26,645,994
Capital Assets, Being Depreciated/Amortized:					
Buildings and Improvements	62,107,516	2,607,512	(1,346,706)	297,640	63,665,962
Machinery and Equipment	11,774,630	994,763	(495,422)	225,642	12,499,613
Infrastructure	236,931,361	255,310	-	110,720	237,297,391
Lease Assets	53,896	11,588	-	-	65,484
Subscription Assets	1,289,619	523,354	(12,285)	-	1,800,688
Total, Being Depreciated/Amortized	312,157,022	4,392,527	(1,854,413)	634,002	315,329,138
Less Accumulated Depreciation/Amortization:					
Buildings and Improvements	(22,553,255)	(1,811,696)	1,288,117	-	(23,076,834)
Machinery and Equipment	(8,722,991)	(718,544)	491,284	-	(8,950,251)
Infrastructure	(120,937,785)	(4,496,934)	-	-	(125,434,719)
Lease Assets	(2,455)	(12,942)	-	-	(15,397)
Subscription Assets	(217,514)	(295,760)	12,285	-	(500,989)
Total Accumulated Depreciation/Amortization	(152,434,000)	(7,335,876)	1,791,686	-	(157,978,190)
Total Depreciated/Amortized, Net	159,723,022	(2,943,349)	(62,727)	634,002	157,350,948
Governmental Activities Capital Assets, Net	\$ 171,325,019	\$ 12,734,650	\$ (62,727)	\$ -	\$ 183,996,942

Depreciation/amortization expense was charged to functions/programs of governmental activities for the fiscal year ended June 30, 2024 as follows:

General Government	\$ 422,139
Community Development	35,956
Recreation	1,147,178
Public Safety	272,482
Public Works	4,563,631
Internal Service Funds Depreciation/Amortization (Charged to Programs Based on Usage)	894,490
Total Depreciation/Amortization Expense - Governmental Activities	<u>\$ 7,335,876</u>

CITY OF CYPRESS

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2024

NOTE 7: CAPITAL ASSETS AND DEPRECIATION/AMORTIZATION (continued)

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

	Business-type Activities				Balance June 30, 2024
	Balance June 30, 2023	Additions	Deletions	Transfers	
Capital Assets, Not Depreciated:					
Construction in Progress	\$ 146,810	\$ 23,042	\$ -	\$ (146,810)	\$ 23,042
Total, Not Depreciated	146,810	23,042	-	(146,810)	23,042
Capital Assets, Being Depreciated:					
Infrastructure	35,140,462	181,330	-	146,810	35,468,602
Total, Being Depreciated	35,140,462	181,330	-	146,810	35,468,602
Less Accumulated Depreciation:					
Infrastructure	(16,415,739)	(585,706)	-	-	(17,001,445)
Total Accumulated Depreciation	(16,415,739)	(585,706)	-	-	(17,001,445)
Total Depreciated, Net	18,724,723	(404,376)	-	146,810	18,467,157
Business-type Activities Capital Assets, Net	\$ 18,871,533	\$ (381,334)	\$ -	\$ -	\$ 18,490,199

Depreciation expense for business-type activities for the fiscal year ended June 30, 2024 was charged as follows:

Sewer	\$ 585,706
Total Depreciation Expense - Business-type Activities	\$ 585,706

Construction Commitments

The City has active construction projects as of June 30, 2024. The projects include traffic signals, streets, and sewers. At fiscal year-end, the City's encumbrances with contractors were as follows:

	Remaining Commitment
Capital Projects - Park District	\$ 23,292,350
Capital Projects - City	2,684,055
Streets Fund	429,124
Lighting Fund	1,139,344
Totals	\$ 27,544,873

CITY OF CYPRESS

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2024

NOTE 8: SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS

For the year ended June 30, 2024, the City reported the following Subscription-Based Information Technology Arrangements under GASB Statement No. 96. The primary objective of this statement is to enhance the relevance and consistency of information about governments' subscription activities. This statement establishes a single model for subscription accounting based on the principle that subscriptions are financings of the right to use an underlying asset. Under this statement, an organization is required to recognize a subscription liability and an intangible right-to-use subscription asset. Information on the subscription asset and liability as of June 30, 2024 is as follows:

<u>Major Class of Underlying Asset</u>	<u>Amount of Subscription Assets</u>	<u>Accumulated Amortization</u>
Software as a service	<u>\$ 1,800,688</u>	<u>\$ 500,989</u>

<u>Description</u>	<u>Balance July 1, 2023</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2024</u>	<u>Due Within One Year</u>	<u>Due in More Than One Year</u>
Subscription Liability	<u>\$ 995,346</u>	<u>\$ 523,353</u>	<u>\$ 347,552</u>	<u>\$ 1,171,147</u>	<u>\$ 314,099</u>	<u>\$ 857,048</u>

The future principal and interest subscription payments as of June 30, 2024 are as follows:

<u>Fiscal Year</u>	<u>Principal Payments</u>	<u>Interest Payments</u>	<u>Total Payments</u>
2025	\$ 314,099	\$ 19,951	\$ 334,050
2026	318,851	14,207	333,058
2027	223,584	7,922	231,506
2028	205,942	5,821	211,763
2029	108,671	1,043	109,714
	<u>\$ 1,171,147</u>	<u>\$ 48,944</u>	<u>\$ 1,220,091</u>

NOTE 9: LEASES

For the year ended June 30, 2024, the City reported the following leases under GASB Statement No. 87:

<u>Major Class of Underlying Asset</u>	<u>Amount of Leased Assets</u>	<u>Accumulated Amortization</u>
Equipment		
Governmental Funds	<u>\$ 65,484</u>	<u>\$ 15,397</u>
Totals	<u>\$ 65,484</u>	<u>\$ 15,397</u>

CITY OF CYPRESS

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2024

NOTE 9: LEASES (Continued)

Description	Balance July 1, 2023	Additions	Deletions	Balance June 30, 2024	Due Within One Year	Due in More Than One Year
Lease Liability						
Governmental Funds	\$ 42,894	\$ 10,918	\$ 12,623	\$ 41,189	\$ 12,671	\$ 28,518
	<u>\$ 42,894</u>	<u>\$ 10,918</u>	<u>\$ 12,623</u>	<u>\$ 41,189</u>	<u>\$ 12,671</u>	<u>\$ 28,518</u>

The future principal and interest lease payments as of June 30, 2024 are as follows:

Fiscal Year	Principal Payments	Interest Payments	Total Payments
2025	\$ 12,671	\$ 956	\$ 13,627
2026	12,963	665	13,628
2027	13,261	366	13,627
2028	2,294	61	2,355
	<u>\$ 41,189</u>	<u>\$ 2,048</u>	<u>\$ 43,237</u>

NOTE 10: OTHER LONG-TERM LIABILITIES

During the year ended June 30, 2024, in addition to the subscription-based information technology arrangements in Note 8, leases in Note 9, net pension liability in Notes 12 and 14, other post-employment benefits in Note 15, and claims payable in Note 17, the City had the following changes in Other Long-Term Liabilities:

Description	Balance July 1, 2023	Additions	Deletions	Balance June 30, 2024	Classification	
					Due Within One Year	Due in More than One Year
Compensated Absences	\$ 2,433,267	\$ 1,617,039	\$ (1,462,069)	\$ 2,588,237	\$ 647,059	\$ 1,941,178
	<u>\$ 2,433,267</u>	<u>\$ 1,617,039</u>	<u>\$ (1,462,069)</u>	<u>\$ 2,588,237</u>	<u>\$ 647,059</u>	<u>\$ 1,941,178</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

For the Fiscal Year Ended June 30, 2024

NOTE 11: PUBLIC EMPLOYEES' RETIREMENT SYSTEM (CALPERS)

Pension Plan Summaries

	Net Pension Liability/(Asset)	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense/ (Revenue)
CalPERS				
Safety	\$ 38,058,614	\$ 15,463,193	\$ 1,463,773	\$ 6,009,012
Miscellaneous	28,039,268	10,432,447	1,469,897	4,002,470
OCERS *	(641,475)	227,337	443,079	(91,758)
	<u>\$ 65,456,407</u>	<u>\$ 26,122,977</u>	<u>\$ 3,376,749</u>	<u>\$ 9,919,724</u>

* See Note 14 for information on the OCERS Pension Plan

A. General Information about the Pension Plan

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

Benefits Provided: CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 to 62 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for the plan are applied as specified by the Public Employees' Retirement Law. The plans' provisions and benefits in effect at June 30, 2024, are summarized as follows:

CITY OF CYPRESS

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2024

NOTE 11: PUBLIC EMPLOYEES' RETIREMENT SYSTEM (CALPERS) (Continued)

	Miscellaneous	
	Prior to January 1, 2013	On or After January 1, 2013
Hire date		
Benefit formula	2.0% at 55	2.0% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	50-63	52-67
Monthly benefits, as a percentage of eligible compensation	1.426% - 2.418%	1.000% - 2.500%
Required employee contribution rates	7.000%	8.250%
Required employer contribution rates:		
Normal cost rate	13.120%	8.620%
Payment of unfunded liability	\$2,041,771	\$0

	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%	14.500%
Required employer contribution rates:		
Normal cost rate	29.090%	14.500%
Payment of unfunded liability	\$2,550,240	\$6,967

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

CITY OF CYPRESS

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2024

NOTE 11: PUBLIC EMPLOYEES' RETIREMENT SYSTEM (CALPERS) (continued)

B. Net Pension Liability

The City's net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each Plan is measured as of June 30, 2023, 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, 2022 rolled forward to June 30, 2023 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, 2022 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	June 30, 2022
Measurement Date	June 30, 2023
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	6.90%
Inflation	2.30%
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 2.30% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.30% thereafter

(1) The mortality table used was developed based on the CalPERS-specific data. The probabilities are based on the 2021 CalPERS Experience Study and Review of Actuarial Assumptions. Mortality rates incorporate full generational mortality improvement using 80% of Scale MP-2020 published by the Society of Actuaries. For more details on this table, please refer to the 2021 experience study from November 2021 that can be found on the CalPERS website.

Change of Assumptions: There were no changes in assumptions.

Discount Rate: The discount rate used to measure the total pension liability was 6.90 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

CITY OF CYPRESS

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2024

NOTE 11: PUBLIC EMPLOYEES' RETIREMENT SYSTEM (CALPERS) (continued)

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations. Using historical returns of all of the funds' asset classes, expected compound (geometric) returns were calculated over the next 20 years using a building-block approach. The expected rate of return was then adjusted to account for assumed administrative expenses of 10 basis points. The expected real rates of return by asset class are as follows:

Asset Class	Assumed Asset Allocation	Real Return ^{(1),(2)}
Global Equity - Cap-Weighted	30.00%	4.54%
Global Equity - Non-Cap-Weighted	12.00%	3.84%
Private Equity	13.00%	7.28%
Treasury	5.00%	0.27%
Mortgage-backed Securities	5.00%	0.50%
Investment Grade Corporates	10.00%	1.56%
High Yield	5.00%	2.27%
Emerging Market Debt	5.00%	2.48%
Private Debt	5.00%	3.57%
Real Assets	15.00%	3.21%
Leverage	(5.00%)	(0.59%)
Total	100.00%	

(1) An expected inflation rate of 2.30% was used for this period.

(2) Figures are based on the 2022 Asset Liability Management Study

C. Changes in the Net Pension Liability

Proportionate Share of Net Pension Liability: As of June 30, 2023, 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	\$ 38,058,614
Miscellaneous Plan	28,039,268
Total Net Pension Liability	\$ 66,097,882

CITY OF CYPRESS

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2024

NOTE 11: PUBLIC EMPLOYEES' RETIREMENT SYSTEM (CALPERS) (continued)

The City's net pension liability for both the Safety and Miscellaneous Plans is measured as the proportionate share of the net pension liability. The net pension liability is measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2022 rolled forward to June 30, 2023 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, 2022 and 2023 was as follows:

	<u>Miscellaneous</u>	<u>Safety</u>
Proportion - June 30, 2022	0.2288%	0.1887%
Proportion - June 30, 2023	<u>0.2248%</u>	<u>0.2823%</u>
Change - Increase (Decrease)	(0.0040%)	0.0936%

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	5.90%	\$41,565,732	\$54,924,932	\$96,490,664
Current Discount Rate	6.90%	28,039,268	38,058,614	66,097,882
1 % Increase	7.90%	16,905,827	24,269,200	41,175,027

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

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

For the year ended June 30, 2024, the City recognized pension expense of \$4,022,470 in the Miscellaneous Plan; \$6,009,012 in the Safety Plan; and (\$91,758) in the Terminated OCERS Plan (Note 14) for a total of \$9,919,724. At June 30, 2024, the City reported deferred outflows and deferred inflows of resources related to CalPERS pensions as follows:

CITY OF CYPRESS

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2024

NOTE 11: PUBLIC EMPLOYEES' RETIREMENT SYSTEM (CALPERS) (continued)

Miscellaneous Plan	Deferred Outflows of Resources	Deferred Inflows of Resources
City contributions subsequent to measurement date	\$ 2,767,382	\$ -
Changes of assumptions	1,692,856	-
Differences between expected and actual experience	1,432,399	(222,199)
Net difference between projected and actual earnings on pension plan investments	4,539,810	-
Adjustments due to differences in proportions	-	(346,763)
Changes in proportion and differences between contributions and proportionate share of	-	(900,935)
Total	<u>\$ 10,432,447</u>	<u>\$ (1,469,897)</u>

Safety Plan	Deferred Outflows of Resources	Deferred Inflows of Resources
City contributions subsequent to measurement date	\$ 4,043,188	\$ -
Changes of assumptions	2,221,151	-
Differences between expected and actual experience	2,794,204	(239,213)
Net difference between projected and actual earnings on pension plan investments	5,208,311	-
Adjustments due to differences in proportions	837,724	(34,448)
Changes in proportion and differences between contributions and proportionate share of	358,615	(1,190,112)
Total	<u>\$ 15,463,193</u>	<u>\$ (1,463,773)</u>

The amount reported as deferred outflows of resources related to contributions subsequent to the measurement date of \$2,767,382 for the Miscellaneous Plan and \$4,043,188 for the Safety Plan, totaling \$6,810,570, will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2025. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Fiscal Year Ending June 30,	Deferred Outflows/(Inflows) of Resources		
	Miscellaneous Plan	Safety Plan	Total
2025	\$ 1,578,689	\$ 3,224,552	\$ 4,803,241
2026	1,129,709	2,302,671	3,432,380
2027	3,356,505	4,283,636	7,640,141
2028	130,265	145,373	275,638
2029	-	-	-
	<u>\$ 6,195,168</u>	<u>\$ 9,956,232</u>	<u>\$ 16,151,400</u>

CITY OF CYPRESS

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2024

NOTE 12: 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, 2024, the City’s payroll covered by the plan was \$723,053. Employee contributions to the plan totaled \$54,229. The City does not contribute to the plan.

NOTE 13: TERMINATED ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM DEFINED BENEFIT PENSION PLAN

A. General Information about the Pension Plan

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

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

OCERS issues a publicly available financial report that includes financial statements and required supplementary information for the cost-sharing plans administered by OCERS. The report can be obtained online at www.ocers.org, 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.

CITY OF CYPRESS

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2024

NOTE 13: TERMINATED ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM DEFINED BENEFIT PENSION PLAN (continued)

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

Per the terms of the Agreement, OCERS will recalculate the unfunded actuarial accrued liability (UAAL) attributable to the District every three years beginning December 31, 2020, and at least every three years thereafter. For purposes of the recalculation, the District's employees are treated as a closed group and the District's assets and liabilities will be segregated from the remaining assets of the retirement system. Based on the recalculation, in the event there is any new pension liability, the District shall satisfy the obligation to OCERS 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 Liability/(Asset), Pension Expenses, and Deferred Outflows/Inflows of Resources

As of December 31, 2023, the District reported a net pension asset for the OCERS plan of \$641,475. The net pension liability(asset) was measured as of December 31, 2022, and 2021. The Plan's Fiduciary Net Position (plan assets) was valued as of the measurement date while the Total Pension Liability (TPL) was determined based upon rolling forward the TPL from actuarial valuations as of December 31, 2022 and 2021, respectively.

The District's net pension liability/(asset) and proportionate share of the total net pension liability as of December 31, 2023 and 2023 was as follows:

	<u>OCERS</u>	<u>Proportionate Share</u>
Net Pension Liability - December 31, 2022	61,016	0.001%
Net Pension Liability/(Asset) - December 31, 2023	<u>(641,475)</u>	<u>(0.013%)</u>
Change in Liability/(Asset)	(702,491)	(0.014%)

CITY OF CYPRESS

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2024

NOTE 13: TERMINATED ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM DEFINED BENEFIT PENSION PLAN (continued)

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

Valuation Date	December 31, 2022
Measurement Date	December 31, 2023
Actuarial Experience Study	Three-year period ended December 31, 2022 and dated August 11, 2023.
Actuarial Cost Method	Entry age normal
Actuarial Assumptions	
Inflation	2.50%
Salary Increases	General: 3.9% to 8.0%
Investment Rate of Return	7%, net of pension plan investment expense
Discount Rate	7.00%

Mortality Assumptions: The underlying mortality assumptions used in the actuarial valuation were based on the results of the actuarial experience study for the period January 1, 2020 through December 31, 2022 using the Public Retirement Plans Mortality tables (Pub-2010) published by the Society of Actuaries. Within the Pub-2010 family of mortality tables, OCERS has adopted both the General and Safety Amount-Weighted Above-Median Mortality Tables (adjusted for OCERS experience), projected generationally with the two-dimensional mortality improvement scale MP- 2021, and adjusted separately for healthy and disabled for both general and safety members.

Discount Rate: The discount rate used to determine the total pension liability was 7.00% as of December 31, 2023 and 2022. 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. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the Plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments for current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of December 31, 2023 and December 31, 2022.

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 (beginning with December 31, 2023, including only investment consultant fees, custodian fees and other miscellaneous investment expenses and fees but excluding investment manager fees) and a risk margin. Beginning with December 31, 2023 this portfolio return is further adjusted to an expected geometric real rate of return for the portfolio. The target allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation, are shown in the following table. For December 31, 2022 these rates are before deducting investment management expenses while for December 31, 2023 they are after deducting applicable investment management expenses. This information was used in the derivation of the long-term expected investment rate of return assumption in the actuarial valuations for December 31, 2023 and December 31, 2022. This information will change every three years based on the results of an actuarial experience study.

CITY OF CYPRESS

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2024

NOTE 13: TERMINATED ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM DEFINED BENEFIT PENSION PLAN (continued)

Asset Class	Target Allocation	Long-Term Expected Arithmetic Real Rate of Return ⁽¹⁾
Global Equity	45.00%	7.05%
Investment Grade Bonds	9.00%	1.97%
High Yield Bond	0.50%	4.63%
TIPS	2.00%	1.77%
Emerging Market Debt	0.50%	4.72%
Long-Term Government Bonds	3.30%	2.82%
Real Estate	3.00%	3.86%
Private Equity	15.00%	9.84%
Private Credit	3.50%	6.47%
Value Added Real Estate	3.00%	7.38%
Opportunistic Real Estate	1.00%	9.74%
Energy	2.00%	10.89%
Infrastructure (Core Private)	1.00%	5.98%
Infrastructure (Non-Core Private)	3.00%	8.88%
Global Macro	1.70%	3.17%
CTA (Trend Following)	3.30%	3.15%
Alternative Risk Premia	1.70%	3.24%
Special Situations Lending	1.50%	8.96%
Total	100.00%	6.55%

(1) Arithmetic real rates of return are net of inflation.

Sensitivity of the Net Pension Liability/(Asset) 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/(Asset)		
	Discount Rate	
1% Decrease	Current Rate	1% Increase
6.00%	7.00%	8.00%
\$372,692	(\$641,475)	(\$1,470,530)

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

CITY OF CYPRESS

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2024

NOTE 13: TERMINATED ORANGE COUNTY EMPLOYEES RETIREMENT SYSTEM DEFINED BENEFIT PENSION PLAN (continued)

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

For the year ended June 30, 2024, the District recognized pension income of \$91,758 in the OCERS Plan. At June 30, 2024, 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	\$ 101,487	\$ (438,432)
Net difference between projected and actual earnings on pension plan investments	108,620	-
Changes of assumptions	17,230	(4,647)
Total	<u>\$ 227,337</u>	<u>\$ (443,079)</u>

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

Measurement Periods Ending June 30,	OCERS Plan Deferred Outflows/ (Inflows) of Resources
2025	\$ (48,338)
2026	(25,370)
2027	27,736
2028	(137,758)
2029	(32,012)
Thereafter	-
	<u>\$ (215,742)</u>

NOTE 14: 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 (\$157 per month in 2024) 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.

CITY OF CYPRESS

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2024

NOTE 14: POST-EMPLOYMENT HEALTH CARE BENEFITS (continued)

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, \$125, or \$185 per month for full-time employees based on employee association.

Employees Covered

As of the June 30, 2024 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	105	9	118
Eligible Retirees - Enrolled	71	24	n/a
Eligible Retirees - Not Enrolled	82	0	n/a

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, 2024, 71 retirees were receiving the PEMHCA benefit and the cost to the City for the year ended June 30, 2024 was \$133,509. The City paid an additional \$81,228 to 24 retirees during the year for the Supplemental Health Care Benefit. For the measurement date ended June 30, 2024, the City's cash contributions were \$214,737, 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, 2024, the City's contribution towards the implicit subsidy was \$293,525.

The Retiree Health Savings Plan (RHS) is a defined contribution plan. Eligible employees receive either \$75, \$125, or \$185 per month, depending on bargaining unit, deposited in an individual Retiree Health Savings Account. During the fiscal year ended June 30, 2024, the City paid \$133,425 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.

CITY OF CYPRESS

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2024

NOTE 14: POST-EMPLOYMENT HEALTH CARE BENEFITS (continued)

Total OPEB Liability

The City's total OPEB liability of \$9,300,612 was based on an actuarial valuation as of June 30, 2024, a measurement date of June 30, 2024 and a discount rate of 3.97%. The total OPEB liability was determined using the following assumptions

Actuarial Cost Method	Entry Age, Level Percent of Pay
Actuarial Assumptions	
Discount Rate ⁽¹⁾	
As of 6/30/24	3.97%
Inflation	2.50%
Salary increases	2.75%
Mortality rate	(2)
Healthcare cost-trend rates	5.50 percent for 2024, 5.25 percent for 2025-2029, 5.00 percent for 2030-2039, 4.75 percent for 2040-2049, 4.50 percent for 2050-2069, and 4.00 percent for 2070 and later years; Medicare ages: 4.50 percent for 2024-2029 and 4.00 percent for 2030 and later years.

(1) The discount rate was based on the Bond Buyer's 20-year bond General Obligation Index.

(2) Mortality rates were based on the 2000-2019 CalPERS Experience Study Mortality Rates for Safety and Miscellaneous Employees, as appropriate for the population.

Changes in the OPEB Liability

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

Balance at June 30, 2023	\$ 9,178,932
Changes recognized for the measurement period:	
Service cost	388,301
Interest	359,579
Change of benefit terms	-
Difference between expected and actual experience	-
Changes of assumptions *	(117,938)
Benefit payments, including implicit subsidy	(508,262)
Net changes	121,680
Balance at June 30, 2024	<u>\$ 9,300,612</u>

CITY OF CYPRESS

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2024

NOTE 14: POST-EMPLOYMENT HEALTH CARE BENEFITS (continued)

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

The following presents the total OPEB liability as of June 30, 2024 calculated using the discount rate of 3.97%, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.97%) or one percentage point higher (4.97%) than the current rate:

	1% Decrease (2.97%)	Current Rate (3.97%)	1% Increase (4.97%)
Plan's net OPEB liability/(asset)	\$ 10,465,097	\$ 9,300,612	\$ 8,327,213

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, 2024, as well as what the total OPEB liability would be if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates:

	1% Decrease	Current Healthcare Trend Rate	1% Increase
Plan's net OPEB liability/(asset)	\$ 8,118,650	\$ 9,300,612	\$ 10,776,840

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, 2024, the City recognized OPEB expense of \$812,173.

Deferred Outflows/Inflows of Resources Related to OPEB

As of the fiscal year ended June 30, 2024, 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	\$ 227,511	\$ (185,473)
Changes of assumptions	395,456	(1,488,882)
Total	\$ 622,967	\$ (1,674,355)

CITY OF CYPRESS

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2024

NOTE 14: POST-EMPLOYMENT HEALTH CARE BENEFITS (continued)

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

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

<u>Fiscal Year Ending June 30,</u>	<u>Deferred Outflows/ (Inflows) of Resources</u>
2025	\$ (3,779)
2026	(236,055)
2027	(236,055)
2028	(236,055)
2029	(224,268)
Thereafter	<u>(115,176)</u>
Total	<u>\$ (1,051,388)</u>

NOTE 15: 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, 2024, \$31,931,565 in restricted cash and investment in the Employees’ Benefit Internal Service Fund is restricted for pension contribution stabilization.

NOTE 16: SELF INSURANCE

At June 30, 2024 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 14 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, 2024. Upon termination of CIPA, and after settlement of all claims, any excess or deficit will be divided among the cities in proportion to the amount of their contributions.

CITY OF CYPRESS

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2024

NOTE 16: SELF INSURANCE (Continued)

Liabilities associated with the self-insurance program area are accrued when incurred in the internal service funds (using the accrual basis of accounting). The amount accrued represents estimates of amounts to be paid for reported claims and incurred-but-not-yet-reported claims based upon past experience, modified for current trends and information. While the ultimate amount of losses incurred through June 30, 2024 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, 2024, the Liability Insurance Fund and the Workers' Compensation Fund had reserves for catastrophic losses of \$1,931,796 and \$1,205,741, respectively, which are reported as net position in these funds. The claims liabilities of \$332,733 and \$2,350,436 reported in the Liability Insurance and Workers' Compensation Funds, respectively, at June 30, 2024, are based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that the liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

Changes in the claims liability amounts during the fiscal years ended June 30, 2023 and June 30, 2024 are as follows:

	Liability Insurance	Workers' Compensation	Total Claims
Liability - June 30, 2022	\$ 196,094	\$ 2,294,321	\$ 2,490,415
Current year claims	47,259	313,014	360,273
Changes in estimates	5,646	(350,189)	(344,543)
Claims payments	(47,259)	(313,014)	(360,273)
Liability - June 30, 2023	<u>\$ 201,740</u>	<u>\$ 1,944,132</u>	<u>\$ 2,145,872</u>
Current year claims	48,135	136,829	184,964
Changes in estimates	130,993	406,304	537,297
Claims payments	(48,135)	(136,829)	(184,964)
Liability - June 30, 2024	<u>\$ 332,733</u>	<u>\$ 2,350,436</u>	<u>\$ 2,683,169</u>
Due within one year	\$ 83,183	\$ 587,609	\$ 670,792
Due in more than one year	249,550	1,762,827	2,012,377
	<u>\$ 332,733</u>	<u>\$ 2,350,436</u>	<u>\$ 2,683,169</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

For the Fiscal Year Ended June 30, 2024

NOTE 17: CLASSIFICATION OF NET POSITION

	Government Wide Statement of Net Position		
	Governmental Activities	Business-type Activities	Totals
Capital Assets	\$ 341,975,132	\$35,491,644	\$ 377,466,776
Less: Accumulated Depreciation	(157,978,190)	(17,001,445)	(174,979,635)
Less: Subscriptions and Leases Payable	(1,212,336)	-	-
Net Investment in Capital Assets	182,784,606	18,490,199	201,274,805
Restricted for:			
Public Safety	1,368,339	-	1,368,339
Public Works-Street Maintenance and Improvements	9,304,674	-	9,304,674
Public Works-Street Lighting	6,006,255	-	6,006,255
Public Works-Local Drainage Improvements	1,125,357	-	1,125,357
Public Works-Other	192,401	-	192,401
Total - Public Works	16,628,687	-	16,628,687
Sanitary Sewer System	-	9,090,674	9,090,674
Recreation	11,477,275	-	11,477,275
Recreation-Open Space Improvements	3,631	-	3,631
Recreation-Facility and Service Enhancements	33,974	-	33,974
Total-Recreation	11,514,880	-	11,514,880
Other-Pension Trust	31,931,565	-	31,931,565
Other-Promotional Activities	28,944	-	28,944
Other-Low and Moderate Income Housing	1,503,704	-	1,503,704
Other-Net Pension Asset	641,475	-	641,475
Other-Cable Television Equipment	846,354	-	846,354
Other-Tobacco Grant	55,508	-	55,508
Other-Office of Traffic Safety Grant	20,827	-	20,827
Other-Department of Justice Grant	374	-	374
Total-Other	3,097,186	-	3,097,186
Total Restricted	64,540,657	9,090,674	73,631,331
Unrestricted	91,753,910	-	91,753,910
Total Net Position	\$ 339,079,173	\$27,580,873	\$ 366,660,046

CITY OF CYPRESS

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2024

NOTE 17: CLASSIFICATION OF NET POSITION (continued)

The City's Net Position at June 30, 2024 is summarized as follows:

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

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

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

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

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

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

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

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

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

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

Restricted for Other – Pension Trust – This restriction represents 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 – Net Pension Asset – This restriction represents the Net Pension Asset for the Terminated Orange County Employees Retirement System.

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.

CITY OF CYPRESS

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2024

NOTE 17: CLASSIFICATION OF NET POSITION (continued)

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

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

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

NOTE 18: CLASSIFICATIONS OF FUND BALANCES

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

	General Fund	Recreation and Park District Fund	Streets Fund	City Capital Projects Fund	Nonmajor Governmental Funds	Totals
Nonspendable						
Prepays	\$ 27,445	\$ 3,130	\$ -	\$ -	\$ -	\$ 30,575
Notes Receivable	59,117	-	-	-	-	59,117
Inventory	-	2,215	-	-	-	2,215
Advances to Other Funds	31,122	-	-	14,420,832	-	14,451,954
Total Nonspendable	117,684	5,345	-	14,420,832	-	14,543,861
Restricted						
Notes Receivable	-	-	-	-	66,729	66,729
Prepays	-	-	-	-	-	-
Inventory	-	-	-	-	-	-
Community Promotion	28,944	-	-	-	-	28,944
Open Space	-	-	-	-	-	-
Youth League Renovations	-	-	-	-	-	-
Senior Center Enhancements	-	-	-	-	-	-
Facility and Service Enhancements	-	-	-	-	-	-
Recreation	-	-	-	-	-	-
Streets	-	-	9,304,674	-	-	9,304,674
Local Drainage	-	-	-	-	1,125,357	1,125,357
Landscape Maintenance	-	-	-	-	192,401	192,401
Street Lighting	-	-	-	-	6,006,255	6,006,255
Cable Television Equipment	-	-	-	-	846,354	846,354
Police	-	-	-	-	1,368,339	1,368,339
Low and Moderate Income Housing	-	-	-	-	1,436,975	1,436,975
Total Restricted	28,944	-	9,304,674	-	11,042,410	20,376,028
Committed						
Stabilization Agreement	9,983,343	-	-	-	-	9,983,343
Capital Improvements	-	-	-	14,820,800	-	14,820,800
Total Committed	9,983,343	-	-	14,820,800	-	24,804,143
Assigned						
Future Capital Improvements	4,950,000	-	-	68,311,625	-	73,261,625
Pension Investment	2,000,000	-	-	-	-	2,000,000
Business Relocation Stabilization	2,500,000	-	-	-	-	2,500,000
Budget Stabilization	2,000,000	-	-	-	-	2,000,000
Pandemic Recovery Plan	5,585,437	-	-	-	-	5,585,437
Storm Drainage	2,098,475	-	-	-	-	2,098,475
Carryover Appropriations	1,393,901	-	-	-	-	1,393,901
Total Assigned	20,527,813	-	-	68,311,625	-	88,839,438
Unassigned	1,697,062	(2,911,297)	-	-	(31,122)	(1,245,357)
Total Fund Balances	\$ 32,354,846	\$ (2,905,952)	\$ 9,304,674	\$ 97,553,257	\$ 11,011,288	\$ 147,318,113

CITY OF CYPRESS

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2024

NOTE 18: CLASSIFICATIONS OF FUND BALANCES (continued)

The stabilization agreement amount of \$9,983,343 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.

NOTE 19: 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.

NOTE 20: JOINT VENTURE

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

The purpose of the JPA is to save the participants some individual expense through the sharing of communication obligations. The JPA intends to utilize the personnel and resources of the member agencies to provide financial, legal, personnel, risk management and other services as needed. The City of Cypress provides the JPA with financial and human resources services. The City has no equity interest in the JPA and does not receive a share of the operating results. Accordingly, the assets and liabilities of the JPA are shown in the City's Custodial Fund. Separate audited financial statements of the West Cities Communications Center Joint Powers Authority are available by contacting the City of Cypress, 5275 Orange Ave., Cypress, CA 90630.

NOTE 21: ECONOMIC ASSISTANCE AGREEMENT TAX ABATEMENT

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

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

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

CITY OF CYPRESS

Notes to the Basic Financial Statements

For the Fiscal Year Ended June 30, 2024

NOTE 21: ECONOMIC ASSISTANCE AGREEMENT TAX ABATEMENT (continued)

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

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

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

During the fiscal year ended June 30, 2024, the landlord received \$450,000 in economic assistance under this Third Amendment, and the minimum cumulative threshold was met.

NOTE 22: OTHER REQUIRED FUND DISCLOSURES

The Recreation and Park District Special Revenue Fund had a deficit fund balance of (\$2,905,952) at June 30, 2024 due to outstanding advances payable to the City Capital Project Fund. The proceeds from these advances, totaling \$14,420,832 at June 30, 2024, were used to pay for the reconstruction of Arnold Cypress Park and are scheduled to be repaid over the next 20 years.

The Employees' Benefit Internal Service Fund had a deficit net position of (\$16,515,051) at June 30, 2024 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 (\$31,122) at June 30, 2024 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, 2024 was \$31,122.

NOTE 23: SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 20, 2025, the date the financial statements were available for issuance, and determined no subsequent events occurred that require disclosure.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF CYPRESS

Required Supplementary Information

For the Fiscal Year Ended June 30, 2024

(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, 2024

Budgetary Comparison Schedule, General Fund

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 32,375,000	\$ 32,375,000	\$ 33,896,339	\$ 1,521,339
Licenses and permits	1,012,330	1,012,330	1,029,241	16,911
From other agencies	581,045	1,254,252	595,210	(659,042)
Charges for services	4,338,210	4,338,210	3,785,592	(552,618)
From use of property	1,806,739	1,806,739	3,414,359	1,607,620
Fines and forfeitures	202,000	202,000	251,811	49,811
Other revenue	62,500	62,500	253,885	191,385
TOTAL REVENUES	40,377,824	41,051,031	43,226,437	2,175,406
EXPENDITURES				
Current:				
General government - Legislative	910,014	2,052,014	2,033,962	18,052
General government - Administration	2,383,058	3,545,155	2,766,303	778,852
General government - Finance	2,437,302	2,463,767	2,114,136	349,631
Public safety - Police	22,072,588	22,276,763	20,738,949	1,537,814
Community development - Planning	1,692,373	3,292,103	1,783,231	1,508,872
Community development - Building	838,743	838,743	640,883	197,860
Public works - Engineering	1,961,380	2,033,709	1,877,448	156,261
Public works - Maintenance	6,219,034	6,303,145	5,239,614	1,063,531
Capital outlay	-	-	10,918	(10,918)
TOTAL EXPENDITURES	38,514,492	42,805,399	37,205,444	5,599,955
EXCESS OF REVENUES OVER EXPENDITURES	1,863,332	(1,754,368)	6,020,993	(3,424,549)
OTHER FINANCING SOURCES (USES):				
Transfers in	1,029,730	1,776,610	940,237	(836,373)
Transfers out	(2,967,841)	(10,317,011)	(9,609,310)	(707,701)
Leases (as lessee)	-	-	10,918	(10,918)
TOTAL OTHER FINANCING SOURCES (USES)	(1,938,111)	(8,540,401)	(8,658,155)	(1,554,992)
NET CHANGE IN FUND BALANCE	\$ (74,779)	\$ (10,294,769)	(2,637,162)	\$ (4,979,541)
FUND BALANCE - BEGINNING OF YEAR			34,992,008	
FUND BALANCE - END OF YEAR			\$ 32,354,846	

CITY OF CYPRESS

Required Supplementary Information, Continued

For the Fiscal Year Ended June 30, 2024

Budgetary Comparison Schedule, Recreation and Park District Special Revenue Fund

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Taxes	\$ 6,772,000	\$ 6,772,000	\$ 7,326,746	\$ 554,746
From use of property	857,210	857,210	1,029,302	172,092
From other agencies	286,000	286,000	113,618	(172,382)
Charges for services	717,000	717,000	1,202,161	485,161
Other revenue	-	-	57,093	57,093
TOTAL REVENUES	<u>8,632,210</u>	<u>8,632,210</u>	<u>9,728,920</u>	<u>1,096,710</u>
EXPENDITURES				
Current:				
Recreation	6,329,019	6,616,242	5,775,792	840,450
Capital outlay	<u>29,560,000</u>	<u>41,494,941</u>	<u>16,950,867</u>	<u>24,544,074</u>
TOTAL EXPENDITURES	<u>35,889,019</u>	<u>48,111,183</u>	<u>22,726,659</u>	<u>25,384,524</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(27,256,809)</u>	<u>(39,478,973)</u>	<u>(12,997,739)</u>	<u>(24,287,814)</u>
OTHER FINANCING SOURCES (USES):				
Transfers out	(176,962)	(176,962)	(155,543)	(21,419)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(176,962)</u>	<u>(176,962)</u>	<u>(155,543)</u>	<u>(21,419)</u>
NET CHANGE IN FUND BALANCE	<u>\$ (27,433,771)</u>	<u>\$ (39,655,935)</u>	<u>(13,153,282)</u>	<u>\$ (24,309,233)</u>
FUND BALANCE - BEGINNING OF YEAR			<u>10,247,330</u>	
FUND BALANCE - END OF YEAR			<u>\$ (2,905,952)</u>	

CITY OF CYPRESS

Required Supplementary Information, Continued

For the Fiscal Year Ended June 30, 2024

Budgetary Comparison Schedule, Streets Special Revenue Fund

	Budgeted Amounts			Variance with Final Budget- Positive (Negative)
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
REVENUES				
From use of property	\$ 130,000	\$ 130,000	\$ 386,288	\$ 256,288
From other agencies	4,109,650	4,109,650	4,061,577	(48,073)
Charges for services	500	500	380,373	379,873
Other revenue	-	-	157,871	157,871
TOTAL REVENUES	<u>4,240,150</u>	<u>4,240,150</u>	<u>4,986,109</u>	<u>745,959</u>
EXPENDITURES				
Current:				
Public works	3,150,000	3,851,428	2,726,741	1,124,687
Capital outlay	360,000	594,783	205,394	389,389
TOTAL EXPENDITURES	<u>3,510,000</u>	<u>4,446,211</u>	<u>2,932,135</u>	<u>1,514,076</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>730,150</u>	<u>(206,061)</u>	<u>2,053,974</u>	<u>(768,117)</u>
OTHER FINANCING USES				
Operating transfers in	-	-	-	-
Transfers out	(835,350)	(3,854,068)	(1,867,079)	(1,986,989)
TOTAL OTHER FINANCING USES	<u>(835,350)</u>	<u>(3,854,068)</u>	<u>(1,867,079)</u>	<u>(1,986,989)</u>
NET CHANGE IN FUND BALANCE	<u>\$ (105,200)</u>	<u>\$ (4,060,129)</u>	186,895	<u>\$ (2,755,106)</u>
FUND BALANCE - BEGINNING OF YEAR			<u>9,117,779</u>	
FUND BALANCE - END OF YEAR			<u>\$ 9,304,674</u>	

CITY OF CYPRESS
Required Supplementary Information, Continued
For the Fiscal Year Ended June 30, 2024

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

Reporting Date ² as of June 30,	Proportion of the Net Pension Liability/(Asset)	Proportionate Share of Net Pension Liability/(Asset)	Covered Payroll	Proportionate Share of the Net Pension Liability as a % of Covered Payroll	Plan's Fiduciary Net Position as a % of the Total Pension Liability	Proportionate Share of Aggregate Employer Contributions
<u>CalPERS Miscellaneous Cost-Sharing, Multiple Employer Pension Plan</u>						
2024	0.2248%	\$ 28,039,268	\$ 6,189,228	453.0%	76.2%	\$ 2,992,113
2023	0.2288%	26,433,257	5,866,594	450.6%	76.7%	3,613,771
2022	0.2433%	13,156,618	6,135,709	214.4%	85.7%	3,094,471
2021	0.2079%	22,615,628	6,072,109	372.5%	74.7%	2,980,733
2020	0.2039%	20,897,731	6,385,921	327.2%	75.9%	2,722,708
2019	0.1986%	19,136,711	6,863,694	278.8%	76.8%	2,418,263
<u>CalPERS Safety Cost-Sharing, Multiple Employer Pension Plan</u>						
2024	0.2823%	\$ 38,058,614	\$ 6,596,839	576.9%	76.2%	\$ 3,382,844
2023	0.1887%	35,382,213	6,228,738	568.0%	76.7%	5,468,129
2022	0.3621%	19,580,447	5,651,021	346.5%	82.1%	4,784,748
2021	0.2801%	30,471,506	5,590,681	545.0%	71.4%	3,927,236
2020	0.2715%	27,821,165	5,953,364	467.3%	72.5%	3,222,885
2019	0.2665%	25,683,654	5,823,413	441.0%	73.4%	2,986,119
2018	0.2553%	25,320,193	5,539,232	457.1%	72.7%	2,331,004
2017	0.2542%	21,996,187	5,634,190	390.4%	73.9%	2,149,038
2016	0.2462%	16,900,538	5,200,954	325.0%	79.0%	2,163,119
2015	0.2388%	14,861,787	5,075,058	292.8%	81.0%	1,792,684
<u>Terminated Orange County Employees Retirement System Plan (OCERS)</u>						
2024	-0.0130%	\$ (641,475)	\$ -	N/A	115.2%	N/A
2023	0.0010%	61,016	-	N/A	98.7%	N/A
2022	-0.0050%	(103,379)	-	N/A	102.2%	N/A
2021	0.0040%	185,117	-	N/A	96.0%	N/A
2020	0.0050%	262,415	-	N/A	94.2%	N/A
2019	0.0700%	408,781	-	N/A	90.8%	N/A

Benefit Changes: None

Changes of Assumptions: None

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.

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/(asset).

² The proportions and proportionate share of the net pension liability are measured as of one year behind the reporting date.

CITY OF CYPRESS
Required Supplementary Information, Continued
For the Fiscal Year Ended June, 30, 2024

Schedule of Changes in the Net Pension Liability and Related Ratios
Last Ten Fiscal Years ⁽¹⁾

CalPERS Miscellaneous Plan

	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	(3,538,721)	(3,108,674)	(2,909,007)	(2,789,811)
Net Change in Total Pension Liability	6,860,147	3,339,380	1,564,479	3,056,403
Total Pension Liability - Beginning of Year	72,533,703	69,194,323	67,629,844	64,573,441
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	55,035,012	56,038,979	56,231,641	49,176,596
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: In 2017, the accounting discount rate reduced from 7.65 percent to 7.15 percent. In 2016, there were no changes. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5 percent (net of administrative expense) to 7.65 percent (without a reduction for pension plan administrative expense.)

⁽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.

(1) The 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, 2024

Schedules of Plan Contributions
Last Ten Fiscal Years ⁽¹⁾

Fiscal Year Ending June 30,	Actuarially Determined Contribution	Actual Employer Contributions	Contribution Deficiency/ (Excess)	Covered Payroll	Contribution as a % of Covered Payroll
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CalPERS Miscellaneous Cost-Sharing, Multiple Employer Pension Plan

2024	\$	2,767,382	\$	(2,767,382)	\$	-	\$	6,819,050	40.6%
2023		2,718,424		(2,718,424)		-		6,189,228	43.9%
2022		2,447,524		(2,447,524)		-		5,866,594	41.7%
2021		2,230,654		(2,230,654)		-		6,135,709	36.4%
2020		2,002,390		(2,002,390)		-		6,072,109	33.0%
2019		1,729,721		(1,729,721)		-		6,385,921	27.1%
2018		1,487,869		(1,487,869)		-		6,863,694	21.7%
2017		1,298,683		(1,298,683)		-		6,994,942	18.6%
2016		1,244,868		(1,244,868)		-		7,139,555	17.4%
2015		1,001,586		(1,001,586)		-		6,539,007	15.3%

CalPERS Safety Cost-Sharing, Multiple Employer Pension Plan

2024	\$	4,043,188	\$	(4,043,188)	\$	-	\$	7,085,166	57.1%
2023		3,869,536		(3,869,536)		-		6,596,839	58.7%
2022		3,558,957		(3,558,957)		-		6,228,738	57.1%
2021		3,130,711		(3,130,711)		-		5,651,021	55.4%
2020		2,821,054		(2,821,054)		-		5,590,681	50.5%
2019		2,546,099		(2,546,099)		-		5,953,364	42.8%
2018		2,222,915		(2,222,915)		-		5,823,413	38.2%
2017		1,967,405		(1,967,405)		-		5,539,232	35.5%
2016		1,807,579		(1,807,579)		-		5,634,190	32.1%
2015		1,503,960		(1,503,960)		-		5,200,954	28.9%

Terminated Orange County Employees Retirement System Plan (OCERS)

2024	\$	-	\$	-	\$	-	\$	-	N/A
2023		595,600		(595,600)		-		-	N/A
2022		-		-		-		-	N/A
2021		-		-		-		-	N/A
2020		-		-		-		-	N/A
2019		739,966		(739,966)		-		-	N/A

¹ In accordance with the Withdrawing Employer and Continuing Contribution Agreement between the Cypress Recreation and Park District (District) and OCERS, OCERS will recalculate the District's unfunded accrued actuarial liability commencing December 31, 2020 and every three years thereafter. The next UAAL payment is due on or before December 31, 2026. Refer to the notes to the basic financial statements.

CITY OF CYPRESS
Required Supplementary Information, Continued
For the Fiscal Year Ended June 30, 2024

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⁾

	2024	2023
Total OPEB Liability:		
Service cost	\$ 388,301	\$ 362,667
Interest on the total OPEB liability	359,579	323,301
Actual and expected experience difference	-	(211,113)
Changes in assumptions	(117,938)	183,206
Changes in benefit terms		
Benefit payments, including implicit subsidy	(508,262)	(494,196)
Net Change in Total OPEB Liability	121,680	163,865
Total OPEB Liability - Beginning of Year	9,178,932	9,015,067
Total OPEB Liability - End of Year (a)	<u>\$ 9,300,612</u>	<u>\$ 9,178,932</u>
Plan fiduciary net position as a percentage of the Total OPEB liability	0.00%	0.00%
Covered-employee payroll	\$ 16,605,071	\$ 14,021,323
Total OPEB liability as percentage of covered- employee payroll	56.01%	65.46%

Notes to Schedule:

Benefit Changes:

Changes in Assumptions: The discount rate, which is based on the Bond Buyer 20-year bond, changed as follows:

Fiscal year ended June 30, 2024 - The discount rate was increased from 3.86% to 3.97%

Fiscal year ended June 30, 2023 - The discount rate was increased from 3.54% to 3.86%

Fiscal year ended June 30, 2022 - The discount rate was increased from 2.16% to 3.54%

Fiscal year ended June 30, 2021 - The discount rate was decreased from 2.20% to 2.16%

Fiscal year ended June 30, 2020 - The discount rate was decreased from 3.50% to 2.20%

Fiscal year ended June 30, 2019 - The discount rate was decreased from 3.90% to 3.50%

⁽¹⁾ Historical information is required only for measurement periods for which GASB 75 is applicable. The fiscal year ended June 30, 2018 was the first year of implementation.

GASB Statement No. 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.

2022	2021	2020	2019	2018
\$ 411,807	\$ 382,033	\$ 370,906	\$ 293,425	\$ 304,903
227,512	232,699	232,807	330,023	306,496
2,850	428,577	(155,120)	63,400	10,351
(1,671,292)	(593,595)	1,491,035	447,917	(324,881)
	-	-	-	-
(562,914)	(460,068)	(394,969)	(397,959)	(329,123)
(1,592,037)	(10,354)	1,544,659	736,806	(32,254)
10,607,104	10,617,458	9,072,799	8,335,993	8,368,247
<u>\$ 9,015,067</u>	<u>\$ 10,607,104</u>	<u>\$ 10,617,458</u>	<u>\$ 9,072,799</u>	<u>\$ 8,335,993</u>
0.00%	0.00%	0.00%	0.00%	0.00%
\$ 14,464,271	\$ 13,846,871	\$ 14,180,802	\$ 14,518,971	\$ 14,482,504
62.33%	76.60%	74.87%	62.49%	57.56%

Supplemental Schedules

CITY OF CYPRESS

Budgetary Comparison Schedules for Other Major Governmental Fund

June 30, 2024

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

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

CITY OF CYPRESS

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

For the fiscal year ended June 30, 2024

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
From use of property	\$ 2,000,000	\$ 2,000,000	\$ 4,219,295	\$ 2,219,295
TOTAL REVENUES	<u>2,000,000</u>	<u>2,000,000</u>	<u>4,219,295</u>	<u>2,219,295</u>
EXPENDITURES				
Current:				
Public works	2,200,000	3,385,661	2,393,478	992,183
Capital outlay	<u>3,400,000</u>	<u>4,413,999</u>	<u>977,238</u>	<u>3,436,761</u>
TOTAL EXPENDITURES	<u>5,600,000</u>	<u>7,799,660</u>	<u>3,370,716</u>	<u>4,428,944</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(3,600,000)</u>	<u>(5,799,660)</u>	<u>848,579</u>	<u>(2,209,649)</u>
OTHER FINANCING USES				
Transfers in	2,470,000	5,094,508	5,458,734	364,226
Transfers out	-	-	(2,000,000)	(2,000,000)
TOTAL OTHER FINANCING SOURCES	<u>2,470,000</u>	<u>5,094,508</u>	<u>3,458,734</u>	<u>(1,635,774)</u>
NET CHANGE IN FUND BALANCE	<u>\$ (1,130,000)</u>	<u>\$ (705,152)</u>	<u>4,307,314</u>	<u>\$ (3,845,422)</u>
FUND BALANCE - BEGINNING OF YEAR			<u>93,245,943</u>	
FUND BALANCE - END OF YEAR			<u>\$ 97,553,257</u>	

CITY OF CYPRESS

Nonmajor Governmental Funds

June 30, 2024

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

Special Revenue Fund Descriptions

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

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

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

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

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

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

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

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

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

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

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

CITY OF CYPRESS

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS

June 30, 2024

Special Revenue Funds					
	Pandemic Response	Local Drainage	Stanton Channel Maintenance District	Lighting District	CATV Peg Grant
ASSETS					
Cash and investments	\$ 6,276	\$ 1,115,870	\$ 209,544	\$ 6,290,996	\$ 829,788
Receivables:					
Accounts	-	-	-	16,784	-
Taxes	-	-	-	21,101	16,566
Notes, net of allowance	-	-	-	-	-
Accrued interest	-	9,487	-	54,619	-
Land held for Resale	-	-	-	-	-
TOTAL ASSETS	\$ 6,276	\$ 1,125,357	\$ 209,544	\$ 6,383,500	\$ 846,354
LIABILITIES AND FUND BALANCES					
Accounts payable and other accrued liabilities	\$ -	\$ -	\$ 17,143	\$ 236,645	\$ -
Unearned revenues	6,276	-	-	140,600	-
Due to other funds	-	-	-	-	-
Advances to other funds	-	-	-	-	-
TOTAL LIABILITIES	6,276	-	17,143	377,245	-
DEFERRED INFLOWS OF RESOURCES:					
Unavailable revenue	-	-	-	-	-
TOTAL DEFERRED INFLOWS OF RESOURCES	-	-	-	-	-
FUND BALANCE:					
Restricted	-	1,125,357	192,401	6,006,255	846,354
Unassigned	-	-	-	-	-
TOTAL FUND BALANCES	-	1,125,357	192,401	6,006,255	846,354
TOTAL LIABILITIES AND FUND BALANCES	\$ 6,276	\$ 1,125,357	\$ 209,544	\$ 6,383,500	\$ 846,354

Special Revenue Funds (Continued)

AB 2766	Traffic Safety	Supplemental Law Enforcement	Narcotics Asset Seizure	Low & Moderate Housing Assets	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ 402	\$ 1,360,651	\$ 15,553	\$ 9,829,080
16,761	5,087	-	3,252	-	41,884
-	-	-	-	-	37,667
-	-	-	-	66,729	66,729
-	-	776	11,633	127	76,642
-	-	-	-	1,421,708	1,421,708
<u>\$ 16,761</u>	<u>\$ 5,087</u>	<u>\$ 1,178</u>	<u>\$ 1,375,536</u>	<u>\$ 1,504,117</u>	<u>\$ 11,473,710</u>
\$ -	\$ -	\$ 1,178	\$ 7,197	\$ 413	\$ 262,576
-	-	-	-	-	146,876
16,761	5,087	-	-	-	21,848
<u>31,122</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>31,122</u>
47,883	5,087	1,178	7,197	413	462,422
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	1,368,339	1,503,704	11,042,410
<u>(31,122)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(31,122)</u>
<u>(31,122)</u>	<u>-</u>	<u>-</u>	<u>1,368,339</u>	<u>1,503,704</u>	<u>11,011,288</u>
<u>\$ 16,761</u>	<u>\$ 5,087</u>	<u>\$ 1,178</u>	<u>\$ 1,375,536</u>	<u>\$ 1,504,117</u>	<u>\$ 11,473,710</u>

CITY OF CYPRESS

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

For the fiscal year ended June 30, 2024

	Special Revenue Funds				
			Stanton Channel Maintenance District	Lighting District	CATV Peg Grant
	Pandemic Response	Local Drainage			
REVENUES					
Taxes	\$ -	\$ -	\$ -	\$ 1,675,318	\$ 67,958
From other agencies	-	-	-	6,106	-
From use of property	-	49,601	-	280,155	-
Fines and forfeitures	-	-	-	-	-
Charges for services	-	-	98,789	-	-
Other revenue	-	-	-	29,310	-
TOTAL REVENUES	-	49,601	98,789	1,990,889	67,958
EXPENDITURES					
Current:					
Public safety	-	-	-	-	-
Community development	-	-	-	-	-
Public works	-	-	76,109	1,229,713	-
Capital outlay	-	-	-	407,323	-
TOTAL EXPENDITURES	-	-	76,109	1,637,036	-
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	49,601	22,680	353,853	67,958
OTHER FINANCING USES					
Transfers out	-	-	(11,416)	(184,457)	-
TOTAL OTHER FINANCING USES	-	-	(11,416)	(184,457)	-
NET CHANGE IN FUND BALANCES BEFORE EXTRAORDINARY ITEM	-	49,601	11,264	169,396	67,958
NET CHANGE IN FUND BALANCES	-	49,601	11,264	169,396	67,958
FUND BALANCE - BEGINNING OF YEAR	-	1,075,756	181,137	5,836,859	778,396
FUND BALANCE - END OF YEAR	\$ -	\$ 1,125,357	\$ 192,401	\$ 6,006,255	\$ 846,354

Special Revenue Funds (Continued)					
AB 2766	Traffic Safety	Supplemental Law Enforcement	Narcotics Asset Seizure	Low & Moderate Housing Assets	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,743,276
67,011	-	186,159	-	-	259,276
-	-	3,170	59,152	923	393,001
-	59,107	-	-	-	59,107
-	-	-	-	-	98,789
-	-	-	87,994	6,252	123,556
67,011	59,107	189,329	147,146	7,175	2,677,005
-	-	189,329	79,759	-	269,088
-	-	-	-	12,970	12,970
-	-	-	-	-	1,305,822
-	-	-	-	-	407,323
-	-	189,329	79,759	12,970	1,995,203
67,011	59,107	-	67,387	(5,795)	681,802
-	(59,107)	-	(27,671)	-	(282,651)
-	(59,107)	-	(27,671)	-	(282,651)
67,011	-	-	39,716	(5,795)	399,151
67,011	-	-	39,716	(5,795)	399,151
(98,133)	-	-	1,328,623	1,509,499	10,612,137
\$ (31,122)	\$ -	\$ -	\$ 1,368,339	\$ 1,503,704	\$ 11,011,288

CITY OF CYPRESS

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL PANDEMIC RESPONSE SPECIAL REVENUE FUND

For the fiscal year ended June 30, 2024

	Budget Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
				Positive
				(Negative)
REVENUES				
From other agencies	\$ 6,277	\$ 6,277	\$ -	\$ (6,277)
TOTAL REVENUES	<u>6,277</u>	<u>6,277</u>	<u>-</u>	<u>(6,277)</u>
OTHER FINANCING USES				
Transfers out	<u>(6,277)</u>	<u>(6,277)</u>	<u>-</u>	<u>(6,277)</u>
TOTAL OTHER				
FINANCING USES	<u>(6,277)</u>	<u>(6,277)</u>	<u>-</u>	<u>(6,277)</u>
EXCESS (DEFICIENCY) OF REVENUES				
OVER EXPENDITURES				
AND OTHER FINANCING USES	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ (12,554)</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 LOCAL DRAINAGE SPECIAL REVENUE FUND

For the fiscal year ended June 30, 2024

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
From use of property	\$ 25,000	\$ 25,000	\$ 49,601	\$ 24,601
Other revenue	5,000	5,000	-	(5,000)
TOTAL REVENUES	<u>30,000</u>	<u>30,000</u>	<u>49,601</u>	<u>19,601</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>30,000</u>	<u>30,000</u>	<u>49,601</u>	<u>19,601</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND OTHER FINANCING USES	<u>\$ 30,000</u>	<u>\$ 30,000</u>	49,601	<u>\$ 19,601</u>
FUND BALANCES - BEGINNING OF YEAR			<u>1,075,756</u>	
FUND BALANCES - END OF YEAR			<u>\$ 1,125,357</u>	

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, 2024

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Charges for services	\$ 102,000	\$ 102,000	\$ 98,789	\$ (3,211)
TOTAL REVENUES	<u>102,000</u>	<u>102,000</u>	<u>98,789</u>	<u>(3,211)</u>
EXPENDITURES				
Current:				
Public works	100,975	100,975	76,109	24,866
TOTAL EXPENDITURES	<u>100,975</u>	<u>100,975</u>	<u>76,109</u>	<u>24,866</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>1,025</u>	<u>1,025</u>	<u>22,680</u>	<u>(28,077)</u>
OTHER FINANCING USES				
Transfers out	(15,147)	(15,147)	(11,416)	(3,731)
TOTAL OTHER FINANCING USES	<u>(15,147)</u>	<u>(15,147)</u>	<u>(11,416)</u>	<u>(3,731)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND OTHER FINANCING USES	<u>\$ (14,122)</u>	<u>\$ (14,122)</u>	11,264	<u>\$ (31,808)</u>
FUND BALANCE - BEGINNING OF YEAR			<u>181,137</u>	
FUND BALANCE - END OF YEAR			<u>\$ 192,401</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, 2024

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Taxes	\$ 1,504,300	\$ 1,504,300	\$ 1,675,318	\$ 171,018
From other agencies	6,300	6,300	6,106	(194)
From use of property	165,000	165,000	280,155	115,155
Other revenue	10,000	10,000	29,310	19,310
TOTAL REVENUES	<u>1,685,600</u>	<u>1,685,600</u>	<u>1,990,889</u>	<u>305,289</u>
EXPENDITURES				
Current:				
Public works	1,259,703	1,295,103	1,229,713	65,390
Capital outlay	925,000	2,269,252	407,323	1,861,929
TOTAL EXPENDITURES	<u>2,184,703</u>	<u>3,564,355</u>	<u>1,637,036</u>	<u>1,927,319</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>(499,103)</u>	<u>(1,878,755)</u>	<u>353,853</u>	<u>(1,622,030)</u>
OTHER FINANCING USES				
Transfers out	<u>(188,956)</u>	<u>(188,956)</u>	<u>(184,457)</u>	<u>(4,499)</u>
TOTAL OTHER FINANCING USES	<u>(188,956)</u>	<u>(188,956)</u>	<u>(184,457)</u>	<u>(4,499)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND OTHER FINANCING USES	<u>\$ (688,059)</u>	<u>\$ (2,067,711)</u>	<u>169,396</u>	<u>\$ (1,626,529)</u>
FUND BALANCE - BEGINNING OF YEAR			<u>5,836,859</u>	
FUND BALANCE - END OF YEAR			<u>\$ 6,006,255</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, 2024

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 77,500	\$ 77,500	\$ 67,958	\$ (9,542)
TOTAL REVENUES	<u>77,500</u>	<u>77,500</u>	<u>67,958</u>	<u>(9,542)</u>
OTHER FINANCING USES				
Transfers out	(55,000)	(90,000)	-	(90,000)
TOTAL OTHER FINANCING USES	<u>(55,000)</u>	<u>(90,000)</u>	<u>-</u>	<u>(90,000)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING USES	<u>\$ 22,500</u>	<u>\$ (12,500)</u>	67,958	<u>\$ (99,542)</u>
FUND BALANCE - BEGINNING OF YEAR			<u>778,396</u>	
FUND BALANCE - END OF YEAR			<u>\$ 846,354</u>	

CITY OF CYPRESS

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

For the fiscal year ended June 30, 2024

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
From other agencies	\$ 64,000	\$ 64,000	\$ 67,011	\$ 3,011
TOTAL REVENUES	<u>64,000</u>	<u>64,000</u>	<u>67,011</u>	<u>3,011</u>
OTHER FINANCING USES				
Transfers out	<u>(64,000)</u>	<u>(64,000)</u>	<u>-</u>	<u>(64,000)</u>
TOTAL OTHER FINANCING USES	<u>(64,000)</u>	<u>(64,000)</u>	<u>-</u>	<u>(64,000)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER OTHER FINANCING USES	<u>\$ -</u>	<u>\$ -</u>	67,011	<u>\$ (60,989)</u>
FUND BALANCES - BEGINNING OF YEAR			<u>(98,133)</u>	
FUND BALANCES - END OF YEAR			<u>\$ (31,122)</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, 2024

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Fines and forfeitures	\$ 84,000	\$ 84,000	\$ 59,107	\$ (24,893)
TOTAL REVENUES	<u>84,000</u>	<u>84,000</u>	<u>59,107</u>	<u>(24,893)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>84,000</u>	<u>84,000</u>	<u>59,107</u>	<u>(24,893)</u>
OTHER FINANCING USES				
Transfers out	<u>(84,000)</u>	<u>(84,000)</u>	<u>(59,107)</u>	<u>(24,893)</u>
TOTAL OTHER FINANCING USES	<u>(84,000)</u>	<u>(84,000)</u>	<u>(59,107)</u>	<u>(24,893)</u>
EXCESS (DEFICIENCY) OF REVENUES AND OTHER FINANCING USES	<u>\$ (84,000)</u>	<u>\$ (84,000)</u>	-	<u>\$ (49,786)</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, 2024

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
From use of property	\$ 500	\$ 500	\$ 3,170	\$ 2,670
From other agencies	168,063	188,863	186,159	(2,704)
TOTAL REVENUES	<u>168,563</u>	<u>189,363</u>	<u>189,329</u>	<u>(34)</u>
EXPENDITURES				
Current:				
Public safety	<u>168,563</u>	<u>189,363</u>	<u>189,329</u>	<u>34</u>
TOTAL EXPENDITURES	<u>168,563</u>	<u>189,363</u>	<u>189,329</u>	<u>34</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, 2024

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
Use of property	\$ 28,500	\$ 28,500	\$ 59,152	\$ 30,652
Other revenue	20,000	20,000	87,994	67,994
TOTAL REVENUES	<u>48,500</u>	<u>48,500</u>	<u>147,146</u>	<u>98,646</u>
EXPENDITURES				
Current:				
Public safety	102,612	123,351	79,759	43,592
TOTAL EXPENDITURES	<u>102,612</u>	<u>123,351</u>	<u>79,759</u>	<u>43,592</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(54,112)</u>	<u>(74,851)</u>	<u>67,387</u>	<u>55,054</u>
OTHER FINANCING USES				
Transfers out	(574,000)	(608,243)	(27,671)	(580,572)
TOTAL OTHER FINANCING USES	<u>(574,000)</u>	<u>(608,243)</u>	<u>(27,671)</u>	<u>(580,572)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES AND OTHER FINANCING USES	<u>\$ (628,112)</u>	<u>\$ (683,094)</u>	<u>39,716</u>	<u>\$ (525,518)</u>
FUND BALANCE - BEGINNING OF YEAR			<u>1,328,623</u>	
FUND BALANCE - END OF YEAR			<u>\$ 1,368,339</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, 2024

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
REVENUES				
From use of property	\$ 100	\$ 100	\$ 923	\$ 823
Other revenue	6,480	6,480	6,252	(228)
TOTAL REVENUES	<u>6,580</u>	<u>6,580</u>	<u>7,175</u>	<u>595</u>
EXPENDITURES				
Current:				
Community Development	80,441	90,741	12,970	77,771
TOTAL EXPENDITURES	<u>80,441</u>	<u>90,741</u>	<u>12,970</u>	<u>77,771</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ (73,861)</u>	<u>\$ (84,161)</u>	(5,795)	<u>\$ (77,176)</u>
FUND BALANCE - BEGINNING OF YEAR			<u>1,509,499</u>	
FUND BALANCE - END OF YEAR			<u>\$ 1,503,704</u>	

CITY OF CYPRESS

Internal Service Funds

June 30, 2024

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, 2024

	Central Services	Recreation District Central Services
ASSETS		
CURRENT ASSETS		
Cash and investments	\$ 21,507,445	\$ 737,746
Restricted cash and investments	-	-
Receivables:		
Accounts	-	-
Accrued interest	-	-
Prepaid items	130,419	-
Inventory	4,777	-
TOTAL CURRENT ASSETS	<u>21,642,641</u>	<u>737,746</u>
NON-CURRENT ASSETS:		
Construction in Progress	17,257	-
Net pension asset	-	-
Equipment (Net)	3,192,581	351,239
Subscription Assets (Net)	1,009,100	-
TOTAL NON-CURRENT ASSETS	<u>4,218,938</u>	<u>351,239</u>
TOTAL ASSETS	<u>25,861,579</u>	<u>1,088,985</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred amount from PERS pension plans	-	-
Deferred amount from OPEB	-	-
Deferred amount from OCERS pension plan	-	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>-</u>	<u>-</u>
LIABILITIES		
CURRENT:		
Accounts payable and other accrued liabilities	115,142	-
Subscriptions	229,571	-
Accrued compensated absences	-	-
Accrued claims and judgments	-	-
Retirees' health payable	-	-
TOTAL CURRENT LIABILITIES	<u>344,713</u>	<u>-</u>
Noncurrent:		
Subscriptions payable	701,504	-
Accrued compensated absences	-	-
Accrued claims and judgments	-	-
Retirees' health payable	-	-
Net pension liability	-	-
TOTAL NONCURRENT LIABILITIES	<u>701,504</u>	<u>-</u>
TOTAL LIABILITIES	<u>1,046,217</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred amount from PERS pension plans	-	-
Deferred amount from OCERS pension plan	-	-
Deferred amount from OPEB	-	-
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>-</u>	<u>-</u>
NET POSITION:		
Net investment in capital assets	3,287,863	351,239
Restricted for PARS trust	-	-
Restricted for Net Pension Asset		
Unrestricted	<u>21,527,499</u>	<u>737,746</u>
TOTAL NET POSITION	<u>\$ 24,815,362</u>	<u>\$ 1,088,985</u>

Employees' Benefit	Liability Insurance	Workers' Compensation	Total
\$ 6,958,872	\$ 2,264,529	\$ 3,574,021	\$ 35,042,613
31,931,565	-	-	31,931,565
223,430	-	-	223,430
56,610	-	-	56,610
8,870	-	-	139,289
-	-	-	4,777
39,179,347	2,264,529	3,574,021	67,398,284
-	-	-	17,257
641,475	-	-	641,475
-	-	-	3,543,820
-	-	-	1,009,100
641,475	-	-	5,211,652
39,820,822	2,264,529	3,574,021	72,609,936
25,895,640	-	-	25,895,640
622,967	-	-	622,967
227,337	-	-	227,337
26,745,944	-	-	26,745,944
43,980	-	17,845	176,967
647,059	-	-	229,571
-	83,183	587,609	647,059
523,500	-	-	670,792
1,214,539	83,183	605,454	523,500
1,214,539	83,183	605,454	2,247,889
-	-	-	701,504
1,941,178	-	-	1,941,178
-	249,550	1,762,827	2,012,377
8,777,112	-	-	8,777,112
66,097,882	-	-	66,097,882
76,816,172	249,550	1,762,827	79,530,053
78,030,711	332,733	2,368,281	81,777,942
2,933,670	-	-	2,933,670
443,079	-	-	443,079
1,674,355	-	-	1,674,355
5,051,104	-	-	5,051,104
-	-	-	3,639,102
31,931,565	-	-	31,931,565
641,475	-	-	641,475
(49,088,090)	1,931,796	1,205,740	(23,685,309)
\$ (16,515,050)	\$ 1,931,796	\$ 1,205,740	\$ 12,526,833

CITY OF CYPRESS

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

For the fiscal year ended June 30, 2024

	Central Services	Recreation District Central Services
OPERATING REVENUES:		
Charges for services	3,922,760	74,390
Other revenue	86,197	-
TOTAL OPERATING REVENUES	<u>4,008,957</u>	<u>74,390</u>
OPERATING EXPENSES:		
Personnel services	1,345,000	-
Contractual services	333,289	6,979
Supplies and other services	1,086,235	5,543
Claim payments and changes in estimates	-	-
Depreciation/amortization	823,099	71,391
TOTAL OPERATING EXPENSES	<u>3,587,623</u>	<u>83,913</u>
OPERATING INCOME (LOSS)	<u>421,334</u>	<u>(9,523)</u>
NON-OPERATING REVENUES (EXPENSES):		
Interest income (loss)	(8,425)	-
Gain (loss) on disposal of equipment	15,931	(733)
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>7,506</u>	<u>(733)</u>
INCOME (LOSS) BEFORE TRANSFERS	428,840	(10,256)
TRANSFERS:		
Transfers in	381,813	5,543
Transfers out	-	-
TOTAL TRANSFERS	<u>381,813</u>	<u>5,543</u>
CHANGE IN NET POSITION	810,653	(4,713)
NET POSITION - BEGINNING OF YEAR	<u>24,004,709</u>	<u>1,093,698</u>
NET POSITION - END OF YEAR	<u><u>\$ 24,815,362</u></u>	<u><u>\$ 1,088,985</u></u>

Employees' Benefit	Liability Insurance	Workers' Compensation	Total
14,316,864	617,000	793,716	19,724,730
1,276,699	-	3,318	1,366,214
15,593,563	617,000	797,034	21,090,944
-	-	65,633	1,410,633
13,784,604	-	107,796	14,232,668
4,510,293	489,872	242,104	6,334,047
-	179,128	677,830	856,958
-	-	-	894,490
18,294,897	669,000	1,093,363	23,728,796
(2,701,334)	(52,000)	(296,329)	(2,637,852)
2,247,092	-	-	2,238,667
-	-	-	15,198
2,247,092	-	-	2,253,865
(454,242)	(52,000)	(296,329)	(383,987)
7,200,000	-	-	7,587,356
-	(71,744)	-	(71,744)
7,200,000	(71,744)	-	7,515,612
6,745,758	(123,744)	(296,329)	7,131,625
(23,260,808)	2,055,540	1,502,069	5,395,208
<u>\$ (16,515,050)</u>	<u>\$ 1,931,796</u>	<u>\$ 1,205,740</u>	<u>\$ 12,526,833</u>

CITY OF CYPRESS

COMBINING STATEMENT OF CASH FLOWS INTERNAL SERVICE FUNDS

For the fiscal year ended June 30, 2024

	Central Services	Recreation District Central Services
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from users	\$ 3,915,227	\$ 74,390
Cash payments to suppliers for goods and services	(1,210,685)	(12,522)
Cash payments to employees	(1,348,507)	-
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>1,356,035</u>	<u>61,868</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
Transfers in	381,813	5,543
Transfers out	-	-
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	<u>381,813</u>	<u>5,543</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Proceeds from disposal of capital assets	19,336	-
Acquisition of capital assets	(1,502,961)	(15,825)
NET CASH (USED) BY CAPITAL AND RELATED FINANCING ACTIVITIES	<u>(1,483,625)</u>	<u>(15,825)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Interest on investments	-	-
NET CASH PROVIDED BY INVESTING ACTIVITIES	<u>-</u>	<u>-</u>
INCREASE IN CASH AND CASH EQUIVALENTS	254,223	51,586
CASH AND INVESTMENTS - BEGINNING OF YEAR	<u>21,253,220</u>	<u>686,161</u>
CASH AND INVESTMENTS - END OF YEAR	<u>\$ 21,507,443</u>	<u>\$ 737,747</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:		
Operating income (loss)	<u>\$ 421,334</u>	<u>\$ (9,523)</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation/amortization	823,099	71,391
Changes in assets and liabilities:		
Accounts receivable decreased (increased)	460	-
Prepaid items decreased (increased)	(112,331)	-
Inventory decreased (increased)	5,296	-
Deferred outflows decreased (increased)	-	-
Accounts payable increased (decreased)	(51,790)	-
Other accrued liabilities increased (decreased)	269,967	-
Insurance claims payable increased (decreased)	-	-
Accrued retirees' health payable increased (decreased)	-	-
Accrued leave payable increased (decreased)	-	-
Accrued pension liability increased (decreased)	-	-
Deferred inflows increased (decreased)	-	-
TOTAL ADJUSTMENTS	<u>934,701</u>	<u>71,391</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u><u>\$ 1,356,035</u></u>	<u><u>\$ 61,868</u></u>

Employees' Benefit	Liability Insurance	Workers' Compensation	Total
\$ 15,532,751	\$ 617,000	\$ 827,375	\$ 20,966,743
(14,690,987)	(538,007)	(605,028)	(17,057,229)
-	-	(64,648)	(1,413,155)
841,764	78,993	157,699	2,496,359
7,200,000	-	-	7,587,356
-	(71,744)	-	(71,744)
7,200,000	(71,744)	-	7,515,612
-	-	-	19,336
-	-	-	(1,518,786)
-	-	-	(1,499,450)
2,247,092	-	-	2,247,092
2,247,092	-	-	2,247,092
10,288,856	7,249	157,699	10,759,613
28,601,582	2,257,280	3,416,322	56,214,565
<u>\$ 38,890,438</u>	<u>\$ 2,264,529</u>	<u>\$ 3,574,021</u>	<u>\$ 66,974,178</u>
<u>\$ (2,701,334)</u>	<u>\$ (52,000)</u>	<u>\$ (296,329)</u>	<u>\$ (2,637,852)</u>
-	-	-	894,490
(51,941)	-	30,340	(21,141)
(8,870)	-	-	(121,201)
-	-	-	5,296
1,686,370	-	-	1,686,370
15,874	-	17,384	(18,532)
-	130,993	406,304	269,967
121,680	-	-	537,297
154,971	-	-	121,680
3,579,921	-	-	154,971
(1,954,907)	-	-	3,579,921
3,543,098	130,993	454,028	(1,954,907)
<u>\$ 841,764</u>	<u>\$ 78,993</u>	<u>\$ 157,699</u>	<u>\$ 5,134,211</u>
<u>\$ 841,764</u>	<u>\$ 78,993</u>	<u>\$ 157,699</u>	<u>\$ 2,496,359</u>

STATISTICAL SECTION

CITY OF CYPRESS
Statistical Section
Year ended June 30, 2024
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Sources: Unless otherwise noted, the information in these schedules was derived from the City's annual comprehensive financial reports for the relevant year.

Note: The City of Cypress did not have General Bonded Debt Outstanding or Pledged Revenue during the Fiscal Year Ended June 30, 2024.

CITY OF CYPRESS

NET POSITION BY COMPONENT

LAST TEN FISCAL YEARS

Schedule 1

	Fiscal Year			
	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
GOVERNMENTAL ACTIVITIES				
Net investment in capital assets	\$ 182,784,607	\$ 170,286,779	\$ 172,804,367	\$ 166,272,625
Restricted for:				
Debt service	-	-	-	-
Specific projects and programs	64,540,657	51,055,320	40,650,390	37,532,553
Total restricted	64,540,657	51,055,320	40,650,390	37,532,553
Unrestricted	91,753,909	109,374,298	95,515,524	88,119,499
Total governmental activities net position	<u>\$ 339,079,173</u>	<u>\$ 330,716,397</u>	<u>\$ 308,970,281</u>	<u>\$ 291,924,677</u>
BUSINESS-TYPE ACTIVITIES				
Net investment in capital assets	\$ 18,490,199	\$ 18,871,533	\$ 18,876,495	\$ 19,322,767
Restricted for:				
Specific projects and programs	9,090,674	7,599,979	6,638,371	5,253,793
Total business-type activities net position	<u>\$ 27,580,873</u>	<u>\$ 26,471,512</u>	<u>\$ 25,514,866</u>	<u>\$ 24,576,560</u>
TOTAL GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES				
Net investment in capital assets	\$ 201,274,806	\$ 189,158,312	\$ 191,680,862	\$ 185,595,392
Restricted for:				
Debt service	-	-	-	-
Specific projects and programs	73,631,331	58,655,299	47,288,761	42,786,346
Total restricted	73,631,331	58,655,299	47,288,761	42,786,346
Unrestricted	91,753,909	109,374,298	95,515,524	88,119,499
Total governmental and business-type activities net position	<u>\$ 366,660,046</u>	<u>\$ 357,187,909</u>	<u>\$ 334,485,147</u>	<u>\$ 316,501,237</u>

<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
\$ 160,408,903	\$ 162,147,445	\$ 162,818,741	\$ 161,714,951	\$ 153,270,346	\$ 154,805,926
-	-	522,200	979,010	420,185	400,000
43,597,947	39,458,651	36,012,698	25,872,294	26,169,565	24,651,239
43,597,947	39,458,651	36,534,898	26,851,304	26,589,750	25,051,239
85,931,038	82,530,908	75,803,724	89,651,389	107,623,380	101,970,622
<u>\$ 289,937,888</u>	<u>\$ 284,137,004</u>	<u>\$ 275,157,363</u>	<u>\$ 278,217,644</u>	<u>\$ 287,483,476</u>	<u>\$ 281,827,787</u>
\$ 19,672,894	\$ 19,764,241	\$ 20,004,444	\$ 19,788,397	\$ 18,245,712	\$ 15,801,861
3,871,515	2,820,977	1,463,331	524,701	930,903	2,281,112
<u>\$ 23,544,409</u>	<u>\$ 22,585,218</u>	<u>\$ 21,467,775</u>	<u>\$ 20,313,098</u>	<u>\$ 19,176,615</u>	<u>\$ 18,082,973</u>
\$ 180,081,797	\$ 181,911,686	\$ 182,823,185	\$ 181,503,348	\$ 171,516,058	\$ 170,607,787
-	-	522,200	979,010	420,185	400,000
47,469,462	42,279,628	37,476,029	26,396,995	27,100,468	26,932,351
47,469,462	42,279,628	37,998,229	27,376,005	27,520,653	27,332,351
85,931,038	82,530,908	75,803,724	89,651,389	107,623,380	101,970,622
<u>\$ 313,482,297</u>	<u>\$ 306,722,222</u>	<u>\$ 296,625,138</u>	<u>\$ 298,530,742</u>	<u>\$ 306,660,091</u>	<u>\$ 299,910,760</u>

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

	Fiscal Year			
	2024	2023	2022	2021
EXPENSES - GOVERNMENTAL ACTIVITIES:				
General government	\$ 7,620,519	\$ 4,434,609	\$ 5,477,433	\$ 6,295,641
Community development	2,566,292	2,109,834	2,333,245	2,100,332
Public safety	22,380,579	16,762,572	19,494,326	19,428,392
Public works	16,733,394	11,321,069	12,737,505	13,865,043
Recreation	7,007,325	5,137,475	5,583,107	5,303,581
Interest on long-term debt	-	-	-	-
Total government activities expenses	56,308,109	39,765,559	45,625,616	46,992,989
PROGRAM REVENUES - GOVERNMENTAL ACTIVITIES:	64,540,657			
Charges for services:				
General government	284,795	290,454	420,799	498,954
Community development	1,152,110	1,628,632	1,985,828	1,557,209
Public safety	408,438	455,417	277,816	406,077
Public works	1,322,443	1,305,718	873,072	770,403
Recreation	1,514,881	3,196,855	6,947,677	487,138
Operating grants and contributions	5,541,054	4,789,491	16,061,186	3,862,387
Capital grants and contributions	2,271,831	2,153,338	1,638,108	1,869,583
Total governmental activities program revenues	12,495,552	13,819,905	28,204,486	9,451,751
NET (EXPENSE/REVENUE) - GOVERNMENTAL ACTIVITIES	(43,812,557)	(25,945,654)	(17,421,130)	(37,541,238)
GENERAL REVENUES AND OTHER CHANGES IN NET POSITION - GOVERNMENTAL ACTIVITIES:				
Taxes				
Property taxes, levied for general purpose	7,711,466	7,470,455	6,530,911	6,261,310
Property taxes, levied for recreation purposes	7,326,746	7,080,645	6,222,354	5,958,450
Property taxes, levied for lighting purposes	1,675,318	1,618,054	1,425,207	1,363,781
Property taxes, backfill of vehicle license fees	6,024,570	5,698,971	5,322,016	5,136,804
Sales tax	12,930,992	13,561,206	13,292,177	11,249,720
Transient occupancy tax	2,892,555	2,849,004	2,602,233	1,648,030
Franchise tax	2,112,395	1,972,342	1,801,173	1,753,459
Other taxes	1,828,529	1,921,668	1,965,665	1,820,366
Total taxes	42,502,571	42,172,345	39,161,736	35,191,920
Investment earnings	9,618,170	5,420,204	(4,733,571)	2,245,090
Contributed capital	-	-	-	-
Miscellaneous	54,592	99,221	38,569	37,845
Total governmental activities	52,175,333	47,691,770	34,466,734	37,474,855
SPECIAL ITEMS:				
Market value adjustment - land held for resale	-	-	-	-
Gain on sale of land held for resale	-	-	-	2,053,172
Total special items	-	-	-	2,053,172
EXTRAORDINARY ITEMS:				
Gain on approval of repayment agreement	-	-	-	-
Loss on re-entered loan settlement agreement	-	-	-	-
Total extraordinary items	-	-	-	-
CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES	<u>\$ 8,362,776</u>	<u>\$ 21,746,116</u>	<u>\$ 17,045,604</u>	<u>\$ 1,986,789</u>
EXPENSES - BUSINESS-TYPE ACTIVITIES:				
Sewer	\$ 908,788	\$ 892,783	\$ 902,389	\$ 888,283
Total business-type activities expenses	908,788	892,783	902,389	888,283
PROGRAM REVENUES - BUSINESS-TYPE ACTIVITIES:				
Charges for services	1,593,387	1,632,171	1,779,495	1,861,974
Operating grants and contributions	39	36	35	37
Capital grants and contributions	-	-	-	-
Total business-type activities program revenues	1,593,426	1,632,207	1,779,530	1,862,011
NET (EXPENSE/REVENUE) - BUSINESS-TYPE ACTIVITIES	684,638	739,424	877,141	973,728
GENERAL REVENUES AND OTHER CHANGES IN NET POSITION - BUSINESS TYPE ACTIVITIES:				
Taxes				
Property taxes, levied for sewer purposes	42,876	36,250	32,508	30,499
Total taxes	42,876	36,250	32,508	30,499
Investment earnings	381,847	173,575	26,215	25,145
Miscellaneous	-	7,397	2,442	2,779
Total business-type activities	424,723	217,222	61,165	58,423
CHANGE IN NET POSITION - BUSINESS-TYPE ACTIVITIES	<u>\$ 1,109,361</u>	<u>\$ 956,646</u>	<u>\$ 938,306</u>	<u>\$ 1,032,151</u>
CHANGE IN NET POSITION - TOTAL PRIMARY GOVERNMENT	<u>\$ 9,472,137</u>	<u>\$ 22,702,762</u>	<u>\$ 17,983,910</u>	<u>\$ 3,018,940</u>

<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
\$ 6,082,701	\$ 4,683,324	\$ 4,634,173	\$ 4,688,064	\$ 4,186,025	\$ 3,762,129
1,915,912	2,200,508	2,545,902	2,092,444	2,045,322	1,792,626
19,357,512	17,423,654	17,185,826	15,793,707	14,193,759	13,823,314
11,597,788	10,800,313	13,608,594	11,949,123	11,467,198	11,818,556
5,003,445	5,042,590	5,296,640	5,077,877	4,659,025	4,675,847
-	1,300	25,145	48,597	70,731	89,610
<u>43,957,358</u>	<u>40,151,689</u>	<u>43,296,280</u>	<u>39,649,812</u>	<u>36,622,060</u>	<u>35,962,082</u>
154,716	388,378	477,787	517,051	247,368	155,590
899,680	1,156,997	1,125,447	957,395	1,038,354	767,379
268,225	324,497	221,319	217,567	190,861	229,721
741,487	740,542	723,444	773,597	820,048	854,062
573,479	1,727,459	1,509,692	1,489,518	1,499,750	1,160,898
5,998,794	3,728,589	3,625,304	4,550,919	4,474,668	3,549,872
1,488,480	1,299,265	1,029,329	1,462,551	693,977	856,247
<u>10,124,861</u>	<u>9,365,727</u>	<u>8,712,322</u>	<u>9,968,598</u>	<u>8,965,026</u>	<u>7,573,769</u>
(33,832,497)	(30,785,962)	(34,583,958)	(29,681,214)	(27,657,034)	(28,388,313)
6,273,159	5,703,464	5,373,717	4,838,954	4,634,994	4,735,392
5,958,511	5,435,431	5,133,137	4,598,132	4,420,347	4,450,954
1,358,550	1,240,367	1,173,368	1,055,329	1,015,521	1,013,028
4,942,234	4,708,074	4,429,211	4,241,925	4,061,360	3,835,515
11,969,246	12,616,015	11,141,720	11,346,462	12,435,166	11,891,754
2,185,978	2,761,917	2,836,842	2,711,306	2,558,974	2,209,939
1,727,101	1,686,218	1,660,665	1,607,621	1,728,236	1,724,232
1,742,289	1,750,241	1,728,281	1,745,849	1,647,782	1,678,288
<u>36,157,068</u>	<u>35,901,727</u>	<u>33,476,941</u>	<u>32,145,578</u>	<u>32,502,380</u>	<u>31,539,102</u>
3,423,255	3,806,673	1,281,234	694,455	748,457	344,668
-	-	1,460,026	-	-	-
53,058	57,203	55,078	69,209	61,886	65,861
<u>39,633,381</u>	<u>39,765,603</u>	<u>36,273,279</u>	<u>32,909,242</u>	<u>33,312,723</u>	<u>31,949,631</u>
-	-	-	-	-	(6,308,460)
-	-	-	-	-	-
-	-	-	-	-	(6,308,460)
-	-	-	-	-	25,323,775
-	-	-	(12,493,860)	-	-
-	-	-	(12,493,860)	-	25,323,775
<u>\$ 5,800,884</u>	<u>\$ 8,979,641</u>	<u>\$ 1,689,321</u>	<u>\$ (9,265,832)</u>	<u>\$ 5,655,689</u>	<u>\$ 22,576,633</u>
\$ 871,750	\$ 897,761	\$ 795,737	\$ 706,843	\$ 757,503	\$ 724,257
871,750	897,761	795,737	706,843	757,503	724,257
1,733,202	1,721,787	1,829,427	1,768,183	1,714,658	2,025,759
39	98,050	43	46	66,716	46,387
-	-	-	-	-	-
<u>1,733,241</u>	<u>1,819,837</u>	<u>1,829,470</u>	<u>1,768,229</u>	<u>1,781,374</u>	<u>2,072,146</u>
861,491	922,076	1,033,733	1,061,386	1,023,871	1,347,889
30,076	29,978	30,885	24,060	27,651	14,232
30,076	29,978	30,885	24,060	27,651	14,232
66,013	162,156	84,346	48,316	34,865	26,886
1,611	3,233	5,713	2,721	7,255	2,801
<u>97,700</u>	<u>195,367</u>	<u>120,944</u>	<u>75,097</u>	<u>69,771</u>	<u>43,919</u>
\$ 959,191	\$ 1,117,443	\$ 1,154,677	\$ 1,136,483	\$ 1,093,642	\$ 1,391,808
<u>\$ 6,760,075</u>	<u>\$ 10,097,084</u>	<u>\$ 2,843,998</u>	<u>\$ (8,129,349)</u>	<u>\$ 6,749,331</u>	<u>\$ 23,968,441</u>

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

	Fiscal Year			
	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
GENERAL FUND				
Nonspendable	\$ 117,684	\$ 176,552	\$ 270,596	\$ 400,475
Restricted	28,944	28,944	28,944	28,944
Committed	9,983,343	9,395,654	8,862,296	8,277,669
Assigned	20,527,813	23,550,418	21,212,203	15,425,574
Unassigned	1,697,062	1,840,440	1,043,486	1,060,000
Total General Fund	<u>\$ 32,354,846</u>	<u>\$ 34,992,008</u>	<u>\$ 31,417,525</u>	<u>\$ 25,192,662</u>
ALL OTHER GOVERNMENTAL FUNDS				
Nonspendable	\$ 14,426,177	\$ -	\$ -	\$ 5,915,695
Restricted	20,347,084	27,875,379	20,316,479	19,174,097
Committed	14,820,800	12,863,857	11,600,177	12,824,144
Assigned	68,311,625	82,582,086	81,327,970	70,479,670
Unassigned	(2,942,419)	(98,133)	(163,885)	(226,304)
Total all other Governmental Funds	<u>\$ 114,963,267</u>	<u>\$ 123,223,189</u>	<u>\$ 113,080,741</u>	<u>\$ 108,167,302</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>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
\$ 4,106	\$ 8,105	\$ 54,299	\$ 57,474	\$ 8,759	\$ 6,411
140,521	51,035	73,252	73,252	73,252	73,252
7,752,199	7,399,045	7,152,556	6,982,083	6,885,909	6,520,344
14,086,964	13,827,127	8,018,278	11,199,276	11,766,464	13,078,088
1,060,000	1,060,000	860,000	921,728	289,297	170,783
<u>\$ 23,043,790</u>	<u>\$ 22,345,312</u>	<u>\$ 16,158,385</u>	<u>\$ 19,233,813</u>	<u>\$ 19,023,681</u>	<u>\$ 19,848,878</u>
\$ 3,242	\$ 28,946	\$ 26,013	\$ 71,608	\$ 59,660	\$ 56,300
27,679,541	27,277,048	26,328,454	26,466,768	27,039,278	25,513,795
11,600,900	9,332,740	10,568,404	9,174,885	17,680,891	9,437,504
74,307,742	70,811,712	67,828,083	62,830,965	71,429,444	76,745,521
(290,643)	-	-	-	-	-
<u>\$ 113,300,782</u>	<u>\$ 107,450,446</u>	<u>\$ 104,750,954</u>	<u>\$ 98,544,226</u>	<u>\$ 116,209,273</u>	<u>\$ 111,753,120</u>

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

	Fiscal Year			
	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
REVENUES:				
Taxes				
Property tax	\$ 22,738,100	\$ 21,868,125	\$ 19,500,488	\$ 18,720,344
Sales tax	12,930,992	13,561,206	13,292,177	11,579,445
Transient occupancy tax	2,892,555	2,849,004	2,602,233	1,648,030
Franchise tax	2,180,353	2,047,004	1,876,783	1,829,542
Other taxes	2,224,361	2,327,660	2,348,252	2,167,293
Licenses and permits	1,029,241	1,437,527	1,326,104	884,938
Fines and forfeitures	310,918	285,374	250,414	345,986
From use of property	9,442,245	5,400,358	(2,256,444)	88,710
From other agencies	5,029,681	4,348,451	16,312,535	4,103,799
Charges for services	5,466,915	6,689,289	11,079,347	4,051,764
Other revenues	592,405	1,341,712	746,421	811,084
Total Revenues	<u>64,837,766</u>	<u>62,155,710</u>	<u>67,078,310</u>	<u>46,230,935</u>
EXPENDITURES:				
General government	6,914,401	5,071,688	4,833,262	5,485,769
Community development	2,437,084	2,541,511	2,159,679	1,892,213
Public safety	21,008,037	20,099,644	17,939,338	17,401,215
Public works	13,543,103	10,373,878	9,262,250	10,056,426
Recreation	5,775,792	5,260,829	4,532,507	4,181,884
Capital outlay	18,551,740	3,002,215	12,527,779	11,805,601
Debt service				
Principal retired	-	-	-	-
Interest and charges	-	-	-	-
Total expenditures	<u>68,230,157</u>	<u>46,349,765</u>	<u>51,254,815</u>	<u>50,823,108</u>
Excess of revenues over (under) expenditures	(3,392,391)	15,805,945	15,823,495	(4,592,173)
OTHER FINANCING SOURCES (USES):				
Transfers in	6,398,971	4,740,932	21,115,221	7,692,812
Transfers out	(13,914,583)	(6,829,946)	(25,800,414)	(8,138,419)
Leases (as lessee)	10,918	-	-	-
Total other financing sources (uses)	<u>(7,504,694)</u>	<u>(2,089,014)</u>	<u>(4,685,193)</u>	<u>(445,607)</u>
Net change in fund balances before extraordinary items	(10,897,084)	13,716,931	11,138,302	(5,037,780)
SPECIAL ITEMS:				
Market value adjustment - land held for resale	-	-	-	-
Gain on sale of land held for resale	-	-	-	2,053,172
Total special items	-	-	-	2,053,172
EXTRAORDINARY ITEMS:				
Gain on approval of repayment agreement	-	-	-	-
Loss on re-entered loan settlement agreement	-	-	-	-
Total extraordinary items	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	<u>\$ (10,897,084)</u>	<u>\$ 13,716,931</u>	<u>\$ 11,138,302</u>	<u>\$ (2,984,608)</u>
Debt service as a percentage of noncapital expenditures	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>	<u>0.0%</u>

<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
\$ 18,532,454	\$ 17,087,338	\$ 16,109,436	\$ 14,734,339	\$ 14,132,221	\$ 14,034,888
12,252,711	12,332,551	11,141,720	11,451,407	12,540,112	11,681,865
2,185,978	2,761,917	2,836,842	2,711,306	2,558,974	2,209,939
1,806,177	1,766,326	1,740,802	1,665,820	1,774,268	1,770,259
2,063,126	2,095,035	2,052,850	2,061,297	1,957,223	1,986,873
628,630	806,907	675,894	700,437	700,510	455,781
277,716	390,365	275,909	289,271	239,845	254,997
3,511,171	3,890,564	1,660,035	1,027,004	1,044,996	594,030
5,300,369	3,878,871	3,856,558	3,113,673	3,021,416	3,178,481
3,293,571	4,317,800	4,700,201	4,397,340	4,376,424	3,963,964
652,143	673,986	701,596	1,585,339	1,401,191	788,618
<u>50,504,046</u>	<u>50,001,660</u>	<u>45,751,843</u>	<u>43,737,233</u>	<u>43,747,180</u>	<u>40,919,695</u>
5,206,978	4,131,110	4,037,765	4,380,176	4,147,614	3,555,118
1,714,979	2,056,311	2,351,459	2,070,995	2,160,255	1,772,835
17,225,985	16,174,228	15,762,018	15,508,454	14,861,961	13,905,373
7,732,879	7,394,724	10,081,750	9,541,509	9,630,040	9,625,309
3,951,650	4,158,366	4,498,225	4,612,076	4,450,788	4,305,974
4,495,945	4,251,602	2,275,198	11,813,186	2,295,678	4,386,607
-	475,000	445,000	420,000	400,000	380,000
-	13,175	36,826	59,622	80,131	98,350
<u>40,328,416</u>	<u>38,654,516</u>	<u>39,488,241</u>	<u>48,406,018</u>	<u>38,026,467</u>	<u>38,029,566</u>
10,175,630	11,347,144	6,263,602	(4,668,785)	5,720,713	2,890,129
8,335,896	6,468,442	9,020,684	8,189,632	7,466,801	7,991,193
(11,962,712)	(8,929,167)	(12,152,986)	(8,481,902)	(9,556,558)	(8,098,884)
-	-	-	-	-	-
<u>(3,626,816)</u>	<u>(2,460,725)</u>	<u>(3,132,302)</u>	<u>(292,270)</u>	<u>(2,089,757)</u>	<u>(107,691)</u>
6,548,814	8,886,419	3,131,300	(4,961,055)	3,630,956	2,782,438
-	-	-	-	-	(6,308,460)
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	25,323,775
-	-	-	(12,493,860)	-	-
-	-	-	(12,493,860)	-	25,323,775
<u>\$ 6,548,814</u>	<u>\$ 8,886,419</u>	<u>\$ 3,131,300</u>	<u>\$ (17,454,915)</u>	<u>\$ 3,630,956</u>	<u>\$ 28,106,213</u>
<u>0.0%</u>	<u>1.4%</u>	<u>1.3%</u>	<u>1.3%</u>	<u>1.3%</u>	<u>1.4%</u>

CITY OF CYPRESS

ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY

LAST TEN FISCAL YEARS

Schedule 5

Fiscal Year Ended June 30,	Secured *	Public Utility *	Unsecured Valuation *	Total Taxable Assessed Value *	Total Direct Tax Rate
2024	\$ 9,161,268	\$ 2,072	\$ 424,756	\$ 9,588,096	1.0000
2023	\$ 8,701,907	\$ 2,072	\$ 365,927	\$ 9,069,906	1.0000
2022	\$ 8,136,669	\$ 2,268	\$ 331,045	\$ 8,469,982	1.0000
2021	\$ 7,872,105	\$ 2,268	\$ 300,844	\$ 8,175,217	1.0000
2020	\$ 7,516,002	\$ 2,268	\$ 347,290	\$ 7,865,560	1.0000
2019	\$ 7,181,037	\$ 2,268	\$ 309,590	\$ 7,492,895	1.0000
2018	\$ 6,755,533	\$ 595	\$ 292,957	\$ 7,049,085	1.0000
2017	\$ 6,452,310	\$ 792	\$ 297,917	\$ 6,751,019	1.0000
2016	\$ 6,180,488	\$ 792	\$ 282,370	\$ 6,463,650	1.0000
2015	\$ 5,831,344	\$ 1,371	\$ 271,503	\$ 6,104,218	1.0000

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
2024	1.0000	-	1.0000	0.0796	0.0035
2023	1.0000	-	1.0000	0.0900	0.0035
2022	1.0000	-	1.0000	0.0973	0.0035
2021	1.0000	-	1.0000	0.1049	0.0035
2020	1.0000	-	1.0000	0.0933	0.0035
2019	1.0000	-	1.0000	0.1002	0.0035
2018	1.0000	-	1.0000	0.0822	0.0035
2017	1.0000	-	1.0000	0.0950	0.0035
2016	1.0000	-	1.0000	0.1045	0.0035
2015	1.0000	-	1.0000	0.0642	0.0035

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	2024			2015		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Warland Investments Ltd	\$ 288,059,256	1	3.01%	\$ 241,217,093	1	4.00%
GLC Cypress LLC	130,836,554	2	1.37%	--		--
Katella Holder Street LLC	101,805,046	3	1.06%	--		--
Cypress Corporate Center	85,996,928	4	0.90%	63,166,866	3	1.05%
Duke Realty LP	73,682,958	5	0.77%	--		--
Inland American Cypress Katella	63,124,711	6	0.66%	40,000,000	5	0.66%
Los Alamitos Racecourse	45,207,144	7	0.47%	38,814,326	6	0.64%
Diasorin Molecular LLC	40,521,396	8	0.42%			
Yamaha Motor Corp USA Inc	40,059,739	9	0.42%	37,362,814	7	0.62%
Cadigan Peppertree LLC	35,926,137	10	0.38%	--		--
Mitsubishi Motor Sales	--		--	77,708,324	2	1.29%
RREEF America REIT	--		--	62,161,699	4	1.03%
CSKB Cypress LLC	--		--	33,059,000	8	0.55%
CRP-2 Holdings Cypress	--		--	32,607,850	9	0.54%
ROIC Cypress West LLC	--		--	26,352,612	10	0.44%
Total	<u>\$ 905,219,869</u>		<u>9.46%</u>	<u>\$ 652,450,584</u>		<u>10.82%</u>

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
2024	\$ 15,473,642	\$ 15,282,850	98.77%	\$ 126,991	\$ 15,409,841	99.59%
2023	\$ 14,675,706	\$ 14,506,750	98.85%	\$ 91,094	\$ 14,597,844	99.47%
2022	\$ 23,758,834	\$ 23,586,865	99.28%	\$ 134,014	\$ 23,720,879	99.84%
2021	\$ 22,876,805	\$ 22,743,440	99.42%	\$ 174,530	\$ 22,917,970	100.18%
2020	\$ 21,444,968	\$ 21,202,595	98.87%	\$ 90,515	\$ 21,293,110	99.29%
2019	\$ 20,072,714	\$ 19,889,386	99.09%	\$ 137,711	\$ 20,027,097	99.77%
2018	\$ 18,670,282	\$ 18,516,004	99.17%	\$ 89,692	\$ 18,605,696	99.65%
2017	\$ 17,883,255	\$ 17,742,578	99.21%	\$ 100,982	\$ 17,843,560	99.78%
2016	\$ 17,146,468	\$ 16,994,275	99.11%	\$ 144,980	\$ 17,139,255	99.96%
2015	\$ 16,102,137	\$ 15,896,810	98.72%	\$ 159,324	\$ 16,056,134	99.71%

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.

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

<u>Fiscal Year Ended June 30,</u>	<u>Lease Revenue Bonds</u>	<u>Leases ¹</u>	<u>Subscription- based Information Technology Arrangements ¹</u>	<u>Total Outstanding Debt</u>	<u>Percentage of Personal Income ²</u>	<u>Per Capita ³</u>
2024	\$ -	41,189	1,171,147	\$ 1,212,336	0.04%	\$ 25
2023	\$ -	\$ 42,894	\$ 995,346	\$ 1,038,240	0.04%	\$ 21
2022	\$ -	\$ -	\$ -	\$ -	0.00%	\$ -
2021	\$ -	\$ -	\$ -	\$ -	0.00%	\$ -
2020	\$ -	\$ -	\$ -	\$ -	0.00%	\$ -
2019	\$ -	\$ -	\$ -	\$ -	0.00%	\$ -
2018	\$ 475,000	\$ -	\$ -	\$ 475,000	0.03%	\$ 10
2017	\$ 920,000	\$ -	\$ -	\$ 920,000	0.06%	\$ 19
2016	\$ 1,340,000	\$ -	\$ -	\$ 1,340,000	0.08%	\$ 27
2015	\$ 1,740,000	\$ -	\$ -	\$ 1,740,000	0.11%	\$ 36

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

¹ The Leases and Subscription-based Information Technology Arrangements debt presented here do not represent money borrowed by the City. The amounts shown are present-value calculations of estimated future payment by the City 1 Accounting Standards Board (GASB) Statements No. 87 and 96. The City implemented GASB Statement No. 87 (Leases The City implemented GASB Statement No. 96 for the fiscal year ended June 30, 2023.

² See Schedule 12 for personal income.

³ 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	\$ 18,210,000	0.248%	\$ 45,161
North Orange County Joint Community College District	291,560,678	5.600%	16,327,398
Garden Grove Unified School District	517,805,000	3.525%	18,252,626
Los Alamitos USD School Facilities Improvement District No. 1	215,670,227	2.317%	4,997,079
Anaheim Union High School District	229,078,955	13.514%	30,957,730
Centralia School District	41,639,295	2.317%	964,782
Cypress School District	31,789,042	85.782%	27,269,276
Savanna School District	36,986,206	12.446%	4,603,303
Total Direct and Overlapping Tax and Assessment Debt			\$ 103,417,355
Direct and Overlapping General Fund Debt:			
Orange County General Fund Obligations	\$ 440,385,000	1.245%	\$ 5,482,793
Orange County Pension Obligation Bonds	-	0.000%	-
Orange County Board of Education General Fund Obligations	10,030,000	1.245%	124,874
North O.C. Regional Occupational Program Certificates of Part.	7,350,000	5.026%	369,411
Anaheim Union High School District Certificates of Participation	28,320,000	13.514%	3,827,165
Los Alamitos Unified School District Certificates of Participation	30,432,816	2.081%	633,307
Cypress School District Certificates of Participation	2,726,000	85.782%	2,338,417
City of Cypress - Leases (2)	-	100.000%	41,189
City of Cypress - Subscription-based Information Technology Arrangements (2)		100.000%	1,171,147
Total Gross Direct and Overlapping Tax and Assessment Debt			\$ 13,988,303
Total Direct Debt			\$ 1,212,336
Total Overlapping Debt			\$ 116,193,322
Combined Total Debt			\$ 117,405,658 (3)

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) The Leases and Subscription-based Information Technology Arrangements debt presented here do not represent money borrowed by the City. The amounts shown are present-value calculations of estimated future payments by the City for equipment and software applications based on assumptions specified in Governmental Accounting Standards Board (GASB) Statements No. 87 (Leases) and 96 (Subscription-based Information Technology Arrangements). The City implemented GASB Statement No. 87 for the fiscal year ended June 30, 2022. The City implemented GASB No. 96 for the fiscal year ended June 30, 2023.

(3) 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>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
LEGAL DEBT MARGIN CALCULATION:					
Assessed valuation	\$ 9,588,096	\$ 9,069,906	\$ 8,469,982	\$ 8,175,217	\$ 7,865,560
Conversion percentage	25%	25%	25%	25%	25%
Adjusted assessed valuation	\$ 2,397,024	\$ 2,267,477	\$ 2,117,496	\$ 2,043,804	\$ 1,966,390
Debt limit percentage	15%	15%	15%	15%	15%
Debt limit	<u>359,554</u>	<u>340,121</u>	<u>317,624</u>	<u>306,571</u>	<u>294,959</u>
Total Net Debt Applicable to Limit	-	-	-	-	-
Legal debt margin	<u>\$ 359,554</u>	<u>\$ 340,121</u>	<u>\$ 317,624</u>	<u>\$ 306,571</u>	<u>\$ 294,959</u>
Total Net Debt Applicable to Limit as a percentage of Debt Limit	0.00%	0.00%	0.00%	0.00%	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>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
\$ 7,492,895	\$ 7,049,085	\$ 6,751,019	\$ 6,463,650	\$ 6,104,218
25%	25%	25%	25%	25%
\$ 1,873,224	\$ 1,762,271	\$ 1,687,755	\$ 1,615,913	\$ 1,526,055
15%	15%	15%	15%	15%
<u>280,984</u>	<u>264,341</u>	<u>253,163</u>	<u>242,387</u>	<u>228,908</u>
-	-	-	-	-
<u>\$ 280,984</u>	<u>\$ 264,341</u>	<u>\$ 253,163</u>	<u>\$ 242,387</u>	<u>\$ 228,908</u>
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>
2024	49,345	\$ 2,986,131	\$ 60,515	41.5 *	3,319	3.4%
2023	49,818	\$ 2,692,508	\$ 54,047	39.0 *	3,389	3.4%
2022	49,810	\$ 2,308,023	\$ 46,337	41.8 *	3,414	2.4%
2021	48,531	\$ 1,957,777	\$ 40,341	41.8 *	3,540	9.5%
2020	49,272	\$ 1,841,471	\$ 37,374	41.7 *	3,813	15.4%
2019	49,833	\$ 1,790,699	\$ 35,934	41.7 *	3,923	2.4%
2018	49,978	\$ 1,713,796	\$ 34,291	41.9 *	3,957	3.4%
2017	49,655	\$ 1,645,120	\$ 33,131	41.7 *	3,969	2.4%
2016	49,535	\$ 1,642,473	\$ 33,019	41.1 *	3,942	3.0%
2015	48,874	\$ 1,568,904	\$ 32,101	40.6 *	3,990	3.8%

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	2024			2015		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Cypress School District	643	1	2.61%			--
Cypress College	546	2	2.22%	945		3.76%
Costco - Cypress	464	3	1.89%	358	7	1.43%
UnitedHealth Group	455	4	1.85%	2,400	1	9.56%
Yamaha Motors Corporation USA	344	5	1.40%	372	6	1.48%
Christie Digital Systems USA Inc	336	6	1.37%	230	10	0.92%
Hybrid Apparel	290	7	1.18%			0.00%
Safran Group	254	8	1.03%			0.00%
Primary Color	238	9	0.97%			0.00%
Amazon Warehouse	184	10	0.75%			0.00%
Siemens Corporation*			0.00%	650	3	2.59%
Los Alamitos Race Course			0.00%	450	4	1.79%
Vans			0.00%	425	5	1.69%
GES			0.00%	300	8	1.20%
Manhattan Beachware			0.00%	275	9	1.10%
Total	<u>3,754</u>		<u>15.27%</u>	<u>6,405</u>		<u>25.52%</u>

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									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
General Government										
Administrative	4.8	5.8	5.3	5.3	5.3	5.3	5.3	6.0	6.0	6.0
Finance	13.8	14.8	14.3	14.3	14.3	14.3	14.3	15.0	15.0	15.0
Community Development	6.0	6.5	6.5	5.5	5.5	5.5	6.5	7.5	7.5	8.0
Police										
Officers	58.0	58.0	58.0	58.0	58.0	57.0	57.0	57.0	57.0	57.0
Civilians	23.8	23.8	23.8	23.8	22.8	22.8	22.8	23.4	24.4	24.4
Public Works										
Engineering	9.0	9.0	9.0	9.0	9.0	8.5	10.5	10.1	10.1	10.0
Maintenance	19.5	19.5	19.5	19.5	20.1	20.1	26.4	27.0	27.0	28.6
Parks and Recreation	29.4	29.4	29.6	28.8	29.2	30.0	28.2	28.4	28.4	28.8
Total	<u>164.3</u>	<u>166.8</u>	<u>166.0</u>	<u>164.2</u>	<u>164.2</u>	<u>163.5</u>	<u>171.0</u>	<u>174.4</u>	<u>175.4</u>	<u>177.8</u>

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									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Police										
Physical arrests	1,587	1,636	1,505	778	834	1,232	1,091	1,130	856	856
Parking violations	5,670	6,328	4,485	8,675	4,436	6,264	5,287	3,660	4,587	4,818
Traffic violations	2,304	2,376	2,099	2,368	2,353	3,754	4,260	3,290	2,878	1,830
Public Works - Maintenance										
Potholes repaired	184	212	259	235	108	59	13	109	53	56
Parks and Recreation										
Athletic field permits issued	2,218	6,130	2,486	2,698	4,812	6,783	7,197	8,383	7,975	8,786
Class participants	10,270	10,968	6,991	3,738	6,370	13,319	13,823	10,739	12,110	11,796
Facility rentals	533	1,134	1,277	10	653	895	1,127	1,225	1,334	1,255

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									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	18	18	18	19	19	19	19	19	19	19
Public Works - Maintenance										
Streets (miles)	111	111	111	111	111	111	111	111	111	111
Streetlights	302	302	302	302	302	302	302	303	303	303
Traffic signals	61	61	61	61	61	61	61	60	60	57
Parks and Recreation										
Acreage	95	95	95	95	95	95	95	87	84	84
Playgrounds	20	20	20	19	19	19	19	19	18	18
Baseball/softball diamonds	9	9	9	9	9	9	8	8	8	8
Soccer/football fields	4	4	4	2	2	1	1	1	1	1
Pickleball courts	8	8	8	6	-	-	-	-	-	-
Community centers	1	1	1	1	1	1	1	1	1	1
Senior centers	1	1	1	1	1	1	1	1	1	1

Source: Various City Departments



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, 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, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated March 21, 2025.

Report on Internal Control over Financial Reporting

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

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.



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

Purpose of This Report

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

LSL, LLP

Irvine, California
March 21, 2025