

Cypress Recreation and Park District

Cypress, California

*Basic Financial Statements
and Independent Auditors' Report*

For the fiscal year ended June 30, 2016

Cypress Recreation and Park District
Basic Financial Statements
For the fiscal year ended June 30, 2016

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Cypress Recreation and Park District (the "District"), a component unit of the City of Cypress, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Report on Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the CalPERS pension plans schedule of proportionate share of the net pension liability and schedule of contributions, the schedule of funding progress - retirees' health care payable, and the budgetary comparison schedule, identified as Required Supplementary Information ("RSI") in the accompanying table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the RSI in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during the audit of the basic financial statements. We do not express an opinion or provide any assurance on the RSI because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2016, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

White Nelson Dick Evans LLP

Irvine, California
December 21, 2016

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CYPRESS RECREATION AND PARK DISTRICT
Management's Discussion and Analysis
June 30, 2016

The discussion and analysis of the Cypress Recreation and Park District's (District's) financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2016. The intent of this discussion and analysis is to look at the District's financial performance as a whole. Readers should also review the basic financial statements, as well as the prior year's report ending June 30, 2015, to enhance their understanding of the District's financial performance.

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

BASIS OF ACCOUNTING AND FUND GROUPINGS

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

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

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

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

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 District's own programs.

CYPRESS RECREATION AND PARK DISTRICT
Management's Discussion and Analysis
June 30, 2016

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

FINANCIAL DISCUSSION

In the governmental fund financial statements, the District reported an excess of revenues over expenditures and other financing uses of \$1,030,500. At the end of the current fiscal year, the nonspendable fund balance of the District was \$22,194, the restricted fund balance was \$1,251,925 (compared to \$907,788 at the beginning of the year), the assigned fund balance was \$9,355,928 (compared to \$8,760,993 at the beginning of the year) while total fund balance was \$10,913,356 (compared to \$9,882,856 at the beginning of the year). The total fund balance that is not restricted or nonspendable (comprised of assigned and unassigned fund balance amounts) represents 192.5 percent (compared with 186.2 percent from the previous year) of the fund's total current expenditures. Since the bulk of the District's operations are funded with annual property tax revenues, a portion of the assigned fund balance is needed to meet cash flow shortages between property tax receipts. The majority of the remaining assigned fund balance amounts are available to cover potential contingency needs of the District and pay for future facility and park infrastructure improvement projects.

For the fiscal year ended June 30, 2016, the District's balance of cash and cash equivalents were \$11,110,361, an increase of \$1,123,321 from the prior fiscal year. Total receivables at the end of the fiscal year were \$75,981, which is a slight increase from the prior year total of \$74,163.

CITY OF CYPRESS
Summary of Changes in Fund Balances
General Fund
For the fiscal year ended June 30, 2016 and 2015

	<u>2016</u>	<u>2015</u>	<u>Change</u>
Revenues			
Taxes:			
Property	\$ 4,420,348	\$ 4,450,954	\$ (30,606)
From use of property	216,600	167,104	49,496
From other agencies	88,000	95,117	(7,117)
Charges for services	1,337,358	1,022,737	314,621
Other	5,681	39,505	(33,824)
Total Revenues	<u>6,067,987</u>	<u>5,775,417</u>	<u>292,570</u>
Expenditures			
Recreation	4,450,787	4,305,975	144,812
Capital outlay	563,212	504,908	58,304
Total Expenditures	<u>5,013,999</u>	<u>4,810,883</u>	<u>203,116</u>
Net Transfers	<u>(23,488)</u>	<u>(1,826)</u>	<u>21,662</u>
Increase in fund balance	<u>\$ 1,030,500</u>	<u>\$ 962,708</u>	<u>\$ 67,792</u>

CYPRESS RECREATION AND PARK DISTRICT

Management's Discussion and Analysis

June 30, 2016

Total Recreation and Park District revenues for the fiscal year ended June 30, 2016 increased by \$292,570 from the prior year. Individual changes during the past year to the District's major revenues are highlighted as follows:

- Property tax revenues, the District's largest revenue source, decreased by \$30,607 due to two offsetting factors. While the secured property tax base continues to grow modestly due to the ongoing effects of Proposition 13, these gains were offset by the loss of residual property tax revenues which were reallocated away from the District to the Cypress Successor Agency during the past year. These residual property tax amounts had been allocated to the District upon dissolution of the Cypress Redevelopment Agency, but will now be used to repay loans to the City in accordance with a recent decision by the State.
- Interest earnings for the District increased due to growth in both the District's cash reserves and the market interest rates earned on those reserves. Strong demand for the use of District facilities resulted in building rents increasing during the past year. Both interest earnings and building rentals are classified as revenue from use of property.
- Charges for services increased primarily due to receiving a total of \$424,000 in park development fees in the current fiscal year compared to \$112,000 during the fiscal year ended June 30, 2015. These development fees tend to fluctuate year to year based on housing activity within the City.
- Other revenues decreased due to receiving a one-time reimbursement in the prior fiscal year.

Notable changes in expenditures during the year ended June 30, 2016 follow:

- Recreation expenditures increased by \$144,812 (3.4 percent) largely because of negotiated salary increases and higher mandatory pension contributions, as well as higher contract costs for landscape and janitorial maintenance.
- Capital outlay expenditures are budgeted and incurred in accordance with the City's Seven Year Capital Improvement Program and an infrastructure needs analysis approved by the City Council several years ago. Capital expenditures (excluding the capital contributions to the City described below) increased in the last year due to awarding contracts for the design of Mackay Park and preparing a parks and facilities utilization study. Additional major capital outlay costs are expected to be incurred in the coming year as construction on Mackay Park begins.

The District makes annual capital contributions to the City equal to the additional property tax amounts received that were previously apportioned to the former Redevelopment Agency. As part of the dissolution of the former Redevelopment Agency, the State disallowed loans and the sale of land from the City to the former Redevelopment Agency. Since the proceeds of these loans had been used to pay for several recreation projects (including the construction of the Senior Center and the remodel of the Community Center), the City Council established a policy whereby the District would repay the City for these improvements by transferring any former Redevelopment Agency property tax revenues the District receives.

CYPRESS RECREATION AND PARK DISTRICT
Management's Discussion and Analysis
June 30, 2016

District General Fund Budgetary Highlights

The District's budgetary highlights for the fiscal year ended June 30, 2016 were comprised primarily of two issues. Net increases between the original appropriations budget and the final amended budget totaled \$896,929. The majority of the increase (\$746,025) is attributable to the annual carryover of appropriations to the new fiscal year for encumbrances and services not completed in the prior fiscal year. All of these carryover amounts related to park improvement projects that were funded with restricted Park Development monies (\$480,000) and accumulated monies previously set-aside for such improvements (\$266,025). These improvements had been identified in the facility assessment/infrastructure study done many years ago and represented monies appropriated for a multi-year improvement program related to the park sites and facilities of the District. Also attributing to the appropriations increase is the agreement between the District and the Cypress School District for the Recreation and Park District's acquisition of 2.9 acres of land, previously declared surplus, at the Mackay Elementary School Site. The purchase was approved in accordance with the provisions of the California Education Code and Government Code, relating to the disposition of surplus school sites with specialized "open space" characteristics, and will be funded with accumulated park development monies. While approved during FY 2013-14, the actual purchase and transfer of land to the District is not expected to occur until the 2016-17 fiscal year. In addition to these carried over amounts, the District's budget increased \$112,125 to hire a consultant to prepare a facilities condition and utilization study. The results of this assessment will be used to prioritize future capital improvements for the District.

REQUEST FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

Cypress Recreation and Park District
Statement of Net Position
June 30, 2016

	Primary Governmental Activities
ASSETS:	
Current assets:	
Cash and cash equivalents	\$ 12,533,730
Receivables:	
Taxes	34,018
Interest	14,663
Other	58,918
Prepaid items	22,160
Inventory	34
Total current assets	12,663,523
Noncurrent assets:	
Capital assets:	
Non-depreciable assets	7,406,561
Depreciable assets, net	8,540,905
Total capital assets	15,947,466
TOTAL ASSETS	28,610,989
DEFERRED OUTFLOWS OF RESOURCES:	
Deferred amounts from pension plans	226,299
LIABILITIES:	
Current liabilities:	
Accounts payable and accrued liabilities	240,790
Unearned revenue	57,202
Accrued leave payable	43,260
Total current liabilities	341,252
Noncurrent liabilities:	
Accrued leave payable	129,781
Retirees' health payable	196,000
Net pension liability	1,183,981
Total noncurrent liabilities	1,509,762
TOTAL LIABILITIES	1,851,014
DEFERRED INFLOWS OF RESOURCES:	
Deferred amounts from pension plans	116,760
NET POSITION:	
Net investment in capital assets	15,947,466
Restricted	1,251,925
Unrestricted	9,670,123
TOTAL NET POSITION	\$ 26,869,514

See accompanying notes to basic financial statements.

**Cypress Recreation and Park District
Statement of Activities
For the fiscal year ended June 30, 2016**

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position Governmental Activities
		Charges for Services	Operating Grants and Contributions	
Primary government:				
Governmental activities:				
Recreation	\$ 4,982,297	\$ 1,499,749	\$ 93,681	\$ (3,388,867)
Total governmental activities	<u>\$ 4,982,297</u>	<u>\$ 1,499,749</u>	<u>\$ 93,681</u>	<u>(3,388,867)</u>

General revenues:	
Property taxes	4,420,348
Investment income	54,209
Total general revenues	<u>4,474,557</u>
Change in net position	1,085,690
Net position at beginning of year	<u>25,783,824</u>
Net position at end of year	<u>\$ 26,869,514</u>

See accompanying notes to basic financial statements.

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FUND FINANCIAL STATEMENTS

Governmental Fund Financial Statements

Proprietary Fund Financial Statements

Fiduciary Fund Financial Statements

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GOVERNMENTAL FUND FINANCIAL STATEMENTS

Cypress Recreation and Park District
Balance Sheet
Governmental Fund
June 30, 2016

	<u>General Fund</u>
ASSETS	
Cash and cash equivalents	\$ 11,110,361
Receivables:	
Taxes	34,018
Interest	14,663
Other	27,300
Prepaid items	22,160
Inventory	34
	<hr/>
TOTAL ASSETS	<u>\$ 11,208,536</u>
LIABILITIES AND FUND BALANCE	
LIABILITIES:	
Accounts payable and accrued liabilities	\$ 237,978
Unearned revenue	57,202
	<hr/>
TOTAL LIABILITIES	<u>295,180</u>
FUND BALANCE:	
Nonspendable	22,194
Restricted	1,251,925
Assigned	9,355,928
Unassigned	283,309
	<hr/>
TOTAL FUND BALANCE	<u>10,913,356</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 11,208,536</u>

See accompanying notes to basic financial statements.

Cypress Recreation and Park District
Reconciliation of the Governmental Fund Balance Sheet
to the Statement of Net Position
June 30, 2016

Fund balance - total governmental fund		\$ 10,913,356
<p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p>		
<p>Capital assets used in governmental funds are not current financial resources and therefore are not reported in the Governmental Fund Balance Sheet. This amount does not include the internal service funds' amounts of \$74,846.</p>		
Non-depreciable	\$ 7,406,561	
Depreciable, net	8,466,059	
		15,872,620
<p>Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Government-Wide Statement of Net Position.</p>		
		83,538
Net position of governmental activities		\$ 26,869,514

See accompanying notes to basic financial statements.

Cypress Recreation and Park District
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Fund
For the fiscal year ended June 30, 2016

REVENUES:	
Taxes	\$ 4,420,348
Investment and rental income	216,600
From other agencies	88,000
Charges for services	1,337,358
Other revenue	5,681
	6,067,987
EXPENDITURES:	
Current:	
Recreation	4,450,787
Capital outlay	563,212
	5,013,999
EXCESS OF REVENUES OVER EXPENDITURES	
	1,053,988
OTHER FINANCING USES:	
Transfers out	(23,488)
	(23,488)
NET CHANGE IN FUND BALANCE	
	1,030,500
FUND BALANCE - BEGINNING OF YEAR	9,882,856
	9,882,856
FUND BALANCE - END OF YEAR	\$ 10,913,356

See accompanying notes to basic financial statements.

**Cypress Recreation and Park District
 Reconciliation of the Statement of Revenues, Expenditures
 and Changes in Fund Balance of the Governmental Fund
 to the Statement of Activities
 For the fiscal year ended June 30, 2016**

Net change in fund balance - total governmental fund \$ 1,030,500

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

The governmental fund reports capital outlays as expenditures. However, in the Government-Wide Statement of Activities, the cost of those capital assets are allocated over the estimated useful lives as depreciation expense. This is the amount of capital assets, net of internal service funds recorded in the current period.

Capital outlay	529,784
Less: capital contribution to the City	(211,751)
Loss on disposal of capital assets	(312)

Depreciation expense on capital assets is reported in the Government-Wide Statement of Activities, but it does not require the use of current financial resources. Therefore, depreciation expense is not reported as expenditures in the Governmental Fund. This amount does not include the depreciation expense for internal service funds in the amount of \$29,223. (412,245)

Internal service funds are used by management to charge the costs of certain activities, such as insurance and fleet management, to individual funds. The change in net position of the internal service fund is reported with governmental activities. 149,714

Change in net position of governmental activities \$ 1,085,690

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PROPRIETARY FUND FINANCIAL STATEMENTS

Cypress Recreation and Park District
Statement of Net Position
Proprietary Fund
June 30, 2016

	Governmental Activities
	Internal Service Funds
ASSETS:	
CURRENT ASSETS:	
Cash and cash equivalents	\$ 1,423,369
Other receivables	31,618
	1,454,987
TOTAL CURRENT ASSETS	
NONCURRENT ASSETS:	
Capital assets:	
Depreciable, net	74,846
	74,846
TOTAL NONCURRENT ASSETS	
	74,846
TOTAL ASSETS	1,529,833
DEFERRED OUTFLOWS OF RESOURCES:	
Deferred amounts from pension plans	226,299
	226,299
LIABILITIES:	
CURRENT LIABILITIES:	
Accounts payable and accrued liabilities	2,812
Accrued leave payable	43,260
	46,072
TOTAL CURRENT LIABILITIES	46,072
NONCURRENT LIABILITIES:	
Accrued leave payable	129,781
Retirees' health payable	196,000
Net pension liability	1,183,981
	1,509,762
TOTAL NONCURRENT LIABILITIES	1,509,762
TOTAL LIABILITIES	1,555,834
DEFERRED INFLOWS OF RESOURCES:	
Deferred amounts from pension plans	116,760
	116,760
NET POSITION:	
Net investment in capital assets	74,846
Unrestricted	8,692
	83,538
TOTAL NET POSITION	\$ 83,538

See accompanying notes to basic financial statements.

Cypress Recreation and Park District
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Fund
For the fiscal year ended June 30, 2016

	Governmental Activities
	Internal Service Funds
OPERATING REVENUES:	
Charges for services	\$ 916,831
OPERATING EXPENSES:	
Contractual services	402,706
Supplies and other services	357,280
Depreciation	29,223
TOTAL OPERATING EXPENSES	789,209
OPERATING INCOME	127,622
TRANSFERS:	
Transfers in	23,488
NONOPERATING EXPENSES:	
Loss on disposal of equipment	(1,396)
CHANGE IN NET POSITION	149,714
NET POSITION AT BEGINNING OF YEAR	(66,176)
NET POSITION AT END OF YEAR	\$ 83,538

See accompanying notes to basic financial statements.

**Cypress Recreation and Park District
Statement of Cash Flows
Proprietary Fund
For the fiscal year ended June 30, 2016**

	Governmental Activities
	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES:	
Receipts from user departments	\$ 908,024
Payments to suppliers for goods and services	(829,674)
	78,350
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:	
Transfers in	23,488
	23,488
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:	
Acquisition of capital assets	(23,488)
	(23,488)
NET INCREASE IN CASH AND CASH EQUIVALENTS	78,350
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	1,345,019
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 1,423,369
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Operating income	\$ 127,622
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	29,223
Changes in operating assets, deferred outflows of resources, liabilities, and deferred inflows of resources:	
(Increase) decrease in other receivables	(8,807)
(Increase) decrease in deferred outflows of resources - amounts from pension plans	(41,315)
Increase (decrease) in accounts payable and accrued liabilities	(12,817)
Increase (decrease) in accrued leave payable	22,467
Increase (decrease) in retirees' health payable	35,000
Increase (decrease) in net pension liability	158,143
Increase (decrease) in deferred inflows of resources - amounts from pension plans	(231,166)
Total adjustments	(49,272)
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 78,350

See accompanying notes to basic financial statements.

FIDUCIARY FUND FINANCIAL STATEMENTS

Cypress Recreation and Park District
Statement of Fiduciary Assets and Liabilities
Agency Fund
June 30, 2016

	<u>Agency Fund</u>
ASSETS:	
Cash and cash equivalents	<u>\$ 21,007</u>
LIABILITIES:	
Deposits	<u>\$ 21,007</u>

See accompanying notes to basic financial statements.

NOTES TO BASIC FINANCIAL STATEMENTS

Cypress Recreation and Park District
Notes to Basic Financial Statements
For the fiscal year ended June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Description of Reporting Entity

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

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

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

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

Government-Wide Financial Statements

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

Cypress Recreation and Park District
Notes to Basic Financial Statements, Continued
For the fiscal year ended June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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

Government-Wide Financial Statements, Continued

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

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

- Charges for services
- Operating grants and contributions

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

- Transfers in/out

Governmental Fund Financial Statements

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

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

Cypress Recreation and Park District
Notes to Basic Financial Statements, Continued
For the fiscal year ended June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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

Governmental Fund Financial Statements, Continued

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

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

Proprietary Fund Financial Statements

Internal service funds are used to account for the financing of goods or services provided by one department of the District to other departments or agencies of the District on a cost-reimbursement basis. The District currently uses internal service funds for employees' benefits and 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 equipment, and for accumulating and expending monies for capital equipment acquisition and replacement).

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

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

Cypress Recreation and Park District
Notes to Basic Financial Statements, Continued
For the fiscal year ended June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

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

Proprietary Fund Financial Statements, Continued

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

Fiduciary Fund Financial Statements

Agency funds are used to account for various activities in which the District acts as an agent. The agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The District's agency fund includes amounts held for facility rental deposits.

C. New Accounting Pronouncements

GASB Current Year Standards

In fiscal year 2015-2016, the District implemented Governmental Accounting Standards Board (GASB) Statement No. 72, "Fair Value Measurement and Application". GASB Statement No. 72 requires the District to use valuation techniques which are appropriate under the circumstances and are either a market approach, a cost approach or income approach. GASB Statement No. 72 establishes a hierarchy of inputs used to measure fair value consisting of three levels. Level 1 inputs are quoted prices in active markets for identical assets or liabilities. Level 2 inputs are inputs, other than quoted prices included within Level 1, which are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs, and typically reflect management's estimates of assumptions that market participants would use in pricing the asset or liability. GASB Statement No. 72 also contains note disclosure requirements regarding the hierarchy of valuation inputs and valuation techniques that were used for the fair value measurements. There was no material impact on the District's financial statements as a result of the implementation of GASB Statement No. 72.

GASB Statement No. 73, "Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68", was required to be implemented in the current fiscal year, except for those provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of GASB Statement No. 68, which are effective for periods beginning after June 15, 2016, and did not impact the District.

GASB Statement No. 76, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments", was required to be implemented in the current fiscal year, and did not impact the District.

Cypress Recreation and Park District
Notes to Basic Financial Statements, Continued
For the fiscal year ended June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

GASB Current Year Standards, Continued

GASB Statement No. 79, *“Certain External Investment Pools and Pool Participants”*, was required to be implemented in the current fiscal year, except for certain provisions on portfolio quality, custodial credit risk, and shadow pricing, which are effective for periods beginning after December 15, 2015, and did not impact the District.

GASB Statement No. 82, *“Pension Issues an Amendment of GASB Statement No. 67, No. 68 and No. 73”*, changed the measurement of covered payroll reported in required supplementary information and has been early implemented.

GASB Pending Accounting Standards

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

- GASB 73 - *“Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68”*, the provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of GASB 68, effective for periods beginning after June 15, 2016.
- GASB 74 - *“Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans”*, effective for periods beginning after June 15, 2016.
- GASB 75 - *“Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions”*, effective for periods beginning after June 15, 2017.
- GASB 77 - *“Tax Abatement Disclosure”*, effective for periods beginning after December 15, 2015.
- GASB 78 - *“Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans”*, effective for periods beginning after December 15, 2015.
- GASB 79 - *“Certain External Investment Pools and Pool Participants”*, the certain provisions on portfolio quality, custodial credit risk, and shadow pricing, effective for periods beginning after December 15, 2015.
- GASB 80 - *“Blending Requirements for Certain Component Units”*, effective for periods beginning after June 15, 2016.
- GASB 81 - *“Irrevocable Split-Interest Agreements”*, effective for periods beginning after December 15, 2016.
- GASB 82 - *“Pension Issues”*, effective for periods beginning after June 15, 2016, except for certain provisions on selection of assumptions, which is effective in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017.

Cypress Recreation and Park District
Notes to Basic Financial Statements, Continued
For the fiscal year ended June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

D. Capital Assets

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

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

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

E. Cash, Cash Equivalents, and Investments

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

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

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

The City participates in an investment pool managed by the State of California titled Local Agency Investment Fund (LAIF), which has invested a portion of the pooled funds in Structured Notes and Asset-Backed Securities. LAIF's investments are subject to credit risk with the full faith and credit of the State of California collateralizing these investments. In addition, these Structured Notes and Asset-Backed Securities are subject to market risk due to changes in interest rates.

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

Cypress Recreation and Park District
Notes to Basic Financial Statements, Continued
For the fiscal year ended June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

E. Cash, Cash Equivalents, and Investments, Continued

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

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

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

F. Deferred Outflows/Inflows of Resources

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

- Deferred outflow related to pensions equal to employer contributions made after the measurement date of the net pension liability.
- Deferred outflows related to pension plans for the changes in proportion and differences between employer contributions and the employer's proportionate share of contributions. These amounts are amortized over a closed period equal to the average of the expected remaining services lives of all employees that are provided with pensions through the plans, which is 2.3 years for the 2013-2014 measurement period and 2.1 years for the 2014-2015 measurement period.

Cypress Recreation and Park District
Notes to Basic Financial Statements, Continued
For the fiscal year ended June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

F. *Deferred Outflows/Inflows of Resources, Continued*

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

- Deferred inflows related to pensions for differences between actual and expected experiences. 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 through the plans, which is 2.3 years for the 2013-2014 measurement period and 2.1 years for the 2014-2015 measurement period.
- Deferred inflows from pensions resulting from changes in assumptions. These amounts are amortized over a closed period equal to the average expecting remaining service lives of all employees that are provided with pensions through the plans, which is 2.3 years for the 2013-2014 measurement period and 2.1 years for the 2014-2015 measurement period.
- Deferred inflows related to pensions resulting from the difference in projected and actual earnings on investments of the pension plan fiduciary net position. These amounts are amortized over five years.

G. *Net Position Flow Assumption*

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

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

H. *Encumbrances*

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

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

Cypress Recreation and Park District
Notes to Basic Financial Statements, Continued
For the fiscal year ended June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

I. Net Position

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

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

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

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

J. Fund Balances

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

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

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

Committed - Committed fund balances encompass the portion of net fund resources, the use of which is constrained by limitations that the government imposes upon itself at its highest level of decision making, normally the governing body through council resolutions, etc., and that remain binding unless removed in the same manner. The City Council is considered the highest authority for the District.

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

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

Cypress Recreation and Park District
Notes to Basic Financial Statements, Continued
For the fiscal year ended June 30, 2016

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, Continued

K. Spending Policy

Governmental Fund Financial Statements

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

- Restricted
- Committed
- Assigned
- Unassigned

L. Pensions

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

M. Use of Estimates

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

2. CASH AND CASH EQUIVALENTS

The District's cash and investments are pooled with the City. The District does not own specifically identifiable securities in the City's pool. Investment income earned on pooled cash and investments is allocated quarterly to the various funds based on the average cash balance in each fund. At June 30, 2016, the cash and cash equivalent balance of the District was as follows:

	<u>Government- Wide Statement of Net Position Governmental Activities</u>	<u>Fund Financials Fiduciary Fund Statement of Assets and Liabilities</u>	<u>Total</u>
Cash and cash equivalents	\$ 12,533,730	\$ 21,007	\$ 12,554,737

Cypress Recreation and Park District
Notes to Basic Financial Statements, Continued
For the fiscal year ended June 30, 2016

2. CASH AND CASH EQUIVALENTS, Continued

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:

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
United States Treasury Bills and Notes	5 Years	None	N/A
Federal Agency Issues	5 Years	None	N/A
Certificates of Deposit (or Time Deposits) placed with commercial banks and/or savings and loan companies	1 Year	25%	N/A
Bankers' Acceptances	180 Days	25%	10%
Negotiable Certificates of Deposit	5 Years	25%	10%
Commercial Paper	270 Days	25%	10%
Local Agency Investment Fund	None	\$50 million*	N/A
Investment Trust of California (CalTRUST)	None	\$20 million*	N/A
Passbook Savings Account demand deposits	5 Years	None	N/A
Medium-term Notes	5 Years	25%	10%

* Limit is per entity.

N/A - Not Applicable

Deposits and Risks

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

Interest Rate Risk - As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investment policy provides that final maturities of securities cannot exceed five years. At June 30, 2016, approximately 85% of the City's entire pooled cash and cash equivalents had a maturity of less than one year with an average life of the portfolio being slightly more than 147 days.

Credit Risk - State law limits investments in commercial paper and corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations (NRSROs). It is the City's practice to limit its investments in these investment types to the top rating issued by NRSROs, including raters Standard & Poor's and Moody's Investors Service. The California Local Agency Investment Fund ("LAIF") is not rated, but has a separate investment policy governed by Government Code Sections 16480-16481.2 that provides credit standards for its investments.

Cypress Recreation and Park District
Notes to Basic Financial Statements, Continued
For the fiscal year ended June 30, 2016

2. CASH AND CASH EQUIVALENTS, Continued

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 \$65,000,000 in the fund. Investments in LAIF are considered highly liquid, as deposits can be converted to cash within 24 hours without loss of interest.

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

The City values its investments in LAIF at a fair market value provided by LAIF. At June 30, 2016 the factor used was 1.000621222. The City's investment with LAIF includes a portion of pool funds invested in structured notes and asset-backed securities. At June 30, 2016, the City invested in LAIF, which had invested 2.81% of the pool's funds in structured notes and asset-backed securities.

Fair Value Measurements

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

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

Cypress Recreation and Park District
Notes to Basic Financial Statements, Continued
For the fiscal year ended June 30, 2016

3. CAPITAL ASSETS

The following is a summary of capital assets for governmental activities for the year ended June 30, 2016:

	<u>Balance at</u> <u>July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance at</u> <u>June 30, 2016</u>
Capital assets, not being depreciated:				
Land	\$ 7,260,278	\$ -	\$ -	\$ 7,260,278
Construction in progress	<u>73,437</u>	<u>318,033</u>	<u>(245,187)</u>	<u>146,283</u>
Total capital assets, not being depreciated	<u>7,333,715</u>	<u>318,033</u>	<u>(245,187)</u>	<u>7,406,561</u>
Capital assets, being depreciated:				
Buildings and improvements	16,278,182	245,187	-	16,523,369
Equipment	<u>459,973</u>	<u>23,488</u>	<u>(17,082)</u>	<u>466,379</u>
Total capital assets, being depreciated	<u>16,738,155</u>	<u>268,675</u>	<u>(17,082)</u>	<u>16,989,748</u>
Less accumulated depreciation for:				
Buildings and improvements	(7,647,182)	(411,314)	-	(8,058,496)
Equipment	<u>(375,567)</u>	<u>(30,154)</u>	<u>15,374</u>	<u>(390,347)</u>
Total accumulated depreciation	<u>(8,022,749)</u>	<u>(441,468)</u>	<u>15,374</u>	<u>(8,448,843)</u>
Total capital assets, being depreciated, net	<u>8,715,406</u>	<u>(172,793)</u>	<u>(1,708)</u>	<u>8,540,905</u>
Capital assets, net	<u>\$ 16,049,121</u>	<u>\$ 145,240</u>	<u>\$ (246,895)</u>	<u>\$ 15,947,466</u>

Depreciation expense for capital assets for the year ended June 30, 2016, is comprised of the following:

Governmental funds	\$ 412,245
Internal service funds	<u>29,223</u>
Total depreciation expense	<u>\$ 441,468</u>

Depreciation expense of \$441,468 is allocated to the recreation program on the statement of activities.

Cypress Recreation and Park District
Notes to Basic Financial Statements, Continued
For the fiscal year ended June 30, 2016

4. PROPERTY TAXES

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

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

5. ACCRUED LEAVE PAYABLE

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

Accrued leave payable at June 30, 2016, consisted of \$43,260 in short-term and \$129,781 in long-term liabilities.

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

6. INTERFUND TRANSACTIONS

During the fiscal year ended June 30, 2016, the District had the following internal transfers:

Transfers In	Transfers Out	Amount
Internal Service Funds	General Fund	\$ <u>23,488</u>

Cypress Recreation and Park District
Notes to Basic Financial Statements, Continued
For the fiscal year ended June 30, 2016

7. CLASSIFICATION OF NET POSITION AND FUND BALANCE

A. Government-Wide Financial Statements

At June 30, 2016, classifications of net position were as follows:

Net investment in capital assets	\$ 15,947,466
Restricted net position:	
Open space	1,178,740
Youth League renovations	<u>73,185</u>
Total restricted net position	<u>1,251,925</u>
Unrestricted net position	<u>9,670,123</u>
Total net position	<u>\$ 26,869,514</u>

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

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

B. Fund Financial Statements

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

	<u>General Fund</u>
Nonspendable	
Prepaid items	\$ 22,160
Inventory	<u>34</u>
Total nonspendable	<u>22,194</u>
Restricted	
Open space	1,178,740
Youth League renovations	<u>73,185</u>
Total restricted	<u>1,251,925</u>
Assigned	
OCERS retirement (unfunded)	150,000
Cash flow	2,000,000
Art in public places	5,928
Infrastructure/amenities	6,200,000
Contingency	<u>1,000,000</u>
Total assigned	<u>9,355,928</u>
Unassigned	<u>283,309</u>
Total fund balances	<u>\$ 10,913,356</u>

Cypress Recreation and Park District
Notes to Basic Financial Statements, Continued
For the fiscal year ended June 30, 2016

8. PENSION PLANS - PUBLIC EMPLOYEES' RETIREMENT SYSTEM (CalPERS)

A. General Information about the Pension Plans

Plan Descriptions

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

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

Benefits Provided

CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees 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 nonindustrial disability benefits after 5 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for each plan are applied as specified by the Public Employees' Retirement Law.

The Miscellaneous Plans' provisions and benefits in effect at June 30, 2016, are summarized as follows:

	Miscellaneous	
	Prior to January 1, 2013	On or After January 1, 2013
Hire date		
Benefit formula	2%@55	2%@62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	monthly for life	monthly for life
Retirement age	50 - 63	52 - 67
Monthly benefits, as a % of eligible compensation	1.426% to 2.418%	1.0% to 2.5%
Required employee contribution rates	7%	6.8%
Required employer contribution rates	17.389%	17.389%

Cypress Recreation and Park District
Notes to Basic Financial Statements, Continued
For the fiscal year ended June 30, 2016

8. PENSION PLANS - PUBLIC EMPLOYEES' RETIREMENT SYSTEM (CalPERS), Continued

A. General Information about the Pension Plans, Continued

Contributions

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

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

As of June 30, 2016, the District reported net pension liabilities for its proportionate share of the net pension liability of the Miscellaneous Plans as follows:

	Proportionate Share of Net Pension Liability
Miscellaneous	\$ 1,183,981

The District's net pension liability for the Miscellaneous Plans is measured as the proportionate share of the net pension liability. The net pension liability of the Miscellaneous Plans are measured as of June 30, 2015, and the total pension liability for the Miscellaneous Plans used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014, rolled forward to June 30, 2015, using standard update procedures. The District's proportion of the net pension liability was based on a projection of the District's long-term share of contributions to the Miscellaneous Plans relative to the projected contributions of the City, actuarially determined.

The District's proportionate share of the net pension liability for the Miscellaneous Plans as of June 30, 2014 and 2015, was as follows:

	Miscellaneous
Proportion - June 30, 2014	9.00000%
Proportion - June 30, 2015	9.00000%
Change - Increase (Decrease)	0.00000%

Cypress Recreation and Park District
Notes to Basic Financial Statements, Continued
For the fiscal year ended June 30, 2016

8. PENSION PLANS - PUBLIC EMPLOYEES' RETIREMENT SYSTEM (CalPERS), Continued

B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions, Continued

For the year ended June 30, 2016, the District recognized pension expense of \$71,430. At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to the Miscellaneous Plans from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions subsequent to measurement date	\$ 185,768	\$ -
Differences between actual and expected experience	-	(11,746)
Change in assumptions	-	(58,755)
Change in District's proportion and differences between the District's contributions and the District's proportionate share of contributions	40,531	-
Net differences between projected and actual earnings on plan investments	-	(46,259)
Total	\$ 226,299	\$ (116,760)

\$185,768 reported as deferred outflows of resources related to contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ending June 30,	Amount
2017	\$ (59,885)
2018	(36,703)
2019	(33,312)
2020	53,671
2021	-
Thereafter	-

Cypress Recreation and Park District
Notes to Basic Financial Statements, Continued
For the fiscal year ended June 30, 2016

8. PENSION PLANS - PUBLIC EMPLOYEES' RETIREMENT SYSTEM (CalPERS), Continued

B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions, Continued

Actuarial Assumptions

The total pension liabilities in the June 30, 2014, actuarial valuations were determined using the following actuarial assumptions:

	<u>Miscellaneous</u>
Valuation Date	June 30, 2014
Measurement Date	June 30, 2015
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions:	
Discount Rate	7.65%
Inflation	2.75%
Payroll Growth	3.00%
Projected Salary Increase	(1)
Investment Rate of Return	7.5% (2)
Mortality	(3)

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

(2) Net of pension plan investment expenses, including inflation

(3) The probabilities of mortality are derived using CalPERS' membership data for all funds. The mortality table used was developed based on CalPERS' specific data.

The table includes 20 years of mortality improvements using Society of Actuaries Scale BB. For more details on this table, please refer to the 2014 experience study report.

All other actuarial assumptions used in the June 30, 2014, valuation were based on the results of an actuarial experience study for the period from 1997 to 2011, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at the CalPERS website under Forms and Publications.

Change of Assumptions

GASB 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate of 7.50% used for the June 30, 2014, measurement date was net of administrative expenses. The discount rate of 7.65% used for the June 30, 2015, measurement date is without reduction of pension plan administrative expense.

Cypress Recreation and Park District
Notes to Basic Financial Statements, Continued
For the fiscal year ended June 30, 2016

8. PENSION PLANS - PUBLIC EMPLOYEES' RETIREMENT SYSTEM (CalPERS), Continued

B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions, Continued

Discount Rate

The discount rate used to measure the total pension liability was 7.65% for each Miscellaneous Plan. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing of the Miscellaneous Plans, the tests revealed the assets would not run out. Therefore, the current 7.65% discount rate is appropriate and the use of the municipal bond rate calculation is not deemed necessary. The long-term expected discount rate of 7.65% is applied to all plans in the Public Employees Retirement Fund ("PERF"). The stress test results are presented in a detailed report called "*GASB Crossover Testing Report*" that can be obtained from the CalPERS website under the GASB 68 section.

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

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

Cypress Recreation and Park District
Notes to Basic Financial Statements, Continued
For the fiscal year ended June 30, 2016

8. PENSION PLANS - PUBLIC EMPLOYEES' RETIREMENT SYSTEM (CalPERS), Continued

B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions, Continued

Discount Rate, Continued

The table below reflects the long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. The target allocation shown was adopted by the CalPERS Board effective on July 1, 2014.

Asset Class	New Strategic Allocation	Real Return Years 1 - 10 (a)	Real Return Years 11+ (b)
Global Equity	51.00%	5.25%	5.71%
Global Fixed Income	19.00%	0.99%	2.43%
Inflation Sensitive	6.00%	0.45%	3.36%
Private Equity	10.00%	6.83%	6.95%
Real Estate	10.00%	4.50%	5.13%
Infrastructure and Forestland	2.00%	4.50%	5.09%
Liquidity	2.00%	-0.55%	-1.05%
Total	<u>100.00%</u>		

(a) An expected inflation of 2.5% used for this period

(b) An expected inflation of 3.0% used for this period

Cypress Recreation and Park District
Notes to Basic Financial Statements, Continued
For the fiscal year ended June 30, 2016

8. PENSION PLANS - PUBLIC EMPLOYEES' RETIREMENT SYSTEM (CalPERS), Continued

B. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pensions, Continued

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the District's proportionate share of the net pension liability for the Miscellaneous Plans, calculated using the discount rate for each Miscellaneous Plan, as well as what the District's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

		Miscellaneous
1% Decrease		6.65%
Net Pension Liability	\$	2,036,236
Current Discount Rate		7.65%
Net Pension Liability	\$	1,183,981
1% Increase		8.65%
Net Pension Liability	\$	482,181

Pension Plan Fiduciary Net Position

Detailed information about each pension plan's fiduciary net position is available in the separately issued CalPERS financial reports.

C. Payable to the Pension Plan:

At June 30, 2016, the District had no outstanding amount of contributions to the pension plan required for the year ended June 30, 2016.

9. RETIREES' HEALTH BENEFITS

Plan Description - The District provides medical benefits to eligible retirees through the CalPERS healthcare program (PEMHCA) as a part of the City's plan. The City pays the PEMHCA minimum amount (\$122 per month in 2015 and \$125 per month in 2016) for all eligible retirees who choose to continue with their coverage through PEMHCA. All eligible employees become participants in PEMHCA on their date of hire. A portion of the liability attributable to the District, based on the percent of payroll of District employees, has been recorded on the financial statements of the District. At June 30, 2016, the District's portion of the retiree's health benefits liability was \$196,000.

Cypress Recreation and Park District
Notes to Basic Financial Statements, Continued
For the fiscal year ended June 30, 2016

9. RETIREES' HEALTH BENEFITS, Continued

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

All other District employees that are either ineligible or have elected out of the above supplemental post-employment health care plan are members of the City's Retiree Health Savings Plan (the "RHS") in which the City contributes monthly amounts on behalf of the employee to an account in the employee's name. These monthly contributions are \$75 per month or \$185 per month for full-time employees based on employee association.

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

The actuarial accrued liability as of June 30, 2015, the date of the most recent actuarial valuation, for the District is estimated at \$518,100. The City has chosen not to transfer the required contributions to an irrevocable trust or equivalent arrangement, recognizing that this does not qualify as pre-funding under GASB 45.

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

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

Cypress Recreation and Park District
Notes to Basic Financial Statements, Continued
For the fiscal year ended June 30, 2016

9. RETIREES' HEALTH BENEFITS, Continued

Actuarial Methods and Assumptions, Continued - In the June 30, 2015, actuarial valuation, the entry age actuarial cost method was used. The assumptions include a 4.00% investment rate of return which is based on the expected long-term return on funds invested by the City, inflation rate of 3.00%, and projected salary increases of 3.25%. The annual healthcare cost trend starts at 7.00% for non-medicare eligible participants and 7.20% for medicare eligible participants in the first year and decreases to an ultimate rate of 5.00% in 5 years for both types of participants. It is not anticipated that the plan amounts paid on behalf of retirees will be increased or changed in the future. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over multi-year periods. The UAAL is being amortized as a level percent of payroll over a 30 year closed period.

Funded Status - The funded status of the plan is only available for the City as a whole. There is no separate information available specifically for the District.

10. COMMITMENTS AND CONTINGENCIES

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

As of June 30, 2016, in the opinion of District management, there were no additional outstanding matters that would have a significant effect on the financial position of the funds of the District.

11. RISK MANAGEMENT

At June 30, 2016 the District was covered under the City's Risk Management program. The City was self-insured for workers' compensation and general liability. The self-insured portion for workers' compensation and general liability is limited to the first \$300,000 and \$150,000 respectively, of liability per occurrence. Coverage in excess of these amounts is maintained in layers to a maximum of \$42,000,000 for general liability and the statutory limit for workers compensation (of which \$3,000,000 per occurrence is for each employee accident or disease) through the California Insurance Pool Authority (CIPA).

CIPA is a consortium of 13 cities in Southern California, established to pool resources, share risks, purchase excess insurance and to share costs for professional risk management and claims administration. Member agencies make payments based on underwriting estimates. Each agency may be assessed the difference between funds available and the \$42,000,000 annual aggregate in proportion to their annual premiums.

The Governing Board is comprised of one member from each City and is responsible for the selection of management and for the budgeting and financial management of CIPA. No determination has been made as to each participant's proportionate share of the fund equity as of June 30, 2016. 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.

Cypress Recreation and Park District
Notes to Basic Financial Statements, Continued
For the fiscal year ended June 30, 2016

12. DEFICIT NET POSITION

The Employees' Benefits Internal Service Funds had a deficit of \$695,263 as of June 30, 2016. This deficit is expected to be eliminated with future revenues.

13. SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 21, 2016, the date the financial statements were available for issuance. No events were identified that would require recognition or disclosure in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

Cypress Recreation and Park District
Schedule of Proportionate Share of the Net Pension Liability
Last Ten Fiscal Years*

Fiscal year ended	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Measurement period	June 30, 2015	June 30, 2014
Plan's proportion of the net pension liability	9.00000%	9.00000%
Plan's proportionate share of the net pension liability	\$ 1,183,981	\$ 1,025,838
Plan's covered - employee payroll	\$ 588,511	\$ 607,040
Plan's proportionate share of the net pension liability as percentage of covered - employee payroll	201.18%	168.99%
Plan's proportionate share of fiduciary net position as a percentage of the Plan's total pension liability	80.99%	83.15%
Plan's proportionate share of aggregate employer contributions	\$ 89,740	\$ 77,310

Notes to Schedule:

Benefit Changes:

There were no changes in benefits.

Changes in Assumptions:

GASB 68, paragraph 68 states that the long-term expected rate of return should be determined net of pension plan investment expense but without reduction for pension plan administrative expense. The discount rate of 7.50% used for the June 30, 2014 measurement date was net of administrative expenses. The discount rate of 7.65% used for the June 30, 2015 measurement date is without reduction of pension plan administrative expense

* - Fiscal year 2015 was the 1st year of implementation, therefore only two years are shown.

**Cypress Recreation and Park District
Defined Benefit Pension Plans
Last Ten Fiscal Years***

Fiscal year ended	<u>June 30, 2016</u>	<u>June 30, 2015</u>
Contractually required contribution (actuarially determined)	\$ 185,768	\$ 153,046
Contributions in relation to the actuarially determined contributions	<u>(185,768)</u>	<u>(153,046)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered - employee payroll	\$ 642,560	\$ 588,511
Contributions as a percentage of covered - employee payroll	28.91%	26.01%

Notes to Schedule:

Valuation Date 6/30/2013

Methods and Assumptions Used to Determine Contribution Rates:

Cost-sharing employers	Entry age**
Amortization method	Level percentage of payroll, closed**
Asset valuation method	Market Value***
Inflation	2.75%**
Salary increases	Depending on age, service, and type of employment; including inflation of 2.75%**
Investment rate of return	7.50%, net of pension plan investment expense, including inflation**
Retirement age	50 years (2%@55), 52 years (2%@62)**
Mortality	Mortality assumptions are based on mortality rates resulting from the most recent CalPERS Experience Study adopted by the CalPERS Board, first used in the June 30, 2009 valuation. For purposes of the post-retirement mortality rates, those revised rates include 5 years of projected on-going mortality improvement using Scale AA published by the Society of Actuaries until June 30, 2010. There is no margin for future mortality improvement beyond the valuation date.**

* - Fiscal year 2015 was the 1st year of implementation, therefore only two years are shown.

** - The valuation for June 30, 2012 (applicable to fiscal year ended June 30, 2015) included the same actuarial assumptions.

*** - The valuation for June 30, 2012 (applicable to fiscal year ended June 30, 2015) valued assets using a 15 Year Smoothed Market method.

**Cypress Recreation and Park District
Schedule of Funding Progress
Retirees' Health Care Payable
For the fiscal year ended June 30, 2016**

Actuarial Valuation Date	Actuarial Value of Assets (AVA) (a)	Actuarial Accrued Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b) - (a)	Funded Ratio (a)/(b)	Covered Payroll (c)	UAAL as a % of Covered Payroll [[b)-(a)]/c]
6/30/11	\$ -	\$ 324,510	\$ 324,510	0.00%	\$ 734,000	44.21%
6/30/13	-	349,800	349,800	0.00%	688,000	50.84%
6/30/15	-	518,100	518,100	0.00%	710,000	72.97%

**Cypress Recreation and Park District
Budgetary Comparison Schedule
General Fund
For the fiscal year ended June 30, 2016**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES:				
Taxes	\$ 4,315,410	\$ 4,315,410	\$ 4,420,348	\$ 104,938
Investment and rental income	142,255	142,255	216,600	74,345
From other agencies	100,000	100,000	88,000	(12,000)
Charges for services	964,132	964,132	1,337,358	373,226
Other revenue	-	2,350	5,681	3,331
TOTAL REVENUES	5,521,797	5,524,147	6,067,987	543,840
EXPENDITURES:				
Current:				
Recreation	4,678,434	4,717,212	4,450,787	266,425
Capital outlay	816,000	1,674,151	563,212	1,110,939
TOTAL EXPENDITURES	5,494,434	6,391,363	5,013,999	1,377,364
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	27,363	(867,216)	1,053,988	1,921,204
OTHER FINANCING USES:				
Transfers out	(63,582)	(63,582)	(23,488)	40,094
TOTAL OTHER FINANCING USES	(63,582)	(63,582)	(23,488)	40,094
NET CHANGE IN FUND BALANCE	(36,219)	(930,798)	1,030,500	1,961,298
FUND BALANCE - BEGINNING OF YEAR	9,882,856	9,882,856	9,882,856	-
FUND BALANCE - END OF YEAR	\$ 9,846,637	\$ 8,952,058	\$ 10,913,356	\$ 1,961,298

Cypress Recreation and Park District
Note to Required Supplementary Information
For the fiscal year ended June 30, 2016

1. BUDGETS AND BUDGETARY ACCOUNTING

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

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

SUPPLEMENTARY INFORMATION

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INTERNAL SERVICE FUNDS

**Cypress Recreation and Park District
Combining Statement of Net Position
Internal Service Funds
June 30, 2016**

	Central Services	Employees' Benefits	Total
ASSETS:			
CURRENT ASSETS:			
Cash and cash equivalents	\$ 721,095	\$ 702,274	\$ 1,423,369
Other receivables	-	31,618	31,618
TOTAL CURRENT ASSETS	721,095	733,892	1,454,987
NONCURRENT ASSETS:			
Capital assets:			
Depreciable, net	74,846	-	74,846
TOTAL NONCURRENT ASSETS	74,846	-	74,846
TOTAL ASSETS	795,941	733,892	1,529,833
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred amounts from pension plans	-	226,299	226,299
LIABILITIES:			
CURRENT LIABILITIES:			
Accounts payable and accrued liabilities	-	2,812	2,812
Accrued leave payable	-	43,260	43,260
TOTAL CURRENT LIABILITIES	-	46,072	46,072
NONCURRENT LIABILITIES:			
Accrued leave payable	-	129,781	129,781
Retirees' health payable	-	196,000	196,000
Net pension liability	-	1,183,981	1,183,981
TOTAL NONCURRENT LIABILITIES	-	1,509,762	1,509,762
TOTAL LIABILITIES	-	1,555,834	1,555,834
DEFERRED INFLOWS OF RESOURCES:			
Deferred amounts from pension plans	-	116,760	116,760
NET POSITION:			
Net investment in capital assets	74,846	-	74,846
Unrestricted	721,095	(712,403)	8,692
TOTAL NET POSITION	\$ 795,941	\$ (712,403)	\$ 83,538

**Cypress Recreation and Park District
Combining Statement of
Revenues, Expenses and Changes in Net Position
Internal Service Funds
For the fiscal year ended June 30, 2016**

	Central Services	Employees' Benefits	Total
OPERATING REVENUES:			
Charges for services	\$ 47,263	\$ 869,568	\$ 916,831
OPERATING EXPENSES:			
Contractual services	6,620	396,086	402,706
Supplies and other services	-	357,280	357,280
Depreciation	29,223	-	29,223
TOTAL OPERATING EXPENSES	35,843	753,366	789,209
OPERATING INCOME	11,420	116,202	127,622
TRANSFERS:			
Transfers in	23,488	-	23,488
NONOPERATING EXPENSES:			
Loss on disposal of equipment	(1,396)	-	(1,396)
CHANGES IN NET POSITION	33,512	116,202	149,714
NET POSITION AT BEGINNING OF YEAR	762,429	(828,605)	(66,176)
NET POSITION AT END OF YEAR	\$ 795,941	\$ (712,403)	\$ 83,538

**Cypress Recreation and Park District
Combining Statement of Cash Flows
Internal Service Funds
For the fiscal year ended June 30, 2016**

	Central Services	Employees' Benefits	Total
CASH FLOWS FROM OPERATING ACTIVITIES:			
Receipts from user departments	\$ 47,263	\$ 860,761	\$ 908,024
Payments to suppliers for goods and services	(21,512)	(808,162)	(829,674)
NET CASH PROVIDED BY OPERATING ACTIVITIES	25,751	52,599	78,350
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Transfers in	23,488	-	23,488
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition of capital assets	(23,488)	-	(23,488)
NET INCREASE IN CASH AND CASH EQUIVALENTS	25,751	52,599	78,350
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	695,344	649,675	1,345,019
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 721,095	\$ 702,274	\$ 1,423,369
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Operating income	\$ 11,420	\$ 116,202	\$ 127,622
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	29,223	-	29,223
Changes in assets, deferred outflows of resources, liabilities, and deferred inflows of resources:			
(Increase) decrease in other receivables	-	(8,807)	(8,807)
(Increase) decrease in deferred outflows of resources - amounts from pension plans	-	(41,315)	(41,315)
Increase (decrease) in accounts payable and accrued liabilities	(14,892)	2,075	(12,817)
Increase (decrease) in accrued leave payable	-	22,467	22,467
Increase (decrease) in retirees' health payable	-	35,000	35,000
Increase (decrease) in net pension liability	-	158,143	158,143
Increase (decrease) in deferred inflows of resources - amounts from pension plans	-	(231,166)	(231,166)
Total adjustments	14,331	(63,603)	(49,272)
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 25,751	\$ 52,599	\$ 78,350

AGENCY FUND

**Cypress Recreation and Park District
Statement of Changes in Assets and Liabilities
Agency Fund
For the fiscal year ended June 30, 2016**

AGENCY FUND	<u>Balance July 1, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2016</u>
ASSETS:				
Cash and cash equivalents	\$ 19,742	\$ 25,872	\$ (24,607)	\$ 21,007
LIABILITIES:				
Deposits	\$ 19,742	\$ 37,550	\$ (36,285)	\$ 21,007

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities activities, each major fund, and the aggregate of remaining fund information of the Cypress Recreation and Park District (the "District"), a component unit of the City of Cypress ("City"), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 21, 2016.

Internal Control over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

White Nelson Dickel Evans LLP

Irvine, California
December 21, 2016