

City of Cypress, California
Annual Comprehensive Financial Report
Year Ended June 30, 2025

Prepared by the Department of Finance & Administrative Services

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Introductory Section

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CITY of CYPRESS

5275 Orange Avenue, Cypress, California 90630

Phone 714-229-6700 www.cypressca.org

December 19, 2025

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

We are pleased to submit to you the Annual Comprehensive Financial Report (ACFR) of the City of Cypress for the fiscal year ended June 30, 2025. This report is published in accordance with local ordinance and state law requirements that financial statements be presented in conformity with accounting principles generally accepted in the United States of America and audited in accordance with auditing standards generally accepted in the United States of America by a firm of licensed certified public accountants.

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

City policy requires its financial statements are audited by independent certified public accountants. The firm of Eide Bailly, LLP has performed the audit for the fiscal year ended June 30, 2025. The goal of the independent audit is to provide reasonable assurance the financial statements of the City of Cypress are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded there was a reasonable basis for rendering an unmodified opinion that the City of Cypress' financial statements for fiscal year ended June 30, 2025 are fairly presented in conformity with accounting principles generally accepted in the United States of America. The Independent Auditor's Report is presented as the first component of the financial section of this report.

As a recipient of federal, state and county financial assistance, the City of Cypress is responsible for having an adequate internal control structure in place to ensure compliance with applicable laws and regulations related to such programs. This internal control structure is subject to periodic evaluation by management. In years when over \$750,000 is expended on Federal financial assistance programs, the City is required to undergo an annual single audit in conformity with the provisions of the Federal Single Audit Act Amendments of 1996 and the Office of Management and Budget Circular A-133 regulating Single Audits, and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. For the year ended June 30, 2025, more than \$750,000 was expended on Federal financial assistance programs and a single audit was required. Information related to this single audit will be available in the City of Cypress' separately issued Single Audit Report.

CITY OF CYPRESS PROFILE

The City of Cypress, incorporated in July 1956, is located in the northwestern part of Orange County, California, where two of the nation's largest metropolitan areas, Los Angeles and Orange counties, meet. Cypress is primarily a residential community occupying 6.7 square miles of land and serving a population of 49,499. In addition to its residential communities, Cypress has an 800-acre business park that includes a diverse array of well-known companies. People are drawn to Cypress for its quality housing, business park, educational facilities, citizen-oriented social and recreational activities, and progressive City government. Some of the major attractions in Cypress include: Los Alamitos Race Course, Forest Lawn Memorial Park, and Cypress Community College.

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

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

The annual budget serves as the foundation for the City of Cypress' financial planning and control. The City operates on a fiscal year basis, beginning July 1 and ending June 30. The

budget is prepared under the supervision of the City Manager and submitted to the City Council for deliberation and adoption prior to the beginning of the fiscal year.

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

Budget to actual comparisons are provided in this report for each individual government fund for which an appropriated annual budget has been adopted. With the exception of the General fund, where budgetary control is maintained at the department level, budgetary control is maintained at the fund level. The General fund departments are Legislative, Administration, and Finance (summarized as General government); Police (Public safety); Community Development (which includes the Planning and Building divisions), and Public works (which includes the Engineering and Maintenance divisions). Additional budget information is presented in the Notes to the Basic Financial Statements and Required Supplementary Information Sections of the financial section of this report.

FACTORS AFFECTING FINANCIAL CONDITION

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

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

The local economy in Orange County has grown steadily for the better part of the last two decades. While a handful of events during this time created economic uncertainty, the local economy has proved resilient and the ongoing negative impacts to Cypress' revenue base have been more modest than feared. Undoubtedly, new economic challenges and uncertainties will emerge and have an impact on the Orange County region, including Cypress, for the foreseeable future.

The City has been financially vigilant and focused on building up its reserves and limiting growth in operations to be in a position to effectively handle periods of uncertainty. This strategic approach has served Cypress well for more than a quarter century as the City has been able to keep a balanced budget while maintaining service levels, without having to consider any tax increases. Property taxes remain a stable source of income, while sales tax revenues are more volatile and unpredictable. Sales tax concerns exist due to relying on a small number of businesses to generate the majority of annual sales tax receipts, and experiencing substantial revenue declines since the Great Recession (when compared to inflation). These sale tax declines have long-term significance, and City leaders will continue to monitor revenue trends to identify methods for strengthening the City's economic base.

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

In recent years, inflation has become an omnipresent threat to the City's financial health. The evolving impacts on City expenditures cannot be overstated, as cost increases for all City services and capital projects have far outpaced revenue growth and have yet to stabilize enough to feel confident the City will be able to handle long-term impacts. Of particular concern are the staggering increases in the costs associated with capital project investment, on both the labor and materials front.

Despite being subjected to all the aforementioned issues outside the control of the City's decision makers, the City has effectively managed its budget and used the positive results of past economic growth to build up fund balances and net position. It has been the City's practice to set-aside a portion of these fund balances and net position for potential future budget shortfalls and contingencies, and to offset significant long-term liabilities. Over \$14.8 million has been accumulated in the General fund for contingencies and budget stabilization at June 30, 2025. In addition, a pension trust was established in 2017 in response to pension and budget stabilization concerns and in early 2024, the City Council set a goal and funding plan for pension trust assets to fully offset unfunded CalPERS pension liabilities by 2030. The pension trust provides a vehicle to restrict and invest monies for future pension obligations, while maintaining asset control at the local level. More than \$37.0 million is invested in the trust at June 30, 2025, and is projected to grow to \$53.1 million in 2030.

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

businesses is uncertain due to economic instability and risk of recession, inflation, sales tax stagnation and rising pension costs brought on by market volatility.

Another ongoing financial challenge remains funding the necessary maintenance and improvements required for the City's facilities and infrastructure systems. The seven-year capital funding plan is updated annually based on the most recent condition assessments of the various infrastructure systems and facilities. While significant progress has been made in the last 30 years by way of improvements and setting aside reserves, there are still major investments necessary to improve aging city and park facilities and storm drainage infrastructure. The funding plans for these assets, as well as the other infrastructure components (sidewalks, trees, streets, traffic signals), indicate a need for additional revenue sources to achieve the City's goal of maintaining its high standards for infrastructure systems and facilities. One of the largest concerns continues to be the lack of a dedicated revenue source (outside the General fund) to pay for facilities and storm drainage improvements identified in the condition assessments. Due to all the uncertainties discussed previously regarding the City's long-term financial health, it continues to be necessary to identify viable future funding solutions (other than the General fund) to address aging infrastructure systems and facilities.

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

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

The City's pursuit of these goals is achieved by establishing strategic objectives, which are specific actions and tasks that are incorporated into the annual budget. The majority of the identified strategic objectives were completed during the past year and included streamlining the award of capital improvement project contracts to increase efficiency, adjusting the administrative authority for contract approval, hiring a new audit firm, conducting a team building workshop for police department personnel, performing an updated community survey, completing the internal branding and logo development update process, and having a grand opening for the newly rehabilitated Arnold Cypress Park.

The City of Cypress maintains a seven-year Capital Improvement Program to plan for capital and infrastructure needs in conjunction with longer-term revenue projections. It is the City's policy to fund many capital projects by accumulating and setting aside a portion of excess General fund revenues over General fund expenditures for future infrastructure needs in the City's Capital Projects fund. However, due to the factors discussed in detail earlier, the ability to continue setting aside sufficient General fund amounts to meet future capital needs will become increasingly difficult, if not impossible, in the coming years.

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

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Cypress for its Annual Comprehensive Financial Report for the fiscal year ended June 30, 2023. This is the 39th consecutive year that the City has received this prestigious award. The Certificate of Achievement is a national award that recognizes conformance with the highest standards for preparation of state and local government financial reports.

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

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

The preparation of this report could not have been accomplished without the dedicated service of the entire staff of the City's Finance Division and I want to extend my thanks to all the Finance staff involved in the process. Appreciation must also be extended to the Cypress City Council for their ongoing commitment to fiscal responsibility and allowing the City to remain financially prepared for future challenges. This strategic and disciplined approach has greatly benefited Cypress residents and businesses through the years and staying on a similar course is more important than ever as a variety of threats to the City's fiscal stability continue to evolve. I have spent the last 25 years dedicated to making Cypress' financial condition as strong as possible. With that, the City is entering a period of transition which will include hiring a new City Manager and Director of Finance and Administrative Services. I hope the new City Manager and City Council carry on the tradition of prudent fiscal management so that future generations are successful and able to thrive.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Matt Burton". The signature is fluid and cursive, written over a light blue horizontal line.

Matt Burton
Director of Finance and Administrative Services

City of Cypress, California

Directory of City Officials

For the Fiscal Year Ended June 30, 2025

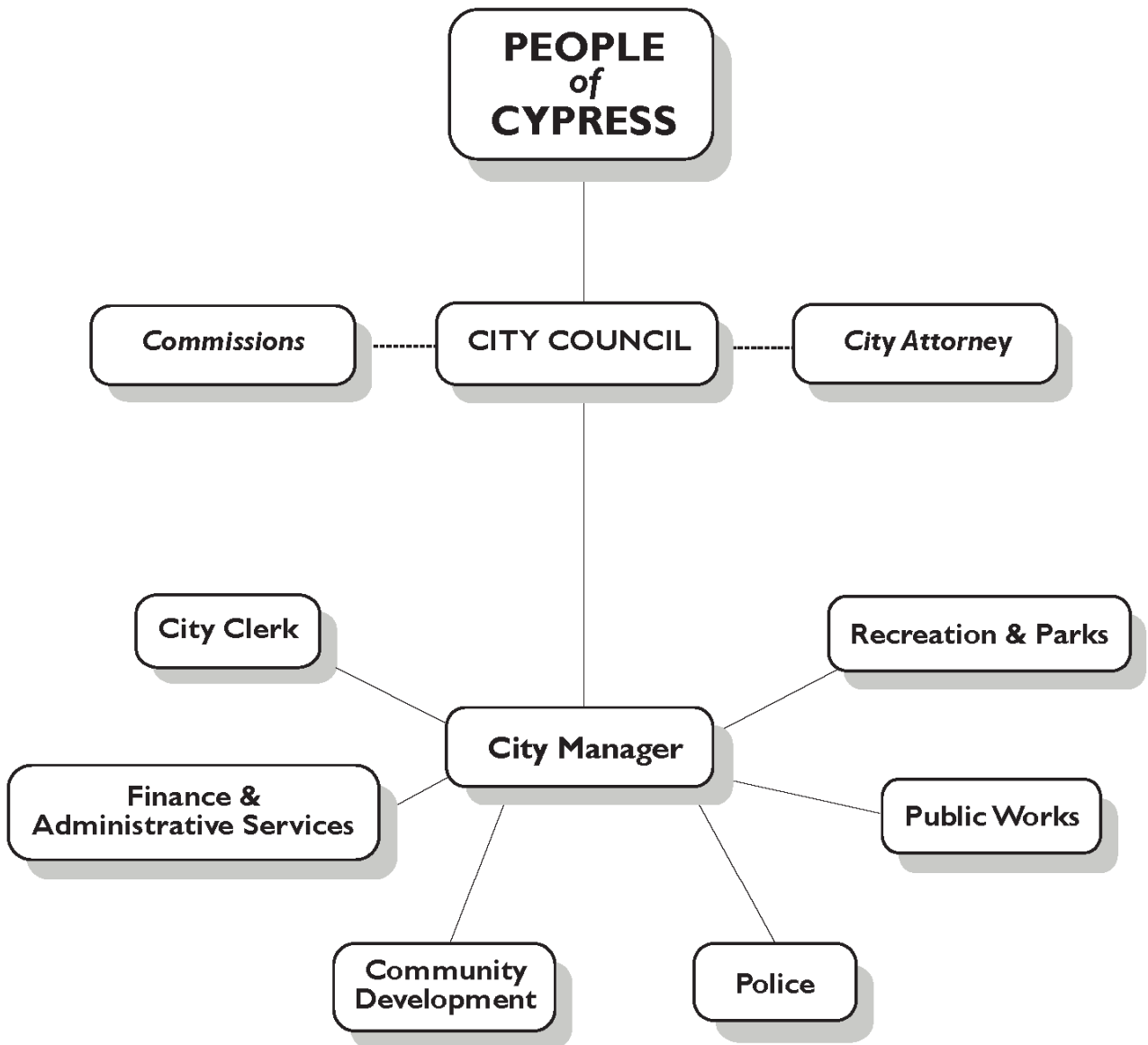
Legislative Body

David Burke	Mayor
Leo Medrano	Mayor Pro-Tem
Kyle Chang	Council Member
Scott Minikus	Council Member
Bonnie Peat	Council Member

Staff Members

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

City of Cypress ORGANIZATIONAL CHART





Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Cypress
California**

For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2024

Christopher P. Morill

Executive Director/CEO

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Financial Section

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Independent Auditor's Report

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

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Cypress, California (City) as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2025, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Correction of Error

As discussed in Note 22 to the financial statements, certain errors resulting in an overstatement of amounts previously recorded in liabilities as of June 30, 2024, were discovered by management of the City during the current year. Accordingly, a restatement has been made to the Custodial Funds' net position as of July 1, 2024, to correct the error. Our opinions are not modified with respect to that matter.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of proportionate share of the net pension liability, the schedule of changes in the net pension liability and related ratios, the schedule of plan contributions, the schedule of changes in total OPEB liability and related ratios, the budgetary comparison schedule – general fund, the budgetary comparison schedule – Recreation and Park District Special Revenue Fund, and the budgetary comparison schedule – Streets special revenue fund identified as Required Supplementary Information (RSI) in the accompanying table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

Other Information

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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2025, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "Eide Sully LLP".

Laguna Hills, California
December 19, 2025

Management's Discussion and Analysis

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**CITY OF CYPRESS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2025**

As management of the City of Cypress (City), we offer readers of the City's financial statements this overview and analysis of the financial activities for the fiscal year ended June 30, 2025. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found in the introductory section of this report, and with the City's financial statements, which follow this discussion.

Financial Highlights

- The assets and deferred outflows of resources of the City exceed its liabilities and deferred inflows of resources at the close of the fiscal year ended June 30, 2025 by \$374,086,578 (*net position*). Of this amount, \$77,291,665 (*unrestricted net position*) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net position increased by \$7,426,532 during the fiscal year.
- As of June 30, 2025, the City's governmental funds reported combined ending fund balances of \$131,639,031, a decrease of \$15,679,082 in comparison with the prior year. A total of \$2,079,301 is unassigned within the General fund and is available for spending at the government's discretion, while a deficit fund balance of \$21,426,431 is included in the Recreation and Park District major governmental fund (*unassigned fund balance of the governmental funds*).
- As of June 30, 2025, the total fund balance of the General fund was \$37,436,094. Of this total, \$10.3 million has been committed by the City Council as part of a stabilization agreement to be used should General fund revenues decrease or expenditures increase unexpectedly due to unforeseen factors or emergencies. In addition to these commitments, nearly \$25.0 million of the fund balance has been assigned – including for use on future capital improvements, investment in the City's pension trust, potential budget shortfalls, future economic development programs and storm drainage purposes. While these assigned amounts are not legally restricted, it continues to be the City Council's practice to set-aside and annually transfer surplus amounts (if available) both to the City's Capital Project Fund for future infrastructure improvement projects as outlined in the City's Seven-Year Capital Improvement Plan and for pension investment to offset the City's unfunded pension liabilities.

Overview of the Financial Statements

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

CITY OF CYPRESS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2025

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Government-wide Financial Analysis

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

**CITY OF CYPRESS
Summary of Net Position
As of June 30, 2025 and 2024**

	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
Assets:						
Current and other assets	\$ 215,954,753	\$ 226,200,456	\$ 10,543,896	\$ 9,134,368	\$ 226,498,649	\$ 235,334,824
Capital assets	204,535,502	183,996,942	18,296,360	18,490,199	222,831,862	202,487,141
Total assets	420,490,255	410,197,398	28,840,256	27,624,567	449,330,511	437,821,965
Deferred Outflows of Resources:						
Deferred outflows	19,511,015	26,745,944	-	-	19,511,015	26,745,944
Total deferred outflows	19,511,015	26,745,944	-	-	19,511,015	26,745,944
Liabilities:						
Long-term liabilities outstanding	14,382,113	15,784,354	-	-	14,382,113	15,784,354
Net pension liability	65,231,964	66,097,882	-	-	65,231,964	66,097,882
Other liabilities	10,246,784	10,892,104	88,172	43,694	10,334,956	10,935,798
Total liabilities	89,860,861	92,774,340	88,172	43,694	89,949,033	92,818,034
Deferred Inflows of Resources:						
Deferred inflows	4,805,915	5,089,829	-	-	4,805,915	5,089,829
Total deferred inflows	4,805,915	5,089,829	-	-	4,805,915	5,089,829
Net Position:						
Net investment in capital assets	200,974,245	182,784,606	18,235,211	18,490,199	219,209,456	201,274,805
Restricted	67,068,584	64,540,657	10,516,873	9,090,674	77,585,457	73,631,331
Unrestricted	77,291,665	91,753,910	-	-	77,291,665	91,753,910
Total net position	<u>\$ 345,334,494</u>	<u>\$ 339,079,173</u>	<u>\$ 28,752,084</u>	<u>\$ 27,580,873</u>	<u>\$ 374,086,578</u>	<u>\$ 366,660,046</u>

Net position of the City increased by over \$7.4 million (2.0 percent) to \$374.1 million at June 30, 2025, of which \$219.2 million is invested in capital assets such as land, buildings and improvements, equipment, and infrastructure. Of the remaining total, \$77.6 million is restricted as to use by specifically stipulated spending agreements originated by law, contract or other agreements with external parties. The remaining \$77.3 million classified as unrestricted net position decreased \$14.5 million (15.8 percent) from \$91.8 million at June 30, 2024, and while subject to being designated for specific purposes as approved by the City Council and management, these amounts may be used to meet the City's ongoing obligations. While the decrease in unrestricted net position is due to many factors, the largest impact is the City's ongoing commitment to invest available unrestricted net position amounts in capital assets. For FY 2024-25, this commitment includes the investment of \$21.4 million to complete a \$31.0 million park renovation which

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started last fiscal year and was completed in May 2025. Other factors that tend to annually impact unrestricted net position include: tax revenues exceeding estimates, recording the financial impacts of the latest pension plan actuarial valuations, the annual contribution of unrestricted amounts to the City's pension trust, and realizing budget savings associated with personnel vacancies throughout all departments of the City.

The City's investment in capital assets (less any related outstanding debt used to acquire those assets) is the largest portion of the City's net position and represents 58.6 percent of total net position, which is an increase from the percentage of overall net position at the conclusion of the prior year. While the City uses these capital assets to provide services to citizens; these assets are *not* available for future spending.

CITY OF CYPRESS
Changes in Net Position
For the fiscal year ended June 30, 2025 and 2024

	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
Revenues						
Program Revenues:						
Charges for services	\$ 5,187,476	\$ 4,682,667	\$ 1,672,705	\$ 1,593,387	\$ 6,860,181	\$ 6,276,054
Operating grants and contributions	5,089,609	5,541,054	36	39	5,089,645	5,541,093
Capital grants and contributions	2,436,411	2,271,831	-	-	2,436,411	2,271,831
General Revenues:						
Sales tax	12,895,299	12,930,992	-	-	12,895,299	12,930,992
Property taxes	24,180,293	22,738,100	43,493	42,876	24,223,786	22,780,976
Other taxes	7,213,328	6,833,479	-	-	7,213,328	6,833,479
Other	10,078,987	9,672,762	428,550	381,847	10,507,537	10,054,609
Total Revenues	<u>67,081,403</u>	<u>64,670,885</u>	<u>2,144,784</u>	<u>2,018,149</u>	<u>69,226,187</u>	<u>66,689,034</u>
Expenses						
General government	6,735,154	7,620,519	-	-	6,735,154	7,620,519
Community development	2,104,581	1,925,409	-	-	2,104,581	1,925,409
Public safety	23,967,865	22,380,579	-	-	23,967,865	22,380,579
Public works	20,126,091	17,374,277	-	-	20,126,091	17,374,277
Recreation	7,892,391	7,007,325	-	-	7,892,391	7,007,325
Sewer	-	-	973,573	908,788	973,573	908,788
Total Expenses	<u>60,826,082</u>	<u>56,308,109</u>	<u>973,573</u>	<u>908,788</u>	<u>61,799,655</u>	<u>57,216,897</u>
Increase (Decrease) in Net Position	6,255,321	8,362,776	1,171,211	1,109,361	7,426,532	9,472,137
Net Position						
Beginning Net Position	339,079,173	330,716,397	27,580,873	26,471,512	366,660,046	357,187,909
Ending Net Position	<u>\$ 345,334,494</u>	<u>\$ 339,079,173</u>	<u>\$ 28,752,084</u>	<u>\$ 27,580,873</u>	<u>\$ 374,086,578</u>	<u>\$ 366,660,046</u>

The following revenue impacts contributed to the change in net position for governmental activities for the fiscal year ended June 30, 2025:

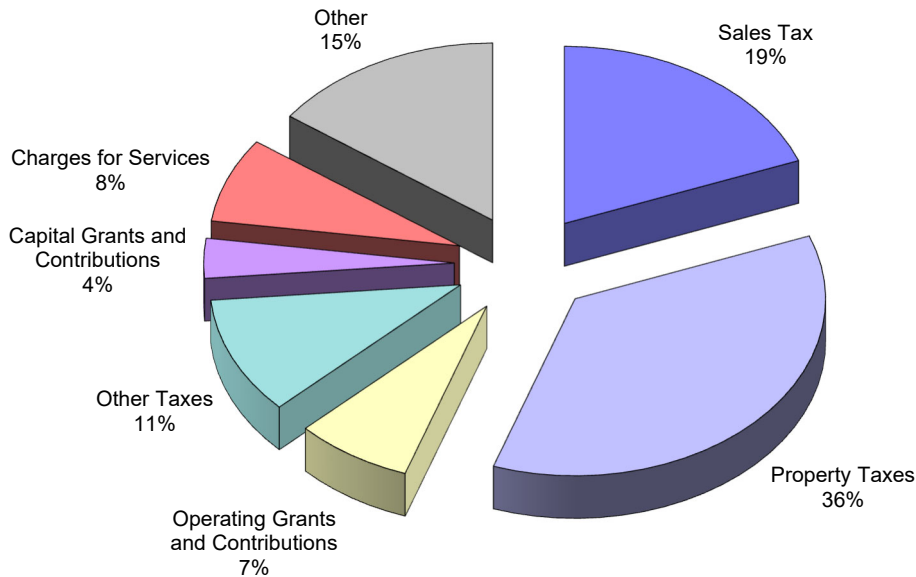
- City program revenues account for 20.8 percent of total revenues and are almost \$300,000 higher than the prior year total. Charges for services (which include items such as planning and building fees, city services, and recreation user fees) experienced a 9.3 percent increase due to receiving more building fees and park development fees than in the prior year. Both building fees and park development fees tend to vary year to year based on development activity. Grants and contributions tend to fluctuate annually based on availability and project timing. In the past year, operating grants and contributions decreased by just over \$450,000, in most part due to the one-time receipt of additional Measure M2 tax revenue restricted for use on transportation purposes in the prior year.

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- The City’s general revenues represent 79.2 percent of total revenues. General revenues increased by \$2.2 million (4.3 percent) from the prior year. Sales taxes, which represent 23.5 percent of total general revenues, continued to stagnate across several sectors in FY 2024-25 despite the resiliency of the overall economy. Property tax revenues, the City’s largest revenue source, experienced very solid year-over-year growth due to new development, turnover of existing properties, and the impacts of Proposition 13 growth and their impacts on assessed values. The increase in other taxes was largely driven by higher transient occupancy tax receipts, which include a full year of revenues from a new hotel that opened in the prior year. Other general revenues totaled \$10.5 million, which is \$453,000 more than the prior year. The jump relates almost exclusively to investment earnings and the impact of an accounting pronouncement which requires the value of the City’s portfolio be adjusted to its fair market value. For the past year, this requirement resulted in a significant gain which will never be realized since the City’s policy is to hold all its investments until maturity.

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

Revenues by Source – Governmental Activities



Total expenses for governmental activities increased by \$4.5 million for the fiscal year ended June 30, 2025, (8.0 percent), compared to the prior year. A major contributing factor to the overall rise in expenses is attributed to the annual allocation of changes in the internal service funds’ net position. These changes can fluctuate drastically from one year to the next due to recording the impacts of the latest actuarial valuations on pensions,

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MANAGEMENT'S DISCUSSION AND ANALYSIS
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net of any transfers from the City for pension trust investment. In addition to these allocations of net position, there are other factors impacting FY 2024-25 expenses associated with governmental activities.

- General government expenses decreased due to a significantly higher volume of city attorney litigation activities in the prior year, including a large settlement payment to reimburse for attorney costs and fees on a lawsuit.
- Community Development expenses increased in the last year, primarily because of the creation of a new economic development program which provides training, education and marketing assistance to help grow small businesses.
- Public safety (police) continues to account for the largest portion (39.4 percent) of total expenses related to governmental activities. In addition to the increases to overall public safety expenses resulting from the net position allocation discussed earlier, public safety expenses in FY 2024-25 include the impacts of implementing the third year of a four-year labor agreement covering sworn police officers' salary and benefits. The ongoing impacts of contract cost increases brought on by inflation also contributed to higher year-over-year expenses.
- Public works expenses include significantly higher amounts expended for arterial and residential street and concrete maintenance projects, along with higher contract costs for right-of-way and park maintenance.
- Recreation expenses include higher contract costs for park landscaping and facility maintenance.
- Total expenses for business-type activities increased \$64,785 (7.1 percent). Ongoing investments to improve the sewer system occur each year, and the increase in expenses is largely due to updating the Sewer System Management Plan (SSMP), which is required every five years.

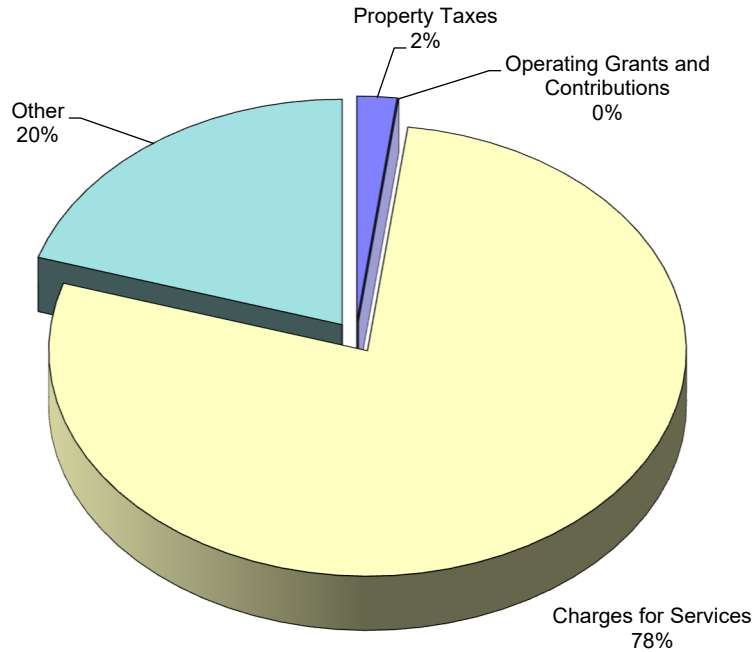
The following revenues contributed to the change in net position for business-type activities for the fiscal year ended June 30, 2025:

- Program revenues for the sewer system are the major revenue source for the City's lone business-type activity. Charges for sewer services comprise almost 80 percent of total revenues and increased by 5.0 percent from the prior year. Since sewer fees are directly tied to water consumption, any annual revenue fluctuations can reasonably be attributed to changes in precipitation levels experienced in the last year. The last year was relatively dry when compared to the prior year, so the increase is consistent with expectations. The current sewer fee collections represent a dedicated revenue source which provides full funding for ongoing maintenance and annual capital improvements to the City's sewer system.
- General revenues for business-type activities are largely limited to investment earnings on cash balances and a small amount of property tax that is allocated to the City and is restricted to use for sewer purposes. Slightly higher average interest rates earned throughout the year, combined with higher cash balances, yielded more interest income than in the prior year.

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

Revenues by Source – Business-type Activities



Financial Analysis of the Governmental Funds

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

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

As of the end of the current fiscal year, the City’s governmental funds reported total combined ending fund balances of \$131,639,031, a decrease of \$15,679,082 over total fund balances at June 30, 2024. The change in fund balance is the result of a variety of factors, which will be highlighted in the discussion of each of the City’s major funds.

Total fund balance is broken down into five categories – ranging from nonspendable to unassigned. Restricted fund balance totals \$14.7 million and decreased by \$5.7 million from the prior year end and equals 11.2 percent of total fund balance. The restricted amounts at June 30, 2025 can only be used for specific purposes, with the major restrictions being limited for street maintenance and improvements and street lighting.

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The decrease in restricted fund balance is attributed to spending down accumulated amounts for extensive street and traffic signal projects and low and moderate income housing purposes during the fiscal year ended June 30, 2025. Committed fund balance amounts total \$25.0 million (19.0 percent) and are slightly lower than the prior year. An additional \$111.2 million of fund balance is categorized as assigned. These assignments of fund balance are made by City management for specific purposes – with the majority of the assignments being for future capital improvements, the repayment of notes from the Park District to the City, potential future budget shortfalls and future economic development programs. It continues to be the City's strategy to set aside available resources to provide a funding mechanism to pay for future improvements to the City's infrastructure and public facilities, as well as accumulating monies to offset unfunded pension liabilities. The remaining amount of fund balance is categorized as unassigned and is available in the General fund for any purpose the City Council deems appropriate, while there is a large negative unassigned amount recorded in the Recreation and Park District Fund due to outstanding notes payable to the City Capital Projects Fund.

Proprietary funds. The City's *proprietary funds* provide the same type of information found in the government-wide financial statements, but in more detail. The City's major proprietary fund is the Sewer enterprise fund. Net position of the Sewer fund at the end of the fiscal year ending June 30, 2025 total nearly \$28.8 million, which is almost \$1.2 million higher than the prior year. The increase in net position is largely attributed to allocating resources for the future, ongoing investment in capital improvement projects for the sanitary sewer system.

Major Fund Financial Highlights

General Fund

The General fund is the primary operating fund of the City. At June 30, 2025, the total fund balance of the General fund was \$37,436,094 (compared to \$32,354,846 at the beginning of the year). The fund balance of the General fund is composed of five different categories – nonspendable, restricted, committed, assigned and unassigned. The City continues to implement the practice of accumulating monies for future infrastructure improvements in the City Capital Projects fund through transfers out of the General fund, as well as setting aside monies to invest in the City's pension trust. A total of \$1.5 million was transferred out for future infrastructure and facility needs, and an additional \$1.5 million for pension trust investment, during the fiscal year ended June 30, 2025. It is important to note the annual General Fund monies transferred to the City Capital Projects fund for the intended purpose of providing infrastructure and facility improvements are available for other uses at the City Council's discretion should the need arise.

As a measure of the General fund's liquidity, it may be useful to compare the total of assigned and unassigned fund balances to total fund expenditures since assigned and unassigned amounts are essentially available for any purpose. Total assigned and unassigned fund balance represents 240.9 percent (down from 274.2 percent the

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previous year) of the total expenditures in the General fund. The major components of assigned fund balance include amounts set-aside for the future capital improvements, pension trust investments, budget stabilization purposes and future economic development program funding. Despite the City Council's and management's policy to diligently and actively set-aside monies for future infrastructure and facility needs, the annual General fund amounts expected to be available for transfer to the City's Capital Project fund will likely be insufficient to pay for all future capital needs due to expenditure growth outpacing projected revenue growth.

For the fiscal year ended June 30, 2025, cash and investments in the General fund totaled \$38,449,615, an increase of \$5,538,389 from the prior fiscal year, and is primarily the result of realizing budget expenditure savings and receiving more revenues in FY 2024-25 than forecast in the adopted budget.

**CITY OF CYPRESS
Summary of Changes in Fund Balances - General Fund
For the fiscal year ended June 30, 2025 and 2024**

	<u>2025</u>	<u>2024</u>	<u>Change</u>
Revenues			
Taxes:			
Sales	\$ 12,895,299	\$ 12,930,992	\$ (35,693)
Property	14,590,382	13,736,036	854,346
Other	7,590,043	7,229,311	360,732
Total taxes	<u>35,075,724</u>	<u>33,896,339</u>	1,179,385
Licenses and permits	1,062,915	1,029,241	33,674
Fines and forfeitures	258,859	251,811	7,048
From use of property	4,646,733	3,414,359	1,232,374
From other agencies	708,133	595,210	112,923
Charges for services	4,295,291	3,785,592	509,699
Other	213,722	253,885	(40,163)
Total Revenues	<u>46,261,377</u>	<u>43,226,437</u>	3,034,940
Expenditures			
General government	5,903,290	6,914,401	(1,011,111)
Community development	1,876,862	1,783,231	93,631
Public safety	21,504,777	20,738,949	765,828
Public works	8,657,069	7,757,945	899,124
Capital Outlay	183,386	10,918	172,468
Total Expenditures	<u>38,125,384</u>	<u>37,205,444</u>	919,940
Other Financing Sources/(Uses)			
Net Transfers	(3,238,131)	(8,669,073)	5,430,942
Issuance of Subscriptions/Leases	183,386	10,918	172,468
Total Other Financing Sources/(Uses)	<u>(3,054,745)</u>	<u>(8,658,155)</u>	5,603,410
Increase (decrease) in fund balance	<u>\$ 5,081,248</u>	<u>\$ (2,637,162)</u>	<u>\$ 7,718,410</u>

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Total General fund revenues for the fiscal year ended June 30, 2025 increased by \$3.0 million from the prior year. Individual components of this change are highlighted as follows:

- Sales tax receipts, which in recent years have become the second largest revenue source of the General fund after being the largest source for decades, saw a decrease of \$35,693 when compared to the prior year. Despite the economy's resilience, the City's sales tax growth across all sectors has stagnated in the last two years. This appears to be a concerning trend impacting local governments throughout California.
- Annual property tax revenue grew 6.2 percent due to increases in the City's secured property tax base associated with new development, changes in ownership, and the growth related to the annual Proposition 13 inflation adjustment. Included in General fund property tax revenue is \$6.4 million of in lieu Motor Vehicle License Fees (MVLFF), which represents a \$400,000 increase over the prior year.
- Other taxes increased due to multiple factors, including transient occupancy tax increases resulting from having a full year of receipts for a new hotel that opened in the prior fiscal year, as well as higher franchise fees.
- Revenue from use of property experienced large year over year growth due to unrealized market value increases associated with the City's portfolio of investments. The higher interest rates earned on government-backed securities experienced in the prior fiscal year, continued into FY 2024-25 and resulted in realized interest earnings for the year being comparable to the prior year. However, accounting standards require all investments to be recorded at their fair market value on June 30, 2025, which yielded a nearly \$1.8 million adjustment to revenue. This is nearly \$1.3 million more revenue than the prior year fair market value adjustment. It should be noted that the City's investment policy provides for all investments to be held to maturity, so any gain or loss required to be recorded at year end will never be realized.
- Charges for services increased due to a higher level of building development activity when compared to the prior year. These revenues can vary from year to year, but actual development activity in the City remained strong throughout the fiscal year ended June 30, 2025.

Changes in General fund expenditures, by function, occurred as follows during the year ended June 30, 2025:

- General government expenditures declined by \$1.0 million (14.6 percent) due to lower legal expenditures. In the prior year, there was a higher volume of litigation activities, as well as the City Council approving an \$835,000 settlement payment for the reimbursement of fees and litigation expenses associated with a lawsuit.
- Community development expenditures increased \$93,631 (5.3 percent) due to two offsetting factors. Higher contract costs were incurred in the prior fiscal year to provide support for the implementation of the City's state-mandated Housing

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Element. Implementing the components of the housing element approved by the State in 2022 will take several years and cost in excess of \$1 million. In the fiscal year ended June 30, 2025, significant costs were incurred in the implementation of the second phase of the business recovery and support plan, which assisted the business community through the creation of the Cypress University program. This program, with costs of \$380,000, provided training, education and marketing assistance intended to help grow small businesses located in Cypress.

- Public safety (police) expenditures increased by \$765,828 (3.7 percent) when compared to the prior fiscal year. Cost increases associated with implementing the third year of a four-year labor agreement, which provided substantial salary and benefit increases for sworn officers, and inflationary impacts driving contract cost increases, accounted for the change in expenditures.
- Public works expenditures were \$899,124 (11.6 percent) higher than the prior year due to many factors, including incurring additional contract costs for right-of-way parkway and tree maintenance, parks landscaping maintenance and building/engineering plan checking and inspections. Plan checking and inspection costs, which are directly tied to development activity in the City and fully offset by fee revenue, tend to fluctuate from year to year. In addition to these contract cost increases, the relatively dry winter resulted in higher water costs for the irrigation of all City parks and right-of-way.

The difference in General fund net transfers is \$5.4 million lower when compared to the prior fiscal year and is summarized as follows:

- The General fund transferred \$1,662,583, as compared to \$1,606,912 in the prior year, to the City's Capital Projects fund for current year projects. Additionally, \$1.5 million of accumulated fund balance, down from \$2.67 million in the prior year, was transferred from the General fund to the City's Capital Projects fund for future infrastructure projects.
- \$1.5 million was transferred to the City's Internal Service Employee Benefits fund during the past year, compared to \$5.05 million in the prior year. This annual transfer is typically limited to available prior year budget savings which are used to fund the City's pension trust. The pension trust was established in 2017 to help offset the City's growing pension liabilities and in March 2024 the City Council established a goal to have pension trust assets fully offset unfunded pension liabilities by 2030. In response to this new goal, in the fiscal year ended June 30, 2024 an additional \$2.5 million of General fund monies were transferred for pension trust investment in the Employees' Benefit Internal Service fund.

General Fund Budgetary Highlights

Differences between the original appropriations budget and the final amended budget totaled a net increase of \$2,579,655. The annual carryover of appropriations to the new fiscal year for encumbrances and services not completed in the prior fiscal year accounted for \$1,458,332 of the change. The majority of the carryover appropriations

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related to contingency amounts, unexpended grant awards, one-time allocations of pandemic recovery support for businesses, and contract planning services for the implementation of State-mandates associated with the City's housing element. The remaining major changes in appropriations are summarized as follows:

- \$74,127 increase in Legislative for legal services which tend to fluctuate based on the legal matters that arise during the year. While general attorney services and litigation costs were within budget, several personnel matters handled by the City's labor attorneys resulted in a budget overage.
- \$99,800 increase in Administration for higher required contributions for regional homelessness efforts. The City contributes a portion of the annual costs to operate two navigation centers in the County, and these charges vary each year depending on cash flow needs and available State funding.
- \$80,000 increase in Administration for the expansion of a City program (Cypress University) which focuses on supporting, growing and incentivizing small businesses located in the City through education and outreach initiatives.
- \$125,000 increase across multiple departments for a one-time retirement incentive that was offered to a group of represented City employees.
- \$49,700 increase in Police for the purchase and installation of a fixed automated license plate reader system that was donated by the Cypress Police Foundation.
- \$253,000 increase in Community Development for contract inspections, plan checking and building official services due to higher levels of building activity than conservatively estimated in the adopted budget. Forecasting annual building contract costs is difficult due to many external factors, including the economy's impact on local development activity, which tends to result in large fluctuations in both fees collected and the contract costs associated with providing the services.
- \$32,622 increase in Maintenance for a new custodial contract which resulted in higher charges than the previous agreement.

Total actual General fund revenues exceeded the final amended revenue budget by over \$2.6 million. Tax revenue exceeded the amended budget by almost \$0.8 million due to several factors. Property tax growth is a product of new development, parcel turnover and the ongoing strength of the housing market and resulted in revenues exceeding budget by just over \$600,000. Sales tax revenues are budgeted using an approach to conservatively, but realistically, estimate revenues directly tied to the overall economy. During the past year, sales tax revenue growth was largely stagnant both locally and statewide and fell below budget estimates by \$45,000. Other tax sources contributed to the overall overage and include transient occupancy tax impacts from a new hotel and higher franchise taxes. Revenues from other agencies was below budget due to unexpended grant monies in both the Police and Community Development departments. These grants include a one-time County grant for a homeless liaison officer which will be carried over and expended during the next fiscal year, as well as Community Development Block Grant monies for housing programs that are no longer offered by the City and will lapse as of June 30, 2025. However, the largest contributor to the overall budget excess is revenue from the use of property (which includes interest earnings on

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the City's investments). While actions by the Federal Reserve over the last few years have drastically raised the interest rate earned on the City's investment portfolio, the large overage in FY 2024-25 is primarily due to an accounting requirement that mandates all investments are adjusted to their fair market value at the end of the fiscal year. Interest rate fluctuations during the year have caused the underlying value of many City-owned securities to rise above their purchase price and trigger gains of nearly \$1.8 million in FY 2024-25. Since the City's investment policy provides for all investments to be held to maturity, these gains will never be realized. So in many ways, the additional revenue created by this accounting pronouncement is misleading and gives a false impression to the reader of the financial statements.

Total operating expenditures were \$5.5 million below the final amended budget (before any carryover amounts to the fiscal year ended June 30, 2026) and these savings were across all departments throughout the City. The reason for the large budget variance is similar to prior fiscal years, in that a significant portion is related to personnel savings created during periods with staffing vacancies over the course of the year. The majority of these staffing vacancies are associated with positions (such as police officers) in which active recruitments are ongoing and the periods of vacancy are intended to be temporary. Further savings were realized due to one-time amounts budgeted for contingency purposes, delays in awarding contracts for an organizational review and a traffic impact fee study, and contract housing element implementation services not being expended prior to June 30, 2025. These unexpended amounts have been carried over and appropriated in FY 2025-26 budget and are expected to be expended prior to June 30, 2026.

Other Major Funds and Other Funds

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

Recreation and Park District Special Revenue Fund

The Recreation and Park District special revenue fund is the sole operating fund of the Cypress Recreation and Park District. At the end of the current fiscal year, total fund balance was a negative \$21,424,863 as compared to a negative \$2,905,952 at the beginning of the year. This represents a \$18.5 million decrease and gives the impression the District's financial health has greatly deteriorated over the past year – which is both misleading and inaccurate. The reason for the large decrease is solely the result of a GASB accounting pronouncement that requires loans between the City and District be recorded as a liability on the District's books. There are two loans outstanding between the City and District – \$3.2 million for the construction of Lexington Park and \$30.5 million for the reconstruction of Arnold Cypress Park. During the past year, construction

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continued on the \$33.5 million Arnold Cypress Park facility which had been approved in the prior fiscal year. The project is funded by loans from the City to the District. These loans are long-term and will be repaid over 20 years using available property tax revenues. If the District had used other forms of financing to pay for the two projects, the long-term debt would not be presented as a liability in the District's governmental funds. However, since the loans are considered an advance between funds of the City and District (a component unit) GASB requires the full amount of the advances be recorded as liabilities even though repayment will be made over two decades. The outstanding amount of all advances (\$33.6 million) is required to be recorded as a negative amount, netted against unassigned fund balance. While this results in an inaccurate portrayal of the District's financial condition on the face of the financial statements, it is important to understand the underlying health of the District remains strong and is essentially unchanged from the prior year.

For fund balance analysis purposes, it is probably best to remove the negative \$33.6 million netted against unassigned fund balance from the calculations to yield a useful comparison. By doing so, fund balance represents 182.5 percent (compared with 207.4 percent from the previous year) of the fund's total current Recreation operating expenditures and the adjusted, remaining fund balance would be properly categorized as restricted since these amounts can legally only be used for recreation purposes. These adjusted fund balance amounts at June 30, 2025 are required to be used for improvements to open space, for use on youth league renovations and general recreation activities. Since the bulk of the District's operations are funded with annual property tax revenues, a portion of the fund balance for general recreation usage is needed to meet cash flow shortages between property tax receipts. The remaining amounts (for both open space and recreation) are being accumulated for future non-recurring expenditures such as facility and infrastructure improvements.

For the fiscal year ended June 30, 2025, the cash and investments balance (including restricted amounts) in the Recreation and Park District special revenue fund was \$14,226,015, a decrease of \$578,466 from the prior fiscal year. Total receivables at the end of the fiscal year were \$256,937, a decrease from the prior year total of \$600,136. These balances tend to vary from year to year based on the timing of receipts and disbursements, and the volume of capital project expenditures.

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CITY OF CYPRESS
Summary of Changes in Fund Balances
Recreation and Park District Special Revenue Fund
For the fiscal year ended June 30, 2025 and 2024

	2025	2024	Change
Revenues			
Taxes:			
Property	\$ 7,815,068	\$ 7,326,746	\$ 488,322
From use of property	1,127,615	1,029,302	98,313
From other agencies	125,421	113,618	11,803
Charges for services	1,408,333	1,202,161	206,172
Other	33,514	57,093	(23,579)
Total Revenues	<u>10,509,951</u>	<u>9,728,920</u>	<u>781,031</u>
Expenditures			
Recreation	6,086,420	5,550,870	535,550
Capital outlay	22,163,164	16,950,867	5,212,297
Debt Service:			
Interest and fiscal charges	608,696	224,922	383,774
Total Expenditures	<u>28,858,280</u>	<u>22,726,659</u>	<u>6,131,621</u>
Excess of revenues over expenditures	(18,348,329)	(12,997,739)	(5,350,590)
Other Uses - Transfers	<u>(170,582)</u>	<u>(155,543)</u>	<u>(15,039)</u>
Increase/(decrease) in fund balance	<u>\$ (18,518,911)</u>	<u>\$ (13,153,282)</u>	<u>\$ (5,365,629)</u>

Total Recreation and Park District Special Revenue fund revenues for the fiscal year ended June 30, 2025 increased by nearly \$0.8 million from the prior year. Individual components of this change are highlighted as follows:

- Property tax revenues, the District's largest recurring revenue source, were 6.7 percent more than the prior year. The District continues to benefit from higher assessed values and new developments being added to the tax roll, which were larger in the past year than the prior year.
- Revenues from the use of property increased due to having a full year of facility rentals at the Community Center. In the prior year, rentals were curtailed for a portion of the year due to HVAC and roof replacement projects.
- The increase to charges for services relates to park development fee receipts, which are difficult to predict due to uncertainties associated with development activity and economic conditions, and revenues can fluctuate drastically from year to year. A few major developments generated fees of \$609,000 in the fiscal year ended June 30, 2025, which represents an increase over the \$445,000 generated in the prior year. All eligible park development fee receipts are used to pay down the District's outstanding advances from the City's General fund associated with the construction of Lexington Park.

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Notable changes in expenditures during the fiscal year ended June 30, 2025 follow:

- Recreation expenditures increased \$535,550 (9.7 percent) due to many factors, including cost of living salary and benefit increases for all full-time employees, higher contract costs for facility and landscape maintenance, additional water expenditures resulting from the relatively dry winter, and enhanced senior citizen and youth programs.
- Capital expenditures rose by over \$5.2 million due investing an additional \$21.6 million on the rehabilitation of Arnold Cypress Park. The Arnold Cypress Park project was completed in late FY 2024-25 and rebuilt the 75 year-old, 14.5 acre park at a budgeted cost of \$33.5 million. The new park provides a variety of sports courts and softball fields. In addition to this once in a generation project, the District continued to invest in other park facility improvements as amounts were expended in the fiscal year ended June 30, 2025 for sports lighting replacement and security improvements at Oak Knoll Park, and playground resurfacing at six park sites throughout Cypress.
- Debt service expenditures relate exclusively to interest incurred on the two outstanding loans between the City and District for the construction of Lexington Park and Arnold Cypress Park. The year-over-year increase is attributed to the large loan balance increase on the Arnold Cypress Park loan, which went from \$10.6 million at June 30, 2024 to nearly \$30.5 million at June 30, 2025.

District net transfers increased by \$15,039 and totaled a net outflow of \$170,582. These District transfers occur each year and are generally comprised of two recurring components, including a \$150,000 annual transfer to the employees' benefits internal service fund to help offset any unfunded pension liability owed to the Orange County Employees Retirement System (OCERS). This liability represents monies owed on behalf of vested District employees who earned OCERS pension benefits prior to 2000 when all employees were transitioned to CalPERS. The other annual component of net transfers is for new and replacement capital outlay acquisitions paid for in the equipment replacement internal service fund, and these amounts have been modest in each of the last two years.

Streets Special Revenue Fund

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

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Summary of Changes in Fund Balances
Streets Special Revenue Fund
For the fiscal year ended June 30, 2025 and 2024

	2025	2024	Change
Revenues			
From use of property	\$ 340,980	\$ 386,288	\$ (45,308)
From other agencies	3,987,130	4,061,577	(74,447)
Charges for services	42,350	380,373	(338,023)
Other revenue	231,831	157,871	73,960
Total Revenues	<u>4,602,291</u>	<u>4,986,109</u>	<u>(383,818)</u>
Expenditures			
Public works	3,899,528	2,726,741	1,172,787
Capital outlay	311,020	205,394	105,626
Total Expenditures	<u>4,210,548</u>	<u>2,932,135</u>	<u>1,278,413</u>
Other Uses - Transfers	<u>(2,645,585)</u>	<u>(1,867,079)</u>	<u>(778,506)</u>
Increase (decrease) in fund balance	<u>\$ (2,253,842)</u>	<u>\$ 186,895</u>	<u>\$ (2,440,737)</u>

Total revenues for the fiscal year ended June 30, 2025 decreased by more nearly \$0.4 million from the prior fiscal year. The largest recurring income source in this fund is revenue from other agencies which includes State Gas Tax, Road Repair and Accountability Act of 2017 and County Measure M2 allocations. As expected, these allocations decreased modestly during the year due to a one-time delay in receipt of FY 2022-23 Measure M2 allocations which became available during FY 2023-24 and resulted in higher revenues than in a normal year. Charges for services, which includes traffic mitigation fees and regional traffic impact fees, decreased \$338,023 year over year and these annual receipts tend to fluctuate based on development activity within the City.

Total expenditures and net transfers also tend to vary from year-to-year depending on resource availability and the specific timing and scope of recurring projects such as the arterial and residential street rehabilitation and concrete/sidewalk improvements. Expenditures and net transfers out increased in the past year due to the use of prior year State Gas Tax receipts for annual street maintenance. The use of these prior year fund balance amounts were delayed until FY 2024-25 due to having to invest additional General fund amounts to meet Maintenance of Effort requirements in the prior fiscal year.

City Capital Projects Fund

The City Capital Projects Fund provides a cost center for City projects funded (either partially or in full) with General fund monies. In accordance with City Council policy, an annual transfer is made from the General fund to the Capital Projects Fund to pay for a portion of the projects approved as part of the Seven-Year Capital Improvement Program.

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Annual transfers are also made from the General fund to accumulate monies for future projects. The following table summarizes the activity during the past two years.

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Summary of Changes in Fund Balances
City Capital Projects Fund
For the fiscal year ended June 30, 2025 and 2024**

	<u>2025</u>	<u>2024</u>	<u>Change</u>
Revenues			
From use of property	\$ 3,649,010	\$ 4,219,295	\$ (570,285)
Other revenue	-	-	-
Total Revenues	<u>3,649,010</u>	<u>4,219,295</u>	<u>(570,285)</u>
Expenditures			
Public works	3,163,007	2,393,478	769,529
Capital outlay	<u>1,676,626</u>	<u>977,238</u>	<u>699,388</u>
Total Expenditures	4,839,633	3,370,716	1,468,917
Other Sources - Transfers	4,495,836	3,458,734	1,037,102
Increase (decrease) in fund balance	<u>\$ 3,305,213</u>	<u>\$ 4,307,313</u>	<u>\$ (1,002,100)</u>

Total revenues for the fiscal year ended June 30, 2025 decreased \$570,285 from the prior fiscal year. The decrease is due to lower interest income earned on cash balances. While the average rate earned on cash balances throughout the year was higher than the prior year, actual cash balances held decreased significantly over the course of the past year. This decrease was anticipated and is directly attributed to loaning the Recreation and Park District an additional \$21.6 million for the rehabilitation of Arnold Cypress Park.

Total expenditures tend to vary from year-to-year depending on the status of non-recurring projects such as public facility renovations, median improvements and other major infrastructure improvements such as storm drainage construction. Expenditures increased by nearly \$1.5 million year over year due to a higher volume of activity in both the annual residential street resurfacing program and the curb and sidewalk concrete rehabilitation program.

The amounts recorded as net transfers are typically comprised of annual transfers in from the Streets Special Revenue Fund and two transfers from the General fund. However, in the prior fiscal year the City Council approved additional funding for the City's pension trust in FY 2023-24 to reach a goal of having pension trust assets fully offset pension liabilities by 2030. A one-time transfer out of \$2.0 million for additional funding required to meet this goal took set-asides for future capital improvements in the City's Capital

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Projects fund and transferred them to the Employees' Benefits Internal Service fund for investment in the pension trust in the fiscal year ended June 30, 2024.

During the past year, net transfers were just over \$1.0 million more than the prior year due to last year's one-time \$2.0 million transfer out for pension trust investment. The two recurring transfers out are discussed below:

- Total transfers in from restricted funds increased by just over \$150,000 year over year, due to the use of more restricted Gas Tax funds on residential street resurfacing projects in FY 2024-25 than the prior year.
- The two annual General fund transfers in are for 1) the annual funding requirement approved by the City Council to fund current year projects, and 2) an allocation for future infrastructure improvements that will be appropriated in upcoming years. The amount available for future improvements is directly tied to available General fund surplus amounts from the prior fiscal year and these amounts can fluctuate greatly from year to year due to a variety of factors. The available surplus amounts from FY 2023-24, and transferred to the City Capital Projects fund in FY 2024-25, decreased \$1,170,000 from the prior year.

Sewer Enterprise Fund

The Sewer Enterprise fund accounts for the maintenance and improvements made to the City's sewer system. The primary revenue source associated with this fund is fees collected from users of the sewer system. The Sewer fund is an enterprise fund in accordance with the requirements of GASB Statement No. 54 and all infrastructure assets associated with the sanitary sewer system are recorded as assets in the Sewer fund and the full-accrual method of accounting is used to account for sewer activities within the fund. The net position increased by nearly \$1.2 million during the year and the following is a comparison of the enterprise activity in the fund for the past two years:

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CITY OF CYPRESS
Summary of Changes in Net Position
Business-type Activities - Sewer Enterprise Fund
For the fiscal year ended June 30, 2025 and 2024

	2025	2024	Change
Operating Revenues			
Charges for services	\$ 1,672,705	\$ 1,593,387	\$ 79,318
Total Operating Revenues	<u>1,672,705</u>	<u>1,593,387</u>	<u>79,318</u>
Operating Expenditures			
Sewer Maintenance	382,488	323,082	59,406
Depreciation	591,085	585,706	5,379
Total Operating Expenditures	<u>973,573</u>	<u>908,788</u>	<u>64,785</u>
Non-Operating Revenues (Expenses)			
Property Taxes	43,493	42,876	617
From other agencies	36	39	(3)
Interest income	428,550	381,847	46,703
Total Non-operating Revenues	<u>472,079</u>	<u>424,762</u>	<u>47,317</u>
Increase (decrease) in net position	<u>\$ 1,171,211</u>	<u>\$ 1,109,361</u>	<u>\$ 61,850</u>

Total Sewer fund operating revenues for the fiscal year ended June 30, 2025 are comprised primarily of sewer fee revenues, which increased by \$79,318 from the prior year. Sewer fees are charged to both residential and commercial accounts based on water consumption and can change from year to year based on many factors, including precipitation levels and drought restrictions. The 5.0 percent year over year increase appears reasonable given the relatively dry winter experienced in FY 2024-25 when compared to the prior year.

Maintenance expenditures tend to be consistent from year to year except in years in which the comprehensive update to the Sewer System Management Plan (SSMP) is required. This update occurs every five years and the most recent update was initiated in the fiscal year ended June 30, 2025 with \$53,000 of costs incurred prior to the end of the year.

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

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Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets as of June 30, 2025 amounts to \$222,831,862 (net of accumulated depreciation) and consists of \$204,535,502 for governmental activities and \$18,296,360 for business-type activities. The investment in capital assets for governmental activities includes land, buildings and improvements, vehicles and equipment, furniture and fixtures, roads, storm drains, sidewalks, streetlights, and construction in progress. The investment in business-type activities is limited to the City's sanitary sewer system. The City's investment in capital assets for governmental activities increased during the past fiscal year by over \$36.4 million (10.4 percent) before depreciation. The following table summarizes capital asset activity for the fiscal year ended June 30, 2025.

Summary of Capital Assets
As of June 30, 2025 and 2024

	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
Governmental Activities:						
Capital Assets, Not Depreciated:						
Land	\$ 12,442,593	\$ 12,442,593	\$ -	\$ -	\$ 12,442,593	\$ 12,442,593
Construction in Progress	5,424,464	14,203,401	292,924	23,042	5,717,388	14,226,443
Total, Not Depreciated	<u>17,867,057</u>	<u>26,645,994</u>	<u>292,924</u>	<u>23,042</u>	<u>18,159,981</u>	<u>26,669,036</u>
Capital Assets, Being Depreciated:						
Buildings and Improvements	98,563,556	63,665,962	-	-	98,563,556	63,665,962
Machinery and Equipment	12,723,341	12,499,613	-	-	12,723,341	12,499,613
Infrastructure	238,098,154	237,297,391	35,595,966	35,468,602	273,694,120	272,765,993
Lease Assets	112,612	65,484	-	-	112,612	65,484
Subscription Assets	2,114,246	1,800,688	-	-	2,114,246	1,800,688
Total, Being Depreciated	<u>351,611,909</u>	<u>315,329,138</u>	<u>35,595,966</u>	<u>35,468,602</u>	<u>387,207,875</u>	<u>350,797,740</u>
Less Accumulated						
Depreciation/Amortization:						
Buildings and Improvements	(25,016,461)	(23,076,834)	-	-	(25,016,461)	(23,076,834)
Machinery and Equipment	(9,093,656)	(8,950,251)	-	-	(9,093,656)	(8,950,251)
Infrastructure	(129,950,044)	(125,434,719)	(17,592,530)	(17,001,445)	(147,542,574)	(142,436,164)
Lease Assets	(37,461)	(15,397)	-	-	(37,461)	(15,397)
Subscription Assets	(845,842)	(500,989)	-	-	(845,842)	(500,989)
Total Accumulated Depreciation	<u>(164,943,464)</u>	<u>(157,978,190)</u>	<u>(17,592,530)</u>	<u>(17,001,445)</u>	<u>(182,535,994)</u>	<u>(174,979,635)</u>
Total Depreciated, Net	<u>186,668,445</u>	<u>157,350,948</u>	<u>18,003,436</u>	<u>18,467,157</u>	<u>204,671,881</u>	<u>175,818,105</u>
Governmental Activities Capital Assets, Net	<u>\$ 204,535,502</u>	<u>\$ 183,996,942</u>	<u>\$ 18,296,360</u>	<u>\$ 18,490,199</u>	<u>\$ 222,831,862</u>	<u>\$ 202,487,141</u>

Major governmental activities capital asset transactions during the fiscal year ended June 30, 2025 included the following:

- The large decrease to construction in progress is due to finishing construction on the rehabilitation of Arnold Cypress Park. This \$31.7 million, multi-year project was less than half complete at June 30, 2024, but the newly renovated park was reopened to the public in May 2025.
- While the completion of the Arnold Cypress Park project comprised the majority of the \$34.9 million increase to buildings and improvements, there were several other smaller dollar park improvements completed in the fiscal year ended June 30, 2025. These projects include a new picnic pavilion, sports field lighting replacements, and a new roof at the Community Center.

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- The increase to machinery and equipment is attributed to the purchase of a replacement data center and network switches for information technology, six replacement marked police vehicles, and three replacement trucks for the maintenance division in public works.
- Infrastructure additions of \$0.8 million are comprised of a variety of traffic signal improvement projects and median improvements along Cerritos Avenue.

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

- Just over \$397,000 was invested in sewer capacity and condition improvement projects at various locations and recorded as capital asset additions to the sewer system at June 30, 2025.

Additional information on the City's capital assets can be found in the Capital Assets and Depreciation/Amortization note (6) and the Subscription-Based Information Technology Arrangements note (7) in the notes to the basic financial statements section of this report.

Long-Term debt. The City had total debt outstanding of \$81,882,236 at June 30, 2025. The following schedule summarizes the City's long-term liabilities.

Summary of Long-Term Debt
As of June 30, 2025 and 2024

	2025	2024	Change
Claims Payable	\$ 2,582,172	\$ 2,683,169	\$ (100,997)
Compensated Absences	2,604,206	2,588,237	15,969
Total OPEB Liability	8,044,841	9,300,612	(1,255,771)
Net Pension Liability	65,231,964	66,097,882	(865,918)
Subscription/Lease Liabilities	1,150,894	1,212,336	(61,442)
Total	\$ 79,614,077	\$ 81,882,236	\$ (2,268,159)

Long-term debt activity during the fiscal year ended June 30, 2025 included:

- The net change in claims payable is a result of lower outstanding claims for workers' compensation matters which is partially offset by a small increase to general liability claims payable when compared to the prior year. These liabilities tend to fluctuate from year to year based on the timing of when claims are filed and eventually finalized and closed. In recent years workers compensation claims, especially those involving police officers, had trended upward but tapered off modestly in the last year and total nearly \$2.2 million at June 30, 2025.
- Compensated absences increased by \$15,969. Compensated absence liabilities experience growth in years where there are few retirements or resignations of long-term employees, and when there are significant impacts related to negotiated cost

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of living wage adjustments. In the past year, a few long-tenured police officers with significant leave balances retired which substantially offset the liability increases associated with the cost of living wage adjustments provided to all employees.

- In conjunction with GASB 75, the City had an actuarial valuation performed to determine the liability for other postemployment benefit (OPEB) plans as of June 30, 2025. The results of the actuarial valuation resulted in a fairly substantial decrease to the City's liability for retiree's health benefits. Any changes in liability from year to year are due to many factors, including adjustment of the discount rate, as well as the ongoing impact of the actuarial requirement of an "implied subsidy" which results when the premiums paid by both active employees and retirees are the same. In these situations, such as with the City, the underlying assumption is the value of benefits to retirees exceed those provided to active employees.
- The City's pension liability associated with its defined benefit plans decreased by \$865,918 during the fiscal year ended June 30, 2025. Year to year fluctuations in the pension liability are common and can be large in any given year, with the annual changes being directly attributable to the results of the annual actuarial valuations performed by the plan's administrators, CalPERS and OCERS.

The City has set aside over \$3.5 million in the Employees Benefits Internal Service Fund to offset and pay a portion of both the OPEB and pension liabilities. However, these monies have not been placed in an irrevocable trust and therefore are not considered funded assets for actuarial purposes. In addition to these cash balances, \$37.0 million is invested in the City's pension trust as of June 30, 2025. These trust amounts are legally restricted and may only be used to pay pension obligations.

Additional information on the City's long-term debt, pension plans and other postemployment retirement benefits can be found in the Subscription-Based Information Technology Arrangements note (7), the Other Long-Term Liabilities note (9), the Public Employees' Retirement System (CalPERS) note (10), the Terminated Orange County Employees Retirement System (OCERS) Defined Benefit Pension Plan note (12) and the Post-Employment Health Care Benefits note (13) in the notes to the basic financial statements section of this report.

Economic Factors and their impact on future City Budgets

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

The City's long-term financial position remains strong despite the uncertainties of the past year which have roiled markets and triggered chaotic federal fiscal/economic policy.

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JUNE 30, 2025**

Recognizing the most likely short-term outcome of these conditions is upward pressure on costs and downward pressure on growth, the FY 2025-26 Budget presents a cautious, status quo approach while the Five-Year Forecast presented as part of the Budget projects a structural deficit that limits options to absorb cost increases or enhance service levels.

The City has projected similar small deficits for the past several years that, fortunately, have proven to be on paper only and were resolved when revenues exceeded sensible projections and/or some planned spending did not occur. Nonetheless, Cypress' long-term financial future must remain a top consideration for the City Council. This is especially true if Cypress is to remain one of the few established cities in southern California that have not increased the local sales tax rate nor assess a utility user tax.

It is important to note that the deficits projected in the Five-Year Forecast are driven by both economic conditions and the City's annual contribution of current year General Fund operating revenue to infrastructure projects. Historically, City Councils have made this important annual investment in Cypress' high-quality infrastructure and public facilities recognizing that infrastructure is a service the City provides to the community. Like any other City department or function, the City Council's commitment to infrastructure as a service is funded with revenues that would otherwise be available for operations and budget balancing.

The investment of \$1.55 million of current year General Fund revenues in infrastructure has not grown since it began approximately 30 years ago. If it had been indexed to Consumer Price Index increases, it would be about \$3.25 million in 2025, and if it had grown at the same rate as construction costs, it would be well above \$5 million. To account for construction costs increases of as much as 40% since 2020, the FY 2025-26 Budget includes an increase of the ongoing contribution of current year General Fund revenue for infrastructure investment from \$1.55 million to \$1.8 million. The recommendation underscores the City's commitment to infrastructure as a service but only restores a fraction of the investment's original purchasing power.

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

FY 2025-26 finds the City's short-term financial condition healthy, but navigating a variety of inflation-related challenges, an extraordinarily difficult employment market, and wobbling sales tax revenues.

CITY OF CYPRESS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2025

Personnel costs continue to increase and place considerable strain on City finances. While spending on personnel is an important investment in ensuring Cypress is served by highly capable professionals who are committed to preserving and promoting our community, the costs will be a challenge to sustain.

Employer pension cost forecasts continue to be volatile as CalPERS navigates higher interest rates, international crises, and rising employee wages. Fortunately, in FY 2023-24 the City Council approved a plan to fully offset Cypress' unfunded pension liabilities by 2030, likely making Cypress one of the first cities in the state with a public safety department to fully offset its pension liability without issuing debt. This accomplishment not only strengthens the City's long-term financial position by providing additional flexibility in battling pension liabilities, but it is also an indelible commitment to our employees and their retirement security.

Revenues. The City's projected revenues for Fiscal Year 2025-26 are \$54.5 million and do not include any tax rate increases from the previous year. The Fiscal Year 2025-26 revenues included in the budget are two percent higher than the Fiscal Year 2024-25 adopted revenue budget.

The City's largest General fund revenue sources remain property tax (\$14.8 million including State backfills) and sales tax (\$12.6 million). Together, these two sources comprise nearly two-thirds of General Fund revenues. Budgeted property tax revenues have increased by \$0.8 million (5.8 percent) from the FY 2024-25 Budget. The increase is primarily attributed to higher assessed property values due to ownership turnover and new construction within the community. Sales tax receipts are volatile, especially during periods of economic uncertainty. Sales tax receipts have not grown as much as forecasted in recent years and a \$335,000 decline from the prior year is projected for FY 2025-26.

Over the last few years, interest rates on Treasury notes have gone from close to zero to well over four percent. As such, investment earnings in FY 2025-26 are \$2.2 million and represents a ten-fold revenue increase over the amount included in the Budget from three years ago. In short, the growth in investment earnings over this period are largely responsible for the last three Budgets being balanced without the use of reserves.

Expenditures. Fiscal Year 2025-26 expenditures accomplish Strategic Plan goals and operating costs grow in response to a variety of factors, which includes the ongoing impacts inflation has on the cost of goods and services. Major expenditure highlights in the Fiscal Year 2025-26 Budget are as follows:

- ◆ Maintaining current service levels.
- ◆ Funding required CalPERS unfunded pension liability amortization increases.

**CITY OF CYPRESS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2025**

- ◆ Incorporating negotiated and anticipated employee salary and benefit increases.
- ◆ Year one of the City's updated Seven Year Capital Improvement Program which totals \$35.3 million.
- ◆ Capital Outlay funding of just over \$0.7 million to acquire and/or replace computer software/hardware items, 11 vehicles and various tools and equipment.

Requests for Information

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

Basic Financial Statements

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City of Cypress, California
Statement of Net Position
June 30, 2025

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and investments	\$ 170,166,111	\$ 10,325,258	\$ 180,491,369
Restricted cash and investments	38,497,422	-	38,497,422
Receivables			
Taxes	3,138,177	2,479	3,140,656
Interest	1,172,528	72,470	1,244,998
Notes, net of allowance	104,049	-	104,049
Accounts	1,751,978	143,689	1,895,667
Leases	24,472	-	24,472
Prepaid items	270,139	-	270,139
Inventory	7,364	-	7,364
Net pension asset	822,513	-	822,513
Capital assets, nondepreciable	17,867,057	292,924	18,159,981
Capital assets, net of depreciation/amortization	186,668,445	18,003,436	204,671,881
Total assets	420,490,255	28,840,256	449,330,511
Deferred Outflows of Resources			
Deferred amount from CalPERS Pension	19,134,549	-	19,134,549
Deferred amount from OPEB	291,137	-	291,137
Deferred amount from OCERS	85,329	-	85,329
Total deferred outflows of resources	19,511,015	-	19,511,015
Liabilities			
Accounts payable and other accrued liabilities	7,364,863	88,172	7,453,035
Deposits	1,559,384	-	1,559,384
Unclaimed property	111,395	-	111,395
Unearned revenue	1,001,880	-	1,001,880
Due to bondholders	153,575	-	153,575
Due to other governments	55,687	-	55,687
Long-term liabilities			
Due within one year			
Subscriptions/Leases payable	425,053	-	425,053
Claims payable	645,543	-	645,543
Retirees' health payable (OPEB liability)	488,289	-	488,289
Compensated absences	651,052	-	651,052
Due in more than one year			
Subscriptions/Leases payable	725,841	-	725,841
Claims payable	1,936,629	-	1,936,629
Retirees' health payable (OPEB liability)	7,556,552	-	7,556,552
Compensated absences	1,953,154	-	1,953,154
Net pension liability	65,231,964	-	65,231,964
Total liabilities	89,860,861	88,172	89,949,033
Deferred Inflows of Resources			
Deferred amount from leases	23,735	-	23,735
Deferred amount from CalPERS Pensions	1,715,554	-	1,715,554
Deferred amount from OPEB	2,705,395	-	2,705,395
Deferred amount from OCERS	361,231	-	361,231
Total deferred inflows of resources	4,805,915	-	4,805,915
Net Position			
Net investment in capital assets	202,423,809	18,235,211	220,659,020
Restricted			
Pension trust	37,033,883	-	37,033,883
Net pension asset	822,513	-	822,513
Public safety	704,506	-	704,506
Public works	13,515,986	-	13,515,986
Recreation	14,014,142	-	14,014,142
Sanitary sewer	-	10,516,873	10,516,873
Low and moderate income housing	88,019	-	88,019
Cable television equipment	889,535	-	889,535
Unrestricted	75,842,101	-	75,842,101
Total net position	\$ 345,334,494	\$ 28,752,084	\$ 374,086,578

City of Cypress, California
Statement of Activities
Year Ended June 30, 2025

	Expenses	Program Revenues			Net (Expense) Revenues and Changes in Net Position		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
Governmental Activities							
General government	\$ 6,735,155	\$ 228,360	\$ 143,545	\$ 61,450	\$ (6,301,800)	\$ -	\$ (6,301,800)
Community development	2,104,581	1,453,000	39,801	-	(611,780)	-	(611,780)
Public safety	24,036,183	437,167	1,284,278	-	(22,314,738)	-	(22,314,738)
Public works	20,126,091	1,231,262	2,764,789	2,374,961	(13,755,079)	-	(13,755,079)
Recreation	7,824,072	1,837,687	857,196	-	(5,129,189)	-	(5,129,189)
Total governmental activities	60,826,082	5,187,476	5,089,609	2,436,411	(48,112,586)	-	(48,112,586)
Business-type Activities							
Sewer	973,573	1,672,705	36	-	-	699,168	699,168
Total	\$ 61,799,655	\$ 6,860,181	\$ 5,089,645	\$ 2,436,411	(48,112,586)	699,168	(47,413,418)
General Revenues							
Taxes							
Property tax, levied for general purpose					8,177,801	-	8,177,801
Property tax, levied for recreation purposes					7,815,068	-	7,815,068
Property tax, levied for lighting purposes					1,774,844	-	1,774,844
Property tax, levied for sewer purposes					-	43,493	43,493
Property tax, backfill of vehicle license fees					6,412,580	-	6,412,580
Sales tax					12,895,299	-	12,895,299
Transient occupancy tax					3,361,552	-	3,361,552
Franchise tax					2,048,695	-	2,048,695
Other taxes					1,803,081	-	1,803,081
Total taxes					44,288,920	43,493	44,332,413
Investment earnings					11,426,327	428,550	11,854,877
Miscellaneous					57,040	-	57,040
Gain on disposal of equipment					17,328	-	17,328
Loss on sale of land held for resale					(1,421,708)	-	(1,421,708)
Total general revenues					54,367,907	472,043	54,839,950
Change in Net Position					6,255,321	1,171,211	7,426,532
Net Position at Beginning of Year					339,079,173	27,580,873	366,660,046
Net Position at End of Year					\$ 345,334,494	\$ 28,752,084	\$ 374,086,578

City of Cypress, California
Balance Sheet - Governmental Funds
June 30, 2025

	Major Funds				Nonmajor Governmental Fund	Total
	General	Special Revenue Recreation and Park District	Streets	City Capital Projects Fund		
Assets						
Cash and investments	\$ 38,449,115	\$ 12,776,451	\$ 6,534,143	\$ 68,559,519	\$ 8,122,008	\$ 134,441,236
Restricted cash and investments	500	1,449,564	-	13,475	-	1,463,539
Receivables						
Taxes	2,963,139	101,235	-	-	73,803	3,138,177
Accrued interest	480,127	125,578	50,389	452,780	23,858	1,132,732
Notes, net of allowance	58,689	-	-	-	45,360	104,049
Accounts	627,636	30,124	774,679	2,000	55,853	1,490,292
Leases	24,472	-	-	-	-	24,472
Prepays	22,156	250	-	-	-	22,406
Inventory	-	1,318	-	-	-	1,318
Due from other funds	66,606	-	-	-	-	66,606
Advances to other funds	-	-	-	33,645,345	-	33,645,345
Total assets	<u>\$ 42,692,440</u>	<u>\$ 14,484,520</u>	<u>\$ 7,359,211</u>	<u>\$ 102,673,119</u>	<u>\$ 8,320,882</u>	<u>\$ 175,530,172</u>
Liabilities Deferred Inflows of Resources, and Fund Balances						
Liabilities						
Accounts payable and other accrued liabilities	\$ 2,827,793	\$ 2,000,425	\$ 81,121	\$ 1,727,649	\$ 422,436	\$ 7,059,424
Deposits	1,534,589	24,795	-	-	-	1,559,384
Unclaimed property	111,095	300	-	-	-	111,395
Unearned revenue	535,762	238,518	-	87,000	140,600	1,001,880
Due to other funds	-	-	27,258	-	39,348	66,606
Advances from other funds	-	33,645,345	-	-	-	33,645,345
Due to bondholders	153,575	-	-	-	-	153,575
Due to other governments	55,687	-	-	-	-	55,687
Total liabilities	<u>5,218,501</u>	<u>35,909,383</u>	<u>108,379</u>	<u>1,814,649</u>	<u>602,384</u>	<u>43,653,296</u>
Deferred Inflows of Resources						
Unavailable revenue	14,110	-	200,000	-	-	214,110
Leases	23,735	-	-	-	-	23,735
Total deferred inflows of resources	<u>37,845</u>	<u>-</u>	<u>200,000</u>	<u>-</u>	<u>-</u>	<u>237,845</u>
Fund Balances						
Nonspendable	80,845	1,568	-	-	45,360	127,773
Restricted	-	-	7,050,832	-	7,673,138	14,723,970
Committed	10,329,235	-	-	14,652,471	-	24,981,706
Assigned	24,946,713	-	-	86,205,999	-	111,152,712
Unassigned	2,079,301	(21,426,431)	-	-	-	(19,347,130)
Total fund balances	<u>37,436,094</u>	<u>(21,424,863)</u>	<u>7,050,832</u>	<u>100,858,470</u>	<u>7,718,498</u>	<u>131,639,031</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 42,692,440</u>	<u>\$ 14,484,520</u>	<u>\$ 7,359,211</u>	<u>\$ 102,673,119</u>	<u>\$ 8,320,882</u>	<u>\$ 175,530,172</u>

City of Cypress, California
 Reconciliation of the Balance Sheet of Governmental Funds to the
 Statement of Net Position
 June 30, 2025

Fund Balances of Governmental Funds \$ 131,639,031

Amounts reported for governmental funds in the Balance Sheet differ from the amounts reported in the Statement of Net Position for governmental activities due to the following:

Capital assets of governmental activities are not financial resources and, therefore, are not reported in the governmental funds. Except for the internal service fund amount of \$4,933,655 which is included in the amount reported below, the capital assets net of accumulated depreciation were equal to the following amount. 199,601,837

Unavailable revenue is comprised of long-term receivables, which are not current available resources, and grants, which are resources not received within the proper revenue recognition period, and are therefore offset by deferred inflow of resources amounts equal to the receivable in the governmental funds. 214,110

Long-term liabilities are not reported in the governmental funds. Except for the internal service fund amount of \$72,127,794 which is included in the amount reported below, the long-term liabilities were equal to the following amounts.

Leases payable	(51,858)
Subscriptions payable	(434,425)

Internal service funds are used by management to charge the costs of certain activities (including central services, employee benefits, liability insurance, and workers compensation insurance) to individual funds. The assets, deferred outflows of resources, liabilities, and deferred inflows of resources of the internal service funds are included in the Statement of Net Position for governmental activities. 14,365,799

Net Position of Governmental Activities \$ 345,334,494

City of Cypress, California

Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds

Year Ended June 30, 2025

	Major Funds					Total
	General	Special Revenue		City Capital Projects Fund	Nonmajor Governmental Fund	
		Recreation and Park District	Streets			
Revenues						
Taxes	\$ 35,075,724	\$ 7,815,068	\$ -	\$ -	\$ 1,836,295	\$ 44,727,087
Licenses and permits	1,062,915	-	-	-	-	1,062,915
Fines and forfeitures	258,859	-	-	-	65,439	324,298
Use of property	4,646,733	1,127,615	340,980	3,649,010	380,692	10,145,030
From other agencies	708,133	125,421	3,987,130	-	266,566	5,087,250
Charges for services	4,295,291	1,408,333	42,350	-	102,766	5,848,740
Other revenue	213,722	33,514	231,831	-	97,306	576,373
Total revenues	46,261,377	10,509,951	4,602,291	3,649,010	2,749,064	67,771,693
Expenditures						
Current						
General government	5,881,249	-	-	-	-	5,881,249
Community development	1,802,907	-	-	-	11,737	1,814,644
Public safety	21,461,796	-	-	-	407,252	21,869,048
Public works	8,644,398	-	3,899,528	3,163,007	1,113,190	16,820,123
Recreation	-	6,003,608	-	-	-	6,003,608
Capital outlay	183,386	22,163,164	311,020	1,676,626	2,528,574	26,862,770
Debt service						
Principal	151,648	82,812	-	-	-	234,460
Interest and fiscal charges	-	608,696	-	-	-	608,696
Total expenditures	38,125,384	28,858,280	4,210,548	4,839,633	4,060,753	80,094,598
Excess (Deficiency) of Revenues Over Expenditures	8,135,993	(18,348,329)	391,743	(1,190,623)	(1,311,689)	(12,322,905)
Other Financing Sources (Uses)						
Transfers in	1,544,637	-	-	4,495,836	-	6,040,473
Transfers out	(4,782,768)	(170,582)	(2,645,585)	-	(815,490)	(8,414,425)
Gain (loss) on sale of land held for resale	-	-	-	-	(1,421,708)	(1,421,708)
Issuance of subscriptions liabilities	136,258	-	-	-	256,097	392,355
Issuance of leases (lessee)	47,128	-	-	-	-	47,128
Total other financing sources (uses)	(3,054,745)	(170,582)	(2,645,585)	4,495,836	(1,981,101)	(3,356,177)
Net Change in Fund Balances	5,081,248	(18,518,911)	(2,253,842)	3,305,213	(3,292,790)	(15,679,082)
Fund Balance - Beginning of Year	32,354,846	(2,905,952)	9,304,674	97,553,257	11,011,288	147,318,113
Fund Balances - End of Year	\$ 37,436,094	\$ (21,424,863)	\$ 7,050,832	\$ 100,858,470	\$ 7,718,498	\$ 131,639,031

City of Cypress, California
 Reconciliation of the Statement of Revenues, Expenditures, and Changes in
 Fund Balances of Governmental Funds to the Statement of Activities
 Year Ended June 30, 2025

Net Change in Fund Balances - Total Governmental Funds \$ (15,679,082)

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

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

Cost of assets capitalized	26,837,042
Depreciation/amortization expense (less \$1,073,272) recorded in the Internal Service Funds)	(6,661,969)

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

Issuance of subscriptions	(392,355)
Principal payments on subscriptions	198,001
Issuance of leases	(47,128)
Principal payments on leases	36,459

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

Unavailable revenue	125,387
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Internal service funds are used by management to charge the costs of certain activities (including central services, employee benefits, liability insurance, and workers compensation insurance) to individual funds. The changes in net position of the internal service funds are reported with governmental activities.

1,838,966

Change in Net Position of Governmental Activities	\$ 6,255,321
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City of Cypress, California
Statement of Net Position
Proprietary Funds
June 30, 2025

	Business-type Activities - Enterprise Funds Sewer Fund	Governmental Activities - Internal Service Funds
Assets		
Current Assets		
Cash and investments	\$ 10,325,258	\$ 35,724,875
Restricted cash with fiscal agents	-	37,033,883
Receivables		
Taxes	2,479	-
Accrued interest	72,470	39,796
Accounts	143,689	261,686
Prepaid items	-	247,733
Inventory	-	6,046
Total current assets	10,543,896	73,314,019
Noncurrent Assets		
Net pension asset	-	822,513
Construction in progress	292,924	513,389
Equipment (net)	-	3,624,694
Subscription assets (net)	-	795,582
Infrastructure (net)	18,003,436	-
Total non-current assets	18,296,360	5,756,178
Total assets	28,840,256	79,070,197
Deferred Outflows of Resources		
Deferred amount from PERS pension plans	-	19,134,549
Deferred amount from OPEB	-	291,137
Deferred amount from OCERS pension plans	-	85,329
Total deferred outflows of resources	-	19,511,015
Liabilities		
Current		
Accounts payable and other accrued liabilities	88,172	305,439
Subscriptions	-	227,628
Accrued claims and judgments	-	645,543
Total OPEB liability	-	488,289
Compensated absences	-	651,052
Total current liabilities	88,172	2,317,951
Noncurrent		
Subscriptions	-	436,983
Accrued claims and judgments	-	1,936,629
Total OPEB liability	-	7,556,552
Compensated absences	-	1,953,154
Net pension liability	-	65,231,964
Total noncurrent liabilities	-	77,115,282
Total liabilities	88,172	79,433,233
Deferred Inflows of Resources		
Deferred amount from PERS pension plans	-	1,715,554
Deferred amount from OPEB	-	2,705,395
Deferred amount from OCERS pension plan	-	361,231
Total deferred inflows of resources	-	4,782,180
Net Position		
Net investment in capital assets	18,296,360	4,269,054
Restricted		
PARS trust	-	37,033,883
Net Pension Asset	-	822,513
Sanitary sewer	10,455,724	-
Unrestricted (deficit)	-	(27,759,651)
Total net position	\$ 28,752,084	\$ 14,365,799

City of Cypress, California
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
Year Ended June 30, 2025

	Business-type Activities - Enterprise Funds <u>Sewer Fund</u>	Governmental Activities - <u>Internal Service Funds</u>
Operating Revenues		
Charges for services	\$ 1,672,705	\$ 20,687,717
Other revenue	-	1,426,624
Total operating revenues	<u>1,672,705</u>	<u>22,114,341</u>
Operating Expenses		
Personnel services	-	1,357,965
Contractual services	-	16,511,137
Supplies and other services	-	6,914,070
Claim payments and changes in estimates	-	566,113
Sewer maintenance	382,488	-
Depreciation/amortization	591,085	1,073,272
Total operating expenses	<u>973,573</u>	<u>26,422,557</u>
Operating Income	<u>699,132</u>	<u>(4,308,216)</u>
Nonoperating Revenues (Expenses)		
Taxes	43,493	-
From other agencies	36	-
Interest income	428,550	3,755,902
Gain on disposal of equipment	-	17,328
Total non-operating revenues (expenses)	<u>472,079</u>	<u>3,773,230</u>
Income before Transfers	<u>1,171,211</u>	<u>(534,986)</u>
Transfers		
Transfers in	-	2,373,952
Change in Net Position	1,171,211	1,838,966
Net Position - Beginning of Year	<u>27,580,873</u>	<u>12,526,833</u>
Net Position - End of Year	<u>\$ 28,752,084</u>	<u>\$ 14,365,799</u>

City of Cypress, California
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2025

	Business-type Activities - Enterprise Funds Sewer Fund	Governmental Activities - Internal Service Funds
Operating Activities		
Cash received from users	\$ 1,670,463	\$ 22,076,085
Cash payments to suppliers for goods and services	(161,532)	(7,568,034)
Cash payments to employees	(176,478)	(13,184,247)
Net Cash from Operating Activities	1,332,453	1,323,804
Noncapital Financing Activities		
From taxes and other agencies	42,015	-
Transfers in	-	2,373,952
Net Cash from Noncapital Financing Activities	42,015	2,373,952
Capital and Related Financing Activities		
Proceeds from disposal of capital assets	-	17,328
Acquisition of capital assets	(397,246)	(1,703,221)
Interest payments	-	(11,141)
Net Cash used for Capital and Related Financing Activities	(397,246)	(1,697,034)
Investing Activities		
Interest on investments	408,737	3,783,858
Net Cash used for Investing Activities	408,737	3,783,858
Increase in Cash and Cash Equivalents	1,385,959	5,784,580
Cash and Cash Equivalents - Beginning of Year	8,939,299	66,974,178
Cash and Cash Equivalents - End of Year	\$ 10,325,258	\$ 72,758,758
Reconciliation of Operating Income to Net Cash		
Provided by Operating Activities		
Operating income	\$ 699,132	\$ (4,308,216)
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation/amortization	591,085	1,073,272
Changes in assets and liabilities:		
Accounts receivable decreased (increased)	(2,242)	(38,256)
Prepaid items decreased (increased)	-	(108,444)
Inventory decreased (increased)	-	(1,270)
Deferred outflows decreased (increased)	-	7,234,929
Accounts payable and other accrued liabilities increased (decreased)	44,478	128,472
Insurance claims payable increased (decreased)	-	(100,998)
Accrued retirees' health payable increased (decreased)	-	(1,255,772)
Accrued leave payable increased (decreased)	-	15,968
Accrued pension liability increased (decreased)	-	(1,046,956)
Deferred inflows increased (decreased)	-	(268,925)
Total adjustments	633,321	5,632,020
Net Cash Provided by Operating Activities	\$ 1,332,453	\$ 1,323,804

City of Cypress, California
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2025

	Custodial Funds
Assets	
Cash and cash equivalents	\$ 4,985,736
Receivables	
Accrued interest	36,046
Accounts	25,863
Prepaid items	69,317
Total assets	5,116,962
Liabilities	
Accounts payable and other accrued liabilities	91,951
Unearned revenue	73,521
Total liabilities	165,472
Net Position	
Restricted for	
Member agencies	4,951,490
Total net position	\$ 4,951,490

City of Cypress, California
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
Year Ended June 30, 2025

	Custodial Funds
Additions	
Member contributions	\$ 3,150,931
Investment income	221,918
Other revenue	173,051
Total additions	3,545,900
Deductions	
Dispatch services	3,102,165
Total deductions	3,102,165
Change in Net Position	443,735
Net Position - Beginning of Year	2,040,834
Adjustments (Note 22)	2,466,921
Net Position - Beginning of Year, as restated	4,507,755
Net Position - End of Year	\$ 4,951,490

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Note 1 - Summary of Significant Accounting Policies

A. Reporting Entity

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

Cypress Recreation and Park District

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

Cypress Recreation and Community Services Foundation

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

B. Accounting and Reporting Policies

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

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

Government–Wide Financial Statements

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

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

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

Governmental Fund Financial Statements

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

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual, and are therefore recognized as revenues of the current fiscal period. Grant funds earned but not collected within 60 days of the end of the fiscal year are reported as a receivable and deferred inflow of resources, and grant funds received before the revenue recognition criteria have been met are reported as unearned revenue. Other revenue items are considered to be measurable and available only when cash is received by the City.

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

The City reports the following major governmental funds:

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

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

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

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

The City reports the following major proprietary fund:

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

Governmental Funds

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

Proprietary Funds

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

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

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

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

Fiduciary Funds

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

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

D. Cash and Investments

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

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

Restricted Cash and Investments

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

Restricted cash and investments also includes the City’s cash in escrow. Cash in escrow represents amounts withheld for retainage related to construction project(s) as required by the Escrow Agreement for Security Deposits in Lieu of Retention. The Escrow Agreement requires that retention earnings withheld from construction progress payments be deposited with an escrow agent and held for the benefit of the contractor until released by the City upon satisfactory completion of the project.

E. Inventories and Prepaid Items

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

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

F. Advances to Other Funds

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

G. Property Taxes

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

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

H. Capital Assets

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

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

Building and improvements	10 to 40 years
Machinery and equipment	3 to 10 years
Infrastructure	20 to 65 years
Leased assets	2 to 10 years
Subscription assets	2 to 10 years

I. Compensated Absences

Compensated leave for all permanent employees is paid by the Employees' Benefit Internal Service Fund. Compensated absences represents the estimated liability for all accrued vacation, compensatory time, and 50% of the sick leave, as noted below, for all employees of the reporting entity. However, amounts greater than 50% of the sick leave have been accrued for certain Police Association members eligible for Service Retirement. The Employee Benefit Fund is funded by payroll charges to other funds based on benefits earned during that year. Compensated absences are primarily considered a long-term liability, as accruals earned in each fiscal year are generally sufficient to cover leave taken during the same fiscal year. For sick leave, the City includes only the portion that is more likely than not to be used in the liability which is based off of a two-year average of sick leave usage per employee group.

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

J. Long-Term Obligations

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

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

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

K. Deferred Outflows/Inflows of Resources

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

There are various deferred outflow amounts related to CalPERS pensions. First is the amount of employer contributions made after the measurement date of the net pension liability, which will be recognized in the following fiscal year. The second item is a deferred outflow related to pensions for the net difference between projected and actual earnings on pension plan investments, which will be amortized over five years, beginning with the year in which they occur. Other items include the difference between expected and actual experience, changes in assumptions, and the adjustments due to differences in proportions. These amounts are amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions determined for the June 30, 2024 measurement date, which is 3.8 years for both Safety Plan and Miscellaneous Plan members.

The deferred outflows related to the OCERS pension plan is the combined difference between expected and actual experience and assumption changes, which will be recognized over the average expected remaining service lives of all employees that are provided with pensions through OCERS, which for this measurement period is 5.31 years.

The deferred outflows related to other postemployment benefits is combined of the difference between expected and actual experience and assumption changes. These amounts are amortized over the average expected remaining active and inactive service lives as of the June 30, 2025 measurement date, which is 8.8 years.

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

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

The second item is a deferred inflow related to pensions. For CalPERS pensions, the deferred inflow is the result of differences in expected and actual actuarial experience, adjustments due to changes in proportions, and differences between employer's contributions, and the proportionate share of contributions. The remaining items are amortized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with pensions. For CalPERS pensions, the remaining service life as determined for the June 30, 2025 measurement date is 3.8 years for both the Safety Plan and the Miscellaneous Plan.

The deferred inflow related to the OCERS pension plan is the result of differences in expected and actual actuarial experience, changes of assumptions, and the net difference between projected and actual earnings on pension plan investments, which will be recognized over a period of five years, beginning with the year in which they occur. The third item is a deferred inflow related to other postemployment benefits. The deferred inflow is the result of changes in actuarial assumptions and experience. This amount is amortized over a closed period equal to the expected average remaining service lives of plan participants.

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

M. Other Postemployment Benefits (OPEB)

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

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

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

Valuation Date	June 30, 2025
Measurement Date	June 30, 2025
Measurement Period	July 1, 2024 to June 30, 2025

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

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

N. Net Position and Fund Equity

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

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

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

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

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

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

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

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

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

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

O. Spending Policy

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

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

P. Use of Estimates

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

Q. New Accounting Pronouncements

Current Year Standards:

The City adopted the following new accounting pronouncements:

- GASB Statement No. 101 – “Compensated Absences” effective for fiscal years beginning after December 15, 2023.
- GASB Statement No. 102 – “Certain Risk Disclosures” effective for fiscal years beginning after June 15, 2024.

Effective in Future Fiscal Years:

The GASB has issued the following pronouncements that have effective dates which may impact future financial statement presentation. The City has not determined the effect of the following statements:

- GASB Statement No. 103 – “Financial Reporting Model Improvements”
- GASB Statement No. 104 – “Disclosure of Certain Capital Assets”

Note 2 - Cash and Investments

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

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

Authorized Investments

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

<u>Diversification by Investments</u>	<u>Maximum Percent of Portfolio</u>
Securities of the U.S. Government	100%
Federal Agency Issues	100%
Certificates of Deposits (of Time Deposits) placed with with commercial banks and/or savings and loan companies	25%
Bankers' Acceptances	25%
Commercial Paper	25%
Negotiable Certificates of Deposit	25%
Medium-term Corporate Notes	25%
Local Agency Investment Fund (LAIF)	\$75M per account
Investment Trust of California (CalTRUST)	\$50 million
Money Market Mutual Fund	20%
Municipal Bonds	5%

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

Investments Authorized by Debt Agreements

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

Deposits and Risks

At June 30, 2025, the carrying amount of the City’s demand deposits was \$1,161,059. The bank balances of these funds totaled \$1,821,495 and were either covered by federal depository insurance or were held in collateralized accounts. If there were amounts not covered by federal depository insurance, the California Government Code requires California banks and savings and loans associations to secure a City’s deposit by pledging government securities with a value of 110% of a City’s deposits, or by pledging first trust deed mortgage notes having a total value of 150% of the City’s total deposits.

The following is a summary of pooled cash and investments, including restricted cash and investments, as of June 30, 2025:

	Government Wide Statement of Net Position		Fiduciary Funds Statement of Net Position	Totals
	Governmental Activities	Business-type Activities		
Cash and investments	\$ 170,166,111	\$ 10,325,258	\$ 4,985,736	\$ 185,477,105
Restricted cash and investments	<u>38,497,422</u>	<u>-</u>	<u>-</u>	<u>38,497,422</u>
Totals	<u>\$ 208,663,533</u>	<u>\$ 10,325,258</u>	<u>\$ 4,985,736</u>	<u>\$ 223,974,527</u>

Restricted cash and investments held by the fiscal agent which are reported in governmental activities include the pension trust fund, which includes restricted pension obligations. Restricted cash held in escrow which are reported in governmental activities include the Cypress Recreation and Park District's construction retention.

Cash and investments, as of June 30, 2025, consist of the following deposits, and investments and maturities:

	Total	Remaining Maturity		
		12 Months or Less	13 to 24 Months	25 to 60 Months
Deposits				
Demand Deposits	\$ 1,161,059	\$ 1,161,059	\$ -	\$ -
Restricted Cash				
Escrow Deposits	1,463,539	-	-	1,463,539
Investments				
State of California Local Agency Investment Fund	78,093,468	78,093,468	-	-
Federal Farm Credit Bank	32,232,620	12,039,720	-	20,192,900
Federal Home Loan Mortgage Corporation	4,981,950	-	-	4,981,950
Federal Home Loan Bank	33,628,161	-	12,789,243	20,838,919
Federal National Mortgage Association	10,615,997	-	-	10,615,997
United States Treasury	24,763,850	9,853,000	-	14,910,850
Restricted Cash and Investments				
PARS Mutual Funds	<u>37,033,883</u>	<u>37,033,883</u>	<u>-</u>	<u>-</u>
Total cash and investments	<u>\$ 223,974,527</u>	<u>\$ 138,181,130</u>	<u>\$ 12,789,243</u>	<u>\$ 73,004,155</u>

Concentration of Credit Risk

Concentration of credit risk is the heightened risk of potential loss when investments are concentrated in one issuer. The City’s investment policy and the California Government Code generally limit the amount that can be invested in any one issuer, except for U.S. Treasury securities and U.S. government-sponsored enterprises to no more than 5% for municipal bonds and 10% of the City’s total investments for commercial paper, medium-term corporate notes and money market mutual funds. At June 30, 2025, investments in one issuer representing 5% or more of the City’s total investments were as follows:

Issuer	Investment Type	Fair Value
Federal Farm Credit Bank	U.S. Government-Sponsored Enterprise Securities	\$ 32,232,620
Federal Home Loan Bank	U.S. Government-Sponsored Enterprise Securities	\$ 33,628,161
Federal National Mortgage Association	U.S. Government-Sponsored Enterprise Securities	\$ 10,615,997

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, 2025, the approximately 55% of the City’s pooled cash and investment portfolio had a maturity of less than one year with an average life of the portfolio of approximately 730 days.

Credit Risk

State law limits investments in commercial paper and corporate bonds to the top two ratings issued by nationally recognized statistical rating organizations (NRSROs). It is the City’s practice to limit its investments in these investment types to the top rating issued by NRSROs, including raters Standard & Poor’s and Moody’s Investors Service. At June 30, 2025, the City’s money market mutual accounts were rated AAAM by Standard & Poor’s. The Federal Farm Credit Bank and Federal Home Loan Bank investments were rated AA+ rated by Standard & Poor’s and Aaa by Moody’s. The California Local Agency Investment Fund (LAIF) is not rated, but has a separate investment policy governed by Government Code Sections 16480-16481.2 that provides credit standards for its investments. There is no minimum legal rating.

Custodial Credit Risk

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

External Investment Pool

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

The City values its investments in LAIF at a fair value provided by LAIF. LAIF determines fair value on its investment portfolio based on market quotations for those securities where market quotations are readily available, and on amortized cost or best estimate for those securities where market value is not readily available. At June 30, 2025, the factor used was 1.001198310. The City's investment with LAIF includes a portion of pool funds invested in structured notes and asset-backed securities. As of June 30, 2025, the City and the District each had total deposits of \$39,000,000 invested in LAIF, with a fair value of \$39,046,734. LAIF had invested 3.81% of its portfolio in structured notes and medium-term asset-backed securities.

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

Fair Value Measurements

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

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

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

Level 2: Inputs to the valuation methodology include:

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

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

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

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

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

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

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

The City has the following recurring fair value measurements as of June 30, 2025:

	Totals	Investments not Subject to Hierarchy	Level		
			1	2	3
Deposits					
Demand Deposits	\$ 1,161,059	\$ 1,161,059	\$ -	\$ -	\$ -
Restricted Cash					
Escrow Deposits	1,463,539	1,463,539	-	-	-
Investments					
State of California Local Agency Investment Fund	78,093,469	78,093,469	-	-	-
Federal Farm Credit Bank	32,232,620	-	-	32,232,620	-
Federal Home Loan Mortgage Corporation	4,981,950	-	-	4,981,950	-
Federal Home Loan Bank	33,628,161	-	-	33,628,161	-
Federal National Mortgage Association	10,615,997	-	-	10,615,997	-
United States Treasury	24,763,850	-	-	24,763,850	-
Restricted Cash and Investments					
PARS Mutual Fund	37,033,883	37,033,883	-	-	-
Total Investments	\$ 223,974,528	\$ 117,751,950	\$ -	\$ 106,222,578	\$ -

Note 3 - Notes Receivable

Changes in Notes Receivable

The following is a summary of note receivable transactions for governmental activities for the year ended June 30, 2025:

Description	Balance July 1, 2024	Additions	Deletions	Balance June 30, 2025	Classification	
					Due Within One Year	Due in More than One Year
Home Loans	\$ 351,390	\$ -	\$ (86,394)	\$ 264,996	\$ 96,130	\$ 168,866
Housing Covenants	10,960,135	1,929,667	-	12,889,802	-	12,889,802
Other Notes	4,281	-	(428)	3,853	428	3,424
Subtotal	11,315,806	1,929,667	(86,822)	13,158,651	96,558	13,062,092
Less: Allowance	(11,189,960)	(1,929,667)	65,025	(13,054,602)	-	(13,054,602)
Total	\$ 125,846	\$ -	\$ (21,797)	\$ 104,049	\$ 96,558	\$ 7,490

Home Loans

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

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

In the fund financial statements and government-wide statements for all loans, a note receivable is recorded when issued to the homeowner and is decreased upon repayment. The City holds notes due from homeowners totaling \$100,196 (which is net of an allowance of \$164,800 for forgivable loans) at June 30, 2025, in both the fund financial statements and the government-wide statements.

Housing Covenants

The City holds notes receivable totaling \$12,889,802 (including accrued interest) related to affordability covenants entered into by the dissolved Agency associated with the following five projects described below. Upon dissolution of the Agency on February 1, 2012, the notes were transferred to the City and are recorded in the Low and Moderate Housing Assets Special Revenue Fund.

In 2004, the 13-unit Lincoln Glen townhome project was constructed in the Lincoln Avenue Redevelopment Project Area. To address the inclusionary affordability requirement triggered by the development, five (5) units were restricted for sale to affordable households. Silent second first-time homebuyer loans were provided to secure long term (45 year) affordability covenants on these units. The loans provide for interest to accrue at a rate of 7% per year. Two (2) units received \$57,700 loans and were reserved for low income households (80% or less of County median income), and three (3) units received \$37,350 loans and were reserved for moderate income households (up to 120% of County median income). Four of the loans (and their associated affordability covenants) were recorded in late 2004 and the remaining loan closed in early 2005. These loans, totaling \$227,450 plus accrued interest of \$652,710 at June 30, 2025, will be forgiven at the end of the 45 year covenant term.

To address the inclusionary affordability requirement triggered by the construction of the 63-unit Lincoln Square town project in 2007, ten (10) units received \$35,000 silent second loans which covenanted them as affordable to moderate income households for a period of 45 years. All the loans were recorded in 2007 and provide for interest to accrue at a rate of 7% per year. All of the loans, totaling \$350,000 plus accrued interest of \$786,542 at June 30, 2025, are forgivable at the end of the covenant term.

In 2004, the Agency entered into an affordable housing agreement to provide a \$774,473 loan to Habitat for Humanity of Orange County to acquire a property and build seven (7) townhome units known as the Cypress Heather development. The units were sold to very low income families (with incomes not exceeding 50% of the County's median). Each family assumed one-seventh of the Agency's loan with Habitat and these loans were recorded in 2007 and secured 45 year affordability covenants on the units. The loans provide for interest to accrue at a rate of 7% and be added to the loan principal each year. The loans, totaling \$774,473 plus accrued interest of \$1,671,944 at June 30, 2025, are forgivable at the end of the 45 year term.

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

In May 2025, the City entered into an agreement which provided a \$1,629,000 loan to Olson Urban VI – Cypress 3, LLC (the Olson Company) to acquire the property at 5732 Lincoln Avenue and build a twenty-unit townhome development with five (5) units restricted for sale to low-income households (80% or less of County median income). The project is currently under construction. Upon sale of the low-income units, each homeowner will assume one-fifth of the City's loan from the Olson Company, securing the affordability covenant for a term of 45 years. The City loan to the Olson Company provides for interest to accrue at a rate of 4% per annum to be added to the loan principal each year. When transferred to the low-income homeowner, interest will not accrue. The loans, totaling \$1,629,000 plus accrued interest of \$8,688, are forgivable at the end of the 45-year term.

In the fund financial statements, a note receivable is recorded upon initial funding of the loan with a corresponding amount recorded as an allowance for uncollectable amount since these notes will likely be forgiven prior to payment being due. This results in no impact to the fund balance reported in the fund financial statements. Similarly, in the government-wide statements, a note receivable is recorded when issued to the homeowner and would be decreased upon a repayment. However, since all the loans associated with covenants are forgivable and will likely never be repaid, an allowance for forgivable loans of \$12,889,802 has fully offset the amount reported as notes receivable in the government-wide statements at June 30, 2025.

Other Notes

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

Note 4 - Interfund Transactions

Interfund Balances

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

Receivable Fund	Payable Fund	Amount
General Fund	Street Fund	\$ 27,258
	Nonmajor Governmental Funds	39,348
		\$ 66,606

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

Interfund Advances

Receivable Fund	Payable Fund	Amount
City Capital Projects Fund	Recreation and Park District	\$ 33,645,345
		\$ 33,645,345

On February 8, 2021, the City approved an advance of up to \$12,800,000 from the City Capital Projects Fund to the Cypress Recreation and Park District Special Revenue Fund for the construction of Lexington Park. Note repayment will use eligible park development fee revenues, with the majority of revenues available for repayment expected to be associated with the development of the Los Alamitos Race Course. The note has an initial repayment term of five years, with the understanding the note will be renewed and repayment deferred until sufficient park development receipts are available. The District will pay annual interest to the City on the outstanding note balance at the rate earned by the California Local Agency Investment Fund (LAIF) until June 30, 2026. Beginning June 30, 2026, the District will pay annual interest to the City on the outstanding note balance at the rate of 2%.

A total of \$12,293,975 was loaned to the District for Lexington Park construction, and repayments to the City using available park development fees total \$9,109,308 through June 30, 2025. All interest has been paid through the end of the fiscal year and the outstanding balance on the note totaled \$3,184,667 at June 30, 2025. The project is complete and no further advances will be made. Future repayments will be determined based on the availability of park development revenues.

On November 13, 2023, the City approved an advance of up to \$33,500,000 from the City Capital Projects Fund to the Cypress Recreation and Park District Special Revenue Fund for the reconstruction of Arnold Cypress Park. The note establishes an interest rate of 2.0% per annum. Annual payments of \$2 million per year, inclusive of interest, will be made from District resources beginning June 30, 2025. A total of \$32,009,479 has been loaned to the District since the note was approved. Interest of \$451,199 has been paid as of year-end. The total outstanding balance on the note was \$30,460,678 at June 30, 2025. Additional proceeds up to \$1,490,251, which represents the remaining authorized limit on the note, may occur in the coming year.

Interfund Transfers

With City Council approval, resources may be transferred from one City fund to another. The purpose of transfers is to move funding from its original source to the fund in which the authorized expenditures occur. Transfers between funds during the fiscal year ended June 30, 2025, are as follows:

	Transfers Out				Totals
	General Fund	Recreation and Park District Fund	Streets Fund	Non-major Governmental Funds	
Transfer In					
General Fund	\$ -	\$ -	\$ 1,312,332	\$ 232,305	\$ 1,544,637
Capital Projects Fund - City	3,162,583	-	1,333,253	-	4,495,836
Internal Service Funds	1,620,185	170,582	-	583,185	2,373,952
Totals	<u><u>\$ 4,782,768</u></u>	<u><u>\$ 170,582</u></u>	<u><u>\$ 2,645,585</u></u>	<u><u>\$ 815,490</u></u>	<u><u>\$ 8,414,425</u></u>

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

The transfer to the General Fund from the non-major Governmental Funds provided resources for Traffic Safety and administrative costs associated with the Stanton Channel Maintenance District and Lighting District funds.

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

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

The transfer to the Internal Service Funds from the General Fund provided \$1,500,000 to the Employees’ Benefit Fund for investment in the pension trust and \$120,185 for vehicle and equipment purchases.

The transfers to the Internal Service Funds from the Recreation and Park District fund provided \$150,000 for future OCERS pension costs and \$20,582 for the purchase of capital outlay items in the City’s Central Services Funds.

The transfer to the Internal Service Funds from the Non-major Governmental Funds provided funds for the purchase of Police equipment and closed-captioning equipment for City Council meetings.

Note 5 - Assets Available for Resale

During the fiscal year ended June 30, 2004, the former Redevelopment Agency acquired a parcel of land with a cost of \$1,421,708 located at 5732 Lincoln Avenue. At the time of purchase, it was the intent of the Agency to resell this parcel for the development of low and moderate income housing units. The parcel was transferred to the City upon dissolution of the Agency on February 1, 2012 and recorded on the City's books as Assets Available for Resale. In March 2024, the City entered into a purchase and sale agreement with Olson Urban Housing, LLC (Olson) to build 20 residential units, including five units for affordable to low-income households.

The sale was finalized in May 2025 and under the terms of the agreement, Olson acquired the land for its appraised value of \$1,629,000, however Olson will retain the full \$1,629,000 to subsidize the affordable units, with each unit receiving \$325,000 as a second loan from the City. Covenants will be recorded against the affordable units, ensuring adherence to low-income affordability for 55 years. It is anticipated all covenants will be forgiven at the end of the 55 years and the City will never receive any compensation for the sale of the land. Therefore, the land has been removed from the City's books and a loss of \$1,421,708 has been recorded during the fiscal year ended June 30, 2025 to reflect the transfer of land. If Olson fails to develop the project pursuant to the approved schedule, control of the property would return to the City.

Note 6 - Capital Assets and Depreciation/Amortization

In accordance with GASB 34, the City has reported all capital assets including infrastructure in the Government-Wide Statement of Net Position. The City elected to use the basic approach (as defined by GASB 34) for all infrastructure reporting in which depreciation expense and accumulated depreciation/amortization has been recorded. At June 30 2025, the City’s capital assets consisted of the following:

	Governmental Activities				Balance June 30, 2025
	Balance July 01, 2024	Additions	Deletions	Transfers	
Capital Assets, Not Depreciated/Amortized					
Land	\$ 12,442,593	\$ -	\$ -	\$ -	\$ 12,442,593
Construction in Progress	14,203,401	26,111,010	-	(34,889,947)	5,424,464
Total, not depreciated	<u>26,645,994</u>	<u>26,111,010</u>	<u>-</u>	<u>(34,889,947)</u>	<u>17,867,057</u>
Capital Assets, Being Depreciated					
Buildings and Improvements	63,665,962	529,109	-	34,368,485	98,563,556
Machinery and Equipment	12,499,613	902,151	(695,681)	17,258	12,723,341
Infrastructure	237,297,391	296,559	-	504,204	238,098,154
Total, being depreciated	<u>313,462,966</u>	<u>1,727,819</u>	<u>(695,681)</u>	<u>34,889,947</u>	<u>349,385,051</u>
Less Accumulated Depreciation					
Buildings and Improvements	(23,076,834)	(1,939,627)	-	-	(25,016,461)
Machinery and Equipment	(8,950,251)	(814,056)	670,651	-	(9,093,656)
Infrastructure	(125,434,719)	(4,515,325)	-	-	(129,950,044)
Total accumulated depreciation	<u>(157,461,804)</u>	<u>(7,269,008)</u>	<u>670,651</u>	<u>-</u>	<u>(164,060,161)</u>
Total depreciated, net	<u>156,001,162</u>	<u>(5,541,189)</u>	<u>(25,030)</u>	<u>34,889,947</u>	<u>185,324,890</u>
Right to Use Lease Assets Being Amortized					
Equipment	65,484	47,128	-	-	112,612
Less Accumulated Amortization for Right to Use Lease Assets	(15,397)	(22,064)	-	-	(37,461)
Right to Use Lease Assets, being amortized, net	<u>50,087</u>	<u>25,064</u>	<u>-</u>	<u>-</u>	<u>75,151</u>
Right to Use Subscription IT Assets	1,800,688	481,562	(168,004)	-	2,114,246
Less Accumulated Amortization for Right to Use Subscription IT Assets	(500,989)	(444,169)	99,316	-	(845,842)
Right to Use Subscription IT Asset being amortized, net	<u>1,299,699</u>	<u>37,393</u>	<u>(68,688)</u>	<u>-</u>	<u>1,268,404</u>
Total capital assets, net of depreciation/amortization	<u>157,350,948</u>	<u>(5,478,732)</u>	<u>(93,718)</u>	<u>34,889,947</u>	<u>186,668,445</u>
Governmental Activities Capital Assets	<u>\$ 183,996,942</u>	<u>\$ 20,632,278</u>	<u>\$ (93,718)</u>	<u>\$ -</u>	<u>\$ 204,535,502</u>

Depreciation/amortization expense was charged to functions/programs of governmental activities for the fiscal year ended June 30, 2025 as follows:

General Government	\$ 436,595
Community Development	37,187
Recreation	1,186,463
Public Safety	281,813
Public Works	4,719,911
Internal Service Funds Depreciation/Amortization (Charged to Programs Based on Usage)	<u>1,073,272</u>
Total depreciation/amortization expense - governmental activities	<u><u>\$ 7,735,241</u></u>

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

	Business-type Activities				Balance June 30, 2025
	Balance July 01, 2024	Additions	Deletions	Transfers	
Capital Assets, Not Depreciated					
Construction in Progress	\$ 23,042	\$ 269,882	\$ -	\$ -	\$ 292,924
Total, not depreciated/amortized	<u>23,042</u>	<u>269,882</u>	<u>-</u>	<u>-</u>	<u>292,924</u>
Capital Assets, Being Depreciated					
Infrastructure	35,468,602	127,364	-	-	35,595,966
Total, being depreciated	<u>35,468,602</u>	<u>127,364</u>	<u>-</u>	<u>-</u>	<u>35,595,966</u>
Less Accumulated Depreciation					
Infrastructure	(17,001,445)	(591,085)	-	-	(17,592,530)
Total accumulated depreciation	<u>(17,001,445)</u>	<u>(591,085)</u>	<u>-</u>	<u>-</u>	<u>(17,592,530)</u>
Total depreciated/amortized, net	<u>18,467,157</u>	<u>(463,721)</u>	<u>-</u>	<u>-</u>	<u>18,003,436</u>
Business-type Activities, Capital Assets, Net	<u><u>\$ 18,490,199</u></u>	<u><u>\$ (193,839)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 18,296,360</u></u>

Depreciation expense for business-type activities for the fiscal year ended June 30, 2025, was charged as follows:

Sewer	<u>\$ 591,085</u>
Total depreciation expense - business-type activities	<u><u>\$ 591,085</u></u>

Construction Commitments

The City has active construction projects as of June 30, 2025. The projects include traffic signals, streets, and sewers. At fiscal year-end, the City's encumbrances with contractors were as follows:

	Remaining Commitment
Capital Projects - Park District	\$ 2,755,201
Capital Projects - City	1,684,223
Streets Fund	445,339
Lighting Fund	1,162,617
Totals	\$ 6,047,380

Note 7 - Subscription-Based Information Technology Arrangements

For the year ended June 30, 2025, the City reported the following Subscription-Based Information Technology Arrangements under GASB Statement No. 96. The primary objective of this statement is to enhance the relevance and consistency of information about governments' subscription activities. This statement establishes a single model for subscription accounting based on the principle that subscriptions are financings of the right to use an underlying asset. Under this statement, an organization is required to recognize a subscription liability and an intangible right-to-use subscription asset. Information on the subscription asset and liability as of June 30, 2025, is as follows:

Major Class of Underlying Asset	Amount of Subscription Assets	Accumulated Amortization
Software as a service	\$ 2,114,246	\$ 845,842

Description	Balance July 1, 2024	Additions	Deletions	Balance June 30, 2025	Due Within One Year	Due in More Than One Year
Subscription Liability	\$ 1,171,147	\$ 481,562	\$ 553,673	\$ 1,099,036	\$ 388,751	\$ 710,285

The future principal and interest subscription payments as of June 30, 2025, are as follows:

Fiscal Year	Principal Payments	Interest Payments	Total Payments
2026	\$ 388,751	\$ 20,968	\$ 409,719
2027	294,966	13,239	308,205
2028	261,335	8,888	270,223
2029	153,984	2,465	156,449
	\$ 1,099,036	\$ 45,560	\$ 1,144,596

Note 8 - Leases

For the year ended June 30, 2025, the City reported the following leases under GASB Statement No. 87:

<u>Major Class of Underlying Asset</u>	<u>Amount of Leased Assets</u>	<u>Accumulated Amortization</u>
Equipment Governmental Funds	\$ 112,612	\$ 37,461
Totals	<u>\$ 112,612</u>	<u>\$ 37,461</u>

<u>Description</u>	<u>Balance July 1, 2024</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2025</u>	<u>Due Within One Year</u>	<u>Due in More Than One Year</u>
Lease Liability Governmental Funds	\$ 41,189	\$ 47,128	\$ 36,459	\$ 51,858	\$ 36,302	\$ 15,556
	<u>\$ 41,189</u>	<u>\$ 47,128</u>	<u>\$ 36,459</u>	<u>\$ 51,858</u>	<u>\$ 36,302</u>	<u>\$ 15,556</u>

The future principal and interest lease payments as of June 30, 2025, are as follows:

<u>Fiscal Year</u>	<u>Principal Payments</u>	<u>Interest Payments</u>	<u>Total Payments</u>
2026	\$ 36,302	\$ 1,325	\$ 37,627
2027	13,262	366	13,628
2028	2,294	61	2,355
	<u>\$ 51,858</u>	<u>\$ 1,752</u>	<u>\$ 53,610</u>

Note 9 - Other Long-Term Liabilities

During the year ended June 30, 2025, in addition to the subscription-based information technology arrangements in Note 7, leases in Note 8, net pension liability in Notes 10 and 12, other post-employment benefits in Note 13, and claims payable in Note 15, the City had the following changes in Other Long-Term Liabilities:

<u>Description</u>	<u>Balance July 1, 2024</u>	<u>Net Change</u>	<u>Balance June 30, 2025</u>	<u>Classification</u>	
				<u>Due Within One Year</u>	<u>Due in More than One Year</u>
Compensated Absences	\$ 2,588,237	\$ 15,969	\$ 2,604,206	\$ 651,052	\$ 1,953,154
	<u>\$ 2,588,237</u>	<u>\$ 15,969</u>	<u>\$ 2,604,206</u>	<u>\$ 651,052</u>	<u>\$ 1,953,154</u>

Note 10 - Public Employees' Retirement System (CalPERS)

Pension Plan Summaries

	Net Pension Liability/(Asset)	Deferred Outflows of Resources	Deferred Inflows of Resources	Pension Expense/ (Revenue)
CalPERS				
Safety	\$ 37,551,626	\$ 11,271,496	\$ 776,497	\$ 7,427,409
Miscellaneous	27,680,338	7,863,053	939,057	4,844,492
OCERS *	(822,513)	85,329	361,231	(120,878)
	<u>\$ 64,409,451</u>	<u>\$ 19,219,878</u>	<u>\$ 2,076,785</u>	<u>\$ 12,151,023</u>

*See Note 12 for information on the OCERS Pension Plan

A. General Information about the Pension Plan

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

Benefits Provided: CalPERS provides service retirement and disability benefits, annual cost of living adjustments and death benefits to plan members, who must be public employees and beneficiaries. Benefits are based on years of credited service, equal to one year of full-time employment. Members with five years of total service are eligible to retire at age 50 to 62 with statutorily reduced benefits. All members are eligible for non-duty disability benefits after 10 years of service. The death benefit is one of the following: the Basic Death Benefit, the 1957 Survivor Benefit, or the Optional Settlement 2W Death Benefit. The cost of living adjustments for the plan are applied as specified by the Public Employees' Retirement Law. The plans' provisions and benefits in effect at June 30, 2025, are summarized as follows:

	Miscellaneous	
	Prior to January 1, 2013	On or After January 1, 2013
Hire date		
Benefit formula	2.0% at 55	2.0% at 62
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	50-63	52-67
Monthly benefits, as a percentage of eligible compensation	1.426% - 2.418%	1.000% - 2.500%
Required employee contribution rates	7.00%	8.25%
Required employer contribution rates:		
Normal cost rate	13.31%	8.18%
Payment of unfunded liability	\$ 2,422,875	\$ 3,446

	Safety	
	Prior to January 1, 2013	On or After January 1, 2013
Hire date		
Benefit formula	3.0% at 50	2.7% at 57
Benefit vesting schedule	5 years of service	5 years of service
Benefit payments	Monthly for life	Monthly for life
Retirement age	50	50-57
Monthly benefits, as a percentage of eligible compensation	3.00%	2.00% - 2.70%
Required employee contribution rates	9.00%	14.50%
Required employer contribution rates:		
Normal cost rate	29.30%	14.72%
Payment of unfunded liability	\$ 3,026,452	\$ 17,617

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

B. Net Pension Liability

The City’s net pension liability for each Plan is measured as the proportionate share of the net pension liability. The net pension liability of each Plan is measured as of June 30, 2024, and the total pension liability for each Plan used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2023 rolled forward to June 30, 2024 using standard update procedures. A summary of principal assumptions and methods used to determine the net pension liability is shown below.

Actuarial Assumptions: The total pension liability in the June 30, 2023 actuarial valuation was determined using the following actuarial assumptions:

Valuation Date	June 30, 2023
Measurement Date	June 30, 2024
Actuarial Cost Method	Entry-Age Normal Cost Method
Actuarial Assumptions	
Discount Rate	6.90%
Inflation	2.30%
Salary Increases	Varies by entry age and service
Mortality Rate Table ⁽¹⁾	Derived using CalPERS membership data for all funds
Post Retirement Benefit Increase	The lesser of contract COLA or 2.30% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.30% thereafter

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

Change of Assumptions: There were no changes in assumptions.

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

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

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

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

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

(2) Figures are based on the 2021 Asset Liability Management Study.

C. Changes in the Net Pension Liability

Proportionate Share of Net Pension Liability: As of June 30, 2024, the City reported net pension liabilities for its proportionate shares of the net pension liability of each Plan as follows:

	<u>Proportionate Share of Net Pension Liability</u>
Safety Plan	\$ 37,551,626
Miscellaneous Plan	27,680,338
 Total net pension liability	 \$ 65,231,964

The City's net pension liability for both the Safety and Miscellaneous Plans is measured as the proportionate share of the net pension liability. The net pension liability is measured as of June 30, 2024, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2023 rolled forward to June 30, 2024 using standard update procedures. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the Plans relative to the projected contributions of all participating employers, as actuarially determined. The City's proportionate share of the net pension liability for the Plans as of June 30, 2023 and 2024 was as follows:

	<u>Miscellaneous</u>	<u>Safety</u>
Proportion - June 30, 2024	0.56074%	0.50915%
Proportion - June 30, 2025	0.57231%	0.51505%
 Change - Increase (Decrease)	 0.01157%	 0.00590%

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

	<u>Discount Rate</u>	<u>Net Pension Liability</u>		
		<u>Miscellaneous Plan</u>	<u>Safety Plan</u>	<u>Total</u>
1 % Decrease	5.90%	\$ 41,513,292	\$ 55,088,335	\$ 96,601,627
Current Discount Rate	6.90%	27,680,338	37,551,626	65,231,964
1 % Increase	7.90%	16,293,781	23,209,064	39,502,845

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

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

For the year ended June 30, 2025, the City recognized pension expense of \$4,844,492 in the Miscellaneous Plan; \$7,427,409 in the Safety Plan; and (\$120,878) in the Terminated OCERS Plan (Note 14) for a total of \$12,151,023. At June 30, 2025, the City reported deferred outflows and deferred inflows of resources related to CalPERS pensions as follows:

Miscellaneous Plan	Deferred Outflows of Resources	Deferred Inflows of Resources
City contributions subsequent to measurement date	\$ 3,164,869	\$ -
Changes of assumptions	711,442	-
Differences between expected and actual experience	2,393,219	(93,382)
Net difference between projected and actual earnings on pension plan investments	1,593,523	-
Adjustments due to differences in proportions	-	(429,863)
Changes in proportion and differences between contributions and proportionate share of Contributions	-	(415,812)
Total	\$ 7,863,053	\$ (939,057)
Safety Plan	Deferred Outflows of Resources	Deferred Inflows of Resources
City contributions subsequent to measurement date	\$ 4,429,976	\$ -
Changes of assumptions	925,195	-
Differences between expected and actual experience	3,064,547	(99,642)
Net difference between projected and actual earnings on pension plan investments	1,815,075	-
Adjustments due to differences in proportions	298,797	(315,660)
Changes in proportion and differences between contributions and proportionate share of	737,906	(361,195)
Total	\$ 11,271,496	\$ (776,497)

The amount reported as deferred outflows of resources related to contributions subsequent to the measurement date of \$3,164,869 for the Miscellaneous Plan and \$4,429,976 for the Safety Plan, totaling \$7,594,845, will be recognized as a reduction of the net pension liability in the fiscal year ending June 30, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Fiscal Year Ending June 30,	Miscellaneous Plan	Safety Plan	Total
2026	\$ 1,051,944	\$ 2,329,546	\$ 3,381,490
2027	3,317,399	4,333,022	7,650,421
2028	(64,133)	23,491	(40,642)
2029	(546,083)	(621,036)	(1,167,119)
	\$ 3,759,127	\$ 6,065,023	\$ 9,824,150

Note 11 - Other Defined Contribution Pension Plans

Nationwide Retirement Solutions Deferred Compensation Plan

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

For the year ended June 30, 2025, the City’s payroll covered by the plan was \$836,440. Employee contributions to the plan totaled \$62,733. The City does not contribute to the plan.

Note 12 - Terminated Orange County Employees Retirement System Defined Benefit Pension Plan

A. General Information about the Pension Plan

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

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

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

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

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

Per the terms of the Agreement, OCERS will recalculate the unfunded actuarial accrued liability (UAAL) attributable to the District every three years beginning December 31, 2020, and at least every three years thereafter. For purposes of the recalculation, the District’s employees are treated as a closed group and the District’s assets and liabilities will be segregated from the remaining assets of the retirement system. Based on the recalculation, in the event there is any new pension liability, the District shall satisfy the obligation to OCERS within three years following the effective date of the recalculation, including accrued interest. If the recalculation determines there is a surplus attributable to the District, it shall remain with OCERS as a credit against future pension liabilities.

B. Pension Liability/(Asset), Pension Expenses, and Deferred Outflows/Inflows of Resources

As of December 31, 2024, the District reported a net pension asset for the OCERS plan of \$822,513. The net pension liability(asset) was measured as of December 31, 2023, and 2022. The Plan’s Fiduciary Net Position (plan assets) was valued as of the measurement date while the Total Pension Liability (TPL) was determined based upon rolling forward the TPL from actuarial valuations as of December 31, 2023 and 2022, respectively.

The District’s net pension liability/(asset) and proportionate share of the total net pension liability as of December 31, 2024 and 2023 was as follows:

	OCERS	Proportionate Share
Net Pension Liability/(Asset) - December 31, 2023	(641,475)	-0.013%
Net Pension Liability/(Asset) - December 31, 2024	(822,513)	-0.021%
Change in Liability/(Asset)	181,038	0.008%

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

Valuation Date	December 31, 2023
Measurement Date	December 31, 2024
Actuarial Experience Study	Three-year period ended December 31, 2022 and dated August 11, 2023.
Actuarial Cost Method	Entry age normal
Actuarial Assumptions	
Inflation	2.50%
Salary Increases	General: 4.0% to 11.0%
Investment Rate of Return	7%, net of pension plan investment expense
Discount Rate	7.00%

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

Discount Rate: The discount rate used to determine the total pension liability was 7.00% as of December 31, 2024 and 2023. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and employer contributions will be made at rates equal to the actuarially determined contribution rates. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions, the Plan’s Fiduciary Net Position was projected to be available to make all projected future benefit payments for current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability as of December 31, 2024 and December 31, 2023.

Long-Term Expected Rate of Return: The long-term expected rate of return on pension plan investments was determined using a building-block method in which expected future real rates of return (expected returns, net of inflation) are developed for each major asset class. These returns are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adding expected inflation and subtracting expected investment expenses (beginning with December 31, 2024, including only investment consultant fees, custodian fees and other miscellaneous investment expenses and fees but excluding investment manager fees) and a risk margin. Beginning with December 31, 2024 this portfolio return is further adjusted to an expected geometric real rate of return for the portfolio. The target allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation, are shown in the following table. For December 31, 2023 these rates are before deducting investment management expenses while for December 31, 2024 they are after deducting applicable investment management expenses. This information was used in the derivation of the long-term expected investment rate of return assumption in the actuarial valuations for December 31, 2024 and December 31, 2023. This information will change every three years based on the results of an actuarial experience study.

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

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

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

Net Pension Liability/(Asset)		
Discount Rate		
1% Decrease 6.00%	Current Rate 7.00%	1% Increase 8.00%
\$ 158,320	\$ (822,513)	\$ (1,624,622)

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

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

For the year ended June 30, 2025, the District recognized pension income of \$120,878 in the OCERS Plan. At June 30, 2025, the District reported deferred outflows and deferred inflows of resources related to pensions as follows:

OCERS Plan	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 72,060	\$ (336,165)
Net difference between projected and actual earnings on pension plan investments	-	(22,985)
Changes of assumptions	13,269	(2,081)
Total	\$ 85,329	\$ (361,231)

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

Measurement Periods Ending June 30,	OCERS Plan Deferred Outflows/ (Inflows) of Resources
2026	\$ (53,007)
2027	99
2028	(165,395)
2029	(59,650)
Thereafter	2,051
	\$ (275,902)

Note 13 - Post-Employment Health Care Benefits

Plan Description

The City, through a single-employer defined benefit plan, provides post-employment health care benefits to eligible retirees through the CalPERS healthcare program entitled Public Employees' Medical and Hospital Care Act (PEMHCA). All eligible employees become participants in PEMHCA in the month following their date of hire. Upon retirement, the City pays the PEMHCA minimum amount (\$158 per month in 2025) for all eligible retirees who choose to continue with their coverage through PEMHCA. Retired PEMHCA members receiving benefits make contributions at premium rates identical to active City employees, less the PEMHCA minimum.

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

All other City employees that are either ineligible or have elected out of the above Supplemental Health Care Benefit are members of the City's Retiree Health Savings defined-contribution plan in which the City contributes monthly amounts on behalf of the employee to an account in the employee's name. These monthly contributions are \$75, \$125, or \$185 per month for full-time employees based on employee association.

Employees Covered

As of the June 30, 2025 actuarial valuation, the following current and former employees were covered by the benefit terms under the OPEB plans:

	Defined Benefits Plans		Defined Contribution
	PEMHCA Minimum	Supplemental Health Care Benefit	Retiree Health Savings
Active Employees	124	6	118
Eligible Retirees - Enrolled	68	21	n/a
Eligible Retirees - Not Enrolled	97	0	n/a

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

The City pays the monthly contribution for all employees and retirees on a pay-as-you-go basis. As of June 30, 2025, 68 retirees were receiving the PEMHCA benefit and the cost to the City for the year ended June 30, 2025 was \$130,725. The City paid an additional \$78,597 to 21 retirees during the year for the Supplemental Health Care Benefit. For the measurement date ended June 30, 2025, the City's cash contributions were \$209,322, which were recognized as a reduction to the OPEB liability.

While the City does not directly make contributions above the required pay-as-you-go amounts, the ability of the retiree to obtain health insurance at an active employee rate constitutes a significant economic benefit to the retiree, called an implicit subsidy. The implicit subsidy is considered to be an other post-employment benefit (OPEB) of the City. For the year ended June 30, 2025, the City's contribution towards the implicit subsidy was \$256,869.

The Retiree Health Savings Plan (RHS) is a defined contribution plan. Eligible employees receive either \$75, \$125, or \$185 per month, depending on bargaining unit, deposited in an individual Retiree Health Savings Account. During the fiscal year ended June 30, 2025, the City paid \$246,210 into RHS accounts for eligible employees, which includes \$60,000 of retirement incentives. The monthly payments are recognized as expenditures when the payments are made into the RHS. Because the RHS is a defined contribution plan there is no unfunded liability associated with it.

Total OPEB Liability

The City's total OPEB liability of \$8,044,841 was based on an actuarial valuation as of June 30, 2025, a measurement date of June 30, 2025 and a discount rate of 5.20%. The total OPEB liability was determined using the following assumptions:

Actuarial Cost Method Actuarial Assumptions	Entry Age, Level Percent of Pay
Discount Rate (1)	
As of 6/30/25	5.20%
Inflation	2.50%
Salary increases	2.75%
Mortality rate	(2)
Healthcare cost-trend rates	7.50 percent for 2025 decreasing to 5.80 percent for 2029, 5.50 percent for 2030-2024, 4.70 percent for 2035-2044, 4.60 percent for 2045-2054, 4.50 percent for 2055-2074, and 4.00 percent for 2075 and later years; Medicare ages: 5.50 percent 2025, 5.00 percent for 2026, 4.75 for 2027, 4.50 percent for 2028-2074, and 4.00 percent for 2075 and later years.

(1) The discount rate increased from 3.97% to 5.20%. The discount rate for both 2024 and 2025 was based on the Bond Buyer's 20-year bond General Obligation Index.

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

Changes in the OPEB Liability

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

Balance at June 30, 2024	\$ 9,300,612
Changes recognized for the measurement period:	
Service cost	377,233
Interest	375,047
Difference between expected and actual experience	(910,412)
Changes of assumptions *	(631,448)
Benefit payments, including implicit subsidy	(466,191)
	(1,255,771)
Net changes	
Balance at June 30, 2025	\$ 8,044,841

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

The following presents the total OPEB liability as of June 30, 2025 calculated using the discount rate of 5.20%, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (4.20%) or one percentage point higher (6.20%) than the current rate:

	1% Decrease (4.20%)	Current Rate (5.20%)	1% Increase (6.20%)
Plan's net OPEB liability/(asset)	\$ 9,041,166	\$ 8,044,841	\$ 7,209,873

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

The following presents the total OPEB liability as of June 30, 2025, as well as what the total OPEB liability would be if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current health care cost trend rates:

	1% Decrease	Current Healthcare Trend Rate	1% Increase
Plan's net OPEB liability/(asset)	\$ 7,096,410	\$ 8,044,841	\$ 9,222,351

OPEB Expense

The annual OPEB expense can be calculated as the change in the amounts reported on the Statement of Net Position that are not attributable to employer contributions. It is the change in total liability minus the changes in deferred outflows plus the changes in deferred inflows. For the fiscal year ended June 30, 2025, the City recognized OPEB expense of \$573,289.

Deferred Outflows/Inflows of Resources Related to OPEB

As of the fiscal year ended June 30, 2025, the City reported deferred outflows and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 174,957	\$ (940,834)
Changes of assumptions	116,180	(1,764,561)
Total	\$ 291,137	\$ (2,705,395)

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

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

Fiscal Year Ending June 30,	Deferred Outflows/ (Inflows) of Resources
2026	\$ (411,266)
2027	(411,266)
2028	(411,266)
2029	(399,479)
2030	(272,447)
Thereafter	(508,534)
Total	\$ (2,414,258)

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

The City established the PARS Post-Employment Benefits Trust (Trust) as a tax-exempt trust within the meaning of Section 115 of the Internal Revenue Service Code to accumulate resources to “stabilize” the amount of General Fund resources that it will need to meet future contribution requirements to the California Public Employees Retirement System (PERS). The balances and activities of the Trust are not part of the pension plan or OPEB plan. Instead, the assets will benefit the employer through reduced future cash flow demands on the General Fund resources and continue to be assets of the City. At June 30, 2025, \$37,033,883 in restricted cash and investment in the Employees’ Benefit Internal Service Fund is restricted for pension contribution stabilization.

Note 15 - Self Insurance

At June 30, 2025, the City was self-insured for workers’ compensation and general liability. The self-insured portion for workers’ compensation and general liability is limited to the first \$300,000 and \$150,000 respectively, of liability per occurrence. Coverage in excess of these amounts is maintained in layers to a maximum of \$43,000,000 for general liability and the statutory limit for workers compensation (of which \$3,000,000 per occurrence is for each employee accident or disease) through the California Insurance Pool Authority (CIPA). CIPA is a consortium of 14 cities in Southern California, established to pool resources, share risks, purchase excess insurance and to share costs for professional risk management and claims administration. Member agencies make payments based on underwriting estimates. Each agency may be assessed the difference between funds available and the \$43,000,000 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, 2025. Upon termination of CIPA, and after settlement of all claims, any excess or deficit will be divided among the cities in proportion to the amount of their contributions.

Liabilities associated with the self-insurance program area are accrued when incurred in the internal service funds (using the accrual basis of accounting). The amount accrued represents estimates of amounts to be paid for reported claims and incurred-but-not-yet-reported claims based upon past experience, modified for current trends and information. While the ultimate amount of losses incurred through June 30, 2025 is dependent on future developments, based upon information from the City Attorney, the City's claims administrators and others involved with the administration of programs, City management believes the accrual is adequate to cover such losses. Settled claims have not exceeded commercial coverage during the last three years. There have been no significant reductions in insurance coverage from the prior year.

All City departments participate in the self-insurance program. Payments made to the Liability Insurance and Workers' Compensation Internal Service Funds are based on estimates of amounts needed to pay prior and current year claims and to establish a reserve for catastrophic losses. At June 30, 2025, the Liability Insurance Fund and the Workers' Compensation Fund had reserves for catastrophic losses of \$1,638,141 and \$1,478,342, respectively, which are reported as net position in these funds. The claims liabilities of \$399,714 and \$2,182,458 reported in the Liability Insurance and Workers' Compensation Funds, respectively, at June 30, 2025, are based on the requirements of Governmental Accounting Standards Board Statement No. 10, which requires that the liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated.

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

	Liability Insurance	Workers' Compensation	Total Claims
Liability - June 30, 2023	\$ 201,740	\$ 1,944,132	\$ 2,145,872
Current year claims	48,135	136,829	184,964
Changes in estimates	130,993	406,304	537,297
Claims payments	(48,135)	(136,829)	(184,964)
Liability - June 30, 2024	<u>\$ 332,733</u>	<u>\$ 2,350,436</u>	<u>\$ 2,683,169</u>
Current year claims	\$ 155,562	\$ 186,512	\$ 342,074
Changes in estimates	243,755	231,285	475,040
Claims payments	(332,336)	(585,775)	(918,111)
Liability - June 30, 2025	<u>\$ 399,714</u>	<u>\$ 2,182,458</u>	<u>\$ 2,582,172</u>
Due within one year	\$ 99,929	\$ 545,614	\$ 645,543
Due in more than one year	299,785	1,636,844	1,936,629
	<u>\$ 399,714</u>	<u>\$ 2,182,458</u>	<u>\$ 2,582,172</u>

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

Note 16 - Classification of Net Position

	Government Wide Statement of Net Position		Totals
	Governmental Activities	Business-type Activities	
Capital Assets	\$ 369,478,966	\$ 35,888,890	\$ 405,367,856
Less: Accumulated Depreciation	(164,943,464)	(17,592,530)	(182,535,994)
Add: Restricted cash in escrow	1,449,564	-	1,449,564
Less: Capital Accounts Payable and Retention Payable	(2,410,363)	(61,149)	(2,471,512)
Less: Subscriptions and Leases Payable	(1,150,894)	-	-
Net Investment in Capital Assets	<u>202,423,809</u>	<u>18,235,211</u>	<u>220,659,020</u>
Restricted for			
Other-Pension Trust	<u>37,033,883</u>	<u>-</u>	<u>37,033,883</u>
Net pension asset	<u>822,513</u>	<u>-</u>	<u>822,513</u>
Public Safety	<u>704,506</u>	<u>-</u>	<u>704,506</u>
Public Works-Street Maintenance and Improvements	7,278,009	-	7,278,009
Public Works-Street Lighting	4,614,001	-	4,614,001
Public Works-Clean Air Act Programs	34,752	-	34,752
Public Works-Local Drainage Improvements	1,175,358	-	1,175,358
Public Works-Community Develop. Block Grant	200,000	-	200,000
Public Works-Other	213,866	-	213,866
Total - Public Works	<u>13,515,986</u>	<u>-</u>	<u>13,515,986</u>
Sanitary Sewer System	<u>-</u>	<u>10,516,873</u>	<u>10,516,873</u>
Recreation	13,968,840	-	13,968,840
Recreation-Open Space Improvements	57	-	57
Recreation-Facility and Service Enhancements	45,245	-	45,245
Total-Recreation	<u>14,014,142</u>	<u>-</u>	<u>14,014,142</u>
Low and Moderate Income Housing	88,019	-	88,019
Cable Television Equipment	<u>889,535</u>	<u>-</u>	<u>889,535</u>
Total Restricted	<u>67,068,584</u>	<u>10,516,873</u>	<u>77,585,457</u>
Unrestricted	<u>75,842,101</u>	<u>-</u>	<u>75,842,101</u>
Total Net Position	<u>\$ 345,334,494</u>	<u>\$ 28,752,084</u>	<u>\$ 374,086,578</u>

The City's Net Position at June 30, 2025 is summarized as follows:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Note 17 - Classifications of Fund Balances

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

	General Fund	Recreation and Park District Fund	Streets Fund	City Capital Projects Fund	Nonmajor Governmental Funds	Totals
Nonspendable						
Prepays	\$ 22,156	\$ 250	\$ -	\$ -	\$ -	\$ 22,406
Notes Receivable	58,689	-	-	-	45,360	104,049
Inventory	-	1,318	-	-	-	1,318
Total nonspendable	<u>80,845</u>	<u>1,568</u>	<u>-</u>	<u>-</u>	<u>45,360</u>	<u>127,773</u>
Restricted						
Streets	-	-	7,050,832	-	-	7,050,832
Local Drainage	-	-	-	-	1,175,358	1,175,358
Landscape Maintenance	-	-	-	-	213,865	213,865
Street Lighting	-	-	-	-	4,614,002	4,614,002
Cable Television Equipment	-	-	-	-	889,535	889,535
Clean Air Act Programs	-	-	-	-	34,752	34,752
Police	-	-	-	-	702,968	702,968
Low and Moderate Income Housing	-	-	-	-	42,658	42,658
Total restricted	<u>-</u>	<u>-</u>	<u>7,050,832</u>	<u>-</u>	<u>7,673,138</u>	<u>14,723,970</u>
Committed						
Stabilization Agreement	10,329,235	-	-	-	-	10,329,235
Capital Improvements	-	-	-	14,652,471	-	14,652,471
Total committed	<u>10,329,235</u>	<u>-</u>	<u>-</u>	<u>14,652,471</u>	<u>-</u>	<u>24,981,706</u>
Assigned						
Future Capital Improvements	8,950,000	-	-	52,560,654	-	61,510,654
Advance to Other Funds	-	-	-	33,645,345	-	33,645,345
Pension Investment	4,500,000	-	-	-	-	4,500,000
Business Relocation Stabilization	2,500,000	-	-	-	-	2,500,000
Budget Stabilization	2,000,000	-	-	-	-	2,000,000
Storm Drainage	2,304,320	-	-	-	-	2,304,320
Future Economic Development Programs	1,931,665	-	-	-	-	1,931,665
Clean Fleet Transition	1,500,000	-	-	-	-	1,500,000
Public Safety Capital Improvement	600,000	-	-	-	-	600,000
Business Continuity Plan	50,000	-	-	-	-	50,000
Carryover Appropriations	610,728	-	-	-	-	610,728
Total assigned	<u>24,946,713</u>	<u>-</u>	<u>-</u>	<u>86,205,999</u>	<u>-</u>	<u>111,152,712</u>
Unassigned	<u>2,079,301</u>	<u>(21,426,431)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(19,347,130)</u>
Total fund balances	<u>\$ 37,436,094</u>	<u>\$ (21,424,863)</u>	<u>\$ 7,050,832</u>	<u>\$ 100,858,470</u>	<u>\$ 7,718,498</u>	<u>\$ 131,639,031</u>

The stabilization agreement amount of \$10,329,235 presented as committed fund balance in the General Fund has been formally approved by the City Council and is for unforeseen situations (such as a temporary revenue interruption due to business activity or disaster). The amount is equal to 25% of the General Fund’s original annual operating budget for the upcoming fiscal year and may only be used should annual estimated revenues decrease by a minimum of 10 percent or annual expenditures are estimated to increase by over 10 percent. In addition to these variances in revenues or expenditures, it is further established that in order for these fund balance amounts to be expended such variances must create a situation in which the City’s ability to provide basic services (as defined by the City Council) is threatened. Further, City Council authorization is required for use of this amount.

Note 18 - Contingent Liabilities

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

Note 19 - Joint Venture

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

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

Note 20 - Economic Assistance Agreement Tax Abatement

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

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

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

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

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

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

During the fiscal year ended June 30, 2025, the landlord received \$450,000 in economic assistance under this Third Amendment, and the minimum cumulative threshold was met.

Note 21 - Other Required Fund Disclosures

The Recreation and Park District Special Revenue Fund had a deficit fund balance of (\$21,424,863) at June 30, 2025 due to outstanding advances payable to the City Capital Project Fund. The proceeds from these advances, totaling \$33,645,345 at June 30, 2025, were used to pay for the reconstruction of Arnold Cypress Park, will be repaid at a rate of \$2,000,000 annually and are scheduled to be fully paid off on June 30, 2044.

The Employees’ Benefit Internal Service Fund had a deficit net position of (\$15,491,516) at June 30, 2025 primarily due to the net pension liability associated with the City’s CalPERS pension plans. The City has made all required annual contributions toward this long-term liability, and has restricted funds set aside in the form of a trust to reduce or offset the liability.

Note 22 - Restatement

During fiscal year 2025, the City identified liabilities related to compensated absences, pension and OPEB, and the related deferred inflows and outflows for pension and OPEB that should not have been recorded within the Custodial Funds in the prior year. Accordingly, liabilities were overstated by \$2,466,921 as of June 30, 2024 resulting in a restatement of the beginning net position. The effect of this correction is shown in the table below. If these amounts had been properly excluded in the prior year, the change in net position in the prior year would have been adjusted from \$235,749 to \$457,086.

	<u>July 1, 2024, As Previously Reported</u>	<u>Error Correction</u>	<u>July 1, 2024, As Restated</u>
Custodial Funds	<u>\$ 2,040,834</u>	<u>\$ 2,466,921</u>	<u>\$ 4,507,755</u>
Total Custodial Funds	<u><u>\$ 2,040,834</u></u>	<u><u>\$ 2,466,921</u></u>	<u><u>\$ 4,507,755</u></u>

Required Supplementary Information

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Budgets and Budgetary Accounting

A. Budgetary Control and Budgetary Accounting

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

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

B. Encumbrances

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

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

C. Budgetary Comparison Schedules

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

The following funds had expenditures in excess of appropriations for the year ended June 30, 2025:

	<u>Appropriations</u>	<u>Expenditures</u>	<u>Variance Positive (Negative)</u>
Non-major Governmental Special Revenue Funds:			
Narcotics Asset Seizure	\$ -	\$ 256,097	\$ (256,097)
Low and Moderate Housing Assets	-	1,421,708	(1,421,708)

City of Cypress, California
Required Supplementary Information
Budgetary Comparison Schedule – General Fund
Year Ended June 30, 2025

	Budgeted Original	Amounts Final	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Taxes	\$ 34,288,400	\$ 34,288,400	\$ 35,075,724	\$ 787,324
Licenses and permits	952,330	1,053,430	1,062,915	9,485
Fines and forfeitures	244,000	244,000	258,859	14,859
Use of property	2,306,739	2,306,739	4,646,733	2,339,994
From other agencies	703,436	1,215,272	708,133	(507,139)
Charges for services	4,048,783	4,356,383	4,295,291	(61,092)
Other revenue	97,500	147,200	213,722	66,522
Total revenues	<u>42,641,188</u>	<u>43,611,424</u>	<u>46,261,377</u>	<u>2,649,953</u>
Expenditures				
Current				
General government - Legislative	959,372	1,046,169	1,021,513	24,656
General government - Administration	2,939,452	3,475,042	2,618,136	856,906
General government - Finance	2,547,189	2,763,189	2,241,600	521,589
Public safety - Police	23,515,025	23,875,038	21,461,796	2,413,242
Community development - Planning	1,695,147	2,706,428	1,802,907	903,521
Public works - Building	629,020	882,020	873,645	8,375
Public works - Engineering	2,420,908	2,411,868	1,989,803	422,065
Public works - Maintenance	6,331,666	6,457,680	5,780,950	676,730
Capital outlay	-	-	183,386	(183,386)
Debt service				
Principal	-	-	151,648	(151,648)
Total expenditures	<u>41,037,779</u>	<u>43,617,434</u>	<u>38,125,384</u>	<u>5,492,050</u>
Excess of revenues over expenditures	<u>1,603,409</u>	<u>(6,010)</u>	<u>8,135,993</u>	<u>(2,842,097)</u>
Other Financing Sources (Uses)				
Transfers in	1,019,113	1,752,356	1,544,637	207,719
Transfers out	(2,845,678)	(6,132,620)	(4,782,768)	1,349,852
Issuance of subscription liabilities	-	-	136,258	(136,258)
Issuance of leases (lessee)	-	-	47,128	(47,128)
Total other financing sources (uses)	<u>(1,826,565)</u>	<u>(4,380,264)</u>	<u>(3,054,745)</u>	<u>1,374,185</u>
Net Change in Fund Balance	<u>\$ (223,156)</u>	<u>\$ (4,386,274)</u>	5,081,248	<u>\$ (1,467,912)</u>
Fund Balance - Beginning of Year			<u>32,354,846</u>	
Fund Balance - End of Year			<u>\$ 37,436,094</u>	

City of Cypress, California
Required Supplementary Information
Budgetary Comparison Schedule – Recreation and Park District
Special Revenue Fund
Year Ended June 30, 2025

	Budgeted Original	Amounts Final	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Taxes	\$ 7,376,000	\$ 7,376,000	\$ 7,815,068	\$ 439,068
From use of property	926,250	926,250	1,127,615	201,365
From other agencies	548,852	548,852	125,421	(423,431)
Charges for services	732,582	732,582	1,408,333	675,751
Other revenue	-	-	33,514	33,514
Total revenues	<u>9,583,684</u>	<u>9,583,684</u>	<u>10,509,951</u>	<u>926,267</u>
Expenditures				
Current				
Recreation	6,574,293	6,586,293	6,003,608	582,685
Capital outlay	1,572,500	25,266,903	22,163,164	3,103,739
Debt service				
Principal	-	-	82,812	(82,812)
Interest and fiscal charges	-	-	608,696	(608,696)
Total expenditures	<u>8,146,793</u>	<u>31,853,196</u>	<u>28,858,280</u>	<u>2,994,916</u>
Excess of Revenues Over Expenditures	<u>1,436,891</u>	<u>(22,269,512)</u>	<u>(18,348,329)</u>	<u>(2,068,649)</u>
Other Financing Sources (Uses)				
Transfers out	<u>(186,240)</u>	<u>(201,240)</u>	<u>(170,582)</u>	<u>30,658</u>
Total other financing sources (uses)	<u>(186,240)</u>	<u>(201,240)</u>	<u>(170,582)</u>	<u>30,658</u>
Net Change in Fund Balance	<u>\$ 1,250,651</u>	<u>\$ (22,470,752)</u>	(18,518,911)	<u>\$ (2,037,991)</u>
Fund Balance - Beginning of Year			<u>(2,905,952)</u>	
Fund Balance - End of Year			<u>\$ (21,424,863)</u>	

City of Cypress, California
Required Supplementary Information
Budgetary Comparison Schedule – Streets
Special Revenue Fund
Year Ended June 30, 2025

	Budgeted Original	Amounts Final	Actual	Variance with Final Budget Positive (Negative)
Revenues				
From other agencies	\$ 4,122,082	\$ 4,122,082	\$ 3,987,130	\$ (134,952)
Charges for services	500	500	42,350	41,850
Use of property	260,000	260,000	340,980	80,980
Other revenue	-	155,000	231,831	76,831
Total revenues	<u>4,382,582</u>	<u>4,537,582</u>	<u>4,602,291</u>	<u>64,709</u>
Expenditures				
Current				
Public works	4,000,000	4,270,925	3,899,528	371,397
Capital outlay	125,000	504,530	311,020	193,510
Total expenditures	<u>4,125,000</u>	<u>4,775,455</u>	<u>4,210,548</u>	<u>564,907</u>
Excess of Revenues Over Expenditures	<u>257,582</u>	<u>(237,873)</u>	<u>391,743</u>	<u>(500,198)</u>
Other Financing Sources (Uses)				
Transfers out	<u>(1,797,862)</u>	<u>(3,224,604)</u>	<u>(2,645,585)</u>	<u>579,019</u>
Total other financing sources (uses)	<u>(1,797,862)</u>	<u>(3,224,604)</u>	<u>(2,645,585)</u>	<u>579,019</u>
Net Change in Fund Balance	<u>\$ (1,540,280)</u>	<u>\$ (3,462,477)</u>	<u>(2,253,842)</u>	<u>\$ 78,821</u>
Fund Balance - Beginning of Year			<u>9,304,674</u>	
Fund Balance - End of Year			<u>\$ 7,050,832</u>	

City of Cypress, California
Required Supplementary Information
Schedules of Proportionate Share in Net Pension Liability
Year Ended June 30, 2025
Last Ten Fiscal Years ⁽¹⁾

Reporting Date ² as of June 30,	Proportion of the Net Pension Liability/(Asset)*	Proportionate Share of Net Pension Liability/(Asset)	Covered Payroll	Proportionate Share of the Net Pension Liability as a % of Covered Payroll	Plan's Fiduciary Net Position as a % of the Total Pension Liability	Proportionate Share of Aggregate Employer Contributions
<u>CalPERS Miscellaneous Cost-Sharing, Multiple Employer Pension Plan</u>						
2025	0.5723%	\$ 27,680,338	\$ 6,819,050	405.9%	78.1%	2,856,314
2024	0.5607%	28,039,268	6,189,228	453.0%	76.2%	2,992,113
2023	0.5649%	26,433,257	5,866,594	450.6%	76.7%	3,613,771
2022	0.6929%	13,156,618	6,135,709	214.4%	85.7%	3,094,471
2021	0.5362%	22,615,628	6,072,109	372.5%	74.7%	2,980,733
2020	0.5219%	20,897,731	6,385,921	327.2%	75.9%	2,722,708
2019	0.5078%	19,136,711	6,863,694	278.8%	76.8%	2,418,263
<u>CalPERS Safety Cost-Sharing, Multiple Employer Pension Plan</u>						
2025	0.5151%	\$ 37,551,626	7,085,166	530.0%	78.1%	3,354,618
2024	0.5092%	38,058,614	\$ 6,596,839	576.9%	76.2%	3,382,844
2023	0.5149%	35,382,213	6,228,738	568.0%	76.7%	5,468,129
2022	0.5579%	19,580,447	5,651,021	346.5%	82.1%	4,784,748
2021	0.4574%	30,471,506	5,590,681	545.0%	71.4%	3,927,236
2020	0.4457%	27,821,165	5,953,364	467.3%	72.5%	3,222,885
2019	0.4377%	25,683,654	5,823,413	441.0%	73.4%	2,986,119
2018	0.4392%	25,320,193	5,539,232	457.1%	72.7%	2,331,004
2017	0.4014%	21,996,187	5,634,190	390.4%	73.9%	2,149,038
2016	0.4440%	16,900,538	5,200,954	325.0%	79.0%	2,163,119
<u>Terminated Orange County Employees Retirement System Plan (OCERS)</u>						
2025	-0.0210%	\$ (822,513)	\$ -	N/A	119.3%	N/A
2024	-0.0130%	(641,475)	-	N/A	115.2%	N/A
2023	0.0010%	61,016	-	N/A	98.7%	N/A
2022	-0.0050%	(103,379)	-	N/A	102.2%	N/A
2021	0.0040%	185,117	-	N/A	96.0%	N/A
2020	0.0050%	262,415	-	N/A	94.2%	N/A
2019	0.0700%	408,781	-	N/A	90.8%	N/A

Benefit Changes: None

Changes of Assumptions: None

*RSI was restated to conform with current presentation

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

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

City of Cypress, California
Required Supplementary Information
Schedule of Changes in the Net Pension Liability and Related Ratios
Year Ended June 30, 2025
Last Ten Fiscal Years ⁽¹⁾

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

Notes to Schedule:

Benefit Changes: There were no changes to benefits.

Changes in Assumptions: In 2017, the accounting discount rate reduced from 7.65 percent to 7.15 percent. In 2016, there were no changes. In 2015, amounts reported reflect an adjustment of the discount rate from 7.5 percent (net of administrative expense) to 7.65 percent (without a reduction for pension plan administrative expense.)

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

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

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City of Cypress, California
Required Supplementary Information
Schedules of Plan Contributions
Year Ended June 30, 2025
Last Ten Fiscal Years ⁽¹⁾

Fiscal Year Ended June 30,	Actuarially Determined Contribution	Actual Employer Contributions	Contribution Deficiency/ (Excess)	Covered Payroll	Contribution as a % of Covered Payroll
<u>CalPERS Miscellaneous Cost-Sharing, Multiple Employer Pension Plan</u>					
2025	\$ 3,164,869	\$ (3,164,869)	\$ -	\$ 7,174,449	44.1%
2024	2,767,382	(2,767,382)	-	6,819,050	40.6%
2023	2,718,424	(2,718,424)	-	6,189,228	43.9%
2022	2,447,524	(2,447,524)	-	5,866,594	41.7%
2021	2,230,654	(2,230,654)	-	6,135,709	36.4%
2020	2,002,390	(2,002,390)	-	6,072,109	33.0%
2019	1,729,721	(1,729,721)	-	6,385,921	27.1%
2018	1,487,869	(1,487,869)	-	6,863,694	21.7%
2017	1,298,683	(1,298,683)	-	6,994,942	18.6%
2016	1,244,868	(1,244,868)	-	7,139,555	17.4%
<u>CalPERS Safety Cost-Sharing, Multiple Employer Pension Plan</u>					
2025	\$ 4,429,976	\$ (4,429,976)	\$ -	\$ 6,911,681	64.1%
2024	4,043,188	(4,043,188)	-	7,085,166	57.1%
2023	3,869,536	(3,869,536)	-	6,596,839	58.7%
2022	3,558,957	(3,558,957)	-	6,228,738	57.1%
2021	3,130,711	(3,130,711)	-	5,651,021	55.4%
2020	2,821,054	(2,821,054)	-	5,590,681	50.5%
2019	2,546,099	(2,546,099)	-	5,953,364	42.8%
2018	2,222,915	(2,222,915)	-	5,823,413	38.2%
2017	1,967,405	(1,967,405)	-	5,539,232	35.5%
2016	1,807,579	(1,807,579)	-	5,634,190	32.1%
<u>Terminated Orange County Employees Retirement System Plan (OCERS)</u>					
2025	\$ -	\$ -	\$ -	\$ -	N/A
2024	-	-	-	-	N/A
2023	595,600	(595,600)	-	-	N/A
2022	-	-	-	-	N/A
2021	-	-	-	-	N/A
2020	-	-	-	-	N/A
2019	739,966	(739,966)	-	-	N/A

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

City of Cypress, California
Required Supplementary Information
Schedule of Changes in Total OPEB Liability and Related Ratios
Year Ended June 30, 2025
Last Ten Fiscal Years ⁽¹⁾

	<u>2025</u>	<u>2024</u>	<u>2023</u>
Total OPEB Liability:			
Service cost	\$ 377,233	\$ 388,301	\$ 362,667
Interest on the total OPEB liability	375,047	359,579	323,301
Actual and expected experience difference	(910,412)	-	(211,113)
Changes in assumptions	(631,448)	(117,938)	183,206
Changes in benefit terms	-	-	-
Benefit payments, including implicit subsidy	<u>(466,191)</u>	<u>(508,262)</u>	<u>(508,262)</u>
Net Change in Total OPEB Liability	(1,255,771)	121,680	163,865
Total OPEB Liability - Beginning of Year	<u>9,300,612</u>	<u>9,178,932</u>	<u>9,015,067</u>
Total OPEB Liability - End of Year (a)	<u>\$ 8,044,841</u>	<u>\$ 9,300,612</u>	<u>\$ 9,178,932</u>
Plan fiduciary net position as a percentage of the Total OPEB liability	0.00%	0.00%	0.00%
Covered-employee payroll	\$ 16,670,902	\$ 16,605,071	\$ 14,021,323
Total OPEB liability as percentage of covered- employee payroll	48.26%	56.01%	65.46%

Notes to Schedule:

Benefit Changes:

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

- Fiscal year ended June 30, 2025 - The discount rate was increased from 3.97% to 5.20%
- Fiscal year ended June 30, 2024 - The discount rate was increased from 3.86% to 3.97%
- Fiscal year ended June 30, 2023 - The discount rate was increased from 3.54% to 3.86%
- Fiscal year ended June 30, 2022 - The discount rate was increased from 2.16% to 3.54%
- Fiscal year ended June 30, 2021 - The discount rate was decreased from 2.20% to 2.16%
- Fiscal year ended June 30, 2020 - The discount rate was decreased from 3.50% to 2.20%
- Fiscal year ended June 30, 2019 - The discount rate was decreased from 3.90% to 3.50%

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

GASB Statement No. 75 also requires the presentation of a 10-year schedule of contributions if an actuarially determined contribution is calculated. The City's plan is not funded by an OPEB trust; therefore, an actuarially determined contribution is not calculated nor presented here.

City of Cypress, California
 Required Supplementary Information
 Schedule of Changes in Total OPEB Liability and Related Ratios
 Year Ended June 30, 2025
 Last Ten Fiscal Years ⁽¹⁾

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

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Supplemental Schedules

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

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

City of Cypress, California
Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual -
City Capital Projects Fund
Year Ended June 30, 2025

	Budgeted Original	Amounts Final	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Use of property	\$ 2,000,000	\$ 2,000,000	\$ 3,649,010	\$ 1,649,010
Other revenue	-	20,000	-	(20,000)
Total revenues	<u>2,000,000</u>	<u>2,020,000</u>	<u>3,649,010</u>	<u>1,629,010</u>
Expenditures				
Current				
Public works	2,600,000	3,534,180	3,163,007	371,173
Capital outlay	2,970,000	6,033,108	1,676,626	4,356,482
Total expenditures	<u>5,570,000</u>	<u>9,567,288</u>	<u>4,839,633</u>	<u>4,727,655</u>
Excess (deficiency) of revenues over expenditures	<u>(3,570,000)</u>	<u>(7,547,288)</u>	<u>(1,190,623)</u>	<u>(3,098,645)</u>
Other Financing Uses				
Transfers in	<u>3,750,000</u>	<u>6,059,672</u>	<u>4,495,836</u>	<u>(1,563,836)</u>
Net Change in Fund Balance	<u>\$ 180,000</u>	<u>\$ (1,487,616)</u>	3,305,213	<u>\$ (4,662,481)</u>
Fund Balance - Beginning of Year			<u>97,553,257</u>	
Fund Balance - End of Year			<u>\$ 100,858,470</u>	

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

Special Revenue Fund Descriptions

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

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

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

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

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

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

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

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

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

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

City of Cypress, California
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2025

	Special Revenue Funds		
	Local Drainage	Stanton Channel Maintenance District	Lighting District
Assets			
Cash and investments	\$ 1,167,154	\$ 223,525	\$ 5,091,052
Receivables			
Accounts	-	-	-
Taxes	-	-	23,052
Notes, net of allowance	-	-	-
Accrued interest	8,204	-	38,325
Total assets	\$ 1,175,358	\$ 223,525	\$ 5,152,429
Liabilities and Fund Balances			
Liabilities			
Accounts payable and other accrued liabilities	\$ -	\$ 9,659	\$ 397,828
Unearned revenues	-	-	140,600
Due to other funds	-	-	-
Total liabilities	-	9,659	538,428
Fund Balances			
Nonspendable	-	-	-
Restricted	1,175,358	213,866	4,614,001
Unassigned	-	-	-
Total fund balances	1,175,358	213,866	4,614,001
Total liabilities and fund balances	\$ 1,175,358	\$ 223,525	\$ 5,152,429

City of Cypress, California
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2025

	Special Revenue Funds		
	CATV PEG Grant	AB 2766	Traffic Safety
Assets			
Cash and investments	\$ 875,031	\$ 17,529	\$ -
Receivables			
Accounts	13,698	17,176	4,184
Taxes	806	-	-
Notes, net of allowance	-	-	-
Accrued interest	-	47	-
	<u>\$ 889,535</u>	<u>\$ 34,752</u>	<u>\$ 4,184</u>
Liabilities and Fund Balances			
Liabilities			
Accounts payable and other accrued liabilities	\$ -	\$ -	\$ -
Unearned revenues	-	-	-
Due to other funds	-	-	4,184
	<u>-</u>	<u>-</u>	<u>4,184</u>
Total liabilities	<u>-</u>	<u>-</u>	<u>4,184</u>
Fund Balances			
Nonspendable	-	-	-
Restricted	889,535	34,752	-
Unassigned	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>889,535</u>	<u>34,752</u>	<u>-</u>
Total liabilities and fund balances	<u>\$ 889,535</u>	<u>\$ 34,752</u>	<u>\$ 4,184</u>

City of Cypress, California
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2025

	Special Revenue Funds		
	Supplemental Law Enforcement	Narcotics Asset Seizure	Low & Moderate Housing Assets
Assets			
Cash and investments	\$ -	\$ 699,460	\$ 48,257
Receivables			
Accounts	25,415	13,330	-
Taxes	-	-	-
Notes, net of allowance	-	-	45,360
Accrued interest	569	8,381	327
	<u>569</u>	<u>8,381</u>	<u>327</u>
Total assets	<u>\$ 25,984</u>	<u>\$ 721,171</u>	<u>\$ 93,944</u>
Liabilities and Fund Balances			
Liabilities			
Accounts payable and other accrued liabilities	\$ 4,150	\$ 4,874	\$ 5,925
Unearned revenues	-	-	-
Due to other funds	21,834	13,330	-
	<u>21,834</u>	<u>13,330</u>	<u>-</u>
Total liabilities	<u>25,984</u>	<u>18,204</u>	<u>5,925</u>
Fund Balances			
Nonspendable	-	-	45,360
Restricted	-	702,967	42,659
Unassigned	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
Total fund balances	<u>-</u>	<u>702,967</u>	<u>88,019</u>
Total liabilities and fund balances	<u>\$ 25,984</u>	<u>\$ 721,171</u>	<u>\$ 93,944</u>

City of Cypress, California
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2025

	<u>Total Nonmajor Governmental Funds</u>
Assets	
Cash and investments	\$ 8,122,008
Receivables	
Accounts	73,803
Taxes	23,858
Notes, net of allowance	45,360
Accrued interest	<u>55,853</u>
Total assets	<u><u>\$ 8,320,882</u></u>
Liabilities and Fund Balances	
Liabilities	
Accounts payable and other accrued liabilities	\$ 422,436
Unearned revenues	140,600
Due to other funds	<u>39,348</u>
Total liabilities	<u>602,384</u>
Fund Balances	
Nonspendable	45,360
Restricted	7,673,138
Unassigned	<u>-</u>
Total fund balances	<u>7,718,498</u>
Total liabilities and fund balances	<u><u>\$ 8,320,882</u></u>

City of Cypress, California
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Non-Major Governmental Funds
Year Ended June 30, 2025

	Special Revenue Funds		
	Local Drainage	Stanton Channel Maintenance District	Lighting District
Revenues			
Taxes	\$ -	\$ -	\$ 1,774,844
From other agencies	-	-	6,130
Use of property	50,001	-	256,435
Fines and forfeitures	-	-	-
Charges for services	-	102,766	-
Other revenue	-	-	41,569
Total revenues	<u>50,001</u>	<u>102,766</u>	<u>2,078,978</u>
Expenditures			
Current			
Public safety	-	-	-
Community development	-	-	-
Public works	-	70,794	1,042,396
Capital outlay	-	-	2,272,477
Total expenditures	<u>-</u>	<u>70,794</u>	<u>3,314,873</u>
Excess (deficiency) of revenue over expenditures	<u>50,001</u>	<u>31,972</u>	<u>(1,235,895)</u>
Other Financing Uses			
Transfers out	-	(10,507)	(156,359)
Gain (loss) on sale of land held for resale	-	-	-
Issuance of subscription liabilities	-	-	-
Total other financing uses	<u>-</u>	<u>(10,507)</u>	<u>(156,359)</u>
Net Change in Fund Balances	<u>50,001</u>	<u>21,465</u>	<u>(1,392,254)</u>
Fund Balance - Beginning of Year	<u>1,125,357</u>	<u>192,401</u>	<u>6,006,255</u>
Fund Balance - End of Year	<u>\$ 1,175,358</u>	<u>\$ 213,866</u>	<u>\$ 4,614,001</u>

City of Cypress, California
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Non-Major Governmental Funds
Year Ended June 30, 2025

	Special Revenue Funds		
	CATV PEG Grant	AB 2766	Traffic Safety
Revenues			
Taxes	\$ 61,451	\$ -	\$ -
From other agencies	-	65,773	-
Use of property	-	101	-
Fines and forfeitures	-	-	65,439
Charges for services	-	-	-
Other revenue	-	-	-
Total revenues	<u>61,451</u>	<u>65,874</u>	<u>65,439</u>
Expenditures			
Current			
Public safety	-	-	-
Community development	-	-	-
Public works	-	-	-
Capital outlay	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenue over expenditures	<u>61,451</u>	<u>65,874</u>	<u>65,439</u>
Other Financing Uses			
Transfers out	(18,270)	-	(65,439)
Gain (loss) on sale of land held for resale	-	-	-
Issuance of subscription liabilities	-	-	-
Total other financing uses	<u>(18,270)</u>	<u>-</u>	<u>(65,439)</u>
Net Change in Fund Balances	<u>43,181</u>	<u>65,874</u>	<u>-</u>
Fund Balance - Beginning of Year	<u>846,354</u>	<u>(31,122)</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ 889,535</u>	<u>\$ 34,752</u>	<u>\$ -</u>

City of Cypress, California
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Non-Major Governmental Funds
Year Ended June 30, 2025

	Special Revenue Funds		
	Supplemental Law Enforcement	Narcotics Asset Seizure	Low & Moderate Housing Assets
Revenues			
Taxes	\$ -	\$ -	\$ -
From other agencies	194,663	-	-
Use of property	3,067	55,278	15,810
Fines and forfeitures	-	-	-
Charges for services	-	-	-
Other revenue	-	53,787	1,950
Total revenues	<u>197,730</u>	<u>109,065</u>	<u>17,760</u>
Expenditures			
Current			
Public safety	197,730	209,522	-
Community development	-	-	11,737
Public works	-	-	-
Capital outlay	-	256,097	-
Total expenditures	<u>197,730</u>	<u>465,619</u>	<u>11,737</u>
Excess (deficiency) of revenue over expenditures	<u>-</u>	<u>(356,554)</u>	<u>6,023</u>
Other Financing Uses			
Transfers out	-	(564,915)	-
Gain (loss) on sale of land held for resale	-	-	(1,421,708)
Issuance of subscription liabilities	-	256,097	-
Total other financing uses	<u>-</u>	<u>(308,818)</u>	<u>(1,421,708)</u>
Net Change in Fund Balances	<u>-</u>	<u>(665,372)</u>	<u>(1,415,685)</u>
Fund Balance - Beginning of Year	<u>-</u>	<u>1,368,339</u>	<u>1,503,704</u>
Fund Balance - End of Year	<u>\$ -</u>	<u>\$ 702,967</u>	<u>\$ 88,019</u>

City of Cypress, California
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Non-Major Governmental Funds
Year Ended June 30, 2025

	Total Nonmajor Governmental Funds
Revenues	
Taxes	\$ 1,836,295
From other agencies	266,566
Use of property	380,692
Fines and forfeitures	65,439
Charges for services	102,766
Other revenue	97,306
	<u>2,749,064</u>
Total revenues	<u>2,749,064</u>
Expenditures	
Current	
Public safety	407,252
Community development	11,737
Public works	1,113,190
Capital outlay	2,528,574
	<u>4,060,753</u>
Total expenditures	<u>4,060,753</u>
Excess (deficiency) of revenue over expenditures	<u>(1,311,689)</u>
Other Financing Uses	
Transfers out	(815,490)
Gain (loss) on sale of land held for resale	(1,421,708)
Issuance of subscription liabilities	256,097
	<u>(1,981,101)</u>
Total other financing uses	<u>(1,981,101)</u>
Net Change in Fund Balances	<u>(3,292,790)</u>
Fund Balance - Beginning of Year	<u>11,011,288</u>
Fund Balance - End of Year	<u>\$ 7,718,498</u>

City of Cypress, California
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual
Local Drainage Special Revenue Fund
Year Ended June 30, 2025

	<u>Budget Original</u>	<u>Amounts Final</u>	<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues				
Use of property	\$ 45,000	\$ 45,000	\$ 50,001	\$ 5,001
Total revenues	<u>45,000</u>	<u>45,000</u>	<u>50,001</u>	<u>5,001</u>
Excess (deficiency) of revenues over expenditures	<u>\$ 45,000</u>	<u>\$ 45,000</u>	<u>50,001</u>	<u>\$ (5,001)</u>
Fund Balance - Beginning of Year			<u>1,125,357</u>	
Fund Balance - End of Year			<u>\$ 1,175,358</u>	

City of Cypress, California
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual
Stanton Channel Maintenance District Special Revenue Fund
Year Ended June 30, 2025

	Budget Original	Amounts Final	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues				
Charges for service	\$ 101,285	\$ 101,285	\$ 102,766	\$ 1,481
Expenditures				
Current				
Public works	108,251	108,251	70,794	37,457
Excess (deficiency) of revenues over expenditures	(6,966)	(6,966)	31,972	(38,938)
Other Financing Uses				
Transfers out	(16,238)	(16,238)	(10,507)	5,731
Excess (deficiency) of revenues over expenditures and other financing uses	\$ (23,204)	\$ (23,204)	21,465	\$ (33,207)
Fund Balance - Beginning of Year			192,401	
Fund Balance - End of Year			\$ 213,866	

City of Cypress, California
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual
Lighting District Special Revenue Fund
Year Ended June 30, 2025

	Budget Original	Amounts Final	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues				
Taxes	\$ 1,689,600	\$ 1,689,600	\$ 1,774,844	\$ 85,244
From other agencies	6,300	6,300	6,130	(170)
Use of property	200,000	200,000	256,435	56,435
Other revenue	10,000	10,000	41,569	31,569
Total revenues	1,905,900	1,905,900	2,078,978	173,078
Expenditures				
Current				
Public works	1,242,750	1,242,750	1,042,396	200,354
Capital outlay	2,375,000	4,218,070	2,272,477	1,945,593
Total expenditures	3,617,750	5,460,820	3,314,873	1,945,593
Excess (deficiency) of revenues over expenditures	(1,711,850)	(3,554,920)	(1,235,895)	(2,319,025)
Other Financing Uses				
Transfers out	(186,413)	(186,413)	(156,359)	30,054
Excess (deficiency) of revenues over expenditures and other financing uses	<u>\$ (1,898,263)</u>	<u>\$ (3,741,333)</u>	<u>(1,392,254)</u>	<u>\$ (2,288,971)</u>
Fund Balance - Beginning of Year			<u>6,006,255</u>	
Fund Balance - End of Year			<u>\$ 4,614,001</u>	

City of Cypress, California
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual
Cable TV PEG Grant Special Revenue Fund
Year Ended June 30, 2025

	Budget Original	Amounts Final	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues				
Taxes	\$ 72,000	\$ 72,000	\$ 61,451	\$ (10,549)
Other Financing Uses				
Transfers out	-	(35,000)	(18,270)	16,730
Excess (deficiency) of revenues over expenditures and other financing uses	\$ 72,000	\$ 37,000	43,181	\$ 27,279
Fund Balance - Beginning of Year			846,354	
Fund Balance - End of Year			\$ 889,535	

City of Cypress, California

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual
 AB 2766 Special Revenue Fund
 Year Ended June 30, 2025

	Budget Original	Amounts Final	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues				
Use of other property	\$ -	\$ -	\$ 101	\$ 101
From other agencies	66,500	66,500	65,773	(727)
Total revenues	<u>66,500</u>	<u>66,500</u>	<u>65,874</u>	<u>(626)</u>
Other Financing Uses				
Transfers out	<u>(32,100)</u>	<u>(32,100)</u>	-	<u>32,100</u>
Excess (deficiency) of revenues over expenditures and other financing uses	<u>\$ 34,400</u>	<u>\$ 34,400</u>	<u>65,874</u>	<u>\$ 32,726</u>
Fund Balance - Beginning of Year			<u>(31,122)</u>	
Fund Balance - End of Year			<u>\$ 34,752</u>	

City of Cypress, California
 Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual
 Traffic Safety Special Revenue Fund
 Year Ended June 30, 2025

	Budget Original	Amounts Final	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues				
Fines and forfeitures	\$ 68,600	\$ 68,600	\$ 65,439	\$ (3,161)
Other Financing Uses				
Transfers out	(68,600)	(68,600)	(65,439)	3,161
Excess (deficiency) of revenues over expenditures and other financing uses	\$ -	\$ -	-	\$ 6,322
Fund Balance - Beginning of Year			-	
Fund Balance - End of Year			\$ -	

City of Cypress, California
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual
Supplemental Law Enforcement Special Revenue Fund
Year Ended June 30, 2025

	Budget Original	Amounts Final	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues				
Use of property	\$ 500	\$ 500	\$ 3,067	\$ 2,567
From other agencies	188,000	197,250	194,663	(2,587)
Total revenues	<u>188,500</u>	<u>197,750</u>	<u>197,730</u>	<u>(20)</u>
Expenditures				
Current				
Public safety	<u>188,500</u>	<u>197,750</u>	<u>197,730</u>	<u>20</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance - Beginning of Year			<u>-</u>	
Fund Balance - End of Year			<u>\$ -</u>	

City of Cypress, California
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual
Narcotics Asset Seizure Special Revenue Fund
Year Ended June 30, 2025

	Budget Original	Amounts Final	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues				
From use of property	\$ 21,000	\$ 21,000	\$ 55,278	\$ 34,278
Other revenue	20,000	20,000	53,787	33,787
Total revenues	41,000	41,000	109,065	68,065
Expenditures				
Current				
Public safety	334,052	342,318	209,522	132,796
Capital Outlay	-	-	256,097	(256,097)
Total expenditures	334,052	342,318	465,619	(123,301)
Excess (deficiency) of revenues over expenditures	(293,052)	(301,318)	(356,554)	55,236
Other Financing Uses				
Transfers out	(268,930)	(756,173)	(564,915)	191,258
Issuance of subscription liabilities	-	-	256,097	(256,097)
Total other financing uses	(268,930)	(756,173)	(308,818)	(64,839)
Excess (deficiency) of revenues over expenditures and other financing uses	\$ (561,982)	\$ (1,057,491)	(665,372)	\$ (9,603)
Fund Balance - Beginning of Year			1,368,339	
Fund Balance - End of Year			\$ 702,967	

City of Cypress, California

Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual
Low and Moderate Housing Assets Special Revenue Fund
Year Ended June 30, 2025

	Budget Original	Amounts Final	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues				
Use of property	\$ -	\$ -	\$ 15,810	\$ 15,810
Other revenue	1,000	1,000	1,950	950
Total revenues	1,000	1,000	17,760	16,760
Expenditures				
Current				
Community development	40,596	49,896	11,737	38,159
Excess (deficiency) of revenues over expenditures	(39,596)	(48,896)	6,023	(54,919)
Other Financing Uses				
Gain (loss) on sale of land held for resale	-	-	(1,421,708)	(1,421,708)
Total other financing uses	-	-	(1,421,708)	(1,421,708)
Excess (deficiency) of revenues over expenditures and other financing uses	\$ (39,596)	\$ (48,896)	(1,415,685)	\$ (1,476,627)
Fund Balance - Beginning of Year			1,503,704	
Fund Balance - End of Year			\$ 88,019	

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

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

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

Employees' Benefit – To account for employee fringe benefits.

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

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

City of Cypress, California
Combining Statement of Net Position
Internal Service Funds
June 30, 2025

	Central Services	Recreation District Central Services	Employees' Benefit	Liability Insurance	Workers' Compensation	Total
Assets						
Current Assets						
Cash and investments	\$ 21,684,413	\$ 782,232	\$ 7,541,463	\$ 2,037,855	\$ 3,678,912	\$ 35,724,875
Restricted cash and investments	-	-	37,033,883	-	-	37,033,883
Receivables						
Accounts	127	-	261,559	-	-	261,686
Accrued interest	-	-	39,796	-	-	39,796
Prepaid items	239,372	-	8,361	-	-	247,733
Inventory	6,046	-	-	-	-	6,046
Total current assets	21,929,958	782,232	44,885,062	2,037,855	3,678,912	73,314,019
Noncurrent Assets						
Construction in Progress	513,389	-	-	-	-	513,389
Net pension asset	-	-	822,513	-	-	822,513
Equipment (net)	3,318,919	305,775	-	-	-	3,624,694
Subscription assets (net)	795,582	-	-	-	-	795,582
Total non-current assets	4,627,890	305,775	822,513	-	-	5,756,178
Total assets	26,557,848	1,088,007	45,707,575	2,037,855	3,678,912	79,070,197
Deferred Outflows of Resources						
Deferred amount from PERS pension plans	-	-	19,134,549	-	-	19,134,549
Deferred amount from OPEB	-	-	291,137	-	-	291,137
Deferred amount from OCERS pension plan	-	-	85,329	-	-	85,329
Total deferred outflows of resources	-	-	19,511,015	-	-	19,511,015
Liabilities						
Current Liabilities						
Accounts payable and other accrued liabilities	240,412	-	46,915	-	18,112	305,439
Subscriptions	227,628	-	-	-	-	227,628
Compensated absences	-	-	651,052	-	-	651,052
Accrued claims and judgments	-	-	-	99,929	545,614	645,543
Total OPEB liability	-	-	488,289	-	-	488,289
Total current liabilities	468,040	-	1,186,256	99,929	563,726	2,317,951
Noncurrent liabilities						
Subscriptions payable	436,983	-	-	-	-	436,983
Compensated absences	-	-	1,953,154	-	-	1,953,154
Accrued claims and judgments	-	-	-	299,785	1,636,844	1,936,629
Total OPEB liability	-	-	7,556,552	-	-	7,556,552
Net pension liability	-	-	65,231,964	-	-	65,231,964
Total noncurrent liabilities	436,983	-	74,741,670	299,785	1,636,844	77,115,282
Total liabilities	905,023	-	75,927,926	399,714	2,200,570	79,433,233
Deferred Inflows of Resources						
Deferred amount from PERS pension plans	-	-	1,715,554	-	-	1,715,554
Deferred amount from OCERS pension plan	-	-	361,231	-	-	361,231
Deferred amount from OPEB	-	-	2,705,395	-	-	2,705,395
Total deferred inflows of resources	-	-	4,782,180	-	-	4,782,180
Net Position						
Net investment in capital assets	3,963,279	305,775	-	-	-	4,269,054
Restricted for PARS trust	-	-	37,033,883	-	-	37,033,883
Restricted for Net Pension Asset	-	-	822,513	-	-	822,513
Unrestricted	21,689,546	782,232	(53,347,912)	1,638,141	1,478,342	(27,759,651)
Total net position	\$ 25,652,825	\$ 1,088,007	\$ (15,491,516)	\$ 1,638,141	\$ 1,478,342	\$ 14,365,799

City of Cypress, California
Combining Statement of Revenues, Expenses, and Changes in Net Position
Internal Service Funds
Year Ended June 30, 2025

	Central Services	Recreation District Central Services	Employees' Benefit	Liability Insurance	Workers' Compensation	Total
Operating Revenues						
Charges for services	\$ 3,965,359	\$ 55,800	\$ 15,197,971	\$ 666,500	\$ 802,087	\$ 20,687,717
Other revenue	386	-	1,260,144	13,578	152,516	1,426,624
Total operating revenues	<u>3,965,745</u>	<u>55,800</u>	<u>16,458,115</u>	<u>680,078</u>	<u>954,603</u>	<u>22,114,341</u>
Operating Expenses						
Personnel services	1,290,246	-	-	-	67,719	1,357,965
Contractual services	234,214	5,611	16,088,631	-	182,681	16,511,137
Supplies and other services	1,311,856	-	4,762,993	574,416	264,805	6,914,070
Claim payments and changes in estimates	-	-	-	399,317	166,796	566,113
Depreciation/amortization	1,001,523	71,749	-	-	-	1,073,272
Total operating expenses	<u>3,837,839</u>	<u>77,360</u>	<u>20,851,624</u>	<u>973,733</u>	<u>682,001</u>	<u>26,422,557</u>
Operating Income (Loss)	<u>127,906</u>	<u>(21,560)</u>	<u>(4,393,509)</u>	<u>(293,655)</u>	<u>272,602</u>	<u>(4,308,216)</u>
Nonoperating Revenues (Expenses)						
Interest income (expense)	(11,141)	-	3,767,043	-	-	3,755,902
Gain (loss) on disposal of equipment	17,328	-	-	-	-	17,328
Total non-operating revenues (expenses)	<u>6,187</u>	<u>-</u>	<u>3,767,043</u>	<u>-</u>	<u>-</u>	<u>3,773,230</u>
Income (Loss) before Transfers	<u>134,093</u>	<u>(21,560)</u>	<u>(626,466)</u>	<u>(293,655)</u>	<u>272,602</u>	<u>(534,986)</u>
Transfers						
Transfers in	703,370	20,582	1,650,000	-	-	2,373,952
Total transfers	<u>703,370</u>	<u>20,582</u>	<u>1,650,000</u>	<u>-</u>	<u>-</u>	<u>2,373,952</u>
Change in Net Position	837,463	(978)	1,023,534	(293,655)	272,602	1,838,966
Net Position - Beginning of Year	24,815,362	1,088,985	(16,515,050)	1,931,796	1,205,740	12,526,833
Net Position - End of Year	<u>\$ 25,652,825</u>	<u>\$ 1,088,007</u>	<u>\$ (15,491,516)</u>	<u>\$ 1,638,141</u>	<u>\$ 1,478,342</u>	<u>\$ 14,365,799</u>

City of Cypress, California
Combining Statement of Cash Flows
Internal Service Funds
Year Ended June 30, 2025

	Central Services	Recreation District Central Services	Employees' Benefit	Liability Insurance	Workers' Compensation	Total
Operating Activities						
Cash received from users	\$ 3,965,618	\$ 55,800	\$ 16,419,986	\$ 680,078	\$ 954,603	22,076,085
Cash payments to suppliers for goods and services	(1,296,810)	(5,611)	(4,759,549)	(906,752)	(599,312)	(7,568,034)
Cash payments to employees	(1,524,460)	-	(11,409,387)	-	(250,400)	(13,184,247)
Net Cash Provided by Operating Activities	<u>1,144,348</u>	<u>50,189</u>	<u>251,050</u>	<u>(226,674)</u>	<u>104,891</u>	<u>1,323,804</u>
Noncapital Financing Activities						
Transfers in	703,370	20,582	1,650,000	-	-	2,373,952
Net Cash Provided by Noncapital Financing Activities	<u>703,370</u>	<u>20,582</u>	<u>1,650,000</u>	<u>-</u>	<u>-</u>	<u>2,373,952</u>
Capital and Related Financing Activities						
Proceeds from disposal of capital assets	17,328	-	-	-	-	17,328
Acquisition of capital assets	(1,676,935)	(26,286)	-	-	-	(1,703,221)
Interest payments	(11,141)	-	-	-	-	(11,141)
Net Cash (Used) by Capital and Related Financing Activities	<u>(1,670,748)</u>	<u>(26,286)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,697,034)</u>
Investing Activities						
Interest on investments	-	-	3,783,858	-	-	3,783,858
Net Cash Provided by Investing Activities	<u>-</u>	<u>-</u>	<u>3,783,858</u>	<u>-</u>	<u>-</u>	<u>3,783,858</u>
Increase in Cash and Cash Equivalents	176,970	44,485	5,684,908	(226,674)	104,891	5,784,580
Cash and Cash Equivalents - Beginning of Year	21,507,443	737,747	38,890,438	2,264,529	3,574,021	66,974,178
Cash and Cash Equivalents - End of Year	<u>\$ 21,684,413</u>	<u>\$ 782,232</u>	<u>\$ 44,575,346</u>	<u>\$ 2,037,855</u>	<u>\$ 3,678,912</u>	<u>\$ 72,758,758</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities						
Operating income (loss)	\$ 127,906	\$ (21,560)	\$ (4,393,509)	\$ (293,655)	\$ 272,602	(4,308,216)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation/amortization	1,001,523	71,749	-	-	-	1,073,272
Changes in assets and liabilities:						
Accounts receivable decreased (increased)	(127)	-	(38,129)	-	-	(38,256)
Prepaid items decreased (increased)	(108,953)	-	509	-	-	(108,444)
Inventory decreased (increased)	(1,270)	-	-	-	-	(1,270)
Deferred outflows decreased (increased)	-	-	7,234,929	-	-	7,234,929
Accounts payable increased (decreased)	125,269	-	2,935	-	268	128,472
Insurance claims payable increased (decreased)	-	-	-	66,981	(167,979)	(100,998)
Accrued retirees' health payable increased (decreased)	-	-	(1,255,772)	-	-	(1,255,772)
Accrued leave payable increased (decreased)	-	-	15,968	-	-	15,968
Accrued pension liability increased (decreased)	-	-	(1,046,956)	-	-	(1,046,956)
Deferred inflows increased (decreased)	-	-	(268,925)	-	-	(268,925)
Total adjustments	<u>1,016,442</u>	<u>71,749</u>	<u>4,644,559</u>	<u>66,981</u>	<u>(167,711)</u>	<u>5,632,020</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 1,144,348</u>	<u>\$ 50,189</u>	<u>\$ 251,050</u>	<u>\$ (226,674)</u>	<u>\$ 104,891</u>	<u>\$ 1,323,804</u>

Statistical Section

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

Contents

Financial Trends

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

Revenue Capacity

These schedules contain information to help the reader assess the factors affecting the City’s ability to generate its property and sales taxes.

Debt Capacity

These schedules present information to help the reader assess the affordability of the City’s current levels of outstanding debt and the City’s ability to issue additional debt in the future.

Demographic and Economic Information

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

Operating Information

These schedules contain information about the City’s operations and resources to help the reader understand how the City’s financial information relates to the services the City provides and the activities it performs.

Sources: *Unless otherwise noted, the information in these schedules is derived from the annual comprehensive financial reports for the relevant year.*

Note: The City of Cypress did not have General Bonded Debt Outstanding or Pledged Revenue during the Fiscal Year Ended June 30, 2025.

CITY OF CYPRESS

NET POSITION BY COMPONENT

LAST TEN FISCAL YEARS

Schedule 1

	Fiscal Year			
	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>
GOVERNMENTAL ACTIVITIES				
Net investment in capital assets	\$ 200,974,245	\$ 182,784,606	\$ 170,286,779	\$ 172,804,367
Restricted for:				
Debt service	-	-	-	-
Specific projects and programs	<u>67,068,584</u>	<u>64,540,657</u>	<u>51,055,320</u>	<u>40,650,390</u>
Total restricted	<u>67,068,584</u>	<u>64,540,657</u>	<u>51,055,320</u>	<u>40,650,390</u>
Unrestricted	<u>77,291,665</u>	<u>91,753,910</u>	<u>109,374,298</u>	<u>95,515,524</u>
Total governmental activities net position	<u>\$ 345,334,494</u>	<u>\$ 339,079,173</u>	<u>\$ 330,716,397</u>	<u>\$ 308,970,281</u>
BUSINESS-TYPE ACTIVITIES				
Net investment in capital assets	\$ 18,235,211	\$ 18,490,199	\$ 18,871,533	\$ 18,876,495
Restricted for:				
Specific projects and programs	<u>10,516,873</u>	<u>9,090,674</u>	<u>7,599,979</u>	<u>6,638,371</u>
Total business-type activities net position	<u>\$ 28,752,084</u>	<u>\$ 27,580,873</u>	<u>\$ 26,471,512</u>	<u>\$ 25,514,866</u>
TOTAL GOVERNMENTAL AND BUSINESS-TYPE ACTIVITIES				
Net investment in capital assets	\$ 219,209,456	\$ 201,274,805	\$ 189,158,312	\$ 191,680,862
Restricted for:				
Debt service	-	-	-	-
Specific projects and programs	<u>77,585,457</u>	<u>73,631,331</u>	<u>58,655,299</u>	<u>47,288,761</u>
Total restricted	<u>77,585,457</u>	<u>73,631,331</u>	<u>58,655,299</u>	<u>47,288,761</u>
Unrestricted	<u>77,291,665</u>	<u>91,753,910</u>	<u>109,374,298</u>	<u>95,515,524</u>
Total governmental and business-type activities net position	<u>\$ 374,086,578</u>	<u>\$ 366,660,046</u>	<u>\$ 357,187,909</u>	<u>\$ 334,485,147</u>

<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
\$ 166,272,625	\$ 160,408,903	\$ 162,147,445	\$ 162,818,741	\$ 161,714,951	\$ 153,270,346
-	-	-	522,200	979,010	420,185
<u>37,532,553</u>	<u>43,597,947</u>	<u>39,458,651</u>	<u>36,012,698</u>	<u>25,872,294</u>	<u>26,169,565</u>
37,532,553	43,597,947	39,458,651	36,534,898	26,851,304	26,589,750
<u>88,119,499</u>	<u>85,931,038</u>	<u>82,530,908</u>	<u>75,803,724</u>	<u>89,651,389</u>	<u>107,623,380</u>
<u>\$ 291,924,677</u>	<u>\$ 289,937,888</u>	<u>\$ 284,137,004</u>	<u>\$ 275,157,363</u>	<u>\$ 278,217,644</u>	<u>\$ 287,483,476</u>
\$ 19,322,767	\$ 19,672,894	\$ 19,764,241	\$ 20,004,444	\$ 19,788,397	\$ 18,245,712
<u>5,253,793</u>	<u>3,871,515</u>	<u>2,820,977</u>	<u>1,463,331</u>	<u>524,701</u>	<u>930,903</u>
<u>\$ 24,576,560</u>	<u>\$ 23,544,409</u>	<u>\$ 22,585,218</u>	<u>\$ 21,467,775</u>	<u>\$ 20,313,098</u>	<u>\$ 19,176,615</u>
\$ 185,595,392	\$ 180,081,797	\$ 181,911,686	\$ 182,823,185	\$ 181,503,348	\$ 171,516,058
-	-	-	522,200	979,010	420,185
<u>42,786,346</u>	<u>47,469,462</u>	<u>42,279,628</u>	<u>37,476,029</u>	<u>26,396,995</u>	<u>27,100,468</u>
42,786,346	47,469,462	42,279,628	37,998,229	27,376,005	27,520,653
<u>88,119,499</u>	<u>85,931,038</u>	<u>82,530,908</u>	<u>75,803,724</u>	<u>89,651,389</u>	<u>107,623,380</u>
<u>\$ 316,501,237</u>	<u>\$ 313,482,297</u>	<u>\$ 306,722,222</u>	<u>\$ 296,625,138</u>	<u>\$ 298,530,742</u>	<u>\$ 306,660,091</u>

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

	Fiscal Year			
	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>
EXPENSES - GOVERNMENTAL ACTIVITIES:				
General government	\$ 6,735,154	\$ 7,620,519	\$ 4,434,609	\$ 5,477,433
Community development	2,104,581	2,566,292	2,109,834	2,333,245
Public safety	23,967,865	22,380,579	16,762,572	19,494,326
Public works	20,126,091	16,733,394	11,321,069	12,737,505
Recreation	7,892,391	7,007,325	5,137,475	5,583,107
Interest on long-term debt	-	-	-	-
Total government activities expenses	<u>60,826,082</u>	<u>56,308,109</u>	<u>39,765,559</u>	<u>45,625,616</u>
PROGRAM REVENUES - GOVERNMENTAL ACTIVITIES:				
Charges for services:				
General government	228,360	284,795	290,454	420,799
Community development	1,453,000	1,152,110	1,628,632	1,985,828
Public safety	437,167	408,438	455,417	277,816
Public works	1,231,262	1,322,443	1,305,718	873,072
Recreation	1,837,687	1,514,881	3,196,855	6,947,677
Operating grants and contributions	5,089,609	5,541,054	4,789,491	16,061,186
Capital grants and contributions	2,436,411	2,271,831	2,153,338	1,638,108
Total governmental activities program revenues	<u>12,713,496</u>	<u>12,495,552</u>	<u>13,819,905</u>	<u>28,204,486</u>
NET (EXPENSE/REVENUE) - GOVERNMENTAL ACTIVITIES	(48,112,586)	(43,812,557)	(25,945,654)	(17,421,130)
GENERAL REVENUES AND OTHER CHANGES IN NET POSITION - GOVERNMENTAL ACTIVITIES:				
Taxes				
Property taxes, levied for general purpose	8,177,801	7,711,466	7,470,455	6,530,911
Property taxes, levied for recreation purposes	7,815,068	7,326,746	7,080,645	6,222,354
Property taxes, levied for lighting purposes	1,774,844	1,675,318	1,618,054	1,425,207
Property taxes, backfill of vehicle license fees	6,412,580	6,024,570	5,698,971	5,322,016
Sales tax	12,895,299	12,930,992	13,561,206	13,292,177
Transient occupancy tax	3,361,552	2,892,555	2,849,004	2,602,233
Franchise tax	2,048,695	2,112,395	1,972,342	1,801,173
Other taxes	1,803,081	1,828,529	1,921,668	1,965,665
Total taxes	<u>44,288,920</u>	<u>42,502,571</u>	<u>42,172,345</u>	<u>39,161,736</u>
Investment earnings	11,426,327	9,618,170	5,420,204	(4,733,571)
Contributed capital	-	-	-	-
Miscellaneous	74,368	54,592	99,221	38,569
Total governmental activities	<u>55,789,615</u>	<u>52,175,333</u>	<u>47,691,770</u>	<u>34,466,734</u>
SPECIAL ITEMS:				
Market value adjustment - land held for resale	-	-	-	-
Gain (loss) on sale of land held for resale	(1,421,708)	-	-	-
Total special items	<u>(1,421,708)</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXTRAORDINARY ITEMS:				
Gain on approval of repayment agreement	-	-	-	-
Loss on re-entered loan settlement agreement	-	-	-	-
Total extraordinary items	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
CHANGE IN NET POSITION - GOVERNMENTAL ACTIVITIES	<u>\$ 6,255,321</u>	<u>\$ 8,362,776</u>	<u>\$ 21,746,116</u>	<u>\$ 17,045,604</u>
EXPENSES - BUSINESS-TYPE ACTIVITIES:				
Sewer	\$ 973,573	\$ 908,788	\$ 892,783	\$ 902,389
Total business-type activities expenses	<u>973,573</u>	<u>908,788</u>	<u>892,783</u>	<u>902,389</u>
PROGRAM REVENUES - BUSINESS-TYPE ACTIVITIES:				
Charges for services	1,672,705	1,593,387	1,632,171	1,779,495
Operating grants and contributions	36	39	36	35
Capital grants and contributions	-	-	-	-
Total business-type activities program revenues	<u>1,672,741</u>	<u>1,593,426</u>	<u>1,632,207</u>	<u>1,779,530</u>
NET (EXPENSE/REVENUE) - BUSINESS-TYPE ACTIVITIES	699,168	684,638	739,424	877,141
GENERAL REVENUES AND OTHER CHANGES IN NET POSITION - BUSINESS TYPE ACTIVITIES:				
Taxes				
Property taxes, levied for sewer purposes	43,493	42,876	36,250	32,508
Total taxes	<u>43,493</u>	<u>42,876</u>	<u>36,250</u>	<u>32,508</u>
Investment earnings	428,550	381,847	173,575	26,215
Miscellaneous	-	-	7,397	2,442
Total business-type activities	<u>472,043</u>	<u>424,723</u>	<u>217,222</u>	<u>61,165</u>
CHANGE IN NET POSITION - BUSINESS-TYPE ACTIVITIES	<u>\$ 1,171,211</u>	<u>\$ 1,109,361</u>	<u>\$ 956,646</u>	<u>\$ 938,306</u>
CHANGE IN NET POSITION - TOTAL PRIMARY GOVERNMENT	<u>\$ 7,426,532</u>	<u>\$ 9,472,137</u>	<u>\$ 22,702,762</u>	<u>\$ 17,983,910</u>

	2021	2020	2019	2018	2017	2016
\$	6,295,641	\$ 6,082,701	\$ 4,683,324	\$ 4,634,173	\$ 4,688,064	\$ 4,186,025
	2,100,332	1,915,912	2,200,508	2,545,902	2,092,444	2,045,322
	19,428,392	19,357,512	17,423,654	17,185,826	15,793,707	14,193,759
	13,865,043	11,597,788	10,800,313	13,608,594	11,949,123	11,467,198
	5,303,581	5,003,445	5,042,590	5,296,640	5,077,877	4,659,025
	-	-	1,300	25,145	48,597	70,731
	<u>46,992,989</u>	<u>43,957,358</u>	<u>40,151,689</u>	<u>43,296,280</u>	<u>39,649,812</u>	<u>36,622,060</u>
	498,954	154,716	388,378	477,787	517,051	247,368
	1,557,209	899,680	1,156,997	1,125,447	957,395	1,038,354
	406,077	268,225	324,497	221,319	217,567	190,861
	770,403	741,487	740,542	723,444	773,597	820,048
	487,138	573,479	1,727,459	1,509,692	1,489,518	1,499,750
	3,862,387	5,998,794	3,728,589	3,625,304	4,550,919	4,474,668
	1,869,583	1,488,480	1,299,265	1,029,329	1,462,551	693,977
	<u>9,451,751</u>	<u>10,124,861</u>	<u>9,365,727</u>	<u>8,712,322</u>	<u>9,968,598</u>	<u>8,965,026</u>
	(37,541,238)	(33,832,497)	(30,785,962)	(34,583,958)	(29,681,214)	(27,657,034)
	6,261,310	6,273,159	5,703,464	5,373,717	4,838,954	4,634,994
	5,958,450	5,958,511	5,435,431	5,133,137	4,598,132	4,420,347
	1,363,781	1,358,550	1,240,367	1,173,368	1,055,329	1,015,521
	5,136,804	4,942,234	4,708,074	4,429,211	4,241,925	4,061,360
	11,249,720	11,969,246	12,616,015	11,141,720	11,346,462	12,435,166
	1,648,030	2,185,978	2,761,917	2,836,842	2,711,306	2,558,974
	1,753,459	1,727,101	1,686,218	1,660,665	1,607,621	1,728,236
	1,820,366	1,742,289	1,750,241	1,728,281	1,745,849	1,647,782
	<u>35,191,920</u>	<u>36,157,068</u>	<u>35,901,727</u>	<u>33,476,941</u>	<u>32,145,578</u>	<u>32,502,380</u>
	2,245,090	3,423,255	3,806,673	1,281,234	694,455	748,457
	-	-	-	1,460,026	-	-
	37,845	53,058	57,203	55,078	69,209	61,886
	<u>37,474,855</u>	<u>39,633,381</u>	<u>39,765,603</u>	<u>36,273,279</u>	<u>32,909,242</u>	<u>33,312,723</u>
	-	-	-	-	-	-
	2,053,172	-	-	-	-	-
	<u>2,053,172</u>	-	-	-	-	-
	-	-	-	-	-	-
	-	-	-	-	(12,493,860)	-
	-	-	-	-	<u>(12,493,860)</u>	-
\$	<u>1,986,789</u>	<u>\$ 5,800,884</u>	<u>\$ 8,979,641</u>	<u>\$ 1,689,321</u>	<u>\$ (9,265,832)</u>	<u>\$ 5,655,689</u>
\$	<u>888,283</u>	<u>\$ 871,750</u>	<u>\$ 897,761</u>	<u>\$ 795,737</u>	<u>\$ 706,843</u>	<u>\$ 757,503</u>
	888,283	871,750	897,761	795,737	706,843	757,503
	1,861,974	1,733,202	1,721,787	1,829,427	1,768,183	1,714,658
	37	39	98,050	43	46	66,716
	-	-	-	-	-	-
	<u>1,862,011</u>	<u>1,733,241</u>	<u>1,819,837</u>	<u>1,829,470</u>	<u>1,768,229</u>	<u>1,781,374</u>
	973,728	861,491	922,076	1,033,733	1,061,386	1,023,871
	30,499	30,076	29,978	30,885	24,060	27,651
	30,499	30,076	29,978	30,885	24,060	27,651
	25,145	66,013	162,156	84,346	48,316	34,865
	2,779	1,611	3,233	5,713	2,721	7,255
	<u>58,423</u>	<u>97,700</u>	<u>195,367</u>	<u>120,944</u>	<u>75,097</u>	<u>69,771</u>
\$	<u>1,032,151</u>	<u>\$ 959,191</u>	<u>\$ 1,117,443</u>	<u>\$ 1,154,677</u>	<u>\$ 1,136,483</u>	<u>\$ 1,093,642</u>
\$	<u>3,018,940</u>	<u>\$ 6,760,075</u>	<u>\$ 10,097,084</u>	<u>\$ 2,843,998</u>	<u>\$ (8,129,349)</u>	<u>\$ 6,749,331</u>

CITY OF CYPRESS

FUND BALANCES - GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS

Schedule 3

	Fiscal Year			
	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>
GENERAL FUND				
Nonspendable	\$ 80,845	\$ 117,684	\$ 176,552	\$ 270,596
Restricted	-	28,944	28,944	28,944
Committed	10,329,235	9,983,343	9,395,654	8,862,296
Assigned	24,946,713	20,527,813	23,550,418	21,212,203
Unassigned	2,079,301	1,697,062	1,840,440	1,043,486
Total General Fund	<u>\$ 37,436,094</u>	<u>\$ 32,354,846</u>	<u>\$ 34,992,008</u>	<u>\$ 31,417,525</u>
ALL OTHER GOVERNMENTAL FUNDS				
Nonspendable	\$ 46,928	\$ 14,426,177	\$ -	\$ -
Restricted	14,723,970	20,347,084	27,875,379	20,316,479
Committed	14,652,471	14,820,800	12,863,857	11,600,177
Assigned	86,205,999	68,311,625	82,582,086	81,327,970
Unassigned	(21,426,431)	(2,942,419)	(98,133)	(163,885)
Total all other Governmental Funds	<u>\$ 94,202,937</u>	<u>\$ 114,963,267</u>	<u>\$ 123,223,189</u>	<u>\$ 113,080,741</u>

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

<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
\$ 400,475	\$ 4,106	\$ 8,105	\$ 54,299	\$ 57,474	\$ 8,759
28,944	140,521	51,035	73,252	73,252	73,252
8,277,669	7,752,199	7,399,045	7,152,556	6,982,083	6,885,909
15,425,574	14,086,964	13,827,127	8,018,278	11,199,276	11,766,464
1,060,000	1,060,000	1,060,000	860,000	921,728	289,297
<u>\$ 25,192,662</u>	<u>\$ 23,043,790</u>	<u>\$ 22,345,312</u>	<u>\$ 16,158,385</u>	<u>\$ 19,233,813</u>	<u>\$ 19,023,681</u>
\$ 5,915,695	\$ 3,242	\$ 28,946	\$ 26,013	\$ 71,608	\$ 59,660
19,174,097	27,679,541	27,277,048	26,328,454	26,466,768	27,039,278
12,824,144	11,600,900	9,332,740	10,568,404	9,174,885	17,680,891
70,479,670	74,307,742	70,811,712	67,828,083	62,830,965	71,429,444
(226,304)	(290,643)	-	-	-	-
<u>\$ 108,167,302</u>	<u>\$ 113,300,782</u>	<u>\$ 107,450,446</u>	<u>\$ 104,750,954</u>	<u>\$ 98,544,226</u>	<u>\$ 116,209,273</u>

CITY OF CYPRESS

CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS

Schedule 4

	Fiscal Year			
	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>
REVENUES:				
Taxes				
Property tax	\$ 24,180,293	\$ 22,738,100	\$ 21,868,125	\$ 19,500,488
Sales tax	12,895,299	12,930,992	13,561,206	13,292,177
Transient occupancy tax	3,361,552	2,892,555	2,849,004	2,602,233
Franchise tax	2,110,146	2,180,353	2,047,004	1,876,783
Other taxes	2,179,797	2,224,361	2,327,660	2,348,252
Licenses and permits	1,062,915	1,029,241	1,437,527	1,326,104
Fines and forfeitures	324,298	310,918	285,374	250,414
From use of property	10,145,030	9,442,245	5,400,358	(2,256,444)
From other agencies	5,087,250	5,029,681	4,348,451	16,312,535
Charges for services	5,848,740	5,466,915	6,689,289	11,079,347
Other revenues	576,373	592,405	1,341,712	746,421
Total Revenues	<u>67,771,693</u>	<u>64,837,766</u>	<u>62,155,710</u>	<u>67,078,310</u>
EXPENDITURES:				
General government	5,903,290	6,914,401	5,071,688	4,833,262
Community development	1,888,599	2,437,084	2,541,511	2,159,679
Public safety	21,912,029	21,008,037	20,099,644	17,939,338
Public works	16,832,794	13,543,103	10,373,878	9,262,250
Recreation	6,086,420	5,550,870	5,260,829	4,532,507
Capital outlay	26,862,770	18,551,740	3,002,215	12,527,779
Debt service				
Principal retired	-	-	-	-
Interest and charges	608,696	224,922	-	-
Total expenditures	<u>80,094,598</u>	<u>68,230,157</u>	<u>46,349,765</u>	<u>51,254,815</u>
Excess of revenues over (under) expenditures	(12,322,905)	(3,392,391)	15,805,945	15,823,495
OTHER FINANCING SOURCES (USES):				
Transfers in	6,040,473	6,398,971	4,740,932	21,115,221
Transfers out	(8,414,425)	(13,914,583)	(6,829,946)	(25,800,414)
Gain (loss) on sale of land held for resale	(1,421,708)			
Subscription Liabilities	392,355			
Leases (as lessee)	47,128	10,918	-	-
Total other financing sources (uses)	<u>(3,356,177)</u>	<u>(7,504,694)</u>	<u>(2,089,014)</u>	<u>(4,685,193)</u>
Net change in fund balances before extraordinary items	(15,679,082)	(10,897,084)	13,716,931	11,138,302
SPECIAL ITEMS:				
Market value adjustment - land held for resale	-	-	-	-
Gain (loss) on sale of land held for resale	-	-	-	-
Total special items	-	-	-	-
EXTRAORDINARY ITEMS:				
Gain on approval of repayment agreement	-	-	-	-
Loss on re-entered loan settlement agreement	-	-	-	-
Total extraordinary items	-	-	-	-
Net change in fund balances	<u>\$ (15,679,082)</u>	<u>\$ (10,897,084)</u>	<u>\$ 13,716,931</u>	<u>\$ 11,138,302</u>
Debt service as a percentage of noncapital expenditures	<u>1.1%</u>	<u>0.5%</u>	<u>0.0%</u>	<u>0.0%</u>

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
\$	18,720,344	\$ 18,532,454	\$ 17,087,338	\$ 16,109,436	\$ 14,734,339	\$ 14,132,221
	11,579,445	12,252,711	12,332,551	11,141,720	11,451,407	12,540,112
	1,648,030	2,185,978	2,761,917	2,836,842	2,711,306	2,558,974
	1,829,542	1,806,177	1,766,326	1,740,802	1,665,820	1,774,268
	2,167,293	2,063,126	2,095,035	2,052,850	2,061,297	1,957,223
	884,938	628,630	806,907	675,894	700,437	700,510
	345,986	277,716	390,365	275,909	289,271	239,845
	88,710	3,511,171	3,890,564	1,660,035	1,027,004	1,044,996
	4,103,799	5,300,369	3,878,871	3,856,558	3,113,673	3,021,416
	4,051,764	3,293,571	4,317,800	4,700,201	4,397,340	4,376,424
	811,084	652,143	673,986	701,596	1,585,339	1,401,191
	<u>46,230,935</u>	<u>50,504,046</u>	<u>50,001,660</u>	<u>45,751,843</u>	<u>43,737,233</u>	<u>43,747,180</u>
	5,485,769	5,206,978	4,131,110	4,037,765	4,380,176	4,147,614
	1,892,213	1,714,979	2,056,311	2,351,459	2,070,995	2,160,255
	17,401,215	17,225,985	16,174,228	15,762,018	15,508,454	14,861,961
	10,056,426	7,732,879	7,394,724	10,081,750	9,541,509	9,630,040
	4,181,884	3,951,650	4,158,366	4,498,225	4,612,076	4,450,788
	11,805,601	4,495,945	4,251,602	2,275,198	11,813,186	2,295,678
	-	-	475,000	445,000	420,000	400,000
	-	-	13,175	36,826	59,622	80,131
	<u>50,823,108</u>	<u>40,328,416</u>	<u>38,654,516</u>	<u>39,488,241</u>	<u>48,406,018</u>	<u>38,026,467</u>
	(4,592,173)	10,175,630	11,347,144	6,263,602	(4,668,785)	5,720,713
	7,692,812	8,335,896	6,468,442	9,020,684	8,189,632	7,466,801
	(8,138,419)	(11,962,712)	(8,929,167)	(12,152,986)	(8,481,902)	(9,556,558)
	-	-	-	-	-	-
	<u>(445,607)</u>	<u>(3,626,816)</u>	<u>(2,460,725)</u>	<u>(3,132,302)</u>	<u>(292,270)</u>	<u>(2,089,757)</u>
	(5,037,780)	6,548,814	8,886,419	3,131,300	(4,961,055)	3,630,956
	-	-	-	-	-	-
	2,053,172	-	-	-	-	-
	<u>2,053,172</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	-	-	-	-	-	-
	-	-	-	-	(12,493,860)	-
	-	-	-	-	<u>(12,493,860)</u>	-
\$	<u>(2,984,608)</u>	<u>\$ 6,548,814</u>	<u>\$ 8,886,419</u>	<u>\$ 3,131,300</u>	<u>\$ (17,454,915)</u>	<u>\$ 3,630,956</u>
	<u>0.0%</u>	<u>0.0%</u>	<u>1.4%</u>	<u>1.3%</u>	<u>1.3%</u>	<u>1.3%</u>

CITY OF CYPRESS

ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY

LAST TEN FISCAL YEARS

Schedule 5

<u>Fiscal Year Ended June 30,</u>	<u>Secured *</u>	<u>Public Utility *</u>	<u>Unsecured Valuation *</u>	<u>Total Taxable Assessed Value *</u>	<u>Total Direct Tax Rate</u>
2025	\$ 9,683,816	\$ 2,072	\$ 519,725	\$ 10,205,613	1.0000
2024	\$ 9,161,268	\$ 2,072	\$ 424,756	\$ 9,588,096	1.0000
2023	\$ 8,701,907	\$ 2,072	\$ 365,927	\$ 9,069,906	1.0000
2022	\$ 8,136,669	\$ 2,268	\$ 331,045	\$ 8,469,982	1.0000
2021	\$ 7,872,105	\$ 2,268	\$ 300,844	\$ 8,175,217	1.0000
2020	\$ 7,516,002	\$ 2,268	\$ 347,290	\$ 7,865,560	1.0000
2019	\$ 7,181,037	\$ 2,268	\$ 309,590	\$ 7,492,895	1.0000
2018	\$ 6,755,533	\$ 595	\$ 292,957	\$ 7,049,085	1.0000
2017	\$ 6,452,310	\$ 792	\$ 297,917	\$ 6,751,019	1.0000
2016	\$ 6,180,488	\$ 792	\$ 282,370	\$ 6,463,650	1.0000

Source: Orange County Assessor's Office

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

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

* Amount in Thousands

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

Fiscal Year Ended June 30,	City Direct Rates			Overlapping Rates *	
	Basic Rate	General Obligation Debt Service	Total Direct	School Districts	Water District
2025	1.0000	-	1.0000	0.0788	0.0070
2024	1.0000	-	1.0000	0.0796	0.0035
2023	1.0000	-	1.0000	0.0900	0.0035
2022	1.0000	-	1.0000	0.0973	0.0035
2021	1.0000	-	1.0000	0.1049	0.0035
2020	1.0000	-	1.0000	0.0933	0.0035
2019	1.0000	-	1.0000	0.1002	0.0035
2018	1.0000	-	1.0000	0.0822	0.0035
2017	1.0000	-	1.0000	0.0950	0.0035
2016	1.0000	-	1.0000	0.1045	0.0035

Source: Orange County Assessor's Office

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

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

CITY OF CYPRESS

PRINCIPAL PROPERTY TAX PAYERS
CURRENT YEAR AND NINE YEARS AGO

Schedule 7

Taxpayer	2025			2016		
	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total City Taxable Assessed Value
Warland Investments Ltd	\$ 265,548,747	1	2.60%	\$ 222,537,229	1	3.44%
Villa Creek LLC	130,273,752	2	1.28%	--		--
GLC Cypress LLC	118,605,600	3	1.16%	--		--
Katella Holder Street LLC	103,827,146	4	1.02%	--		--
Cypress Corporate Center	87,723,859	5	0.86%	73,920,230	3	1.14%
Duke Realty LP	75,156,617	6	0.74%	--		--
Inland American Cypress Katella	64,387,205	7	0.63%	40,799,200	5	0.63%
Cypress Multifamily LLC	53,709,852	8	0.53%	--		--
Los Alamitos Racecourse	46,111,278	9	0.45%	38,143,428	7	0.59%
Diasorin Molecular LLC	41,875,200	10	0.41%	--		--
Mitsubishi Motor Sales	--		0.00%	78,227,213	2	1.21%
Cypress Distribution Center Inc	--		0.00%	61,708,790	4	0.96%
Yamaha Motor Corp USA Inc	--		0.00%	38,329,398	6	0.59%
RREEF America REIT	--		0.00%	36,000,000	8	0.56%
C33 LLC	--		0.00%	34,000,000	9	0.53%
IHP Los Alamitos Owner LLC	--		0.00%	32,994,942	10	0.51%
Total	\$ 987,219,256		9.68%	\$ 656,660,430		10.16%

Source: HdL Coren & Cone and Orange County Assessor's Office

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

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Delinquent Tax Collections	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2025	\$ 16,417,328	\$ 16,182,605	98.57%	\$ 146,651	\$ 16,329,256	99.46%
2024	\$ 15,473,642	\$ 15,282,850	98.77%	\$ 126,991	\$ 15,409,841	99.59%
2023	\$ 14,675,706	\$ 14,506,750	98.85%	\$ 91,094	\$ 14,597,844	99.47%
2022	\$ 23,758,834	\$ 23,586,865	99.28%	\$ 134,014	\$ 23,720,879	99.84%
2021	\$ 22,876,805	\$ 22,743,440	99.42%	\$ 174,530	\$ 22,917,970	100.18%
2020	\$ 21,444,968	\$ 21,202,595	98.87%	\$ 90,515	\$ 21,293,110	99.29%
2019	\$ 20,072,714	\$ 19,889,386	99.09%	\$ 137,711	\$ 20,027,097	99.77%
2018	\$ 18,670,282	\$ 18,516,004	99.17%	\$ 89,692	\$ 18,605,696	99.65%
2017	\$ 17,883,255	\$ 17,742,578	99.21%	\$ 100,982	\$ 17,843,560	99.78%
2016	\$ 17,146,468	\$ 16,994,275	99.11%	\$ 144,980	\$ 17,139,255	99.96%

Source: County of Orange Auditor-Controller

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

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

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

Fiscal Year Ended June 30,	Lease Revenue Bonds	Leases ¹	Subscription- based Information Technology Arrangements ¹	Total Outstanding Debt	Percentage of Personal Income ²	Per Capita ³
2025	\$ -	\$ 51,858	\$ 1,099,036	\$ 1,150,894	0.04%	\$ 23
2024	\$ -	\$ 41,189	\$ 1,171,147	\$ 1,212,336	0.04%	\$ 25
2023	\$ -	\$ 42,894	\$ 995,346	\$ 1,038,240	0.04%	\$ 21
2022	\$ -	\$ -	\$ -	\$ -	0.00%	\$ -
2021	\$ -	\$ -	\$ -	\$ -	0.00%	\$ -
2020	\$ -	\$ -	\$ -	\$ -	0.00%	\$ -
2019	\$ -	\$ -	\$ -	\$ -	0.00%	\$ -
2018	\$ 475,000	\$ -	\$ -	\$ 475,000	0.03%	\$ 10
2017	\$ 920,000	\$ -	\$ -	\$ 920,000	0.06%	\$ 19
2016	\$ 1,340,000	\$ -	\$ -	\$ 1,340,000	0.08%	\$ 27
2015	\$ 1,740,000	\$ -	\$ -	\$ 1,740,000	0.11%	\$ 35

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

¹ The Leases and Subscription-based Information Technology Arrangements debt presented here do not represent money borrowed by the City. The amounts shown are present-value calculations of estimated future payment by the City for equipment and software based on assumptions specified in Governmental Accounting Standards Board (GASB) Statements No. 87 and 96. The City implemented GASB Statement No. 87 (Leases) for the fiscal year ended June 30, 2022. The City implemented GASB Statement No. 96 for the fiscal year ended June 30, 2023.

² See Schedule 12 for personal income.

³ See Schedule 12 for population data.

CITY OF CYPRESS

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

Schedule 10

Direct and Overlapping Tax and Assessment Debt:	Debt Outstanding	Estimated Percentage Applicable (1)	Sharing of Overlapping Debt
Metropolitan Water District	\$ 17,155,000	0.251%	\$ 43,059
North Orange County Joint Community College District	275,134,676	5.648%	15,539,607
Garden Grove Unified School District	509,370,000	3.561%	18,138,666
Los Alamitos USD School Facilities Improvement District No. 1	213,215,227	2.304%	4,912,479
Anaheim Union High School District	424,313,955	13.744%	58,317,710
Centralia School District	39,351,729	2.263%	890,530
Cypress School District	29,484,042	86.007%	25,358,340
Savanna School District	35,608,134	12.200%	4,344,192
Total Direct and Overlapping Tax and Assessment Debt			\$ 127,544,583
Direct and Overlapping General Fund Debt:			
Orange County General Fund Obligations	\$ 429,065,000	1.259%	\$ 5,401,928
Orange County Board of Education General Fund Obligations	9,120,000	1.259%	114,821
North O.C. Regional Occupational Program Certificates of Part.	6,880,000	5.071%	348,885
Anaheim Union High School District Certificates of Participation	26,880,000	13.744%	3,694,387
Los Alamitos Unified School District Certificates of Participation	27,037,816	3.561%	962,817
Cypress School District Certificates of Participation	2,096,000	86.007%	1,802,707
City of Cypress - Leases (2)	51,858	100.000%	51,858
City of Cypress - Subscription-based Information Technology Arrangements (2)	1,099,036	100.000%	1,099,036
Total Gross Direct and Overlapping Tax and Assessment Debt			\$ 13,476,439
Total Direct Debt			\$ 1,150,894
Total Overlapping Debt			\$ 139,870,128
Combined Total Debt			\$ 141,021,022 (3)

Source: California Municipal Statistics, Inc.

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

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

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

CITY OF CYPRESS

LEGAL DEBT MARGIN INFORMATION

Schedule 11
(In thousands)

	Fiscal Year				
	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
LEGAL DEBT MARGIN CALCULATION:					
Assessed valuation	\$ 10,205,613	\$ 9,588,096	\$ 9,069,906	\$ 8,469,982	\$ 8,175,217
Conversion percentage	25%	25%	25%	25%	25%
Adjusted assessed valuation	\$ 2,551,403	\$ 2,397,024	\$ 2,267,477	\$ 2,117,496	\$ 2,043,804
Debt limit percentage	15%	15%	15%	15%	15%
Debt limit	382,710	359,554	340,121	317,624	306,571
Total Net Debt Applicable to Limit	-	-	-	-	-
Legal debt margin	\$ 382,710	\$ 359,554	\$ 340,121	\$ 317,624	\$ 306,571
Total Net Debt Applicable to Limit as a percentage of Debt Limit	0.00%	0.00%	0.00%	0.00%	0.00%

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

<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
\$ 7,865,560	\$ 7,492,895	\$ 7,049,085	\$ 6,751,019	\$ 6,463,650
25%	25%	25%	25%	25%
\$ 1,966,390	\$ 1,873,224	\$ 1,762,271	\$ 1,687,755	\$ 1,615,913
15%	15%	15%	15%	15%
<u>294,959</u>	<u>280,984</u>	<u>264,341</u>	<u>253,163</u>	<u>242,387</u>
-	-	-	-	-
<u>\$ 294,959</u>	<u>\$ 280,984</u>	<u>\$ 264,341</u>	<u>\$ 253,163</u>	<u>\$ 242,387</u>
0.00%	0.00%	0.00%	0.00%	0.00%

CITY OF CYPRESS

DEMOGRAPHIC AND ECONOMIC STATISTICS

LAST TEN FISCAL YEARS

Schedule 12

Fiscal Year Ended June 30,	Population	Personal Income (thousands of dollars)	Per Capita Personal Income	Median Age	School Enrollment **	Unemployment Rate
2025	49,499	\$ 3,229,654	\$ 65,247	41.2 *	3,272	3.8%
2024	49,345	\$ 2,986,131	\$ 60,515	41.5 *	3,319	3.4%
2023	49,818	\$ 2,692,508	\$ 54,047	39.0 *	3,389	3.4%
2022	49,810	\$ 2,308,023	\$ 46,337	41.8 *	3,414	2.4%
2021	48,531	\$ 1,957,777	\$ 40,341	41.8 *	3,540	9.5%
2020	49,272	\$ 1,841,471	\$ 37,374	41.7 *	3,813	15.4%
2019	49,833	\$ 1,790,699	\$ 35,934	41.7 *	3,923	2.4%
2018	49,978	\$ 1,713,796	\$ 34,291	41.9 *	3,957	3.4%
2017	49,655	\$ 1,645,120	\$ 33,131	41.7 *	3,969	2.4%
2016	49,535	\$ 1,642,473	\$ 33,019	41.1 *	3,942	3.0%

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

* Amount is estimated based on latest available information.

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

CITY OF CYPRESS

PRINCIPAL EMPLOYERS

CURRENT YEAR AND NINE YEARS AGO

Schedule 13

Employer	2025			2016		
	Employees	Rank	Percentage of Total City Employment	Employees	Rank	Percentage of Total City Employment
Cypress College	947	1	3.80%	947	2	3.76%
Cypress School District	443	2	1.78%			0.00%
Raymond Handling Solutions	363	3	1.46%			0.00%
Costco - Cypress	360	4	1.45%	317	8	1.26%
Hybrid Promotions LLC	305	5	1.22%			0.00%
Siemens Industry, Inc	289	6	1.16%	650	3	2.58%
American Honda Finance Corp	286	7	1.15%			0.00%
Healthsmart Management Services	261	8	1.05%			0.00%
iRhythm Technologies	244	9	0.98%			0.00%
Yamaha Motors Corporation USA	239	10	0.96%	424	6	1.68%
UnitedHealth Group			0.00%	2308	1	9.16%
Christie Digital Systems USA Inc			0.00%	225	10	0.89%
Mitsubishi Motor Sales			0.00%	263	9	1.04%
Hybrid Apparel			0.00%	456	4	1.81%
Los Alamitos Race Course			0.00%	400	7	1.59%
Vans			0.00%	450	5	1.79%
Total	<u>3,737</u>		<u>15.01%</u>	<u>6,440</u>		<u>25.56%</u>

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

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

Function/Program	Fiscal Years as of June 30									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
General Government										
Administrative	4.8	5.8	5.3	5.3	5.3	5.3	5.3	5.3	6.0	6.0
Finance	14.8	14.8	14.3	14.3	14.3	14.3	14.3	14.3	15.0	15.0
Community Development	6.5	6.5	6.5	6.5	5.5	5.5	5.5	6.5	7.5	7.5
Police										
Officers	57.9	58.0	58.0	58.0	58.0	58.0	57.0	57.0	57.0	57.0
Civilians	23.9	23.8	23.8	23.8	23.8	22.8	22.8	22.8	23.4	24.4
Public Works										
Engineering	9.0	9.0	9.0	9.0	9.0	9.0	8.5	10.5	10.1	10.1
Maintenance	19.5	19.5	19.5	19.5	19.5	20.1	20.1	26.4	27.0	27.0
Parks and Recreation	29.9	29.4	29.4	29.6	28.8	29.2	30.0	28.2	28.4	28.4
Total	<u>166.2</u>	<u>166.8</u>	<u>165.8</u>	<u>166.0</u>	<u>164.2</u>	<u>164.2</u>	<u>163.5</u>	<u>171.0</u>	<u>174.4</u>	<u>175.4</u>

Source: City of Cypress adopted budget.

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

Function/Program	Fiscal Years as of June 30									
	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Police										
Physical arrests	1,151	1,587	1,636	1,505	778	834	1,232	1,091	1,130	856
Parking violations	4,884	5,670	6,328	4,485	8,675	4,436	6,264	5,287	3,660	4,587
Traffic violations	2,302	2,304	2,376	2,099	2,368	2,353	3,754	4,260	3,290	2,878
Public Works - Maintenance										
Potholes repaired	102	184	212	259	235	108	59	13	109	53
Parks and Recreation										
Athletic field permits issued	2,441	2,218	6,130	2,486	2,698	4,812	6,783	7,197	8,383	7,975
Class participants	9,972	10,270	10,968	6,991	3,738	6,370	13,319	13,823	10,739	12,110
Facility rentals	732	533	1,134	1,277	10	653	895	1,127	1,225	1,334

Source: Various City Departments

CITY OF CYPRESS

CAPITAL ASSETS STATISTICS BY FUNCTION/PROGRAM

LAST TEN FISCAL YEARS

Schedule 16

<u>Function/Program</u>	<u>Fiscal Years as of June 30</u>									
	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Police										
Stations	1	1	1	1	1	1	1	1	1	1
Patrol units	17	18	18	18	19	19	19	19	19	19
Public Works - Maintenance										
Streets (miles)	111	111	111	111	111	111	111	111	111	111
Streetlights	297	302	302	302	302	302	302	302	303	303
Traffic signals	61	61	61	61	61	61	61	61	60	60
Parks and Recreation										
Acreage	95	95	95	95	95	95	95	95	87	84
Playgrounds	20	20	20	20	19	19	19	19	19	18
Baseball/softball diamonds	9	9	9	9	9	9	9	8	8	8
Soccer/football fields	4	4	4	4	2	2	1	1	1	1
Pickleball courts	10	8	8	8	6	-	-	-	-	-
Community centers	1	1	1	1	1	1	1	1	1	1
Senior centers	1	1	1	1	1	1	1	1	1	1

Source: Various City Departments