

CITY OF CYPRESS

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

For the fiscal year ended June 30, 2009

Net Change in Fund Balances - Total Governmental Funds \$ (1,317,366)

Amounts reported for governmental activities in the Statement of Activities that differ from the amounts reported in the Statement of Revenues, Expenditures, and Changes in Fund Balances are 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 less disposals	4,929,680
Depreciation expense (less \$602,835 recorded in the Internal Service Funds)	(4,694,973)

Bond proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the Statement of Net Assets, however, issuing debt increases long-term liabilities and does not affect the Statement of Activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the Statement of Net Assets. This amount represents the net change in bonds payable. 280,000

Increases in long-term notes receivable use current financial resources and are included in the expenditures of governmental funds. Repayments of long-term notes receivable provide current financial resources and are included in the revenues of governmental funds. These changes in notes receivable are not reflected in the revenues or expenses of the Statement of Activities. This amount represents the net change in the long-term notes receivable. (31,017)

In the statement of activities, interest on long-term debt is not recognized under the modified accrual basis of accounting until due, rather than as it accrues. This amount represents the net change in the interest payable. 5,180

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 assets of the internal service funds are reported with governmental activities. (2,807,055)

Change in Net Assets of Governmental Activities \$ (3,635,551)

See Independent Auditors' Report and Notes to the Basic Financial Statements.