



FINANCE AND AUDIT COMMITTEE MEETING

550 E. 6th Street, Beaumont, CA

Monday, February 10, 2020 - 6:00 PM

AGENDA

Materials related to an item on this agenda submitted to the Planning Commission after distribution of the agenda packets are available for public inspection in the City Clerk's office at 550 E. 6th Street during normal business hours.

Any person with a disability who requires accommodations in order to participate in this meeting should telephone the City Clerk's office at 951 769 8520, at least 48 hours prior to the meeting in order to make a request for a disability related modification or accommodation

REGULAR SESSION

6:00 PM

CALL TO ORDER

Committee Members: Mayor Martinez, Council Member Carroll, Chair Baron Ginnetti, Vice Chair Richard Bennecke, Member Billiath Bengesa, Member Steve Cooley, Member Frank Parks, *Business/Resident Member vacant and Alternate Member vacant*

Action of any requests for Excused Absence:

Pledge of Allegiance:

Approval/Adjustments to Agenda:

Conflict of Interest Disclosure:

PUBLIC COMMENT PERIOD (ITEMS NOT ON THE AGENDA):

Any one person may address the Committee on any matter not on this agenda. If you wish to speak, please fill out a "Public Comment Form" provided at the back table and give it to the Committee Chair or Secretary. There is a three (3) minute limit on public comments. There will be no sharing or passing of time to another person. State Law prohibits the Committee from discussing or taking actions brought up by your comments.

ACTION ITEMS / PUBLIC HEARINGS / REQUESTS

- 1. Beaumont FY 2019 Audited Financial Statements - Draft**

SUB-COMMITTEE UPDATES

FUTURE AGENDA ITEMS

MEETING REVIEW - TREASURER

FINANCE DIRECTOR'S COMMENTS

ADJOURNMENT

The next regular meeting of the Finance and Audit Committee Meeting is scheduled for Monday, March 9, 2020, at 6:00 p.m.

Beaumont City Hall – Online www.BeaumontCa.gov

City of Beaumont

Beaumont, California

DRAFT 02.08.2020

Annual Financial Report and Independent Auditors' Report

For the Year Ended June 30, 2019

DRAFT 02.08.2020

City of Beaumont, California



ANNUAL FINANCIAL REPORT

For the fiscal year ended June 30, 2019

Prepared by the Finance Department

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Shay Norville, Payroll Clerk

Jacqueline Miranda, Accounting Technician

Karee Keyser, Accounting Technician

Justine Wickman, Accounting Technician

DRAFT 02.08.2020

DRAFT 02.08.2020

City of Beaumont
Annual Financial Report
For the Year Ended June 30, 2019

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City of Beaumont
Annual Financial Report
For the Year Ended June 30, 2019

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**City of Beaumont
Annual Financial Report
For the Year Ended June 30, 2019**

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INDEPENDENT AUDITORS' REPORT

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

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Beaumont, California (the "City"), as of and for the year ended June 30, 2019, and the related notes to the basic financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to previously 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, 2019, 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.

To the Honorable Mayor and Members
of the City Council of the City of Beaumont
Beaumont, California
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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management’s Discussion, Analysis, the Budgetary Comparison Schedule, the Schedule of Proportionate Share of the Net Pension Liability and Related Ratios, Schedule of Pension Contributions, as identified in the accompanying table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City’s basic financial statements. The supplementary schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 12, 2020, on our consideration of the City’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and other matters 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.

Santa Ana, California
February 12, 2020

City of Beaumont
Management's Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2019

Item No. 1.

This is management's discussion and analysis of the City of Beaumont's financial activities and performance for the fiscal year ended June 30, 2019 and comparison to June 30, 2018. Please read this in conjunction with the City's financial statements, which follow this discussion and analysis. All statements have been condensed for purposes of the MD&A. Certain prior year amounts have been reclassified for consistency with the current year presentation. These reclassifications had no effect on the reported results of operations or change in net position.

FINANCIAL HIGHLIGHTS

- Revenues grew at a moderate pace, with some larger increases being driven by continued economic growth in both the residential and commercial areas.
- The City was managed in compliance with the adopted budget and has adopted or updated several financial policies.
- The City has contracted out the remaining elements of its solid waste program and has entered into a franchise fee agreement with Waste Management of the Inland Empire.
- The City completed a significant refinancing of CFD bonds that resulted in reduced costs for property owners.
- The City issued revenue bonds to finance the construction of a new wastewater treatment plant and brine line connection to the regional sewer treatment network.
- Significant progress was made on large capital projects, including the Potrero interchange and sewer plant project.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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 and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the overall financial position of the City is improving or deteriorating.

The Statement of Activities presents information showing how the City'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, such as revenues pertaining to uncollected taxes and expenses pertaining to earned but unused vacation and vested sick leave.

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, public safety, public works, community development, community services, and refuse. The business-type activities of the City include wastewater and transit operations.

The government-wide financial statements include the City itself (known as the primary government) in addition to four legally separate entities for which the City is financially accountable: (1) Beaumont Utility Authority (BUA), (2)

City of Beaumont
Management's Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2019

Item No. 1.

Beaumont Financing Authority (BFA), (3) Beaumont Parking Authority (BPA), and (4) the Beaumont Public Improvement Authority (BPIA).

Fund Financial Statements

The fund financial statements are designed to report information about groupings of related accounts which are 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 the following three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources as well as on balances of spendable resources available at the end of the year. Such information may be useful in determining what financial resources are available in the near future to finance the City's programs.

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 the 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 several individual governmental funds organized according to their type (special revenue, capital projects, and debt service 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, Community Facilities District Funds, General Capital Project Fund, Development Impact Fees Capital Projects Fund, and Beaumont Financing Authority Debt Service Fund, all of which are considered to be major funds. Data from the remaining governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements reported as supplementary information.

The City adopts an annual appropriated budget for its major funds except the General Capital Projects Fund, which is budgeted on a project basis. Budgetary comparison statements have been provided for these funds to demonstrate compliance with budgets.

Proprietary funds are generally used to account for services for which the City charges customers – either external customers or internal customers or departments of the City. Proprietary funds provide the same type of information as shown in the government-wide financial statements, only in more detail. The City maintains two 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 enterprise funds to account for its waste water and transit operations, both of which are considered to be major funds of the City.

Fiduciary funds are used to account for resources held for the benefit of parties outside of the City. Since the resources of these funds are not available to support the City's own programs, they are not reflected in the government-wide financial statements. The accounting used for private-purpose trust fiduciary funds is much like that used for proprietary funds.

City of Beaumont
Management's Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2019

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.

Required Supplementary Information includes schedules required to be presented showing information related to the City's pension plan, and a budgetary comparison schedule for the general fund and the Community Facilities Capital Projects Fund.

Supplementary Information includes the Budgetary Comparison Schedules and the Combining statements and Schedules of the non-major governmental funds, internal service funds, and agency funds.

GOVERNMENT WIDE FINANCIAL ANALYSIS

The City presents its financial statements under the reporting model required by the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial statements – and Management's Discussion and Analysis – for State and Local Governments* for the fiscal year ending June 30, 2019.

Analysis of Net Position

As noted earlier, net position may serve as a useful indicator of a government's overall financial position. For the City, net assets, including deferred outflows of resources exceeded liabilities, including deferred inflows of resources, by \$440.9 million at the end of the fiscal year.

The following is a condensed summary of the City's net position for governmental and business-type activities:

Statement of Net Position						
(Dollars in Thousands)						
	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Assets:						
Current and other assets	\$ 183,902	\$ 172,448	\$ 85,069	\$ 16,312	\$ 268,971	\$ 188,760
Capital Assets	270,878	254,780	157,833	124,510	428,711	379,290
Total Assets	<u>454,780</u>	<u>427,228</u>	<u>242,902</u>	<u>140,822</u>	<u>697,682</u>	<u>568,050</u>
Deferred outflows:						
Deferred outflows related to pension	<u>5,709</u>	<u>6,112</u>	<u>512</u>	<u>561</u>	<u>6,221</u>	<u>6,673</u>
Liabilities:						
Current and other liabilities	48,550	33,290	18,423	5,797	66,973	39,087
Noncurrent liabilities	104,443	108,737	90,919	1,766	195,362	110,503
Total liabilities	<u>152,993</u>	<u>142,027</u>	<u>109,342</u>	<u>7,563</u>	<u>262,335</u>	<u>149,590</u>
Deferred inflows:						
Deferred inflows related to pension	<u>552</u>	<u>3,911</u>	<u>24</u>	<u>(24)</u>	<u>576</u>	<u>3,887</u>
Net position:						
Net investment in capital assets	180,600	161,036	134,524	124,163	315,124	285,199
Restricted	125,919	133,928	-	-	125,919	133,928
Unrestricted	425	(7,562)	(476)	9,681	(51)	2,119
Total net position	<u>\$ 306,944</u>	<u>\$ 287,402</u>	<u>\$ 134,048</u>	<u>\$ 133,844</u>	<u>\$ 440,992</u>	<u>\$ 421,246</u>

City of Beaumont
Management's Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2019

The largest asset classification is capital assets which are utilized to provide services to citizens and, therefore, these assets are not available for future spending. The City's net position reflects the investment in its capital assets, net of related debt of \$315.1 million. Outstanding debt increased due to the issuance of Wastewater Revenue bonds of \$90.9 million (\$9.7 million in premiums) related to sewer system improvements in business type activities.

The portion of the City's net position of \$125.9 million represents resources that are subject to external restrictions on how they may be used. The restrictions include CFD Projects, Capital Projects, Street Projects, Public Safety, Public-access Television and amounts held for future debt service.

The governmental activities had a net position of \$425,000. This is largely due to noncurrent liabilities that are comprised of balances related to staff compensated absence calculations, capital lease liability, the AB1484 Due Diligence Review payable to the State, claims payable for incurred but not reported claims as well as processed claims outstanding at year-end, and the net pension liability. The balance is significantly less than the governmental funds unrestricted fund balance as it is impacted by the net pension liability of \$15.6 million. The business type activities have an unrestricted deficit of \$476,000.

Analysis of Statement of Activities

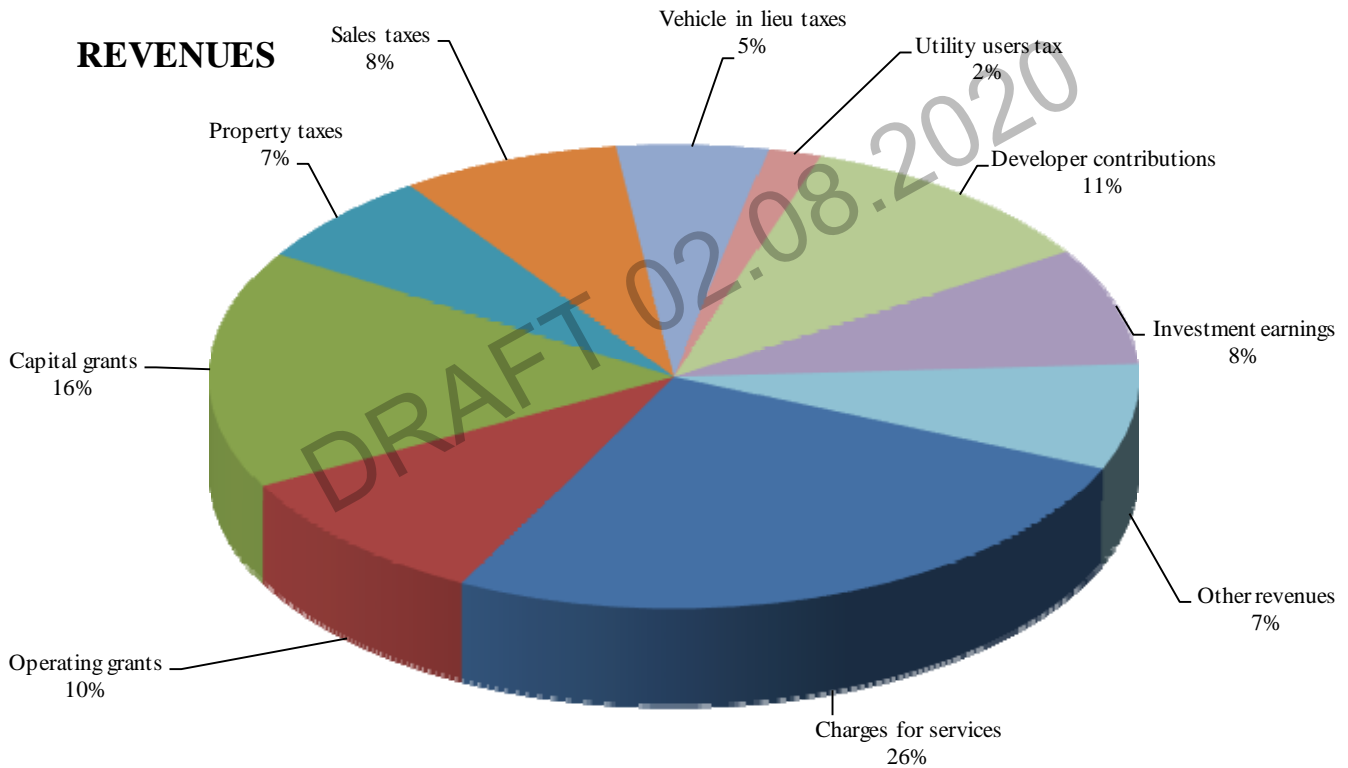
The following table indicates the changes in net position for governmental and business-type activities:

	Statement of Activities					
	(Dollars in Thousands)					
	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program Revenues:						
Charges for services	\$ 13,488	\$ 15,749	\$ 8,994	\$ 8,283	\$ 22,482	\$ 24,032
Operating grants	5,848	78	2,558	2,347	8,406	2,425
Capital grants	12,563	20,410	1,575	6,172	14,138	26,582
General Revenues:						
Property taxes	5,657	5,199	-	-	5,657	5,199
Sales taxes	6,597	5,631	-	-	6,597	5,631
Motor Vehicle in Lieu taxes	4,517	4,126	-	-	4,517	4,126
Utility users tax	1,584	1,524	-	-	1,584	1,524
Franchise taxes	3,909	3,286	-	-	3,909	3,286
Transient occupancy taxes	335	364	-	-	335	364
Other taxes	959	1,195	-	-	959	1,195
Business licenses	295	247	-	-	295	247
Developer contributions	8,656	11,344	731	778	9,387	12,122
Investment earnings	5,390	7,852	1,564	14	6,954	7,866
Miscellaneous	717	355	4	525	721	880
Gain on sale of assets	19	5	6	-	25	5
Total revenues	<u>70,534</u>	<u>77,365</u>	<u>15,432</u>	<u>18,119</u>	<u>85,966</u>	<u>95,484</u>
Expenses:						
General government	6,011	4,642	-	-	6,011	4,642
Public safety	12,100	17,744	-	-	12,100	17,744
Public works	8,534	7,504	-	-	8,534	7,504
Community development	2,395	2,431	-	-	2,395	2,431
Community services	3,841	3,479	-	-	3,841	3,479
Refuse	5,505	4,900	-	-	5,505	4,900
Interest on long term liabilities	4,416	7,182	-	-	4,416	7,182
Waste water	-	-	12,251	10,430	12,251	10,430
Transit	-	-	6,098	3,119	6,098	3,119
Total expenses	<u>42,802</u>	<u>47,882</u>	<u>18,349</u>	<u>13,549</u>	<u>61,151</u>	<u>61,431</u>
Transfers	(3,121)	322	3,121	(322)	-	-
Special Items:						
CFD 93-1 refunding/Settlement	-	(11,948)	-	-	-	(11,948)
Change in net position	<u>\$ 24,611</u>	<u>\$ 204</u>	<u>\$ 4,248</u>	<u>\$ 24,815</u>	<u>\$ 22,105</u>	<u>\$ 22,105</u>

City of Beaumont
Management's Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2019

The City's overall net position increased by \$24.8 million during the current fiscal year. This increase is due to continued improvements in operating results and funding received on large capital projects.

Analysis of total revenues indicates that the largest revenue sources are charges for services performed (26%) followed by capital grants (16%) related to capital projects. Tax and other general revenues continue to experience moderate growth.

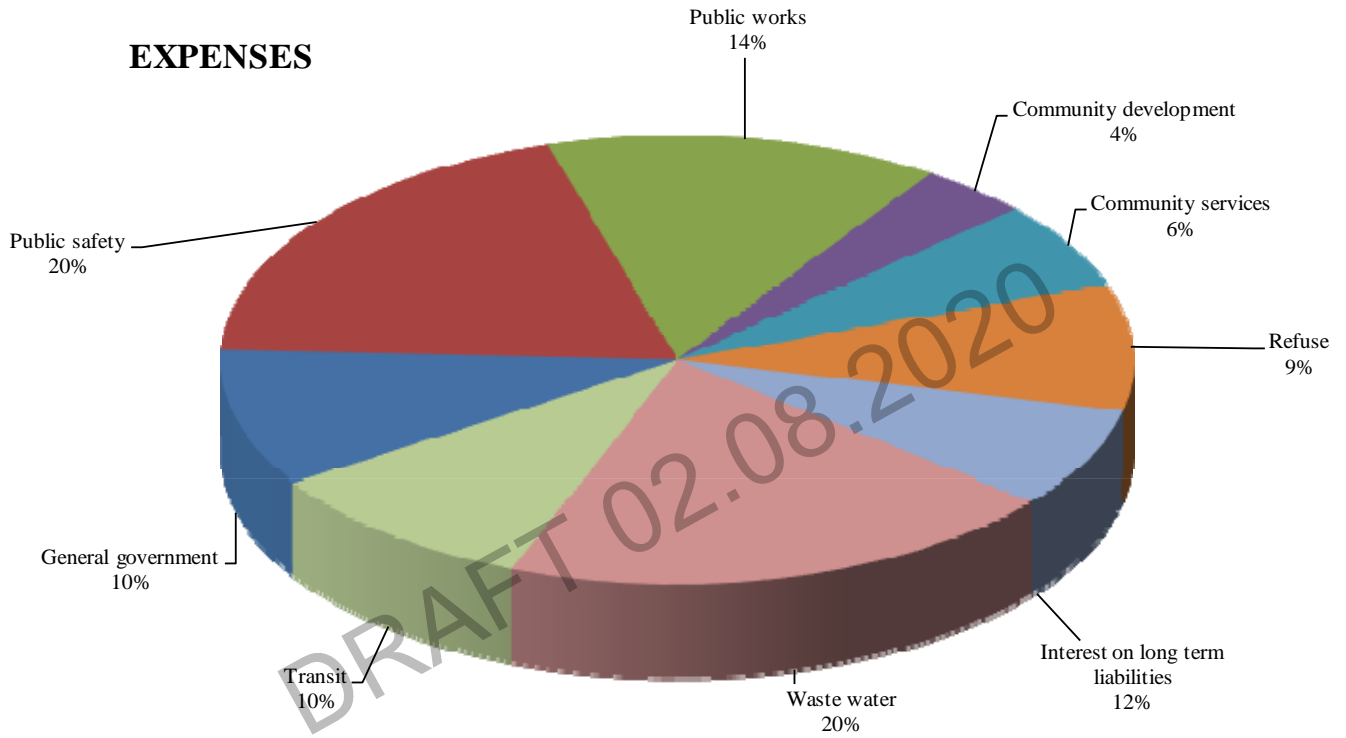


Analysis of total expense indicates that the largest functional costs are for the City's public safety (20%) and wastewater services (20%).

City of Beaumont
Management's Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2019

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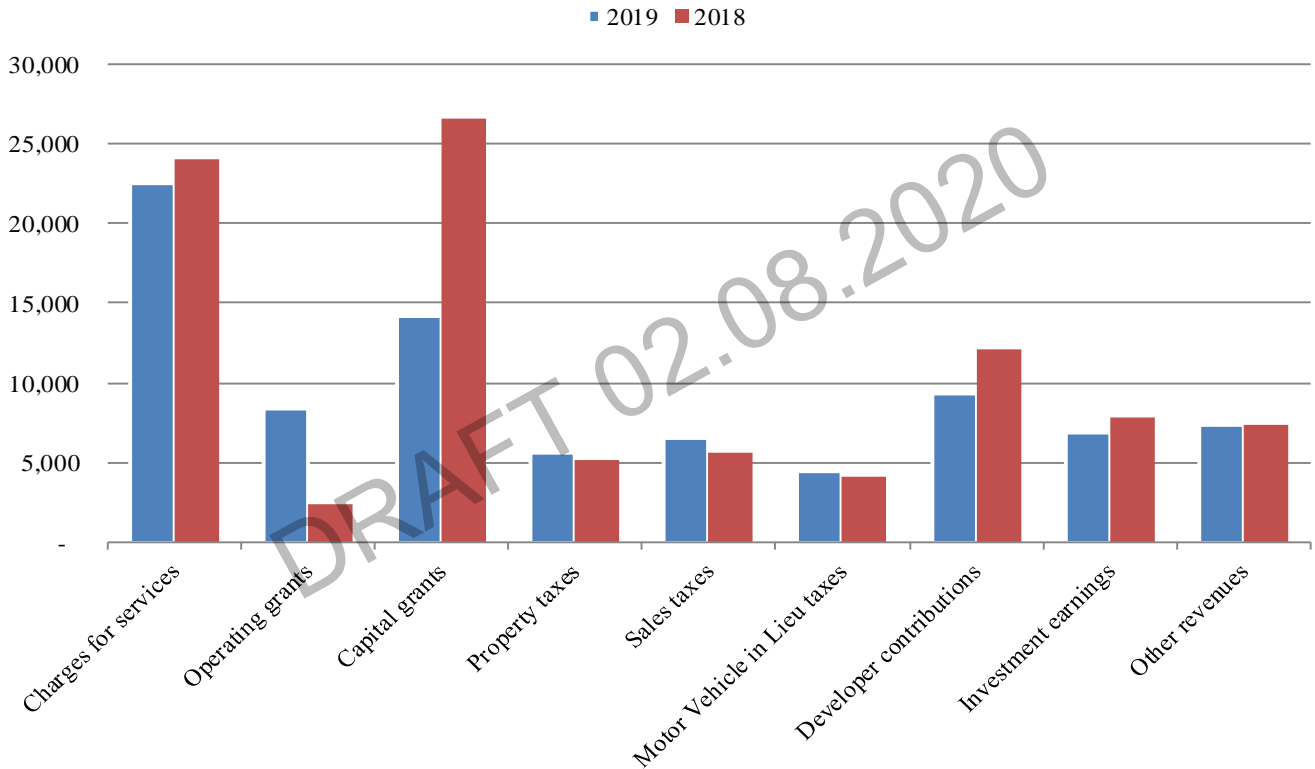
EXPENSES



City of Beaumont
Management's Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2019

Comparison of revenue and expense groupings from fiscal year 2018 to 2019 has been charted below:

REVENUES

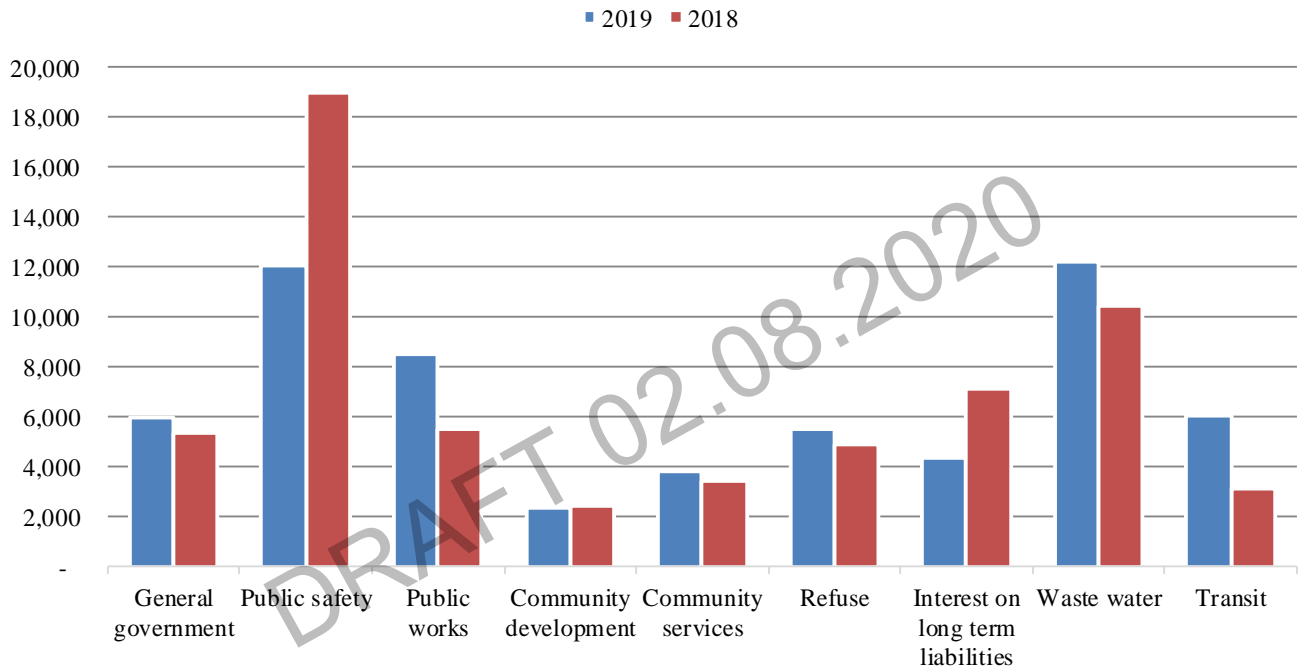


The decrease in public safety expense is due to changes in pension plan assumptions. Interest on long term liabilities reduced due to the refunding of bonds that occurred during FY 2018.

City of Beaumont
Management's Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2019

Item No. 1.

EXPENSES



City of Beaumont
Management's Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2019

Item No.1.

Governmental activities increased the City's net position by \$24.6 million. This is primarily driven by continued growth in general revenues, continued high levels of developer contributions and a small drop in expenses. The reduction in expenses is largely due to reduction in interest expense for long term liabilities.

Total revenues have decreased by \$6.8 million as funding sources from developer contributions dropped by \$2.7 million and funding from capital grants dropped by \$2.5 million. Total expenses dropped due to reduced long term interest expense and reduction in public safety related expenses due to changes in pension assumptions. Fiscal year 2018-19 provided for continued stabilization of general City revenues and expenses.

Business-type activities increased their net position by \$204,000.

FINANCIAL ANALYSIS OF THE CITY'S 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 resources that are available for spending. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance, may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. Types of governmental funds reported by the City include the General Fund, Special Revenue Funds, Debt Service Funds, and Capital Project funds.

GENERAL FUND BUDGETARY HIGHLIGHTS

The general fund budget was amended during fiscal year 2019. The budget was established as revenue neutral, and no extraordinary items were taken into consideration.

City of Beaumont
Management's Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2019

Item No. 1.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2019, the City had invested \$428.7 million in capital assets, net of accumulated depreciation; an increase of 1.3% from the prior year. Governmental activities capital assets increased \$16.1 million as the net result of ongoing projects. Business-type activities capital assets increased by \$32.6 million. A summary of the City's capital assets net of depreciation at June 30, 2018 and 2019 is presented below. Additional information on Capital Assets can be found in Note 5.

	Capital Assets					
	(Dollars in thousands)					
	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
GOVERNMENT						
Land	\$ 28,085	\$ 23,285	\$ -	\$ -	\$ 28,085	\$ 23,285
Construction in Progress	23,710	12,437	-	-	23,710	12,437
Buildings	19,789	16,395	-	-	19,789	16,395
Machinery and equipment	6,997	6,461	-	-	6,997	6,461
Vehicles	3,137	3,253	-	-	3,137	3,253
Infrastructure	416,144	414,959	-	-	416,144	414,959
Less accumulated depreciation	(226,984)	(222,010)	-	-	(226,984)	(222,010)
	<u>270,878</u>	<u>254,780</u>	<u>-</u>	<u>-</u>	<u>270,878</u>	<u>254,780</u>
WASTE WATER FUND						
Land	-	-	2,003	503	2,003	503
Construction in Progress	-	-	37,933	4,403	37,933	4,403
Buildings	-	-	84	83	84	83
Machinery and equipment	-	-	88,379	87,838	88,379	87,838
Vehicles	-	-	669	680	669	680
Infrastructure	-	-	137,497	133,821	137,497	133,821
Less accumulated depreciation	-	-	(111,181)	(104,186)	(111,181)	(104,186)
	<u>-</u>	<u>-</u>	<u>155,384</u>	<u>123,142</u>	<u>155,384</u>	<u>123,142</u>
TRANSIT FUND						
Land	-	-	1,007	-	1,007	-
Construction in Progress	-	-	47	14	47	14
Buildings	-	-	538	538	538	538
Machinery and equipment	-	-	824	790	824	790
Vehicles	-	-	3,897	3,754	3,897	3,754
Less accumulated depreciation	-	-	(3,864)	(3,728)	(3,864)	(3,728)
	<u>-</u>	<u>-</u>	<u>2,449</u>	<u>1,368</u>	<u>2,449</u>	<u>1,368</u>
TOTAL	<u>\$ 270,878</u>	<u>\$ 254,780</u>	<u>\$ 157,833</u>	<u>\$ 124,510</u>	<u>\$ 428,711</u>	<u>\$ 379,290</u>

City of Beaumont
Management's Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2019

Item No. 1.

Debt Administration

As of June 30, 2019, the City had \$110.9 million of outstanding obligations related to governmental activities and \$92.3 million related to business-type activities, for a total of \$203.2 million. Debt outstanding as of June 30, 2019 with a comparison to prior year and the net change follows:

Debt Outstanding			
(Dollars in thousands)			
	2019	2018	Net Change
Governmental Activities			
Claims payable	\$ 2,807	\$ 2,215	\$ 592
Net pension liability	15,558	15,751	(193)
Compensated absences	2,268	2,404	(136)
AB1484 Due Diligence Review	1,376	1,676	(300)
Capital lease	297	186	111
Beaumont Financing Authority	88,605	91,881	(3,276)
	\$ 110,911	\$ 114,113	\$ (3,202)
Business-type Activities			
Net pension liability	\$ 1,225	\$ 1,267	\$ (42)
Compensated absences	265	261	4
Wastewater Revenue Bonds	81,105	-	81,105
Bond Premium	9,470	-	9,470
Capital lease	268	346	(78)
	\$ 92,333	\$ 1,874	\$ 90,459

The BFA Local Agency Revenue Bond debt totaled \$88.6 million and is directly related to CFD debts and is further discussed in Notes 6 and 7. Wastewater revenue bonds were issued for \$81.1 million at a premium during FY 2019. This represents the increase in business type activity long term debt. Net pension liability has remained fairly stable.

Additional information regarding the City's long-term obligations is discussed in Note 6 to the financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The Riverside District Attorney's office and the FBI's joint investigation resulted in the arrest and indictment of seven former members of City management, including the former City Manager, former City Finance Director for embezzlement of public funds and conspiracy. The former City Attorney and several former City consultants were also arrested on related charges. The City learned of the criminal investigation on April 22, 2015, when the authorities executed a search warrant at City Hall and seized numerous computers and significant documentation. As of June 30, 2019, all criminal cases have been resolved and details are included in Note 13.

The City conducted an internal investigation, which includes numerous accounting reconciliation efforts, in order to ascertain the extent of the concealment and damage inflicted by the former City management. The City has also adopted enhanced internal controls, including policies and procedures to ensure that financial transactions are monitored and that duties are segregated.

City of Beaumont
Management's Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2019

Item No. 1.

The following items summarize additional factors which are significant for the City:

- The City continues to prioritize management of its budget and financial controls.
- The settlement of numerous litigation matters against the City has provided relief and encouragement for the City's financial future. However, the City will continue to defend itself against those matters which it believes are unwarranted.
- The City evaluates all community facility bond debt on an annual basis for potential refunding savings without extending debt terms for the applicable property owners.
- A five-year capital improvements budget is prepared and monitored based on need and available funding.
- Significant subsequent events are disclosed in Note 14.
- The City's overall financial condition continues to improve as evidenced from the increases in net position.

The City of Beaumont has made significant strides to bring its financial reporting into full compliance with GASB standards. Accounting and reporting systems have been fully implemented to ensure accuracy and transparency.

REQUEST FOR INFORMATION

These financial statements are intended to provide citizens, taxpayers, investors, and creditors with a general overview of the City's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be directed to the Finance and Administrative Services Department, 550 E. 6th Street, Beaumont, California, 92223, or finance@beaumontca.gov.

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City of Beaumont
Annual Financial Report
For the Year Ended June 30, 2019

Basic Financial Statements

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City of Beaumont
Annual Financial Report
For the Year Ended June 30, 2019

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City of Beaumont
Annual Financial Report
For the Year Ended June 30, 2019

Government-Wide Financial Statements

City of Beaumont
Statement of Net Position
June 30, 2019

Item No. 1.

ASSETS	Primary Government		Total
	Governmental Activities	Business-Type Activities	
Current assets:			
Cash and investments	73,004,507	\$ 14,752,256	\$ 87,756,763
Restricted cash and investments	-	147,616	147,616
Receivables:			
Accounts	8,375,074	1,501,947	9,877,021
Interest	247,225	242,544	489,769
Intergovernmental	3,981,465	878,049	4,859,514
Settlement	-	-	-
Prepaid items	83,141	12,039	95,180
Total current assets	85,691,412	17,534,451	103,225,863
Noncurrent assets:			
Restricted cash and investments with fiscal agent	9,491,390	67,534,578	77,025,968
Restricted investment in CFDs	88,499,034	-	88,499,034
Loans receivable	220,634	-	220,634
Capital assets:			
Nondepreciable	51,794,324	40,989,694	92,784,018
Depreciable, net	219,084,074	116,843,383	335,927,457
Total capital assets, net	270,878,398	157,833,077	428,711,475
Total noncurrent assets	369,089,456	225,367,655	594,457,111
Total assets	454,780,868	242,902,106	697,682,974
DEFERRED OUTFLOWS OF RESOURCES			
Pension related deferred outflows	5,709,197	512,231	6,221,428
Total deferred outflows of resources	5,709,197	512,231	6,221,428

City of Beaumont
Statement of Net Position (Continued)
June 30, 2019

Item No. 1.

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	4,884,178	6,212,758	11,096,936
Salaries payable and related liabilities	835,005	9,424	844,429
Deposits payable	908,431	-	908,431
Unearned revenue	35,454,581	9,498,267	44,952,848
Compensated absences - due within one year	226,836	26,481	253,317
Claims payable - due within one year	2,277,967	-	2,277,967
Long-term debt - due within one year	3,963,520	1,388,396	5,351,916
Total current liabilities	48,550,518	18,422,853	66,973,371
Long-term liabilities:			
Compensated absences - due in more than one year	2,041,526	238,331	2,279,857
Claims payable - due in more than one year	529,408	-	529,408
Long-term debt - due in more than one year	86,314,634	89,454,828	175,769,462
Aggregate net pension liability	15,558,070	1,225,347	16,783,417
Total long-term liabilities	104,443,638	90,918,506	195,362,144
Total liabilities	152,994,156	109,341,359	262,335,515
DEFERRED INFLOWS OF RESOURCES			
Pension related deferred inflows	552,324	24,355	576,679
Total deferred inflows of resources	552,324	24,355	576,679
NET POSITION			
Net investment in capital assets	180,600,244	134,524,431	315,124,675
Restricted for:			
Special projects	13,617,438	-	13,617,438
Debt service	98,006,000	-	98,006,000
Capital projects	14,295,192	-	14,295,192
Total restricted	125,918,630	-	125,918,630
Unrestricted (deficit)	424,711	(475,808)	(51,097)
Total net position	306,943,585	\$ 134,048,623	\$ 440,992,208

City of Beaumont
Statement of Activities
For the Year Ended June 30, 2019

Item No. 1.

Functions/Programs	Expenses	Program Revenues			Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government:					
Governmental activities:					
General government	\$ 6,010,855	\$ 272,773	\$ -	\$ -	\$ 272,773
Public safety	12,100,116	1,191,759	843,003	1,996,115	4,030,877
Public works	8,534,452	2,362,465	-	10,567,318	12,929,783
Community development	2,396,300	4,371,671	5,004,784	-	9,376,455
Community services	3,840,603	198,200	-	-	198,200
Refuse	5,504,512	5,091,285	-	-	5,091,285
Interest and fiscal charges	4,415,612	-	-	-	-
Total governmental activities	42,802,450	13,488,153	5,847,787	12,563,433	31,899,373
Business-Type activities:					
Sewer	\$ 12,249,565	\$ 8,811,917	\$ -	\$ -	8,811,917
Transit	6,098,253	181,720	2,557,412	1,575,041	4,314,173
Total business-type activities	18,347,818	8,993,637	2,557,412	1,575,041	13,126,090
Total primary government	\$ 61,150,268	\$ 22,481,790	\$ 8,405,199	\$ 14,138,474	\$ 45,025,463

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See accompanying Notes to the Basic Financial Statements.

City of Beaumont
Statement of Activities (Continued)
For the Year Ended June 30, 2019

Item No. 1.

Functions/Programs	Net (Expense) Revenue and Changes in Net Position		
	Governmental Activities	Business-Type Activities	Total
Primary government:			
Governmental activities:			
General government	\$ (5,738,082)	\$ -	\$ (5,738,082)
Public safety	(8,069,239)	-	(8,069,239)
Public works	4,395,331	-	4,395,331
Community development	6,980,155	-	6,980,155
Community services	(3,642,403)	-	(3,642,403)
Refuse	(413,227)	-	(413,227)
Interest and fiscal charges	(4,415,612)	-	(4,415,612)
Total governmental activities	(10,903,077)	-	(10,903,077)
Business-Type activities:			
Sewer	-	(3,437,648)	(3,437,648)
Transit	-	(1,784,080)	(1,784,080)
Total business-type activities	-	(5,221,728)	(5,221,728)
Total primary government	(10,903,077)	(5,221,728)	(16,124,805)
General revenues:			
Taxes:			
Property taxes	5,656,662	-	5,656,662
Sales taxes	6,596,935	-	6,596,935
Vehicle in lieu tax	4,517,090	-	4,517,090
Utility users tax	1,584,224	-	1,584,224
Franchise tax	3,908,531	-	3,908,531
Transient occupancy tax	335,304	-	335,304
Other taxes	958,614	-	958,614
Total taxes	23,557,360	-	23,557,360
Business licenses	294,968	-	294,968
Developers contributions	8,656,054	731,125	9,387,179
Investment earnings	5,390,216	1,564,220	6,954,436
Miscellaneous	716,944	3,393	720,337
Gain on sale of assets	19,494	5,939	25,433
Transfers	(3,120,964)	3,120,964	-
Total general revenues and transfers	35,514,072	5,425,641	40,939,713
Change in net position	24,610,995	203,913	24,814,908
Net position - beginning of year, as restated (Note 14)	282,332,590	133,844,710	416,177,300
Net position - end of year	\$ 306,943,585	\$ 134,048,623	\$ 440,992,208

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City of Beaumont
Annual Financial Report
For the Year Ended June 30, 2019

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City of Beaumont
Annual Financial Report
For the Year Ended June 30, 2019

Fund Financial Statements

- Governmental Fund Financial Statements
- Proprietary Fund Financial Statements
- Fiduciary Fund Financial Statements

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City of Beaumont
Annual Financial Report
For the Year Ended June 30, 2019

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City of Beaumont
Annual Financial Report
For the Year Ended June 30, 2019

Governmental Fund Financial Statements

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City of Beaumont
Annual Financial Report
For the Year Ended June 30, 2019

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GOVERNMENTAL FUND FINANCIAL STATEMENTS

Governmental Funds of the City are outlined below:

General Fund - This fund accounts for all revenues and expenditures used to finance the traditional services associated with a municipal government which are not accounted for in the other funds. In Beaumont, these services include general government, public safety, public works, community development, community service, and refuse.

Community Facilities Districts (CFD) Special Revenue Fund - This fund is used to account for bond and annual tax assessments proceeds to be used for the construction and implementation of off-site infrastructure improvements. In addition, the Fund accounts for services and administration assessments received annually.

Community Facilities Districts (CFD) Capital Projects Fund - This fund is used to account for bond and annual tax assessments proceeds to be used for the construction and implementation of off-site infrastructure improvements. In addition, the Fund accounts for services and administration assessments received annually.

General Capital Projects Fund - This fund is used to account for financial resources to be used for acquisition, construction and improvement of the city's major capital facilities.

Development Impact Fees Capital Projects Fund - This fund is used to account for the receipt and expenditure of mitigation fees on specified capital projects.

Beaumont Financing Authority Debt Service Fund - This fund is authorized to borrow money for the purpose of financing the acquisition of bonds, notes and other obligations of, or for the purpose of making loans to the City and/or to refinance outstanding obligations of the City.

City of Beaumont
Balance Sheet
Governmental Funds
June 30, 2019

Item No. 1.

	Major Funds			
	General	Community Facilities District (CFD) Special Revenue	Community Facilities District (CFD) Capital Projects	General Capital Projects
	Fund	Fund	Fund	Fund
ASSETS				
Cash and investments	\$ 16,020,917	\$ 9,256,549	\$ 12,877,575	\$ 1,444,482
Cash and investments with fiscal agent	-	-	-	-
Investment in CFDs	-	-	-	-
Receivables:				
Accounts	1,949,632	-	-	-
Interest	231,649	-	-	-
Due from other governments	1,476,046	10,498	-	2,225,517
Loans	220,634	-	-	-
Due from other funds	268	-	-	-
Prepaid	83,141	-	-	-
Total assets	\$ 19,982,287	\$ 9,267,047	\$ 12,877,575	\$ 3,669,999
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	\$ 2,445,653	\$ 136	\$ -	\$ 2,040,796
Accrued payroll and related liabilities	835,005	-	-	-
Due to other funds	-	-	-	-
Deposits payable	767,101	120,503	-	-
Unearned revenue	-	576	-	211,586
Total liabilities	4,047,759	121,215	-	2,252,382
Deferred Inflows of Resources:				
Unavailable revenue	650,369	-	-	-
Total deferred inflows of resources	650,369	-	-	-
Fund Balances:				
Nonspendable	303,775	-	-	-
Restricted	-	9,145,832	12,877,575	-
Committed	-	-	-	1,417,617
Unassigned	14,980,384	-	-	-
Total fund balances	15,284,159	9,145,832	12,877,575	1,417,617
Total liabilities, deferred inflows of resources and fund balances	\$ 19,982,287	\$ 9,267,047	\$ 12,877,575	\$ 3,669,999

City of Beaumont
Balance Sheet (Continued)
Governmental Funds
June 30, 2019

Item No. 1.

	Major Fund			Total Governmental Funds
	Development Impact Fees (DIF) Capital Projects Fund	Beaumont Financing Authority Debt Service Fund	Other Governmental Funds	
ASSETS				
Cash and investments	\$ 29,131,184	\$ -	\$ 4,273,800	\$ 73,004,507
Cash and investments with fiscal agent	-	9,491,390	-	9,491,390
Investment in CFDs	-	88,499,034	-	88,499,034
Receivables:				-
Accounts	6,416,006	-	9,436	8,375,074
Interest	-	15,576	-	247,225
Due from other governments	-	-	269,404	3,981,465
Loans	-	-	-	220,634
Due from other funds	-	-	-	268
Prepaid	-	-	-	83,141
Total assets	\$ 35,547,190	\$ 98,006,000	\$ 4,552,640	\$ 183,902,738
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	\$ 354,730	\$ -	\$ 9,980	\$ 4,851,295
Accrued payroll and related liabilities	-	-	-	835,005
Due to other funds	-	-	268	268
Deposits payable	6,996	-	13,831	908,431
Unearned revenue	35,185,464	-	56,955	35,454,581
Total liabilities	35,547,190	-	81,034	42,049,580
Deferred Inflows of Resources:				
Unavailable revenue	-	-	-	650,369
Total deferred inflows of resources	-	-	-	650,369
Fund Balances:				
Nonspendable	-	-	-	303,775
Restricted	-	98,006,000	4,471,606	124,501,013
Committed	-	-	-	1,417,617
Unassigned	-	-	-	14,980,384
Total fund balances	-	98,006,000	4,471,606	141,202,789
Total liabilities, deferred inflows of resources and fund balances	\$ 35,547,190	\$ 98,006,000	\$ 4,552,640	\$ 183,902,738

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City of Beaumont
Annual Financial Report
For the Year Ended June 30, 2019

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City of Beaumont
Reconciliation of the Governmental Funds Balance Sheet
to the Government-Wide Statement of Net Position
June 30, 2019

<i>Item No. 1.</i>

Total Fund Balances - Total Governmental Funds	<u>\$ 141,202,789</u>
Capital assets used in governmental activities were not financial resources and therefore were not reported in governmental funds.	
Capital assets, nondepreciable	51,794,324
Capital assets, depreciable	<u>219,084,074</u>
	<u>270,878,398</u>
Long-term liabilities were not due and payable in the current period and therefore were not reported in the governmental funds.	
Compensated absences - due within one year	(226,836)
Compensated absences - due in more than one year	(2,041,526)
Claims payable - due within one year	(2,277,967)
Claims payable - due in more than one year	(529,408)
Long-term debt - due within one year	(3,963,520)
Long-term debt - due in more than one year	<u>(86,314,634)</u>
	<u>(95,353,891)</u>
Aggregate net pension liability is not due and payable in the current period and therefore is not required to be reported in the governmental funds.	
	<u>(15,558,070)</u>
Pension-related deferred outflows/inflows of resources in the governmental activities were not financial resources (uses) and therefore were not reported in the Governmental Funds Balance Sheet.	
Pension-related deferred outflows of resources	5,709,197
Pension-related deferred inflows of resources	<u>(552,324)</u>
	<u>5,156,873</u>
Unavailable revenues recorded in governmental fund financial statements resulting from activities in which revenues were earned but funds were not available were recognized as revenues in the Government-Wide Financial Statements.	
	<u>650,369</u>
Net Position of Governmental Activities	<u><u>\$ 306,976,468</u></u>

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City of Beaumont
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2019

Item No. 1.

	Major Funds			
	General Fund	Community Facilities Districts (CFD) Special Revenue Fund	Community Facilities District (CFD) Capital Projects Fund	General Capital Projects Fund
REVENUES:				
Taxes	\$ 12,532,209	\$ -	\$ -	\$ -
Franchise fees	3,908,531	-	-	-
Intergovernmental	4,587,270	-	-	4,963,592
License and permits	4,816,693	-	-	-
Fines and forfeitures	249,914	-	-	-
Assessment levied	602,649	5,061,023	1,122,981	-
Use of money and property	186,605	239,534	291,673	220,547
Charges for services	6,944,423	-	-	-
Other revenues	1,338,647	10,250	-	3,260,750
Total revenues	35,166,941	5,310,807	1,414,654	8,444,889
EXPENDITURES:				
Current:				
General government	5,940,387	-	-	-
Public safety	14,665,947	-	-	-
Public works	2,844,121	-	1,085,017	-
Community development	1,884,511	195,958	-	-
Community services	3,708,469	-	-	-
Refuse	5,504,512	-	-	-
Capital outlay	589,273	-	-	12,029,877
Debt service:				
Principal	300,000	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	35,437,220	195,958	1,085,017	12,029,877
REVENUES OVER (UNDER) EXPENDITURES	(270,279)	5,114,849	329,637	(3,584,988)
OTHER FINANCING SOURCES (USES):				
Obligations incurred on capital leases	167,456	-	-	-
Proceeds from sale of property	19,494	-	-	-
Transfers in	5,450,785	-	-	3,339,629
Transfers (out)	(614,693)	(4,431,245)	(3,136,047)	(108,479)
Total other financing sources (uses)	5,023,042	(4,431,245)	(3,136,047)	3,231,150
Net changes in fund balances	4,752,763	683,604	(2,806,410)	(353,838)
FUND BALANCES:				
Beginning of year, as restated (Note 14)	10,531,396	8,462,228	15,683,985	1,771,455
End of year	<u>\$ 15,284,159</u>	<u>\$ 9,145,832</u>	<u>\$ 12,877,575</u>	<u>\$ 1,417,617</u>

City of Beaumont
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds (Continued)
For the Year Ended June 30, 2019

Item No. 1.

	Major Funds			Total Governmental Funds
	Development Impact Fees (DIF) Capital Projects Fund	Beaumont Financing Authority Debt Service Fund	Other Governmental Funds	
REVENUES:				
Taxes	\$ -	\$ -	\$ 1,038,267	\$ 13,570,476
Franchise fees	-	-	-	3,908,531
Intergovernmental	-	-	2,030,969	11,581,831
License and permits	3,181,216	-	46,712	8,044,621
Fines and forfeitures	-	-	-	249,914
Assessment levied	-	-	-	6,786,653
Use of money and property	-	4,541,457	89,868	5,569,684
Charges for services	-	-	-	6,944,423
Other revenues	-	-	17,526	4,627,173
Total revenues	3,181,216	4,541,457	3,223,342	61,283,306
EXPENDITURES:				
Current:				
General government	-	-	-	5,940,387
Public safety	-	-	55,242	14,721,189
Public works	-	-	-	3,929,138
Community development	-	-	16,120	2,096,589
Community services	-	-	-	3,708,469
Refuse	-	-	-	5,504,512
Capital outlay	-	-	2,912	12,622,062
Debt service:				
Principal	-	3,300,000	-	3,600,000
Interest and fiscal charges	-	4,415,612	-	4,415,612
Total expenditures	-	7,715,612	74,274	56,537,958
REVENUES OVER (UNDER) EXPENDITURES	3,181,216	(3,174,155)	3,149,068	4,745,348
OTHER FINANCING SOURCES (USES):				
Obligations incurred on capital leases	-	-	-	167,456
Proceeds from sale of property	-	-	-	19,494
Transfers in	-	-	891,703	9,682,117
Transfers (out)	(3,181,216)	-	(1,331,401)	(12,803,081)
Total other financing sources (uses)	(3,181,216)	-	(439,698)	(2,934,014)
Net changes in fund balances	-	(3,174,155)	2,709,370	1,811,334
FUND BALANCES:				
Beginning of year, as restated (Note 14)	-	101,180,155	1,762,236	139,391,455
End of year	<u>\$ -</u>	<u>\$ 98,006,000</u>	<u>\$ 4,471,606</u>	<u>\$ 141,202,789</u>

City of Beaumont
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures,
and Changes in Fund Balance to the Government-Wide Statement of Activities
For the Year Ended June 30, 2019

Item No. 1.

Net Change in Fund Balances - Total Governmental Funds	\$	1,811,334
<p>Governmental funds report capital outlay as expenditures. Capital outlay expenditures were included in the Statement of Revenue, Expenditures, and Changes in Fund Balances through out various departments. However, in the Government-Wide Statement of Activities, the cost of those assets was allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period.</p>		
		12,622,062
<p>Increase in capital assets and net position from developer capital contributions for infrastructure assets.</p>		
		8,656,054
<p>Depreciation expense on capital assets was reported in the Government-Wide Statement of Activities, but it did not require the use of current financial resources. Therefore, depreciation expense was not reported as expenditures in governmental funds</p>		
		(5,179,219)
<p>The issuance of long-term liabilities provided current financial resources to governmental funds, but issuing debt increased long-term liabilities in the Government-Wide Statement of Net Position. Repayment of long-term liabilities was an expenditure in governmental funds, but the repayment reduced long-term liabilities in the Government-Wide Statement of Net Position.</p>		
Issuance of capital lease		(167,456)
<p>The repayment of debt principal consumes the current financial resources of governmental funds; however, it has no effect on net position.</p>		
		3,600,000
<p>The net effect of various transactions involving pension plans (i.e. changes in the net pension liability, deferred inflow/outflow amortization, contributions after measurement date) does not require the use of current financial resources and, therefore, is not reported as an expenditure in the governmental funds.</p>		
		3,149,404
<p>Certain long-term assets and liabilities were reported in the Government-Wide Statement of Activities, but they did not require the use of current financial resources. Therefore, long-term assets and liabilities were not reported as expenditures in governmental funds. These amounts represented the changes in long-term liabilities from prior year.</p>		
Changes in compensated absences		135,818
Changes in claims payable		(592,557)
<p>Changes in unavailable revenues were reported as deferred inflows of resources in the Governmental Funds but were reported as revenues in the Government-Wide Statement of Statement of Activities.</p>		
		575,555
Change in Net Position of Governmental Activities	\$	24,610,995

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City of Beaumont
Annual Financial Report
For the Year Ended June 30, 2019

Proprietary Fund Financial Statements

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City of Beaumont
Annual Financial Report
For the Year Ended June 30, 2019

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PROPRIETARY FUND FINANCIAL STATEMENTS

Sewer Fund - This fund was established to receive and disburse funds collected through sewer services charge fees and sewer facilities charges. These funds are used for the operation and maintenance of sewer disposal facilities and the financing of construction outlet sewers.

Transit Fund - The Transit Fund is intended to show the financial position and the operation and maintenance of the City's fixed route and dial-a-ride transit systems.

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City of Beaumont
Annual Financial Report
For the Year Ended June 30, 2019

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City of Beaumont
Statement of Net Position
Proprietary Funds
June 30, 2019

Item No. 1.

ASSETS	Business-type Activities - Enterprise Funds		Total
	Sewer Fund	Transit Fund	
Current assets:			
Cash and investments	\$ 14,733,583	\$ 18,673	\$ 14,752,256
Restricted cash and investments	-	147,616	147,616
Receivables:			
Accounts	1,499,539	2,408	1,501,947
Interest	242,544	-	242,544
Due from other governments	-	878,049	878,049
Prepays	6,041	5,998	12,039
Total current assets	16,481,707	1,052,744	17,534,451
Noncurrent assets:			
Restricted cash and investments with fiscal agent	67,534,578	-	67,534,578
Capital assets:			
Non-depreciable	39,935,489	1,054,205	40,989,694
Depreciable	226,627,969	5,259,737	231,887,706
Less: accumulated depreciation	(111,180,691)	(3,863,632)	(115,044,323)
Total capital assets	155,382,767	2,450,310	157,833,077
Total noncurrent assets	222,917,345	2,450,310	225,367,655
Total assets	239,399,052	3,503,054	242,902,106
	DEFERRED OUTFLOWS OF RESOURCES		
Pension-related deferred outflows	9,808	502,423	512,231
Total deferred outflows of resources	9,808	502,423	512,231
	LIABILITIES		
Current liabilities:			
Accounts payable and accrued liabilities	6,134,823	77,935	6,212,758
Salaries payable and related liabilities	3,979	5,445	9,424
Unearned revenue	9,350,651	147,616	9,498,267
Interest payable	1,287,527	-	1,287,527
Compensated absences - due within one year	4,942	21,539	26,481
Long-term debt - due within one year	1,388,396	-	1,388,396
Total current liabilities	18,170,318	252,535	18,422,853
Noncurrent liabilities:			
Compensated absences - due in more than one year	28,306	210,025	238,331
Long-term debt - due in more than one year	89,454,828	-	89,454,828
Aggregate net pension liability	31,227	1,194,120	1,225,347
Total noncurrent liabilities	89,514,361	1,404,145	90,918,506
Total liabilities	107,684,679	1,656,680	109,341,359
	DEFERRED INFLOWS OF RESOURCES		
Pension-related deferred inflows	12,326	12,029	24,355
Total deferred inflows of resources	12,326	12,029	24,355
	NET POSITION		
Net Investment in capital assets	132,074,121	2,450,310	134,524,431
Restricted	-	-	-
Unrestricted (Deficit)	(362,266)	(113,542)	(475,808)
Total net position	\$ 131,711,855	\$ 2,336,768	\$ 134,048,623

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City of Beaumont
Annual Financial Report
For the Year Ended June 30, 2019

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City of Beaumont
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2019

Item No. 1.

	Business-type Activities - Enterprise Funds		Total
	Sewer Fund	Transit Fund	
OPERATING REVENUES:			
Charges for services	\$ 8,811,917	\$ 181,720	\$ 8,993,637
Other revenue	831	2,562	3,393
Total operating revenues	8,812,748	184,282	8,997,030
OPERATING EXPENSES:			
Salaries	702,453	1,438,417	2,140,870
Fringe benefits	255,397	699,757	955,154
Administration	1,641,813	153,065	1,794,878
Contract services	1,381,990	63,958	1,445,948
Fuels, lubricants, and maintenance	179,956	417,603	597,559
Supplies	296,832	33,083	329,915
Office	9,736	13,197	22,933
Utilities	776,115	26,923	803,038
Depreciation	7,005,273	507,920	7,513,193
Total operating expenses	12,249,565	3,353,923	15,603,488
OPERATING INCOME (LOSS)	(3,436,817)	(3,169,641)	(6,606,458)
NONOPERATING REVENUES:			
Local transportation funds	-	2,379,982	2,379,982
Gain on sale of property	1,770	4,169	5,939
Intergovernmental	-	177,430	177,430
Investment earnings	1,561,436	2,784	1,564,220
Impact fees	-	-	-
Interest expense	(2,744,330)	-	(2,744,330)
Total nonoperating revenues (expenses)	(1,181,124)	2,564,365	1,383,241
Loss before operating transfers and capital contributions	(4,617,941)	(605,276)	(5,223,217)
TRANSFERS AND CAPITAL CONTRIBUTIONS:			
Capital Contributions from Riverside Transit Agency	-	1,575,041	1,575,041
Developer capital contributions	731,125	-	731,125
Transfers in	3,580,537	322	3,580,859
Transfers (out)	(440,989)	(18,906)	(459,895)
Total transfers and capital contributions	3,870,673	1,556,457	5,427,130
Changes in net position	(747,268)	951,181	203,913
NET POSITION:			
Beginning of year	132,459,123	1,385,587	133,844,710
End of year	<u>\$ 131,711,855</u>	<u>\$ 2,336,768</u>	<u>\$ 134,048,623</u>

City of Beaumont
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2019

Item No. 1.

	Business-type Activities - Enterprise Funds		Total
	Sewer Fund	Transit Fund	
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers and users	\$ 11,614,517	\$ 128,889	\$ 11,743,406
Payments to suppliers and employees for goods and services	577,455	(2,839,354)	(2,261,899)
Cash received from developers and others	831	2,562	3,393
Net cash provided by (used in) operating activities	12,192,803	(2,707,903)	9,484,900
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Local transportation funds		2,379,982	2,379,982
Intergovernmental	706	(633,012)	(632,306)
Transfers in	3,580,537	322	3,580,859
Transfers (out)	(440,989)	(18,906)	(459,895)
Net cash provided by noncapital financing activities	3,140,254	1,728,386	4,868,640
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition of capital assets	(39,246,166)	(15,269)	(39,261,435)
Issuance of capital-related debt	90,803,952	-	90,803,952
Payment of principal on long-term debt	(307,041)	-	(307,041)
Payment of interest on long-term debt	(1,456,803)	-	(1,456,803)
Net cash provided by (used in) capital and related financing activities	50,525,067	(15,269)	50,509,798
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from disposition of capital assets	1,770	4,169	5,939
Investment income	1,318,892	2,784	1,321,676
Net cash provided by investing activities	1,320,662	6,953	1,321,676
Net change in cash and cash equivalents	67,178,786	(987,833)	66,190,953
CASH AND CASH EQUIVALENTS:			
Beginning of year	15,089,375	1,154,122	16,243,497
End of year	<u>\$ 82,268,161</u>	<u>\$ 166,289</u>	<u>\$ 82,434,450</u>
RECONCILIATION TO STATEMENT OF NET POSITION:			
Cash and investments	\$ 14,733,583	\$ 18,673	\$ 14,752,256
Restricted cash and investments	-	147,616	147,616
Restricted cash and investments with fiscal agent	67,534,578	-	\$ 67,534,578
Total cash and cash equivalents	\$ 82,268,161	\$ 166,289	\$ 82,434,450

City of Beaumont
Statement of Cash Flows (Continued)
Proprietary Funds
For the Year Ended June 30, 2019

Item No. 1.

	Business-type Activities - Enterprise Funds		Total
	Sewer Fund	Transit Fund	
RECONCILIATION OF OPERATING (LOSS)			
TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:			
Operating (loss)	\$ (3,436,817)	\$ (3,169,641)	\$ (6,606,458)
Adjustments to reconcile operating (loss) to net cash provided by (used in) operating activities:			
Depreciation	7,005,273	507,920	7,513,193
Changes in current assets, deferred outflows of resources, liabilities, and deferred inflows of resources:			
Accounts receivable	(1,499,539)	(2,408)	(1,501,947)
Inventories	(6,041)	(5,998)	(12,039)
Pension-related deferred outflows of resources	15,757	33,090	48,847
Accounts payable and accrued liabilities	5,786,814	34,294	5,821,108
Salaries payable and related liabilities	(5,184)	(35,129)	(40,313)
Unearned revenue	4,302,139	(50,423)	4,251,716
Compensated absences	28,306	(24,007)	4,299
Aggregate net pension liability	(13,495)	(28,340)	(41,835)
Pension-related deferred inflows of resources	15,590	32,739	48,329
Total adjustments	15,629,620	461,738	16,091,358
Net cash provided by (used in) operating activities	\$ 12,192,803	\$ (2,707,903)	\$ 9,484,900

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City of Beaumont
Annual Financial Report
For the Year Ended June 30, 2019

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City of Beaumont
Annual Financial Report
For the Year Ended June 30, 2019

Fiduciary Fund Financial Statements

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City of Beaumont
Annual Financial Report
For the Year Ended June 30, 2019

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FIDUCIARY FUND FINANCIAL STATEMENTS

Agency Funds - To account for collections received from special assessment districts and their disbursement to bondholders.

Private Purpose Trust Funds - To account for donations received and held by the City of Beaumont as an agent for individuals, developers, private organizations and other governmental agencies and to account for activities of the Successor Agency to the dissolved Beaumont Redevelopment Agency.

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City of Beaumont
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2019

Item No. 1.

	Agency	Successor Agency to the Beaumont Redevelopment Agency
ASSETS		
Cash and investments	\$ 19,116,749	\$ 175
Restricted cash and investments with fiscal agent	11,706,744	-
Capital assets, net	-	21,827
Total assets	\$ 30,823,493	\$ 22,002
LIABILITIES AND NET POSITION		
Liabilities:		
Deposits payable	\$ 40,757	-
Due to bondholders	30,782,736	-
Total liabilities	\$ 30,823,493	-
Deferred Inflows of Resources:		
Unavailable revenue		-
Total deferred inflows of resources		-
Net Position Held in Trust for Successor Agency		\$ 22,002

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City of Beaumont
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2019

Item No. 1.

	Successor Agency to the Beaumont Redevelopment Agency
DEDUCTIONS:	
Enforceable obligations	\$ 19,771
Total deductions	19,771
Change in net position	(19,771)
NET POSITION:	
Beginning of year	41,773
End of year	\$ 22,002

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City of Beaumont
Annual Financial Report
For the Year Ended June 30, 2019

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City of Beaumont
Annual Financial Report
For the Year Ended June 30, 2019

Notes to the Basic Financial Statements

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Annual Financial Report
For the Year Ended June 30, 2019

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City of Beaumont
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City of Beaumont
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City of Beaumont
Notes to the Basic Financial Statements
For the Year Ended June 30, 2019

Item No. 1.

Note 1 – Reporting Entity and Summary of Significant Accounting Policies

The basic financial statements of the City of Beaumont, California (the “City”) have been prepared in conformity with accounting principles generally accepted of the United States of America (“US GAAP”) as applied to governmental agencies. The Governmental Accounting Standards Board (“GASB”) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the City’s accounting policies are described below.

A. Reporting Entity

The City was incorporated November 18, 1912 under the general laws of the State of California. The City operates under a Council-Manager form of government and provides basic local governmental services including public safety (police and fire), maintenance and construction of public improvements, cultural, recreation, planning, zoning, transportation, sewer and general administration.

In evaluating how to define the City for financial reporting purposes, management has considered all potential component units. The primary criteria for including a potential component unit within the reporting entity are the governing body’s financial accountability and a financial benefit or burden relationship and whether it is misleading to exclude. A primary government is financially accountable and shares a financial benefit or burden relationship if it appoints a voting majority of an organization’s governing body and it is able to impose its will on the organization, or if there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the primary government. A primary government may also be financially accountable if an organization is fiscally dependent on the primary government regardless of whether the organization has a separately elected governing board, a governing board appointed by a higher level of government, or a jointly appointed board, and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the primary government.

Blended Component Units

The financial reporting entity consists of the primary government, the City, and its component units. In addition, component units can be other organizations for which the primary government is accountable and their exclusion would cause the reporting entity’s financial statements to be misleading or incomplete.

Blended component units, although legally separate entities, are, in substance part of the government’s operation and so data from these units are combined with data of the primary government.

Although the following are legally separate from the City, they have been “blended” as though they are part of the City because the component unit’s governing body is substantially the same as the City’s and there is a financial benefit or burden relationship between the City and the component unit; management of the City has operational responsibilities for the component units; and/or the component units provide services entirely, or almost entirely, to the City or otherwise exclusively, or almost exclusively, benefits the City, even though it does not provide services directly to it.

The following specific criteria were used in determining the status of the component unit:

- Members of the City Council also act as the governing body of the component unit.
- The City and the component unit are financially interdependent.
- The component unit is managed by employees of the City. A portion of the City’s salary and overhead expenses is billed to the component unit each year.

City of Beaumont
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Item No. 1.

Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)

A. Reporting Entity (Continued)

Blended Component Units (Continued)

Beaumont Financing Authority

The Beaumont Financing Authority (the “BFA”) was founded by the execution of a joint exercise of powers agreement dated April 1, 1993, by the City of Beaumont and the former Beaumont Redevelopment Agency. The BFA is authorized to issue revenue bonds to be repaid from the proceeds of public obligations and to provide financing and refinancing for public capital improvements of public entities, including the City, the former Redevelopment Agency, and the Community Facilities Districts. The City Council of the City of Beaumont serves as the governing board for the BFA and the City has fiduciary responsibility for the BFA. The BFA exclusively benefits the City. Transactions are reported in the Beaumont Financing Authority Debt Service fund. There are no separate financial statements available.

Beaumont Utility Authority

The Beaumont Utility Authority (the “BUA”) was established on May 15, 2001 by a joint powers agreement between the City of Beaumont and the former Beaumont Redevelopment Agency. The BUA was created to provide a binding framework for the relationship between the City’s utility enterprise fund and the City’s general fund, to address possible impacts of Proposition 218, and to provide greater fiscal strength for the City’s fund. The City Council serves as the governing board for the BUA and the City has operational responsibility for the BUA. Transactions are reported in an enterprise fund. There are no separate financial statements available.

Beaumont Parking Authority

The Beaumont Parking Authority (the “BPA”) was established on May 1, 2018 by the City of Beaumont City Council through resolution 2018-12 that declared a need for a parking authority in the city. The BPA was created to establish the Beaumont Public Improvement Authority through a joint powers agreement. The City Council serves as the governing board for the BPA and the City has operational responsibility for the BPA. There was no financial activity for the BPA during the fiscal year ending June 30, 2018.

Beaumont Public Improvement Authority

The Beaumont Public Improvement Authority (the “BPIA”) was established on May 15, 2018 by a joint powers agreement between the City of Beaumont and the Beaumont Parking Authority. The BPIA is authorized to issue revenue bonds to be repaid from the proceeds of wastewater services and to provide financing and refinancing for public capital improvements of the City’s wastewater system. The City Council serves as the governing board for the BPIA and the City has operational responsibility for the BPIA. There was no financial activity for the BPIA since inception through the fiscal year ending June 30, 2019.

B. Basis of Accounting and Measurement Focus

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures, or expenses as appropriate.

City of Beaumont
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Item No. 1.

Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)

B. Basis of Accounting and Measurement Focus (Continued)

Government resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

The Statement of Net Position reports separate sections for Deferred Outflows of Resources, and Deferred Inflows of Resources, when applicable.

Deferred Outflows of Resources represent outflows of resources (consumption of net position) that apply to future periods and therefore, will not be recognized as an expense until that time.

Deferred Inflows of Resources represent inflows of resources (acquisition of net position) that apply to future periods and therefore, are not recognized as revenue until that time.

Government-Wide Financial Statements

The City's government-wide financial statements include a statement of net position and a statement of activities. These statements present summaries of governmental and business-type activities for the City accompanied by a total column. Fiduciary activities of the City are not included in the government-wide financial statements.

These financial statements are presented on an "*economic resources*" measurement focus and the accrual basis of accounting. Accordingly, all of the City's assets and liabilities, including capital assets, as well as infrastructure assets, and long-term liabilities, are included in the accompanying statement of net position. The statement of activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred.

Certain types of transactions are reported as program revenues within three categories in the statement of activities:

- Charges for services
- Operating grants and contributions
- Capital grants and contributions

Certain eliminations have been made in regards to interfund activities, payables and receivables. All internal balances in the statement of net position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. However, those transactions between governmental and business-type activities have not been eliminated. The following interfund activities have been eliminated:

- Due from/to other funds
- Transfers in/out

Governmental Fund Financial Statements

Governmental fund financial statements include a balance sheet and a statement of revenues, expenditures and changes in fund balances for all major governmental funds and non-major funds aggregated. An accompanying schedule is presented to reconcile and explain the differences between fund balance as presented in these statements to the net position presented in the government-wide financial statements. The City has presented all major funds that meet the applicable criteria.

City of Beaumont
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Item No. 1.

Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)

B. Basis of Accounting and Measurement Focus (Continued)

Governmental Fund Financial Statements (Continued)

All governmental funds are accounted for on a spending or “*current financial resources*” measurement focus and the modified accrual basis of accounting. Accordingly, only current assets and current liabilities are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances present increases (revenue and other financing sources) and decreases (expenditures and other financing uses) in fund balances. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. The primary revenue sources, which have been treated as susceptible to accrual by the City, are property tax, sales tax, intergovernmental revenues and other taxes. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

Revenues are recognized as soon as they are both “measurable” and “available”. Revenues are considered to be available when they are collectible within the current period as 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.

Governmental funds of the City are outlined below:

General Fund – This fund accounts for all revenues and expenditures to finance the traditional services associated with a municipal government which are not accounted for in the other funds. In the City, these services include general government, public safety, public works, community development, community service, and refuse.

Community Facilities Districts (CFD) Special Revenue Fund - This fund is used to account for bond and annual tax assessments proceeds to be used for the construction and implementation of off-site infrastructure improvements. In addition, the Fund accounts for services and administration assessments received annually.

Community Facilities Districts (CFD) Capital Projects Fund - This fund is used to account for bond and annual tax assessments proceeds to be used for the construction and implementation of off-site infrastructure improvements. In addition, the Fund accounts for services and administration assessments received annually.

General Capital Projects Fund - This fund is used to account for financial resources to be used for acquisition, construction and improvement of the city's major capital facilities.

Development Impact Fees (DIF) Capital Projects Fund - This fund is used to account for the receipt and expenditure of mitigation fees on specified capital projects.

Beaumont Financing Authority Debt Service Fund - This fund is authorized to borrow money for the purpose of financing the acquisition of bonds, notes and other obligations of, or for the purpose of making loans to the City and/or to refinance outstanding obligations of the City.

Other Governmental Funds – Other Governmental Funds is the aggregate of all the non-major governmental funds.

City of Beaumont
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Item No. 1.

Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)

B. Basis of Accounting and Measurement Focus (Continued)

Proprietary Fund Financial Statements

Proprietary fund financial statements include a statement of net position, a statement of revenues, expenses and changes in net position, and a statement of cash flows for each major proprietary fund.

Proprietary funds are accounted for using the "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or noncurrent) are included on the statement of net position. The statement of revenues, expenses and changes in net position presents increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred. In these funds, receivables have been recorded as revenue and provisions have been made for uncollectible amounts.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

Proprietary funds of the City are outlined below:

Sewer Fund – This fund was established to receive and disburse funds collected through sewer services charge fees and sewer facilities charges. These funds are used for the operation and maintenance of sewer disposal facilities and the financing of construction outlet sewers.

Transit Fund – The Transit Fund is intended to show the financial position and the operation and maintenance of the City's fixed route and dial-a-ride transit systems.

Fiduciary Fund Financial Statements

Fiduciary fund financial statements include a statement of fiduciary net position and a statement of changes in fiduciary net position. The City has two types of fiduciary funds. They are the private purpose trust funds and agency funds.

The private purpose trust funds account for activities of the Successor Agency to the Beaumont Redevelopment Agency (the "Successor Agency").

The agency funds are purely custodial in nature (assets equal liabilities) and, thus, do not involve measurement of results of operations. Trust funds, such as the Successor Agency to the Redevelopment Agency, use the flow of economic resources measurement focus and the accrual basis of accounting.

C. Cash, Cash Equivalents and Investments

The City pools its available cash for investment purposes. The City's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturity of three months or less from the date of acquisition. Cash and cash equivalents are combined with investments and displayed as Cash and Investments.

City of Beaumont
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)

C. Cash, Cash Equivalents and Investments (Continued)

Highly liquid market investments with maturities of one year or less at time of purchase are stated at amortized cost. All other investments are stated at fair value. Market value is used as fair value for those securities for which market quotations are readily available.

The City follows the practice of pooling cash and investments of all funds, except for funds required to be held by fiscal agents under the provisions of bond indentures. Interest income earned on pooled cash and investments is allocated on an accounting period basis to the various funds based on the period-end cash and investment balances. Interest income from cash and investments with fiscal agents is credited directly to the related fund.

The City participates in an investment pool managed by the State of California titled *Local Agency Investment Fund* (LAIF) which has invested a portion of the pool funds in structured notes and asset-backed securities. LAIF's investments are subject to credit risk with the full faith and credit of the State of California collateralizing these investments. In addition, these structured notes and asset-backed securities are subject to market risk as to change in interest rates.

D. Restricted Cash and Investments

Certain restricted cash and investments are held 1) held for transit related activities or 2) by a fiscal agent for the redemption of bonded debt and for acquisition and construction of capital projects.

E. Capital Assets

Capital assets are valued at historical cost or estimated historical cost if actual historical cost was not available. Capital assets donated, or contributed by developers, are valued at their estimated fair value on the date donated or transferred to the City. City policy has set the capitalization threshold for reporting capital assets at \$5,000. Depreciation is recorded on a straight-line basis over estimated useful lives of the assets as follows:

	<u>Years</u>
Buildings	30
Infrastructure	35 - 120
Machinery and equipment	3 - 5
Furniture and fixtures	3 - 5
Vehicles	3
Computer equipment	3

The City defines infrastructure as the basic physical assets that allow the City to function. The infrastructure assets include streets (including bridges, streetlights, sidewalks, culverts and curbs), sewer system (including plant, collection systems, drains, lift stations), and park lands. Each major infrastructure system can be divided into subsystems. For example, the street system can be subdivided into pavement, curb and gutters, sidewalks, medians, streetlights, landscaping and land. These subsystems were not delineated in the basic financial statements. The appropriate operating department maintains information regarding the subsystems. Interest accrued during capital assets construction, if any, is capitalized for the business-type and proprietary funds as part of the asset cost.

For all infrastructure systems, the City elected to use the Basic Approach for infrastructure reporting.

City of Beaumont
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Item No. 1.

Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)

F. Long-Term Debt

Government-Wide Financial Statements

Long-term debt and other financial obligations are reported as liabilities in the appropriate funds.

Bond premiums and discounts, as well as insurance premiums paid to bond insurers, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable premium or discount. Issuance costs are expensed in the period when incurred.

Fund Financial Statements

The fund financial statements do not present long-term assets or liabilities. These amounts are shown in the reconciliation of the governmental funds balance sheet to the government-wide statement of net position.

G. Compensated Absences

Government-Wide Financial Statements

City employees have vested interest in varying levels of vacation and sick leave based on their length of employment and related bargaining unit. Vacation leave is payable to employees at the time a vacation is taken or upon termination of employment. Vacation leave balance accruals are capped at two the employee's annual accrual rate. Sick leave is payable only when an employee is unable to work due to personal or family illness or at separation from employment at different levels depending on the length of employment and the bargaining unit. There is no cap on the amount of sick leave that can be accrued but there is a cap on the amount that can be cashed out upon termination. Employees with less than five years of employment do not have vested privilege on sick leave and their sick leave is forfeited upon termination. The amount of compensated absences is accrued when incurred in the government-wide financial statements.

Fund Financial Statements

In governmental funds, compensated absences are recorded as expenditures in the years paid. It is the City's policy to liquidate unpaid compensated absences from future resources, rather than currently available financial resources. When an employee is terminated at fiscal year end, the amount of his or her reimbursable unused vacation and/or sick leave is recorded as a liability in the governmental funds. In proprietary funds, compensated absences are expensed to the various funds in the period they are earned, and such fund's share of the unpaid liability is recorded as a long-term liability of the fund.

H. Pensions

The City contracts with the California Public Employees' Retirement System (CalPERS) to provide a defined benefit pension plan for its employees and retirees. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources, and pension expense, information about the fiduciary net position of the plans and additions to/deductions from the plans' fiduciary net position have been determined on the same basis as they are reported by the plans (Note 10). For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

City of Beaumont
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)

H. Pensions (Continued)

The following timeframes are used for pension plan reporting:

CalPERS:

Valuation Date	6/30/2017
Measurement Date	6/30/2018
Measurement Period:	July 1, 2017 to June 30, 2018

Gains and losses related to changes in CalPERS estimates and assumption for determining the total pension liability and fiduciary net position are recognized in pension expense systematically over time. The first amortized amounts are recognized in pension expense for the year the gain or loss occurs. The remaining amounts are categorized as deferred outflows and deferred inflows of resources and are recognized in future pension expense. The amortization period differs depending on the source of the gain or loss. The difference between projected and actual earnings is amortized straight-line over 5 years. All other amounts are amortized straight-line over the average expected remaining service lives of all members that are provided with benefits (active, inactive, and retired) as of the beginning of the measurement period.

I. Property Taxes

Property taxes are levied on January 1 and are payable in two installments: November 1 and February 1 of each year. Property taxes become delinquent on December 10 and April 10, for the first and second installments, respectively. The lien date is March 1. The County of Riverside, California (County) bills and collects the property taxes and remits them to the City according to a payment schedule established by the County. City property tax revenues are recognized when received in cash except at year end when they are accrued pursuant to the modified accrual basis of accounting. The City recognizes as revenues at June 30 available taxes or those collected within 60 days.

The County is permitted by State law 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 during the years 1976 to 1978.

J. Net Position

For government-wide and proprietary fund financial statements, net position is categorized as follows:

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

Restricted – This component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.

Unrestricted – This component of net position is the amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

When expenses are incurred for purposes for which both restricted and unrestricted net position is available, the City's policy is to apply restricted net position first.

City of Beaumont
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Item No. 1.

Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)

K. Fund Balances

For governmental fund financial statements, fund balances are categorized as follows:

Nonspendable – Items that cannot be spent because they are not in spendable form, such as prepaid items and inventories and long term receivables, or 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 imposed by the formal action of the government’s highest level of decision making authority normally through resolutions, etc., and that remain binding unless rescinded or modified in the same manner. The City Council is considered the highest authority for the City.

Assigned – Assigned fund balances encompass the portion of net fund balance reflecting the government’s intended use of resources. Assignment of resources can be done by the highest level of decision making or by a committee or official designated for that purpose. On April 5, 2016, the City Council adopted the financial management policies that includes a fund balance policy authorizing the City Manager to make these determination.

Unassigned – This amount is for any portion of the fund balances that do not fall into one of the above categories. The General Fund is the only fund that reports a positive unassigned fund balance amount. In other governmental funds, it is not appropriate to report a positive unassigned fund balance amount. However, in governmental funds other than the General Fund, if expenditures incurred for specific purposes exceed the amounts that are restricted, committed or assigned for those purposes, it may be necessary to report negative unassigned fund balance in that particular fund.

When expenditures are incurred for purposes for which both restricted and unrestricted fund balances are available, the City’s policy is to apply restricted fund balances first, then unrestricted fund balances as they are needed.

When expenditures are incurred for purposes where only unrestricted fund balances are available, the City uses the unrestricted resources in the following order: committed, assigned, and unassigned.

L. Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosure. Accordingly, actual results could differ from those estimates.

M. Fair Value Measurement

U.S. GAAP defines fair value, establishes a framework for measuring fair value and establishes disclosures about fair value measurement. Investments, unless otherwise specified, recorded at fair value in the Statements of Net Position, are categorized based upon the level of judgment associated with the inputs used to measure their fair value. Levels of inputs are as follows:

City of Beaumont
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Item No. 1.

Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)

M. Fair Value Measurement (Continued)

Level 1 – Inputs are unadjusted, quoted prices for identical assets and liabilities in active markets at the measurement date.

Level 2 – Inputs, other than quoted prices included in Level 1, that are observable for the assets or liabilities through corroboration with market data at the measurement date.

Level 3 – Unobservable inputs that reflect management’s best estimate of what market participants would use in pricing the assets or liabilities at the measurement date.

N. New Governmental Accounting Standards Implemented for the Year Ended June 30, 2019

The requirements of the following accounting standards are effective for the purpose of implementation, if applicable to the City, for the year ended June 30, 2019. The financial statements included herein apply the requirements and provisions of these statements, including necessary retroactive adjustments to financial statement classifications and presentations.

GASB Statement No. 83

In November 2016, GASB issued Statement No. 83, Certain Asset Retirement Obligations. This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations (ARO). This Statement requires that recognition occur when the liability is both incurred and reasonably estimable. The determination of when the liability is incurred should be based on the occurrence of external laws, regulations, contracts, or court judgments, together with the occurrence of an internal event that obligates a government to perform asset retirement activities. Laws and regulations may require governments to take specific actions to retire certain tangible capital assets at the end of the useful lives of those capital assets, such as decommissioning nuclear reactors and dismantling and removing sewage treatment plants. Other obligations to retire tangible capital assets may arise from contracts or court judgments. Internal obligating events include the occurrence of contamination, placing into operation a tangible capital asset that is required to be retired, abandoning a tangible capital asset before it is placed into operation, or acquiring a tangible capital asset that has an existing ARO. Application of this statement is effective for the City’s fiscal year ending June 30, 2019. This pronouncement did not have a material effect on the financial statements of the City.

GASB Statement No. 88

In April 2018, GASB issued Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements. This Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The statement also defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. In addition the statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. This pronouncement did not have a material effect on the financial statements of the City.

City of Beaumont
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)

O. Upcoming Governmental Accounting Standards Implementation

The City is currently analyzing its accounting practices to determine the potential impact on the financial statements for the following GASB statements:

GASB Statement No. 84

In January 2017, GASB issued Statement No. 84, Fiduciary Activities. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. Application of this statement is effective for the City's fiscal year ending June 30, 2020.

GASB Statement No. 87

In June 2017, GASB issued Statement No. 87, Leases. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. Application of this statement is effective for the City's fiscal year ending June 30, 2021.

GASB Statement No. 89

In June 2018, GASB issued Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period. This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5–22 of Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. Application of this statement is effective for the City's fiscal year ending June 30, 2021.

GASB Statement No. 90

In August 2018, GASB issued Statement No. 90, Majority Equity Interests— An Amendment of GASB Statements No. 14 and No. 61. This Statement improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. Application of this statement is effective for the City's fiscal year ending June 30, 2020.

City of Beaumont
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 1 – Reporting Entity and Summary of Significant Accounting Policies (Continued)

O. Upcoming Governmental Accounting Standards Implementation (Continued)

GASB Statement No. 91

In May 2019, GASB issued Statement No. 91, Conduit Debt Obligations. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. Application of this statement is effective for the SEJPA’s fiscal year ending June 30, 2022.

Note 2 – Cash and Investments

A. Cash Deposits

The following is a summary of pooled cash and investments and restricted cash and investments at June 30, 2019:

	Primary Government			Fiduciary Funds	Total
	Governmental Activities	Business-type Activities	Total		
Cash and investments	\$ 73,004,507	\$ 14,752,256	\$ 87,756,763	\$ 19,116,924	\$ 106,873,687
Restricted cash and investments	-	147,616	147,616	-	147,616
Restricted cash and investments with fiscal agent	9,491,390	67,534,578	77,025,968	11,706,744	88,732,712
Restricted investments in CFDs	88,499,034	-	88,499,034	-	88,499,034
Total	\$ 170,994,931	\$ 82,434,450	\$ 253,429,381	\$ 30,823,668	\$ 284,253,049

Cash, cash equivalents, and investments, consisted of the following at June 30, 2019:

Cash and cash equivalents:	
Petty cash	\$ 4,752
Demand deposits	62,885,408
Cash with fiscal agent	68,254,346
Subtotal	131,144,506
Investments:	
Certificate of Deposit	200,378
Local Agency Investment Fund	36,251,338
Money market funds	27,377,793
Guaranteed investment contract	780,000
Restricted investments in CFDs	88,499,034
Subtotal	153,108,543
Total	\$ 284,253,049

City of Beaumont
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 2 – Cash and Investments (Continued)

A. Cash Deposits (Continued)

At June 30, 2019, cash and investments, are reported at fair value based on quoted market prices. The following table represents the fair value measurements of investments recognized in the accompanying Statement of Net Position measured at on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2019:

Investments:			
Certificate of Deposit	\$ 200,378	Uncategorized	N/A
Local Agency Investment Fund	36,251,338	Uncategorized	N/A
Money market funds	27,377,793	Uncategorized	N/A
Guaranteed investment contract	780,000	Uncategorized	N/A
Restricted investments in CFDs	88,499,034	Uncategorized	N/A
Total	\$ 153,108,543		

The carrying amount of the City’s demand deposits are \$62,885,408 at June 30, 2019. Bank balances were \$63,200,266 at that date; the total amount is collateralized or insured with securities held by the pledging financial institutions in the City’s name is discussed below.

The California Government Code requires California banks and savings and loan associations to secure the City’s cash deposits by pledging securities as collateral. This Code states that collateral pledged in this manner shall have the effect of perfecting a security interest in such collateral superior to those of a general creditor. Thus, collateral for cash deposits is considered to be held in the City's name.

The market value of pledged securities must equal at least 110% of the City's cash deposits. California law also allows institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the City’s total cash deposits. The City may waive collateral requirements for cash deposits; however, the City has not waived the collateralization requirements.

City of Beaumont
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 2 – Cash and Investments (Continued)

B. Investments

Investments Authorized by the California Government Code and the City’s Investment Policy

The table below identifies the investment types that are authorized for the City by the California Government Code (or the City’s investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the City’s investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of bond proceeds held by the City’s bond trustee (fiscal agent) which is described below.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
Local Agency Investment Fund (LAIF)	N/A	100%	\$50 million
Negotiable Certificates of Deposits	5 years	100%	None
Mutual Funds	N/A	100%	None
Money Market Funds	N/A	100%	None
Guaranteed Investment Contracts	N/A	100%	None
Government Securities Mutual Funds	N/A	20%	None
Local Obligation Bonds*	5 Years	None	None

*Limited to 5 years, except permits investment in variable rate demand obligations that are City obligations up to 10 year maturity, as allowed under IRS and SEC rulings.

Investments Authorized by Debt Agreements

Investments of bond proceeds held by the City’s bond trustee are governed by provisions of the related debt agreement rather than the general provisions of the California Government Code or the City’s investment policy. The table below identifies certain provisions of these debt agreements that address interest rate risk, credit risk, and concentration of credit risk.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
Local Agency Investment Fund (LAIF)	N/A	None	None
Negotiable Certificates of Deposits	None	None	None
Money Market Mutual Funds	N/A	None	None
Guaranteed Investment Contracts	None	None	None
Community Facilities District Bonds	None	None	None
U.S. Treasury Obligations	None	None	None
U.S. Agency Obligations	None	None	None
Municipal Obligations	None	None	None
Banker's Acceptances, Prime Quality	360 days	None	None
Commercial Paper, Prime Quality	270 days	None	None

City of Beaumont
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Item No. 1.

Note 2 – Cash and Investments (Continued)

C. External Investment Pool

The City is a participant in LAIF, which is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The City's investments in LAIF at June 30, 2019 included a portion of pool funds invested in Structure Notes and Asset-Backed Securities:

Structured Notes are debt securities (other than asset-backed securities) whose cash-flow characteristics (coupon rate, redemption amount, or stated maturity) depend upon one or more indices and/or that have embedded forwards or options.

Asset-Backed Securities, the bulk of which are mortgage-backed securities, entitle their purchasers to receive a share of the cash flows from pool of assets such as principal and interest repayments from a pool of mortgages (such as Collateralized Mortgage Obligations) or credit card receivables.

As of June 30, 2019, the City had \$36,251,338 invested in LAIF, which had invested 1.49% of the pool investment funds in Structured Notes and Asset-Backed Securities. LAIF determines fair value on its investment portfolio based on market quotations for those securities where market quotations are readily available and based on amortized cost or best estimate for those securities where market value is not readily available. The value of the City's position in the pool is the same as the value of the pool shares. The credit quality rating of LAIF is unrated as of June 30, 2019.

D. Investment in CFD Bonds

The Beaumont Financing Authority (BFA) issued Local Agency Revenue Bonds ("Authority Bonds") for investment in the City of Beaumont Community Facilities District (CFD) 93-1 Special Tax Bonds ("District Bonds"). The District Bonds are local obligation bonds secured solely by special assessments on property owners within the CFD. The Authority Bonds issued by the BFA are repaid solely by debt service payments made on the District Bonds to the BFA. The repayment schedules of the District Bonds, and interest thereon, to the BFA; are concurrent and sufficient to satisfy the debt service requirements of the respective Authority Bonds.

City of Beaumont
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 2 – Cash and Investments (Continued)

E. Risk Disclosures

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity, the greater the sensitivity its fair value is to changes in market interest rates. 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. Investments governed by the bond indentures may be longer. Maturities of investments vary and depend on liquidity needs of the City.

As of June 30, 2019, the City had the following investments and maturities:

	Amount	Maturities		
		1 year or less	1 - 5 years	More than 5 years
Investments:				
Certificate of Deposit	\$ 200,378	\$ 200,378	\$ -	\$ -
Local Agency Investment Fund	36,251,338	36,251,338	-	-
Money market funds	27,377,793	27,377,793	-	-
Guaranteed investment contract	780,000	-	-	780,000
Restricted investments in CFDs	88,499,034	3,565,000	15,360,000	69,574,034
Total	\$ 153,108,543	\$ 67,394,509	\$ 15,360,000	\$ 70,354,034

Credit Risk

Credit Risk is the risk of loss due to failure of the security issuer. The risk can be identified thru the rating assigned by a nationally recognized statistical rating organization to the issuers of securities. The City minimizes this risk by investing only in the type of investments allowed for municipalities by the Government Code as listed on the City’s investment policy and investing only in instruments that are most credit worthy.

	Amount	Credit Quality Ratings	
		Moody's	Standard & Poor's
Investments:			
Certificate of Deposit	\$ 200,378	Not Rated	Not Rated
Local Agency Investment Fund	36,251,338	Not Rated	Not Rated
Money market funds	27,377,793	AA - AAA	AA - AAA
Guaranteed investment contract	780,000	Not Rated	Not Rated
Restricted investments in CFDs	88,499,034	Not Rated	Not Rated
Total	\$ 153,108,543		

City of Beaumont
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 2 – Cash and Investments (Continued)

E. Risk Disclosures (Continued)

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. None of the City’s investments were subject to custodial credit risk.

Concentration of Credit Risk

The investment policy of the City contains no limitations on the amount that can be invested in any one issuer beyond the amount stipulated by the California Government Code. City investments that are greater than 5 percent of the total investments are in either an external investment pool or mutual funds and are therefore exempt. The City’s investment in CFDs is restricted and is secured by special assessments from property owners and a tax lien on the underlying property.

Investment Type	June 30, 2019	Investments
Investments:		
Certificate of Deposit	\$ 200,378	0.13%
Local Agency Investment Fund	36,251,338	23.68%
Money market funds	27,377,793	17.88%
Guaranteed investment contract	780,000	0.51%
Restricted investments in CFDs	88,499,034	57.80%
Total	\$ 153,108,543	

Total

Note 3 – Loans Receivable

A. Governmental Activities

For the year ended June 30, 2019, changes in the loan receivable of the City’s loan program is as follows:

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019
Loan receivable:				
Calimesa loan	\$ 215,904	\$ 4,730	\$ -	\$ 220,634
Total	\$ 215,904	\$ 4,730	\$ -	\$ 220,634

Calimesa Loan

The City entered into a loan agreement with City of Calimesa for the design and construction of portions of Cherry Valley Boulevard and Palmer Drive. The City of Calimesa will repay the loans within the next 20 years, plus simple interest annually at the rate paid by the Local Agency Investment Fund (LAIF) on January 1 of each year on the unpaid balance. The balance of the loan totaled \$220,634 at June 30, 2019. This balance includes interest of \$11,893 calculated at the LAIF rate of 1.20%.

City of Beaumont
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Item No. 1.

Note 4 – Interfund Balances and Transactions

A. Transfers

Transfers in and out for the year ended June 30, 2019, were as follows:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Transit Fund	18,906	Miscellaneous and grants
General Fund	Other Federal Grant Fund	406	Miscellaneous and grants
General Fund	Capital Projects Fund	43,728	Transfer expenditures to project
General Fund	State Gas Tax Fund	900,000	Streets maintenance cost
General Fund	COPS Grant Fund	60,000	Labor cost allocation
General Fund	CFD Special Revenue Fund	4,427,745	CFD - City maintenance/admin
	Subtotal	5,450,785	
General Capital Projects Fund	State Gas Tax Fund	55	Transfer expenditures to project
General Capital Projects Fund	General Fund	50,788	Capital projects
General Capital Projects Fund	SB1	43,535	Transfer expenditures to project
General Capital Projects Fund	Sales Tax Measure A	64,035	Transfer expenditures to project
General Capital Projects Fund	DIF Capital Project Fund	3,181,216	Capital projects
	Subtotal	3,339,629	
Other Special Revenue Fund	General Fund	541,889	Measure A transfer to new fund
SB1 Fund	State Gas Tax Fund	263,368	SB1 transfer to new fund
COPS Grant Fund	General Fund	21,695	Cadet True-Up
State Gas Tax Fund	Capital Projects	64,751	Transfer expenditures to project
	Subtotal	891,703	
Wastewater Fund	CFD Special Revenue Fund	3,500	Trustee fees
Wastewater Fund	Wastewater Capital Projects	219,942	Capital projects
Wastewater Fund	CFD Capital Projects Fund	3,357,095	Capital projects
	Subtotal	3,580,537	
Transit Fund	General Fund	322	Transfer of expenses
	Subtotal	322	
	Total	\$ 13,262,976	

City of Beaumont
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Item No. 1.

Note 5 – Capital Assets

A. Governmental Activities

Summary of changes in capital assets for governmental activities for the year ended June 30, 2019 is as follows:

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019
Nondepreciable assets:				
Land	\$ 23,284,760	\$ 4,800,000	\$ -	\$ 28,084,760
Construction in progress	12,437,213	12,451,337	(1,178,986)	23,709,564
Total nondepreciable assets	35,721,973	17,251,337	(1,178,986)	51,794,324
Depreciable assets				
Building and improvements	16,394,771	3,395,270	-	19,790,041
Machinery and equipment	6,460,573	536,427	-	6,997,000
Vehicles	3,252,975	89,268	(205,000)	3,137,243
Infrastructure	414,959,273	1,184,800	-	416,144,073
Subtotal	441,067,592	5,205,765	(205,000)	446,068,357
Less accumulated depreciation				
Building and improvements	(9,334,759)	(332,346)	-	(9,667,105)
Machinery and equipment	(3,704,720)	(240,628)	-	(3,945,348)
Vehicles	(2,477,711)	(225,982)	205,000	(2,498,693)
Infrastructure	(206,492,874)	(4,380,263)	-	(210,873,137)
Subtotal	(222,010,064)	(5,179,219)	205,000	(226,984,283)
Total depreciable assets, net	219,057,528	26,546	-	219,084,074
Total	\$ 254,779,501	\$ 17,277,883	\$ (1,178,986)	\$ 270,878,398

Governmental activities depreciation expenses for capital assets for the year ended June 30, 2019 are as follows:

<u>Depreciation by function-GOVT</u>	
General government	15,050
Public safety	204,073
Public works	4,588,041
Community development	90,080
Community services	281,975
Total depreciation expense	\$ 5,179,219

City of Beaumont
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 5 – Capital Assets (Continued)

B. Business-Type Activities

Summary of changes in capital assets for business-type activities for the year ended June 30, 2019 is as follows:

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019
Nondepreciable assets:				
Land	\$ 502,560	\$ 2,507,300	\$ -	\$ 3,009,860
Construction in progress	4,417,523	33,567,601	(5,290)	37,979,834
Total nondepreciable assets	4,920,083	36,074,901	(5,290)	40,989,694
Depreciable assets				
Building and improvements	621,548	-	-	621,548
Machinery and equipment	88,628,637	574,553	-	89,203,190
Vehicles	4,433,552	516,265	(383,409)	4,566,408
Infrastructure	133,820,513	3,676,047	-	137,496,560
Subtotal	227,504,250	4,766,865	(383,409)	231,887,706
Less accumulated depreciation				
Building and improvements	(430,627)	(48,295)	-	(478,922)
Machinery and equipment	(38,037,508)	(3,097,642)	-	(41,135,150)
Vehicles	(3,000,290)	(522,366)	383,409	(3,139,247)
Infrastructure	(66,446,114)	(3,844,890)	-	(70,291,004)
Subtotal	(107,914,539)	(7,513,193)	383,409	(115,044,323)
Total depreciable assets, net	119,589,711	(2,746,328)	-	116,843,383
Total	\$ 124,509,794	\$ 33,328,573	\$ (5,290)	\$ 157,833,077

Business-type activities depreciation expenses for capital assets for the year ended June 30, 2019 are as follows:

Sewer	\$ 7,005,273
Transit	507,920
Total depreciation expense	\$ 7,513,193

C. Fiduciary Fund Financial Statements

Summary of changes in capital assets for the City's Successor Agency for the year ended June 30, 2019 is as follows:

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019
Nondepreciable assets:				
Land	\$ 21,827	\$ -	\$ -	\$ 21,827
Total nondepreciable assets	21,827	-	-	21,827
Total	\$ 21,827	\$ -	\$ -	\$ 21,827

City of Beaumont
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Item No. 1.

Note 6 – Long-Term Obligations

A. Governmental Activities

Summary of changes in long-term liabilities for the governmental activities for the year ended June 30, 2019 is as follows:

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019	Classification		
					Due within One Year	Due in more than One Year	
Governmental Activities:							
City							
AB 1484 Due Diligence Review	\$ 1,675,912	\$ -	\$ (300,000)	\$ 1,375,912	\$ 300,000	\$ 1,075,912	
Capital Leases	186,483	167,456	(56,697)	297,242	98,520	198,722	
Beaumont Public Financing Authority							
1994 Revenue Bonds, Series A	3,356,186	-	(326,186)	3,030,000	\$ 500,000	\$ 2,530,000	
2007 Revenue Bonds, Series A	3,985,000	-	(205,000)	3,780,000	220,000	3,560,000	
2007 Revenue Bonds, Series C & D	3,410,000	-	(140,000)	3,270,000	155,000	3,115,000	
2011 Revenue Bonds, Series A & B	12,070,000	-	(60,000)	12,010,000	100,000	11,910,000	
2012 Revenue Bonds, Series A	5,640,000	-	(20,000)	5,620,000	30,000	5,590,000	
2012 Revenue Bonds, Series B	3,100,000	-	(70,000)	3,030,000	85,000	2,945,000	
2012 Revenue Bonds, Series C	3,470,000	-	(70,000)	3,400,000	65,000	3,335,000	
2013 Revenue Bonds, Series A	6,830,000	-	(355,000)	6,475,000	440,000	6,035,000	
2013 Refunding Revenue Bonds, Series B	9,505,000	-	(460,000)	9,045,000	390,000	8,655,000	
2015 Refunding Revenue Bonds, Series A	10,445,000	-	(220,000)	10,225,000	230,000	9,995,000	
2015 Refunding Revenue Bonds, Series B	18,365,000	-	(780,000)	17,585,000	790,000	16,795,000	
2015 Refunding Revenue Bonds, Series C	4,735,000	-	(250,000)	4,485,000	225,000	4,260,000	
2015 Refunding Revenue Bonds, Series D	6,970,000	-	(320,000)	6,650,000	335,000	6,315,000	
Total Revenue Bonds	91,881,186	-	(3,276,186)	88,605,000	3,565,000	85,040,000	
Total governmental activities	\$ 93,743,581	\$ 167,456	\$ (3,632,883)	\$ 90,278,154	\$ 3,963,520	\$ 86,314,634	

AB 1484 Due Diligence Review

The City has entered into an agreement with the State of California, Department of Finance (State) to pay an outstanding amount due from the State's Due Diligence Review. The original amount due was \$2,875,912, and the outstanding balance at June 30, 2019 is \$1,375,912. The agreement calls for annual payments of \$300,000 through July 15, 2022, with a final payment of \$175,912 due on July 15, 2023. The City will utilize "residual" pass-through payments received by the City's General Fund to pay this debt of the former Redevelopment Agency. There is no interest charged by the State.

The annual debt service requirements are as follows:

Year Ending June 30,	Total
2020	\$ 300,000
2021	300,000
2022	300,000
2023	300,000
2024	175,912
Total	<u>\$ 1,375,912</u>

City of Beaumont
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 6 – Long-Term Obligations (Continued)

A. Governmental Activities (Continued)

Capital Lease

The City has entered into several lease agreements for the financing of public works vehicles, police vehicles, and equipment. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of future minimum lease payments as of the date of inception.

The annual debt service requirements for the capital leases payable outstanding at June 30, 2019 are as follows:

Year Ending June 30,	Principal	Interest	Total
2020	\$ 98,520	\$ 52,686	\$ 151,206
2021	83,130	49,000	132,130
2022	78,584	46,094	124,678
2023	37,008	37,270	74,278
Total	\$ 297,242	\$ 185,050	\$ 482,292

The City entered into capital lease-purchase agreements whereby the lessor acquired certain capital assets and leased them to the City with the option to purchase. The leased assets are included in capital assets and are summarized by major asset class below:

	Amount
Vehicles	\$ 266,672
Less: accumulated depreciation	(85,676)
Total	\$ 180,996

Revenue Bonds

Local Revenue Bonds – 1994

On January 15, 1994, the BFA issued \$7,535,000 of 1994 Local Agency Revenue Bonds – Series A and \$2,755,000 of 1994 Local Agency Revenue Bonds – Series B (the “Authority Bonds”) for the purpose of acquiring the concurrently issued City of Beaumont Community Facilities District No. 93-1 Special Tax Bonds, 1994 Series A (the “District Bonds”) in the amount of \$9,260,000. Proceeds from the Authority Bonds were used to purchase the District bonds. The bonds were issued to provide the District with funds to design or acquire certain public improvements relating to the District, including water treatment plant facilities and infrastructure.

The Authority Bonds are payable from and secured by repayment of the District Bonds. Interest was payable on September 1, 1994, and semiannually thereafter on March 1 and September 1 of each year until maturity. Series A Authority Bonds are 7.0% term bonds due September 1, 2023, with sinking payments to be made beginning September 1, 2004. Series B Authority Bonds consist of \$365,000 serial bonds maturing annually in amounts between \$65,000 and \$80,000 from September 1, 1999 through September 1, 2003. Thereafter, \$2,390,000 of 7.5% term bonds are due September 1, 2023, with sinking payments to be made beginning September 1, 2004.

City of Beaumont
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Item No. 1.

Note 6 – Long-Term Obligations (Continued)

A. Governmental Activities (Continued)

Revenue Bonds (Continued)

Local Revenue Bonds – 1994 (Continued)

Neither the Authority Bonds nor the District Bonds are general obligations of the City nor any other political subdivision and the full faith and credit of the City is not pledged for repayment thereof. The outstanding indebtedness at June 30, 2019, on the Series A Bonds was \$3,030,000.

The District Bonds do not constitute an obligation of the City and the City is not obligated to make payment beyond the special taxes and available bond reserves, therefore these bonds have not been reflected as long-term liabilities in the accompanying financial statements.

Local Agency Revenue Bonds – 2007 Series A

On January 18, 2007, the BFA issued \$21,175,000 of 2007 Local Agency Revenue Bonds, Series A (the “Authority Bonds”) for the purpose of refunding the Beaumont Financing Authority 2000 Local Agency Revenue Bonds, Series A, the Beaumont Financing Authority 1994 Local Agency Revenue Bonds, Series A and B, and acquiring the City of Beaumont Community Facilities District No. 93-1 Special Tax Bonds (“District Bonds”) in the amount of \$4,910,884.

These bonds were issued to provide the District with funds to finance public infrastructure relating to respective improvements areas, fund interest on the bonds, pay expenses relating to the issuance of the bonds and fund a reserve account.

The Authority Bonds are payable from and secured by repayment of the District Bonds. Interest is payable semiannually on March 1 and September 1 of each year, commencing September 1, 2007 until maturity or earlier redemption. The Bonds consist of \$8,860,000 serial bonds maturing annually in amounts between \$250,000 and \$780,000 from September 1, 2007 through September 1, 2021 with interest rates between 3.500% and 4.250%. Thereafter, \$4,425,000 of 4.500% term bonds are due September 1, 2026, with sinking payments to be made beginning September 1, 2022, \$6,785,000 of 4.500% term bonds are due September 1, 2032, with sinking payments to be made beginning September 1, 2027 and \$1,105,000 of 4.625% term bonds are due September 1, 2037, with sinking payments to be made beginning September 1, 2033.

Neither the Authority Bonds nor the District Bonds are general obligations of the City nor any other political subdivision and the full faith and credit of the City is not pledged for repayment thereof. The outstanding indebtedness at June 30, 2019 was \$3,780,000. The 2007 Series A Authority Bonds were partially called and defeased by the District’s issuance of 2017 Series A District Bonds (Note 7).

The District Bonds do not constitute an obligation of the City and the City is not obligated to make payment beyond the special taxes and available bond reserves, therefore these bonds have not been reflected as long-term liabilities in the accompanying financial statements.

City of Beaumont
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 6 – Long-Term Obligations (Continued)

A. Governmental Activities (Continued)

Revenue Bonds (Continued)

Local Agency Revenue Bonds – 2007 Series C and D

On April 26, 2007, the BFA issued \$22,490,000 of 2007 Local Agency Revenue Bonds, Series C (the “Authority Bonds”) and \$1,105,000 Local Agency Revenue Bonds, Series D (the “Authority Bonds”) for the purpose of refunding the Beaumont Financing Authority 2003 Local Agency Revenue Bonds, Series A and Beaumont Financing Authority 1994 Local Agency Revenue Bonds, Series A, and acquiring the City of Beaumont Community Facilities District No. 93-1 Special Tax Bonds (“District Bonds”) in the amount of \$217,000. These bonds were issued to provide the District with funds to finance public infrastructure relating to respective improvements areas, fund interest on the bonds, pay expenses relating to the issuance of the bonds and fund a reserve account.

The Authority Bonds are payable from and secured by repayment of the District Bonds. Interest is payable semiannually on March 1 and September 1 of each year, commencing September 1, 2007 until maturity or earlier redemption. The 2007 Series C Bonds consist of \$6,440,000 serial bonds maturing annually in amounts between \$350,000 and \$765,000 from September 1, 2007 through September 1, 2019 with interest rates between 4.000% and 4.500%. Thereafter, \$2,555,000 of 5.000% term bonds are due September 1, 2022, with sinking payments to be made beginning September 1, 2020, \$4,060,000 of 5.000% term bonds are due September 1, 2026, with sinking payments to be made beginning September 1, 2023. \$2,370,000 of 4.750% term bonds are due September 1, 2028, with sinking payments to be made beginning September 1, 2027, and \$7,065,000 of 4.750% term bonds are due September 1, 2033, with sinking payments to be made beginning September 1, 2029. The 2007 Series D Bonds consist of \$1,105,000 of 5.200% term bonds are due September 1, 2012, with sinking payments to be made beginning September 1, 2011.

Neither the Authority Bonds nor the District Bonds are general obligations of the City nor any other political subdivision and the full faith and credit of the City is not pledged for repayment thereof. The outstanding indebtedness at June 30, 2019 was \$3,270,000. The 2007 Series C and D Authority Bonds were partially called and defeased by the District’s issuance of 2017 Series A District Bonds (Note 7). The District Bonds do not constitute an obligation of the City and the City is not obligated to make payment beyond the special taxes and available bond reserves, therefore these bonds have not been reflected as long-term liabilities in the accompanying financial statements.

Local Agency Revenue Bonds – 2011 Series A and B

On December 15, 2011, the BFA issued \$12,145,000 of 2011 Local Agency Revenue Bonds, Series A (the “Authority Bonds”) for the purpose of refunding the Beaumont Financing Authority 2009 Local Agency Revenue Bonds, Series A and B, the Beaumont Financing Authority 2009 Local Agency Revenue Bonds, Series A and B, and acquiring the City of Beaumont Community Facilities District No. 93-1 Special Tax Bonds (“District Bonds”) in the amount of \$11,039,529. These bonds were issued to provide the District with funds to finance public infrastructure relating to respective improvements areas, fund interest on the bonds, pay expenses relating to the issuance of the bonds and fund a reserve account.

The Authority Bonds are payable from and secured by repayment of the District Bonds. Interest is payable semiannually on March 1 and September 1 of each year, commencing September 1, 2012 until maturity or earlier redemption. The Bonds consist of \$1,405,000 serial bonds maturing annually in amounts between \$10,000 and \$250,000 from September 1, 2015 through September 1, 2026 with interest rates between 3.500% and 5.500%. Thereafter, \$1,820,000 of 6.125% term bonds are due September 1, 2031, with sinking payments to be made

City of Beaumont
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 6 – Long-Term Obligations (Continued)

A. Governmental Activities (Continued)

Revenue Bonds (Continued)

Local Agency Revenue Bonds – 2011 Series A and B (Continued)

beginning September 1, 2027, and \$8,920,000 of 6.375% term bonds are due September 1, 2042, with sinking payments to be made beginning September 1, 2032.

Neither the Authority Bonds nor the District Bonds are general obligations of the City nor any other political subdivision and the full faith and credit of the City is not pledged for repayment thereof. The outstanding indebtedness at June 30, 2019 was \$12,010,000 for the Authority Bonds is reported in the City's financial statements as the BFA is a component unit of the City.

The District Bonds do not constitute an obligation of the City and the City is not obligated to make payment beyond the special taxes and available bond reserves, therefore these bonds have not been reflected as long-term liabilities in the accompanying financial statements.

Local Agency Revenue Bonds – 2012 Series A

On March 14, 2012, the BFA issued \$5,650,000 of 2012 Local Agency Revenue Bonds, Series A (the "Authority Bonds") for the purpose of acquiring the City of Beaumont Community Facilities District No. 93-1 Special Tax Bonds ("District Bonds") in the amount of \$4,936,658. These bonds were issued to provide the District with funds to finance public infrastructure relating to Improvements Area No. 8C, fund interest on the bonds, pay expenses relating to the bonds and fund a reserve account.

The Authority Bonds are payable from and secured by repayment of the District Bonds. Interest is payable semiannually on March 1 and September 1 of each year, commencing September 1, 2017 until maturity or earlier redemption. The Bonds consist of \$155,000 serial bonds maturing annually in amounts between \$10,000 and \$120,000 from September 1, 2017 through September 1, 2029 with interest rates between 3.500% and 5.250%. Thereafter, \$400,000 of 5.625% term bonds are due September 1, 2032, with sinking payments to be made beginning September 1, 2030, and \$4,475,000 of 5.875% term bonds are due September 1, 2042, with sinking payments to be made beginning September 1, 2033.

Neither the Authority Bonds nor the District Bonds are general obligations of the City nor any other political subdivision and the full faith and credit of the City is not pledged for repayment thereof. The outstanding indebtedness at June 30, 2019 was \$5,620,000 for the Authority Bonds and is reported in the City's financial statements as the BFA is a component unit of the City.

The District Bonds do not constitute an obligation of the City and the City is not obligated to make payment beyond the special taxes and available bond reserves, therefore these bonds have not been reflected as long-term liabilities in the accompanying financial statements.

Local Agency Revenue Bonds – 2012 Series B

On April 10, 2012, the BFA issued \$3,265,000 of 2012 Local Agency Revenue Bonds, Series B (the "Authority Bonds") for the purpose of acquiring the City of Beaumont Community Facilities District No. 93-1 Special Tax Bonds ("District Bonds") in the amount of \$2,690,661. These bonds were issued to provide the District with funds to finance public infrastructure relating to Improvements Area No. 20, fund interest on the bonds, pay expenses relating to the bonds and fund a reserve account. public infrastructure relating to Improvements Area No. 20, fund interest on the bonds, pay expenses relating to the bonds and fund a reserve

City of Beaumont
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Item No. 1.

Note 6 – Long-Term Obligations (Continued)

A. Governmental Activities (Continued)

Revenue Bonds (Continued)

Local Agency Revenue Bonds – 2012 Series B (Continued)

The Authority Bonds are payable from and secured by repayment of the District Bonds. Interest is payable semiannually on March 1 and September 1 of each year, commencing September 1, 2015 until maturity or earlier redemption. The Bonds consist of \$1,120,000 serial bonds maturing annually in amounts between \$50,000 and \$150,000 from September 1, 2015 through September 1, 2026 with interest rates between 3.500% and 5.500%.

Thereafter, \$2,145,000 of 5.950% term bonds are due September 1, 2035, with sinking payments to be made beginning September 1, 2027.

Neither the Authority Bonds nor the District Bonds are general obligations of the City nor any other political subdivision and the full faith and credit of the City is not pledged for repayment thereof. The outstanding indebtedness at June 30, 2019 was \$3,030,000 for the Authority Bonds and is reported in the City's financial statements as the BFA is a component unit of the City. The District Bonds do not constitute an obligation of the City and the City is not obligated to make payment beyond the special taxes and available bond reserves, therefore these bonds have not been reflected as long-term liabilities in the accompanying financial statements.

Local Agency Revenue Bonds – 2012 Series C

On May 23, 2012, the BFA issued \$3,655,000 of 2012 Local Agency Revenue Bonds, Series C (the "Authority Bonds") for the purpose of acquiring the City of Beaumont Community Facilities District No. 93-1 Special Tax Bonds ("District Bonds") in the amount of \$3,122,785. These bonds were issued to provide the District with funds to finance public infrastructure relating to Improvements Area No. 7B and No. 7C, fund interest on the bonds, pay expenses relating to the bonds and fund a reserve account.

The Authority Bonds are payable from and secured by repayment of the District Bonds. Interest is payable semiannually on March 1 and September 1 of each year, commencing September 1, 2013 until maturity or earlier redemption. The Bonds consist of \$760,000 serial bonds maturing annually in amounts between \$20,000 and \$105,000 from September 1, 2013 through September 1, 2025 with interest rates between 1.500% and 4.250%. Thereafter, \$2,895,000 of 5.250% term bonds are due September 1, 2039, with sinking payments to be made beginning September 1, 2026.

Neither the Authority Bonds nor the District Bonds are general obligations of the City nor any other political subdivision and the full faith and credit of the City is not pledged for repayment thereof. The outstanding indebtedness at June 30, 2019 was \$3,400,000 for the Authority Bonds and is reported in the City's financial statements as the BFA is a component unit of the City.

The District Bonds do not constitute an obligation of the City and the City is not obligated to make payment beyond the special taxes and available bond reserves, therefore these bonds have not been reflected as long-term liabilities in the accompanying financial statements.

City of Beaumont
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 6 – Long-Term Obligations (Continued)

A. Governmental Activities (Continued)

Revenue Bonds (Continued)

Local Agency Revenue Bonds – 2013 Series A

On January 17, 2013, the BFA issued \$8,810,000 of 2013 Local Agency Revenue Bonds, Series A (the “Authority Bonds”) for the purpose of acquiring the City of Beaumont Community Facilities District No. 93-1 Special Tax Bonds (“District Bonds”) in the amount of \$7,865,887. The District Bonds were issued to provide the District with funds to finance public infrastructure related to Improvements Area No. 19C, fund interest on the bonds, pay expenses relating to the issuance of the bonds and fund a reserve account.

The Authority Bonds are payable from and secured by repayment of the District Bonds. Interest is payable semiannually on March 1 and September 1 of each year, commencing September 1, 2013 until maturity or earlier redemption. The Bonds consist of \$4,180,000 serial bonds maturing annually in amounts between \$55,000 and \$420,000 from September 1, 2013 through September 1, 2022 with interest rates between 1.500% and 4.250%.

Thereafter, \$1,965,000 of 5% term bonds are due September 1, 2027, with sinking payments to be made beginning September 1, 2023, and \$2,665,000 of 5% term bonds are due September 1, 2036, with sinking payments to be made beginning September 1, 2028.

Neither the Authority Bonds nor the District Bonds are general obligations of the City nor any other political subdivision and the full faith and credit of the City is not pledged for repayment thereof. The outstanding indebtedness at June 30, 2019 was \$6,475,000 for the Authority Bonds and is reported in the City’s financial statements as the BFA is a component unit of the City. The District Bonds do not constitute an obligation of the City and the City is not obligated to make payment beyond the special taxes and available bond reserves, therefore these bonds have not been reflected as long-term liabilities in the accompanying financial statements.

Local Agency Refunding Revenue Bonds – 2013 Series B

On April 2, 2013, the BFA issued \$10,875,000 of 2013 Local Agency Refunding Revenue Bonds, Series B (the “Authority Bonds”) for the purpose of refunding the Beaumont Financing Authority 2003 Local Agency Revenue Bonds Series B and acquiring the City of Beaumont Community Facilities District No. 93-1 Special Tax Bonds (“District Bonds”) in the amount of \$130,500.

These bonds were issued to provide the District with funds to finance public infrastructure related to Improvements area No. 17A, fund interest on the bonds, pay expenses relating to the issuance of the bonds and fund a reserve account.

The Authority Bonds are payable from and secured by repayment of the District Bonds. Interest is payable semiannually on March 1 and September 1 of each year, commencing September 1, 2015 until maturity or earlier redemption. The Bonds consist of \$3,810,000 serial bonds maturing annually in amounts between \$245,000 and \$475,000 from September 1, 2013 through September 1, 2023 with interest rates between 2.000% and 5.000%. Thereafter, \$2,740,000 of 5% term bonds are due September 1, 2028, with sinking payments to be made beginning September 1, 2024, and \$4,325,000 of 5% term bonds are due September 1, 2034, with sinking payments to be made beginning September 1, 2029.

Neither the Authority Bonds nor the District Bonds are general obligations of the City nor any other political subdivision and the full faith and credit of the City is not pledged for repayment thereof. The outstanding indebtedness at June 30, 2019 was \$9,045,000 for the Authority Bonds and is reported in the City’s financial statements as the BFA is a component unit of the City.

City of Beaumont
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Item No. 1.

Note 6 – Long-Term Obligations (Continued)

A. Governmental Activities (Continued)

Revenue Bonds (Continued)

Local Agency Refunding Revenue Bonds – 2013 Series B (Continued)

The District Bonds do not constitute an obligation of the City and the City is not obligated to make payment beyond the special taxes and available bond reserves, therefore these bonds have not been reflected as long-term liabilities in the accompanying financial statements.

Local Agency Refunding Revenue Bonds - 2015 Series A

On March 17, 2015, the BFA issued \$11,110,000 of 2015 Local Agency Revenue Bonds, Series A (the “Authority Bonds”) for the purpose of refunding the Beaumont Financing Authority 2005 Local Agency Revenue Bonds Series B.

The Authority Bonds are payable from and secured by repayment of the District Bonds. Interest is payable semiannually on March 1 and September 1 of each year, commencing September 1, 2015 until maturity or earlier redemption. Interest on the bonds ranges from 2.00% to 5.00%.

Neither the Authority Bonds nor the District Bonds are general obligations of the City nor any other political subdivision and the full faith and credit of the City is not pledged for repayment thereof. The outstanding indebtedness at June 30, 2019 was \$10,225,000 for the Authority Bonds and is reported in the City’s financial statements as the BFA is a component unit of the City.

The District Bonds do not constitute an obligation of the City and the City is not obligated to make payment beyond the special taxes and available bond reserves, therefore these bonds have not been reflected as long-term liabilities in the accompanying financial statements.

Local Agency Refunding Revenue Bonds - 2015 Series B

On April 23, 2015, the BFA issued \$20,095,000 of 2015 Local Agency Refunding Revenue Bonds, Series B (the “Authority Bonds”) for the purpose of refunding the Beaumont Financing Authority 2004 Local Agency Revenue Bonds Series D.

The Authority Bonds are payable from and secured by repayment of the District Bonds. Interest is payable semiannually on March 1 and September 1 of each year, commencing September 1, 2015 until maturity or earlier redemption. Interest on the bonds ranges from 2.00% to 5.00%.

Neither the Authority Bonds nor the District Bonds are general obligations of the City nor any other political subdivision and the full faith and credit of the City is not pledged for repayment thereof. The outstanding indebtedness at June 30, 2019 was \$17,585,000 for the Authority Bonds and is reported in the City’s financial statements as the BFA is a component unit of the City.

The District Bonds do not constitute an obligation of the City and the City is not obligated to make payment beyond the special taxes and available bond reserves, therefore these bonds have not been reflected as long-term liabilities in the accompanying financial statements.

City of Beaumont
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Item No. 1.

Note 6 – Long-Term Obligations (Continued)

A. Governmental Activities (Continued)

Revenue Bonds (Continued)

Local Agency Refunding Revenue Bonds – 2015 Series C

On May 15, 2015, the BFA issued \$5,335,000 of 2015 Local Agency Refunding Revenue Bonds, Series C (the “Authority Bonds”) for the purpose of refunding the Beaumont Financing Authority 2004 Local Agency Revenue Bonds Series A.

The Authority Bonds are payable from and secured by repayment of the District Bonds. Interest is payable semiannually on March 1 and September 1 of each year, commencing September 1, 2015 until maturity or earlier redemption. Interest on the bonds ranges from 2.00% to 4.125%.

Neither the Authority Bonds nor the District Bonds are general obligations of the City nor any other political subdivision and the full faith and credit of the City is not pledged for repayment thereof. The outstanding indebtedness at June 30, 2019 was \$4,485,000 for the Authority Bonds and is reported in the City’s financial statements as the BFA is a component unit of the City.

The District Bonds do not constitute an obligation of the City and the City is not obligated to make payment beyond the special taxes and available bond reserves, therefore these bonds have not been reflected as long-term liabilities in the accompanying financial statements.

Local Agency Refunding Revenue Bonds – 2015 Series D

On May 15, 2015, the BFA issued \$7,820,000 of 2015 Local Agency Refunding Revenue Bonds, Series D (the “Authority Bonds”) for the purpose of refunding the Beaumont Financing Authority 2004 Local Agency Revenue Bonds Series B.

The Authority Bonds are payable from and secured by repayment of the District Bonds. Interest is payable semiannually on March 1 and September 1 of each year, commencing September 1, 2015 until maturity or earlier redemption. Interest on the bonds ranges from 2.00% to 4.250%.

Neither the Authority Bonds nor the District Bonds are general obligations of the City nor any other political subdivision and the full faith and credit of the City is not pledged for repayment thereof. The outstanding indebtedness at June 30, 2019 was \$6,650,000 for the Authority Bonds and is reported in the City’s financial statements as the BFA is a component unit of the City.

The District Bonds do not constitute an obligation of the City and the City is not obligated to make payment beyond the special taxes and available bond reserves, therefore these bonds have not been reflected as long-term liabilities in the accompanying financial statements.

City of Beaumont
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 6 – Long-Term Obligations (Continued)

A. Governmental Activities (Continued)

Revenue Bonds (Continued)

Annual Debt Service Requirements to Maturity

The annual debt service requirements to maturity schedule are the annual scheduled debt service under the BFA’s Authority Bond indentures as follows:

Revenue Bonds			
Year Ending June 30,	Principal	Interest	Total
2020	\$ 3,565,000	\$ 2,140,821	\$ 5,705,821
2021	3,574,525	2,079,318	5,653,843
2022	3,739,758	2,010,309	5,750,067
2023	3,925,402	1,934,189	5,859,591
2024	4,120,315	1,847,020	5,967,335
2025-2029	19,695,000	13,991,831	33,686,831
2030-2034	24,455,000	9,481,359	33,936,359
2035-2039	13,740,000	4,527,706	18,267,706
2040-2044	10,565,000	1,600,081	12,165,081
2045-2049	1,225,000	61,375	1,286,375
Total	\$ 88,605,000	\$ 39,674,009	\$ 128,279,009

B. Business-Type Activities

Summary of changes in long-term liabilities for the business-type activities for the year ended June 30, 2019 is as follows:

	Balance			Classification		
	July 1, 2018	Additions	Deletions	Balance June 30, 2019	Due within One Year	Due in more than One Year
Business-Type Activities:						
Wastewater Revenue Bonds	\$ -	\$ 81,105,000	\$ -	\$ 81,105,000	\$ 1,000,000	\$ 80,105,000
Bond Premium	-	9,698,952	(229,187)	9,469,765	303,092	9,166,673
Capital Leases	346,313	-	(77,854)	268,459	85,304	183,155
Total business-type activities	\$ 346,313	\$ 90,803,952	\$ (307,041)	\$ 90,843,224	\$ 1,388,396	\$ 89,454,828

Capital Lease

The City has entered into several lease agreements for the financing of sewer vehicles and equipment. The lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of future minimum lease payments as of the date of inception.

City of Beaumont
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 6 – Long-Term Obligations (Continued)

B. Business-Type Activities (Continued)

Capital Lease (Continued)

The annual debt service requirements for the capital leases payable outstanding at June 30, 2019 are as follows:

Year Ending June 30,	Principal	Interest	Total
2020	\$ 85,304	\$ 18,274	\$ 103,578
2021	92,344	11,257	103,601
2022	90,811	3,661	94,472
TOTAL	\$ 268,459	\$ 33,192	\$ 301,651

The City entered into capital lease-purchase agreements whereby the lessor acquired certain capital assets and leased them to the City with the option to purchase. The leased assets are included in capital assets and are summarized by major asset class below:

	Amount
Vehicles	\$ 455,505
Less: accumulated depreciation	(136,651)
Total	\$ 318,854

Revenue Bonds

Wastewater Revenue Bonds, Series 2018A

On September 27, 2018, the Beaumont Public Improvement Authority issued \$81,105,000 of revenue bonds, to finance the acquisition and construction of certain improvements to the City’s Wastewater System and to purchase a debt service reserve surety policy. The bonds were issued at a premium of \$9,698,952 which is amortized over the life of the bonds. Interest on the bonds is payable semi-annually on March 1 and September 1 of each year through September 1, 2049. The bonds bear interest ranging from 3% to 5%. Principal payments are due annually beginning on September 1, 2019. The bonds are a special limited obligation of the Authority payable solely from Authority Revenues. The outstanding balance of the Wastewater Revenue Bonds Series 2018A at June 30, 2019 was \$81,105,000.

Year Ending June 30,	Principal	Interest	Total
2020	\$ 1,000,000	\$ 3,868,688	\$ 4,868,688
2021	1,245,000	3,828,788	5,073,788
2022	1,295,000	3,777,988	5,072,988
2023	1,355,000	3,718,213	5,073,213
2024	1,425,000	3,648,713	5,073,713
2025-2029	8,285,000	17,071,313	25,356,313
2030-2034	10,525,000	14,829,813	25,354,813
2035-2039	13,060,000	12,291,669	25,351,669
2040-2044	16,620,000	8,734,250	25,354,250
2045-2049	21,345,000	4,011,875	25,356,875
2050	4,950,000	123,750	5,073,750
Total	\$ 81,105,000	\$ 75,905,060	\$ 157,010,060

City of Beaumont
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 7 - Debt Without City Commitment

The City authorized the formation of the City of Beaumont Community Facilities District No. 93-1 (the “CFD’s”) for purpose of the issuance of bonds under improvement acts of the State of California to finance eligible public facilities to serve developing commercial, industrial, residential, and/or mixed use developments. Bonds issued by the CFD are secured by annual special tax levies or liens placed on properties within the CFD. The City, and the BFA, are not liable for repayment and the City, acting as an agent on behalf of the CFD, is only responsible for levying and collecting the special tax assessments, forwarding the collections to the bond trustee on behalf of bondholders, and initiating foreclosure proceedings on faulted special tax payments when necessary.

The bonds issued by the CFD are limited obligations and are payable solely from special tax assessments, specific bond reserves, and the proceeds from property foreclosures. Since these debts do not constitute an obligation of the City or the BFA and the City or BFA is not obligated to make payments on the bonds, the District Bonds (whose terms are disclosed in Note 6) are not reported as long-term liabilities in the accompanying City financial statements. The activities related to the District Bond reserves, special assessment tax collection, remittance to the bond trustee, repayment of District Bonds and use of new bond proceeds for developer capital projects for infrastructure, are reported in the Fiduciary Funds as an agency fund.

District Bonds issued during the year ended June 30, 2019 were as follows:

2018 Special Tax Bonds, IA 7B

On November 8, 2018, the CFD issued \$2,370,000 of special tax bonds, to finance a portion of the costs of acquiring and constructing certain public infrastructure improvements necessary for development of property within the City per a settlement agreement with developers. Interest on the bonds is payable semi-annually on March 1 and September 1 of each year through September 1, 2039. The bonds bear interest ranging from 3% to 4%. Principal payments are due annually beginning on September 1, 2019. The notes are secured by a first pledge of the special tax revenues and funds on deposit in the Bond Fund, Reserve Fund, and Special Tax Fund. The outstanding balance of the 2018 Special Tax Bonds, Series A at June 30, 2019 was \$2,365,000.

2018 Special Tax Bonds, IA 7D

On November 8, 2018, the CFD issued \$3,725,000 of special tax bonds, to finance a portion of the cost of acquiring and constructing certain public infrastructure improvements necessary for development of property within the City per a settlement agreement with developers. Interest on the bonds is payable semi-annually on March 1 and September 1 of each year through September 1, 2048. The bonds bear interest ranging from 3% to 4.125%. Principal payments are due annually beginning on September 1, 2019. The notes are secured by a first pledge of the special tax revenues and funds on deposit in the Bond Fund, Reserve Fund, and Special Tax Fund. The outstanding balance of the 2018 Special Tax Bonds IA 7D at June 30, 2019 was \$3,725,000.

2018 Special Tax Bonds, IA 8E

On December 7, 2018, the CFD issued \$12,680,000 of special tax bonds, to finance a portion of the cost of acquiring and constructing certain public infrastructure improvements necessary for the development of property within the City per a settlement agreement with developers. Interest on the bonds is payable semi-annually on March 1 and September 1 of each year through September 1, 2048. The bonds bear interest ranging from 2% to 5%. Principal payments are due annually beginning September 1, 2019. The notes are secured by a first pledge of the special tax revenues and funds on deposit in the Bond Fund, Reserve Fund, and Special Tax Fund. The outstanding balance of the 2018 Special Tax Bonds IA 8E at June 30, 2019 was \$12,680,000.

City of Beaumont
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 7 - Debt Without City Commitment (Continued)

2019 Special Tax Bonds, IA 2016-1 (Fairway Canyon)

On March 12, 2019, the CFD issued \$9,045,000 of special tax bonds, to finance a portion of the of acquiring and constructing certain public infrastructure improvements necessary for the development of property within the City per a settlement agreement with developers. Interest on the bonds is payable semi-annually on March 1 and September 1 of each year through September 1, 2048. The bonds bear interest ranging from 3% to 5%. Principal payments are due annually beginning September 1, 2019. The notes are secured by a first pledge of the special tax revenues and funds on deposit in the Bond Fund, Reserve Fund, and Special Tax Fund. The outstanding balance of the 2019 Special Tax Bonds IA 2016-1 at June 30, 2019 was \$9,045,000.

As of June 30, 2019, debt without city or BFA commitment is as follows:

	Balance
	June 30, 2019
1994 Special Tax Bonds, Series A	\$ 2,924,034
2007 Special Tax Bonds, Series A	3,780,000
2007 Special Tax Bonds, Series C & D	3,270,000
2011 Special Tax Bonds, Series A & B	12,010,000
2012 Special Tax Bonds, Series A	5,620,000
2012 Special Tax Bonds, Series B	3,030,000
2012 Special Tax Bonds, Series C	3,400,000
2013 Special Tax Bonds, Series A	6,370,000
2013 Special Tax Bonds, Series B	9,150,000
2015 Special Tax Bonds, Series A	10,200,000
2015 Special Tax Bonds, Series B	17,575,000
2015 Special Tax Bonds, Series C	4,520,000
2015 Special Tax Bonds, Series D	6,650,000
Subtotal	88,499,034
2017 Special Tax Refunding Bonds, Series A	90,669,002
2018 Special Tax Bonds, Series A	33,320,000
2018 Special Tax Bonds, IA 7B	2,365,000
2018 Special Tax Bonds, IA 7D	3,725,000
2018 Special Tax Bonds, IA 8E	12,680,000
2019 Special Tax Bonds, IA 2016-1	9,045,000
Total Limited Obligation Bond Debt	\$ 240,303,036

City of Beaumont
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 8 – Compensated Absences

The City’s liability for vested and unpaid compensated absences (vacation and vested sick leave) was \$2,533,174 at June 30, 2019.

A. Governmental Activities

For the governmental activities, compensated absences are generally liquidated by the General Fund.

Summary of changes in compensated absences for the year ended June 30, 2019 is as follows:

	<u>Balance July 1, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2019</u>	<u>Classification</u>	
					<u>Due Within One Year</u>	<u>Due in More Than One Year</u>
Governmental Activities:						
Compensated absences	\$ 2,404,180	\$ 37,351	\$ (173,169)	\$ 2,268,362	\$ 226,836	\$ 2,041,526
Total governmental activities	<u>\$ 2,404,180</u>	<u>\$ 37,351</u>	<u>\$ (173,169)</u>	<u>\$ 2,268,362</u>	<u>\$ 226,836</u>	<u>\$ 2,041,526</u>

B. Business-Type Activities

Summary of changes in compensated absences for the year ended June 30, 2019 is as follows:

	<u>Balance July 1, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2019</u>	<u>Classification</u>	
					<u>Due Within One Year</u>	<u>Due in More Than One Year</u>
Business-Type Activities:						
Compensated absences	\$ 260,513	\$ 45,404	\$ (41,105)	\$ 264,812	\$ 26,481	\$ 238,331
Total business-type activities	<u>\$ 260,513</u>	<u>\$ 45,404</u>	<u>\$ (41,105)</u>	<u>\$ 264,812</u>	<u>\$ 26,481</u>	<u>\$ 238,331</u>

City of Beaumont
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 9 – Risk Management

The City is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The City, including its component units, uses the General Fund to account for and finance risks for general liability, workers’ compensation, and property damage. There were no settlements in excess of insurance coverage in any of the three prior fiscal years. There were no reductions in the City’s limits of coverage during the fiscal year ended June 30, 2019.

General Liability and Property Damage Insurance

The City is self-insured to some extent for general liability claims. The City maintains a self-insured retention level of \$250,000 for general liability with excess coverage up to \$50,000,000, as a participant in the Exclusive Risk Management Authority of California (ERMAC), a Joint Powers Authority. The City is self-insured for \$1,000,000 for employment practices liability with excess coverage up to \$50,000,000. Property damage is also insured through participation in ERMAC.

The City has entered into contracts with claims administrators to process claims against the City for general liability claims.

Workers’ Compensation

The City of Beaumont maintains a self-insured workers’ compensation plan, whereby the City covers the cost of medical claims its employees incur. The City has stop loss coverage for this plan to cover claims in excess of \$300,000 per participant per year. The City utilizes a third-party administrator to manage claims in accordance with state law.

Government Crime Policy

The City carries government crime insurance, including faithful performance/employee dishonesty, forgery or alteration, computer fraud, etc., in the amount of \$15 million, with a \$2,500 deductible. Changes in the claims liability amounts were as follows:

	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	Balance at Fiscal Year End
2016-2017	\$ 1,522,989	\$ 2,375,686	\$ (1,567,484)	\$ 2,331,191
2017-2018	2,331,191	1,383,627	(1,500,000)	2,214,818
2018-2019	2,214,818	2,870,524	(2,277,967)	2,807,375

City of Beaumont
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

<i>Item No. 1.</i>

Note 10 – Pension Plans

A. Summary

	Governmental Activities	Business-Type Activities	Total
Deferred outflows of resources:			
Pension contribution made after measurement date:			
CalPERS Miscellaneous	\$ 939,082	\$ 217,501	\$ 1,156,583
CalPERS Safety	1,645,661	-	1,645,661
Total pension contribution made after measurement date	2,584,743	217,501	2,802,244
Change in assumption:			
CalPERS Miscellaneous	620,674	143,755	764,429
CalPERS Safety	988,635	-	988,635
Total change in assumption	1,609,309	143,755	1,753,064
Projected earnings on pension plan investments in excess of actual earnings:			
CalPERS Miscellaneous	26,916	6,233	33,149
CalPERS Safety	68,233	-	68,233
Total projected earnings on pension plan investments in excess of actual earnings	95,149	6,233	101,382
Adjustment due to difference in proportions:			
CalPERS Miscellaneous	395,127	91,515	486,642
CalPERS Safety	319,679	-	319,679
Total adjustment due to difference in proportions	714,806	91,515	806,321
Difference between expected and actual experience:			
CalPERS Miscellaneous	208,891	48,381	257,272
CalPERS Safety	216,544	-	216,544
Total difference between expected and actual experience	425,435	48,381	473,816
Employer contributions in excess of proportionate share of contribution:			
CalPERS Miscellaneous	20,924	4,846	25,770
CalPERS Safety	258,831	-	258,831
Total employer contributions in excess of proportionate share of contribution	279,755	4,846	284,601
Total deferred outflows of resources:			
CalPERS Miscellaneous	2,211,614	512,231	2,723,845
CalPERS Safety	3,497,583	-	3,497,583
Total deferred outflows of resources	\$ 5,709,197	\$ 512,231	\$ 6,221,428
Net pension liabilities:			
CalPERS Miscellaneous	\$ 5,479,992	\$ 1,225,347	\$ 6,705,339
CalPERS Safety	10,078,078	-	10,078,078
Total net pension liabilities	\$ 15,558,070	\$ 1,225,347	\$ 16,783,417

City of Beaumont
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 10 – Pension Plans (Continued)

A. Summary (Continued)

	Governmental Activities	Business-Type Activities	Total
Deferred inflows of Resources:			
Change in assumption			
CalPERS Miscellaneous	\$ 172,702	\$ 14,645	\$ 187,347
CalPERS Safety	133,412	-	133,412
Total change in assumption	306,114	14,645	320,759
Adjustment due to difference in proportions:			
CalPERS Safety	\$ 130,864	\$ -	\$ 130,864
Total adjustment due to difference in proportions	130,864	-	130,864
Employer contributions in excess of proportionate share of contribution:			
CalPERS Miscellaneous	33,820	2,867	36,687
Total employer contributions in excess of proportionate share of contribution	33,820	2,867	36,687
Difference between expected and actual experience:			
CalPERS Miscellaneous	80,705	6,843	87,548
CalPERS Safety	821	-	821
Total difference between expected and actual experience	81,526	6,843	88,369
Total deferred inflows of resources:			
CalPERS Miscellaneous	287,227	24,355	311,582
CalPERS Safety	265,097	-	265,097
Total deferred inflows of resources	\$ 552,324	\$ 24,355	\$ 576,679
Pension expenses:			
CalPERS Miscellaneous	\$ 1,362,339	\$ 612,072	\$ 1,974,411
CalPERS Safety	(1,273,200)	-	(1,273,200)
Total net pension expenses	\$ 89,139	\$ 612,072	\$ 701,211

B. General Information about the Pension Plans

Plan Description

The City contributes to the California Public Employees’ Retirement System (“CalPERS”), a cost-sharing multiple-employer defined benefit pension plan. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. 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 ordinance. Copies of the CalPERS annual financial report may be obtained from their Executive Office located at 400 P Street, Sacramento, California 95814.

City of Beaumont
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 10 – Pension Plans (Continued)

B. General Information about the Pension Plans (Continued)

Employees Covered by Benefit Terms

At June 30, 2018, measurement date, the following employees were covered by the benefit terms:

	Miscellaneous	Miscellaneous PEPRA	Safety	Safety PEPRA
Active employees	69	31	35	6
Transferred and terminated employees	55	6	36	1
Retired employees and beneficiaries	68	-	54	-
Total	192	37	125	7

Benefit Provided

CalPERS provide retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Classic and PEPRA Safety CalPERS member becomes eligible for service retirement upon attainment of age 55 with at least 5 years of credited service. PEPRA miscellaneous members become eligible for service retirement upon attainment of age 62 with at least 5 years of service. The service retirement benefit is a monthly allowance equal to the product of the benefit factor, years of service, and final compensation. The final compensation is the monthly average of the member's highest 36 full-time equivalent monthly pay.

Following are the benefit provisions for each plan:

	Miscellaneous	Miscellaneous PEPRA	Safety	Safety PEPRA
Benefit formula	3.0% @ 60	2.0% @ 62	3.0% @ 50	2.7% @ 57
Benefit vesting schedule	5 years service	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life	monthly for life
Retirement age	55	62	50	50-57
Monthly benefits, as a % of eligible compensation	2.7%	2.0%	3.0%	2.7%
Required employee contribution rate	8.000%	6.750%	9.000%	12.000%
Required employer contribution rate	14.398%	6.985%	21.927%	13.034%

Contributions

For the year ended June 30, 2019, the contributions recognized as part of pension expense for each Plan were as follows:

Miscellaneous	\$ 956,792
Safety	1,402,549

City of Beaumont
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 10 – Pension Plans (Continued)

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

Proportionate Share of Net Pension Liability and Pension Expense

The following table shows the plan’s proportionate share of the risk pool collective net pension liability over the measurement period:

	Plan Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
Miscellaneous			
Balance at: 6/30/17 (Valuation date)	\$ 29,651,434	\$ 22,811,145	\$ 6,840,289
Balance at: 6/30/18 (Measurement date)	30,905,743	24,200,404	6,705,339
Net changes during 2017-2018	1,254,309	1,389,259	(134,950)
Safety			
Balance at: 6/30/17 (Valuation date)	\$ 39,039,646	\$ 28,861,673	\$ 10,177,973
Balance at: 6/30/18 (Measurement date)	40,927,260	30,849,182	10,078,078
Net changes during 2017-2018	1,887,614	1,987,509	(99,895)

Proportionate Share of Net Pension Liability and Pension Expense

The City’s net pension liability/(asset) for each Plan is measured as the proportionate share of the net pension liability/(asset). The net pension liability/(asset) of each of the Plans is measured as of June 30, 2018, and the total pension liability/(asset) for each Plan used to calculate the net pension liability/(asset) was determined by an actuarial valuation as of June 30, 2017 rolled forward to June 30, 2018 using standard update procedures. The City’s proportion of the net pension liability/(asset) was based on a projection of the City’s long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. The City’s proportionate share of the net pension liability/(asset) for each Plan as of June 30, 2017 and 2018 was as follows:

	Miscellaneous	Safety	Total
Proportion - June 30, 2017	0.17352%	0.17034%	0.34386%
Proportion - June 30, 2018	0.17792%	0.17176%	0.34968%

City of Beaumont
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 10 – Pension Plans (Continued)

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

For the year ended June 30, 2019, the City recognized pension expense of \$1,974,411 and \$1,273,200, for the Miscellaneous and Safety plans, respectively. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Miscellaneous Plans		
	Deferred outflows of Resources	Deferred inflows of Resources
Pension contributions made subsequent to measurement date	\$ 1,156,583	\$ -
Difference between projected and actual earning on pension plan investments	33,149	-
Adjustment due to differences in proportions	486,642	
Changes in assumptions	764,429	187,347
Difference between actual and expected experience	257,272	87,548
Difference between employer's actual contributions and proportionate share of contributions	25,770	36,687
Total	\$ 2,723,845	\$ 311,582

Safety Plans		
	Deferred outflows of Resources	Deferred inflows of Resources
Pension contributions made subsequent to measurement date	1,645,661	\$ -
Difference between projected and actual earning on pension plan investments	68,233	-
Adjustment due to differences in proportions	319,679	130,864
Changes in assumptions	988,835	133,412
Difference between actual and expected experience	216,544	821
Difference between employer's actual contributions and proportionate share of contributions	258,831	-
Total	\$ 3,497,783	\$ 265,097

City of Beaumont
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 10 – Pension Plans (Continued)

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

Proportionate Share of Net Pension Liability and Pension Expense (Continued)

For the Miscellaneous Plan and Safety Plan, \$1,156,583 and \$1,645,661, respectively, was reported as deferred outflows of resources related to pensions resulting from City’s contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the next measurement period (June 30, 2019). Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	Miscellaneous Plans	Safety Plans	Total
2020	\$ 936,397	\$ 1,077,627	\$ 2,014,024
2021	520,100	759,011	1,279,111
2022	(140,506)	(179,808)	(320,314)
2023	(60,311)	(69,806)	(130,116)
2024	-	-	-
	\$ 1,255,680	\$ 1,587,024	\$ 2,842,705

Actuarial Assumptions

The total pension liabilities in the June 30, 2017 actuarial valuations were determined using the following actuarial assumptions:

Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Salary Increases	3.00%
Investment Rate of Return	7.15%
Mortality Rate Table	Derived using CalPERS’ Membership Data for all Funds. The mortality table used was developed based on CalPERS’ specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB.
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter.

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2017 valuation were based on the results of a December 2017 actuarial experience study. Further details of the Experience Study can be found on the CalPERS website.

City of Beaumont
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 10 – Pension Plans (Continued)

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

Discount Rate

In determining the long-term expected rate of return, CalPERS took into account, both short-term and long-term market return expectations as well as the expected pension fund cash flows. Such cash flows were developed assuming that both members and employers will make their required contributions on time and as scheduled in all future years. Using historical returns of all the funds’ asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11-60 years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equivalent to the single equivalent rate calculated above and rounded down to the nearest one quarter of one percent. Asset¹

The table below reflects long-term expected real rate of return by asset class. The rate of return was calculated using the capital market assumptions applied to determine the discount rate and asset allocation. These geometric rates of return are net of administrative expenses.

<u>Asset Class¹</u>	<u>New Strategic Allocation</u>	<u>Real Return Years 1 - 10²</u>	<u>Real Return Years 11 +³</u>
Global equity	50.00%	4.80%	5.98%
Global fixed income	28.00%	1.00%	2.62%
Inflation sensitive assets	0.00%	0.77%	1.81%
Private equity	8.00%	6.30%	7.23%
Real assets	13.00%	3.75%	4.93%
Liquidity	1.00%	0.00%	-0.92%

¹ In CalPERS's CAFR, Fixed Income is included in Global Debt Security; Liquidity is included in Short-term Investments; Inflation Assets are included in both Global Equity Security and Global Debt Securities.

² An expected inflation of 2.00% was used for this period.

³ An expected inflation of 2.92% was used for this period.

The discount rate used to measure the total pension liability was 7.15% for the plans. To determine whether the municipal bond rate should be used in the calculation of a discount rate for each plan, CalPERS stress tested plans that would most likely result in a discount rate that would be different from the actuarially assumed discount rate. Based on the testing, none of the tested plans run out of assets. Therefore, the current 7.15% discount rate is adequate and the use of the municipal bond rate calculation is not necessary. The long term expected discount rate of 7.15% is applied to all plans in the Public Employees Retirement Fund (PERF). The stress test results are presented in a detailed report called “GASB Crossover Testing Report” that can be obtained from the CalPERS website under the GASB 68 Section.

City of Beaumont
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 10 – Pension Plans (Continued)

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

Discount Rate (Continued)

The long-term discount rate should be determined without reduction for pension plan administrative expense. The 7.00% investment return assumption used in this accounting valuation is net of administrative expenses. Administrative expenses are assumed to be 15 basis points. An investment return excluding administrative expenses would have been 7.15%. Using this lower discount rate has resulted in a slightly higher Total Pension Liability and Net Pension Liability. The difference was deemed immaterial to the Public Agency Cost Sharing Multiple-Employer Defined Benefit Pension Plan.

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

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

	Plan's Net Pension Liability/(Asset)		
	Discount Rate - 1%	Current Discount	Discount Rate + 1%
	(6.15%)	Rate (7.15%)	(8.15%)
Miscellaneous	\$ 10,885,995	\$ 6,705,339	\$ 3,254,276
Safety	\$ 15,720,163	\$ 10,078,078	\$ 5,455,400

Pension Plan Fiduciary Net Position

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

D. Payable to the Pension Plan

The City had no outstanding amounts owed to the pension plan for contributions for the year ended June 30, 2019.

City of Beaumont
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 11 – Other Required Disclosures

A. Expenditures Exceeding Appropriations

For the year ended June 30, 2019, expenditures exceeded appropriations in the following functions of the General Fund:

Fund	Function	Excess Expenditures
General Fund	General Government	\$ (752,678)
General Fund	Refuse	\$ (504,512)
General Fund	Debt Service	\$ (300,000)

The budget was established in a manner different than the reporting, and though certain line items were over the departments were within total budget appropriation. Future budgets will consider all reporting elements for proper alignment.

Note 12 – Classification of Fund Balances

	Major Funds						Total
	General Fund	Community Facilities District (CFD) Special Revenue Fund	Community Facilities District (CFD) Capital Projects Fund	General Capital Projects Fund	Beaumont Financing Authority Debt Service Fund	Other Governmental Funds	
Nonspendable:							
Loans receivable	\$ 220,634	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 220,634
Prepaid expenditures	83,141	-	-	-	-	-	83,141
Total nonspendable	303,775	-	-	-	-	-	303,775
Restricted:							
State Gas Tax	-	-	-	-	-	103,421	103,421
AB 2766	-	-	-	-	-	1,102,061	1,102,061
PEG Fees	-	-	-	-	-	1,542,017	1,542,017
COPS Grant	-	-	-	-	-	444,083	444,083
State Asset Forfeiture	-	-	-	-	-	297,171	297,171
Federal Asset Forfeiture	-	-	-	-	-	368,890	368,890
Other Special Projects	-	-	-	-	-	305,975	305,975
Capital projects	-	-	12,877,575	-	-	-	12,877,575
Debt service	-	-	-	-	98,006,000	-	98,006,000
Community Facilities Districts	-	9,145,832	-	-	-	-	9,145,832
Total restricted	-	9,145,832	12,877,575	-	98,006,000	4,471,606	124,501,013
Committed:							
Capital Projects	-	-	-	1,417,617	-	-	1,417,617
Total committed	-	-	-	1,417,617	-	-	1,417,617
Unassigned	14,980,384	-	-	-	-	-	14,980,384
Total Fund Balances	\$ 15,284,159	\$ 9,145,832	\$ 12,877,575	\$ 1,417,617	\$ 98,006,000	\$ 4,471,606	\$ 141,202,789

City of Beaumont
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 13 – Commitments and Contingencies

A. Litigation

The City is a defendant in a number of lawsuits and a recipient of a number of claims that have arisen in the normal course of business. While substantial damages are alleged in some of these actions, their outcome cannot be predicted with certainty.

B. Grants

Amounts received or receivable from granting agencies are subject to audit and adjustment by grantor agencies. While no matters of non-compliance were disclosed by the audit of the financial statements or single audit of the Federal grant programs, grantor agencies may subject grant programs to additional compliance tests, which may result in disallowed costs. In the opinion of management, future disallowances of current or prior grant expenditures, if any, would not have a material adverse effect on the financial position of the City.

C. Construction Commitments

Various construction projects in all fund types were in progress at June 30, 2019 with a planned cost to complete of approximately \$100,299,251.

D. WRCOG Restated Settlement Agreement

In May 2017, the City and Western Riverside Council of Governments (“WRCOG”) entered into an Amended and Restated Settlement Agreement and Release (the “WRCOG Settlement”), which resolved the approximately \$62 million judgment WRCOG had obtained against the City. Under the terms of the WRCOG Settlement, the City and WRCOG agreed that the City would rejoin WRCOG and adopt the WRCOG TUMF ordinance. Since the settlement, the City rejoined WRCOG and the TUMF program and as a result, and pursuant to the WRCOG Settlement, the City is now eligible to receive Measure A revenues from the Riverside County Transportation Commission (RCTC) based on the following schedule:

Period	WRCOG*	City
Approval Date thru 5th Anniversary of Approval	0%	100%
Second five year period	25%	75%
Third five year period	40%	60%
Fourth five year period	60%	40%
End of fourth five year period through June 2039	75%	25%

* WRCOG’s share of Measure A revenues shall not exceed a total of \$9,400,000

In October 2017, the City segregated \$3,000,000, designated for funding Pennsylvania Avenue improvements in accordance with the agreement. The City agreed to complete needed transportation improvements as follows:

Improvement	Estimated Cost	Completion Deadline
Oak Valley Parkway, Segments 3, 4, and 15	\$1,200,000	By January 1, 2022
Pennsylvania Avenue	\$3,800,000	None

City of Beaumont
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 13 – Commitments and Contingencies (Continued)

D. WRCOG Restated Settlement Agreement (Continued)

The City also agreed to assign Third Party Claims to WRCOG to diligently pursue civil lawsuits and through requests/applications for restitution in the criminal actions pending against Third Parties. Recovery related to Third Party Claims would be shared on the following schedule:

Recovery Amount	WRCOG	City**
First \$9,000,000	100%	0%
\$9,000,001 - \$12,000,000	85%	15%
\$12,000,001 - \$18,000,000	65%	35%
\$18,000,001 and above	50%	50%

**City guarantees \$7,000,000 recovery to WRCOG and will pay 50% of the legal fees not to exceed \$1,000,000

The settlement agreement stipulates that if Third Party Claims have not produced recoveries of at least \$8,000,000 by July 2, 2022, the City will begin making payments to WRCOG in 20 equal annual installments beginning August 1, 2022. Any subsequent recoveries would adjust the annual installments as necessary. As of June 30, 2019, recoveries are approximately \$14 million. The City continues to share in recoveries at the 35% rate until recoveries total \$18 million at which time the City will begin collecting 50% of any recoveries. The City now shares in recoveries based on the settlement agreement; therefore, a liability has not been accrued.

Additionally, in October 2017, two of the seven criminal cases were resolved with guilty pleas with a restitution payment due to the City of \$3,000,000. In December 2017, four more of the seven criminal cases were resolved with guilty pleas and restitution payments due of another \$8,000,000. The last case was settled in September 2018 with a guilty plea.

WRCOG has released and discharged the City from the WRCOG judgment and Attorneys' Fee Award and interest, which collectively exceeded \$62 million. WRCOG and the City also agreed that the litigation, judgment and pending appeals would be dismissed thereby ending the litigation between WRCOG and the City.

City of Beaumont
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 14 – Prior Period Adjustment

The following corrections were posted to reclassify development impact fee funds that were transferred when obligated as opposed to when spent in the general capital projects fund. These fees should be recognized and transferred when the expenditure is incurred.

	Governmental Activities	Total
Net position, as previously reported, at July 1, 2018	\$ 287,400,408	\$ 287,400,408
To reclassify development impact fee funds out of capital projects until spent	(5,067,818)	(5,067,818)
Net position at July 1, 2018, as restated	\$ 282,332,590	\$ 416,177,300

	General Capital Projects Fund	Governmental Funds Total
Net position, as previously reported, at July 1, 2018	\$ 6,839,275	\$ 144,459,275
To reclassify development impact fee funds out of capital projects until spent	(5,067,820)	(5,067,820)
Net position at July 1, 2018, as restated	\$ 1,771,455	\$ 139,391,455

Note 15 - Subsequent Events

A. Bonds Issuance

2019 CFD Special Tax Bonds, IA 2016-2 (Sundance)

On June 18, 2019, the City authorized the issuance of CFD special tax bonds (IA No. 2016-2) in the amount of \$10,285,000 to finance a portion of the costs of acquiring and constructing certain public infrastructure improvements necessary for development of property within the specific improvement area. Interest on the bonds is payable semi-annually on March 1 and September 1 of each year through September 2049, beginning on March 1, 2020. The bonds bear interest ranging from 3% to 5%. Principal payments are due annually beginning on September 1, 2020. The notes are secured by a first pledge of the special tax revenues and funds on deposit in the Bond Fund, Reserve Fund, and Special Tax Fund. The City is not liable for repayment of the special tax bonds and these debts do not constitute an obligation of the City. The City closed this transaction on August 8, 2019.

2019 CFD Special Tax Bonds, IA 2016-4

On October 15, 2019, the City authorized the issuance of CFD special tax bonds (IA No. 2016-4) in the amount of \$4,285,000 to finance a portion of the costs of acquiring and constructing certain public infrastructure improvements necessary for development of property within the specific improvement area. Interest on the bonds is payable semi-annually on March 1 and September 1 of each year through September 2049, beginning on March 1, 2020. The bonds bear interest ranging from 3% to 5%. Principal payments are due annually beginning on September 1, 2020. The notes are secured by a first pledge of the special tax revenues and funds on deposit in the Bond Fund, Reserve Fund, and Special Tax Fund. The City is not liable for repayment of the special tax bonds and these debts do not constitute an obligation of the City. The City closed this transaction on November 7, 2019.

City of Beaumont
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2019

Note 15 - Subsequent Events (Continued)

B. Refunding

On July 2, 2019, the BFA completed five (5) refunding transactions through the Beaumont Public Improvement Authority for the following community facility district bond issues:

Bond Issue	City Cash Pledge	Original Issue	Refunded Bonds
Special Tax Bonds, 2007 Series A, Improvement Area 3	467,051	11,900,000	2,025,000
Special Tax Bonds, 2007 Series A, Improvement Area 11	181,275	3,185,000	820,000
Special Tax Bonds, 2007 Series C, Improvement Area 9	75,178	1,225,000	375,000
Special Tax Bonds, 2007 Series C, Improvement Area 10A	257,509	2,660,000	1,330,000
Special Tax Bonds, 2007 Series C, Improvement Area 12A	165,191	4,010,000	825,000

These transactions were completed with no extension of defeasement dates, no cash out options, and restructured repayment schedules to remove annual escalators where savings could be realized.

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City of Beaumont
Annual Financial Report
For the Year Ended June 30, 2019

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City of Beaumont
Annual Financial Report
For the Year Ended June 30, 2019

Required Supplementary Information (Unaudited)

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City of Beaumont
Annual Financial Report
For the Year Ended June 30, 2019

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City of Beaumont
Budgetary Information
For the Year Ended June 30, 2019

Item No. 1.

Note 1 – Budgetary Information

The City Council approves each year's budget submitted by the City Manager prior to the beginning of the new fiscal year. Public hearings are conducted prior to its adoption by the Council. All supplemental appropriations, where required during the period, are also approved by the Council. Intradepartmental budget transfers are approved by the City Manager. In most cases, expenditures may not exceed appropriations at the departmental level within the general fund and at the fund level for other major special revenue funds. At fiscal year-end, all operating budget appropriations lapse.

Budgets for governmental funds are adopted on a basis consistent with generally accepted accounting principles (GAAP).

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City of Beaumont
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2019

Item No. 1.

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Taxes	\$ 12,533,286	\$ 11,264,458	\$ 12,532,209	\$ 1,267,751
Franchise fees	3,325,000	3,325,000	3,908,531	583,531
Intergovernmental	4,132,288	4,563,377	4,587,270	23,893
License and permits	1,782,600	4,340,670	4,816,693	476,023
Fines and forfeitures	110,000	110,000	249,914	139,914
Assessment levied	500,000	354,320	602,649	248,329
Use of money and property	140,000	126,000	186,605	60,605
Charges for services	6,744,750	6,341,400	6,944,423	603,023
Other revenues	21,500	21,500	1,338,647	1,317,147
Total revenues	29,289,424	30,446,725	35,166,941	4,720,216
EXPENDITURES:				
Current:				
General government	5,109,760	5,187,709	5,940,387	(752,678)
Public safety	14,936,793	15,495,040	14,665,947	829,093
Public works	2,735,893	3,459,632	2,844,121	615,511
Community development	1,439,478	1,924,448	1,884,511	39,937
Community services	4,776,606	3,803,702	3,708,469	95,233
Refuse	5,000,000	5,000,000	5,504,512	(504,512)
Capital outlay	523,638	808,938	589,273	219,665
Debt service:				
Principal	-	-	300,000	(300,000)
Interest	-	-	-	-
Total expenditures	34,522,168	35,679,469	35,437,220	242,249
REVENUES OVER (UNDER) EXPENDITURES	(5,232,744)	(5,232,744)	(270,279)	4,962,465
OTHER FINANCING SOURCES (USES):				
Obligations incurred on capital leases	-	-	167,456	167,456
Proceeds from sale of property	-	-	19,494	19,494
Transfers in	-	-	5,450,785	5,450,785
Transfers (out)	-	-	(614,693)	(614,693)
Total other financing sources (uses)	-	-	5,023,042	5,023,042
Net change in fund balance	\$ (5,232,744)	\$ (5,232,744)	4,752,763	\$ 9,985,507
FUND BALANCE:				
Beginning of year			10,531,396	
End of year			\$ 15,284,159	

City of Beaumont
Budgetary Comparison Schedule
Community Facilities Districts (CFD) Special Revenue Fund
For the Year Ended June 30, 2019

Item No. 1.

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Assessment levied	\$ 4,699,760	\$ 4,699,760	\$ 5,061,023	\$ 361,263
Use of money and property	-	-	239,534	239,534
Total revenues	<u>4,699,760</u>	<u>4,699,760</u>	<u>5,310,807</u>	<u>590,547</u>
EXPENDITURES:				
Current:				
Community development	331,628	331,628	195,958	135,670
Total expenditures	<u>331,628</u>	<u>331,628</u>	<u>195,958</u>	<u>135,670</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>4,368,132</u>	<u>4,368,132</u>	<u>5,114,849</u>	<u>726,217</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	100,000	100,000	-	(100,000)
Transfers (out)	4,427,745	4,427,745	(4,431,245)	(8,858,990)
Total other financing sources (uses)	<u>4,527,745</u>	<u>4,527,745</u>	<u>(4,431,245)</u>	<u>(8,958,990)</u>
SPECIAL ITEM:				
CFD 93-1 refunding (Note 15)	-	-	-	-
Total special item	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	<u>\$ 8,895,877</u>	<u>\$ 8,895,877</u>	683,604	<u>\$ (8,232,773)</u>
FUND BALANCE:				
Beginning of year			8,462,228	
End of year			<u>\$ 9,145,832</u>	

City of Beaumont
Schedule of Proportionate Share of the Net Pension Liability
Last Ten Years
For the Year Ended June 30, 2019

Item No. 1.

	Miscellaneous Plan				
Measurement period, year ended	<u>6/30/2018</u>	<u>6/30/2017</u>	<u>6/30/2016</u>	<u>6/30/2015</u>	<u>6/30/2014</u> ¹
Plan's proportion of the net pension liability	0.1779212%	0.1735210%	0.1674950%	0.1606700%	0.065770%
Plan's proportionate share of the net pension liability	\$ 6,705,339	\$ 6,840,289	\$ 5,818,570	\$ 4,407,926	\$ 4,092,766
Plan's covered-employee payroll	\$ 5,052,100	\$ 4,864,133	\$ 4,722,459	\$ 5,411,229	\$ 5,932,314
Plan's proportionate share of the net pension liability as a percentage of covered-employee payroll	132.72%	140.63%	123.21%	81.46%	68.99%
Plan's fiduciary net position	\$ 22,811,145	\$ 21,727,887	\$ 21,727,887	\$ 21,400,469	\$ 19,648,764
Plan's fiduciary net position as a percentage of the total pension liability	77.28%	76.06%	78.88%	82.92%	82.76%
Plan's proportionate share of aggregate employer contributions	\$ 956,792	\$ 816,082	\$ 732,914	\$ 962,897	\$ 996,243

Notes to Schedule:

1 Fiscal year 2015 was the first year of implementation, therefore only five years are shown.

City of Beaumont
Schedule of Proportionate Share of the Net Pension Liability (Continued)
Last Ten Years
For the Year Ended June 30, 2019

Item No. 1.

Safety Plan

Measurement period, year ended	<u>6/30/2018</u>	<u>6/30/2017</u>	<u>6/30/2016</u>	<u>6/30/2015</u>	<u>6/30/2014¹</u>
Plan's proportion of the net pension liability	0.171759%	0.170337%	0.173814%	0.178617%	0.111260%
Plan's proportionate share of the net pension liability	\$ 10,078,078	\$ 10,177,973	\$ 9,002,206	\$ 7,359,819	\$ 6,923,153
Plan's covered-employee payroll	\$ 3,862,606	\$ 3,722,313	\$ 3,613,896	\$ 4,134,515	\$ 4,232,207
Plan's proportionate share of the net pension liability as a percentage of covered-employee payroll	260.91%	273.43%	249.10%	178.01%	163.58%
Plan's fiduciary net position	\$ 30,849,182	\$ 28,861,673	\$ 26,699,977	\$ 26,024,112	\$ 23,147,043
Plan's fiduciary net position as a percentage of the total pension liability	75.38%	73.93%	74.79%	77.95%	76.98%
Plan's proportionate share of aggregate employer contributions	\$ 1,402,549	\$ 1,281,860	\$ 1,181,118	\$ 1,356,940	\$ 1,421,157

Notes to Schedule:

¹ Fiscal year 2015 was the first year of implementation, therefore only five years are shown.

City of Beaumont
Schedule of Contributions
Last Ten Years
For the Year Ended June 30, 2019

Item No. 1.

Miscellaneous Plan

Fiscal year	<u>2018-19</u>	<u>2017-18</u>	<u>2016-17</u>	<u>2015-16</u>	<u>2014-15</u>	<u>2013-14</u> ¹
Contractually determined contribution (actuarially determined)	\$ 1,156,583	\$ 956,792	\$ 816,082	\$ 732,914	\$ 962,897	\$ 996,243
Contributions in relation to the actuarially determined contributions ²	(1,156,583)	(956,792)	(816,082)	(732,914)	(962,897)	(996,243)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 5,203,663	\$ 5,052,100	\$ 4,864,133	\$ 4,722,459	\$ 5,411,229	\$ 5,932,314
Contributions as a percentage of covered-employee payroll	22.23%	18.94%	16.78%	15.52%	17.79%	16.79%

¹ Fiscal year 2015 was the first year of implementation, therefore only six years are shown.

² Employers are assumed to make contributions equal to the actuarially determined contributions. However, some employers may choose to make additional contributions towards their unfunded liability. Employer contributions for such plans exceed the actuarially determined contributions.

Notes to Schedule

Valuation date: 6/30/2017
 Measurement date: 6/30/2018

The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2016-17 were from the June 30, 2017 public agency valuations.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal
Amortization method/period	For details, see June 30, 2014 Funding Valuation Report
Asset valuation method	Actuarial Value of Assets. For details, see June 30, 2011 Funding Valuation Report.
Inflation	2.50%
Salary increases	Varies by entry age and service
Payroll growth	3.00%
Investment rate of return	7.15%, net of pension plan investment and administrative expenses, including inflation
Retirement age	The probabilities of retirement are based on the 2010 CalPERS Experience study for the period from 1997 to 2007.
Mortality	The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and Post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of Actuaries.

City of Beaumont
Schedule of Contributions (Continued)
Last Ten Years
For the Year Ended June 30, 2019

Item No. 1.

Safety Plan

Fiscal year	2018-19	2017-18	2016-17	2015-16	2014-15	2013-14 ¹
Contractually determined contribution (actuarially determined)	\$ 1,645,661	\$ 1,402,549	\$ 1,281,860	\$ 1,181,118	\$ 1,356,940	\$ 1,421,157
Contributions in relation to the actuarially determined contributions	(1,645,661)	(1,402,549)	(1,281,860)	(1,181,118)	(1,356,940)	(1,421,157)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll	\$ 3,978,484	\$ 3,862,606	\$ 3,722,313	\$ 3,613,896	\$ 4,134,515	\$ 4,232,207
Contributions as a percentage of covered-employee payroll ³	41.36%	36.31%	34.44%	32.68%	32.82%	33.58%

¹ Fiscal year 2015 was the first year of implementation, therefore only six years are shown.

² Employers are assumed to make contributions equal to the actuarially determined contributions. However, some employers may choose to make additional contributions towards their unfunded liability. Employer contributions for such plans exceed the actuarially determined contributions.

Notes to Schedule

Valuation date: 6/30/2017
 Measurement date: 6/30/2018

The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2018-19 were from the June 30, 2017 public agency valuations.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal
Amortization method/period	For details, see June 30, 2014 Funding Valuation Report
Asset valuation method	Actuarial Value of Assets. For details, see June 30, 2011 Funding Valuation Report.
Inflation	2.50%
Salary increases	Varies by entry age and service
Payroll growth	3.00%
Investment rate of return	7.15%, net of pension plan investment and administrative expenses, including inflation
Retirement age	The probabilities of retirement are based on the 2010 CalPERS Experience study for the period from 1997 to 2007.
Mortality	The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and Post-retirement mortality rates include 5 years of projected mortality

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For the Year Ended June 30, 2019

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City of Beaumont
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For the Year Ended June 30, 2019

Supplementary Information

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For the Year Ended June 30, 2019

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City of Beaumont
Annual Financial Report
For the Year Ended June 30, 2019

Non-Major Governmental Funds

City of Beaumont
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2019

Item No. 1.

	Special Revenue Funds			
	State Gas Tax Fund	Road Maintenance and Rehabilitation Act Fund	Measure A Fund	AB 2766 Fund
	ASSETS			
Cash and investments	\$ 103,422	\$ 1,019,132	\$ 1,372,030	\$ 427,863
Receivables:				
Accounts	-	-	-	-
Due from other governments	-	82,929	169,987	16,220
Total assets	\$ 103,422	\$ 1,102,061	\$ 1,542,017	\$ 444,083
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-
Deposits payable	-	-	-	-
Unearned revenue	-	-	-	-
Total liabilities	-	-	-	-
Fund Balances:				
Restricted	103,422	1,102,061	1,542,017	444,083
Total fund balances	103,422	1,102,061	1,542,017	444,083
Total liabilities and fund balances	\$ 103,422	\$ 1,102,061	\$ 1,542,017	\$ 444,083

(Continued)

City of Beaumont
Combining Balance Sheet (Continued)
Non-Major Governmental Funds
June 30, 2019

Item No. 1.

	Special Revenue Funds			
	PEG Fund	Other Federal Grants Fund	COPS Grant Fund	State Asset Seizure Fund
ASSETS				
Cash and investments	\$ 287,735	\$ -	\$ 377,193	\$ 321,483
Receivables:				
Accounts	9,436	-	-	-
Due from other governments	-	268	-	-
Total assets	\$ 297,171	\$ 268	\$ 377,193	\$ 321,483
 LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ 8,303	\$ 1,677
Due to other funds	-	268	-	-
Deposits payable	-	-	-	13,831
Unearned revenue	-	-	-	-
Total liabilities	-	268	8,303	15,508
 Fund Balances:				
Restricted	297,171	-	368,890	305,975
Total fund balances	297,171	-	368,890	305,975
 Total liabilities and fund balances	\$ 297,171	\$ 268	\$ 377,193	\$ 321,483

(Continued)

City of Beaumont
Combining Balance Sheet (Continued)
Non-Major Governmental Funds
June 30, 2019

Item No. 1.

	Special Revenue Funds		
	Federal Asset Seizure Fund	Other Special Revenue Fund	Total Other Governmental Funds
ASSETS			
Cash and investments	\$ 205,995	\$ 158,947	\$ 4,273,800
Receivables:			
Accounts	-	-	9,436
Due from other governments	-	-	269,404
Total assets	\$ 205,995	\$ 158,947	\$ 4,552,640
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ -	\$ -	\$ 9,980
Due to other funds	-	-	268
Deposits payable	-	-	13,831
Unearned revenue	-	56,955	56,955
Total liabilities	-	56,955	81,034
Fund Balances:			
Restricted	205,995	101,992	4,471,606
Total fund balances	205,995	101,992	4,471,606
Total liabilities and fund balances	\$ 205,995	\$ 158,947	\$ 4,552,640

(Concluded)

City of Beaumont
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Non-Major Governmental Funds
For the Year Ended June 30, 2019

Item No. 1.

	Special Revenue Funds			
	State Gas Tax Fund	Road Maintenance and Rehabilitation Act Fund	Measure A Fund	AB 2766 Fund
REVENUES:				
Taxes	\$ -	\$ -	\$ 1,038,267	\$ -
Intergovernmental	935,460	864,035	-	62,566
License and permits	-	-	-	-
Use of money and property	3,265	18,193	25,896	11,138
Other revenues	-	-	-	-
Total revenues	938,725	882,228	1,064,163	73,704
EXPENDITURES:				
Current:				
Public safety	-	-	-	-
Community development	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	-	-	-	-
REVENUES OVER (UNDER) EXPENDITURES	938,725	882,228	1,064,163	73,704
OTHER FINANCING SOURCES (USES):				
Transfers in	64,751	263,368	541,889	-
Transfers (out)	(1,163,423)	(43,535)	(64,035)	-
Total other financing sources (uses)	(1,098,672)	219,833	477,854	-
Net changes in fund balances	(159,947)	1,102,061	1,542,017	73,704
FUND BALANCES:				
Beginning of year	263,369	-	-	370,379
End of year	\$ 103,422	\$ 1,102,061	\$ 1,542,017	\$ 444,083

(Continued)

City of Beaumont
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)
Non-Major Governmental Funds
For the Year Ended June 30, 2019

Item No. 1.

	Special Revenue Funds			
	PEG Fees Fund	Other Federal Grants Fund	COPS Grant Fund	State Asset Seizure Fund
REVENUES:				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	3,601	158,751	3,481
License and permits	39,652	-	-	-
Use of money and property	7,505	-	8,816	9,503
Other revenues	-	-	-	-
Total revenues	47,157	3,601	167,567	12,984
EXPENDITURES:				
Current:				
Public Safety	-	-	55,188	54
Community development	-	3,193	-	-
Capital outlay	-	-	-	2,912
Total expenditures	-	3,193	55,188	2,966
REVENUES OVER (UNDER) EXPENDITURES	47,157	408	112,379	10,018
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	21,695	-
Transfers (out)	-	(408)	(60,000)	-
Total other financing sources (uses)	-	(408)	(38,305)	-
Net changes in fund balances	47,157	-	74,074	10,018
FUND BALANCES:				
Beginning of year	250,014	-	294,816	295,957
End of year	\$ 297,171	\$ -	\$ 368,890	\$ 305,975

(Continued)

City of Beaumont
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)
Non-Major Governmental Funds
For the Year Ended June 30, 2019

Item No. 1.

	Special Revenue Funds		
	Federal Asset Seizure Fund	Other Special Revenue Fund	Total Other Governmental Funds
REVENUES:			
Taxes	\$ -	\$ -	\$ 1,038,267
Intergovernmental	3,075	-	2,030,969
License and permits	-	7,060	46,712
Use of money and property	5,552	-	89,868
Other revenues	-	17,526	17,526
Total revenues	8,627	24,586	3,223,342
EXPENDITURES:			
Current:			
Public Safety	-	-	55,242
Community development	-	12,927	16,120
Capital outlay	-	-	2,912
Total expenditures	-	12,927	74,274
REVENUES OVER (UNDER) EXPENDITURES	8,627	11,659	3,149,068
OTHER FINANCING SOURCES (USES):			
Transfers in	-	-	891,703
Transfers (out)	-	-	(1,331,401)
Total other financing sources (uses)	-	-	(439,698)
Net changes in fund balances	8,627	11,659	2,709,370
FUND BALANCES:			
Beginning of year	197,368	90,333	1,762,236
End of year	\$ 205,995	\$ 101,992	\$ 4,471,606

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For the Year Ended June 30, 2019

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City of Beaumont
Annual Financial Report
For the Year Ended June 30, 2019

Non-Major Fiduciary Funds

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City of Beaumont
Annual Financial Report
For the Year Ended June 30, 2019

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City of Beaumont
Combining Statement of Fiduciary Net Position
All Agency Funds
June 30, 2019

Item No. 1.

	Community Facilities District Collection	Evidence Fund	Beaumont Charitable Foundation	Total
ASSETS				
Cash and investments	\$ 19,075,992	\$ 40,757	\$ -	\$ 19,116,749
Cash and investments with fiscal agent	11,706,744	-	-	11,706,744
Total assets	\$ 30,782,736	\$ 40,757	\$ -	\$ 30,823,493
LIABILITIES				
Liabilities:				
Deposits payable	\$ -	\$ 40,757	\$ -	\$ 40,757
Due to bondholders	30,782,736	-	-	30,782,736
Total liabilities	\$ 30,782,736	\$ 40,757	\$ -	\$ 30,823,493

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City of Beaumont
Annual Financial Report
For the Year Ended June 30, 2019

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City of Beaumont
Statement of Changes in Fiduciary Assets and Liabilities
All Agency Funds
For the Year Ended June 30, 2019

Item No. 1.

	Balance July 1, 2018	Additions	Deletions	Balance June 30, 2019
<u>Community Facilities District Collection Fund</u>				
Assets:				
Cash and investments	\$ 13,863,150	\$ 5,212,842	\$ -	\$ 19,075,992
Cash and investments with fiscal agent	12,703,801	-	(997,057)	11,706,744
Total assets	\$ 26,566,951	\$ 5,212,842	\$ (997,057)	\$ 30,782,736
Liabilities:				
Due to bondholders	\$ 26,566,951	\$ 4,215,785	\$ -	\$ 30,782,736
Total liabilities	\$ 26,566,951	\$ 4,215,785	\$ -	\$ 30,782,736
	Balance June 30, 2019	Additions	Deletions	Balance June 30, 2019
<u>Evidence Fund</u>				
Assets:				
Cash and investments	\$ 33,732	\$ 7,025	\$ -	\$ 40,757
Total assets	\$ 33,732	\$ 7,025	\$ -	\$ 40,757
Liabilities:				
Deposits payable	\$ 33,732	\$ 7,025	\$ -	\$ 40,757
Total liabilities	\$ 33,732	\$ 7,025	\$ -	\$ 40,757
	Balance June 30, 2019	Additions	Deletions	Balance June 30, 2019
<u>Beaumont Charitable Foundation</u>				
Assets:				
Cash and investments	\$ 22,908	\$ -	\$ (22,908)	\$ -
Total assets	\$ 22,908	\$ -	\$ (22,908)	\$ -
Liabilities:				
Deposits payable	\$ 22,908	\$ -	\$ (22,908)	\$ -
Total liabilities	\$ 22,908	\$ -	\$ (22,908)	\$ -
	Balance June 30, 2019	Additions	Deletions	Balance June 30, 2019
<u>ALL AGENCY FUNDS</u>				
Assets:				
Cash and investments	\$ 13,919,790	\$ 5,219,867	\$ (22,908)	\$ 19,116,749
Cash and investments with fiscal agent	12,703,801	-	(997,057)	11,706,744
Total assets	\$ 26,623,591	\$ 5,219,867	\$ (1,019,965)	\$ 30,823,493
Liabilities:				
Deposits payable	\$ 56,640	\$ 7,025	\$ (22,908)	\$ 40,757
Due to bondholders	26,566,951	4,215,785	-	30,782,736
Total liabilities	\$ 26,623,591	\$ 4,222,810	\$ (22,908)	\$ 30,823,493

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Annual Financial Report
For the Year Ended June 30, 2019

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