



FINANCE AND AUDIT COMMITTEE SPECIAL MEETING

550 E. 6th Street, Beaumont, CA

Monday, January 25, 2021 - 6:00 PM

Materials related to an item on this agenda submitted to the Finance and Audit Committee 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

AGENDA

MEETING PARTICIPATION NOTICE

This meeting will be conducted utilizing teleconference communications and will be recorded for live streaming. All City of Beaumont public meetings will be available via live streaming and made available on the City's official YouTube webpage. Please use the following link during the meeting for live stream access.

BeaumontCa.gov/Livestream

Public comments will be accepted using the following options.

1. Written comments will be accepted via email and will be read aloud during the corresponding item of the meeting. Public comments shall not exceed three (3) minutes unless otherwise authorized by City Council. Comments can be submitted anytime prior to the meeting as well as during the meeting up until the end of the corresponding item. Please submit your comments to: **NicoleW@BeaumontCA.gov**
2. Phone-in comments will be accepted by joining a conference line prior to the corresponding item of the meeting. Public comments shall not exceed three (3) minutes unless otherwise authorized by City Council. Please use the following phone number to join the call:
(951) 922 - 4845

In compliance with the American Disabilities Act, if you require special assistance to participate in this meeting, please contact the City Clerk's office using the above email or call **(951) 572 - 3196**. Notification 48 hours prior to a meeting will ensure the best reasonable accommodation arrangements.

CALL TO ORDER

Committee Members: Council Member Julio Martinez, Council Member David Fenn, Treasurer Baron Ginnetti, Member Steve Cooley, Member Frank Parks, Member Thomas LeMasters, Member Keith Bacon, Alternate Member David Vanderpool, and Alternate Member Dameon Butler

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. Review of Audited Financial Statements for FY 2020 – Second Meeting

Recommended Action:

It is recommended that the Finance and Audit Committee forward the audit reports provided to the Committee on January 11, 2021, to the City Council for consideration.

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, February 8, 2021, at 6:00 p.m.

Beaumont City Hall – Online www.BeaumontCa.gov



Staff Report

TO: Finance and Audit Committee Members
FROM: Jeff Mohlenkamp, Finance Director
 Lisa Leach, Senior Accountant
DATE January 25, 2021
SUBJECT: Review of Audited Financial Statements for FY 2020 – Second Meeting

Background and Analysis:

On January 11, 2021, City staff presented the following documents to the Finance and Audit Committee:

- Audited Financial Statements for FY 2019-20,
- Report on review of Internal Controls for FY 2019-20,
- Appropriations Limit Report, and
- Auditor representation letter/ Management representation letter.

City staff further provided an overview of these documents and highlighted the internal control findings identified by the auditors. During the meeting, Committee members asked for additional time to review the documents and agreed that all members would submit any questions to the Deputy City Clerk by Monday, January 18. One question was received. That question and the answer are included as Attachment A.

Additionally, there was discussion regarding internal control deficiencies and whether the City has made progress in addressing those issues. Since there are several new members on the Committee, the following information is provided to give some context and demonstrate the improvements made over the past three years:

Internal Control Findings

	FY 2018	FY 2019	FY 2020
Material Weakness	5	0	0
Significant Deficiency	2	3	5

A deficiency in internal controls exists when the design or operation of control does not allow management or employees to prevent or detect and correct misstatements on a timely basis. There are two types of deficiencies, a material weakness and a significant deficiency. A Material Weakness is a deficiency that a material misstatement of the

City’s financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency in internal control that is less severe than a material weakness.

During the audit this year, RAMS identified 3 new significant deficiencies, one was related to segregation of duties and the other 2 were related to personnel and payroll processing. There were also 3 carryover deficiencies, that addressed one deficiency as being implemented and 2 that had not since the last audit. In the report, provided on January 11, 2021, you will notice that management has addressed these deficiencies and that as of today, new procedures have been implemented to address 3 out of the 5 findings.

Audit Timeliness and Completeness of Financial Preparation by the City Finance Team

The City has made progress in both the timeliness of audit completion and the overall completeness of financials for audit review. The following statistics point to some of the progress made by the City:

Fiscal Year	Audit Report Date
FY 2020	January 4, 2021
FY 2019	February 13, 2020
FY 2018	March 26, 2019

Fiscal Year	Number of Auditor Journal Entry Adjustments
FY 2020	5 Journal Entries
FY 2019	13 Journal Entries
FY 2018	18 Journal Entries

Both of the above statistics point to the improved quality and efficiency of the process.

Recommended Action:

It is recommended that the Finance and Audit Committee forward the audit reports provided to the Committee on January 11, 2021, to the City Council for consideration.

Attachments:

- A. Questions and Answers from the Finance and Audit Committee
- B. Audited Financial Statements for FY 2019-20
- C. Report on review of Internal Controls for FY 2019-20
- D. Appropriations Limit Report
- E. Auditor representation letter/ Management representation letter

Attachment A

Questions from the Finance and Audit Committee Members regarding the FY 2020 Audited Financials

Question 1

How much money did the general fund lose out on by not allocating overhead costs/ not charging all of the indirect it was entitled to? This is regarding the audit finding that is in its 3rd year of not being resolved.

Answer

The City is entitled to make an administrative charge against grant funds. This process allows the City to identify costs associated with administering the grant funds and general overhead costs that support those operations. The City did not actually lose any General Fund dollars as a result of not applying this administrative charge. This is because the grants we obtain are all limited in the amount awarded and all funds have been expended on direct grant eligible costs. None of the grants provide extra funds to support administrative charges. As a result, if we had charged an administrative cost to the grant, it would have directly reduced the amount available for the projects themselves. By far the largest grant the City received in the past two years was for the Potrero Interchange Project. This grant was approximately \$5 million and it was fully expended on the project itself. Had we charged indirect charges against the project, it likely would have required the City to allocate other funds to complete the project including the likely use of General Funds.

City staff remains committed to completing an update to our cost allocation plan over the next several months to address this finding and for other very important reasons. City staff will report to the Committee the status of this finding at a future meeting.



City of Beaumont

Beaumont, California

**Annual Financial Report
and
Independent Auditor's Report**

For the Year Ended June 30, 2020

City of Beaumont, California

ANNUAL FINANCIAL REPORT

For the fiscal year ended June 30, 2020

Prepared by the Finance Department

Jeff Mohlenkamp, Director of Finance

Lisa Leach, Senior Accountant

Jennifer Ustation, Senior Accountant

Jacqueline Miranda, Accounting Technician

Tara Astran, Accounting Technician

Justine Wickman, Accounting Technician

City of Beaumont
Annual Financial Report
For the Year Ended June 30, 2020

Table of Contents

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**Annual Financial Report
For the Year Ended June 30, 2020**

Table of Contents

	<u>Page</u>
FINANCIAL SECTION	
Independent Auditor’s Report on Financial Statements	1
Management’s Discussion and Analysis (Unaudited)	4
Basic Financial Statements	
Government-Wide Financial Statements:	
Statement of Net Position	15
Statement of Activities	17
Fund Financial Statements:	
<i>Governmental Fund Financial Statements:</i>	
Balance Sheet	20
Reconciliation of the Governmental Funds Balance Sheet to the Government-Wide Statement of Net Position	22
Statement of Revenues, Expenditures, and Changes in Fund Balance	23
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance to the Government-Wide Statement of Activities	25
<i>Proprietary Fund Financial Statements:</i>	
Statement of Net Position	27
Statement of Revenues, Expenses, and Changes in Net Position	28
Statement of Cash Flows	29
<i>Fiduciary Fund Financial Statements:</i>	
Statement of Fiduciary Net Position	32
Statement of Changes in Fiduciary Net Position	33
Notes to the Basic Financial Statements	36
Required Supplementary Information (Unaudited):	
Budgetary Information	91
Budgetary Comparison Schedule – General Fund	92
Budgetary Comparison Schedule – Community Facilities Districts (CFD) Special Revenue Fund	93
Budgetary Comparison Schedule – Development Impact Fees (DIF) Special Revenue Fund	94

**Annual Financial Report
For the Year Ended June 30, 2020**

Table of Contents (Continued)

	<u>Page</u>
<u>FINANCIAL SECTION</u>	
Required Supplementary Information (Unaudited):	
Schedule of Proportionate Share of the Net Pension Liability and related ratios	95
Schedule of Pension Plan Contributions	97
Supplementary Information:	
<i>Non-Major Governmental Funds:</i>	
Combining Balance Sheet	99
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	102
<i>Non-Major Fiduciary Funds:</i>	
Combining Statement of Fiduciary Net Position – All Agency Funds	105
Statement of Changes in Fiduciary Assets and Liabilities – All Agency Funds	106



INDEPENDENT AUDITORS' REPORT

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

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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, 2020 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 above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2020, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and other required supplementary information, as listed 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 combining and individual non-major governmental and fiduciary fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual non-major governmental and fiduciary fund financial statements 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 combining and individual non-major governmental and fiduciary fund financial statements 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 January 4, 2021, 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 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.

Rogers, Anderson, Malody & Scott, LLP.

San Bernardino, California
January 4, 2021

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**Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2020**

This is management's discussion and analysis of the City of Beaumont's financial activities and performance for the fiscal year ended June 30, 2020, and comparison to the prior fiscal year ending June 30, 2019. 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

- The City made a significant number of operational adjustments including cost savings measures to address the COVID-19 emergency. To date the City's financial condition remains stable, but the ultimate impacts of the pandemic remain unknown.
- The City ended the year with a General Fund budgetary surplus of approximately \$8.7 million due in large part from a one-time solid waste contract retention fee of \$5 million.
- Revenues grew moderately. Growth in sales tax and other taxes was partially offset by decreases in revenues related to development activity.
- Operating expenses also grew moderately, with the largest increases occurring in personnel costs.
- The City was managed in compliance with the adopted budget and has adopted or updated financial policies.
- The City completed a significant refinancing of CFD bonds that resulted in reduced costs for property owners through a substantial reduction in the interest rate.
- The City has nearly completed work on the sewer plant project and anticipates full completion during FY 2021.
- The City completed the first year of a comprehensive street rehabilitation program.
- The City completed the design for a new west side Fire Station.
- The City adopted a new Capital Improvement Project list with the inclusion of several park projects.

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, liabilities and deferred amounts, 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.

**Management's Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2020**

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) 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 non-major governmental funds is provided in the form of combining statements reported as supplementary information.

**Management's Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2020**

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.

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 City's major special revenue funds.

Supplementary Information includes 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, 2020.

Management's Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2020

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, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources, by \$460.2 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:

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Assets:						
Current and other assets	\$ 188,260	\$ 183,902	\$ 41,600	\$ 85,069	\$ 229,860	\$ 268,971
Capital assets	277,081	271,275	201,226	157,833	478,306	429,108
Total assets	465,341	455,177	242,826	242,902	708,167	698,079
Deferred outflows:						
Deferred outflows related to pension	5,269	5,709	604	512	5,873	6,221
Liabilities:						
Current and other liabilities	50,992	48,517	11,852	18,423	62,845	66,940
Noncurrent liabilities	101,560	104,443	89,157	90,919	190,718	195,362
Total liabilities	152,553	152,960	101,010	109,342	253,563	262,302
Deferred inflows:						
Deferred inflows related to pension	211	552	67	24	278	576
Net position:						
Net investment in capital assets	191,990	180,997	137,744	134,524	329,734	315,521
Restricted	118,675	125,919	-	-	118,675	125,919
Unrestricted	7,181	458	4,609	(476)	11,790	(18)
Total net position	\$ 317,845	\$ 307,374	\$ 142,354	\$ 134,048	\$ 460,199	\$ 441,422

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 \$329.7 million. Outstanding debt decreased due to a reduction in short term liabilities and the reduction of long-term debt in the normal course of business.

A portion of the City's net position of \$118.7 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 \$317.8 million. This is largely comprised of capital assets and is offset by 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 \$16.5 million. The business type activities have an unrestricted position of \$4.6 million.

Management's Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2020

Analysis of Statement of Activities

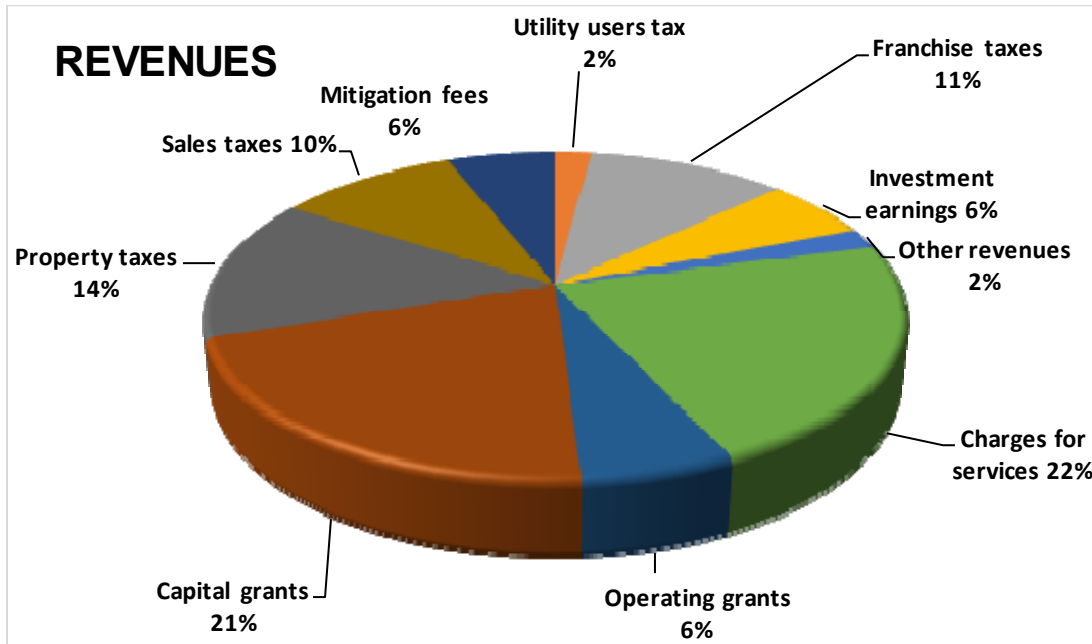
The following table indicates the changes in net position for governmental and business-type activities:

	Statement of Activities					
	(Dollars in Thousands)					
	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenues:						
Program Revenues:						
Charges for services	\$ 6,005	\$ 13,488	\$ 10,698	\$ 8,994	\$ 16,703	\$ 22,482
Operating grants	1,627	1,821	3,228	2,557	4,855	4,378
Capital grants	8,774	17,527	7,334	1,575	16,108	19,102
General Revenues:						
Property taxes	11,107	10,173	-	-	11,107	10,173
Sales taxes	7,594	6,597	-	-	7,594	6,597
Motor vehicle in lieu taxes	38	23	-	-	38	23
Utility users tax	1,650	1,584	-	-	1,650	1,584
Franchise taxes	8,075	3,909	-	-	8,075	3,909
Transient occupancy taxes	279	335	-	-	279	335
Business licenses	343	295	-	-	343	295
Other contributions	-	9,055	-	731	-	9,786
Investment earnings	4,230	5,390	565	1,564	4,796	6,954
Miscellaneous	472	717	5	4	478	721
Mitigation fees	-	-	4,819	-	4,819	-
Gain on sale of assets	33	52	-	6	33	58
Total revenues	<u>50,227</u>	<u>70,966</u>	<u>26,651</u>	<u>15,431</u>	<u>76,878</u>	<u>86,397</u>
Expenses:						
General government	6,387	6,011	-	-	6,387	6,011
Public safety	17,326	15,641	-	-	17,326	15,641
Public works	4,051	8,537	-	-	4,051	8,537
Community development	2,204	2,395	-	-	2,204	2,395
Community services	4,805	3,841	-	-	4,805	3,841
Refuse	-	5,505	-	-	-	5,505
Interest and fiscal charges	4,981	4,416	-	-	4,981	4,416
Sewer	-	-	15,085	14,994	15,085	14,994
Transit	-	-	3,261	3,354	3,261	3,354
Total expenses	<u>39,755</u>	<u>46,346</u>	<u>18,346</u>	<u>18,348</u>	<u>58,101</u>	<u>64,694</u>
Transfers	<u>-</u>	<u>(3,121)</u>	<u>-</u>	<u>3,121</u>	<u>-</u>	<u>-</u>
Change in net position	<u>\$ 10,472</u>	<u>\$ 21,499</u>	<u>\$ 8,305</u>	<u>\$ 204</u>	<u>\$ 18,777</u>	<u>\$ 21,703</u>

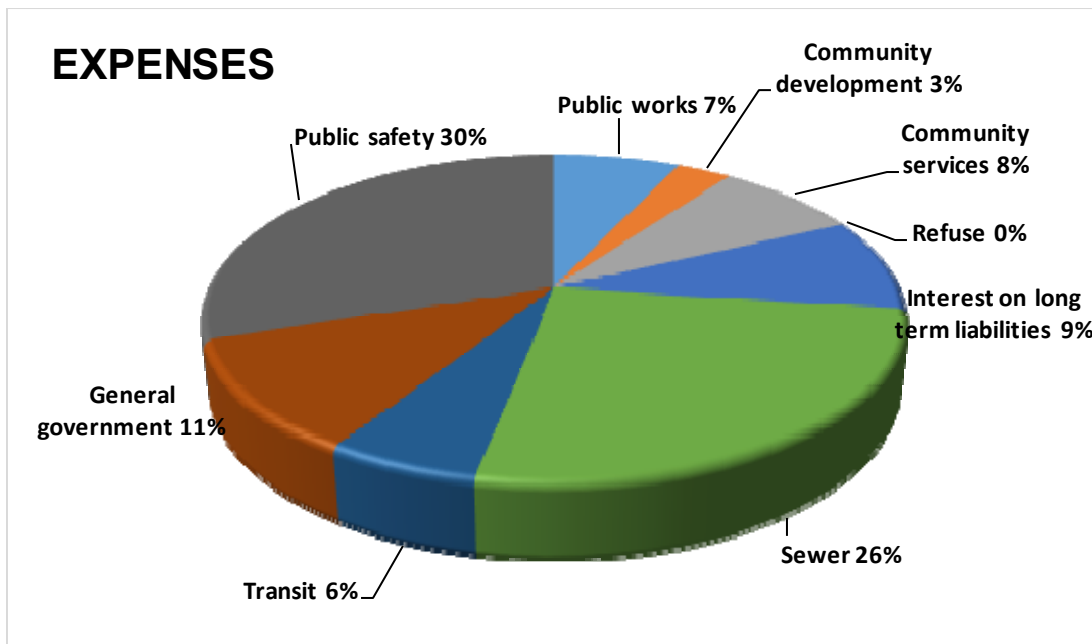
The City's overall net position increased by \$18.8 million during the current fiscal year. This increase is due to continued improvements in operating results, the receipt of a one-time solid waste franchise fee totaling \$5 million and receipt of capital grant funds.

**Management’s Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2020**

Analysis of total revenues indicates that the largest revenue sources are charges for services performed (22%) followed by capital grants (21%) related to capital projects. Tax and other general revenues continue to experience moderate growth.

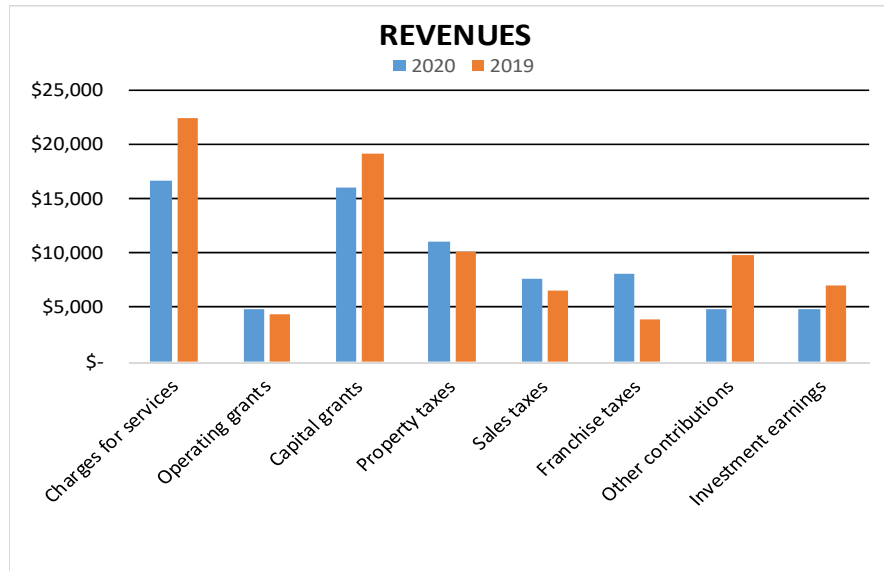


Analysis of total expense indicates that the largest functional costs are for the City's public safety (30%) and sewer services (26%).

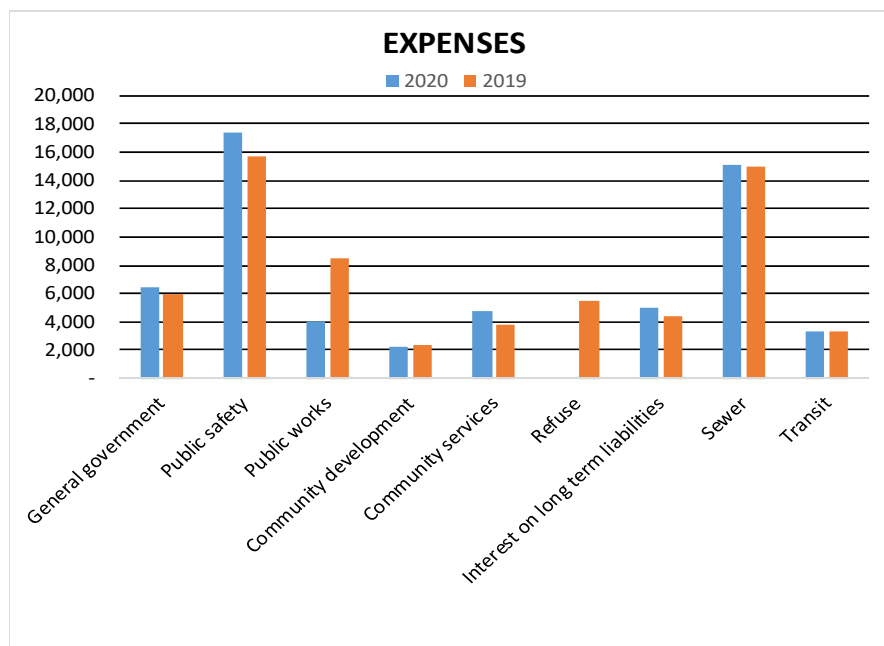


**Management’s Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2020**

Comparison of revenue and expense groupings from fiscal year 2019 to 2020 has been charted below:



The primary driver of the decrease in revenues from charges for services is the elimination of the solid waste program that was contracted out beginning in FY 2020. Revenues from development activity also had declines. The main reason for the increase in franchise taxes is the one-time retention fee related to contracting out solid waste services.



The decrease in public works expense is due to reductions in contractual expenses related to development activity (plan checks and inspections). Interest on long term liabilities reduced due to the refunding of bonds that occurred during FY 2019. Refuse services contracted out beginning in FY 2020.

**Management’s Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2020**

Governmental activities increased the City's net position by \$10.5 million. This is primarily driven by operating budget surpluses and the one-time solid waste retention fee of \$5 million.

Total revenues have decreased by \$20.7 million due to the contracting out of solid waste services, reductions in development revenues, the reduction in grant funds received and the reduction in developer contributions. Expenses also decreased by \$6.6 million due to the elimination of outsourcing of solid waste services and a reduction in costs related to development activity.

Business-type activities increased their net position by \$8.3 million. This is due to improvements in operating results and receipt of development impact fees.

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 2020. The budget was established as revenue neutral, and no extraordinary items were taken into consideration.

Management's Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2020

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

As of June 30, 2020, the City had invested \$478.3 million in capital assets, net of accumulated depreciation; an increase of 11.5% from the prior year. Governmental activities capital assets increased \$5.8 million as the net result of ongoing projects. Business-type activities capital assets increased by \$43.4 million. A summary of the City's capital assets net of depreciation at June 30, 2019 and 2020 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	
	2020	2019	2020	2019	2020	2019
GOVERNMENT						
Land	\$ 28,547	\$ 28,085	\$ -	\$ -	\$ 28,547	\$ 28,085
Construction in progress	30,405	23,710	-	-	30,405	23,710
Buildings	19,980	19,790	-	-	19,980	19,790
Machinery and equipment	7,408	6,997	-	-	7,408	6,997
Vehicles	3,097	3,137	-	-	3,097	3,137
Infrastructure	419,535	416,543	-	-	419,535	416,543
Less accumulated depreciation	(231,892)	(226,987)	-	-	(231,892)	(226,987)
	<u>277,081</u>	<u>271,275</u>	<u>-</u>	<u>-</u>	<u>277,081</u>	<u>271,275</u>
SEWER FUND						
Land	-	-	2,003	2,003	2,003	2,003
Construction in progress	-	-	80,898	37,933	80,898	37,933
Buildings and improvements	-	-	83	83	83	83
Machinery and equipment	-	-	89,340	88,379	89,340	88,379
Vehicles	-	-	696	669	696	669
Infrastructure	-	-	144,345	137,497	144,345	137,497
Less accumulated depreciation	-	-	(118,382)	(111,181)	(118,382)	(111,181)
	<u>-</u>	<u>-</u>	<u>198,983</u>	<u>155,383</u>	<u>198,983</u>	<u>155,383</u>
TRANSIT FUND						
Land	-	-	1,007	1,007	1,007	1,007
Construction in progress	-	-	376	47	376	47
Buildings and improvements	-	-	538	538	538	538
Machinery and equipment	-	-	841	824	841	824
Vehicles	-	-	3,902	3,897	3,902	3,897
Less accumulated depreciation	-	-	(4,422)	(3,863)	(4,422)	(3,863)
	<u>-</u>	<u>-</u>	<u>2,242</u>	<u>2,450</u>	<u>2,242</u>	<u>2,450</u>
TOTAL	<u>\$ 277,081</u>	<u>\$ 271,275</u>	<u>\$ 201,225</u>	<u>\$ 157,833</u>	<u>\$ 478,306</u>	<u>\$ 429,108</u>

Management's Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2020

Debt Administration

As of June 30, 2020, the City had \$107.4 million of outstanding obligations related to governmental activities and \$90.8 million related to business-type activities, for a total of \$198.3 million. Debt outstanding as of June 30, 2020 with a comparison to prior year and the net change follows:

Debt Outstanding			
(Dollars in Thousands)			
	2020	2019	Net Change
Government Activities			
Claims payable	\$ 2,206	\$ 2,807	\$ (601)
Net pension liability	16,462	15,558	904
Compensated absences	2,628	2,268	360
AB1484 Due Diligence Review	1,076	1,376	(300)
Capital lease	251	297	(46)
Beaumont Financing Authority	84,840	88,605	(3,765)
	<u>\$ 107,463</u>	<u>\$ 110,911</u>	<u>\$ (3,449)</u>
Business-type activities			
Net pension liability	\$ 1,746	\$ 1,225	\$ 521
Compensated absences	297	265	32
Wastewater Revenue Bonds	80,105	81,105	(1,000)
Bond Premium	8,495	9,470	(975)
Capital lease	184	268	(84)
	<u>\$ 90,827</u>	<u>\$ 92,333</u>	<u>\$ (1,506)</u>

The overall debt decreased by approximately \$5 million during FY 2020.

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

**Management's Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2020**

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

While the City's financial condition has, thus far, remained stable throughout the COVID-19 pandemic, management must remain vigilant in monitoring both regional and local economic impacts.

Management has focused on long term financial stability and is pursuing several initiatives as follows:

- 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.
- The City has engaged in long term financial forecasting in order to be better prepared for changes in economic conditions.
- The City is establishing internal service funds to support equipment replacement, vehicle replacement and facility maintenance/replacement.
- The City is exploring options to address the long-term fiscal implications of its pension liabilities.
- 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, however, care must be given to ensure that ongoing costs do not exceed revenues over the next three to five years.

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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Basic Financial Statements

Statement of Net Position
June 30, 2020

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets:			
Cash and investments	\$ 88,820,441	\$ 13,015,339	\$ 101,835,780
Restricted cash and investments	-	835,956	835,956
Receivables:			
Accounts	3,171,112	2,136,023	5,307,135
Interest	142,770	1,479	144,249
Intergovernmental	3,133,738	308,863	3,442,601
Total current assets	<u>95,268,061</u>	<u>16,297,660</u>	<u>111,565,721</u>
Noncurrent assets:			
Restricted cash and investments with fiscal agent	9,048,291	25,302,698	34,350,989
Restricted investment in CFDs	83,718,734	-	83,718,734
Loans receivable	224,671	-	224,671
Capital assets:			
Nondepreciable	58,952,848	84,282,666	143,235,514
Depreciable, net	218,127,914	116,943,055	335,070,969
Total capital assets, net	<u>277,080,762</u>	<u>201,225,721</u>	<u>478,306,483</u>
Total noncurrent assets	<u>370,072,458</u>	<u>226,528,419</u>	<u>596,600,877</u>
Total assets	<u>465,340,519</u>	<u>242,826,079</u>	<u>708,166,598</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension related deferred outflows	5,268,887	603,865	5,872,752
Total deferred outflows of resources	<u>5,268,887</u>	<u>603,865</u>	<u>5,872,752</u>

See accompanying Notes to the Basic Financial Statements

Statement of Net Position (Continued)
June 30, 2020

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	4,239,487	2,477,193	6,716,680
Interest payable	-	1,284,563	1,284,563
Salaries payable and related liabilities	1,112,653	24,935	1,137,588
Deposits payable	1,556,643	-	1,556,643
Unearned revenue	38,181,215	6,395,528	44,576,743
Compensated absences - due within one year	262,792	29,733	292,525
Claims payable - due within one year	1,617,130	-	1,617,130
Long-term debt - due within one year	4,022,260	1,640,436	5,662,696
Total current liabilities	50,992,180	11,852,388	62,844,568
Long-term liabilities:			
Compensated absences - due in more than one year	2,365,123	267,593	2,632,716
Claims payable - due in more than one year	589,265	-	589,265
Long-term debt - due in more than one year	82,144,512	87,143,732	169,288,244
Aggregate net pension liability	16,461,563	1,745,819	18,207,382
Total long-term liabilities	101,560,463	89,157,144	190,717,607
Total liabilities	152,552,643	101,009,532	253,562,175
DEFERRED INFLOWS OF RESOURCES			
Pension related deferred inflows	211,425	66,766	278,191
Total deferred inflows of resources	211,425	66,766	278,191
NET POSITION			
Net investment in capital assets	191,989,902	137,744,251	329,734,153
Restricted for:			
Special projects	12,260,995	-	12,260,995
Debt service	92,767,025	-	92,767,025
Capital projects	13,646,734	-	13,646,734
Total restricted	118,674,754	-	118,674,754
Unrestricted	7,180,682	4,609,395	11,790,077
Total net position	\$ 317,845,338	\$ 142,353,646	\$ 460,198,984

See accompanying Notes to the Basic Financial Statements

**Statement of Activities
For the Year Ended June 30, 2020**

Functions/Programs	Expenses	Program Revenues			Total
		Charges for Services	Operating Grants and Contributions	Capital Grant and Contributions	
Primary government:					
Governmental activities:					
General government	\$ 6,387,414	\$ 1,802,618	\$ -	\$ -	\$ 1,802,618
Public safety	17,326,496	650,762	281,388	1,597,606	2,529,756
Public works	4,051,200	771,532	1,342,860	3,216,991	5,331,383
Community development	2,203,993	2,406,496	2,550	205,230	2,614,276
Community services	4,805,108	117,209	-	3,753,523	3,870,732
Refuse	-	256,257	-	-	256,257
Interest and fiscal charges	4,980,043	-	-	-	-
Total governmental activities	39,754,254	6,004,874	1,626,798	8,773,350	16,405,022
Business-type activities:					
Sewer	15,084,760	10,527,803	-	7,307,069	17,834,872
Transit	3,260,924	170,079	3,228,349	27,337	3,425,765
Total business-type activities	18,345,684	10,697,882	3,228,349	7,334,406	21,260,637
Total primary government	\$ 58,099,938	\$ 16,702,756	\$ 4,855,147	\$ 16,107,756	\$ 37,665,659

See accompanying Notes to the Basic Financial Statements

Statement of Activities (Continued)
For the Year Ended June 30, 2020

Functions/Programs	Net (Expense) Revenue and Change in Net Position		
	Governmental Activities	Business-Type Activities	Total
Primary government:			
Governmental activities:			
General government	\$ (4,584,796)	\$ -	\$ (4,584,796)
Public safety	(14,796,740)	-	(14,796,740)
Public works	1,280,183	-	1,280,183
Community development	410,283	-	410,283
Community services	(934,376)	-	(934,376)
Refuse	256,257	-	256,257
Interest and fiscal charges	(4,980,043)	-	(4,980,043)
Total governmental activities	(23,349,232)	-	(23,349,232)
Business-type activities:			
Sewer	-	2,750,112	2,750,112
Transit	-	164,841	164,841
Total business-type activities	-	2,914,953	2,914,953
Total primary government	(23,349,232)	2,914,953	(20,434,279)
General revenues:			
Taxes:			
Property taxes	11,107,476	-	11,107,476
Sales taxes	7,593,729	-	7,593,729
Vehicle in lieu tax	38,307	-	38,307
Utility users tax	1,650,094	-	1,650,094
Franchise tax	8,074,504	-	8,074,504
Transient occupancy tax	278,504	-	278,504
Business licenses	342,702	-	342,702
Total taxes	29,085,316	-	29,085,316
Investment earnings	4,230,375	565,390	4,795,765
Miscellaneous	472,274	5,242	477,516
Mitigation fees	-	4,819,408	4,819,408
Gain on sale of assets	33,431	30	33,461
Total general revenues and transfers	33,821,396	5,390,070	39,211,466
Change in net position	10,472,164	8,305,023	18,777,187
Net position:			
Beginning of year	307,373,174	134,048,623	441,421,797
End of year	\$ 317,845,338	\$ 142,353,646	\$ 460,198,984

See accompanying Notes to the Basic Financial Statements

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Fund Financial Statements

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

Governmental Fund Financial Statements

GOVERNMENTAL FUND FINANCIAL STATEMENTS

Major 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.

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

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.

Beaumont Financing Authority / Beaumont Public Improvement Authority Debt Service Funds - These funds are 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.

Balance Sheet
Governmental Funds
June 30, 2020

	General Fund	Special Revenues Fund		Capital Projects Funds
		Community Facilities District (CFD)	Development Impact Fees (DIF)	Community Facilities District (CFD)
ASSETS				
Cash and investments	\$ 25,783,978	\$ 9,464,391	\$ 35,326,007	\$ 13,336,436
Cash and investments with fiscal agent	-	-	-	-
Investment in CFDs	-	-	-	-
Receivables:				
Accounts	766,353	-	2,397,231	-
Interest	142,770	-	-	-
Due from other governments	2,363,947	49,158	-	-
Loans	224,671	-	-	-
Due from other funds	95,011	-	-	-
Total assets	\$ 29,376,730	\$ 9,513,549	\$ 37,723,238	\$ 13,336,436
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	\$ 2,119,759	\$ -	\$ 394,094	\$ -
Accrued payroll and related liabilities	1,112,653	-	-	-
Due to other funds	-	-	-	-
Deposits payable	1,429,144	120,503	6,996	-
Unearned revenue	650,000	576	37,248,267	-
Total liabilities	5,311,556	121,079	37,649,357	-
Deferred Inflows of Resources:				
Unavailable revenue	-	-	73,881	-
Total deferred inflows of resources	-	-	73,881	-
Fund Balances:				
Nonspendable	224,671	-	-	-
Restricted	-	9,036,520	-	13,336,436
Committed	4,550,000	355,950	-	-
Unassigned	19,290,503	-	-	-
Total fund balances	24,065,174	9,392,470	-	13,336,436
Total liabilities, deferred inflows of resources and fund balances	\$ 29,376,730	\$ 9,513,549	\$ 37,723,238	\$ 13,336,436

See accompanying Notes to the Basic Financial Statements

Balance Sheet (Continued)
Governmental Funds
June 30, 2020

	Capital Projects Funds General Capital Projects	Debt Service Fund Beaumont Financing Authority	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and investments	\$ 1,908,515	\$ -	\$ 3,001,114	\$ 88,820,441
Cash and investments with fiscal agent	-	9,048,291	-	9,048,291
Investment in CFDs	-	83,718,734	-	83,718,734
Receivables:				
Accounts	-	-	7,528	3,171,112
Interest	-	-	-	142,770
Due from other governments	219,050	-	501,583	3,133,738
Loans	-	-	-	224,671
Due from other funds	-	-	-	95,011
Total assets	\$ 2,127,565	\$ 92,767,025	\$ 3,510,225	\$ 188,354,768
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	\$ 1,605,681	\$ -	\$ 119,953	\$ 4,239,487
Accrued payroll and related liabilities	-	-	-	1,112,653
Due to other funds	-	-	95,011	95,011
Deposits payable	-	-	-	1,556,643
Unearned revenue	211,586	-	70,786	38,181,215
Total liabilities	1,817,267	-	285,750	45,185,009
Deferred Inflows of Resources:				
Unavailable revenue	-	-	-	73,881
Total deferred inflows of resources	-	-	-	73,881
Fund Balances:				
Nonspendable	-	-	-	224,671
Restricted	-	92,767,025	3,224,475	118,364,456
Committed	310,298	-	-	5,216,248
Unassigned	-	-	-	19,290,503
Total fund balances	310,298	92,767,025	3,224,475	143,095,878
Total liabilities, deferred inflows of resources and fund balances	\$ 2,127,565	\$ 92,767,025	\$ 3,510,225	\$ 188,354,768

See accompanying Notes to the Basic Financial Statements

**Reconciliation of the Governmental Funds Balance Sheet
to the Government-Wide Statement of Net Position
June 30, 2020**

Total Fund Balances - Total Governmental Funds	\$ 143,095,878
Capital assets used in governmental activities were not financial resources and therefore, were not reported in governmental funds.	
Capital assets, nondepreciable	58,952,848
Capital assets, depreciable	218,127,914
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	(262,792)
Compensated absences - due in more than one year	(2,365,123)
Claims payable - due within one year	(1,617,130)
Claims payable - due in more than one year	(589,265)
Long-term debt - due within one year	(4,022,260)
Long-term debt - due more than one year	(82,144,512)
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.	
	(16,461,563)
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	5,268,887
Pension-related deferred inflows of resources	(211,425)
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.	
	73,881
Net Position of Governmental Activities	<u>\$ 317,845,338</u>

**Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2020**

	General Fund	Special Revenues Fund		Capital Projects Funds
		Community Facilities District (CFD)	Development Impact Fees (DIF)	Community Facilities District (CFD)
REVENUES:				
Taxes	\$ 13,996,788	\$ -	\$ -	\$ -
Franchise fees	8,074,504	-	-	-
Intergovernmental	5,044,235	-	-	-
License and permits	2,856,684	-	813,995	-
Fines and forfeitures	617,981	-	-	-
Assessments levied	635,079	5,503,502	-	352,494
Use of money and property	315,007	62,556	203,257	206,062
Charges for services	1,469,367	-	-	-
Other revenues	905,780	-	-	-
Total revenues	33,915,425	5,566,058	1,017,252	558,556
EXPENDITURES:				
Current:				
General government	6,439,508	-	-	-
Public safety	16,398,806	-	-	-
Public works	2,454,528	-	401,272	-
Community development	1,502,266	201,674	-	-
Community services	3,998,071	-	-	-
Capital outlay	337,540	-	-	142,695
Debt service:				
Principal	300,000	-	-	-
Refunding escrow agent	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total expenditures	31,430,719	201,674	401,272	142,695
REVENUES OVER (UNDER) EXPENDITURES	2,484,706	5,364,384	615,980	415,861
OTHER FINANCING SOURCES (USES):				
Capital lease	78,046	-	-	-
Refunding bonds issued	-	-	-	-
Premium on refunding bonds issued	-	-	-	-
Payment to refunded bond escrow agent	-	-	-	-
Proceeds from sale of capital assets	33,431	-	-	-
Transfers in	6,258,158	20,852	224,854	43,000
Transfers out	(73,326)	(5,138,598)	(840,834)	-
Total other financing sources (uses)	6,296,309	(5,117,746)	(615,980)	43,000
Net changes in fund balances	8,781,015	246,638	-	458,861
FUND BALANCES:				
Beginning of year	15,284,159	9,145,832	-	12,877,575
End of year	\$ 24,065,174	\$ 9,392,470	\$ -	\$ 13,336,436

See accompanying Notes to the Basic Financial Statements

Statement of Revenues, Expenditures, and Changes in Fund Balance (Continued)
Governmental Funds
For the Year Ended June 30, 2020

	Capital Projects Funds General Capital Projects	Debt Service Fund Beaumont Financing Authority	Other Governmental Funds	Total Governmental Funds
REVENUES:				
Taxes	\$ -	\$ -	\$ 1,000,099	\$ 14,996,887
Franchise fees	-	-	-	8,074,504
Intergovernmental	2,601,645	-	2,405,789	10,051,669
License and permits	-	-	37,856	3,708,535
Fines and forfeitures	-	-	-	617,981
Assessments levied	-	-	-	6,491,075
Use of money and property	7,499	3,506,448	36,851	4,337,680
Charges for services	-	-	-	1,469,367
Other revenues	59,498	-	56,499	1,021,777
Total revenues	2,668,642	3,506,448	3,537,094	50,769,475
EXPENDITURES:				
Current:				
General government	-	-	-	6,439,508
Public safety	-	-	332,596	16,731,402
Public works	-	-	50	2,855,850
Community development	-	-	248,849	1,952,789
Community services	-	-	-	3,998,071
Capital outlay	7,484,585	-	-	7,964,820
Debt service:				
Principal	-	3,105,300	-	3,405,300
Refunding escrow agent	-	1,149,489	-	1,149,489
Interest and fiscal charges	-	4,490,634	-	4,490,634
Total expenditures	7,484,585	8,745,423	581,495	48,987,863
REVENUES OVER (UNDER) EXPENDITURES	(4,815,943)	(5,238,975)	2,955,599	1,781,612
OTHER FINANCING SOURCES (USES):				
Capital lease	-	-	-	78,046
Refunding bonds issued	-	5,375,000	-	5,375,000
Premium on refunding bonds issued	-	1,014,920	-	1,014,920
Payment to refunded bond escrow agent	-	(6,389,920)	-	(6,389,920)
Proceeds from sale of capital assets	-	-	-	33,431
Transfers in	3,933,478	-	81,110	10,561,452
Transfers out	(224,854)	-	(4,283,840)	(10,561,452)
Total other financing sources (uses)	3,708,624	-	(4,202,730)	111,477
Net changes in fund balances	(1,107,319)	(5,238,975)	(1,247,131)	1,893,089
FUND BALANCES:				
Beginning of year	1,417,617	98,006,000	4,471,606	141,202,789
End of year	\$ 310,298	\$ 92,767,025	\$ 3,224,475	\$ 143,095,878

See accompanying Notes to the Basic Financial Statements

**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, 2020**

Net Change in Fund Balances - Total Governmental Funds \$ 1,893,089

Governmental funds report capital outlays as expenditures. However, in the Government-Wide Statement of Activities, the costs of those assets are allocated over their estimated useful lives as depreciation expense.

Capital outlay capitalized	11,108,668
Depreciation expense	(5,302,810)

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.

Principal payments on long term debt	3,405,300
Payments to refunding escrow agent	660,080
Principal payments on capital lease	124,048
Issuance of capital lease	(78,046)
Proceeds from issuance of debt	(5,375,000)
Premium on refunding bonds issues	(1,014,920)
Payment to refunded bond escrow agent	6,389,920

Governmental funds report revenues and expenditures primarily pertaining to long-term liabilities, which are not reported in the statement of activities. At the government-wide level, these activities are reported in the statement of net position. This is the net expenditure reported in the governmental funds, which is not reported in the statement of activities.

Pension related net adjustments	(1,003,104)
---------------------------------	-------------

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.

Changes in compensated absences	(359,553)
Changes in claims payable	600,980

Changes in unavailable revenues were reported as deferred inflows of resources in the Governmental Funds but were previously reported as revenues in the Government-Wide Statement of Activities.

(576,488)

Change in Net Position of Governmental Activities \$ 10,472,164

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Proprietary Fund Financial Statements

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PROPRIETARY FUND FINANCIAL STATEMENTS

Sewer Fund – The Sewer 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.

**Statement of Net Position
Proprietary Funds
June 30, 2020**

	Business-type Activities - Enterprise Funds		
	Sewer Fund	Transit Fund	Total
ASSETS			
Current assets:			
Cash and investments	\$ 11,886,761	\$ 1,128,578	\$ 13,015,339
Restricted cash and investments	835,956	-	835,956
Receivables:			
Accounts	2,133,615	2,408	2,136,023
Interest	1,479	-	1,479
Due from other governments	-	308,863	308,863
Total current assets	14,857,811	1,439,849	16,297,660
Noncurrent assets:			
Restricted cash and investments with fiscal agent	25,302,698	-	25,302,698
Capital assets:			
Nondepreciable	82,899,249	1,383,417	84,282,666
Depreciable	234,466,771	5,281,572	239,748,343
Less: accumulated depreciation	(118,382,602)	(4,422,686)	(122,805,288)
Total capital assets	198,983,418	2,242,303	201,225,721
Total noncurrent assets	224,286,116	2,242,303	226,528,419
Total assets	239,143,927	3,682,152	242,826,079
DEFERRED OUTFLOWS OF RESOURCES			
Pension-related deferred outflows	226,449	377,416	603,865
Total deferred outflows of resources	226,449	377,416	603,865
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	2,439,457	37,736	2,477,193
Salaries payable and related liabilities	9,794	15,141	24,935
Unearned revenue	6,265,410	130,118	6,395,528
Interest payable	1,284,563	-	1,284,563
Compensated absences - due within one year	6,198	23,535	29,733
Long-term debt - due within one year	1,640,436	-	1,640,436
Total current liabilities	11,645,858	206,530	11,852,388
Noncurrent liabilities:			
Compensated absences - due in more than one year	55,780	211,813	267,593
Long-term debt - due in more than one year	87,143,732	-	87,143,732
Net pension liability	654,682	1,091,137	1,745,819
Total noncurrent liabilities	87,854,194	1,302,950	89,157,144
Total liabilities	99,500,052	1,509,480	101,009,532
DEFERRED INFLOWS OF RESOURCES			
Pension-related deferred inflows	25,037	41,729	66,766
Total deferred inflows of resources	25,037	41,729	66,766
NET POSITION			
Net investment in capital assets	135,501,948	2,242,303	137,744,251
Unrestricted	4,343,339	266,056	4,609,395
Total net position	\$ 139,845,287	\$ 2,508,359	\$ 142,353,646

See accompanying Notes to the Basic Financial Statements

**Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2020**

	Business-type Activities - Enterprise Funds		Total
	Sewer Fund	Transit Fund	
OPERATING REVENUES:			
Charges for services	\$ 10,527,803	\$ 170,079	\$ 10,697,882
Other revenue	780	4,462	5,242
Total operating revenues	10,528,583	174,541	10,703,124
OPERATING EXPENSES:			
Salaries	1,216,551	1,396,494	2,613,045
Fringe benefits	772,428	652,661	1,425,089
Administration	810,273	132,175	942,448
Contract services	852,335	162,051	1,014,386
Fuels, lubricants, and maintenance	155,247	278,988	434,235
Supplies	251,190	37,459	288,649
Office	20,963	20,879	41,842
Utilities	875,767	21,163	896,930
Depreciation	7,201,911	559,054	7,760,965
Total operating expenses	12,156,665	3,260,924	15,417,589
OPERATING INCOME (LOSS)	(1,628,082)	(3,086,383)	(4,714,465)
NONOPERATING REVENUES (EXPENSES):			
Local transportation funds	-	2,889,230	2,889,230
Gain on sale of capital assets	-	30	30
Mitigation fees	4,819,408	-	4,819,408
Intergovernmental	-	339,119	339,119
Investment earnings	563,132	2,258	565,390
Interest expense	(2,928,095)	-	(2,928,095)
Total nonoperating revenues (expenses)	2,454,445	3,230,637	5,685,082
Income (loss) before operating transfers and capital contributions	826,363	144,254	970,617
TRANSFERS AND CAPITAL CONTRIBUTIONS:			
Capital contributions from Riverside Transit Agency	-	27,337	27,337
Developer capital contributions	7,307,069	-	7,307,069
Total transfers and capital contributions	7,307,069	27,337	7,334,406
Changes in net position	8,133,432	171,591	8,305,023
NET POSITION:			
Beginning of year	131,711,855	2,336,768	134,048,623
End of year	\$ 139,845,287	\$ 2,508,359	\$ 142,353,646

See accompanying Notes to the Basic Financial Statements

Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2020

	Business-type Activities - Enterprise Funds		Total
	Sewer Fund	Transit Fund	
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers and users	\$ 6,808,486	\$ 152,581	\$ 6,961,067
Payments to suppliers and employees for goods and services	(8,190,009)	(2,670,867)	(10,860,876)
Cash received from developers and others	780	4,462	5,242
Net cash provided by (used in) operating activities	(1,380,743)	(2,513,824)	(3,894,567)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Advances to other funds	-	569,186	569,186
Local transportation funds	-	2,889,230	2,889,230
Intergovernmental	-	339,119	339,119
Net cash provided by (used in) noncapital financial activities	-	3,797,535	3,797,535
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition of capital assets	(50,802,562)	(351,047)	(51,153,609)
Proceeds from disposition of capital assets	-	30	30
Mitigation fees	4,819,408	-	4,819,408
Developer capital contributions	7,307,069	-	7,307,069
Capital grants received	-	27,337	27,337
Payment of principal on long-term debt	(1,084,788)	-	(1,084,788)
Payment of interest on long-term debt	(3,905,327)	-	(3,905,327)
Net cash provided by (used in) capital and related financing activities	(43,666,200)	(323,680)	(43,989,880)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Investment income	804,197	2,258	806,455
Net cash provided by investing activities	804,197	2,258	806,455
Net change in cash and cash equivalents	(44,242,746)	962,289	(43,280,457)
CASH AND CASH EQUIVALENTS:			
Beginning of year	82,268,161	166,289	82,434,450
End of year	<u>\$ 38,025,415</u>	<u>\$ 1,128,578</u>	<u>\$ 39,153,993</u>
RECONCILIATION TO STATEMENT OF NET POSITION:			
Cash and investments	\$ 11,886,761	\$ 1,128,578	\$ 13,015,339
Restricted cash and investments	835,956	-	835,956
Restricted cash and investments with fiscal agent	25,302,698	-	25,302,698
Total cash and cash equivalents	\$ 38,025,415	\$ 1,128,578	\$ 39,153,993

See accompanying Notes to the Basic Financial Statements

Statement of Cash Flows (Continued)
Proprietary Funds
For the Year Ended June 30, 2020

	Business-type Activities - Enterprise Funds		Total
	Sewer Fund	Transit Fund	
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:			
Operating income (loss)	\$ (1,628,082)	\$ (3,086,383)	\$ (4,714,465)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:			
Depreciation	7,201,911	559,054	7,760,965
Changes in current assets, deferred outflows of resources, liabilities, and deferred inflows of resources:			
Accounts receivable	(634,076)	-	(634,076)
Prepays	6,041	5,998	12,039
Pension-related deferred outflows of resources	(216,641)	125,007	(91,634)
Accounts payable and accrued liabilities	(3,695,366)	(40,199)	(3,735,565)
Salaries payable and related liabilities	5,815	9,696	15,511
Unearned revenue	(3,085,241)	(17,498)	(3,102,739)
Compensated absences	28,730	3,784	32,514
Aggregate net pension liability	623,455	(102,983)	520,472
Pension-related deferred inflows of resources	12,711	29,700	42,411
Total adjustments	<u>247,339</u>	<u>572,559</u>	<u>819,898</u>
Net cash provided by (used in) operating activities	<u>\$ (1,380,743)</u>	<u>\$ (2,513,824)</u>	<u>\$ (3,894,567)</u>

See accompanying Notes to the Basic Financial Statements

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Fiduciary Fund Financial Statements

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FIDUCIARY FUND FINANCIAL STATEMENTS

Agency Funds – To account for collections received from special assessment district 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.

Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2020

	Agency Fund	Private Purpose Trust Fund Successor Agency
ASSETS		
Cash and investments	\$ 19,799,532	\$ 176
Restricted cash and investments with fiscal agent	26,006,253	-
Capital assets, net	-	21,826
Total assets	\$ 45,805,785	22,002
LIABILITIES AND NET POSITION		
Liabilities:		
Deposits payable	\$ 42,343	-
Due to bondholders	45,763,442	-
Total liabilities	\$ 45,805,785	-
Net Position Held in Trust for Successor Agency		\$ 22,002

See accompanying Notes to the Basic Financial Statements

**Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2020**

	Private Purpose Trust Fund Successor Agency
ADDITIONS:	\$ -
Total additions	<u>-</u>
DEDUCTIONS:	-
Total deductions	<u>-</u>
Change in net position	-
NET POSITION:	
Beginning of year	<u>22,002</u>
End of year	<u><u>\$ 22,002</u></u>

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Notes to the Basic Financial Statements

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**Index to the Notes to the Basic Financial Statements
For the Year Ended June 30, 2020**

Note 1 – Reporting Entity and Summary of Significant Accounting Policies	36
A. Reporting Entity	36
B. Basis of Accounting and Measurement Focus	38
C. Cash, Cash Equivalents and Investments	42
D. Restricted Cash and Investments	43
E. Capital Assets	43
F. Long-Term Debt	43
G. Compensated Absences	44
H. Pensions	44
I. Property Taxes	45
J. Net Position	45
K. Fund Balances	46
L. Use of Estimates	47
M. Fair Value Measurement	47
N. Upcoming Governmental Standards Implementation	48
Note 2 – Cash and Investments	50
A. Cash Deposits	50
B. Investments	51
C. External Investment Pool	52
D. Investment in CFD Bonds	53
E. Risk Disclosures	53
Note 3 – Loans Receivable	55
A. Governmental Activities	55
Note 4 – Interfund Balances and Transactions	56
A. Transfers	56
B. Due to/from Other Funds	57
Note 5 – Capital Assets	57
A. Governmental Activities	57
B. Business-Type Activities	58
C. Fiduciary Fund Financial Statements	58
Note 6 – Long-Term Obligations	59
A. Governmental Activities	59
B. Business-Type Activities	71
Note 7 – Debt Without City Commitment	73

Index to the Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

Note 8 – Compensated Absences	76
A. Governmental Activities	76
B. Business-Type Activities	76
Note 9 – Risk Management	76
Note 10 – Pension Plans	78
A. Summary	78
B. General Information about the Pension Plans	79
C. Pension Liabilities, Pension Expenses and Deferred Outflows/Inflows of Resources Related to Pension	81
D. Payable to the Pension Plan	85
Note 11 – Other Required Disclosures	86
A. Expenditures Exceeding Appropriations	86
Note 12 – Equity Classification	86
A. Fund Balances	87
B. Net Position	87
Note 13 – Commitments and Contingencies	88
A. Litigation	88
B. Grants	88
C. Construction Commitments	88
D. WRCOG Related Settlement Agreement	89
E. Covid-19 Considerations	90
Note 14 – Subsequent Events	90
A. Bond Issuance.....	90
B. Refunding.....	90

**Notes to the Basic Financial Statements
For the Year Ended June 30, 2020**

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.

Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

Note 1 - Reporting Entity and Summary of Significant Accounting Policies (Continued)**A. Reporting Entity (Continued)***Blended Component Units (Continued)*

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.

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.

Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

Note 1 - Reporting Entity and Summary of Significant Accounting Policies (Continued)**A. Reporting Entity (Continued)***Blended Component Units (Continued)***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, 2020.

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, 2020.

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.

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.

Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

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

B. Basis of Accounting and Measurement Focus (Continued)

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, liabilities and deferred amounts, 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.

Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

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. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the providers have been met.

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.

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

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.

Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

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

B. Basis of Accounting and Measurement Focus (Continued)

Governmental Fund Financial Statements (Continued)

Beaumont Financing Authority / Beaumont Public Improvement Authority Debt Service Funds - These funds are 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.

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.

Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

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

B. Basis of Accounting and Measurement Focus (Continued)

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.

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.

Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

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

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.

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.

**Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020**

Note 1 - Reporting Entity and Summary of Significant Accounting Policies (Continued)**F. Long-Term Debt (Continued)***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.

Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

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	6/30/2018
Measurement Date	6/30/2019
Measurement Period	July 1, 2018 to June 30, 2019

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.

Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

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

J. Net Position (Continued)

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.

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.

Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

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

K. Fund Balances (Continued)

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:

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.

**Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020**

Note 1 - Reporting Entity and Summary of Significant Accounting Policies (Continued)**N. 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, 2021.

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, 2022.

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, 2022.

**Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020**

Note 1 - Reporting Entity and Summary of Significant Accounting Policies (Continued)**N. Upcoming Governmental Accounting Standards Implementation (Continued)***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, 2021.

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, 2023.

Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

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, 2020:

Statement of Net Position	
Cash and investments	\$ 101,835,780
Restricted cash and investments	835,956
Restricted cash and investments with fiscal agent	34,350,989
Restricted investments in CFDs	83,718,734
Statement of Fiduciary Net Position	
Cash and investments	19,799,708
Restricted cash and investments with fiscal agent	<u>26,006,253</u>
Total	<u>\$ 266,547,420</u>

Cash, cash equivalents, and investments, consisted of the following at June 30, 2020:

Deposits with financial institutions	\$ 62,165,162
Deposits with fiscal agents	13,358,257
Petty cash	4,653
Investments	<u>191,019,348</u>
Total cash and investments	<u>\$ 266,547,420</u>

At June 30, 2020, 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, 2020:

	Total as of June 30, 2020	Measurement Inputs	Valuation Techniques
Investments:			
State investment pool	\$ 60,104,392	Uncategorized	N/A
Certificate of deposit	201,891	Uncategorized	N/A
Money market funds	46,214,331	Uncategorized	N/A
Guaranteed investment contract	780,000	Uncategorized	N/A
Restricted investments in CFDs	<u>83,718,734</u>	Uncategorized	N/A
Total	<u>\$ 191,019,348</u>		

The carrying amount of the City's demand deposits are \$62,165,162 at June 30, 2020. Bank balances were \$61,219,224 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.

Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

Note 2 - Cash and Investments (Continued)

A. Cash Deposits (Continued)

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.

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.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Investment Fund (LAIF)	N/A	100%	\$20 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.

At June 30, 2020, the City had \$60,104,392 in the LAIF account which is in excess of the City's investment policy.

Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

Note 2 - Cash and Investments (Continued)

B. Investments (Continued)

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.

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
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

C. External Investment Pool

The City is a voluntary 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, 2020 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, 2020, the City had \$60,104,392 invested in LAIF, which had invested 3.37% 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. LAIF is unrated as of June 30, 2020.

Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

Note 2 - Cash and Investments (Continued)

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 (CPD) 93-1 Special Tax Bonds ("District Bonds"). The District Bonds are local obligation bonds secured solely by special assessments on property owners within the CPD. 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.

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, 2020, the City had the following investments and maturities:

	<u>Amount</u>	<u>Maturities</u>		
		<u>1 year or less</u>	<u>1 - 5 years</u>	<u>More than 5 years</u>
Investments:				
State investment pool	\$ 60,104,392	\$ 60,104,392	\$ -	\$ -
Certificate of deposit	201,891	201,891	-	-
Money market funds	46,214,331	46,214,331	-	-
Guaranteed investment contract	780,000	-	-	780,000
Restricted investments in CFDs	83,718,734	3,615,000	18,795,000	61,308,734
Total	<u>\$ 191,019,348</u>	<u>\$ 110,135,614</u>	<u>\$ 18,795,000</u>	<u>\$ 62,088,734</u>

Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

Note 2 - Cash and Investments (Continued)

E. Risk Disclosures (Continued)

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.

	<u>Amount</u>	<u>Credit Quality Ratings</u>	
		<u>Moody's</u>	<u>Standard & Poor's</u>
Investments:			
State investment pool	\$ 60,104,392	Not Rated	Not Rated
Certificate of deposit	201,891	Not Rated	Not Rated
Money market funds	46,214,331	AA - AAA	AA - AAA
Guaranteed investment contract	780,000	Not Rated	Not Rated
Restricted investments in CFDs	<u>83,718,734</u>	Not Rated	Not Rated
Total	<u><u>\$ 191,019,348</u></u>		

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.

Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

Note 2 - Cash and Investments (Continued)

E. Risk Disclosures (Continued)

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	Total as of June 30, 2020	Percentage of Investments
Investments:		
State investment pool	\$ 60,104,392	31.47%
Certificate of deposit	201,891	0.11%
Money market funds	46,214,331	24.19%
Guaranteed investment contract	780,000	0.41%
Restricted investments in CFDs	83,718,734	43.83%
Total	\$ 191,019,348	

Note 3 - Loans Receivable

A. Governmental Activities

For the year ended June 30, 2020, changes in the loan receivable of the City's loan program is as follows:

	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020
Loan receivable:				
Calimesa loan	\$ 220,634	\$ 4,037	\$ -	\$ 224,671
Total	\$ 220,634	\$ 4,037	\$ -	\$ 224,671

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 \$224,671 at June 30, 2020. This balance includes interest of \$15,930 calculated at the LAIF rate of 1.93%.

Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

Note 4 - Interfund Balances and Transactions

A. Transfers

Transfers in and out for the year ended June 30, 2020, were as follows:

Transfers in	Transfers out	Amount	Purpose
General Fund	Admin CFD Fund	\$ 51,900	Software Purchase
General Fund	State Gas Tax Fund	1,161,434	Streets maintenance cost
General Fund	AB2766	32,007	Vehicle Purchase
General Fund	Public Safety CFD Fund	100,000	Vehicle Purchase
General Fund	Maintenance CFD Fund	3,780,492	CFD - City maintenance/admin
General Fund	Public Facilities CFD Fund	3,726	Public Safety Costs
General Fund	COPS Grant Fund	28,197	Cadet Labor Costs
General Fund	Admin CFD Fund	1,100,402	Admin Overhead Costs
	Subtotal	<u>6,258,158</u>	
SB1 Fund	Sales Tax - Measure A	43,535	Crack Seal Machine Purchase
	Subtotal	<u>43,535</u>	
Grant Fund	General Fund	10,905	FEMA Reimbursement
	Subtotal	<u>10,905</u>	
Other Special Revenue funds	COPS Grant Fund	26,670	To transfer AMR funds recorded in incorrect fund prior year
	Subtotal	<u>26,670</u>	
Maintenance CFD Fund	Admin CFD Fund	20,852	To reinstate beginning equity balances
	Subtotal	<u>20,852</u>	
Capital CFD Fund	Bond Management CFD Fund	28,000	To correct pay go funds
Capital CFD Fund	Admin CFD Fund	15,000	To correct pay go funds
	Subtotal	<u>43,000</u>	
Traffic Signal Mitigation Fund	General Capital Projects Fund	218,522	Overfunding of project
	Subtotal	<u>218,522</u>	
Road and Bridge Mitigation Fund	General Capital Projects Fund	3,967	Year end project accounting corrections
Road and Bridge Mitigation Fund	General Capital Projects Fund	2,365	Year end project accounting corrections
	Subtotal	<u>6,332</u>	
General Capital Projects Fund	General Fund	62,421	Capital projects
General Capital Projects Fund	Public Safety CFD Fund	40,000	Capital Projects
General Capital Projects Fund	Basic Services Mitigation Fund	49,914	Capital Projects
General Capital Projects Fund	General Plan Mitigation Fund	123,224	Capital Projects
General Capital Projects Fund	Traffic Signal Mitigation Fund	209,038	Capital Projects
General Capital Projects Fund	Rail Road Crossing Mitigation Fund	160,826	Capital Projects
General Capital Projects Fund	Fire Station Mitigation Fund	89,915	Capital Projects
General Capital Projects Fund	Road And Bridge Mitigation Fund	183,762	Capital Projects
General Capital Projects Fund	SB1 Tax Fund	1,500,901	Capital projects
General Capital Projects Fund	Sales Tax - Measure A	1,161,779	Capital projects
General Capital Projects Fund	State Asset Seizure Fund	17,412	Capital projects
General Capital Projects Fund	PEG Funds	310,129	Capital projects
General Capital Projects Fund	Other Mitigation - Alley-in-Leiu Fund	22,660	Capital projects
General Capital Projects Fund	Other Mitigation - Alley-in-Leiu Fund	1,497	Capital projects
	Subtotal	<u>3,933,478</u>	
	Total	<u>\$ 10,561,452</u>	

Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

Note 4 - Interfund Balances and Transactions (Continued)

B. Due to/from Other Funds

Due to/from other funds as of June 30, 2020, were as follows:

<u>Due to other funds</u>	<u>Due from other funds</u>	<u>Amount</u>	<u>Purpose</u>
Other Federal Grants Fund	General Fund	<u>\$95,011</u>	Cover deficit cash balance

Note 5 - Capital Assets

A. Governmental Activities

Summary of changes in capital assets for governmental activities for the year ended June 30, 2020 is as follows:

	<u>Balance July 1, 2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2020</u>
Nondepreciable assets:				
Land	\$ 28,084,760	\$ 462,708	\$ -	\$ 28,547,468
Construction in progress	23,709,564	7,698,461	(1,002,645)	30,405,380
Total nondepreciable assets	<u>51,794,324</u>	<u>8,161,169</u>	<u>(1,002,645)</u>	<u>58,952,848</u>
Depreciable assets:				
Building and improvements	19,790,041	190,301	-	19,980,342
Machinery and equipment	6,997,000	481,174	(70,000)	7,408,174
Vehicles	3,137,243	286,806	(327,500)	3,096,549
Infrastructure	416,543,073	2,991,863	-	419,534,936
Subtotal	<u>446,467,357</u>	<u>3,950,144</u>	<u>(397,500)</u>	<u>450,020,001</u>
Less accumulated depreciation:				
Building and improvements	(9,667,105)	(368,456)	-	(10,035,561)
Machinery and equipment	(3,945,348)	(295,059)	70,000	(4,170,407)
Vehicles	(2,498,693)	(223,589)	327,500	(2,394,782)
Infrastructure	(210,875,631)	(4,415,706)	-	(215,291,337)
Subtotal	<u>(226,986,777)</u>	<u>(5,302,810)</u>	<u>397,500</u>	<u>(231,892,087)</u>
Total depreciable assets, net	<u>219,480,580</u>	<u>(1,352,666)</u>	<u>-</u>	<u>218,127,914</u>
Total	<u>\$ 271,274,904</u>	<u>\$ 6,808,503</u>	<u>\$ (1,002,645)</u>	<u>\$ 277,080,762</u>

Governmental activities depreciation expenses for capital assets for the year ended June 30, 2020 are as follows:

General government	\$ 38,251
Public safety	190,370
Public works	4,691,546
Community development	92,512
Community services	290,131
Total depreciation expense	<u>\$ 5,302,810</u>

Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

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, 2020 is as follows:

	<u>Balance</u> <u>July 1, 2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2020</u>
Nondepreciable assets:				
Land	\$ 3,009,860	\$ -	\$ -	\$ 3,009,860
Construction in progress	37,979,834	43,292,972	-	81,272,806
Total nondepreciable assets	<u>40,989,694</u>	<u>43,292,972</u>	<u>-</u>	<u>84,282,666</u>
Depreciable assets:				
Building and improvements	621,548	-	-	621,548
Machinery and equipment	89,203,190	182,081	-	89,385,271
Vehicles	4,566,408	32,703	-	4,599,111
Infrastructure	137,496,560	7,645,853	-	145,142,413
Subtotal	<u>231,887,706</u>	<u>7,860,637</u>	<u>-</u>	<u>239,748,343</u>
Less accumulated depreciation:				
Building and improvements	(478,922)	(47,116)	-	(526,038)
Machinery and equipment	(41,135,150)	(3,131,637)	-	(44,266,787)
Vehicles	(3,139,247)	(573,264)	-	(3,712,511)
Infrastructure	(70,291,004)	(4,008,948)	-	(74,299,952)
Subtotal	<u>(115,044,323)</u>	<u>(7,760,965)</u>	<u>-</u>	<u>(122,805,288)</u>
Total depreciable assets, net	<u>116,843,383</u>	<u>99,672</u>	<u>-</u>	<u>116,943,055</u>
Total	<u>\$ 157,833,077</u>	<u>\$ 43,392,644</u>	<u>\$ -</u>	<u>\$ 201,225,721</u>

Business-type activities depreciation expenses for capital assets for the year ended June 30, 2020 are as follows:

Sewer	\$ 7,201,911
Transit	559,054
Total depreciation expense	<u>\$ 7,760,965</u>

C. Fiduciary Fund Financial Statements

Summary of changes in capital assets for the City's Successor Agency for the year ended June 30, 2020 is as follows:

	<u>Balance</u> <u>July 1, 2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2020</u>
Nondepreciable assets:				
Land	\$ 21,826	\$ -	\$ -	\$ 21,826
Total nondepreciable assets	<u>21,826</u>	<u>-</u>	<u>-</u>	<u>21,826</u>
Total	<u>\$ 21,826</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,826</u>

Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

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, 2020 is as follows:

	Balance			Balance June 30, 2020	Classification	
	July 1, 2019	Additions	Deletions		Due Within One Year	Due in More Than One Year
Governmental Activities:						
City						
AB 1484 Due Diligence Review	\$ 1,375,912	\$ -	\$ (300,000)	\$ 1,075,912	\$ 300,000	\$ 775,912
Capital Leases	297,242	78,046	(124,048)	251,240	101,512	149,728
Beaumont Public Financing Authority						
1994 Revenue Bonds, Series A	3,030,000	-	(500,000)	2,530,000	635,000	1,895,000
2007 Revenue Bonds, Series A	3,780,000	-	(3,780,000)	-	-	-
2007 Revenue Bonds, Series C & D	3,270,000	-	(3,270,000)	-	-	-
2011 Revenue Bonds, Series A & B	12,010,000	-	(80,000)	11,930,000	100,000	11,830,000
2012 Revenue Bonds, Series A	5,620,000	-	(20,000)	5,600,000	30,000	5,570,000
2012 Revenue Bonds, Series B	3,030,000	-	(75,000)	2,955,000	85,000	2,870,000
2012 Revenue Bonds, Series C	3,400,000	-	(55,000)	3,345,000	65,000	3,280,000
2013 Revenue Bonds, Series A	6,475,000	-	(460,300)	6,014,700	440,000	5,574,700
2013 Refunding Revenue Bonds, Series B	9,045,000	-	(365,000)	8,680,000	390,000	8,290,000
2015 Refunding Revenue Bonds, Series A	10,225,000	-	(225,000)	10,000,000	230,000	9,770,000
2015 Refunding Revenue Bonds, Series B	17,585,000	-	(775,000)	16,810,000	790,000	16,020,000
2015 Refunding Revenue Bonds, Series C	4,485,000	-	(220,000)	4,265,000	225,000	4,040,000
2015 Refunding Revenue Bonds, Series D	6,650,000	-	(330,000)	6,320,000	335,000	5,985,000
2019 Refunding Revenue Bonds, Series A	-	5,375,000	-	5,375,000	290,000	5,085,000
Bond premium-2019 revenue bond series A	-	1,014,920	-	1,014,920	5,748	1,009,172
Total Revenue Bonds	88,605,000	6,389,920	(10,155,300)	84,839,620	3,620,748	81,218,872
Total governmental activities	\$ 90,278,154	\$ 6,467,966	\$ (10,579,348)	\$ 86,166,772	\$ 4,022,260	\$ 82,144,512

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, 2020 is \$1,075,912. 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
2021	\$ 300,000
2022	300,000
2023	300,000
2024	175,912
Total	<u>\$ 1,075,912</u>

Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

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, 2020 are as follows:

Year Ending June 30,	Principal	Interest	Total
2021	\$ 101,512	\$ 9,304	\$ 110,816
2022	96,390	4,559	100,949
2023	53,338	1,292	54,630
Total	<u>\$ 251,240</u>	<u>\$ 15,155</u>	<u>\$ 266,395</u>

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	\$ 344,718
Less: accumulated depreciation	(134,571)
Total	<u>\$ 210,147</u>

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.

Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

Note 6 - Long-Term Obligations (Continued)**A. Governmental Activities (Continued)***Revenue Bonds (Continued)***Local Revenue Bonds - 1994 (Continued)**

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.

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, 2020, on the Series A Bonds was \$2,530,000.

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.

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.

**Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020**

Note 6 - Long-Term Obligations (Continued)**A. Governmental Activities (Continued)***Revenue Bonds (Continued)***Local Agency Revenue Bonds - 2007 Series A (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, 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.

On August 8, 2019, the City issued \$5,375,000 in refunding revenue bonds with an average interest rate of 4.0% to advance refund \$3,780,000 of outstanding 2007 Series A debt. As a result, the 2007 Series A bonds are considered to be refunded and the liability for these bonds has been removed from the government-wide statement of net position.

The refunding did not result in a difference between the reacquisition price and the net carrying amount of the old debt. The City completed the refunding to reduce its total debt service payments over the next 13 years by \$959,075 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$490,109.

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.

**Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020**

Note 6 - Long-Term Obligations (Continued)**A. Governmental Activities (Continued)***Revenue Bonds (Continued)***Local Agency Revenue Bonds - 2007 Series C and D (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, 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.

On August 8, 2019, the City issued \$5,375,000 in refunding revenue bonds with an average interest rate of 4.0% to advance refund \$3,270,000 of outstanding 2007 Series C & D debt. As a result, the 2007 Series A bonds are considered to be refunded and the liability for these bonds has been removed from the government-wide statement of net position.

The refunding did not result in a difference between the reacquisition price and the net carrying amount of the old debt. The City completed the refunding to reduce its total debt service payments over the next 13 years by \$960,563 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$548,461.

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.

**Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020**

Note 6 - Long-Term Obligations (Continued)**A. Governmental Activities (Continued)***Revenue Bonds (Continued)***Local Agency Revenue Bonds - 2011 Series A and 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, 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 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, 2020 was \$11,930,000 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.

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.

**Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020**

Note 6 - Long-Term Obligations (Continued)**A. Governmental Activities (Continued)***Revenue Bonds (Continued)***Local Agency Revenue Bonds - 2012 Series A (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, 2020 was \$5,600,000 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.

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 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 \$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, 2020 was \$2,955,000 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.

Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

Note 6 - Long-Term Obligations (Continued)**A. Governmental Activities (Continued)***Revenue Bonds (Continued)***Local Agency Revenue Bonds - 2012 Series C**

On May 23, 2012, the BF A 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, 2020 was \$3,345,000 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.

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. I 9C, 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%.

**Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020**

Note 6 - Long-Term Obligations (Continued)**A. Governmental Activities (Continued)***Revenue Bonds (Continued)***Local Agency Revenue Bonds - 2013 Series A (Continued)**

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, 2020 was \$6,014,700 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. 17 A, 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, 2020 was \$8,680,000 for the Authority Bonds and is reported in the City's financial statements as the BFA is a component unit of the City.

**Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020**

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, 2020 was \$10,000,000 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.

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%.

Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

Note 6 - Long-Term Obligations (Continued)**A. Governmental Activities (Continued)***Revenue Bonds (Continued)***Local Agency Refunding Revenue Bonds - 2015 Series B (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, 2020 was \$16,810,000 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.

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, 2020 was \$4,265,000 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.

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.

Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

Note 6 - Long-Term Obligations (Continued)**A. Governmental Activities (Continued)***Revenue Bonds (Continued)***Local Agency Refunding Revenue Bonds - 2015 Series D (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. Interest on the bonds ranges from 2.00% to 4.25%.

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, 2020 was \$6,320,000 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.

Local Agency Refunding Revenue Bonds - 2019 Series A

On August 8, 2019, the BFA issued \$5,375,000 of 2019 Local Agency Refunding Revenue Bonds, Series A (the "Authority Bonds") for the purpose of refunding the Beaumont Financing Authority Local Agency Revenue Bonds Series 2007 A, C and 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, 2021 until maturity or earlier redemption. Interest on the bonds ranges from 3.0% to 5.0%.

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, 2020 was \$5,375,000 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.

Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

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
2021	\$ 3,615,000	\$ 3,870,478	\$ 7,485,478
2022	3,810,000	3,763,512	7,573,512
2023	3,995,000	3,654,235	7,649,235
2024	3,800,000	3,522,459	7,322,459
2025	3,510,000	3,368,444	6,878,444
2026-2030	20,245,000	14,250,476	34,495,476
2031-2035	24,170,000	8,940,692	33,110,692
2036-2040	11,374,700	4,188,000	15,562,700
2041-2045	8,665,000	1,078,756	9,743,756
2046	640,000	16,000	656,000
Total	\$ 83,824,700	\$ 46,653,053	\$ 130,477,753

B. Business-Type Activities

Summary of changes in long-term liabilities for the business-type activities for the year ended June 30, 2020 is as follows:

	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020	Classification	
					Due Within One Year	Due in More Than One Year
Business-Type Activities:						
Wastewater Revenue Bonds	\$ 81,105,000	\$ -	\$ (1,000,000)	\$ 80,105,000	\$ 1,245,000	\$ 78,860,000
Bond Premium	9,469,765	-	(974,268)	8,495,497	303,092	8,192,405
Capital Leases	268,459	-	(84,788)	183,671	92,344	91,327
Total business-type activities	\$ 90,843,224	\$ -	\$ (2,059,056)	\$ 88,784,168	\$ 1,640,436	\$ 87,143,732

Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

Note 6 - Long-Term Obligations (Continued)

B. Business-Type Activities (Continued)

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.

The annual debt service requirements for the capital leases payable outstanding at June 30, 2020 are as follows:

Year Ending June 30,	Principal	Interest	Total
2021	\$ 92,344	\$ 11,257	\$ 103,601
2022	91,327	3,661	94,988
Total	<u>\$ 183,671</u>	<u>\$ 14,918</u>	<u>\$ 198,589</u>

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	(227,752)
Total	<u>\$ 227,753</u>

Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

Note 6 - Long-Term Obligations (Continued)

B. Business-Type Activities (Continued)

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, 2020 was \$80,105,000.

Year Ending June 30,	Principal	Interest	Total
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	8,285,000	17,071,313	25,356,313
2026-2030	10,525,000	14,829,813	25,354,813
2031-2035	13,060,000	12,291,669	25,351,669
2036-2040	16,620,000	8,734,250	25,354,250
2041-2045	21,345,000	4,011,875	25,356,875
2046-2050	4,950,000	123,750	5,073,750
Total	<u>\$ 80,105,000</u>	<u>\$ 72,036,372</u>	<u>\$ 152,141,372</u>

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.

**Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020**

Note 7 - Debt Without City Commitment (Continued)

The bonds issued by the CPD 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, 2020 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, 2020 was \$2,250,000.

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, 2020 was \$3,630,000.

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, 2020 was \$12,510,000.

Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

Note 7 - Debt Without City Commitment (Continued)

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

On March 12, 2019, the CFO issued \$9,045,000 of special tax bonds, to finance a portion 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, 2020 was \$8,790,000.

As of June 30, 2020, debt without City or BFA commitment is as follows:

	Balance
	June 30, 2020
1994 Special Tax Bonds, Series A	\$ 2,424,034
2011 Special Tax Bonds, Series A & B	11,930,000
2012 Special Tax Bonds, Series A	5,600,000
2012 Special Tax Bonds, Series B	2,955,000
2012 Special Tax Bonds, Series C	3,345,000
2013 Special Tax Bonds, Series A	6,014,700
2013 Special Tax Bonds, Series B	8,680,000
2015 Special Tax Bonds, Series A	10,000,000
2015 Special Tax Bonds, Series B	16,810,000
2015 Special Tax Bonds, Series C	4,265,000
2015 Special Tax Bonds, Series D	6,320,000
2019 Refunding Revenue Bonds, Series A	5,375,000
Subtotal	83,718,734
2017 Special Tax Refunding Bonds, Series A	86,747,399
2018 Special Tax Bonds, Series A	33,255,000
2018 Special Tax Bonds, 1A 7B	2,250,000
2018 Special Tax Bonds, 1A 7D	3,630,000
2018 Special Tax Bonds, 1A 8E	12,510,000
2019 Special Tax Bonds, 1A 2016-1	8,790,000
Total Limited Obligation Bond Debt	\$ 230,901,133

Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

Note 8 - Compensated Absences

The City's liability for vested and unpaid compensated absences (vacation and vested sick leave) was \$2,925,240 at June 30, 2020.

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, 2020 is as follows:

	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020	Classification	
					Due Within One Year	Due in More Than One Year
Governmental Activities:						
Compensated absences	\$ 2,268,362	\$ 530,915	\$ (171,362)	\$ 2,627,915	\$ 262,792	\$ 2,365,123
Total governmental activities	\$ 2,268,362	\$ 530,915	\$ (171,362)	\$ 2,627,915	\$ 262,792	\$ 2,365,123

B. Business-Type Activities

Summary of changes in compensated absences for the year ended June 30, 2020 is as follows:

	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020	Classification	
					Due Within One Year	Due in More Than One Year
Business-Type Activities:						
Compensated absences	\$ 264,812	\$ 36,773	\$ (4,259)	\$ 297,326	\$ 29,733	\$ 267,593
Total governmental activities	\$ 264,812	\$ 36,773	\$ (4,259)	\$ 297,326	\$ 29,733	\$ 267,593

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, 2020.

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.

Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

Note 9 - Risk Management (Continued)

General Liability and Property Damage Insurance (Continued)

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
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
2019-2020	2,807,375	1,016,150	(1,617,130)	2,206,395

Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

Note 10 - Pension Plans

A. Summary

	Governmental Activities	Business-Type Activities	Total
Deferred outflows of resources:			
Pension contribution made after measurement date:			
CalPERS Miscellaneous	\$ 1,058,980	\$ 331,408	\$ 1,390,388
CalPERS Safety	1,838,564	-	1,838,564
Total pension contribution made after measurement date	<u>2,897,544</u>	<u>331,408</u>	<u>3,228,952</u>
Change in assumption:			
CalPERS Miscellaneous	174,004	54,948	228,952
CalPERS Safety	355,271	-	355,271
Total change in assumption	<u>529,275</u>	<u>54,948</u>	<u>584,223</u>
Adjustment due to difference in proportions:			
CalPERS Miscellaneous	291,647	92,099	383,746
CalPERS Safety	212,289	-	212,289
Total adjustment due to difference in proportions	<u>503,936</u>	<u>92,099</u>	<u>596,035</u>
Difference between expected and actual experience:			
CalPERS Miscellaneous	362,203	114,380	476,583
CalPERS Safety	703,134	-	703,134
Total difference between expected and actual experience	<u>1,065,337</u>	<u>114,380</u>	<u>1,179,717</u>
Employer contributions in excess of proportionate share of contribution:			
CalPERS Miscellaneous	34,928	11,030	45,958
CalPERS Safety	237,867	-	237,867
Total employer contributions in excess of proportionate share of contribution	<u>272,795</u>	<u>11,030</u>	<u>283,825</u>
Total deferred outflows of resources:			
CalPERS Miscellaneous	1,921,762	603,865	2,525,627
CalPERS Safety	3,347,125	-	3,347,125
Total deferred outflows of resources	<u>\$ 5,268,887</u>	<u>\$ 603,865</u>	<u>\$ 5,872,752</u>
Net pension liabilities:			
CalPERS Miscellaneous	\$ 5,692,320	\$ 1,745,819	\$ 7,438,139
CalPERS Safety	10,769,243	-	10,769,243
Total net pension liabilities	<u>\$ 16,461,563</u>	<u>\$ 1,745,819</u>	<u>\$ 18,207,382</u>

Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

Note 10 - Pension Plans (Continued)

A. Summary (Continued)

	Governmental Activities	Business-Type Activities	Total
Deferred inflows of resources:			
Projected earnings on pension plan investment in excess of actual earnings:			
CalPERS Miscellaneous	\$ 63,276	\$ 66,766	\$ 130,042
CalPERS Safety	148,149	-	148,149
Total projected earnings on pension plan investment in excess of actual earnings	<u>211,425</u>	<u>66,766</u>	<u>278,191</u>
Total deferred inflows of resources:			
CalPERS Miscellaneous	63,276	66,766	130,042
CalPERS Safety	148,149	-	148,149
Total deferred outflows of resources	<u>\$ 211,425</u>	<u>\$ 66,766</u>	<u>\$ 278,191</u>
Pension expenses:			
CalPERS Miscellaneous	\$ 1,626,306	\$ 513,570	\$ 2,139,876
CalPERS Safety	2,563,438	-	2,563,438
Total net pension liabilities	<u>\$ 4,189,744</u>	<u>\$ 513,570</u>	<u>\$ 4,703,314</u>

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.

Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

Note 10 - Pension Plans (Continued)

B. General Information about the Pension Plans (Continued)

Employees Covered by Benefit Terms

At June 30, 2019, 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	50-67	52-67	50-55	50-57
Monthly benefits, as a % of eligible compensation	3.0%	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, 2020, the contributions recognized as part of pension expense for each Plan were as follows:

Miscellaneous	\$ 1,390,388
Safety	1,838,564
	\$ 3,228,952

Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

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:

	<u>Plan Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net Pension Liability</u>
Miscellaneous			
Balance at: 6/30/18 (Valuation date)	\$ 30,905,743	\$ 24,200,404	\$ 6,705,339
Balance at: 6/30/19 (Measurement date)	34,063,851	26,625,712	7,438,139
Net changes during 2018-2019	<u>\$ 3,158,108</u>	<u>\$ 2,425,308</u>	<u>\$ 732,800</u>
Safety			
Balance at: 6/30/18 (Valuation date)	\$ 40,927,260	\$ 30,849,182	\$ 10,078,078
Balance at: 6/30/19 (Measurement date)	44,277,751	33,508,508	10,769,243
Net changes during 2018-2019	<u>\$ 3,350,491</u>	<u>\$ 2,659,326</u>	<u>\$ 691,165</u>

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, 2019, 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, 2018 rolled forward to June 30, 2019 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, 2018 and 2019 was as follows:

	<u>Miscellaneous</u>	<u>Safety</u>	<u>Total</u>
Proportion - June 30, 2018	0.17792%	0.17176%	0.34968%
Proportion - June 30, 2019	0.18574%	0.17251%	0.35825%
Change - Increase (Decrease)	<u>0.00782%</u>	<u>0.00075%</u>	<u>0.00857%</u>

Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

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 year ended June 30, 2020, the City recognized pension expense of \$2,139,876 and \$2,563,438, for the Miscellaneous and Safety plans, respectively. At June 30, 2020, 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	\$ 1,390,388	\$ -
Difference between projected and actual earning on pension plan investments	-	130,042
Adjustment due to differences in proportions	383,746	-
Changes in assumptions	228,952	-
Difference between actual and expected experience	476,583	-
Difference between employer's actual contributions and proportionate share of contributions	45,958	-
Total	<u>\$ 2,525,627</u>	<u>\$ 130,042</u>

Safety Plans		
	Deferred Outflows of Resources	Deferred Inflows of Resources
Pension contributions made subsequent to measurement date	\$ 1,838,564	\$ -
Difference between projected and actual earning on pension plan investments	-	148,149
Adjustment due to differences in proportions	212,289	-
Changes in assumptions	355,271	-
Difference between actual and expected experience	703,134	-
Difference between employer's actual contributions and proportionate share of contributions	237,867	-
Total	<u>\$ 3,347,125</u>	<u>\$ 148,149</u>

For the Miscellaneous Plan and Safety Plan, \$1,390,388 and \$1,838,564, 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, 2020). 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
2021	\$ 768,676	\$ 1,052,661	\$ 1,821,337
2022	82,506	110,282	192,788
2023	127,738	168,644	296,382
2024	26,277	28,825	55,102
2025	-	-	-
	<u>\$ 1,005,197</u>	<u>\$ 1,360,412</u>	<u>\$ 2,365,609</u>

Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

Note 10 - Pension Plans (Continued)

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

Actuarial Assumptions

The total pension liabilities in the June 30, 2018 actuarial valuations were determined using the following actuarial assumptions:

Valuation Date	June 30, 2018
Measurement Date	June 30, 2019
Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	Market Value of Assets
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.50%
Salary Increases	Varies by Entry Age and Service
Mortality Rate Table (1)	Derived using CALPERS' membership data for all Funds
Post Retirement Benefit Increase	The lesser of contract COLA or 2.50% until purchasing power protection allowance floor on purchasing power applies, 2.50% thereafter

(1) The mortality table used was developed based on CalPERS' specific data. The probabilities of mortality are based on the 2017 CalPERS Experience Study for the period from 1997 to 2015. Pre-retirement and Post-retirement mortality rates include 15 years of projected mortality improvements 90% of scale MP 2016 published by the Society of Actuaries. For more details on this table, please refer to the CalPERS Experience Study and Review of Actuarial Assumptions report from December 2017 that can be found on the CalPERS website.

All other actuarial assumptions used in the June 30, 2018 valuation were based on the results of an actuarial experience study for the period from 1997 to 2015, including updates to salary increase, mortality and retirement rates. The Experience Study report can be obtained at CalPERS' website, at www.calpers.ca.gov.

Long term Expected Rate of Return

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. 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+ 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 rounded 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 equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

Note 10 - Pension Plans (Continued)

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

Long term Expected Rate of Return (Continued)

The expected real rates of return by asset class are as follows:

<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%
Total	<u>100%</u>		

¹ In the System's CAFR, fixed income is included in global debt securities; liquidity is included in short-term investments; inflation assets are included in both global equity securities and global debt securities.

² An expected inflation of 2.0% used for this period

³ An expected inflation of 2.92% used for this period

Change of Assumptions

There were no changes in assumptions.

Discount Rate

The discount rate used to measure the total pension liability for PERF C was 7.15%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made at statutorily required rates, actuarially determined. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability

Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

Note 10 - Pension Plans (Continued)

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

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

The following presents the 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% (6.15%)	Current Discount Rate (7.15%)	Discount Rate + 1% (8.15%)
Miscellaneous	\$ 12,019,831	\$ 7,438,139	\$ 3,656,276
Safety	16,837,216	10,769,243	5,794,456
Total	<u>\$ 28,857,047</u>	<u>\$ 18,207,382</u>	<u>\$ 9,450,732</u>

Pension Plan Fiduciary Net Position

Information about the pension plan's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fiduciary net position are presented in CalPERS' audited financial statements, which are publicly available reports that can be obtained at CalPERS' website, at www.calpers.ca.gov. The plan's fiduciary net position and additions to/deductions from the plan's fiduciary net position have been determined on the same basis used by the pension plan, which is the economic resources measurement focus and the accrual basis of accounting. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value.

The plan fiduciary net position disclosed in the GASB 68 accounting valuation report may differ from the plan assets reported in the funding actuarial valuation report due to several reasons. First, for the accounting valuations, CalPERS must keep items such as deficiency reserves, fiduciary self-insurance and Other Post-Employment Benefits (OPEB) expense included as assets. These amounts are excluded for rate setting purposes in the funding actuarial valuation. In addition, differences may result from early Comprehensive Annual Financial Report closing and final reconciled reserves.

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, 2020.

Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

Note 11 - Other Required Disclosures

A. Expenditures Exceeding Appropriations

For the year ended June 30, 2020, expenditures exceeded appropriations in the following functions of the General Fund:

<u>Fund</u>	<u>Function</u>	<u>Excess Expenditures</u>
General Fund	General Government	\$ (562,577)
General Fund	Debt Service	(300,000)
Development Impact Fees	Public Works	(401,272)

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 - Equity Classification

A. Fund Balances

	<u>Major Funds</u>						<u>Total</u>
	<u>General Fund</u>	<u>Community Facilities District (CFD) Special Revenue Fund</u>	<u>Community Facilities District (CFD) Capital Projects Fund</u>	<u>General Capital Projects Fund</u>	<u>Beaumont Financing Authority Debt Service Fund</u>	<u>Other Governmental Funds</u>	
Nonspendable:							
Loans receivable	\$ 224,671	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 224,671
Total nonspendable	<u>224,671</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>224,671</u>
Restricted							
RMRA	-	-	-	-	-	551,820	551,820
Measure A	-	-	-	-	-	1,348,379	1,348,379
AB 2766	-	-	-	-	-	474,841	474,841
PEG Fees	-	-	-	-	-	21,482	21,482
COPS Grant	-	-	-	-	-	367,813	367,813
State Asset Forfeiture	-	-	-	-	-	290,939	290,939
Federal Asset Forfeiture	-	-	-	-	-	6,028	6,028
Other Special Projects	-	-	-	-	-	163,173	163,173
Capital Projects	-	-	13,336,436	-	-	-	13,336,436
Debt Service	-	-	-	-	92,767,025	-	92,767,025
Community Facilities Districts	-	9,036,520	-	-	-	-	9,036,520
Total restricted	<u>-</u>	<u>9,036,520</u>	<u>13,336,436</u>	<u>-</u>	<u>92,767,025</u>	<u>3,224,475</u>	<u>118,364,456</u>
Committed:							
Capital Projects	4,550,000	355,950	-	310,298	-	-	5,216,248
Total Committed	<u>4,550,000</u>	<u>355,950</u>	<u>-</u>	<u>310,298</u>	<u>-</u>	<u>-</u>	<u>5,216,248</u>
Unassigned	<u>19,290,503</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>19,290,503</u>
Total Fund Balances	<u>\$ 24,065,174</u>	<u>\$ 9,392,470</u>	<u>\$ 13,336,436</u>	<u>\$ 310,298</u>	<u>\$ 92,767,025</u>	<u>\$ 3,224,475</u>	<u>\$ 143,095,878</u>

Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

Note 12 - Equity Classification (Continued)

B. Net Position

Governmental Activities

Net Investment in Capital Assets

Net position for governmental activities and business-type activities is classified as 1) net investment in capital assets, 2) restricted, or 3) unrestricted. Net position that was classified as net investment in capital assets as of June 30, 2020, was determined as follows:

	Governmental Activities
Capital assets, net of accumulated depreciation	\$ 277,080,762
Less capital related debt balance:	
Outstanding principal balance of capital lease	(251,240)
Outstanding principal balance of Beaumont Public Financing Authority debt	(84,839,620)
Net investment in capital assets	<u>\$ 191,989,902</u>

Business-type Activities

	Business-type Activities		Total Enterprise Funds
	Sewer Fund	Transit Fund	
Capital assets, net of accumulated depreciation	\$ 198,983,418	\$ 2,242,303	\$ 201,225,721
Plus (less) capital related debt balance:			
Unspent proceeds	25,302,698	-	25,302,698
Outstanding principal balance of 2018 Wastewater Revenue Bonds	(80,105,000)	-	(80,105,000)
Outstanding unamortized bond premium balance	(8,495,497)	-	(8,495,497)
Outstanding balance of capital lease	(183,671)	-	(183,671)
Net investment in capital assets	<u>\$ 135,501,948</u>	<u>\$ 2,242,303</u>	<u>\$ 137,744,251</u>

Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

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, 2020 with a planned cost to complete of approximately \$111,302,069.

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 WR COG had obtained against the City. Under the terms of the WR COG Settlement, the City and WR COG agreed that the City would rejoin WRCOG and adopt the WR COG 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

Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

Note 13 - Commitments and Contingencies (Continued)

D. WRCOG Restated Settlement Agreement (Continued)

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:

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

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:

<u>Recovery Amount</u>	<u>WRCOG</u>	<u>City**</u>
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, 2020, 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.

Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2020

E. Covid-19 Considerations

On March 11, 2020, the World Health Organization declared the novel strain of coronavirus (COVID-19) a global pandemic and recommended containment and mitigation measures worldwide. The COVID-19 outbreak in the United States has caused business disruption through mandated and voluntary closings of businesses and shelter in place orders for all but those deemed essential services. While the business disruption is currently expected to be temporary, there is considerable uncertainty around the duration of the closings and shelter in place orders. As a result, the outbreak has caused uncertainty in the financial markets. Although the City's services are considered essential, the City's office was closed to the public, certain other services transitioned to online-only and because the City's major revenue sources are directly impacted by these events, it is possible that this matter will negatively impact the City. However, the ultimate financial impact and duration cannot be estimated at this time and no adjustments have been made to these financial statements as a result of this uncertainty.

Note 14 - Subsequent Events

A. Bond Issuance

2020 CFD Special Tax Bonds, Community Facilities District No. 2019-1

On September 1, 2020, the City authorized the issuance of CFD special tax bonds (CFD 2019-1) in the amount of \$2,355,000 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 2050, beginning on March 1, 2020. The bonds bear interest ranging from 3% to 4%. Principal payments are due annually beginning on September 1, 2021. 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.

B. Refunding

On July 30, 2020, the BFA completed two (2) refunding transactions through the Beaumont Public Improvement Authority for the following community facility district bond issues:

<u>Bond issue</u>	<u>City cash pledge</u>	<u>Original issue</u>	<u>Refunded bonds</u>
Special Tax Bond, 2012 Series A, Improvement Area 8C	\$ 914,446	\$ 5,650,000	\$ 5,660,000
Special Tax Bond, 2011 Series A & B, Improvement Area 17B	1,879,511	12,145,000	11,540,000

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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Required Supplementary Information (Unaudited)

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**Budgetary Information
For the Year Ended June 30, 2020**

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 supplementary 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).

**Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2020**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Taxes	\$ 11,965,964	\$ 11,970,964	\$ 13,996,788	\$ 2,025,824
Franchise fees	853,875	7,953,875	8,074,504	120,629
Intergovernmental	5,049,494	5,049,494	5,044,235	(5,259)
License and permits	4,199,506	4,211,966	2,856,684	(1,355,282)
Fines and forfeitures	258,850	258,850	617,981	359,131
Assessments levied	390,000	390,000	635,079	245,079
Use of money and property	126,000	126,000	315,007	189,007
Charges for services	3,905,550	1,805,550	1,469,367	(336,183)
Other revenues	21,500	21,500	905,780	884,280
Total revenues	26,770,739	31,788,199	33,915,425	2,127,226
EXPENDITURES:				
Current:				
General government	5,815,534	5,876,931	6,439,508	(562,577)
Public safety	16,630,530	17,045,530	16,398,806	646,724
Public works	3,011,078	2,860,570	2,454,528	406,042
Community development	1,934,741	1,935,249	1,502,266	432,983
Community services	4,532,186	4,652,186	3,998,071	654,115
Capital outlay	384,970	389,970	337,540	52,430
Debt service:				
Principal	-	-	300,000	(300,000)
Total Expenditures	32,309,039	32,760,436	31,430,719	1,329,717
REVENUES OVER (UNDER) EXPENDITURES	(5,538,300)	(972,237)	2,484,706	3,456,943
OTHER FINANCING SOURCES (USES):				
Capital lease	-	-	78,046	78,046
Proceeds from sale of property	5,000	5,000	33,431	28,431
Transfers in	5,687,300	6,121,237	6,258,158	136,921
Transfers (out)	(154,000)	(154,000)	(73,326)	80,674
Total other financing sources	5,538,300	5,972,237	6,296,309	324,072
Net change in fund balance	\$ -	\$ 5,000,000	8,781,015	\$ 3,781,015
FUND BALANCE:				
Beginning of year			15,284,159	
End of year			<u>\$ 24,065,174</u>	

**Budgetary Comparison Schedule
Community Facilities Districts (CFD) Special Revenue Fund
For the Year Ended June 30, 2020**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Assessments levied	\$ 6,079,735	\$ 6,079,735	\$ 5,503,502	\$ (576,233)
Use of money and property	-	-	62,556	62,556
Total revenues	<u>6,079,735</u>	<u>6,079,735</u>	<u>5,566,058</u>	<u>(513,677)</u>
EXPENDITURES:				
Current:				
Public works	316,000	316,000	201,674	114,326
Total Expenditures	<u>316,000</u>	<u>316,000</u>	<u>201,674</u>	<u>114,326</u>
REVENUES OVER (UNDER)				
EXPENDITURES	<u>5,763,735</u>	<u>5,763,735</u>	<u>5,364,384</u>	<u>(399,351)</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	20,852	20,852
Transfers (out)	(5,047,300)	(5,257,237)	(5,138,598)	118,639
Total other financing sources (uses)	<u>(5,047,300)</u>	<u>(5,257,237)</u>	<u>(5,117,746)</u>	<u>139,491</u>
Net change in fund balance	<u>\$ 716,435</u>	<u>\$ 506,498</u>	246,638	<u>\$ (259,860)</u>
FUND BALANCE:				
Beginning of year			<u>9,145,832</u>	
End of year			<u>\$ 9,392,470</u>	

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**Budgetary Comparison Schedule
Development Impact Fees (DIF) Special Revenue Fund
For the Year Ended June 30, 2020**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
License and permits	\$ 5,082,797	\$ 5,082,797	\$ 813,995	\$ (4,268,802)
Use of money and property	-	-	203,257	203,257
Total revenues	<u>5,082,797</u>	<u>5,082,797</u>	<u>1,017,252</u>	<u>(4,065,545)</u>
EXPENDITURES:				
Current:				
Public works	-	-	401,272	(401,272)
Total Expenditures	<u>-</u>	<u>-</u>	<u>401,272</u>	<u>(401,272)</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>5,082,797</u>	<u>5,082,797</u>	<u>615,980</u>	<u>(4,466,817)</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	224,854	224,854
Transfers (out)	(995,000)	(995,000)	(840,834)	154,166
Total other financing sources (uses)	<u>(995,000)</u>	<u>(995,000)</u>	<u>(615,980)</u>	<u>379,020</u>
Net change in fund balance	<u>\$ 4,087,797</u>	<u>\$ 4,087,797</u>	-	<u>\$ (4,087,797)</u>
FUND BALANCE:				
Beginning of year			-	
End of year			<u>\$ -</u>	

**Schedule of Proportionate Share of the Net Pension Liability and Related Ratios
Last Ten Years
For the Year Ended June 30, 2020**

Miscellaneous Plan

Measurement Date	Employer's Proportion of the Collective Net Pension Liability	Employer's Proportion Share of the Collective Net Pension Liability	Employer's Covered Payroll	Employer's Proportionate Share of the Collective Net Pension Liability as a Percentage of the Employer's Covered Payroll	Pension's Plan Fiduciary Net Position	Pension's Plans Fiduciary Net Position as a Percentage of the Total Pension Liability
6/30/2014	0.65770%	\$ 4,092,766	\$ 5,932,314	68.99%	\$ 19,648,764	78.28%
6/30/2015	0.16067%	4,407,926	5,411,229	81.46%	21,400,469	78.45%
6/30/2016	0.16750%	5,818,570	4,722,459	123.21%	21,727,887	73.82%
6/30/2017	0.17352%	6,840,289	4,864,133	140.63%	22,811,145	72.89%
6/30/2018	0.17792%	6,705,339	5,052,100	132.72%	24,200,404	74.82%
6/30/2019	0.18574%	7,438,139	5,203,663	142.94%	26,625,712	78.16%

* Measurement date 6/30/2014 (fiscal year 2015) was the first year of implementation.

**Schedule of Proportionate Share of the Net Pension Liability and Related Ratios
(Continued)
Last Ten Years
For the Year Ended June 30, 2020**

Safety Plan

<u>Measurement Date</u>	<u>Employer's Proportion of the Collective Net Pension Liability</u>	<u>Employer's Proportion Share of the Collective Net Pension Liability</u>	<u>Employer's Covered Payroll</u>	<u>Employer's Proportionate Share of the Collective Net Pension Liability as a Percentage of the Employer's Covered Payroll</u>	<u>Pension's Plan Fiduciary Net Position</u>	<u>Pension's Plans Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
6/30/2014	0.11126%	\$ 6,923,153	\$ 4,232,207	163.58%	\$ 23,147,043	76.98%
6/30/2015	0.17862%	7,359,819	4,134,515	178.01%	26,024,112	77.95%
6/30/2016	0.17381%	9,002,206	3,613,896	249.10%	26,699,977	74.79%
6/30/2017	0.17034%	10,177,973	3,722,313	273.43%	28,861,673	73.93%
6/30/2018	0.17176%	10,078,078	3,862,606	260.91%	30,849,182	75.38%
6/30/2019	0.17251%	10,769,243	3,978,484	270.69%	33,508,508	75.68%

* Measurement date 6/30/2014 (fiscal year 2015) was the first year of implementation.

**Schedule of Pension Plan Contributions
Last Ten Years
For the Year Ended June 30, 2020**

Miscellaneous Plan

Fiscal Year	Contractually Determined Contributions	Contribution in Relation to the Contractually Determined Contributions ¹	Contribution Deficiency (Excess)	Employer's Covered Payroll	Contributions as a Percentage of Covered Payroll
2013-14	\$ 996,243	\$ (996,243)	\$ -	\$ 5,932,314	16.79%
2014-15	962,897	(962,897)	-	5,411,229	17.79%
2015-16	732,914	(732,914)	-	4,722,459	15.52%
2016-17	816,082	(816,082)	-	4,864,133	16.78%
2017-18	956,792	(956,792)	-	5,052,100	18.94%
2018-19	1,156,583	(1,156,583)	-	5,203,663	22.23%
2019-20	1,390,388	(1,390,388)	-	5,145,199	27.02%

* Measurement date 6/30/2014 (fiscal year 2015) was the first year of implementation.

¹Employers 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:

Change in Benefit Terms: None

Change in Assumptions: There were no changes in assumptions in 2019. In 2018, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017; there were no changes in the discount rate. In 2017, the accounting discount rate was reduced from 7.65 percent to 7.15. In 2016, there were no changes. In 2015, amounts reported reflected an adjustment of the discount rate from 7.5 percent (net of administrative expense) to 7.65 percent (without a reduction for pension plan administrative expense). In 2014, amounts reported were based on the 7.5 percent discount rate.

Schedule of Pension Plan Contributions (Continued)
Last Ten Years
For the Year Ended June 30, 2020

Safety Plan

<u>Fiscal Year</u>	<u>Contractually Determined Contributions</u>	<u>Contribution in Relation to the Contractually Determined Contributions¹</u>	<u>Contribution Deficiency (Excess)</u>	<u>Employer's Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
2013-14	\$ 1,421,157	\$ (1,421,157)	\$ -	\$ 4,232,207	33.58%
2014-15	1,356,940	(1,356,940)	-	4,134,515	32.82%
2015-16	1,181,118	(1,181,118)	-	3,613,896	32.68%
2016-17	1,281,860	(1,281,860)	-	3,722,313	34.44%
2017-18	1,402,549	(1,402,549)	-	3,862,606	36.31%
2018-19	1,645,661	(1,645,661)	-	3,978,484	41.36%
2019-20	1,838,564	(1,838,564)	-	3,676,631	50.01%

* Measurement date 6/30/2014 (fiscal year 2015) was the first year of implementation.

¹Employers 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:

Change in Benefit Terms: None

Change in Assumptions: There were no changes in assumptions in 2019. In 2018, demographic assumptions and inflation rate were changed in accordance to the CalPERS Experience Study and Review of Actuarial Assumptions December 2017; there were no changes in the discount rate. In 2017, the accounting discount rate was reduced from 7.65 percent to 7.15. In 2016, there were no changes. In 2015, amounts reported reflected an adjustment of the discount rate from 7.5 percent (net of administrative expense) to 7.65 percent (without a reduction for pension plan administrative expense). In 2014, amounts reported were based on the 7.5 percent discount rate.

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Supplementary Information

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Non-Major Governmental Funds

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**Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2020**

	Special Revenue Funds			
	State Gas Tax Fund	Road Maintenance and Rehabilitation Act Fund	Measure A Fund	AB 2766 Fund
ASSETS				
Cash and investments	\$ -	\$ 491,462	\$ 1,155,808	\$ 459,693
Receivables:				
Accounts	-	-	-	-
Due from other governments	-	60,358	192,571	15,148
Total assets	\$ -	\$ 551,820	\$ 1,348,379	\$ 474,841
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-
Unearned revenue	-	-	-	-
Total liabilities	-	-	-	-
Fund Balances:				
Restricted	-	551,820	1,348,379	474,841
Total fund balances	-	551,820	1,348,379	474,841
Total liabilities and fund balances	\$ -	\$ 551,820	\$ 1,348,379	\$ 474,841

(Continued)

Combining Balance Sheet (Continued)
Non-Major Governmental Funds
June 30, 2020

	Special Revenue Funds			
	PEG Fund	Other Federal Grants Fund	COPS Grant Fund	State Asset Seizure Fund
ASSETS				
Cash and investments	\$ 13,954	\$ -	\$ 376,707	\$ 304,770
Receivables:				
Accounts	7,528	-	-	-
Due from other governments	-	180,945	25,000	-
Total assets	\$ 21,482	\$ 180,945	\$ 401,707	\$ 304,770
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ -	\$ 85,934	\$ 33,894	\$ -
Due to other funds	-	95,011	-	-
Unearned revenue	-	-	-	13,831
Total liabilities	-	180,945	33,894	13,831
Fund Balances:				
Restricted	21,482	-	367,813	290,939
Total fund balances	21,482	-	367,813	290,939
Total liabilities and fund balances	\$ 21,482	\$ 180,945	\$ 401,707	\$ 304,770

(Continued)

Combining Balance Sheet (Continued)
Non-Major Governmental Funds
June 30, 2020

	Special Revenue Funds		Total Other Governmental Funds
	Federal Asset Seizure Fund	Other Special Revenue Fund	
ASSETS			
Cash and investments	\$ 6,028	\$ 192,692	\$ 3,001,114
Receivables:			
Accounts	-	-	7,528
Due from other governments	-	27,561	501,583
Total assets	\$ 6,028	\$ 220,253	\$ 3,510,225
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ -	\$ 125	\$ 119,953
Due to other funds	-	-	95,011
Unearned revenue	-	56,955	70,786
Total liabilities	-	57,080	285,750
Fund Balances:			
Restricted	6,028	163,173	3,224,475
Total fund balances	6,028	163,173	3,224,475
Total liabilities and fund balances	\$ 6,028	\$ 220,253	\$ 3,510,225

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**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Non-Major Governmental Funds
For the Year Ended June 30, 2020**

	Special Revenue Funds			
	State Gas Tax Fund	Road Maintenance and Rehabilitation Act Fund	Measure A Fund	AB 2766 Fund
REVENUES:				
Taxes	\$ -	\$ -	\$ 1,000,099	\$ -
Intergovernmental	1,051,236	900,000	-	59,763
License and permits	-	-	-	-
Use of money and property	6,826	8,901	11,577	3,002
Other revenues	-	-	-	-
Total revenues	<u>1,058,062</u>	<u>908,901</u>	<u>1,011,676</u>	<u>62,765</u>
EXPENDITURES:				
Current:				
Public safety	-	-	-	-
Public works	50	-	-	-
Community development	-	-	-	-
Total expenditures	<u>50</u>	<u>-</u>	<u>-</u>	<u>-</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>1,058,012</u>	<u>908,901</u>	<u>1,011,676</u>	<u>62,765</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	-	43,535	-	-
Transfers (out)	(1,161,434)	(1,502,677)	(1,205,314)	(32,007)
Total other financing sources (uses)	<u>(1,161,434)</u>	<u>(1,459,142)</u>	<u>(1,205,314)</u>	<u>(32,007)</u>
Net changes in fund balances	(103,422)	(550,241)	(193,638)	30,758
FUND BALANCES:				
Beginning of year	103,422	1,102,061	1,542,017	444,083
End of year	<u>\$ -</u>	<u>\$ 551,820</u>	<u>\$ 1,348,379</u>	<u>\$ 474,841</u>

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
(Continued)
Non-Major Governmental Funds
For the Year Ended June 30, 2020**

	Special Revenue Funds			
	PEG Fees Fund	Other Federal Grants Fund	COPS Grant Fund	State Asset Seizure Fund
REVENUES:				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	237,944	155,948	898
License and permits	33,147	-	-	-
Use of money and property	1,293	-	2,542	1,583
Other revenues	-	-	-	-
Total revenues	<u>34,440</u>	<u>237,944</u>	<u>158,490</u>	<u>2,481</u>
EXPENDITURES:				
Current:				
Public safety	-	-	104,700	105
Public works	-	-	-	-
Community development	-	248,849	-	-
Total expenditures	<u>-</u>	<u>248,849</u>	<u>104,700</u>	<u>105</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>34,440</u>	<u>(10,905)</u>	<u>53,790</u>	<u>2,376</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	-	10,905	-	-
Transfers (out)	(310,129)	-	(54,867)	(17,412)
Total other financing sources (uses)	<u>(310,129)</u>	<u>10,905</u>	<u>(54,867)</u>	<u>(17,412)</u>
Net changes in fund balances	<u>(275,689)</u>	<u>-</u>	<u>(1,077)</u>	<u>(15,036)</u>
FUND BALANCES:				
Beginning of year	297,171	-	368,890	305,975
End of year	<u>\$ 21,482</u>	<u>\$ -</u>	<u>\$ 367,813</u>	<u>\$ 290,939</u>

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
(Continued)
Non-Major Governmental Funds
For the Year Ended June 30, 2020**

	Special Revenue Funds		Total Other Governmental Funds
	Federal Asset Seizure Fund	Other Special Revenue Fund	
REVENUES:			
Taxes	\$ -	\$ -	\$ 1,000,099
Intergovernmental	-	-	2,405,789
License and permits	-	4,709	37,856
Use of money and property	33	1,094	36,851
Other revenues	-	56,499	56,499
Total revenues	33	62,302	3,537,094
EXPENDITURES:			
Current:			
Public safety	200,000	27,791	332,596
Public works	-	-	50
Community development	-	-	248,849
Total expenditures	200,000	27,791	581,495
REVENUES OVER (UNDER) EXPENDITURES	(199,967)	34,511	2,955,599
OTHER FINANCING SOURCES (USES):			
Transfers in	-	26,670	81,110
Transfers (out)	-	-	(4,283,840)
Total other financing sources (uses)	-	26,670	(4,202,730)
Net changes in fund balances	(199,967)	61,181	(1,247,131)
FUND BALANCES:			
Beginning of year	205,995	101,992	4,471,606
End of year	<u>\$ 6,028</u>	<u>\$ 163,173</u>	<u>\$ 3,224,475</u>

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Combining Statements of Fiduciary Funds

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Combining Statement of Fiduciary Net Position
All Agency Funds
June 30, 2020

	Community Facilities District Collection	Evidence Fund	Total
ASSETS			
Cash and investments	\$ 19,755,336	\$ 44,196	\$ 19,799,532
Cash and investments with fiscal agent	26,006,253	-	26,006,253
Total assets	\$ 45,761,589	\$ 44,196	\$ 45,805,785
LIABILITIES			
Deposits payable	\$ -	\$ 42,343	\$ 42,343
Due to bondholders	45,761,589	1,853	45,763,442
Total liabilities	\$ 45,761,589	\$ 44,196	\$ 45,805,785

Statement of Changes in Fiduciary Assets and Liabilities
All Agency Funds
For the Year Ended June 30, 2020

	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020
<u>Community Facilities District Collection Fund</u>				
Assets:				
Cash and investments	\$ 19,075,992	\$ 679,344	\$ -	\$ 19,755,336
Cash and investments with fiscal agent	11,706,744	14,299,509	-	26,006,253
Total assets	\$ 30,782,736	\$ 14,978,853	\$ -	\$ 45,761,589
Liabilities:				
Due to bondholders	\$ 30,782,736	\$ 14,978,853	\$ -	\$ 45,761,589
Total liabilities	\$ 30,782,736	\$ 14,978,853	\$ -	\$ 45,761,589
	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020
<u>Evidence Fund</u>				
Assets:				
Cash and investments	\$ 40,757	\$ 5,454	\$ (2,015)	\$ 44,196
Total assets	\$ 40,757	\$ 5,454	\$ (2,015)	\$ 44,196
Liabilities:				
Deposits payable	\$ 40,757	\$ 1,986	\$ (400)	\$ 42,343
Due to bondholders	-	1,853	-	1,853
Total liabilities	\$ 40,757	\$ 3,839	\$ (400)	\$ 44,196
	Balance July 1, 2019	Additions	Deletions	Balance June 30, 2020
<u>ALL AGENCY FUNDS</u>				
Assets:				
Cash and investments	\$ 19,116,749	\$ 684,798	\$ (2,015)	\$ 19,799,532
Cash and investments with fiscal agent	11,706,744	14,299,509	-	26,006,253
Total assets	\$ 30,823,493	\$ 14,984,307	\$ (2,015)	\$ 45,805,785
Liabilities:				
Deposits payable	\$ 40,757	\$ 1,986	\$ (400)	\$ 42,343
Due to bondholders	30,782,736	14,980,706	-	45,763,442
Total liabilities	\$ 30,823,493	\$ 14,982,692	\$ (400)	\$ 45,805,785



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**INDEPENDENT ACCOUNTANT’S REPORT ON
AGREED-UPON PROCEDURES APPLIED TO
APPROPRIATIONS LIMIT WORKSHEETS**

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To the Honorable City Council
City of Beaumont, California

We have performed the procedures enumerated below, which were agreed to by the City of Beaumont, California and the League of California Cities, on the accompanying Appropriations Limit worksheet of the City of Beaumont, California for the year ended June 30, 2020. The City of Beaumont management is responsible for the Appropriations Limit worksheet. The sufficiency of these procedures is solely the responsibility of the parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures enumerated below either for the purpose for which this report has been requested or for any other purpose.

The procedures performed and our findings were as follows:

1. We obtained the completed worksheets and compared the limit and annual adjustment factors included in those worksheets to the limit and annual adjustment factors that were adopted by resolution of the City Council. We also compared the population and inflation options included in the aforementioned documents to those that were selected by a recorded vote of the City Council.

Finding: No exceptions were noted as a result of our procedures.

2. For the accompanying Appropriations Limit worksheet, we added last year’s limit to total adjustments and agreed the resulting amount to this year’s limit.

Finding: No exceptions were noted as a result of our procedures.



3. We agreed the current year information presented in the accompanying Appropriations Limit worksheet to the other documents referenced in #1 above.

Finding: No exceptions were noted as a result of our procedures.

4. We agreed the prior year appropriations limit presented in the accompanying Appropriations Limit worksheet to the prior year appropriations limit adopted by the City Council during the prior year.

Finding: No exceptions were noted as a result of our procedures.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the accompanying Appropriations Limit worksheet. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you. No procedures have been performed with respect to the determination of the appropriation limit for the base year, as defined by the League publication entitled Article XIII B of the California Constitution.

This report is intended solely for the information and use of the City Council and Management of the City of Beaumont, California and is not intended to be, and should not be, used by anyone other than these specified parties.

Rogers, Anderson, Malody & Scott, LLP.

San Bernardino, California
January 4, 2021

CITY OF BEAUMONT
APPROPRIATIONS LIMIT COMPUTATION
2019 - 2020

	<u>2019-2020</u>
Change in Per Capita Cost of Living	3.85%
Change in City Population	3.99%
Change in Per Capita Cost of Living converted to a ratio	1.0385
Change in City Population converted to a ratio	1.0399
Calculation of factor for ratio of change (1.0385 x 1.0399)	1.0799
2018-2019 Limit	<u>\$ 81,660,315</u>
2019-2020 Limit (\$81,660,315 x 1.0799)	<u>\$ 88,187,926</u>



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

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Independent Auditor's Report

To the Honorable City Council
City of Beaumont

MANAGERS / STAFF

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We have audited, 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, the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Beaumont (the City) as of and for the year ended June 30 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated January 4, 2021.

Internal Control over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying *Schedule of Findings*, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

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A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We identified deficiencies in internal control over financial reporting, described in the accompanying *Schedule of Findings* as items 2020-001, 2020-002, 2020-003, 2020-004, and 2020-005, that we consider to be significant deficiencies.

Compliance and Other Matters

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

City of Beaumont's Response to Findings

The City of Beaumont's response to the findings identified in our audit is described in the accompanying *Schedule of Findings*. The City of Beaumont's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Rogers, Anderson, Malody & Scott, LLP.

San Bernardino, California
January 4, 2021

**Schedule of Findings
Year Ended June 30, 2020**

A. Current Year Findings

Finding 2020-001- Cash Disbursements Process – Segregation of Duties

Criteria

Adequate segregation of duties between vendors' approvals, addition of authorized vendors into the payable system, and maintenance of vendors' accounts and files is a very important factor because the responsibilities for purchasing, receiving, recording into the accounting system, and disbursement should be separated as much as possible to create the best system of controls.

Condition and Context

During our audit, we noted that the Senior Accountant approves vendor changes and also has access to change vendor information. Upon further review, we identified that several other employees in the finance department also have access to change vendor information.

Effect

The lack of segregation of duties related to vendor files maintenance and cash disbursements processes could result in erroneous, fictitious, and/or fraudulent vendor payments.

Recommendation

We recommend that the Finance Department segregates the responsibilities for approving vendors and adding/editing vendors information into the system and perform a regular risk assessments review to identify where segregation of duties issues need to be corrected.

Management Response to Finding

The City concurs with this finding and has initiated corrective action. Effective December 1, 2020, the budget specialist position, which is not part of the payable process, will complete the entry of new vendors and have access to modify vendor records. The senior accountant over accounts payable will complete the review and approval of new vendors but will not have access to add or modify vendor records in the accounting system.

Staff directly involved in payment transactions will no longer have access to add or modify vendor records.

Additionally, audit logs that identify any changes in vendor records, including identifying the individual that made the change will be reviewed monthly to identify the changes in vendors and to verify the staff member who made the change.

**Schedule of Findings
Year Ended June 30, 2020**

A. Current Year Findings (continued)

Finding 2020-002- Payroll Process – Segregation of Duties

Criteria

A strong payroll internal control system can generally be implemented to cover potential threats of error and misappropriation with a reasonable effort. Payroll controls should include the following:

- Comparison of actuals to budget information and the review of any unexpected variances;
- Close review and supervision of reports prepared for filing with federal and state taxing authorities; and
- Separation of the payroll functions of employment, timekeeping, payroll preparation, and record-keeping;
- Review of change reports for each payroll period by personnel outside the payroll function with verification of changes.

Condition and Context

During our audit, we noted that the Administrative Services Manager processes payroll and has access to change employees' data including pay rates.

Effect

The lack of segregation of duties between payroll processes and human resources related functions could result in fictitious employees, or unapproved personnel rate changes.

Recommendation

We recommend that the Finance Department segregates the payroll processing function from the employee data changes function and to perform regular risk assessments reviews to identify where segregation of duties issues need to be addressed in the payroll process.

Management Response to Finding

The control procedure used by the City to process any changes in employee pay requires approval by the Director of Administration. That change is only prompted by a conditional job offer, satisfactory performance evaluation or an MOU contract obligation. That change is documented on an employee payroll change notice. These forms are submitted as part of the bi-weekly payroll packet that is reviewed by a senior accountant in the Finance Department. An audit report feature within the Paychex system named Employee Change Report is also submitted as part of the bi-weekly payroll packet, and is used to ensure all changes have the appropriate documentation attached.

Schedule of Findings
Year Ended June 30, 2020

A. Current Year Findings (continued)

Finding 2020-002- Payroll Process – Segregation of Duties (continued)

Management Response to Finding (continued)

Effective October 20, 2020, the employee payroll change notice will be signed by the Director of Administration. In the absence of the Director of Administration, the Director of Finance will approve any changes. These approval forms will be submitted as part of the bi-weekly payroll packet that is reviewed by a senior accountant in the Finance Department prior to submittal. While the senior accountant initialed the employee payroll change form in the past, a signature line was added for ease of identification. The Administrative Services Manager has also begun to attach the back page of the employee evaluation, conditional job offer, MOU page or an email directing the pay rate change.

An audit feature is available within the Paychex system currently utilized by the City. The audit feature allows for a report of all pay changes processed within defined time periods. This audit report will be reviewed quarterly by the Finance Department to determine if all pay changes have the required approvals.

**Schedule of Findings
Year Ended June 30, 2020**

A. Current Year Findings (continued)

Finding 2020-003- Payroll Process – Personnel Action Forms

Criteria

A strong payroll internal control system can generally be implemented to cover potential threats of error and misappropriation with a reasonable effort. Payroll controls should include the following:

- Comparison of actuals to budget information and the review of any unexpected variances;
- Close review and supervision of reports prepared for filing with federal and state taxing authorities; and
- Separation of the payroll functions of employment, timekeeping, payroll preparation, and record-keeping;
- Review of change reports for each payroll period by personnel outside the payroll function with verification of changes.

Condition and Context

During our audit, we noted that several personnel action forms were not approved by the employee or appropriate supervising personnel.

Effect

Changes to personnel records such as wages increases, promotions, status changes, etc., need to be documented in a Personnel Action Form with formal acknowledgment by the employee and a supervisory personnel as well. Failure to formally document the changes substantially increases the risk of unauthorized changes in payroll data such as pay rates, hours worked, etc., which significantly weakens internal control.

Recommendation

We recommend that the Finance Department have all personnel action forms signed by the affected employee and by a supervisory personnel as well; and to perform regular risk assessments reviews to identify where lacks of internal controls issues in the payroll process need to be addressed.

Management Response to Finding

Management concurs that employee payroll change forms have not been signed by employees and supervisors. Effective October 20, 2020, all employee change forms will be required to be signed by the employee and a supervisory position.

As noted in the finding above, these documents are only completed in conjunction with a conditional job offer, satisfactory performance evaluation or an MOU contract obligation. The copy of the form is routed to the employee for their record. The form is included as part of the bi-weekly payroll file and reviewed by a senior accountant in the Finance Department.

Schedule of Findings
Year Ended June 30, 2020

A. Current Year Findings (continued)

Finding 2020-003- Payroll Process – Personnel Action Forms (continued)

Management Response to Finding (continued)

Management notes that mitigating controls have been in existence, in that while employee payroll change forms have not been signed by employees and supervisors, employee pay modifications generally occur at an anniversary date and an evaluation that is signed by the employee and supervisor usually precedes any modification in pay. In those instances where an evaluation is not completed, the personnel policies of the City provide that an employee is entitled to a merit increase. As a result, increases in pay are driven by policies and procedures of the City and can be tied to the employee's anniversary date.

**Schedule of Findings
Year Ended June 30, 2020**

A. Current Year Findings (continued)

Finding 2020-004 Segregation of Duties for Business Licenses Process

Condition:

During our audit, lack of segregation of duties was noted in the City's Business Licenses process. The permit technician, who accepts payments for business licenses, has the ability to issue and distribute business licenses. There is no independent reconciliation of the business licenses issued from the HdL system with the amounts collected and posted in the Incode cash receipts system.

This finding was previously reported in 2019 as finding 2019-001 and in 2018 as finding 2018-005 - Segregation of Duties for Business Licenses Process.

Criteria:

The same individual should not have access to the payments from customers and the ability to issue business licenses unless an appropriate mitigating control has been implemented.

Cause:

The City does not perform an independent reconciliation for business licenses between the HdL system and the Incode cash receipts system due to system reporting limitations within Incode that were not evident prior to purchasing the system.

Effect:

Business licenses could be issued without a corresponding cash receipt being recorded in the City's general ledger and ultimately deposited into the City's bank account.

Recommendation:

We recommend the City implement a procedure to generate reports from the HdL business license program, periodically (i.e. daily, weekly, monthly), and have someone independent of the business license issuance and collection functions review and reconcile the amounts from these reports to the revenues posted in the City's general ledger. In addition, the permit and fees process should be integrated into the accounting software to limit the number of manual entries posted to the general ledger system.

Management's Response:

Reports of transactional activity will be generated from the HdL business license system that details business license collection activity. An Accounting Technician in the Finance Division will compare these reports to the deposits submitted to the Finance Department and entered into the City's general ledger. This reconciliation will be completed weekly. Any discrepancies will be brought to the attention of the Administrative Services Manager for resolution. Effective February 1, 2021, the Finance Department will complete a reconciliation of funds collected from business license activity to the license activity in the HdL system.

**Schedule of Findings
Year Ended June 30, 2020**

A. Current Year Findings (continued)**Finding 2020-005 Overhead Cost Allocation**Condition:

The City allocates certain General Fund costs (administration, maintenance, etc.) to the Sewer Enterprise, Gas Tax, Transit Enterprise, and the Community Facilities District (CPD) Fund. The amounts are based on calculations included in schedules maintained by the Finance Department. Currently, the City is not allocating and recovering any of its indirect costs to federal (or state) grants. While the City completed a cost allocation study in April 2016 and has implemented the cost allocation of administrative costs to the various funds within the City, the City has not had a formal Cost Allocation Plan performed for charging of its costs to federally funded projects.

This finding was previously reported in 2019 as finding 2019-002 and in 2018 as finding 2018-007 – Overhead Cost Allocation.

Criteria:

Cost allocation plan methodologies should be thoroughly documented for transparency purposes, and updates to the plans should be done periodically in accordance with best practices.

Cause:

The City does have a formal cost allocation plan to allocate internal costs, and the plan developed internally is not sufficient to claim indirect costs against federal (and state) grant programs.

Effect:

The City could potentially be utilizing allocation methods which result in either less administrative costs or excessive administrative costs being allocated than would be allowable if detailed cost allocation studies were performed on a periodic basis, and in accordance with federal grant requirements. Costs that could be reimbursable from other than local sources may be able to be claimed if adequately supported. For federal awards, the City may elect to use the 10 percent of Modified Total Direct Cost (MTDC) de Minimis indirect rate to recover indirect costs as part of your federal grant budgets. If the City elects to use the 10 percent de Minimis rate, the Uniform Guidance requires that the City use Modified Total Direct Costs as the cost base. MTDC means all direct salaries and wages, applicable fringe benefits, materials and supplies, services, travel, and up to the first \$25,000 of each sub award (regardless of the period of performance of the sub awards under the award).

Recommendation:

We recommend the City perform a full cost allocation study of administrative costs to ensure the detailed methodology for the allocation of administrative costs is reasonable and appropriate, based on the current circumstances, and that the methodology is clearly defined and documented. A plan should be prepared in accordance with the Uniform Guidance in the event the City wishes to allocate and claim the indirect costs against federal (and state) grant programs. Due to the complexity involved in developing a well-supported and reasonable indirect cost plan, the City should evaluate the cost of outsourcing this study as opposed to the use of internal staff time.

Schedule of Findings
Year Ended June 30, 2020

A. Current Year Findings (continued)

Finding 2020-005 Overhead Cost Allocation (continued)

Management's Response:

While the City completed a cost allocation study in April 2016 and has implemented the cost allocation of administrative costs to the various funds within the City, further work is necessary to fully comply with this recommendation. The City has not yet completed the cost allocation for indirect costs to federal and state grant programs. Management intends to re-evaluate its cost allocation strategy and hire an external professional to assist the City in completing the cost allocation process. There has been no progress on this finding since the last audit.

**Schedule of Findings
Year Ended June 30, 2020**

B. Prior Year Findings

Findings 2019-001 Segregation of Duties for Business Licenses Process

Status:

Finding has not been implemented. See repeat finding at 2020-004.

Findings 2019-002 Overhead Cost Allocation

Status:

Finding has not been implemented. See repeat finding at 2020-005.

Finding 2019-003 Unauthorized Wire Transfers

Status:

Implemented.



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January 4, 2021

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*PCPS The AICPA Alliance
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Quality Center*

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Audit Quality Center*

California Society of
Certified Public Accountants

To the Honorable City Council
City of Beaumont

We have audited the financial statements of the City of Beaumont as of and for the year ended June 30, 2020, and have issued our report thereon dated January 4, 2021. Professional standards require that we advise you of the following matters relating to our audit.

Our Responsibility in Relation to the Financial Statement Audit

As communicated in our engagement letter dated May 20, 2020, our responsibility, as described by professional standards, is to form and express an opinion(s) about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, as part of our audit, we considered the internal control of the City solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

Planned Scope and Timing of the Audit

We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence

The engagement team, others in our firm, as appropriate, our firm, have complied with all relevant ethical requirements regarding independence.



Qualitative Aspects of the City's Significant Accounting Practices

Significant Accounting Policies

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the City is included in Note 1 to the financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during 2020. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements are:

Management's estimate of the fair value of investments is based on information provided by financial institutions. We evaluated the key factors and assumptions used to develop the fair value of investments and determined that it is reasonable in relation to the basic financial statements taken as a whole.

Management's estimate of depreciation expense is based on the useful lives of acquired assets. We evaluated the key factors and assumptions used to develop depreciation expense in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the net pension liability and related deferred inflows and outflows are based on actuarial reports provided by independent actuaries. We evaluated the key factors and assumptions used to develop the estimate in determining that it is reasonable in relation to the statements taken as a whole.

Financial Statement Disclosures

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the City's financial statements relate to:

The disclosure of fair value of investments in the basic financial statements represents amounts susceptible to market fluctuations.

The disclosure of accumulated depreciation in the basic financial statements is based on estimated useful lives which could differ from actual useful lives of each capitalized item.

The disclosure of net pension liability and related deferred inflows and outflows in the basic financial statements is based on actuarial assumptions. Actual future liabilities may vary from disclosed estimates.

The disclosure related to the possible effects of the COVID-19 pandemic in the notes.

The financial statement disclosures are neutral, consistent, and clear.

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole and each applicable opinion unit. Management has corrected all such misstatements.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. The attached schedule A summarizes material misstatements that we identified as a result of our audit procedures were brought to the attention of, and corrected by, management.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the City's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

Representations Requested from Management

We have requested certain written representations from management, which are included in the attached letter dated January 4, 2021.

Management's Consultations with Other Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings, or Issues

In the normal course of our professional association with the City, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions affecting the City, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the City's auditors.

Other Matters

We applied certain limited procedures to the Management's Discussion and Analysis, the Budgetary Comparison Schedules, the Schedule of the Proportionate Share of the Net Pension Liability and Related Ratios, the Schedule of Contributions which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the combining and individual non-major fund financial statements, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This report is intended solely for the information and use of the Honorable City Council and management of the City and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

Rogers, Anderson, Malody & Scott, LLP.

San Bernardino, California

Schedule A

Account	Description	Debit	Credit
Adjusting Journal Entries			
Adjusting Journal Entries JE # 1			
To reclassify developers contribution for Sewer as discussed with Lisa.			
710-0000-9950-0000	TRANSFERS IN	7,302,830.00	
710-RAMS	Developers Contributions		7,302,830.00
Total		7,302,830.00	7,302,830.00
Adjusting Journal Entries JE # 2			
To reclassify refunding of debt as discussed with Jennifer.			
850-RAMS	Other financing uses	5,375,000.00	
850-0000-8900-0000	DEBT SERVICE PAYMENTS		5,375,000.00
Total		5,375,000.00	5,375,000.00
Adjusting Journal Entries JE # 3			
To reclassify premium on debt; to post client premium adjustment			
710-0000-4650-0000	INTEREST	303,091.00	
710-0000-4650-0000	INTEREST	670,660.00	
710-0000-7055-0000	INTEREST AND PENALTIES		303,091.00
710-0000-7055-0000	INTEREST AND PENALTIES		670,660.00
Total		973,751.00	973,751.00
Adjusting Journal Entries JE # 4			
To adjust payment to escrow			
850-RAMS	Other financing uses	1,675,000.00	
850-0000-8900-0000	DEBT SERVICE PAYMENTS		1,675,000.00
Total		1,675,000.00	1,675,000.00
Adjusting Journal Entries JE # 5			
To correct recognition of revenue recorded twice for developer contributions.			
510-0000-4695-0000	DEVELOPER CONTRIBUTIONS	1,583,386.00	
510-0000-8030-0000	INFRASTRUCTURE		1,583,386.00
Total		1,583,386.00	1,583,386.00
Adjusting Journal Entries JE # 6			
PBC- to record palmer and travino Park asset.			
150-0000-1600-0000	LAND	462,708.00	
150-0000-4695-0000	DEVELOPER CONTRIBUTIONS		462,708.00
Total		462,708.00	462,708.00
Adjusting Journal Entries JE # 7			
PBC -to reverse 4rth quarter transfers based on budget, due to duplicate entry.			
100-0000-9950-0000	TRANSFERS IN	93,750.00	
100-0000-9950-0000	TRANSFERS IN	113,866.25	
100-0000-9950-0000	TRANSFERS IN	12,500.00	
100-0000-9950-0000	TRANSFERS IN	148,333.33	
220-0000-1000-0000	CLAIM ON CASH	12,500.00	
250-0000-1000-0000	CLAIM ON CASH	207,616.25	
255-0000-1000-0000	CLAIM ON CASH	148,333.33	
999-0000-2400-0000	DUE TO OTHER FUNDS	368,249.58	
100-0000-1000-0000	CLAIM ON CASH		368,449.58
220-0000-9960-0000	TRANSFERS OUT		12,500.00
250-0000-9960-0000	TRANSFERS OUT		93,750.00
250-0000-9960-0000	TRANSFERS OUT		113,866.25
255-0000-9960-0000	TRANSFERS OUT		148,333.33
999-0000-2400-0000	DUE TO OTHER FUNDS		207,616.25
999-0000-2400-0000	DUE TO OTHER FUNDS		148,133.33
999-0000-2400-0000	DUE TO OTHER FUNDS		12,500.00
Total		1,105,148.74	1,105,148.74

Adjusting Journal Entries JE # 8				
PBC- to dispose of additional vehicles sold at auction.				
150-0000-1725-0000	ACCUM DEPR - VEHICLES	90,000.00		
150-0000-1625-0000	VEHICLES		90,000.00	
Total		90,000.00	90,000.00	
Adjusting Journal Entries JE # 9				
To adjust workers comp liability to actual.				
300-0000-2685-0000	WORKERS COMP CLAIMS	600,980.00		
Rams 1	Workers comp expense		600,980.00	
Total		600,980.00	600,980.00	
Adjusting Journal Entries JE # 10				
PBC- to adjust depreciation expense.				
150-0000-7079-0000	DEPRECIATION	11,809.26		
150-0000-1708-0000	ACCUM DEPR - INFRASTRUCTURE		11,809.26	
Total		11,809.26	11,809.26	
	Total Adjusting Journal Entries	19,180,613.00	19,180,613.00	
	Total All Journal Entries	19,180,613.00	19,180,613.00	



January 04, 2021

Rogers, Anderson, Malody and Scott, LLP
735 E. Carnegie Dr., Suite 100
San Bernardino, CA 92408

This representation letter is provided in connection with your audit of the City of Beaumont (the City) which comprise of the respective financial position of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information as of June 30, 2020, as of and for the year then ended, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, for the purpose of expressing opinions on whether the basic financial statements present fairly, in all material respects, the financial position, results of operations, and cash flows, where applicable, of the various opinion units of the City in accordance with accounting principles generally accepted for governments in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement.

We confirm that, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purpose of appropriately informing ourselves as of January 04, 2021:

Financial Statements

- We have fulfilled our responsibilities, as set out in the terms of the audit engagement dated May 20, 2020, for the preparation and fair presentation of the financial statements of the various opinion units referred to above in accordance with U.S. GAAP.
- We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
- We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- We acknowledge our responsibility for compliance with the laws, regulations, and provisions of contracts and grant agreements.
- We have reviewed, approved, and taken responsibility for the financial statements and related notes.
- We have a process to track the status of audit findings and recommendations.
- We have identified and communicated to you all previous audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
- Significant assumptions used by us in making accounting estimates, including those measured at fair value, are reasonable.
- Related party relationships and transactions have been appropriately accounted for and disclosed in accordance with the requirements of U.S. GAAP.

- All events subsequent to the date of the financial statements and for which U.S. GAAP requires adjustment or disclosure have been adjusted or disclosed.
- The effects of uncorrected misstatements during the current engagement are immaterial, both individually and in the aggregate, to the applicable opinion units and to the financial statements as a whole.
- The effects of all known actual or possible litigation and claims have been accounted for and disclosed in accordance with U.S. GAAP.
- All component units, as well as joint ventures with an equity interest, are included and other joint ventures and related organizations are properly disclosed.
- All funds and activities are properly classified.
- All funds that meet the quantitative criteria in GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, GASB Statement No. 37, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments: Omnibus* as amended, and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, for presentation as major are identified and presented as such and all other funds that are presented as major are considered important to financial statement users.
- All components of net position, nonspendable fund balance, and restricted, committed, assigned, and unassigned fund balance are properly classified and, if applicable, approved.
- Our policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position/fund balance are available is appropriately disclosed and net position/fund balance is properly recognized under the policy.
- All revenues within the statement of activities have been properly classified as program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
- All expenses have been properly classified in or allocated to functions and programs in the statement of activities, and allocations, if any, have been made on a reasonable basis.
- All interfund and intra-entity transactions and balances have been properly classified and reported.
- Deposit and investment risks have been properly and fully disclosed.
- Capital assets, including infrastructure assets, are properly capitalized, reported, and if applicable, depreciated.
- All required supplementary information is measured and presented within the prescribed guidelines.
- With regard to investments and other instruments reported at fair value:
 - a) The underlying assumptions are reasonable and they appropriately reflect management's intent and ability to carry out its stated courses of action.
 - b) The measurement methods and related assumptions used in determining fair value are appropriate in the circumstances and have been consistently applied.
 - c) The disclosures related to fair values are complete, adequate, and in accordance with U.S. GAAP.
 - d) There are no subsequent events that require adjustments to the fair value measurements and disclosures included in the financial statements.
- With respect to the Preparation of the Financial Statements, we have performed the following:
 - Made all management decisions and performed all management functions;
 - Assigned a competent individual to oversee the services;
 - Evaluated the adequacy of the services performed;
 - Evaluated and accepted responsibility for the result of the service performed; and
 - Established and maintained internal controls, including monitoring ongoing activities.

Information Provided

- We have provided you with:
 - a) Access to all information, of which we are aware that is relevant to the preparation and fair presentation of the financial statements of the various opinion units referred to above, such as records, documentation, meeting minutes, and other matters;
 - b) Additional information that you have requested from us for the purpose of the audit; and
 - c) Unrestricted access to persons within the City from whom you determined it necessary to obtain audit evidence.
- All transactions have been recorded in the accounting records and are reflected in the financial statements.
- We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- We have no knowledge of any fraud or suspected fraud that affects the City and involves:
 - a) Management;
 - b) Employees who have significant roles in internal control; or
 - c) Others where the fraud could have a material effect on the financial statements.
- We have no knowledge of any allegations of fraud, or suspected fraud, affecting the City's financial statements communicated by employees, former employees, vendors, regulators, or others.
- We are not aware of any pending or threatened litigation, claims, and assessments whose effects should be considered when preparing the financial statements.
- We have disclosed to you the identity of the City's related parties and all the related party relationships and transactions of which we are aware.
- There have been no communications from regulatory agencies concerning noncompliance with or deficiencies in accounting, internal control, or financial reporting practices.
- The City has no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.
- We have disclosed to you all guarantees, whether written or oral, under which the City is contingently liable.
- We have disclosed to you all nonexchange financial guarantees, under which we are obligated and have declared liabilities and disclosed properly in accordance with GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, for those guarantees where it is more likely than not that the City will make a payment on any guarantee.
- We have disclosed to you all significant estimates and material concentrations known to management that are required to be disclosed in accordance with GASB Statement No. 62 (GASB-62), *Codification of Accounting and Financial Reporting Guidance Contained in Pre-December 30, 1989 FASB and AICPA Pronouncements*. Significant estimates are estimates at the balance sheet date that could change materially within the next year. Concentrations refer to volumes of business, revenues, available sources of supply, or markets or geographic areas for which events could occur that would significantly disrupt normal finances within the next year.
- We have identified and disclosed to you the laws, regulations, and provisions of contracts and grant agreements that could have a direct and material effect on financial statement amounts, including legal and contractual provisions for reporting specific activities in separate funds.
- There are no:
 - a) Violations or possible violations of laws or regulations, or provisions of contracts or grant agreements whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency, including applicable budget laws and regulations.
 - b) Unasserted claims or assessments that our lawyer has advised are probable of assertion and must be disclosed in accordance with GASB-62.

- c) Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by GASB-62.
- d) Continuing disclosure consent decree agreements or filings with the Securities and Exchange Commission and we have filed updates on a timely basis in accordance with the agreements (Rule 240, 15c2-12).
- The City has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset or future revenue been pledged as collateral, except as disclosed to you.
- We have complied with all aspects of grant agreements and other contractual agreements that would have a material effect on the financial statements in the event of noncompliance.

Supplementary Information in Relation to the Financial Statements as a Whole

With respect to the supplementary information (SI) accompanying the financial statements:

- We acknowledge our responsibility for the presentation of the SI in accordance with accounting principles generally accepted for governments in the United States of America (U.S. GAAP).
- We believe the SI, including its form and content, is fairly presented.
- The methods of measurement or presentation have not changed from those used in the prior period.
- We believe the following significant assumptions or interpretations underlying the measurement or presentation of the SI, and the basis for our assumptions and interpretations, are reasonable and appropriate.
- We acknowledge our responsibility to include the auditor's report on the supplementary information in any document containing the supplementary information and that indicates the auditor reported on such supplementary information.
- We acknowledge our responsibility to present the supplementary information with the audited financial statements or, if the supplementary information will not be presented with the audited financial statements, to make the audited financial statements readily available to the intended users of the supplementary information no later than the date of issuance by the City of the supplementary information and the auditor's report thereon.

Required Supplementary Information

- With respect to the required supplementary information (RSI) accompanying the financial statements:
 - a) We acknowledge our responsibility for the presentation of the RSI in accordance with accounting principles general accepted for government in the United States of America (U.S. GAAP).
 - b) We believe the RSI, including its form and content, is measured and fairly presented in accordance with accounting principles generally accepted for governments in the United States of America (U.S. GAAP).
 - c) The methods of measurement or presentation have not changed from those used in the prior period.

Use of a Specialist


The work of a specialist has been used by the City.

We agree with the findings of specialists in evaluating the City's pension liabilities and costs and have adequately considered the qualifications of the specialist in determining the amounts and disclosures used in the financial statements and underlying accounting records. We did not give or cause any instructions to be given to specialists with respect to the values or amounts derived in an attempt to bias their work, and

we are not otherwise aware of any matters that have had an impact on the independence or objectivity of the specialists.

- We believe that the actuarial assumptions and methods used to measure pension liabilities and costs for financial accounting purposes are appropriate in the circumstances.

Signature: 

Signature: 

Title: City Manager

Title: Finance Director

Printed Name: Todd Parton

Printed Name: Jeff Mohlenkamp

Date: January 4, 2021

Date: January 4, 2021