



Agenda
City of Beaumont Finance and Audit Committee
Meeting
Regular Session 6:00 PM

550 E 6th Street, Beaumont, Ca
Monday, April 1, 2019

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

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Page

REGULAR MEETING

CALL TO ORDER

Committee Members: Mayor Martinez, Council Member Carroll, Treasurer Baron Ginnetti, Chair Steve Cooley, Member Richard Bennecke, Member Ana Olvera, Member Billiath Bengesa, and Alternate Members Andrew Forster and Thomas LeMasters

Action on 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. Appointment of Alternate Member to the Vacant Finance and Audit Committee Seat.

Motion to appoint an alternate member to the vacant seat on the committee.

2. Appointment of Vice Chair

Motion to appoint a Vice Chair of the committee.

3. Adoption of Minutes

Approve minutes dated March 4, 2019.

3 - 6

4. **City of Beaumont Audited Financial Statements for the Fiscal Year June 30, 2018** 7 - 195
Receive and file.
[Item 4](#)
[A. Annual Financial Report and Independent Auditors' Report](#)
[B. Single Audit and Independent Auditors' Report](#)
[C. Required Communication Audit Letter](#)

5. **February 2019 Financial Reports** 197 - 204
Receive and file.
[Item 5](#)

6. **Future Agenda Items**

7. **Finance Director's Comments**

8. **Meeting Review - Treasurer's Monthly Finance and Audit Committee Report to Council**

Adjournment of the Finance and Audit Committee of the April 1, 2019 Meeting at ____ p.m.

The next regular meeting of the Finance and Audit Committee Meeting is scheduled for Monday, May 6, 2019 at 6:00 p.m.

Beaumont City Hall – Online www.BeaumontCa.gov



MINUTES
Finance and Audit Committee Meeting
Monday, March 4, 2019
Council Chambers
550 E 6th St. Beaumont, Ca
Regular Session: 6:00 PM

REGULAR MEETING

CALL TO ORDER at 6:00 p.m.

Present Committee Members: Mayor Martinez, Council Member Carroll, Treasurer Baron Ginnetti, Chair Steve Cooley, Vice Chair Stephen Martino, Member Richard Bennecke, Member Ana Olvera, Member Billiath Bengesa, and Alternate Member Thomas LeMasters

Absent: Alternate Member Andrew Forster

Action on any requests for excused absence: **None**
Pledge of Allegiance
Approval/Adjustments to Agenda: **None**
Conflict of Interest Disclosure: **None**

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.

L. Uremovic – Spoke concerns of previous bond and new bonds.

ACTION ITEMS/PUBLIC HEARINGS/REQUESTS

1. Adoption of Minutes
Motion by Council Member Carroll
Second by Vice Chair Martino
To approve minutes dated February 4, 2019
 - Member Bengesa**
 - Member Olvera**
 - Member Bennecke**
 - Vice Chair Martino**
 - Chair Cooley**
 - Treasurer Ginnetti**
 - Council Member Carroll**
 - Mayor Martinez****Approved by a 7 / 0 vote**

2. January 2019 Financial Reports

Public Comment

L. Uremovic – Asked the committee to ask for CFD financial reports.

Motion by Member Bennecke

Second by Member Bengesa

To approve for presentation to City Council on March 19, 2019.

Member Bengesa

Member Olvera

Member Bennecke

Vice Chair Martino

Chair Cooley

Treasurer Ginnetti

Council Member Carroll

Mayor Martinez

Approved by a 8 / 0 vote

3. Overhead Cost Allocation Plan for FY18-19

Motion by Member Bennecke

Second by Member Olvera

To accept the Overhead Cost Allocation Plan for FY18-19

Member Bengesa

Member Olvera

Member Bennecke

Vice Chair Martino

Chair Cooley

Treasurer Ginnetti

Council Member Carroll

Mayor Martinez

Approved by a 8 / 0 vote

4. Fraud Program and Policy

The Committee discussed and gave suggestions on the implementation of the policy.

5. Business License Reconciliation Control

Motion by Member Bennecke

Second by Treasurer Ginnetti

To receive and file.

Member Bengesa

Member Olvera
 Member Bennecke
 Vice Chair Martino
 Chair Cooley
 Treasurer Ginnetti
 Council Member Carroll
 Mayor Martinez
Approved by a 8 / 0 vote

6. Internal Control Checklist

Motion by Member Bennecke

Second by Member Olvera

To receive and file and notify Council of completion.

Member Bengesa
 Member Olvera
 Member Bennecke
 Vice Chair Martino
 Chair Cooley
 Treasurer Ginnetti
 Council Member Carroll
 Mayor Martinez
Approved by a 8 / 0 vote

7. CFD Overview

Motion by Treasurer Ginnetti

Second by Member Bennecke

Discussion and questions asked by the committee for clarification on how CFD's are compiled and maintained.

To receive and file.

Member Bengesa
 Member Olvera
 Member Bennecke
 Vice Chair Martino
 Chair Cooley
 Treasurer Ginnetti
 Council Member Carroll
 Mayor Martinez
Approved by a 8 / 0 vote

8. Future Agenda Items

- Fraud Policy update (September)

- Report of CFD refundings
 - Update of testing of fraud policy
 - CFD maturity summary
 - Summary of FAC duties
 - Appointment of alternate to the committee
 - Appointment of vice chair
9. Finance Director's Comments
Gave an update on the audits taking place
Asked consideration of a special meeting for 1st review of the audit to be on March 18, 2019.
10. Meeting Review - Treasurer's Monthly Finance and Audit Committee Report to Council
Gave a summary of what is to be reported to Council.

ADJOURNMENT

Adjournment of the Finance and Audit Committee of the March 4, 2019 Meeting at 7:33 p.m.

The next regular meeting of the Finance and Audit Committee Meeting is scheduled for Monday, April 1, 2019 at 6:00 p.m.

Beaumont City Hall – Online www.BeaumontCa.gov

Staff Report

TO: Finance Committee Members

FROM: Melana Taylor, Director of Finance

DATE: April 1, 2019

SUBJECT: City of Beaumont Audited Financial Statements for the Fiscal Year
June 30, 2018

Background and Analysis:

The fieldwork for fiscal year June 30, 2018, audit has been completed and the City of Beaumont audit reports have been provided. The financial statements are presented to the Finance and Audit committee for review on Monday, March 18, 2019.

On an annual basis, the City of Beaumont undergoes a financial audit which is required by the State Controller's Office ("SCO"). The due date to file the audit for the fiscal year June 30, 2018, audit has passed, however, the other various SCO Annual Reports were filed in accordance with the deadline period provided of March 31, 2019, based on preliminary trial balance data.

Observations:

The audit report for the fiscal year ending June 30, 2018, has an unmodified ("clean") opinion, which means that the financial statements are presented, in all material respects, in accordance with the applicable financial reporting framework.

The single audit for the fiscal year ending June 30, 2018, has an unmodified ("clean") opinion, which means that the federal assistance received was appropriately spent. Included with this audit is the 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*, and the Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance and on Schedule of Expenditures of Federal Awards. Comparison of findings for June 30, 2017 and June 30, 2018 are as follows:

	June 30, 2017	June 30, 2018
Material Weakness	7	5
Significant Deficiencies	3	2
Other Matters	2	0
Compliance	0	0

There are no new internal control findings in the report for fiscal year ending June 30, 2018, and all the findings have been addressed as of March 2019.

Finance Director Review: 

Recommendation:

1. Receive and file.

Attachments:

- A. Annual Financial Report and Independent Auditors' Report
- B. Single Audit and Independent Auditors' Report
- C. Required communication audit letter ("SAS 114")

Exhibit A

Exhibit B

Exhibit C

City of Beaumont

Beaumont, California

Annual Financial Report and Independent Auditors' Report

For the Year Ended June 30, 2018



City of Beaumont, California



ANNUAL FINANCIAL REPORT

For the fiscal year ended June 30, 2018

Prepared by the Finance Department

Melana Taylor, Director of Finance
Jennifer Ustation, Senior Accountant
Shay Norville, Payroll Clerk
Jacqueline Miranda, Accounting Technician
Karee Keyser, Accounting Technician

City of Beaumont
Annual Financial Report
For the Year Ended June 30, 2018

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**City of Beaumont
Annual Financial Report
For the Year Ended June 30, 2018**

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**City of Beaumont
Annual Financial Report
For the Year Ended June 30, 2018**

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INDEPENDENT AUDITORS' REPORT

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

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Beaumont, California (the "City"), as of and for the year ended June 30, 2018, and the related notes to the basic financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2018, 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.

200 E. Sandpointe Avenue, Suite 600, Santa Ana, California 92707
Tel: 949-777-8800 • Fax: 949-777-8850 • www.pungroup.com

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion, Analysis, the Budgetary Comparison Schedule, the Schedule of Proportionate Share of the Net Pension Liability and Related Ratios, Schedule of Contributions - Pension Plan, as identified in the accompanying table of contents be presented to supplement the financial statements. Such information, although not a part of the 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 financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 26, 2019, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and other matters and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Santa Ana, California
March 26, 2019

City of Beaumont
Management's Discussion and Analysis (Unaudited)
For the Year Ended June 30, 2018

This is management's discussion and analysis of the City of Beaumont's financial activities and performance for the fiscal year ended June 30, 2018 and comparison to June 30, 2017. 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.

FINANCIAL HIGHLIGHTS

- Revenues are relatively stable, with minor increases supporting the improved economic condition of the region.
- The City was managed in compliance with the adopted budget.
- With the WRCOG settlement, the City began receiving Measure A sales tax revenues in January 2018.
- The City reached a settlement with the U.S. Securities and Exchange Commission.
- The City was able to issue tax exempt Community Facility District bonds for the first time since 2015.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

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

The Statement of Net Position presents information on all of the City's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the overall financial position of the City is improving or deteriorating.

The Statement of Activities presents information showing how the City's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods, such as revenues pertaining to uncollected taxes and expenses pertaining to earned but unused vacation and vested sick leave.

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

City of Beaumont
Management's Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2018

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 Fund, Capital Improvements Fund, and Beaumont Financing Authority Debt Service Fund, all of which are considered to be major funds. Data from the remaining governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements reported as supplementary information.

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

Proprietary funds are generally used to account for services for which the City charges customers – either external customers or internal customers or departments of the City. Proprietary funds provide the same type of information as shown in the government-wide financial statements, only in more detail. The City maintains two proprietary funds.

Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its waste water and transit operations, both of which are considered to be major funds of the City.

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

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.

City of Beaumont
Management's Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2018

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

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

GOVERNMENT WIDE FINANCIAL ANALYSIS

The City presents its financial statements under the reporting model required by the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial statements – and Management's Discussion and Analysis – for State and Local Governments* for the fiscal year ending June 30, 2018.

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, including deferred outflows of resources exceeded liabilities, including deferred inflows of resources, by \$421.2 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:

Statement of Net Position						
(Dollars in Thousands)						
	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Assets:						
Current and other assets	\$ 172,448	\$ 295,529	\$ 16,312	\$ 3,729	\$ 188,760	\$ 299,258
Capital Assets	254,780	235,260	124,510	127,029	379,290	362,289
Total Assets	<u>427,228</u>	<u>530,789</u>	<u>140,822</u>	<u>130,758</u>	<u>568,050</u>	<u>661,547</u>
Deferred outflows:						
Deferred outflows related to pension	6,112	6,347	561	460	6,673	6,807
Liabilities:						
Current and other liabilities	33,290	31,674	5,797	701	39,087	32,375
Noncurrent liabilities	108,737	222,703	1,766	1,242	110,503	223,945
Total liabilities	<u>142,027</u>	<u>254,377</u>	<u>7,563</u>	<u>1,943</u>	<u>149,590</u>	<u>256,320</u>
Deferred inflows:						
Deferred inflows related to pension	3,911	1,368	(24)	-	3,887	1,368
Net position:						
Net investment in capital assets	161,036	41,036	124,163	127,029	285,199	168,065
Restricted	133,928	253,985	-	-	133,928	253,985
Unrestricted	(7,562)	(13,630)	9,681	2,246	2,119	(11,384)
Total net position	<u>\$ 287,402</u>	<u>\$ 281,391</u>	<u>\$ 133,844</u>	<u>\$ 129,275</u>	<u>\$ 421,246</u>	<u>\$ 410,666</u>

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 \$285.2 million. The balance of related debt at June 30, 2018, is comprised of vehicle and equipment leases payable of \$186 thousand and the BFA, a component unit, Local Agency Revenue bonds of \$91.9 million.

City of Beaumont
Management's Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2018

The portion of the City's net position of \$133.9 million represents resources that are subject to external restrictions on how they may be used. The restrictions include CFD Projects, Capital Projects, Street Projects, Public Safety, Public-access Television and amounts held for future debt service.

The unrestricted portion of the City's net position is \$2.1 million. The governmental activities unrestricted net position is a deficit of \$7.6 million caused primarily by Noncurrent Liabilities. Noncurrent liabilities 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 deficit balance is significantly less than the governmental activities net pension liability of \$15.8 million. The business type activities unrestricted net position is \$9.7 million, an increase of \$7.7 million over the prior year. The increase is due to the reclassification of the sewer development impact fee fund and increases in charges for services and other revenues.

Analysis of Statement of Activities

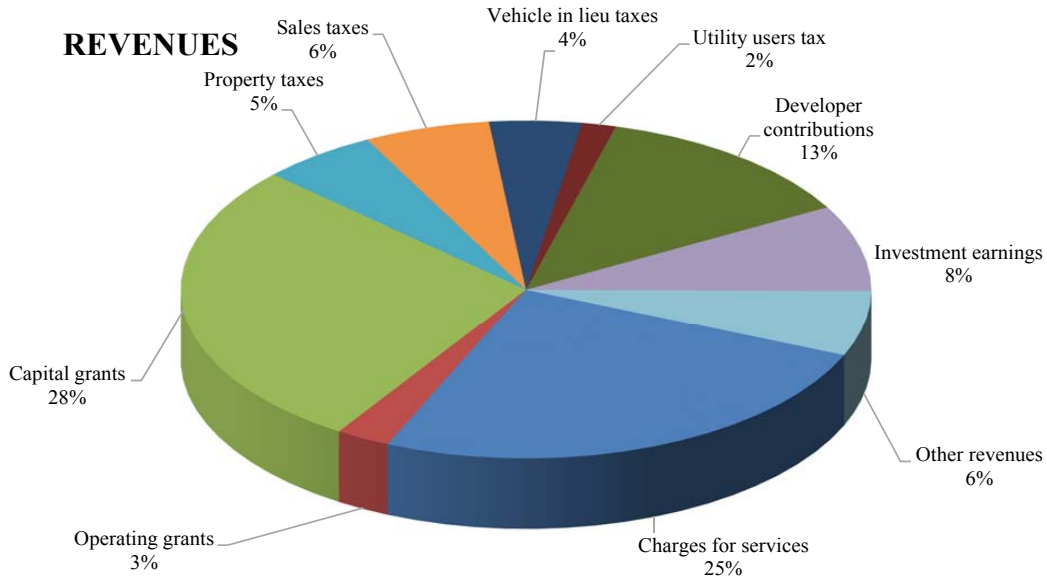
The following table indicates the changes in net position for governmental and business-type activities:

	Statement of Activities					
	(Dollars in Thousands)					
	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues:						
Program Revenues:						
Charges for services	\$ 15,749	\$ 15,940	\$ 8,283	\$ 7,644	\$ 24,032	\$ 23,584
Operating grants	78	286	2,347	2,262	2,425	2,548
Capital grants	20,410	12,450	6,172	474	26,582	12,924
General Revenues:						
Property taxes	5,199	4,852	-	-	5,199	4,852
Sales taxes	5,631	4,853	-	-	5,631	4,853
Motor Vehicle in Lieu taxes	4,126	3,768	-	-	4,126	3,768
Utility users tax	1,524	1,546	-	-	1,524	1,546
Franchise taxes	3,286	805	-	-	3,286	805
Transient occupancy taxes	364	326	-	-	364	326
Other taxes	1,195	880	-	-	1,195	880
Business licenses	247	232	-	-	247	232
Developer contributions	11,344	-	778	-	12,122	-
Investment earnings	7,852	10,490	14	5	7,866	10,495
Miscellaneous	355	98	525	-	880	98
Gain on sale of assets	5	-	-	-	5	-
Total revenues	<u>77,365</u>	<u>56,526</u>	<u>18,119</u>	<u>10,385</u>	<u>95,484</u>	<u>66,911</u>
Expenses:						
General government	5,357	7,593	-	-	5,357	7,593
Public safety	18,970	13,526	-	-	18,970	13,526
Public works	5,564	5,031	-	-	5,564	5,031
Community development	2,431	4,442	-	-	2,431	4,442
Community services	3,479	2,529	-	-	3,479	2,529
Refuse	4,900	4,239	-	-	4,900	4,239
Interest on long term liabilities	7,182	10,369	-	-	7,182	10,369
Waste water	-	-	10,430	11,193	10,430	11,193
Transit	-	-	3,119	2,990	3,119	2,990
Total expenses	<u>47,883</u>	<u>47,729</u>	<u>13,549</u>	<u>14,183</u>	<u>61,432</u>	<u>61,912</u>
Special Items:						
CFD 93-1 refunding/Settlement	(11,948)	3,000	-	-	(11,948)	3,000
Change in net position	<u>\$ 17,534</u>	<u>\$ 11,797</u>	<u>\$ 4,570</u>	<u>\$ (3,798)</u>	<u>\$ 22,104</u>	<u>\$ 7,999</u>

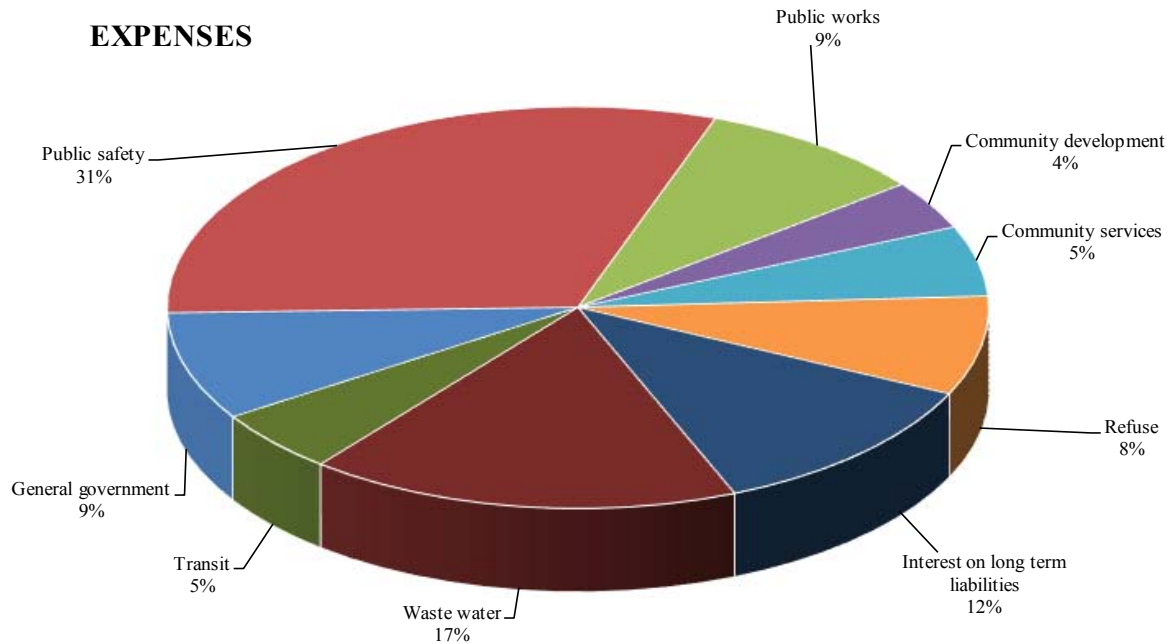
The City's overall net position increased by \$22.1 million during the current fiscal year. This increase is due to funding received on large capital projects combined with proper budgeting and management of City business and activities.

City of Beaumont
Management's Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2018

Analysis of total revenues indicates that the largest revenue source is from funding for capital grants and developer contributions related to capital projects followed by charges for services performed.



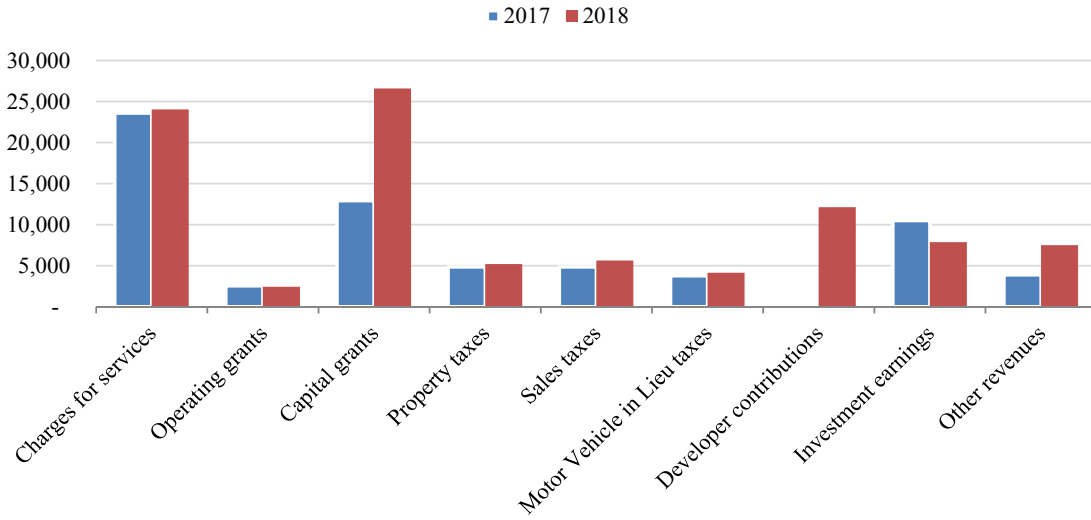
Analysis of total expense indicates that the largest functional costs are for the City's public safety and wastewater services.



City of Beaumont
Management's Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2018

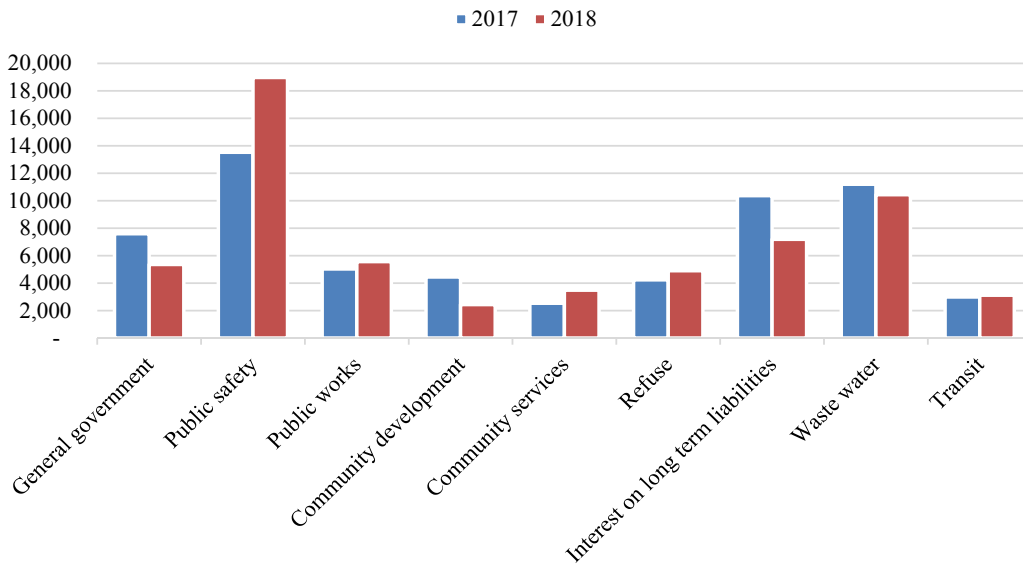
Comparison of revenue and expense groupings from fiscal year 2017 to 2018 has been charted below:

REVENUES



The increase in public safety expenses is primarily from changes in the assumptions and projections for the CalPERS Public Safety Plan which resulted in an increase in pension expense of \$4.4 million this year.

EXPENSES



City of Beaumont
Management's Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2018

Governmental activities increased the City's net position by \$17.5 million. The key factor relates to an increase in construction activity in the city resulting in a significant increase in grants and fees.

Total revenues have increased by \$20.8 million which includes \$10.3 million in revenue from developer impact fees and \$11.3 million of developer contributions for the costs of construction of capital and infrastructure projects. Total expenses remained relatively level overall. Fiscal year 2016-17 was the first year reflecting effective budgeting, fiscal responsibility and revitalization of public maintenance and services allowing for better management of the City's finances. During the year, the City refunded twelve (12) CFD 93-1 special tax bonds through private placement. In connection with the refundings, the City and the City's BFA transferred approximately \$11.9 million to the trustee from the City' pooled cash (special tax funds on hand and future facility deposits) and from the BFA's bond reserve funds held with the trustee (cash with fiscal agent). This is reflected as a special item in the statement of activities.

Business-type activities increased the City's net position by \$4.6 million. Revenues increased 8% related to the growth in City utility accounts and reclassification of the sewer development impact fee fund. Costs incurred in 2018 decreased by \$.7 million due to significant maintenance costs incurred in year 2017.

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 2018. The budget was established as revenue neutral, and no extraordinary items were taken into consideration.

City of Beaumont
Management's Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2018

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

With fiscal year 2017, the City fully conformed to GASB 34 related to the recognition and reporting of governmental and business-type activities capital assets, including the City's infrastructure assets. The lack of compliance in prior years was viewed as a serious shortcoming and has been fully addressed by management. A summary and comparison of all capital assets have been included in the table below:

	Capital Assets					
	(Dollars in thousands)					
	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
GOVERNMENT						
Construction in Progress	\$ 12,437	\$ -	\$ -	\$ -	\$ 12,437	\$ -
Land	23,285	11,941	-	-	23,285	11,941
Infrastructure	414,959	414,959	-	-	414,959	414,959
Buildings	16,395	16,395	-	-	16,395	16,395
Machinery and equipment	6,461	6,385	-	-	6,461	6,385
Vehicles	3,253	2,671	-	-	3,253	2,671
Less accumulated depreciation	(222,010)	(217,091)	-	-	(222,010)	(217,091)
	<u>254,780</u>	<u>235,260</u>	<u>-</u>	<u>-</u>	<u>254,780</u>	<u>235,260</u>
WASTE WATER FUND						
Construction in Progress	-	-	4,403	1,041	4,403	1,041
Land	-	-	503	503	503	503
Infrastructure	-	-	133,821	133,021	133,821	133,021
Buildings	-	-	83	83	83	83
Machinery and equipment	-	-	87,838	87,810	87,838	87,810
Vehicles	-	-	680	124	680	124
Less accumulated depreciation	-	-	(104,186)	(97,341)	(104,186)	(97,341)
	<u>-</u>	<u>-</u>	<u>123,142</u>	<u>125,241</u>	<u>123,142</u>	<u>125,241</u>
TRANSIT FUND						
Construction in Progress	-	-	14	14	14	14
Buildings	-	-	538	538	538	538
Machinery and equipment	-	-	790	689	790	689
Vehicles	-	-	3,754	3,754	3,754	3,754
Less accumulated depreciation	-	-	(3,728)	(3,210)	(3,728)	(3,210)
	<u>-</u>	<u>-</u>	<u>1,368</u>	<u>1,785</u>	<u>1,368</u>	<u>1,785</u>
TOTAL	<u>\$ 254,780</u>	<u>\$ 235,260</u>	<u>\$ 124,510</u>	<u>\$ 127,026</u>	<u>\$ 379,290</u>	<u>\$ 362,286</u>

City of Beaumont
Management's Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2018

Debt Administration

As of June 30, 2018, the City had \$114.1 million of outstanding obligations related to governmental activities and \$1.9 million related to business-type activities, for a total of \$116 million. Debt outstanding as of June 30, 2018 with a comparison to prior year and the net change follows:

Debt Outstanding			
(Dollars in thousands)			
	2018	2017	Net Change
Governmental Activities			
Claims payable	\$ 2,215	\$ 2,331	\$ (116)
Net pension liability	15,751	13,791	1,960
Compensated absences	2,404	1,869	535
AB1484 Due Diligence Review	1,676	1,976	(300)
Capital lease	186	79	107
WRCOG TUMF Settlement	-	4,100	(4,100)
Beaumont Financing Authority	91,881	205,669	(113,788)
	<u>\$ 114,113</u>	<u>\$ 229,815</u>	<u>\$ (115,702)</u>
Business-type Activities			
Net pension liability	\$ 1,267	\$ 1,030	\$ 237
Compensated absences	261	236	25
Capital lease	346	-	346
	<u>\$ 1,874</u>	<u>\$ 1,266</u>	<u>\$ 608</u>

The BFA Local Agency Revenue Bond debt totaled \$91.8 million and is directly related to CFD debts and is further discussed in Notes 6 and 7. The BFA Local Agency Revenue Bonds in the amount of \$110,240,000 were called and defeased in connection with the CFD refundings. Additional increases were recognized in the compensated absences and net pension liability.

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The Riverside District Attorney's office and the FBI's joint investigation resulted in the arrest and indictment of seven former members of City management, including the former City Manager, former City Finance Director for embezzlement of public funds and conspiracy. The former City Attorney and several former City consultants were also arrested on related charges. The City learned of the criminal investigation on April 22, 2015, when the authorities executed a search warrant at City Hall and seized numerous computers and significant documentation. As of June 30, 2018, all criminal cases have been resolved and details are included in Note 13.

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

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

- The City continues to prioritize management of its budget and financial controls.
- The settlement of numerous litigation matters against the City has provided relief and encouragement for the City's financial future. However, the City will continue to defend itself against those matters which it believes are unwarranted.
- The City evaluates all community facility bond debt on an annual basis for potential refunding savings without extending debt terms for the applicable property owners.

City of Beaumont
Management's Discussion and Analysis (Unaudited) (Continued)
For the Year Ended June 30, 2018

- A five-year capital improvements budget is prepared and monitored based on need and available funding.
- Significant subsequent events are disclosed in Note 17.

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.

City of Beaumont
Annual Financial Report
For the Year Ended June 30, 2018

Basic Financial Statements

City of Beaumont
Annual Financial Report
For the Year Ended June 30, 2018

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City of Beaumont
Annual Financial Report
For the Year Ended June 30, 2018

Government-Wide Financial Statements

City of Beaumont
Statement of Net Position
June 30, 2018

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current assets:			
Cash and investments	\$ 53,108,576	\$ 16,045,458	\$ 69,154,034
Restricted cash and investments	-	198,039	198,039
Receivables:			
Accounts	16,048,322	-	16,048,322
Interest	168,200	-	168,200
Intergovernmental	1,632,698	68,313	1,701,011
Inventories	94,405	-	94,405
Total current assets	<u>71,052,201</u>	<u>16,311,810</u>	<u>87,364,011</u>
Noncurrent assets:			
Restricted cash and investments with fiscal agent	9,298,969	-	9,298,969
Restricted investment in CFDs	91,881,186	-	91,881,186
Loans receivable	215,904	-	215,904
Capital assets:			
Nondepreciable	35,721,973	4,920,083	40,642,056
Depreciable, net	219,057,528	119,589,711	338,647,239
Total capital assets, net	<u>254,779,501</u>	<u>124,509,794</u>	<u>379,289,295</u>
Total noncurrent assets	<u>356,175,560</u>	<u>124,509,794</u>	<u>480,685,354</u>
Total assets	<u>427,227,761</u>	<u>140,821,604</u>	<u>568,049,365</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension related deferred outflows	<u>6,111,640</u>	<u>561,078</u>	<u>6,672,718</u>
Total deferred outflows of resources	<u>6,111,640</u>	<u>561,078</u>	<u>6,672,718</u>

See accompanying Notes to the Basic Financial Statements.

City of Beaumont
Statement of Net Position (Continued)
June 30, 2018

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	4,448,861	391,650	4,840,511
Salaries payable and related liabilities	791,367	49,737	841,104
Deposits payable	203,096	-	203,096
Unearned revenue	22,470,847	5,246,551	27,717,398
Compensated absences - due within one year	240,418	30,993	271,411
Claims payable - due within one year	1,500,000	-	1,500,000
Long-term debt - due within one year	3,635,843	78,469	3,714,312
Total current liabilities	<u>33,290,432</u>	<u>5,797,400</u>	<u>39,087,832</u>
Long-term liabilities:			
Compensated absences - due in more than one year	2,163,762	229,520	2,393,282
Claims payable - due in more than one year	714,818	-	714,818
Long-term debt - due in more than one year	90,107,739	267,844	90,375,583
Aggregate net pension liability	15,751,080	1,267,182	17,018,262
Total long-term liabilities	<u>108,737,399</u>	<u>1,764,546</u>	<u>110,501,945</u>
Total liabilities	<u>142,027,831</u>	<u>7,561,946</u>	<u>149,589,777</u>
DEFERRED INFLOWS OF RESOURCES			
Pension related deferred inflows	3,911,162	(23,974)	3,887,188
Total deferred inflows of resources	<u>3,911,162</u>	<u>(23,974)</u>	<u>3,887,188</u>
NET POSITION			
Net investment in capital assets	161,035,919	124,163,481	285,199,400
Restricted for:			
Special projects	10,224,464	-	10,224,464
Debt service	101,180,155	-	101,180,155
Capital projects	22,523,260	-	22,523,260
Total restricted	<u>133,927,879</u>	<u>-</u>	<u>133,927,879</u>
Unrestricted (deficit)	(7,563,390)	9,681,229	2,117,839
Total net position	<u>\$ 287,400,408</u>	<u>\$ 133,844,710</u>	<u>\$ 421,245,118</u>

See accompanying Notes to the Basic Financial Statements.

City of Beaumont
Statement of Activities
For the Year Ended June 30, 2018

Functions/Programs	Expenses	Program Revenues			Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government:					
Governmental activities:					
General government	\$ 5,356,762	\$ 178,279	\$ -	\$ -	\$ 178,279
Public safety	18,969,972	1,110,134	69,486	1,157,154	2,336,774
Public works	5,563,653	6,898,722	-	19,252,652	26,151,374
Community development	2,431,640	2,518,943	8,028	-	2,526,971
Community services	3,478,806	184,651	-	-	184,651
Refuse	4,899,889	4,858,307	-	-	4,858,307
Interest and fiscal charges	7,181,818	-	-	-	-
Total governmental activities	47,882,540	15,749,036	77,514	20,409,806	36,236,356
Business-Type activities:					
Sewer	10,430,002	8,049,143	-	6,075,000	14,124,143
Transit	3,119,254	233,690	2,347,256	96,672	2,677,618
Total business-type activities	13,549,256	8,282,833	2,347,256	6,171,672	16,801,761
Total primary government	\$ 61,431,796	\$ 24,031,869	\$ 2,424,770	\$ 26,581,478	\$ 53,038,117

See accompanying Notes to the Basic Financial Statements.

City of Beaumont
Statement of Activities (Continued)
For the Year Ended June 30, 2018

Functions/Programs	Net (Expense) Revenue and Changes in Net Position		
	Governmental Activities	Business-Type Activities	Total
Primary government:			
Governmental activities:			
General government	\$ (5,178,483)	\$ -	\$ (5,178,483)
Public safety	(16,633,198)	-	(16,633,198)
Public works	20,587,721	-	20,587,721
Community development	95,331	-	95,331
Community services	(3,294,155)	-	(3,294,155)
Refuse	(41,582)	-	(41,582)
Interest and fiscal charges	(7,181,818)	-	(7,181,818)
Total governmental activities	(11,646,184)	-	(11,646,184)
Business-Type activities:			
Sewer	-	3,694,141	3,694,141
Transit	-	(441,636)	(441,636)
Total business-type activities	-	3,252,505	3,252,505
Total primary government	(11,646,184)	3,252,505	(8,393,679)
General revenues:			
Taxes:			
Property taxes	5,199,098	-	5,199,098
Sales taxes	5,631,332	-	5,631,332
Vehicle in lieu tax	4,125,662	-	4,125,662
Utility users tax	1,524,158	-	1,524,158
Franchise tax	3,285,697	-	3,285,697
Transient occupancy tax	363,868	-	363,868
Other taxes	1,194,389	-	1,194,389
Total taxes	21,324,204	-	21,324,204
Business licenses	247,193	-	247,193
Developers contributions	11,343,940	778,223	12,122,163
Investment earnings	7,851,992	13,606	7,865,598
Miscellaneous	355,360	525,491	880,851
Gain on sale of assets	5,341	-	5,341
Transfers	322	(322)	-
Total general revenues and transfers	41,128,352	1,316,998	42,445,350
Special Item:			
CFD 93-1 refunding (Note 15)	(11,947,642)	-	(11,947,642)
Total special item	(11,947,642)	-	(11,947,642)
Change in net position	17,534,526	4,569,503	22,104,029
Net position - beginning of year, as restated (Note 16)	269,865,882	129,275,207	399,141,089
Net position - end of year	\$ 287,400,408	\$ 133,844,710	\$ 421,245,118

See accompanying Notes to the Basic Financial Statements.

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Annual Financial Report
For the Year Ended June 30, 2018

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For the Year Ended June 30, 2018

Fund Financial Statements

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

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For the Year Ended June 30, 2018

Governmental Fund Financial Statements

City of Beaumont
Annual Financial Report
For the Year Ended June 30, 2018

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GOVERNMENTAL FUND FINANCIAL STATEMENTS

Governmental Funds of the City are outlined below:

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

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

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

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

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

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

City of Beaumont
Annual Financial Report
For the Year Ended June 30, 2018

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**City of Beaumont
Balance Sheet
Governmental Funds
June 30, 2018**

	Major Funds			
	General Fund	Community Facilities District (CFD) Special Revenue Fund	Community Facilities District (CFD) Capital Projects Fund	General Capital Projects Fund
ASSETS				
Cash and investments	\$ 8,267,378	\$ 8,664,148	\$ 15,683,985	\$ 3,620,400
Cash and investments with fiscal agent	-	-	-	-
Investment in CFDs	-	-	-	-
Receivables:				
Accounts	3,249,845	-	-	5,051,417
Interest	168,200	-	-	-
Due from other governments	1,295,897	38,280	-	-
Loans	215,904	-	-	-
Due from other funds	95,029	-	-	-
Inventories	94,405	-	-	-
Total assets	\$ 13,386,658	\$ 8,702,428	\$ 15,683,985	\$ 8,671,817
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	\$ 1,992,257	\$ 129,586	\$ -	\$ 1,832,542
Accrued payroll and related liabilities	791,367	-	-	-
Due to other funds	-	-	-	-
Deposits payable	47,230	110,038	-	-
Unearned revenue	-	576	-	-
Total liabilities	2,830,854	240,200	-	1,832,542
Deferred Inflows of Resources:				
Unavailable revenue	24,408	-	-	-
Total deferred inflows of resources	24,408	-	-	-
Fund Balances:				
Nonspendable	215,904	-	-	-
Restricted	-	8,462,228	15,683,985	-
Committed	-	-	-	6,839,275
Unassigned	10,315,492	-	-	-
Total fund balances	10,531,396	8,462,228	15,683,985	6,839,275
Total liabilities, deferred inflows of resources and fund balances	\$ 13,386,658	\$ 8,702,428	\$ 15,683,985	\$ 8,671,817

See accompanying Notes to the Basic Financial Statements.

**City of Beaumont
Balance Sheet (Continued)
Governmental Funds
June 30, 2018**

	Major Fund			
	Development Impact Fees (DIF) Capital Projects Fund	Beaumont Financing Authority Debt Service Fund	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and investments	\$ 15,149,884	\$ -	\$ 1,722,781	\$ 53,108,576
Cash and investments with fiscal agent	-	9,298,969	-	9,298,969
Investment in CFDs	-	91,881,186	-	91,881,186
Receivables:				-
Accounts	7,747,060	-	-	16,048,322
Interest	-	-	-	168,200
Due from other governments	-	-	298,521	1,632,698
Loans	-	-	-	215,904
Due from other funds	-	-	-	95,029
Inventories	-	-	-	94,405
Total assets	\$ 22,896,944	\$ 101,180,155	\$ 2,021,302	\$ 172,543,289
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES				
Liabilities:				
Accounts payable and accrued liabilities	\$ 476,631	\$ -	\$ 17,845	\$ 4,448,861
Accrued payroll and related liabilities	-	-	-	791,367
Due to other funds	-	-	95,029	95,029
Deposits payable	6,997	-	38,831	203,096
Unearned revenue	22,413,316	-	56,955	22,470,847
Total liabilities	22,896,944	-	208,660	28,009,200
Deferred Inflows of Resources:				
Unavailable revenue	-	-	50,406	74,814
Total deferred inflows of resources	-	-	50,406	74,814
Fund Balances:				
Nonspendable	-	-	-	215,904
Restricted	-	101,180,155	1,762,236	127,088,604
Committed	-	-	-	6,839,275
Unassigned	-	-	-	10,315,492
Total fund balances	-	101,180,155	1,762,236	144,459,275
Total liabilities, deferred inflows of resources and fund balances	\$ 22,896,944	\$ 101,180,155	\$ 2,021,302	\$ 172,543,289

See accompanying Notes to the Basic Financial Statements.

City of Beaumont
Reconciliation of the Governmental Funds Balance Sheet
to the Government-Wide Statement of Net Position
June 30, 2018

Total Fund Balances - Total Governmental Funds	<u>\$ 144,459,275</u>
Capital assets used in governmental activities were not financial resources and therefore were not reported in governmental funds.	
Capital assets, nondepreciable	35,721,973
Capital assets, depreciable	<u>219,057,528</u>
	<u>254,779,501</u>
Long-term liabilities were not due and payable in the current period and therefore were not reported in the governmental funds.	
Compensated absences - due within one year	(240,418)
Compensated absences - due in more than one year	(2,163,762)
Claims payable - due within one year	(1,500,000)
Claims payable - due in more than one year	(714,818)
Long-term debt - due within one year	(3,635,843)
Long-term debt - due in more than one year	<u>(90,107,739)</u>
	<u>(98,362,580)</u>
Aggregate net pension liability is not due and payable in the current period and therefore is not required to be reported in the governmental funds.	
	<u>(15,751,080)</u>
Pension-related deferred outflows/inflows of resources in the governmental activities were not financial resources (uses) and therefore were not reported in the Governmental Funds Balance Sheet.	
Pension-related deferred outflows of resources	6,111,640
Pension-related deferred inflows of resources	<u>(3,911,162)</u>
	<u>2,200,478</u>
Unavailable revenues recorded in governmental fund financial statements resulting from activities in which revenues were earned but funds were not available were recognized as revenues in the Government-Wide Financial Statements.	
	<u>74,814</u>
Net Position of Governmental Activities	<u><u>\$ 287,400,408</u></u>

See accompanying Notes to the Basic Financial Statements.

City of Beaumont
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2018

	Major Funds			
	General Fund	Community Facilities Districts (CFD) Special Revenue Fund	Community Facilities District (CFD) Capital Projects Fund	General Capital Projects Fund
REVENUES:				
Taxes	\$ 12,163,969	\$ -	\$ -	\$ -
Franchise fees	3,285,697	-	-	-
Intergovernmental	4,137,217	-	-	5,447,605
License and permits	2,939,891	-	-	-
Fines and forfeitures	262,278	-	-	-
Assessment levied	554,487	4,633,405	4,052,933	-
Use of money and property	178,111	112,786	276,320	82,124
Charges for services	7,754,417	-	-	-
Other revenues	573,642	-	231,493	3,744
Total revenues	31,849,709	4,746,191	4,560,746	5,533,473
EXPENDITURES:				
Current:				
General government	4,434,173	-	-	-
Public safety	12,918,763	-	-	-
Public works	3,161,648	-	-	-
Community development	1,430,407	328,966	-	-
Community services	3,070,774	-	-	-
Refuse	4,899,889	-	-	-
Capital outlay	757,461	-	-	12,437,213
Debt service:				
Principal	325,284	-	-	2,100,000
Interest and fiscal charges	4,632	-	-	-
Total expenditures	31,003,031	328,966	-	14,537,213
REVENUES OVER (UNDER) EXPENDITURES	846,678	4,417,225	4,560,746	(9,003,740)
OTHER FINANCING SOURCES (USES):				
Obligations incurred on capital leases	132,444	-	-	-
Proceeds from sale of property	5,341	-	-	-
Transfers in	4,373,260	53,497	709,180	9,003,740
Transfers (out)	(73,867)	(4,359,181)	(53,497)	-
Total other financing sources (uses)	4,437,178	(4,305,684)	655,683	9,003,740
SPECIAL ITEM:				
CFD 93-1 refunding (Note 15)	-	(73,705)	(3,165,112)	-
Total special item	-	(73,705)	(3,165,112)	-
Net changes in fund balances	5,283,856	37,836	2,051,317	-
FUND BALANCES:				
Beginning of year, as restated (Note 16)	5,247,540	8,424,392	13,632,668	6,839,275
End of year	<u>\$ 10,531,396</u>	<u>\$ 8,462,228</u>	<u>\$ 15,683,985</u>	<u>\$ 6,839,275</u>

See accompanying Notes to the Basic Financial Statements.

City of Beaumont
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds (Continued)
For the Year Ended June 30, 2018

	Major Funds			Total Governmental Funds
	Development Impact Fees (DIF) Capital Projects Fund	Beaumont Financing Authority Debt Service Fund	Other Governmental Funds	
REVENUES:				
Taxes	\$ -	\$ -	\$ -	\$ 12,163,969
Franchise fees	-	-	-	3,285,697
Intergovernmental	-	-	1,678,412	11,263,234
License and permits	10,312,908	-	30,461	13,283,260
Fines and forfeitures	-	-	-	262,278
Assessment levied	-	-	-	9,240,825
Use of money and property	-	7,338,461	35,400	8,023,202
Charges for services	-	-	-	7,754,417
Other revenues	-	-	63,873	872,752
Total revenues	10,312,908	7,338,461	1,808,146	66,149,634
EXPENDITURES:				
Current:				
General government	-	-	-	4,434,173
Public safety	-	-	37,582	12,956,345
Public works	-	-	-	3,161,648
Community development	-	-	241,493	2,000,866
Community services	-	-	-	3,070,774
Refuse	-	-	-	4,899,889
Capital outlay	-	-	-	13,194,674
Debt service:				
Principal	2,000,000	113,787,693	-	118,212,977
Interest and fiscal charges	-	7,177,186	-	7,181,818
Total expenditures	2,000,000	120,964,879	279,075	169,113,164
REVENUES OVER (UNDER) EXPENDITURES	8,312,908	(113,626,418)	1,529,071	(102,963,530)
OTHER FINANCING SOURCES (USES):				
Obligations incurred on capital leases	-	-	-	132,444
Proceeds from sale of property	-	-	-	5,341
Transfers in	-	-	70,230	14,209,907
Transfers (out)	(8,312,908)	-	(1,410,132)	(14,209,585)
Total other financing sources (uses)	(8,312,908)	-	(1,339,902)	138,107
SPECIAL ITEM:				
CFD 93-1 refunding (Note 15)	-	(8,708,825)	-	(11,947,642)
Total special item	-	(8,708,825)	-	(11,947,642)
Net changes in fund balances	-	(122,335,243)	189,169	(114,773,065)
FUND BALANCES:				
Beginning of year, as restated (Note 16)	-	223,515,398	1,573,067	259,232,340
End of year	\$ -	\$ 101,180,155	\$ 1,762,236	\$ 144,459,275

See accompanying Notes to the Basic Financial Statements.

City of Beaumont
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures,
and Changes in Fund Balance to the Government-Wide Statement of Activities
For the Year Ended June 30, 2018

Net Change in Fund Balances - Total Governmental Funds	\$ (114,773,065)
Governmental funds report capital outlay as expenditures. Capital outlay expenditures were included in the Statement of Revenue, Expenditures, and Changes in Fund Balances through out various departments. However, in the Government-Wide Statement of Activities, the cost of those assets was allocated over their estimated useful lives as depreciation expense. This is the amount of capital assets recorded in the current period.	13,194,674
Increase in capital assets and net position from developer capital contributions for infrastructure assets.	11,343,940
Depreciation expense on capital assets was reported in the Government-Wide Statement of Activities, but it did not require the use of current financial resources. Therefore, depreciation expense was not reported as expenditures in governmental funds	(5,018,700)
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.	
Issuance of long-term debt	(132,444)
The repayment of debt principal consumes the current financial resources of governmental funds; however, it has no effect on net position.	118,212,977
The net effect of various miscellaneous transactions involving pension plans (i.e. changes in the net pension liability, deferred inflow/outflow amortization, contributions after measurement date) does not require the use of current financial resources and, therefore, is not reported as an expenditure in the governmental funds.	(4,739,050)
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	(535,650)
Changes in claims payable	116,373
Unavailable revenues were reported as deferred inflows of resources in the Governmental Funds but were reported as revenues in the Government-Wide Statement of Statement of Activities.	(134,529)
Change in Net Position of Governmental Activities	\$ 17,534,526

See accompanying Notes to the Basic Financial Statements.

City of Beaumont
Annual Financial Report
For the Year Ended June 30, 2018

Proprietary Fund Financial Statements

City of Beaumont
Annual Financial Report
For the Year Ended June 30, 2018

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PROPRIETARY FUND FINANCIAL STATEMENTS

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

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

City of Beaumont
Annual Financial Report
For the Year Ended June 30, 2018

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City of Beaumont
Statement of Net Position
Proprietary Funds
June 30, 2018

	Business-type Activities - Enterprise Funds		Total
	Sewer Fund	Transit Fund	
ASSETS			
Current assets:			
Cash and investments	\$ 15,089,375	\$ 956,083	\$ 16,045,458
Restricted cash and investments	-	198,039	198,039
Receivables:			
Due from other governments	706	67,607	68,313
Total current assets	<u>15,090,081</u>	<u>1,221,729</u>	<u>16,311,810</u>
Noncurrent assets:			
Capital assets:			
Non-depreciable	4,905,821	14,262	4,920,083
Depreciable	222,422,162	5,082,085	227,504,247
Less: accumulated depreciation	<u>(104,186,109)</u>	<u>(3,728,427)</u>	<u>(107,914,536)</u>
Total capital assets	<u>123,141,874</u>	<u>1,367,920</u>	<u>124,509,794</u>
Total noncurrent assets	<u>123,141,874</u>	<u>1,367,920</u>	<u>124,509,794</u>
Total assets	<u>138,231,955</u>	<u>2,589,649</u>	<u>140,821,604</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pension-related deferred outflows	<u>25,565</u>	<u>535,513</u>	<u>561,078</u>
Total deferred outflows of resources	<u>25,565</u>	<u>535,513</u>	<u>561,078</u>
LIABILITIES			
Current liabilities:			
Accounts payable and accrued liabilities	348,009	43,641	391,650
Salaries payable and related liabilities	9,163	40,574	49,737
Unearned revenue	5,048,512	198,039	5,246,551
Compensated absences - due within one year	4,942	26,051	30,993
Long-term debt - due within one year	<u>78,469</u>	<u>-</u>	<u>78,469</u>
Total current liabilities	<u>5,489,095</u>	<u>308,305</u>	<u>5,797,400</u>
Noncurrent liabilities:			
Compensated absences - due in more than one year	-	229,520	229,520
Long-term debt - due in more than one year	267,844	-	267,844
Aggregate net pension liability	<u>44,722</u>	<u>1,222,460</u>	<u>1,267,182</u>
Total noncurrent liabilities	<u>312,566</u>	<u>1,451,980</u>	<u>1,764,546</u>
Total liabilities	<u>5,801,661</u>	<u>1,760,285</u>	<u>7,561,946</u>
DEFERRED INFLOWS OF RESOURCES			
Pension-related deferred inflows	<u>(3,264)</u>	<u>(20,710)</u>	<u>(23,974)</u>
Total deferred inflows of resources	<u>(3,264)</u>	<u>(20,710)</u>	<u>(23,974)</u>
NET POSITION			
Net Investment in capital assets	122,795,561	1,367,920	124,163,481
Unrestricted	<u>9,663,562</u>	<u>17,667</u>	<u>9,681,229</u>
Total net position	<u>\$ 132,459,123</u>	<u>\$ 1,385,587</u>	<u>\$ 133,844,710</u>

See accompanying Notes to the Basic Financial Statements.

City of Beaumont
Annual Financial Report
For the Year Ended June 30, 2018

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City of Beaumont
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2018

	Business-type Activities - Enterprise Funds		Total
	Sewer Fund	Transit Fund	
OPERATING REVENUES:			
Charges for services	\$ 8,049,143	\$ 233,690	\$ 8,282,833
Other revenue	525,000	491	525,491
Total operating revenues	8,574,143	234,181	8,808,324
OPERATING EXPENSES:			
Salaries	206,206	1,366,403	1,572,609
Fringe benefits	96,929	658,327	755,256
Administration	702,611	128,620	831,231
Contract services	1,314,738	9,078	1,323,816
Fuels, lubricants, and maintenance	218,316	368,084	586,400
Supplies	358,791	9,730	368,521
Office	15,385	32,913	48,298
Utilities	671,767	27,336	699,103
Depreciation	6,845,259	518,763	7,364,022
Total operating expenses	10,430,002	3,119,254	13,549,256
OPERATING INCOME (LOSS)	(1,855,859)	(2,885,073)	(4,740,932)
NONOPERATING REVENUES:			
Local transportation funds	-	2,328,523	2,328,523
Intergovernmental	-	18,733	18,733
Investment earnings	8,344	5,262	13,606
Impact fees	6,075,000	-	6,075,000
Total nonoperating revenues (expenses)	6,083,344	2,352,518	8,435,862
Loss before operating transfers and capital contributions	4,227,485	(532,555)	3,694,930
TRANSFERS AND CAPITAL CONTRIBUTIONS:			
Capital Contributions from Riverside Transit Agency	-	96,672	96,672
Developer capital contributions	778,223	-	778,223
Transfers (out)	-	(322)	(322)
Total transfers and capital contributions	778,223	96,350	874,573
Changes in net position	5,005,708	(436,205)	4,569,503
NET POSITION:			
Beginning of year	127,453,415	1,821,792	129,275,207
End of year	<u>\$ 132,459,123</u>	<u>\$ 1,385,587</u>	<u>\$ 133,844,710</u>

See accompanying Notes to the Basic Financial Statements.

City of Beaumont
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2018

	Business-type Activities - Enterprise Funds		Total
	Sewer Fund	Transit Fund	
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers and users	\$ 12,824,869	\$ 233,690	\$ 13,058,559
Payments to suppliers and employees for goods and services	(3,544,660)	(2,522,582)	(6,067,242)
Cash received from developers and others	525,000	491	525,491
Net cash provided by (used in) operating activities	9,805,209	(2,288,401)	7,516,808
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:			
Local transportation funds	-	2,484,992	2,484,992
Intergovernmental	(706)	417,555	416,849
Transfers (out)	-	(322)	(322)
Net cash provided by noncapital financing activities	(706)	2,902,225	2,901,519
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition of capital assets	(4,743,672)	(4,792)	(4,748,464)
Developer contributed capital assets	778,223	-	778,223
Impact fees received	6,620,572	-	6,620,572
Capital grants received	-	96,672	96,672
Net cash provided by (used in) capital and related financing activities	2,655,123	91,880	2,747,003
CASH FLOWS FROM INVESTING ACTIVITIES:			
Investment income	8,344	5,262	13,606
Net cash provided by investing activities	8,344	5,262	13,606
Net change in cash and cash equivalents	12,467,970	710,966	13,178,936
CASH AND CASH EQUIVALENTS:			
Beginning of year	2,621,405	443,156	3,064,561
End of year	<u>\$ 15,089,375</u>	<u>\$ 1,154,122</u>	<u>\$ 16,243,497</u>
RECONCILIATION TO STATEMENT OF NET POSITION:			
Cash and investments	\$ 15,089,375	\$ 956,083	\$ 16,045,458
Restricted cash and investments	-	198,039	198,039
Total cash and cash equivalents	<u>\$ 15,089,375</u>	<u>\$ 1,154,122</u>	<u>\$ 16,243,497</u>

See accompanying Notes to the Basic Financial Statements.

City of Beaumont
Statement of Cash Flows (Continued)
Proprietary Funds
For the Year Ended June 30, 2018

	Business-type Activities - Enterprise Funds		Total
	Sewer Fund	Transit Fund	
RECONCILIATION OF OPERATING (LOSS)			
TO NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES:			
Operating (loss)	\$ (1,855,859)	\$ (2,885,073)	\$ (4,740,932)
Adjustments to reconcile operating (loss) to net cash provided by (used in) operating activities:			
Depreciation	6,845,259	518,763	7,364,022
Changes in current assets, deferred outflows of resources, liabilities, and deferred inflows of resources:			
Pension-related deferred outflows of resources	(13,580)	(86,167)	(99,747)
Accounts payable and accrued liabilities	(59,585)	(34,902)	(94,487)
Salaries payable and related liabilities	5,776	(4,991)	785
Unearned revenue	4,775,726	-	4,775,726
Compensated absences	78,469	19,938	98,407
Aggregate net pension liability	32,267	204,741	237,008
Pension-related deferred inflows of resources	(3,264)	(20,710)	(23,974)
Total adjustments	11,661,068	596,672	12,257,740
Net cash provided by (used in) operating activities	\$ 9,805,209	\$ (2,288,401)	\$ 7,516,808

See accompanying Notes to the Basic Financial Statements.

City of Beaumont
Annual Financial Report
For the Year Ended June 30, 2018

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City of Beaumont
Annual Financial Report
For the Year Ended June 30, 2018

Fiduciary Fund Financial Statements

City of Beaumont
Annual Financial Report
For the Year Ended June 30, 2018

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FIDUCIARY FUND FINANCIAL STATEMENTS

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

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

City of Beaumont
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2018

	Agency	Successor Agency to the Beaumont Redevelopment Agency
ASSETS		
Cash and investments	\$ 13,919,790	\$ 175
Restricted cash and investments with fiscal agent	12,703,801	-
Loan receivable	-	19,771
Capital assets	-	21,827
Total assets	\$ 26,623,591	\$ 41,773
LIABILITIES AND NET POSITION		
Liabilities:		
Deposits payable	\$ 56,640	-
Due to bondholders	26,566,951	-
Total liabilities	\$ 26,623,591	-
Net Position Held in Trust for Successor Agency		\$ 41,773

See accompanying Notes to the Basic Financial Statements.

City of Beaumont
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2018

	Successor Agency to the Beaumont Redevelopment Agency
NET POSITION:	
Beginning of year	41,773
End of year	\$ 41,773

See accompanying Notes to the Basic Financial Statements.

City of Beaumont
Annual Financial Report
For the Year Ended June 30, 2018

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City of Beaumont
Annual Financial Report
For the Year Ended June 30, 2018

Notes to the Basic Financial Statements

City of Beaumont
Annual Financial Report
For the Year Ended June 30, 2018

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City of Beaumont
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City of Beaumont
Notes to the Basic Financial Statements
For the Year Ended June 30, 2018

Note 1 – Reporting Entity and Summary of Significant Accounting Policies

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

A. Reporting Entity

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

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

Blended Component Units

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

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

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

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

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

City of Beaumont
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

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

A. Reporting Entity (Continued)

Blended Component Units (Continued)

Beaumont Financing Authority

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

Beaumont Utility Authority

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

Beaumont Parking Authority

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

Beaumont Public Improvement Authority

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

B. Basis of Accounting and Measurement Focus

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

City of Beaumont
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

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

B. Basis of Accounting and Measurement Focus (Continued)

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

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

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

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

Government-Wide Financial Statements

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

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

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

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

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

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

Governmental Fund Financial Statements

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

City of Beaumont
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

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

B. Basis of Accounting and Measurement Focus (Continued)

Governmental Fund Financial Statements (Continued)

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

Revenues are recognized as soon as they are both “measurable” and “available”. Revenues are considered to be available when they are collectible within the current period as soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Governmental funds of the City are outlined below:

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

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

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

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

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

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

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

City of Beaumont
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

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

B. Basis of Accounting and Measurement Focus (Continued)

Proprietary Fund Financial Statements

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

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

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

Proprietary funds of the City are outlined below:

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

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

Fiduciary Fund Financial Statements

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

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

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

C. Cash, Cash Equivalents and Investments

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

City of Beaumont
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

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

C. Cash, Cash Equivalents and Investments (Continued)

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

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

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

D. Restricted Cash and Investments

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

E. Capital Assets

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

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

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

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

City of Beaumont
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

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

F. Long-Term Debt

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

G. Compensated Absences

Government-Wide Financial Statements

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

Fund Financial Statements

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

H. Pensions

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

City of Beaumont
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

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	6/30/2016
Measurement Date	6/30/2017
Measurement Period:	July 1, 2016 to June 30, 2017

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

I. Property Taxes

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

The County is permitted by State law to levy taxes at 1% of full market value (at time of purchase) and can increase the property tax rate no more than 2% per year. The City receives a share of this basic levy proportionate to what it received during the years 1976 to 1978.

J. Net Position

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

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

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

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

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

City of Beaumont
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

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

K. Fund Balances

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

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

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

Committed – Committed fund balances encompass the portion of net fund resources, the use of which is constrained by limitations imposed by the formal action of the government’s highest level of decision making authority normally through resolutions, etc., and that remain binding unless rescinded or modified in the same manner. The City Council is considered the highest authority for the City.

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

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

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

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

L. Use of Estimates

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

M. Fair Value Measurement

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

City of Beaumont
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

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

M. Fair Value Measurement (Continued)

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

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

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

N. New Governmental Accounting Standards Implemented for the Year Ended June 30, 2018

The requirements of the following accounting standards are effective for the purpose of implementation, if applicable to the City, for the year ended June 30, 2018. The financial statements included herein apply the requirements and provisions of these statements, including necessary retroactive adjustments to financial statement classifications and presentations.

GASB Statement No. 75

In June 2015, GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This statement applies to government employers who provide OPEB to their employees and for governments that finance OPEB for employees of other governments. This statement basically parallels GASB Statement 68 and replaces GASB Statement 45. This pronouncement did not have an impact on the financial statements of the City.

GASB Statement No. 81

In December 2015, GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*. This Statement requires that a government that receives resources pursuant to an irrevocable split-interest agreement recognize assets, liabilities, and deferred inflows of resources at the inception of the agreement. Furthermore, this Statement requires that a government recognize assets representing its beneficial interests in irrevocable split-interest agreements that are administered by a third party, if the government controls the present service capacity of the beneficial interests. This Statement requires that a government recognize revenue when the resources become applicable to the reporting period. This pronouncement did not have an impact on the financial statements of the City.

GASB Statement No. 82

In December 2015, GASB issued Statement No. 82, *Pension Issues – An Amendment of GASB Statements No. 67, No. 68, and No. 73*. This Statement clarifies that payments that are made by an employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements should be classified as plan member contributions for purposes of Statement 67 and as employee contributions for purposes of Statement 68. It also requires that an employer’s expense and expenditures for those amounts be recognized in the period for which the contribution is assessed and classified in the same manner as the employer classifies similar compensation other than pensions (for example, as salaries and wages or as fringe benefits). This pronouncement did not have an impact on the financial statements of the City.

City of Beaumont
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

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

N. New Governmental Accounting Standards Implemented for the Year Ended June 30, 2018 (Continued)

GASB Statement No. 85

In March 2017, GASB issued Statement No. 85, Omnibus 2017. This Statement addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement also addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). This pronouncement did not have an impact on the financial statements of the City.

GASB Statement No. 86

In April 2017, GASB issued Statement No. 86, Certain Debt Extinguishment Issues. This Statement improves consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources - resources other than the proceeds of refunding debt - are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. This pronouncement did not have an impact on the financial statements of the City.

O. Upcoming Governmental Accounting Standards Implementation

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

GASB Statement No. 83

In November 2016, GASB issued Statement No. 83, *Certain Asset Retirement Obligations*. This Statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations (ARO). This Statement requires that recognition occur when the liability is both incurred and reasonably estimable. The determination of when the liability is incurred should be based on the occurrence of external laws, regulations, contracts, or court judgments, together with the occurrence of an internal event that obligates a government to perform asset retirement activities. Application of this statement is effective for the City's fiscal year ending June 30, 2019.

GASB Statement No. 84

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

GASB Statement No. 87

In June 2017, GASB issued Statement No. 87, *Leases*. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract.

City of Beaumont
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

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

O. Upcoming Governmental Accounting Standards Implementation (Continued)

It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. Application of this statement is effective for the City's fiscal year ending June 30, 2021.

GASB Statement No. 88

In April 2018, GASB issued Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. This Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. The statement also defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. In addition the statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. Application of this statement is effective for the City's fiscal year ending June 30, 2020.

GASB Statement No. 89

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

GASB Statement No. 90

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

City of Beaumont
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 2 – Cash and Investments

The following is a summary of pooled cash and investments and restricted cash and investments at June 30, 2018:

	Primary Government			Fiduciary Funds	Total
	Governmental Activities	Business-type Activities	Total		
Cash and investments	\$ 53,108,576	\$ 16,045,458	\$ 69,154,034	\$ 13,919,965	\$ 83,073,999
Restricted cash and investments	-	198,039	198,039	-	198,039
Restricted cash and investments with fiscal agent	9,298,969	-	9,298,969	12,703,801	22,002,770
Restricted investments in CFDs	91,881,186	-	91,881,186	-	91,881,186
Total	\$ 154,288,731	\$ 16,243,497	\$ 170,532,228	\$ 26,623,766	\$ 197,155,994

Cash, cash equivalents, and investments, consisted of the following at June 30, 2018:

Cash and cash equivalents:	
Petty cash	\$ 4,640
Demand deposits	38,196,900
Subtotal	38,201,540
Investments:	
Local Agency Investment Fund	35,447,259
Money market funds	30,846,009
Guaranteed investment contract	780,000
Restricted investments in CFDs	91,881,186
Subtotal	158,954,454
Total	\$ 197,155,994

At June 30, 2018, 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, 2018:

Investment Type	Total as of June 30, 2018	Measurement Inputs	Valuation Technique
Investments:			
Local Agency Investment Fund	\$ 35,447,259	Uncategorized	N/A
Money market funds	30,846,009	Uncategorized	N/A
Guaranteed investment contract	780,000	Uncategorized	N/A
Restricted investments in CFDs	91,881,186	Uncategorized	N/A
Total	\$ 158,954,454		

A. Cash Deposits

The carrying amount of the City's demand deposits are \$38,196,900 at June 30, 2018. Bank balances were \$47,194,286 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.

City of Beaumont
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

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.

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

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

City of Beaumont
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

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.

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

C. External Investment Pool

The City is a participant in LAIF, which is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The City’s investments in LAIF at June 30, 2018 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, 2018, the City had \$35,447,259 invested in LAIF, which had invested 2.67% of the pool investment funds in Structured Notes and Asset-Backed Securities. LAIF determines fair value on its investment portfolio based on market quotations for those securities where market quotations are readily available and based on amortized cost or best estimate for those securities where market value is not readily available. The value of the City’s position in the pool is the same as the value of the pool shares. The credit quality rating of LAIF is unrated as of June 30, 2018.

D. Investment in CFD Bonds

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

City of Beaumont
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 2 – Cash and Investments (Continued)

E. Risk Disclosures

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity, the greater the sensitivity its fair value is to changes in market interest rates. As a means of limiting its exposure to fair value losses arising from rising interest rates, the City's investment policy provides that final maturities of securities cannot exceed five years. Investments governed by the bond indentures may be longer. Maturities of investments vary and depend on liquidity needs of the City.

As of June 30, 2018, the City had the following investments and maturities:

	Amount	Maturities		
		1 year or less	1 - 5 years	More than 5 years
Investments:				
Local Agency Investment Fund	\$ 35,447,259	\$ 35,447,259	-	-
Money market funds	30,846,009	30,846,009	-	-
Guaranteed investment contract	780,000	-	-	780,000
Restricted investments in CFDs	91,881,186	3,282,152	14,698,720	73,900,314
Total	\$ 158,954,454	\$ 69,575,420	\$ 14,698,720	\$ 74,680,314

Credit Risk

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

	Amount	Credit Quality Ratings	
		Moody's	Standard & Poor's
Investments:			
Local Agency Investment Fund	\$ 35,447,259	Not Rated	Not Rated
Money market funds	30,846,009	AA - AAA	AA - AAA
Guaranteed investment contract	780,000	Not Rated	Not Rated
Restricted investments in CFDs	91,881,186	Not Rated	Not Rated
Total	\$ 158,954,454		

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.

City of Beaumont
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

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.

<u>Investment Type</u>	<u>Total as of June 30, 2018</u>	<u>Percentage of Investments</u>
Investments:		
Local Agency Investment Fund	\$ 35,447,259	22.30%
Money market funds	30,846,009	19.41%
Restricted investments in CFDs	91,881,186	57.80%
Total	<u><u>\$ 158,954,454</u></u>	

Note 3 – Loans Receivable

A. Governmental Activities

For the year ended June 30, 2018, changes in the loan receivable of the City's loan program is as follows:

	<u>Balance July 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2018</u>
Loan receivable:				
Calimesa loan	\$ 213,399	\$ 2,505	\$ -	\$ 215,904
Total	<u>\$ 213,399</u>	<u>\$ 2,505</u>	<u>\$ -</u>	<u>\$ 215,904</u>

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 \$215,904 at June 30, 2018. This balance includes interest of \$7,163, calculated at the LAIF rate of 1.20%.

B. Fiduciary Funds

For the year ended June 30, 2018, changes in the loan receivable of the City Successor Agency's is as follows:

	<u>Balance July 1, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2018</u>
Loan receivable:				
AC Propane loan	\$ 19,771	\$ -	\$ -	\$ 19,771
Total	<u>\$ 19,771</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,771</u>

City of Beaumont
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 3 – Loans Receivable (Continued)

B. Fiduciary Funds (Continued)

AC Propane Loan

The Beaumont Redevelopment Agency entered into a Disposition and Development Agreement in 1999, and entered into a subsequent settlement agreement in 2004. Payment on the loan by the borrower or extinguishment of the related debt for the borrower is still undeterminable pending resolution of current litigation.

Note 4 – Interfund Balances and Transactions

A. Transfers

Transfers in and out for the year ended June 30, 2018, were as follows:

<u>Transfers In</u>	<u>Transfers Out</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Transit Fund	\$ 322	Miscellaneous and grants
General Fund	Other Federal Grant Fund	433	Miscellaneous and grants
General Fund	State Gas Tax Fund	680,119	Streets maintenance cost
General Fund	COPS Grant Fund	32,219	Labor cost allocation
General Fund	Other Special Revenue Fund	10,166	Labor cost allocation
General Fund	CFD Special Revenue Fund	3,650,001	CFD - City maintenance/admin
	Subtotal	<u>4,373,260</u>	
CFD Special Revenue Fund	CFD Capital Projects Fund	53,497	Transfer IA13/IA23 Assessments
CFD Capital Projects Fund	CFD Special Revenue Fund	698,440	Allocation of SEC costs
CFD Capital Projects Fund	CFD Special Revenue Fund	10,740	CFD Prepayments
	Subtotal	<u>709,180</u>	
Other Special Revenue Fund	General Fund	14,860	Uncollectible FEMA funds
State Asset Seizure Fund	Federal Asset Seizure Fund	17,973	Correct deposit of funds
Other Federal Grant Fund	General Fund	37,397	Overhead allocation
General Capital Projects Fund	General Fund	21,610	Capital projects
General Capital Projects Fund	State Gas Tax Fund	669,222	Capital projects
General Capital Projects Fund	DIF Capital Projects Fund	8,312,908	Capital projects
	Subtotal	<u>9,003,740</u>	
	Total	<u>\$ 14,209,907</u>	

City of Beaumont
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 5 – Capital Assets

A. Governmental Activities

Summary of changes in capital assets for governmental activities for the year ended June 30, 2018 is as follows:

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
Nondepreciable assets:				
Land	\$ 11,940,820	\$ 11,343,940	\$ -	\$ 23,284,760
Construction in progress	-	12,437,213	-	12,437,213
Total nondepreciable assets	11,940,820	23,781,153	-	35,721,973
Depreciable assets				
Building and improvements	16,394,771	-	-	16,394,771
Machinery and equipment	6,385,349	75,224	-	6,460,573
Vehicles	2,670,738	682,237	(100,000)	3,252,975
Infrastructure	414,959,273	-	-	414,959,273
Subtotal	440,410,131	757,461	(100,000)	441,067,592
Less accumulated depreciation				
Building and improvements	(9,061,877)	(272,882)	-	(9,334,759)
Machinery and equipment	(3,493,199)	(211,521)	-	(3,704,720)
Vehicles	(2,406,842)	(170,869)	100,000	(2,477,711)
Infrastructure	(202,129,446)	(4,363,428)	-	(206,492,874)
Subtotal	(217,091,364)	(5,018,700)	100,000	(222,010,064)
Total depreciable assets, net	223,318,767	(4,261,239)	-	219,057,528
Total	\$ 235,259,587	\$ 19,519,914	\$ -	\$ 254,779,501

Governmental activities depreciation expenses for capital assets for the year ended June 30, 2018 are as follows:

General government	\$ 717,041
Public safety	1,416,162
Public works	2,317,158
Community development	205,496
Community services	362,843
Total depreciation expense	\$ 5,018,700

City of Beaumont
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

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, 2018 is as follows:

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
Nondepreciable assets:				
Land	\$ 502,560	\$ -	\$ -	\$ 502,560
Construction in progress	1,054,735	3,362,788	-	4,417,523
Total nondepreciable assets	1,557,295	3,362,788	-	4,920,083
Depreciable assets				
Building and improvements	621,548	-	-	621,548
Machinery and equipment	88,499,223	129,414	-	88,628,637
Vehicles	3,878,070	555,482	-	4,433,552
Infrastructure	133,023,061	797,452	-	133,820,513
Subtotal	226,021,902	1,482,348	-	227,504,250
Less accumulated depreciation				
Building and improvements	(383,511)	(47,116)	-	(430,627)
Machinery and equipment	(34,977,338)	(3,060,170)	-	(38,037,508)
Vehicles	(2,538,243)	(462,047)	-	(3,000,290)
Infrastructure	(62,651,425)	(3,794,689)	-	(66,446,114)
Subtotal	(100,550,517)	(7,364,022)	-	(107,914,539)
Total depreciable assets, net	125,471,385	(5,881,674)	-	119,589,711
Total	\$ 127,028,680	\$ (2,518,886)	\$ -	\$ 124,509,794

Business-type activities depreciation expenses for capital assets for the year ended June 30, 2018 are as follows:

Sewer Fund	\$ 6,845,259
Transit Fund	518,763
Total depreciation expense	\$ 7,364,022

C. Fiduciary Fund Financial Statements

Summary of changes in capital assets for the City's Successor Agency for the year ended June 30, 2018 is as follows:

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
Nondepreciable assets:				
Land	\$ 21,827	\$ -	\$ -	\$ 21,827
Total nondepreciable assets	21,827	-	-	21,827
Total	\$ 21,827	\$ -	\$ -	\$ 21,827

City of Beaumont
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

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, 2018 is as follows:

	Balance			Balance June 30, 2018	Classification	
	July 1, 2017	Additions	Deletions		Due within One Year	Due in more than One Year
Governmental Activities:						
City						
WRCOG TUMF Judgment	\$ 4,100,000	\$ -	\$ (4,100,000)	\$ -	\$ -	\$ -
AB 1484 Due Diligence Review	1,975,912	-	(300,000)	1,675,912	300,000	1,375,912
Capital Leases	79,323	132,444	(25,284)	186,483	53,691	132,792
Beaumont Public Financing Authority						
1994 Revenue Bonds, Series A	3,738,880	-	(382,694)	3,356,186	\$ 432,152	\$ 2,924,034
2004 Revenue Bonds, Series C	7,235,000	-	(7,235,000)	-	-	-
2005 Revenue Bonds, Series A	15,370,000	-	(15,370,000)	-	-	-
2005 Revenue Bonds, Series C	17,940,000	-	(17,940,000)	-	-	-
2006 Revenue Bonds, Series A	13,230,000	-	(13,230,000)	-	-	-
2006 Revenue Bonds, Series B	6,655,000	-	(6,655,000)	-	-	-
2007 Revenue Bonds, Series A	18,465,000	-	(14,480,000)	3,985,000	205,000	3,780,000
2007 Revenue Bonds, Series B	8,590,000	-	(8,590,000)	-	-	-
2007 Revenue Bonds, Series C & D	19,895,000	-	(16,485,000)	3,410,000	140,000	3,270,000
2007 Revenue Bonds, Series E	6,295,000	-	(6,295,000)	-	-	-
2008 Revenue Bonds, Series A	3,960,000	-	(3,960,000)	-	-	-
2009 Revenue Bonds, Series B	715,000	-	(715,000)	-	-	-
2011 Revenue Bonds, Series A & B	12,110,000	-	(40,000)	12,070,000	60,000	12,010,000
2012 Revenue Bonds, Series A	5,650,000	-	(10,000)	5,640,000	15,000	5,625,000
2012 Revenue Bonds, Series B	3,160,000	-	(60,000)	3,100,000	70,000	3,030,000
2012 Revenue Bonds, Series C	3,535,000	-	(65,000)	3,470,000	50,000	3,420,000
2013 Revenue Bonds, Series A	7,305,000	-	(475,000)	6,830,000	460,000	6,370,000
2013 Refunding Revenue Bonds, Series B	9,820,000	-	(315,000)	9,505,000	340,000	9,165,000
2015 Refunding Revenue Bonds, Series A	10,660,000	-	(215,000)	10,445,000	220,000	10,225,000
2015 Refunding Revenue Bonds, Series B	19,110,000	-	(745,000)	18,365,000	755,000	17,610,000
2015 Refunding Revenue Bonds, Series C	4,950,000	-	(215,000)	4,735,000	215,000	4,520,000
2015 Refunding Revenue Bonds, Series D	7,280,000	-	(310,000)	6,970,000	320,000	6,650,000
Total Revenue Bonds	205,668,880	-	(113,787,694)	91,881,186	3,282,152	88,599,034
Total governmental activities	\$ 211,824,115	\$ 132,444	\$ (118,212,978)	\$ 93,743,581	\$ 3,635,843	\$ 90,107,738

WRCOG TUMF Judgment

The City has been involved in litigation with the Western Riverside Council of Governments (WRCOG) regarding the Transportation Uniform Mitigation Fees (TUMF) to be collected by the City and remitted to WRCOG. In September of 2014, the Superior Court of the State of California, County of Orange (Court), entered judgement against the City in favor of WRCOG. The Court determined that the City of Beaumont failed to remit approximately \$43 million in TUMF to WRCOG over a period of several years. In addition to remitting the \$43 million, the Court also ordered the City to pay interest on the above amount at the rate of 7 percent per annum, for the period of October 21, 2009 to September 22, 2014, totaling \$14,809,096, with interest accruing in the amount of \$8,246 per day thereafter. By separate order dated February 27, 2015, the Court awarded WRCOG attorney fees in the amount of \$2,077,525.

City of Beaumont
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 6 – Long-term Obligations (Continued)

A. Governmental Activities (Continued)

WRCOG TUMF Judgment (Continued)

In May 2017, the City and WRCOG entered into an Amended and Restated Settlement Agreement and Release (the “WRCOG Settlement”), which resolved the \$62 plus million judgment WRCOG had obtained against the City. In accordance with the WRCOG Settlement, the City was required to make payments totaling \$4,100,000 to WRCOG for future street related projects to be completed by WRCOG. As of June 30, 2018, the WRCOG Settlement was paid in full.

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, 2018 is \$1,675,912. 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:

<u>Year Ending June 30,</u>	<u>Total</u>
2019	\$ 300,000
2020	300,000
2021	300,000
2022	300,000
2023	300,000
2024	175,912
Total	<u>\$ 1,675,912</u>

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, 2018 are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 53,691	\$ 11,742	\$ 65,433
2020	57,476	7,962	65,438
2021	41,153	4,276	45,429
2022	34,163	1,371	35,534
Total	<u>\$ 186,483</u>	<u>\$ 25,351</u>	<u>\$ 211,834</u>

City of Beaumont
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 6 – Long-term Obligations (Continued)

A. Governmental Activities (Continued)

Capital Lease (Continued)

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

	Amount
Vehicles	\$ 266,672
Less: accumulated depreciation	(44,585)
Total	\$ 222,087

Revenue Bonds

Local Revenue Bonds – 1994

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

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

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, 2018, on the Series A Bonds was \$3,356,186 and the Series B Bonds was \$0 as this Series was refunded.

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

Local Agency Revenue Bonds – 2004 Series C

On January 27, 2005, the BFA issued \$8,685,000 of 2004 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 \$7,627,833. Proceeds from the Authority Bonds were used to purchase the District Bonds. The District 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.

City of Beaumont
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 6 – Long-term Obligations (Continued)

A. Governmental Activities (Continued)

Revenue Bonds (Continued)

Local Agency Revenue Bonds – 2004 Series C (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, 2005 until maturity or earlier redemption. The Bonds consist \$3,015,000 serial bonds maturing annually in amounts between \$60,000 and \$295,000 from September 1, 2006 through September 1, 2022 with interest rates between 3.000% and 5.250%. Thereafter, \$2,565,000 of 5.500% term bonds are due September 1, 2029, with sinking payments to be made beginning September 1, 2023, \$3,105,000 of 5.500% term bonds are due September 1, 2035, with sinking payments to be made beginning September 1, 2030.

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 2004 Series C Authority Bonds were called and defeased by the District's issuance of 2017 Series A District Bonds (Note 7).

Local Agency Revenue Bonds – 2005 Series A

On February 2, 2005, the BFA issued \$18,325,000 of 2005 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 \$15,680,552 and to refund the Authority's 1994 Series B Bonds. Proceeds from the Authority Bonds were used to purchase the District Bonds. The District Bonds were issued to provide the District with funds to finance public infrastructure relating to respective improvements areas, fund interest on the bonds, pay expenses relating to the issuance of the bonds and fund a reserve account.

The Authority Bonds are payable from and secured by repayment of the District Bonds. Interest is payable semiannually on March 1 and September 1 of each year, commencing September 1, 2005 until maturity or earlier redemption. The Bonds consist \$1,385,000 serial bonds maturing annually in amounts between \$115,000 and \$290,000 from September 1, 2006 through September 1, 2012 with interest rates between 3.000% and 4.250%. Thereafter, \$3,655,000 of 5.000% term bonds are due September 1, 2020, with sinking payments to be made beginning September 1, 2013, \$3,280,000 of 5.600% term bonds are due September 1, 2025, with sinking payments to be made beginning September 1, 2021, \$4,315,000 of 5.650% term bonds are due September 1, 2030, with sinking payments to be made beginning September 1, 2026, and \$5,690,000 of 5.700% term bonds are due September 1, 2035, with sinking payments to be made beginning September 1, 2031.

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 2005 Series A Authority Bonds were called and defeased by the District's issuance of 2017 Series A District Bonds (Note 7).

Local Agency Revenue Bonds – 2005 Series C

On December 15, 2005, the BFA issued \$19,155,000 of 2005 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 \$16,805,014. Proceeds from the Authority Bonds were used to purchase the District Bonds. The District 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.

City of Beaumont
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 6 – Long-term Obligations (Continued)

A. Governmental Activities (Continued)

Revenue Bonds (Continued)

Local Agency Revenue Bonds – 2005 Series C (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 March 1, 2006 until maturity or earlier redemption. The Bonds consist of \$390,000 serial bonds maturing annually in amounts between \$5,000 and \$130,000 from September 1, 2007 through September 1, 2012 with interest rates between 4.000% and 4.500%.

Thereafter, \$1,990,000 of 5.000% term bonds are due September 1, 2019, with sinking payments to be made beginning September 1, 2013, \$6,435,000 of 5.450% term bonds are due September 1, 2020, with sinking payments to be made beginning September 1, 2027, and \$10,340,000 of 5.500% term bonds are due September 1, 2024, 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 2005 Series C Authority Bonds were called and defeased by the District's issuance of 2017 Series A District Bonds (Note 7).

Local Agency Revenue Bonds – 2006 Series A

On June 8, 2006, the BFA issued \$14,220,000 of 2006 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 \$12,360,041. Proceeds from the Authority Bonds were used to purchase the District Bonds. The District Bonds were issued to provide the District with funds to finance public infrastructure relating to respective improvements areas, fund interest on the bonds, pay expenses relating to the issuance of the bonds and fund a reserve account.

The Authority Bonds are payable from and secured by repayment of the District Bonds. Interest is payable semiannually on March 1 and September 1 of each year, commencing September 1, 2006 until maturity or earlier redemption. The Bonds consist of \$2,830,000 serial bonds maturing annually in amounts between \$15,000 and \$395,000 from September 1, 2007 through September 1, 2022 with interest rates between 4.125% and 5.250%. Thereafter, \$11,390,000 of 5.350% term bonds are due September 1, 2036, with sinking payments to be made beginning September 1, 2023.

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 2006 Series A Authority Bonds were called and defeased by the District's issuance of 2017 Series A District Bonds (Note 7).

Local Agency Revenue Bonds – 2006 Series B

On November 2, 2006, the BFA issued \$7,110,000 of 2006 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 \$6,156,294. Proceeds from the Authority Bonds were used to purchase the District Bonds. The District 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.

City of Beaumont
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 6 – Long-term Obligations (Continued)

A. Governmental Activities (Continued)

Revenue Bonds (Continued)

Local Agency Revenue Bonds – 2006 Series B (Continued)

The Authority Bonds are payable from and secured by repayment of the District Bonds. Interest is payable semiannually on March 1 and September 1 of each year, commencing March 1, 2007 until maturity or earlier redemption. The Bonds consist of \$965,000 serial bonds maturing annually in amounts between \$15,000 and \$150,000 from September 1, 2008 through September 1, 2020 with interest rates between 3.900% and 4.800%. Thereafter, \$1,575,000 of 5.000% term bonds are due September 1, 2027, with sinking payments to be made beginning September 1, 2021 and \$4,570,000 of 5.050% term bonds are due September 1, 2037, 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 2006 Series B Authority Bonds were called and defeased by the District's issuance of 2017 Series A District Bonds (Note 7).

Local Agency Revenue Bonds – 2007 Series A

On January 18, 2007, the BFA issued \$21,175,000 of 2007 Local Agency Revenue Bonds, Series A (the "Authority Bonds") for the purpose of refunding the Beaumont Financing Authority 2000 Local Agency Revenue Bonds, Series A, the Beaumont Financing Authority 1994 Local Agency Revenue Bonds, Series A and B, and acquiring the City of Beaumont Community Facilities District No. 93-1 Special Tax Bonds ("District Bonds") in the amount of \$4,910,884. These bonds were issued to provide the District with funds to finance public infrastructure relating to respective improvements areas, fund interest on the bonds, pay expenses relating to the issuance of the bonds and fund a reserve account.

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

Neither the Authority Bonds nor the District Bonds are general obligations of the City nor any other political subdivision and the full faith and credit of the City is not pledged for repayment thereof. The outstanding indebtedness at June 30, 2018 was \$3,985,000. The 2007 Series A Authority Bonds were partially called and defeased by the District's issuance of 2017 Series A District Bonds (Note 7).

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

City of Beaumont
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 6 – Long-term Obligations (Continued)

A. Governmental Activities (Continued)

Revenue Bonds (Continued)

Local Agency Revenue Bonds – 2007 Series B

On March 6, 2007, the BFA issued \$11,615,000 of 2007 Local Agency Revenue Bonds, Series B (the “Authority Bonds”) for the purpose of refunding the Beaumont Financing Authority 2002 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 \$110,000. The District Bonds were issued to provide the District with funds to finance public infrastructure relating to respective improvements areas, fund interest on the bonds, pay expenses relating to the issuance of the bonds and fund a reserve account.

The Authority Bonds are payable from and secured by repayment of the District Bonds. Interest is payable semiannually on March 1 and September 1 of each year, commencing September 1, 2007 until maturity or earlier redemption. The Bonds consist of \$4,660,000 serial bonds maturing annually in amounts between \$125,000 and \$435,000 from September 1, 2007 through September 1, 2020 with interest rates between 3.500% and 4.125%. Thereafter, \$2,470,000 of 4.500% term bonds are due September 1, 2025, with sinking payments to be made beginning September 1, 2021, and \$4,485,000 of 4.375% term bonds are due September 1, 2032, 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 2007 Series B Authority Bonds were called and defeased by the District’s issuance of 2017 Series A District Bonds (Note 7).

Local Agency Revenue Bonds – 2007 Series C and D

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

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

City of Beaumont
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 6 – Long-term Obligations (Continued)

A. Governmental Activities (Continued)

Revenue Bonds (Continued)

Local Agency Revenue Bonds – 2007 Series C and D (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, 2018 was \$3,410,000. The 2007 Series C and D Authority Bonds were partially called and defeased by the District's issuance of 2017 Series A District Bonds (Note 7). The District Bonds do not constitute an obligation of the City and the City is not obligated to make payment beyond the special taxes and available bond reserves, therefore these bonds have not been reflected as long-term liabilities in the accompanying financial statements.

Local Agency Revenue Bonds – 2007 Series E

On November 29, 2007, the BFA issued \$6,520,000 of 2007 Local Agency Revenue Bonds, Series E (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 \$5,621,813. The District Bonds were issued to provide the District with funds to finance public infrastructure relating to respective improvements areas, fund interest on the bonds, pay expenses relating to the issuance of the bonds and fund a reserve account.

The Authority Bonds are payable from and secured by repayment of the District Bonds. Interest is payable semiannually on March 1 and September 1 of each year, commencing March 1, 2008 until maturity or earlier redemption. The Bonds consist of \$615,000 serial bonds maturing annually in amounts between \$5,000 and \$120,000 from September 1, 2010 through September 1, 2020, with interest rates between 4.750% and 5.300%. Thereafter, \$5,905,000 of 6.250% term bonds are due September 1, 2038, with sinking payments to be made beginning September 1, 2021.

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 2007 Series E Authority Bonds were called and defeased by the District's issuance of 2017 Series A District Bonds (Note 7).

Local Agency Revenue Bonds – 2008 Series A

On July 24, 2008, the BFA issued \$4,090,000 of 2008 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 \$3,476,204. The District Bonds were issued to provide the District with funds to finance public infrastructure relating to respective improvements areas, fund interest on the bonds, pay expenses relating to the issuance of the bonds and fund a reserve account.

The Authority Bonds are payable from and secured by repayment of the District Bonds. Interest is payable semiannually on March 1 and September 1 of each year, commencing March 1, 2009 until maturity or earlier redemption. The Bonds consist of \$390,000 serial bonds maturing annually in amounts between \$5,000 and \$80,000 from September 1, 2011 through September 1, 2020 with interest rates between 4.875% and 6.000%. Thereafter, \$3,700,000 of 6.875% term bonds are due September 1, 2036, with sinking payments to be made beginning September 1, 2021.

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 2007 Series E Authority Bonds were called and defeased by the District's issuance of 2017 Series A District Bonds (Note 7).

City of Beaumont
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 6 – Long-term Obligations (Continued)

A. Governmental Activities (Continued)

Revenue Bonds (Continued)

Local Agency Revenue Bonds – 2009 Series B

On June 18, 2009, the BFA issued \$2,640,000 of 2009 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 \$2,229,228. The District Bonds were issued to provide the District with funds to finance public infrastructure relating to respective improvements areas, fund interest on the bonds, pay expenses relating to the issuance of the bonds and fund a reserve account.

The Authority Bonds are payable from and secured by repayment of the District Bonds. Interest is payable semiannually on March 1 and September 1 of each year, commencing September 1, 2009 until maturity or earlier redemption. The Bonds consist of \$235,000 serial bonds maturing annually in amounts between \$5,000 and \$65,000 from September 1, 2012 through September 1, 2027 with interest rates between 6.500% and 8.700%.

Thereafter, \$300,000 of 8.500% term bonds due September 1, 2024, with sinking payments to be made beginning September 1, 2017; \$225,000 of 8.750% term bonds due September 1, 2030, with sinking payments to be made beginning September 1, 2028, \$410,000 of 8.875% term bonds due September 1, 2034, with sinking payments beginning September 1, 2031 and \$745,000 of 8.625% term bonds due September 1, 2039, with sinking payments beginning September 1, 2035.

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 2009 Series B Authority Bonds were called and defeased by the District’s issuance of 2017 Series A District Bonds (Note 7).

Local Agency Revenue Bonds – 2011 Series A and B

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

The Authority Bonds are payable from and secured by repayment of the District Bonds. Interest is payable semiannually on March 1 and September 1 of each year, commencing September 1, 2012 until maturity or earlier redemption. The Bonds consist of \$1,405,000 serial bonds maturing annually in amounts between \$10,000 and \$250,000 from September 1, 2015 through September 1, 2026 with interest rates between 3.500% and 5.500%. Thereafter, \$1,820,000 of 6.125% term bonds are due September 1, 2031, with sinking payments to be made 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, 2018 was \$12,070,000 for the Authority Bonds is reported in the City’s financial statements as the BFA is a component unit of the City.

City of Beaumont
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 6 – Long-term Obligations (Continued)

A. Governmental Activities (Continued)

Revenue Bonds (Continued)

Local Agency Revenue Bonds – 2011 Series A and 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 Revenue Bonds – 2012 Series A

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

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

Neither the Authority Bonds nor the District Bonds are general obligations of the City nor any other political subdivision and the full faith and credit of the City is not pledged for repayment thereof. The outstanding indebtedness at June 30, 2018 was \$5,640,000 for the Authority Bonds and is reported in the City’s financial statements as the BFA is a component unit of the City.

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

Local Agency Revenue Bonds – 2012 Series B

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

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.

City of Beaumont
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 6 – Long-term Obligations (Continued)

A. Governmental Activities (Continued)

Revenue Bonds (Continued)

Local Agency Revenue Bonds – 2012 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, 2018 was \$3,100,000 for the Authority Bonds and is reported in the City's financial statements as the BFA is a component unit of the City. The District Bonds do not constitute an obligation of the City and the City is not obligated to make payment beyond the special taxes and available bond reserves, therefore these bonds have not been reflected as long-term liabilities in the accompanying financial statements.

Local Agency Revenue Bonds – 2012 Series C

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

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

Neither the Authority Bonds nor the District Bonds are general obligations of the City nor any other political subdivision and the full faith and credit of the City is not pledged for repayment thereof. The outstanding indebtedness at June 30, 2018 was \$3,470,000 for the Authority Bonds and is reported in the City's financial statements as the BFA is a component unit of the City.

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

Local Agency Revenue Bonds – 2013 Series A

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

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

City of Beaumont
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

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, 2018 was \$6,830,000 for the Authority Bonds and is reported in the City's financial statements as the BFA is a component unit of the City. The District Bonds do not constitute an obligation of the City and the City is not obligated to make payment beyond the special taxes and available bond reserves, therefore these bonds have not been reflected as long-term liabilities in the accompanying financial statements.

Local Agency Refunding Revenue Bonds – 2013 Series B

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

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

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

Neither the Authority Bonds nor the District Bonds are general obligations of the City nor any other political subdivision and the full faith and credit of the City is not pledged for repayment thereof. The outstanding indebtedness at June 30, 2018 was \$9,505,000 for the Authority Bonds and is reported in the City's financial statements as the BFA is a component unit of the City.

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

Local Agency Refunding Revenue Bonds - 2015 Series 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.

City of Beaumont
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 6 – Long-term Obligations (Continued)

A. Governmental Activities (Continued)

Revenue Bonds (Continued)

Local Agency Refunding Revenue Bonds - 2015 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, 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, 2018 was \$10,445,000 for the Authority Bonds and is reported in the City's financial statements as the BFA is a component unit of the City.

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

Local Agency Refunding Revenue Bonds - 2015 Series B

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

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

Neither the Authority Bonds nor the District Bonds are general obligations of the City nor any other political subdivision and the full faith and credit of the City is not pledged for repayment thereof. The outstanding indebtedness at June 30, 2018 was \$18,365,000 for the Authority Bonds and is reported in the City's financial statements as the BFA is a component unit of the City.

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

Local Agency Refunding Revenue Bonds – 2015 Series 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%.

City of Beaumont
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 6 – Long-term Obligations (Continued)

A. Governmental Activities (Continued)

Revenue Bonds (Continued)

Local Agency Refunding Revenue Bonds – 2015 Series C (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, 2018 was \$4,735,000 for the Authority Bonds and is reported in the City’s financial statements as the BFA is a component unit of the City.

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

Local Agency Refunding Revenue Bonds – 2015 Series D

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

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

Neither the Authority Bonds nor the District Bonds are general obligations of the City nor any other political subdivision and the full faith and credit of the City is not pledged for repayment thereof. The outstanding indebtedness at June 30, 2018 was \$6,970,000 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.

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:

Year Ending June 30,	Principal	Interest	Total
2019	\$ 3,282,152	4,342,152	\$ 7,624,304
2020	3,435,012	4,225,157	7,660,169
2021	3,598,548	4,094,645	7,693,193
2022	3,739,758	3,949,516	7,689,274
2023	3,925,402	3,786,227	7,711,629
2024-2028	19,510,314	16,208,026	35,718,340
2029-2033	23,675,000	11,370,261	35,045,261
2034-2038	17,040,000	5,698,444	22,738,444
2039-2043	11,845,000	2,295,313	14,140,313
2044-2046	1,830,000	140,250	1,970,250
Total	<u>\$ 91,881,186</u>	<u>\$ 56,109,991</u>	<u>\$ 147,991,177</u>

City of Beaumont
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 6 – Long-term Obligations (Continued)

B. Business-Type Activities

Capital Lease

Summary of changes in long-term liabilities for the business-type activities for the year ended June 30, 2018 is as follows:

	Balance			Classification		
	July 1, 2017	Additions	Deletions	June 30, 2018	Due within One Year	Due in more than One Year
Business-Type Activities:						
Capital Leases	\$ -	\$ 352,576	\$ (6,263)	\$ 346,313	\$ 78,469	\$ 267,844
Total governmental activities	\$ -	\$ 352,576	\$ (6,263)	\$ 346,313	\$ 78,469	\$ 267,844

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, 2018 are as follows:

Year Ending June 30,	Principal	Interest	Total
2019	\$ 78,469	\$ 24,756	\$ 103,225
2020	84,945	18,274	103,219
2021	91,955	11,257	103,212
2022	90,944	3,661	94,605
TOTAL	\$ 346,313	\$ 57,948	\$ 404,261

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:

Vehicles	\$ 455,505
Less: accumulated depreciation	(45,550)
Total	\$ 409,955

City of Beaumont
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 7 - Debt Without City Commitment

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

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

District Bonds issued during the year ended June 30, 2018 were as follows:

2017 Special Tax Refunding Bonds, Series A

On August 1, 2017, the CFD issued \$94,171,257 of special tax refunding bonds, Series 2017A ("District Bonds") to repay, in part or fully, the principal of various BFA Authority Bonds. The BFA Authority Bonds are held as investments by the BFA (Note 2). Interest on the bonds is payable semi-annually on March 1 and September 1 of each year through September 1, 2039, beginning on March 1, 2018. The bonds bear interest ranging from 2.00% to 5.00%. Principal payments are due annually beginning on September 1, 2018. 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 2017 Special Tax Refunding Bonds, Series A at June 30, 2018 was \$94,171,257.

2018 Special Tax Bonds, Series A

On June 6, 2018, the CFD issued \$33,320,000 of special tax bonds, Series 2018A ("District 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, 2048, beginning on September 1, 2018. The bonds bear interest ranging from 2.00% to 5.00%. 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, 2018 was \$33,320,000.

City of Beaumont
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 7 – Debt Without City Commitment (Continued)

As of June 30, 2018, debt without city or BFA commitment is as follows:

	Balance June 30, 2018
1994 Special Tax Bonds, Series A	\$ 3,356,186
2007 Special Tax Bonds, Series A	3,985,000
2007 Special Tax Bonds, Series C & D	3,410,000
2011 Special Tax Bonds, Series A & B	12,070,000
2012 Special Tax Bonds, Series A	5,640,000
2012 Special Tax Bonds, Series B	3,100,000
2012 Special Tax Bonds, Series C	3,470,000
2013 Special Tax Bonds, Series A	6,830,000
2013 Special Tax Bonds, Series B	9,505,000
2015 Special Tax Bonds, Series A	10,445,000
2015 Special Tax Bonds, Series B	18,365,000
2015 Special Tax Bonds, Series C	4,735,000
2015 Special Tax Bonds, Series D	6,970,000
2017 Special Tax Refunding Bonds, Series A	94,171,257
2018 Special Tax Bonds, Series A	33,320,000
Total Limited Obligation Bond Debt	\$ 219,372,443

Note 8 – Compensated Absences

The City's liability for vested and unpaid compensated absences (vacation and vested sick leave) was \$2,664,693 at June 30, 2018.

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, 2018 is as follows:

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018	Classification	
					Due Within One Year	Due Within Than One Year
Governmental Activities:						
Compensated absences	\$ 1,868,530	\$ 709,275	\$ (173,625)	\$ 2,404,180	\$ 240,418	\$ 2,163,762
Total governmental activities	\$ 1,868,530	\$ 709,275	\$ (173,625)	\$ 2,404,180	\$ 240,418	\$ 2,163,762

City of Beaumont
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 8 – Compensated Absences (Continued)

B. Business-Type Activities

Summary of changes in compensated absences for the year ended June 30, 2018 is as follows:

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018	Classification	
					Due Within One Year	Due Within Than One Year
Business-Type Activities:						
Compensated absences	\$ 235,633	\$ 50,269	\$ (25,389)	\$ 260,513	\$ 30,993	\$ 229,520
Total business-type activities	<u>\$ 235,633</u>	<u>\$ 50,269</u>	<u>\$ (25,389)</u>	<u>\$ 260,513</u>	<u>\$ 30,993</u>	<u>\$ 229,520</u>

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, 2018.

General Liability and Property Damage Insurance

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

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

Workers' Compensation

The City of Beaumont maintains a self-insured workers' compensation plan, whereby the City covers the cost of medical claims its employees incurs. 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
2015-2016	\$ 1,423,587	\$ 1,370,386	\$ (1,270,984)	\$ 1,522,989
2016-2017	1,522,989	2,375,686	(1,567,484)	2,331,191
2017-2018	2,331,191	1,383,627	(1,500,000)	2,214,818

City of Beaumont
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 10 – Pension Plans

A. Summary

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Deferred outflows of resources:			
Pension contribution made after measurement date:			
CalPERS Miscellaneous	\$ 770,483	\$ 186,309	\$ 956,792
CalPERS Safety	1,402,549	-	1,402,549
Total pension contribution made after measurement date	<u>2,173,032</u>	<u>186,309</u>	<u>2,359,341</u>
Change in assumption:			
CalPERS Miscellaneous	920,388	222,558	1,142,946
CalPERS Safety	1,526,593	-	1,526,593
Total change in assumption	<u>2,446,981</u>	<u>222,558</u>	<u>2,669,539</u>
Projected earnings on pension plan investments in excess of actual earnings:			
CalPERS Miscellaneous	225,336	54,488	279,824
CalPERS Safety	360,517	-	360,517
Total projected earnings on pension plan investments in excess of actual earnings	<u>585,853</u>	<u>54,488</u>	<u>640,341</u>
Adjustment due to difference in proportions:			
CalPERS Miscellaneous	404,131	97,723	501,854
Total adjustment due to difference in proportions	<u>404,131</u>	<u>97,723</u>	<u>501,854</u>
Difference between expected and actual experience:			
CalPERS Safety	84,285	-	84,285
Total difference between expected and actual experience	<u>84,285</u>	<u>-</u>	<u>84,285</u>
Employer contributions in excess of proportionate share of contribution:			
CalPERS Safety	417,358	-	417,358
Total employer contributions in excess of proportionate share of contribution	<u>417,358</u>	<u>-</u>	<u>417,358</u>
Total deferred outflows of resources:			
CalPERS Miscellaneous	2,320,338	561,078	2,881,416
CalPERS Safety	3,791,302	-	3,791,302
Total deferred outflows of resources	<u>\$ 6,111,640</u>	<u>\$ 561,078</u>	<u>\$ 6,672,718</u>
Net pension liabilities:			
CalPERS Miscellaneous	\$ 5,573,107	\$ 1,267,182	\$ 6,840,289
CalPERS Safety	10,177,973	-	10,177,973
Total net pension liabilities	<u>\$ 15,751,080</u>	<u>\$ 1,267,182</u>	<u>\$ 17,018,262</u>

City of Beaumont
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 10 – Pension Plans (Continued)

A. Summary (Continued)

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Deferred inflows of Resources:			
Adjustment due to difference in proportions:			
CalPERS Safety	\$ 3,731,507	\$ -	\$ 3,731,507
Total adjustment due to difference in proportions	<u>3,731,507</u>	<u>-</u>	<u>3,731,507</u>
Employer contributions in excess of proportionate share of contribution:			
CalPERS Miscellaneous	26,294	(3,509)	22,785
Total employer contributions in excess of proportionate share of contribution	<u>26,294</u>	<u>(3,509)</u>	<u>22,785</u>
Difference between expected and actual experience:			
CalPERS Miscellaneous	153,360	(20,465)	132,895
Total difference between expected and actual experience	<u>153,360</u>	<u>(20,465)</u>	<u>132,895</u>
Total deferred inflows of resources:			
CalPERS Miscellaneous	179,654	(23,974)	155,680
CalPERS Safety	3,731,507	-	3,731,507
Total deferred inflows of resources	<u>\$ 3,911,161</u>	<u>\$ (23,974)</u>	<u>\$ 3,887,187</u>
Pension expenses:			
CalPERS Miscellaneous	\$ 1,194,635	\$ 360,879	\$ 1,555,514
CalPERS Safety	2,625,481	-	2,625,481
Total net pension expenses	<u>\$ 3,820,116</u>	<u>\$ 360,879</u>	<u>\$ 4,180,995</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.

Employees Covered by Benefit Terms

At June 30, 2017, measurement date, the following employees were covered by the benefit terms:

	<u>Miscellaneous</u>	<u>Miscellaneous PEPRA</u>	<u>Safety</u>	<u>Safety PEPRA</u>
Active employees	69	14	35	4
Transferred and terminated employees	55	2	36	-
Retired employees and beneficiaries	66	-	54	-
Total	<u>190</u>	<u>16</u>	<u>125</u>	<u>4</u>

City of Beaumont
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 10 – Pension Plans (Continued)

B. General Information about the Pension Plans (Continued)

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:

	<u>Miscellaneous</u>	<u>Miscellaneous PEPRA</u>	<u>Safety</u>	<u>Safety PEPRA</u>
Benefit formula	2.7% @ 55	2.0% @ 62	3.0% @ 50	2.7% @ 57
Benefit vesting schedule	5 years service	5 years service	5 years service	5 years service
Benefit payments	monthly for life	monthly for life	monthly for life	monthly for life
Retirement age	55	62	50	50-57
Monthly benefits, as a % of eligible compensation	2.7%	2.0%	3.0%	2.7%
Required employee contribution rate	8.000%	6.250%	9.000%	11.500%
Required employer contribution rate	11.718%	6.237%	18.524%	12.082%

Contributions

For the year ended June 30, 2018, the contributions recognized as part of pension expense for each Plan were as follows:

Miscellaneous	\$ 816,082
Safety	1,281,860
	<u>\$ 2,097,942</u>

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: 6/30/16 (Valuation date)	\$ 27,546,457	\$ 21,727,887	\$ 5,818,570
Balance at: 6/30/17 (Measurement date)	29,651,434	22,811,145	6,840,289
Net changes during 2016-2017	2,104,977	1,083,258	1,021,719
Safety			
Balance at: 6/30/16 (Valuation date)	\$ 35,702,183	\$ 26,699,977	\$ 9,002,206
Balance at: 6/30/17 (Measurement date)	39,039,646	28,861,673	10,177,973
Net changes during 2016-2017	3,337,463	2,161,696	1,175,767
Total net changes during 2016-2017	5,442,440	3,244,954	2,197,486

City of Beaumont
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

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

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, 2017, 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, 2016 rolled forward to June 30, 2017 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, 2016 and 2017 was as follows:

	<u>Miscellaneous</u>	<u>Safety</u>	<u>Total</u>
Proportion - June 30, 2016	0.16749%	0.17116%	0.33865%
Proportion - June 30, 2017	0.17352%	0.17034%	0.34386%
Change - Increase/(Decrease)	<u>0.00603%</u>	<u>-0.00082%</u>	<u>0.00520%</u>

For the year ended June 30, 2018, the City recognized pension expense of \$1,555,514 and \$2,625,481, for the Miscellaneous and Safety plans, respectively. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Miscellaneous Plans</u>		
	<u>Deferred outflows of Resources</u>	<u>Deferred inflows of Resources</u>
Pension contributions made subsequent to measurement date	\$ 956,792	\$ -
Difference between projected and actual earning on pension plan investments	279,824	-
Adjustment due to differences in proportions	501,854	-
Changes in assumptions	1,142,946	-
Difference between actual and expected experience	-	132,895
Difference between employer's actual contributions and proportionate share of contributions	-	22,785
Total	<u>\$ 2,881,416</u>	<u>\$ 155,680</u>
<u>Safety Plans</u>		
	<u>Deferred outflows of Resources</u>	<u>Deferred inflows of Resources</u>
Pension contributions made subsequent to measurement date	\$ 1,402,549	\$ -
Difference between projected and actual earning on pension plan investments	360,517	-
Adjustment due to differences in proportions	-	3,731,507
Changes in assumptions	1,526,593	-
Difference between actual and expected experience	84,285	-
Difference between employer's actual contributions and proportionate share of contributions	417,358	-
Total	<u>\$ 3,791,302</u>	<u>\$ 3,731,507</u>

City of Beaumont
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 10 – Pension Plans (Continued)

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

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

For the Miscellaneous Plan and Safety Plan, \$956,792 and \$1,402,549, 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, 2018). 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
2018	\$ 511,631	\$ (2,880,115)	\$ (2,368,484)
2019	925,495	1,007,377	1,932,872
2020	497,955	740,935	1,238,890
2021	(166,137)	(210,951)	(377,088)
	<u>\$ 1,768,944</u>	<u>\$ (1,342,754)</u>	<u>\$ 426,190</u>

Actuarial Assumptions

The total pension liabilities in the June 30, 2016 actuarial valuations were determined using the following actuarial assumptions:

Actuarial Cost Method	Entry Age Normal
Actuarial Assumptions:	
Discount Rate	7.15%
Inflation	2.75%
Salary Increases	3.3% to 14.2% depending on age, service, and type of employment
Investment Rate of Return	7.00%
Mortality Rate Table	Derived using CalPERS’ Membership Data for all Funds. The mortality table used was developed based on CalPERS’ specific data. The table includes 20 years of mortality improvements using Society of Actuaries Scale BB.
Post Retirement Benefit Increase	Contract COLA up to 2.75% until Purchasing Power Protection Allowance Floor on Purchasing Power applies, 2.75% thereafter.

The underlying mortality assumptions and all other actuarial assumptions used in the June 30, 2016 valuation were based on the results of a January 2015 actuarial experience study for the period 1997 to 2011. Further details of the Experience Study can be found on the CalPERS website.

City of Beaumont
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 10 – Pension Plans (Continued)

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

Discount Rate

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

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

Asset Class	New Strategic Allocation	Real Return Years 1 - 10¹	Real Return Years 11 +²
Global equity	47.00%	4.90%	5.38%
Global fixed income	19.00%	0.80%	2.27%
Inflation sensitive assets	6.00%	0.80%	1.39%
Private equity	12.00%	6.60%	6.63%
Real assets	11.00%	2.80%	5.21%
Infrastructure	3.00%	3.90%	5.36%
Liquidity	2.00%	-0.40%	-0.90%

¹ An expected inflation of 2.5% was used for this period.

² An expected inflation of 3.0% was used for this period.

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

City of Beaumont
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 10 – Pension Plans (Continued)

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

Discount Rate (Continued)

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

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

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

	Plan's Net Pension Liability/(Asset)		
	Discount Rate - 1% (6.15%)	Current Discount Rate (7.15%)	Discount Rate + 1% (8.15%)
Miscellaneous	\$ 10,918,752	\$ 6,840,289	\$ 3,462,433
Safety	\$ 15,640,286	\$ 10,177,973	\$ 5,712,805
Total	\$ 26,559,038	\$ 17,018,262	\$ 9,175,238

Pension Plan Fiduciary Net Position

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

D. Payable to the Pension Plan

At June 30, 2018, the City had no outstanding amounts owed to the pension plan for contributions for the year ended June 30, 2018.

Note 11 – Other Required Disclosures

A. Deficit Net Position

At June 30, 2018, the Governmental Activities on the Statement of Net Position had an unrestricted net position deficit of (\$7,563,390). The Governmental Activities Statement of Net Position also has a net pension liability (net of pension related deferred outflows/inflows) of \$13,550,602, which is a primary cause for the unrestricted net position deficit. The City participates in retirement plans which are administered by CalPERS, a state wide agency who sets the funding policies when determining the City’s contribution rates. Therefore, the unfunded liability is a result of the CalPERS required contributions. CalPERS pension liability is a result of the CalPERS administrative estimates of earnings, retirement age, and discount rate of the participating programs and are beyond the City’s control. The City is at the early stages of evaluating strategies to meet their pension obligations to manage the future unfunded pension liabilities.

City of Beaumont
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 11 – Other Required Disclosures (Continued)

B. Expenditures Exceeding Appropriations

For the year ended June 30, 2018, expenditures exceeded appropriations in the following functions of the General Fund:

Fund	Function	Excess Expenditures
General Fund	General Government	\$ (319,066)
General Fund	Capital Outlay	\$ (149,961)
General Fund	Debt Service	\$ (329,916)
CFD Special Revenue Fund	Community Development	\$ (328,966)

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

Note 12 – Classification of Fund Balances

	Major Funds						Total
	General Fund	Community Facilities District (CFD) Special Revenue Fund	Community Facilities District (CFD) Capital Projects Fund	General Capital Projects Fund	Beaumont Financing Authority Debt Service Fund	Other Governmental Funds	
Nonspendable:							
Loans receivable	\$ 215,904	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 215,904
Total nonspendable	215,904	-	-	-	-	-	215,904
Restricted:							
State Gas Tax	-	-	-	-	-	263,369	263,369
AB 2766	-	-	-	-	-	370,379	370,379
PEG Fees	-	-	-	-	-	250,014	250,014
COPS Grant	-	-	-	-	-	294,816	294,816
State Asset Forfeiture	-	-	-	-	-	295,957	295,957
Federal Asset Forfeiture	-	-	-	-	-	197,368	197,368
Other Special Projects	-	-	-	-	-	90,333	90,333
Capital projects	-	-	15,683,985	-	-	-	15,683,985
Debt service	-	-	-	-	101,180,155	-	101,180,155
Community Facilities Districts	-	8,462,228	-	-	-	-	8,462,228
Total restricted	-	8,462,228	15,683,985	-	101,180,155	1,762,236	127,088,604
Committed:							
Capital Projects	-	-	-	6,839,275	-	-	6,839,275
Total committed	-	-	-	6,839,275	-	-	6,839,275
Unassigned	10,315,492	-	-	-	-	-	10,315,492
Total Fund Balances	\$ 10,531,396	\$ 8,462,228	\$ 15,683,985	\$ 6,839,275	\$ 101,180,155	\$ 1,762,236	\$ 144,459,275

City of Beaumont
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

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, 2018 with a planned cost to complete of approximately \$15,779,000.

D. WRCOG Restated Settlement Agreement

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

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

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

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

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

City of Beaumont
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 13 – Commitments and Contingencies (Continued)

D. WRCOG Restated Settlement Agreement (Continued)

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

<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, 2018, the City has received recoveries totaling \$305,005 and WRCOG has recovered approximately \$9,600,000. 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.

Note 14 – Developer Capital Contributions

In February 2017, the City agreed under a settlement agreement with a developer and the CFD, to use commercially reasonable efforts to facilitate the issuance of CFD bonds for purposes of reimbursement of the construction costs of certain infrastructure improvements and for future improvements. For the infrastructure that was constructed, completed, placed in service and accepted by the City prior to June 30, 2016, these infrastructure assets were capitalized and reported as governmental owned infrastructure assets.

City of Beaumont
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 14 – Developer Capital Contributions (Continued)

The distribution of proceeds from the District Bonds to the developer for reimbursement of previously capitalized infrastructure is detailed in the table below and totaled \$30,961,271. Infrastructure assets constructed and recognized as developer capital contributions in the statement of activities in fiscal year June 30, 2018 totaled \$11,343,940. These infrastructure assets are constructed through the use of District Bond proceeds, the activity is reported within the Agency Fund.

Payment Source	Date	Developer	Amount
City Paid - Source (2012A Bonds - IA 8C)	1/4/2018	Pardee	\$ 2,789,550
City Paid - Source (2013A Bonds - IA 19C)	6/11/2018	SDC	4,465,370
City Paid - Source (2017A Bonds - IA 8D)	6/27/2018	Pardee	7,322,774
City Paid - Source (2017A Bonds - IA 17C)	6/27/2018	Pardee	8,325,283
City Paid - Source (2017A Bonds - IA 8C)	6/27/2018	Pardee	8,058,294
Total payments for assets previously included in the City's infrastructure management system			<u>\$ 30,961,271</u>
City Paid - Source (2017A Bonds - IA 8C)	6/27/2018	Pardee	\$ 8,345,771
Paid with Developer Contribution	6/27/2018	Pardee	2,998,169
Total payments for land added to City's capital assets in current year			<u>\$ 11,343,940</u>

Note 15 – Special Item

In July 2017, the BFA completed refunding transactions through a private placement for twelve (12) of the community facility district bond issues. A portion of the funds used to complete the refunding's were provided from funds held by the City in pooled cash and from the BFA's restricted cash with fiscal agent. The City cash included special tax revenue funds on hand, future facilities deposits, and the BFA restricted cash included bond reserve and other funds held with the trustee. In total \$11,947,642 was contributed from City accounts to the CFD Collection Fund as part of the refunding of the 12 bond issuances.

Note 16 – Prior Period Adjustments

A. Government-Wide Financial Statements

The beginning net position at July 1, 2017 of the Government-wide Financial Statements were restated as follows:

	Governmental Activities
Net position, as previously reported, at July 1, 2017	\$ 281,390,816
To record accounting change for CFD Bond Proceeds	(11,524,934)
Net position at July 1, 2017, as restated	<u>\$ 269,865,882</u>

City of Beaumont
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 16 – Prior Period Adjustments (Continued)

B. Governmental Fund Financial Statements

The beginning net position at July 1, 2017 for the Governmental Fund Financial Statements were restated as follows:

	Community Facilitie District (CFD) Capital Projects Fund
Net position, as previously reported, at July 1, 2017	\$ 25,157,602
To record accounting change for CFD Bond Proceeds	(11,524,934)
Net position at July 1, 2017, as restated	\$ 13,632,668

Note 17 - Subsequent Events

Wastewater Revenue Bonds

On July 3, 2018, the City and the BPIA adopted Resolution Nos. 2018-32 and BPIA2018-01, respectively, approving the issuance of bonds (the “2018 Bonds”) by the BPIA to finance the acquisition and construction of certain improvements to the City’s Wastewater System.

The wastewater revenue bonds issued in the amount of \$81,105,000 closed on September 18, 2018 as a direct placement at an interest rate of 5.0%. The 2018 Bonds will be used to finance the acquisition and construction of certain improvements to the City’s Wastewater System, to purchase a debt service reserve policy to be issued by Assured Guaranty Municipal Corp for deposit in a reserve fund, and to pay costs incurred in connection with the issuance of the 2018 Bonds.

The bonds consist of \$38,190,000 in serial bonds which mature from 2019-2038 in amounts ranging from \$1,000,000 to \$2,855,000, \$16,620,000 in term bonds which mature in fiscal year 2043, and \$26,295,000 terms bonds which mature in 2049. Principal is payable on September 1 of each year through June 2049. Interest is paid semi-annually on March 1 and September 1, at interest rates ranging from 3.00% to 5.00%. The bonds were issued at a premium of \$9,698,952 and issuance costs totaled \$803,952.

2018 CFD Special Tax Bonds, Series A (IA No. 7B, 7D, 8E)

On October 16, 2018, the City authorized the issuance of CFD special tax refunding bonds (IA No. 7B, 7D, 8E) in the amount of \$18,775,000 to finance a portion of the costs of acquiring and constructing certain public infrastructure improvements necessary for development of property within the specific improvement areas. Interest on the bonds is payable semi-annually on March 1 and September 1 of each year as follows:

Improvement Area	Initial Payment	Interest Rate	Final Payment
7B	9/1/2019	3.00% to 4.00%	9/1/2039
7D	9/1/2019	3.00% to 4.00%	9/1/2038
8E	9/1/2019	2.00% to 5.00%	9/1/2048

City of Beaumont
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2018

Note 17 - Subsequent Events (Continued)

2018 CFD Special Tax Bonds, Series A (IA No. 7B, 7D, 8E) (Continued)

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 refunding bonds and these debts do not constitute an obligation of the City.

2019 CFD Special Tax Bonds, Series A (IA 2016-1)

On February 19, 2019, the City authorized the issuance of CFD special tax refunding bonds (IA No. 2016-1) in the amount of \$9,045,000 to finance a portion of the costs of acquiring and constructing certain public infrastructure improvements necessary for development of property within the specific improvement area. Interest on the bonds is payable semi-annually on March 1 and September 1 of each year through September 2049, beginning on March 1, 2020. The bonds bear interest ranging from 2.25% to 5.00%. 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 City is not liable for repayment of the special tax refunding bonds and these debts do not constitute an obligation of the City.

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Annual Financial Report
For the Year Ended June 30, 2018

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City of Beaumont
Annual Financial Report
For the Year Ended June 30, 2018

Required Supplementary Information (Unaudited)

City of Beaumont
Annual Financial Report
For the Year Ended June 30, 2018

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City of Beaumont
Budgetary Information
For the Year Ended June 30, 2018

Note 1 – Budgetary Information

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

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

City of Beaumont
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Taxes	\$ 10,928,630	\$ 11,028,630	\$ 12,163,969	\$ 1,135,339
Franchise fees	2,667,180	3,297,180	3,285,697	(11,483)
Intergovernmental	3,820,000	3,827,288	4,137,217	309,929
License and permits	330,000	1,174,000	2,939,891	1,765,891
Fines and forfeitures	147,000	283,000	262,278	(20,722)
Assessment levied	488,000	488,000	554,487	66,487
Use of money and property	170,000	120,000	178,111	58,111
Charges for services	7,105,500	7,654,000	7,754,417	100,417
Other revenues	22,000	176,500	573,642	397,142
Total revenues	25,678,310	28,048,598	31,849,709	3,801,111
EXPENDITURES:				
Current:				
General government	4,053,389	4,115,107	4,434,173	(319,066)
Public safety	13,090,524	14,270,022	12,918,763	1,351,259
Public works	4,139,501	4,352,416	3,161,648	1,190,768
Community development	1,843,935	1,576,558	1,430,407	146,151
Community services	3,176,461	3,374,856	3,070,774	304,082
Refuse	4,582,000	4,922,000	4,899,889	22,111
Capital outlay	352,500	607,500	757,461	(149,961)
Debt service:				
Principal	-	-	325,284	(325,284)
Interest	-	-	4,632	(4,632)
Total expenditures	31,238,310	33,218,459	31,003,031	2,215,428
REVENUES OVER (UNDER) EXPENDITURES	(5,560,000)	(5,169,861)	846,678	6,016,539
OTHER FINANCING SOURCES (USES):				
Obligations incurred on capital leases	-	-	132,444	132,444
Proceeds from sale of property	-	-	5,341	5,341
Transfers in	5,560,000	5,191,400	4,373,260	(818,140)
Transfers (out)	-	-	(73,867)	(73,867)
Total other financing sources (uses)	5,560,000	5,191,400	4,437,178	(754,222)
Net change in fund balance	\$ -	\$ 21,539	5,283,856	\$ 5,262,317
FUND BALANCE:				
Beginning of year			5,247,540	
End of year			<u>\$ 10,531,396</u>	

City of Beaumont
Budgetary Comparison Schedule
Community Facilities Districts (CFD) Special Revenue Fund
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES:				
Assessment levied	\$ 4,172,203	\$ 4,172,203	\$ 4,633,405	\$ 461,202
Use of money and property	-	-	112,786	112,786
Total revenues	<u>4,172,203</u>	<u>4,172,203</u>	<u>4,746,191</u>	<u>573,988</u>
EXPENDITURES:				
Current:				
Community development	-	-	328,966	(328,966)
Total expenditures	<u>-</u>	<u>-</u>	<u>328,966</u>	<u>(328,966)</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>4,172,203</u>	<u>4,172,203</u>	<u>4,417,225</u>	<u>245,022</u>
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	53,497	53,497
Transfers (out)	(4,170,000)	(4,170,000)	(4,359,181)	(189,181)
Total other financing sources (uses)	<u>(4,170,000)</u>	<u>(4,170,000)</u>	<u>(4,305,684)</u>	<u>(135,684)</u>
SPECIAL ITEM:				
CFD 93-1 refunding (Note 15)	-	-	(73,705)	(73,705)
Total special item	<u>-</u>	<u>-</u>	<u>(73,705)</u>	<u>(73,705)</u>
Net change in fund balance	<u>\$ 2,203</u>	<u>\$ 2,203</u>	<u>37,836</u>	<u>\$ 35,633</u>
FUND BALANCE:				
Beginning of year			<u>8,424,392</u>	
End of year			<u>\$ 8,462,228</u>	

City of Beaumont
Schedule of Proportionate Share of the Net Pension Liability
Last Ten Years
For the Year Ended June 30, 2018

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

Notes to Schedule:

Changes in assumptions In 2017, the accounting discount rate reduced from 7.65 percent to 7.15 percent.

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

City of Beaumont
Schedule of Proportionate Share of the Net Pension Liability (Continued)
Last Ten Years
For the Year Ended June 30, 2018

	Safety Plan			
Measurement period, year ended	<u>6/30/2017</u>	<u>6/30/2016</u>	<u>6/30/2015</u>	<u>6/30/2014</u> ¹
Plan's proportion of the net pension liability	0.170337%	0.173814%	0.178617%	0.111260%
Plan's proportionate share of the net pension liability	\$ 10,177,973	\$ 9,002,206	\$ 7,359,819	\$ 6,923,153
Plan's covered-employee payroll	\$ 3,722,313	\$ 3,613,896	\$ 4,134,515	\$ 4,232,207
Plan's proportionate share of the net pension liability as a percentage of covered-employee payroll	273.43%	249.10%	178.01%	163.58%
Plan's fiduciary net position	\$ 28,861,673	\$ 26,699,977	\$ 26,024,112	\$ 23,147,043
Plan's fiduciary net position as a percentage of the total pension liability	73.93%	74.79%	77.95%	76.98%
Plan's proportionate share of aggregate employer contributions	\$ 1,281,860	\$ 1,181,118	\$ 1,356,940	\$ 1,421,157

Notes to Schedule:

Changes in assumptions. In 2017, the accounting discount rate reduced from 7.65 percent to 7.15 percent.

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

City of Beaumont
Schedule of Contributions
Last Ten Years
For the Year Ended June 30, 2018

Miscellaneous Plan

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

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

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

Notes to Schedule

Valuation date: 6/30/2016

The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2015-16 were from the June 30, 2013 public agency valuations.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal
Amortization method/period	For details, see June 30, 2014 Funding Valuation Report
Asset valuation method	Actuarial Value of Assets. For details, see June 30, 2011 Funding Valuation Report.
Inflation	2.75%
Salary increases	Varies by entry age and service
Payroll growth	3.00%
Investment rate of return	7.50%, net of pension plan investment and administrative expenses, including inflation
Retirement age	The probabilities of retirement are based on the 2010 CalPERS Experience study for the period from 1997 to 2007.
Mortality	The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and Post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of

City of Beaumont
Schedule of Contributions (Continued)
Last Ten Years
For the Year Ended June 30, 2018

Safety Plan

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

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

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

Notes to Schedule

Valuation date: 6/30/2016

The actuarial methods and assumptions used to set the actuarially determined contributions for Fiscal Year 2015-16 were from the June 30, 2013

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal
Amortization method/period	For details, see June 30, 2014 Funding Valuation Report
Asset valuation method	Actuarial Value of Assets. For details, see June 30, 2011 Funding Valuation Report.
Inflation	2.75%
Salary increases	Varies by entry age and service
Payroll growth	3.00%
Investment rate of return	7.50%, net of pension plan investment and administrative expenses, including inflation
Retirement age	The probabilities of retirement are based on the 2010 CalPERS Experience study for the period from 1997 to 2007.
Mortality	The probabilities of mortality are based on the 2010 CalPERS Experience Study for the period from 1997 to 2007. Pre-retirement and Post-retirement mortality rates include 5 years of projected mortality improvement using Scale AA published by the Society of

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For the Year Ended June 30, 2018

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Supplementary Information

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For the Year Ended June 30, 2018

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City of Beaumont
Annual Financial Report
For the Year Ended June 30, 2018

Non-Major Governmental Funds

**City of Beaumont
Combining Balance Sheet
Non-Major Governmental Funds
June 30, 2018**

	Special Revenue Funds		
	State Gas Tax Fund	AB 2766 Fund	PEG Fund
ASSETS			
Cash and investments	\$ 165,493	\$ 355,176	\$ 250,014
Due from other governments	97,876	15,203	-
Total assets	\$ 263,369	\$ 370,379	\$ 250,014
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -
Due to other funds	-	-	-
Deposits payable	-	-	-
Unearned revenue	-	-	-
Total liabilities	-	-	-
Deferred Inflows of Resources:			
Unavailable revenue	-	-	-
Total deferred inflows of resources	-	-	-
Fund Balances:			
Restricted	263,369	370,379	250,014
Total fund balances	263,369	370,379	250,014
Total liabilities, deferred inflows of resources and fund balances	\$ 263,369	\$ 370,379	\$ 250,014

(Continued)

City of Beaumont
Combining Balance Sheet (Continued)
Non-Major Governmental Funds
June 30, 2018

	Special Revenue Funds		
	Other Federal Grants Fund	COPS Grant Fund	State Asset Seizure Fund
ASSETS			
Cash and investments	\$ 17,485	\$ 253,510	\$ 336,447
Due from other governments	95,029	90,413	-
Total assets	\$ 112,514	\$ 343,923	\$ 336,447
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 17,485	\$ 360	\$ -
Due to other funds	95,029	-	-
Deposits payable	-	-	38,831
Unearned revenue	-	-	-
Total liabilities	112,514	360	38,831
Deferred Inflows of Resources:			
Unavailable revenue	-	48,747	1,659
Total deferred inflows of resources	-	48,747	1,659
Fund Balances:			
Restricted	-	294,816	295,957
Total fund balances	-	294,816	295,957
Total liabilities, deferred inflows of resources and fund balances	\$ 112,514	\$ 343,923	\$ 336,447

(Continued)

City of Beaumont
Combining Balance Sheet (Continued)
Non-Major Governmental Funds
June 30, 2017

	Special Revenue Funds		
	Federal Asset Seizure Fund	Other Special Revenue Fund	Total Other Governmental Funds
ASSETS			
Cash and investments	\$ 197,368	\$ 147,288	\$ 1,722,781
Due from other governments	-	-	298,521
Total assets	\$ 197,368	\$ 147,288	\$ 2,021,302
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ -	\$ -	\$ 17,845
Due to other funds	-	-	95,029
Deposits payable	-	-	38,831
Unearned revenue	-	56,955	56,955
Total liabilities	-	56,955	208,660
Deferred Inflows of Resources:			
Unavailable revenue	-	-	50,406
Total deferred inflows of resources	-	-	50,406
Fund Balances:			
Restricted	197,368	90,333	1,762,236
Total fund balances	197,368	90,333	1,762,236
Total liabilities, deferred inflows of resources and fund balances	\$ 197,368	\$ 147,288	\$ 2,021,302

(Concluded)

City of Beaumont
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Non-Major Governmental Funds
For the Year Ended June 30, 2018

	Special Revenue Funds		
	State Gas Tax Fund	AB 2766 Fund	PEG Fees Fund
REVENUES:			
Intergovernmental	\$ 1,246,887	\$ 57,275	\$ -
License and permits	-	-	25,902
Use of money and property	8,772	6,406	4,595
Other revenues	-	-	-
Total revenues	<u>1,255,659</u>	<u>63,681</u>	<u>30,497</u>
EXPENDITURES:			
Current:			
Public safety	-	-	-
Community development	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>
REVENUES OVER (UNDER) EXPENDITURES	<u>1,255,659</u>	<u>63,681</u>	<u>30,497</u>
OTHER FINANCING SOURCES (USES):			
Transfers in	-	-	-
Transfers (out)	(1,349,341)	-	-
Total other financing sources (uses)	<u>(1,349,341)</u>	<u>-</u>	<u>-</u>
Net changes in fund balances	(93,682)	63,681	30,497
FUND BALANCES:			
Beginning of year	357,051	306,698	219,517
End of year	<u>\$ 263,369</u>	<u>\$ 370,379</u>	<u>\$ 250,014</u>

(Continued)

City of Beaumont
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)
Non-Major Governmental Funds
For the Year Ended June 30, 2018

	Special Revenue Funds		
	Other Federal Grants Fund	COPS Grant Fund	State Asset Seizure Fund
REVENUES:			
Intergovernmental	\$ 203,882	\$ 168,670	\$ 1,698
License and permits	-	-	-
Use of money and property	-	6,107	5,505
Other revenues	-	-	-
Total revenues	203,882	174,777	7,203
EXPENDITURES:			
Current:			
Public Safety	-	37,582	-
Community development	218,309	16,873	-
Total expenditures	218,309	54,455	-
REVENUES OVER (UNDER) EXPENDITURES	(14,427)	120,322	7,203
OTHER FINANCING SOURCES (USES):			
Transfers in	14,860	-	17,973
Transfers (out)	(433)	(32,219)	-
Total other financing sources (uses)	14,427	(32,219)	17,973
Net changes in fund balances	-	88,103	25,176
FUND BALANCES:			
Beginning of year	-	206,713	270,781
End of year	<u>\$ -</u>	<u>\$ 294,816</u>	<u>\$ 295,957</u>

(Continued)

City of Beaumont
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances (Continued)
Non-Major Governmental Funds
For the Year Ended June 30, 2018

	Special Revenue Funds		
	Federal Asset Seizure Fund	Other Special Revenue Fund	Total Other Governmental Funds
REVENUES:			
Intergovernmental	\$ -	\$ -	\$ 1,678,412
License and permits	-	4,559	30,461
Use of money and property	4,015	-	35,400
Other revenues	-	63,873	63,873
Total revenues	4,015	68,432	1,808,146
EXPENDITURES:			
Current:			
Public Safety	-	-	37,582
Community development	-	6,311	241,493
Total expenditures	-	6,311	279,075
REVENUES OVER (UNDER) EXPENDITURES	4,015	62,121	1,529,071
OTHER FINANCING SOURCES (USES):			
Transfers in	-	37,397	70,230
Transfers (out)	(17,973)	(10,166)	(1,410,132)
Total other financing sources (uses)	(17,973)	27,231	(1,339,902)
Net changes in fund balances	(13,958)	89,352	189,169
FUND BALANCES:			
Beginning of year	211,326	981	1,573,067
End of year	<u>\$ 197,368</u>	<u>\$ 90,333</u>	<u>\$ 1,762,236</u>

(Concluded)

City of Beaumont
Annual Financial Report
For the Year Ended June 30, 2018

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City of Beaumont
Annual Financial Report
For the Year Ended June 30, 2018

Non-Major Fiduciary Funds

City of Beaumont
Annual Financial Report
For the Year Ended June 30, 2018

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City of Beaumont
Combining Statement of Fiduciary Net Position
All Agency Funds
June 30, 2018

	<u>Community Facilities District Collection</u>	<u>Evidence Fund</u>	<u>Beaumont Charitable Foundation</u>	<u>Total</u>
ASSETS				
Cash and investments	\$ 13,863,150	\$ 33,732	\$ 22,908	\$ 13,919,790
Cash and investments with fiscal agent	<u>12,703,801</u>	<u>-</u>	<u>-</u>	<u>12,703,801</u>
Total assets	<u><u>\$ 26,566,951</u></u>	<u><u>\$ 33,732</u></u>	<u><u>\$ 22,908</u></u>	<u><u>\$ 26,623,591</u></u>
LIABILITIES				
Liabilities:				
Deposits payable	\$ -	\$ 33,732	\$ 22,908	\$ 56,640
Due to bondholders	<u>26,566,951</u>	<u>-</u>	<u>-</u>	<u>26,566,951</u>
Total liabilities	<u><u>\$ 26,566,951</u></u>	<u><u>\$ 33,732</u></u>	<u><u>\$ 22,908</u></u>	<u><u>\$ 26,623,591</u></u>

City of Beaumont
Annual Financial Report
For the Year Ended June 30, 2018

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City of Beaumont
Statement of Changes in Fiduciary Assets and Liabilities
All Agency Funds
For the Year Ended June 30, 2018

	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
<u>Community Facilities District Collection Fund</u>				
Assets:				
Cash and investments	\$ 17,592,300	\$ -	\$ (3,729,150)	\$ 13,863,150
Cash and investments with fiscal agent	769,500	11,934,301	-	12,703,801
Total assets	\$ 18,361,800	\$ 11,934,301	\$ (3,729,150)	\$ 26,566,951
Liabilities:				
Due to bondholders	\$ 18,361,800	\$ 8,205,151	\$ -	\$ 26,566,951
Total liabilities	\$ 18,361,800	\$ 8,205,151	\$ -	\$ 26,566,951
	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
<u>Evidence Fund</u>				
Assets:				
Cash and investments	\$ 33,768	\$ -	\$ (36)	\$ 33,732
Total assets	\$ 33,768	\$ -	\$ (36)	\$ 33,732
Liabilities:				
Deposits payable	\$ 33,768	\$ -	\$ (36)	\$ 33,732
Total liabilities	\$ 33,768	\$ -	\$ (36)	\$ 33,732
	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
<u>Beaumont Charitable Foundation</u>				
Assets:				
Cash and investments	\$ -	\$ 22,908	\$ -	\$ 22,908
Due from City	28,677	-	(28,677)	-
Total assets	\$ 28,677	\$ 22,908	\$ (28,677)	\$ 22,908
Liabilities:				
Deposits payable	\$ 28,677	\$ -	\$ (5,769)	\$ 22,908
Total liabilities	\$ 28,677	\$ -	\$ (5,769)	\$ 22,908
	Balance July 1, 2017	Additions	Deletions	Balance June 30, 2018
<u>ALL AGENCY FUNDS</u>				
Assets:				
Cash and investments	\$ 17,626,068	\$ 22,908	\$ (3,729,186)	\$ 13,919,790
Cash and investments with fiscal agent	769,500	11,934,301	-	12,703,801
Due from City	28,677	-	(28,677)	-
Total assets	\$ 18,424,245	\$ 11,957,209	\$ (3,757,863)	\$ 26,623,591
Liabilities:				
Deposits payable	\$ 62,445	\$ -	\$ (5,805)	\$ 56,640
Due to bondholders	18,361,800	8,205,151	-	26,566,951
Total liabilities	\$ 18,424,245	\$ 8,205,151	\$ (5,805)	\$ 26,623,591

City of Beaumont
Annual Financial Report
For the Year Ended June 30, 2018

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City of Beaumont

Beaumont, California

Single Audit and Independent Auditors' Reports

For the Year Ended June 30, 2018



**City of Beaumont
Single Audit Reports
For the Year Ended June 30, 2018**

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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**

Independent Auditors' Report

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, 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, 2018, and the related notes to the basic financial statements which collectively comprise the City's basic financial statements and have issued our report thereon dated March 26, 2019.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements of the of the City, we considered the City's internal control over financial reporting (internal control) as a basis for designing 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 was for the limited purpose described in the preceding paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2018-001 through 2018-005 to be material weaknesses.

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 did identify certain deficiencies described in the accompanying schedule of findings and questioned costs as items 2018-006 and 2018-007 to be significant deficiencies.

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To the Honorable Mayor and Members of City Council
of the City of Beaumont
Beaumont, California
Page 2

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's Responses to Findings

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "The PwC Group, LLP". The signature is written in a cursive, flowing style.

Santa Ana, California
March 26, 2019



**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM,
ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE,
AND ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

Independent Auditors' Report

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

Report on Compliance for Each Major Federal Program

We have audited the City of Beaumont, California's (the "City") compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2018. The City's major federal programs are identified in the summary of the auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

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To the Honorable Mayor and Members of City Council
of the City of Beaumont
Beaumont, California
Page 2

Report on Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

To the Honorable Mayor and Members of City Council
of the City of Beaumont
Beaumont, California
Page 3

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of and for the year ended June 30, 2018, and have issued our report thereon dated March 21, 2019 which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming our opinion on the City's financial statements. The accompanying Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

A handwritten signature in black ink that reads "The PwC Group, LLP". The signature is written in a cursive, flowing style.

Santa Ana, California
March 26, 2019

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City of Beaumont
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2018

<u>Federal Grantor/Passed through Grantor</u> <u>Program Title</u>	<u>CFDA</u> <u>Number</u>	<u>Grant Award</u> <u>Number</u>	<u>Federal</u> <u>Expenditures</u>
U.S. Department of Housing and Urban Development:			
Community Development Block Grant - Entitlement Cluster:			
<i>Passed through Riverside County Economic Development Agency:</i>			
Community Development Block Grant	14.218	B-17-UC-06-0506	\$ 218,742
Total Community Development Block Grant - Entitlement Cluster			<u>218,742</u>
Total U.S. Department of Housing and Urban Development			<u>218,742</u>
U.S. Department of Transportation:			
Highway Planning and Construction Cluster:			
<i>Passed Through State of California Department of Transportation:</i>			
Potrero Interchange Project	20.205	DEM10L-5209(008)	7,113,384
8th Street Project	20.205	STPL-5209(009)	209,162
Total Highway Planning and Construction Cluster			<u>7,322,546</u>
Total U.S. Department of Transportation			<u>7,322,546</u>
Total Expenditures of Federal Awards			<u>\$ 7,541,288</u>

See accompanying Notes to the Schedule of Expenditures of Federal Awards

City of Beaumont
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2018

Note 1 – Reporting Entity

The financial reporting entity consists of the primary government, City of Beaumont (the “City”), organizations for which the primary government is financially accountable, and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete.

Note 2 – Basis of Accounting

The various grant programs have been recorded within the general fund and special revenue funds of the City. The City utilizes the modified accrual method of accounting for the general fund and special revenue funds. The accompanying Schedule of Expenditures of Federal Awards (“Schedule”) is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in the schedule may differ from amounts presented in, or used in, the preparation of the City’s basic financial statements.

Note 3 – Schedule of Expenditures of Federal Awards

The accompanying Schedule presents the activity of all federal financial assistance programs of the City. Federal financial assistance received directly from federal agencies as well as federal financial assistance passed through the State of California and Riverside County are included in the Schedule. The Schedule was prepared from only the accounts of various grant programs and, therefore, does not present the financial position, change in fund balance, or results of operations of the City.

Note 4 – Subrecipients

During the fiscal year ended June 30, 2018, there were no amounts provided to subrecipients.

Note 5 – Indirect Cost Rate

The City has not elected to use the 10-percent de minimis indirect rate as allowed under the Uniform Guidance.

City of Beaumont
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2018

Section I – Summary of Auditors’ Result

Financial Statements

Types of auditors’ report issued:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	2018-001, 2018-002 2018-003, 2018-004 2018-005
• Significant deficiency(ies) identified?	2018-006, 2018-007
Noncompliance material to the financial statements noted?	No

Federal Awards

Internal control over major programs:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified?	None reported
Type of auditor’s report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in Accordance with 2 CFR 200.516(a)?	None reported

Identification of major programs:

<u>Major Program</u>	<u>Federal CFDA #</u>	<u>Federal Expenditures</u>
Highway Planning and Construction Cluster	20.205	\$ 7,322,546
Total major program expenditures		<u>\$ 7,322,546</u>
Total expenditures of federal awards		<u>\$ 7,541,288</u>
Percent of total federal award expenditures		<u>97.10%</u>

Dollar threshold used to distinguish between type A and type B program:	\$750,000
Auditee qualified as low-risk auditee in accordance with 2 CFR 200.520?	No

City of Beaumont
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2018

Section II – Financial Statement Findings

Finding 2018-001 Policies and Procedures

Criteria:

Communication is an essential component of a comprehensive framework of internal controls. One method of communication that is particularly effective for controls over accounting and financial reporting is the formal documentation of accounting policies and procedures. A well-designed and properly maintained system of documenting accounting policies and procedures enhances both accountability and consistency. The resulting documentation can also serve as a useful training tool for staff. An accounting policies and procedures manual should include a comprehensive list of accounting procedures along with an indication of the employees and/or position responsible for completing the procedures. It should delineate the authority and responsibility of all employees or positions, including review and approval procedures. Internal control procedures should be described as they are actually intended to be performed. The documentation of accounting policies and procedures should explain the design and purpose of control-related procedures to improve employee understanding and aid in compliance.

The Government Finance Officers Association (GFOA) has issued a “Recommended Practice” regarding having a debt management policy. Specifically, GFOA recommends that local governments that issue should debt develop a comprehensive debt policy. Examples of elements that should be addressed in such a policy include:

- The purpose for which the debt may be issued;
- Legal debt limitations established by policy;
- Types of debt permitted to be issued and criteria for issuance;
- Structural features that may be considered, such as maturity of debt, setting the maturities of the debt equal to or less than the useful life of the project; use of zero coupon bonds, discount bonds, premium bonds.
- Credit objectives;
- Authorized methods of sale;
- Method of selecting outside finance professionals;
- Policy on refunding debt

Condition:

Our audit involved obtaining and evaluating various policies and procedures of the City. During the audit period, the City lacked having formal policies, procedures and guidelines in place for certain areas, including the following:

- Accounting Policies and Procedures
- Debt Management Policy

The City has been working towards establishing a comprehensive policy which was adopted after our audit period. During our audit the City had informal policies in these areas. We reiterate that the City could benefit from a more formal and comprehensive policies and procedures manual, approved by the City Council, which would provide detailed guidance to employees and management. This will help to ensure consistency in these areas, and continuity in periods of staff turnover.

Cause:

The City is currently in the aftermath and recovering from a major fraud which took place. Therefore its priorities have shifted to fiscal recovery and a focus on those areas of key internal controls that needed to be instituted in order to prevent the risk of fraud from occurring again. The policy aspect of the program, though very important, has not been the highest priority of Management or City Council though there is an awareness that it is necessary. As the City is continuing its recovery process, and with additional time, the comprehensive program and policy can be prioritized.

City of Beaumont
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2018

Section II – Financial Statement Findings (Continued)

Finding 2018-001 Policies and Procedures (Continued)

Recommendation:

We recommend the City develop and establish formal policies and procedures as discussed above. The policies and procedures should be developed by appropriate personnel and approved by the City Council. The City should consider GFOA's recommended practices and other resources during the process. The documentation of accounting policies and procedures should be evaluated annually and updated periodically, as necessary. It should be readily accessible to all applicable employees.

A debt policy should be formally adopted by the legislative body, and the debt program should be continuously monitored to ensure compliance with the debt policy. We recommend the City consider establishing a formal debt policy, taking into consideration the recommendations of GFOA.

Management's Response:

City management began developing formal, written policies and procedures specific to financial policies in 2016. The general financial policies were reviewed monthly by the Finance and Audit Committee until a cohesive guide book was completed. The full document was recommended to and approved by City Council in January 2018.

In response to an SEC investigation, a consultant was hired in November 2017 to review the city's policies and procedures related specifically to Community Facilities Debt issued. The consultant's final report was issued and presented in March 2018 to the City Council. As a result, the consultant's suggestions were incorporated into the policies and procedures of the City, not only for the CFD issuances, but for varying types of debt included in the debt policy, which was accepted and approved by city Council in March 2018.

All policies and procedures are reviewed on an annual basis for further refinement or improvements, as well as to incorporate any changes in laws or compliance. Where indicated, new policies and procedures will be incorporated into the total guide book.

Finding 2018-002 Establish a Comprehensive Fraud Program and Policy

Criteria:

The City Council and Management are responsible for designing and implementing systems and procedures for the prevention and detection of fraud, and for ensuring a culture and environment that promotes honesty and ethical behavior. This includes the responsibility to develop and implement a formal fraud risk assessment and detection program.

Fraud can range from minor employee theft and unproductive behavior to misappropriation of assets and fraudulent financial reporting. Although external auditors are required to consider the risk of fraud in the audit process, the external auditors are not considered part of the City's controls over the prevention and detection of fraud. Rather, external auditors are required to evaluate the City's fraud prevention and detection program, in relation to the audit of the financial statements.

Often, fraud can be difficult to detect because it often involves concealment through falsification of documents or collusion among management, employees, or third parties. Therefore, it is important to place a strong emphasis on fraud prevention and detection, which may reduce opportunities for fraud to take place, and on fraud deterrence, which could persuade individuals that they should not commit fraud because of the likelihood of investigation, and corrective action

City of Beaumont
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2018

Section II – Financial Statement Findings (Continued)

Finding 2018-002 Establish a Comprehensive Fraud Program and Policy (Continued)

Criteria (Continued):

including progressive discipline up to termination and punishment. Moreover, prevention and deterrence measures are much less costly than the time and expense required for fraud detection and investigation.

The City Council, Management and personnel at all levels of the organization — including every level of management and staff— have a responsibility and role in managing fraud risk. Particularly, they are expected to understand how the organization is responding to heightened risks and regulations, to perform duties designed to mitigate the risk of fraud, and to understand their role in safeguarding the assets that are under public and stakeholder scrutiny.

A comprehensive fraud policy should include the following key elements:

- An explicit definition of actions that are deemed to be fraudulent
- Allocation of responsibilities for the overall management of fraud
- A statement that all appropriate measures to deter fraud will be taken
- The formal procedures which employees should follow if a fraud is suspected
- Notification that all instances of suspected fraud will be investigated and reported to the appropriate authorities
- An unequivocal statement that all fraud offenders will be prosecuted and that the police will be assisted in any investigation that is required
- A statement that all efforts will be made to recover wrongfully obtained assets from fraudsters
- Encouragement to employees to report any suspicion of fraud
- The steps to be taken in the event a fraud is discovered and who is responsible for taking action including:
 - procedures staff should follow
 - assigning responsibility for an instant response to the occurrence recovering funds
 - dealing with the media

Condition:

The City currently lacks a formal comprehensive fraud program required to help prevent, detect and identify fraud and in order to appropriately safeguard assets. According to management, training has been provided with respect to the “tone at the top” to the City employees, however when interviewing employees during our audit they were unaware of a fraud policy. The City has taken steps to address the risk of fraud in certain areas, such as segregation of duties and other internal controls, but continued to lack the policies and a formalized process and program to institutionalize a comprehensive fraud program is needed.

The City’s current policies do not provide a thorough description of fraud. They also do not provide direction as to what employees should do if they suspect fraud is occurring.

Cause:

The City is currently in the aftermath and recovering from a major fraud which took place. Therefore its priorities have shifted to fiscal recovery and a focus on those areas of key internal controls that needed to be instituted in order to prevent the risk of fraud from occurring again. The policy aspect of the program, though very important, has not been the highest priority of Management or City Council though there is an awareness that it is necessary. As the City is continuing its recovery process, and with additional time, the comprehensive program and policy can be prioritized.

City of Beaumont
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2018

Section II – Financial Statement Findings (Continued)

Finding 2018-002 Establish a Comprehensive Fraud Program and Policy (Continued)

Effect:

The effect of fraud, misappropriation and defalcations and other fiscal irregularities can be far reaching and financially destructive to an organization and its reputation. All organizations are subject to fraud risks and it is impossible to eliminate all fraud in an organization. However, the potential for fraud in an organization and the failure to assess or identify the risk can be an impediment to the organizations achievement of its objections and can be the direct result of the failure to implement a policy and provide avenues for employees to report its concerns.

Recommendation:

The risk of fraud can be reduced through a combination of prevention, deterrence, and detection measures. The City should consider developing a formal fraud policies and institute a formal comprehensive fraud program.

The City should consider establishing a more formal training program for all employees regarding fraud. New employees should be trained at the time of hiring about the entity’s code of conduct (and fraud policies). This training should explicitly cover expectations of all employees regarding (1) their duty to communicate certain matters; (2) a list of the types of matters, including actual or suspected fraud, to be communicated along with specific examples; and (3) information on how to communicate those matters. In addition to the training at the time of hiring, employees should receive refresher training periodically thereafter.

The policy needs to provide information to employees on how to communicate fraud related matters. It is important for the City to establish and communicate to employees a reporting system that is appropriate for the City. The City should consider establishing a confidential reporting mechanism, not only for employees, but also for vendors and customers of the City.

The City should also establish a formal fraud risk assessment program, to ensure that the risk of fraud is being periodically evaluated, monitored, and that appropriate action is taken to address the identified risks.

Management’s Response:

City staff has developed a fraud and abuse reporting and investigation policy, incident reporting form, and staff training presentation. The draft documents have been reviewed by the Finance and Audit Committee as well as the City Attorney’s office. Full implementation will begin with staff training presentation in March 2019.

Finding 2018-003 Segregation of Duties for Cash Receipts – City Hall

Criteria:

A strong internal control environment designed to prevent and detect errors and fraud necessitates a segregation of duties over the cash receipt function.

Condition:

Currently, Customer Service Coordinators (cashiers) at City Hall can edit and void transactions in Incode (the City’s cash receipts system) subsequent to the receipt being issued. The same cashier should not be able to edit or void a transaction after a receipt has been issued unless an appropriate audit trail and approval process is created by individuals outside of the cash collection process.

City of Beaumont
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2018

Section II – Financial Statement Findings (Continued)

Finding 2018-003 Segregation of Duties for Cash Receipts – City Hall (Continued)

Cause:

Restrictive controls over the cashier's functions have been partially implemented to include a batch review prior to posting to the general ledger. However system limitations continue to prevent additional automated controls to be put in place to provide for strong internal controls, such as limiting their access and abilities within the software.

Effect:

Transactions could be edited or voided by cashiers and amounts collected could be misappropriated and go undetected.

Recommendation:

Though the City had implemented a secondary sign off and online viewing of the voids and adjusting entries during the audit period ending June 30, 2017, we recommend the City further expand these procedures to include developing a daily edit report or monitoring function review of the report and reconcile it to the cash drawer before closing out the cash drawers. This should be signed off by a supervisor or personnel not involved in the cash collection process. Amounts in excess of a large dollar threshold should be considered for sign off at a higher supervisory level.

Management's Response:

Software issues are being addressed with an upgrade to the cashiering system that is being scheduled this year. The upgrade will limit the ability of void entries being entered by cashiering staff. The current system creates a posting batch each night for each cashier, and a monitoring control has been implemented for the accounting technician to review the posting batch prior to posting into the general ledger. Any unusual void or adjustment activity more than \$20 are reviewed against the scanned supporting documentation.

If entries are identified without the proper back up, the information is given to the Director of Administration for investigation. Effective July 1, 2018, the Administrative Services Manager will be responsible for approving all adjustments or voids on a daily basis.

Finding 2018-004 Segregation of Duties for Building Permits

Criteria:

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

Condition:

The permit technician in the Community Development Department issues building permits and plan checks and collects the payments from customers. There is no reconciliation of the building permits and plan checks issued with the amounts collected and receipted in the City's general ledger.

City of Beaumont
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2018

Section II – Financial Statement Findings (Continued)

Finding 2018-004 Segregation of Duties for Building Permits (Continued)

Cause:

The City did not have proper design of its internal controls which would provide for an adequate segregation of duties between the billing and collections process.

Effect:

Building permits and plan checks 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 Salesforce permit system, periodically (i.e. daily, weekly, monthly), and have someone independent of the permit issuance and collection functions review and reconcile the amounts from these reports to the revenue 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:

In December 2017, the implementation of a building permit and inspection software (EnerGov) was completed. The software was selected because it has integration with the finance software, Tyler Incode 10. The EnerGov process simultaneously creates an invoice and a permit. The permit cannot be issued out of the system until the invoice is paid. Payments are accepted through the Tyler cashiering software which pulls and then clears the invoice from EnerGov. Tyler cashiering software is batched daily and reconciled to the bank deposit. The batch file is automatically transmitted to Tyler Incode 10 financial software to recognize the applicable income. A building permit cannot be issued without a payment being posted to the system, thus ensuring that building permits are issued only if payment for that permit has been received.

Finding 2018-005 Segregation of Duties for Business Licenses

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.

Condition:

The permit technician accepts payments for business licenses and 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.

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 limitation that were not evident prior to purchasing the system.

City of Beaumont
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2018

Section II – Financial Statement Findings (Continued)

Finding 2018-005 Segregation of Duties for Business Licenses (Continued)

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:

Software integration has been placed on hold while technical compatibility issues are reviewed. In the meantime, effective March 2019, the Budget Finance Specialist is responsible with comparing monthly reports from the existing business license software and the cash receipts system in order to reconcile the activity. Any differences will be forwarded to the Administrative Services Manager for explanation and resolution.

Finding 2018-006 Transient Occupancy Tax (TOT)

Criteria:

TOT revenues are approximately \$360,000 and are a significant revenue source to the City. Strong internal controls should be established and procedures developed to track these revenues closely each month/quarter, including investigating any unusual fluctuations and delinquencies, and possibly perform periodic audits to ensure the hotels are properly reporting and submitting the required taxes.

Condition:

Although Finance staff are maintaining a spreadsheet for tracking TOT payments each fiscal year, there does not appear to be anyone checking the TOT returns for accuracy, or keeping track of delinquencies. It also does not appear that the City is requiring the hotels to submit supporting documentation for exemptions. In addition, there have been no recent audits of the hotels.

Cause:

Turnover and lack of City staff; lack of accounting policies and procedures.

Effect:

Hotels could be underreporting these taxes with no consequences, resulting in lower revenues to the City.

City of Beaumont
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2018

Section II – Financial Statement Findings (Continued)

Finding 2018-006 Transient Occupancy Tax (TOT) (Continued)

Recommendation:

We recommend the City establish stronger controls and oversight for these revenues and possibly schedule “audits” of the hotels.

Management’s Response:

The finance department has continually maintained a checklist of transient occupancy tax (TOT) entities to ensure that all filings are received. Effective July 1, 2018, the finance department began sending late filing notices for the quarterly TOT filers. If the late filing is received prior to the subsequent filing due date, no penalty applies. However, if the filing has not been received, a second notice is sent with a billing statement for estimated TOT plus penalty. This procedure strengthens the previously maintained checklist by making proactive efforts to receive information and TOT receipts on a timely basis.

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.

Condition:

The City allocates certain General Fund costs (administration, maintenance, etc.) to the Sewer Enterprise, Gas Tax, Transit Enterprise, and the Community Facilities District (CFD) 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.

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.

City of Beaumont
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2018

Section II – Financial Statement Findings (Continued)

Finding 2018-007 Overhead Cost Allocation (Continued)

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.

Management’s Response:

A complete overhead cost study was included in a contract awarded to MGT Consulting Group in April 2016 and was presented to City Council in March 2017. The study was conducted based on an administrative organization that was in a state of change and no longer applies to the administrative support services structure. Following GFOA guidance, an indirect cost allocation plan was prepared by the Finance Department with input from other directors and the City Manager in order to capture percentage of time and cost allocations based on functions and responsibilities within the City starting with fiscal year ended June 30, 2019. This approach has been reviewed and approved by the Finance and Audit Committee and the indirect cost allocation plan will be reviewed and updated on an annual basis.

Section III – Federal Awards Findings and Questioned Costs

No findings or questioned costs were noted on the City’s major federal program for the year ended June 30, 2018.

PRIOR AUDIT FINDINGS STATUS

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City of Beaumont
Prior Year Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2018

Finding 2017-001 Internal Control over Financial Reporting/Accounting Close and Accuracy in Financial Reporting

Condition:

Due to limited staffing levels and the financial difficulties faced by the City during our audit period ended June 30, 2017, internal controls were either lacking, were not designed properly, and mitigating controls were not sufficient to effectively identify misstatements due from error.

In addition, the City did not have in place during our audit period a systematic method for ensuring that timely and complete year end closing procedures were in operation before presenting the trial balance to auditors, resulting in a number of journal entries being presented to correct or to reclassify balances in financial statements that should normally be captured through the closing process. Those adjustments have been reported and posted by the City.

Recommendation:

We understand that the City has established year-end closing procedures subsequent to the period of our audit. However, we recommend that the City review those year-end closing procedures to ensure that it adequately addresses and includes an evaluation of the areas that have caused the accounting errors above and the need for correcting journal entries after the year end closing. These procedures should include timely review and approval by management of account reconciliations, sub-ledger transactions, cutoff review for account balances at a fund and overall government-wide level, and revenue and expenditures/expense review. Revenue and expenditures/expenses should be compared to the prior year or prior year trends and to the budget.

Status:

Partially implemented through a monthly and year end closing checklist. See continuing control deficiencies reported as material weaknesses (findings 2018-001 through 2018-005) and significant deficiencies (findings 2018-06 through 2018-07).

Finding 2017-002 Policies and Procedures

Condition:

Our audit involved obtaining and evaluating various policies and procedures of the City. During the audit period, the City lacked having formal policies, procedures and guidelines in place for certain areas, including the following:

- Accounting Policies and Procedures
- Debt Management Policy

The City has been working towards establishing a comprehensive policy which was adopted after our audit period. During our audit the City had informal policies in these areas. We reiterate that the City could benefit from a more formal and comprehensive policies and procedures manual, approved by the City Council, which would provide detailed guidance to employees and management. This will help to ensure consistency in these areas, and continuity in periods of staff turnover.

Recommendation:

We recommend the City develop and establish formal policies and procedures as discussed above. The policies and procedures should be developed by appropriate personnel and approved by the City Council. The City should consider GFOA's recommended practices and other resources during the process. The documentation of accounting policies and procedures should be evaluated annually and updated periodically, as necessary. It should be readily accessible to all applicable employees.

City of Beaumont
Prior Year Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2018

Finding 2017-002 Policies and Procedures (Continued)

Recommendation: (Continued)

A debt policy should be formally adopted by the legislative body, and the debt program should be continuously monitored to ensure compliance with the debt policy. We recommend the City consider establishing a formal debt policy, taking into consideration the recommendations of GFOA.

Status:

Finding has not yet been resolved. See finding 2018-001.

Finding 2017-003 Establish a Comprehensive Fraud Program and Policy

Condition:

The City currently lacks a formal comprehensive fraud program required to help prevent, detect and identify fraud and in order to appropriately safeguard assets. According to management, training has been provided with respect to the “tone at the top” to the City employees, however when interviewing employees during our audit they were unaware of a fraud policy. The City has taken steps to address the risk of fraud in certain areas, such as segregation of duties and other internal controls, but continued to lack the policies and a formalized process and program to institutionalize a comprehensive fraud program is needed.

The City’s current policies do not provide a thorough description of fraud. They also do not provide direction as to what employees should do if they suspect fraud is occurring.

Recommendation:

The risk of fraud can be reduced through a combination of prevention, deterrence, and detection measures. The City should consider developing a formal fraud policies and institute a formal comprehensive fraud program.

The City should consider establishing a more formal training program for all employees regarding fraud. New employees should be trained at the time of hiring about the entity’s code of conduct (and fraud policies). This training should explicitly cover expectations of all employees regarding (1) their duty to communicate certain matters; (2) a list of the types of matters, including actual or suspected fraud, to be communicated along with specific examples; and (3) information on how to communicate those matters. In addition to the training at the time of hiring, employees should receive refresher training periodically thereafter.

The policy needs to provide information to employees on how to communicate fraud related matters. It is important for the City to establish and communicate to employees a reporting system that is appropriate for the City. The City should consider establishing a confidential reporting mechanism, not only for employees, but also for vendors and customers of the City.

The City should also establish a formal fraud risk assessment program, to ensure that the risk of fraud is being periodically evaluated, monitored, and that appropriate action is taken to address the identified risks.

Status:

Finding has not yet been resolved. See finding 2018-002.

City of Beaumont
Prior Year Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2018

Finding 2017-004 Segregation of Duties for Cash Receipts – City Hall

Condition:

Currently, Customer Service Coordinators (cashiers) at City Hall can edit and void transactions in Incode (the City's cash receipts system) subsequent to the receipt being issued. The same cashier should not be able to edit or void a transaction after a receipt has been issued unless an appropriate audit trail and approval process is created by individuals outside of the cash collection process.

Recommendation:

Though the City had implemented a secondary sign off and online viewing of the voids and adjusting entries during the audit period ending June 30, 2017, we recommend the City further expand these procedures to include developing a daily edit report or monitoring function review of the report and reconcile it to the cash drawer before closing out the cash drawers. This should be signed off by a supervisor for the Accounting Technician not involved in the cash collection process. Amounts in excess of a large dollar threshold should be considered for sign off at a higher supervisory level.

Status:

Partially implemented. See finding 2018-003.

Finding 2017-005 Segregation of Duties for Building Permits

Condition:

The permit technician in the Community Development Department issues building permits and plan checks and collects the payments from customers. There is no reconciliation of the building permits and plan checks issued with the amounts collected and receipted in the City's general ledger.

Recommendation:

We recommend the City implement a procedure to generate reports from the Salesforce permit system, periodically (i.e. daily, weekly, monthly), and have someone independent of the permit issuance and collection functions review and reconcile the amounts from these reports to the revenue 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.

Status:

Partially implemented during fiscal year ending June 30, 2018. See finding 2018-004.

City of Beaumont
Prior Year Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2018

Finding 2017-006 Development Impact Fees (DIF)

Condition:

The City currently uses a manual system for issuing DIF invoices and reconciling the accounting records which it is in the process of automating. Development impact fees (DIF) have been reconciled by type in order to establish balances at June 30, 2016. Prior to June 30, 2016, the City had recorded all of these revenues in one fund over the years (comingled), without keeping track of the expenditures and remaining unspent balances of each type of DIF. The City's has established in the new general ledger system a separate accounting fund for each DIF fee. The gross, fee credit, and net cash receipt are now tracked manually in Excel spreadsheets but recorded into the software by DIF that are restricted for certain purposes. Though substantial improvements have been made, manual processes including the use of spreadsheets typically are inefficient and can be prone to error or manipulation creating an increased risk of misappropriation or error in the financial statements.

Recommendation:

Because the DIF are financially significant to the City, the City should place high priority on and continue with the replacement of the current manual system with a more automated system and set of internal controls over the billing/invoicing and cash receipt functions. The calculation of the DIF and application of fee credits should be subjected to independent analysis and oversight by the Finance Department including controls over the reconciliation of the billings to the receipts, the authorization of any deviations from the standard fees or fee credits, and posting to the general ledger system. Once automated, the system controls should be tested and validated alongside the manual process for a period of time. Once fully automated, the Finance Department should develop specific monitoring (i.e. fee credit reports, void reports, edit report, etc.) and reconciliation of the general ledger to the subsidiary ledger reports should be performed.

Status:

Partially implemented. Monthly independent reconciliation started in July 2017. System software integration is still being implemented as recommended.

Finding 2017-007 Segregation of Duties for Business Licenses

Condition:

The permit technician accepts payments for business licenses and 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.

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.

Status:

Finding has not yet been resolved. See finding 2018-005.

City of Beaumont
Prior Year Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2018

Finding 2017-008 Transient Occupancy Tax (TOT) and Utility User's Tax (UUT)

Condition:

Although Finance staff are maintaining a spreadsheet for tracking TOT payments each fiscal year, there does not appear to be anyone checking the TOT returns for accuracy, or keeping track of delinquencies. It also does not appear that the City is requiring the hotels to submit supporting documentation for exemptions. In addition, there have been no recent audits of the hotels. The Finance staff prepared a spreadsheet for tracking UUT payments for 2014-15, but apparently stopped tracking this revenue for amounts received after June 30, 2015. Though it resumed in fiscal year 2016-17.

Recommendation:

We recommend the City establish stronger controls and oversight for these revenues and possibly schedule "audits" of the hotels and/or utility companies.

Status:

Finding has been partially resolved. See finding 2018-006.

Finding 2017-009 Lack of Oversight for Fuel Credit Card Activity

Condition:

Each City vehicle has a fuel credit card inside the vehicle. The City has not established formal policies over the use of the fuel credit cards. In addition, there is no formal analysis of the fuel credit card use, on a periodic basis, to determine if the fuel costs are reasonable based on known operations of the vehicles.

Recommendation:

We recommend the City adopt formal policies providing detailed guidance on the allowable uses of the City's fuel credit cards. In addition, we recommend the City implement procedures to monitor the fuel activity, periodically, to analyze the use of the fuel credit cards. Also, City staff should be made aware of the monitoring and analysis of the fuel usage as an additional deterrent for misuse of the City fuel credit cards.

Status:

Corrected. Fuel statements and utilization are being reviewed monthly by Department Directors and the Budget Finance Specialist.

Finding 2017-010 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 (CFD) Fund. The amounts are based on calculations included in schedules maintained by the Finance Department.

City of Beaumont
Prior Year Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2018

Finding 2017-010 Overhead Cost Allocation (Continued)

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.

Status:

Finding has not yet been resolved. See finding 2018-007.

Finding 2017-011 Segregation of Duties for Cash Receipts – Police Department

Condition:

Dispatchers at the Police Department can accept payment by check or cash after hours. Manual receipts are being issued to customers upon payment. The copy of the manual receipt and the cash and checks are then provided to the Customer

Service Coordinator; however, the Customer Service Coordinator is not keeping track of the numerical sequence of the manual receipts that are being issued.

Recommendation:

We recommend the City implement procedures for the Customer Service Coordinator to verify the numerical sequence of the manual receipts issued by the Dispatchers at the Police Department that are accepting payments by check or cash after-hours. In addition, the City's policy over cash receipts as currently written does not appear to include the remote location cash collection processes. We recommend that the policy be updated to encompass both central cashiering and all remote cashiering locations.

Status:

Recommendation has been partially implemented but the formal written policies were not completed until fiscal year 2019. Because prior year finding was reported to those charged with governance and management and is not considered a significant deficiency or material weakness, it is not repeated in fiscal year 2018. Tracking of status will continue to be done internally.

Finding 2017-012 Segregation of Duties for Bus Passes

Condition:

City employees that issue bus passes are also responsible for collecting and receipting payments from customers into the City's cash receipts system. Inventory controls over the numeric sequence of bus passes should be established and controlled.

Recommendation:

Though the City had established centralized tracking and reporting during fiscal year 2016/17, the finding and recommendation was not fully implemented at the transit department during our audit period. We recommend the City continue to implement the corrective actions it had identified previously.

City of Beaumont
Prior Year Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2018

Finding 2017-012 Segregation of Duties for Bus Passes (Continued)

Status:

Recommendation has been partially implemented. The transit department sells five different types of bus passes, and four of those types are available for two different route uses. All passes have two separate passenger rates – regular and senior/disabled/veteran. The combination of these elements dictates the value of the pass, and those passes can be purchased at any one of the three different locations. All passes are pre-numbered except for day passes which are collected when the passenger boards the bus.

Effective February 2019, a written policy has been developed and is being implemented to perform an internal audit of monthly passes sold for both routes and for both passenger rates because those are the highest value passes available and are only sold at City Hall. The process established is being tested by City staff to develop effective controls for all passes sold at all locations.

Because prior year finding was reported to those charged with governance and management and is not considered a significant deficiency or material weakness, it is not repeated in fiscal year 2018. Tracking of status will continue to be done internally.

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March 26, 2019

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Beaumont (the "City") for the year ended June 30, 2018, and have issued our report thereon dated March 26, 2019. Professional standards require that we provide you with the following information related to our audit. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated June 26, 2018. Professional standards also require that we communicate the following information related to our audit.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the City are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the fiscal year ended June 30, 2018. We noted no transactions entered into by the City during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's 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 significantly from those expected. As part of our audit, we evaluate the key factors and assumptions used to develop the following accounting estimates and have determined it is reasonable in relation to the financial statements taken as a whole. The most sensitive estimates affecting the City's financial statements were:

- Management's estimate of the investment fair market value is based on the following methods and assumptions:
 - a) Investments in Local Agency Investment Fund are based on the fair value factors provided by the Treasurer of the State of California.
 - b) Investments in U.S Treasury Obligations are quoted prices in the active markets for identical assets.
 - c) Investments in U.S. government sponsored enterprise securities, and medium-term notes are based on interactive data provided by Wilmington Trust and are observable through corroboration with market data at the measurement date.
 - d) Investment in the City's Special Tax Bonds held by the Beaumont Financing Authority are based on the historical purchase price which approximates fair value as these securities are not tradeable.
 - e) Guaranteed investment contract are based on fair value by discounting the related cash flows based on current yields of similar instruments with comparable durations considering the credit-worthiness of the issuer.

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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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Qualitative Aspects of Accounting Practices (Continued)

- Management's estimate of the valuation and depreciation on capital assets, including infrastructure, is based on the industry standard and past experience on estimated historical cost, actual useful life of the asset groups or system and subsystem of assets.
- Management's estimate of the net pension liability is based on the actuarial valuation on total pension liability and is based on audited financial statements on fiduciary net position for the CalPERS plans. We evaluated the key factors and assumptions used to develop the net pension liability and determined it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the financial statements were:

- Note 1 Reporting Entity and Summary of Significant Accounting Policies
- Note 5 Capital Assets
- Note 6 Long-Term Obligations
- Note 7 Debt Without City Commitment
- Note 10 Pension Plans
- Note 11A Deficit Net Position
- Note 11B Expenditures Exceeding Appropriations
- Note 12 Classification of Fund Balances
- Note 13 Commitments and Contingencies
- Note 14 Developer Capital Contributions
- Note 15 Special Item
- Note 16 Prior Period Adjustments
- Note 17 Subsequent Event

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

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements for the significant audit adjustments as identified and reported in Attachment A.

In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole. Attachment B summarizes uncorrected misstatements of the financial statements.

Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

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

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated March 26, 2019.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the City's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the Management's Discussion and Analysis, Budgetary Comparison Schedules, Schedule of the Proportionate Share of the Net Pension Liability and Related Ratios, and Schedule of Contributions, which is 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 Fund Financial Statements and the Schedules of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual, 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.

Unrestricted Net Deficit

At June 30, 2018, the City's governmental activities had an unrestricted net deficit of \$(7,563,390). Excluding the net pension liabilities in the amount of \$15,751,080 and related net deferred outflow/(inflows) of \$2,200,478, the City's governmental activities had a positive unrestricted net position of \$5,987,212.

To the Honorable Mayor and Members of the City Council
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Restriction on Use

This information is intended solely for the use of the 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,

The Pent Group, LLP

Santa Ana, California

To the Honorable Mayor and Members of the City Council
of the City of Beaumont
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Attachment A – Posted Audit Adjustments

Adjusting Journal Entries JE # 1			
AJE 1 - To record entry to adjust WC/GL to actuarial report			
300-0000-3000-0000	UNRESERVED FUND BALANCE	1,254,770.00	
300-0000-2685-0000	WORKERS COMP CLAIMS		859,614.00
300-0000-2690-0000	GENERAL CLAIMS PAYABLE		395,156.00
Total		1,254,770.00	1,254,770.00

Adjusting Journal Entries JE # 2			
AJE 2a - To record the Other Financing Source for Capital Lease and the corresponding Capital Outlay			
AJE 2b - To record minor adjust between governmental funds and enterprise funds on allocation of capital lease liability			
100-9999-8500-0000	CAPITAL OUTLAY-CAPITAL LEASES	132,444.00	
300-0000-2711-0000	CAPITAL LEASE PAYABLE-KS STATEBANK	27.00	
710-0000-7068-0000	CONTRACTUAL SERVICE	27.00	
100-0000-4875-0000	OBLIGATIONS INCURRED ON CAPITAL LEASE		132,444.00
300-0000-3000-0000	UNRESERVED FUND BALANCE		27.00
710-0000-2711-0000	CAPITAL LEASE PAYABLE-KS STATEBANK		27.00
Total		132,498.00	132,498.00

Adjusting Journal Entries JE # 3			
AJE 3 - To correct fund balance and principal payments			
850-0000-4660-0000	PRINCIPAL RECD - CFD	1,510,000.00	
850-0000-4660-0000	PRINCIPAL RECD - CFD	3,160,000.00	
850-0000-8900-0000	DEBT SERVICE PAYMENTS	113,787,693.00	
850-0000-3050-0000	INVESTMENTS-CFD BONDS		113,787,693.00
850-0000-8900-0000	DEBT SERVICE PAYMENTS		1,510,000.00
850-0000-8900-0000	DEBT SERVICE PAYMENTS		3,160,000.00
Total		118,457,693.00	118,457,693.00

To the Honorable Mayor and Members of the City Council
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Attachment A – Posted Audit Adjustments (Continued)

Adjusting Journal Entries JE # 4		
AJE 4 - To record entry to correct beginning fund balance		
550-0000-3010-0000	RESERVED FUND BALANCE-ALLEY IN LIEU	34,477.00
552-0000-3010-0000	RESERVED FUND BALANCE	501,366.00
556-0000-3010-0000	RESERVED FUND BALANCE	1,977,226.00
558-0000-3010-0000	RESERVED FUND BALANCE	2,287,388.00
560-0000-3010-0000	RESERVED FUND BALANCE	3,080,560.00
562-0000-3010-0000	RESERVED FUND BALANCE	6,859,974.00
564-0000-3010-0000	RESERVED FUND BALANCE	1,552,405.00
566-0000-2450-0000	DEFERRED (PREPAID)	2,972,144.00
568-0000-3010-0000	RESERVED FUND BALANCE	1,771,092.00
570-0000-2450-0000	DEFERRED (PREPAID) - PARDEE	7,074.00
705-6005-3010-0000	RESERVED - CAPACITY FEES	3,115,567.00
705-6010-3010-0000	RESERVED - NOBLE CREEK	54,639.00
705-6015-3010-0000	RESERVED - UPPER POTRERO	91,074.00
705-6020-3010-0000	RESERVED - LOWER POTRERO	440,800.00
705-6024-3010-0000	RESERVED - SAN TIMOTEO #1 (UPPER OAK)	3,429.00
705-6025-3010-0000	RESERVED - SAN TIMOTEO #2 (LOWER OAK)	99,547.00
705-6026-3010-0000	RESERVED - SAN TIMOTEO #3 (BEAUMONT MESA)	66,608.00
705-6030-3010-0000	RESERVED - SOUTHERN TRUNK MAIN	248,184.00
705-6035-3010-0000	RESERVED - SOUTHWEST LINE	7,368.00
705-6040-3010-0000	RESERVED - TRANSM EAST SIDE	104,623.00
705-6045-3010-0000	RESERVED - TRANSM WEST SIDE	1,050.00
705-6060-3010-0000	RESERVED - 4TH STREET EXTEN	101,169.00
705-6065-3010-0000	RESERVED - WILLOW SPRINGS	17,725.00
550-0000-2450-0000	DEFERRED (PREPAID)	34,477.00
552-0000-2450-0000	DEFERRED (PREPAID) - PARDEE	501,366.00
556-0000-2450-0000	DEFERRED (PREPAID) - PARDEE	1,977,226.00
558-0000-2450-0000	DEFERRED (PREPAID) - PARDEE	2,287,388.00
560-0000-2450-0000	DEFERRED (PREPAID) - PARDEE	3,080,560.00
562-0000-2450-0000	DEFERRED (PREPAID) - PARDEE	6,859,974.00
564-0000-2450-0000	DEFERRED (PREPAID) - PARDEE	1,552,405.00
566-0000-3010-0000	RESERVED FUND BALANCE	2,972,144.00
568-0000-2450-0000	DEFERRED (PREPAID)	1,771,092.00
570-0000-3010-0000	RESERVED FUND BALANCE	7,074.00
705-0000-2450-0000	DEFERRED (PREPAID) - PARDEE	4,351,783.00
Total		25,395,489.00

To the Honorable Mayor and Members of the City Council
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Attachment A – Posted Audit Adjustments (Continued)

Adjusting Journal Entries JE # 5		
AJE 5 - To record current year activity for DIF Fees		
552-0000-4915-0000	BASIC SERVICE MITIGATION FEES	266,528.00
555-0000-4915-0000	RECREATION FACILITIES MITIGATION FEES	264,917.00
556-0000-2450-0000	DEFERRED (PREPAID) - PARDEE	1,007,010.00
558-0000-2450-0000	DEFERRED (PREPAID) - PARDEE	2,117,622.00
559-0000-4915-0000	POLICE FACILITIES MITIGATION FEES	190,054.00
560-0000-2450-0000	DEFERRED (PREPAID) - PARDEE	651,997.00
562-0000-2450-0000	DEFERRED (PREPAID) - PARDEE	4,960,296.00
564-0000-4915-0000	RECYCLED WATER MITIGATION FEES	1,478.00
566-0000-4915-0000	EMERGENCY PREPARED MITIGATION FEES	437,788.00
567-0000-4915-0000	COMMUNITY PARKS MITIGATION FEES	458,237.00
568-0000-4915-0000	REGIONAL PARK MITIGATION FEES	149,153.00
569-0000-4915-0000	NEIGHBORHOOD PARK MITIGATION FEES	554,542.00
705-0000-2450-0000	DEFERRED (PREPAID) - PARDEE	2,968,496.00
552-0000-2450-0000	DEFERRED (PREPAID) - PARDEE	261,278.00
552-0000-7068-0000	CONTRACTUAL SERVICE	2,250.00
552-0000-7900-0000	MITIGATION FEE REFUNDS	3,000.00
555-0000-2450-0000	DEFERRED (PREPAID) - PARDEE	264,917.00
556-0000-4915-0000	TRAFFIC SIGNAL MITIGATION FEES	1,007,010.00
558-0000-4915-0000	RAILROAD CROSSING MITIGATION FEES	2,117,622.00
559-0000-2450-0000	DEFERRED (PREPAID) - PARDEE	190,054.00
560-0000-4915-0000	FIRE STATION MITIGATION FEES	651,997.00
562-0000-4915-0000	ROAD AND BRIDGE MITIGATION FEES	4,960,296.00
564-0000-2450-0000	DEFERRED (PREPAID) - PARDEE	1,478.00
566-0000-2450-0000	DEFERRED (PREPAID)	437,788.00
567-0000-2450-0000	DEFERRED (PREPAIDS)	458,237.00
568-0000-2450-0000	DEFERRED (PREPAID)	149,153.00
569-0000-2450-0000	DEFERRED (PREPAIDS)	554,542.00
705-6005-4915-0000	MITIGATION FEES (CAPACITY)	2,968,496.00
Total		14,028,118.00
		14,028,118.00
Adjusting Journal Entries JE # 6		
AJE 6 - To record adjustment to Public Works Deposits on Account		
100-0000-2525-0000	HELD ON DEPOSIT-PUBLIC WORKS	14,077.00
100-0000-4569-0000	PUBLIC WORKS-INSPECTIONS	14,077.00
Total		14,077.00
		14,077.00

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Attachment A – Posted Audit Adjustments (Continued)

Adjusting Journal Entries JE # 7		
AJE 7 - To recognize all Trustee "Construction" accounts in Fund 840 as of 6/30/17		
510-0000-3010-003X	RESTRICTED FUND BALANCE - IA 3	131.00
510-0000-3010-007A	RESTRICTED FUND BALANCE - IA 7A	2,597,104.00
510-0000-3010-007B	RESTRICTED FUND BALANCE - IA 7B	29,560.00
510-0000-3010-008C	RESTRICTED FUND BALANCE - IA 8C	2,778,431.00
510-0000-3010-008C	RESTRICTED FUND BALANCE - IA 8C	1,093,180.00
510-0000-3010-008D	RESTRICTED FUND BALANCE - IA 8D	12.00
510-0000-3010-008E	RESTRICTED FUND BALANCE - IA8E	73.00
510-0000-3010-017B	RESTRICTED FUND BALANCE - IA 17B	599,010.00
510-0000-3010-019C	RESTRICTED FUND BALANCE - IA 19C	152.00
510-0000-3010-019C	RESTRICTED FUND BALANCE - IA 19C	36.00
510-0000-3010-019C	RESTRICTED FUND BALANCE - IA 19C	4,426,825.00
510-0000-3010-06A1	RESTRICTED FUND BALANCE - IA 6A1	211.00
510-0000-3010-06A1	RESTRICTED FUND BALANCE - IA 6A1	208.00
510-0000-1130-0000	TRUSTEE-2015A ISSUE (IA 7A1)	2,597,104.00
510-8006-1110-0000	TRUSTEE-2005A ISSUE (IA 6A1)	211.00
510-8008-1113-0000	TRUSTEE-2005C ISSUE (IA 6A1)	208.00
510-8009-1114-0000	TRUSTEE-2006A ISSUE (IA 19C)	152.00
510-8010-1115-0000	TRUSTEE-2006B ISSUE (IA 8D)	73.00
510-8011-1116-0000	TRUSTEE-2007A ISSUE (IA 3,11,14,14B)	131.00
510-8021-1120-0000	TRUSTEE-2008A ISSUE (IA 19C)	36.00
510-8022-1122-0000	TRUSTEE-2009B ISSUE (IA 8D)	12.00
510-8023-1123-0000	TRUSTEE-2011A ISSUE (IA 17B)	599,010.00
510-8025-1124-0000	TRUSTEE-2012A ISSUE (IA 8C)	2,778,431.00
510-8026-1125-0000	TRUSTEE-2012B ISSUE (IA 20)	1,093,180.00
510-8027-1126-0000	TRUSTEE-2012C ISSUE (IA 7B, 7C)	29,560.00
510-8031-1127-0000	TRUSTEE-2013A ISSUE (IA 19C)	4,426,825.00
Total		<u>11,524,933.00</u>
		<u>11,524,933.00</u>

To the Honorable Mayor and Members of the City Council
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Attachment A – Posted Audit Adjustments (Continued)

Adjusting Journal Entries JE # 8		
AJE 8 - Reverse FY18 Activity from fund 510 to Fund 840		
510-0000-1130-0000	TRUSTEE-2015A ISSUE (IA 7A1)	2,597,104.00
510-0000-4650-0000	INTEREST	1,705.00
510-0000-4650-007B	INTEREST - IA 7B	153.00
510-0000-4650-007C	INTEREST - IA 7C	120.00
510-0000-4650-008C	INTEREST - IA 8C	13,771.00
510-0000-4650-016X	INTEREST - IA 16	18,222.00
510-0000-4650-017B	INTEREST - IA 17B	2,606.00
510-0000-4650-018X	INTEREST - IA 18	8,572.00
510-0000-4650-019C	INTEREST - IA 19C	45,669.00
510-0000-4650-020X	INTEREST - IA 20	9,726.00
510-0000-4695-0000	DEVELOPER CONTRIBUTIONS	3,173,921.00
510-0000-8999-0000	TRANSFER TO FIXED ASSET RECOGNITION	9,123,992.00
510-0000-9950-0000	TRANSFERS	19,929,961.00
510-8006-1110-0000	TRUSTEE-2005A ISSUE (IA 6A1)	211.00
510-8008-1113-0000	TRUSTEE-2005C ISSUE (IA 6A1)	208.00
510-8009-1114-0000	TRUSTEE-2006A ISSUE (IA 19C)	152.00
510-8010-1115-0000	TRUSTEE-2006B ISSUE (IA 8D)	73.00
510-8011-1116-0000	TRUSTEE-2007A ISSUE (IA 3,11,14,14B)	131.00
510-8021-1120-0000	TRUSTEE-2008A ISSUE (IA 19C)	36.00
510-8022-1122-0000	TRUSTEE-2009B ISSUE (IA 8D)	12.00
510-8023-1123-0000	TRUSTEE-2011A ISSUE (IA 17B)	598,918.00
510-8025-1124-0000	TRUSTEE-2012A ISSUE (IA 8C)	2,775,780.00
510-8031-1127-0000	TRUSTEE-2013A ISSUE (IA 19C)	4,419,701.00
510-0000-1132-0000	TRUSTEE-2015C, IA 18	839,448.00
510-0000-1133-0000	TRUSTEE-2015D, IA 16	1,784,448.00
510-0000-8020-0000	LAND IMPROVEMENTS	4,465,370.00
510-0000-8030-0000	INFRASTRUCTURE	35,619,895.00
510-8026-1125-0000	TRUSTEE-2012B ISSUE (IA 20)	11,278.00
510-8027-1126-0000	TRUSTEE-2012C ISSUE (IA 7B, 7C)	305.00
Total		<u><u>42,720,744.00</u></u>
		<u><u>42,720,744.00</u></u>

To the Honorable Mayor and Members of the City Council
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Attachment A – Posted Audit Adjustments (Continued)

Adjusting Journal Entries JE # 9		
AJE 9 - To recognize all Trustee "Construction" accounts in Fund 840 as of 6/30/17		
840-0000-1130-0000	TRUSTEE-2015A ISSUE	2,597,104.00
840-8006-1110-0000	TRUSTEE-2005A ISSUE (IA 6A1)	211.00
840-8008-1113-0000	TRUSTEE-2005C ISSUE (IA 6A1)	208.00
840-8009-1114-0000	TRUSTEE-2006A ISSUE	152.00
840-8010-1115-0000	TRUSTEE-2006B ISSUE	73.00
840-8011-1116-0000	TRUSTEE-2007A ISSUE	131.00
840-8021-1120-0000	TRUSTEE-2008A ISSUE	36.00
840-8022-1122-0000	TRUSTEE-2009B ISSUE	12.00
840-8023-1123-0000	TRUSTEE-2011A, IA 17B	599,010.00
840-8025-1124-0000	TRUSTEE-2012A ISSUE	2,778,431.00
840-8026-1125-0000	TRUSTEE-2012B ISSUE	1,093,180.00
840-8027-1126-0000	TRUSTEE-2012C ISSUE	29,560.00
840-8031-1127-0000	TRUSTEE-2013A ISSUE	4,426,825.00
840-0000-3010-003X	AGENCY FUND BALANCE - IA 3	131.00
840-0000-3010-007A	AGENCY FUND BALANCE - IA 7A	2,597,104.00
840-0000-3010-007B	AGENCY FUND BALANCE - IA 7B	29,560.00
840-0000-3010-008C	AGENCY FUND BALANCE - IA 8C	2,778,431.00
840-0000-3010-008C	AGENCY FUND BALANCE - IA 8C	1,093,180.00
840-0000-3010-008D	AGENCY FUND BALANCE - IA 8D	12.00
840-0000-3010-008E	AGENCY FUND BALANCE IA 8D	73.00
840-0000-3010-017B	AGENCY FUND BALANCE - IA 17B	599,010.00
840-0000-3010-019C	AGENCY FUND BALANCE - IA 19C	152.00
840-0000-3010-019C	AGENCY FUND BALANCE - IA 19C	36.00
840-0000-3010-019C	AGENCY FUND BALANCE - IA 19C	4,426,825.00
840-0000-3010-06A1	AGENCY FUND BALANCE - IA 6A1	211.00
840-0000-3010-06A1	AGENCY FUND BALANCE - IA 6A1	208.00
Total		<u><u>11,524,933.00</u></u>
		<u><u>11,524,933.00</u></u>

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Attachment A – Posted Audit Adjustments (Continued)

Adjusting Journal Entries JE # 10		
AJE 10 - Reverse FY18 activity from Fund 510 to Fund 840		
840-0000-1132-0000	TRUSTEE-2015C, IA 18	839,448.00
840-0000-1133-0000	TRUSTEE-2015D, IA 16	1,784,448.00
840-0000-8974-0000	OTHER FINAANCING USES-FACILITIES	4,465,370.00
840-0000-8974-0000	OTHER FINAANCING USES-FACILITIES	35,619,895.00
840-0000-8974-0000	OTHER FINAANCING USES-FACILITIES	11,343,940.00
840-8026-1125-0000	TRUSTEE-2012B ISSUE	11,277.00
840-8027-1126-0000	TRUSTEE-2012C ISSUE	305.00
840-0000-1130-0000	TRUSTEE-2015A ISSUE	2,597,104.00
840-0000-4650-0000	INTEREST	1,705.00
840-0000-4650-007B	INTEREST - IA 7B	153.00
840-0000-4650-007C	INTEREST - IA 7C	120.00
840-0000-4650-008C	INTEREST - IA 8C	13,771.00
840-0000-4650-016X	INTEREST - IA 16	18,222.00
840-0000-4650-017B	INTEREST - IA 17B	2,606.00
840-0000-4650-018X	INTEREST - IA 18	8,572.00
840-0000-4650-019C	INTEREST - IA 19C	45,669.00
840-0000-4650-020X	INTEREST - IA 20	9,726.00
840-0000-8974-0000	OTHER FINAANCING USES-FACILITIES	3,173,920.00
840-0000-8974-0000	OTHER FINAANCING USES-FACILITIES	9,123,991.00
840-0000-9950-0000	TRANSFERS	31,273,903.00
840-8006-1110-0000	TRUSTEE-2005A ISSUE (IA 6A1)	211.00
840-8008-1113-0000	TRUSTEE-2005C ISSUE (IA 6A1)	208.00
840-8009-1114-0000	TRUSTEE-2006A ISSUE	152.00
840-8010-1115-0000	TRUSTEE-2006B ISSUE	73.00
840-8011-1116-0000	TRUSTEE-2007A ISSUE	131.00
840-8021-1120-0000	TRUSTEE-2008A ISSUE	36.00
840-8022-1122-0000	TRUSTEE-2009B ISSUE	12.00
840-8023-1123-0000	TRUSTEE-2011A, IA 17B	598,917.00
840-8025-1124-0000	TRUSTEE-2012A ISSUE	2,775,780.00
840-8031-1127-0000	TRUSTEE-2013A ISSUE	4,419,701.00
Total		54,064,683.00
Adjusting Journal Entries JE # 11		
AJE 11 - Reverse FY18 refunding cash transfer from Fund 510 and enter in Fund 840		
510-0000-8990-0000	SPECIAL ITEM	3,163,598.00
840-0000-9950-0000	TRANSFERS	3,163,598.00
510-0000-9950-0000	TRANSFERS	3,163,598.00
840-0000-9950-0000	TRANSFERS	3,163,598.00
Total		6,327,196.00

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Attachment A – Posted Audit Adjustments (Continued)

Adjusting Journal Entries JE # 12			
AJE 12 - Reverse FY18 refunding cash transfer from Fund 510 and enter in Fund 840			
510-0000-8990-0000	SPECIAL ITEM	1,514.00	
510-0000-9950-0000	TRANSFERS	709,180.00	
840-0000-4950-0000	TRANSFERS IN	1,514.00	
510-0000-4950-0000	TRANSFERS IN		709,180.00
510-0000-9950-0000	TRANSFERS		1,514.00
840-0000-9950-0000	TRANSFERS		1,514.00
Total		712,208.00	712,208.00

Adjusting Journal Entries JE # 13			
AJE 13 - To record reduction in DIF CPF to General CP Fund			
250-0000-8990-0000	SPECIAL ITEM	73,705.00	
250-0000-9950-0000	TRANSFERS		73,705.00
550-0000-4915-0000	MITIGATION FEES	2,809,962.00	
550-0000-2450-0000	UNEARNED REVENUE		2,809,962.00
550-0000-1000-0000	CLAIM ON CASH	2,809,962.00	
550-0000-9950-0000	TRANSFERS		2,809,962.00
500-0000-1000-0000	CLAIM ON CASH		2,809,962.00
500-0000-9950-0000	TRANSFERS	2,809,962.00	
Total		712,208.00	712,208.00

Reclassifying Journal Entries JE # 1			
RJE 1 - To reclass the AB1484 Payment and Capital Leases (FOR FINANCIAL STATEMENT PURPOSES ONLY - TO MATCH PRINCIPAL AND INTEREST EXPENDITURES)			
100-0000-9050-0000	Principal Payments	300,000.00	
100-0000-9050-0000	Principal Payments	22,932.00	
100-0000-9050-0000	Principal Payments	2,352.00	
100-0000-9100-0000	Interest Expense	3,756.00	
100-0000-9100-0000	Interest Expense	876.00	
100-1200-7068-0000	CONTRACTUAL SERVICES		300,000.00
100-2050-8060-0000	VEHICLES		26,688.00
100-3250-8060-0000	VEHICLES		3,228.00
Total		329,916.00	329,916.00

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Attachment B – Schedule of Uncorrected Misstatements

Description (Nature) of Audit Difference (AD)	Factual (F), Judgmental (J), or Projected (P)	Cause	Financial Statement Effect—Amount of Over- (Under-) statement of:						
			Total Assets + Deferred Outflows	Total Liabilities + Deferred Inflows	Working Cap.	Fund Balance/Net Position	Revenues (General/Program) + Transfers	Expenditures	Change in Fund Balance/ Net Position
Recording estimated interest receivable/income and interest payable/expense in the BFA Debt Service Fund (Fund 850) for FY 2018	F	Interest payable and interest receivable due and payable between interest payment dates for the CFD Local Obligation Bonds and BFA Revenue bonds were not accrued on the government-wide financial statements as of June 30, 2018 and 2017. Net effect has minimal impact on the statement of activities/net position in financial statements for FY 2018	\$ (1,465,881)	\$ (1,465,881)	\$ -	\$ -	\$ (1,465,881)	\$ (1,465,881)	\$ -
To record the FY 2017 effect of the above entry in 2018	F	To record the FY 2017 effect of the above entry in 2018	\$ -	\$ -	\$ -	\$ -	1,509,077	1,509,077	\$ -
Total Audit Difference (AD)			-1,465,881	-1,465,881	0	0	43,196	43,196	0
Financial statement caption totals			442,156,001	148,191,622	40,557,654	293,964,379	91,417,374	78,843,811	12,573,564
Current year AD as % of F/S Totals			-0.33%	-0.99%	0.00%	0.00%	0.05%	0.05%	0.00%

Staff Report

TO: Finance and Audit Committee Members
 FROM: Melana Taylor, Director of Finance
 DATE: April 1, 2019
 SUBJECT: February 2019 Financial Reports

Background and Analysis:

The February 2019 Monthly Financial Reports are attached for review, as follows:

1. General Fund (summary level) – Actual versus Budget, current month and year to date
2. General Fund (summary level) – current versus Prior Year, current month and year to date
3. Waste Water Fund (summary level) – Actual versus Budget, current month and year to date
4. Waste Water Fund (summary level) – Current versus Prior Year, current month and year to date
5. Treasurer’s Report – Cash Account Reconciled Balance allocations by Fund

Variiances Noted:

Report 4	Revenues	Category 56 – Proprietary Revenues	Billing of utility services for FY18 were coded to the incorrect periods making the year to date to FY19 not comparative
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Analysis is attached (same as the January 2019 Financial Reports)

Finance Director Review: 

Recommendation:

1. Review and approve for presentation to City Council on April 16, 2019.

CITY OF BEAUMONT

MONTHLY FINANCIAL REPORTING PACKAGE

MONTH OF FEBRUARY 2019
AND EIGHT MONTHS YEAR TO DATE

CITY OF BEAUMONT
Cash Balance Analysis and Reconciliation
For the Eight Months Ending February 28, 2019

Fund	Fund Name	Beginning Cash 06/30/2018	Revenues	Expenses	Fund Transfers	Net Change Assets	Net Adjmts to Equity	Net Change Liabilities	Ending Cash 2/28/2019
	GENERAL FUNDS	8,262,961.20	19,037,930.47	(20,176,361.00)	73,012.53	3,967,280.80	-	(2,339,473.24)	8,825,350.76
	SPECIAL REVENUE FUNDS	10,386,928.17	3,963,968.93	(246,689.83)	(138,747.15)	233,960.44	-	(150,895.89)	14,048,544.67
	CAPITAL FUNDS	36,267,375.48	7,084,523.26	(25,031,576.05)	13,793,024.55	1,243,264.49	-	3,513,615.69	46,870,227.42
	WASTEWATER FUNDS	13,276,268.32	16,260,024.79	(9,132,074.89)	3,136,047.00	(82,640,306.51)	-	79,373,587.75	20,273,546.46
	TRANSIT FUNDS	1,154,061.19	2,525,657.63	(2,370,095.32)	321.66	(265,515.24)	-	(107,806.10)	936,623.82
	AGENCY FUNDS	13,919,790.31	35,974,978.70	(18,230,486.74)	(16,844,673.84)	(85,924,149.22)	-	81,110,425.70	10,005,684.91
	TOTAL FUNDS	83,267,384.67	94,847,083.78	(75,187,283.83)	18,984.75	(163,385,445.24)	-	161,399,453.91	100,960,178.04

Reconciled Balances

Pooled Cash - Checking	33,734,678.11	53,013,024.56
Payroll	2,121,841.14	2,012,866.14
Workers Compensation	98,510.38	221,534.80
Gas Tax/Transportation	1,717,530.87	1,486,176.73
Construction	9,623,238.94	7,676,892.88
Seizure/Evidence	524,325.75	524,325.75
LAI	35,447,259.48	36,025,357.18
Total Reconciled Balances	83,267,384.67	100,960,178.04

FOR MANAGEMENT DISCUSSION PURPOSES ONLY



City of Beaumont, CA

PRELIMINARY

GENERAL FUND
Income Statement - Budget to Actual
For the Eight Months and Year to Date 02/28/2019

	Current Total Budget	February 2019 Activity	Year to Date Activity	Variance Favorable (Unfavorable)	% Remaining	FY18-19 Projection
REVENUES						
40 - TAXES	16,980,867.00	3,962,026.84	9,640,489.48	(7,340,377.52)	-43.23%	16,980,867.00
41 - LICENSES	212,100.00	5,748.47	92,140.46	(119,959.54)	-56.56%	212,100.00
42 - PERMITS	5,397,170.00	233,280.84	3,822,892.10	(1,574,277.90)	-29.17%	5,397,170.00
45 - INTERGOVERNMENTAL	21,288.00	0.00	29,318.92	8,030.92	37.73%	21,288.00
47 - CHARGES FOR SERVICE	7,702,800.00	398,414.37	5,052,659.45	(2,650,140.55)	-34.40%	7,702,800.00
50 - FINES AND FORFEITURES	110,000.00	11,003.30	52,009.53	(57,990.47)	-52.72%	110,000.00
53 - COST RECOVERY	0.00	37,427.87	311,325.61	311,325.61	0.00%	0.00
54 - MISCELLANEOUS REVENUES	22,500.00	4,187.27	12,945.88	(9,554.12)	-42.46%	22,500.00
58 - OTHER FINANCING SOURCES	0.00	0.00	24,149.04	24,149.04	0.00%	0.00
TOTAL REVENUES	30,446,725.00	4,652,088.96	19,037,930.47	(11,408,794.53)	-37.5%	30,446,725.00
EXPENSES						
60 - PERSONNEL SERVICES	17,314,871.00	1,266,388.26	10,602,730.51	6,712,140.49	38.8%	17,314,871.00
65 - OPERATING COSTS	17,335,227.40	722,644.26	9,035,849.94	8,299,377.46	47.9%	17,335,227.40
70 - CAPITAL IMPROVEMENTS	1,029,371.60	3,194.31	237,780.55	791,591.05	76.9%	1,029,371.60
TOTAL EXPENSES	35,679,470.00	1,992,226.83	19,876,361.00	15,803,109.00	44.3%	35,679,470.00
TRANSFERS						
90 - TRANSFERS	5,232,745.00	0.00	(226,987.47)	(5,459,732.47)	-104.3%	5,232,745.00
NET CHANGE	0.00	2,659,862.13	(1,065,418.00)	(1,065,418.00)	0.0%	0.00
FY18-19 PROJECTED NET CHANGE	-					

City of Beaumont, CA



PRELIMINARY

GENERAL FUND
Comparative Income Statement
For the Eight Months and Year to Date 02/28/2018 and 2019

	2017-2018 February 2018	2018-2019 February 2019	February Activity Favorable / (Unfavorable)	Variance %	2017-2018 Year to Date Activity	2018-2019 Year to Date Activity	YTD Variance Favorable / (Unfavorable)	Variance %
REVENUES								
40 - TAXES	2,735,567.81	3,962,026.84	1,226,459.03	44.83%	8,925,641.80	9,640,489.48	714,847.68	8.01%
41 - LICENSES	3,050.00	5,748.47	2,698.47	88.47%	57,209.57	92,140.46	34,930.89	61.06%
42 - PERMITS	182,065.27	233,280.84	51,215.57	28.13%	2,300,438.30	3,822,892.10	1,522,453.80	66.18%
45 - INTERGOVERNMENTAL	0.00	0.00	0.00	0.00%	7,288.01	29,318.92	22,030.91	302.29%
47 - CHARGES FOR SERVICE	346,668.70	398,414.37	51,745.67	14.93%	5,210,282.69	5,052,659.45	(157,623.24)	-3.03%
50 - FINES AND FORFEITURES	7,333.21	11,003.30	3,670.09	50.05%	50,062.88	52,009.53	1,946.65	3.89%
53 - COST RECOVERY	7,825.60	37,427.87	29,602.27	378.27%	229,810.89	311,325.61	81,514.72	35.47%
54 - MISCELLANEOUS REVENUES	6,261.66	4,187.27	(2,074.39)	-33.13%	22,485.03	12,945.88	(9,539.15)	-42.42%
58 - OTHER FINANCING SOURCES	0.00	0.00	0.00	0.00%	0.00	24,149.04	24,149.04	0.00%
TOTAL REVENUES	3,288,772.25	4,652,088.96	1,363,316.71	41.45%	16,803,219.17	19,037,930.47	2,234,711.30	13.30%
EXPENSES								
60 - PERSONNEL SERVICES	1,209,036.71	1,266,388.26	(57,351.55)	-4.74%	8,919,940.53	10,602,730.51	(1,682,789.98)	-18.87%
65 - OPERATING COSTS	810,730.40	722,644.26	88,086.14	10.87%	8,605,383.84	9,035,849.94	(430,466.10)	-5.00%
70 - CAPITAL IMPROVEMENTS	51,904.30	3,194.31	48,709.99	93.85%	505,114.75	237,780.55	267,334.20	52.93%
TOTAL EXPENSES	2,071,671.41	1,992,226.83	79,444.58	3.83%	18,030,439.12	19,876,361.00	(1,845,921.88)	-10.24%
TRANSFERS								
90 - TRANSFERS	-	-	-	0.00%	(4,611.11)	(226,987.47)	(222,376.36)	-482.62%
NET CHANGE	1,217,100.84	2,659,862.13	1,442,761.29	118.54%	(1,231,831.06)	(1,065,418.00)	166,413.06	13.51%



City of Beaumont, CA

PRELIMINARY

WASTE WATER FUNDS
Income Statement - Budget to Actual
For the Eight Months and Year to Date 2/28/2019

	Current Total Budget	February 2019 Activity	Year to Date Activity	Variance Favorable (Unfavorable)	% Remaining	FY18-19 Projection
REVENUES						
47 - CHARGES FOR SERVICE	2,050,000.00	74,620.00	2,411,350.62	361,350.62	17.6%	2,050,000.00
50 - FINES AND FORFEITURES	0.00	5,000.00	8,500.00	8,500.00	0.0%	0.00
54 - MISCELLANEOUS REVENUES	0.00	166,903.57	498,325.19	498,325.19	0.0%	0.00
56 - PROPRIETARY REVENUES	8,810,000.00	(2,454.90)	4,445,383.10	(4,364,616.90)	-49.5%	8,810,000.00
58 - OTHER FINANCING SOURCES	90,000,000.00	0.00	8,896,465.88	(81,103,534.12)	-90.1%	90,000,000.00
TOTAL REVENUES	100,860,000.00	244,068.67	16,260,024.79	(84,599,975.21)	-83.9%	100,860,000.00
EXPENSES						
60 - PERSONNEL SERVICES	1,155,764.00	57,377.21	394,445.66	761,318.34	65.9%	1,155,764.00
65 - OPERATING COSTS	7,141,120.00	453,312.16	2,958,090.34	4,183,029.66	58.6%	7,141,120.00
70 - CAPITAL IMPROVEMENTS	87,289,750.00	1,579,119.75	5,779,538.89	81,510,211.11	93.4%	87,289,750.00
TOTAL EXPENSES	95,586,634.00	2,089,809.12	9,132,074.89	86,454,559.11	90.4%	95,586,634.00
TRANSFERS						
90 - TRANSFERS	50,000.00	-	3,136,047.00	3,086,047.00	6172.1%	50,000.00
NET CHANGE	5,323,366.00	(1,845,740.45)	10,263,996.90	4,940,630.90	92.8%	5,323,366.00

FY18-19 PROJECTED NET CHANGE 5,323,366.00



City of Beaumont, CA

PRELIMINARY

WASTE WATER FUNDS
Comparative Income Statement
For the Eight Months and Year to Date 02/28/2018 and 2019

	2017-2018 February 2018	2018-2019 February 2019	February Activity Favorable / (Unfavorable)	Variance %	2017-2018 Year to Date Activity	2018-2019 Year to Date Activity	YTD Variance Favorable / (Unfavorable)	Variance %
REVENUES								
47 - CHARGES FOR SERVICE	64,442.28	74,620.00	10,177.72	15.79%	1,035,168.85	2,411,350.62	1,376,181.77	132.94%
50 - FINES AND FORFEITURES	0.00	5,000.00	5,000.00	0.00%	4,698.52	8,500.00	3,801.48	80.91%
54 - MISCELLANEOUS REVENUES	0.00	166,903.57	166,903.57	0.00%	0.00	498,325.19	498,325.19	0.00%
56 - PROPRIETARY REVENUES	(1,059.42)	(2,454.90)	(1,395.48)	131.72%	5,349,189.40	4,445,383.10	(903,806.30)	-16.90%
58 - OTHER FINANCING SOURCES	0.00	0.00	0.00	0.00%	0.00	8,896,465.88	8,896,465.88	0.00%
TOTAL REVENUES	63,382.86	244,068.67	180,685.81	285.07%	6,389,066.77	16,260,024.79	9,870,958.02	154.50%
EXPENSES								
60 - PERSONNEL SERVICES	29,514.39	57,377.21	(27,862.82)	-94.40%	151,999.01	394,445.66	(242,446.65)	-159.51%
65 - OPERATING COSTS	421,195.28	453,312.16	(32,116.88)	-7.63%	3,745,476.94	2,958,090.34	787,386.60	21.02%
70 - CAPITAL IMPROVEMENTS	45,365.18	1,579,119.75	(1,533,754.57)	-3380.91%	184,203.11	5,779,538.89	(5,595,335.78)	-3037.59%
TOTAL EXPENSES	496,074.85	2,089,809.12	(1,593,734.27)	-321.27%	4,081,679.06	9,132,074.89	(5,050,395.83)	-123.73%
TRANSFERS								
90 - TRANSFERS	778,220.75	-	(778,220.75)	-100.00%	1,303,220.75	3,136,047.00	1,832,826.25	140.64%
NET CHANGE	345,528.76	(1,845,740.45)	(2,191,269.21)	-634.18%	3,610,598.46	10,263,996.90	6,653,398.44	184.27%

PREPARED BY MANAGEMENT
FOR DISCUSSION PURPOSES ONLY

03/29/2019

City of Beaumont
Utility Billing Cycle Analysis

	July	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jne
Bi-Monthly Utility Billing												
FY17-18		1,297,724.60 <i>Jly&Aug</i>	1,308,205.93 <i>Sep&Oct</i>	1,316,847.18 <i>Nov&Dec</i>	1,325,465.44 <i>Jan&Feb</i>	1,329,854.24 <i>Mar&Apr</i>	1,346,189.47 <i>May&Jne</i>					
FY18-19		1,470,388.67 <i>Jly&Aug</i>	1,482,094.44 <i>Sep&Oct</i>	1,491,453.96 <i>Nov&Dec</i>								
\$ Change		172,664.07	173,888.51	174,606.78								
% Change		13.305%	13.292%	13.259%								
6 months year to date change												
				521,159.36								
				13.285%								