



## FINANCE AND AUDIT COMMITTEE MEETING

550 E. 6th Street, Beaumont, CA

Monday, January 11, 2021 - 6:00 PM

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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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### AGENDA

#### REGULAR SESSION

6:00 PM

#### MEETING PARTICIPATION NOTICE

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

**BeaumontCa.gov/Livestream**

Public comments will be accepted using the following options.

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

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

## CALL TO ORDER

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

### **1. Introduction of New Committee Members, David Fenn, Thomas LeMasters, Keith Bacon, David Vanderpool and Dameon Butler**

Action of any requests for Excused Absence:

Pledge of Allegiance:

Approval/Adjustments to Agenda:

Conflict of Interest Disclosure:

## **PUBLIC COMMENT PERIOD (ITEMS NOT ON THE AGENDA):**

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

## **ACTION ITEMS / PUBLIC HEARINGS / REQUESTS**

### **2. Approval of Minutes**

#### **Recommended Action:**

Approve Minutes dated November 9, 2020.

### **3. Reorganization of Committee**

#### **Recommended Action:**

Selection of chair and vice chair.

### **4. FY 2021 General Fund and Wastewater Fund Budget to Actual through December 2020**

#### **Recommended Action:**

Receive and file the attached reports.

### **5. Committee for the Selection of Investment Advisor Services**

#### **Recommended Action:**

Receive and file staff's update regarding the process for selecting an investment advisor.

### **6. Review of Audited Financial Statements for FY 2020**

#### **Recommended Action:**

It is recommended that the Finance and Audit Committee review the attached financial statements and move them forward to the City Council for consideration.

## **SUB-COMMITTEE UPDATES**

## **FUTURE AGENDA ITEMS**

## **MEETING REVIEW - TREASURER**

## **FINANCE DIRECTOR'S COMMENTS**

## **ADJOURNMENT**

The next regular meeting of the Finance and Audit Committee Meeting is scheduled for Monday, February 8, 2021, at 6:00 p.m.

Beaumont City Hall – Online [www.BeaumontCa.gov](http://www.BeaumontCa.gov)

# FINANCE AND AUDIT COMMITTEE MEETING

550 E. 6th Street, Beaumont, CA

Monday, November 09, 2020 - 6:00 PM

## MINUTES

### REGULAR SESSION

6:00 PM

#### **CALL TO ORDER at 6:00 p.m.**

**Present:** Committee Members: Council Member Martinez (present at 6:02 p.m.), Council Member Carroll, Chair Baron Ginnetti, Vice Chair Richard Bennecke, Member Billiath Bengesa, Member Steve Cooley, Member Frank Parks, *Business/Resident Member vacant and Alternate Member vacant*

**Absent:** Member Steve Cooley

Action of 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.*

**No speakers.**

#### **ACTION ITEMS / PUBLIC HEARINGS / REQUESTS**

1. Approval of Minutes

**Motion by Vice Chair Bennecke**

**Second by Member Bengesa**

**To approve Minutes dated September 14, 2020.**

**Approved by a unanimous vote.**

2. FY 2021 General Fund and Wastewater Fund Budget to Actual through September 2020

**Motion by Member Parks**

**Second by Vice Chair Bennecke**

**To receive and file the attached reports.**

**Approved by a unanimous vote.**

3. **Committee for the Selection of Investment Advisor Services**

**Motion by Vice Chair Bennecke**

**Second by Council Member Carroll**

**To appoint Member Parks, Bengesa and Chairman Ginnetti to the RFP sub-committee to engage in investment advisor services and appoint Vice Chair Bennecke as the alternate to the sub-committee.**

**SUB-COMMITTEE UPDATES**

**FUTURE AGENDA ITEMS**

**MEETING REVIEW - TREASURER**

**FINANCE DIRECTOR'S COMMENTS**

*Finance Director Jeff Mohlenkamp gave an update on the current audit and the upcoming budget.*

**ADJOURNMENT at 6:42 p.m.**



## Staff Report

**TO:** Finance and Audit Committee Members  
**FROM:** Nicole Wheelwright, Deputy City Clerk  
**DATE:** January 11, 2021  
**SUBJECT:** Reorganization of Committee

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### Background and Analysis:

Annually, the Committee has the opportunity for reorganization to appoint a chair and vice chair to the Committee. The chair has the responsibility of leading the committee meetings and the vice chair assumes that responsibility when the chair is unavailable. Staff recommends that nominations be taken for position of chair then a call for vote. If that motion does not pass, the committee will vote until a chair is selected. The same process is recommended for vice chair.

### Recommended Action:

Selection of chair and vice chair.



## Staff Report

**TO:** Finance and Audit Committee  
**FROM:** Jeff Mohlenkamp, Finance Director  
**DATE:** January 11, 2021  
**SUBJECT:** **FY 2021 General Fund and Wastewater Fund Budget to Actual through December 2020**

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### **Background and Analysis:**

Staff has updated the analysis of the General Fund and Wastewater Fund for FY 2020-21 with results through December 2020.

This analysis of the budget to actual results for FY 2021 is included in the attached spreadsheets.

### **Fiscal Impact:**

There is no financial impact to this report.

### **Recommended Action:**

Receive and file the attached reports.

### **Attachments:**

- A. FY 2021 General Fund Budget to Actual Report – through December 2020
- B. FY 2021 Wastewater Fund Budget to Actual Report – through December 2020



City of Beaumont, CA

# FY 2021 General Fund Budget to Actual through December 2020

Item 4.

SubCategory	2018-2019 YTD Activity Through Per	2019-2020 YTD Activity Through Per	2020-2021 YTD Activity Through Per	FY 2021 Budget	FY 2021 Estimated Results	Notes
<b>Fund: 100 - GENERAL FUND</b>						
<b>Revenue</b>						
<b>Category: 40 - TAXES</b>						
400 - Real Property Taxes	\$ 1,635,750	\$ 1,546,665	\$ 2,116,836	\$ 6,174,605	\$ 6,200,000	Tracking to be on target or exceed budget
403 - Personal Property Taxes	\$ -	\$ 235,788	\$ 41,810	\$ 267,137	\$ 312,000	
406 - Franchise Fees	\$ 121,024	\$ 6,747,833	\$ 1,177,597	\$ 3,019,846	\$ 3,010,000	
409 - Sales Taxes	\$ 1,953,863	\$ 1,967,725	\$ 2,701,167	\$ 5,725,048	\$ 6,300,000	Reflects 4 months of collections plus some prior period accruals
420 - Other Taxes	\$ 761,953	\$ 782,188	\$ 924,782	\$ 7,133,745	\$ 7,150,000	VLF is largest portion, collected in Feb and June
<b>Total Category: 40 - TAXES:</b>	<b>\$ 4,472,591</b>	<b>\$ 11,280,198</b>	<b>\$ 6,962,193</b>	<b>\$ 22,320,381</b>	<b>\$ 22,972,000</b>	
<b>Category: 41 - LICENSES</b>						
430 - Business Licenses	\$ 79,689	\$ 128,456	\$ 209,230	\$ 325,000	\$ 335,000	
<b>Total Category: 41 - LICENSES:</b>	<b>\$ 79,689</b>	<b>\$ 128,456</b>	<b>\$ 209,230</b>	<b>\$ 325,000</b>	<b>\$ 325,000</b>	
<b>Category: 42 - PERMITS</b>						
450 - Building Permits	\$ 2,777,690	\$ 1,216,347	\$ 875,302	\$ 2,200,000	\$ 1,850,000	permit activity less than budgeted target
453 - Inspections	\$ 189,243	\$ 98,753	\$ 124,075	\$ 210,000	\$ 330,000	
456 - Other Permits	\$ 325,716	\$ 226,416	\$ 193,879	\$ 417,500	\$ 400,000	
515 - Public Works	\$ 52	\$ -	\$ -	\$ -	\$ -	
<b>Total Category: 42 - PERMITS:</b>	<b>\$ 3,292,700</b>	<b>\$ 1,541,516</b>	<b>\$ 1,193,256</b>	<b>\$ 2,827,500</b>	<b>\$ 2,580,000</b>	
<b>Category: 45 - INTERGOVERNMENTAL</b>						
465 - State	\$ 20,062	\$ -	\$ -	\$ -	\$ -	
470 - Local	\$ 9,257	\$ 2,550	\$ -	\$ -	\$ -	
<b>Total Category: 45 - INTERGOVERNMENTAL:</b>	<b>\$ 29,319</b>	<b>\$ 2,550</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	
<b>Category: 47 - CHARGES FOR SERVICE</b>						
500 - Sanitation	\$ 3,150,068	\$ 112,615	\$ 12,659	\$ -	\$ -	
505 - Animal Control	\$ 44,759	\$ 46,143	\$ 25,615	\$ 119,450	\$ 60,000	
510 - Community Development	\$ 3,558	\$ 2,534	\$ 1,982	\$ 5,500	\$ 4,800	
515 - Public Works	\$ 7,860	\$ 3,829	\$ 43,520	\$ 7,900	\$ 78,000	
525 - Abatements	\$ 4,052	\$ 6,174	\$ 6,243	\$ 54,500	\$ 19,000	
530 - Public Safety	\$ 106,410	\$ 46,255	\$ 41,323	\$ 537,850	\$ 470,000	
535 - Facilities	\$ 112,902	\$ 65,681	\$ 44,894	\$ 125,000	\$ 112,000	



540 - Programs	\$ 68,292	\$ 53,737	\$ 500	\$ 20,000	\$ 6,000	
545 - Other	\$ 60,867	\$ 25,774	\$ 30,142	\$ 148,200	\$ 139,000	
<b>Total Category: 47 - CHARGES FOR SERVICE:</b>	<b>\$ 3,558,768</b>	<b>\$ 362,741</b>	<b>\$ 206,879</b>	<b>\$ 1,018,400</b>	<b>\$ 888,800</b>	Charges from services tracking less than prior years and budget due in large part to closures
<b>Category: 50 - FINES AND FORFEITURES</b>						
555 - Vehicle	\$ 28,972	\$ 37,998	\$ 25,168	\$ 70,000	\$ 58,000	
557 - Other	\$ 8,538	\$ 19,533	\$ 15,343	\$ 45,000	\$ 37,500	
<b>Total Category: 50 - FINES AND FORFEITURES:</b>	<b>\$ 37,510</b>	<b>\$ 57,530</b>	<b>\$ 40,511</b>	<b>\$ 115,000</b>	<b>\$ 95,500</b>	
<b>Category: 53 - COST RECOVERY</b>						
465 - State	\$ 8,139	\$ 24,854	\$ -	\$ 25,000	\$ 25,000	
565 - Other Income	\$ 235,130	\$ 167,248	\$ (22,267)	\$ 334,000	\$ 295,000	
<b>Total Category: 53 - COST RECOVERY:</b>	<b>\$ 243,270</b>	<b>\$ 192,102</b>	<b>\$ (22,267)</b>	<b>\$ 359,000</b>	<b>\$ 320,000</b>	
<b>Category: 54 - MISCELLANEOUS REVENUES</b>						
560 - Investment Earnings	\$ 78	\$ (134,577)	\$ 128,594	\$ 170,000	\$ 410,000	More funds invested in LAIF than prior years/ corrected allocation/ expected higher investment returns
565 - Other Income	\$ 7,123	\$ 149,158	\$ 233,509	\$ 154,500	\$ 397,000	
<b>Total Category: 54 - MISCELLANEOUS REVENUES:</b>	<b>\$ 7,201</b>	<b>\$ 14,581</b>	<b>\$ 362,102</b>	<b>\$ 324,500</b>	<b>\$ 807,000</b>	
<b>Category: 58 - OTHER FINANCING SOURCES</b>						
595 - Sale of Assets	\$ 14,719	\$ 13,400	\$ -	\$ 15,000	\$ 15,000	
599 - Other	\$ 7,500	\$ -	\$ -	\$ -	\$ -	
<b>Total Category: 58 - OTHER FINANCING SOURCES:</b>	<b>\$ 22,219</b>	<b>\$ 13,400</b>	<b>\$ -</b>	<b>\$ 15,000</b>	<b>\$ 15,000</b>	
<b>Category: 90 - TRANSFERS</b>						
900 - Transfers	\$ (190,108)	\$ 1,408,140	\$ 2,556,890	\$ 8,549,581	\$ 8,549,000	All transfers are expected to occur by year end. Second quarter transfers are underway.
<b>Total Category: 90 - TRANSFERS:</b>	<b>\$ (190,108)</b>	<b>\$ 1,408,140</b>	<b>\$ 2,556,890</b>	<b>\$ 8,549,581</b>	<b>\$ 8,549,000</b>	
<b>Total Revenue:</b>	<b>\$ 11,553,159</b>	<b>\$ 15,001,215</b>	<b>\$ 11,508,793</b>	<b>\$ 35,854,362</b>	<b>\$ 36,552,300</b>	Revenues tracking above budget
<b>Expense</b>						
<b>Category: 60 - PERSONNEL SERVICES</b>						
600 - SALARIES AND WAGES	\$ 5,259,784	\$ 5,476,953	\$ 5,181,725	\$ 13,179,560	\$ 12,600,000	Only 11 or 26 pay periods processed so far - still tracking below budget
610 - BENEFITS	\$ 2,501,522	\$ 3,744,691	\$ 2,867,787	\$ 6,073,295	\$ 5,850,000	PERS liability paid for full year in advance- so tracking higher at mid point
615 - OTHER	\$ 354,709	\$ 433,474	\$ 279,295	\$ 478,509	\$ 615,000	
<b>Total Category: 60 - PERSONNEL SERVICES:</b>	<b>\$ 8,116,015</b>	<b>\$ 9,655,118</b>	<b>\$ 8,328,808</b>	<b>\$ 19,731,364</b>	<b>\$ 19,065,000</b>	
<b>Category: 65 - OPERATING COSTS</b>						
650 - UTILITIES	\$ 884,023	\$ 894,882	\$ 853,506	\$ 1,548,533	\$ 1,750,000	
655 - ADMINISTRATIVE	\$ 151,888	\$ 202,575	\$ 167,018	\$ 354,623	\$ 329,000	
660 - FLEET COSTS	\$ 157,509	\$ 189,890	\$ 189,462	\$ 369,669	\$ 369,000	
665 - PROGRAM COSTS	\$ 336,612	\$ 359,860	\$ 463,146	\$ 741,619	\$ 837,000	
670 - REPAIRS AND MAINTENANCE	\$ 132,507	\$ 150,369	\$ 330,811	\$ 820,510	\$ 790,000	
675 - SUPPLIES	\$ 140,103	\$ 148,305	\$ 113,993	\$ 541,570	\$ 398,000	

680 - SPECIAL SERVICES	\$ 2,994,474	\$ 395,743	\$ 77,201	\$ 612,000	\$ 412,000	
690 - CONTRACTUAL SERVICES	\$ 1,482,884	\$ 1,340,078	\$ 1,278,400	\$ 7,325,058	\$ 6,540,000	Trending very low but expenditures expected to pickup in second half of the year - significant savings still projected
697 - ADMIN OVERHEAD	\$ (356,000)	\$ (375,000)	\$ -	\$ -		
699 - OTHER	\$ 938,830	\$ 1,165,580	\$ 1,536,878	\$ 1,538,766	\$ 1,540,000	mostly insurance premium paid at the beginning of the year
<b>Total Category: 65 - OPERATING COSTS:</b>	<b>\$ 6,862,830</b>	<b>\$ 4,472,283</b>	<b>\$ 5,010,414</b>	<b>\$ 13,852,348</b>	<b>\$ 12,965,000</b>	
<b>Category: 70 - CAPITAL IMPROVEMENTS</b>						
700 - EQUIPMENT	\$ 166,187	\$ 25,048	\$ 41,115	\$ 180,000	\$ 175,000	
703 - FURNITURE	\$ -	\$ 6,466	\$ -	\$ -		
705 - VEHICLE	\$ 66,175	\$ 186,960	\$ 145,597	\$ 273,816	\$ 285,000	
710 - STRUCTURE	\$ -	\$ -	\$ -	\$ -		
<b>Total Category: 70 - CAPITAL IMPROVEMENTS:</b>	<b>\$ 232,362</b>	<b>\$ 218,473</b>	<b>\$ 186,712</b>	<b>\$ 453,816</b>	<b>\$ 460,000</b>	
<b>Category: 77 - CONTINGENCY</b>						
770 - CONTINGENCY	\$ -	\$ -	\$ 23,274	\$ 150,001	\$ 140,000	
<b>Total Category: 77 - CONTINGENCY:</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 23,274</b>	<b>\$ 150,001</b>	<b>\$ 140,000</b>	
<b>Category: 90 - TRANSFERS</b>						
900 - Transfers	\$ 18,985	\$ 5,528	\$ 8,227	\$ 31,000	\$ 130,000	Expected to exceed budget to cover Covid costs that are not reimbursed by FEMA
<b>Total Category: 90 - TRANSFERS:</b>	<b>\$ 18,985</b>	<b>\$ 5,528</b>	<b>\$ 8,227</b>	<b>\$ 31,000</b>	<b>\$ 130,000</b>	
<b>Total Expense:</b>	<b>\$ 15,230,192</b>	<b>\$ 14,351,402</b>	<b>\$ 13,557,435</b>	<b>\$ 34,218,529</b>	<b>\$ 32,760,000</b>	Expenses tracking well under budget at mid-point in the year
<b>Total Fund: 100 - GENERAL FUND:</b>	<b>\$ (3,677,033)</b>	<b>\$ 649,812</b>	<b>\$ (2,048,641)</b>	<b>\$ 1,635,833</b>	<b>\$ 3,792,300</b>	

Assessment: The General Fund is tracking to have a surplus between \$3.0 and \$4 million at year end. Revenues are estimated to exceed the initial budget target by over \$2 million led by stronger results in sales tax. Expenses are tracking lower than budget led by estimated savings of approximately \$1 million in operating costs along with some savings in personnel costs.



City of Beaumont, CA

# FY 2021 Waste Water Fund Budget to Actual through December 2020

Item 4.

SubCategory	2018-2019 YTD Activity Through Per	2019-2020 YTD Activity Through Per	2020-2021 YTD Activity Through Per	FY 2021 Budget	FY 2021 Estimated Results	Notes
<b>Fund: 700 - WASTEWATER FUND</b>						
<b>Revenue</b>						
<b>Category: 50 - FINES AND FORFEITURES</b>						
557 - Other	\$ 1,750	\$ -	\$ -	\$ -		
<b>Total Category: 50 - FINES AND FORFEITURES:</b>	<b>\$ 1,750</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>		
<b>Category: 53 - COST RECOVERY</b>						
565 - Other Income	\$ -	\$ 6,236	\$ -	\$ 6,300	\$ 6,000	
<b>Total Category: 53 - COST RECOVERY:</b>	<b>\$ -</b>	<b>\$ 6,236</b>	<b>\$ -</b>	<b>\$ 6,300</b>	<b>\$ 6,000</b>	
<b>Category: 54 - MISCELLANEOUS REVENUES</b>						
560 - Investment Earnings	\$ -	\$ 26,907	\$ -	\$ 37,500	\$ 35,000	
<b>Total Category: 54 - MISCELLANEOUS REVENUES:</b>	<b>\$ -</b>	<b>\$ 26,907</b>	<b>\$ -</b>	<b>\$ 37,500</b>	<b>\$ 35,000</b>	
<b>Category: 56 - PROPRIETARY REVENUES</b>						
570 - WasteWater	\$ 2,958,341	\$ 3,358,564	\$ 3,328,897	\$ 10,849,000	\$ 10,630,000	tracking a little below budget
<b>Total Category: 56 - PROPRIETARY REVENUES:</b>	<b>\$ 2,958,341</b>	<b>\$ 3,358,564</b>	<b>\$ 3,328,897</b>	<b>\$ 10,849,000</b>	<b>\$ 10,630,000</b>	
<b>Category: 58 - OTHER FINANCING SOURCES</b>						
595 - Sale of Assets	\$ 635	\$ -	\$ -	\$ -		
599 - Other	\$ -	\$ -	\$ -	\$ -		
<b>Total Category: 58 - OTHER FINANCING SOURCES:</b>	<b>\$ 635</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>		
<b>Category: 90 - TRANSFERS</b>						
900 - Transfers	\$ -	\$ -	\$ -	\$ -		
<b>Total Category: 90 - TRANSFERS:</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>		
<b>Total Revenue:</b>	<b>\$ 2,960,726</b>	<b>\$ 3,391,706</b>	<b>\$ 3,328,897</b>	<b>\$ 10,892,800</b>	<b>\$ 10,671,000</b>	
<b>Expense</b>						
<b>Category: 60 - PERSONNEL SERVICES</b>						
600 - SALARIES AND WAGES	\$ 199,247	\$ 552,766	\$ 427,304	\$ 1,340,577	\$ 1,150,000	
610 - BENEFITS	\$ 80,292	\$ 195,940	\$ 150,649	\$ 501,401	\$ 385,000	
615 - OTHER	\$ 3,907	\$ 9,207	\$ 6,641	\$ 17,572	\$ 13,500	
<b>Total Category: 60 - PERSONNEL SERVICES:</b>	<b>\$ 283,445</b>	<b>\$ 757,913</b>	<b>\$ 584,594</b>	<b>\$ 1,859,549</b>	<b>\$ 1,548,500</b>	personnel cost savings expected/ pace of expenditures will increase with
<b>Category: 65 - OPERATING COSTS</b>						
650 - UTILITIES	\$ 437,058	\$ 420,336	\$ 334,245	\$ 827,821	\$ 895,000	
655 - ADMINISTRATIVE	\$ 94,388	\$ 46,137	\$ 118,297	\$ 291,216	\$ 270,000	
660 - FLEET COSTS	\$ 3,201	\$ 13,870	\$ 13,661	\$ 31,980	\$ 28,000	

670 - REPAIRS AND MAINTENANCE	\$ 7,923	\$ 38,352	\$ 21,474	\$ 60,695	\$ 54,000	
675 - SUPPLIES	\$ 120,127	\$ 89,123	\$ 176,562	\$ 379,610	\$ 373,000	
690 - CONTRACTUAL SERVICES	\$ 669,620	\$ 325,316	\$ 365,342	\$ 1,062,563	\$ 927,000	
697 - ADMIN OVERHEAD	\$ 306,000	\$ 325,000	\$ -	\$ -	\$ -	
699 - OTHER	\$ 9,845	\$ 90,247	\$ 31,796	\$ 480,137	\$ 365,000	
<b>Total Category: 65 - OPERATING COSTS:</b>	<b>\$ 1,648,161</b>	<b>\$ 1,348,383</b>	<b>\$ 1,061,376</b>	<b>\$ 3,134,022</b>	<b>\$ 2,912,000</b>	Operating expenses tracking below budget/ pace of expenditures expected to increase in second half of the
<b>Category: 70 - CAPITAL IMPROVEMENTS</b>						
700 - EQUIPMENT	\$ 1,832	\$ -	\$ 24,319	\$ 153,638	\$ 150,000	
750 - OTHER	\$ -	\$ -	\$ -	\$ 103,804	\$ 100,000	
<b>Total Category: 70 - CAPITAL IMPROVEMENTS:</b>	<b>\$ 1,832</b>	<b>\$ -</b>	<b>\$ 24,319</b>	<b>\$ 257,442</b>	<b>\$ 250,000</b>	
<b>Category: 90 - TRANSFERS</b>						
900 - Transfers	\$ -	\$ 3,013,215	\$ 3,334,344	\$ 5,641,787	\$ 5,641,787	all transfer expected to occur
<b>Total Category: 90 - TRANSFERS:</b>	<b>\$ -</b>	<b>\$ 3,013,215</b>	<b>\$ 3,334,344</b>	<b>\$ 5,641,787</b>	<b>\$ 5,641,787</b>	
<b>Total Expense:</b>	<b>\$ 1,933,438</b>	<b>\$ 5,119,510</b>	<b>\$ 5,004,633</b>	<b>\$ 10,892,800</b>	<b>\$ 10,352,287</b>	
<b>Total Fund: 700 - WASTEWATER FUND:</b>	<b>\$ 1,027,287</b>	<b>\$ (1,727,804)</b>	<b>\$ (1,675,736)</b>	<b>\$ -</b>	<b>\$ 318,713</b>	

Analysis: Revenues are tracking a bit below budget. Expenditures are also tracking below budget providing an estimated



## Staff Report

**TO:** Finance and Audit Committee Members  
**FROM:** Jennifer Ustation, Senior Accountant  
**DATE:** January 11, 2021  
**SUBJECT:** **Committee for the Selection of Investment Advisor Services**

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### Background and Analysis:

On November 9, 2020, the Finance and Audit Committee identified a committee complete an RFP for investment advisor services and to select a firm for consideration by the full Committee and ultimately the City Council.

As discussed at that meeting, the proposed steps in securing investment advisor services are as follows:

1. **Identification of RFP Committee members** – *Chair Baron Ginnetti, Member Frank Parks, Member Billath Bengesa joined City staff Jeff Mohlenkamp and Jennifer Ustation to form the RFP committee.*
2. **Committee to review RFP parameters** – *the RFP Committee met on November 24, 2020, to develop the RFP.*
3. **City Staff to issue the RFP and receive submittals** – *the RFP was issued on November 30, 2020, with a deadline for submission of January 6, 2021. The City received 8 separate proposals.*
4. **RFP Committee to review the submittals and identify one or more investment advisors for consideration by the Finance Committee** – *the RFP Committee is set to meet on January 12, 2021, to review the proposals and narrow the selection down to one or two firms for consideration by the Finance Committee.*
5. **Finance Committee consider recommendations by the RFP Committee and make recommendation to the City Council** – *the target date for this is February 8, 2021.*

### Recommended Action:

Receive and file staff's update regarding the process for selecting an investment advisor.

**Attachments:**

- A. RFP for Investment Advisor Services issued on November 30, 2020



## **CITY OF BEAUMONT**

550 E. Sixth Street, Beaumont, CA 92223

Phone: (951) 769-8518 Fax: (951) 769-8526

# **REQUEST FOR PROPOSAL**

## **FOR Investment Advisor and Portfolio Management Services**

### **CITY OF BEAUMONT FINANCE DEPARTMENT**

Jeff Mohlenkamp, Director of Finance  
550 E. 6th Street - Beaumont, California 92223

(951) 572-3236

e-mail address: [jmohlenkamp@beaumontca.gov](mailto:jmohlenkamp@beaumontca.gov)

**Proposals Due By:**

12:00 Noon

Wednesday, January 6, 2020

RFP Available online at:  
Public Purchase, CSMFO, GFOA and  
[www.ci.beaumont.ca.us](http://www.ci.beaumont.ca.us)

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**CITY OF BEAUMONT  
REQUEST FOR PROPOSAL  
Investment Advisor and Portfolio Management Services**

**INTRODUCTION**

The City of Beaumont is seeking proposals from firms to provide investment advisory and portfolio management services for approximately \$89 million in operating and capital funds (non-pension funds). The term will be three years, with two one year options, which may be exercised at City's discretion. The selected firm(s) will be responsible for performing in accordance with the scope of services, as further detailed in Attachment II.

Background Information

The City of Beaumont is a general law city incorporated in 1912 currently serving a population of approximately 49,000, located in Western Riverside County. The City operates under a council-manager format of government which consists of a Mayor, Mayor Pro-Tem, three Councilmembers and the City Manager. The positions of Mayor and Mayor Pro-Tem are rotated among the elected Councilmembers. A City Clerk and Treasurer are elected position, each for a four-year term.

In addition to its function as the governing body of the City, the City Council acts as the governing body for other separate entities: Beaumont Financing Authority, Beaumont Public Improvement Authority, Beaumont Transit System, and the Beaumont Utility Authority. The City's management also has custodial, accounting and financial reporting responsibility for the Successor Agency to the City of Beaumont Redevelopment Agency. There is no requirement for separate financial reporting for these separate entities with one exception (Beaumont Transit System).

Official accounting records are on-site in the Finance Department, while some supporting information may be located in other departments within the City. Beaumont uses the Tyler Incode 10 accounting software. Payroll is processed through Paychex. We are in the process of upgrading Incode 10 to include the payroll module and should be complete by June 30, 2021.

The City's primary investment objective to achieve a reasonable rate of return on public funds while minimizing the potential for capital losses arising from market changes or issuer default. Although the generation of revenues through interest earnings on investment is an appropriate City goal, the primary consideration in the investment of City funds is capital preservation in the overall portfolio and maintaining required liquidity. As such, the City's yield objective is to achieve a reasonable rate of return on City investments rather than the maximum generation of income, which could expose the City to unacceptable levels of risk.

The Investment Policy is attached as Attachment III.

Relevant operational detail for conducting investment advisor and portfolio management services is provided as follows:

1. The Finance Department consists of the Finance Director, and five (5) staff members responsible for accounting and financial reporting, budgeting, payroll, accounts payable, revenue recording, banking and treasury investment, purchase order and project accounting tracking. Revenues are collected at various locations throughout the City and recorded in Tyler Incode 10 by non-finance department personnel.
2. City Funds and Account Groups are as follows:
  - a. General Fund (1)
  - b. Internal Service Funds (2)
  - c. Special Revenue Funds (9)
  - d. Debt Service Fund (1)
  - e. Capital Project Funds (17)
  - f. Enterprise Funds (7)
  - g. Agency Funds (4)
3. Within Incode's information management system, pooled cash is the consolidation of operating cash into one primary bank account. The accounts payable for all participating funds are paid from this one account. The routine receipts of all participating funds are deposited into this same bank account.
4. The City's total expected payroll for the year ended June 30, 2021 is approximately \$24 million, covering 157 budgeted full-time and part-time positions. The total municipal budget for the 2020-21 fiscal year is approximately \$48 million.

For further information, City's past two years AFRs' and current and last year adopted budget are located on the City's website at: <https://beaumontca.gov/921/Audits-and-Reports>

The City has not had a prior Investment Advisor and has participated mostly within the LAIF CA State Investment Program.

### Project Schedule

RFP Issued	<b>November 30, 2020</b>
Questions Due	<b>December 12, 2020</b>
Responses to questions provided by	<b>December 18, 2020</b>
Submittals Due	<b>January 6, 2021</b>
Staff Review	<b>January 7-15, 2021</b>
Presentations/Interview	<b>January 20-21, 2021</b>
Finance Committee Review	<b>February 8, 2021</b>
City Council Review/Approval	<b>February 16, 2021</b>

### Response Submittal

Interested firms shall submit three (3) copies of the proposal **no later than January 6, 2021 at 12:00p.m.** No late submittals will be accepted. "City of Beaumont 2020 Investment Advisor and Portfolio Management Services RFP" must be clearly marked on the outside of the envelope:

**Submit Proposal to:**

City of Beaumont  
550 E. 6<sup>th</sup> Street  
Beaumont, CA 92223

Additionally, one electronic copy of the proposal shall be sent to [finance@beaumontca.gov](mailto:finance@beaumontca.gov) by 12:00p.m. on January 6, 2021 for proposal to be considered.

Any requests for clarification or other questions concerning this RFP must be submitted via email to Jennifer Ustation (as shown below) no later than December 12, 2020. Responses to all questions will be provided to all known interested parties by December 18, 2020.

Jennifer Ustation, Senior Accountant  
Email:justation@beaumontca.gov

**General Requirements**

The City of Beaumont reserves the right to reject any or all responses, to waive any informality in any responses, and to select the vendor that best meets the City's needs.

There is no expressed or implied obligation for the City to reimburse responding firms for any expenses incurred in preparing proposals in response to this request. Materials submitted by respondents are subject to public inspection under the California Public Records Act (Government Code Sec. 6250 et seq.) unless exempt. Any language purporting to render the entire proposal confidential or proprietary will be ineffective and will be disregarded.

All property rights, including publication rights of all reports produced by respondents in connection with services performed under the agreement will be vested in the City. In addition, respondents will not publish or release any of the results of its examination without the express written permission of the City.

Responses must be submitted no later than the date and time stated on this RFP. Responses shall be reviewed and rated as set forth in the Selection Process section of this RFP. The City will then determine which firm best meets the City's requirements.

During the evaluation process, the City reserves the right (where it may serve the City's best interest) to request additional information or clarification from respondents. At the discretion of the City, firms submitting proposals may be requested to make oral presentations as part of the evaluation process.

The City reserves the right to retain all proposals submitted and to use any ideas in a proposal regardless of whether the proposal was selected. Submission of a proposal indicated acceptance by the firm of the conditions contained in the Request for Proposals, unless clearly and specifically noted in the proposal as submitted and confirmed in the contract between the City and the firm selected.

The City reserves the right to negotiate final pricing with the most qualified firm. The City may invite selected firms to meet with the evaluation team on or around the week of January 18, 2021, at no additional cost to the City.

The City's standard Contract Services Agreement is included as Attachment I. Upon award of the contract, it is expected that the successful proposer will accept the Agreement terms and conditions "as is" without modification. Any contract modifications are to be stated upfront, at the time of

submittal.

Any costs incurred in the preparation of the response, presentation to the City, travel in conjunction with such presentations, or samples of items shall be the responsibility of the respondent. The City assumes no responsibility and no liability for costs incurred by respondents prior to issuance of contract.

The proposer shall furnish the City with such additional information the City may reasonably require.

### **Proposal Requirements**

The City requests responses be organized in a logical format that is relevant to these services. The responses shall also be concise, excluding excessive or irrelevant material and should contain the following:

- A. Cover Page
- B. Table of Contents
- C. Executive Summary

Provide a brief summary describing the proposer's ability to perform the work requested, a history of the proposer's background and experience providing services, the qualifications of the proposer's personnel to be assigned to this project, any subcontractor, sub consultants, and/or suppliers and a brief history of their background and experience, and any other information called for by this request for proposal which the proposer deems relevant, including restating any exceptions to this request for proposal. This summary should be brief and concise to apprise the reader of the basic services offered, experience and qualifications of the proposer, staff subcontractors, and/or suppliers.

- D. Questionnaire/Response to Scope of Services

Proposer shall provide responses and information to fully satisfy each item in the Questionnaire. Each question item should be presented before the proposer's response.

- E. Attachments

### **Questionnaire**

- A. Company and General Information

1. Company name and address.
2. Letter of transmittal signed by an individual authorized to bind the respondent, stating that the respondent has read and will comply with all the terms and conditions of the RFP.
3. General information about the primary contact who would be able to answer questions about the proposal. Include name, title, telephone number and email address of the individual.

- B. Qualifications and Experience of the Firm

1. Describe the organization, date founded, and ownership of your firm. If your firm experienced a material change in organizational structure, ownership or management during the past three years, describe the change.
2. Which office(s) of your organization will have primary responsibility for managing this account? List the members of your team who will be responsible for providing the services and for ongoing support.
3. What is your firm's experience conducting the services requested? Describe comparable projects performed by your firm in the last five years, including number of projects, scope of service, and status of projects.
4. Describe any other business affiliations (subsidiaries, joint ventures, "soft dollar arrangements with brokers). Describe your firm's policy on soft dollars.
5. Describe your firm's experience managing fixed income portfolios for governmental entities.
6. Does your firm act as a broker or as a primary dealer in securities or receive any other form of additional compensation (including soft dollars) for the client transactions aside from the direct fee paid by clients?
7. Provide the number and types of accounts, total asset value, and composition of portfolios currently being managed by your firm.
8. Comment on other areas that may make your firm different from your competitors.
9. Describe your firm's sources of revenue, categorized by retail and institutional accounts.
10. Is your firm a registered Investment Advisor under the Investment Advisor's Act of 1940, as amended?
11. Describe any SEC, NASD, or regulatory censure or litigation involving your firm or its employees within the past three years.
12. Did you, or will you, pay a finder's fee to any third party for business related to this account? Specify the recipients of any fee.

C. Qualifications and Experience of Proposed Project Team

1. Describe the qualifications of staff proposed for the assignment, position(s) in the firm, and types and amount of equivalent experience. Be sure to include any municipal agencies they have worked with in the past three years and their level of involvement. A description of how overall supervision will be provided should be included.
2. Identify the investment professionals (portfolio manager, analysts, and researchers) employed by your firm, by classification, and specify the average number of accounts handled by portfolio managers. Are there any established limits on accounts or assets under management?

3. Provide an affirmative statement that the primary contact and all assigned key professional staff are properly licensed to practice in California.
4. Describe your firm's training and education efforts to keep portfolio managers informed of developments relevant to government investment managers.
5. Has there been any turnover of professional staff in the firm in the last three years assigned to public sector clients?
6. Summarize your assets under management (institutional only) over the past five years and average assets per client.
7. Provide relevant performance statistics on a comparable portfolio that you would recommend to the City of Beaumont and compare with industry averages or benchmarks for the last one, three, five, ten year period and/or since inception, noting the performance measurement methodology/basis (e.g. Total Rate of Return (GIPS), Effective Rate of Return, etc.).
8. How many accounts have you gained in the last 12 months? How many accounts have been lost in the last 12 months and why?

#### D. Assets Under Management

1. Summarize your institutional investment assets under management by category as shown below for your latest reporting period.

	<b>Governmental</b>	<b>Non-Governmental</b>	<b>Total</b>
Operating/Bond Funds	\$	\$	\$
Pension Funds			
Foundations			
Equity Funds			
<b>Total</b>	\$	\$	\$

#### E. Investment Management Approach and Discipline

1. Briefly describe your firm's investment management philosophy, including your approach to managing governmental portfolios.
2. How frequently do you formulate and review fixed income strategy? How is that carried out and who is involved?
3. What are the primary strategies for adding value to portfolios (e.g. market timing, credit research, trading)?
4. How are portfolios managed (e.g. by team or individual manager)? What is the back-up when the manager is away?
5. What oversight is provided to portfolio managers?
6. What role does interest-rate forecasting play in your portfolio management strategy?

7. How will you handle fluctuating cash flows and the cash forecasting process?
8. Describe on ongoing daily investment procedures proposed for the City including procedures for trades, security choice, controls, etc., and how you will provide liquidity.
9. How frequently would you suggest your staff meet with the City's staff? Who will attend these meetings?

#### F. Reporting

1. Describe the investment accounting and reporting system used by your firm.
2. Describe the frequency and format of reports that you would provide to the city staff. Send a sample.
3. What performance benchmarks would you suggest for this portfolio? Provide recommendations regarding performance benchmarks for a portfolio similar to that of the City's. What experience has the firm had in developing benchmarks for public operating portfolios?

#### G. Questions/Response to Scope of Services

1. Describe the methods by which your firm will fulfill the services requested in the Scope of Services and subsequent sections.
2. Provide a statement of the service(s) that differentiate your firm from other respondents.

#### H. Fees

1. Provide your fees for the proposed services. Fee quotes should be detailed by service.
2. Outline billing and payment expectations, including timing and method of payment.
3. Describe any remaining fees not previously detailed in the above.
4. Describe any remuneration that your agency would receive on any specific investment transactions completed on behalf of the City.

#### I. References

List the name, address and telephone number of references from at least three (3) recent similar projects. Include a brief description of the work provided for each reference. California municipal or county projects are preferred. You may offer more than three recent similar projects if desired. The references should include the start date of the project and the date of completion for each project.

#### J. Implementation Schedule

Include a detailed implementation schedule with an estimated project start date of February 17, 2021 and note key project milestones and timelines for deliverables. Identify any assumptions used in developing the schedule.

K. Certificate(s) of Insurance

The City will require the successful Respondent (or Proposer) to provide Certificates of Insurance evidencing required coverage types and the minimum limits. See the attached City Draft Standard Agreement for more information on the City's insurance requirements.

L. Business License

The proposing organization does not require a Beaumont City business license to respond to this RFP. However, the successful proposer will be required to acquire a Beaumont Business License during the contracting process and maintain an active license throughout the contracted period.

M. Standard City Professional Services Agreement

The City will require the successful Proposer to execute a professional services agreement with the City. Please review the attached draft agreement and identify any questions of concern in your response to the City.

## Overview and Scope of Services

The request for Proposals is for Professional Investment Advisory and Portfolio Management Services as set forth in Attachment II – Scope of Services.

## Selection Process

Staff will review the proposals and make a recommendation to the City Council for review (tentatively scheduled for February 16, 2021). The City intends to evaluate the proposals based upon the data presented in response to the RFP. The following general selection criteria will be used to evaluate each proposal:

1. Ability to meet service requirement; understanding the needs and requirements of the City; scope and services offered.
2. Experience, qualifications and knowledge of key personnel; references for similar work completed within the last three years.
3. Proposed pricing.
4. Completeness of responses to the Request for Proposals.



Attachment I

AGREEMENT FOR PROFESSIONAL SERVICES BY INDEPENDENT CONTRACTOR

Bookmark not defined.

THIS AGREEMENT FOR PROFESSIONAL SERVICES BY INDEPENDENT CONTRACTOR is made and effective as of the \_\_\_\_\_ day of \_\_\_\_\_, 2020, by and between the CITY OF BEAUMONT ("CITY") whose address is 550 E. 6th Street, Beaumont, California 92223 and \_\_\_\_\_ whose address is \_\_\_\_\_ ("CONTRACTOR").

RECITALS

This Agreement is entered into on the basis of the following facts, understandings and intentions of the parties to this Agreement:

A. CITY desires to engage CONTRACTOR to provide \_\_\_\_\_; and

B. CONTRACTOR has made a proposal ("Proposal") to the CITY to provide such professional services, which Proposal is attached hereto as Exhibit "A"; and

C. CONTRACTOR agrees to provide such services pursuant to, and in accordance with, the terms and conditions of this Agreement, and represents and warrants to CITY that CONTRACTOR possesses the necessary skills, licenses, certifications, qualifications, personnel and equipment to provide such services.

AGREEMENT

NOW, THEREFORE, in consideration of the foregoing Recitals and mutual covenants contained herein, CITY and CONTRACTOR agree as follows:

1. Term of Agreement. This Agreement is effective as of the date first above written and shall continue until terminated as provided for herein. Notwithstanding anything in this Agreement to the contrary, this Agreement shall automatically terminate after one (1) year unless extended by the parties with the approval of the City Council of the CITY.

2. Services to be Performed. CONTRACTOR agrees to provide the services ("Services") as follows: \_\_\_\_\_ per Exhibit "A" and any other services which the City may request in writing. All Services shall be performed in the manner and according to the timeframe set forth in the Proposal. CONTRACTOR designates \_\_\_\_\_ as CONTRACTOR'S professional responsible for overseeing the Services provided by CONTRACTOR.

3. Associates and Subcontractors. CONTRACTOR may, at

CONTRACTOR's sole cost and expense, employ such competent and qualified independent associates, subcontractors and consultants as CONTRACTOR deems necessary to perform the Services; provided, however, that CONTRACTOR shall not subcontract any of the Services without the written consent of CITY.

4. Compensation.

4.01 CONTRACTOR shall be paid at the rates set forth in the Proposal and shall not increase any rate without the prior written consent of the CITY. Notwithstanding anything in this Agreement to the contrary, total fees and charges paid by CITY to CONTRACTOR under this Agreement shall not exceed

\_\_\_\_\_.

4.02 CONTRACTOR shall not be compensated for any Services rendered nor reimbursed for any expenses incurred in excess of those authorized unless approved in advance by the CITY, in writing.

4.03 CONTRACTOR shall submit to CITY, on or before the fifteenth (15<sup>th</sup>) of each month, itemized invoices for the Services rendered in the previous month. The CITY shall not be obligated to pay any invoice that is submitted more than sixty (60) days after the due date of such invoice. CITY shall have the right to review and audit all invoices prior to or after payment to CONTRACTOR. This review and audit may include, but not be limited to CITY's:

- a. Determination that any hourly fee charged is consistent with this Agreement's approved hourly rate schedule;
- b. Determination that the multiplication of the hours billed times the approved rate schedule dollars is correct;
- c. Determination that each item charged is the usual, customary, and reasonable charge for the particular item. If CITY determines an item charged is greater than usual, customary, or reasonable, or is duplicative, ambiguous, excessive, or inappropriate, CITY shall either return the bill to CONTRACTOR with a request for explanation or adjust the payment accordingly, and give notice to CONTRACTOR of the adjustment.

4.04 If the work is satisfactorily completed, CITY shall pay such invoice within thirty (30) days of its receipt. Should CITY dispute any portion of any invoice, CITY shall pay the undisputed portion within the time stated above, and at the same time advise CONTRACTOR in writing of the disputed portion.

5. Obligations of CONTRACTOR.

5.01 CONTRACTOR agrees to perform all Services in accordance with the terms and conditions of this Agreement and the Proposal. In the event that the terms of the Proposal shall conflict with the terms of this Agreement, or contain additional terms other than the Services to be rendered and the price for the Services, the terms of this Agreement shall govern and said additional or conflicting terms shall be of no force or effect.

5.02 Except as otherwise agreed by the parties, CONTRACTOR will supply all personnel, materials and equipment required to perform the Services. CONTRACTOR shall provide its own offices, telephones, vehicles and computers and set its own work hours. CONTRACTOR will determine the method, details, and means of performing the Services under this Agreement.

5.03 CONTRACTOR shall keep CITY informed as to the progress of the Services by means of regular and frequent consultations. Additionally, when requested by CITY, CONTRACTOR shall prepare written status reports.

5.04 CONTRACTOR is responsible for paying, when due, all income and other taxes, fees and withholding, including withholding state and federal taxes, social security, unemployment and worker's compensation, incurred as a result of the compensation paid under this Agreement. CONTRACTOR agrees to indemnify, defend and hold harmless CITY for any claims, costs, losses, fees, penalties, interest, or damages suffered by CITY resulting from CONTRACTOR's failure to comply with this provision.

5.05 In the event CONTRACTOR is required to prepare plans, drawings, specifications and/or estimates, the same shall be furnished in conformance with local, state and federal laws, rules and regulations.

5.06 CONTRACTOR represents that it possesses all required licenses necessary or applicable to the performance of Services under this Agreement and the Proposal and shall obtain and keep in full force and effect all permits and approvals required to perform the Services herein. In the event CITY is required to obtain an approval or permit from another governmental entity, CONTRACTOR shall provide all necessary supporting documents to be filed with such entity.

5.07 CONTRACTOR shall be solely responsible for obtaining Employment Eligibility Verification information from CONTRACTOR's employees, in compliance with the Immigration

Reform and Control Act of 1986, Pub. L. 99-603 (8 U.S.C. 1324a), and shall ensure that CONTRACTOR's employees are eligible to work in the United States.

5.08 In the event that CONTRACTOR employs, contracts with, or otherwise utilizes any CalPers retirees in completing any of the Services performed hereunder, such instances shall be disclosed in advance to the CITY and shall be subject to the CITY's advance written approval.

5.09 Drug-free Workplace Certification. By signing this Agreement, the CONTRACTOR hereby certifies under penalty of perjury under the laws of the State of California that the CONTRACTOR will comply with the requirements of the Drug-Free Workplace Act of 1990 (Government Code, Section 8350 et seq.) and will provide a drug-free workplace.

5.10 CONTRACTOR shall comply with all applicable local, state and federal laws, rules, regulations, entitlements and/or permits applicable to, or governing the Services authorized hereunder.

6. Insurance. CONTRACTOR hereby agrees to be solely responsible for the health and safety of its employees and agents in performing the Services under this Agreement and shall comply with all laws applicable to worker safety including but not limited to Cal-OSHA. Therefore, throughout the duration of this Agreement, CONTRACTOR hereby covenants and agrees to maintain insurance in conformance with the requirements set forth below. Attached hereto as **Exhibit "B"** are copies of Certificates of Insurance and endorsements as required by Section 7.02. If existing coverage does not meet the requirements set forth herein, CONTRACTOR agrees to amend, supplement or endorse the existing coverage to do so. CONTRACTOR shall provide the following types and amounts of insurance:

6.01 Commercial general liability insurance in an amount of not less than \$1,000,000 per occurrence and \$2,000,000 in the aggregate; CONTRACTOR agrees to have its insurer endorse the general liability coverage required herein to include as additional insured's CITY, its officials, employees and agents. CONTRACTOR also agrees to require all contractors and subcontractors to provide the same coverage required under this Section 6.

6.02 Business Auto Coverage in an amount no less than \$1 million per accident. If CONTRACTOR or CONTRACTOR's employees will use personal autos in performance of the Services hereunder, CONTRACTOR shall provide evidence of personal auto liability coverage for each such person.

6.03 Workers' Compensation coverage for any of CONTRACTOR's employees that will be providing any Services hereunder. CONTRACTOR will have a state-approved policy form providing statutory benefits as required by California law. The provisions of any workers' compensation will not limit the obligations of CONTRACTOR under this Agreement. CONTRACTOR expressly agrees not to use any statutory immunity defenses under such laws with respect to CITY, its employees, officials and agents.

6.04 Optional Insurance Coverage. Choose and check one: Required  X  /Not Required     ; Errors and omissions insurance in a minimum amount of \$2 million per occurrence to cover any negligent acts or omissions committed by CONTRACTOR, its employees and/or agents in the performance of any Services for CITY.

## 7. General Conditions pertaining to Insurance Coverage

7.01 No liability insurance coverage provided shall prohibit CONTRACTOR from waiving the right of subrogation prior to a loss. CONTRACTOR waives all rights of subrogation against CITY regardless of the applicability of insurance proceeds and shall require all contractors and subcontractors to do likewise.

7.02. Prior to beginning the Services under this Agreement, CONTRACTOR shall furnish CITY with certificates of insurance, endorsements, and upon request, complete copies of all policies, including complete copies of all endorsements. All copies of policies and endorsements shall show the signature of a person authorized by that insurer to bind coverage on its behalf.

7.03. All required policies shall be issued by a highly rated insurer with a minimum A.M. Best rating of "A:VII"). The insurer(s) shall be admitted and licensed to do business in California. The certificates of insurance hereunder shall state that coverage shall not be suspended, voided, canceled by either party, or reduced in coverage or in limits, except after thirty (30) days' prior written notice has been given to CITY.

7.04 Self-insurance does not comply with these insurance specifications. CONTRACTOR acknowledges and agrees that that all insurance coverage required to be provided by CONTRACTOR or any subcontractor, shall apply first and on a primary, non-contributing basis in relation to any other insurance, indemnity or self-insurance available to CITY.

7.05 All coverage types and limits required are subject to approval, modification and additional requirements by CITY, as the need arises. CONTRACTOR shall not make any reductions in scope of coverage (e.g. elimination of contractual liability or reduction of discovery period) that may affect CITY's protection without CITY's prior written consent.

7.06 CONTRACTOR agrees to provide immediate notice to CITY of any claim or loss against CONTRACTOR or arising out of the Services performed under this Agreement. CITY assumes no obligation or liability by such notice, but has the right (but not the duty) to monitor the handling of any such claim or claims if they are likely to involve CITY.

8. Indemnification.

8.01 CONTRACTOR and CITY agree that CITY, its employees, agents and officials should, to the extent permitted by law, be fully protected from any loss, injury, damage, claim, lawsuit, cost, expense, attorneys' fees, litigation costs, defense costs, court costs or any other costs arising out of or in any way related to the performance of this Agreement by CONTRACTOR or any subcontractor or agent of either as set forth herein. Accordingly, the provisions of this indemnity are intended by the parties to be interpreted and construed to provide the fullest protection possible under the law to CITY. CONTRACTOR acknowledges that CITY would not enter into this Agreement in the absence of the commitment of CONTRACTOR to indemnify and protect CITY as set forth herein.

a. To the fullest extent permitted by law, CONTRACTOR shall defend, indemnify and hold harmless CITY, its employees, agents and officials, from any liability, claims, suits, actions, arbitration proceedings, administrative proceedings, regulatory proceedings, losses, expenses, damages or costs of any kind, whether actual, alleged or threatened, actual attorneys' fees incurred by CITY, court costs, interest, defense costs, including expert witness fees and any other costs or expenses of any kind whatsoever without restriction or limitation incurred in relation to, as a consequence of or arising out of, or in any way attributable actually, allegedly or impliedly, in whole or in part to the performance of this Agreement. CONTRACTOR's obligation to defend, indemnify and hold harmless shall include any and all claims, suits and proceedings in which CONTRACTOR (and/or CONTRACTOR's agents and/or employees) is alleged to be an employee of CITY. All obligations under this provision are to be paid by CONTRACTOR as they are incurred by CITY.

b. Without affecting the rights of CITY under any provision of this Agreement or this Section, CONTRACTOR shall not be required to indemnify and hold harmless CITY as set forth above for liability attributable solely to the fault of CITY, provided such fault is determined by agreement between the parties or the findings of a court of competent jurisdiction.

9. Additional Services, Changes and Deletions.

9.01 In the event CONTRACTOR performs additional or different services than those described herein without the prior written approval of the City Manager and/or City Council of CITY, CONTRACTOR shall not be compensated for such services. CONTRACTOR expressly waives any right to be compensated for services and materials not covered by the scope of this Agreement or authorized by the CITY in writing.

9.02 CONTRACTOR shall promptly advise the City Manager and Finance Director of CITY as soon as reasonably practicable upon gaining knowledge of a condition, event or accumulation of events which may affect the scope and/or cost of Services. All proposed changes, modifications, deletions and/or requests for additional services shall be reduced to writing for review and approval by the CITY and/or City Council.

10. Termination of Agreement.

10.01 Notwithstanding any other provision of this Agreement, CITY, at its sole option, may terminate this Agreement with or without cause, or for no cause, at any time by giving twenty (20) days' written notice to CONTRACTOR.

10.02 In the event of termination, the payment of monies due CONTRACTOR for undisputed Services performed prior to the effective date of such termination shall be paid within thirty (30) business days after receipt of an invoice as provided in this Agreement. Immediately upon termination, CONTRACTOR agrees to promptly provide and deliver to CITY all original documents, reports, studies, plans, specifications and the like which are in the possession or control of CONTRACTOR and pertain to CITY.

11. Status of CONTRACTOR.

11.01 CONTRACTOR shall perform the Services in CONTRACTOR's own way as an independent contractor, and in pursuit of CONTRACTOR's independent calling, and not as an

employee of CITY. However, CONTRACTOR shall regularly confer with CITY's City Manager as provided for in this Agreement.

11.02 CONTRACTOR agrees that it is not entitled to the rights and benefits afforded to CITY's employees, including disability or unemployment insurance, workers' compensation, retirement, CalPers, medical insurance, sick leave, or any other employment benefit. CONTRACTOR is responsible for providing, at its own expense, disability, unemployment, workers' compensation and other insurance, training, permits, and licenses for itself and its employees and subcontractors.

11.03 CONTRACTOR hereby specifically represents and warrants to CITY that it possesses the qualifications and skills necessary to perform the Services under this Agreement in a competent, professional manner, without the advice or direction of CITY and that the Services to be rendered pursuant to this Agreement shall be performed in accordance with the standards customarily applicable to an experienced and competent professional rendering the same or similar services in the same geographic area where the CITY is located. Further, CONTRACTOR represents and warrants that the individual signing this Agreement on behalf of CONTRACTOR has the full authority to bind CONTRACTOR to this Agreement.

12. Ownership of Documents; Audit.

12.01 All draft and final reports, plans, drawings, studies, maps, photographs, specifications, data, notes, manuals, warranties and all other documents of any kind or nature prepared, developed or obtained by CONTRACTOR in connection with the performance of Services performed for the CITY shall become the sole property of CITY, and CONTRACTOR shall promptly deliver all such materials to CITY upon request. At the CITY's sole discretion, CONTRACTOR may be permitted to retain original documents, and furnish reproductions to CITY upon request, at no cost to CITY.

12.02 Subject to applicable federal and state laws, rules and regulations, CITY shall hold all intellectual property rights to any materials developed pursuant to this Agreement. CONTRACTOR shall not such use data or documents for purposes other than the performance of this Agreement, nor shall CONTRACTOR release, reproduce, distribute, publish, adapt for future use or any other purposes, or otherwise use, any data or other materials first produced in the performance of this Agreement, nor authorize others to do so, without the prior written consent of CITY.

12.03 CONTRACTOR shall retain and maintain, for a



period not less than four years following termination of this Agreement, all time records, accounting records and vouchers and all other records with respect to all matters concerning Services performed, compensation paid and expenses reimbursed. At any time during normal business hours and as often as CITY may deem necessary, CONTRACTOR shall make available to CITY's agents for examination all of such records and shall permit CITY's agents to audit, examine and reproduce such records.

13. Miscellaneous Provisions.

13.01 This Agreement, which includes all attached exhibits, supersedes any and all previous agreements, either oral or written, between the parties hereto with respect to the rendering of Services by CONTRACTOR for CITY and contains all of the covenants and agreements between the parties with respect to the rendering of such Services in any manner whatsoever. Any modification of this Agreement will be effective only if it is in writing signed by both parties.

13.02 CONTRACTOR shall not assign or otherwise transfer any rights or interest in this Agreement without the prior written consent of CITY. Unless specifically stated to the contrary in any written consent to an assignment, no assignment will release or discharge the assignor from any duty or responsibility under this Agreement.

13.03 CONTRACTOR shall timely file FPPC Form 700 Conflict of Interest Statements with CITY if required by California law and/or the CITY's conflict of interest policy.

13.04 If any legal action or proceeding, including an action for declaratory relief, is brought to enforce or interpret the provisions of this Agreement, the prevailing party will be entitled to reasonable attorneys' fees and costs, in addition to any other relief to which that party may be entitled.

13.05 This Agreement is made, entered into and shall be performed in the County of Riverside in the State of California and shall in all respects be interpreted, enforced and governed under the laws of the State of California.

13.06 CONTRACTOR covenants that neither it nor any officer or principal of its firm has any interest, nor shall they acquire any interest, either directly or indirectly, which will conflict in any manner or degree with the performance of their Services hereunder. CONTRACTOR further covenants that in the performance of this Agreement, no person having such interest shall be employed by it as an officer, employee,

agent, or subcontractor.

13.07 CONTRACTOR has read and is aware of the provisions of Section 1090 et seq. and Section 87100 et seq. of the Government Code relating to conflicts of interest of public officers and employees. CONTRACTOR agrees that they are unaware of any financial or economic interest of any public officer or employee of the CITY relating to this Agreement. It is further understood and agreed that if such a financial interest does exist at the inception of this Agreement, the CITY may immediately terminate this Agreement by giving notice thereof. CONTRACTOR shall comply with the requirements of Government Code section 87100 et seq. and section 1090 in the performance of and during the term of this Agreement.

13.08 Improper Consideration. CONTRACTOR shall not offer (either directly or through an intermediary) any improper consideration such as, but not limited to, cash, discounts, services, the provision of travel or entertainment, or any items of value to any officer, employee or agent of the CITY in an attempt to secure favorable treatment regarding this Agreement or any contract awarded by CITY. The CITY, by notice, may immediately terminate this Agreement if it determines that any improper consideration as described in the preceding sentence was offered to any officer, employee or agent of the CITY with respect to the proposal and award process of this Agreement or any CITY contract. This prohibition shall apply to any amendment, extension or evaluation process once this Agreement or any CITY contract has been awarded. CONTRACTOR shall immediately report any attempt by any CITY officer, employee or agent to solicit (either directly or through an intermediary) improper consideration from CONTRACTOR.

13.09 Severability. If any portion of this Agreement is declared invalid, illegal or otherwise unenforceable by a court of competent jurisdiction, the entire balance of this Agreement not so affected shall remain in full force and effect.

IN WITNESS WHEREOF, the parties hereby have made and executed this Agreement to be effective as of the day and year first above-written.

**CITY:**

**CONTRACTOR:**

CITY OF BEAUMONT

\_\_\_\_\_

By:

By:

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Mayor                      Rey Santos,

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Print Name:  
\_\_\_\_\_

Title:  
\_\_\_\_\_

EXHIBIT "A"

PROPOSAL

(insert behind this page)

EXHIBIT "B"

CERTIFICATES OF INSURANCE AND ENDORSEMENTS A

(insert behind this page)

## Attachment II

### Scope of Services

The City of Beaumont intends to obtain the services of a qualified firm to provide the services as outlines below. Best industry practices and/or best management practices may require additional services not explicitly enumerated. The proposer should identify any additional services required, price them, and explain them in their response.

Specific services, although not all-inclusive, to be performed are as follows:

1. Manage the City and Agency portfolios with semi-discretionary authority. Discretionary authority shall be granted unless the diversification of the portfolio will materially change the liquidity of the portfolio by 10% or more and/or a material change to the diversification of the portfolio by 15% or more, which would require prior authorization from the City.
2. Assist the City/Agency with cash flow/maturity analysis.
3. Provide credit analysis of investment instruments in portfolio.
4. Provide monthly/quarterly/annual reporting for the City/Agency managed funds.
5. Attend quarterly meetings (in person or via teleconference) with City staff and Investment Committee.
6. Evaluate market risk and develop strategies that minimize the impact on the portfolio.
7. Provide assurance of portfolio compliance with applicable policies and laws.
8. Establish an appropriate benchmark in addition to the LAIF rate as a benchmark. All earnings should be comparable at a net of fees.
9. Ensure that the portfolio structure matches the City/Agency objectives.
10. Review the City's Investment Policy and make recommendations for changes, as appropriate.
11. Assist the City in establishing and maintaining an authorized broker/dealer list pursuant to the Investment Policy.

Investment practices and procedures must comply with state law, the City's Investment Policy, and any other applicable laws or regulations. The investment advisory firm will be expected to perform to the Prudent Expert Standard.

#### A. Project Deliverables

As part of the scope of services, the Advisor will also be required to provide the

following deliverable products:

1. **Monthly and Quarterly Reports.** Successful Proposer shall provide monthly and quarterly reports that meet all requirements of the City's Investment Policy and be prepared in accordance with Generally Accepted Accounting Principles (GAAP) and in compliance with Government Accounting Standards Board (GASB) pronouncements, including GASB Statements 31 and 40 and should include the following:
  - a. **Summary of Portfolio Holdings.** A listing of all securities held at the end of the month categorized by type of security, maturity and institution.
  - b. **Investment Performance Report.** At a minimum, the performance report should show total returns for the period compared to the established benchmark.
  - c. **Maturity/Duration Indicators.** The monthly report should include portfolio duration and average maturity statistics to help monitor interest-rate risk.
  - d. **Transaction Summary.** A summary of completed transactions for the month.
  - e. **Mark-to-Market Report.** The monthly report should show the cost and market value for each security in the portfolio.
  - f. **Market Commentary.** The monthly and quarterly reports should contain general commentary on the market, trends that might affect performance, future outlook and other information as deemed appropriate.

All reports shall be due to the City within 30 days of the end of the reporting period.
2. **Attendance at Meetings and Hearings.** As part of the work scope and included in the contract price is attendance by the Advisor at as many "working" meetings with staff as necessary in performing work scope tasks.
3. **Services to Other Clients.** It is understood that the Advisor performs investment management services for other clients. It is understood that the Advisor shall not have any obligations to purchase or sell for the City account any security which the Advisor, its principals, affiliates or employees may purchase or sell for its or their own account or for the account of any client, if in the Advisor's good faith opinion such transaction or investment unsuitable, impractical or undesirable for the City account.
4. **Allocation of Brokerage.** Where the Advisor places orders for the execution of portfolio transactions for the City account, the Advisor may allocate such transactions to such brokers and dealers for execution on

such markets, at such prices and at such commission rates as in the good faith judgement of the Advisor will be in the best interest of the City. The Advisor shall receive no soft dollar benefit for any transaction placed on behalf of the City.

**B. Terms of Service**

The terms of service will be for a period of three years, with two one year options, which may be exercised at the City's discretion. An option for early termination of the contract may be exercised by the City for persistent non-responsiveness by the firm to City questions or requests or for failure to meet the standards set by the City.





# City of Beaumont, California Investment Policies

## 1. Introduction

The City of Beaumont shall invest public funds in such a manner as to comply with state and local laws; ensure prudent money management; provide for daily cash flow requirements; and meet the objectives of the Policy; in priority order of Safety, Liquidity and Return on investment.

## 2. Scope

The City's investment policies apply to all personnel, departments, divisions and offices of the City government as well as all associated accounting funds under the direct authority of the City of Beaumont. These accounting funds include, but are not limited to, the General Fund, Special Revenue Funds, Enterprise Funds, Internal Service Funds, Debt Service Funds, Capital Projects Funds, Private Purpose Trust Funds and Agency Trust Funds. These investment policies are also applicable to the City's blended component units, including the Successor Agency to the Beaumont Redevelopment Agency, Beaumont Utility Authority, Beaumont Public Improvement Authority.

## 3. Responsibility

The City Manager is ultimately responsible for the City's implementation and compliance with these policies, unless the City Council authorizes exceptions. Under the direction of the City Manager, the Finance Director will review, develop and implement a system of processes and procedures to ensure compliance with these policies throughout the entire organization. The City Manager will work with the Finance Director to ensure these policies are updated on a timely basis.

## 4. Pooling of Funds

The City of Beaumont consolidates cash balances from all eligible funds to maximize investment earnings. Funds held by the Trustee are not eligible to be pooled. The City schedules its collection of receipts, deposits of funds and disbursements of monies to ensure maximum availability of cash for temporary investment purposes. Investment income is allocated to the various Funds based on their respective participation and in accordance with Generally Accepted Accounting Principles (GAAP).

## 5. Investment Objectives

The primary objectives (in order of priority) of the City investment activities are the safety of principal and preservation of capital, liquidity, and yield.

**1. Safety of Principal and Preservation of Capital.** Safety of principal and preservation of capital are the foremost objectives of the investment program. Investments are undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. The objective is to mitigate credit risk and interest-rate risk.

**A. Credit Risk.** The City of Beaumont will minimize credit risk, the risk of loss due to the failure of the security issuer or backer by:

(1) Limiting investments to the safest type of securities. All investments must be made only in investment grade securities A rating or higher.

(2) Pre-qualifying the financial institutions, broker/dealers, intermediaries, and advisers with whom the City of Beaumont will do business.

The City of Beaumont will use the approved purchasing process for any Investment Advisor services. Within this process will be an agreed upon condition that the Investment Advisor's services obtained shall be required to prequalify all financial institutions to comply with the City of Beaumont's Investment Policy.

(3) Diversifying the investment portfolio so that potential losses on overall portfolio will be strictly limited. The investments shall be diversified by:

- Limiting investments to avoid overconcentration in securities from a specific issuer or business sector (excluding U.S. Treasury securities),
- Investing in securities of varying maturities and
- Continuously investing a portion of the portfolio in readily available funds such as local government investment pools (LGIPs), money market funds or overnight repurchase agreements to ensure that appropriate liquidity is maintained in order to meet ongoing obligations.

**B. Interest Rate Risk.** The City of Beaumont will minimize the risk that the market value of securities in the portfolio will fall due to changes in general interest rates by:

(1) Structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity,

(2) Investing operating funds primarily in shorter-term securities or with State and local government investment pools to ensure liquidity needs are met and stability of principal is assured.

2. **Liquidity.** The investment portfolio remains sufficiently liquid to meet all operating requirements that may be reasonably anticipated. This is accomplished by structuring the portfolio so that securities mature concurrently with the City's cash needs to meet anticipated demands (static liquidity). A portion of the portfolio also may be placed in money market mutual funds or Local Government Investment Pools (LGIP's) which offer either same-day or next-day liquidity. Furthermore, since all possible cash demands cannot be anticipated, the portfolio consists largely of securities with active secondary or resale markets (dynamic liquidity). The City will ensure that liquid resources are available to meet at least six months of operating expenses.

3. **Yield on Investments.** The investment portfolio is designed with the objective of attaining a market rate of return throughout the budgetary and economic cycles, taking into account the investment risk constraints and liquidity needs of the City. Return on investment is of secondary importance compared to the safety and preservation of capital and liquidity objectives described above. The core investments are limited to relatively low risk securities in anticipation of earning a fair return relative to the risk being assumed. Securities shall not be sold prior to the maturity with the following exceptions:

A. **Loss of Principal.** A security with declining credit may be sold early to minimize loss of principal. While investments in securities that pose some risk of principal loss, the portfolio of investments must be structured to strictly limit the overall loss of principal while seeking to increase the rate of investment return.

B. **Security Swap.** A security swap would improve the quality, yield, or target duration in the portfolio.

C. **Liquidity.** Liquidity needs of the portfolio require that the security be sold. Any non-liquid investments will be structured to ensure they become liquid in time to meet operating expenditures. This will require managing of maturity dates for investments to ensure liquid funds are available when needed.

## 6. Standards of Care

A. **Prudence.** The standard of prudence used by investment officials is the "prudent" person standard (Civil Code Section 2261, et. seq.) and is applied in the context of management an overall investment portfolio. Investment officers acting in accordance with written procedures and this overall investment policy and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided deviations from expectations are reported in a timely fashion and

the liquidity and sale of securities are carried in accordance with the terms of this policy.

Investments are made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived.

**B. Public Trust, Ethics and Conflicts of Interest.** Investment officials recognize that the investment portfolio is subject to public review and evaluation. The overall program is designed and managed with a degree of professionalism that is worthy of the public trust.

Officers and employees involved in the investment process will refrain from personal business activity that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial investment decisions. Employees and investment officials will disclose any material interest in financial institutions with which they conduct business. They shall further disclose any personal financial/investment positions that could be related to the performance of the investment portfolio. Employees and officers will refrain from undertaking personal investment transactions with the same individual with whom business is conducted on behalf of the City of Beaumont.

**C. Delegation of Authority.** Authority to manage the City's investment program is granted to the City Manager and his or her designee, hereinafter referred to the "Investment Officer," Responsibility for the operation of the investment program is hereby delegated to the investment officer, who shall act in accordance with this investment policy.

**7. Authorized Financial Dealers and Institutions**

The City will secure the services of one or more approved financial institutions authorized to provide investment services to the to the City of Beaumont. These may include "primary" dealers or regional dealers that qualify under Securities and Exchange Commission Rule 15C3-1 (uniform net capital rule). A determination should be made to ensure that all approved broker/dealer firms, and individuals covering the City of Beaumont, are reputable and trustworthy. In addition, the broker/dealer firms should have the ability to meet all of their financial obligations in dealing with the City of Beaumont. The firms, and individuals covering the City of Beaumont, should be knowledgeable and experienced in Public Agency investing and the investment products involved. No public deposit shall be made except in a qualified public depository as established by the established state laws. All financial institutions and

broker/dealers who desire to provide investment management services for the City will be selected through a competitive bidding process. At a minimum, any selected investment advisor/ manager will be required to provide evidence of all required licensure and/or certifications.

**8. Beaumont's Investment Policy**

The City on an annual basis submits a copy of the current investment policy to all financial institutions approved to do business with the City. Confirmation of receipt of this policy is considered evidence that the dealer has read and understands the City's investment policy and will recommend and execute only transactions suitable for and in compliance with the City's Investment Policy. In selecting financial institutions for deposit or investment of City funds, the creditworthiness of the institutions will be considered. The City will continue to monitor financial institution's credit characteristics and financial history throughout the period in which City funds are deposited or invested.

**9. Authorized Investments for the City**

The City is authorized by California Government Code Section 53600, et.seq. to invest in specific types of securities. Section 43601 of the Government Code sets limits on the type investments that may be in the City portfolio. Refer to attachment A for allowable investment by State of CA.

The City Council may establish further limits on the types of securities in which the City may invest its idle cash. Any investment security (except investment of bond proceeds as explained in the next section) not listed below is not a valid investment for the City of Beaumont.

1. **Local Agency Investment Fund (LAIF) Investments.** LAIF is a special fund of the State of California Treasury that local agencies may use to deposit funds for investment. Investments by the State Treasurer for City funds in LAIF are authorized by the City Council. State law prohibits LAIF from impounding any depositor's funds and prohibits the fund from ever declaring bankruptcy

2. **United States Debt Obligations.** These investments would include U.S. Government direct obligations such as Treasury bills, bonds, notes and other certificates of indebtedness where the full faith and credit of the United States are pledged for payment of principal and interest.

3. **United States Agency Debt Obligations.** These investments include obligations, participations or other instruments of, or issued by, a Federal Agency or a United States Government-Credit Bank (FFCB) or other obligations or other instruments issued by, or

fully guaranteed as to principal and by the Federal Home Loan Mortgage Corporation or the Federal National Mortgage Association (FNMA). While these U.S. Government debt issues are not backed by the full faith and credit of the United States, they do in fact have defacto backing from the Federal Government, and it would be most unlikely that the government would let any of these agencies default on its obligations.

**4. Repurchase Agreements.** These agreements would be limited to U.S. Government or its authorized Agencies' securities described in Number 2 and Number 3 above, provided that they are held less than a year.

**5. Negotiable Certificates of Deposit (CD).** A Certificate of Deposit (CD) is a time deposit with a specific maturity evidenced by a certificate. Certificates of Deposit must be issued through financial institutions insured by the Federal Deposit Insurance Corporation (FDIC), a federal agency of the United States Government that insures bank deposits up to \$250,000 per account

**6. Pass Book Savings Account Demand Deposits.** Savings accounts are hereby approved by the Beaumont City Council provided they are maintained only with banks and savings and loan institutions which are insured by the Federal Deposit Insurance Corporation (FDIC), a federal agency of the United States Government that insures bank deposits up to \$250,000 per account.

**7. Overnight Repurchase Agreements.** The City is authorized by the City Council to set up a "sweep account" and to enter into an overnight repurchase agreement with an authorized bank to sweep cash from its checking accounts and other appropriate accounts to earn overnight interest on funds in these funds.

**8. State Obligations-CA and Others.** The City is authorized by the City Council to purchase State Obligations that fall within the allowable limits of the State Government Code and within the objectives of the City of Beaumont's Investment Policy.

**9. CA Local Agency Obligations.** The City is authorized by the City Council to purchase CA Local Agency Obligations that fall within the allowable limits of the State Government Code and within the objectives of the City of Beaumont's Investment Policy.

**10. Joint Powers Authority Pool.** The City is authorized by the City Council to invest in Joint Powers Authority Pools as long as they meet the criteria within the State Government Code and within the objectives of the City of Beaumont's investment Policy and would require that statement 10 of this policy is followed prior to entrance into such investment pool.

11. **Money Market Mutual Funds.** The City is authorized by the City Council to invest in Money Market Mutual Funds whose portfolios consist entirely of U.S. government securities and would require that statement 10 of this policy is followed prior to entrance into such mutual fund.

12. **Commercial Paper-Pooled Funds.** Commercial paper is a money-market security issued by large corporations to obtain funds to meet short-term debt obligations and is backed only by an issuing bank or company promise to pay the face amount on the maturity date specified on the note. It is usually sold at a discount of face value. State Government Code requires that only the highest letter and number rating by a nationally recognized statistical ratings organization are allowed.

13. **CDARS Program.** A CDARS program is a CD laddering portfolio that allows investing with a relationship institution for different maturity levels of CDs. Despite using multiple banks, the program will submit one statement which makes administration simple.

## 10. Investment Pools/Mutual Funds

A thorough investigation of the pool/fund is required prior to investing, and on a continual basis. There shall be a questionnaire developed which will answer the following general questions:

1. A description of eligible investment securities, and a written statement of investment policy and objectives.
2. A description of interest calculations and how it is distributed, and how gains and losses are treated.
3. A description of how the securities are safeguarded (including the settlement process), and how often the securities are priced and program audited.
4. A description of who may invest in the program, how often, what size deposit and withdrawal are allowed.
5. A schedule for receiving statements and portfolio listings.
6. Are reserves, retained earnings, etc. utilized by the pool/fund?
7. A fee schedule, and when and how is it assessed.
8. Is the pool/fund eligible for bond proceeds and/or will it accept such proceeds?

## 11. Investment of Bond Proceeds

The City directs the investment of proceeds in bonds or similar debt instruments issued as instructed in the bond indenture or similar investment documents. Bond proceeds are not eligible as a part of the City's pooled funds. Securities authorized by the bond indenture or similar investment documents that are not authorized by the City's Investment Policy will be considered approved when the bond

indenture or similar investment document is approved by the City Council. Bond reserve funds, escrow funds and any funds approved by the City Council may be invested in securities with maturity limits of five years or an appropriate longer period. The bond indenture shall provide any specific restrictions or limitations on either the nature or the duration of the investments, and should be the governing document.

**12.Safekeeping and Custody**

1. **Custody.** To protect against potential losses by the collapse of individual securities dealers, all securities owned by the City shall be held in safekeeping by a third-party bank trust department acting as agent for the City under the terms of a custody agreement executed by the bank and the City. No outside broker/dealer or advisor may have access to the City funds, accounts or investments, and any transfer of funds to or through an outside broker/dealer must be approved by the City Council.

2. **Internal Control.** A system of internal controls has been established to prevent losses of public funds arising from fraud, employee error, misrepresentation by third parties, or unanticipated changes in financial markets. Internal controls deemed most important include control of collusion, separation of transaction authority from accounting and record keeping, custodial safekeeping, avoid of physical delivery of securities, clear delegation of authority to subordinate staff members, written confirmation of transactions for investments and wire transfers and development of a wire transfer agreement with the lead bank and third-party custodian.

3. **Delivery vs. Payment.** All trades where applicable executed by delivery vs. payment (DVP) to ensure that securities are deposited in an eligible financial institution prior to the release of funds. Securities are held by a third-party custodian as evidenced by safekeeping receipts.

**13.Reporting**

In accordance with Government Code Section 53646(8)(1), the City Treasurer shall submit to the Finance Committee a quarterly report that will then be taken to the City Council. The report shall include a complete description of the portfolio, the type of investments, the issuers, maturity dates, par values and the current market values of each component of the portfolio, including funds managed for the City of Beaumont by third party contract managers. The report will also include the source of the portfolio valuation. As specified in Government Code 53646(e), if all funds are placed in the Local Agency Investment Fund (LAIF), FDIC insured accounts



and/or county investment pool, the foregoing report elements may be replaced by copies of the latest statements from such institutions. The report must also include a certification that (1) all investment actions executed since the last report have been in full compliance with the investment policy, and, (2) the City of Beaumont will meet its expenditures obligations within the cash flow needs.

### 14. Investment Policy Adoption and Review

The City's independent certified public accountants annually review and make recommendations regarding the City's investment policies to the City Manager and City Council. In accordance with Senate Bill 564 and Senate Bill 866, effective January 1, 1996, the City staff brings forward each year the City's Investment Policy for review by the City Council.

### 15. Glossary

**Active investment management.** An investment management strategy that involves the active trading of securities in an attempt to earn above-average returns on a portfolio. Active investment management requires frequent monitoring of financial markets with the investor taking positions on key market variables in an attempt to "beat" the market.

**Arbitrage.** The simultaneous purchase and sale of similar assets in order to profit from a price difference between the two assets, such as stocks, bonds, commodities, and currencies. In public finance, the term is commonly used to refer to the investment of bond proceeds in taxable instruments to increase investment income.

**Arbitrage rebate.** The federal government has imposed restrictions that prohibit an issuer from retaining arbitrage profits when investing bond proceeds at a yield that exceeds the yield on the bonds. The profit is rebated to the federal government.

**Bankers' acceptance (BA).** A draft or bill of exchange accepted by a bank or trust company. The accepting institution guarantees payment of the bill, as well as the issuer.

**Benchmark.** A benchmark is a composite of securities with specific characteristics such as credit, asset, and maturity. Investors can use a benchmark as a measure to compare the performance of their own portfolio.

**Benchmarking.** Benchmarking, also known as indexing, is a passive investment management approach in which an investor generally creates a portfolio that strives to achieve a return and risk profile similar to a benchmark or an index.

**Certificate of deposit (CD).** A time deposit with a specific maturity evidenced by a Certificate. Large-denomination CD's are typically negotiable.

**Collateral.** Underlying securities that are pledged to secure deposits of public funds. Also used in conjunction with repurchase agreements to protect the entity from default by the counterparty.

**Coupon.** (a.) The annual rate of interest that a bond's issuer promises to pay the bondholder on the bond's face value. (b) A certificate attached to

a bond evidencing interest due on a payment date.

**Custody.** The service of an organization, usually a financial institution, of holding (and reporting) a customer's securities for safekeeping. The financial institution is known as the custodian.

**Delivery-versus-payment (DVP).** A settlement procedure where payment for securities purchase is made simultaneously with the transfer of the purchased securities. The same procedure applies for a securities sale; the securities are transferred as payment is made. This procedure ensures that funds are released upon receipt of securities, thus protecting the government's assets.

**Derivative instrument.** A security that derives its value from an underlying asset, group of assets, reference rate, or index value. Some derivative instruments can be highly volatile and result in a loss of principal in changing interest rate environments.

**Diversification.** Dividing investment funds among a variety of securities offering different risk characteristics and independent returns to reduce risk in a portfolio.

**Generally accepted accounting principles (GAAP).** The criteria normally used by independent auditors to assess whether financial statements are "fairly presented."

**Governmental Accounting Standards Board (GASB).** The standard-setting body responsible for setting GAAP for state and local governments since 1984.

**Leverage.** Using borrowed funds for investment purposes or an attempt to increase the rate of return on an investment by buying securities on margin. This practice can be risky if interest rates rise or if investment yields are lower than expected.

**Liquidity.** A liquid asset is one that can be converted easily and rapidly into cash without a substantial loss of value. In the money market, a security is said to be liquid if the spread between bid and asked price is narrow and reasonable size can be done at those quotes. Local Government Investment Pool (LGIP): The aggregate of all funds from political subdivisions that are placed in the custody of the State Treasurer for investment and reinvestment.

**Marking-to-market.** The practice of valuing a security or portfolio according to its market value, rather than its cost or book value.

**Market value.** The price at which a security is trading and could presumably be purchased or sold.

**Maturity.** The date upon which the principal or stated value of an investment becomes due and payable.

**Passive investment management.** An investment strategy where securities are bought with the intention of holding them to maturity or to mimic a benchmark or an index with the goal of achieving an average market rate of return.

**Portfolio.** Collection of securities held by an investor.

**Primary dealer.** A primary dealer is a bank or securities broker-dealer that trades in the U.S. government securities with the Federal Reserve Bank of New York (FRBNY). It is through the FRBNY Open Market Desk that the Federal Reserve System ("Fed") implements monetary policy. A firm may become a primary dealer by meeting certain requirements, such as minimum capital adequacy standards.

Some governments only conduct investment transactions with primary dealers because of these capital standards.

**Prudent person rule.** An investment standard. In some states the law requires that a fiduciary, such as a trustee, may invest money only in a list of securities selected by the custody state—the so-called legal list. In other states the trustee may invest in a security if it is one which would be bought by a prudent person of discretion and intelligence who is seeking a reasonable income and preservation of capital.

**Rate of return.** The amount of income received from an investment, expressed as a percentage. A market rate of return is the yield that an investor can expect to receive in the current interest-rate environment utilizing a buy-and-hold to maturity investment strategy.

**Regional dealer.** Regional dealers are also referred to as “secondary” or “non-primary” dealers. These are all the firms that are not designated as “primary”. These firms do not trade directly with the FRBNY. Many firms, ranging in size, capitalization, as well as product focus, fall in this category.

**Repurchase agreement (repo).** A transaction in which a holder of securities sells those securities to an investor with an agreement to repurchase those securities for a fixed price at an agreed-upon date. A master repurchase agreement is a written contract governing all future transactions between the parties and seeks to establish each party’s rights in the transactions.

**Reverse repurchase agreement.** The opposite of a repurchase agreement. The investor owns the securities or collateral and a bank or dealer temporarily exchanges cash for the collateral for a specified period of time at an agreed-upon interest rate.

**Safekeeping.** A procedure where securities are held by a third party acting as custodian for a fee.

**Securities and Exchange Commission (SEC).** The Securities and Exchange Commission is a U.S. government agency having primary responsibility for enforcing the federal securities laws and regulating the securities industry.

**SEC Rule 15c3-1.** See Uniform Net Capital Rule.

**Securities lending.** Similar to a reverse repurchase transaction. Financial institutions offer to lend securities owned by institutional clients to brokers in exchange for collateral (typically cash), which is reinvested at a higher rate. The resulting proceeds are split between the client and the lending agent (financial institution).

**STRIPS.** Securities created by separating the principal and interest portions of bonds, such as 30-year Treasuries, or pools of mortgage-backed securities.

**Treasury Bills.** A non-interest bearing discounted security issued by the U.S. Treasury to finance the national debt. Most bills are issued to mature in three months, six months, or one year.

**Treasury Bonds.** Long-term coupon-bearing discount security issued as direct obligations of the U.S. Government and having initial maturities from two to 10 years.

**Total return.** Interest income plus capital gains (or minus losses)

on an investment.

**Uniform net capital rule.** Securities and Exchange Commission requirement that member firms as well as nonmember broker-dealers in securities maintain a maximum ratio of indebtedness covers all money owed to a firm, including margin loans and commitments to purchase securities, one reason new public issues are spread among members of underwriting syndicates. Liquid capital includes cash and assets easily converted into cash.

**Yield.** The percentage return on an investment; also called return. There are several yield calculations that can be made, such as yield to maturity, the promised return assuming all interest and principal payments are made and reinvested at the same rate taking into account price appreciation (if priced below par) or depreciation (if priced above par), or yield to call, the yield an investor will receive if the security is called prior to maturity.

EXHIBIT A - ALLOWABLE INVESTMENT INSTRUMENTS PER STATE  
GOVERNMENT CODE (AS OF JANUARY 1, 2020) APPLICABLE TO ALL LOCAL

INVESTMENT TYPE	MAXIMUM MATURITY <sup>c</sup>	MAXIMUM SPECIFIED % OF PORTFOLIO <sup>d</sup>	MINIMUM QUALITY REQUIREMENTS	GOV'T CODE SECTIONS
Local Agency Bonds	5 years	None	None	53601(a)
U.S. Treasury Obligations	5 years	None	None	53601(b)
State Obligations—CA And Others	5 years	None	None	53601(d)
CA Local Agency Obligations	5 years	None	None	53601(e)
U.S Agency Obligations	5 years	None	None	53601(f)
Bankers' Acceptances	180 days	40% <sup>e</sup>	None	53601(g)
Commercial Paper—Non-Pooled Funds <sup>f</sup>	270 days or less	25% of the agency's money <sup>g</sup>	Highest letter and number rating by an NRSRO <sup>h</sup>	53601(h)(2)(C)
Commercial Paper—Pooled Funds <sup>i</sup>	270 days or less	40% of the agency's money <sup>g</sup>	Highest letter and number rating by an NRSRO <sup>h</sup>	53635(a)(1)
Negotiable Certificates of Deposit	5 years	30% <sup>j</sup>	None	53601(i)
Non-negotiable Certificates of Deposit	5 years	None	None	53630 et seq.
Placement Service Deposits	5 years	50% <sup>k</sup>	None	53601.8 and 53635.8
Placement Service Certificates of Deposit	5 years	50% <sup>k</sup>	None	53601.8 and 53635.8
Repurchase Agreements	1 year	None	None	53601(j)
Reverse Repurchase Agreements and Securities Lending Agreements	92 days <sup>l</sup>	20% of the base value of the portfolio	None <sup>m</sup>	53601(j)
Medium-Term Notes <sup>n</sup>	5 years or less	30%	"A" rating category or its equivalent or better	53601(k)
Mutual Funds And Money Market Mutual Funds	N/A	20%	Multiple <sup>o,p</sup>	53601(l) and 53601.6(b)
Collateralized Bank Deposits <sup>q</sup>	5 years	None	None	53630 et seq. and 53601(n)
Mortgage Pass-Through and Asset-Backed Securities	5 years or less	20%	"AA" rating category or its equivalent or better	53601(o)
County Pooled Investment Funds	N/A	None	None	27133
Joint Powers Authority Pool	N/A	None	Multiple <sup>r</sup>	53601(p)
Local Agency Investment Fund (LAIF)	N/A	None	None	16429.1
Voluntary Investment Program Fund <sup>t</sup>	N/A	None	None	16340
Supranational Obligations <sup>u</sup>	5 years or less	30%	"AA" rating category or its equivalent or better	53601(q)
Public Bank Obligations	5 years	None	None	53601(r), 53635(c) and 57603

AGENCIES



## Staff Report

**TO:** Finance and Audit Committee Members  
**FROM:** Jeff Mohlenkamp, Finance Director  
Lisa Leach, Senior Accountant  
**DATE** January 11, 2021  
**SUBJECT: Review of Audited Financial Statements for FY 2020**

---

### Background and Analysis:

On an annual basis the City is required to have an independent audit of internal controls and financial statements. The audit for FY 2020 is complete and the financial statements along with the auditor opinion are included as Attachment A.

The audit provides for an unmodified (“clean”) opinion, which means that the financial statements present fairly in all material respects, the financial condition of the City. The audit process includes an interim period of review of internal controls and testing of transactions and year end balances. Both processes are completed by the independent auditors.

The review of internal controls and findings regarding prior year deficiencies and deficiencies identified during the current audit are also included as Attachment B. The auditors identified 3 new deficiencies and also identified two prior year deficiencies that require additional action on the part of the City. Management’s response is included in this report.

The Annual Financial Report and Independent Auditor’s Report divided into the following sections:

- **Auditor’s Report on the Financial Statements** – includes their opinion regarding the reliability of the balances and financial activity conducted by the City.
- **Management Discussion and Analysis** – provides management’s discussion of the financial condition of the City and the results of operations for the year ended FY 2019-20.

- **Financial Statements** – this provides for detailed financial results of both government activities and business type activities along with the change in financial position for the City during the fiscal year July 1, 2019, through June 30, 2020.
- **Notes to the Financial Statements** – this provides additional information regarding a summary of significant accounting policies, including valuation of assets and liabilities.
- **Supplementary Information** – this provides for comparative data with information from prior years.

As highlighted in the management discussion and analysis and detailed in the financial statements, the City's financial position continues to improve with positive operating results and improvements in the net financial position of the City. The independent audit firm of Rogers, Anderson, Malody and Scott, LLP will provide an overview of the audit process for the Committee and be available to answer questions.

Additional attachments included for review include the Attachment C, which provides the appropriations limit and Attachment D, which includes the auditor representation letter and identifies adjusting entries proposed by the auditor and the management representation letter.

**Recommended Action:**

It is recommended that the Finance and Audit Committee review the attached financial statements and move them forward to the City Council for consideration.

**Attachments:**

- A. Audited Financial Statements for FY 2019-20
- B. Report on review of Internal Controls for FY 2019-20
- C. Appropriations Limit Report
- D. Auditor representation letter/ Management representation letter



# **City of Beaumont**

**Beaumont, California**

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

*For the Year Ended June 30, 2020*



# **City of Beaumont, California**

## **ANNUAL FINANCIAL REPORT**

For the fiscal year ended June 30, 2020

Prepared by the Finance Department

Jeff Mohlenkamp, Director of Finance

Lisa Leach, Senior Accountant

Jennifer Ustation, Senior Accountant

Jacqueline Miranda, Accounting Technician

Tara Astran, Accounting Technician

Justine Wickman, Accounting Technician

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

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

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## INDEPENDENT AUDITORS' REPORT

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

### PARTNERS

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Scott W. Manno, CPA, CGMA  
Leena Shanbhag, CPA, MST, CGMA  
Bradferd A. Welebir, CPA, MBA, CGMA  
Jenny W. Liu, CPA, MST

### MANAGERS / STAFF

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Gardenya Duran, CPA  
Brianna Schultz, CPA  
Jingjie Wu, CPA  
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Louis Fernandez, CPA  
Abigail Hernandez Conde, CPA, MSA  
Zoe Xinlu Zhang, CPA, MSA  
John Maldonado, CPA, MSA

### MEMBERS

American Institute of  
Certified Public Accountants

*PCPS The AICPA Alliance  
for CPA Firms*

*Governmental Audit  
Quality Center*

*Employee Benefit Plan  
Audit Quality Center*

California Society of  
Certified Public Accountants



### Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Beaumont, California (the "City"), as of and for the year ended June 30, 2020 and the related notes to the basic financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditors' Responsibility

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

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

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

### **Opinions**

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

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis and other required supplementary information, as listed in the accompanying table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### **Other Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual non-major governmental and fiduciary fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated January 4, 2021, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and other matters and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

*Rogers, Anderson, Malody & Scott, LLP.*

San Bernardino, California  
January 4, 2021



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

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This is management's discussion and analysis of the City of Beaumont's financial activities and performance for the fiscal year ended June 30, 2020, and comparison to the prior fiscal year ending June 30, 2019. Please read this in conjunction with the City's financial statements, which follow this discussion and analysis. All statements have been condensed for purposes of the MD&A. Certain prior year amounts have been reclassified for consistency with the current year presentation. These reclassifications had no effect on the reported results of operations or change in net position.

**FINANCIAL HIGHLIGHTS**

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

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

**Government-Wide Financial Statements**

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

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

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

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

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

The government-wide financial statements include the City itself (known as the primary government) in addition to four legally separate entities for which the City is financially accountable: (1) Beaumont Utility Authority (BUA), (2) Beaumont Financing Authority (BFA), (3) Beaumont Parking Authority (BPA), and (4) the Beaumont Public Improvement Authority (BPIA).

**Fund Financial Statements**

The fund financial statements are designed to report information about groupings of related accounts which are used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other State and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into the following three categories: governmental funds, proprietary funds, and fiduciary funds.

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

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

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

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

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

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

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

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

**Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Required Supplementary Information includes schedules required to be presented showing information related to the City's pension plan, and a budgetary comparison schedule for the General Fund and the City's major special revenue funds.

Supplementary Information includes the combining statements and schedules of the non-major governmental funds, internal service funds, and agency funds.

**GOVERNMENT WIDE FINANCIAL ANALYSIS**

The City presents its financial statements under the reporting model required by the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial statements - and Management's Discussion and Analysis - for State and Local Governments* for the fiscal year ending June 30, 2020.

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

Analysis of Net Position

As noted earlier, net position may serve as a useful indicator of a government's overall financial position. For the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources, by \$460.2 million at the end of the fiscal year.

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

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

The largest asset classification is capital assets which are utilized to provide services to citizens and, therefore, these assets are not available for future spending. The City's net position reflects the investment in its capital assets, net of related debt of \$329.7 million. Outstanding debt decreased due to a reduction in short term liabilities and the reduction of long-term debt in the normal course of business.

A portion of the City's net position of \$118.7 million represents resources that are subject to external restrictions on how they may be used. The restrictions include CFD Projects, Capital Projects, Street Projects, Public Safety, Public Access Television and amounts held for future debt service.

The governmental activities had a net position of \$317.8 million. This is largely comprised of capital assets and is offset by noncurrent liabilities that are comprised of balances related to staff compensated absence calculations, capital lease liability, the AB1484 Due Diligence Review payable to the State, claims payable for incurred but not reported claims as well as processed claims outstanding at year-end, and the net pension liability. The balance is significantly less than the governmental funds unrestricted fund balance as it is impacted by the net pension liability of \$16.5 million. The business type activities have an unrestricted position of \$4.6 million.

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

Analysis of Statement of Activities

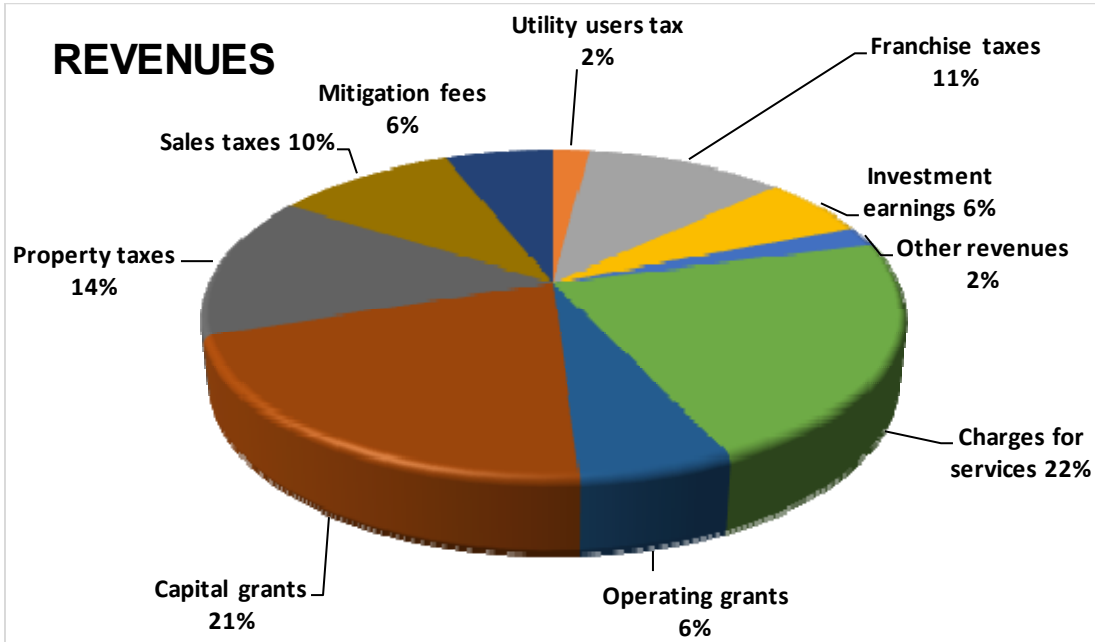
The following table indicates the changes in net position for governmental and business-type activities:

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

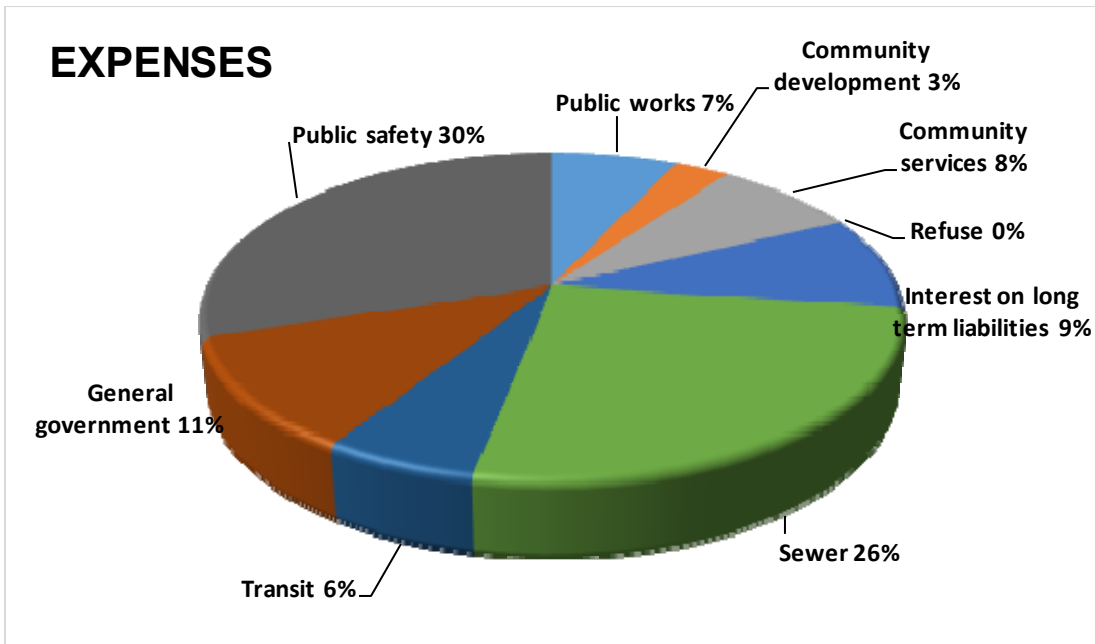
The City's overall net position increased by \$18.8 million during the current fiscal year. This increase is due to continued improvements in operating results, the receipt of a one-time solid waste franchise fee totaling \$5 million and receipt of capital grant funds.

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

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

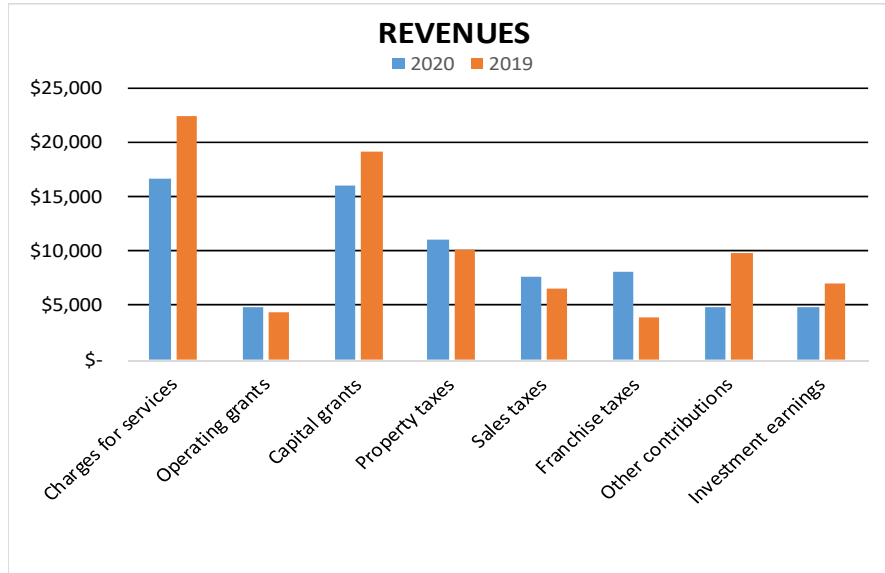


Analysis of total expense indicates that the largest functional costs are for the City's public safety (30%) and sewer services (26%).

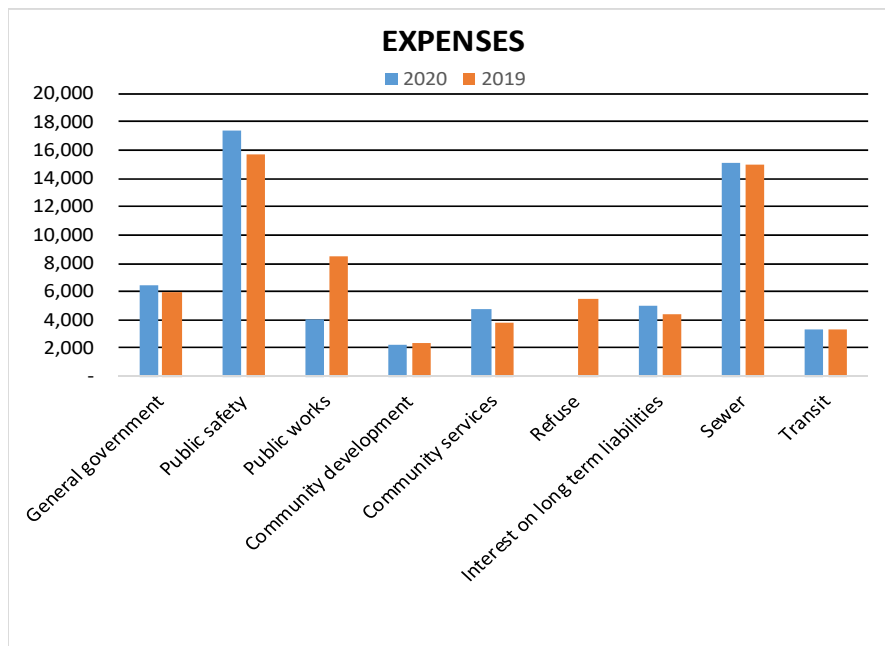


**Management’s Discussion and Analysis (Unaudited) (Continued)  
For the Year Ended June 30, 2020**

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



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



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



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

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

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

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

**FINANCIAL ANALYSIS OF THE CITY'S FUNDS**

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

Governmental Funds - The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of resources that are available for spending. Such information is useful in assessing the City's financing requirements. In particular, unassigned fund balance, may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. Types of governmental funds reported by the City include the General Fund, Special Revenue Funds, Debt Service Funds, and Capital Project funds.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

The General Fund budget was amended during fiscal year 2020. The budget was established as revenue neutral, and no extraordinary items were taken into consideration.

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

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

*Capital Assets*

As of June 30, 2020, the City had invested \$478.3 million in capital assets, net of accumulated depreciation; an increase of 11.5% from the prior year. Governmental activities capital assets increased \$5.8 million as the net result of ongoing projects. Business-type activities capital assets increased by \$43.4 million. A summary of the City's capital assets net of depreciation at June 30, 2019 and 2020 is presented below. Additional information on Capital Assets can be found in Note 5.

**Capital Assets**  
(Dollars in Thousands)

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
<b>GOVERNMENT</b>						
Land	\$ 28,547	\$ 28,085	\$ -	\$ -	\$ 28,547	\$ 28,085
Construction in progress	30,405	23,710	-	-	30,405	23,710
Buildings	19,980	19,790	-	-	19,980	19,790
Machinery and equipment	7,408	6,997	-	-	7,408	6,997
Vehicles	3,097	3,137	-	-	3,097	3,137
Infrastructure	419,535	416,543	-	-	419,535	416,543
Less accumulated depreciation	(231,892)	(226,987)	-	-	(231,892)	(226,987)
	<u>277,081</u>	<u>271,275</u>	<u>-</u>	<u>-</u>	<u>277,081</u>	<u>271,275</u>
<b>SEWER FUND</b>						
Land	-	-	2,003	2,003	2,003	2,003
Construction in progress	-	-	80,898	37,933	80,898	37,933
Buildings and improvements	-	-	83	83	83	83
Machinery and equipment	-	-	89,340	88,379	89,340	88,379
Vehicles	-	-	696	669	696	669
Infrastructure	-	-	144,345	137,497	144,345	137,497
Less accumulated depreciation	-	-	(118,382)	(111,181)	(118,382)	(111,181)
	<u>-</u>	<u>-</u>	<u>198,983</u>	<u>155,383</u>	<u>198,983</u>	<u>155,383</u>
<b>TRANSIT FUND</b>						
Land	-	-	1,007	1,007	1,007	1,007
Construction in progress	-	-	376	47	376	47
Buildings and improvements	-	-	538	538	538	538
Machinery and equipment	-	-	841	824	841	824
Vehicles	-	-	3,902	3,897	3,902	3,897
Less accumulated depreciation	-	-	(4,422)	(3,863)	(4,422)	(3,863)
	<u>-</u>	<u>-</u>	<u>2,242</u>	<u>2,450</u>	<u>2,242</u>	<u>2,450</u>
<b>TOTAL</b>	<u>\$ 277,081</u>	<u>\$ 271,275</u>	<u>\$ 201,225</u>	<u>\$ 157,833</u>	<u>\$ 478,306</u>	<u>\$ 429,108</u>

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

*Debt Administration*

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

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

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

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

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

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**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

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

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

- The City continues to prioritize management of its budget and financial controls.
- The settlement of numerous litigation matters against the City has provided relief and encouragement for the City's financial future. However, the City will continue to defend itself against those matters which it believes are unwarranted.
- The City evaluates all community facility bond debt on an annual basis for potential refunding savings without extending debt terms for the applicable property owners.
- A five-year capital improvements budget is prepared and monitored based on need and available funding.
- The City has engaged in long term financial forecasting in order to be better prepared for changes in economic conditions.
- The City is establishing internal service funds to support equipment replacement, vehicle replacement and facility maintenance/replacement.
- The City is exploring options to address the long-term fiscal implications of its pension liabilities.
- Significant subsequent events are disclosed in Note 14.
- The City's overall financial condition continues to improve as evidenced from the increases in net position, however, care must be given to ensure that ongoing costs do not exceed revenues over the next three to five years.

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

**REQUEST FOR INFORMATION**

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

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## **Basic Financial Statements**

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

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

See accompanying Notes to the Basic Financial Statements

**Statement of Net Position (Continued)**  
**June 30, 2020**

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

See accompanying Notes to the Basic Financial Statements



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

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

See accompanying Notes to the Basic Financial Statements

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

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

See accompanying Notes to the Basic Financial Statements

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## **Fund Financial Statements**

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

## **Governmental Fund Financial Statements**

## GOVERNMENTAL FUND FINANCIAL STATEMENTS

Major Governmental Funds of the City are outlined below:

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

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

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

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

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

**Beaumont Financing Authority / Beaumont Public Improvement Authority Debt Service Funds** - These funds are authorized to borrow money for the purpose of financing the acquisition of bonds, notes and other obligations of, or for the purpose of making loans to the City and/or to refinance outstanding obligations of the City.

**Balance Sheet**  
**Governmental Funds**  
**June 30, 2020**

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

See accompanying Notes to the Basic Financial Statements

**Balance Sheet (Continued)**  
**Governmental Funds**  
**June 30, 2020**

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

See accompanying Notes to the Basic Financial Statements



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

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<b>Total Fund Balances - Total Governmental Funds</b>	\$ 143,095,878
Capital assets used in governmental activities were not financial resources and therefore, were not reported in governmental funds.	
Capital assets, nondepreciable	58,952,848
Capital assets, depreciable	218,127,914
Long-term liabilities were not due and payable in the current period and therefore, were not reported in the governmental funds.	
Compensated absences - due within one year	(262,792)
Compensated absences - due in more than one year	(2,365,123)
Claims payable - due within one year	(1,617,130)
Claims payable - due in more than one year	(589,265)
Long-term debt - due within one year	(4,022,260)
Long-term debt - due more than one year	(82,144,512)
Aggregate net pension liability is not due and payable in the current period and therefore is not required to be reported in the governmental funds.	
	(16,461,563)
Pension-related deferred outflows/inflows of resources in the governmental activities were not financial resources (uses) and therefore were not reported in the Governmental Funds Balance Sheet.	
Pension-related deferred outflows of resources	5,268,887
Pension-related deferred inflows of resources	(211,425)
Unavailable revenues recorded in governmental fund financial statements resulting from activities in which revenues were earned but funds were not available were recognized as revenues in the Government-Wide Financial Statements.	
	73,881
<b>Net Position of Governmental Activities</b>	<u>\$ 317,845,338</u>

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

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

See accompanying Notes to the Basic Financial Statements

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

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

See accompanying Notes to the Basic Financial Statements

**Reconciliation of the Governmental Funds Statement of Revenues, Expenditures,  
and Changes in Fund Balance to the Government-Wide Statement of Activities  
For the Year Ended June 30, 2020**

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

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

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

The issuance of long-term liabilities provided current financial resources to governmental funds, but issuing debt increased long-term liabilities in the Government-Wide Statement of Net Position. Repayment of long-term liabilities was an expenditure in governmental funds, but the repayment reduced long-term liabilities in the Government-Wide Statement of Net Position.

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

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

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

Certain long-term assets and liabilities were reported in the Government-Wide Statement of Activities, but they did not require the use of current financial resources. Therefore, long-term assets and liabilities were not reported as expenditures in governmental funds. These amounts represented the changes in long-term liabilities from prior year.

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

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

	(576,488)
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**Change in Net Position of Governmental Activities** \$ 10,472,164

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## **Proprietary Fund Financial Statements**

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## PROPRIETARY FUND FINANCIAL STATEMENTS

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

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



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

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

See accompanying Notes to the Basic Financial Statements

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

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

See accompanying Notes to the Basic Financial Statements

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

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

See accompanying Notes to the Basic Financial Statements

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

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

See accompanying Notes to the Basic Financial Statements

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## **Fiduciary Fund Financial Statements**

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## FIDUCIARY FUND FINANCIAL STATEMENTS

**Agency Funds** – To account for collections received from special assessment district and their disbursement to bondholders.

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



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

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

*See accompanying Notes to the Basic Financial Statements*

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

---

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

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## **Notes to the Basic Financial Statements**

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

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

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**Note 1 - Reporting Entity and Summary of Significant Accounting Policies**

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

**A. Reporting Entity**

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

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

*Blended Component Units*

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

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



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

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

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

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

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

**Beaumont Financing Authority**

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

**Beaumont Utility Authority**

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

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

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

**A. Reporting Entity (Continued)**

*Blended Component Units (Continued)*

**Beaumont Parking Authority**

The Beaumont Parking Authority (the "BPA") was established on May 1, 2018 by the City of Beaumont City Council through resolution 2018-12 that declared a need for a parking authority in the city. The BPA was created to establish the Beaumont Public Improvement Authority through a joint powers agreement. The City Council serves as the governing board for the BPA and the City has operational responsibility for the BPA. There was no financial activity for the BPA during the fiscal year ending June 30, 2020.

**Beaumont Public Improvement Authority**

The Beaumont Public Improvement Authority (the "BPIA") was established on May 15, 2018 by a joint powers agreement between the City of Beaumont and the Beaumont Parking Authority. The BPIA is authorized to issue revenue bonds to be repaid from the proceeds of wastewater services and to provide financing and refinancing for public capital improvements of the City's wastewater system. The City Council serves as the governing board for the BPIA and the City has operational responsibility for the BPIA. There was no financial activity for the BPIA since inception through the fiscal year ending June 30, 2020.

**B. Basis of Accounting and Measurement Focus**

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

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

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

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

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

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

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

**B. Basis of Accounting and Measurement Focus (Continued)**

*Government-Wide Financial Statements*

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

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

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

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

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

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

*Governmental Fund Financial Statements*

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

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

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

**B. Basis of Accounting and Measurement Focus (Continued)**

*Governmental Fund Financial Statements (Continued)*

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

Revenues are recognized as soon as they are both "measurable" and "available". Revenues are considered to be available when they are collectible within the current period as soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the providers have been met.

Governmental funds of the City are outlined below:

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

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

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

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

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

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

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

**B. Basis of Accounting and Measurement Focus (Continued)**

*Governmental Fund Financial Statements (Continued)*

**Beaumont Financing Authority / Beaumont Public Improvement Authority Debt Service Funds** - These funds are authorized to borrow money for the purpose of financing the acquisition of bonds, notes and other obligations of, or for the purpose of making loans to the City and/or to refinance outstanding obligations of the City.

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

*Proprietary Fund Financial Statements*

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

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

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

Proprietary funds of the City are outlined below:

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

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

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

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

**B. Basis of Accounting and Measurement Focus (Continued)**

*Fiduciary Fund Financial Statements*

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

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

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

**C. Cash, Cash Equivalents and Investments**

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

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

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

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

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

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

**D. Restricted Cash and Investments**

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

**E. Capital Assets**

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

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

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

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

**F. Long-Term Debt**

*Government-Wide Financial Statements*

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

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

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

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

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

**G. Compensated Absences***Government-Wide Financial Statements*

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

*Fund Financial Statements*

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

**H. Pensions**

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



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

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

**H. Pensions (Continued)**

The following timeframes are used for pension plan reporting:

CalPERS:

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

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

**I. Property Taxes**

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

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

**J. Net Position**

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

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

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

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

**J. Net Position (Continued)**

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

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

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

**K. Fund Balances**

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

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

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

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

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

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

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

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

**K. Fund Balances (Continued)**

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

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

**L. Use of Estimates**

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

**M. Fair Value Measurement**

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

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

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

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

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

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

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

*GASB Statement No. 84*

In January 2017, GASB issued Statement No. 84, Fiduciary Activities. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. Application of this statement is effective for the City's fiscal year ending June 30, 2021.

*GASB Statement No. 87*

In June 2017, GASB issued Statement No. 87, Leases. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. Application of this statement is effective for the City's fiscal year ending June 30, 2022.

*GASB Statement No. 89*

In June 2018, GASB issued Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period. This Statement establishes accounting requirements for interest cost incurred before the end of a construction period. Such interest cost includes all interest that previously was accounted for in accordance with the requirements of paragraphs 5-22 of Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, which are superseded by this Statement. This Statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. Application of this statement is effective for the City's fiscal year ending June 30, 2022.

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

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**Note 1 - Reporting Entity and Summary of Significant Accounting Policies (Continued)****N. Upcoming Governmental Accounting Standards Implementation (Continued)***GASB Statement No. 90*

In August 2018, GASB issued Statement No. 90, Majority Equity Interests- An Amendment of GASB Statements No. 14 and No. 61. This Statement improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value. Application of this statement is effective for the City's fiscal year ending June 30, 2021.

*GASB Statement No. 91*

In May 2019, GASB issued Statement No. 91, Conduit Debt Obligations. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. Application of this statement is effective for the SEJPA's fiscal year ending June 30, 2023.

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

**Note 2 - Cash and Investments**

**A. Cash Deposits**

The following is a summary of pooled cash and investments and restricted cash and investments at June 30, 2020:

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

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

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

At June 30, 2020, cash and investments, are reported at fair value based on quoted market prices. The following table represents the fair value measurements of investments recognized in the accompanying Statement of Net Position measured at on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2020:

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

The carrying amount of the City's demand deposits are \$62,165,162 at June 30, 2020. Bank balances were \$61,219,224 at that date; the total amount is collateralized or insured with securities held by the pledging financial institutions in the City's name is discussed below.

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

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**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.

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

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

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

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

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**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.

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

**C. External Investment Pool**

The City is a voluntary participant in LAIF, which is regulated by California Government Code Section 16429 under the oversight of the Treasurer of the State of California. The City's investments in LAIF at June 30, 2020 included a portion of pool funds invested in Structure Notes and Asset-Backed Securities:

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

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

As of June 30, 2020, the City had \$60,104,392 invested in LAIF, which had invested 3.37% of the pool investment funds in Structured Notes and Asset-Backed Securities. LAIF determines fair value on its investment portfolio based on market quotations for those securities where market quotations are readily available and based on amortized cost or best estimate for those securities where market value is not readily available. The value of the City's position in the pool is the same as the value of the pool shares. LAIF is unrated as of June 30, 2020.



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

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**Note 2 - Cash and Investments (Continued)**

**D. Investment in CFD Bonds**

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

**E. Risk Disclosures**

*Interest Rate Risk*

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

As of June 30, 2020, the City had the following investments and maturities:

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

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

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**Note 2 - Cash and Investments (Continued)**

**E. Risk Disclosures (Continued)**

*Credit Risk*

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

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

*Custodial Credit Risk*

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

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

**Note 2 - Cash and Investments (Continued)**

**E. Risk Disclosures (Continued)**

*Concentration of Credit Risk*

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

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

**Note 3 - Loans Receivable**

**A. Governmental Activities**

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

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

*Calimesa Loan*

The City entered into a loan agreement with City of Calimesa for the design and construction of portions of Cherry Valley Boulevard and Palmer Drive. The City of Calimesa will repay the loans within the next 20 years, plus simple interest annually at the rate paid by the Local Agency Investment Fund (LAIF) on January 1 of each year on the unpaid balance. The balance of the loan totaled \$224,671 at June 30, 2020. This balance includes interest of \$15,930 calculated at the LAIF rate of 1.93%.

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

Note 4 - Interfund Balances and Transactions

A. Transfers

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

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

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

**Note 4 - Interfund Balances and Transactions (Continued)**

**B. Due to/from Other Funds**

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

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

**Note 5 - Capital Assets**

**A. Governmental Activities**

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

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

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

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

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

**Note 5 - Capital Assets (Continued)**

**B. Business-Type Activities**

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

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

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

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

**C. Fiduciary Fund Financial Statements**

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

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

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

**Note 6 - Long-Term Obligations**

**A. Governmental Activities**

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

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

*AB 1484 Due Diligence Review*

The City has entered into an agreement with the State of California, Department of Finance (State) to pay an outstanding amount due from the State's Due Diligence Review. The original amount due was \$2,875,912, and the outstanding balance at June 30, 2020 is \$1,075,912. The agreement calls for annual payments of \$300,000 through July 15, 2022, with a final payment of \$175,912 due on July 15, 2023. The City will utilize "residual" pass-through payments received by the City's General Fund to pay this debt of the former Redevelopment Agency. There is no interest charged by the State.

The annual debt service requirements are as follows:

Year Ending June 30,	Total
2021	\$ 300,000
2022	300,000
2023	300,000
2024	175,912
Total	<u>\$ 1,075,912</u>

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

**Note 6 - Long-Term Obligations (Continued)**

**A. Governmental Activities (Continued)**

*Capital Lease*

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

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

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

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

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

*Revenue Bonds*

**Local Revenue Bonds - 1994**

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



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

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

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

Neither the Authority Bonds nor the District Bonds are general obligations of the City nor any other political subdivision and the full faith and credit of the City is not pledged for repayment thereof. The outstanding indebtedness at June 30, 2020, on the Series A Bonds was \$2,530,000.

The District Bonds do not constitute an obligation of the City and the City is not obligated to make payment beyond the special taxes and available bond reserves.

**Local Agency Revenue Bonds - 2007 Series A**

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

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

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

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

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

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

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

**Local Agency Revenue Bonds - 2007 Series C and D**

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

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

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

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

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

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

**Local Agency Revenue Bonds - 2011 Series A and B**

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

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

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**Note 6 - Long-Term Obligations (Continued)****A. Governmental Activities (Continued)***Revenue Bonds (Continued)***Local Agency Revenue Bonds - 2011 Series A and B (Continued)**

The Authority Bonds are payable from and secured by repayment of the District Bonds. Interest is payable semiannually on March 1 and September 1 of each year, commencing September 1, 2012 until maturity or earlier redemption. The Bonds consist of \$1,405,000 serial bonds maturing annually in amounts between \$10,000 and \$250,000 from September 1, 2015 through September 1, 2026 with interest rates between 3.500% and 5.500%. Thereafter, \$1,820,000 of 6.125% term bonds are due September 1, 2031, with sinking payments to be made beginning September 1, 2027, and \$8,920,000 of 6.375% term bonds are due September 1, 2042, with sinking payments to be made beginning September 1, 2032.

Neither the Authority Bonds nor the District Bonds are general obligations of the City nor any other political subdivision and the full faith and credit of the City is not pledged for repayment thereof. The outstanding indebtedness at June 30, 2020 was \$11,930,000 for the Authority Bonds is reported in the City's financial statements as the BFA is a component unit of the City.

The District Bonds do not constitute an obligation of the City and the City is not obligated to make payment beyond the special taxes and available bond reserves.

**Local Agency Revenue Bonds - 2012 Series A**

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

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

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

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

Neither the Authority Bonds nor the District Bonds are general obligations of the City nor any other political subdivision and the full faith and credit of the City is not pledged for repayment thereof. The outstanding indebtedness at June 30, 2020 was \$5,600,000 for the Authority Bonds and is reported in the City's financial statements as the BFA is a component unit of the City.

The District Bonds do not constitute an obligation of the City and the City is not obligated to make payment beyond the special taxes and available bond reserves.

**Local Agency Revenue Bonds - 2012 Series B**

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

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

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

Neither the Authority Bonds nor the District Bonds are general obligations of the City nor any other political subdivision and the full faith and credit of the City is not pledged for repayment thereof. The outstanding indebtedness at June 30, 2020 was \$2,955,000 for the Authority Bonds and is reported in the City's financial statements as the BFA is a component unit of the City. The District Bonds do not constitute an obligation of the City and the City is not obligated to make payment beyond the special taxes and available bond reserves, therefore these bonds have not been reflected as long-term liabilities in the accompanying financial statements.

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

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

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

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

Neither the Authority Bonds nor the District Bonds are general obligations of the City nor any other political subdivision and the full faith and credit of the City is not pledged for repayment thereof. The outstanding indebtedness at June 30, 2020 was \$3,345,000 for the Authority Bonds and is reported in the City's financial statements as the BFA is a component unit of the City.

The District Bonds do not constitute an obligation of the City and the City is not obligated to make payment beyond the special taxes and available bond reserves.

**Local Agency Revenue Bonds - 2013 Series A**

On January 17, 2013, the BFA issued \$8,810,000 of 2013 Local Agency Revenue Bonds, Series A (the "Authority Bonds") for the purpose of acquiring the City of Beaumont Community Facilities District No. 93-1 Special Tax Bonds ("District Bonds") in the amount of \$7,865,887. The District Bonds were issued to provide the District with funds to finance public infrastructure related to Improvements Area No. I 9C, fund interest on the bonds, pay expenses relating to the issuance of the bonds and fund a reserve account. The Authority Bonds are payable from and secured by repayment of the District Bonds. Interest is payable semiannually on March 1 and September 1 of each year, commencing September 1, 2013 until maturity or earlier redemption. The Bonds consist of \$4,180,000 serial bonds maturing annually in amounts between \$55,000 and \$420,000 from September 1, 2013 through September 1, 2022 with interest rates between 1.500% and 4.250%.

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

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

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

Neither the Authority Bonds nor the District Bonds are general obligations of the City nor any other political subdivision and the full faith and credit of the City is not pledged for repayment thereof. The outstanding indebtedness at June 30, 2020 was \$6,014,700 for the Authority Bonds and is reported in the City's financial statements as the BFA is a component unit of the City. The District Bonds do not constitute an obligation of the City and the City is not obligated to make payment beyond the special taxes and available bond reserves, therefore these bonds have not been reflected as long-term liabilities in the accompanying financial statements.

**Local Agency Refunding Revenue Bonds - 2013 Series B**

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

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

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

Neither the Authority Bonds nor the District Bonds are general obligations of the City nor any other political subdivision and the full faith and credit of the City is not pledged for repayment thereof. The outstanding indebtedness at June 30, 2020 was \$8,680,000 for the Authority Bonds and is reported in the City's financial statements as the BFA is a component unit of the City.

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

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

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

**Local Agency Refunding Revenue Bonds - 2015 Series A**

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

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

Neither the Authority Bonds nor the District Bonds are general obligations of the City nor any other political subdivision and the full faith and credit of the City is not pledged for repayment thereof. The outstanding indebtedness at June 30, 2020 was \$10,000,000 for the Authority Bonds and is reported in the City's financial statements as the BFA is a component unit of the City.

The District Bonds do not constitute an obligation of the City and the City is not obligated to make payment beyond the special taxes and available bond reserves.

**Local Agency Refunding Revenue Bonds - 2015 Series B**

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

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



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

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**Note 6 - Long-Term Obligations (Continued)****A. Governmental Activities (Continued)***Revenue Bonds (Continued)***Local Agency Refunding Revenue Bonds - 2015 Series B (Continued)**

Neither the Authority Bonds nor the District Bonds are general obligations of the City nor any other political subdivision and the full faith and credit of the City is not pledged for repayment thereof. The outstanding indebtedness at June 30, 2020 was \$16,810,000 for the Authority Bonds and is reported in the City's financial statements as the BFA is a component unit of the City.

The District Bonds do not constitute an obligation of the City and the City is not obligated to make payment beyond the special taxes and available bond reserves.

**Local Agency Refunding Revenue Bonds - 2015 Series C**

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

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

Neither the Authority Bonds nor the District Bonds are general obligations of the City nor any other political subdivision and the full faith and credit of the City is not pledged for repayment thereof. The outstanding indebtedness at June 30, 2020 was \$4,265,000 for the Authority Bonds and is reported in the City's financial statements as the BFA is a component unit of the City.

The District Bonds do not constitute an obligation of the City and the City is not obligated to make payment beyond the special taxes and available bond reserves.

**Local Agency Refunding Revenue Bonds - 2015 Series D**

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

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

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**Note 6 - Long-Term Obligations (Continued)****A. Governmental Activities (Continued)***Revenue Bonds (Continued)***Local Agency Refunding Revenue Bonds - 2015 Series D (Continued)**

The Authority Bonds are payable from and secured by repayment of the District Bonds. Interest is payable semiannually on March 1 and September 1 of each year, commencing September 1, 2015 until maturity or earlier redemption. Interest on the bonds ranges from 2.00% to 4.25%.

Neither the Authority Bonds nor the District Bonds are general obligations of the City nor any other political subdivision and the full faith and credit of the City is not pledged for repayment thereof. The outstanding indebtedness at June 30, 2020 was \$6,320,000 for the Authority Bonds and is reported in the City's financial statements as the BFA is a component unit of the City.

The District Bonds do not constitute an obligation of the City and the City is not obligated to make payment beyond the special taxes and available bond reserves.

**Local Agency Refunding Revenue Bonds - 2019 Series A**

On August 8, 2019, the BFA issued \$5,375,000 of 2019 Local Agency Refunding Revenue Bonds, Series A (the "Authority Bonds") for the purpose of refunding the Beaumont Financing Authority Local Agency Revenue Bonds Series 2007 A, C and D.

The Authority Bonds are payable from and secured by repayment of the District Bonds. Interest is payable semiannually on March 1 and September 1 of each year, commencing September 1, 2021 until maturity or earlier redemption. Interest on the bonds ranges from 3.0% to 5.0%.

Neither the Authority Bonds nor the District Bonds are general obligations of the City nor any other political subdivision and the full faith and credit of the City is not pledged for repayment thereof. The outstanding indebtedness at June 30, 2020 was \$5,375,000 for the Authority Bonds and is reported in the City's financial statements as the BFA is a component unit of the City.

The District Bonds do not constitute an obligation of the City and the City is not obligated to make payment beyond the special taxes and available bond reserves.

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

**Note 6 - Long-Term Obligations (Continued)**

**A. Governmental Activities (Continued)**

*Revenue Bonds (Continued)*

**Annual Debt Service Requirements to Maturity**

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

**Revenue Bonds**

<b>Year Ending June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2021	\$ 3,615,000	\$ 3,870,478	\$ 7,485,478
2022	3,810,000	3,763,512	7,573,512
2023	3,995,000	3,654,235	7,649,235
2024	3,800,000	3,522,459	7,322,459
2025	3,510,000	3,368,444	6,878,444
2026-2030	20,245,000	14,250,476	34,495,476
2031-2035	24,170,000	8,940,692	33,110,692
2036-2040	11,374,700	4,188,000	15,562,700
2041-2045	8,665,000	1,078,756	9,743,756
2046	640,000	16,000	656,000
<b>Total</b>	<b>\$ 83,824,700</b>	<b>\$ 46,653,053</b>	<b>\$ 130,477,753</b>

**B. Business-Type Activities**

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

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

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

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**Note 6 - Long-Term Obligations (Continued)**

**B. Business-Type Activities (Continued)**

*Capital Lease*

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

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

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

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

	<b>Amount</b>
Vehicles	\$ 455,505
Less: accumulated depreciation	(227,752)
Total	<u>\$ 227,753</u>

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

**Note 6 - Long-Term Obligations (Continued)**

**B. Business-Type Activities (Continued)**

*Revenue Bonds*

**Wastewater Revenue Bonds, Series 2018A**

On September 27, 2018, the Beaumont Public Improvement Authority issued \$81,105,000 of revenue bonds, to finance the acquisition and construction of certain improvements to the City's Wastewater System and to purchase a debt service reserve surety policy. The bonds were issued at a premium of \$9,698,952 which is amortized over the life of the bonds. Interest on the bonds is payable semi-annually on March 1 and September 1 of each year through September 1, 2049. The bonds bear interest ranging from 3% to 5%. Principal payments are due annually beginning on September 1, 2019. The bonds are a special limited obligation of the Authority payable solely from Authority Revenues. The outstanding balance of the Wastewater Revenue Bonds Series 2018A at June 30, 2020 was \$80,105,000.

<b>Year Ending June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2021	\$ 1,245,000	\$ 3,828,788	\$ 5,073,788
2022	1,295,000	3,777,988	5,072,988
2023	1,355,000	3,718,213	5,073,213
2024	1,425,000	3,648,713	5,073,713
2025	8,285,000	17,071,313	25,356,313
2026-2030	10,525,000	14,829,813	25,354,813
2031-2035	13,060,000	12,291,669	25,351,669
2036-2040	16,620,000	8,734,250	25,354,250
2041-2045	21,345,000	4,011,875	25,356,875
2046-2050	4,950,000	123,750	5,073,750
Total	<u>\$ 80,105,000</u>	<u>\$ 72,036,372</u>	<u>\$ 152,141,372</u>

**Note 7 - Debt Without City Commitment**

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

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

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**Note 7 - Debt Without City Commitment (Continued)**

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

District Bonds issued during the year ended June 30, 2020 were as follows:

***2018 Special Tax Bonds, IA 7B***

On November 8, 2018, the CFD issued \$2,370,000 of special tax bonds, to finance a portion of the costs of acquiring and constructing certain public infrastructure improvements necessary for development of property within the City per a settlement agreement with developers. Interest on the bonds is payable semi-annually on March 1 and September 1 of each year through September 1, 2039. The bonds bear interest ranging from 3% to 4%. Principal payments are due annually beginning on September 1, 2019. The notes are secured by a first pledge of the special tax revenues and funds on deposit in the Bond Fund, Reserve Fund, and Special Tax Fund. The outstanding balance of the 2018 Special Tax Bonds, Series A at June 30, 2020 was \$2,250,000.

***2018 Special Tax Bonds, IA 7D***

On November 8, 2018, the CFD issued \$3,725,000 of special tax bonds, to finance a portion of the cost of acquiring and constructing certain public infrastructure improvements necessary for development of property within the City per a settlement agreement with developers. Interest on the bonds is payable semi-annually on March 1 and September 1 of each year through September 1, 2048. The bonds bear interest ranging from 3% to 4.125%. Principal payments are due annually beginning on September 1, 2019. The notes are secured by a first pledge of the special tax revenues and funds on deposit in the Bond Fund, Reserve Fund, and Special Tax Fund. The outstanding balance of the 2018 Special Tax Bonds IA 7D at June 30, 2020 was \$3,630,000.

***2018 Special Tax Bonds, IA 8E***

On December 7, 2018, the CFD issued \$12,680,000 of special tax bonds, to finance a portion of the cost of acquiring and constructing certain public infrastructure improvements necessary for the development of property within the City per a settlement agreement with developers. Interest on the bonds is payable semi-annually on March 1 and September 1 of each year through September 1, 2048. The bonds bear interest ranging from 2% to 5%. Principal payments are due annually beginning September 1, 2019. The notes are secured by a first pledge of the special tax revenues and funds on deposit in the Bond Fund, Reserve Fund, and Special Tax Fund. The outstanding balance of the 2018 Special Tax Bonds IA 8E at June 30, 2020 was \$12,510,000.

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

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**Note 7 - Debt Without City Commitment (Continued)**

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

On March 12, 2019, the CFO issued \$9,045,000 of special tax bonds, to finance a portion of acquiring and constructing certain public infrastructure improvements necessary for the development of property within the City per a settlement agreement with developers. Interest on the bonds is payable semi-annually on March 1 and September 1 of each year through September 1, 2048. The bonds bear interest ranging from 3% to 5%. Principal payments are due annually beginning September 1, 2019. The notes are secured by a first pledge of the special tax revenues and funds on deposit in the Bond Fund, Reserve Fund, and Special Tax Fund. The outstanding balance of the 2019 Special Tax Bonds IA 2016-1 at June 30, 2020 was \$8,790,000.

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

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

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

**Note 8 - Compensated Absences**

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

**A. Governmental Activities**

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

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

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

**B. Business-Type Activities**

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

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

**Note 9 - Risk Management**

The City is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The City, including its component units, uses the General Fund to account for and finance risks for general liability, workers' compensation, and property damage. There were no settlements in excess of insurance coverage in any of the three prior fiscal years. There were no reductions in the City's limits of coverage during the fiscal year ended June 30, 2020.

*General Liability and Property Damage Insurance*

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



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

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**Note 9 - Risk Management (Continued)**

*General Liability and Property Damage Insurance (Continued)*

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

*Workers' Compensation*

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

*Government Crime Policy*

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

Changes in the claims liability amounts were as follows:

	<b>Beginning of Fiscal Year Liability</b>	<b>Current Year Claims and Changes in Estimates</b>	<b>Claim Payments</b>	<b>Balance at Fiscal Year End</b>
2017-2018	\$ 2,331,191	\$ 1,383,627	\$ (1,500,000)	\$ 2,214,818
2018-2019	2,214,818	2,870,524	(2,277,967)	2,807,375
2019-2020	2,807,375	1,016,150	(1,617,130)	2,206,395

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

**Note 10 - Pension Plans**

**A. Summary**

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

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

**Note 10 - Pension Plans (Continued)**

**A. Summary (Continued)**

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

**B. General Information about the Pension Plans**

*Plan Description*

The City contributes to the California Public Employees' Retirement System ("CalPERS"), a cost-sharing multiple-employer defined benefit pension plan. CalPERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. CalPERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by State statute and City ordinance. Copies of the CalPERS annual financial report may be obtained from their Executive Office located at 400 P Street, Sacramento, California 95814.

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

**Note 10 - Pension Plans (Continued)**

**B. General Information about the Pension Plans (Continued)**

*Employees Covered by Benefit Terms*

At June 30, 2019, measurement date, the following employees were covered by the benefit terms:

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

*Benefit Provided*

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

Following are the benefit provisions for each plan:

	Miscellaneous	Miscellaneous PEPRA	Safety	Safety PEPRA
Benefit formula	3.0% @ 60	2.0% @ 62	3.0% @ 50	2.7% @ 57
Benefit vesting schedule	5 years service	5 years service	5 years service	5 years service
Benefit payments	Monthly for life	Monthly for life	Monthly for life	Monthly for life
Retirement age	50-67	52-67	50-55	50-57
Monthly benefits, as a % of eligible compensation	3.0%	2.0%	3.0%	2.7%
Required employee contribution rate	8.000%	6.750%	9.000%	12.000%
Required employer contribution rate	14.398%	6.985%	21.927%	13.034%

Contributions

For the year ended June 30, 2020, the contributions recognized as part of pension expense for each Plan were as follows:

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

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

**Note 10 - Pension Plans (Continued)**

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

*Proportionate Share of Net Pension Liability and Pension Expense*

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

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

The City's net pension liability/(asset) for each Plan is measured as the proportionate share of the net pension liability/(asset). The net pension liability/(asset) of each of the Plans is measured as of June 30, 2019, and the total pension liability/(asset) for each Plan used to calculate the net pension liability/(asset) was determined by an actuarial valuation as of June 30, 2018 rolled forward to June 30, 2019 using standard update procedures. The City's proportion of the net pension liability/(asset) was based on a projection of the City's long-term share of contributions to the pension plans relative to the projected contributions of all participating employers, actuarially determined. The City's proportionate share of the net pension liability/(asset) for each Plan as of June 30, 2018 and 2019 was as follows:

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

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

**Note 10 - Pension Plans (Continued)**

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

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

For the year ended June 30, 2020, the City recognized pension expense of \$2,139,876 and \$2,563,438, for the Miscellaneous and Safety plans, respectively. At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<b>Miscellaneous Plans</b>		
	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Pension contributions made subsequent to measurement date	\$ 1,390,388	\$ -
Difference between projected and actual earning on pension plan investments	-	130,042
Adjustment due to differences in proportions	383,746	-
Changes in assumptions	228,952	-
Difference between actual and expected experience	476,583	-
Difference between employer's actual contributions and proportionate share of contributions	45,958	-
Total	<u>\$ 2,525,627</u>	<u>\$ 130,042</u>

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

For the Miscellaneous Plan and Safety Plan, \$1,390,388 and \$1,838,564, respectively, was reported as deferred outflows of resources related to pensions resulting from City's contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the next measurement period (June 30, 2020). Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year Ended June 30,</b>	<b>Miscellaneous Plans</b>	<b>Safety Plans</b>	<b>Total</b>
2021	\$ 768,676	\$ 1,052,661	\$ 1,821,337
2022	82,506	110,282	192,788
2023	127,738	168,644	296,382
2024	26,277	28,825	55,102
2025	-	-	-
	<u>\$ 1,005,197</u>	<u>\$ 1,360,412</u>	<u>\$ 2,365,609</u>

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

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**Note 10 - Pension Plans (Continued)**

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

*Actuarial Assumptions*

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

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

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

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

*Long term Expected Rate of Return*

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

In determining the long-term expected rate of return, CalPERS took into account both short-term and long-term market return expectations as well as the expected pension fund cash flows. Using historical returns of all the funds' asset classes, expected compound (geometric) returns were calculated over the short-term (first 10 years) and the long-term (11+ years) using a building-block approach. Using the expected nominal returns for both short-term and long-term, the present value of benefits was calculated for each fund. The expected rate of return was set by calculating the rounded single equivalent expected return that arrived at the same present value of benefits for cash flows as the one calculated using both short-term and long-term returns. The expected rate of return was then set equal to the single equivalent rate calculated above and adjusted to account for assumed administrative expenses.

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

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**Note 10 - Pension Plans (Continued)**

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

*Long term Expected Rate of Return (Continued)*

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

<b>Asset Class<sup>1</sup></b>	<b>New Strategic Allocation</b>	<b>Real Return Years 1 - 10<sup>2</sup></b>	<b>Real Return Years 11 + <sup>3</sup></b>
Global equity	50.00%	4.80%	5.98%
Global fixed income	28.00%	1.00%	2.62%
Inflation sensitive assets	0.00%	0.77%	1.81%
Private equity	8.00%	6.30%	7.23%
Real assets	13.00%	3.75%	4.93%
Liquidity	1.00%	0.00%	-0.92%
Total	<u>100%</u>		

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

<sup>2</sup> An expected inflation of 2.0% used for this period

<sup>3</sup> An expected inflation of 2.92% used for this period

*Change of Assumptions*

There were no changes in assumptions.

*Discount Rate*

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



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

**Note 10 - Pension Plans (Continued)**

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

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

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

	<b>Plan's Net Pension Liability/(Asset)</b>		
	<b>Discount Rate - 1%</b> <b>(6.15%)</b>	<b>Current Discount</b> <b>Rate (7.15%)</b>	<b>Discount Rate + 1%</b> <b>(8.15%)</b>
Miscellaneous	\$ 12,019,831	\$ 7,438,139	\$ 3,656,276
Safety	16,837,216	10,769,243	5,794,456
Total	<u>\$ 28,857,047</u>	<u>\$ 18,207,382</u>	<u>\$ 9,450,732</u>

*Pension Plan Fiduciary Net Position*

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

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

**D. Payable to the Pension Plan**

The City had no outstanding amounts owed to the pension plan for contributions for the year ended June 30, 2020.

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

Note 11 - Other Required Disclosures

A. Expenditures Exceeding Appropriations

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

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

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

Note 12 - Equity Classification

A. Fund Balances

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

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

**Note 12 - Equity Classification (Continued)**

**B. Net Position**

***Governmental Activities***

*Net Investment in Capital Assets*

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

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

***Business-type Activities***

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

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

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**Note 13 - Commitments and Contingencies**

**A. Litigation**

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

**B. Grants**

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

**C. Construction Commitments**

Various construction projects in all fund types were in progress at June 30, 2020 with a planned cost to complete of approximately \$111,302,069.

**D. WRCOG Restated Settlement Agreement**

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

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

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

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

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**Note 13 - Commitments and Contingencies (Continued)**

**D. WRCOG Restated Settlement Agreement (Continued)**

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

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

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

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

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

The settlement agreement stipulates that if Third Party Claims have not produced recoveries of at least \$8,000,000 by July 2, 2022, the City will begin making payments to WRCOG in 20 equal annual installments beginning August 1, 2022. Any subsequent recoveries would adjust the annual installments as necessary. As of June 30, 2020, recoveries are approximately \$14 million. The City continues to share in recoveries at the 35% rate until recoveries total \$18 million at which time the City will begin collecting 50% of any recoveries. The City now shares in recoveries based on the settlement agreement; therefore, a liability has not been accrued.

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

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

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

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**E. Covid-19 Considerations**

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

**Note 14 - Subsequent Events**

**A. Bond Issuance**

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

On September 1, 2020, the City authorized the issuance of CFD special tax bonds (CFD 2019-1) in the amount of \$2,355,000 to finance a portion of the costs of acquiring and constructing certain public infrastructure improvements necessary for development of property within the specific improvement area. Interest on the bonds is payable semi-annually on March 1 and September 1 of each year through September 2050, beginning on March 1, 2020. The bonds bear interest ranging from 3% to 4%. Principal payments are due annually beginning on September 1, 2021. The notes are secured by a first pledge of the special tax revenues and funds on deposit in the Bond Fund, Reserve Fund, and Special Tax Fund. The City is not liable for repayment of the special tax bonds and these debts do not constitute an obligation of the City.

**B. Refunding**

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

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

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

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## **Required Supplementary Information (Unaudited)**



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

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**Note 1 – Budgetary Information**

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

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

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

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

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

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

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

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

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

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**Miscellaneous Plan**

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

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

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

**Safety Plan**

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

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



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

**Miscellaneous Plan**

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

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

<sup>1</sup>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:*

Change in Benefit Terms: None

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

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

**Safety Plan**

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

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

<sup>1</sup>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:*

Change in Benefit Terms: None

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

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## Supplementary Information

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## **Non-Major Governmental Funds**

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

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

(Continued)



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

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

(Continued)

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

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

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

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

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

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

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

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

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## **Combining Statements of Fiduciary Funds**



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

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

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

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



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

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*Independent Auditor's Report*

To the Honorable City Council  
City of Beaumont

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We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information of the City of Beaumont (the City) as of and for the year ended June 30 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated January 4, 2021.

***Internal Control over Financial Reporting***

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

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

**MEMBERS**

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*Employee Benefit Plan  
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California Society of  
Certified Public Accountants



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

### ***Compliance and Other Matters***

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

### ***City of Beaumont's Response to Findings***

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

### ***Purpose of this Report***

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

*Rogers, Anderson, Malody & Scott, LLP.*

San Bernardino, California  
January 4, 2021

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

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**A. Current Year Findings**

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

Criteria

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

Condition and Context

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

Effect

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

Recommendation

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

Management Response to Finding

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

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

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

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

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**A. Current Year Findings (continued)**

**Finding 2020-002- Payroll Process – Segregation of Duties**

Criteria

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

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

Condition and Context

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

Effect

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

Recommendation

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

Management Response to Finding

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

Schedule of Findings  
Year Ended June 30, 2020

---

**A. Current Year Findings (continued)**

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

Management Response to Finding (continued)

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

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



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

---

**A. Current Year Findings (continued)**

**Finding 2020-003- Payroll Process – Personnel Action Forms**

Criteria

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

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

Condition and Context

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

Effect

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

Recommendation

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

Management Response to Finding

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

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

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

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**A. Current Year Findings (continued)**

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

Management Response to Finding (continued)

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

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

---

**A. Current Year Findings (continued)****Finding 2020-004 Segregation of Duties for Business Licenses Process**Condition:

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

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

Criteria:

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

Cause:

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

Effect:

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

Recommendation:

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

Management's Response:

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

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

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

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

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

Criteria:

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

Cause:

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

Effect:

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

Recommendation:

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

Schedule of Findings  
Year Ended June 30, 2020

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**A. Current Year Findings (continued)**

**Finding 2020-005 Overhead Cost Allocation (continued)**

Management's Response:

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

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

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**B. Prior Year Findings**

**Findings 2019-001 Segregation of Duties for Business Licenses Process**

Status:

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

**Findings 2019-002 Overhead Cost Allocation**

Status:

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

**Finding 2019-003 Unauthorized Wire Transfers**

Status:

Implemented.



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

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To the Honorable City Council  
City of Beaumont, California

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

The procedures performed and our findings were as follows:

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

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

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

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



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

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

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

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

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

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

*Rogers, Anderson, Malody & Scott, LLP.*

San Bernardino, California  
January 4, 2021



**CITY OF BEAUMONT**  
**APPROPRIATIONS LIMIT COMPUTATION**  
2019 - 2020

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



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January 4, 2021

**PARTNERS**

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**MANAGERS / STAFF**

Charles De Simoni, CPA  
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Louis Fernandez, CPA  
Abigail Hernandez Conde, CPA, MSA  
Zoe Xinlu Zhang, CPA, MSA  
John Maldonado, CPA, MSA

**MEMBERS**

American Institute of  
Certified Public Accountants

*PCPS The AICPA Alliance  
for CPA Firms*

*Governmental Audit  
Quality Center*

*Employee Benefit Plan  
Audit Quality Center*

California Society of  
Certified Public Accountants

To the Honorable City Council  
City of Beaumont

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

**Our Responsibility in Relation to the Financial Statement Audit**

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

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

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

**Planned Scope and Timing of the Audit**

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

**Compliance with All Ethics Requirements Regarding Independence**

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



## **Qualitative Aspects of the City's Significant Accounting Practices**

### *Significant Accounting Policies*

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

### *Significant Accounting Estimates*

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

The most sensitive accounting estimates affecting the financial statements are:

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

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

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

### *Financial Statement Disclosures*

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

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

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

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

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

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

### **Significant Difficulties Encountered during the Audit**

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

### **Uncorrected and Corrected Misstatements**

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

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

### **Disagreements with Management**

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

### **Representations Requested from Management**

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

### **Management's Consultations with Other Accountants**

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

### **Other Significant Matters, Findings, or Issues**

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

*Other Matters*

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

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

*Restriction on Use*

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

Very truly yours,

*Rogers, Anderson, Malody & Scott, LLP.*

San Bernardino, California

**Schedule A**

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

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



January 04, 2021

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

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

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

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

#### **Financial Statements**

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



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

## Information Provided

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

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

### **Supplementary Information in Relation to the Financial Statements as a Whole**

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

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

### **Required Supplementary Information**

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

### **Use of a Specialist**

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

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

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

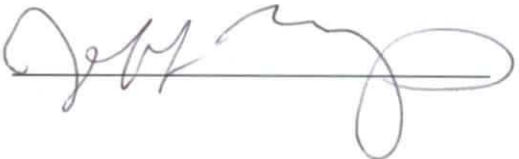
- We believe that the actuarial assumptions and methods used to measure pension liabilities and costs for financial accounting purposes are appropriate in the circumstances.

Signature: 

Title: City Manager

Printed Name: Todd Parton

Date: January 4, 2021

Signature: 

Title: Finance Director

Printed Name: Jeff Mohlenkamp

Date: January 4, 2021